

Quest Minerals Limited

ABN 55 062 879 583
(Subject to a Deed of Company Arrangement and Creditors Trust)

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Board of Directors and Management:

Jerome G (Gino) Vitale
Managing Director

Non-Executive Directors

Paul Piercy – Non executive
Chairman
Dennis Gee – non-executive
Director

Company Secretary

Stuart Third

Capital Structure

Ordinary Shares: 625,443,285



ASX Code: **QNL**

Enquiries regarding this
announcement can be directed to:

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Mr Stuart Third
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Report for Quarter Ended 30 September 2016

Quest Minerals Limited (ASX: QNL, “Company”) is pleased to provide this quarterly update on its present state of affairs and activities for the quarter ended 30 September 2016.

1. Corporate

The focus of activities during the quarter has been to progress toward meeting the conditions imposed by ASX to achieve requote of the Company’s securities. Trading in the Company’s securities has been suspended from trading on ASX since 31 October 2013. The Company was under voluntary administration for the period from 9 May, 2014 to 18 August 2014 on which date the creditors approved a Deed of Company Arrangement (DOCA).

On 28 August 2016 the Company received a full set of conditions that the ASX requires to be met in order to remove all impediments for requote. The full set of conditions is contained at pages 25 to 28 of the Notice of General Meeting of Shareholders to be held on 14 November 2016 (see ASX announcement dated 14 October 2016). The key conditions imposed by ASX that remain outstanding are:

- *Completion of the share consolidation and minimum spread:* satisfaction of Listing rule 12.4 such that there are at least 300 shareholders each holding at least \$500 each worth of fully paid shares after the completion of the consolidation of the Company’s share capital as outlined in above Notice of Meeting.
- *Minimum cash on hand:* to be least \$1.0 million net of all liabilities at the date of reinstatement (to satisfy Listing Rule 12.2).
- *Corrective action under Listing Rule 10.9 to cure historical breaches of Listing Rules:* approval by shareholders of all of the resolutions to be considered at the above general meeting of shareholders and the issue of securities approved by the shareholders; this includes approval of certain historical transactions with respect to a services agreement with and the acquisition of an asset from a party considered by ASX to be a related party. Details of the related party transactions are set out in the Company’s 2013, 2014, 2015 and 2016 annual reports.
- *Escrow deeds:* to be signed by the holder or controller of 77 million shares held by entities associated with the above party (or the Creditors Trustee in the event that Court orders are obtained under section 444GA of the Corporations Act).
- *Lodgement of a prospectus with ASIC:* for issue of securities with respect to the offer to be made to the public offer to recapitalize the Company pursuant to the approval of shareholders.
- *Disclosure Compliance:* the Company complying with ongoing disclosure requirements of the Listing Rules and Guidance Notes thereto.

1.1 Key Terms of Proposed Recapitalisation

Subsequent to the end of the quarter, on 7 October 2016 the Company announced the key terms of the recapitalisation proposal agreed in principle with a number of investors including a prospective lead manager to recapitalise the Company. Details of the proposal are included in the Notice of General Meeting of shareholders to be held on 14 November 2016 referred to above.

The proposal provides for:

- (a) a consolidation of the Company's capital on the basis of 1 share for every 300 shares presently on issue;
- (b) the issue of 91 million post reconstruction fully paid ordinary shares in the capital of the Company ("Shares") at \$0.02 to raise \$1.8 million, 10 million post reconstruction Shares to unrelated advisers at a deemed issue price of \$0.02 per Share to satisfy corporate advisory and lead manager fees in respect of the issue to effect the recapitalisation of the Company pursuant to an offer to be made under a Prospectus ("Offer");
- (c) the issue of 4 million Shares to Directors in lieu of Directors fees accrued since 18 August 2014 to the present;
- (d) the issue of 32.5 million options (each to be issued one Share) exercisable at \$0.03 by 30 September 2020 at an issue price of \$0.00001 per Option. Of these, 2.5 million options are to be issued to a related party;
- (e) the grant of 2.5 million Performance Rights to a Director (each vesting for one Share in the event that the Company's Shares are reinstated to trading by 4 January 2017);
- (f) contribution of \$330,000 from the proceeds of the Offer and \$1,132 from the proceeds of sale of 56,600 forfeited partly paid shares to a Creditors Trust established under the DOCA approved by Creditors on 18 August 2014; and
- (g) the corrective action in respect of the related party transactions as required by ASX as set out in its letter to the Company of 28 August 2016 referred to above.

Funds raised under the Offer (after payment to the Creditors Trust) will be used to advance the Company's Victory Bore gold project, general working capital and to meet the costs of the recapitalisation.

The recapitalisation requires, amongst other things, approval by the Company's shareholders and execution of formal documentation with the investor group and lead manager.

1.2 Capital Structure after Recapitalisation

The Company's present capital structure and the position post consolidation and the recapitalisation will be as follows:

	Fully Paid Ordinary Shares		Forfeited Partly Paid shares		Options
Existing Shares on Issue as at 30 September 2016 and at date of this report, prior to the consolidation of capital	625,443,285	100.00%	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	91,000,000	84.94%	-	-	
Issue at \$0.02 per Share to related parties	4,000,000	3.73%	-	-	
Issue of Shares at \$0.02 per share in satisfaction of fees to unrelated lead manager and corporate advisers	10,000,000	9.33%	-	-	
Issue of Unlisted Options to nominees of proponents of recapitalization at a price of \$0.00001 (includes 2,500,000 to be offered to a related party subject to shareholder approval)					32,500,000
Conversion of forfeited Partly Paid Shares (to be offered under Prospectus)	56,000	0.05%			
On Issue at completion of proposed consolidation and recapitalisation	107,140,811	100.00%	-	-	32,500,000

Funds raised from the Offer will be applied to conduct an exploration and drilling program at the Company's Victory Bore Gold Project, payment to the Creditors Trust of up to \$330,000 (to fulfil the Company's obligations to former creditors pursuant to the DOCA), payment of lead manager and advisers fees in relation to the Offer, the extinguishment of post DOCA creditors and to provide working capital.

1.3 Deadlines Imposed by ASX

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 was 4 October 2016.

Subsequent to quarter's end, on 14 October 2016 the Company announced that the ASX has extended the date by which the required resolutions under Listing Rule 10.9 and 10.10 must be approved by shareholders and a Prospectus lodged with ASIC in respect of the Offer, to 15 November 2016.

If this criterion is not met ASX will remove the Company from the Official List on that date. Any further period of extension past 15 November 2016, which ASX may in its absolute discretion grant to allow the Company to implement the recapitalization proposal after approval of shareholders is received, will be no longer than 3 January 2017 (taking into account the extensions of time already provided).

A prospectus for the Offer is presently being prepared by the Company and is expected to be lodged with ASIC prior to 14 November 2016.

1.4 Annual and Half Year Reports

On 23 September 2016 the Company released the following audited financial statements:

- Half Year Report and Accounts to 31 December 2014
- Annual Report to Shareholders for the full year to 30 June 2015
- Half Year Report and Accounts for the half year to 31 December 2015
- Statutory Accounts for the full year to 30 June 2016.

1.5 AGM's for 2015 and 2016

The annual General Meetings of the Company in respect of the years ended 30 June 2015 and 2016 respectively are to be held on 14 November 2016, immediately after the General Meeting at which the recapitalization proposal is to be considered by shareholders. Notice of the meetings dated 14 October 2016 has been dispatched to shareholders.

With respect to the AGM for the year ended 30 June 2015, the Company received advice of an exemption from ASIC on 21 December 2015 allowing for an extension of time to hold its Annual General Meeting to no later than 30 November 2016.

1.6 Cash at Bank and Borrowings

At 30 September 2016 the Company had a cash balance of \$12,000 and unsecured borrowings of approximately \$68,000, being funds received from proponents of the recapitalization proposal to fund cost associated therewith.

1.7 Change of Company Name

The Company has reserved the name **Acacian Minerals Limited** the adoption of which is to be considered by shareholders at the forthcoming General Meeting of Shareholders together with other resolutions dealing with the recapitalization.

2. Operations

2.1 Victory Bore Gold Project, Sandstone WA

The Company's wholly owned subsidiary Acacia Mining Pty Ltd ("Acacia") was awarded Exploration Licence E57/1036 on 1 July 2016. The licence covers an area of 39 km² on 13 blocks near the town of Sandstone, 560 km north east of Perth in East Murchison Mineral Field in Western Australia. **Figure 1** below shows several gold processing facilities are located close to the licence area.

The primary interest of the Company is to explore the potential for gold mineralization where a number of historical drill anomalies in BIF's (banded iron formations) have never been followed up. These anomalies represent sound drill targets that warrant follow up drilling.

The area also hosts gold bearing mineralised shears and quartz veins associated with brittle-ductile fracturing of host rocks that provide significant potential for economic gold mineralization due to the favourable geological and structural setting.

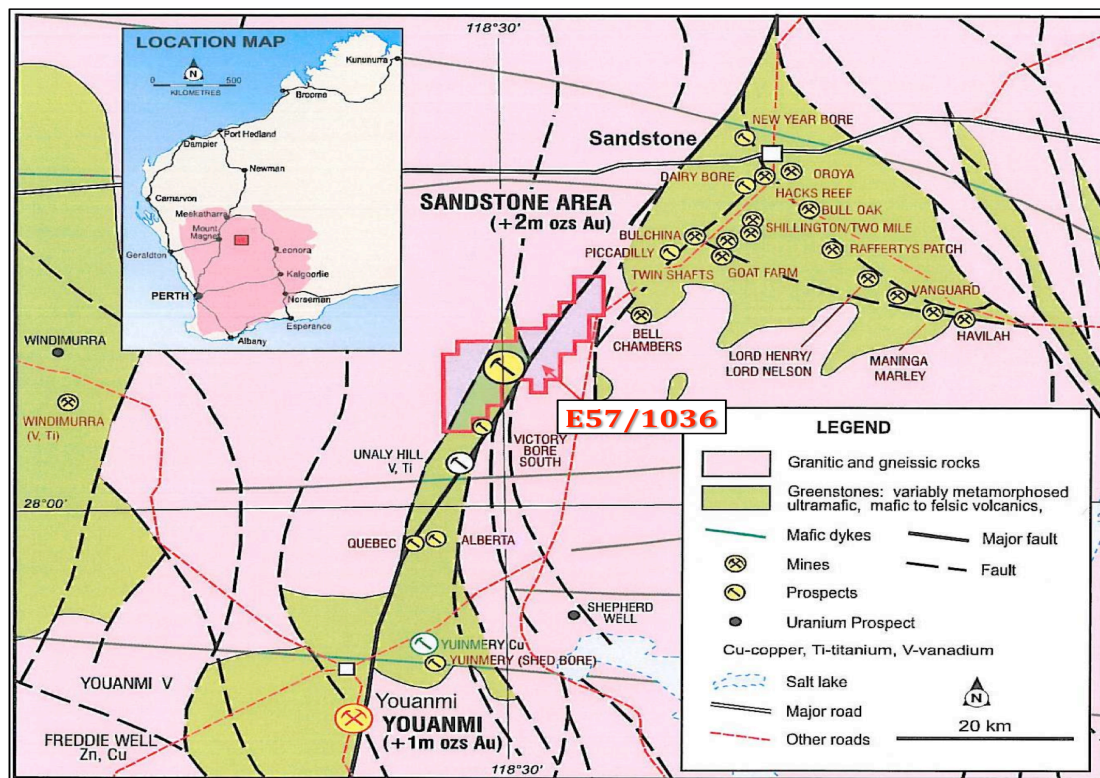


Figure 1 – Location of E57/1036 and geology of Sandstone area

The Company has previously commissioned a consultant geologist to compile historic gold intersections, being drilling programs that predominantly occurred from 1979 to 1998. Previous exploration drilling carried out by Battle Mountain Gold intersected several ore grade intersections of gold. These include:

- 4m @ 3.51 g/t Au from 52m in hole YR867
- 6m @ 5.2 g/t Au from 59m in hole YR875
- 8m @ 10.24 g/t Au from 20m in hole YP780

The location of these drill holes within EL 57/1036 is shown in **Figure 2** below.

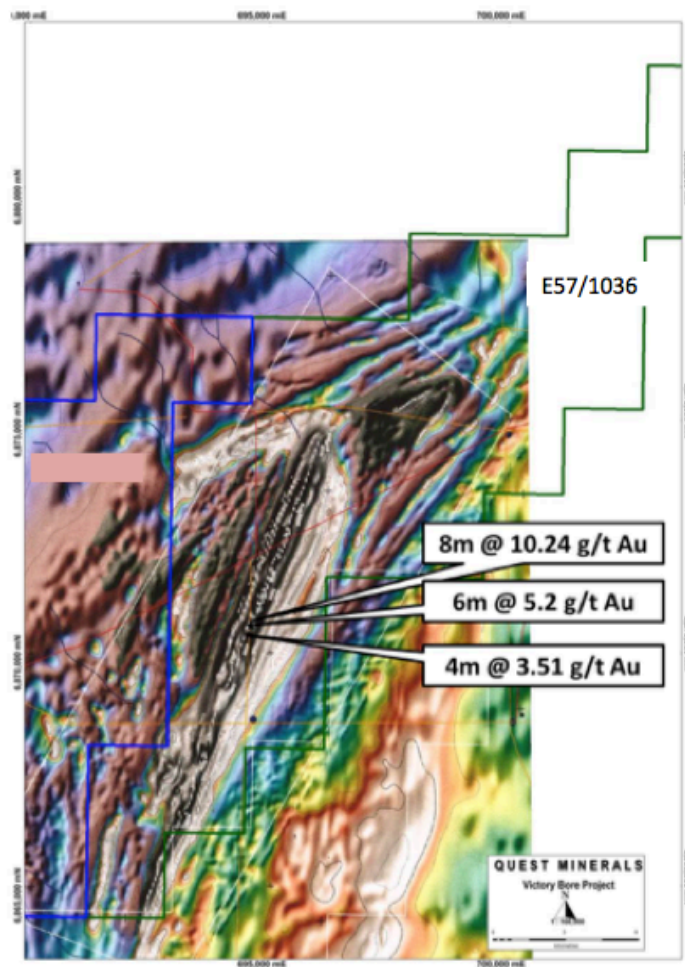


Figure 2 –historical gold intercepts and location shown over interpreted aeromagnetics map

A work program comprising 1,400 metres of air core drilling has been developed by Quest in the first year to confirm these anomalies, with a follow up 6,800 metres of staged RC drilling in the second year. The Company has budgeted \$200,000 in exploration expenditure in the first year to 30 June 2017 and \$350,000 in the following year from the proceeds of the Offer to execute the following exploration program:

Year 1 – Budget \$200,000

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

Year 2 – Budget \$350,000

- initial 10-hole angled RC program totalling 1,000 metres with grid spacing approximately 40m by 80m.
- follow up 5,800 metre RC drilling program
- drill rig and camp mobilisation, RC drilling, chemical analyses, planning and program administration and management, demobilisation

Execution of the program is subject to the successful recapitalisation of the Company.



Report for Quarter ended 30 September 2016

2.2 Prospecting Licence at Perenjori

A Prospecting Licence located near Perenjori where the Company previously held had the right to earn an interest in an iron ore project has been allowed to lapse as it was considered to be of little value.

Yours faithfully,

Gino Vitale
Managing Director

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