



## Quarterly Report - 30 June 2007

### HIGHLIGHTS

#### NICKEL

- ❑ Drilling continues at the Company's four nickel projects in the Pilbara region of WA.
- ❑ Anomalous PGEs (maximum 1.2g/t) intersected within the ultramafic at Bellary and further PGE anomalism identified from soil sampling at nearby prospects.
- ❑ Several metres of magmatic sulphides (~5% by volume) intersected at Beasley with additional drilling planned to test the intersection. Assays are pending.
- ❑ Ground TEM surveys completed at Table Hill to outline targets for drilling during the third Quarter of 2007.

#### URANIUM

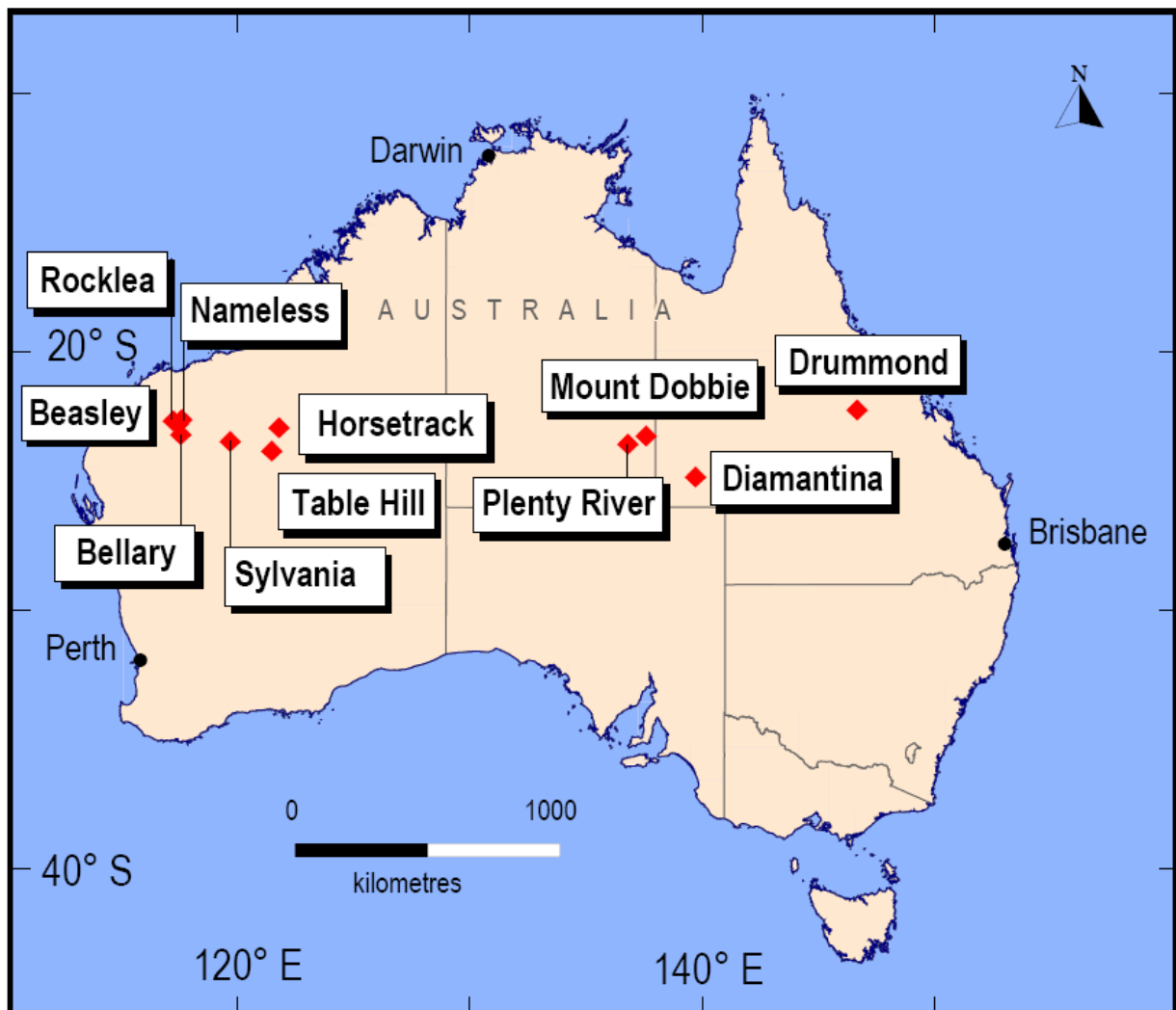
- ❑ Highly anomalous uranium (maximum 348ppm U<sub>3</sub>O<sub>8</sub>), lead (maximum 1,643ppm), and cerium (maximum 0.99%) assays returned from sampling airborne anomalies at Sylvania.
- ❑ Favourable structural settings for uranium mineralisation confirmed at several Sylvania prospects.
- ❑ Preparations underway to commence drilling in the second half of 2007 to test both bedrock and calcrete uranium targets.
- ❑ A review of open-file data at the Diamantina Project in Queensland highlighted anomalous uranium assays (maximum 0.13% U<sub>3</sub>O<sub>8</sub>) within Tertiary limestones.

#### GOLD

- ❑ Shallow bedrock drilling (360 holes) completed at the Horsetrack Gold Project south of Telfer. Assays are pending.

#### CORPORATE

- ❑ Oxiana Limited acquires 5,387,250 shares and 3,673,125 options in AusQuest, representing a 4.3% undiluted stake.
- ❑ Cash reserves of \$6.25 million as at 30 June 2007.



**Figure 1: Project Location Plan**

## PROJECTS

AusQuest has a portfolio of nickel, uranium, gold, diamond and iron projects (Figure 1) across Australia and is focused on bringing an innovative and scientifically rigorous approach to exploration, targeting the discovery of major deposits and new mineral provinces.

The Company's main exploration focus during 2007 is on its nickel, uranium and gold exploration portfolio in the east Pilbara region of Western Australia.

## NICKEL

AusQuest commenced a major RC/Diamond drilling program within its portfolio of nickel projects in the Pilbara region of Western Australia in late April. To date, it has completed 3,065 metres of the minimum 6,000 metre programme.

Drilling is planned to test up to 20 nickel sulphide targets identified by airborne and/or ground electromagnetic (EM) surveys within the Company's four major nickel projects.

Drilling is currently in progress at the Beasley Project where an additional two drill holes have been planned to follow-up encouraging results from the current programme.

Drilling at the Table Hill Project is scheduled to commence in the third Quarter of 2007 with the full drilling program expected to take a further 3 to 4 months to complete.

### Bellary Project (AQD 75%)

The Bellary Project is located 20km north west of Paraburdoo in WA and covers a 40km belt of unexplored ultramafic rocks

which correlate, in part, with the prospective ultramafic sequence at Beasley.

During the Quarter, drilling comprising 8 holes for 1,340m tested 8 electromagnetic (VTEM) targets located near the base of the prospective ultramafic flow. No prior drilling had been undertaken in this area.

Routine sampling of the ~80m thick ultramafic unit (20cm half core samples every 2 to 4 metres) reported anomalous nickel, copper and platinum group elements (PGE) near the top of the ultramafic flow in several drill-holes. A best result of 0.35% Ni, 0.05% Cu and 1.2g/t PGEs was reported in drill hole 07BD007 from 77 metres depth. In-fill core sampling of anomalous zones will be completed shortly to determine the significance of these results.

Assaying of the disseminated sulphide zones reported near the base of the ultramafic flow did not return anomalous Ni, Cu or PGE values. However, geological logging indicates that the current drilling did not intersect the prospective channel locations mapped at the surface, and further work is required.

DHEM surveys confirmed that the VTEM anomalies tested by the drilling were caused by narrow bands of sulphidic sediment (black shales) up to 30 metres below the basal contact of the ultramafic. No significant off-hole anomalies were located.

A total of 679 grid-based soil samples were collected over an additional 12 targets identified by either VTEM, magnetic or stream geochemistry within the mafic sills south of the current area of drilling.

Results highlighted two areas of anomalous PGEs (maximum 103ppb Pt, 43ppb Pd) associated with extensive mafic sill development within the sedimentary sequence, indicating the potential for possible PGE accumulations in the area. Further mapping and sampling are planned.

### Beasley Project

*(100% AQD)*

The Beasley Project is located 50km west of Tom Price in the Pilbara region of WA.

At the time of this report a total of six holes for 1,725m (figure 2) had been completed to infill previously reported wide-spaced (400 metres) drilling which identified a broad channel, approximately 500 metres wide, containing disseminated magmatic sulphides of high metal tenor (Ni, Cu, PGE) within the ultramafics.

Visual logging of core has identified trace to 1% magmatic sulphides within the central portion of the ultramafic in each of the holes drilled.

However, drill hole BND16 intersected several metres containing an estimated 5% sulphides from 208 metres depth, highlighting a significant increase in sulphide content in this hole. Samples have been sent to Perth for analysis with results expected shortly.

An additional 2 holes will be completed in the third Quarter to test 50 metres either side of this encouraging intersection. Current drill spacing within the broader sulphide zone is approximately 150 metres across strike.

### Table Hill Project

*(100% AQD)*

The Table Hill Project is located 200km east of Newman in WA. Exploration in this region is targeting Noril'sk-style nickel sulphide mineralisation within a feeder system to the regionally extensive Table Hill Volcanics.

During the Quarter, ground EM surveys (utilising a large fixed loop transmitter and Squid receiver) were completed over 10 targets identified by the GEOTEM survey flown in December 2005 in order to optimise sites for drilling.

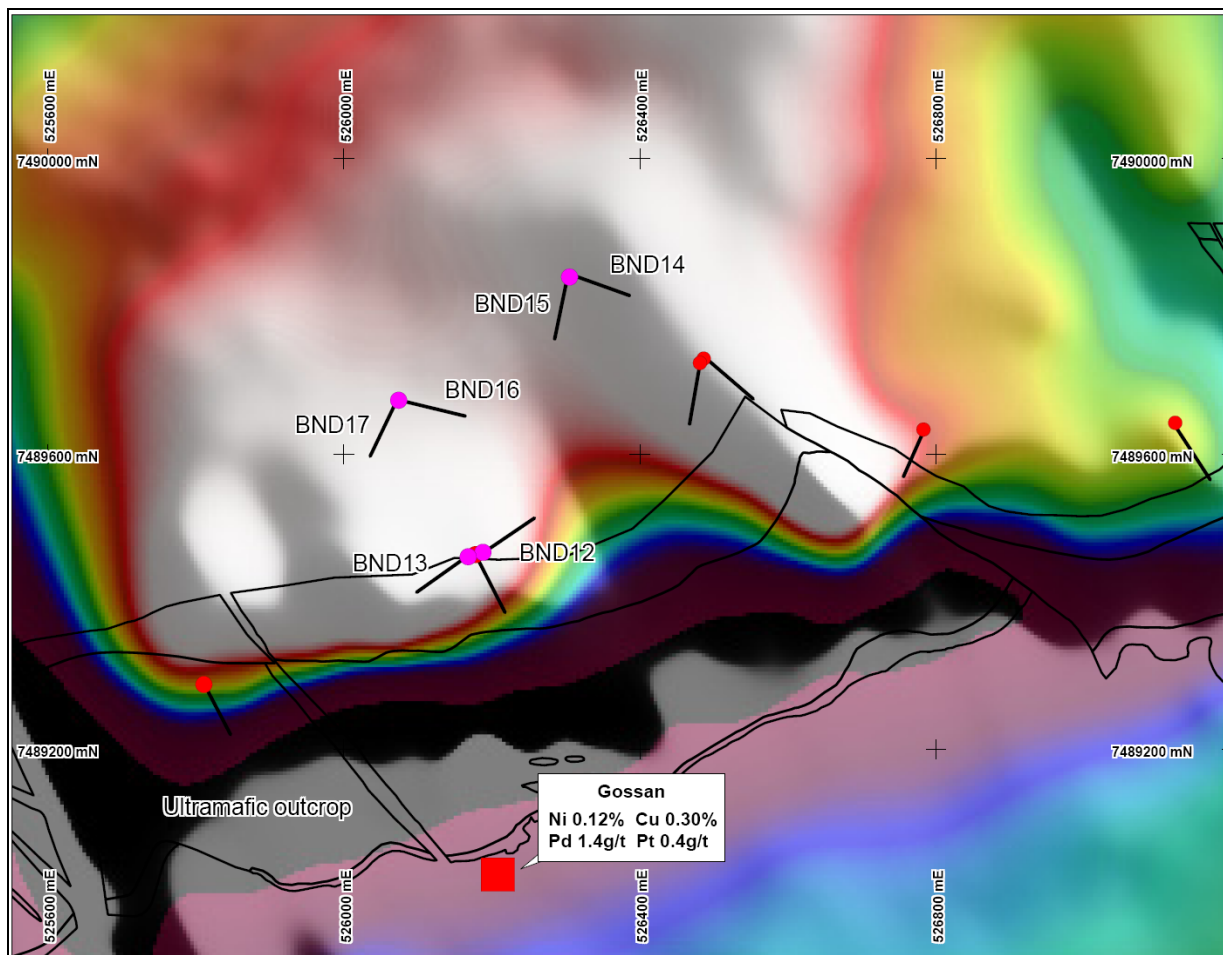
The results are currently being processed but initial computer modelling indicates the presence of broad, flat-lying conductive

targets at depths of approximately 300 to 400 metres in at least four of the 10 areas surveyed.

These depths are compatible with the thickness of mafic sills interpreted from magnetic data, suggesting that the

conductive targets may occur close to the lower contact of the sills where nickel sulphides are most likely to accumulate, or within the underlying sediments.

Drilling is scheduled for the third Quarter of 2007.



**Figure 2: Beasley Nickel Project Drill Hole Location Plan (2007) on Magnetics**

Sylvania Project  
(100% AQD)

The Sylvania Nickel Project is located 10km south of Newman in the east Pilbara region of WA.

Drilling of previously reported ground EM targets is scheduled to commence following completion of drilling at the Table Hill Project.

**URANIUM**

Sylvania Project  
(100% AQD)

The Sylvania Project is located 10km south of Newman in the east Pilbara region of

WA. The Company controls approximately 1,800 km<sup>2</sup> of title in this region which is being explored for uranium mineralisation as well as nickel.

During the Quarter, results were received from surface reconnaissance sampling completed in April 2007 which returned highly anomalous uranium assays. This provides further encouragement for uranium exploration in the area, and a focus for drilling which is planned for the second half of 2007.

Highly anomalous uranium assays (ranging from 100ppm to 348ppm U<sub>3</sub>O<sub>8</sub>) were returned from 28 of the 69 rock-chip and

soil samples collected during ground follow-up of 28 helicopter-borne uranium anomalies (figure 3).

Anomalous lead (maximum 1,643ppm) and rare earth elements including cerium (maximum 0.99%) and lanthanum (maximum 1,737ppm) are associated with the anomalous uranium assays.

Recent mapping of selected bedrock targets indicates that anomalous levels of uranium are often associated with the intersection of major structural zones (mylonites) in the granite and earlier mafic dykes, which appear to provide favourable chemical and/or physical trap sites for the deposition of uranium and associated rare earth elements.

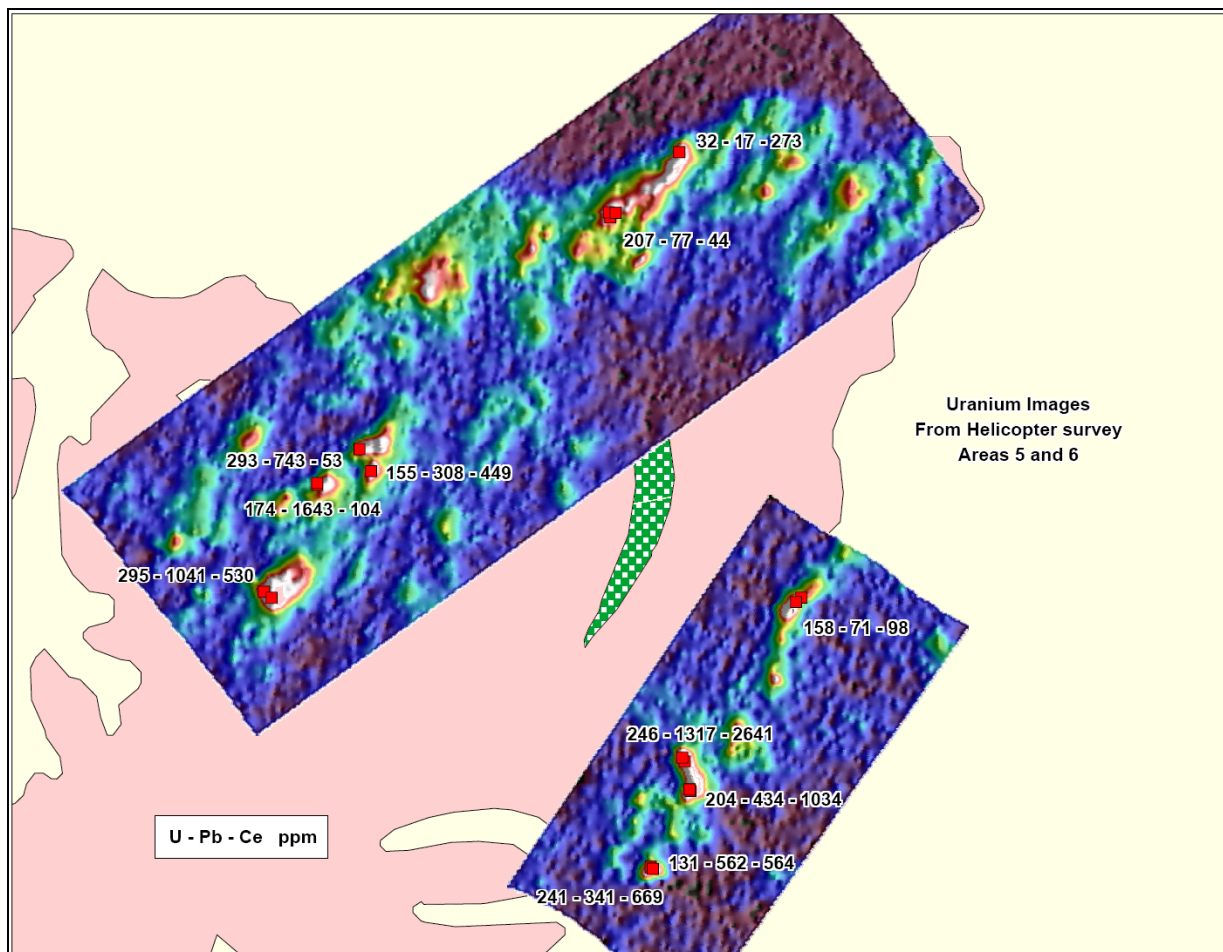
The highest uranium values occur within massive ironstones which tend to form along the sheared margins of the dykes,

where they are in close proximity to major cross cutting structures.

Detailed mapping completed over four of the target areas will be used to optimise sites for drilling later in 2007.

Drill sites to test the potential for ‘uranium-in-calcrete’ were located during the Quarter with heritage clearance surveys scheduled to commence in early August. Initial drill testing of the three main target areas will be undertaken on a 1,000m x 200m grid when a suitable rig is available.

The potential for thick uraniferous calcrete beneath the siliceous caprock is unknown at this stage, although sampling results and airborne radiometric data indicate that the calcrete is anomalous in uranium. No previous drilling for uranium has been carried out within the Company’s leases.



**Figure 3: Sylvania Uranium Project –Sampling results Areas 5 and 6 (example)**

### Diamantina Project

*(100% AQD)*

The Diamantina Project is located 450km south of Mt Isa in western Queensland and comprises two granted Exploration Permits and seven pending applications.

A review of open file data completed during the Quarter highlighted results from surface sampling of Tertiary limestones carried out by Amax Exploration in the late 1970s. This historic sampling produced a number of highly anomalous uranium assays (39 samples greater than 100ppm U<sub>3</sub>O<sub>8</sub>) adjacent to Eyre Creek including one sample containing 0.13% U<sub>3</sub>O<sub>8</sub>.

Subsequent shallow RAB drilling by Amax along four widely spaced sections failed to upgrade the prospect, however drill testing was very limited.

Several of the Diamantina tenements cover strong magnetic anomalies identified by a recent Government survey over the area. These targets are believed to occur within the underlying Proterozoic basement rocks and are considered to be prospective for iron oxide copper gold mineralisation similar to that found at Roxby Downs and Ernest Henry.

Further assessment of this project will be undertaken when sufficient tenements are granted to justify the commencement of field work.

### **IRON ORE**

#### Nameless Project

*(100% AQD)*

The Nameless Iron Prospect is located 5km north west of Tom Price in the Pilbara region of Western Australia.

Test work on selected RC drill samples of channel iron material suggests that significant beneficiation is unlikely, however the results will be provided to specialist consultants for comment.

#### Rocklea Prospect

*(75% AQD)*

The Rocklea iron ore prospect is located 40km west of Tom Price and straddles the Nannutarra-Wittenoom road.

Diamond coring at two previously drilled RC drill sites is planned for the second half of 2007 to provide a better understanding of the distribution of silica and alumina within the channel iron to determine how best to minimise their effects.

An earlier review of exploration drilling data from Rocklea highlighted the potential to delineate small tonnages of channel iron with acceptable contaminant levels of silica and alumina.

### **GOLD**

#### Horsetrack Project

*(100% AQD)*

The Horsetrack Gold Project is located 120km south of the +27 million ounce Telfer gold mine in WA.

Shallow bedrock drilling was completed during the Quarter to test extensive low-level gold anomalies outlined by earlier sampling of dune sand materials.

A total of 360 holes for 1,960 metres were drilled on a 500 metre x 50 metre grid and samples sent to Perth for analysis. Results are expected during the September Quarter.

The gold anomalies tested are relatively large in area (ranging up to 3km long and 500m wide) and are sub-parallel to structural trends interpreted from aeromagnetic data.

Several gold anomalies are also closely associated with a distinct magnetic anomaly interpreted to be a magnetic intrusion within the sedimentary sequence.

#### Drummond Project

*(100% AQD - Rio Tinto claw back)*

The Drummond Gold Project is located 300km south-west of Mackay in central Queensland and is targeting a Carlin-style gold trend.

Deep drilling at the Pocket Dam prospect (one hole for 800 metres) is scheduled for the September-October period to test for sediment-hosted replacement gold associated with an interpreted magnetic intrusion located along the western margin of the Beresford Ridge.

A proposal to access funds from the Queensland Government's Collaborative Drilling Initiative was submitted.

#### Mt Dobbie Project

*(100% AQD)*

The Mt Dobbie Project is located approximately 250km east of Alice Springs in the Northern Territory.

The Company applied for three Exploration Licences covering gravity targets identified within recently released Government data which highlighted the potential for copper-gold mineralisation in the general Mt Dobbie area.

Two Exploration Licences were granted during the Quarter with a third pending. Detailed gravity surveys are planned when a crew is available.

### **DIAMONDS**

#### Plenty River Project

*(100% AQD - Rio Tinto Farm-in)*

The Plenty River Project is located 230km east of Alice Springs in the Northern Territory.

A final report on the work completed by Rio Tinto Exploration has been received and is currently being assessed.

The project was acquired by AusQuest to test a suite of more than 50 discrete magnetic targets that were interpreted as possible kimberlitic and/or lamproitic pipes representing priority targets for diamond exploration.

To date, only two magnetic targets, including one target with associated microdiamonds, have been effectively tested by drilling.

The source(s) of the original eight micro-diamonds located by surface loam sampling over magnetic targets remains unexplained.

### **WORK PROGRAMME**

During the Quarter field work included:

- Diamond drilling and DHEM surveys at the Bellary Nickel Project;
- Diamond drilling at the Beasley Nickel Project;
- Ground EM surveys at the Table Hill Nickel project;
- Mapping and sampling of uranium targets at Sylvania;
- Heritage clearance surveys at Horsetrack and Table Hill Projects; and
- Shallow bedrock drilling at the Horsetrack Gold Project.

Field work planned for the September 2007 Quarter will include:

- Drilling and DHEM surveys at the Beasley Nickel Project;
- Drilling and DHEM surveys at the Table Hill Nickel Project;
- Heritage Clearance Surveys at Sylvania uranium prospects;
- Drilling at the Drummond Gold Project; and
- Mapping and sampling at the Bellary Project.

### **CORPORATE**

During the Quarter Oxiana Limited purchased 5,387,250 shares and 3,673,125 options in AusQuest, representing an undiluted 4.3% stake.

At the end of the Quarter, AusQuest had \$6.25 million in cash.



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 June 2007

### Consolidated statement of cash flows

	Current quarter \$A '000	Year to date (12 months) \$A '000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for		
(a) exploration and evaluation	(1,221)	(2,757)
(b) development	-	-
(c) production	-	-
(d) administration	(90)	(665)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	60	190
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (Reimbursement of expense)	-	54
<b>Net Operating Cash Flows</b>	<b>(1,251)</b>	<b>(3,178)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospects		
(b) equity investments		
(c) other fixed assets	(14)	(32)
1.9 Proceeds from sale of:		
(a) prospects		
(b) equity investments		
(c) other fixed assets		20
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Other (provide details if material)		
<b>Net investing cash flows</b>	<b>(14)</b>	<b>(12)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(1,265)</b>	<b>(3,190)</b>

1.13	Total operating and investing cash flows (brought forward)	(1,265)	(3,190)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	111	7,279
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 (share issue costs)	-	(422)
	<b>Net financing cash flows</b>	111	6,857
	<b>Net increase (decrease) in cash held</b>	(1,154)	3,667
1.20	Cash at beginning of quarter/year to date	7,412	2,591
1.21	Exchange rate adjustments to item 1.20		
1.22	<b>Cash at end of quarter / year to date</b>	<b>6,258</b>	<b>6,258</b>

### 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	99
1.24	Aggregate amount of loans to the parties included in item 1.10	-

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

-

## 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	1,000,000
4.2 Development	
<b>Total</b>	<b>1,000,000</b>

## 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	188	858
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other (Money market/Term Deposit – 1 to 9 months)	6,070	6,554
<b>Total: cash at end of quarter</b> (item 1.22)	<b>6,258</b>	<b>7,412</b>

## 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	EPM 12046		100%	Nil
6.2 Interests in mining tenements acquired or increased	EL 52/1979 EL 52/1980		Nil Nil	100% 100%

## 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 <b>Preference securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	125,183,928	125,183,928		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	557,439	557,439		
7.5 <b>+Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> <i>(description and conversion factor)</i>	1,000,000 8,913,648 94,972,576 1,875,000 5,000,000 3,700,000	- - 94,972,576 - - -	<i>Exercise price</i> 20 cents 20 cents 20 cents 30 cents 40 cents 54 cents	<i>Expiry date</i> 31 Aug 2007 31 Aug 2008 30 Nov 2009 31 August 2009 1 May 2008 30 June 2011
7.8 Issued during quarter				
7.9 Exercised during quarter	557,439		20 cents	31 Aug 2008
7.10 Expired during quarter				
7.11 <b>Debentures</b> <i>(totals only)</i>				
7.12 <b>Unsecured notes</b> <i>(totals only)</i>				

## 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.

Sign here:   
(Company secretary)

Date: 25<sup>th</sup> July 2007

Print name: Darren Crawte

## 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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