



Quarterly Report for period ended 30 September 2004

HIGHLIGHTS

- ❑ Initial drilling completed at Beasley and Table Hill nickel projects
- ❑ Strong electromagnetic (EM) anomalies at Beasley are a response to regionally extensive sulphidic black shales underlying the target ultramafic rocks
- ❑ Strong EM anomaly at Canning prospect (Table Hill) due to iron-rich sulphides (and graphite) within carbonaceous sediments underlying the potential mafic host rocks
- ❑ Possible prospective channels interpreted within target ultramafic rocks at Beasley
- ❑ Mafic intrusive rocks at Canning prospect are sulphur saturated, strongly indicating they are capable of hosting sulphide mineralisation
- ❑ Sediment doming and intrusive volcanic rocks identified near anomalous gold/arsenic sample at Drummond gold project supports the presence of a gold mineralising system
- ❑ Bellary nickel project tenements granted providing access to over 40 km of prospective ultramafic rocks similar to those at Beasley

INTRODUCTION

AusQuest has assembled a portfolio of gold and nickel projects across Australia with an emphasis on locating new mineral provinces with the potential to host major new discoveries (Figure 1).

During the quarter field programs continued and included:

- ❑ reverse circulation (RC) drilling, geological mapping and rock chip sampling at the Beasley nickel project;
- ❑ reconnaissance field work at the Drummond gold project;
- ❑ reconnaissance EM geophysical surveys at the Antrim nickel project;
- ❑ regional soil sampling at the Horsetrack gold project; and
- ❑ RC drilling at the Table Hill nickel project.

Field work in the coming quarter will include EM surveys at Beasley, Antrim, and Table Hill with sampling programmes at Bellary, Drummond and Beasley.

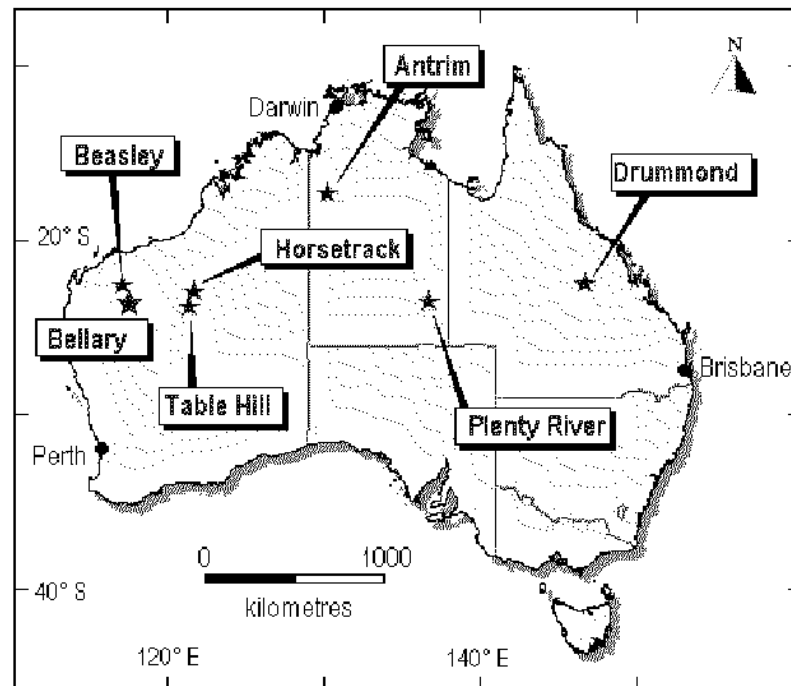


Figure 1: Project Location Plan

NICKEL PROJECTS

Beasley Project (100% AQD)

The Beasley project, 50 km west of Tom Price in WA, has been the main focus of field work during the quarter.

The initial drill program only partially tested two of five nickel gossans with priority given to those in close proximity to strong EM anomalies. As the drill rig was only available for seven days, more subtle EM targets were not tested.

The gossans were a high priority for the Company as they are indicators of oxidised massive sulphides and no previous drilling had been undertaken in this area.

A total of 10 holes for 740 metres were drilled, four on the eastern side of the project to test near coincident strong EM anomalies and gossan outcrop, and a line of six holes at the back of the Discovery gossan on the western side. No massive sulphides were intersected at either target.

The strong EM anomalies are now known to be a response to regionally extensive sulphidic black shales underlying the target ultramafic sequence. No anomalous Ni, Cu, PGE values were received from the drilling.

Microscope studies of disseminated sulphides encountered in drilling and surface samples of ultramafic rocks down dip of the Discovery gossan, confirm the presence of magmatic nickel and copper sulphides and suggest proximity to a possible mineralised channel.

The distribution of sulphides together with whole rock geochemistry has enabled the Company to identify several locations where possible channels are likely to exist within the target ultramafic sequence. The importance of channels to the exploration model is that they provide a pathway to mineralisation.

The interpreted channels represent priority targets as they are regarded as prime locations for the accumulation of massive sulphides. Not all interpreted channels

coincide with known gossans and some contain subtle EM responses.

The largest channel, interpreted to be up to 500m wide, occurs immediately west of the Discovery gossan in an area where stream geochemistry returned anomalous Ni, Cu, PGE values. No effective testing of this target has been undertaken.

Magnetic measurements on drill chips and outcrop enabled more controlled modelling of aeromagnetic data. A thicker section of ultramafic rock is interpreted to exist down dip from the largest interpreted channel. Several square kilometres of shallow (<200m) basal ultramafic contact was outlined.

Exploration parameters for future work have been refined to take account of anticipated channel geometries. One of the refinements is to use moving-loop EM (50m x 50m) rather than large fixed-loop EM (800m x 500m), as the former is more focussed and energises smaller targets.

A geophysical crew is being mobilised to the area in late October to commence the new EM surveys. These will cover parts of the previous surveys and includes the

gossans and down dip extensions of the interpreted channels.

Further mapping and sampling is also planned. The next phase of drilling is scheduled for early 2005 once the additional survey work has been completed and assessed.

The Company remains committed to advancing the project.

Bellary Project (100% AQD)

The project is centred on an area 40 km southwest of Tom Price, WA.

Three exploration licence applications surrounding the Bellary Dome were granted. These provide access to over 40 km of prospective ultramafic rocks.

Historic stream sediment sampling results highlight several areas with anomalous geochemical responses similar to those at Beasley. Follow up stream sediment sampling and prospecting is planned to commence in late October.

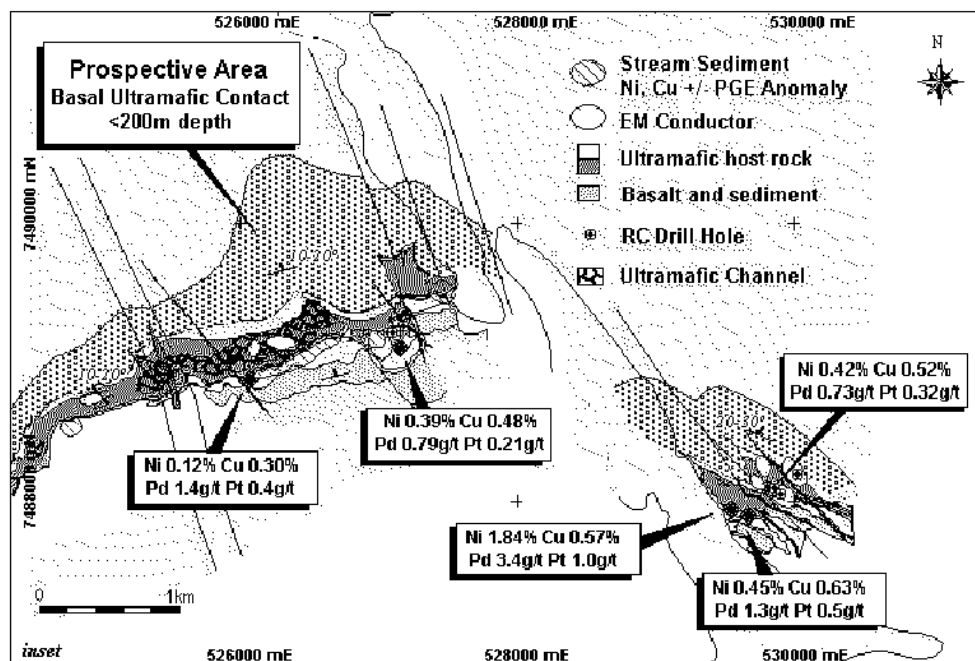


Figure 2: Beasley Nickel Project Summary Plan

Table Hill Project

(100% AQD - Sipa Resources farm-in)

The Table Hill project is located 200 km east of Newman, WA. Exploration is targeting Noril'sk style nickel sulphide mineralisation within a feeder system to the regionally extensive Table Hill volcanics.

Sipa, as JV manager, completed infill EM surveys over the Canning prospect, which was originally located by a wide spaced (2 km x 400m) moving loop EM survey. Results were highly encouraging with a target conductor interpreted to represent massive sulphide mineralisation, at or near the base of an extensive mafic intrusive sill.

Two RC holes (580m) were drilled to test the EM anomaly. The holes intersected iron-rich sulphides (and graphite) within the underlying carbonaceous sediments, which are the cause of the anomaly not massive sulphides within mafic rocks.

Assay results show the mafic sill rocks are sulphur saturated, which is a strong indication they are capable of hosting

mineralisation. This supports the Company's conceptual model, but the lowermost portions of the sill, where massive sulphides are most likely to be found, are not present in this part of the prospect. Locating more basal sections of the sills remains a priority.

Drilling also confirmed that ground EM surveys are detecting conductive bodies up to at least 200m depth in this environment. This bodes well for future EM surveys locating thick basal sections that might contain significant massive sulphide mineralisation.

However, the presence of carbonaceous sediments needs to be considered in ranking future EM drill targets.

The Table Hill project is subject to a Farm-in Agreement with Sipa Resources, who can earn a 70% equity by completing a bankable feasibility study. Based on EM results, nine additional exploration licence applications were submitted and increase the JV land holdings to approximately 6,000 km².

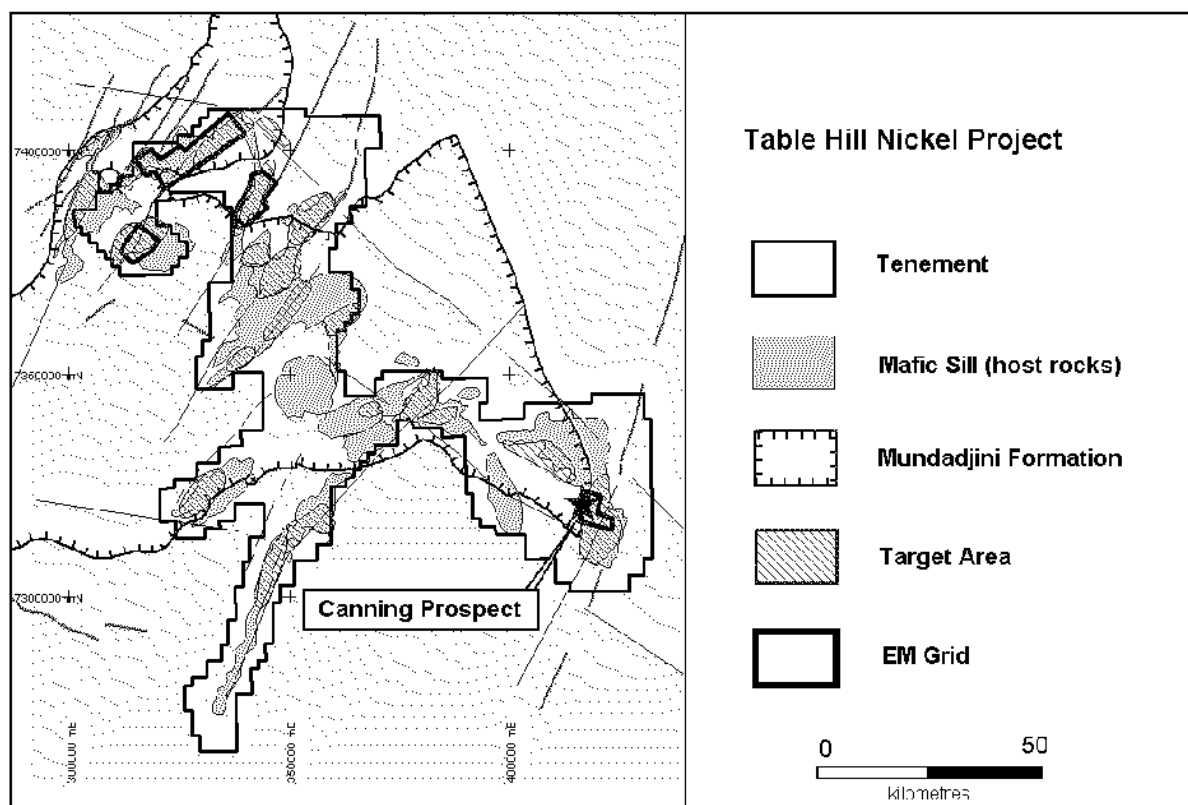


Figure 3: Table Hill Nickel Project Summary Plan

Antrim Project (100% AQD)

The Antrim project is located in the East Kimberley region (WA) and the Kalkarindji region (NT). Exploration is targeting Noril'sk style nickel sulphide mineralisation associated with the regionally extensive Antrim Plateau Basalts.

A geophysical contract crew arrived late in the quarter to commence reconnaissance ground EM surveys over 10 magnetic targets identified along the Neave Fault. Results are pending.

GOLD PROJECTS

Drummond Project (100% AQD - Rio Tinto claw back)

Reconnaissance field work was undertaken at the Drummond gold project, 300 km southwest of Mackay in Central Queensland. Work focussed on the area around where gold anomalous (1.2 g/t) sulphidic quartz

drill chips had been previously located (Wildhorse Prospect).

Additional quartz vein material was collected and assays confirmed the anomalous gold values (>1.0 g/t) from the original sampling.

Reconnaissance mapping indicates structural doming of sediments has occurred and felsic volcanic rocks might intrude the core of the domal structure.

The significance is that many global gold deposits are located on domes which are potentially favourable structural sites for the accumulation of mineralisation.

Microscope studies confirm the presence of sulphides in vein quartz including pyrite, arsenopyrite and a trace of free gold.

An orientation soil sampling program is scheduled for October to identify possible gold trends associated with this occurrence and help outline areas for drill testing.

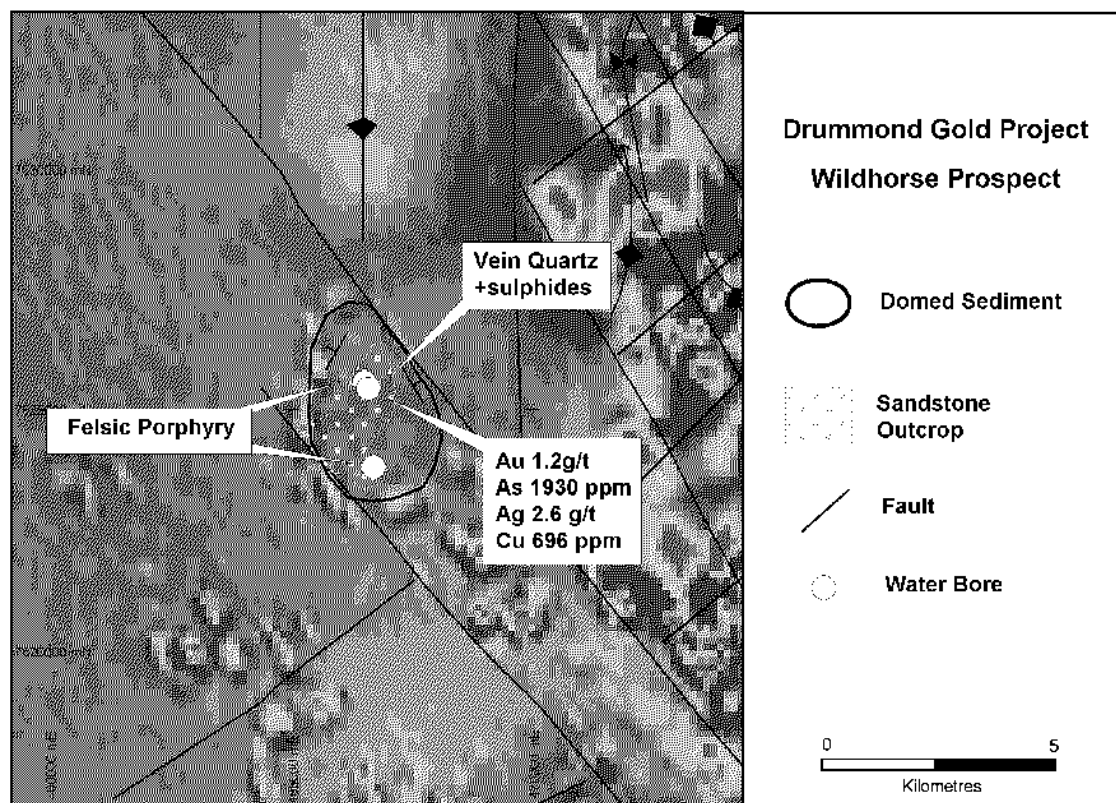


Figure 4: Drummond Gold Project - magnetics showing Wildhorse Prospect

Horsetrack Project
(100% AQD)

The Horsetrack gold project is located 120 km south of the +27 moz Telfer gold mine, WA.

A regional soil sampling program involving both BLEG and minus 80 mesh samples was completed during the quarter. A total of 480 samples were collected from 240 sites, on an approximate 2 km x 2 km grid, to cover areas with prospective structures and targets inferred from magnetic data, and historic anomalous gold values.

Assay results are currently being processed. It is already evident that a number of multi element anomalies have been found, some spatially associated with magnetic targets and structures. Planning for follow-up work awaits a full assessment of the data.

OTHER PROJECTS

Plenty River Diamond Project
(100% AQD - Rio Tinto farm-in)

The Plenty River project is located 230 km east of Alice Springs (NT) on the northwest margin of the Simpson Desert. The project includes a potential new kimberlite field as interpreted from detailed aeromagnetic data released by the NT Government in 2002.

A draft Agreement was reached with the Central Land Council (CLC) to enable some of the tenements to be granted provided the Landowners give their approval. The Company is waiting for advice from the CLC on the outcome of Landowner meetings.

Two tenements containing the vast majority of interpreted kimberlite targets are still under veto.

CORPORATE

The Company's cash balance as at 30 September 2004 was approximately \$1.9 million.



Graeme Drew
Managing Director

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

AUSQUEST LIMITED

ABN

35 091 542 451

Quarter ended ("current quarter")

30 Sept 2004

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (3 months) \$A'000
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for		
	(a) exploration and evaluation	(419)	(419)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(89)	(89)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	17	17
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Other (provide details if material)		
	Net Operating Cash Flows	(491)	(491)
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a)prospects		
	(b)equity investments		
	(c) other fixed assets	(4)	(4)
1.9	Proceeds from sale of:		
	(a)prospects		
	(b)equity investments		
	(c)other fixed assets		
1.10	Loans to other entities		
1.11	Loans repaid by other entities		
1.12	Other (provide details if material)		
	Net investing cash flows	(4)	(4)
1.13	Total operating and investing cash flows (carried forward)	(495)	(495)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(495)	(495)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.		
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other payment of capital raising expenses		
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(495)	(495)
1.20	Cash at beginning of quarter/year to date	2,360	2,360
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter / year to date	1,865	1,865

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	80
1.24	Aggregate amount of loans to the parties included in item 1.10	Nil

1.25 Explanation necessary for an understanding of the transactions

Executive directors' salaries and non-executive directors fees and superannuation and rental of office space

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities		
3.2 Credit standby arrangements		

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	300
4.2 Development	
Total	300

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	(96)	(129)
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other (Money market – 1 to 6 months)	1,961	2,489
Total: cash at end of quarter (item 1.22)	1,865	2,360

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	E22645	Surrendered	100%	0%
6.2 Interests in mining tenements acquired or increased				

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

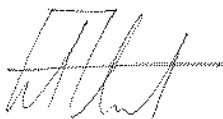
Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference + securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	40,508,000	32,816,200		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs		175,000 ASX Escrow release		
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	1,500,000 10,150,451 10,000,000	- - 10,000,000	<i>Exercise price</i> 20 cents 20 cents 20 cents	<i>Expiry date</i> 31 Aug 2007 31 Aug 2008 30 Nov 2006
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				

Compliance statement

+ See chapter 19 for defined terms.

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.



Date: 22 September 2004.....

(Company secretary)

Print name: Lloyd Flint.....

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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