AUSQUEST
LIMITED
ABN 35 091 542 451

Quarterly Report
for period ended 30 June 2005

HIGHLIGHTS

- Drilling at Rocklea intersects channel iron mineralisation with good pisolite iron grades (58% Fe) over substantial thicknesses.
- AusQuest now controls at least 30 kilometres of drainage in the Pilbara region WA with potential to contain pisolitic iron mineralisation.
- Drilling at Beasley intersects disseminated sulphides and confirms prospectivity.
- Agreement reached with Falconbridge (Australia) to conduct an extensive airborne geophysical survey over the Table Hill nickel project.
- Diamond drilling commenced at the Drummond gold project in central Queensland.
- Infill soil sampling at Horsetrack outlines a 12 kilometre long gold anomaly.
- Grant of Plenty River diamond project tenements expected shortly.
- $3.5 million capital raising completed.

WORK PROGRAMME

AusQuest has a portfolio of gold, nickel and iron projects (Figure 1) across Australia with an emphasis on locating new mineral provinces that could potentially host major new discoveries.

During the quarter, field work included:

- reverse circulation (RC) percussion drilling and ground geophysical surveys at the Rocklea iron ore prospect;
- RC/diamond drilling and down hole electromagnetic (DHEM) surveying at the Beasley nickel project;
- drill site preparation and soil sampling at the Drummond gold project;
- soil sampling at the Horsetrack gold project; and
- gravity surveying at the Antrim nickel project in the NT.

Field work planned in the September 2005 quarter will include:

- Diamond drilling at the Drummond gold project;
- mapping and sampling Fe pisolite occurrences within the Tom Price – Paraburdoo tenements;
- gravity surveying and drill site preparation at Rocklea;
- GEOTEM surveying at the Table Hill nickel project; and
- infill soil and stream sampling at the Bellary nickel project.

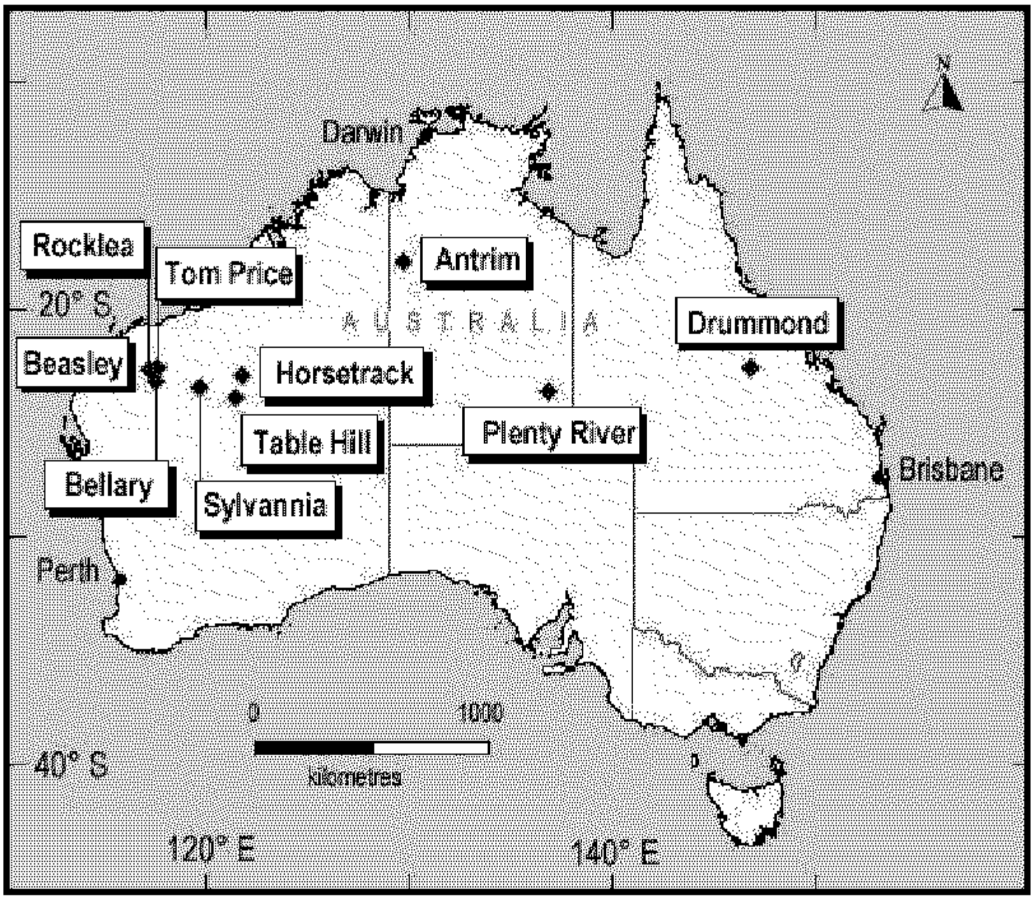


Figure 1: Project Location Plan

PROJECTS

IRON ORE

Rocklea Prospect
(75% AQD)

The Rocklea iron ore prospect is located 40 kilometres west of Tom Price in the Pilbara region of WA.

RC drilling completed during the quarter (18 holes/900 metres) intersected substantial thicknesses of pisolitic iron mineralisation within a channel approximately 300 metres wide and up to 68 metres deep.

Better intersections included:
32 metres at 55.3% Fe
(incl. 14 metres at 57.9% Fe);
24 metres at 56.7% Fe
(incl. 16 metres at 58.0% Fe); and
32 metres at 55.3% Fe
(incl. 10 metres at 57.6% Fe).

Higher Fe grade intervals typically contain low levels of contaminants ranging from 3.8% to 4.4% silica and 1.6% to 2.1%

alumina. Phosphorous levels were low (less than 0.04%) throughout.

The better Fe grades are comparable with pisolitic channel iron grades currently being mined elsewhere in the Pilbara.

Drilling was confined to three section lines 500 metres apart at the western end of the main channel with drill holes spaced at 100 metre intervals.

Pisolitic iron mineralisation was intersected on all three sections with the best results on the westernmost section where continuity of grade and thickness is evident between drill holes (figure 2). Results from other sections were more variable and correlation between drill holes less clear.

On the easternmost section drilling has not tested the centre of the channel. Narrow zones of pisolite mineralisation (10 metres at 55% Fe) intersected at the south-eastern end of the section appear to be off channel centre.

This is supported by newly acquired electromagnetic (EM) data that suggests the channel swings southward between the two eastern sections before extending at least 1 kilometre to the east and a further 3 kilometres to the south. Scout drilling is proposed late in the next quarter to provide an indication of the resource potential of this project. Site clearance work is in progress.

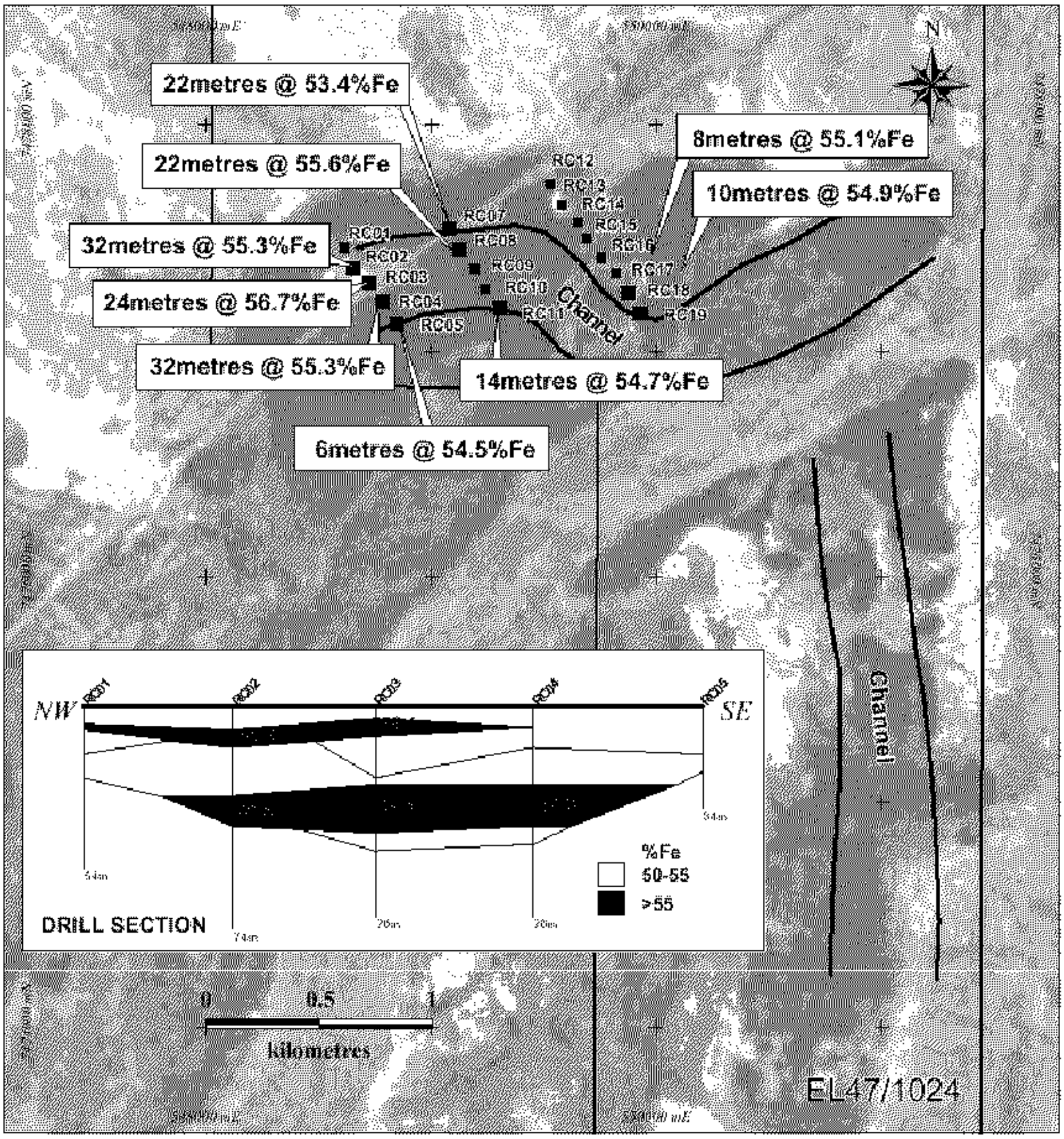


Figure 2: Rocklea Prospect - RC Drill results

Tom Price – Paraburdoo Prospects

A review of the Tom Price – Paraburdoo region WA, has highlighted a number of prospective drainages with the potential to contain pisolitic channel iron mineralisation.

Tenement applications were submitted to secure areas that were not already under title. The company now controls at least 30 kilometres of prospective channels that have not been previously tested, and is confident that additional pisolitic iron mineralisation will be outlined in these areas.

A programme of mapping and reconnaissance sampling has commenced to outline areas for scout drilling and/or ground geophysics.

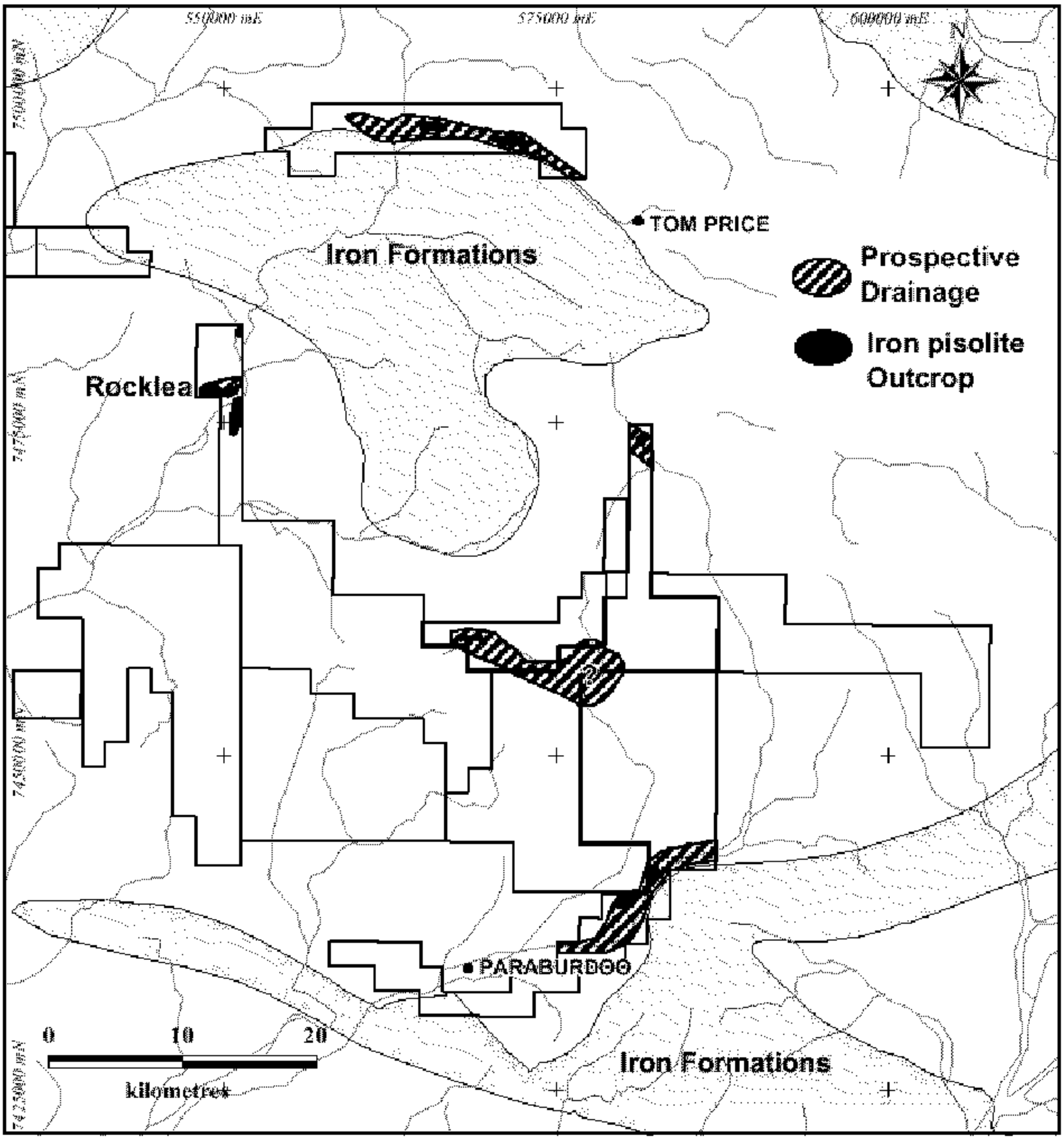


Figure 3: Tom Price – Paraburdoo Iron pisolite prospects

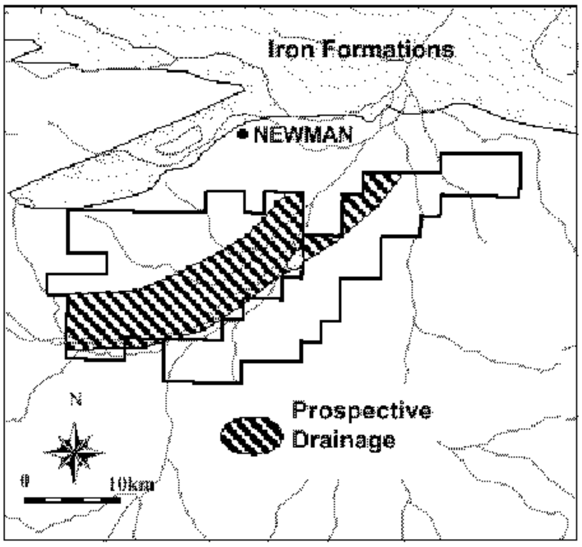
Sylvania Project
(100% AQD)

The Sylvania Project is located 10 kilometres south of Newman (WA) and straddles a major drainage system immediately south of the Whaleback iron ore mining district.

The drainage system is at least 5 kilometres wide and 25 kilometres long. There is no previously recorded exploration for pisolitic iron mineralisation along this drainage.

Outcrop is very poor in this area although a small outlier of iron formation (Marra Mamba) occurs on the south side of the drainage.

Geophysical surveys and scout drilling are being planned to identify potential channels within the drainage system.



Sylvania Iron pisolite prospect

NICKEL

Beasley Project
(100% AQD)

The Beasley project is located 50 kilometres west of Tom Price in WA.

Diamond drilling (11 holes for 1,690 metres) was completed during the quarter to test a range of geophysical and geological targets along approximately two kilometres of the prospective basal ultramafic contact.

No massive nickel sulphides were intersected by the drilling however preliminary assessment of down hole electromagnetic survey (DHEM) results indicates possible off-hole anomalies in two drill holes. Off-hole targets appear to be small but occur within the ultramafic unit. A full assessment of the DHEM data is in progress.

Fine grained disseminated sulphides were encountered within the target ultramafic sequence in most holes and may reflect proximity to more massive mineralisation. Narrow bands of sediment (black shales and mafic tuffs) were intersected in the footwall to the ultramafics.

Core samples have been sent for analysis with results expected shortly.

Drilling confirmed the basal contact of the ultramafic was intact with no sign of structural disruption. This supports conclusions from surface mapping which indicate channels containing the massive nickel sulphide gossans are primary magmatic features similar to those controlling massive sulphide ore bodies at Kambalda (WA) and Raglan (Canada).

The company remains encouraged by the projects prospectivity but is considering joint venture funding to continue exploration in the area. Several companies have expressed an interest in the project.

Table Hill Project
(100% AQD)

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

During the quarter an agreement was reached with Falconbridge (Australia) Pty Ltd, which will accelerate exploration for nickel sulphide mineralisation over the coming months.

The agreement guarantees an initial expenditure of $800,000 to be shared equally between the parties with at least $650,000 being spent on a project-wide airborne electromagnetic survey (GEOTEM) to identify targets for drilling. This survey is scheduled to commence in the August – September period pending aircraft availability.

At the completion of this work Falconbridge has the right to earn a 51% equity in the project by spending $5 million over a 4 year period, and may earn an extra 19% equity by spending a further $5 million over 2 years (i.e. $10 million for 70% equity over 6 years).

AusQuest has the right to form a joint venture and maintain its equity level once Falconbridge has earned its 51% interest, or it can dilute. If Falconbridge earns a 70% equity a joint venture will be formed with both parties contributing pro-rata to ongoing expenditures. If either party's interest falls below 10%, their interest will be converted to a 1.5% Net Smelter Royalty.

Falconbridge Limited is a leading copper and nickel company with investments in fully-integrated zinc and aluminium assets. Its primary focus is the identification and development of world-class copper and nickel mining deposits. AusQuest believes the combination of Falconbridge's expertise in nickel and copper with AusQuest's local knowledge will greatly enhance the chance for success at Table Hill.

The GEOTEM technique, which was tested by AusQuest in late 2004, was found to work extremely well for target determination in this area. It is anticipated that a much larger survey covering most of the project area will provide a bank of targets for follow-up drilling.

<u>Antrim Project</u>
(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.

Reconnaissance gravity on a 2 kilometre x 2 kilometre grid was completed over the Neave fault to identify possible intrusive rocks beneath the Antrim basalts which would be targets for nickel sulphide mineralisation. The Neave fault is believed to be a feeder structure for the Antrim basalts.

Results are expected shortly.

GOLD

<u>Drummond Project</u>
(100% AQD - Rio Tinto claw back)

The Drummond gold project is located 300 kilometres southwest of Mackay in central Queensland.

A diamond drilling programme (up to 6 holes and 1,000 metres) commenced in July to test the Wild Horse prospect where sulphidic quartz drill chips with 1.2 g/t gold, 1930 ppm arsenic, 2.6 g/t silver and 696 ppm copper were found at an old water bore site.

Geological mapping and magnetic data in the vicinity of the water bore outlined a domal sedimentary structure and faults, which could provide favourable structural trap sites for the accumulation of gold mineralisation within the sediments.

Results from this drill programme are expected by mid August.

Horsetrack Project
(100% AQD)

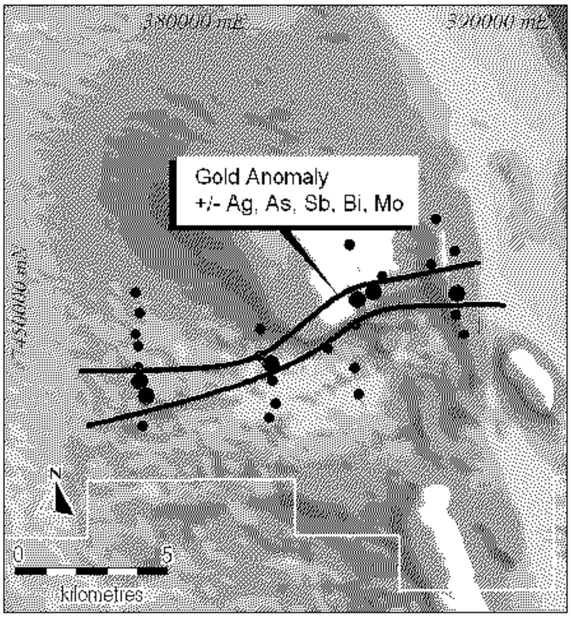
The Horsetrack gold project is located 120 kilometres south of the +27 moz Telfer gold mine, WA.

Previous reconnaissance soil sampling on a rough 4 kilometre x 4 kilometre grid located several low order gold anomalies within a ten kilometre long zone (+Cu +/- Bi, Co, Mo, As), which appear to be associated with secondary structures off the Marloo fault and magnetic intrusions within the Proterozoic sediments.

Infill sampling on a 4 kilometre x 500 metre grid, in the vicinity of the magnetic intrusions, confirmed the gold anomalous trend extended by several kilometres in a ENE direction coincident with faults interpreted from magnetic data.

The gold anomalies are low order (0.5 ppb Au), however values are consistent with anomalism found over gold mineralisation in the Telfer region, in cases where sand dunes dominate the sampling terrain.

More detailed sampling is being planned to outline targets for drilling.



Magnetic image showing gold anomaly

DIAMONDS

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

The Plenty River project is located 230 kilometres east of Alice Springs (NT) on the northwest margin of the Simpson Desert.

During the quarter consent to the grant of tenements within this project was received from the Federal Minister for Indigenous Affairs and the Central Land Council (CLC). It is now expected that tenements should be granted in the coming months, which will allow field work to commence later this year.

The two key tenements in the Plenty River project are subject to an Option and Farm-in Agreement with Rio Tinto Exploration Australia who will manage work programmes to test the more than 50 potential kimberlite targets interpreted from detailed aeromagnetic data.

The company is excited by the prospect of finally testing these targets and is currently in discussion with Rio Tinto regarding work plans for the area.

CORPORATE

During the quarter, the company successfully completed a placement to retail and institutional clients, which raised approximately $3.5 million through the issue of up to 26,923,000 shares (with one free attaching listed 2006 option for every two shares issued) at an issue price of $0.13 per share.

The company's cash balance as at 30 June 2005 was approximately $3.3 million.

Graeme Drew
Managing Director

Rule 5.3

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	Quarter ended ("current quarter")
35 091 542 451	30 June 2005

Consolidated statement of cash flows

	Cash flows related to operating activities	Current quarter $A'000	Year to date (12 months) $A'000
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for		
	(a) exploration and evaluation	(970)	(2,021)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(105)	(416)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	23	94
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Other (provide details if material)	12	12
	Net Operating Cash Flows	(1,040)	(2,331)
	Cash flows related to investing activities		
1.8	Payment for purchases of:		
	(a)prospects		
	(b)equity investments		
	(c) other fixed assets	(10)	(17)
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	(10)	(17)
1.13	Total operating and investing cash flows (carried forward)	(1,050)	(2,348)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(1,050)	(2,348)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	3,500	3,500
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	(221)	(221)
	Net financing cash flows	3,279	3,279
	Net increase (decrease) in cash held	2,229	931
1.20	Cash at beginning of quarter/year to date	1,062	2,360
1.21	Exchange rate adjustments to item 1.20		
1.22	**Cash at end of quarter / year to date**	**3,291**	**3,291**

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	71
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	500
4.2	Development	
	Total	**500**

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	791	(4)
5.2	Deposits at call		
5.3	Bank overdraft		
5.4	Other (Money market – 1 to 6 months)	2,500	1,066
	Total: cash at end of quarter (item 1.22)	3,291	1,062

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				
6.2	Interests in mining tenements acquired or increased	E47/1418 E47/1425 E47/1426 E47/1427 E47/1040 EP14732 EP887		Nil Nil Nil Nil Nil Nil Nil	100% 100% 100% 100% 100% 100% 100%

+ See chapter 19 for defined terms.

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** *(description)*				
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	**+Ordinary securities**	68,431,000	60,739,200		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	26,923,000	26,923,000	13 cents ea	13 cents ea
7.5	**+Convertible debt securities** *(description)*				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	**Options** *(description and conversion factor)*	1,500,000 10,150,451 23,461,500 1,950,000	- - 23,461,500 -	*Exercise price* 20 cents 20 cents 20 cents 30 cents	*Expiry date* 31 Aug 2007 31 Aug 2008 30 Nov 2006 31 Aug 2009
7.8	Issued during quarter	13,461,500	13,461,500	20 cents	30 Nov 2006
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	**Debentures** *(totals only)*				
7.12	**Unsecured notes** *(totals only)*				

+ See chapter 19 for defined terms.

Compliance statement

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: 27 July 2005.........................

(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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+ See chapter 19 for defined terms.