

Quest Minerals Limited

ACN 062 879 583

Notice of extraordinary general meeting and explanatory statement

Date of Meeting: 14 November 2016

Time of Meeting: 11.00am WST

Place of Meeting: BDO Corporate Finance (WA) Pty Ltd
Rokeby Room, 38 Station Street, Subiaco WA 6008

IMPORTANT NOTICE

THE RESOLUTIONS PROPOSED FOR THIS MEETING ARE OF FUNDAMENTAL IMPORTANCE TO THE FUTURE OF YOUR COMPANY. IT IS RECOMMENDED THAT SHAREHOLDERS READ THIS NOTICE AND EXPLANATORY STATEMENT IN FULL, AND IF THERE IS ANY MATTER THAT YOU DO NOT UNDERSTAND, YOU SHOULD CONTACT YOUR FINANCIAL ADVISER, STOCKBROKER OR SOLICITOR FOR ADVICE.

SHAREHOLDERS SHOULD CAREFULLY CONSIDER THE INDEPENDENT EXPERT'S REPORT PREPARED BY BDO CORPORATE FINANCE (WA) PTY LIMITED. THE INDEPENDENT EXPERT'S REPORT COMMENTS ON THE FAIRNESS AND REASONABLENESS OF THE TRANSACTIONS AND RESOLUTIONS TO THE SHAREHOLDERS WHOSE VOTES ARE NOT TO BE DISREGARDED.

TIME AND PLACE OF MEETING AND HOW TO VOTE

Venue

The Extraordinary General Meeting of the Shareholders of Quest Minerals Limited will be held at:

BDO Corporate Finance (WA) Pty Ltd
Rokeby Room, 38 Station Street
SUBIACO WA 6008

Commencing 11.00 am (WST)
on 14 November 2016

How to Vote

You may vote by attending the Meeting in person, by proxy or authorised representative.

Voting in Person

To vote in person, attend the Meeting at the time, date and place set out above. The Meeting will commence at 11am (WST).

Voting by Proxy

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, members are advised that:

- each member has a right to appoint a proxy;
- the proxy need not be a member of the Company; and
- a member who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Proxy vote if appointment specifies way to vote

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, **if it does:**

- the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (i.e. as directed); and
- if the proxy has 2 or more appointments that specify different ways to vote on the resolution - the proxy must not vote on a show of hands; and
- if the proxy is the chair of the meeting at which the resolution is voted on - the proxy must vote on a poll, and must vote that way (i.e. as directed); and
- if the proxy is not the chair - the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (i.e. as directed).

Transfer of non-chair proxy to chair in certain circumstances

Section 250BC of the Corporations Act provides that, if:

- an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members; and
- the appointed proxy is not the chair of the meeting; and
- at the meeting, a poll is duly demanded on the resolution; and
- either of the following applies:
 - the proxy is not recorded as attending the meeting;
 - the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

Your Proxy Form is enclosed.

Snapshot Date

In accordance with regulations 7.11.37 and 7.11.38 of the Corporations Regulations 2001, the Directors have set a snapshot date to determine the identity of those Shareholders who are entitled to attend and vote at the Meeting. The snapshot date is 4:00pm (WST) on 10 November 2016.

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Extraordinary General Meeting of the Shareholders of Quest Minerals Limited will be held at BDO Corporate Finance (WA) Pty Ltd, Rokeby Room, 38 Station Street, Subiaco WA 6008 on 14 November 2016 at 11.00am (WST).

Business

1 RESOLUTION 1 - APPROVAL OF TRANSACTION WITH CORPORATE ADMIN SERVICES PTY LIMITED

To consider, and if thought fit, to pass the following as an **ordinary** resolution:

"That for the purposes of Listing Rule 10.9.2 only and subject to Shareholders approving Resolutions 2 to 11, Shareholder approval is given for the Corporate Administrative Services Agreement dated 4 May 2007 between the Company and Corporate Admin Services Pty Limited on the terms set out in the Explanatory Statement."

Expert's Report for the purposes of Listing Rule 10.10.2: BDO Corporate Finance (WA) Pty Limited have prepared a report opining that:

- (a) the transaction is neither fair nor reasonable; and
- (b) the Resolution is not fair but reasonable,

to Shareholders whose votes are not to be disregarded.

Voting Exclusion: The Company will disregard any votes cast on this Resolution by a party to the transaction (including Corporate Admin Services Pty Limited) and any associates of those persons. However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

2 RESOLUTION 2 - APPROVAL OF TRANSACTION WITH MUTUAL HOLDINGS PTY LIMITED

To consider, and if thought fit, to pass the following as an **ordinary** resolution:

"That for the purposes of Listing Rule 10.9.2 only and subject to Shareholders approving Resolutions 1 and 3 to 11, Shareholder approval is given for the Termination of Heads of Agreement and Tenement Sale Agreement dated 23 October 2009 between the Company and Mutual Holdings Pty Limited on the basis and terms set out in the Explanatory Statement"

Expert's Report for the purposes of Listing Rule 10.10.2: BDO Corporate Finance (WA) Pty Limited have prepared a report opining that:

- (a) the transaction is neither fair nor reasonable; and
- (b) the Resolution is fair and reasonable,

to Shareholders whose votes are not to be disregarded.

Voting Exclusion: The Company will disregard any votes cast on this Resolution by a party to the transaction (including Mutual Holdings Pty Limited) and any associates of those persons. However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or

- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

3 RESOLUTION 3 - CONSOLIDATION

To consider and, if thought fit, pass the following resolution as an **ordinary** resolution:

“That for the purposes of section 254H of the Corporations Act, Listing Rule 7.20, the Constitution and for all other purposes and subject to Shareholders approving Resolutions 1, 2, and 4 to 11, approval is given for the consolidation of the existing Shares and Partly Paid Shares in the Company on a 1 for 300 basis, with any fractional entitlements being rounded down to the nearest whole number and on the terms and conditions as detailed in the Explanatory Statement.”

4 RESOLUTION 4 - ISSUE OF SECURITIES

To consider, and if thought fit, to pass the following as an **ordinary** resolution:

“That for the purposes of Listing Rule 7.1 and for all other purposes and subject to Shareholders approving Resolutions 1 to 3 and 5 to 11, Shareholder approval is given for the Company to issue up to 91,000,000 fully paid ordinary shares in the capital of the Company to clients or nominees of CPS Capital Limited at an issue price of \$0.02 per share and otherwise on the terms set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if:

- it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

5 RESOLUTION 5 - ISSUE OF SECURITIES

To consider, and if thought fit, to pass the following as an **ordinary** resolution:

“That for the purposes of Listing Rule 7.1 and for all other purposes and subject to Shareholders approving Resolutions 1 to 4 and 6 to 11, Shareholder approval is given for the Company to issue up to 10,000,000 fully paid ordinary shares in the capital of the Company to clients or nominees of CPS Capital Limited at a deemed issue price of \$0.02 per share and otherwise on the terms set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if:

- it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

6 RESOLUTION 6 - ISSUE OF SECURITIES

To consider, and if thought fit, to pass the following as an **ordinary** resolution:

“That for the purposes of Listing Rule 7.1 and for all other purposes and subject to Shareholders approving Resolutions 1 to 5 and 7 to 11, Shareholder approval is given for the Company to issue up to 10,000,000 fully paid ordinary shares in the capital of the Company on the terms set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if:

- it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

7 RESOLUTION 7 - ISSUE OF OPTIONS

To consider, and if thought fit, to pass the following as an **ordinary** resolution:

“That, for the purposes of ASX Listing Rule 7.1 and for all other purposes and subject to Shareholders approving Resolutions 1 to 6 and 8 to 11, approval is given for the Company to issue up to 30,000,000 Options to clients or nominees of CPS Capital Limited) at an issue price of \$0.00001 per option, on the terms and conditions set out in Annexure A to the Explanatory Statement.

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if:

- it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

8 RESOLUTION 8 - ISSUE OF SECURITIES TO RELATED PARTY

To consider, and if thought fit, to pass the following as an **ordinary** resolution:

“That for the purposes of Listing Rule 10.11 and for all other purposes and subject to Shareholders approving Resolutions 1 to 7 and 9 to 11, Shareholder approval is given for the Company to issue the following securities in the capital of the Company to Mr Jerome Vitale or his nominee:

- 2,500,000 fully paid ordinary shares at a deemed issue price of \$0.02 per share;
- 2,500,000 Options at an issue price of \$0.00001 per Option, on the terms and conditions set out in Annexure A to the Explanatory Statement; and
- 2,500,000 Performance Rights on the terms and conditions set out Annexure B to the Explanatory Memorandum,

and otherwise on the terms set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Jerome Vitale or any of his associates. However, the Company need not disregard a vote if:

- it is cast by Mr Vitale as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

9 RESOLUTION 9 - ISSUE OF SECURITIES TO RELATED PARTY

To consider, and if thought fit, to pass the following as an **ordinary** resolution:

“That for the purposes of Listing Rule 10.11 and for all other purposes and subject to Shareholders approving Resolutions 1 to 8 and 10 to 11, Shareholder approval is given for the Company to issue 500,000 fully paid

ordinary shares in the capital of the Company to Mr Paul Piercy or his nominee at a deemed issue price of \$0.02 per share and otherwise on the terms set out in the Explanatory Statement.

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Paul Piercy or any of his associates. However, the Company need not disregard a vote if:

- it is cast by Mr Piercy as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

10 RESOLUTION 10 - ISSUE OF SECURITIES TO RELATED PARTY

To consider, and if thought fit, to pass the following as an **ordinary** resolution:

“That for the purposes of Listing Rule 10.11 and for all other purposes and subject to Shareholders approving Resolutions 1 to 9 and 11, Shareholder approval is given for the Company to issue 500,000 fully paid ordinary shares in the capital of the Company to Mr Dennis Gee or his nominee at a deemed issue price of \$0.02 per share and otherwise on the terms set out in the Explanatory Statement.

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Dennis Gee or any of his associates. However, the Company need not disregard a vote if:

- it is cast by Mr Gee as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

11 RESOLUTION 11 - ISSUE OF SECURITIES TO RELATED PARTY

To consider, and if thought fit, to pass the following as an **ordinary** resolution:

“That for the purposes of Listing Rule 10.11 and for all other purposes and subject to Shareholders approving Resolutions 1 to 9, Shareholder approval is given for the Company to issue 500,000 fully paid ordinary shares in the capital of the Company to Mr Stuart Third or his nominee at a deemed issue price of \$0.02 per share and otherwise on the terms set out in the Explanatory Statement.

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Stuart Third or any of his associates. However, the Company need not disregard a vote if:

- it is cast by Mr Third as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

12 RESOLUTION 12 - CHANGE OF NAME

To consider and, if thought fit, pass the following resolution as a **special** resolution:

“That for the purposes of section 157(1) of the Corporations Act and for all other purposes, approval is given for the name of the Company to be changed from Quest Minerals Limited to ‘Acacian Minerals Limited.’

By order of the Board

Stuart Third
Company Secretary
Dated: 14 October 2016

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of Shareholders in Quest Minerals Limited in connection with the business to be conducted at the Extraordinary General Meeting of the Company to be held at BDO Corporate Finance (WA) Pty Ltd, Rokeby Room, 38 Station Street, Subiaco WA 6008 on 14 November 2016 at 11.00am (WST).

This Explanatory Statement should be read in conjunction with the accompanying Notice of Extraordinary General Meeting and Independent Expert's Report.

ASX Conditions for Reinstatement of Company's Securities for Quotation

Section 3.4 of Listing Rules Guidance Note 33 "Removal of Entities from ASX Official List" states that entities will be automatically removed from the ASX Official List from the open of trading on first trading day following continuous suspension of three years. The Company's shares were suspended from trading on ASX on 1 October 2013 thus the first ASX trading day after a continuous period of three years in suspension is 4 October 2016.

On 28 August 2016 the ASX confirmed the conditions for reinstatement of quotation of its securities. The key conditions are:

- (i) obtaining shareholder approval under ASX Listing Rule 10.9 and provision of an independent expert report under Listing Rule 10.10 for the purposes of that approval in respect of a services agreement entered into with Corporate Admin Services Pty Ltd in May 2007, and a Share Sale Agreement entered into with Mutual Holdings Pty Ltd in October 2009; both entities are controlled by Mr Vladimir Nikolaenko, a person considered by ASX to be a related party at the time the transactions were entered into by the Company; and
- (ii) execution of escrow deeds by the present holders of 77 million shares originally issued to Mutual Holdings Pty Ltd pursuant to the Share Sale Agreement. In the event that orders are obtained by the Trustee to the Creditors Trust established pursuant to a Deed of Company Arrangement approved by creditors on 18 August 2014 under section 444GA of the Corporations Act transferring the 77 million shares to the Trustee of the Creditors Trust, ASX has advised it will accept an escrow deed executed by the Trustee of the Creditors Trust in satisfaction of this requirement.

The Creditors Trustee has advised he intends to commence proceedings if, within two business days of presentation to Mutual Holdings and CAS of this formal Notice of Meeting (once approved by ASX), together with any other information that Mr Nikolaenko may reasonably require, he has not received signed escrow deeds as required by ASX from Mutual Holdings Pty Ltd KHV Holdings Pty Ltd, being the current holders of the 77 million received pursuant to the Sale Agreement. Together with the Company's audited financial statements released to the market on 23 September 2016, and the Trustee's estimate of dividends payable by the Creditors Trust upon receipt of the \$330,000 proposed payment by QNL from the proceeds of the recapitalisation (plus a further estimated \$1,132 from the sale of forfeited partly paid shares by the Company), this will constitute all available information that might reasonably be required for Mr Nikolaenko as the controller of these entities to make a decision concerning the execution of the restriction agreements required by ASX.

The Trustee has informed the Company that his advice is that he will be required to present to the Court this minimum information in order to have confidence that the application to the Court will be successful. The application is to be lodged in the New South Wales Supreme Court for an expedited hearing. Counsel had advised his expectation is that the matter will be listed for hearing by the Court and a judgement made before ASX removal extension date (if granted).

On 5 September 2016 the Company was advised by ASX that it has extended the removal deadline to the earlier of shareholder approval (for the required resolutions under Listing Rule 10.9 and 10.10) or 24 October 2016. On 13 October 2016, following the commencement of the Federal Court proceedings to abridge the 28 day notice requirements for a listed entity to hold a shareholder meeting and an application to adjourn the proceedings by an affected party, the ASX extended the removal date of the Company to 15 November 2016. As a result of the extension granted to the Company, the Company withdrew its Federal Court application for orders under section 1322(4) of the Corporations Act. Under section 3.4 of ASX Guidance Note 33 any further period of extension past 15 November 2016, which ASX may in its absolute discretion grant, will be no longer than 3 January 2017 (taking into account the extension of time already provided).

The Company must lodge its prospectus and hold its shareholder meeting prior to 15 November 2016. The Company intends commencing the section 444GA proceedings referred to in the notice forthwith as completion of those proceedings is one of ASX's conditions for reinstatement.

Other conditions ASX requires the Company to meet are set out at Annexure D to the Explanatory Memorandum.

1 INTRODUCTION

1.1 Recapitalisation

The Company's Shares were suspended in October 2013 initially following its failure to lodge its 2013 statutory accounts. The Shares remained suspended after the Company had lodged its 2013 statutory accounts as a result of the Company reporting various alleged breaches of the Listing Rules to ASX (the details of which are set out below).

Since then, the Company has been subject to a deed of company arrangement (which resulted in the Company being released from its then debts, and creditors' claims being replaced with claims against a creditors' trust) and forfeited its interest in the Perenjori iron ore project. It has maintained its interest in the Victory Bore project. However and without funds, it has not undertaken any work on Victory Bore.

On 7 October 2016 the Company announced that it had negotiated a proposal with a number of investors including a lead manager to recapitalise the Company. The recapitalisation provides for:

- (a) a 1 for 300 consolidation of existing Shares and Partly Paid Shares, resulting in the Company having 2,084,811 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 \$1.8 million and 10 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 (together the **Capital Raising**); and
- (c) the issue of 4 million Shares to Directors in lieu of Directors' fees;
- (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; 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,

(together the Recapitalisation).

Of these Shares and Options, 4,000,000 Shares and 2,500,000 Options will be issued to related parties in lieu of unpaid Directors fees.

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 (Resolutions 1 and 2);
- (b) Shareholders approving the Recapitalisation (Resolutions 3 to 12); and
- (c) the Company lodging outstanding accounts and otherwise complying with the Listing Rules.

The requirement to ratify prior breaches of the Listing Rules is explained in section 2.

With respect to the 56,600 Partly Paid Shares that will be on issue post consolidation, the Directors have passed a resolution the effect of which is that these have been forfeited due to failure by the holders to pay formal calls made by the Company on 30 August 2013. The Company intends to offer these shares under an offer to be made under a prospectus at the same price as the Capital Raising. The amount to be raised from the sale of these shares at \$0.02 per shares is expected to be \$1,132 and will be applied to converting them to fully paid ordinary share status. Because the Company made formal calls for payment of outstanding amounts on these shares on 30 August 2013, prior to the appointment of the Voluntary Administrator on 9 May 2014, any future amount recovered constitutes an asset attributable to the Creditors Trust under the DOCA, with no benefit to the Company.

1.2 Company's financial position and pro forma financial information

On 9 May 2014 the Company's Directors appointed Adam Shepard as voluntary administrator of the Company. On 18 August 2014, a meeting of the Company's creditors resolved that the Company execute the DOCA. On 18 August 2014 the Company executed the DOCA.

The DOCA provided in essence that creditors' claims would be extinguished and that a creditors' trust (**Creditors' Trust**) would be established, with creditors having a claim against trust funds. As a result, the Company was released from all claims arising prior to 9 May 2014.

Since the DOCA the Company's Directors have focused on maintaining the Company's tenements (including Victory Bore) and recapitalising the Company.

Annexure C to this Explanatory Memorandum is an audited Consolidated Statement of Financial Position of the Company and the Consolidated Pro-Forma Statement of Financial Position, as at 30 June 2016 and prepared on the basis of the following key assumptions:

- (a) the Recapitalisation was effective on 30 June 2016;
- (b) Cash proceeds of \$1,820,000 from the issue of 91,000,000 Shares to clients and nominees of CPS Capital at \$0.02 per Share;
- (c) Cash proceeds of \$320 from the issue of 32,500,000 Options at \$0.00001 per Option;
- (d) Cash proceeds from the sale of 56,600 post reconstruction forfeited Partly Paid Shares amounting to \$1,132;
- (e) Settlement of Lead Manager and Adviser fees of \$200,000 by the issue of 10,000,000 Shares at a deemed price of \$0.02 per Share;
- (f) Contribution made to Creditors Trust under terms of DOCA is \$331,132, with \$330,000 sourced from the proceeds of the Capital Raising and an estimated \$1,132 from the sale of the Partly Paid Shares;
- (g) no further Shares are issued (including by way of exercise of Options) other than all Shares offered under the Recapitalisation;
- (h) Creditors and accruals of \$109,857 at 30 June 2016 are paid (comprising accounting and audit fees of \$65,000 accrued for preparation of up to date financial statements and audit opinions and other creditors of \$44,857);
- (i) Borrowings at 30 June 2016 of \$10,600 are paid;
- (j) accrued directors fees from 18 August 2014 to 30 June 2016 of \$120,000 are settled by cash payment of \$40,000 and the issue of 4,000,000 Shares at a deemed price of \$0.02 per Share; and
- (k) costs of the Recapitalisation are \$230,000 including capital raising commissions, cost of independent expert report, legal costs, printing and mailing costs and ASIC lodgement fees etc.

A more detailed set of assumptions is set out at Annexure C.

The pro-forma Statement of Financial Position has been prepared in accordance with draft ASIC Guide to Disclosing Pro Forma Financial Information (issued July 2005).

1.3 Company's future intentions and use of funds raised under the Capital Raising

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	\$331,132
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The above budget is a statement of intention and is subject to various risks and circumstances which may alter the Company's intentions. These include exploration results and cost increases.

1.4

At 23 September 2016 the Company reported in its audited statutory accounts released on that date, the existence of a contingent liability of a maximum of \$300,000 to the Creditors Trustee. This financial obligation arises only in the event that the Company is successfully recapitalised. If the Company does not meet the conditions of ASX

for reinstatement, it will not have any further obligation to the Trustee. The return to creditors under the DOCA in this scenario will be limited to the existing funds available in the First Creditors Trust established under the DOCA, with no further recourse to the Company other than the proceeds becoming available from the sale of the forfeited Partly Paid Shares. If the Company is successfully recapitalised, the contingent liability that would then arise will be eliminated by making the proposed contribution to the Creditors Trust of \$331,132 included in the above table. Capital structure

The Company's capital structure following the Pre and following the Recapitalisation will be as follows:

	Fully Paid Ordinary Shares		Partly Paid Shares	
	Number	%	Number	%
Existing Shares on Issue pre-reconstruction	625,443,285	100%	16,980,000	100%
Existing Shares on issue following the Consolidation	2,084,811	1.95%	56,600	100%
Placement at \$0.02 per Share to unrelated parties (Resolution 4))	91,000,000	84.98%	-	-
Placement at \$0.02 per Share to related parties (Resolutions 7 to 10)	4,000,000	3.74%	-	-
Issue of Shares at \$0.02 per share in satisfaction of fees to unrelated lead manager and corporate advisers (Resolution 5)	10,000,000	9.33%	-	-
Total	107,084,811	100.00%	56,600	100%

The Company will also have 32.5 million Options on issue, each exercisable at \$0.03 on or before 30 September 2020 and have granted 2,500,000 Performance Rights. The Partly Paid Shares presently on issue have been forfeited by the present holders due to their failure to pay formal calls on those shares. The Directors have resolved to offer for sale the post reconstruction Partly Paid Shares under a prospectus offer at the same price as the Capital Raising, upon payment of which they will convert to fully paid shares. Proceeds of \$1,132 from the sale of these shares are for the account of the Creditors Trustee as the calls were made by the Company prior to the Appointment of the Voluntary Administrator on 9 May 2013 therefore moneys received from the sale are an asset of the Creditors Trust.

1.5 Timetable

The proposed timetable for the Recapitalisation and reinstatement of the Company's Shares to quotation on ASX is as follows (and assumes ASX will exercise its discretion and grant a further period of extension to no later than 3 January 2017 on the basis that the Company has met certain criterion by 15 November 2016 as set out in section 3.4 of ASX Guidance Note 33):

Latest date to lodge proxies for the Meeting	11:00 am, 12 November 2016
Lodge prospectus for the Recapitalisation Meeting	14 November 2016
Complete issue of securities under the Recapitalisation	16 December 2016
Shares reinstated for trading	30 December 2016

The above timetable may change, subject to the Corporations Act and Listing Rules.

2 RESOLUTIONS 1 AND 2 - APPROVAL OF TRANSACTIONS WITH CORPORATE ADMIN SERVICES PTY LIMITED AND MUTUAL HOLDINGS PTY LIMITED

2.1 Background

By way of background, Listing Rule 10.1 requires shareholder approval for the purchase of a substantial asset (defined to have a value of 5% of an entity's equity interests) from a related party, and Listing Rule 10.7 provides that the consideration for an acquisition of an interest in a mining tenement from a related party may only be restricted securities. ASX may require an entity in breach of Listing Rule 10.1 and 10.7 to take corrective action by either shareholders approving or the Company cancelling a transaction; failing which ASX may suspend or delist a company.

The two new directors of the Company appointed on 22 April 2013, namely Messrs Vitale and Piercy, established that certain charges invoiced to the Company under a services agreement included charges of an unrelated nature outside the scope of the CAS services agreement. They then questioned the basis upon which these and all charges were being made to the Company by CAS under this agreement. This led to a comprehensive review of the corporate governance practices and procedures of the Company, initiated by the Board following as reconstituted on 22 April 2013. Following this investigation, the Board formed the view that:

- (a) Mr Vladimir (Roger) Nikolaenko was at all material times a shadow director of the Company and entities he controlled (CAS and Mutual Holdings) were related parties of the Company for the purposes of the Corporations Act and Listing Rules;
- (b) certain Share issues and cash payments detailed in sections 2.2 and 2.3 below (and described as the Services Agreement and Sale Agreement; together the **Chapter 10 Agreements**) required Shareholder approval and, as this was not obtained, were in breach of Listing Rules 10.1 and 10.7.

The directors and officers of the Company in office during all or part of the period that the relevant transactions occurred are named in the Company's Annual reports for the years ended 30 June 2007 to 30 June 2013.

Dr Gee who was appointed a non-executive director of the Company on 20 June 2010 and is a continuing director, was a director when some of the relevant payments were made under the CAS agreement and the Sale Agreement. Messrs Vitale and Piercy are satisfied that Dr Gee was not involved in authorizing any payments tainted by the 10.1 breaches as he had no involvement or day to day responsibility for authorization and payments of invoices rendered by CAS. With respect to the Sale Agreement entered into in November 2009, shareholder approval for the issue of 7.0 million Shares and 7.0 million options was obtained under LR 7.1 at the AGM held on 30 November 2009. It was only subsequent investigations by Mr Vitale and Mr Piercy that led all directors, including Dr Gee, to form the view that Mr Nikolaenko had been a person of influence and a related party within the meaning of the Corporations Act at the time the Chapter 10 transactions had been entered into.

Mr Gee is a geologist with responsibility for all technical aspects the Company's projects. Aside from the general responsibilities of a non executive director Dr Gee had specific responsibility to keep the exploration assets of the Company in good standing by oversight and management of the technical programs. In this respect he was the Competent Person for ASX reporting of exploration results under the JORC Code, after the departure of the CEO (Mr Paddy Reidy) on 14 October 2011.

He relied on the other directors and officers of the Company at the time to administer and oversee the day to day its affairs including the proper execution of the CAS services agreement and compliance with the Company's adopted corporate governance principles.

Messrs Vitale Piercy considered it in QNL's best interests that Dr Gee with his technical skills and background knowledge of QNL's projects, and for continuity, remained on the Board following their review.

Mr Stuart Third was appointed as a director 10 March 2009 to temporarily fill a vacancy whilst the Board sought a replacement after the sudden resignation of the Managing Director, Mr Stephen Hooper, and resigned 15 June 2010. He was therefore a director when some of the payments under the services agreement were and when the Sale Agreement was entered into by Mutual Holdings on or about 30 November 2009. He was appointed Company Secretary on 12 September 2012 and is continuing in that role.

Mr Third is a Chartered Accountant, and during this time he was an employee and junior partner of Winduss and Associates, an accounting firm whose principal, Mr Alan Winduss, was also the Chairman of the Company's Board of

Directors. Mr Winduss was a director of the Company the time that the Sale Agreement was entered into in October 2009 and for much of the time that the Services Agreement was afoot (from 11 August 2008 to 22 April 2013). At the time of his appointment Mr Third was relatively inexperienced in the conduct of the affairs of public companies. The Directors conducting the review concluded this situation did not represent best practice as it may have impacted on the independence of thought required for public company directors representing the interest of all shareholders.

Messrs Vitale and Piercy are satisfied that Mr Third was not involved in authorizing any payments tainted by the 10.1 breaches as he had no involvement or day to day responsibility for authorization and payments of invoices rendered by CAS. With respect to the Sale Agreement entered into in November 2009, shareholder approval for the issue of 7.0 million Shares and 7.0 million options was obtained under LR 7.1 at the AGM held on 30 November 2009. It was only subsequent investigations that led all directors to form the view that Mr Nikolaenko had been a person of influence and a related party within the meaning of the Corporations Act at the time the Chapter 10 transactions had been entered into.

Messrs Piercy and Vitale formed the view that during his tenure as a director, while Mr Third had left himself exposed to the risk that his mind may not have been completely independent due to his partnership / employee relationship with Mr Winduss, they did not consider that his role as part-time Company Accountant and Company Secretary presented any risk to the Company as he was by this stage merely providing an external professional service at standard arms length rates. Since that time, Mr Third has completed a Graduate Diploma in Applied Corporate Governance.

The Directors believe that due to his intimate knowledge of the Company's affairs and for continuity reasons, it has been in the best interests of the Company that Mr Third continues in his capacity as Company Secretary and Accountant at least until the completion of the recapitalisation, at which time his ongoing role with the Company will be reviewed.

Upon completion of the Directors' internal review, in November 2013, the Company advised ASX of the Chapter 10 Agreements, the results of their internal investigation and the view reached by Directors that in their opinion there had been breaches of Listing Rules. As a result, trading of the Company's Shares was suspended in October 2013. ASX subsequently advised that it requires, as a condition of having the suspension lifted, that the Company comply with Listing Rule 10.9 and either seek Shareholder approval for the Chapter 10 Agreements or cancel the Chapter 10 Agreements.

The Chapter 10 Agreements have been terminated and are no longer on foot, and were subject to the DOCA, meaning no further shares will be issued or cash payments made under them. Whilst he initially did not dispute the Board's determination as to his status, Mr Nikolaenko has since refused to co-operate with the Company and subsequently appealed the Deed Administrator's decision to reject creditor claims from entities controlled by him arising under the Chapter 10 Agreements. This has limited the steps that can be taken with respect to past payments and Share issues. As a result, the Company has elected to:

- (a) comply with Listing Rule 10.9 by seeking Shareholder approval of the Chapter 10 Agreements; and
- (b) comply with Listing Rule 10.7 by supporting the Deed Administrator's proposed application to the Supreme Court of New South Wales for orders transferring 77,000,000 Shares issued to Mutual Holdings under the Sale Agreement, of which 70,000,000 Shares are now held by KHV Holdings, an entity also controlled by Mr Nikolaenko. If the Court grants the application the Deed Administrator will sign the escrow deeds required by ASX to comply with Listing Rule 10.7 which requires the securities issued pursuant to the Chapter 10 Agreement to be Restricted Securities.

The purpose of Resolutions 1 and 2 is to seek that Shareholder approval for the above

Without approval for Resolutions 1 and 2, the Recapitalisation will not complete and Quest's Directors will resolve to have Quest wound up. This will result in no return for Shareholders.

BDO has provided opinions on both the Chapter 10 Agreements and Resolutions 1 and 2. Shareholders are urged to read their report in full.

Notwithstanding the Company's election to comply with the requirements of ASX with respect to the corrective action required under Listing Rule 10.9, the conclusions reached by the Directors with respect to Mr Nikolaenko's status as a related party and person of influence, as set out in the Company's Annual Report for the year ended 30 June 2013, have not been tested in a court of law.

2.2 Services Agreement

The Company and Corporate Admin Services Pty Ltd (CAS), an entity controlled by Mr Nikolaenko, were parties to a corporate administration services agreement dated 4 May 2007 (**Services Agreement**), under which CAS provided certain to the Company from 1 April 2007 for 5 years (with a unilateral right exercisable by CAS to extend for a further 2 years). The services comprised general office administration, book keeping services, provision of shared office administration staff. Additional fees were charged for rent on shared office space, introductions made to projects and for negotiating loan and equity funding. Accounting and Company Secretarial services were excluded. In consideration for the services, the Company agreed to pay CAS \$370,000 (plus GST) (as adjusted for CPI increases) per annum for 5 years (with a unilateral right to extend for a further 2 years), or a total amount of approximately \$2.92 million (adjusted for CPI increases) over the 7 year term of the Services Agreement.

In April 2012 CAS exercised its contractual right and extended the Services Agreement for a further two years.

In total, the Company has paid approximately \$2.35m in cash to CAS under the Service Agreement.

On or about 19 July 2013 CAS served a notice of termination of the Service Agreement on the Company. Whilst disputing the basis for termination, the Company accepted CAS's position that the Service Agreement was no longer on foot.

On 30 July 2013 the Company announced that CAS had made a claim for approximately \$110,000 in unpaid fees (including GST). This claim related to fees for the months of March, April and May 2013. CAS subsequently claimed a termination payment of approximately \$612,000 comprising these unpaid fees plus a 3 year retrospective CPI adjustment of approximately \$40,000, further unpaid fees for June 2013 of approximately \$40,000 and a termination payment of approximately \$40,105 per month (after CPI adjustments including GST) from July 2013 to the end of the term of the agreement (30 April 2014), or \$401,050, plus office rent and other expenses of approximately \$21,000. These claims were extinguished by the DOCA.

As noted above, the Board took the stance that the above claims are not payable by the Company based on its determination that CAS was a related party of the Company when the Services Agreement was entered into, and that in entering the Services Agreement without prior Shareholder approval, Chapter 2E of the Corporations Act and Listing Rule 10.1 were breached.

The Company reported the breach of Listing Rule 10.1 to ASX, and reserved all of its rights against CAS and Mr Nikolaenko arising in respect of the Services Agreement and breaches of the Listing Rules and Corporations Act.

2.3 Sale Agreement

Under a Termination of Heads of Agreement and Tenement Sale Agreement dated 23 October 2009 (**Sale Agreement**) the Company agreed to acquire mining tenement E57/550 (**Victory Bore**) from Mutual Holdings Pty Limited (**Mutual Holdings**), an entity controlled by Mr Nikolaenko. The Sale Agreement provided (amongst other things) as follows:

- (a) The Company would pay Mutual Holdings (or its nominee) a total of \$540,000 through a cash payment of \$50,000 and the issue of 7 million Shares and 7 million Options (with an exercise price of \$0.07 and expiry date of 30 June 2013). This payment and securities issue occurred in November 2009 and were made to Mutual Holdings.
- (b) Upon the establishment of a JORC code compliant Inferred Resource, Indicated Resource or Measured Resource on Victory Bore the Company is to make payments to Mutual Holdings as follows:
 - (i) Where the resource relates to iron ore, vanadium, titanium or phosphate - Inferred Resource \$0.02 per tonne of ore, Indicated Resource \$0.04 per tonne of ore and Measured Resource \$0.06 per tonne of ore.
 - (ii) Where the resource relates to U₃O₈ or any base metal - Inferred Resource \$0.05 per tonne of ore, Indicated Resource \$0.08 per tonne of ore and Measured Resource \$0.10 per tonne of ore.
 - (iii) Where the resource relates to gold or any other precious metal - Inferred Resource \$0.20 per tonne of ore, Indicated Resource \$0.30 per tonne of ore and Measured Resource \$0.50 per tonne of ore.

- (c) Mutual Holdings is also to be paid a further payment of \$1.00 per tonne of iron ore derived from the tenement and a royalty equal to 1% of gross revenue received by the Company from the sale of gold, any other precious metal or base metal derived from the tenement.

On 4 March 2011 the Company announced a maiden resource at Victory Bore of 151mt at 25% Fe and 0.44% V₂O₅. The Company and Mutual Holdings agreed standstill arrangements so that the liability arising under the Sale Agreement as a result of the announcement was deferred for several periods, and ultimately until 5 September 2012.

The Company and Mutual Holdings subsequently entered into a debt management agreement on 8 August 2012 (**Debt Agreement**) under which the Company acknowledged a debt owed to Mutual Holdings under the Sale Agreement of \$3.02m (**Mutual Holdings Debt**), and agreed a repayment program. The Mutual Holdings Debt was disclosed in the notes to the Company's 2012 financial statements, and treated as a liability in the Company's half yearly report for the period ending 31 December 2012.

In total, the Company has issued 77,000,000 Shares and paid \$96,530 in cash to Mutual Holdings under the Sale Agreement (as varied by the Debt Agreement). The 7 million options issued on 30 November 2009 were not exercised and expired on 30 June 2013.

With respect to the issue of the 77,000,000 Shares, the following is a summary of the dates of issue and the basis upon which they were issued:

Number issued	Date issued	Basis
7,000,000	30 November 2009	Shareholder approved issue under Listing Rule 7.1 at AGM held on 30 November 2009 at deemed price of \$0.07 per Share
60,000,000	21 August 2012	Available capacity under Listing Rule 7.1, subsequently ratified at General Meeting of shareholders held on 17 October 2012 at deemed price of \$0.011 per Share
10,000,000	11 January 2013	Available capacity under Listing Rule 7.1, at deemed price of \$0.01 per Share

With respect to the cash payments, the following is a summary of the cash payments made to Mutual Holdings:

Date Paid	Amount
30 November 2009	\$50,000
21 November 2012	\$24,750
6 March 2013	\$21,780
Total cash paid	\$96,530

Under the Debt Agreement further repayments were to be made out of future capital raisings, limited to 10% of each amount raised until the debt was fully repaid with the full amount of the contractual obligation was to have been repaid in full within 2 years.

In the course of their internal investigations surrounding the Company's dealings with Mr Nikolaenko, the Directors also reached the conclusion that the Sale Agreement required shareholder approval under Chapter 2E of the Corporations Act and Listing Rule 10.1. Such approval was not obtained and, as a consequence the Company believes that a court will not enforce the Chapter 10 Agreements against the Company or order the Company to pay the Mutual Holdings Debt. As a result the Mutual Holdings Debt was not recognised as a liability in the Company's financial report for the period ending 30 June 2013 (but was appropriately disclosed in the notes). The Mutual Holdings Debt was extinguished in full by the DOCA.

Furthermore and in what was considered by the Directors to be a breach of Listing Rule 10.7, cash payments were made and the Shares issued were unrestricted.

The Company reported the alleged breach of Listing Rules 10.1 and 10.7 to ASX, and reserved all of its rights against Mutual Holdings and Mr Nikolaenko arising in respect of the Sale Agreement and breaches of the Listing Rules and Corporations Act.

Following the Board's determination and announcing the alleged breach to ASX, Mutual Holdings' lawyers advised the Company's lawyers that the determination amounted to a repudiation of the Sale Agreement by the Company. Mutual Holdings has accepted the repudiation, bringing the Sale Agreement to an end.

2.4 Administration and subsequent events

As noted above, on 9 May 2014 the Company's Directors appointed Adam Shepard as voluntary administrator of the Company. On 18 August 2014, a meeting of the Company's creditors resolved that the Company execute the DOCA. On 18 August 2014 the Company executed the DOCA.

The DOCA provided in essence that creditors' claims would be extinguished and that a creditors' trust (**Creditors' Trust**) would be established, with creditors having a claim against trust funds. As a result, the DOCA extinguished claims under the Chapter 10 Agreements.

CAS and Mutual Holdings each lodged proofs of debt for amounts owed under the Chapter 10 Agreements. The Deed Administrator rejected the proofs on the basis that the Chapter 10 Agreements were entered into in breach of Chapter 2E of the Corporations Act. CAS and Mutual Holdings appealed these decisions to the Supreme Court of Western Australia, and on 5 November 2015 the Court set aside the Deed Administrator's decision. The Court subsequently ordered that the Deed Administrator pay CAS and Mutual Holdings' costs of the proceedings, limited to the funds held in the creditors' trust. The effect of this is this was to give CAS and Mutual Holdings a priority claim (equal to other priority claims) against the Creditors Trust.

The Recapitalisation Proposal provides that \$330,000 will be paid to the Creditors' Trust from the proceeds of the Capital Raising plus a further \$1,132 from the sale of forfeited Partly Paid Shares. As a result of other priority claims made by unrelated third parties against the Creditors' Trust, CAS and Mutual Holdings will be paid an amount towards their legal costs of the Supreme Court Appeals, with no expected return for amounts owed under the Chapter 10 Agreements.

- 2.5 Haramont Pty Ltd, a company controlled by Mr Jerome Vitale, was assigned approximately \$912,000 of the \$3.02 million debt arising from the Sale Agreement on 19 April 2013, and as an eligible creditor will be entitled to be paid a pro-rata distribution from any funds remaining in the Creditors Trust No 2. After payment of the Administrator's fee and priority creditors including legal costs, the return to Haramont from the assigned debt is expected to be approximately 1.0 cent in the dollar or approximately \$9,100.

2.6 Status of Victory Bore

A full scoping study for Victory Bore was undertaken by leading industry consultants METS and Cube Consulting during the year ended 30 June 2012. Results indicated that although technically positive as a ferrovanadium project, it was marginally economic at the then-present depressed price for vanadium. The scoping study was independently reviewed by Promet Engineers who concurred with this view.

A summary of the current status and valuation of Victory Bore is contained in the independent valuation report prepared by Mr Malcolm Castle of Agricola Mining Consultants, a copy of which is annexed to BDO's report.

The Company raised a significant impairment provision at 30 June 2013 to reflect the uncertain future of Victory Bore given present market conditions, and is now carrying Victory Bore at nil value in the balance sheet. Although little work has been done on Victory Bore since 2012, the Ti-V-Fe deposit may have some potential value in the future. However the Company's immediate priority is to investigate the potential for alternative gold mineralization on the tenement package using funds raised under the Capital Raising.

2.7 Determination by ASX and requirement under Listing Rules 10.7 and 10.9

Due to delays in completing its governance review, the Company's 2013 statutory accounts were lodged late and its Shares subsequently suspended from trading on ASX. Upon lodging its accounts, the Company advised ASIC and ASX that it had formed the view that that Chapter 2E of the Corporations Act and Listing Rules 10.1 and 10.7 had been breached.

In response, ASX advised that:

- (a) in circumstances where a company has reported breaches of Listing Rule 10.1, ASX will require the entity to take corrective action under Listing Rule 10.9, and that corrective action can consist of shareholder approval or cancellation of the relevant transactions;
- (b) to be satisfied that an executed transaction has been cancelled for purposes of Listing Rule 10.7, ASX would need to be satisfied that the parties to that transaction had taken the necessary steps to put each other in the position that they would have been in, had the transaction not been executed;
- (c) the Company's shares would remain suspended from trading until Listing Rule 10.9 was complied with and the breach of Listing Rule 10.7 corrected.

Listing Rule 10.9 provides that an entity must take corrective action if ASX requires; being, at the option of the entity, either:

- (a) cancelling the transaction (or arranging for its cancellation); or
- (b) seeking approval of shareholders to the transaction. If approval is not obtained, the entity must cancel the transaction (or arrange for its cancellation).

As noted above, Quest and CAS and Mutual Holdings have, through their conduct, terminated the Service Agreement and Sale Agreement respectively, and have (in respect of future performance) cancelled the transactions for the purposes of Listing Rule 10.9.

With respect to past performance, and in light of the Company's administration and as there will not be any return to unsecured creditors (including CAS and Mutual Holdings under the DOCA), ASX requires that:

- (a) Shareholders approve the Chapter 10 Agreement for the purposes of Listing Rule 10.9; and
- (b) the holder of Shares issued under the Sale Agreement (Mutual Holdings and KHV Holdings) sign a restriction agreement.

Shareholders approving Resolutions 1 and 2 will satisfy ASX's requirement for Shareholder approval for the purposes of Listing Rule 10.9.

Mr Nikolaenko has not provided a substantive response to the Company's repeated requests for signed restriction agreements and as a result the Deed Administrator has advised he intends to apply to the Supreme Court of New South Wales for orders that all Shares issued under the Sale Agreement are transferred to the Deed Administrator. Upon becoming the registered holder of these Shares the Deed Administrator will sign restriction agreements so as to satisfy ASX's requirements.

2.8 Directors' recommendation

The Directors unanimously recommend that Shareholders vote in favour of Resolutions 1 and 2, for the reasons set out below:

- (a) Unless and until the Company complies with Listing Rule 10.9 and cancels the Sale Agreement for the purposes of Listing Rule 10.7, trading in the Company's Shares will remain suspended and the Capital Raising will not complete. If the suspension is not lifted on or before 24 October 2016 (or such other date as ASX may agree) then the Company will be delisted from ASX and the Directors will resolve to have the Company wound up.
- (b) The Recapitalisation provides an opportunity for Shareholders to recover some return on their Shares.

2.9 Independent Expert's Report

Listing Rule 10.10.2 requires that a notice of meeting under Listing Rule 10.9.2 include a report on the transaction from an independent expert as to whether the transaction is fair and reasonable to shareholders who are entitled to vote on the resolution. The report is to be prepared without regard to subsequent events.

The Board has retained BDO to provide a report opining on whether the Chapter 10 Agreements are fair and reasonable for unrelated Shareholders (**Independent Expert's Report**). As the Listing Rules require that the report consider the original transaction (rather than the circumstances at the time shareholder approval is sought), the Board has also asked BDO to opine on whether Resolutions 1 and 2 are fair and reasonable for unrelated Shareholders.

The Independent Expert's Report concludes that:

- (a) the Chapter 10 Agreements are neither fair nor reasonable;
- (b) Resolution 1 is not fair but reasonable; and
- (c) Resolution 2 is fair and reasonable,

to Shareholders whose votes are not to be disregarded. **A copy of the Independent Expert's Report is annexed to this Explanatory Statement.**

The Board recommends that Shareholders read Independent Expert's Report in its entirety and seek their own advice if they have any questions.

3 RESOLUTION 3 - CONSOLIDATION

The Recapitalisation is conditional upon the Company consolidating its existing issued capital on a 1 for 300 basis.

Section 254H of the Corporations Act provides that a company may convert any or all of its shares into a larger or smaller number of shares by resolution passed at a general meeting of the company.

Listing Rule 7.20 requires the following information to be provided to Shareholders:

- (a) The Consolidation will consolidate the securities on the Company on a 1 for 300 basis.
- (b) Any fractional entitlements as a result of the Consolidation will be rounded down.

If all Resolutions are passed and in accordance with Appendix 7A of the Listing Rules, the Consolidation takes effect 8 Business Days after the date of the General Meeting.

4 RESOLUTIONS 4 TO 7 - ISSUE OF SECURITIES TO UNRELATED PARTIES

4.1 Introduction

Resolutions 4 to 7 seek Shareholder approval to issue up to 111 million Shares and 30 million Options to clients or nominees of CPS Capital Group Limited, and unrelated corporate advisers and investors.

Listing Rule 7.1 limits the number of securities a company can issue in a 12 month period to 15% of its issued share capital, except for certain issues, including where first approved by Shareholders. The effect of passing Resolutions 4 to 7 will be to allow the Directors to issue securities in accordance with the Resolutions without those securities being included in the 15% limit.

4.2 Information required by Listing Rule 7.3

For the purposes of Listing Rule 7.3, the following information is provided about the issue:

- (a) The maximum number of securities to be issued is:
 - (i) Resolution 4 - 91,000,000 Shares;
 - (ii) Resolution 5 - 10,000,000 Shares;
 - (iii) Resolution 6 - 10,000,000 Shares; and
 - (iv) Resolution 7 - 30,000,000 Options.
- (b) The securities will be issued as soon as practicable after approval has been received to effect the recapitalisation, but no later than 2 months after the date of the meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules) and it is intended that issue will occur on the same date.
- (c) The issue price of the securities will be:
 - (i) Resolution 4 - \$0.02 per Share;

- (ii) Resolution 5 - deemed issue price of \$0.02 per Share in satisfaction of corporate advisory and lead manager fees;
 - (iii) Resolution 6 - The price is yet to be determined, but will be 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; and
 - (iv) Resolution 7 - \$0.00001 per Option.
- (d) It is intended that the Shares to be issued under Resolution 4 will be issued to clients or nominees of CPS Capital Group Pty Ltd. Shares to be issued under Resolution 5 are to be issued as follows:
- 750,000 to CPS Capital Group Pty Ltd;
 - 4,250,000 to Shriver Nominees Pty Ltd;
 - 2,500,000 to Riverview Nominees Pty Ltd; and
 - 2,500,000 to Tejiman Holdings Pty Ltd.
- The Company is yet to identify the persons to whom Shares will be issued to under Resolution 6; however they will be unrelated parties to whom offers of securities can be made without disclosure sometime after the reinstatement of the Company's Shares for quotation.
- The Options to be issued under Resolution 7 are to be issued to clients or nominees of CPS Capital Group Pty Ltd.
- (e) The terms of the securities issued are:
- (i) Resolutions 4, 5 and 6 - fully paid ordinary shares in the capital of the Company and which rank equally with existing Shares on issue; and
 - (ii) Resolution 7 - Options to be issued exercisable into one Share each, with an exercise price of \$0.03 and expiring on 30 September 2020 and otherwise on the terms in Annexure A.
- (f) The use (or intended use) of the funds raised is set out at section 1.3 above. Funds raised from the exercise of Options and Shares to be issued under Resolution 6 will be applied to general working capital and exploration, subject to exploration success.
- (g) A voting exclusion statement is included in the Notice.

4.3 Directors' recommendation

The Board unanimously recommends that Shareholders vote in favour of Resolutions 4 to 7. This will allow the Company to issue securities and raise funds whilst preserving the Company's 15% annual limit permitted by Listing Rule 7.1.

5 RESOLUTIONS 8 TO 11 - ISSUE TO RELATED PARTIES

5.1 Introduction

The Company proposes to issue the following securities to Messrs Jerome Vitale, Paul Piercy, and Dennis Gee, each Directors of the Company, and to Mr Stuart Third, Company Secretary who has also acted as an Alternate Director to Mr Paul Piercy at various times since 18 August 2014.

The Directors believe that the issue of Shares to satisfy a substantial portion of their outstanding fees and those due to a former director and now Company Secretary demonstrates confidence in the future of the Company provided it is recapitalised, and also contributes to minimising the cash disbursements of the Company post recapitalisation.

The Shares proposed to be issued at \$0.02 are in satisfaction of accrued directors fees since the establishment of the DOCA of \$120,000 collectively in total:

	Jerome Vitale	Paul Piercy	Dennis Gee	Stuart Third
Shares at \$0.02	2,500,000	500,000	500,000	500,000
Options at \$0.00001	2,500,000	Nil	Nil	Nil
Performance Rights	2,500,000	Nil	Nil	Nil

5.2 Requirement for Shareholder approval

Listing Rule 10.11 requires a listed company to obtain Shareholder approval by ordinary resolution prior to the issue of securities to a related party. If shareholder approval is obtained under Listing Rule 10.11, shareholder approval is not required under Listing Rule 7.1 and the proposed issue will be included in 15% annual limit permitted by Listing Rule 7.1.

Given the issues are on the same terms as those proposed under for Resolutions 4 and 5, the Board considers the proposed issue to be on arm's length terms so that Shareholder approval for the issue is not required under Chapter 2E of the Corporations Act.

5.3 Information required by Listing Rule 10.13

For the purposes of Listing Rule 10.13, the following information is provided about the proposed issue the subject of Resolutions 8 to 11.

- (a) The securities will be issued to Messrs Jerome Vitale, Paul Piercy and Dennis Gee, being Directors of the Company, and to Mr Stuart Third, Company Secretary and former Alternate Director for Mr Piercy.
- (b) The maximum number of securities to be issued to the Directors is set out in section 5.1.
- (c) Shares issued under Resolutions 8 to 11 will be issued in lieu of Directors' fees and at a deemed issue price of \$0.02 per Share, with no funds raised under the issue. Funds raised through the exercise of Options will be used for general working capital.
- (d) The securities will be issued no later than 1 month after the date of the meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules) and it is intended that issue will occur on the same date.
- (e) Terms of securities to be issued:
 - (i) Shares to be issued are fully paid ordinary shares that will rank equally with all existing Shares on issue.
 - (ii) Options have an exercise price of \$0.03 and expire on 30 September 2020, and otherwise have the terms set out in Annexure A.
 - (iii) Performance Rights will upon vesting by no later than 4 January 2017 confirm the holder to be issued one Share, and otherwise have the terms set out in Annexure B.
- (f) A voting exclusion statement is included in the Notice.

5.4 Directors' recommendation

The Directors have an interest in Resolutions 8 to 11, and for that reason decline to make a recommendation to Shareholders.

6 RESOLUTION 12 - CHANGE OF COMPANY NAME

The Board proposes to change the Company's name to **Acacian Minerals Limited**. This change of name is on the basis that it provides an opportunity to move forward from the Company's history.

The Corporations Act provides that a company may change its name by special resolution approved by the company's shareholders. Any changes takes effect when approved by ASIC.

The Directors unanimously recommend that Shareholders vote in favour of Resolution 12.

2 GLOSSARY OF DEFINED TERMS

Extraordinary General Meeting or Meeting	means the meeting convened by this Notice.
ASX	means ASX Limited or the Australian Securities Exchange operated by ASX Limited, as the context requires.
BDO	means BDO Corporate Finance (WA) Pty Ltd (ACN 124 031 045).
Board	means the board of Directors.
CAS	means Corporate Admin Services Pty Ltd (ACN 117 605 142)
Chapter 10 Agreements	has the meaning given in section 20.
Company or Quest	means Quest Minerals Limited (ACN 062 879 583).
Corporate Admin Services Pty Ltd	Means corporate Admin Services Pty Ltd ACN 117 605 142
Corporations Act	means the <i>Corporations Act 2001</i> (Cth).
CPS Capital	means CPS Capital Group Pty Ltd ACN 088 055 636
Deed Administrator	means Adam Shepard in his capacity as deed administrator under the DOCA.
Directors	means the current directors of the Company.
DOCA	means a deed of company arrangement entered into between the Company and the Deed Administrator on 18 August 2014.
Explanatory Statement	means this explanatory statement set out in this Notice.
Independent Expert's Report	has the meaning given in section 2.9.
KHV Holdings	means KHV Holdings Pty Limited ACN 161 163 579.
Listing Rules	means the official Listing Rules of ASX.
Mutual Holdings Pty Ltd	means Mutual Holdings Pty Ltd ACN092 024 336
Notice	means this notice of meeting including the Explanatory Statement and the Proxy Form.
Option	means an option to acquire a Share.
Optionholder	means a holder of an Option.
Partly Paid Shares	means 16,980,000 partly paid shares issued at \$0.06 per share on which the amount of \$0.0575 remains unpaid
Proxy Form	means the proxy form accompanying this Notice.
Restricted Securities	has the meaning given in the Listing Rules.
Right or Performance Right	means a right to be issued a Share upon the terms set out in Annexure B.

Share	means a fully paid ordinary share in the capital of the Company.
Shareholder	means a holder of a Share.
Shriver Nominees	means Shriver Nominees Pty Ltd ACN 088 055 636
Riverview Corporation	means Riverview Corporation Pty Ltd ACN 071 087 404
Tejiman Holdings Pty Ltd	means Tejiman Holdings Pty Ltd ACN 091 583 658
WST	means Western Standard Time as observed in Perth, Western Australia.

ANNEXURE A - TERMS OF OPTIONS

1. Options are being issued at a price of \$0.00001 per Option.
2. 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.
3. 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.
4. 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".
5. The Options are freely transferrable.
6. An Option not exercised by 30 September 2020 lapses. There is no obligation to exercise the Options.
7. The Company must apply to the ASX for official quotation of the Shares issued on any exercise of an Option.
8. 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.
9. 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.
10. 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).
11. 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.
12. 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.

ANNEXURE B - TERMS OF PERFORMANCE RIGHTS

1. 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
2. Rights are not transferrable.
3. The Company must apply to the ASX for official quotation of the Shares issued upon vesting of Rights.
4. 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.
5. 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. .
6. 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.
7. 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.

ANNEXURE C - CONSOLIDATED AND PRO-FORMA STATEMENT OF FINANCIAL POSITION

Set out below is the audited balance sheet (statement of financial position) of the Consolidated Group as at 30 June 2016 (Balance Sheet "A"). In addition, disclosed is a pro-forma balance sheet ("Balance Sheet "B"), assuming the following:

- Cash proceeds of \$1,820,000 from the issue of 91,000,000 Shares to clients and nominees of CPS Capital at \$0.02 per Share;
- Cash proceeds of \$320 from the issue of 32,500,000 Options at \$0.00001 per Option;
- Cash proceeds from the sale of 56,600 post reconstruction forfeited Partly Paid Shares amounting to \$1,132;
- Settlement of Lead Manager and Adviser fees of \$200,000 by the issue of 10,000,000 Shares at deemed price of \$0.02 per Share.
- Settlement of \$120,000 in Accrued Directors fees at 30 June 2016 by the issue of 4,000,000 shares at a deemed price of \$0.02 per Share and cash payment of \$40,000;
- Payment of trade and other payables at 30 June 2016 of \$116,087;
- Payment of borrowings at 30 June 2016 of \$10,600;
- Payment of \$330,000 to the Creditors Trust No 2 from proceeds received from the Capital Raising;
- Payment of \$1,132 to Creditors Trust No 2 from proceeds from sale of 56,600 post reconstruction forfeited Partly Paid Shares;
- Capital Raising Commissions of \$109,000 (\$1,820,000 at 6.0%);
- Other expenses associated with the capital raising including legal expenses, independent expert reports, share registry and printing costs and ASIC lodgement fees etc of \$121,000; and
- Accumulated Losses adjusted for over-accrued GST at 30 June 2016 of \$6,230;

	Audited 30 June 2016 "A" \$	Unaudited Pro-forma 30 June 2016 "B" \$
ASSETS		
Current		
Cash assets	10,600	1,110,463
Trade Receivables	9,611	9,611
Total Current Assets	20,211	1,120,074
Non-Current Assets		
Exploration and evaluation expenditure	-	-
TOTAL ASSETS	20,211	1,120,074
LIABILITIES		
Current Liabilities		
Trade and other payables	236,087	-
Borrowings	10,600	-
Total Current Liabilities	246,687	-

	Audited 30 June 2016 “A” \$	Unaudited Pro-forma 30 June 2016 “B” \$
TOTAL LIABILITIES	246,687	-
NET (LIABILITIES) ASSETS	(226,476)	1,120,074
EQUITY		
Contributed Equity	92,202,237	94,194,689
Reserves	1,356,900	1,356,900
Accumulated Losses	(93,785,613)	(94,431,515)
TOTAL EQUITY (DEFICIENCY)	(226,476)	\$1,120,074

ANNEXURE D - ASX Conditions Precedent to be met by the Company to be reinstated to Official Quotation (from ASX letter to Company dated 28 August 2016 and email correspondence received from ASX on 5 September 2016)

Note: where the date 4 October 2016 is referred to at paragraphs 2, 4, and after paragraph 19 below, the ASX has advised this date is now 15 November 2016.

- “1. Confirmation that the DOCA has been fully effectuated and QNL is not subject to any other forms of external administration, receivership or liquidation.
2. QNL’s shareholders approving all the resolutions to be considered at the general meeting of shareholders to be held on or prior to 4 October 2016 (“Meeting”) and the issue of all the securities approved by the shareholders.
3. Confirmation of completion of the consolidation as approved by shareholders at the Meeting.
4. Confirmation that QNL has released on or before 4 October 2016 a full form prospectus in relation to the Capital Raising and that such offer has closed having satisfied its minimum subscription requirement.
5. Confirmation that QNL’s secured creditors have released and discharged any security granted to them and there are no outstanding security interests over the QNL’s assets and that QNL’s secured creditors have no further interest in the QNL’s assets.
6. Confirmation that QNL retains its 100% interest in EL 57/1036, being the Victory Bore Project and Prospecting Licence 70/1608 and that both are in good-standing.
7. Confirmation that QNL has completed the following corrective action:
 - 7.1. Services Agreement - QNL will obtain shareholder approval under listing rule 10.9 and provide an IER under listing rule 10.10 for the purposes of the approval.
 - 7.2. Share Sale Agreement - QNL will obtain shareholder approval under listing rule 10.9 and provided an IER under listing rule 10.10 for the purposes of the approval.
 - 7.3. Provision of an escrow deed executed by the proposed holder or controller of the securities of the 77 million shares issued to Mutual Holdings and entities associated with Mr Nikolaenko issued in breach of listing rule 10.7.

In the event orders are obtained under section 444GA of the Corporations Act transferring the 77 million shares to the Trustee of the Creditors Trust, then ASX will accept an escrow deed executed by the Trustee of the Creditors Trust in satisfaction of this requirement.

8. QNL demonstrating compliance with Listing Rules 12.1 to 12.4 inclusive, to the satisfaction of the ASX, as set out below.
 - 8.1. QNL satisfies the requirements of Listing Rule 12.1.
 - 8.2. Confirmation of completion of the QNL’s Capital Raising and that, after payment of the costs of the Capital Raising (if any) and payments to the deed administrators and any other parties or entities to satisfy obligations under the DOCA (and any amendments or variations thereto), QNL can demonstrate to ASX that it will have a minimum of \$1,000,000 in cash, net of all liabilities, at the date of reinstatement, to satisfy Listing Rule 12.2.
 - 8.3. QNL’s level of shareholder spread will satisfy the requirements of Listing Rule 12.4, with there being at least 300 holders each holding at least \$500 worth of fully paid ordinary shares.
9. Lodgement of all outstanding Appendices 3B with ASX for issues of new securities.
10. Reinstatement of the Entity’s CHESS sub-register.
11. Confirmation in a form acceptable to ASX that the Entity has received cleared funds for the complete amount of the issue price of every security allotted and issued to every successful applicant for securities under the Capital Raising under the Prospectus.
12. Lodgement of any outstanding reports (other than quarterly reports) for the period since the QNL’s securities were suspended and any other outstanding documents required by Listing Rule 17.5.
13. Lodgement of Director’s Interest Notices, being either Appendix 3Xs, 3Ys, or 3Zs, as required.
14. Confirmation that there are no legal, regulatory or contractual impediments to QNL undertaking the activities the subject of the commitments disclosed in the notice of meeting and prospectus.
15. Payment of any ASX fees, including listing fees, applicable and outstanding
16. Confirmation the securities to be issued following the Meeting have been issued, and despatch of each of the following has occurred.

- 16.1. In relation to all holdings on the CHESS subregister, a notice from the Entity under ASX Settlement Operating Rule 8.9.1.
- 16.2. In relation to all other holdings, issuer sponsored holding statements.
- 16.3. Any refund money.
17. Provision of the following documents, in a form suitable for release to the market:
 - 17.1. A statement setting out the names of the 20 largest holders of each class of securities to be quoted, including the number and percentage of each class of securities held by those holders.
 - 17.2. A distribution schedule of the numbers of holders in each class of security to be quoted, setting out the number of holders in the following categories.
 - 1 - 1,000
 - 1,001 - 5,000
 - 5,001 - 10,000
 - 10,001 - 100,000
 - 100,001 and over
 - 17.3. A statement outlining QNL's capital structure following the Meeting on a post-issue and post-consolidation basis.
 - 17.4. QNL's pro forma statement of financial position based on actual funds raised.
 - 17.5. QNL's updated statement of commitments based on actual funds raised.
 - 17.6. A consolidated activities report setting out the proposed business strategy for the Entity (including an update on the status of QNL's assets and the current activities with respect thereto).
 - 17.7. Full terms and conditions of all options on issue (if any).
 - 17.8. Full terms and conditions of any employee incentive schemes (if any).
 - 17.9. A statement disclosing the extent to which QNL will follow, as at the date its securities are reinstated, the recommendations set by the ASX Corporate Governance Council. If QNL does not intend to follow all of the recommendations on its reinstatement, QNL must identify those recommendations that will not be followed and give its reasons for not following them.
 - 17.10. A statement setting out the number of securities subject to ASX restrictions and the restriction period applied to those securities.
 - 17.11. A copy of QNL's securities trading policy as required by Listing Rule 12.9.
 - 17.12. A statement confirming QNL is in compliance with the Listing Rules and in particular Listing Rule 3.1.
18. Confirmation of the responsible person for the purposes of Listing Rule 1.1 condition 12.
19. Provision of any other information required or requested by ASX.

QNL has until 4 October 2016 (unless extended) to comply with the reinstatement conditions set out above. If the Company has not satisfied the above conditions precedent by 4 October 2016, QNL will be removed from the official list of ASX.

Extension of Removal Date - 4 October 2016

In order for ASX to extend the removal date beyond 4 October 2016, QNL must comply with section 3.4 of Listing Rules Guidance Note 33 Removal of Entities from the ASX Official List.

Section 3.4 of the Guidance Note states that ASX may agree to a short extension to the removal deadline if the entity can demonstrate to ASX's satisfaction that it is in the final stages of implementing a transaction that will lead to the resumption of trading in its securities within a reasonable period. For these purposes, "final stages" means:

- having announced the transaction to the market;
- having signed definitive legal agreements for the transaction (including for any financing required in respect of the transaction);
- if the transaction requires a prospectus or product disclosure statement to be lodged with ASIC, having lodged that document with ASIC; and
- if the transaction requires security holder approval, having obtained that approval.

ASX will only consider granting an extension to the deadline for removal if all of the matters referred to in the bullet-points above have been completed by the removal date and that the extension will only be a short one. For these purposes, it is unlikely that ASX will agree to an extension of more than 3 months from the date that the entity has lodged its prospectus with ASIC. ASX will not agree an extension longer than 3 months from the removal date.

Subject to any short extension and the paragraph below, upon satisfaction of the reinstatement conditions by the date set out above, ASX is likely to reinstate the QNL's securities to official quotation. Please note that ASX has discretion not to reinstate QNL's securities to quotation should it fail to comply with the Listing Rules, the spirit of the Listing Rules or be unable to disclose information to the market as requested by ASX or required by listing rule 3.1.

ASX therefore reserves the right to include additional conditions that must be satisfied before reinstatement or alternatively, withdraw this letter altogether.

Please also note that ASX requires QNL to consult with ASX in the event that its securities are reinstated to quotation and the QNL proposes to enter into any transactions (which includes acquisitions) in the future. ASX will review all such transactions and may aggregate any transactions entered into by QNL and consider the application of listing rule 11.1, and in particular listing rule 11.1.3.

ASX makes no comment on the application of escrow with respect to any securities to be issued pursuant to the recapitalisation."

PROXY FORM

APPOINTMENT OF PROXY
QUEST MINERALS LIMITED
ACN 062 879 583
EXTRAORDINARY GENERAL MEETING

I/We

of

Appoint

being a member of Quest Minerals Limited entitled to attend and vote at the Extraordinary General Meeting, hereby

Name of proxy

OR

the Chair of the Extraordinary General Meeting as your proxy

or failing the person so named or, if no person is named, the Chair of the Extraordinary General Meeting, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws as the proxy sees fit, at the Extraordinary General Meeting to be held at 11.00 AM (WST), on 14 November 2016 at BDO Corporate Finance (WA) Pty Ltd, Rokeby Room, 38 Station Street, Subiaco WA 6008 and at any adjournment thereof.

The Chair intends to vote undirected proxies in favour of all Resolutions in which the Chair is entitled to vote.

Voting on Business of the Extraordinary General Meeting

	FOR	AGAINST	ABSTAIN
Resolution 1 - Approval of Transaction with Corporate Admin Services Pty Limited	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 - Approval of Transaction with Mutual Holdings Pty Limited	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 - Consolidation of Capital	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 - Issue of 91,000,000 ordinary shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5 - Issue of 10,000,000 ordinary shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6 - Issue of 10,000,000 ordinary shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7 - Issue of 30,000,000 Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8 - Issue of Shares and Options to Jerome G Vitale	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 9 - Issue of Shares to Paul Piercy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 10 - Issue of Shares to Dennis Gee	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 11 - Issue of Shares to Stuart Third	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 12 - Change of Name	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please note: If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

If two proxies are being appointed, the proportion of voting rights this proxy represents is _____ %

Signature of Member

Date: _____

Individual or Member 1

Member 2

Member 3

Sole Director/Company Secretary

Director

Director/Company Secretary

Contact Name: _____ Contact Ph (daytime): _____

QUEST MINERALS LIMITED

ACN 062 879 583

Instructions for Completing 'Appointment of Proxy' Form

1. **(Appointing a Proxy):** A member entitled to attend and vote at an Extraordinary General Meeting is entitled to appoint not more than two proxies to attend and vote on a poll on their behalf. The appointment of a second proxy must be done on a separate copy of the Proxy Form. Where more than one proxy is appointed, such proxy must be allocated a proportion of the member's voting rights. If a member appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes. A duly appointed proxy need not be a member of the Company.
2. **(Direction to Vote):** A member may direct a proxy how to vote by marking one of the boxes opposite each item of business. Where a box is not marked the proxy may vote as they choose. Where more than one box is marked on an item the vote will be invalid on that item.
3. **(Signing Instructions):**
 - **(Individual):** Where the holding is in one name, the member must sign.
 - **(Joint Holding):** Where the holding is in more than one name, all of the members should sign.
 - **(Power of Attorney):** If you have not already provided the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.
 - **(Companies):** Where the company has a sole director who is also the sole company secretary, that person must sign. Where the company (pursuant to Section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone. Otherwise, a director jointly with either another director or a company secretary must sign. Please sign in the appropriate place to indicate the office held.
4. **(Attending the Meeting):** Completion of a Proxy Form will not prevent individual members from attending the Extraordinary General Meeting in person if they wish. Where a member completes and lodges a valid Proxy Form and attends the Extraordinary General Meeting in person, then the proxy's authority to speak and vote for that member is suspended while the member is present at the Extraordinary General Meeting.
5. **(Return of Proxy Form):** To vote by proxy, please complete and sign the enclosed Proxy Form and return by:
 - (a) post to the Company's Share Registry, Advanced Share Registry Services at **PO Box 1156 Nedlands WA 6909**; or
 - (b) facsimile to the Company's Share Registry on facsimile number +61 8 9262 3723so that it is received not less than 48 hours prior to commencement of the Meeting.

Proxy forms received later than this time will be invalid.



QUEST MINERALS LIMITED Independent Expert's Report

Opinions:

The Services Agreement is neither fair nor reasonable

The Sale Agreement is neither fair nor reasonable

Resolution 1 is not fair but reasonable

Resolution 2 is fair and reasonable

12 October 2016



Financial Services Guide

12 October 2016

BDO Corporate Finance (WA) Pty Ltd ABN 27 124 031 045 ('we' or 'us' or 'ours' as appropriate) has been engaged by Quest Minerals Limited ('Quest') to provide an independent expert's report on the proposals regarding the Chapter 10 Agreements. You will be provided with a copy of our report as a retail client because you are a shareholder of Quest.

Financial Services Guide

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide ('FSG'). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- ◆ Who we are and how we can be contacted;
- ◆ The services we are authorised to provide under our Australian Financial Services Licence, Licence No. 316158;
- ◆ Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- ◆ Any relevant associations or relationships we have; and
- ◆ Our internal and external complaints handling procedures and how you may access them.

Information about us

BDO Corporate Finance (WA) Pty Ltd is a member firm of the BDO network in Australia, a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International). The financial product advice in our report is provided by BDO Corporate Finance (WA) Pty Ltd and not by BDO or its related entities. BDO and its related entities provide services primarily in the areas of audit, tax, consulting and financial advisory services.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should note that we and BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business.

Financial services we are licensed to provide

We hold an Australian Financial Services Licence that authorises us to provide general financial product advice for securities to retail and wholesale clients.

When we provide the authorised financial services we are engaged to provide expert reports in connection with the financial product of another person. Our reports indicate who has engaged us and the nature of the report we have been engaged to provide. When we provide the authorised services we are not acting for you.

General Financial Product Advice

We only provide general financial product advice, not personal financial product advice. Our report does not take into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice.

Fees, commissions and other benefits that we may receive

We charge fees for providing reports, including this report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees are agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. The fee payable to BDO Corporate Finance (WA) Pty Ltd for this engagement is approximately \$20,000.

Except for the fees referred to above, neither BDO, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

Remuneration or other benefits received by our employees

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report. We have received a fee from Quest for our professional services in providing this report. That fee is not linked in any way with our opinion as expressed in this report.

Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Complaints resolution*Internal complaints resolution process*

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing addressed to The Complaints Officer, BDO Corporate Finance (WA) Pty Ltd, PO Box 700 West Perth WA 6872.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than **45 days** after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service ("FOS"). FOS is an independent organisation that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial service industry. FOS will be able to advise you as to whether or not they can be of assistance in this matter.

Our FOS Membership Number is 12561. Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly via the details set out below.

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001
Toll free: 1300 78 08 08
Facsimile: (03) 9613 6399
Email: info@fos.org.au

Contact details

You may contact us using the details set out on page 1 of the accompanying report.

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Appendix 1 - Glossary

Appendix 2 - Valuation Methodologies

Appendix 3 - Independent Valuation Report prepared by Agricola Mining Consultants Pty Ltd

12 October 2016

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

Dear Directors

INDEPENDENT EXPERT'S REPORT

1. Introduction

On 4 May 2007, Quest Minerals Limited ('Quest' or 'the Company') entered into a corporate administration services agreement ('Services Agreement') with Corporate Admin Services Pty Ltd ('CAS'), an entity controlled by Mr Vladimir (Roger) Nikolaenko ('Mr Nikolaenko'). On 23 October 2009, the Company also agreed to acquire mining tenement E57/550 ('Victory Bore') from Mutual Holdings Pty Ltd ('Mutual Holdings'), an entity also controlled by Mr Nikolaenko ('Sale Agreement').

Following its reconstitution on 22 April 2013, the Board of Quest performed a review of the corporate governance policies and procedures of the Company. From this review the Board determined that:

- a) Mr Nikolaenko was at all material times a shadow director of the Company and entities he controlled (CAS and Mutual Holdings) were related parties of the Company for the purposes of the Corporations Act 2001 (Cth) ('the Act') and the Australian Securities Exchange ('ASX') Listing Rules ('Listing Rules'); and
- b) certain share issues and cash payments made under the Services Agreement and the Sale Agreement (together referred to as the 'Chapter 10 Agreements') were in breach of Listing Rules 10.1 and 10.7.

Shareholder approval was not obtained for either of the Chapter 10 Agreements at the time these agreements were entered into by the Company.

The Company has advised the ASX of the Chapter 10 Agreements and breaches of the Listing Rules, and the ASX requires that the Company comply with Listing Rule 10.9 and either seek Shareholder approval for the transactions or cancel the transactions. The Chapter 10 Agreements have been terminated and are no longer on foot; meaning no further shares will be issued or cash payments made under them. With respect to past payments and share issues, the Company has elected to comply with Listing Rule 10.9 by seeking Shareholder approval of the Chapter 10 Agreements.

The purpose of Resolutions One and Two of the attached Notice of Meeting is to seek Shareholder approval for the above. Without approval, a recapitalisation of the Company ('Recapitalisation'), as announced on 7 October 2016, will not be complete and Quest's directors will resolve to have Quest wound up which will result in no return for shareholders.

Listing Rule 10.1 requires shareholder approval for the purchase of a substantial asset (defined to have a value of 5% of an entity's equity interest) from a related party. ASX may require an entity to take corrective action by either approving or cancelling a transaction; failing which ASX may suspend or delist a company.

Listing Rule 10.10.2 requires that a Notice of Meeting include a report on the transaction from an independent expert opining on whether the transaction is fair and reasonable to shareholders who are entitled to vote on the Resolution. Shareholder approval is being sought under Resolution One and Resolution Two of the attached Notice of Meeting for the Chapter 10 Agreements.

BDO Corporate Finance (WA) Pty Ltd ('BDO') has been engaged to provide a report opining on whether the Chapter 10 Agreements are fair and reasonable for unrelated shareholders of Quest ('Shareholders').

2. Summary and Opinion

2.1 Purpose of the report

The independent directors of Quest have requested that BDO prepare an independent expert's report ('our Report') to express an opinion as to whether or not:

- The Services Agreement with CAS dated 4 May 2007 is fair and reasonable to Shareholders at the date the Services Agreement was signed ('**Services Agreement Opinion**'); and
- The Sale Agreement with Mutual Holdings Pty Ltd ('**Mutual Holdings**') dated 23 October 2009 is fair and reasonable to Shareholders at the date the Sale Agreement was signed ('**Sale Agreement Opinion**');

together referred to as '**the Transactions**'; and to express an opinion as to whether or not:

- Resolution 1 is fair and reasonable to Shareholders based on the current circumstances of the Company ('**Resolution One Opinion**'); and
- Resolution 2 is fair and reasonable to Shareholders based on the current circumstances of the Company ('**Resolution Two Opinion**').

together referred to as '**the Resolutions**'.

Our Report is prepared pursuant to Listing Rule 10.1 and/or Listing Rule 10.10.2 and is to be included in the Notice of Meeting for Quest in order to assist the Shareholders in their decision whether to approve the Transactions and the Resolutions.

2.2 Approach

Our Report has been prepared having regard to Australian Securities and Investments Commission ('ASIC') Regulatory Guide 111 'Content of Expert's Reports' ('RG 111') and Regulatory Guide 112 'Independence of Experts' ('RG 112').

In arriving at our opinions, we have assessed the terms of the Transactions and Resolutions as outlined in the body of this report. We have considered:

- How the value of the services offered under the Services Agreement compare to consideration to be paid by the Company for those services as at 4 May 2007;
- How the value of the assets being acquired under the Sale Agreement compares to the value of the consideration as at 23 October 2009;

- How the value of the services offered under the Services Agreement compare to consideration to be paid by the Company based on the current circumstances of the Company;
- How the value of the assets being acquired under the Sale Agreement compares to the value of the consideration based on the current circumstances of the Company;
- Other factors which we consider to be relevant to the Shareholders in their assessment of the Transactions and Resolutions; and
- The position of Shareholders should the Transactions and Resolutions not proceed.

2.3 Opinion

We have considered the terms of the Transactions as outlined in the body of this report and have concluded as follows:

- The Services Agreement with CAS at the date the Services Agreement was signed is **neither fair nor reasonable**; and
- The Sale Agreement with Mutual Holdings at the date the Sale Agreement was signed is **neither fair nor reasonable**.

We have considered the terms of the Resolutions as outlined in the body of this report and have concluded as follows:

- Resolution 1 based on the current circumstances of the Company is **not fair but reasonable**; and
- Resolution 2 based on the current circumstances of the Company is **fair and reasonable**.

2.4 Fairness

Services Agreement Opinion (as at 4 May 2007)

We have determined that the value of the services offered under the Services Agreement compares to the consideration to be paid by the Company for those services as at 4 May 2007, as detailed below.

	Ref	Low \$	Preferred \$	High \$
Value of consideration payable under the Services Agreement	9.1	2,920,000	2,920,000	2,920,000
Value of the services provided by CAS	9.2	N/A	N/A	N/A

The above table indicates that we are unable to determine the value of the services provided by CAS under the Service Agreement as at 4 May 2007. Therefore, we conclude that the Services Agreement as at 4 May 2007 is not fair for Shareholders.

Sales Agreement Opinion (as at 23 October 2009)

We have determined that the value of the assets acquired under the Sale Agreement (Victory Bore) compares to the consideration paid by Quest as at 23 October 2009, as detailed below.

	Ref	Low \$	Preferred \$	High \$
Value of Victory Bore as at 23 October 2009	10.1	459,000	515,500	572,000
Value of consideration as at 23 October 2009	10.3	1,267,500	1,367,500	1,467,500

The above pricing indicates that the value of the assets acquired under the Sale Agreement is less than the value of the consideration as at 23 October 2009. Based on this analysis we can conclude that the value of the financial benefit being offered to Mutual Holdings is greater than the value of the assets being acquired by Quest. Therefore, we conclude that the Sale Agreement as at 23 October 2009 is not fair for Shareholders.

Resolution One Opinion

Our fairness opinion for Resolution One, which contemplates the Service Agreement based on the current circumstances of the Company, is consistent with our opinion under the Service Agreement Opinion as at 4 May 2007.

As we are unable to determine the value of the services provided by CAS under the Service Agreement, we conclude that the Services Agreement based on the current circumstances of the Company is not fair for Shareholders.

Resolution Two Opinion

We have determined that the value of the assets acquired under the Sale Agreement (Victory Bore) compares to the consideration paid by Quest based on the current circumstances of the Company, as detailed below.

	Ref	Low \$	Preferred \$	High \$
Value of Victory Bore as at date of our Report	11.1	510,000	960,000	1,410,000
Value of consideration as at date of our Report	11.2	96,530	96,530	96,530

The above pricing indicates that the value of the assets acquired under the Sale Agreement is greater than the value of the consideration based on the current circumstances of the Company. Based on this analysis we can conclude that the value of the financial benefit to be paid to Mutual Holdings is less than the value of the assets acquired by Quest. Therefore, we conclude that Resolution Two is fair for Shareholders.

2.5 Reasonableness

We have considered the analysis in section 14 and section 15 of this report, in terms of:

- advantages and disadvantages of the Transactions (section 14);
- advantages and disadvantages of the Resolutions (section 15); and
- other considerations, including the position of Shareholders if the Transactions and Resolutions do not proceed and the consequences of not approving the Transactions and Resolutions.

The respective advantages and disadvantages of the Transactions considered are summarised below:

ADVANTAGES AND DISADVANTAGES - TRANSACTIONS

Section	Advantages	Section	Disadvantages
---------	------------	---------	---------------

Services Agreement as at 4 May 2007

14.1.1	The Services Agreement removes the need to hire permanent full time staff	14.1.2	Length of contract removes flexibility to alter arrangement
		14.1.2	Extension of the Services Agreement exercisable by CAS
		14.1.2	Rates appear higher than commercial rates
		14.1.2	Significant monthly cash payments over a lengthy period

Sale Agreement as at 23 October 2009

14.2.1	Creation of a Company with a larger and more diversified portfolio of assets	14.2.2	Dilution of existing Shareholders' interests
14.2.1	Greater access to required capital for continued exploration	14.2.2	Acquisition of Victory Bore is subject to contingent consideration payments arising from inferred resources
		14.2.2	Low triggers for cash payments
		14.2.2	Contingent consideration payments for Victory Bore are payable in cash with limited time to raise

The respective advantages and disadvantages of Resolutions One and Two considered are summarised below:

ADVANTAGES AND DISADVANTAGES - RESOLUTIONS ONE & TWO

Section	Advantages	Section	Disadvantages
---------	------------	---------	---------------

15.1	The current suspension of the Company's shares may be lifted	15.2	Shareholders' may forgo the opportunity to recover cash paid to CAS and Mutual Holdings
15.1	Approval is required to allow the Recapitalisation to proceed	15.2	Perception that approval of Resolutions One and Two endorses past breaches

3. Scope of the Report

3.1 Purpose of the Report

ASX Listing Rule 10.1 requires that a listed entity must obtain shareholders' approval before it acquires or disposes of a substantial asset, when the consideration to be paid for the asset or the value of the asset being disposed constitutes more than 5% of the equity interest of that entity at the date of the last audited accounts. Listing Rule 10.7 provides that the consideration for an acquisition of an interest in a mining tenement from a related party may only be restricted securities. Under Listing Rule 10.9 ASX may require an entity in breach of Listing Rule 10.1 or 10.7 to take corrective action by either shareholders approving or the Company cancelling a transaction.

Services Agreement

Based on the reviewed accounts of Quest as at 31 December 2006, the value of the consideration to be paid to CAS exceeds 5% of the equity interest at that date. Listing Rule 10.1 applies where the vendor or acquirer of the relevant assets is a related party of the listed entity. As set out in section 1, CAS was an entity controlled by Mr Nikolaenko who the Company's directors consider was a related party of Quest at the time the agreement was entered into, by virtue of his relationship with Quest's board.

Listing Rule 10.10.2 requires the Notice of Meeting for shareholders' approval under Listing Rule 10.9 to be accompanied by a report by an independent expert expressing their opinion as to whether the transaction is fair and reasonable to the shareholders whose votes are not to be disregarded in respect of the transaction non-associated shareholders. ASX has advised that the report is to be prepared as at the time the transaction is entered into, and without regard to subsequent events.

Accordingly, an independent experts' report is required for the Services Agreement. The report should provide an opinion by the expert stating whether or not the terms and conditions in relation thereto are fair and reasonable to non-associated shareholders of Quest.

Sale Agreement

Based on the audited accounts of Quest as at 30 June 2009, the value of Victory Bore exceeds 5% of the equity interest at that date. Listing Rule 10.1 applies where the vendor or acquirer of the relevant assets is a related party of the listed entity. As set out in section 1, Mutual Holdings was an entity controlled by Mr Nikolaenko who was considered by Quest's directors to be a shadow director of Quest at the time the agreement was entered into.

Listing Rule 10.10.2 requires the Notice of Meeting for shareholders' approval to be accompanied by a report by an independent expert expressing their opinion as to whether the transaction is fair and reasonable to the shareholders whose votes are not to be disregarded in respect of the transaction non-associated shareholders.

Accordingly, an independent experts' report is required for the Sale Agreement. The report should provide an opinion by the expert stating whether or not the terms and conditions in relation thereto are fair and reasonable to non-associated shareholders of Quest.

3.2 Regulatory guidance

Neither the ASX Listing Rules nor the Act defines the meaning of 'fair and reasonable'. In determining whether the Transactions are fair and reasonable, we have had regard to the views expressed by ASIC in

RG 111. This regulatory guide provides guidance as to what matters an independent expert should consider to assist security holders to make informed decisions about transactions.

This regulatory guide suggests that, where an expert assesses whether a related party transaction is ‘fair and reasonable’ for the purposes of ASX Listing Rule 10.1, this should not be applied as a composite test—that is, there should be a separate assessment of whether the transaction is ‘fair’ and ‘reasonable’, as in a control transaction. An expert should not assess whether the transaction is ‘fair and reasonable’ based simply on a consideration of the advantages and disadvantages of the proposal.

We do not consider the Transactions to be control transactions. As such, we have used RG 111 as a guide for our analysis but have considered the Transactions as if they were not control transactions.

3.3 Adopted basis of evaluation

RG 111 states that a transaction is fair if the value of the offer price or consideration is greater than the value of the securities subject of the offer. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm’s length. RG 111 states that when considering the value of the securities subject of the offer in a control transaction the expert should consider this value inclusive of a control premium. However, as stated in section 3.2 we do not consider that the Transactions are control transactions. As such, we have not included a premium for control when considering the value of any assets or consideration.

Further to this, RG 111 states that a transaction is reasonable if it is fair. It might also be reasonable if despite being ‘not fair’ the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid.

Having regard to the above, BDO has completed this comparison in the following parts:

- A comparison between the value of the services offered under the Services Agreement and the consideration to be paid by the Company for those services as at 4 May 2007 (fairness - see section 12 ‘Are the Transactions Fair?’);
- A comparison between the value of the assets being acquired under the Sale Agreement and the value of the consideration as at 23 October 2009 (fairness - see section 12 ‘Are the Transactions Fair?’);
- A comparison between the value of the services offered under the Services Agreement and the consideration to be paid by the Company based on the current circumstances of the Company (fairness - see section 13 ‘Are the Resolutions Fair?’);
- A comparison between the value of the assets being acquired under the Sale Agreement and the value of the consideration based on the current circumstances of the Company (fairness - see section 13 ‘Are the Resolutions Fair?’);
- An investigation into other significant factors to which Shareholders might give consideration, prior to approving the Transactions, after reference to the value derived above (reasonableness - see section 14 ‘Are the Transactions Reasonable?’); and
- An investigation into other significant factors to which Shareholders might give consideration, prior to approving the Resolutions, after reference to the value derived above (reasonableness - see section 15 ‘Are the Resolutions Reasonable?’).

This assignment is a Valuation Engagement as defined by Accounting Professional & Ethical Standards Board professional standard APES 225 ‘Valuation Services’ (‘APES 225’).

A Valuation Engagement is defined by APES 225 as follows:

“an Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.”

This Valuation Engagement has been undertaken in accordance with the requirements set out in APES 225.

4. Outline of the Transactions

Services Agreement

The Company and CAS, an entity controlled by Mr Nikolaenko, were parties to the Services Agreement dated 4 May 2007, under which CAS was to provide certain services to the Company from 1 April 2007 for 5 years with a unilateral right exercisable by CAS to extend for a further 2 years. In consideration for the services, the Company agreed to pay CAS \$370,000 (plus GST) (as adjusted for CPI increases) per annum for 5 years with a unilateral right to extend for a further 2 years, or a total amount of approximately \$2.92 million (adjusted for CPI increases) over the 7 year term of the Services Agreement.

In total, the Company has paid approximately \$2.35 million in cash to CAS under the Services Agreement.

On or about 19 July 2013 CAS served a notice of termination of the Services Agreement on the Company. Whilst disputing the basis for termination, the Company accepted CAS's position that the Services Agreement was no longer on foot.

On 30 July 2013 the Company announced that CAS had made a claim for approximately \$110,000 in unpaid fees (including GST). This claim related to fees for the months of March, April and May 2013. CAS subsequently claimed a termination payment of approximately \$612,000 comprising these unpaid fees plus a 3 year retrospective CPI adjustment of approximately \$40,000, further unpaid fees for June 2013 of approximately \$40,000 and a termination payment of approximately \$40,105 per month (after CPI adjustments including GST) from July 2013 to the end of the term of the agreement (30 April 2014), or \$401,050, plus office rent and other expenses of approximately \$21,000.

Further details regarding the Services Agreement can be found in the attached Notice of Meeting.

Sale Agreement

Under a Sale Agreement dated 23 October 2009 the Company agreed to acquire Victory Bore from Mutual Holdings, an entity controlled by Mr Nikolaenko. The Sale Agreement provided (amongst other things) as follows:

- a) The Company would pay Mutual Holdings (or its nominee) a total of \$540,000 through a cash payment of \$50,000 and the issue of 7 million Shares and 7 million Options (with an exercise price of \$0.07 and expiry date of 30 June 2013). This payment and securities issue occurred in November 2009 and were made to Mutual Holdings.
- b) Upon the establishment of a JORC code compliant Inferred Resource, Indicated Resource or Measured Resource on Victory Bore the Company was to make further payments to Mutual Holdings as follows:

- i. Where the resource relates to iron ore, vanadium, titanium or phosphate - Inferred Resource \$0.02 per tonne of ore, Indicated Resource \$0.04 per tonne of ore and Measured Resource \$0.06 per tonne of ore.
 - ii. Where the resource relates to U₃O₈ or any base metal - Inferred Resource \$0.05 per tonne of ore, Indicated Resource \$0.08 per tonne of ore and Measured Resource \$0.10 per tonne of ore.
 - iii. Where the resource relates to gold or any other precious metal - Inferred Resource \$0.20 per tonne of ore, Indicated Resource \$0.30 per tonne of ore and Measured Resource \$0.50 per tonne of ore.
- c) Mutual Holdings is also to be paid a further payment of \$1.00 per tonne of iron ore derived from the tenement and a royalty equal to 1% of gross revenue received by the Company from the sale of gold, any other precious metal or base metal derived from the tenement.

On 4 March 2011 the Company announced a maiden resource at Victory Bore. The Company and Mutual Holdings agreed standstill arrangements so that the liability arising under the Sale Agreement as a result of the announcement was deferred for several periods and ultimately until 5 September 2012.

The Company and Mutual Holdings subsequently entered into a debt management agreement on 8 August 2012 under which the Company acknowledged a debt owed to Mutual Holdings under the Sale Agreement of \$3.02 million (**‘Mutual Holdings Debt’**), and agreed a repayment program. The Mutual Holdings Debt was disclosed in the notes to the Company’s 2012 financial statements, and treated as a liability in the Company’s half yearly report for the period ended 31 December 2012.

In total, the Company has issued 77,000,000 Shares and paid \$96,530 in cash to Mutual Holdings and KHV Holdings under the Sale Agreement (as varied by the Debt Agreement). The 7,000,000 options issued were not exercised and expired on 30 June 2013.

In the course of their internal investigations surrounding the Company’s dealings with Mr Nikolaenko, the Directors also reached the conclusion that the Sale Agreement required shareholder approval under Chapter 2E of the Corporations Act and Listing Rule 10.1. Such approval was not obtained.

Furthermore, and in what was considered by the Directors to be a breach of Listing Rule 10.7, cash payments were made and the Shares issued were unrestricted. The Company reported the alleged breach of Listing Rules 10.1 and 10.7 to ASX, and reserved all of its rights against Mutual Holdings and Mr Nikolaenko arising in respect of the Service Agreement and breaches of the Listing Rules and Corporations Act.

Following the Board’s determination and announcing the alleged breach to ASX, Mutual Holdings’ lawyers advised the Company’s lawyers that the determination amounted to a repudiation of the Sale Agreement by the Company. Mutual Holdings has accepted the repudiation, bringing the Sale Agreement to an end.

Further details regarding the Sale Agreement can be found in the attached Notice of Meeting.

Administration and Recapitalisation

The Company’s Shares were suspended in October 2013 initially following its failure to lodge its 2013 statutory financial accounts. The Shares remained suspended after the Company had lodged its 2013 statutory financial accounts as a result of the Company reporting various alleged breaches of the Listing Rules to ASX.

On 9 May 2014 the Company's Directors appointed Adam Shepard as voluntary administrator of the Company. On 18 August 2014, a meeting of the Company's creditors resolved that the Company execute the Deed of Company Arrangement ('DOCA'). On 18 August 2014, the Company executed the DOCA.

The DOCA outlined that creditors' claims would be extinguished and that a creditors trust would be established, from which creditors could lay claim against trust funds.

CAS and Mutual Holdings each lodged proofs of debt for amounts owed under Chapter 10 Agreements. The Deed Administrator rejected the proofs on the basis that the Chapter 10 Agreements were entered into in breach of Chapter 2E of the Act. CAS and Mutual Holdings appealed the Deed Administrator's decision to the Supreme Court of Western Australia, and on 5 November 2015 the Court set aside the Deed Administrator's decision. The Court also ordered that the Deed Administrator pay CAS and Mutual Holdings' cost of proceedings. The effect of the Court's decision was to give CAS and Mutual Holdings a priority claim against the creditors trust.

On 7 October 2016 the Company announced that it had agreed a Recapitalisation, consisting of:

- a) 1 for 300 consolidation of existing Shares, resulting in the Company having 2,084,811 Shares on issue;
- b) placements of 91 million Shares with clients or nominees of CPS Capital and View Street Partners at an issue price of \$0.02 per Share to raise \$1.9 million 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 (together the 'Capital Raising');
- c) the issue of 4 million Shares to Directors in lieu of Directors' fees;
- 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; 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).

Of these Shares and Options, 4,000,000 Shares and 2,500,000 Options will be issued to related parties in lieu of unpaid Directors fees.

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;
- b) Shareholders approving the Recapitalisation; and
- c) the Company lodging outstanding accounts and otherwise complying with the Listing Rules.

5. Profile of Quest Minerals Limited

5.1 History

Quest is an exploration company focused on gold, iron, vanadium and other mineral resources which officially listed on the ASX on 13 February 1995. The Company was formerly known as Westel Group Limited until 27 July 2004 and IC2 Global Limited until 2 December 2008. The current Board of Directors comprises Mr Vitale as Managing Director, Paul Piercy as Non-Executive Chairman and Dennis Gee as Non-Executive Director.

The Company holds a 100% interest in Victory Bore located in the mid-west region of Western Australia. The tenement covers the northern 11 km segment of a 25 km long magnetic anomaly. This area has been a major historical producer of gold and is also considered a host for vanadium and titanium-bearing magnetite iron deposits such as the nearby Windimurra Vanadium Project (Atlantic Limited) which is now on care and maintenance. For further discussions regarding Victory Bore, refer Appendix 3.

On 9 May 2014 the Company's Directors appointed Adam Shepard as voluntary administrator of the Company. On 18 August 2014, a meeting of the Company's creditors resolved that the Company execute the DOCA. The DOCA outlined that creditors' claims would be extinguished and that a creditors trust would be established, from which creditors could lay claim against trust funds.

5.2 Historical Balance Sheet

Statement of Financial Position	Audited as at 30-Jun-16 \$	Audited as at 30-Jun-15 \$	Audited as at 30-Jun-14 \$
CURRENT ASSETS			
Cash and cash equivalents	10,600	132,986	306,983
Trade and other receivables	9,611	8,245	21,916
TOTAL CURRENT ASSETS	20,211	141,231	328,899
TOTAL ASSETS	20,211	141,231	328,899
CURRENT LIABILITIES			
Trade and other payables	236,087	182,331	1,036,137
Interest bearing liabilities	10,600	600	2,012,915
TOTAL CURRENT LIABILITIES	246,687	182,931	3,049,052
TOTAL LIABILITIES	246,687	182,931	3,049,052
NET ASSETS	(226,476)	(41,700)	(2,720,153)
EQUITY			
Contributed equity	92,202,237	92,202,237	92,202,237
Reserves	1,356,900	1,356,900	1,356,900
Accumulated losses	(93,785,613)	(93,600,837)	(96,279,290)
TOTAL EQUITY	(226,476)	(41,700)	(2,720,153)

Source: Audited financial statements for the years ended 30 June 2014, 30 June 2015 and 30 June 2016.

5.3 Historical Statement of Comprehensive Income

Statement of Comprehensive Income	Audited for the year ended 30-Jun-16 \$	Audited for the year ended 30-Jun-15 \$	Audited for the year ended 30-Jun-14 \$
Other income from ordinary activities:			
Other revenue	-	135,868	302,900
Financial income	5	192	2,989
Assets & liabilities transferred to Creditors Trust	-	2,757,640	
Expenses reimbursed by Creditors Trust	38,050	108,896	
	<u>38,055</u>	<u>3,002,596</u>	<u>305,889</u>
Expenses:			
Depreciation	-	-	(3,570)
Loss on disposal of Plant and Equipment	-	-	(6,588)
Finance expense	-	-	(285,989)
Professional fees	(52,183)	(177,510)	(927,879)
Exploration and evaluation expenditure written off	-	(427)	(1,109,023)
Impairment	(10,067)	(6,011)	(24,642)
Administration expenses	(29,316)	(134,456)	(167,294)
Expenses of Voluntary Administration	-	(5,739)	(79,898)
Reinstatement of liabilities	-	-	(857,158)
Assets transferred to Creditors Trust	(131,265)	-	-
Total expenses	<u>(222,831)</u>	<u>(324,143)</u>	<u>(3,462,041)</u>
Income tax expense	-	-	-
Loss from continuing operations	<u>(184,776)</u>	<u>2,678,453</u>	<u>(3,156,152)</u>
Other comprehensive Income			
Total other comprehensive income, net of tax	-	-	-
Total comprehensive loss for the year	<u>(184,776)</u>	<u>2,678,453</u>	<u>(3,156,152)</u>

Source: Audited financial statements for the years ended 30 June 2014, 30 June 2015 and 30 June 2016.

Commentary on Historical Financial Statements

- On 18 August 2014, the Company entered a DOCA whereby the creditors of the Company were transferred to a Creditors' Trust. The DOCA appointed Mr Adam Shepard of Farnsworth Shepard as the Deed Administrator and Trustee of the Creditors' Trust. Upon execution of the DOCA, the voluntary administration of the Company ceased and control of the Company was returned to the Directors. In accordance with the terms of the DOCA, the claims of creditors against the Company were transferred to the Creditors' Trust, together with the right to any funds received pursuant to an application to the ATO for a refund of qualifying Research and Development expenditure previously incurred by the Company to derive the Perenjori Project magnetite process flow sheet. The only asset retained by the Company at that time was the tenement at Perenjori which had been previously impaired to nil value. Accordingly, upon return of control of the Company to the Directors on 18 August 2014, the Company had no assets other than the tenement at Perenjori and no pre-administration liabilities.

- The Company also held a 100% interest in Victory Bore E57/550 until 21 August 2014. Following a review of market prospects for vanadium it was decided the tenement did not warrant a further application for renewal, consequently it was relinquished in advance of its anniversary date. In late June 2015, the Company's wholly owned subsidiary Acacia Mining Pty Ltd applied for an exploration licence covering an area of 13 blocks in East Murchison Field in Western Australia. This area covered the same ground as Victory Bore E57/550 previously held by the Company.
- For the year ended 30 June 2016, the auditor issued an unmodified audit opinion however did include an emphasis of matter relating to the going concern of the Company. It noted that the ability of the Company to pay its debts as and when they fall due is dependent upon the successful re-capitalisation of the Company.

5.4 Capital Structure

The share structure of Quest as at the date of this Report is outlined below:

	Number
Total ordinary shares on issue	625,443,285
Top 20 shareholders	464,635,967
Top 20 shareholders - % of shares on issue	74.29%

Source: Company's share register

The ordinary shares held by the most significant shareholders as at the date of this Report are detailed below:

Name	Number of Ordinary	Percentage of Issued Shares
Droxford International Ltd	98,686,092	15.78%
Maxillion Limited	82,313,908	13.16%
KHV Holdings Pty Ltd	70,000,000	11.19%
John Wardman & Associates Pty Ltd	25,000,000	4.00%
Subtotal	276,000,000	44.13%
Others	349,443,285	55.87%
Total ordinary shares on issue	625,443,285	100.00%

Source: Company's share register

6. Economic analysis

Global outlook

Overall, the global economy is continuing to grow, though at a slightly slower pace than earlier expected. Although several advanced economies have seen improved growth over the past year, conditions have become more difficult for a number of emerging market economies. Key commodity prices have significantly declined over the past few years as a result of increased supply and weaker demand.

In China, economic activity has eased and the growth rate has continued to moderate following the Government's stimulus plan, which will see China shift away from an economy dependent on

manufacturing, to one driven by consumer demand. China's demand for commodities such as crude oil, steel, coal and other raw materials have decreased, therefore affecting the global economy.

Global financial markets have seen improved sentiment following a period of increased volatility. However, uncertainty regarding the global economic outlook and policy settings for major jurisdictions continues. Globally, monetary policy remains accommodative.

Australia

The Australian economy seems to be continuing to rebalance off the end of the mining boom despite a large decline in business investment. Overall growth is continuing at a moderate pace, supported by domestic demand and exports that have been expanding at a pace at or above trend. Growth in the labour market is subdued and consistent with a modest pace of expansion in employment in the near term. The inflation rate remains low in Australia, along with other parts of the world. This is likely to continue over the next few years with the help of restrained labour costs.

Commodity prices

Recently, commodity prices have increased, albeit slightly. They are, however, still much lower than that of a few years ago. Australia's terms of trade remain much lower than it has been in recent years. Prices tend to rely on demand, in particular from the Chinese industrial sector, along with the response to changes in supply. Due to low oil prices, producers of bulk commodities have in general been reducing their cost of production, as oil is an important input for the transportation of these commodities. However, the ability for these producers to keep on reducing their costs is unlikely and may lead to firms exiting the market.

Financial markets

The financial markets have experienced heightened volatility recently due to the re-pricing of assets following Britain's exit from the European Union. However, most markets have continued to function effectively. Funding costs for high-quality borrowers remain low and monetary policy around the globe remains generous.

Interest rates

Credit is recording moderate growth overall. Low interest rates are acting to support borrowing and spending. Growth in lending to the housing market has slowed a little this year. Dwelling prices have been rising moderately over the course of this year. However, an influx of apartments onto the property market is expected over the next few years, particularly in the eastern capital cities.

To maintain sustainable growth in the economy and for inflation to return to target over time, the Reserve Bank of Australia decided to ease monetary policy by lowering the cash rate by 25 basis points to 1.50% effective 3 August 2016.

Australian dollar

The Australian dollar has appreciated recently, despite its noticeable declines against the US dollar over the past year. This in part reflects rises in commodity prices, along with monetary developments globally having a positive impact. Due to current economic circumstances, a strengthening exchange rate could complicate the adjusting economy.

Source: Statement by Glenn Stevens, Governor: Monetary Policy Decision 2 August 2016.

7. Industry analysis

Vanadium is a soft, ductile, silver-grey metal that is used primarily with iron to make metal alloys for high-strength steel production. High-strength steel has a wide range of applications, including for gas and oil pipelines, tool steel, jet engines, the manufacture of axles and crankshafts for motor vehicles, as well as for reinforcing bars in building and construction.

Vanadium is not found in its metallic form in nature but occurs in more than 60 minerals as a trace element in a number of different rock types. It is produced as both a primary product and co-product from mining and most commonly as co-products or by-products of steel making. It is also recovered from wastes such as fly ash, oil residues and waste solutions from the processing of uranium ores.

Uses of Vanadium

The main use of vanadium is in alloys, especially with steel. 85% of all the vanadium produced goes into steel, 10% goes into alloys of titanium and 5% into all other uses. Vanadium is also used in the production of ceramics and electronics, textile dyes, fertilisers, synthetic rubber, in welding, as well as in alloys used in nuclear engineering and superconductors. Vanadium chemicals and catalysts are used in the manufacture of sulphuric acid, the desulphurisation of sour gas and oil and in the development of fuel cells and low-charge-time, light-weight batteries.

Vanadium Demand and Supply

Chinese vanadium production in 2015 decreased by 7% in comparison to 2014 due to slower than expected expansion of vanadium slag from steel production. China is the largest producer of vanadium, most of which is sourced from processing of vanadium bearing slag from the steelmaking process and is also consumed in the steel making process.

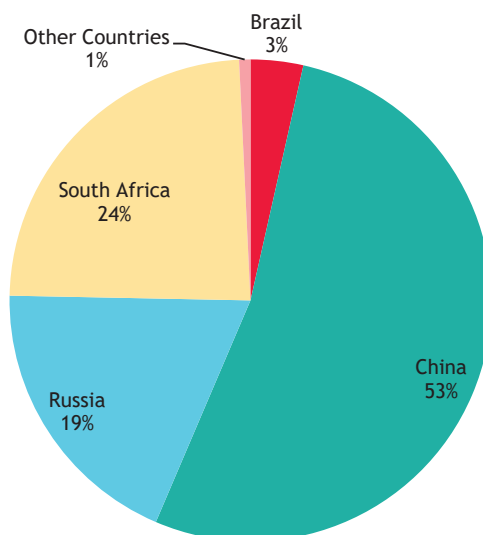
Approximately 90% of global vanadium demand comes from steel applications and 4% comes from titanium and super alloy products. Potential strong growth of vanadium usage in energy storage applications in the coming years could alter this situation.

Vanadium Production

China is the world's largest producer of vanadium and increases in vanadium demand will, for the most part, be met by planned expansions to existing production facilities. China is in the process of significant expansion of co-product vanadium capacity, with further expansions scheduled over the next five years. While production is spread across approximately 40 main producers as well as an estimated 150 small-scale operations, volume production is dominated by Pangang Group Steel Vanadium & Titanium in Sichuan and Chengde XinXin Vanadium & Titanium Co in Hebei. Australia's largest producer of vanadium is Atlantic Ltd, which commenced operations at the Windimurra vanadium mine in 2012.

Approximately 96% of global vanadium production in 2015 came from China (53%), South Africa (24%) and Russia (19%). This is shown in the chart below.

Vanadium Production - 2015



Source: United States Geological Survey 2016

Historical Price of Vanadium

The average price of ferrovanadium over the period 2 January 2009 to 19 August 2016 was US\$25/kg. The highest price over this period was \$35.50/kg recorded on 21 August 2009 and the lowest price of US\$13.07/kg was recorded on 27 November 2015. The spot price on 19 August 2016 was \$19.45/kg. A graph of the price over the period 2009 to August 2016 is shown below:

Ferro Vanadium Spot Price (USD/kg)



Source: Bloomberg

8. Valuation approach adopted

There are a number of methodologies which can be used to value a business or the shares in a company. The principal methodologies which can be used are as follows:

- Capitalisation of future maintainable earnings ('FME');
- Discounted cash flow ('DCF');
- Quoted market price basis ('QMP');
- Net asset value ('NAV'); and
- Market based assessment such as a Resource Multiple

A summary of each of these methodologies is outlined in Appendix 2.

Different methodologies are appropriate in valuing particular companies, based on the individual circumstances of that company and available information.

Services Agreement at the date the Services Agreement was signed (4 May 2007)

Our assessment of fairness of the Services Agreement at the date the Services Agreement was signed has been undertaken by comparing the value of the services offered under the Services Agreement and the value of the consideration to be paid by the Company for those services. We have been requested to perform our valuation as at 4 May 2007, being the date the Services Agreement was entered into. Therefore our valuation comprises two parts as follows:

- A valuation of the consideration payable by the Company for the Services Agreement as at 4 May 2007. The value of the consideration payable is based on the terms as outlined in the Services Agreement; and
- A valuation of the actual services that CAS will provide over the term of the Services Agreement.

Sale Agreement at the date the Sale Agreement was signed (23 October 2009)

Our assessment of fairness of the Sale Agreement at the date the Sale Agreement was signed has been done by comparing the value of the assets being acquired under the Sale Agreement and the value of the consideration payable by Quest. We have performed our valuation as at 23 October 2009, being the date the Sale Agreement was entered into.

The Sale Agreement contemplates the acquisition of Victory Bore. Therefore we require an independent specialist valuation of the project. We instructed Agricola Mining Consultants Pty Ltd ('Agricola') to provide an independent market valuation of Victory Bore as at October 2009. Agricola's report was prepared in accordance with the VALMIN Code 2015 and his full report may be found at Appendix 3.

The consideration payable by Quest under the Sale Agreement consists of cash, shares, options and additional cash payments upon the project achieving certain milestones.

In our assessment of the value of Quest shares issued as consideration for the Sale Agreement we have chosen to employ the following methodologies:

- NAV - primary methodology
- QMP - secondary methodology

We have chosen these methodologies for the following reasons:

- As at 23 October 2009, Quest did not generate regular trading income. Therefore there are no historic profits that could be used to represent future earnings. This means that the FME valuation approach is not appropriate;
- As at 23 October 2009, Quest had no foreseeable future net cash inflows and therefore the application of the DCF valuation approach is not possible. Under RG111, it is considered that it is only appropriate to use a DCF where Reserves are present;
- As at 23 October 2009 Quest was an exploration company with minimal exploration assets, therefore Quest's most significant assets are its interest in the exploration assets it holds and cash in addition to the value of its other assets and liabilities as at 23 October 2009; and
- As at 23 October 2009, Quest was listed on the ASX. This provides an indication of the market value where an observable market for the securities exists.

Sale Agreement based on current circumstances of the Company

Our assessment of fairness of the Sale Agreement based on the current circumstances of the Company has been done by comparing the value of the assets being acquired under the Sale Agreement and the value of the consideration payable by Quest; taking into account the current circumstance of the Company as at the date of our Report.

The Sale Agreement contemplates the acquisition of Victory Bore. Therefore we require an independent specialist valuation of the project. We instructed Agricola to provide an independent market valuation of Victory Bore as at the date of our Report. Agricola's full report may be found at Appendix 3.

The consideration payable by Quest under the Sale Agreement is based on the current circumstances of the Company.

In our assessment of the value of Quest shares issued as consideration for the Sale Agreement we have chosen to employ the following methodologies:

- NAV - primary methodology
- QMP - secondary methodology

We have chosen these methodologies for the following reasons:

- Quest does not generate regular trading income. Therefore there are no historic profits that could be used to represent future earnings. This means that the FME valuation approach is not appropriate;
- Quest has no foreseeable future net cash inflows and therefore the application of the DCF valuation approach is not possible. Under RG111, it is considered that it is only appropriate to use a DCF where Reserves are present;
- Quest is an exploration company with minimal exploration assets, therefore Quest's most significant assets are its interest in the exploration assets it holds and cash in addition to the value of its other assets and liabilities; and
- Quest is listed on the ASX. This provides an indication of the market value where an observable market for the securities exists.

9. Assessment of the Services Agreement at the date the Services Agreement was signed

9.1 Valuation of consideration payable

The Company and CAS were parties to the Services Agreement, under which CAS was to provide certain services to the Company from 1 April 2007 for 5 years with a unilateral right exercisable by CAS to extend for a further 2 years. In consideration for the services, the Company agreed to pay CAS \$370,000 (plus GST) (as adjusted for CPI increases) per annum for 5 years with a unilateral right to extend for a further 2 years.

The total amount payable by Quest for services in regard to the Services Agreement as at 4 May 2007 totals approximately \$2.92 million (adjusted for CPI increases) over the 7 year term.

9.2 Valuation of services provided

The services to be provided by CAS under the Services Agreement included, among other things, the following:

- Providing to the Board, at least once a month, a report as to the financial transactions undertaken by the Company during the period;
- Supervising the implementation of exploration programs approved by the Board and providing to the Board, at least one a month, a report as to the execution and progress of the approved exploration programmes;
- Supervising the keeping of all books of account and financial records of the Company by the Company's accounting officer;
- Supervising the keeping of all tenement registers of the Company by the Company's nominated officer;
- Supervising the preparation of the financial components of the Company's quarterly, half yearly and annual reports by the Company's accounting officer;
- Provision of certain book-keeping services for the Company;
- Administration of insurance policies taken out by the Company; and
- Monitoring the performance of contractual obligations and services provided to the Company by third party consultants.

As outlined in the Services Agreement, these services were to be provided from 1 April 2007 for 5 years with a unilateral right exercisable by CAS to extend for a further 2 years. For the purposes of the Services Agreement Opinion our valuation of these services is to be performed at the date the Services Agreement was entered into, being 4 May 2007.

We have reviewed a number of ASX listed companies who utilise external corporate services providers to provide similar services to that provided by CAS. From our review we note that these costs vary greatly as a result of the level of service provided and the format of consideration (which could be in the form of cash or scrip). Our analysis indicates that an annual fee for such services could be in the range of \$120,000 to \$220,000.

However, we are unable to determine whether the exact services provided by CAS under the Services Agreement are appropriately comparable to our sample of external service providers. Therefore, we are unable to provide an opinion on the fairness of the Services Agreement as at 4 May 2007.

10. Assessment of the Sale Agreement at the date the Sale Agreement was signed

10.1 Value of assets acquired under the Sale Agreement

We instructed Agricola to provide an independent market valuation of Victory Bore as at October 2009. Agricola considered a number of different valuation methods when valuing Victory Bore. As a result of the Victory Bore project not having an estimated mineral resource or exploration target, Agricola applied the Kilburn Geoscience Rating approach as a preferred valuation method. This methodology is commonly used for projects classed as early stage exploration as it focussed on the future prospectivity of the area.

We consider Agricola's approach and methodologies adopted to be appropriate given the stage of development of Victory Bore as at October 2009. The range of values for Victory Bore as calculated by Agricola is set out below:

Victory Bore - October 2009 Valuation		Low	Preferred	High
		\$	\$	\$
Victory Bore		459,000	515,500	572,000

The table above indicates a range of values between \$0.46 million and \$0.57 million, with a preferred value of \$0.52 million.

10.2 Value of consideration payable under the Sale Agreement

As at 23 October 2009, the consideration payable by Quest under the Sale Agreement consists of \$50,000 and the issue of 7 million Shares and 7 million Options (with an exercise price of \$0.07 and expiry date of 30 June 2013). Under the Sale Agreement there were also additional cash payments required to be made in the future contingent upon the Victory Bore project achieving certain milestones.

The Company obtained shareholder approval under Listing Rule 7.1 for the issue of 7 million Shares and 7 million Options. The Notice of Meeting disclosed a deemed issue price of \$0.07 per Share and ascribed no value for the Options.

10.2.1 Net asset value of a Quest share

The net asset value of a Quest share as at 23 October 2009, on a going concern basis, is reflected in our valuation below:

Statement of Financial Position		Audited as at 30-Jun-09 \$
CURRENT ASSETS		
Cash and cash equivalents		884,517
Trade and other receivables		232,314
TOTAL CURRENT ASSETS		1,116,831
NON-CURRENT ASSETS		
Property, plant & equipment		1,079
TOTAL NON-CURRENT ASSETS		1,079
TOTAL ASSETS		1,117,910
CURRENT LIABILITIES		
Trade and other payables		496,229
Interest bearing liabilities		450,000
TOTAL CURRENT LIABILITIES		946,229
TOTAL LIABILITIES		946,229
NET ASSETS		171,681
Number of share on issue on 23 October 2009		88,396,622
Value per share		0.002

Source: BDO analysis

We have been advised by management that there were not any material changes in the statement of financial position between 30 June 2009 and 23 October 2009, which was the date the Sale Agreement was entered into. We have assumed that the fair market value of the assets and liabilities as at 23 October 2009 are equal to the carrying values as set out in the above statement of financial position.

As at 23 October 2009 the Company had the following interests in exploration assets:

- A farm-in agreement with Mutual Holdings which gave the Company the right to acquire a 100% interest in Victory Bore (later to be superseded by the Sale Agreement);
- The Company had applied to the Nigerian Mining Cadastre Office for a total of 19 exploration licences in Nigeria covering 3,600 km²; and
- A farm-in agreement with Nigerian company Mines Geotechniques Limited which gave the Company the right to acquire an interest of up to 84% in four exploration licences in Nigeria.

All exploration expenditure in regard to the above exploration activities was expensed as incurred and therefore there were no capitalised exploration expenses in the statement of financial position above. We are satisfied that as at 23 October 2009 the fair market value of all exploration assets is immaterial in nature.

The table above indicates the net asset value of a Quest share as at 23 October 2009 is \$0.002 per share.

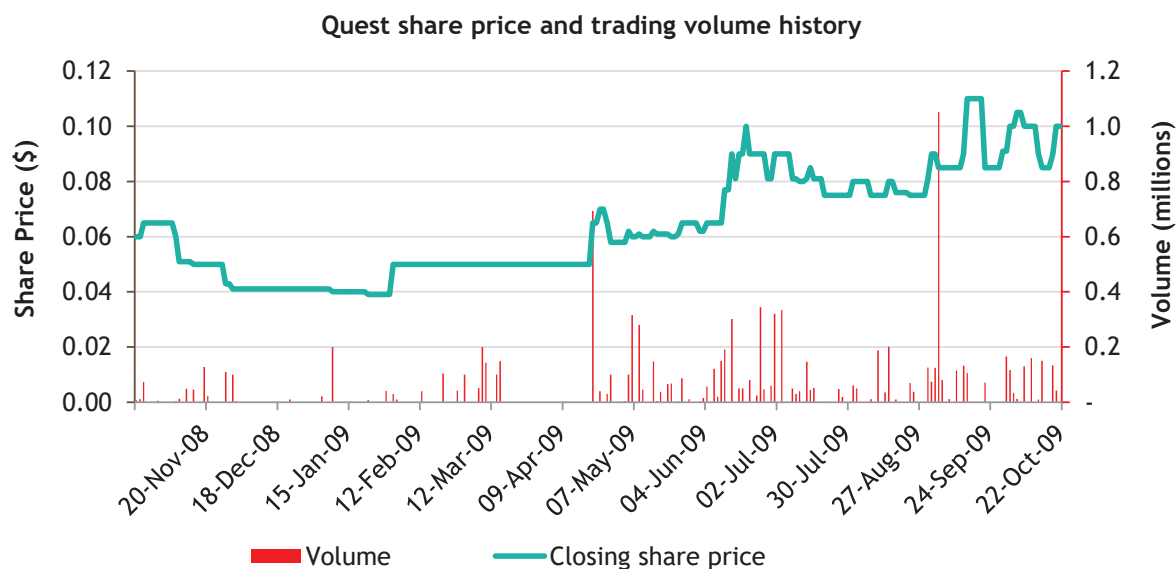
10.2.2 Quoted market price for a Quest share

To provide a comparison to the valuation of Quest in section 10.2.1, we have also assessed the quoted market price for a Quest share.

The quoted market value of a company's shares is reflective of a minority interest. A minority interest is an interest in a company that is not significant enough for the holder to have an individual influence in the operations and value of that company.

Our analysis of the quoted market price of a Quest share is based on the pricing prior to the announcement of the Sale Agreement whereby Quest would acquire Mutual Holding's 100% interest in its exploration licence at Victory Bore. This is because the value of a Quest share after the announcement may include the effects of any change in value as a result of the Sale Agreement.

Information on the Sale Agreement was announced to the market on 23 October 2009. Therefore, the following chart provides a summary of the share price movement over the twelve months to 22 October 2009 which was the last trading day prior to the announcement.



Source: Bloomberg and BDO Analysis

The daily price of Quest shares from 23 October 2008 to 22 October 2009 has ranged from a low of \$0.039 on 3 February 2009 to a high of \$0.115 on 16 September 2009.

During this period a number of announcements were made to the market. The key announcements are set out below:

Date	Announcement	Closing Share Price Following Announcement			Closing Share Price Three Days After Announcement		
		\$ (movement)			\$ (movement)		
31/07/2009	June 2009 Quarterly Cashflow Report	0.075	►	0.0%	0.080	▲	6.7%
31/07/2009	June 2009 Quarterly Activities Report	0.075	►	0.0%	0.080	▲	6.7%
26/06/2009	Exclusive dealing agreement for Victory Bore	0.090	►	0.0%	0.081	▼	10.0%
17/06/2009	Sale of Westel Wireless Systems Pty Ltd	0.081	▼	10.0%	0.100	▲	23.5%
8/05/2009	Nigerian Exploration Licences	0.060	►	0.0%	0.060	►	0.0%
29/04/2009	March Quarterly Cashflow Report	0.058	▼	10.8%	0.058	►	0.0%
29/04/2009	March Quarterly Activities Report	0.058	▼	10.8%	0.058	►	0.0%
21/04/2009	Reinstatement to Official Quotation	0.050	►	0.0%	0.070	▲	40.0%
17/03/2009	Suspension from Official Quotation	0.050	►	0.0%	0.050	►	0.0%
2/02/2009	December 2008 Quarterly Activities Report	0.039	►	0.0%	0.050	▲	28.2%
2/02/2009	December 2008 Quarterly Cashflow Report	0.039	►	0.0%	0.050	▲	28.2%
12/12/2008	Farm-in Agreement - Nigerian Exploration Licences	0.041	►	0%	0.041	►	0%
17/11/2008	Issue of Convertible Notes	0.050	▼	2%	0.050	►	0%
31/10/2008	Quarterly Activities Report and Appendix 5B	0.065	►	0%	0.065	►	0%

Source: Bloomberg and BDO Analysis

To provide further analysis of the market prices for a Quest share, we have also considered the weighted average market price for 10, 30, 60 and 90 day periods to 22 October 2009.

	22 October 2009	10 Days	30 Days	60 Days	90 Days
Closing Price	\$0.100				
Weighted Average		\$0.093	\$0.094	\$0.087	\$0.087

Source: Bloomberg and BDO analysis

The above weighted average prices are prior to the date of the announcement of the Sale Agreement, to avoid the influence of any increase in price of Quest shares that has occurred since the Sale Agreement was announced.

An analysis of the volume of trading in Quest shares for the twelve months to 22 October 2009 is set out below:

	Share price low	Share price high	Cumulative Volume traded	As a % of Issued capital
1 day	\$0.100	\$0.100	29,300	0.03%
10 days	\$0.085	\$0.100	524,700	0.59%

30 days	\$0.082	\$0.115	1,408,868	1.59%
60 days	\$0.060	\$0.115	3,544,898	4.01%
90 days	\$0.060	\$0.115	5,240,204	5.93%
180 days	\$0.050	\$0.115	9,119,393	10.32%
1 year	\$0.039	\$0.115	10,015,526	11.33%

Source: Bloomberg and BDO analysis

This table indicates that Quest's shares display a low level of liquidity, with 11.33% of the Company's current issued capital being traded in a twelve month period prior to the announcement and many days within the twelve month period with no trades. For the quoted market price methodology to be reliable there needs to be a 'deep' market in the shares. RG 111.69 indicates that a 'deep' market should reflect a liquid and active market. We consider the following characteristics to be representative of a deep market:

- Regular trading in a company's securities;
- Approximately 1% of a company's securities are traded on a weekly basis;
- The spread of a company's shares must not be so great that a single minority trade can significantly affect the market capitalisation of a company; and
- There are no significant but unexplained movements in share price.

A company's shares should meet all of the above criteria to be considered 'deep', however, failure of a company's securities to exhibit all of the above characteristics does not necessarily mean that the value of its shares cannot be considered relevant. In the case of Quest, we do not consider the shares to be liquid due to the very low volumes and infrequent trading.

Our assessment is that a range of values for Quest shares based on market pricing, after disregarding post announcement pricing, is between \$0.085 and \$0.100 with a midpoint value of \$0.093.

10.2.3 Assessment of Quest share value

The results of the valuations performed are summarised in the table below:

	Low	Preferred	High
	\$	\$	\$
Net assets value (section 10.2.1)	0.002	0.002	0.002
QMP value (section 10.2.2)	0.085	0.093	0.100

We note that the value obtained under the NAV methodology is lower than the values obtained under the QMP methodology. The difference between the valuation obtained under the NAV and QMP approaches can be explained by the following:

- The QMP value reflects investors' perception of the future prospects of Quest and may have taken into account the potential value of farm-in opportunities and the 19 exploration licence applications lodged in Nigeria during the period; and
- Our share price analysis in section 10.2.2 indicates that there is not a deep market for the Company's shares with only 11.33% of the Company's share capital traded in the twelve months prior to the announcement of the Sale Agreement. The trading has also been very irregular over the period and the closing price of a Quest share has ranged from a low of \$0.039 to a high of \$0.115 over the twelve month period.

Based on the results above we consider the value of a Quest share as at 23 October 2009 to be \$0.002. Therefore the value of the 7 million shares issued as consideration is valued at \$14,000.

10.2.4 Assessment of Quest option value

Quest will also issue 7 million options. We have valued these options using the binomial option pricing model. The key inputs in our calculation are:

- We have applied Quest's preferred share value of \$0.002 as set in section 10.2.3 above as our underlying share price.
- The exercise price is \$0.07.
- We have used the Australian Government 2-year bond rate of 2.74% as an input to our option pricing model.
- The options were due to expire on 30 June 2013 (our valuation is done as at 23 October 2009).
- The volatility of Quest's share price was calculated by Hoadley's volatility calculator for a two year period, using data extracted from Bloomberg. We also calculated the volatility over a two year period of ASX listed companies that we consider comparable to Quest as Quest has been suspended from trading for various periods.

Quest's unlisted options	
Underlying Security spot price	\$ 0.002
Exercise price	\$ 0.07
Issue date	23-Oct-09
Expiration date	30-Jun-13
Life of the Options (years)	3.69
Volatility	125%
Risk free rate	2.74%
Number of Options	7,000,000
Valuation per Option	\$ 0.0005
Value of Quest options	\$ 3,500

10.2.5 Assessment of contingent consideration payments

The Sale Agreement contemplates additional cash payments that are required to be made in the future which are contingent upon the Victory Bore project achieving certain milestones. Upon the establishment of a JORC code compliant Inferred Resource, Indicated Resource or Measured Resource on Victory Bore the Company was to make payments to Mutual Holdings as follows:

- i. Where the resource relates to iron ore, vanadium, titanium or phosphate - Inferred Resource \$0.02 per tonne of ore, Indicated Resource \$0.04 per tonne of ore and Measured Resource \$0.06 per tonne of ore.
- ii. Where the resource relates to U3O8 or any base metal - Inferred Resource \$0.05 per tonne of ore, Indicated Resource \$0.08 per tonne of ore and Measured Resource \$0.10 per tonne of ore.
- iii. Where the resource relates to gold or any other precious metal - Inferred Resource \$0.20 per tonne of ore, Indicated Resource \$0.30 per tonne of ore and Measured Resource \$0.50 per tonne of ore.

Mutual Holdings was also to be paid a further payment of \$1.00 per tonne of iron ore derived from the tenement and a royalty equal to 1% of gross revenue received by the Company from the sale of gold, any other precious metal or base metal derived from the tenement.

In order to value this contingent consideration payable by the Company, in the event any of the above targets being achieved, we requested that Agricola provide us with an exploration target for Victory Bore as at October 2009. Agricola's valuation of Victory Bore, as at October 2009, indicates an exploration target of between 60 and 70 million tonnes. We note that this range is just an exploration target and not an estimate of Mineral Resources or Reserves as defined by the JORC Code (2004). Exploration targets are conceptual in nature, and it is uncertain that any further exploration will result in the determination of a Mineral Resource. However, as at October 2009 we have used this exploration target range to determine the potential contingent consideration payable by the Company. Based on the Sale Agreement the contingent consideration payable would be as follows:

Contingent consideration	Low	Preferred	High
Exploration target of Victory Bore (million tonnes)	60	65	70
Payment per tonne payable to Mutual Holdings	\$0.02	\$0.02	\$0.02
Potential contingent consideration payable by Quest	\$ 1,200,000	\$ 1,300,000	\$ 1,400,000

As at October 2009, it is not possible determine the value of any royalty payment derived from the gross revenue received by the Company from the sale of gold, any other precious metal or base metal from Victory Bore, therefore we have not included an estimate of this potential liability.

10.3 Total value of consideration payable by Quest

The value of the total consideration payable by Quest as at 23 October 2009 is as follows:

Value of consideration	Low \$	Preferred \$	High \$
Cash consideration	50,000	50,000	50,000
Share consideration (7 million shares)	14,000	14,000	14,000
Option consideration (7 million options)	3,500	3,500	3,500
Contingent consideration	1,200,000	1,300,000	1,400,000
Value of consideration as at 23 October 2009	1,267,500	1,367,500	1,467,500

Our valuation of the consideration payable by Quest under the Sale Agreement is between \$1.27 million and \$1.47 million, with a preferred value of \$1.37 million.

11. Assessment of the Sale Agreement under current circumstances of the Company

11.1 Value of assets acquired under the Sale Agreement

We instructed Agricola to provide an independent market valuation of Victory Bore as at the date of our Report. Agricola considered a number of different valuation methods when valuing Victory Bore. Agricola applied the Kilburn Geoscience Rating approach as a preferred valuation method. This methodology is commonly used for projects classed as early stage exploration as it focussed on the future prospectivity of the area.

We consider Agricola's approach and methodologies adopted to be appropriate given the stage of development for Victory Bore as at the date of our Report. The range of values for each of Victory Bore as calculated by Agricola is set out below:

Agricola - Current valuation	Low \$	Preferred \$	High \$
Victory Bore	510,000	960,000	1,410,000

The table above indicates a range of values between \$0.51 million and \$1.41 million, with a preferred value of \$0.96 million.

11.2 Value of consideration payable under the Sale Agreement

Under the current circumstances, the Company in total has issued 77,000,000 Shares and paid \$96,530 in cash to Mutual Holdings and KHV under the Sale Agreement. The 7 million options issued were not exercised and expired on 30 June 2013. For the year ending 30 June 2013, the Mutual Holdings Debt, which was as a result of the contingent consideration payments, was not recognised as a liability and is no longer payable by the Company.

11.2.1 Net asset value of a Quest share

On 9 May 2014 the Company's directors appointed Adam Shepard as voluntary administrator of the Company. On 18 August 2014 the Company executed the DOCA. The DOCA outlined that creditors' claims

would be extinguished and that a creditors' trust would be established, from which creditors could lay a claim against trust funds.

Given that the DOCA cleared the Company of its assets and liabilities and as at 30 June 2016 the Company had net liabilities of \$226,476, we have determined that the net asset value of the Company under the current circumstances is nil.

11.2.2 Quoted market price for a Quest share

The Company's shares were suspended in October 2013 initially following its failure to lodge its 2013 statutory accounts. The shares remained suspended after the Company lodged its 2013 statutory accounts as a result of the Company reporting various alleged breaches of the Listing Rules to ASX.

As a result of the Company's shares being suspended from trading since October 2013, we were unable to determine an appropriate value under the QMP methodology.

11.2.3 Assessment of Quest share value

The results of the valuations performed are summarised in the table below:

	Low	Preferred	High
	\$	\$	\$
Net assets value (section 11.2.1)	nil	nil	nil
QMP value (section 11.2.2)	nil	nil	nil

Based on the results above we consider the value of a Quest share as at the date of our Report to be nil. Therefore the total value of the consideration payable under the Sale Agreement, under the current circumstances of the Company, is the cash payment made, being \$96,530.

12. Are the Transactions fair?

Services Agreement Opinion (as at 4 May 2007)

We have determined that the value of the services offered under the Services Agreement compares to the consideration to be paid by the Company for those services as at 4 May 2007, as detailed below.

	Ref	Low \$	Preferred \$	High \$
Value of consideration payable under the Services Agreement	9.1	2,920,000	2,920,000	2,920,000
Value of the services provided by CAS	9.2	N/A	N/A	N/A

The above table indicates that we are unable to determine the value of the services provided by CAS under the Services Agreement. Therefore, we conclude that the Services Agreement is not fair for Shareholders.

Sales Agreement Opinion (as at 23 October 2009)

We have determined that the value of the assets acquired under the Sale Agreement (Victory Bore) compares to the consideration paid by Quest as at 23 October 2009, as detailed below.

	Ref	Low \$	Preferred \$	High \$
Value of Victory Bore as at 23 October 2009	10.1	459,000	515,500	572,000
Value of consideration as at 23 October 2009	10.3	1,267,500	1,367,500	1,467,500

The above pricing indicates that the value of the assets acquired under the Sale Agreement is less than the value of the consideration as at 23 October 2009. Based on this analysis we can conclude that the value of the financial benefit being offered to Mutual Holdings is greater than the value of the assets being acquired by Quest. Therefore, we conclude that the Sale Agreement as at 23 October 2009 is not fair for Shareholders.

13. Are the Resolutions fair?

Resolution One Opinion

Our fairness opinion for Resolution One, which contemplates the Services Agreement based on the current circumstances of the Company, is consistent with our opinion under the Services Agreement Opinion.

As we are unable to determine the value of the services provided by CAS under the Services Agreement, we conclude that the Services Agreement based on the current circumstances of the Company is not fair for Shareholders.

Resolution Two Opinion

We have determined that the value of the assets acquired under the Sale Agreement (Victory Bore) compares to the consideration paid by Quest based on the current circumstances of the Company, as detailed below.

	Ref	Low \$	Preferred \$	High \$
Value of Victory Bore as at date of our Report	11.1	510,000	960,000	1,410,000
Value of consideration as at date of our Report	11.2	96,530	96,530	96,530

The above pricing indicates that the value of the assets acquired under the Sale Agreement is greater than the value of the consideration based on the current circumstances of the Company. Based on this analysis we can conclude that the value of the financial benefit being offered to Mutual Holdings is less than the value of the assets acquired by Quest. Therefore, we conclude that Resolution Two is fair for Shareholders.

14. Are the Transactions reasonable?

14.1 Services Agreement as at 4 May 2007

14.1.1 Advantages of approving the Services Agreement

We have considered the following advantages when assessing whether the Services Agreement is reasonable.

Advantage	Description
The Services Agreement removes the need to hire permanent full time staff	<p>Under the Services Agreement, CAS will perform a number of administration services on behalf of the Company. These services involve significant administration services as well as preparation of financial information for the Board.</p> <p>The benefit of approving the Services Agreement is that it removes the need for the Company to hire permanent full time staff to perform the required services that CAS will perform under the Services Agreement.</p>

14.1.2 Disadvantages of approving the Services Agreement

If the Services Agreement is approved, in our opinion, the potential disadvantages to Shareholders include those listed in the table below:

Disadvantage	Description
Length of contract removes flexibility to alter arrangement	<p>The Services Agreement is from 1 May 2007 for a 5 year period with a unilateral right exercisable by CAS to extend for a further 2 years.</p> <p>If the Services Agreement is approved by Shareholders, the Company is locked into a contract for a significant period and if circumstances change the ability to cancel the Services Agreement could be difficult.</p>

Extension of the Services Agreement exercisable by CAS

The option to extend the Services Agreement for an additional 2 years is at the discretion of CAS rather than the Company.

If the Services Agreement is approved by Shareholders, the Company is locked into a contract for a potential period of 7 years.

Rates uncommercial

The agreed annual rate of \$370,000 plus GST (as adjusted for inflation) was significantly higher than commercial rates.

Significant monthly cash payments over a lengthy period

Without any income producing assets, Quest was reliant to either raise equity capital or acquire/develop and sell assets to meet the monthly payment over a significant period. Placing Quest in such a position created risks that any raising would be done on disadvantageous terms for Quest.

14.2 Sale Agreement as at 23 October 2009

14.2.1 Advantages of approving the Sale Agreement

We have considered the following advantages when assessing whether the Sales Agreement is reasonable.

Advantage	Description
Creation of a company with a larger and more diversified portfolio of assets	If the Sale Agreement is approved, the Company will hold a 100% interest in the Victory Bore project. Quest may benefit from project diversification and the potential upside of the project being acquired.
Greater potential to access required capital for continued exploration	With a diversified portfolio of assets, Quest may be more successful in raising required funds to conduct exploration activities over its assets.

14.2.2 Disadvantages of approving the Sale Agreement

If the Sales Agreement is approved, in our opinion, the potential disadvantages to Shareholders include those listed in the table below:

Disadvantage	Description
Dilution of existing Shareholders' interests	If Shareholders' approve the Sale Agreement, the Company will issue an additional 7 million shares and 7 million options. The issue of this consideration will dilute the existing Shareholders' interest.
Acquisition of Victory Bore is subject to contingent consideration payments	If Shareholders approve the Sale Agreement, the Company will be bound by significant contingent consideration payments. Upon the establishment of a JORC code compliant Inferred Resource, Indicated Resource or Measured Resource on Victory Bore the Company is to make payments to Mutual Holdings as follows:

- i. Where the resource relates to iron ore, vanadium, titanium or phosphate - Inferred Resource \$0.02 per tonne of ore, Indicated Resource \$0.04 per tonne of ore and Measured Resource \$0.06 per tonne of ore.
- ii. Where the resource relates to U₃O₈ or any base metal - Inferred Resource \$0.05 per tonne of ore, Indicated Resource \$0.08 per tonne of ore and Measured Resource \$0.10 per tonne of ore.
- iii. Where the resource relates to gold or any other precious metal - Inferred Resource \$0.20 per tonne of ore, Indicated Resource \$0.30 per tonne of ore and Measured Resource \$0.50 per tonne of ore.

Mutual Holdings is also to be paid a further payment of \$1.00 per tonne of iron ore derived from the tenement and a royalty equal to 1% of gross revenue received by the Company from the sale of gold, any other precious metal or base metal derived from the tenement.

The above terms of the Sale Agreement subject the Company to a number of potential payments in the event any of the above hurdles are met. Due to the early stage of development of Victory Bore it is unknown as to the quantum of such payments that the Company will potentially be liable for in the future.

Low triggers for cash payments

The obligation to pay cash royalty arose on announcing an inferred resource.

Inferred resources have a low level of geological confidence and have not been subject to the modifying factors (as defined in the JORC Code 2004, so as to determine whether the resource may be economic.

By agreeing to pay cash on the basis of inferred resources, the Company is exposed to the significant risk of having to raise funds on the basis of an uneconomic resource, which may not be favourable terms to existing shareholders.

Contingent consideration payments for Victory Bore are payable in cash with limited time to raise

The contingent consideration payments as outlined above are all payable in cash. If Shareholders approve the Sale Agreement and in the future any of the events requiring payment of the contingent consideration are met, the Company will need to satisfy such payments in cash.

The Company is an exploration company with no revenue streams on which it could rely to satisfy the payment of any contingent consideration. Therefore, if the Company is required to make a contingent consideration payment it is likely an alternative source of funding, such as a capital raising, would have to be explored. The ability to obtain any alternative source of funding is unknown at this stage and any alternative source of funding, such as a capital raising, may be dilutive to the current shareholders' interest.

15. Are the Resolutions reasonable?

15.1 Advantages of approving the Resolutions

We have considered the following advantages when assessing whether the Resolutions are reasonable.

Advantage	Description
The current suspension of the Company's shares may be lifted	<p>If Shareholders' vote in favour of Resolutions One and Two, the Company will meet the corrective action set out in Listing Rule 10.9.</p> <p>Unless and until the Company complies with Listing Rule 10.9 and cancels the Sale Agreement for the purposes of Listing Rule 10.7, trading in the Company's shares will remain suspended and the Capital Raising will not complete. If suspension is not lifted by 1 October 2016 (or such other date as ASX may agree) then the Company will be delisted from the ASX and the Directors will resolve to have the Company wound up.</p>
Approval is required to allow the Recapitalisation to proceed	<p>The Recapitalisation is conditional on the Company satisfying the conditions required by the ASX for reinstatement of the Company's shares to quotation including Shareholders ratifying prior breaches of the Listing Rules, being the Chapter 10 Agreements.</p> <p>If the Resolutions are not approved, the Recapitalisation will not proceed and the Company will be wound up. Shareholders will then not have an opportunity to recover some return on their shares.</p>

15.2 Disadvantages of approving the Resolutions

If the Resolutions are approved, in our opinion, the potential disadvantages to Shareholders include those listed in the table below:

Disadvantage	Description
Shareholders' may forego the opportunity to recover cash paid to CAS and Mutual Holdings	<p>By approving Resolution One and Two, Shareholders may be foregoing the opportunity to commence proceedings against CAS and Mutual Holdings and potentially recovering the combined approximate \$2.42 million cash paid to both parties.</p> <p>However, as noted above, even if declaratory orders were obtained that all amounts be repaid, there exists the risk that CAS and Mutual Holdings would not have the ability to do so in any case.</p>
Perception that approval of Resolutions One and Two endorses past breaches	<p>If Shareholders' approve Resolution One and Two, the Board may be perceived to be endorsing past breaches of the Corporations Act and Listing Rules. This may provide the wrong signal to financial markets in respect of the board's future management of the Company's affairs.</p>

16. Conclusion

We have considered the terms of the Transactions as outlined in the body of this report and have concluded as follows:

- The Services Agreement with CAS at the date the Services Agreement was signed is **neither fair nor reasonable**; and
- The Sale Agreement with Mutual Holdings at the date the Sale Agreement was signed is **neither fair nor reasonable**.

We have considered the terms of the Resolutions as outlined in the body of this report and have concluded as follows:

- Resolution 1 based on the current circumstances of the Company is **not fair but reasonable**; and
- Resolution 2 based on the current circumstances of the Company is **fair and reasonable**.

17. Sources of information

This report has been based on the following information:

- Draft Notice of General Meeting and Explanatory Statement on or about the date of this report;
- Audited financial statements of Quest for the years ended 30 June 2009, 2010, 2011, 2012, 2013, 2014, 2015 and 30 June 2016;
- Administration Services Agreement between IC2 Global Limited (Quest's former name) and Corporate Admin Services Pty Ltd dated 4 May 2007;
- Termination of Heads of Agreement and Sale of Tenement Agreement between Mutual Holding Pty Ltd and Quest Minerals Limited dated 23 October 2009;
- Binding Letter Agreement - Debt Management between Mutual Holdings Pty Ltd and Quest;
- Independent Valuation Report of Victory Bore dated 22 September 2016 performed by Agricola Mining Consultants Pty Ltd;
- Share registry information for Quest;
- Information in the public domain; and
- Discussions with Directors and Management of Quest.

18. Independence

BDO Corporate Finance (WA) Pty Ltd is entitled to receive a fee of \$20,000 (excluding GST and reimbursement of out of pocket expenses). The fee is not contingent on the conclusion, content or future use of this Report. Except for this fee, BDO Corporate Finance (WA) Pty Ltd has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this report.

BDO Corporate Finance (WA) Pty Ltd has been indemnified by Quest in respect of any claim arising from BDO Corporate Finance (WA) Pty Ltd's reliance on information provided by the Quest, including the non-provision of material information, in relation to the preparation of this report.

Prior to accepting this engagement BDO Corporate Finance (WA) Pty Ltd has considered its independence with respect to Quest and any of their respective associates with reference to ASIC Regulatory Guide 112 “Independence of Experts”. In BDO Corporate Finance (WA) Pty Ltd’s opinion it is independent of Quest and their respective associates.

Neither the two signatories to this report nor BDO Corporate Finance (WA) Pty Ltd, have had within the past two years any professional relationship with Quest, or their associates, other than in connection with the preparation of this report.

A draft of this report was provided to Quest and its advisors for confirmation of the factual accuracy of its contents. No significant changes were made to this report as a result of this review.

BDO is the brand name for the BDO International network and for each of the BDO Member firms.

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19. Qualifications

BDO Corporate Finance (WA) Pty Ltd has extensive experience in the provision of corporate finance advice, particularly in respect of takeovers, mergers and acquisitions.

BDO Corporate Finance (WA) Pty Ltd holds an Australian Financial Services Licence issued by the Australian Securities and Investment Commission for giving expert reports pursuant to the Listing rules of the ASX and the Corporations Act.

The persons specifically involved in preparing and reviewing this report were Adam Myers and Sherif Andrawes of BDO Corporate Finance (WA) Pty Ltd. They have significant experience in the preparation of independent expert reports, valuations and mergers and acquisitions advice across a wide range of industries in Australia and were supported by other BDO staff.

Adam Myers is a member of the Australian Institute of Chartered Accountants. Adam’s career spans 18 years in the Audit and Assurance and Corporate Finance areas. Adam has considerable experience in the preparation of independent expert reports and valuations in general for companies in a wide number of industry sectors.

Sherif Andrawes is a Fellow of the Institute of Chartered Accountants in England & Wales and a Member of the Institute of Chartered Accountants in Australia. He has over twenty five years’ experience working in the audit and corporate finance fields with BDO and its predecessor firms in London and Perth. He has been responsible for over 250 public company independent expert’s reports under the Corporations Act or ASX Listing Rules and is a CA BV Specialist. These experts’ reports cover a wide range of industries in Australia with a focus on companies in the natural resources sector. Sherif Andrawes is the Chairman of BDO in Western Australia, Corporate Finance Practice Group Leader of BDO in Western Australia and the Natural Resources Leader for BDO in Australia.

20. Disclaimers and consents

This report has been prepared at the request of Quest for inclusion in the Explanatory Memorandum which will be sent to all Quest Shareholders. Quest engaged BDO Corporate Finance (WA) Pty Ltd to prepare an independent expert's report on the proposals regarding the Chapter 10 Agreements.

BDO Corporate Finance (WA) Pty Ltd hereby consents to this report accompanying the above Explanatory Memorandum. Apart from such use, neither the whole nor any part of this report, nor any reference thereto may be included in or with, or attached to any document, circular resolution, statement or letter without the prior written consent of BDO Corporate Finance (WA) Pty Ltd.

BDO Corporate Finance (WA) Pty Ltd takes no responsibility for the contents of the Explanatory Memorandum other than this report.

We have no reason to believe that any of the information or explanations supplied to us are false or that material information has been withheld. It is not the role of BDO Corporate Finance (WA) Pty Ltd acting as an independent expert to perform any due diligence procedures on behalf of the Company. The Directors of the Company are responsible for conducting appropriate due diligence. BDO Corporate Finance (WA) Pty Ltd provides no warranty as to the adequacy, effectiveness or completeness of the due diligence process.

The opinion of BDO Corporate Finance (WA) Pty Ltd is based on the market, economic and other conditions prevailing at the date of this report. Such conditions can change significantly over short periods of time.

With respect to taxation implications it is recommended that individual Shareholders obtain their own taxation advice, in respect of the Transactions, tailored to their own particular circumstances. Furthermore, the advice provided in this report does not constitute legal or taxation advice to the Shareholders of Quest, or any other party.

BDO Corporate Finance (WA) Pty Ltd has also considered and relied upon independent valuations for Victory Bore.

The valuer engaged for the mineral asset valuation, Agricola, possess the appropriate qualifications and experience in the industry to make such assessments. The approaches adopted and assumptions made in arriving at the valuation are appropriate for this report. We have received consent from the valuer for the use of their valuation report in the preparation of this report and to append a copy of their report to this report.

The statements and opinions included in this report are given in good faith and in the belief that they are not false, misleading or incomplete.

The terms of this engagement are such that BDO Corporate Finance (WA) Pty Ltd is required to provide a supplementary report if we become aware of a significant change affecting the information in this report arising between the date of this report and the prior to the date of the meeting or during the offer period.



Yours faithfully

BDO CORPORATE FINANCE (WA) PTY LTD

A handwritten signature in blue ink, appearing to read 'Adam Myers', with a stylized, cursive script.

Adam Myers

Director

A handwritten signature in black ink, appearing to read 'Sherif Andrawes', with a stylized, cursive script.

Sherif Andrawes

Director

Appendix 1 - Glossary of Terms

Reference	Definition
The Act	The Corporations Act 2001 (Cth)
Agricola	Agricola Mining Consultants Pty Limited
APES 225	Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services'
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
BDO	BDO Corporate Finance (WA) Pty Ltd
CAS	Corporate Admin Services Pty Ltd
Chapter 10 Agreements	Incorporates the Services Agreement and the Sale Agreement
The Company	Quest Minerals Ltd
DCF	Discounted Future Cash Flows
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
FME	Future Maintainable Earnings
Haramont	Haramont Pty Ltd
KHV Holdings	KHV Holdings Pty Ltd
Listing Rules	ASX Listing Rules
Maxillion	Maxillion Limited
Mutual Holdings	Mutual Holdings Pty Ltd
Mutual Holdings Debt	An amount of \$3.02 million owed to Mutual Holdings under the Sale Agreement
NAV	Net Asset Value
Nikolaenko, Mr	Mr Vladimir (Roger) Nikolaenko



Quest	Quest Minerals Ltd
Our Report	This Independent Expert's Report prepared by BDO
RG 111	Content of expert reports (March 2011)
RG 112	Independence of experts (March 2011)
Resolutions	This incorporates Resolution 1 and 2 of the attached Notice of Meeting
Sale Agreement	The agreement to acquire Victory Bore dated 23 October 2009 between Quest and Mutual Holdings Pty Ltd
Services Agreement	The corporate administration services agreement dated 4 May 2007 between Quest and Corporate Admin Services Pty Ltd
Shareholders	The unrelated shareholders of Quest
Transactions	This incorporates the Services Agreement, the Sale Agreement and the Haramont Variation
VWAP	Volume Weighted Average Price
Valuation Engagement	An Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.
Victory Bore	Mining tenement 57/550 which was the subject of the Sale Agreement
Vitale, Mr	Mr Jerome Vitale

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For permission requests, write to BDO Corporate Finance (WA) Pty Ltd, at the address below:

The Directors

BDO Corporate Finance (WA) Pty Ltd

38 Station Street

SUBIACO, WA 6008

Australia

Appendix 2 - Valuation Methodologies

Methodologies commonly used for valuing assets and businesses are as follows:

1 *Net asset value ("NAV")*

Asset based methods estimate the market value of an entity's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- Orderly realisation of assets method
- Liquidation of assets method
- Net assets on a going concern method

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to entity holders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the entity is wound up in an orderly manner.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the entity may not be contemplated, these methods in their strictest form may not be appropriate. The net assets on a going concern method estimates the market values of the net assets of an entity but does not take into account any realisation costs.

Net assets on a going concern basis are usually appropriate where the majority of assets consist of cash, passive investments or projects with a limited life. All assets and liabilities of the entity are valued at market value under this alternative and this combined market value forms the basis for the entity's valuation.

Often the FME and DCF methodologies are used in valuing assets forming part of the overall Net assets on a going concern basis. This is particularly so for exploration and mining companies where investments are in finite life producing assets or prospective exploration areas.

These asset based methods ignore the possibility that the entity's value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and goodwill. Asset based methods are appropriate when an entity is not making an adequate return on its assets, a significant proportion of the entity's assets are liquid or for asset holding companies.

2 *Quoted Market Price Basis ('QMP')*

A valuation approach that can be used in conjunction with (or as a replacement for) other valuation methods is the quoted market price of listed securities. Where there is a ready market for securities such as the ASX, through which shares are traded, recent prices at which shares are bought and sold can be taken as the market value per share. Such market value includes all factors and influences that impact upon the ASX. The use of ASX pricing is more relevant where a security displays regular high volume trading, creating a "deep" market in that security.

3 *Capitalisation of future maintainable earnings ('FME')*

This method places a value on the business by estimating the likely FME, capitalised at an appropriate rate which reflects business outlook, business risk, investor expectations, future growth prospects and other entity specific factors. This approach relies on the availability and analysis of comparable market data.

The FME approach is the most commonly applied valuation technique and is particularly applicable to profitable businesses with relatively steady growth histories and forecasts, regular capital expenditure requirements and non-finite lives.

The FME used in the valuation can be based on net profit after tax or alternatives to this such as earnings before interest and tax ('EBIT') or earnings before interest, tax, depreciation and amortisation ('EBITDA'). The capitalisation rate or "earnings multiple" is adjusted to reflect which base is being used for FME.

4 Discounted future cash flows ('DCF')

The DCF methodology is based on the generally accepted theory that the value of an asset or business depends on its future net cash flows, discounted to their present value at an appropriate discount rate (often called the weighted average cost of capital). This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks.

Considerable judgement is required to estimate the future cash flows which must be able to be reliably estimated for a sufficiently long period to make this valuation methodology appropriate.

A terminal value for the asset or business is calculated at the end of the future cash flow period and this is also discounted to its present value using the appropriate discount rate.

DCF valuations are particularly applicable to businesses with limited lives, experiencing growth, that are in a start-up phase, or experience irregular cash flows.

5 Market Based Assessment

The market based approach seeks to arrive at a value for a business by reference to comparable transactions involving the sale of similar businesses. This is based on the premise that companies with similar characteristics, such as operating in similar industries, command similar values. In performing this analysis it is important to acknowledge the differences between the comparable companies being analysed and the company that is being valued and then to reflect these differences in the valuation.

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Appendix 3 - Independent Valuation



Malcolm Castle
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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

A handwritten signature in blue ink, appearing to read 'Malcolm Castle', with a long horizontal flourish extending to the right.

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.

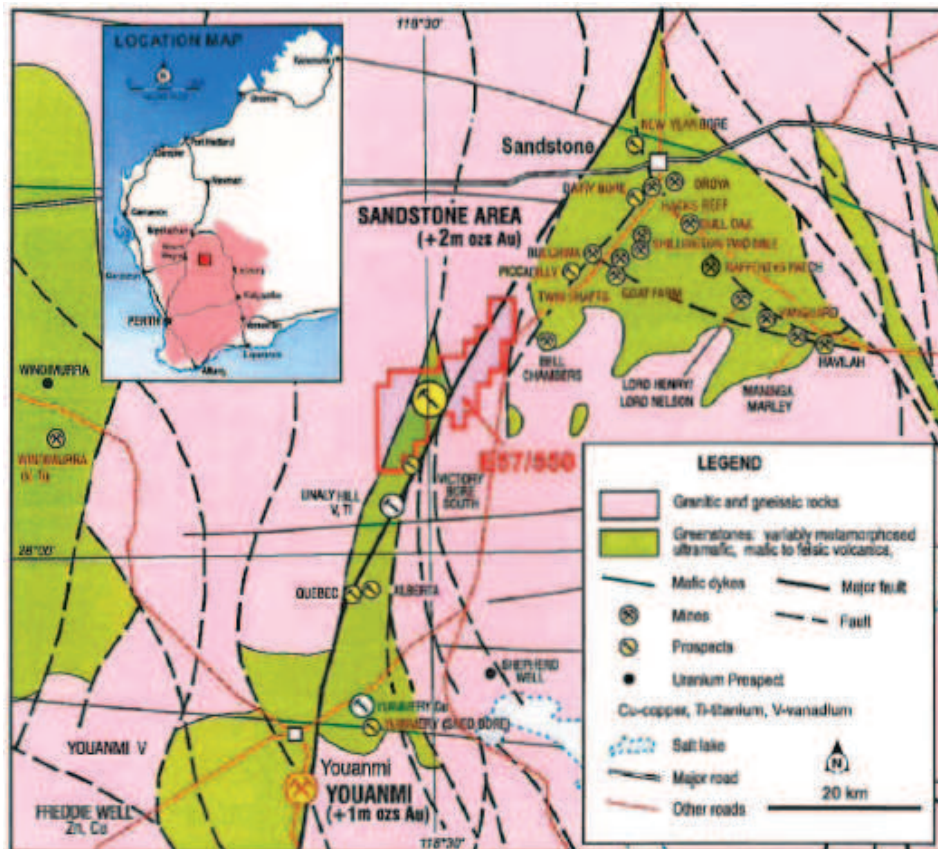


Figure 1 Victory Bore Project Location & Regional Geology

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 020° and dips 60° 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.

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

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”.

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

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	Criteria
Range	

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.

Quest Resources Limited

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 infrastructure 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.

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

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.

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

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.

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

Quest Resources Limited, A\$			
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 Value			
	Market Factor	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 on 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 Value			
	Market Factor	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 Equivalents – 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>

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

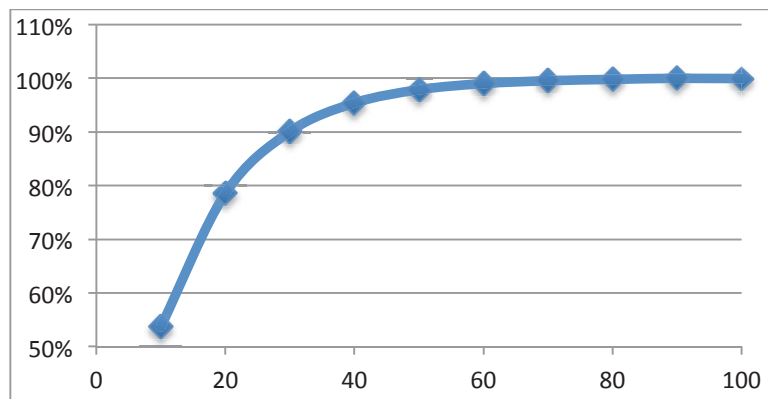
In any cash flow determination, the impact of inflation on the final result cannot be overstated. One only has to consider the effect of taxation as applied to real taxable income as opposed to being levied against nominal taxable income. Converting the final cash flows to real money terms, the values 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 Discount	17%	21%	7%	69%	7%

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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