

**QUEST PETROLEUM NL
ABN 22 009 171 046**

PROSPECTUS

THIS PROSPECTUS IS BEING ISSUED FOR THE OFFER OF UP TO 199,752,475 SHARES AT AN ISSUE PRICE OF \$0.006 EACH TOGETHER WITH 1 FREE ATTACHING OPTION FOR EVERY 2 SHARES SUBSCRIBED FOR

AND

THIS PROSPECTUS IS BEING ISSUED IN ORDER TO FACILITATE SECONDARY TRADING OF THE UNDERLYING SHARES TO BE ISSUED UPON EXERCISE OF THE OPTIONS UNDER THE T1 OFFER, PURSUANT TO ASIC CLASS ORDER C04/671

AND

THIS PROSPECTUS IS BEING ISSUED UNDER SECTION 708A(11) OF THE CORPORATIONS ACT FOR THE PURPOSE OF FACILITATING SECONDARY TRADING OF THE EXISTING OPTIONS.

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION. IT SHOULD BE READ IN ITS ENTIRETY.

IF YOU ARE IN DOUBT ABOUT WHAT TO DO, YOU SHOULD CONSULT YOUR PROFESSIONAL ADVISER WITHOUT DELAY.

THE SECURITIES OFFERED IN CONNECTION WITH THIS PROSPECTUS ARE OF A SPECULATIVE NATURE.

IMPORTANT INFORMATION

This Prospectus is dated 26 July 2012 and was lodged with the ASIC on that date with the consent of all Directors. Neither ASIC nor ASX nor their respective officers take any responsibility for the contents of this Prospectus.

No Securities will be issued on the basis of this Prospectus any later than 13 months after the date of this Prospectus (being the expiry date of this Prospectus).

A copy of this Prospectus is available for inspection at the registered office of the Company at Level 2, Unit 17, 100 Railway Road, Subiaco, Western Australia, during normal business hours. The Company will provide a copy of this Prospectus to any person on request. The Company will also provide copies of other documents on request (see Section 4.5).

The Securities offered by this Prospectus should be considered speculative. Please refer to Section 3 for details relating to investment risks.

Revenues and expenditures disclosed in this Prospectus are recognised exclusive of the amount of goods and services tax, unless otherwise disclosed.

The Prospectus will be made available in electronic form. Persons having received a copy of this Prospectus in its electronic form may obtain an additional paper copy of this Prospectus (free of charge) from the Company's principal place of business by contacting the Company. The T1 Offer contemplated by this Prospectus is only available in electronic form to persons receiving an electronic version of this Prospectus within Australia.

Applications for Securities will only be accepted on an Application Form.

No person is authorised to give any information or to make any representation in connection with the T1 Offer which is not contained in this Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with the T1 Offer.

No action has been taken to permit the offer of Securities under this Prospectus in any jurisdiction other than Australia.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and therefore persons into whose possession this document comes should seek advice on and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of those laws. This Prospectus does not constitute an offer of Securities in any jurisdiction where, or to any person to whom, it would be unlawful to issue this Prospectus.

This document is important and should be read in its entirety before deciding to participate in the T1 Offer. This does not take into account the investment objectives, financial or taxation or particular needs of any Applicant. Before making any investment in the Company, each Applicant should consider whether such an investment is appropriate to his/her particular needs, and considering their individual risk profile for speculative investments, investment objectives and individual financial circumstances. Each Applicant should consult his/her stockbroker, solicitor, accountant or other professional adviser without delay. Some of the risk factors that should be considered by potential investors are outlined in Section 3.

Definitions of certain terms used in this Prospectus are contained in Section 6. All references to currency are to Australian dollars and all references to time are to WST, unless otherwise indicated.

CORPORATE DIRECTORY

Current Directors

John Simpson
Mochamad Thamrin
Gregory Lee
Brett Mitchell
Saxon Palmer

Non-Executive Chairman
Deputy Chairman
Non-Executive Director
Non-Executive Director
Non-Executive Director

Company Secretary

Jonathan Whyte

Registered Office

Level 2
Unit 17
100 Railway Road
SUBIACO WA 6008

Home Exchange

Australian Securities Exchange
Exchange Plaza
2 The Esplanade
Perth WA 6000

Lawyers

Hardy Bowen
28 Ord Street
West Perth 6005
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Website: www.qpnl.com.au

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LETTER FROM THE CHAIRMAN

Dear Investor

Under this Prospectus Quest Petroleum NL (**Company**) is offering 199,752,475 Shares each at an issue price of \$0.006 together with one free attaching Option at an exercise price of \$0.015 for every two Shares subscribed for.

The T1 Offer and the T2 Offer are only being offered to nominated investors.

Capital Raising

In addition to the T1 Offer, the Directors currently intend that the Company will undertake further capital raisings in or about August 2012 which are subject to Shareholder approval and are as follows:

- (a) the T2 Offer, involving a placement of 216,914,192 Shares each at an issue price of \$0.006 to raise approximately \$1,301,485.15; and
- (b) the Entitlement Offer of 416,666,667 Shares to eligible Shareholders each at an issue price of \$0.006 to raise approximately \$2,500,000.

Each participant in the T2 Offer and the Entitlement Offer will also be issued one free attaching Option for every two Shares subscribed for. The Options will have the same terms and conditions as the Options under the T1 Offer.

The Shares issued under the T1 Offer and the T2 Offer will be made prior to the record date for the Entitlement Offer. Therefore, participants in the T1 Offer and the T2 Offer will be entitled to participate in the Entitlement Offer.

It is the current intention of several of the Directors to participate in the T2 Offer and the Entitlement Offer.

It is intended to hold a Shareholders general meeting during August 2012 and seek Shareholder approval for (amongst other things):

- (a) the ratification of the T1 Offer; and
- (b) the T2 Offer (including the approval of the Director's participation in the T2 Offer).

It is anticipated that the T2 Offer and the Entitlement Offer will be completed in or about late August 2012.

Further details regarding the T2 Offer, the Entitlement Offer and the Shareholders general meeting will be provided by the Company in due course.

You should carefully read this Prospectus in its entirety. If you have any doubts or questions in relation to the Prospectus you should consult your stockbroker, accountant, solicitor or other independent professional advisor to evaluate whether or not to participate in the T1 Offer.

Existing Options

The Company announced on 14 June 2011 that Shareholder approval would be sought to issue a new class of options to the Directors. Shareholder approval was obtained on 8 August 2011, and on 10 August 2011 the Company issued 40,000,000 Options to the Directors.

The Company announced on 24 November 2011 that it had completed the acquisition of Merric Capital Pty Ltd. Part of the consideration for the acquisition was the issue of 296,400,000

Options. Shareholder approval was obtained on 8 August 2011.

The Options issued to the Directors and the Options issued as consideration for the acquisition together comprise the "Existing Options".

None of the Existing Options have been exercised as at the date of this Prospectus.

The Existing Options were issued in accordance with the Listing Rules and the Corporations Act and without a prospectus.

This Prospectus is being issued to ensure that the on-sale of the Securities under the T1 Offer and the Existing Options (or the Shares which would result from an exercise of the Existing Options) will not cause a breach of section 707(3) of the Corporations Act by relying on the exemption to the secondary trading provision in section 708A(11) of the Corporations Act.

Yours sincerely
QUEST PETROLEUM NL

A handwritten signature in black ink, appearing to read 'John Simpson', written in a cursive style.

John Simpson
Chairman
26 July 2012

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1. Details of the Offer

1.1 Tranche 1 Offer

The Company is offering 199,752,475 Shares each at an issue price of \$0.006 together with 1 free attaching Option at an exercise price of \$0.015 for every 2 Shares subscribed for (**T1 Offer**).

Further details on the rights and liabilities attaching to the Shares under the T1 Offer are contained in Section 4.2. The terms and conditions of the Options under the T1 Offer are contained in Section 4.3.

If the T1 Offer is fully subscribed, a total of 299,628,713 Securities will be issued. The Company currently has the capacity to issue 299,628,713 Securities to fall within the 15% limit permitted under Listing Rule 7.1.

1.2 Tranche 2 Offer and Entitlement Offer

It was announced on 26 July 2012 that in addition to the T1 Offer, the Company intends undertaking:

- (a) an issue of 216,914,192 Shares each at an issue price of \$0.006 together with 1 free attaching Option at an exercise price of \$0.015 for every 2 Shares subscribed for (**T2 Offer**); and
- (b) an issue of 416,666,667 Shares to eligible Shareholders each at an issue price of \$0.006 together with 1 free attaching Option at an exercise price of \$0.015 for every 2 Shares subscribed for (**Entitlement Offer**).

The Options issued under the T2 Offer and the Entitlement Offer will have the same terms and conditions as the Options under the T1 Offer as described in Section 4.3.

It is anticipated that the T2 Offer and the Entitlement Offer will be completed in or about late August 2012.

The Shares issued under the T1 Offer and the T2 Offer will be made prior to the record date for the Entitlement Offer. Therefore, participants in the T1 Offer and the T2 Offer will be entitled to participate in the Entitlement Offer.

A prospectus and further details regarding the T2 Offer and the Entitlement Offer will be provided by the Company in due course.

1.3 Purpose of the Capital Raising

Completion of the T1 Offer will result in an increase in cash at hand of up to approximately \$1.2 million (before payment of costs associated with the T1 Offer). The Company intends to raise up to a further \$3.8 million (before costs) from the T2 Offer and Entitlement Offer.

The funds raised from the Capital Raising will be used to fund the ongoing exploration program at the Company's Ranau oil and gas projects in South Sumatra including the drilling of the first propriety well in the highly prospective Jaya sub-basin and also for general working capital purposes.

1.4 Opening and Closing Dates for the T1 Offer

The Company will accept Application Forms until 5.00pm WST on 1 August 2012 or such other date as the Directors in their absolute discretion shall determine, subject to the requirements of the Listing Rules (**Closing Date**).

1.5 Lead Manager

The Company has not appointed a lead manager to the T1 Offer.

1.6 Risks of the T1 Offer

An investment in Securities of the Company should be regarded as speculative. In addition to the general risks applicable to all investments in listed securities, there are specific risks associated with an investment in the Company which are in Section 3.

1.7 Application Forms

The Company will send this Prospectus together with an Application Form to all participants in the T1 Offer.

If you wish to subscribe for Securities under the T1 Offer you should complete and return the Application Form, which will be provided with a copy of this Prospectus by the Company at the Company's discretion, in accordance with the instructions in the Application Form. Completed Application Forms must be received by the Company prior to 5.00pm WST on the Closing Date. Application Forms should be delivered to Quest Petroleum NL, Level 2, Unit 17, 100 Railway Road, Subiaco WA or sent by facsimile to 08 9381 5064.

If you are in doubt as to the course of action, you should consult your professional advisor.

The Company reserves the right to reject any Application or to issue a lesser number of Securities than those applied for. Where the number of Securities issued is less than the number applied for, surplus Application Monies will be refunded (without interest) as soon as reasonably practicable after the Closing Date.

Acceptance of a completed Application Form by the Company creates a legally binding contract between the Applicant and the Company for the number of Securities accepted by the Company. The Application Form does not need to be signed to be a binding acceptance of Securities.

If the Application Form is not completed correctly it may still be treated as valid. The Directors' decision as to whether to treat the acceptance as valid and how to construe, amend or complete the Application Form is final.

1.8 Issue Date and dispatch

Subject to the Corporations Act and the Listing Rules the Company intends to issue the Securities under the T1 Offer as soon as practicable after the Closing Date.

Security holder statements will be dispatched, as soon as possible after the issue of the Securities.

It is the responsibility of Applicants to determine their allocation prior to trading in the Securities. Applicants who sell Securities before they receive their holding statements do so at their own risk.

1.9 Application Monies held on trust

All Application Monies received for the Shares under the T1 Offer will be held on trust in a bank account maintained solely for the purpose of depositing Application Monies received pursuant to this Prospectus until the Securities are issued. All Application Monies will be returned (without interest) if the Securities are not issued.

1.10 ASX quotation

Application will be made to ASX no later than 7 days after the date of this Prospectus for official quotation of the Securities under the T1 Offer and the Existing Options. If permission is not granted by ASX for the official quotation of the Securities offered by this Prospectus and the Existing Options within 3 months after the date of this Prospectus (or such period as the ASX allows), the Company will repay, as soon as practicable, without interest, all Application Monies received pursuant to this Prospectus.

1.11 Residents Outside Australia

This Prospectus, and any accompanying Application Form, do not, and is not intended to, constitute an offer of Securities in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus or the Securities under the T1 Offer. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

1.12 Taxation implications

The Directors do not consider it appropriate to give Applicants advice regarding the taxation consequences of subscribing for Securities under this Prospectus.

The Company, its advisers and its officers do not accept any responsibility or liability for any such taxation consequences to Applicants. As a result, Applicants should consult their professional tax adviser in connection with subscribing for Securities under this Prospectus.

1.13 Major activities and financial information

A summary of the major activities and financial information relating to the Company are outlined in the following documents:

- (a) 31 March 2012 quarterly activities report lodged with ASX on 30 April 2012;
- (b) Half Year Report lodged with ASX on 14 March 2012;
- (c) 31 December 2011 quarterly activities report lodged with ASX on 31 January 2012;
- (d) 30 September 2011 quarterly activities report lodged with ASX on 27 October 2011; and
- (e) 2011 Annual Report lodged with ASX on 26 October 2011.

The Company's continuous disclosure notices (i.e. ASX announcements) since the lodgement of the Full Year Statutory Accounts are listed in Section 4.5.

Copies of these documents are available free of charge from the Company. The

Directors strongly recommend that Applicants review these and all other announcements prior to deciding whether or not to participate in the T1 Offer.

1.14 Privacy

The Company collects information about each Applicant provided on an Application Form for the purposes of processing the Acceptance and, if the Acceptance is successful, to administer the Applicant's Security holding in the Company.

By submitting an Application Form, each Applicant agrees that the Company may use the information provided by an Applicant on the Application Form for the purposes set out in this privacy disclosure statement and may disclose it for those purposes to the share registry, the Company's related bodies corporate, agents, contractors and third party service providers, including mailing houses and professional advisers, and to ASX and regulatory authorities.

If you do not provide the information required on the Application Form, the Company may not be able to accept or process your Acceptance.

An Applicant has an entitlement to gain access to the information that the Company holds about that person subject to certain exemptions under law. A fee may be charged for access. Access requests must be made in writing to the Company's registered office.

1.15 Enquiries concerning Prospectus

Enquiries relating to this Prospectus should be directed to the Company Secretary by telephone on 08 9380 9920.

2. Effect of the Offer

2.1 Capital structure on completion of the Capital Raising

	No. of Shares	No. of Options
Balance at the date of this Prospectus	2,045,058,084	336,400,000
To be issued under the T1 Offer	199,752,475	99,876,238
To be issued under the T2 Offer	216,914,192	108,457,096
To be issued under the Entitlement Offer	416,666,667	208,333,333
Balance after the Capital Raising	2,878,391,418	753,066,667

2.2 Pro forma statement of financial position

BALANCE SHEETS As at 31 May 2012	Unaudited 31 May 2012 \$	Effect of T1 Offer ¹ \$	Unaudited Pro Forma 31 May 2012 \$
Current Assets			
Cash	162,398	1,176,879 ¹	1,339,277
Receivables	1,734,842	-	1,734,842
	1,897,240	1,176,879	3,074,119
Non Current Assets			
Receivables	27,115	-	27,115
Exploration properties	5,965,626	-	5,965,626
	5,992,741	-	5,992,741
TOTAL ASSETS	7,889,981	-	9,066,860
Current Liabilities			
Creditors & borrowings	29,986	-	29,986
	29,986	-	29,986
Non Current Liabilities			
Restoration provision	18,291	-	18,291
	18,291	-	18,291
TOTAL LIABILITIES	48,277	-	48,277
NET ASSETS	7,841,704	-	9,018,583
Equity			

Share Capital	127,634,729	1,176,879	128,811,608
Reserves	1,684,240	-	1,684,240
Accumulated Losses	(121,447,767)	-	(121,447,767)
Non-controlling interest	(29,497)		(29,497)
TOTAL SHAREHOLDER EQUITY	7,841,705	1,176,879	9,018,584

Basis of Preparation

The above pro forma statement of financial position has been prepared in accordance with the draft ASIC Guide to Disclosing Pro Forma Financial Information (issued July 2005).

The pro forma balance sheets have been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

The pro forma statement of financial position is based on the reviewed financial position as at 31 May 2012. There have been no material transactions between that date and the date of this Prospectus.

2.3 Market price of Securities

The highest and lowest market sale prices of the Shares on ASX during the 3 months immediately preceding the date of lodgement of this Prospectus with the ASIC and the respective dates of those sales were:

Highest: \$0.012 per Share on 13 April 2012

Lowest: \$0.005 per Share on 13 June 2012

The latest available market sale price of the Shares on ASX prior to the date of lodgement of this Prospectus with the ASIC was \$0.006 per Share on 25 July 2012.

2.4 Dividend Policy

The Directors are not able to say when and if dividends will be paid in the future, as the payment of any dividends will depend on the future profitability, financial position and cash requirements of the Company.

3. Risk factors

An investment in Securities offered by this Prospectus should be regarded as speculative. Activities in the Company, as in any business, are subject to risks which may impact on the Company's future performance. The Company has implemented appropriate strategies, actions, systems and safeguards for known risks, however some are outside its control.

The Directors consider that the following summary, which is not exhaustive, represents some of the major risk factors which prospective investors need to be aware of in evaluating the Company's business and the risks of investing in the Company. Prospective investors should carefully consider the following factors in addition to the other information presented in the Prospectus.

The principal risks include, but are not limited to, the following:

3.1 Future capital requirements

The Company's growth through expansion of its current business will require substantial expenditures. There can be no guarantees that the funds raised through the T1 Offer, the T2 Offer and the Entitlement Offer will be sufficient to successfully achieve all the objectives of the Company's overall business strategy.

If the Company is unable to use debt or equity to fund expansion after the substantial exhaustion of the net proceeds of the T1 Offer and existing working capital, there can be no assurance that the Company will have sufficient capital resources for that purpose, or other purposes, or that it will be able to obtain additional resources on terms acceptable to the Company or at all.

Any additional equity financing may be dilutive to the Company's existing Shareholders and any debt financing if available, may involve restrictive covenants, which limit the Company's operations and business strategy. The Company's failure to raise capital if and when needed could delay or suspend the Company's business strategy and could have a material adverse affect on the Company's activities.

3.2 Sovereign Risk

The Company's Ranau oil and gas exploration prospect is located in South Sumatra, Indonesia

The Company will be subject to political, social, economic and other uncertainties including, but not limited to, changes in policies or the personnel administering them, foreign exchange restrictions, and changes of law affecting foreign ownership, currency fluctuations, royalties and tax increases in these countries. Other potential issues contributing to uncertainty such as repatriation of income, exploration licensing, environmental protection and government control should also be considered.

Potential risk to the Company's activities may occur if there are changes to the political, legal and fiscal systems which might affect the ownership and operation of the Company's interests the relevant jurisdictions. This may also include changes in exchange control systems, expropriation of mining rights, changes in government and in legislative and regulatory regimes.

3.3 Reliance on key personnel

The Company is reliant on its management. The loss of one or more of these individuals could adversely affect the Company.

In addition, the Company's ability to manage growth effectively will require it to continue to implement and improve its management systems and to recruit and train new employees and consultants. Although the Company expects to be able to do so in the future, there can be no assurance that the Company will be able to attract and retain skilled and experienced personnel and consultants.

3.4 Joint venture parties, contractors and agents

The Directors are unable to predict the risk of financial failure or default by a participant in any joint venture to which the Company is, or may become a party, or insolvency or other managerial failure by any of the contractors used by the Company in any of its activities, or insolvency or other managerial failure by any of the other service providers used by the Company for any activity.

3.5 Environmental management

The Company's operations are and will be subject to environmental regulation. Environmental regulations are likely to evolve in a manner that will require stricter standards and enforcement, increased fines and penalties for non-compliance and more stringent environmental assessments of proposed projects. Environmental regulations could adversely affect the viability of the Company's projects. The Company may become subject to liability for pollution or other hazards against which it has not insured or cannot insure, including those in respect of past mining or other activities for which it was not responsible.

3.6 Exploration and development risks

The business of oil and gas exploration, project development and production, by its nature, contains elements of significant risk with no guarantee of success. Ultimate and continuous success of these activities is dependent on many factors such as:

- (a) the discovery and/or acquisition of economically recoverable reserves;
- (b) access to adequate capital for project development;
- (c) design and construction of efficient development and production infrastructure within capital expenditure budgets;
- (d) securing and maintaining title to interests;
- (e) obtaining consents and approvals necessary for the conduct of oil and gas exploration, development and production; and
- (f) access to competent operational management and prudent financial administration, including the availability and reliability of appropriately skilled and experienced employees, contractors and consultants.

Whether or not income will result from projects undergoing exploration and development programs depends on successful exploration and establishment of production facilities. Factors including costs, actual hydrocarbons and formations, flow consistency and reliability and commodity prices affect successful project development and operations.

Drilling activities carry risk as such activities may be curtailed, delayed or cancelled as a result of weather conditions, mechanical difficulties, shortages or delays in the

delivery of drill rigs or other equipment.

Industry operating risks include fire, explosions, blow outs, pipe failures and environmental hazards such as accidental spills or leakage of liquids, gas leaks, ruptures or discharges of toxic gases. The occurrence of any of these risks could result in legal proceedings against the Company and substantial losses to the Company due to injury or loss of life, damage to or destruction of property, natural resources or equipment, pollution or other environmental damage, cleanup responsibilities, regulatory investigation, and penalties or suspension of operations. Damage occurring to third parties as a result of such risks may give rise to claims against the Company.

There is no assurance that any exploration on current or future interests will result in the discovery of an economic deposit of oil or gas. Even if an apparently viable deposit is identified, there is no guarantee that it can be economically developed.

3.7 Oil and gas price volatility

The demand for, and price of, oil and natural gas is highly dependent on a variety of factors, including international supply and demand, the level of consumer product demand, weather conditions, the price and availability of alternative fuels, actions taken by governments and international cartels, and global economic and political developments.

International oil and gas prices have fluctuated widely in recent years and may continue to fluctuate significantly in the future. Fluctuations in oil and gas prices and, in particular, a material decline in the price of oil or gas may have a material adverse effect on the Company's business, financial condition and results of operations.

3.8 Title, Tenure and Access

There are a number of factors beyond the control of the Directors in Indonesia which may adversely affect the financial position of the Company and its ability to recover and realise its assets.

The Company's involvement in the Ranau oil and gas exploration prospect in South Sumatra, Indonesia is subject to the risks associated in operating in a foreign company. These risks may include economic, social or political instability or change, hyperinflation, currency non-convertibility or instability and changes of law affecting foreign ownership, government participation, taxation, working conditions, rates of exchange, exchange control, exploration licensing, export duties, repatriation of income or return of capital, environmental protection, mine safety, labour relations as well as government control over oil and gas properties or government regulations that require the employment of local staff or contractors or require other benefits to be provided to local residents.

The Company may also be hindered or prevented from enforcing its rights with respect to government instrumentalities because of the doctrine of sovereign immunity.

Any future material adverse changes in government policies or legislation in Indonesia that affect foreign ownership, exploration, development or production activities, may affect the viability and profitability of the Company.

The legal systems operating in Indonesia are different to those operating in Australia and this may result in risks such as:

- (a) different forms of legal redress in the courts whether in respect of a breach of law or regulation, or in an ownership dispute;

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- (b) a higher degree of discretion on the part of governmental agencies;
 - (c) differences in political and administrative guidance on implementing applicable rules and regulations including, in particular, as regards local taxation and property rights;
 - (d) different attitudes of the judiciary and court; and
 - (e) difficulty in enforcing judgments.

The commitment by local business people, government officials and agencies and the judicial system to abide by legal requirements and negotiated agreements may be more uncertain, creating particular concerns with respect to licences and agreements for business. These may be susceptible to revision or cancellation and legal redress may be uncertain or delayed. There can be no assurance that joint ventures, licences, licence applications or other legal arrangements will not be adversely affected by the actions of the government authorities or others and the effectiveness or and enforcement of such arrangements cannot be assured.

3.9 Taxation and government regulations

Changes in taxation and government legislation in a range of areas (for example, Corporations Act, accounting standards, and taxation law) can have a significant influence on the outlook for companies and the returns to investors.

The recoupment of taxation losses accrued by the Company from any future revenues is subject to the satisfaction of tests outlined in taxation legislation or regulations in jurisdictions in which the Company operates. There is no guarantee that the Company will satisfy all these requirements at the time it seeks to recoup its tax losses which may impact on the financial performance and cashflows of the Company.

3.10 Insurance

The Company has a policy of obtaining insurance for operational risks where appropriate, taking into consideration the availability of cover and premium costs and where required under its contractual commitments. There can be no assurance, however, that the Company will be able to obtain or maintain such insurance coverage at reasonable rates (or at all), or that any coverage it has or obtains will be adequate and available to cover any such claims.

3.11 Economic factors

Factors such as inflation, currency fluctuation, interest rates, supply and demand and industrial disruption have an impact on operating costs, commodity prices and stock market processes. The Company's future possible revenues and Share price can be affected by these factors, which are beyond the control of the Company and its Directors.

3.12 Share market

Share market conditions may affect the price at which the Company's Securities trade regardless of operating performance. Share market conditions are affected by many factors, such as:

- (a) general economic outlook;
- (b) movements in, or outlook in, interest rates and inflation rates;

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- (c) currency fluctuations;
 - (d) commodity prices;
 - (e) changes in investor sentiment towards particular market sectors; and
 - (f) the demand for, and supply of, capital.

Investors should recognise that the price of the Securities may fall as well as rise. Many factors will affect the price of the Securities including local and international stock markets, movements in interest rates, economic conditions and investor sentiment generally. In addition, the commencement of, or escalation in, any war, armed conflict, hostilities between nations, civil unrest or terrorist activities may affect the price of the Company's Securities.

3.13 Investment Speculative

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Securities offered under this Prospectus. Potential investors should consider that the investment in the Company is speculative and should consult their professional adviser before deciding whether to apply for Securities pursuant to this Prospectus.

4. Additional information

4.1 Secondary trading

This Prospectus is being issued:

- (a) in order to facilitate secondary trading of the underlying Shares to be issued upon the exercise of the Options under the T1 Offer, pursuant to ASIC Class Order 04/671; and
- (b) under section 708A(11) of the Corporations Act for the purpose of facilitating secondary trading of the Existing Options.

4.2 Rights and liabilities attaching to Shares

A summary of the rights attaching to Shares in the Company is below. This summary is qualified by the full terms of the Constitution (a full copy of the Constitution is available from the Company on request free of charge) and does not purport to be exhaustive or to constitute a definitive statement of the rights and liabilities of Shareholders. These rights and liabilities can involve complex questions of law arising from an interaction of the Constitution with statutory and common law requirements. For a Shareholder to obtain a definitive assessment of the rights and liabilities which attach to Shares in any specific circumstances, the Shareholder should seek legal advice.

(c) General meeting and notices

Each member is entitled to receive notice of, and to attend and vote at, general meetings of the Company and to receive all notices, accounts and other documents required to be sent to members under the Constitution, the Corporations Act or the Listing Rules.

(d) Voting rights

Subject to any rights or restrictions for the time being attached to any class or classes of shares, at a general meeting of the Company every holder of fully Shares present in person or by an attorney, representative or proxy has one vote on a show of hands (unless a member has appointed 2 proxies) and one vote per share on a poll.

A person who holds a share which is not fully paid is entitled, on a poll, to a fraction of a vote equal to the proportion which the amount paid bears to the total issue price of the share.

(e) Issues of further shares

The Directors may, on behalf of the Company, issue, grant Options over or otherwise dispose of unissued Shares to any person on the terms, with the rights, and at the times that the Directors decide. However, the Directors must act in accordance with the restrictions imposed by the Constitution, the Listing Rules, the Corporations Act and any rights for the time being attached to the shares in any special class of those shares.

(f) Variation of rights

At present, the Company has on issue one class of shares only, namely ordinary Shares.

Unless otherwise provided by the Constitution or by the terms of issue of a class of shares, the rights attached to the shares in any class may be varied or cancelled only with the written consent of the holders of at least three-quarters of the issued shares of the affected class, or by special resolution passed at a separate meeting of the holders of the issued shares of the affected class.

(g) Transfer of shares

Subject to the Constitution, the Corporations Act and the Listing Rules, ordinary shares are freely transferable.

(h) Dividends

Subject to the Constitution and to the rights attaching to shares issued on special conditions (at present there are none), the profits of the Company which the Directors may from time to time determine to distribute by way of dividend are divisible among the holders of ordinary shares in proportion to the number of shares held by them respectively and are paid proportionately to the amounts paid or credited as paid on shares.

(i) Winding up

Subject to the Constitution, the Corporations Act and the rights of holders of shares with special rights in a winding-up (at present there are none), on a winding-up of the Company, the liquidator may, with the sanction of a special resolution of the Company, divide among the Shareholders in kind the whole or any part of the property of the Company and may for that purpose set the value the liquidator considers fair upon any property to be so divided and may determine how the division is to be carried out as between members or different classes of members.

(j) Dividend reinvestment and share plans

The members of the Company, in general meeting, may authorise the Directors to implement and maintain dividend reinvestment plans (under which any member may elect that dividends payable by the Company be reinvested by way of subscription for fully paid shares in the Company) and any other share plans (under which any member may elect to forego any dividends that may be payable on all or some of the shares held by that member and to receive instead some other entitlement, including the issue of Shares).

(k) Directors

The Constitution states that the minimum number of Directors is three.

(l) Powers of the Board

Except as otherwise required by the Corporations Act, any other law, the Listing Rules or the Constitution, the Directors have power to manage the business of the Company and may exercise all powers of the Company as are not required by the Corporations Act, Listing Rules or Constitution, required to be exercised by the Company at general meeting.

(m) Unmarketable parcels

The Constitution permits the Company to sell the Shares held by a Shareholder if they comprise less than a marketable parcel within the meaning of the Listing Rules.

If a Shareholder does not want its Shares sold, that Shareholder may notify the Company accordingly.

(n) Capitalisation of profits

The Company may capitalise profits, reserves or other amounts available for distribution to members. Subject to the Constitution and the terms of issue of shares, members are entitled to participate in a capital distribution in the same proportions in which they are entitled to participate in dividends.

(o) Capital reduction

Subject to the Corporations Act and the Listing Rules, the Company may reduce its share capital.

(p) Preference shares

The Company may issue preference shares including preference shares that are liable to be redeemed. The rights attaching to preference shares include, without limitation, those in the Constitution.

4.3 Terms and Conditions attaching to Options

A summary of the terms and conditions attaching to Options in the Company is below. This summary is qualified by the application of the Listing Rules and the full terms of the Constitution (a full copy of the Constitution is available from the Company on request free of charge) and does not purport to be exhaustive or to constitute a definitive statement of the rights and liabilities of Optionholders. These terms and conditions can involve complex questions of law arising from an interaction of the Constitution with statutory and common law requirements and the Listing Rules. For an Optionholder to obtain a definitive assessment of the terms and conditions which attach to Options in any specific circumstances, the Optionholder should seek legal advice.

(a) Entitlement

The Options entitle the holder to subscribe for one Share upon exercise of each Option.

(b) Exercise Price and Expiry Date

The Options have an exercise price of \$0.015 (**Exercise Price**) and an expiry date of 30 June 2016 (**Expiry Date**).

(c) Exercise Period

The Options are exercisable at any time on or prior to the Expiry Date.

(d) Notice of Exercise

The Options may be exercised by notice in writing to the Company (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised. Any Notice of Exercise of an Option received by the Company will be deemed to be a notice of the exercise of that Option as at the date of receipt.

(e) Shares issued on exercise

Shares issued on exercise of the Options rank equally with the then shares of

the Company.

(f) Quotation of Shares on exercise

Application will be made by the Company to ASX for quotation of the Shares issued upon the exercise of the Options.

(g) Timing of issue of Shares

After an Option is validly exercised, the Company must, within, 15 Business Days of the notice of exercise and receipt of cleared funds equal to the sum payable on the exercise of the Option:

- (i) issue and allot the Share; and
- (ii) do all such acts, matters and things to obtain the grant of official quotation of the Share on ASX no later than 5 Business Days after issuing the Shares.

(h) Participation in new issues

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least ten business days after the issue is announced. This will give the holders of Options the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.

(i) Adjustment for bonus issues of Shares

If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment):

- (i) the number of Shares which must be issued on the exercise of an Option will be increased by the number of Shares which the Optionholder would have received if the Optionholder had exercised the Option before the record date for the bonus issue; and
- (ii) no change will be made to the Exercise Price.

(j) Adjustment for rights issue

- (i) If the Company makes an issue of Shares pro rata to existing Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) the Exercise Price of an Option will be reduced according to the following formula:

$$\text{New exercise price} = O - \frac{E[P-(S+D)]}{N+1}$$

O = the old Exercise Price of the Option.

E = the number of underlying Shares into which one Option is exercisable.

P = average market price per Share weighted by reference to

volume of the underlying Shares during the 5 trading days ending on the day before the ex-rights date or ex entitlements date.

S = the subscription price of a Share under the pro rata issue.

D = the dividend due but not yet paid on the existing underlying Shares (except those to be issued under the pro rata issue).

N = the number of Shares with rights or entitlements that must be held to receive a right to one Share.

(k) Adjustments for reorganisation

If there is any reconstruction of the issued share capital of the Company, the rights of the Optionholders may be varied to comply with the Listing Rules which apply to the reconstruction at the time of the reconstruction.

(l) Quotation of Options

The Options will be unlisted Options. The Company may, subject to compliance with the Listing Rules, make an application for quotation of the Options. Should the ASX accept the application for quotation of the Options then the Options will be listed Options from the time that the ASX accepts such application.

(m) Options transferable

Until the ASX accepts an application for quotation of the Options then the Options are transferable provided that the transfer of Options complies with section 707(3) of the Corporations Act.

Following the ASX accepting an application for quotation of the Options then the Options are freely transferable.

(n) Lodgement Instructions

Cheques shall be in Australian currency made payable to the Company and crossed "Not Negotiable". The application for shares on exercise of the Options with the appropriate remittance should be lodged at the Company's Registry.

4.4 Company is a disclosing entity

The Company is a disclosing entity under the Corporations Act. It is subject to regular reporting and disclosure obligations under both the Corporations Act and the Listing Rules. These obligations require the Company to notify ASX of information about specific events and matters as they arise for the purpose of ASX making the information available to the stock market conducted by ASX. In particular, the Company has an obligation under the Listing Rules (subject to certain limited exceptions), to notify ASX once it is, or becomes aware of information concerning the Company which a reasonable person would expect to have a material effect on the price or value of the Securities.

The Company is also required to prepare and lodge with ASIC yearly and half-yearly financial statements accompanied by a Directors' statement and report, and an audit review or report.

Copies of documents lodged with the ASIC in relation to the Company may be obtained from, or inspected at, an ASIC office (see Section 4.5 below).

4.5 Copies of documents

Copies of documents lodged by the Company in connection with its reporting and disclosure obligations may be obtained from, or inspected at, an office of ASIC. The Company will provide free of charge to any person who requests it during the period of the T1 Offer, a copy of:

- (a) the Half Year Report for the half year ended 31 December 2011 with was lodged with ASIC on 14 March 2012;
- (b) the Full Year Statutory Accounts containing the financial statements of the Company for the financial year ended 30 June 2011, being the last financial year for which financial statements were lodged with ASIC in relation to the Company on 21 September 2011; and
- (c) the following notices given by the Company to notify ASX of information relating to the Company during the period from the date of lodgement of the Half Year Report referred to in paragraph (a) and before the date of issue of this Prospectus are as follows:

Date Lodged	Subject of Announcement
26/07/2012	Capital Raising to Drill Jaya Sub-Basin Leads
22/06/2012	Quest Finalizes First Well Location Govt Refinery Announced
07/06/2012	Spectacular Gas Results from Drilling by NuEnergy
23/05/2012	Significant Price Increases by South Sumatran Gas Producers
30/04/2012	Quarterly Activities Report
30/04/2012	Quarterly Cashflow Report
20/04/2012	Response to ASX Query
17/04/2012	Ceasing to be a substantial holder
17/04/2012	Initial Director`s Interest Notice
17/04/2012	Notice under Section 708A
17/04/2012	Appendix 3B
16/04/2012	Audio Broadcast - Comments on High Priority Drilling Program
12/04/2012	Broker Research Report
3/04/2012	Drilling Programme Brought Forward and New Appointments
23/03/2012	Response to ASX Price and Volume Query

The following documents are available for inspection throughout the period of the T1 Offer during normal business hours at the registered office of the Company at Unit 17, Level 2, 100 Railway Road, Subiaco, Western Australia:

- (d) this Prospectus;
- (e) the Constitution; and
- (f) the consents referred to in Section 4.13 and the consents provided by the Directors to the issue of this Prospectus.

4.6 Information excluded from continuous disclosure notices

There is no information which has been excluded from a continuous disclosure notice in accordance with the Listing Rules other than as is set out in this Prospectus.

4.7 Determination by ASIC

ASIC has not made a determination which would prevent the Company from relying on section 713 of the Corporations Act in issuing the Securities under this Prospectus.

4.8 Directors' interests

Except as disclosed in this Prospectus, no Director and no firm in which a Director or proposed director is a partner:

- (a) has any interest nor has had any interest in the last two years prior to the date of this Prospectus in the formation or promotion of the Company, the Securities offered under this Prospectus or property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Securities offered under this Prospectus; or
- (b) has been paid or given or will be paid or given any amount or benefit to induce him or her to become, or to qualify as, a Director, or otherwise for services rendered by him or her in connection with the formation or promotion of the Company or the Securities offered under this Prospectus.

4.9 Directors' interests in Company Securities

The Directors or their nominees currently each hold at the date of this Prospectus, or will be offered under the Option Prospectus, Securities in the Company as follows:

	Ordinary Shares	Options ¹
John Simpson	70,294,864	-
Mochamad Thamrin	-	-
Gregory Lee	3,876,411	5,000,000
Brett Mitchell	5,685,507	15,000,000
Saxon Palmer	104,140,540	32,043,242

¹ The Options have an exercise price of \$0.015 and an expiry date of 30 June 2016.

4.10 Directors remuneration

The Constitution provides that the Directors may be paid for their services as Directors a sum not exceeding such fixed sum per annum as may be determined by the Shareholders in general meetings, to be divided among the Directors as the Directors shall determine, and in default of agreement then in equal shares.

A Director may also be paid fees or other amounts as the Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. A Director may also be reimbursed for out of pocket expenses incurred as a result of their directorship or any special duties.

Directors received the following remuneration for the year ended 30 June 2012:

Director	Directors Fees and Salary	Super-annuation	Consulting Fees and other	Total
John Simpson	29,722	-	-	29,722
Mochamad Thamrin	9,000	-	12,559	18,559
Gregory Lee	36,000	-	-	36,000
Brett Mitchell	86,000	-	-	86,000
Saxon Palmer	21,000	-	-	21,000
Mark Freeman ¹	25,000	-	-	25,000
James Malone ¹	15,000	-	-	

Notes:

¹ Mr Freeman and Mr Malone resigned on 24 November 2011

Directors received the following remuneration for the year ended 30 June 2011:

Director	Directors Fees and Salary	Super-annuation	Consulting Fees and other	Value of Options Granted	Total
John Simpson	-	-	-	-	-
Mochamad Thamrin	-	-	-	-	-
Gregory Lee	36,000	-	-	-	36,000
Brett Mitchell	90,000	-	35,750	-	125,750
Saxon Palmer	-	-	-	-	-
Mark Freeman	105,000	-	-	-	105,000
James Malone	33,000	-	10,000	-	43,000

4.11 Interests of other persons

Except as disclosed in this Prospectus, no expert, promoter or other person named in this Prospectus as performing a function in a professional, advisory or other capacity:

- (a) has any interest nor has had any interest in the last two years prior to the date of this Prospectus in the formation or promotion of the Company, the Securities offered under this Prospectus or property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Securities offered under this Prospectus; or
- (b) has been paid or given or will be paid or given any amount or benefit in

connection with the formation or promotion of the Company or the Securities offered under this Prospectus.

4.12 Expenses of T1 Offer

The estimated expenses of the T1 Offer are as follows:

	\$
ASIC Lodgement fee	2,171
ASX quotation fee	4,950
Legal and preparation expenses	15,000
Printing, mailing and other expenses	1,000
Total	<u>23,121</u>

4.13 Consents

In accordance with the Corporations Act, Hardy Bowen has given, and as at the date of lodgement of this Prospectus with ASIC has not withdrawn, their written consent to being named in this Prospectus as solicitors to the Company. Hardy Bowen has not authorised or caused the issue of this Prospectus or the making of the T1 Offer. Hardy Bowen make no representation regarding, and to the extent permitted by law exclude any responsibility for, any statements in or omissions from any part of this Prospectus.

For personal use only

5. Directors' Statement and Consent

This Prospectus is authorised by each of the Directors of the Company.

This Prospectus is signed for and on behalf of Company by:

Brett Mitchell
Director

Dated: 26 July 2012.

6. Glossary of Terms

These definitions are provided to assist persons in understanding some of the expressions used in this Prospectus.

\$ means Australian dollars.

Acceptance means a valid acceptance of Securities made pursuant to this Prospectus on an Application Form.

AFSL means an Australian Financial Services Licence.

Applicant means a person who submits an Application Form.

Application means a valid application for Securities made on an Application Form.

Application Form means the Application Form provided by the Company with a copy of this Prospectus for Tranche One.

Application Monies means application monies for Securities received by the Company.

ASIC means Australian Securities and Investments Commission.

ASTC means ASX Settlement and Transfer Corporation Pty Ltd (ACN 008 504 532).

ASX means ASX Limited ACN 008 129 164 and where the context permits the Australian Securities Exchange operated by ASX Limited.

Business Day means Monday to Friday inclusive, other than a day that ASX declares is not a business day.

Capital Raising means the total of the T1 Offer, the T2 Offer and the Entitlement Offer.

CHESS means ASX Clearing House Electronic Subregistry System.

Closing Date has the meaning given to it in Section 1.4.

Company or **Quest** means Quest Petroleum NL ABN 22 009 171 046.

Constitution means the constitution of the Company as at the date of this Prospectus.

Corporations Act means Corporations Act (Cth) 2001.

Directors mean the directors of the Company as at the date of this Prospectus.

Entitlement Offer has the meaning given to it in Section 1.2.

Existing Options means the 336,400,000 Options on issue as at the date of this Prospectus.

Full Year Statutory Accounts means the financial report lodged by the Company with ASIC in respect to the year ended 30 June 2011 and includes the corporate directory, chairman's report, review of activities, Shareholder information, financial report of the Company and its controlled entities for the year ended 30 June 2011, together with a Directors' report in relation to that financial year and the auditor's report for the year to

30 June 2011.

Half Year Report means the half year financial report lodged by the Company with ASIC in respect to the half year ended 31 December 2011 and includes the financial report of the Company and its controlled entities for the half year ended 31 December 2011, together with a Directors' report in relation to that half year and the auditors report on the condensed half year financial report for the half year to 31 December 2011.

Listing Rules means the Listing Rules of ASX.

Official Quotation means quotation of Securities on the official list of ASX.

Optionholder means a registered holder of Options.

Option means the right to acquire one Share in the capital of the Company in accordance with the terms and conditions in Section 4.3.

Prospectus means this prospectus with the date in Section 5.

Section means a section of this Prospectus.

Securities mean any securities including Shares or Options issued or granted by the Company.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of Shares.

T1 Offer means the offer of Securities in Section 1.1.

T2 Offer has the meaning given to it in Section 1.2.

WST means Western Standard Time, being the time in Perth, Western Australia.