QUEST MINERALS LIMITED

ABN 55 062 879 583

INTERIM FINANCIAL REPORT

31 December 2013

This report should be read conjunction with the Annual Report of the Company for the period ended 30 June 2013

CORPORATE DIRECTORY

INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2013
1 July 2013 to 31 December 2013

Board of Directors

Mr Paul Piercy – Non-executive Chairman

Mr Jerome G Vitale – Executive Director

Dr Dennis Gee – Non-executive Director

Company Secretary

Mr Stuart Third
(and Alternate Director for Paul Piercy)

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Stock Exchange Listing

Australian Securities Exchange
Quest Minerals Limited

ASX Code: QNL

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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 2013.

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 Stuart Third	Alternate Director for Mr P Piercy

PRINCIPAL ACTIVITIES

The principal activity during the period was mineral exploration including the exploration and evaluation of opportunities located domestically and internationally.

OPERATING RESULTS

As disclosed in the financial statements, the Company recorded a consolidated loss of $1,438,321 (2012: 878,217) for the half year to 31 December 2013.

REVIEW OF OPERATIONS

Perenjori Iron Ore Project

The Company is earning 80% interest in each of EL 70/2777 (Feral) and EL 70/2858 (Alken), which are situated close to the northern wheat-belt town of Perenjori. The project is strategically located close to existing infra-structure and only 14 km from the rail head that links to the port of Geraldton in the mid west of Western Australia.

Quest has completed a scoping study, based on a mining operation of 12Mtpa and production of 5Mtpa of high-quality magnetite concentrate, augmented by hematite production from the oxide zone. Metallurgical aspects of the scoping study were reported in the September 2013 Quarterly Report.

To provide context, the mineral resource estimate as detailed in the September 2013 Quarterly Report, is re-quoted below.

Table 1: JORC Mineral Resource Estimate for Perenjori Iron Ore Project at cut-off grade of 20% Fe

Zone	Category	Tonnage Mt	Fe%	Al2O3%	SiO2%	S%
Core BIF Zone	Inferred	93.3	37.22	1.67	41.59	0.05
Eastern Belt (excluding CBZ)	Inferred	78.7	37.64	1.45	41.66	0.03
Western Belt	Inferred	19.7	29.77	3.39	47.04	0.32
Total	**Inferred**	**191.7**	**36.61**	**1.75**	**42.18**	**0.07**

DIRECTORS' REPORT

Proposed Resource Drill Program

EL 70/2777 (Feral): In order to progress to a pre-feasibility study, a drilling program has been developed to bring most of the Core BIF Zone to Indicated status. Because there is remnant native vegetation on the ridge of the Core BIF Zone, the Program of Works (POW) submitted to DMP in September 2013 has been referred to the EPA for assessment. This program involves 23 RC holes and two diamond holes, on 200m spaced lines, totalling 3,500m. Drill pads and access tracks have been surveyed in detail by Mattiske Consultants, and detailed GIS polygons showing the clearing requirements have been forwarded to the EPA. Total clearing in only 2.8Ha. At the time of submission of this half yearly report, no assessment has been made by the EPA.

EL 70/2858 (Alken): Alken lies immediately west of Feral, and contains two BIF units. In 2011, Quest explored Alken for detrital, supergene and hydrothermal hematite-goethite targets with limited success. None of the BIF of the Western Belt in Alken is included in the previously announced Inferred Resource, but is included in the Company's announced Exploration Target.

The main BIF of Alken is 4.7km in length and 60-80 meters in outcrop width. Although split by gabbro sills in places, it constitutes an important potential resource similar to the Core BIF Zone on Feral. This is termed the **Bestry BIF Zone**.

A six-hole RC program, designed to initially test the Bestry BIF Zone, has been approved by WA DMP (POW 41731, 25 Sep 2013). Together with the existing holes, the detailed mapping, and the high-resolution aeromagnetic imagery, this should provide an inferred resource for Bestry BIF Zone.

Extension of Farm-in period

On 6 December 2013 the Company announced it has agreed a two year extension to 30 April 2016 to earn an initial 80% interest in the Perenjori iron ore project by fulfilling its remaining earn-in commitments of $1.4 million. The Company may also earn a further 5% to take it to an 85% interest in the project by sole funding a definitive feasibility study.

Background

The Company's rights over the Perenjori iron ore project arise under a farm-in agreement Term Sheet (ASX: 29 Dec 2010) under which the Company may earn an 80% interest in E70/2777 (Feral) and E70/2858 (Alken) respectively by sole funding combined expenditure on the tenements of a total of $2,300,000. A further 5% interest can be earned in either or both of Alken and Feral by sole funding a definitive feasibility study on each tenement. The Company has spent approximately $1,000,000 to date in satisfaction of its earn-in obligations, leaving approximately $1,300,000 to be spent by 30 April 2016.

Quest has agreed to meet certain interim expenditure targets throughout the extended farm-in period. Quest must spend $100,000 by 30 April 2014, $500,000 by 31 December 2014 and $1,000,000 by 31 December 2015, with the remaining balance by April 2016. Failure to achieve these interim targets will result in the project's owners having a right to terminate the farm-in.

Until 31 December 2014, the vendor syndicate will also have the right to immediately and at its election, terminate the Term Sheet in the event that there is any change in the composition of the Company's board, and it cannot be demonstrated to the vendors' sole and unfettered satisfaction that the change in the composition will not have a material adverse effect upon the Company's ability to perform its obligations under the Term Sheet.

DIRECTORS' REPORT

Victory Bore Project

Activity at Victory Bore vanadium project during the half year was limited to a review of historical gold exploration, which has identified some priority drill targets. Details of the review are provided in the Company's report for the quarter ended 31 December 2013.

As the result of the review, a Program of Works (POW) was submitted and subsequently approved by DMP to infill and extend the historical RC pattern of drilling. This will create a 200 x 50m grid pattern over the zone of mineralization, involving 10 new holes to 90m depth to test for gold.

No work was performed during the half year in relation to the Company's previously reported vanadium mineral resource.

Nigeria Gold Exploration

No field work was performed in Nigeria during the half year. As noted in the December 2013 Quarterly Report, the carry value of the Nigeria properties is reduced to zero.

After a first-stage strategic review of the Nigeria tenements, Quest has decided not to seek Certificates of Title for five exploration licenses currently subject to Notices of Grant, and will not seek to renew at least nine licenses subject to Certificates of Title, particularly in the north of Nigeria. This decision is made on the basis of their low geological prospectivity, and also takes into account the worsening security situation in the north of the country.

CORPORATE

Suspension from Trading on ASX

The Company was suspended from quotation by ASX on 1 October 2013 due to the delay in completion of its 2013 Statutory Accounts, and currently remains suspended. Detailed discussions with ASX over various matters including the Company's financial position and its reported breaches of the *Corporations Act 2001* and the ASX Listing Rules, as outlined in the 2013 Annual Report and other announcements of the Company, have not been successful in obtaining approval by ASX to reinstate trading in the Company's securities. Due to a failure to reach a commercial resolution with Mr Vladimir (Roger) Nikoalenko in relation to corrective action required by ASX to cure these breaches, the Company believes all avenues to obtain the re-quotation of its shares have been effectively exhausted.

In the absence of a commercial resolution being reached with Mr Nikolaenko, the only remaining avenue to bring about compliance with ASX Listing Rules is a court order to compel Mr Nikolaenko and his controlled entities to repay certain funds to the Company and execution of restriction agreements in any shares previously issued or to be issued to him by the Company as part of any settlement agreement. Failing such orders from the court or voluntary settlement being reached with Mr Nikolaenko, the Company will likely be delisted from ASX. In these circumstances, securing future working and development capital will be more difficult as there will not be any liquidity on the Company's shares.

DIRECTORS' REPORT

Summary of Corporate Transactions during the Half Year

Aborted Rights Issue

In October 2013 the Company announced a one-for-one non-renounceable rights issue at a price of $0.001, with one free attaching option for every two new shares issued. The conditions of the offer included, amongst other things, the Company's reinstatement to quotation by ASX. For the reasons stated above, he Company announced that it was unable to meet the conditions of the offer, and that as a result, the offer was withdrawn. Application monies received under the offer have been since refunded to applicants.

Funds Raised from Placement and Debenture Note and Calls on Partly Paid Shares

In October 2013 the Company received the balance of $300,000 in relation to debenture notes negotiated in May 2013 and completed a placement of 81 million shares to raise $81,000 for working capital. In addition the Company recovered $137,500 from the final call on 2.5 million partly paid shares.

The payment received on the partly paid shares was from an Australian incorporated holder. The Company now has 16.98 million partly paid shares remaining on issue held by foreign incorporated entities, with 5.75 cents in outstanding calls per share for a total of $976,350 that was due on 4 October 2013. To recover these funds, the Company has obtained orders from the District Court of Western Australia to serve writs on the two foreign entities, Malacca Capital Limited and Eurobond Trading Limited. Both Malacca and Eurobond are registered in Labuan, a financial centre, free trade and tax free zone in offshore Malaysia. The Company is not aware of any basis upon which the holders can dispute the call, and will seek to obtain and enforce judgments as soon as practicable.

Debt Owed to Haramont Pty Ltd

As a result of the Company failing to complete the rights issue, the conditions precedent to the compromise agreement reached with Mr Vitale in relation to a debt of $812,915 owed by the Company to Haramont Pty Ltd (a company controlled by Mr Vitale) were not met. The Company has now reinstated the full amount of the debt as a current liability in its financial statements as at 31 December 2013. The debt is due for payment on 8 August 2014.

Statutory Demand from Natwest Securities Limited

In December 2013 the Company received a Statutory Demand from Natwest Securities Ltd in relation to the debt of $200,000 plus accrued interest of approximately $137,000. The Company has previously noted that Natwest Securities Ltd is an overseas entity for which the Directors must hold certain information as required by legislation prior to making payments which had been requested from Natwest, but not supplied. The Company has applied to the Federal Court to have the demand set aside and a mediation conference is scheduled to be held in late April 2014. If the mediation process is not successful in reaching settlement with Natwest, the matter will be listed for a subsequent hearing by the Court.

Writ from Mutual Holdings Pty Ltd

On 17 December the Company reported it had been served with a writ by Mutual Holdings Pty Limited (Mutual Holdings), an entity controlled by Mr Nikolaenko. The demand is for approximately $1.4 million plus unspecified accrued interest. As disclosed in the Company's 2013 statutory accounts and elsewhere, the Board has determined (amongst other things) that Mr Nikolaenko was a

DIRECTORS' REPORT

shadow director of the Company when it entered into an agreement to acquire exploration licence E57/550 (known as Victory Bore) from Mutual Holdings (Sale Agreement). As a result, the Sale Agreement required shareholder approval under both ASX Listing Rule 10.1 and Chapter 2E of the Corporations Act, and the Company was required to comply with Listing Rule 10.7. Shareholder approval was not obtained and Listing Rule 10.7 not complied with. The Board has reported the breaches to both ASX and ASIC, and resolved not to make any further payments to Mutual Holdings. The writ alleges the Company wrongfully terminated the Sale Agreement and seeks damages as a result.

For the reasons set out in the Company's 2013 statutory accounts and the replacement prospectus dated 31 October 2013, the Board believes that the Sale Agreement is not enforceable and will both vigorously defend the proceedings and subject to funding, will seek to recover all amounts the Company paid to Mr Nikolaenko's controlled entities in breach of Chapter 2E (approximately $3.1m).

In January 2014, the Company responded to the claim from Mutual Holdings with a defence and a counterclaim against Mutual Holdings and Mr Nikolaenko personally to recover funds paid under the Sale Agreement. The matter is subject to normal court mediation procedures which if unsuccessful will lead to the matter being subsequently heard at a time suitable to the Court.

Appointment of Alternate Director

On 5 December 2013, Mr Stuart Third was appointed as an Alternate Director for Mr Paul Piercy for periods in which Mr Piercy may be absent and not contactable.

Annual General Meeting

The Company held its Annual General Meeting on 20 December 2013. All directors were returned to office with Messrs Piercy and Vitale elected for first time directly by shareholders and Dr Gee being re-elected.

AUDITOR INDEPENDENCE

The auditor's independence declaration for the period ending 31 December 2013 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 14 March 2014

Competent Persons Statement

Information in this report that relates to exploration results reflects information compiled by Dr Dennis Gee 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 2004 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 and its controlled entities

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Quest Minerals Limited and its controlled entities for the half-year ended 31 December 2013, 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

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

J W Vibert
Partner - Audit & Assurance

Perth, 14 March 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 31 DECEMBER 2013

	Note	31.12.2013	31.12.2012
Continuing operations		$	$
Revenue from ordinary activities			
Other revenue		-	247
Financial income		2,330	2,650
Total revenue	2	2,330	2,897
Expenses from ordinary activities			
Loss on disposal of assets		(4,759)	-
Deprecation		(1,785)	(3,421)
Finance expenses		(80,243)	(12,101)
Professional fees		(563,895)	(629,032)
Exploration & evaluation expenditure written off		(19,882)	(33,585)
Impairment		-	-
Administration expenses		(109,630)	(152,182)
Occupancy expenses		(3,299)	(50,640)
Foreign exchange loss		-	(153)
Loss on reinstatement of liabilities		(657,158)	-
		(1,440,651)	(881,114)
Loss from ordinary activities before income tax expense		(1,438,321)	(878,217)
Income tax expense		-	-
Loss from continuing operations		(1,438,321)	(878,217)
Other comprehensive income			
Total other comprehensive income		-	-
Total comprehensive loss for the period		(1,438,321)	(878,217)
Earnings per share			
Basic loss per share (cents per share)		0.23	0.18

The company's potential ordinary shares are not considered dilutive and accordingly basic loss per share is the same as diluted loss per share.

Diluted loss per share (cents per share)	0.23	0.18

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013

	Note	31.12.2013	30.06.2013
ASSETS		**$**	**$**
Current assets			
Cash and cash equivalents		148,575	382,355
Trade and other receivables		52,067	15,314
Other current asset		17,001	15,459
Total current assets		217,643	413,128
Non-current assets			
Property, plant and equipment		3,614	10,158
Exploration and evaluation expenditure	4	1,092,506	1,011,314
Total non-current assets		1,096,120	1,021,472
TOTAL ASSETS		1,313,763	1,434,600
LIABILITIES			
Current liabilities			
Trade and other payables		503,170	280,331
Interest bearing liabilities	5	1,812,915	879,118
Other liabilities		-	-
Total current liabilities		2,316,085	1,159,449
TOTAL LIABILITIES		2,316,085	1,159,449
NET ASSETS		(1,002,322)	275,151
EQUITY			
Contributed equity		92,202,237	92,041,389
Reserves		1,356,900	1,356,900
Accumulated losses		(94,561,459)	(93,123,138)
TOTAL EQUITY		(1,002,322)	275,151

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2013

	Note	Contributed Equity $	Accumulated Losses $	Reserves $	Total Equity $
Balance at 1 July 2012		90,925,446	(88,973,751)	1,356,900	3,308,595
Shares issued during the period		1,140,500	-	-	1,140,500
Share based payments		-	-	-	-
Net loss for the period		-	(878,217)	-	(878,217)
Share issue costs		(54,557)	-	-	(54,557)
Transfer on expiry of option		-	-	-	-
Issue of options		-	-	-	-
Balance at 31 December 2012		92,011,389	(89,851,968)	1,356,900	3,516,321
Balance at 1 July 2013		92,041,389	(93,123,138)	1,356,900	275,151
Shares issued during the period	6	81,000	-	-	81,000
Proceeds from partly paid shares	6	137,500	-	-	137,500
Net loss for the period		-	(1,438,321)	-	(1,438,321)
Share issue costs		(57,652)	-	-	(57,652)
Transfer on expiry of option		-	-	-	-
Issue of options		-	-	-	-
Balance at 31 December 2013		92,202,237	(94,561,459)	1,356,900	(1,002,322)

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

CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE HALF YEAR ENDED 31 DECEMBER 2013

	Note	31.12.2013 $	31.12.2012 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		-	320
Interest received		2,330	2,650
Other revenue		-	247
Finance expenses		(151)	(3)
Payment to suppliers and employees		(591,615)	(514,897)
Foreign exchange loss		-	(153)
Net cash used in operating activities		(589,436)	(511,836)
CASH FLOWS FROM INVESTING ACTIVITIES			
Exploration and evaluation expenditures		(101,074)	(209,696)
Purchase of property, plant and equipment		-	-
Net cash provided by investing activities		(101,074)	(209,696)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of ordinary shares		81,000	344,500
Share and loan issue expenses		(57,652)	(43,057)
Payments received on contributing shares		137,500	-
Repayment of borrowings		(4,118)	(24,750)
Proceeds from issue of debentures		300,000	-
Repayment of debentures		-	-
Net cash provided by financing activities		456,730	276,693
Net increase/(decrease) in cash held		(233,780)	(444,839)
Cash and cash equivalents at the beginning of period		382,355	609,491
Cash and cash equivalents at the end of period		148,575	164,652

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2013

NOTE 1: BASIS OF PREPARATION

These general purpose financial statements for the interim half-year reporting period ended 31 December 2013 have been prepared in accordance with requirements from the Corporations Act 2001 and Australian Accounting Standards including AASB 134: Interim Financial Reporting. The Company is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Quest Minerals Limited and controlled entities (referred to as the 'Group'). As such, it does not contain information that represents relatively significant changes occurring during the half year. It is therefore recommended that this financial report be read in conjunction with the annual financial statements for the year ended 30 June 2013, together with any public announcements made during the half year.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements except for the adoption of the following new and revised Accounting Standards.

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.

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

- AASB 10 'Consolidated Financial Statements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards';
- AASB 11 'Joint Arrangements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards';
- AASB 12 'Disclosure of Interests in Other Entities' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards';
- AASB 127 'Separate Financial Statements' (2011) and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards';
- AASB 128 'Investments in Associates and Joint Ventures' (2011) and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards';
- AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13';
- AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011);
- AASB 2012-2 'Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities';
- AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle', and

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2013

- AASB 2012-10 'Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments'.

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 2013, the Group incurred an operating loss of $1,438,321 (2012: $878,217) and an operating cash outflow of $589,436 (2012: $511,836). As at 31 December 2013, the Group had a net current asset deficiency of $2,098,442 and an overall net asset deficiency of $1,002,322. 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 and negotiations with the following parties with a view to providing working capital to fund operations and ongoing litigation (including the recovery of $976,350 in unpaid calls from holders of partly paid shares):

i) the major shareholders of the Company with a view to provision of additional loan funds or other financial accommodation and support as well as the ongoing provision of existing facilities;
ii) other iron ore explorers and developers with a view to the possible sale of the Company's earn-in rights for the Perenjori Iron Ore Project;
iii) sophisticated investors to whom Company may issue up to 15% of its present number of shares on issue.

In addition the Company has entered into formal and informal arrangements with trade and other unsecured creditors for deferral of payment until such time that the Company completes a capital raising.

Nothwithstanding the suspension of trading in its shares on ASX, it remains open for the Company to undertake a pro rata entitlements issue offer to shareholders for the purpose of raising capital. Unlike the offer made by the Company in October 2013 which was subsequently withdrawn due to its failure to reach agreement with ASX on the re-quotation of its securities, any such entitlements offer would not be subject to a condition that the Company's securities be quoted on ASX.

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 further explore and develop its exploration assets. The form and value of such raisings is yet to be determined;
ii) ongoing management of the quantum and timing of exploration expenditure in line with the Company's available funds;

The Directors have reviewed the general business outlook and the circumstances of the Company and the Group including the matters referred to at Notes 5, 8 and 9, 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. 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2013

Notwithstanding this, as a junior explorer with exploration projects and a dependency on its major shareholders and existing lenders and the financial markets for its future funding, 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	31.12.2013	31.12.2012
		$	$
NOTE 2: PROFIT FOR THE PERIOD			
Finance income		2,330	2,650
Other revenue		-	247
Total revenue from ordinary activities		2,330	2,897

NOTE 3: DIVIDENDS

No dividends were paid or proposed during the half year ended 31 December 2013.

NOTE 4: CAPITALISED EXPLORATION EXPENDITURE

Exploration and Evaluation Expenditure	$
Balance at 1 July 2013	1,011,314
Exploration and evaluation expenditure incurred	101,074
Exploration expenditure written off	(19,882)
Impairments	-
Balance at 31 December 2013	1,092,506

NOTE 5: INTEREST BEARING LIABILITIES

Loans from others - Unsecured	-	4,118
Loans from related parties	812,915	175,000
Debentures	1,000,000	700,000
	1,812,915	879,118

The loans from related parties are subject to interest at 12%. Please refer to note 11 ‘Related Party Transactions’ for more details.

The Debentures are subject to 10% per annum payable at maturity (15 December 2014) or conversion to Ordinary Shares in the Company. Conversion to shares is voluntary at the option of the Debenture holders. Any conversion to shares would be subject to shareholder and regulatory approval where required, and would be convertible at the rate for any share offer being made to other shareholders or investors at the same time.

NOTE 6: ISSUED CAPITAL

The following equity securities were issued during the half year:

	Number	$
Shares issued on 30 October 2013 pursuant to a placement at $0.001 per share	81,000,000	81,000
Shares issued on 4 November 2013 pursuant to payment of final call of $0.055 per share	2,500,000	137,500

NOTE 7: OPERATING SEGMENTS

For the half year ended 31 December 2013, the Group's operations were predominantly 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.

Six months ended 31 December 2013	**Mining & exploration $**	**Corporate $**	**Consolidated $**
REVENUE			
Other revenue	-	2,330	2,330
Segment result	(19,882)	(1,418,439)	(1,438,321)
ASSETS / LIABILITIES			
Asset			
Segments assets	1,092,506	221,257	1,313,763
Liabilities			
Segment liabilities	-	(2,316,085)	(2,316,085)
Net assets	1,092,506	(2,094,828)	(1,002,322)

Six months ended 31 December 2012	**Mining & Exploration $**	**Corporate $**	**Consolidated $**
REVENUE			
Other revenue	-	2,897	2,897
Segment result	(33,585)	(844,632)	(878,217)

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2013

Six months ended 31 December 2012	Mining & Exploration $	Corporate $	Consolidated $
ASSETS / LIABILITIES			
Asset			
Segments assets	6,265,254	392,631	6,657,885
Liabilities			
Segment liabilities	(2,335,250)	(806,314)	(3,141,564)
Net assets	3,930,004	(413,683)	3,516,321

NOTE 8: CONTRACTUAL AND LEASING COMMITMENTS

a. Operating lease commitments

The Company occupies its business premises via a periodic tenancy. There is no future lease commitment as either the Landlord or the Company may terminate the tenancy by providing two months' notice to the other party whilst occupying premises under a periodic tenancy.

b. 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	31.12.2013	30.06.2013
- not later than 12 months		29,976	31,264
- between 12 months and 5 years		5,908	10,486
- greater than 5 years		-	-
		35,884	41,750

c. Employee remuneration commitments

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

Remuneration and other terms of employment for Mr Vitale, Managing Director, are formalised in a Consulting and Service agreement as detailed below:

- term of agreement – 12 months to 22 April 2014 with an option to extend for a further 12 months;
- minimum consulting Fees of $150,000 pa;
- the Agreement may be terminated by either party by the provision of 3 months' written notice or written resignation by Mr Vitale.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2013

	Note	31.12.2013	31.06.2013
- not later than 12 months		46,644	121,644
- between 12 months and 5 years		-	-
- greater than 5 years		-	-
		46,644	121,644

NOTE 9: CONTINGENT LIABILITIES

Estimates of potential financial effect of contingent liabilities that may become payable:

Administration Services Agreement

The Company determined during its corporate governance review completed during the half year that a services agreement ("Services Agreement") with Corporate Admin Services Pty Ltd (CAS) was a related party contract which required the approval of shareholders under Chapter 2E of the *Corporations Act 2001*. CAS purported to terminate the agreement in July 2013 and claimed unpaid amounts plus a termination payment from the Company totalling approximately $520,000. Due to the related party nature of the contract, and that the contract was entered into without obtaining shareholder approval, the Company believes that the contract is unenforceable and any amounts purported to be owing under the agreement are not payable.

CAS has not commenced nor given any notice of an intention to contest the determination of the Board with respect to the unenforceability of the agreement. The Company has further reserved its rights in relation to any potential counterclaim it has against CAS in relation to performance of services and applicable charges under the Services Agreement.

Victory Bore exploration licence

Under a tenement 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 (Mutual Holdings), an entity controlled by Mr Vladimir (Roger) Nikolaenko. The Sale Agreement provided (amongst other things) as follows:

a. Upon the establishment of a JORC 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 U_3O_8 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2013

b. 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% V_2O_5. An agreement with Mutual Holdings was entered into when the maiden Inferred Resource was announced deferring the payment of the additional amount identified in (a) above until an alternative agreement was reached. That agreement expired in August 2012 at which time a debt management agreement was entered into to commence repayment of the acknowledged debt of $3,020,000 (Debt) (refer Note 12 to Company's Annual Accounts for year ended 30 June 2013). The first repayment was through the Company issuing 60,000,000 shares at a deemed price of $0.011 per share for the conversion of $660,000 of the Debt. Further repayments were to be made out of future capital raisings, limited to 10% of each amount raised until the Debt was fully repaid. Mutual Holdings had the right to elect to convert each repayment amount into shares of the Company at a price per share equal to the price at which capital is being raised. Interest accrued on the outstanding balance of the Debt at 12% per annum.

On or about 19 April 2013 the Company received notice that Mutual Holdings had assigned part of the Debt ($812,915) to Haramont Pty Limited, a company controlled by Mr Vitale.

During a review of the Company's corporate governance practices and policies completed in the December half 2013, the Board considered the Debt and the circumstances in which it arose. Following a review of the Company's books and records, and statements from the Company's former directors and officers and others, the Directors have determined that when the Sale Agreement was entered into, Mutual Holdings (being controlled by Mr Nikolaenko) was a related party of the Company for the purposes of Chapter 2E of the *Corporations Act.*

As a result the Sale Agreement required shareholder approval under Chapter 2E of the *Corporations Act 2001*. Such approval was not obtained and, as a consequence the Company believes that a court will not enforce the Debt. For that reason the balance of the Debt (being $1,444,785) and unpaid interest has been removed from the Groups' balance sheet at 30 June 2013.

Mutual Holdings has commenced proceedings in the Supreme Court of Western Australia against the Company, seeking payment of the debt plus interest and damages of an unspecified amount. The Company continues to operate on the premise that the debt is unenforceable as outlined above and is defending the claim and has itself served a writ for a counterclaim against Mutual Holdings and Mr Nilolaenko to recover funds paid under the Sale Agreement. In the event Mutual Holdings is successful with its claim, the liability payable is $1,444,785 together with unpaid interest at 12% per annum.

Unsecured Borrowings

Unsecured borrowings of $200,000 owed to NatWest Securities Limited (NatWest), and previously recorded by the Group, were reclassified as a contingent liability at 30 June 2013. NatWest, an offshore entity, has not responded to a number of written requests by the Board to establish the identity of the ultimate beneficiary lying behind the nominated recipient of funds and other matters as required under the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (Cth). The Directors have obligations under that Act to establish the bona fide identity of the recipient of funds being transferred to offshore accounts outside Australia, and cannot transfer funds without doing so. As NatWest is an overseas entity that has not provided any means by which it can presently be identified, the Board has determined that the Company cannot either pay the balance said to be owing or to classify and report the amount to be presently payable, and instead report the amount a contingent liability of the Group.

NatWest has served the Company with a statutory demand for payment of the debt and interest. The Company continues to dispute the debt on the basis outlined above and has made application to the Federal Court to have the demand set aside. In the event NatWest is able to provide the information required to the Directors' satisfaction or is successful in its demand for payment, the liability will be recognised as an unsecured borrowing.

Other than the matters detailed above the Directors are not aware of any further contingent liability as at the date of the financial statements.

NOTE 10: EVENTS AFTER THE REPORTING PERIOD

The Company announced on 17 January 2014 that the conditions of the offer of rights were unable to be fulfilled and that the rights issue, originally announced on 17 October 2013, had been withdrawn. The Company has now refunded application monies received under the offer document.

The Company surrendered Tenement P70/1609 on 30 January 2014. The tenement was a small adjoining area to the Feral and Alken tenements comprising the Company's Perenjori project which, upon assessment of the area, was found to hold no further value to the Company and held no recognisable resource that would contribute to the Project.

The Company commenced proceedings to recover unpaid calls on partly paid shares totalling $976,350.

A mediation conference has been scheduled by the District Court for late April 2014 in respect of a Statutory Demand made by Natwest Securities Limited who is demanding payment of a $200,000 loan plus accrued interest of approximately $140,000.

No other matters or circumstances have arisen since the end of the half 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 11: 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)

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2013

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 2013 for accounting, bookkeeping and secretarial services is $45,507 (2012: $34,970). Amounts owing to Winduss & Associates Pty Ltd at 31 December 2013 are $8,192 (2012: $nil).

c. Deed of acknowledgement and release

– Haramont Pty Ltd

The Company and Haramont Pty Limited (an entity controlled by Mr Vitale) were parties to a deed of acknowledgment and release dated 30 September 2013. Under the agreement and with effect from 30 June 2013, the Company and Haramont, subject to conditions contained within the agreement, compromised a liability of $812,915 plus interest claimed by Haramont from the Company for $175,000. The circumstances surrounding the liability and the Company's payment obligations are set out in Notes 21 and 25 of the Company's 2013 Annual Report.

The conditions precedent contained within the release were to be met by the Company by 1 December 2013. These conditions were not met, and therefore, the compromise of the debt is no longer effective. Accordingly, the financial statements record the reinstatement of the principal liability to $812,915 from $175,000 (increase of $637,915) and the accrual of interest to 31 December 2013 of $68,151 as owing to Haramont Pty Ltd.

DIRECTORS' DECLARATION

The directors declare that:

a. The attached financial statements and associated notes are in accordance with the Corporations Act 2001, including the Accounting Standards and the Corporations Regulations.

b. The attached financial statements and notes give a true and fair view of the financial position as at 31 December 2013 and the performance of the Company for the 6 months ended on that date; and

c. In the opinion of the directors there are reasonable grounds to believe the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Board of Directors:

Paul Piercy
Chairman

Dated 14 March 2014

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Independent Auditor's Review Report
To the Members of Quest Minerals Limited and its controlled entities

We have reviewed the accompanying half-year financial report of Quest Minerals Limited and its controlled entities ("Company"), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2013, 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 and its controlled entities 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 2013 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 and its controlled entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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 and its controlled entities 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 2013 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 regarding continuation as a going concern

Without further qualification to the conclusion expressed above, we draw attention to Note 1 in the half year financial report which indicates the Company incurred a net loss of $1,438,321 during the half year ended 31 December 2013 and had operating cash outflows of $589,436. Additionally at 31 December 2013 the company had a net current asset deficiency of $2,098,442 and an overall net asset deficiency of $1,002,322. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern and whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial statements.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

J W Vibert
Partner - Audit & Assurance

Perth, 14 March 2014