

Quest Minerals Limited

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Directors:

Paul Piercy, Chairman
Jerome Vitale, Managing Director
Dennis Gee, Non-executive Director



ASX Code: **QNL**

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Activities Report for Quarter Ended 30 June 2013

Highlights

Perenjori Iron Ore Project

- metallurgical optimum grind tests completed as part of ongoing metallurgical scoping studies for Perenjori; preliminary results indicate that a concentrate of 69% Fe with less than 5%CaO is produced with a grind size of P80 45µm.
- New data from recent metallurgical core holes provided to Company's resource consultants to generate a revised JORC Resource estimate within the Core BIF Zone. Results are pending.
- Program of Works submitted to DMP for resource drilling programs at both the Core BIF Zone of Feral (eastern limb) and a new zone on Alken (western limb).

Corporate

- Mr Paul Piercy appointed as independent non-executive Chairman and Mr Jerome G (Gino) Vitale appointed as Managing Director.
- Debenture Notes with an aggregate value of \$1.0m secured to provide working capital.
- Long standing administrative services contract with Corporate Admin Services Pty Ltd brought to an end; alternative delivery of the administrative functions and office premises arranged at a much lower cost; a range of efficiency measures introduced by the new Board in its quest to ensure available funds are maximized for application to resource and project development.

1.0 Perenjori Iron Ore Project

Quest Minerals 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 existing infrastructure and only 14 km from the rail head that links to the port of Geraldton.

1.1 Metallurgical Test Work

The Company has engaged independent mine and engineering consultants Mintrex Pty Ltd to oversee the metallurgical scope of work advanced during the quarter. Work completed or underway includes:

- Optimum Grind: grinding of un-oxidised BIF samples to eight different grind sizes between 500µm to 28µm to produce the tails rejection curve
- Bond Ball Mill Work Index: grinding of oxidised and un-oxidised material to three different sizes to determine power requirements for the optimum grind size
- Hematite table Test: Oxidized ore at two grind sizes (500µm and 250µm) over Wilfley Table to test recovery of non-magnetic hematite.
- Hematite Scavenger Test: Scavenging of non-magnetic hematite and weakly magnetic transitional hematite-magnetite from tails of the primary magnetic concentrator by spirals.

The metallurgical work is being supervised by Mr Brian Povey of Mintrex. It will provide a basis for flow sheet design and capital cost and operating cost estimation at scoping study level for processing, including manpower, water and power requirements. Quest will then evaluate whether gravity or magnetic separation, or a combination of both, is optimal.

Initial results of the optimum grind test indicate a quality product containing 69% Fe with less than 5% CaO is produced with a grind size of P80 45µm. Full results are imminent.

1.2 Resource Review - Core BIF Zone

Information from the metallurgical drilling program in November 2012 on Feral has been provided to independent resource consultants CSA Global for incorporation into a revised resource estimate statement (Refer **Appendix 1** for present estimate).

CSA Global has previously estimated a total Inferred Resource of 147Mt at 36.8%Fe based on 83 historical drill holes (ASX release 18 Oct 2011).

Also CSA has previously estimated an Exploration Target of range 320 – 360Mt at 32-37% Fe for areas outside the area of historical drilling (ASX release 29 Mar 2012). Most of the resource and target lie within the eastern limb at Feral, but outside of the 3.6km long Core BIF Zone which is the focus of current scoping studies.

Following the drilling of the two metallurgical core holes, CSA Global was asked to review resources within the CBZ taking into account those two holes, as well as six included historical holes. Altogether there are now eight holes over a 2.6km strike length in the CBZ. Only the recent core holes have located both the footwall and hangingwall of the BIF unit. However BIF contacts are accurately located at the surface using Geotracker linked to MapInfo and using high-resolution GeoEye satellite imagery. This enables a reasonable geological model to be constructed for the main BIF. It is a planar body, averaging 50m true thickness and dips uniformly west at 72°.



1.3 Proposed Resource Drill Program

Feral (EL 70/2777) In order to progress the pre-feasibility study of the Perenjori Iron Ore Project, a drilling program had been developed to bring most of the Core BIF Zone to Indicated status. A Program of Works (POW) has been submitted to DMP, involving 23 RC holes and two DD holes, on 200m spaced lines, totalling about 3,500 meters.

The drill program within the Core BIF Zone will be done with down-hole survey, RL control, regular specific gravity measurements, careful definition of the oxidation zones, and appropriate QA/QC measures.

An environmental site survey by Matisse Environmental Consultants addressing the individual drill sites is in the process of being updated to take into account the revised drill hole locations pursuant to the revised POW now proposed.

Alken (EL 70/2858) Alken lies immediately west of Feral, and contains two BIF units in the Western Thrust Belt. 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.

Alken contains a 3.6km long segment of straight BIF approximately 50 meters wide as indicated by the 2011 surficial hematite drilling, together with the high-resolution aeromagnetics.

Five RC holes are planned on the widest part of the main BIF to generate additional data to that available from the early hematite drilling of 2011 with the objective of generating a maiden Inferred resource for Alken. The drill sites will be located accurately in relation to BIF dips and contacts.

2.0 Victory Bore Project - 100%

Quest continues to examine a number of options regarding size of plant, optimization of reagent consumptions, and delivery of products other than Fe-V which will involve less capital.

Quest is reviewing results of gold exploration undertaken in the 1980s and 1990s in which significant gold values in RAB drilling were encountered but not followed-up at the time. Refer **Appendix 2** for present Resource estimate.

3.0 Nigeria Gold Exploration – 100%

Gold exploration in Nigeria continues to focus on the Yelwa – Bin Yauri area, which is a major schist belt in western Nigeria. As previously reported, high gold values in rock chips have been encountered in quartz veins at Kurege and Aduku on hills flanking active artisan workings. Broad-scale geochemical sampling along strike from Aduku identified a large gold-in-soil anomaly in the anticlinal zone between Kurege-Aduku and the Yelwa Granite (*ASX release 19 Dec 2012*). In-fill geochemistry is being planned to sharpen this broad anomaly to provide additional drill targets.

4.0 Corporate

4.1 New Director Appointments and Resignations

On 22 April 2013 the Company announced the appointment of Mr Paul Piercy as independent non-executive Chairman and Mr Jerome G (Gino) Vitale as Managing Director. Messrs Mr Alan Winduss and Mr Robert Molkenhain, who joined the board in November 2012 to fill a casual vacancy, resigned on the same day.



Messrs Piercy and Vitale bring to the board technical and commercial experience in project development, bulk commodities, port, rail and infrastructure facilities, finance and capital markets.

4.2 Debenture Notes

On 21 May the Company announced that it has secured the financial support of major shareholder Maxillion Limited (**'Maxillion'**) and other professional and sophisticated investors via the provision of unsecured Debenture Notes to an aggregate value of \$1.0 million (**'Notes'**).

Maxillion is a Singapore based financial investor that presently holds approximately 15% of the Company's issued capital. Of the total of \$1.0m in Notes, Maxillion agreed to subscribe to \$0.7 million which was received during the quarter and other investors have agreed to subscribe to \$0.3 million which is expected to be received during the September quarter. Details of the terms of the issue are contained in the Company's ASX announcement of 21 May 2013.

Proceeds from the Notes have allowed the Company to undertake metallurgical test work required to complete a concept scoping study on the Perenjori Iron Ore Project as well commission an update of the JORC mineral resource estimate of the project. Results from these activities are expected shortly.

4.3 Review of Corporate Governance Practices and Cessation of Administrative Services Agreement

The Board formed a sub-committee during the quarter comprising the recently appointed incoming Directors to undertake a comprehensive review of the Company's project development strategy for the Perenjori Iron Ore Project, administration costs and corporate governance policy. The review coupled with the present directors' stance on a number of governance matters has been the catalyst for bringing about the cessation of the long standing services agreement with Corporate Admin Services Pty Ltd ("**CAS**") ("**Agreement**") (*ASX announcement 30 July 2013*).

Under the Agreement CAS has been providing book keeping, administration and a limited range of reporting and supervisory services to Quest since 2007. CAS has made a claim for approximately \$110,000 in unpaid fees, and on that basis has purported to terminate the Agreement. CAS is also claiming a termination payment of approximately \$33,000 per month from July 2013 to the end of the term of the Agreement (31 March 2014). (*The Company's announcement dated 30 July 2013 regarding the termination of the Agreement incorrectly referred to 4 May 2014 as being the end of the term of the Agreement.*)

Quest disputes that that these amounts are due and payable and has reserved all of its rights in respect of any claims it has against CAS in relation to the performance of the services and applicable charges under the Agreement (including amounts previously paid by Quest). The enquiries of the recently reconstituted Board with respect to the Agreement and the amount of any claims Quest may have against CAS, are incomplete and continuing. Quest will keep the market informed of any material developments.

Quest has arranged for alternative delivery of the administrative functions previously provided by CAS, and has relocated its offices (*ASX announcement 22 July 2013*). These steps are expected to result in substantial cost savings. They are part of a range of efficiency measures introduced by the new Board in its quest to ensure that the funds available for further resource development at the Company's high grade magnetite ore project at Perenjori, east of Geraldton, are maximised.

4.4 Debt owed to Mr Vitale

As disclosed in its interim financial report for the half year ending 31 December 2012, the Company is indebted to Mutual Holdings Pty Limited for a liability arising from the acquisition of the Victory Bore tenement E57/550. By notice dated 19 April 2013 the Company received notice that Mutual Holdings had assigned \$812,915 of the debt to an entity associated with Mr Vitale.



4.5 Partly Paid Shares

The Company issued 40m partly paid shares on 4 October 2007 pursuant to shareholder approval given at a general meeting of shareholders on 27 August 2007. Of these, 20.52m shares have since been fully paid, leaving 19.48m partly paid shares on issue with an aggregate amount of approximately \$1.1m unpaid.

Under the original terms of issue, any unpaid calls on the shares were payable three years from the date of issue or 4 October 2010. The life of the partly paid shares has been extended by the Company in accordance with a discretion to do so under its Constitution. The date by which the shares must be paid up is now 4 October 2013, at which time the remaining uncalled capital balance will become due and payable.

The holders have registered addresses outside Australia, and the Company is considering what steps are required to recover any unpaid capital balance in the event any holder defaults on their obligations.

Jerome G Vitale
Managing Director

Competent Person 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 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.

APPENDIX 1

Quest Minerals Limited - Perenjori Magnetite Project

JORC Mineral Resource Statement

(from ASX announcement 29 March 2012)

Estimate by independent geological consultants CSA Global Pty Ltd (CSA) in accordance with JORC Guidelines, at a grade cut-off of 20% Fe.

Domain	Million tonnes	Fe	Fe ₂ O ₃	MAGSUS	Al ₂ O ₃	SiO ₂	S	P ₂ O ₅
Western limb	19	29.71	42.39	37.02	3.19	47.21	0.31	0.09
Eastern limb	128	37.81	53.38	47.12	1.26	41.26	0.07	0.11
Total	147	36.77	51.97	45.83	1.51	42.02	0.1	0.11

The Mineral Resource estimate is primarily based upon Reverse Circulation (RC) drilling completed in 2007 by a previous farminee, which confirmed high grade magnetite mineralisation with significant widths intersected in the eastern limb at Feral Prospect.

Additional drilling in May 2011 by Quest highlighted the continuity, high grade and depth extent of the magnetite mineralisation. A total of 124 RC holes were incorporated into the current mineral resource estimate.

Mineralised lenses were interpreted and identified by geological wireframes between sectional interpretations of drill data using lithology, Fe grade, SiO₂ content and magnetic susceptibility. For continuity purposes, adjacent drill holes and sections were used to refine the geological relationship and modelling was completed in 3D utilising Datamine Studio geological software.

The block model was created using 25.0mE × 50.0mN × 10.0m RL parent blocks and block grades were interpolated using the Inverse Distance Weighted (IDW) technique. A 4m composite data set for both the Eastern and Western Limbs was used for statistical analysis and estimation. The lenses were extrapolated to a maximum of 150m below surface. Density was assumed at 3.2 g/cm³ based on a conservative comparison to the density of Banded Iron Formation of similar Fe grade at other locations in the Mid West region.

Importantly the Mineral Resource covers only 5km of a 9km strike length on the key eastern limb as interpreted from detailed aeromagnetic surveys. Similarly there is 4km of un-drilled BIF on the western limb.

Consequently Quest asked CSA Global to generate an exploration target for these un-drilled segments, in accordance with JORC guidelines. On 11 January 2012, CSA advised the following:



Exploration License	Category	Tonnage range (Mt)	Grade range (Fe%)
70/2227	Exploration target	300 - 340	32 - 37
70/2858	Exploration target	20 - 25	25 - 30
Total	Exploration target	320 - 360	30 - 36

Exploration target results for Perenjori – tonnage estimates above -175RL

The exploration targets are estimated using the high-resolution (200m line spacing, 50m ground clearance) aeromagnetic imagery and extrapolation of the RC drill holes that contributed to the previously released Mineral Resource estimate. These tonnage targets lie outside the areas of the resource drilling. The tonnage and grade expressed above is conceptual in nature and there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource.

Competent Persons Statement

The information in this report that relates to in-situ Mineral Resources at the Perenjori Iron Ore project is compiled by Dr Bielin Shi of CSA Global Pty Ltd. Dr Bielin Shi is a Member of the Australian Institute of Geoscientists and has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity he is undertaking, to qualify as a Competent Person in terms of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code 2004 Edition). Dr Shi 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.

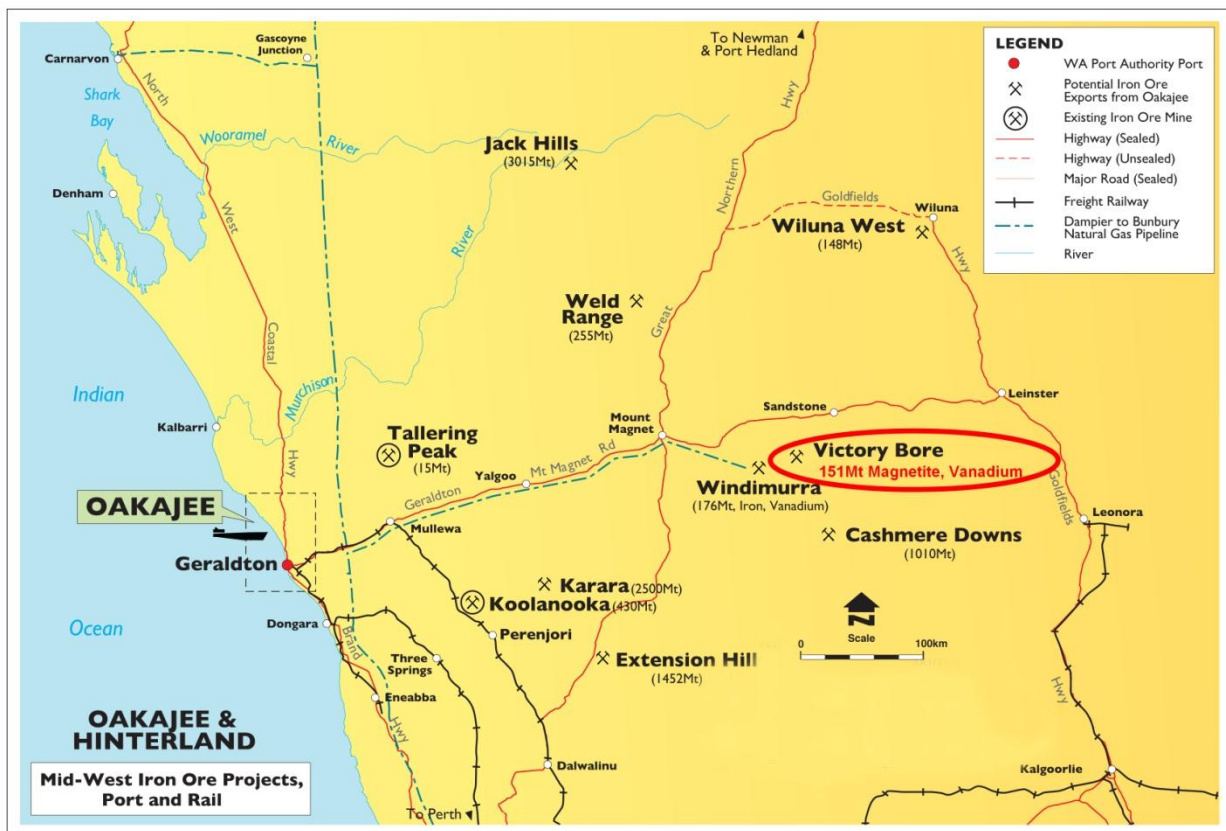
APPENDIX 2

Quest Minerals Limited – Victory Bore Project JORC Mineral Resource Statement (from ASX announcement of 3 March 2011)

The following estimate was prepared by independent geological consultants CSA Global in accordance with JORC guidelines:

Category	Tonnes	Fe	P	SiO ₂	Al ₂ O ₃	LOI	V ₂ O ₅	TiO ₂
Inferred	151,000,000	25.0	0.013	28.6	14.8	0.56	0.44	6.73

Note: The CSA Mineral Resource was estimated within constraining wireframe solids based on a nominal lower cut-off grade of 20% Fe. The resource is quoted from blocks above a specified Fe % cut-off grade of 20% Fe.



Victory Bore Project Location map

Mineral Resource Estimation

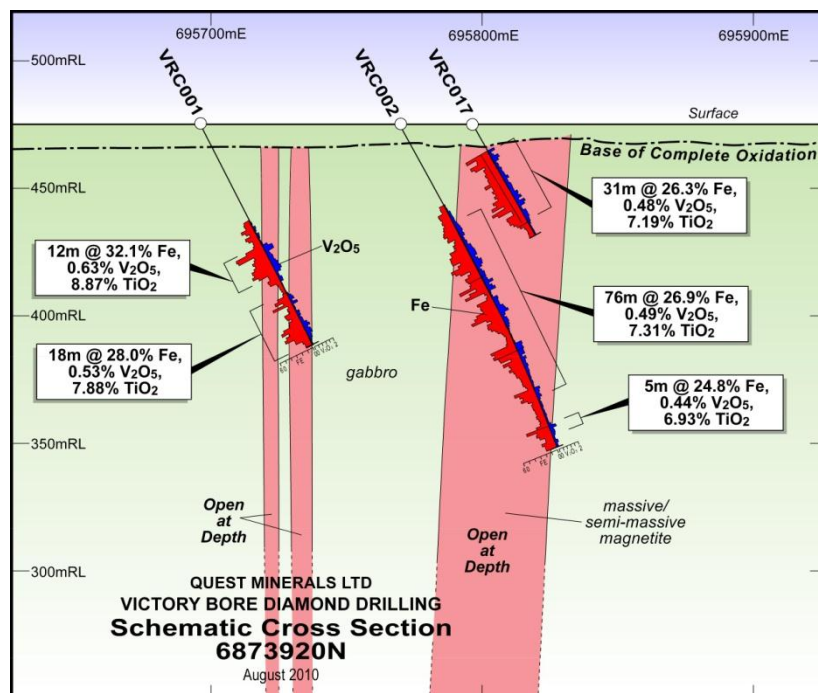
Mineralisation at the project is associated with a linear belt of layered metagabbro that strikes in a NNE-SSW direction for over 9 kms within EL57/550. The mineralised lenses are cumulate layers within the metagabbro and are reasonably continuous based on aeromagnetic modelling.

The Mineral Resource estimate is primarily based upon an RC drilling program completed in 2010 which confirmed excellent along-strike continuity of high-grade mineralisation previously intersected in Diamond and RC drilling. In total, twenty-one RC drill holes totalling 3130 m and two diamond holes for 479m have been completed at the project and were incorporated into the Mineral Resource estimate.

Sampling of the four-hole 2007 RC drilling program involved 4m composites with samples submitted for analyses by fused disc XRF. For the 17-hole 2010 RC drilling program, samples were taken at 1 metre intervals and assayed on 1 metre intervals (no compositing). All samples were assayed via Fusion XRF for iron by Australian Laboratory Services (ALS) in Perth. Core samples were also analysed using fused disc XRF, but in order to better define mineralised lenses, the sample sizes were varied to reflect changes in geology, with no sample intervals greater than 1m.

Mineralised lenses as interpreted from drill data range from 2m to 45m in horizontal thickness. For the purposes of mineral resource estimation six main lenses totalling 75 m in width were modelled in 3D utilising Datamine Studio geological software. The lenses were extrapolated to 275m below surface.

Mineralised zones were identified by wireframes between sectional interpretations, using a nominal cut-off of 20% Fe and a maximum internal waste of 3m.

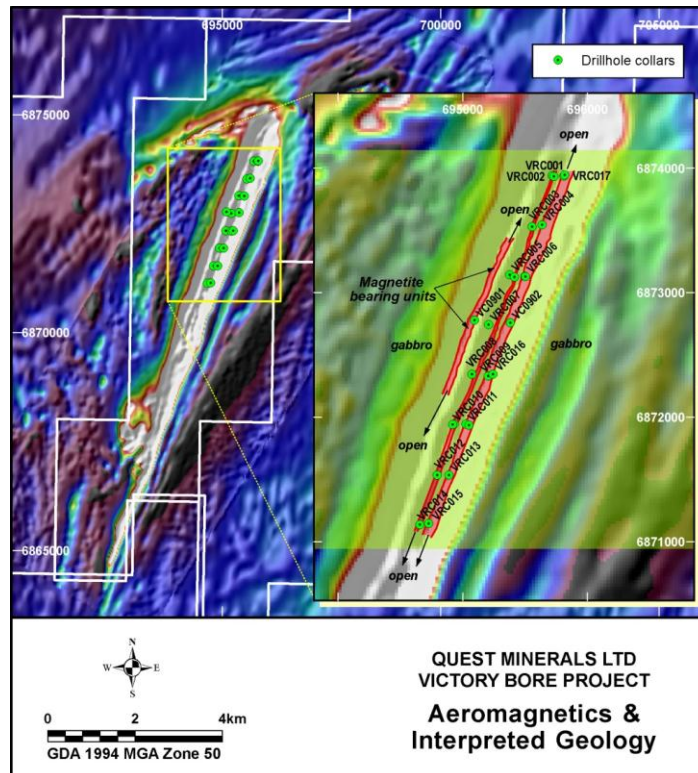


Cross section of mineralisation on section 6873140N

Variograms were generated and grades interpolated using ordinary kriging (OK) from the majority 1m length RC drill samples. Each lens was interpolated using samples from that lens only. Search radii were 400m along strike, 170m vertically and 70m across strike with a maximum of 24 samples and a minimum of 8 samples used in

interpolation. Grades for Fe, P, SiO₂, Al₂O₃, LOI, V₂O₅ and TiO₂ were interpolated and validated by comparing mean grades, and visually comparing model grades and sample grades on sections for each assay.

Density was assumed at 3.2 g/cm³ based on the density of banded-iron formation of similar Fe grade at other locations.



Drill hole location with Reduced to Pole (RTP) Magnetics

Competent Person Statement

The information in this report that relates to in-situ Mineral Resources at the Victory Bore Vanadium project was compiled by David Williams of CSA Global Pty Ltd. David Williams is a Member of the Australian Institute of Geoscientists and the Australasian Institute of Mining and Metallurgy and has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity he is undertaking, to qualify as a Competent Person in terms of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code 2004 Edition). Mr Williams 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.