

23 September 2016

Listings Manager
ASX Perth

Dear Sir,

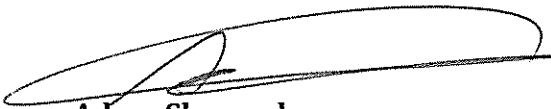
Quest Minerals Limited (ABN 55 062 879 583)
(Subject to a Deed of Company Arrangement)
(*Subject to a Creditors' Trust*) ("*Company*")

Interim Financial Report for Half year to 31 December 2015

This is to confirm that I have today authorised the release by the Company the attached Interim Financial Report for Quest Minerals Limited and its Controlled Entities for the Half Year to 31 December 2015.

Yours faithfully

QUEST MINERALS LIMITED
(Subject to deed of Company Arrangement) (Subject to a Creditors' Trust)



Adam Shepard
Deed Administrator/Trustee



QUEST MINERALS LIMITED

ABN 55 062 879 583

Subject to a Deed of Company Arrangement

Subject to a Creditors' Trust

INTERIM FINANCIAL REPORT

31 December 2015

This report should be read conjunction with the Annual Report of the Company for the period ended
30 June 2015

QUEST MINERALS LIMITED AND ITS CONTROLLED ENTITIES

ABN 55 062 879 583

Subject to a Deed of Company Arrangement, Subject to a Creditors' Trust

CORPORATE DIRECTORY

INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2015

1 July 2015 to 31 December 2015

Board of Directors

Mr Paul Piercy – Non-executive Chairman

Mr Jerome G Vitale – Executive Director

Dr Dennis Gee – Non-executive Director

Mr Stuart Third – Alternate Director
for Mr Piercy
(resigned as Alternate 28 July 2016)

Mr Ian Crawford – Alternate Director
for Dr Gee
(appointment revoked 17 September 2016)

Company Secretary

Mr Stuart Third

Registered Office

Level 1
467 Scarborough Beach Road
OSBORNE PARK WA 6017
Phone: +61 8 9217 9800
Fax: + 61 8 9217 9899

Banker

National Australia Bank Limited
226 Main Street
OSBORNE PARK WA 6017

Auditor

Grant Thornton Audit Pty Ltd
Level 1
10 Kings Park Road
WEST PERTH WA 6005
Phone: +61 8 9480 2000
Fax: + 61 8 9322 7787

Solicitors

Kings Park Corporate Lawyers
Level 2
45 Richardson Street
WEST PERTH WA 6005
Phone: + 61 8 9420 0000
Fax: + 61 8 9226 5821

Share Registry

Advanced Share Registry Ltd
110 Stirling Highway
NEDLANDS WA 6009
Phone: +61 8 9389 8033
Fax: + 61 8 9262 3723

Stock Exchange Listing

Australian Securities Exchange
Quest Minerals Limited

ASX Code: QNL

Deed Administrator and Creditors' Trustee

Mr Adam Shepard
Farnsworth Shepard
Level 5
2 Barrack Street
SYDNEY NSW 2000
Phone: + 61 2 9262 4000
Fax: +61 2 7903 8088

QUEST MINERALS LIMITED AND ITS CONTROLLED ENTITIES

ABN 55 062 879 583

Subject to A Deed of Company Arrangement, Subject to a Creditors Trust

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QUEST MINERALS LIMITED AND ITS CONTROLLED ENTITIES

ABN 55 062 879 583

Subject to a Deed of Company Arrangement, Subject to a Creditors Trust

DIRECTORS' REPORT

Your directors submit their report for the Company and its controlled entities (“the Consolidated Entity” or “the Group”) for the half year ended 31 December 2015.

DIRECTORS

Directors of the Company at any time during or since the end of the half year are:

Mr Paul Piercy	Non-executive Chairman
Mr Jerome G Vitale	Executive Director
Dr Dennis Gee	Non-executive Director
Mr Ian Crawford	Alternate Director for Dr Gee
Mr Stuart Third	Alternate Director for Mr Piercy

PRINCIPAL ACTIVITIES

The principal activity during the period was mineral exploration and project evaluation of opportunities located in Australia.

OPERATING RESULTS

As disclosed in the financial statements, the Company recorded a consolidated loss of \$157,262 (2014: a consolidated profit of \$2,545,435) for the half year to 31 December 2015.

REVIEW OF OPERATIONS

Victory Bore Project ELA 57/1036

In late June 2015 the Company’s wholly owned subsidiary Acacia Mining Pty Ltd (“Acacia”) applied for an exploration licence covering an area of 13 blocks in East Murchison Mineral Field in Western Australia. This area covered the same ground as the Victory Bore vanadium deposit previously held by the Company and is also considered to be prospective for gold mineralisation. The Company has developed a work programme to test historical gold anomalies upon grant of the licence, however exploration will be subject to the availability of funding pursuant to the recapitalization of the Company.

The Company has identified a number of gold targets based on historical anomalies that warrant follow up drilling. A work program comprising 2,000 metres of air core drilling has been generated to confirm historic anomalies with a follow up 5,800 metres of RC drilling in the second year, the execution of which is subject to availability of funding.

During the half year to 31 December 2015 Acacia entered into discussions with the Wutha People to establish the terms under which it could secure access for exploration activities on ground covered by the area under application with a view to entering a Heritage Protection Agreement.

Perenjori project

The Company’s other exploration asset at the date of this report comprises a prospecting licence located in the Perenjori Iron Ore Project area in which project the Company was previously earning an interest. The necessary work to keep the tenement in good standing was completed during the half year.

The directors believe the licence has strategic value due to it providing necessary access between the two exploration licences that constitute the nearby Perenjori iron ore deposit. Subject to funding, the

QUEST MINERALS LIMITED AND ITS CONTROLLED ENTITIES

ABN 55 062 879 583

Subject to a Deed of Company Arrangement, Subject to a Creditors Trust

DIRECTORS' REPORT

Company is considering additional field work comprising geological mapping as well as a small drill program to quantify any resources on this prospect.

CORPORATE

Summary of Corporate Transactions during the Half Year

The Company did not engage in any material corporate activity other than paying ASX listing fees, shire rates on its prospecting licence at Perenjori and engaging in discussion with prospective investors to achieve the recapitalization of the Company.

Annual General Meeting

On 21 December 2015 the Company received advice of an exemption from ASIC allowing for an extension of time to hold its Annual General Meeting (AGM) with respect to the financial year ended 30 June 2015. The AGM is required to be held by no later than 30 November 2016, or within 2 months of the end of external administration if earlier.

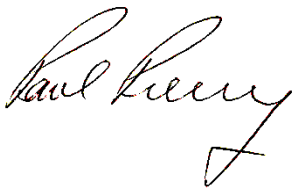
The Company requested an extension due to delays in completing its audited Statutory Accounts for the year ended 30 June 2015 associated with being placed into Administration, the signing of the Deed of Company Arrangement and processes being undertaken to secure reinstatement on ASX including discussion with internal parties on re capitalisation of the Company.

At the date of this report, the AGM is yet to be held.

AUDITOR INDEPENDENCE

The auditor's independence declaration for the period ending 31 December 2015 has been given and is set out on the following page.

SIGNED in accordance with a resolution of the directors



Paul Piercy
Chairman

Signed at Perth on 21 September 2016

Competent Persons Statement

Information in this report that relates to exploration results reflects information compiled by Dr Dennis Gee, a Director of the company and a member of AIG. Dr Gee has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity upon which he is reporting on as a Competent Person as defined in the 2012 Edition of "The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves." He 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.

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Auditor's Independence Declaration To The Directors of Quest Minerals Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Quest Minerals Limited for the half-year ended 31 December 2015, I declare that, to the best of my knowledge and belief, there have been:

- a No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b No contraventions of any applicable code of professional conduct in relation to the review.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



M J Hillgrove
Partner - Audit & Assurance

Perth, 21 September 2016

Grant Thornton Audit Pty Ltd ACN 130 913 594
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

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QUEST MINERALS LIMITED AND ITS CONTROLLED ENTITIES

ABN 55 062 879 583

Subject to A Deed of Company Arrangement, Subject to a Creditors Trust

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

	Note	Half- year ended 31.12.2015	Half-year ended 31.12.2014
		\$	\$
Continuing operations			
Revenue from ordinary activities			
Other revenue		-	156
Financial income		5	130
Expense reimbursed from creditors trust		36,243	1,630
Assets and liabilities transfer to creditors trust		-	2,757,640
Total revenue	2	<u>36,248</u>	<u>2,759,556</u>
Expenses from ordinary activities			
Loss on disposal of assets		-	-
Depreciation		-	-
Finance expenses		-	-
Professional fees		(25,224)	(151,885)
Exploration & evaluation expenditure written off		-	(427)
Impairment of exploration and evaluation expenditure		(8,225)	(2,325)
Administration expenses		(28,796)	(73,745)
Expenses of Voluntary Administration		-	(5,739)
Asset transferred to Creditors Trust		(131,265)	-
		<u>(193,510)</u>	<u>(234,121)</u>
Profit (loss) from ordinary activities before income tax expense		(157,262)	2,525,435
Income tax expense		-	-
Profit (loss) from continuing operations		<u>(157,262)</u>	<u>2,525,435</u>
Other comprehensive income			
Total other comprehensive income		-	-
Total comprehensive income for the period		<u>(157,262)</u>	<u>2,525,435</u>

Earnings per share

Basic earnings (loss) per share (cents per share)	(0.03)	0.40
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The company's potential ordinary shares are not considered dilutive and accordingly basic earnings (loss) per share is the same as diluted earnings (loss) per share.

Diluted earnings (loss) per share (cents per share)	(0.03)	0.40
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The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

QUEST MINERALS LIMITED AND ITS CONTROLLED ENTITIES**ABN 55 062 879 583***Subject to A Deed of Company Arrangement, Subject to a Creditors Trust***CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT
31 DECEMBER 2015**

	Note	As at 31.12.2015 \$	As at 30.06.2015 \$
ASSETS			
Current assets			
Cash and cash equivalents		1,351	132,986
Trade and other receivables		9,395	8,245
Total current assets		10,746	141,231
Non-current assets			
Property, plant and equipment		-	-
Exploration and evaluation expenditure		-	-
Total non-current assets		-	-
TOTAL ASSETS		-	-
LIABILITIES			
Current liabilities			
Trade and other payables		209,108	182,331
Other liabilities	4	600	600
Total current liabilities		209,708	182,931
TOTAL LIABILITIES		209,708	182,931
NET ASSETS		(198,962)	(41,700)
EQUITY			
Contributed equity		92,202,237	92,202,237
Reserves		1,356,900	1,356,900
Accumulated losses		(93,758,099)	(93,600,837)
TOTAL EQUITY		(198,962)	(41,700)

The above statement of financial position should be read in conjunction with the accompanying notes.

QUEST MINERALS LIMITED AND ITS CONTROLLED ENTITIES

ABN 55 062 879 583

Subject to A Deed of Company Arrangement, Subject to a Creditors Trust

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

	Note	Contributed Equity \$	Accumulated Losses \$	Reserves \$	Total Equity \$
Balance at 1 July 2014		92,202,237	(96,279,290)	1,356,900	(2,720,153)
Shares issued during the period		-	-	-	-
Net profit (loss) for the period		-	2,525,435	-	2,525,435
Share issue costs		-	-	-	-
Transfer on expiry of option		-	-	-	-
Issue of options		-	-	-	-
Balance at 31 December 2014		<u>92,202,237</u>	<u>(93,753,855)</u>	<u>1,356,900</u>	<u>(194,718)</u>
Balance at 1 July 2015		92,202,237	(93,600,837)	1,356,900	(41,700)
Shares issued during the period		-	-	-	-
Net profit (loss) for the period		-	(157,262)	-	(157,262)
Share issue costs		-	-	-	-
Transfer on expiry of option		-	-	-	-
Issue of options		-	-	-	-
Balance at 31 December 2015		<u>92,202,237</u>	<u>(93,758,099)</u>	<u>1,356,900</u>	<u>(198,962)</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes.

QUEST MINERALS LIMITED AND ITS CONTROLLED ENTITIES**ABN 55 062 879 583***Subject to A Deed of Company Arrangement, Subject to a Creditors Trust***CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

	Note	31.12.2015	31.12.2014
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		5	130
Other revenue		-	171
Finance expenses		-	-
Payment to suppliers and employees		(1,365)	(3,554)
Assets and liabilities transferred to Creditors Trust		(128,652)	(300,806)
Net cash used in operating activities		<u>(130,012)</u>	<u>(304,059)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Exploration and evaluation expenditures		(1,623)	(2,752)
Purchase of property, plant and equipment		-	-
Net cash used in investing activities		<u>(1,623)</u>	<u>(2,752)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of ordinary shares		-	-
Share and loan issue expenses		-	-
Repayment of borrowings		-	-
Net cash provided by financing activities		<u>-</u>	<u>-</u>
Net increase/(decrease) in cash held		(131,635)	(306,811)
Cash and cash equivalents at the beginning of period		<u>132,986</u>	<u>306,983</u>
Cash and cash equivalents at the end of period		<u><u>1,351</u></u>	<u><u>172</u></u>

The above statement of cash flows should be read in conjunction with the accompanying notes.

QUEST MINERALS LIMITED AND ITS CONTROLLED ENTITIES

ABN 55 062 879 583

Subject to A Deed of Company Arrangement, Subject to a Creditors Trust

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of preparation

These general purpose interim financial statements for the half-year reporting period ended 31 December 2015 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: *Interim Financial Reporting*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Quest Minerals Limited Subject to A Deed of Company Arrangement, Subject to a Creditors Trust and its controlled entities (referred to as the "consolidated group" or "group"). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2015, together with any public announcements made during the following half-year.

These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards. The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current reporting period. The Group has not elected to early adopt any other Standards or amendments that are issued but not yet effective. The adoption of all new and revised Standards and Interpretations has not resulted in any changes to the Group's accounting policies and has no effect on the amounts reported for the current or prior periods.

These interim financial statements were authorised for issue on 21 September 2016.

b. Accounting policies

New and revised Standards and amendments thereof and Interpretations effective for the current half-year that are relevant to the Group include:

- AASB 9 'Financial Instruments' supersedes pronouncement AASB 139 'Financial Instruments: Recognition and Measurement' with effective date 1 January 2018;
- AASB 15 'Revenue from Contracts with Customers' supersedes pronouncement AASB 118 Revenue AASB 111 Construction Contracts Int. 13 Customer Loyalty Programmes Int. 15 Agreements for the Construction of Real Estate Int. 18 Transfer of Assets from Customers Int. 131 Revenue Barter Transactions involving advertising Services Int. 1042 Subscribers Acquisition Costs in the Telecommunications Industry with effective date 1 January 2018;
- AASB 2014-4 Amendments to Australian Accounting Standards- Clarification of Acceptable Methods of Depreciation and Amortisation with effective date 1 January 2016;
- AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15 with effective date 1 January 2018;
- AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) with effective date 1 January 2018;
- AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 cycle with effective date 1 January 2016;

QUEST MINERALS LIMITED AND ITS CONTROLLED ENTITIES

ABN 55 062 879 583

Subject to A Deed of Company Arrangement, Subject to a Creditors Trust

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2015

- AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure initiative: Amendments to AASB 101 with effective date 1 January 2016;
- AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality with effective date 1 July 2015;
- AASB 2015-9 Amendments to Australian Accounting Standards – Scope and application Paragraphs with effective date 1 January 2016;
- AASB 2015-10 Amendments to Australian Accounting Standards – Effective date of Amendments to AASB 10 and AASB 128 with effective date 1 January 2016;
- IFRS 16 Leases IAS 17 Leases IFRIC 4 Determining whether an Arrangement contains a lease SIC-15 Operating Leases – Lease Incentives SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease with effective date 1 January 2019

Going concern

The financial report has been prepared on a going concern basis, which contemplates the continuity of the normal business activities and the realisation of assets and settlement of liabilities in the normal course of business.

For the half year ended 31 December 2015, the Group incurred an operating loss of \$157,262 (2014: \$2,525,435 profit) and an operating cash outflow of \$130,012 (2014: \$304,059). As at 31 December 2015, the Group had a net current and overall net asset deficiency of \$198,962. During the period to the date of this report, the Directors have continued to take steps to ensure that the Company and the Consolidated Entity continue as going concerns. These steps include discussions with various investor groups who have put forward recapitalisation proposals with a view to achieving the re-admittance of quotation of the Company's securities on ASX. Formal and informal arrangements have also been entered into with trade and service suppliers to defer payment obligations arising from the provision of professional services until such time that the Company completes a capital raising. All directors and company secretarial and accounting fees have been similarly deferred. The costs of ASX listing fees that became due and payable at 31 July 2015 were met by the Administrator from available Trust funds to ensure that the Company remains on the official List of ASX, pending the implementation of a recapitalisation proposal.

In addition, the ability of the Company and the Group to continue as a going concerns and to pay their debts as and when they fall due is dependent on the following:

- i) the ability of the Company and Group to secure additional funding through either the issue of new shares, convertible notes, debt or a combination of all these to maintain its exploration asset in good standing. The form and value of such raisings is yet to be determined and the ability of the Company to attract investor funds is limited given the continuing suspension of trading in its securities;
- ii) the ability of the Company to take corrective action as required by ASX with respect to reported historical transactions believed to be in breach of ASX Listing Rules 10.7 and 10.9, comprising retrospective approval by shareholders of those transactions and the present holders of Shares issued under an offending transaction signing a restriction agreement (further discussed at Note 8).
- iii) With respect to the required restriction agreements, Mr Vladimir (Roger) Nikolaenko, the controller of the entities involved, has not provided a substantive response to the Company's repeated requests for signed restriction agreements. As a result, the Deed Administrator has advised he intends to apply to the Supreme Court of New South Wales for orders that that all

QUEST MINERALS LIMITED AND ITS CONTROLLED ENTITIES

ABN 55 062 879 583

Subject to A Deed of Company Arrangement, Subject to a Creditors Trust

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2015

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. There is no assurance however that the Court will grant the application.

- iv) active management of the quantum and timing of exploration expenditure in line with the Company's available funds;

The Directors have reviewed the circumstances of the Company and the Group following the agreement of the creditors to the DOCA executed on 18 August 2014, the corrective action required by ASX to achieve re-admission of trading in the Company's shares (refer Note 8 for further details) including the prospect of implementing a recapitalisation and are of the opinion that the Company will be able to raise capital through one or more sources named above in a reasonable time frame. This opinion is qualified by the ability of the Company to deliver the required restriction agreements to ASX either through agreement with Mr Nikolaenko or by means of a transfer of the Shares that are to be subject to the restriction agreements to the Administrator by an order of the Court. There are therefore reasonable grounds to believe that the Company and the Group will be able to pay their debts as and when they become due and payable, and the going concern basis of preparation is appropriate for the preparation of the Group's half year financial report.

Notwithstanding this, there is significant uncertainty whether the Company and the Group will be able to continue as going concerns.

Should the Company and the Group be unable to continue as going concerns, they may be required to realise their assets and extinguish liabilities other than in the normal course of business and at amounts different from those stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that may be necessary should the Company and the Group be unable to continue as going concerns.

	Note	31.12.2015	31.12.2014
		\$	\$
NOTE 2: PROFIT FOR THE PERIOD			
Finance income		5	130
Other revenue		-	156
Expense reimbursed from creditors trust		36,243	1,630
Assets and liabilities transfer to Creditors Trust		-	2,757,640
Total revenue from ordinary activities		36,248	2,759,556

NOTE 3: DIVIDENDS

No dividends were paid or proposed during the half year ended 31 December 2015.

	Note	31.12.2015	30.06.2015
		\$	\$

NOTE 4: OTHER LIABILITIES

Loan – related party		600	600
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QUEST MINERALS LIMITED AND ITS CONTROLLED ENTITIES**ABN 55 062 879 583***Subject to A Deed of Company Arrangement, Subject to a Creditors Trust***NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED
31 DECEMBER 2015**

The loan from the related party provided to enable the Company to meet payments associated with the Group's tenements. The loan is non-interest bearing and was provided by Haramont Pty Ltd of which Mr Vitale is a director.

NOTE 5: OPERATING SEGMENTS

For the half year ended 31 December 2015, the Group's operations were in the mineral exploration sector in Australia.

The Group identified its operating segments based on the internal reports that are reviewed and used by the directors (the Chief Operating Decision Makers) in assessing performance and in determining the allocation of resources.

The segments identified for reporting are Mining and Exploration, which is identified as the operational activities of the Company attending all matters associated with tenements and projects including exploration and assessment activities, and Corporate, which is identified as all other activities of the Company including capital raising and other financial activities, activities associated with legal matters and other corporate governance issues.

Six months ended 31 December 2015	Mining & Exploration	Corporate	Consolidated
	\$	\$	\$
REVENUE			
Other revenue	-	36,248	36,248
Segment result	(8,225)	(149,037)	(157,262)

ASSETS / LIABILITIES**Asset**

Segments assets	-	10,746	10,746
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Liabilities

Segment liabilities	-	(209,708)	(209,708)
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Net assets	-	(198,962)	(198,962)
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Six months ended 31 December 2014	Mining & exploration	Corporate	Consolidated
	\$	\$	\$
REVENUE			
Other revenue	-	2,759,556	2,759,556
Segment result	(2,752)	2,528,187	2,525,435

ASSETS / LIABILITIES**Asset**

Segments assets	-	2,132	2,132
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Liabilities

Segment liabilities	-	(196,850)	(196,850)
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Net assets	-	(194,718)	(194,718)
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QUEST MINERALS LIMITED AND ITS CONTROLLED ENTITIES

ABN 55 062 879 583

Subject to A Deed of Company Arrangement, Subject to a Creditors Trust

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2015

NOTE 6: CONTRACTUAL AND LEASING COMMITMENTS

a. Exploration expenditure commitments

In order to maintain current rights of tenure to exploration tenements, the Controlled Entity is required to outlay tenement lease rentals and perform minimum exploration work to meet minimum expenditure requirements specified by various government authorities. These obligations are subject to renegotiation when application for a mining lease is made and at various other times. These obligations are not provided for in the financial report and are payable:

	Note	31.12.2015	30.06.2015
- not later than 12 months		4,489	4,489
- between 12 months and 5 years		-	-
- greater than 5 years		-	-
		<u>4,489</u>	<u>4,489</u>

b. Employee remuneration commitments

Commitment under employee contract not provided for in the financial statements.

Following the date on which the DOCA was entered into on 18 August 2014, Mr Vitale has agreed to provide his services as Managing Director for \$5,000 per month. Payment of all fees is to be deferred until such time that the Company completes a capital raising under a recapitalisation plan. The commitment may be terminated with one month's notice on either side.

	Note	31.12.2015	30.06.2015
- not later than 12 months		60,000	50,000
- between 12 months and 5 years		-	-
- greater than 5 years		-	-
		<u>60,000</u>	<u>50,000</u>

NOTE 7: CONTINGENT LIABILITIES

Under the terms of the DOCA entered into on 18 August 2014, the Company has indemnified the Creditors Trustee for any legitimate costs incurred to administer the affairs of the Company during the period of administration from 9 May 2014 to 18 August 2014, and thereafter, the costs of administering the affairs of the Creditors Trust. The liabilities assumed by the Trust upon execution of the DOCA include accrued legal fees, disbursements and costs of the Administrator, the Administrator's fees and other expenses as set out in the DOCA. Since the establishment of the DOCA, the Trustee has incurred additional legal fees as a result of having to defend a legal action brought by two creditors, details of which are set out in the Director's Report.

The Creditors Trustee has advised that based on information currently available to him his estimate of the maximum costs and liabilities incurred during the period of the Company's Administration and in administering the Trust is \$300,000. The Trustee has agreed to limit his claim against the Company under its indemnity to \$300,000, subject to no other liabilities or claims arising from third parties before the DOCA is effectuated. Such additional claims would include, but not be limited to, a possible adverse cost order from a court in the event that the Trustee makes an unsuccessful application to the court for the transfer of 77.0 million shares in the Company under section 444GA of the Corporations Act for the reasons described in the Directors' Report.

QUEST MINERALS LIMITED AND ITS CONTROLLED ENTITIES

ABN 55 062 879 583

Subject to A Deed of Company Arrangement, Subject to a Creditors Trust

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2015

Therefore at the date of this report, based on known information, the Company has a contingent liability equivalent to a maximum of \$300,000 less any cash available to the Creditors Trust and any cash contribution to be made by the Company to the Creditors Trust pursuant to the proposed recapitalisation of the Company described in the Directors' Report. The Company's contingent liability under the indemnity provided to the Trustee may increase beyond \$300,000 in the event that the Trustee makes an unsuccessful application to the Court. The amount of such an additional contingent claim is unknown and the Directors are unable to quantify such costs at the date of this report.

The Directors are not aware of any other contingent liabilities as at the date of the financial statements.

NOTE 8: EVENTS AFTER THE REPORTING PERIOD

On 9 June 2016 a Heritage Protection Agreement was executed by Acacia with the Wutha People in respect of access for exploration purposes covering the ground subject to Acacia's EL application. The main requirement for access agreed by the parties is that if requested, an anthropological study be completed over the ground to be disturbed to ensure any known sacred sites are not disturbed. Previous anthropological studies covering the area have not identified any such sites.

On 1 July 2016 the Department of Mines and Petroleum issued EL57/1036 covering the blocks applied for by the Company's wholly owned subsidiary Acacia Mining Pty Ltd in June 2015.

In May 2016 the Company entered into discussions with prospective lead manager for a capital raising, sufficient to meet the reinstatement conditions as required by ASX.

On 27 July 2016, Mr Stuart Third resigned as the Alternate Director for Mr Paul Piercy.

On 28 August 2016 the ASX confirmed the conditions for reinstatement of quotation of its securities as set out in its letter of 3 October 2014 remained unchanged. The key conditions as set out in the letter of 3 October 2014 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 77.0 million shares originally issued to Mutual Holdings Pty Ltd pursuant to the Share Sale Agreement. In the event that 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.

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.

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. While he has not yet done

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so it is open for Mr Nikolaenko to contest those conclusions and the basis on which ASX requires the Company to take the corrective action.

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. If this criterion is not met ASX will remove the Company from the Official List on 24 October 2016. If ASX grants an extension with the Guidance Note, it will not exceed three months (or less taking into consideration the three week extension).

On 17 September 2016 Dr Dennis Gee revoked the appointment of Mr Ian Crawford as his Alternate Director, effective from that date.

Except for the above, no matters or circumstances have arisen since the end of the financial year, that have significantly affected, or may significantly affect the operations of the group, the results of those operations, or the state of affairs of the group in future financial years.

NOTE 9: RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

a. Key management personnel

The names of each person holding the position of Director of Quest Minerals Limited during the half year are:

Dr Dennis Gee
Mr Paul Piercy
Mr Jerome G Vitale
Mr Stuart Third (in his capacity as Alternate Director for Mr Paul Piercy)
Mr Ian Crawford (in his capacity as Alternate Director for Mr Dennis Gee)

b. Commercial services agreement

– Winduss & Associates Pty Ltd

The Company receives accounting, bookkeeping and secretarial services from Winduss & Associates Pty Ltd, an accounting practice of which Mr Stuart Third is a director and shareholder. Fees charged are at normal commercial rates and conditions. The amount of fees paid or accrued to 31 December 2015 for accounting, bookkeeping and secretarial services is \$14,750 (2014: \$10,345). After removing amounts owed at 8 August 2014 pursuant to the execution of the Deed of Company Arrangement, the amount owing to Winduss & Associates Pty Ltd at 31 December 2015 is \$11,185 (2014: \$185).

QUEST MINERALS LIMITED AND ITS CONTROLLED ENTITIES

ABN 55 062 879 583

Subject to A Deed of Company Arrangement, Subject to a Creditors Trust

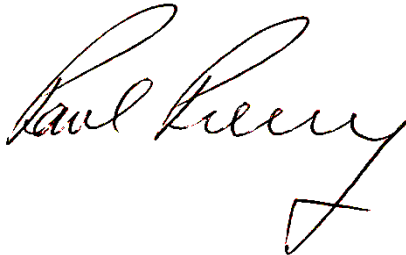
DIRECTORS' DECLARATION

The directors of the Group declare that:

1. The financial statements and notes, as set out on pages 6 to 16
 - a. Comply with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations and
 - b. Give a true and fair view of the economic entity's financial position as at 31 December 2015 of its performance for the half-year ended on that date.

2. In the directors' opinion there are reasonable grounds to believe that the group will be able to pay its debts when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Paul Piercy
Chairman

Dated 21 September 2016

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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF QUEST MINERALS LIMITED

We have reviewed the accompanying half-year financial report of Quest Minerals Limited (the Company), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2015, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement or description of accounting policies, other explanatory information and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-year Financial Report

The Directors of Quest Minerals Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such controls as the Directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Quest Minerals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

Grant Thornton Audit Pty Ltd ACN 130 913 594
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A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Quest Minerals Limited is not in accordance with the *Corporations Act 2001*, including:

- a giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Material Uncertainty related to Going concern

Without further qualification to the conclusion expressed above, attention is drawn to the following matter. As described in Note 1 in the financial report, the ability of Quest Minerals Limited to pay its debts as a when they fall due is dependent upon the successful re-capitalisation of the Company. As this matter has not yet occurred, there exists a material uncertainty which may cast significant doubt about the Company's ability to return to being a going concern and realise its assets and extinguish its liabilities in the normal course of business, and at the amounts stated in the financial report.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



M J Hillgrove
Partner - Audit & Assurance

Perth, 21 September 2016