

Quest Minerals Limited

ABN 55 062 879 583

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

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ASX Code: QNL

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Recapitalisation Proposal and Application to Federal Court

Quest Minerals Limited (ASX: QNL, "Company") announces that the Company has negotiated a proposal with number of investors including a lead manager to recapitalise the Company.

The recapitalisation 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 and 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 ("Option") at an issue price of \$0.00001 per Option. Of these, 2.5 million options are to be issued to a related party in lieu of unpaid Directors fees;
- (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 to a Creditors Trust established under the DOCA approved by Creditors on 18 August 2014; and

- (g) corrective action as required by ASX pursuant to ASX Listing Rule 10.9, comprising:
- (i) shareholder approval of related party transactions with Corporate Admin Services Pty Ltd that took place between 2007 and 2013, and with Mutual Holdings Pty Ltd between 2009 and 2013, and
 - (ii) execution of escrow deeds by the present holders of 77.0 million pre-reconstruction shares issued to Mutual Holdings Pty Ltd between 2009 and 2012.

Details of the related party transactions are set out in the Company's 2013, 2014, 2015 and 2016 annual reports.

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.

On 5 September 2016 ASX agreed to extend to 24 October 2016 the period by which the Company must obtain shareholder approval for any recapitalisation, failing which QNL will as a result of ASX's policy with respect to long term suspended entities, be automatically delisted.

The Company has submitted a draft notice of meeting to ASX (including an independent expert's report opining on corrective action as required by ASX pursuant to Listing Rule 10.9) and complied with certain conditions for reinstatement, including most significantly lodging its outstanding audited accounts. A number of other conditions for reinstatement are yet to be satisfied, although the Company is confident that they can be satisfied.

ASX is yet to approve the draft notice of meeting and QNL cannot by reason of Listing Rule 15.1, finalise the notice of meeting. As a result and so that a shareholder meeting can be held by on 24 October 2016, the Company is making an application to the Federal Court of Australia for orders under section 1322 of the Corporations Act to validate any such shareholder meeting. Papers for the application will be filed with the Federal Court of Australia shortly.

Shareholders and other interested persons who wish to be heard on the application should contact the Company as soon as possible for copies of the application and supporting affidavits.

Yours faithfully

Stuart Third
Company Secretary