

Quarterly Report

For the Period Ended 30 June 2014

30 June 2014

Highlights

RANAU PSC

- Quest in ongoing discussions with a view to a joint venture/funding partner arrangement at Ranau

OTHER

- Quest reviewing proposals with a view to acquiring an attractive near term production asset

CORPORATE

- Cash and Equivalents at 30 June 2014 \$3.03m

Ranau PSC

As previously reported Quest conducted a detailed geological and geophysical study of the Ranau block which, although indicating some structural highs and leads of interest, also recommended that further risk mitigation work be conducted including a petroleum systems study, a reservoir study, well failure analysis and full GDE analysis. The aim of the further recommended studies would be to further define and de-risk current structures and mitigate charge and reservoir risks associated with the lead(s).

Quest has been approached by groups and commenced discussions with a view to potentially bringing a joint venture partner in to fund the continued work program, including a drilling program, at the Ranau PSC. Discussions with various parties are ongoing.

Taking into account the Company's own treasury position and the expenditure commitments under the approved work program with SKKMigas, and set against the external difficulties, both regulatory and political, that have arisen in Indonesia over the past 18 months, the Quest Board felt it was prudent to review joint venture proposals and has advanced these discussions throughout the quarter. While a decision point has not yet been reached, there would be some key benefits to shareholders of bringing in a partner to fund the exploration program which would potentially see significant expenditure on the ground, including the completion of an expanded seismic program and the expected commencement of drilling.

ASX code:

QPN
QPNO

Share Price: \$0.001
Shares: 3,012,849,213
Market Cap: \$3.01m

Directors

Mr. Gus Simpson – Non-Executive Chairman
Mr. Anthony Milewski – Managing Director
Mr. Jeff Mitchell – Non-Executive Director
Mr. Greg Lee – Non-Executive Director

Near Term Production Strategy

In parallel to the negotiations being conducted on the Ranau PSC, the Company has been actively reviewing acquisition opportunities in different geographic regions that would provide Quest with an attractive, near term or producing asset(s). The Company has been working with international technical consultants highly experienced in all aspects of the petroleum industry, with emphasis in reservoir appraisal and evaluation engineering and has reviewed multiple proposals to date. Quest has been very selective in its review to ensure the asset acquired has the potential to bring real near term value and cashflow to the Company and its shareholders. As at 30 June 2014 Quest had identified several opportunities that met this criteria and warrant further due diligence and appraisal work.

Ranau Projects Background

The Ranau PSC covers 2,191km² of the South Sumatra Basin. Sumatra is the 6th largest island in the world and has a well-established oil and gas industry. There is extensive infrastructure and multiple hydrocarbon markets located within close proximity to these projects and Sumatra.

The Ranau PSC covers an under explored area in an established oil and gas region. Gas discovered on the Ranau PSC can be commercialised through the nearby South Sumatra – West Java (SSWJ) gas transmission pipelines and processing infrastructure. The SSWJ pipelines supply large markets in Sumatra, West Java and Singapore.

Figure 1



Corporate

Salary Sacrifice Program

Directors and officers of the company continue to participate in the salary sacrifice program.

Cash and Liquid Assets

At 30 June 2014 the Company had cash and equivalents (including security deposits for the Ranau Performance Bond) of \$3.03m.

On behalf of the Board of Directors

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Schedule of Interests in Mining Tenements at 30 June 2014

Location/Project Name	Tenement	Percentage held
South Sumatra (Ranau PSC) Ranau PSC (2,191km ²)	N/A	80%