

Quarterly Report

For the Period Ended 31 December 2012

31 January 2013

Highlights

RANAU PSC

- Drilling Approval Received for Ranau PSC
- Land Access Agreement near completion for drilling at Kayumanis-1
- Kayumanis-1 Prospect target potential up to 59mmbbl or 340Bcf gas
- Expanded Production Strategy and Strategic Partnership

CORPORATE

- Fully Underwritten Entitlement Issue successfully completed raising \$2.5m
- Cash and Equivalents at 31 December 2012 \$5.5m

Drilling Approval Received for Ranau Production Sharing Contract (PSC)

On 23 October 2012 Quest Petroleum NL (**Quest or the Company**) announced that, the Indonesian Energy Regulator, at the time BPMIGAS, had approved the Authorisation for Expenditure (AFE) for the Kayumanis-1 Well in the highly prospective Komering Basin, together with Quest's 2012 Work Plan and Budget.

During the quarter the Company has been in negotiations with the land owner of the Kayumanis-1 well property and expects to be in position to execute the land access agreement shortly. The drilling contract can then be finalized, rigs mobilised and a revised spud date target set.

The Kayumanis-1 Prospect is one of 16 leads identified in the Ranau PSC with combined potential of up to 6Tcf gas or 300 mmbbl oil. This prospect is located approximately 10km south of the town of Baradatu in the Way Kanan jurisdiction of Lampung Province, South Sumatra.

The first drill location is situated on the edge of an identified structural high proximate to three significant sub-basins with clear potential for hydrocarbon generation. The target reservoirs are in the Baturaja Limestone and Talang Akar Sandstone Formations which are the most prolific oil and gas reservoirs in the South Sumatra Basin. The drill site is on well drained, elevated land adjacent to a paved asphalt road which will facilitate the commencement of drilling and completion.

The Kayumanis -1 Prospect potential is estimated at up to 59mmbbl or 340Bcf gas. Operators in the surrounding PSC's have reported initial flow rates of up to 3,000

ASX code: QPN
QPNO

Share Price: \$0.006
Shares: 2,872,013,485
Market Cap: \$17.23m

Directors

Mr. Gus Simpson – Chairman
Mr. Mochamad Thamrin -
Deputy Chairman
Mr. Anthony Milewski –
Managing Director
Mr. Brett Mitchell – Non-
Executive Director
Mr. Greg Lee – Non-Executive
Director

BOPD from the same formations as those hosting the Kayumanis-1 Prospect.

Based on the results of the Kayumanis-1 Well, two further wells are planned in the initial drilling program.

Ranau Projects Background

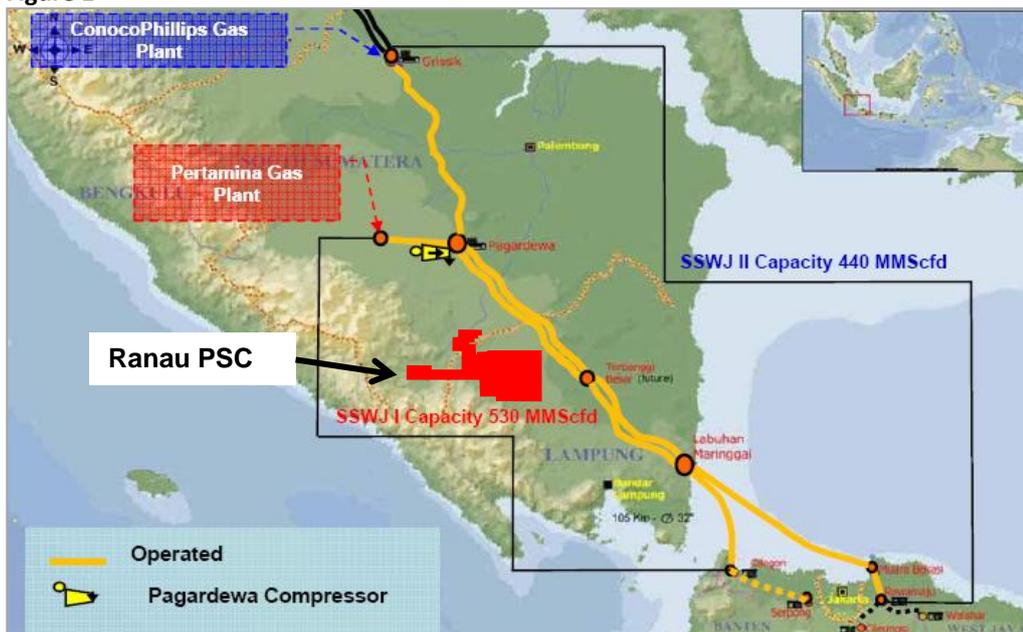
The Ranau PSC covers 2,191km² of the SouthSumatraBasin. Sumatra is the 6th largest island in the world and has a well established oil and gas industry with some 450 oil and gas fields containing reserves of more than 45 billion barrels of oil equivalent. Recent exploration at the Ranau PSC has identified four sub-basins and 16 highly prospective leads within these.

As indicated above, the Company is set to drill these leads and if successful take them to production, accessing the extensive infrastructure and multiple hydrocarbon markets located within close proximity to these projects and Sumatra.

The Company is optimistic about the exploration potential of the Ranau PSC as it contains extensions of proven Sub-basins of the prolific onshore SouthSumatraBasin. These Sub-Basins contain several large scale structures within the Ranau PSC which were identified by gravity data during the joint study. Several of these structures have the potential to contain multi-Tcf gas fields.

The Ranau PSC covers a largely unexplored area in an established oil and gas region. Over the past 12 months exploration in South Sumatra has seen multiple wells with commercial oil and/or gas shows. Several of these discoveries are currently under development with the intention to sell hydrocarbons to domestic and foreign markets

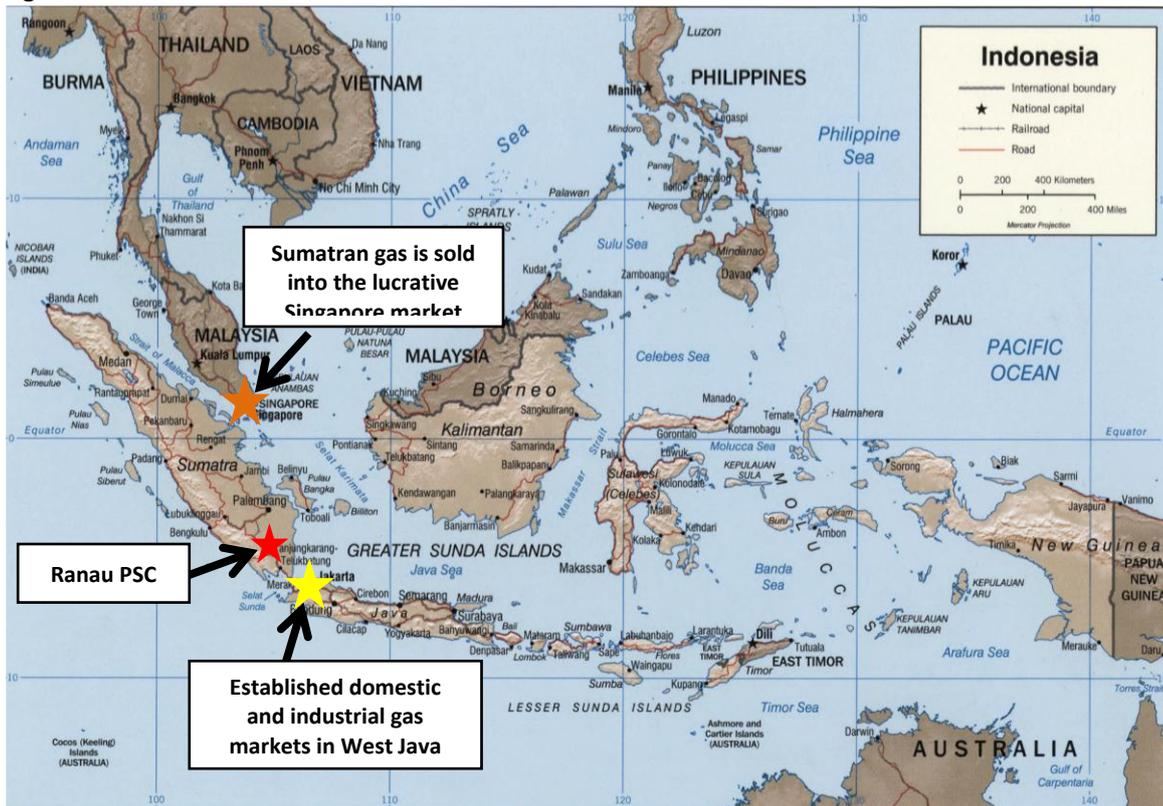
Figure 1



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. Domestic gas markets are growing rapidly as distribution networks are built and gas prices achieved in Indonesia are currently US\$4.50Mcf.

Discovered oil may be commercialised through facilities located within 50km of the Ranau PSC. These facilities process and transport oil from the large, Pertamina-operated, fields to the north of the Ranau PSC.

Figure 2



Expanded Production Strategy and Strategic Partnership

During the quarter the Company announced that it has entered into a strategic partnership with Moyes & Co to facilitate the Company’s plans to evaluate and if found suitable acquire producing oil and gas assets that will complement its existing development strategy.

Moyes & Co is an oil and gas focused advisory firm with a strong international reputation. The Moyes team will utilize its deep technical skills to provide a range of services including evaluation, independent third party assessment of selected assets, technical and legal due diligence on acquisitions and assist in acquisition and production funding at the asset level.

The Company continues to receive proposals to participate in projects that could compliment the Company’s ambition to become a significant hydrocarbon producer. This has necessitated the generation of an expanded business plan, project acquisition, funding strategy, the involvement of Moyes & Co and their assistance to facilitate funding at the asset level. This will minimize dilution in the corporate entity and will allow the Company to participate in some of the multiple projects on offer.

Going Forward

Exploration and Development of Ranau PSC

- Ranau PSC is located in a prolific oil region adjacent to existing production
- Over the next twelve months we plan to drill three wells
- Complete seismic over identified hydrocarbon occurrences

Acquisition of Producing Assets

- Build a production base through acquisitions of production assets with existing or near term cash flow

Acquire Additional Blocks

- Identify and exploit new petroleum systems and revisit established basins
- Leverage management’s extensive experience in geology and industry processes
- Continue conducting joint studies with Trisakti University to identify further acquisition opportunities

Corporate

\$5m Capital Raising

On 26 July 2012 the Company announced a \$5m capital raising comprising a \$2.5m placement to investors including international and domestic institutions (**Placement**) and a \$2.5m entitlement issue to existing shareholders (**Entitlement Issue**).

The Company completed the Placement during the previous quarter through the issue of approximately 417 million fully paid ordinary shares at 0.6 cents per share, together with one (1) free attaching option exercisable at 1.5 cents on or before 30 June 2016 for every two (2) new shares subscribed to raise \$2.5m.

The Company has now completed the Entitlement Issue, raising a further \$2.46m through the issue of approximately 410 million fully paid ordinary shares at 0.6 cents per share, together with attaching options on the same terms as the Placement. The Entitlement Issue was fully underwritten by Canaccord Wealth Management and Etchell Capital Pty Ltd.

The funds raised from the Placement and Entitlement Issue are planned to be used on the drilling program at the Ranau Projects.

Cash and Liquid Assets

At 31 December the Company had cash and equivalents (including security deposits for the Ranau Performance Bond) of \$5.5m.

On behalf of the Board of Directors

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Disclaimer

Forward Looking Statements

This announcement contains forward looking statements that are subject to risk factors associated with oil and gas businesses. It is believed that the expectations reflected in these statements are reasonable but they may be affected by a variety of variables and changes in underlying assumptions which could cause actual results or trends to differ materially, including but not limited to: price fluctuations, actual demand, currency fluctuations, drilling and production results, reserve estimates, loss of market, industry competition, environmental risks, physical risks, legislative, fiscal and regulatory developments, economic and financial market conditions in various countries and regions, political risks, project delay or advancement, approvals and cost estimates.

Competent Persons Statement

The information in this announcement that relates to Exploration Results, Gas Reserves is based on information reviewed and compiled by Ire Mochamad Thamrin. Ir Mochamad Thamrin, Deputy Chairman and a Director of the Company, holds a degree in Engineering Geology from ITB (Institute of Technology Bandung). He was head of Research and Development (Exploration) at Pertamina Indonesia (Government owned Oil and Gas division). From 1980 to 1994 and 1999 to 2011 respectively he was Chairman of the Geology Department and Dean of the Mineral Technology Faculty at Trisakti University Jakarta. Ir Mochamad Thamrin is widely recognized as a leading expert in the Indonesian Oil and Gas industry, especially in the South Sumatran Sub Basin. He has published more than 30 books on Oil and Gas in Indonesia. Ir Mochamad Thamrin has sufficient experience that is relevant to oil and gas exploration and production to qualify as a Competent Person as defined in Chapter 5 of the ASX Listing Rules. Ir Mochamad Thamrin consents to the inclusion in this announcement of this information in the form and context in which it appears.