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26 October 2007

The Manager
Company Announcements Office
Australian Stock Exchange

By Electronic Lodgement

Dear Sir

ANNUAL REPORT

Please find attached the Annual Report for the Company for the financial year ended 30th June 2007. An electronic copy of the Annual Report is located on the Company's website at www.ausquest.com.au.

Yours faithfully

Graeme Drew
Managing Director



AUSQUEST LIMITED

ABN 35 091 542 451



ANNUAL REPORT 2007

Corporate Directory

Directors

John Innes (Non-Executive Chairman)
Graeme Drew (Managing Director)
John Ashley (Executive Director)
Greg Hancock (Non-Executive Director)
Chris Ellis (Non-Executive Director)

Principal Consultants

Adrienne Meakins
Dr Martin Gole
Dr Jim Thornett
David Jackson

Company Secretary

Darren Crawte

Registered Office

Level 2, 47 Colin Street
West Perth WA 6005

Principal Office

6 Kearns Crescent
Ardross WA 6153
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Facsimile : (08) 9364 4892
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Solicitors

Pullinger Readhead Lucas
Level 2
50 Kings Park Rd
West Perth WA 6005

Auditors

HLB Mann Judd
15 Rheola Street
West Perth WA 6005

Corporate Adviser

Ord Corporate Pty Ltd (ACN 097 209 688)
Level 2, 47 Colin Street
West Perth WA 6005

Share Registry

Advanced Share Registry Services Pty Ltd
PO Box 1156
Nedlands WA 6909

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www.ausquest.com.au



Chairman's Letter

Dear Shareholders,

I am pleased to update you on the progress your Company has made over the past 12 months. Following a successful fund raising in November 2006 which left the Company in a strong financial position, exploration activities within our key nickel, uranium and gold projects have been increased with the results now starting to flow through.

The Company allocated a budget of approximately \$4.0 million for exploration during 2007 with a large proportion of this directed towards drilling at our nickel, uranium and gold projects in WA and Queensland. All projects except Bellary (75%) are now 100% owned by AusQuest, providing excellent leverage for successful drilling outcomes.

Since last reporting to you, the Company has focussed considerable effort on its portfolio of nickel projects in the Pilbara region of WA, where an extensive drilling program is currently underway to test a range of targets. This program will continue well into the second half of 2007 and we remain optimistic about its chances of success.

Drilling completed at Bellary and Beasley has intersected further disseminated sulphides with improved Ni-Cu-PGE grades achieved at Beasley, suggesting that we are getting closer to our target, although further work is required. Down hole electromagnetic surveys (DHEM) continue to be used to search beyond the drill holes and we are confident that this process will eventually be successful.

Drilling at our Table Hill and Sylvania nickel projects in the eastern Pilbara will be completed in the second half of 2007. This represents the first exploratory drilling to be undertaken in these areas and we look forward to reporting the results of these initial drilling programs.

The Company has also been actively exploring its uranium prospects, especially in the Sylvania area south of Newman – where indications of widespread uranium mineralisation were confirmed by surface sampling which produced highly anomalous uranium, lead and rare earth assays from numerous rock-chip samples. Drilling of both bedrock and calcrete uranium targets is planned for the second half of 2007, which should provide an indication of the area's potential to host one or more uranium deposits.

The Company has also stepped up exploration activities at its gold projects during 2007 with further exploration drilling at both the Horsetrack (WA) and Drummond (Qld) projects. At Drummond, funding assistance has been obtained through the Queensland Government's Collaborative Drilling Initiative and we look forward to the results of deep drilling which will test the sedimentary sequence at the Pocket Dam prospect for signs of gold mineralisation similar to that found along the Carlin Trend in Nevada.

New opportunities were also high on our agenda over the past 12 months, especially those with drill-ready targets. We are particularly excited about the prospects for our Diamantina Project in south western Queensland, where recently released data from the Queensland Department of Minerals and Energy has outlined two very distinctive gravity/magnetic anomalies that represent direct drilling targets for the Company.

Our consultants believe that the size (plus 20km²) and amplitude (15 and 32 milligals) of these gravity anomalies is consistent with the presence of significant amounts of iron oxide mineralisation at depth, which has the potential to contain economic quantities of copper and gold. We have a large tenement holding in this area and are planning an active exploration program over the next 12 months.

AusQuest will continue to focus on the discovery of major ore deposits through exploration in new areas identified by the Company's consultants as being prospective. While this strategy undoubtedly requires a large degree of discipline and patience, the Board believes that it provides the best avenue for adding substantial value to the Company through the potential discovery of major new ore bodies.

I would like to sincerely thank my fellow Directors, the company's management and consultants for their hard work during the year and, last but not least, each of you as shareholders for your ongoing support.

John Innes
Chairman

Exploration Report

During the year, AusQuest focussed much of its exploration activity on its portfolio of projects in the Pilbara region of Western Australia, where extensive drilling programmes commenced in April designed to test a range of nickel, uranium and gold targets. This followed a successful capital raising in November 2006 which provided the Company with sufficient funds to significantly increase its exploration activities and advance the Company's key projects without trading away project equity.

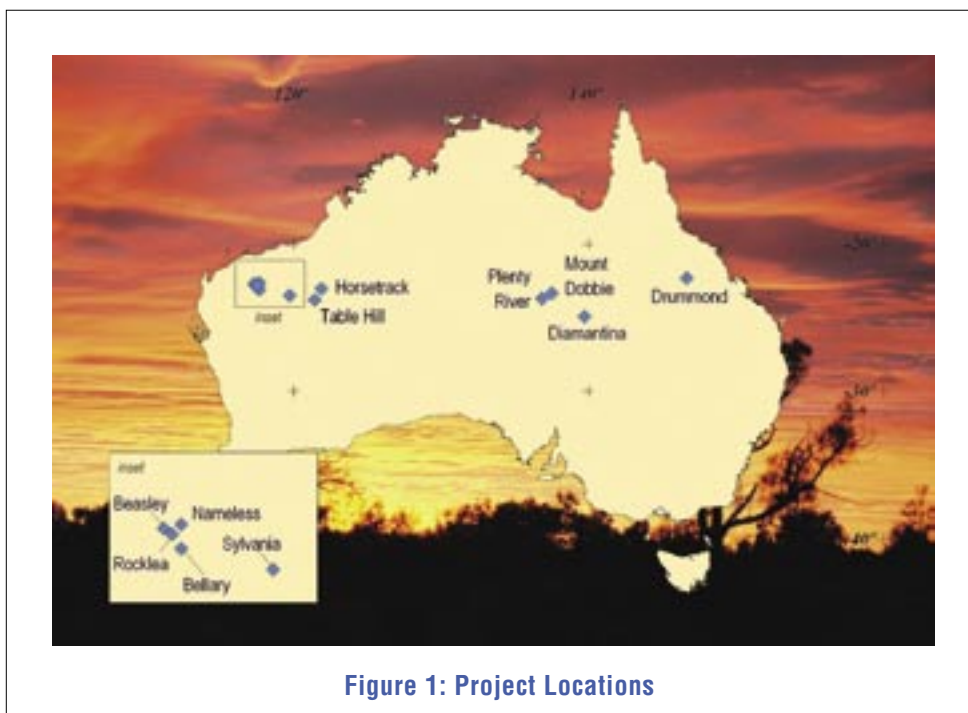
Highlights

Nickel – Pilbara Region, Western Australia

- **A major 6,000 metre RC/Diamond Drilling program commenced in late April to test nickel sulphide targets at the Company's four nickel projects in the Pilbara region of WA.**
- **Anomalous nickel, copper and platinum group elements (PGE) were reported from the Bellary Project, west of Paraburdoo, including a best result of 0.35% Ni, 0.05% Cu and 1.2g/t PGEs.**
- **Anomalous PGEs (maximum 100ppb Pt, 43ppb Pd) were identified by soil sampling at several prospects at Bellary.**
- **Disseminated sulphides ranging in thickness from 7 to 30 metres were intersected in each hole drilled at the Beasley Project, west of Tom Price.**
- **The best assay result to date at Beasley of 25 metres @ 0.24% Ni, 456ppm Cu, 117ppb Pd and 29ppb Pt including 1.1 metres @ 0.47% Ni, 0.18% Cu, 0.39ppm Pd and 0.09ppm Pt indicates the presence of high metal content (Ni-Cu-PGE) sulphides.**
- **The Beasley disseminated sulphides are similar in nature to the disseminated sulphides found at the Raglan deposits in Canada, where higher grade mineralisation occurs nearby.**
- **Potential extensions (several kilometres) to the sulphides at Beasley have been outlined by improved magnetic modelling using magnetic susceptibility measurements obtained from drill core.**
- **Four broad, flat-lying conductive targets located close to the interpreted lower contact of the mafic sills at the Table Hill Project, east of Newman, were outlined by ground TEM surveys. Drilling is scheduled to commence in September 2007.**

Uranium – Pilbara Region, Western Australia

- **More than 70 uranium anomalies were identified from airborne radiometric data at the Sylvania Project, south of Newman, highlighting the potential for a new uranium province.**
- **The prospectivity of the Sylvania area was confirmed by highly anomalous uranium (maximum 348ppm U_3O_8), lead (maximum 1,643ppm), and rare earth assays (cerium maximum 0.99%, lanthanum 1,737ppm,) from widespread rock chip sampling.**
- **Favourable locations for the accumulation of uranium mineralisation have been recognised within the granitic terrain (structural intersections) and associated with valley calcrete outcrops within the palaeodrainage.**
- **Drilling of selected uranium targets, both within the granitic terrain and the calcrete, is scheduled to commence in the second half of 2007.**



Gold – Western Australia and Queensland

- **Extensive low-level gold anomalies which are closely associated with interpreted structures were outlined in dune sand country at the Horsetrack Project, south of Telfer.**
- **Shallow bedrock drilling has been completed at Horsetrack to test the gold anomalies. Assays are awaited.**
- **Deep drilling is scheduled to commence at the Drummond Project in central Queensland in September 2007 following a successful application by the Company to access funding assistance from the Queensland Government's Collaborative Drilling Initiative.**
- **Drilling at Drummond will test the sedimentary sequence above an interpreted deep (800m) magnetic intrusion for signs of gold mineralisation similar to that found along the Carlin Trend in Nevada (USA).**

New Project Opportunities – Queensland and Northern Territory

- **Iron-Oxide-Copper-Gold (IOCG) targets were identified at the Diamantina Project in south-western Queensland following the release of new gravity data by the Queensland Government.**
- **Gravity anomalies that have the size (plus 20km²) and amplitude (15 and 32 milligals) that is consistent with iron oxide systems found elsewhere in Australia, were found to coincide with magnetic targets held by the Company at Diamantina.**
- **These gravity/magnetic anomalies represent direct drilling targets for the Company, which now controls approximately 2,900 km² of tenement along the southern margin of the Mt Isa block.**
- **Coincident magnetic/gravity targets were recognised at the Mt Dobbie Project, west of Diamantina in the Northern Territory (NT), where new gravity data released by the NT Government has outlined targets of interest.**

Exploration Report (cont...)

Nickel

The Company commenced a major RC/Diamond drilling program (minimum of 6,000 metres) within its portfolio of nickel projects in the Pilbara region of Western Australia in late April 2007, to test a range of nickel sulphide targets identified by airborne and/or ground electromagnetic (EM) surveys. At the time of writing this report, drilling at both the Beasley and Bellary Projects had been completed with drilling due to commence at Table Hill in early September. A total of 16 holes for 3,700 metres were completed at the time of finalizing this report.

Beasley Project (100% AusQuest)

The Beasley Project is located 50km west of Tom Price in the Pilbara region of Western Australia and comprises three exploration licences covering an area of ~150 km². Strong geological similarities with the Raglan Nickel District in Canada make this a highly prospective area.

During the year, a further 8 holes (2,305 metres) were completed to test the interpreted position of the ultramafic channel where disseminated Ni-Cu-PGE sulphides had been intersected by previous drilling. Drill holes were widely spaced with the recent drilling designed to intersect the target depth at ~150 metre intervals on two sections ~300 metres apart.

Disseminated sulphides (up to 2% by volume of rock) were intersected in each hole with thicknesses varying from 7 to 30 metres. Narrow sections (1 to 5 metres) of increased sulphide content (visual estimates up to 5% by volume of rock) were recorded in two holes, suggesting possible proximity to the centre of the channel.

To date assays have been received from 5 of the 8 holes drilled, with a best result of 25 metres @ 0.24% Ni, 456ppm Cu, 117ppb Pd and 29ppb Pt including 1.1 metres @ 0.47% Ni, 0.18% Cu, 0.39ppm Pd and 0.09ppm Pt from hole DDH16.

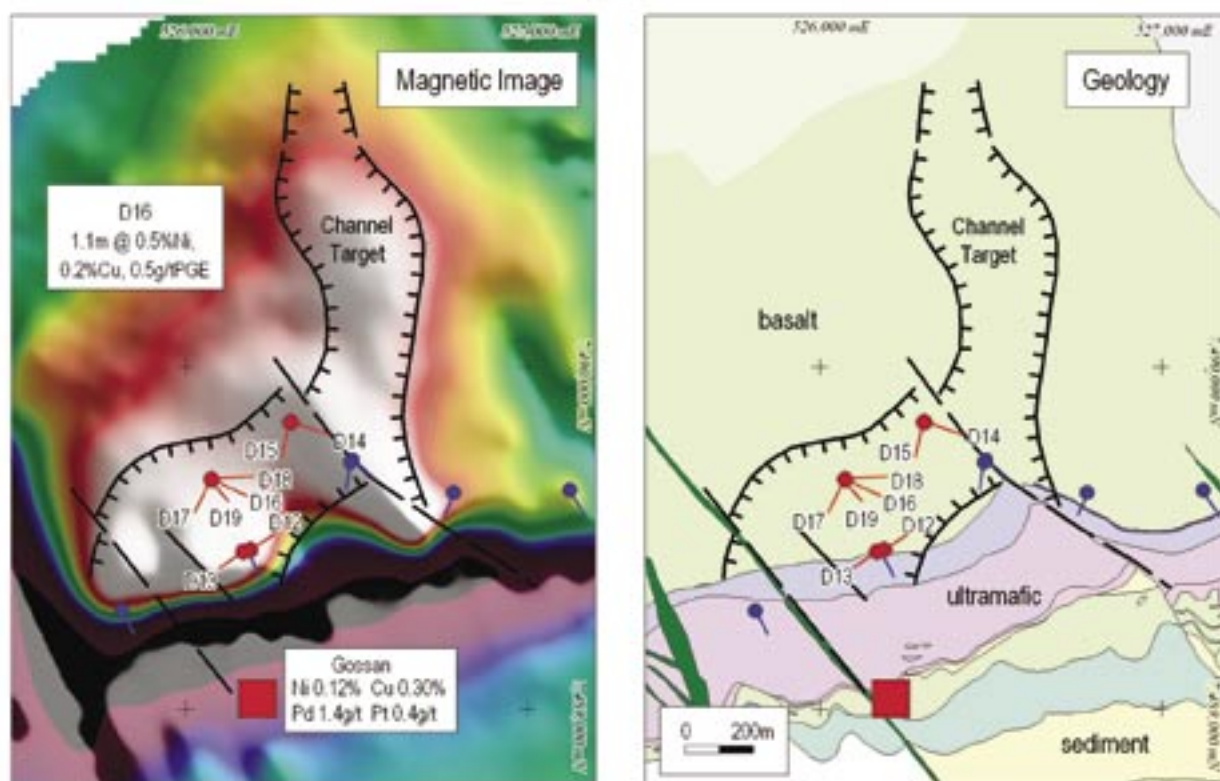


Figure 2: Beasley Project showing drillhole locations and target channel



The sulphides intersected have high metal content (Ni-Cu-PGE) and are similar in nature to the disseminated mineralisation reported from Raglan in Canada, where higher grade mineralisation is juxtaposed. Down hole electromagnetic surveys (DHEM) are scheduled to commence during November 2007 to search for increased concentrations of nickel sulphide mineralisation close to the drill holes.

Magnetic modelling has outlined new targets along the interpreted down-dip extension of the sulphide-bearing channel by using magnetic susceptibility measurements obtained from the latest drilling. These targets are relatively shallow (250m) and represent potential new exploration opportunities for the Beasley project.



Drill core showing Magmatic Ni-Cu-PGE Sulphides

Bellary Project (75% AusQuest)

The Bellary Project is located south of Beasley and approximately 40km west of Paraburdoo in the Pilbara region of Western Australia. It covers a 40km long belt of mafic and ultramafic rocks which are correlatives of the prospective ultramafic sequence at Beasley. This region is considered to be prospective for the discovery of a new nickel-copper-PGE province.

During the year, a large helicopter EM (VTEM) survey was completed over several areas identified from previous mapping and sampling as being prospective for nickel sulphide mineralisation. A number of targets were identified within the ultramafic rocks and initial drill testing of eight targets was completed.

Fine-grained disseminated sulphides were encountered within the ultramafic rocks in 4 of the 8 holes drilled, with a best assay result of 0.35% Ni, 0.05% Cu and 1.2g/t PGE's reported from near the top of the ultramafic flow. Narrow bands of sulphidic sediment (black shales) intersected below the ultramafics were found to be the cause of the VTEM anomalies that were tested by this initial program.

Numerous VTEM anomalies remain untested, however additional screening of targets will be completed before any further drilling is undertaken.

Soil sampling over selected targets highlighted at least two areas where anomalous PGE's (maximum 103ppb Pt, 43ppb Pd) occur within the extensive mafic-ultramafic sill developed beneath the ultramafic sequence tested by initial drilling. These results indicate the possibility of PGE mineralisation in the area and represent new exploration targets for the Company.



Mapping at Bellary

Exploration Report (cont...)

Table Hill Project (100% AusQuest)

The Table Hill Project covers an extensive and untested suite of mafic intrusive rocks 200km east-southeast of Newman in Western Australia and comprises 12 Exploration Licences covering an area of 1,350 km².

The project was originally acquired after AusQuest and its consultants recognised strong geological and geochemical similarities between this area and the giant Noril'sk Ni-Cu-PGE sulphide province in Russia, the world's largest producer of nickel and Platinum Group Metals.

During the year, access to key areas was granted by the Traditional Owners, enabling ground EM surveys (utilising a large fixed loop transmitter and Squid receiver) to be completed over targets identified by the GEOTEM survey flown in December 2005.

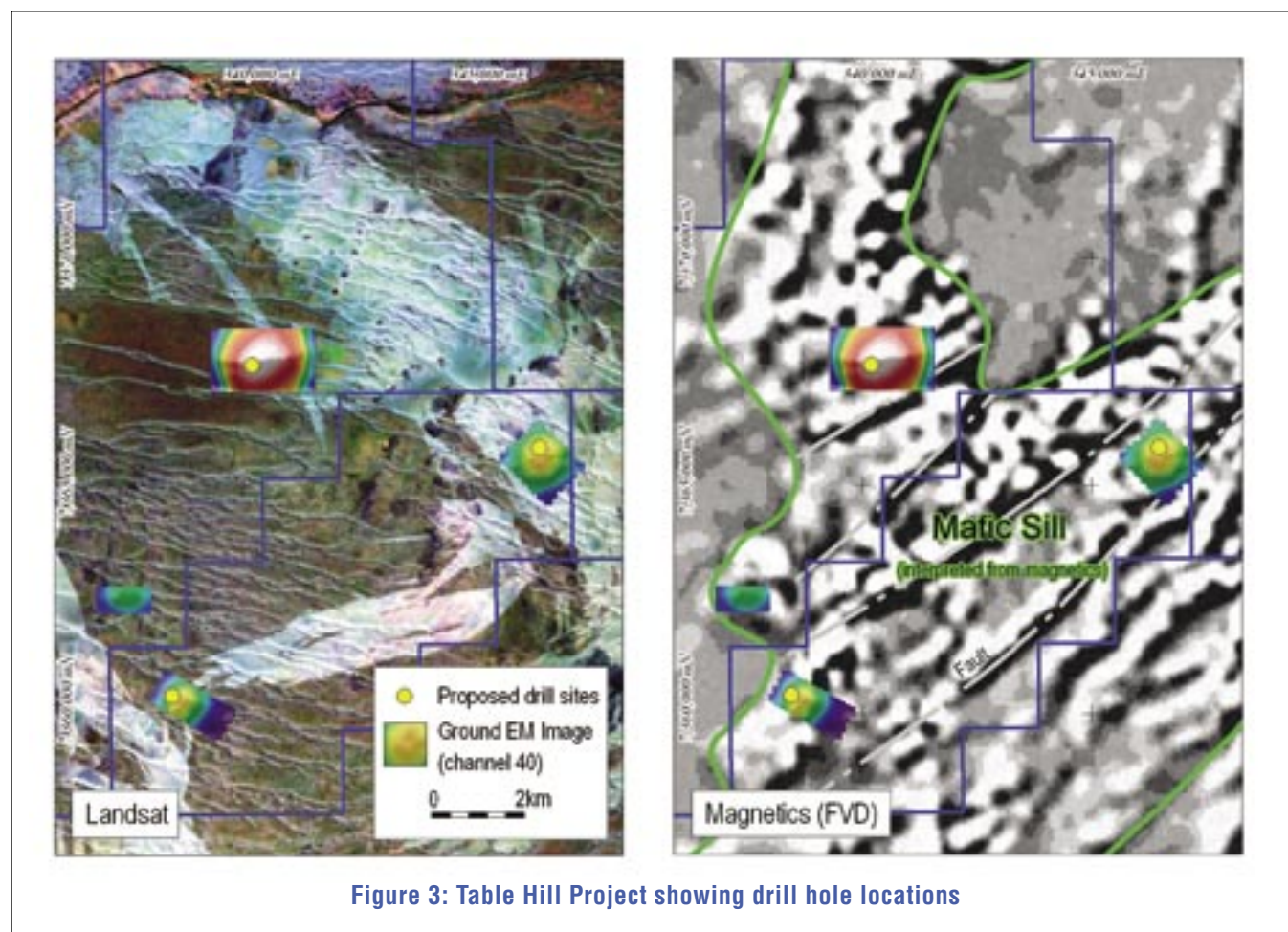
Computer modelling of the ground EM results indicates the presence of broad, flat-lying, moderately conductive targets at depths ranging from approximately 300 to 600 metres in four of the ten areas surveyed. These depths are compatible with the thickness of mafic sills interpreted from magnetic data, suggesting that the conductive targets should occur close to the lower contact of the sills where nickel sulphides are more likely to accumulate, or within the underlying sediments.

A total of five targets have been selected for initial drill testing, which is scheduled to commence in September 2007.

Sylvania Project (100% AusQuest)

The Sylvania Project is located 10km south of Newman in the east Pilbara region of Western Australia and covers possible strike extensions of the ultramafic sequences found in the Beasley and Bellary areas, located 200km to the west.

Drilling of electromagnetic (EM) targets is scheduled to be completed in the second half of 2007.





Uranium

During the year, the Company commenced exploration for uranium with its focus mainly on the Sylvania area, south of Newman, where initial indications of widespread uranium mineralisation were confirmed by surface sampling. New tenement applications were also submitted in Queensland (Diamantina) where the potential for uranium mineralisation was also recognised.

Sylvania Project (100% AusQuest)

The Sylvania Project is located 10km south of Newman in the east Pilbara region of WA, where the Company controls approximately 1,800 km² of title.

The uranium potential of the area was first recognised when more than 70 uranium anomalies were interpreted from airborne radiometric data acquired by the Company. This potential was confirmed by the results of widespread rock-chip sampling, which returned highly anomalous uranium (maximum 348ppm U₃O₈), lead (maximum 1,643ppm), and rare earth (cerium – maximum 0.99%, lanthanum – maximum 1,737ppm) assays from field reconnaissance over the uranium targets.

Subsequent low-level helicopter radiometric surveys and geological mapping of selected areas have identified a number of favourable locations for the accumulation of uranium mineralisation, both within the granitic terrain (structural intersections) and associated with valley calcrete outcrops within the palaeodrainage.

The highest uranium assays occur within narrow, massive ironstone outcrops which tend to form within, and along, the margins of sheared mafic dykes, where they are in close proximity to cross-cutting structures (mylonites) in the granite. The mafic dykes appear to provide a favourable chemical and/or physical trap site for the deposition of uranium and associated rare earth elements.

Secondary remobilisation of uranium is evident within the major palaeodrainages that cross the area, with several +100ppm U₃O₈ assays occurring in calcrete and opaline silica outcrops which form elongate ridges sub-parallel to the trace of the Fortescue River. Airborne radiometric anomalies over these calcretes are relatively low in amplitude but distinctly uraniferous and extensive in size.

Initial reconnaissance drilling of the bedrock and calcrete targets is scheduled for the second half of 2007.



Reconnaissance sampling at Sylvania

Exploration Report (cont...)

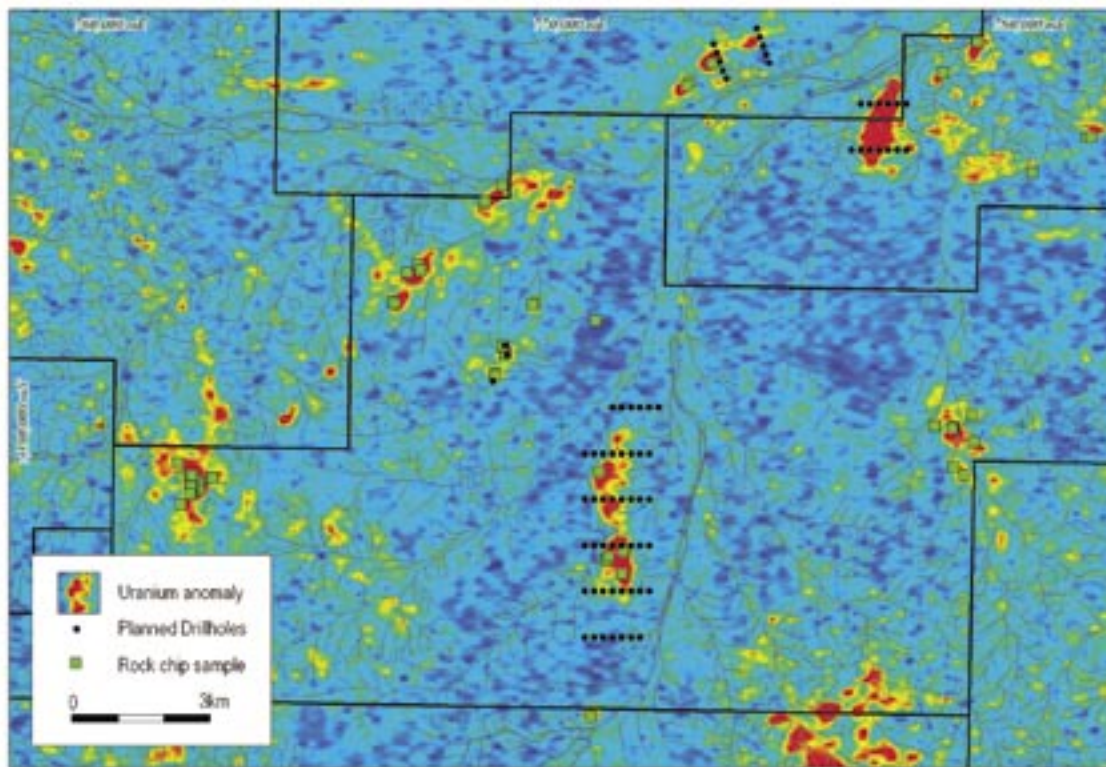


Figure 4: Sylvania Project Uranium/Thorium image showing planned drill holes

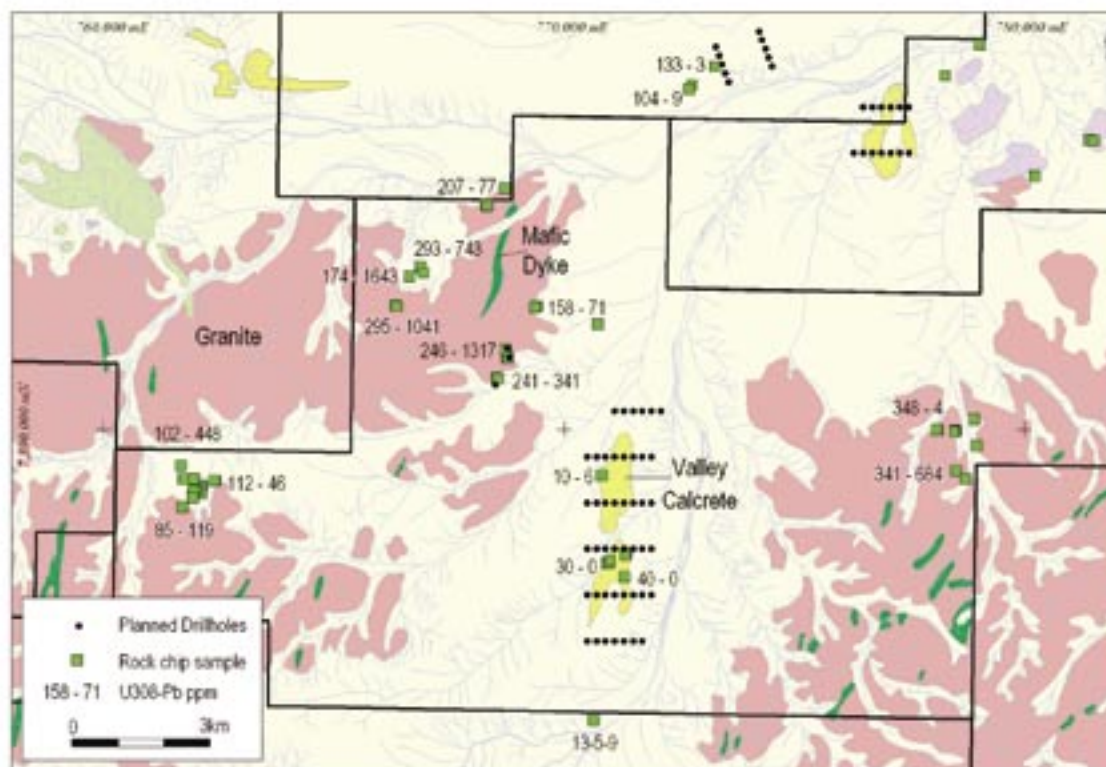


Figure 5: Sylvania Project showing planned drill holes



Diamantina Project (100% AusQuest)

The Diamantina Project is located 450km south of Mt Isa in western Queensland and in part covers Tertiary Limestones along Eyre Creek that were previously shown to contain anomalous levels of uranium (39 samples greater than 100ppm U_3O_8 , with a maximum result of 0.13% U_3O_8) in historic exploration by Amax in the late 1970s.

While subsequent shallow Rotary Air Blast (RAB) drilling by Amax along four widely-spaced sections failed to upgrade the potential of the prospect at the time, the Company believes that further drilling is warranted once the tenements are granted.

Gold

Definitive exploration programs are underway at both the Company's gold projects. This includes deep drilling at the Drummond project in Queensland and shallow bedrock drilling at Horsetrack in WA.

Horsetrack Project (100% AusQuest)

The Horsetrack Project is located 120km south of the Telfer gold mine in Western Australia and is being explored for gold mineralisation associated with igneous intrusions within the western Officer Basin sediments. AusQuest controls approximately 1,000 km² of title in the area.

Extensive low-level gold anomalies were outlined during the year by wide-spaced soil sampling within the dominantly dune sand covered area. These anomalies sub-parallel structural trends interpreted from aeromagnetic data, with the highest priority targets closely associated with an interpreted magnetic intrusion within the sedimentary sequence.

Shallow bedrock drilling (360 holes for 1,960 metres) was completed in July 2007 to test for bedrock mineralisation beneath the sand cover. At the time of writing, assay results were not available. Future work at Horsetrack will depend on the results of this programme.



Shallow bedrock drilling at Horsetrack

Exploration Report (cont...)

Drummond Project (100% AusQuest – subject to Rio Tinto claw back)

The Drummond Gold Project is located 300km south-west of Mackay in central Queensland and is targeting sediment-hosted gold mineralisation similar to that found along the Carlin Trend in Nevada (USA).

A review of exploration data identified several deep targets within the Drummond basin sediments that were considered to be high priority for drilling. During the year, the Company successfully applied to the Queensland Government for funding assistance under its Collaborative Drilling Initiative (CDI) to assist with funding deep drilling (1,000 metres) in the area. Under the CDI, the Government will provide 50% of the direct drilling costs (up to a maximum of \$150,000) for a deep drill hole to be completed at the Pocket Dam prospect.

Drilling at Pocket Dam is targeting gold mineralisation within sediments above a deep (800 metre) magnetic anomaly located on the Beresford Ridge, which the Company believes represents an intrusion within the lower Drummond Basin sequence. Drilling is scheduled to commence in September 2007.

Iron

Over the past 12 months, limited field work was completed within the Company's iron exploration projects in the Pilbara region of WA. While broad-spaced scout drilling in 2006 identified large volumes of channel iron mineralisation, the high contaminant levels of silica and alumina in this material meant that a significant proportion of the potential resources were not suitable for market.

Rocklea Project (75% AusQuest)

The Rocklea prospect is located 40km west of Tom Price and straddles the Wittenoom-Nanutarra road. A review of previously reported exploration drill results highlighted the potential for small tonnages of channel iron mineralisation with acceptable levels of silica and alumina, and iron grades in excess of 55% Fe and LOIs of plus 11%.

Simple metallurgical/processing testwork was recommended to assess the possibility of beneficiating contaminated sections of the channel iron to increase the potential volume of better grade material. Diamond drilling (two holes adjacent to previously drilled RC holes) was completed in August 2007 and will provide the necessary material for testwork to be undertaken in the second half of 2007.

Initial indications from geological logging of the core suggests there are clay zones within the channel iron which may be able to be removed by simple washing and screening techniques.



Diamond drilling at Rocklea



Nameless Project (100% AusQuest)

The Nameless Iron Project is located 5km north west of Tom Price within Nameless Valley. Simple metallurgical testwork (size analyses, XRD, and SEM) was completed in early 2007 using available RC drilling chips to test the possibility of beneficiating the channel iron mineralization intersected by the 2006 drill programme.

The results suggest that significant beneficiation is unlikely, however the data are being reviewed by specialist consultants. Limited diamond drilling (one hole) was completed in August 2007 within the best area of mineralisation to provide a better understanding of the distribution of contaminants and to provide further material for testing.

Diamonds

The Company's diamond exploration effort has been downgraded based on results from initial drilling at the Plenty River Project, east of Alice Springs. The Company will continue to explore for diamonds but only on an opportunistic basis.

Plenty River Diamond Project (100% AusQuest)

The Plenty River Project is located 230km east of Alice Springs in the Northern Territory, on the northwest margin of the Simpson Desert. The project was acquired to test a suite of more than 50 discrete magnetic targets that were interpreted to be possible kimberlite pipes, which are priority targets for diamond exploration.

During the year, two of the magnetic targets were drill tested, including one that had returned microdiamonds from surface sampling. No kimberlitic rocks were intersected by this drilling and the magnetic anomalies were found to be caused by iron-rich sediment beneath shallow sand cover.

The source(s) of the eight micro-diamonds located by the original surface loam sampling program remains unexplained. The consistent nature (colourless) of the micro-diamonds and their angular appearance had suggested a local source but initial drilling results did not confirm this interpretation.

The Company plans to compile the available data and seek expressions of interest from third parties in joint venturing this project.

New Opportunities

Project generation work increased during the year, with a number of potential opportunities evaluated and new tenement applications submitted. New Government data releases were assessed, resulting in further tenement applications in the Northern Territory and Queensland targeting base and precious metal mineralisation.

Diamantina Project (100% AusQuest)

The Diamantina Project is located approximately 450 km south of Mt Isa along the southern margin of the Mt Isa Block, which hosts numerous base and precious metal deposits.

The Company now controls approximately 2,900 km² of tenements in the area and is targeting large-scale Iron-Oxide-Copper-Gold (IOCG) systems below the Eromanga Basin sediments, as well as uranium mineralization within Tertiary limestone (see above). The intersection of continental-scale structures has been interpreted within the project area, based on regional geophysical data.

Newly released Government gravity data identified at least two discrete gravity anomalies with the size (plus 20km²) and amplitude (15 and 32 milligals) that is consistent with large-scale iron oxide systems elsewhere in Australia which are known to contain copper, gold and uranium.

Exploration Report (cont...)

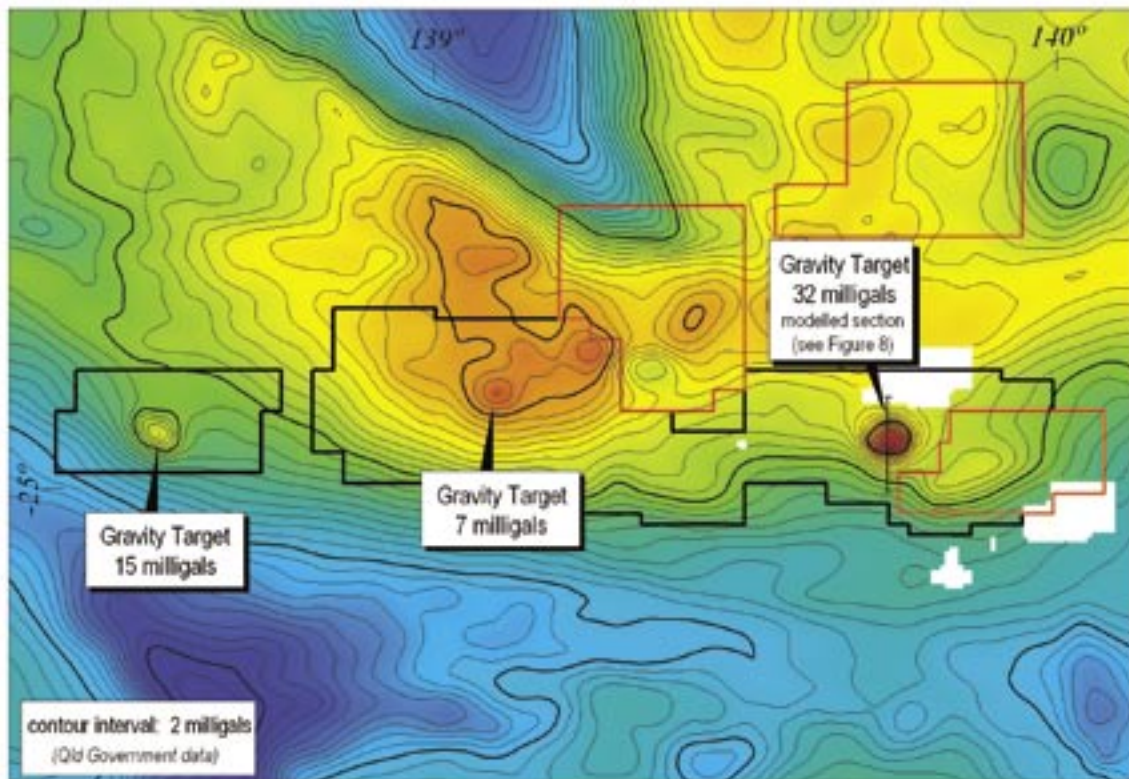


Figure 6: Diamantina Project – Gravity Image

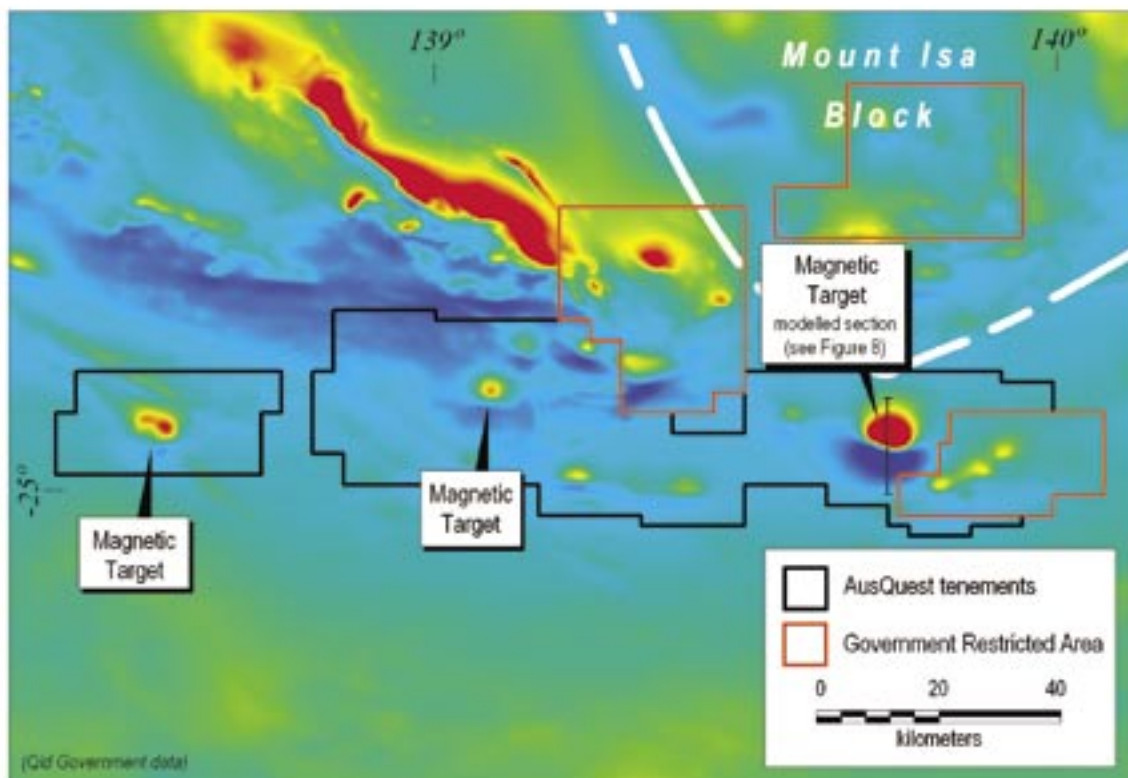


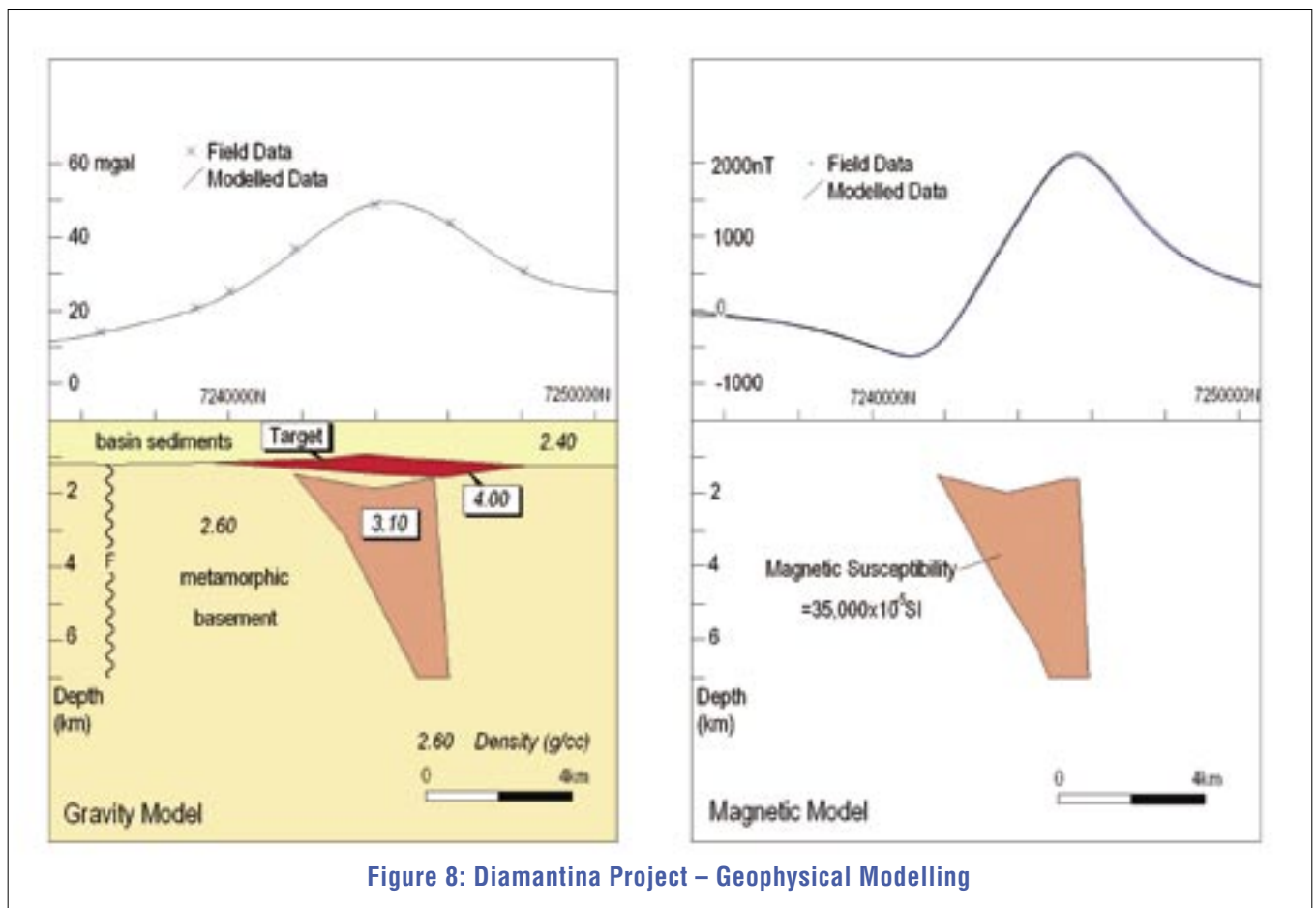
Figure 7: Diamantina Project – Magnetic Image



Computer modeling of the gravity and magnetic data suggests the targets could have very high densities ($>4.0\text{g/cc}$) and occur beneath the Eromanga Basin sediments at depths of approximately 1,000 metres.

The coincident gravity and magnetic anomalies represent direct drilling targets for the Company, once all access approvals have been obtained. In-fill gravity surveys are planned for later in 2007 to optimize sites for drilling in 2008.

On the basis of this newly acquired data, the Queensland Government created three Restricted Areas adjacent to AusQuest's Diamantina project which will be open for tender in the future. These Restricted Areas are "identified as having high mineral potential" by the Queensland Geological Survey.



Mount Dobbie (100% AusQuest)

The Mt Dobbie Project is located approximately 250km east of Alice Springs within the Northern Territory and is targeting Iron-Oxide-Copper-Gold (IOCG) mineralisation associated with hematized granites in the Plenty River area.

The Company controls approximately 700 km² of tenements covering gravity and magnetic anomalies that have been identified as prospective targets for IOCG mineralisation based on interpretation of newly released NT Government data. In-fill gravity surveys are planned for later in 2007.

Corporate Governance Statement

In accordance with the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations ("ASX Principles and Recommendations"), AusQuest Limited ("Company") has made it a priority to adopt systems of control and accountability as the basis for the administration of corporate governance. Some of these policies and procedures are summarised in this statement. Commensurate with the spirit of the ASX Principles and Recommendations, the Company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for corporate governance practices, taking into account factors such as the size of the Company and the Board, resources available and activities of the Company. Where, after due consideration, the Company's corporate governance practices depart from the ASX Principles and Recommendations, the Board has offered full disclosure of the nature of, and reason for, the adoption of its own practice.

Further information about the Company's corporate governance practices is set out on the Company's website at www.ausquest.com.au. In accordance with the ASX Principles and Recommendations, information published on the Company's website includes charters (for the Board and its committees), the Company's code of conduct and other policies and procedures relating to the Board and its responsibilities.

EXPLANATIONS FOR DEPARTURES FROM BEST PRACTICE RECOMMENDATIONS

During the Company's 2006/2007 financial year ("Reporting Period") the Company has complied with each of the ASX Principles and Recommendations, other than in relation to the matters specified below.

Principle 2

Recommendation 2.1: A majority of the Board should be independent directors.

Notification of Departure: The Board is comprised of a majority of non-independent directors.

Explanation for Departure: The Board considered that its composition and size was the appropriate mix of skills and expertise.

Principle 2

Recommendation 2.4: The Board should establish a nomination committee.

Notification of Departure: A separate nomination committee has not been formed.

Explanation for Departure: The full Board considers those matters and issues arising that would usually fall to a nomination committee. The Board considers that no efficiencies or other benefits would be gained by establishing a separate nomination committee. The Board has adopted a Nomination Committee Charter which it applies when convening as a nomination committee.

Principle 4

Recommendation 4.3: Structure of the Audit Committee.

Notification of Departure: The Audit Committee is comprised of only two members. Mr Hancock chairs the Audit Committee.

Explanation for Departure: The Board considers that the Audit Committee is comprised of the most suitable members in the Company's circumstances. The Board has adopted an Audit Committee Charter to assist the Audit Committee to identify the issues and responsibilities of an Audit Committee.

NOMINATION COMMITTEE

The full Board, in its capacity as the nomination committee, held one meeting during the Reporting Period. All Board members attended the meeting.

AUDIT COMMITTEE

The Audit Committee held two meetings during the Reporting Period. The members of the Audit Committee are Greg Hancock (independent chair) and John Innes (independent). Both members attended the meetings. While none of the Audit Committee members have formal financial qualifications, both members have substantial industry knowledge and experience. Mr Hancock is a past member of the Companies and Markets Advisory Committee (CAMAC) of the Federal Government and has significant corporate and commercial experience in the capital market. Mr Innes has a distinguished career extending over more than four decades within the Australian minerals industry. He has held senior managerial roles with responsibility for engineering, research and development, new resource project evaluations and environmental auditing. Throughout his career, Mr Innes has held many Board positions. Both directors consider themselves to be financially literate.

REMUNERATION COMMITTEE

Details of remuneration, including the Company's policy on remuneration, are contained in the "Remuneration Report" which forms part of the Directors' Report.

The Remuneration Committee did not officially convene during the Reporting Period. However, remuneration related discussions occurred from time to time during the year. The members of the Remuneration Committee are John Innes and Greg Hancock.



Corporate Governance Statement (cont...)

OTHER

Skills, Experience, Expertise and term of office of each Director

A profile of each director containing the skills, experience, expertise and term of office of each director is set out in the Directors' Report.

Identification of Independent Directors

In considering the independence of directors, the Board refers to the criteria for independence as set out in Box 2.1 of the ASX Principles and Recommendations ("Independence Criteria"). To the extent that it is necessary for the Board to consider issues of materiality, the Board refers to the thresholds for qualitative and quantitative materiality as adopted by the Board and contained in the Board Charter, which is disclosed in full on the Company's website.

Applying the Independence Criteria, the independent directors of the Company are John Innes and Greg Hancock.

Statement concerning availability of Independent Professional Advice

If a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of his/her office as a director, then, provided the director first obtains approval for incurring such expense from the chairperson, the Company will pay the reasonable expenses associated with obtaining such advice.

Confirmation whether performance Evaluation of the Board and its members have taken place and how conducted

During the Reporting Period a formal evaluation of the Board and its members was not carried out, as it was not considered to be a beneficial procedure given the size and composition of the Board and the nature of the Company's operations. However, the composition of the Board and its suitability to carry out the Company's objectives is discussed on an as-required basis during regular meetings of the Board and any adjustments made accordingly.

Existence and Terms of any Schemes for Retirement Benefits for Non-Executive Directors

There are no termination or retirement benefits for non-executive directors.

Directors' Report

The Directors of AusQuest Ltd herewith submit the annual financial report of the Company for the financial year ended 30 June 2007. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

The names and particulars of the Directors of the Company during or since the end of the financial year and up to the date of this report are:

Directors

John Innes B.E. Hons, M.Eng.Sc, FTS, FAIMM, FAICD

Non-Executive Chairman

John's distinguished career extends over more than four decades within the Australian minerals industry, initially with BHP and subsequently with CRA. He was closely associated with the development of Hamersley Iron and in 1994 received the Clunies Ross National Science and Technology Award for his unique contributions in developing new iron and steelmaking technologies, including the Hismelt process. He also held senior managerial roles across the CRA Group of companies with responsibility for engineering, research and development, new resource project evaluations and environmental auditing. Prior to retiring in 1997, John was a CRA Group Executive for 12 years and was Chairman of their Scientific Advisory Board. Throughout his career, John has held many Board positions including Chairman of the GWK Centre for Extractive Metallurgy, Chairman of XRT Ltd, Deputy Chairman of ANSTO as well as Director of Hamersley Iron, Pasminco, Normandy NFM Ltd, AMC and Ausmelt. Currently he is a founding Director of the privately held Conarco Minerals Limited.

John has held no other Directorship in listed companies over the last three (3) years.

Graeme Drew B.Sc.Hons., FAIMM, MASEG.

Managing Director

Graeme has over 36 years experience in the exploration industry in Australia and overseas. Prior to co-founding AusQuest Ltd he was an Exploration Manager for CRAE and Rio Tinto Exploration Pty Ltd in Western Australia (9 years) and Eastern Australia (4 years). He has wide experience in the search for, and evaluation of, most base and precious metals (notably nickel, gold, uranium, zinc and diamonds). Graeme has developed a passion for the 'big picture' and 'big project' generation which he strongly believes are the building blocks for successful exploration outcomes. He has been involved in discoveries at Kintyre (uranium), Admiral Bay (lead/zinc), Honeymoon Well (nickel) plus gold deposits at Kirkalocka, Whistler and Ellen Dam.

Graeme has held no other Directorships in listed companies over the last three (3) years.

John Ashley B.Sc.Hons., M.Sc., FAIMM, MSEG, MASEG, MAIG

Executive Director

John is a former Director of Southern Geoscience Consultants (SGC), which he established in 1985, and is a former Director of Aerodata Holdings and Conquest Mines NL (unlisted). John has over 4 decades experience as a geophysicist in the exploration industry with government agencies, exploration companies, and consulting companies and has worked in many countries. He has had significant involvement in discoveries of uranium (El Sherana West), copper/lead/zinc (Prieska), gold (Red October, Ulysses). As a co-founder he now works solely for AusQuest Ltd.

John has held no other Directorships in listed companies over the last three (3) years.

Greg Hancock B.A. Econs, BEd Hons., F.Fin.

Non-Executive Director

Greg is an Executive Director of Cooper Energy Ltd, an ASX listed oil and gas exploration and production company. He has had over 20 years experience in Capital markets practising in the area of Corporate Finance. He maintains close links with the stockbroking and investment banking community on behalf of the company.

Directorships held in listed companies over the last three (3) years are as follows:

Cooper Energy Limited – appointed 9 March 2001 to current

Christopher Ellis B.Sc. Hons

Non-Executive Director

Chris is an experienced mining executive with over 30 years experience in geology, exploration, mine planning and project development in Australia and overseas. He was a founding member and Executive Director of Excel Coal Limited which was the subject of a take-over bid by the US coal giant Peabody Energy Inc, and has held senior positions within Shell Coal's Exploration, BP Coal (London and USA), Agipcoal Australia and the Stratford Joint Venture.

Directorships held in listed companies over the last three (3) years are as follows:

Excel Coal Limited – appointed 11 November 2002 to 11 October 2006

The above named Directors held office during and since the end of the financial year except for:

Christopher Ellis – appointed 2 November 2006

Company Secretary

Darren Crawte LL.B Hons, ACA

Darren is a qualified Chartered Accountant with 9 years experience working within public practice, specifically within the area of audit and assurance both in Australia and the United Kingdom. He holds similar secretarial roles in various other listed public companies and was appointed on 21 February 2007.



Operating results

The loss of the consolidated entity after income tax for the year was \$698,007 (2006 \$1,587,591).

Principal activities

The principal activity of the Company was mineral exploration throughout Australia. There was no significant change in the nature of this activity during the year.

Review of operations

A review of the Company's exploration projects and activities during the year are discussed in the Exploration Report included in this Annual Report.

Changes in state of affairs

During the financial year there was no significant change in the state of affairs of the consolidated entity other than referred to in the financial statements or notes thereto.

Subsequent events

There has not been any matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Future developments

AusQuest will continue to explore its projects in the search for economic iron, gold, base metal, uranium and diamond deposits. The Company will seek joint venture opportunities where appropriate for its projects in an effort to balance the risks and rewards associated with exploration thereby maximizing returns to shareholders.

Safety and Environmental regulations

The Company is aware of its occupational health and safety and environmental obligations with regard to its exploration activities and ensures that it complies with all regulations when carrying out exploration work.

Dividends

No dividends were paid or declared since the start of the financial year. No recommendation for the payment of dividends has been made.

Share options

Share options granted to Directors and executives

During and since the end of the financial year an aggregate of share options were granted to the following Directors and executives of the Company:

Directors and executives	Number of options granted	Issuing entity	Number of ordinary shares under option
Graeme Drew	1,000,000	AusQuest Ltd	1,000,000
John Ashley	500,000	AusQuest Ltd	500,000
Greg Hancock	300,000	AusQuest Ltd	300,000

Share options that expired/lapsed

No options expired or lapsed during the year.

The holders of such options do not have the right, by virtue of the option, to participate in any share issue or interest issue of any other body corporate or registered scheme.

Share options on issue

Details of unissued shares or interests under option at the date of this report are:

Issuing entity	Number of shares under option	Class of shares	Exercise price of option	Expiry date of options
AusQuest Ltd (Quoted)	94,972,576	Ordinary	20 cents each	30 November 2009
AusQuest Ltd	8,913,648	Ordinary	20 cents each	31 August 2008
AusQuest Ltd	1,875,000	Ordinary	30 cents each	31 August 2009
AusQuest Ltd	5,000,000	Ordinary	40 cents each	1 May 2008
AusQuest Ltd	3,700,000	Ordinary	54 cents each	30 June 2011
AusQuest Ltd	500,000	Ordinary	30 cents each	31 January 2012

The holders of such options do not have the right, by virtue of the option, to participate in any share issue or interest issue of any other body corporate or registered scheme.

Directors' Report (cont...)

Shares issued on the exercise of options

Details of shares or interests issued during or since the end of the financial year as a result of exercise of an option are:

Issuing entity	Number of shares issued	Class of shares	Amount paid for shares	Amount unpaid on shares
AusQuest Ltd (Quoted)	20,839,172	Ordinary	20 cents each	-
AusQuest Ltd (31 August 2007)	1,000,000	Ordinary	20 cents each	-
AusQuest Ltd (31 August 2008)	557,439	Ordinary	20 cents each	-

Indemnification of officers and auditors

During or since the end of the financial year the Company has given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

- except as may be prohibited by the Corporations Act 2001 the Directors and officers of the Company shall be indemnified out of the property of the Company against any liability incurred by him in his capacity as Director or officer of the Company or any related corporation in respect of any act or omission whatsoever and howsoever occurring or in defending any proceedings, whether civil or criminal;
- since the beginning of the financial year the Company has paid insurance premiums of \$23,493 in respect of Directors and Officers liability and corporate reimbursement, for Directors and officers in the Company. The insurance premiums relate to:
- any loss for which the Directors and officers may not be legally indemnified by the Company arising out of any claim, by reason of any wrongful act committed by them in their capacity as a Director or officer of the Company or any related corporation, first made against them jointly or severally during the year of insurance; and
- indemnifying the Company against any payment which it has made and was legally permitted to make arising out of any claim, by reason of any wrongful act, committed by any Director or officer in their capacity as a Director or officer of the Company or any related corporation, first made against the Director or officer during the period of insurance.

The insurance policy outlined above does not allocate the premium paid to each individual officer of the Company.

Directors' meetings

The following table sets out the number of Directors' meetings (including meetings of committees of Directors) held during the financial year and the number of meetings attended by each Director (while they were a Director or committee member). During the financial year, 3 board meetings, no remuneration committee meetings and 2 audit committee meetings were held.

Directors	Board of Directors		Remuneration committee		Audit committee	
	Held	Attended	Held	Attended	Held	Attended
John Innes	3	3	-	-	2	2
Greg Hancock	3	3	-	-	2	2
Christopher Ellis *	3	3	-	-	-	-
John Ashley *	3	3	-	-	-	-
Graeme Drew *	3	3	-	-	-	-

* Not a member of the audit committee

In addition 7 circular resolutions have been passed by the Directors.

Directors' shareholdings

The following table sets out each Director's relevant interest in shares, debentures, and rights or options in shares or debentures of the Company or a related body corporate as at the date of this report.

Directors	Ordinary Shares	Option over Shares
John Innes	4,349,590	2,408,811
Greg Hancock	858,000	2,010,000
Chris Ellis	8,344,372	5,689,345
John Ashley	4,269,049	5,199,523
Graeme Drew	2,917,151	5,204,057



Remuneration report

Remuneration policy for Directors and executives

The Board policy for determining emoluments is based on the principle of remunerating Directors and senior executives on their ability to add value to the Company (taking into account the Company's strategic plan and operations) whilst also considering market emolument packages for similar positions within the industry and in consultation with external consultants. The Board appreciates the interrelationship between this policy and Company performance. It acknowledges that it is in the best interests of shareholders to provide challenging but achievable incentives to reward senior executives for reaching the Company's stated goals. The Board will discuss these issues internally and with candidates prior to engaging additional Directors or senior executives in the future.

Director and executive details

The Directors of AusQuest Ltd during the year were:

- John Innes
- Greg Hancock
- Christopher Ellis – appointed 2 November 2006
- John Ashley
- Graeme Drew

There were no group executives employed by AusQuest Ltd during the year.

Elements of Director and Executive remuneration

Remuneration packages contain the following key elements:

- a) Primary benefits (being salary, fees, bonus and non monetary benefits)
- b) Post-employment benefits (being superannuation)
- c) Equity (being share options granted)
- d) Other benefits

The following table discloses the remuneration of the Directors of the Company:

	Primary			Post-employment			Equity	Other benefits	Total
	Salary & fees	Bonus	Non-monetary	Super-annuation	Prescribed benefits	Other	Options		
2007	\$	\$	\$	\$	\$	\$	\$	\$	\$
John Innes	45,000	-	-	4,050	-	-	-	5,044	54,094
Greg Hancock	30,000	-	-	2,700	-	-	37,848	5,044	75,592
Chris Ellis	16,667	-	-	1,500	-	-	-	3,317	21,484
John Ashley	81,407	-	-	-	-	-	63,081	5,044	149,532
Graeme Drew	150,000	-	-	13,500	-	-	126,161	5,044	294,705

Elements of remuneration related to performance

During the year the Board and Shareholders approved the issue of 1,800,000 options to Directors and 1,900,000 options to key management and staff exercisable into 3,700,000 ordinary shares in AusQuest Ltd at an exercise price of 54 cents per ordinary share. The options can be exercised on or before 30 June 2011.

Value of options issued to Directors and Executives

The following table discloses the value of options granted, exercised or lapsed during the year:

	Options Granted	Options Exercised	Options Lapsed	Total value of options granted, exercised and lapsed	Value of options included in remuneration for the year	Percentage of total remuneration for the year that consists of options
	Value at grant date	Value at exercise date	Value at time of lapse			
	\$	\$	\$	\$	\$	%
John Innes	-	-	-	-	-	-
Greg Hancock	37,848	-	-	37,848	37,848	50.07
Chris Ellis	-	-	-	-	-	-
John Ashley	63,081	-	-	63,081	63,081	42.19
Graeme Drew	126,161	-	-	126,161	126,161	42.81

The options exercised by Directors during the financial year were not originally granted as part of remuneration.

Value of options - basis of calculation

The following factors and assumptions were used in determining the fair value of options at grant date:

Grant Date	Expiry Date	Fair Value per Option (cents)	Exercise Price (cents)	Share Price on Grant Date (cents)	Estimated Volatility %	Risk Free Interest Rate %
11 July 2006	30 June 2011	12.62	54	17	122.0	5.75

Proceedings on behalf of the Company

No persons have applied for leave pursuant to s.237 of the Corporation Act 2001 to bring, or intervene in, proceedings on behalf of AusQuest Ltd.

Non-audit services

There were no non-audit services performed during the year by the auditors (or by another person or firm on the auditors' behalf).

Auditor's independence declaration

The auditor's independence declaration is included on page 21 of the financial report.

Signed in accordance with a resolution of the Directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the Directors



Graeme Drew
Managing Director

Perth, 24 September 2007



Auditor's Independence Declaration



Accountants | Business and Financial Advisers

Auditor's Independence Declaration

As lead auditor for the audit of the financial report of AusQuest Limited for the year ended 30 June 2007, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of AusQuest Limited.

Perth, Western Australia
24 September 2007

L Di Giallonardo
Partner, HLB Mann Judd

Independent Audit Report to the Members of AusQuest Ltd



Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REPORT

To the members of AUSQUEST LIMITED

We have audited the accompanying financial report of AusQuest Limited ("the company"), which comprises the balance sheet as at 30 June 2007, the income statement, statement of changes in equity, cash flow statement and notes to the financial statements for the year then ended for both the company and the consolidated entity. The consolidated entity comprises the company and the entities it controlled at the end of the financial year or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In Note 3, the directors state that the compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with the International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of AusQuest Limited and included in the Directors' Report, would be on the same terms if provided to the directors as at the date of this auditor's report.

Auditor's Opinion

In our opinion:

- (a) the financial report of AusQuest Limited is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2007 and of their performance for the year then ended; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 3.

Perth, Western Australia
24 September 2007

HLB Mann Judd

HLB MANN JUDD
Chartered Accountants

L Di Giallonardo
L DI GIALLONARDO
Partner

HLB Mann Judd (WA Partnership)
15 Rheacla Street West Perth 6005. PO Box 263 West Perth 6872 Western Australia. DX 238 (Perth) Telephone +61 (08) 9481 0977. Fax +61 (08) 9481 3686.
Email: hnb@hlbwa.com.au. Website: <http://www.hlb.com.au>
Partners: Terry M Benkings, Lisa Christodoulou, Wayne M Clark, Leslie Di Giallonardo, Colin D Emmott, Trevor G Haddy, Norman D Hall, Peter J Specovsky

HLB Mann Judd (WA Partnership) is a member of International and the HLB Mann Judd National Association of Independent accounting firms



Directors' Declaration

The Directors declare that:

- (a) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- (b) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and give a true and fair view of the financial position and performance of the consolidated entity; and
- (c) the Directors have been given the declarations required by s.295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors

Graeme Drew
Director

Perth, 24 September 2007

Income Statement

for the financial year ended 30 June 2007

	Note	Consolidated		Company	
		2007 \$	2006 \$	2007 \$	2006 \$
Revenue	5	413,042	543,679	413,042	543,679
Consultants & employee benefits expense		(583,208)	(159,041)	(583,208)	(159,041)
Occupancy expenses		(66,889)	(52,277)	(66,889)	(52,277)
Administration expense		(460,952)	(356,612)	(460,952)	(356,612)
Exploration expenditure written off		-	(1,563,340)	-	(1,563,340)
Impairment of investment in subsidiary		-	-	-	(150,000)
Loss from continuing operations before income tax expense/benefit	5	(698,007)	(1,587,591)	(698,007)	(1,737,591)
Income tax expense	6	-	-	-	-
Loss from continuing operations attributable to members of the parent entity		(698,007)	(1,587,591)	(698,007)	(1,737,591)
Loss per share:					
Basic (cents per share)	19	(0.67)	(2.27)		

Notes to the financial statements are included on pages 28 to 42.



Balance Sheet

as at 30 June 2007

at 30 June 2007

		Consolidated		Company	
	Note	2007 \$	2006 \$	2007 \$	2006 \$
Current assets					
Cash and cash equivalents		6,258,157	2,590,505	6,238,157	2,590,505
Trade and other receivables	10	273,411	82,447	273,411	82,447
Total current assets		6,531,568	2,672,952	6,511,568	2,672,952
Non-current assets					
Trade and other receivables	11	-	-	1,831,996	870,887
Property, plant and equipment	12	73,562	61,144	73,562	61,144
Other financial assets	13	-	-	-	-
Exploration, evaluation & development	14	8,486,991	5,730,099	6,524,995	4,709,212
Total non-current assets		8,560,553	5,791,243	8,430,553	5,641,243
Total assets		15,092,121	8,464,195	14,942,121	8,314,195
Current liabilities					
Trade and other payables	15	102,737	101,063	102,737	101,063
Total current liabilities		102,737	101,063	102,737	101,063
Total liabilities		102,737	101,063	102,737	101,063
Net assets		14,989,384	8,363,132	14,839,384	8,213,132
Equity					
Issued capital	16	17,106,288	10,248,825	17,106,288	10,248,825
Reserves	17	591,596	124,800	591,596	124,800
Accumulated losses	18	(2,708,500)	(2,010,493)	(2,858,500)	(2,160,493)
Total equity		14,989,384	8,363,132	14,839,384	8,213,132

Notes to the financial statements are included on pages 28 to 42.

Statement of Changes in Equity

for the financial year ended 30 June 2007

Consolidated

	Attributable to equity holders			Total Equity \$
	Ordinary Shares \$	Option Reserve \$	Accumulated Losses \$	
For the year ended 30 June 2007				
At beginning of year	10,248,825	124,800	(2,010,493)	8,363,132
Loss for the year	-	-	(698,007)	(698,007)
Issue of shares	7,279,322	-	-	7,279,322
Issue of options	-	466,796	-	466,796
Share issue expenses	(421,859)	-	-	(421,859)
At end of year	17,106,288	591,596	(2,708,500)	14,989,384

	Attributable to equity holders			Total Equity \$
	Ordinary Shares \$	Option Reserve \$	Accumulated Losses \$	
For the year ended 30 June 2006				
At beginning of year	8,443,427	124,800	(422,902)	8,145,325
Loss for the year	-	-	(1,587,591)	(1,587,591)
Issue of shares	1,800,838	-	-	1,800,838
Recovery of prior year share issue costs	4,560	-	-	4,560
At end of year	10,248,825	124,800	(2,010,493)	8,363,132

Company

	Attributable to equity holders			Total Equity \$
	Ordinary Shares \$	Option Reserve \$	Accumulated Losses \$	
For the year ended 30 June 2007				
At beginning of year	10,248,825	124,800	(2,160,493)	8,213,132
Loss for the year	-	-	(698,007)	(698,007)
Issue of shares	7,279,322	-	-	7,279,322
Issue of options	-	466,796	-	466,796
Share issue expenses	(421,859)	-	-	(421,859)
At end of year	17,106,288	591,596	(2,858,500)	14,839,384

	Attributable to equity holders			Total Equity \$
	Ordinary Shares \$	Option Reserve \$	Accumulated Losses \$	
For the year ended 30 June 2006				
At beginning of year	8,443,427	124,800	(422,902)	8,145,325
Loss for the year	-	-	(1,737,591)	(1,737,591)
Issue of shares	1,800,838	-	-	1,800,838
Recovery of prior year share issue costs	4,560	-	-	4,560
At end of year	10,248,825	124,800	(2,160,493)	8,213,132

Notes to the financial statements are included on pages 28 to 42.



Cash Flow Statement

for the financial year ended 30 June 2007

		Consolidated		Company	
	Note	2007 \$	2006 \$	2007 \$	2006 \$
Cash flows from operating activities					
Receipts from operations		-	-	-	
Payments to suppliers and employees		(651,580)	(538,153)	(651,580)	(538,153)
Reimbursement of expenses		54,330	-	54,330	-
Interest and other costs of finance paid		-	(11)	-	(11)
Interest received		181,020	144,992	181,020	144,992
Net cash used in operating activities	26 (c)	(416,230)	(393,172)	(416,230)	(393,172)
Cash flows from investing activities					
Amounts advanced to related parties		-	-	(961,109)	(538,097)
Payment for property, plant and equipment		(32,089)	(41,780)	(32,089)	(41,780)
Proceeds from sale of property, plant and equipment		-	1,455	-	1,455
Exploration and evaluation expenditure		(2,761,492)	(2,453,738)	(1,820,383)	(1,915,641)
Proceeds from sale of exploration assets		20,000	400,000	20,000	400,000
Net cash used in investing activities		(2,773,581)	(2,094,063)	(2,793,581)	(2,094,063)
Cash flows from financing activities					
Proceeds from issues of equity securities		7,279,322	1,782,838	7,279,322	1,782,838
Recovery/(payment) of share issue costs		(421,859)	4,560	(421,859)	4,560
Net cash provided by financing activities		6,857,463	1,787,398	6,857,463	1,787,398
Net increase/(decrease) in cash and cash equivalents		3,667,652	(699,837)	3,647,652	(699,837)
Cash and cash equivalents at the beginning of the financial year		2,590,505	3,290,342	2,590,505	3,290,342
Cash and cash equivalents at the end of the financial year	26(a)	6,258,157	2,590,505	6,238,157	2,590,505

Notes to the financial statements are included on pages 28 to 42.

Notes to the Financial Statements

1. GENERAL INFORMATION

AusQuest Limited (the Company) is a listed public Company, incorporated in Australia and operating in Australia.

The Company's registered office and its principal place of business are as follows:

Registered office

c/- Ord Group Pty Ltd
Level 2, 47 Colin Street
West Perth WA 6005

Principal place of business

6 Kearns Crescent
Ardross WA 6153

2. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations has not resulted in any changes to the Group's accounting policies nor have affected the amounts reported for the current or prior years.

At the date of authorisation of the financial report, the following Standards and Interpretations were in issue but not yet effective:

- | | |
|---|--|
| • AASB 7 'Financial Instruments: Disclosures' and consequential amendments to other accounting standards resulting from its issue | Effective for annual reporting periods beginning on or after 1 January 2007 |
| • AASB 101 'Presentation of Financial Statements' – revised standard | Effective for annual reporting periods beginning on or after 1 January 2007 |
| • Interpretation 10 'Interim Financial Reporting and Impairment' | Effective for annual reporting periods beginning on or after 1 November 2006 |

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the financial statements of the Company or the Group. These Standards and Interpretations will be first applied in the financial report of the Group that relates to the annual reporting period beginning after the effective date of each pronouncement, which will be the Company's annual reporting period beginning on 1st July 2007.

3. SUMMARY OF ACCOUNTING POLICIES

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law. Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with the A-IFRS ensures that the consolidated financial statements and notes of the consolidated entity comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the Directors on 21 September 2007.

Basis of preparation

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts.

(b) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the entity in respect of services provided by employees up to reporting date.

(c) Financial assets

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.



Subsequent to initial recognition, investments in subsidiaries are measured at cost.

Other financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held-to-maturity investments', 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Trade receivables, loans, and other receivables are recorded at amortised cost less impairment.

(d) Financial instruments issued by the Company

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

(e) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- (i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- (ii) for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(f) Impairment of assets

At each reporting date, the consolidated entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

(g) Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

Notes to the Financial Statements (cont...)

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the entity intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

Tax consolidation

The Company and its wholly-owned Australian resident entity are part of a tax-consolidated group under Australian taxation law. AusQuest Ltd is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the Company (as head entity in the tax-consolidated group).

Amounts are recognised as payable to or receivable by the Company and each member of the group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group as and when they arise.

(h) Exploration and Evaluation Expenditure

Exploration, evaluation and development expenditure incurred may be accumulated in respect of each identifiable area of interest. These costs are carried forward only if they relate to an area of interest for which rights of tenure are current and in respect of which:

- (i) such costs are expected to be recouped through successful development and exploitation or from sale of the area; or
- (ii) exploration and evaluation activities in the area have not, at balance date, reached a stage which permit a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active operations in, or relating to, the area are continuing.

Accumulated costs in respect of areas of interest which are abandoned are written off in full against profit or loss in the year in which the decision to abandon the area is made. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Notwithstanding the fact that a decision not to abandon an area of interest has been made, based on the above, the exploration and evaluation expenditure in relation to an area may still be written off if considered appropriate to do so.

(i) Joint ventures

Jointly controlled assets and operations

Interests in jointly controlled assets and operations are reported in the financial statements by including the entity's share of assets employed in the joint ventures, the share of liabilities incurred in relation to the joint ventures and the share of any expenses incurred in relation to the joint ventures in their respective classification categories.

Jointly controlled entities

Interests in jointly controlled entities are accounted for under the equity method in the financial statements and the cost method in the Company financial statements.

(j) Operating cycle

The operating cycle of the entity coincides with the annual reporting cycle.



(k) Payables

Trade payables and other accounts payable are recognised when the entity becomes obliged to make future payments resulting from the purchase of goods and services.

(l) Presentation currency

The entity operates entirely within Australia and the presentation currency is Australian dollars.

(m) Principles of consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the Company (the parent entity) and its subsidiaries as defined in Accounting Standard AASB 127 'Consolidated and Separate Financial Statements'. A list of subsidiaries appears in note 22 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair values of the identifiable net assets acquired exceeds the cost of acquisition, the deficiency is credited to profit and loss in the period of acquisition.

The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

The consolidated financial statements include the information and results of each subsidiary from the date on which the Company obtains control and until such time as the Company ceases to control such entity.

In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full.

(n) Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item.

Depreciation is provided on plant and equipment. Depreciation is calculated on a diminishing value basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

Class of fixed asset	Depreciation rate (%)
• Office furniture & equipment	7.5 – 50.0

(o) Provisions

Provisions are recognised when the consolidated entity has a present obligation (legal or constructive) as a result of a past event, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

(p) Revenue recognition

Dividend and interest revenue

Dividend revenue is recognised on a receivable basis. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(q) Share-based payments

Equity-settled share-based payments with employees granted after 7 November 2002 and that were unvested as of 1 January 2005, are measured at the fair value of the equity instrument at the grant date. The fair value at grant date is measured by use of the Black and Scholes option pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the entity's estimate of shares that will eventually vest.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

Notes to the Financial Statements (cont...)

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Impairment

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. No impairment loss was recorded in the current financial year (2006: \$150,000).

Share based payments

The Group measures the cost of equity settled transactions with consultants and employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black Scholes model, using the assumptions detailed in note 8.

Doubtful debts provision

The Directors believe that the recoupment of the intercompany loan from AusQuest Ltd to Fortescue Resources Pty Ltd is dependent on the successful development and commercial exploitation or, alternatively, the sale of the exploration assets held by the controlled entity.

	Consolidated		Company	
	2007 \$	2006 \$	2007 \$	2006 \$

5. LOSS FROM OPERATIONS

(a) Revenue

Interest received	338,712	144,993	338,712	144,993
Reimbursement of expenditure	54,330	-	54,330	-
Profit on disposal of exploration assets	20,000	400,000	20,000	400,000
Loss on disposal of plant and equipment	-	(1,314)	-	(1,314)

(b) Loss before income tax

Profit/(loss) before income tax has been arrived at after crediting/ (charging) the following gains and losses from continuing operations:

Finance costs:

Other interest expense	-	(11)	-	(11)
Depreciation of non-current assets	(19,671)	(13,175)	(19,671)	(13,175)
Impairment of investment in subsidiary	-	-	-	(150,000)
Exploration expenditure written off	-	(1,563,340)	-	(1,563,340)



	Consolidated		Company	
	2007	2006	2007	2006
	\$	\$	\$	\$

6. INCOME TAXES

(a) Tax expense/(income) comprises:

Current tax expense/(income)	-	-	-	-
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	-	-	-	-
Total tax expense/(income)	-	-	-	-

The prima facie income tax expense on pre-tax accounting loss from operations reconciles to the income tax expense in the financial statements as follows:

Loss from operations	(698,007)	(1,587,591)	(698,007)	(1,737,591)
Income tax expense calculated at 30%	(209,402)	(476,277)	(209,402)	(521,277)
Effect of expenses that are not deductible in determining taxable profit	4,437	473,981	4,437	518,981
Effect of unused tax losses and tax offsets not recognised as deferred tax assets	204,965	2,296	204,965	2,296
Income tax attributable to operating loss	-	-	-	-

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

(b) Unrecognised deferred tax balances

The following deferred tax assets and (liabilities) have not been brought to account as assets:

Tax losses – revenue	3,224,421	2,634,077	2,963,125	2,372,781
Tax losses – capital	-	-	-	-
Net temporary differences	(2,491,290)	(1,633,355)	(1,902,691)	(1,327,119)
Net tax assets/(liabilities)	733,131	1,000,722	1,060,434	1,045,662

Tax consolidation

Relevance of tax consolidation to the consolidated entity

The Company and its wholly-owned Australian resident entities have formed a tax-consolidated group and are therefore taxed as a single entity. The head entity within the tax-consolidated group is AusQuest Ltd. The members of the tax-consolidated group are identified at note 22.

Notes to the Financial Statements (cont...)

7. KEY MANAGEMENT PERSONNEL REMUNERATION

The Directors of AusQuest Ltd during the year were:

- John Innes
- Greg Hancock
- Chris Ellis – appointed 2 November 2006
- John Ashley
- Graeme Drew

There were no specified executives of AusQuest Ltd during the year.

(a) Key management personnel remuneration

The Board policy for determining emoluments is based on the principle of remunerating Directors and senior executives on their ability to add value to the Company (taking into account the Company's strategic plan and operations) whilst also considering market emolument packages for similar positions within the industry and in consultation with external consultants. The Board appreciates the interrelationship between this policy and Company performance. It acknowledges that it is in the best interests of shareholders to provide challenging but achievable incentives to reward senior executives for reaching the Company's stated goals. The Board will discuss these issues internally and with candidates prior to engaging additional Directors or senior executives in the future.

Specified Directors' remuneration

	Primary			Post-employment			Equity	Other benefits	Total
	Salary & fees \$	Bonus \$	Non-monetary \$	Super-annuation \$	Prescribed benefits \$	Other \$	Options \$		
2007									
John Innes	45,000	-	-	4,050	-	-	-	5,044	54,094
Greg Hancock	30,000	-	-	2,700	-	-	37,848	5,044	75,592
Chris Ellis	16,667	-	-	1,500	-	-	-	3,317	21,484
John Ashley	81,407	-	-	-	-	-	63,081	5,044	149,532
Graeme Drew	150,000	-	-	13,500	-	-	126,161	5,044	294,705
Total	323,074	-	-	21,750	-	-	227,090	23,493	595,407

During the year the Board and Shareholders approved the issue of a total of 1,800,000 options to Greg Hancock, John Ashley and Graeme Drew exercisable into 1,800,000 ordinary shares in AusQuest Ltd at an exercise price of 54 cents per ordinary share. The options can be exercised on or before 30 June 2011.

	Primary			Post-employment			Equity	Other benefits	Total
	Salary & fees \$	Bonus \$	Non-monetary \$	Super-annuation \$	Prescribed benefits \$	Other \$	Options \$		
2006									
John Innes	30,000	-	-	2,700	-	-	-	6,147	38,847
Greg Hancock	50,000	-	-	1,800	-	-	-	6,147	57,947
John Ashley	56,900	-	-	-	-	-	-	6,147	63,047
Graeme Drew	134,999	-	-	12,150	-	-	-	6,147	153,296
Total	271,899	-	-	16,650	-	-	-	24,588	313,1378

8. SHARE-BASED PAYMENTS

The Company has an ownership-based compensation arrangement for consultants and employees of the Company.

Each option issued under the arrangement converts into one ordinary share of AusQuest Limited on exercise. No amounts are paid or payable by the recipient on receipt of the option. Options neither carry rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The number of options granted is at the sole discretion of the Directors.

Incentive options issued to Directors (executive and non-executive) are subject to approval by shareholders and attach vesting conditions as appropriate.



The following share-based payment arrangements were in existence during the current and comparative reporting periods:

Options series	Number	Grant date	Expiry date	Exercise price \$	Fair value at grant date \$
31 August 2007	1,000,000	16 September 2003	31 August 2007	0.20	0.05
31 August 2008	1,000,000	16 September 2003	31 August 2008	0.20	0.075
31 August 2009	1,000,000	17 September 2004	31 August 2009	0.30	0.064
30 June 2011	3,700,000	11 July 2006	30 June 2011	0.54	0.126

The fair value of the share options granted during the financial year is \$466,796 (2006: Nil). Options were priced using a Black and Scholes model. The expected life used in the model has not been adjusted. Expected volatility is based on the movement of the underlying share price around its average price over the previous 12 months. No allowance has been made for the effects of early exercise.

Inputs into the model	Option series 30 June 2011
Grant date share price	17 cents
Exercise price	54 cents
Expected volatility	122%
Option life	5 years
Dividend yield	Nil
Risk-free interest rate	5.75%

The following reconciles the outstanding incentive share options granted at the beginning and end of the financial year:

	2007		2006	
	No. of options	Exercise price \$	No. of options	Exercise price \$
Balance at beginning of the financial year	3,000,000	0.23	3,000,000	0.23
Granted during the financial year	3,700,000	0.54	-	-
Balance at end of the financial year (i)	6,700,000	0.40	3,000,000	0.23
Exercisable at end of the financial year	6,700,000	0.40	3,000,000	0.23

(i) Balance at end of the financial year

The share options outstanding at the end of the financial year had a weighted average exercise price of \$0.40 cents and a weighted average remaining contractual life of 2.7 years.

	Consolidated		Company	
	2007 \$	2006 \$	2007 \$	2006 \$
Audit or review of financial reports	19,808	15,949	19,808	15,949
Other audit services	1,160	-	1,160	-
	20,968	15,949	20,968	15,949

The auditor of AusQuest Ltd is HLB Mann Judd.

10. CURRENT TRADE AND OTHER RECEIVABLES

Other debtors	273,411	82,447	273,411	82,447
	273,411	82,447	273,411	82,447

11. NON-CURRENT TRADE AND OTHER RECEIVABLES

Loans to controlled entity	-	-	1,831,996	870,887
	-	-	1,831,996	870,887

The ultimate recoupment of the loan to the controlled entity is dependent on the successful development and commercial exploitation or, alternatively, the sale of the exploration assets held by the controlled entity.

Notes to the Financial Statements (cont...)

12. PROPERTY, PLANT AND EQUIPMENT

	Consolidated	
	Office furniture and equipment at cost \$	Total \$
Gross carrying amount		
Balance at 1 July 2005	76,330	76,330
Additions	41,781	41,781
Disposals	(3,673)	(3,673)
Balance at 1 July 2006	114,438	114,438
Additions	32,089	32,089
Disposals	-	-
Balance at 30 June 2007	146,527	146,527
Accumulated depreciation and impairment		
Balance at 1 July 2005	41,024	41,024
Disposals	(904)	(904)
Depreciation expense	13,174	13,174
Balance at 1 July 2006	53,294	53,294
Disposals	-	-
Depreciation expense	19,671	19,671
Balance at 30 June 2007	72,965	72,965
Net book value		
As at 30 June 2006	61,144	61,144
As at 30 June 2007	73,562	73,562

	Company	
	Office furniture and equipment at cost \$	Total \$
Gross carrying amount		
Balance at 1 July 2005	76,330	76,330
Additions	41,781	41,781
Disposals	(3,673)	(3,673)
Balance at 1 July 2006	114,438	114,438
Additions	32,089	32,089
Disposals	-	-
Balance at 30 June 2007	146,527	146,527
Accumulated depreciation and impairment		
Balance at 1 July 2005	41,024	41,024
Disposals	(904)	(904)
Depreciation expense	13,174	13,174
Balance at 1 July 2006	53,294	53,294
Disposals	-	-
Depreciation expense	19,671	19,671
Balance at 30 June 2007	72,965	72,965
Net book value		
As at 30 June 2006	61,144	61,144
As at 30 June 2007	73,562	73,562



	Consolidated		Company	
	2007 \$	2006 \$	2007 \$	2006 \$
Aggregate depreciation allocated, whether recognised as an expense or capitalised as part of the carrying amount of other assets during the year:				
Office furniture and equipment	19,671	13,174	19,671	13,174
	19,671	13,174	19,671	13,174

13. OTHER NON-CURRENT FINANCIAL ASSETS

Shares in controlled entities	-	-	150,000	150,000
Impairment loss	-	-	(150,000)	(150,000)
	-	-	-	-

14. EXPLORATION, EVALUATION & DEVELOPMENT

Costs carried forward in respect of areas of interest in the exploration and evaluation phase (at cost):

Balance at beginning of year	5,730,099	4,931,602	4,709,212	4,471,312
Capitalised during the year	2,756,892	2,361,837	1,815,783	1,801,240
Written off during the year	-	(1,563,340)	-	(1,563,340)
Balance at end of year	8,486,991	5,730,099	6,524,995	4,709,212

The ultimate recoupment of costs carried forward in respect of areas of interest still in the exploration and/or evaluation phases is dependent on successful development and commercial exploitation or, alternatively, sale of the respective areas of interest.

15. CURRENT TRADE AND OTHER PAYABLES

Trade payables (i)	102,737	101,063	102,737	101,063
	102,737	101,063	102,737	101,063

- (i) The average credit period on purchases of goods and services is 30 days. No interest is charged on the trade payables for the first 30 to 60 days from the date of the invoice. Thereafter, interest is charged at various penalty rates. The consolidated entity has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

16. ISSUED CAPITAL

125,183,928 fully paid ordinary shares (2006: 77,457,692)	17,106,288	10,248,825	17,106,288	10,248,825
	17,106,288	10,248,825	17,106,288	10,248,825

	2007		2006	
	No.	\$	No.	\$
Fully paid ordinary shares				
Balance at beginning of financial year	77,457,692	10,248,825	68,431,000	8,443,427
Acquisition of tenements – 15 February 2006 (i)	-	-	150,000	18,000
Issue pursuant to a farm-in agreement – 5 May 2006	-	-	5,000,000	1,000,000
Issue of shares pursuant to a Placement	15,000,000	3,000,000	-	-
Bonus issue (1:10 basis)	11,329,625	-	-	-
Options exercised during the year	21,396,611	4,279,322	3,876,692	782,838
Recovery/(payment) of share issue costs	-	(421,859)	-	4,560
Balance at end of financial year	125,183,928	17,106,288	77,457,692	10,248,825

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

- (i) The fair value was determined by reference to the trading price of the shares at the time of negotiating the acquisition.

Notes to the Financial Statements (cont...)

	Consolidated		Company	
	2007 \$	2006 \$	2007 \$	2006 \$
17. RESERVES				
Option reserve				
Balance at beginning of financial year	124,800	124,800	124,800	124,800
Remuneration options	466,796	-	466,796	-
Balance at end of financial year	591,596	124,800	591,596	124,800

Nature and Purpose of Option Reserve

The option reserve is used to record the value of share based payments provided to employees, including key management personnel, as part of their remuneration.

Share options

As at 30 June 2007, options outstanding over 115,461,224 ordinary shares in aggregate are as follows:

Share options on issue at year end

Details of unissued shares or interests under option are:

Issuing entity	Number of shares under option	Class of shares shares	Exercise price of option	Expiry date of options
AusQuest Ltd (Quoted)	94,972,576	Ordinary	20 cents each	30 November 2009
AusQuest Ltd	1,000,000	Ordinary	20 cents each	31 August 2007
AusQuest Ltd	8,913,648	Ordinary	20 cents each	31 August 2008
AusQuest Ltd	1,875,000	Ordinary	30 cents each	31 August 2009
AusQuest Ltd	5,000,000	Ordinary	40 cents each	1 May 2008
AusQuest Ltd	3,700,000	Ordinary	54 cents each	30 June 2011

Share options carry no rights to dividends and no voting rights.

Shares issued on the exercise of options

Details of shares issued on exercise of options during the year are:

Issuing entity	Number of shares under option	Class of shares shares	Amount paid for shares	Amount unpaid on shares
AusQuest Ltd (Quoted)	20,839,172	Ordinary	20 cents each	-
AusQuest Ltd (Aug 2008)	557,439	Ordinary	20 cents each	-

No options lapsed or expired during the year.

	Consolidated		Company	
	2007 \$	2006 \$	2007 \$	2006 \$
18. ACCUMULATED LOSSES				
Balance at beginning of financial year	2,010,493	422,902	2,160,493	422,902
Loss attributable to members of the parent entity	698,007	1,587,591	698,007	1,737,591
Balance at end of financial year	2,708,500	2,010,493	2,858,500	2,160,493

19. LOSS PER SHARE

	Consolidated	
	2007	2006
	Cents per share	Cents per share
Basic loss per share:		
From continuing operations	(0.67)	(2.27)
Total basic loss per share	(0.67)	(2.27)



19. LOSS PER SHARE (cont...)

Basic loss per share

The loss and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	2007 \$	2006 \$
Loss for the year	(698,007)	(1,587,591)
Loss from continuing operations	(698,007)	(1,587,591)
	2007 No.	2006 No.
Weighted average number of ordinary shares for the purposes of basic loss per share	104,047,714	69,993,946

Diluted loss per share

Diluted loss per share is not disclosed as the result is anti-dilutive in nature.

	Consolidated		Company	
	2007 \$	2006 \$	2007 \$	2006 \$

20. COMMITMENTS FOR EXPENDITURE

Other expenditure commitments

Exploration, Evaluation & Development (expenditure commitments)

Not longer than 1 year	2,549,000	2,568,250	2,287,000	2,327,250
Longer than 1 year and not longer than 5 years	4,599,564	5,147,193	4,277,172	4,565,943
Longer than 5 years	29,836	810,150	29,836	810,150
	7,178,400	8,525,593	6,594,008	7,703,343

21. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

In the opinion of the Directors, there were no material contingent liabilities as at 30 June 2007 and no contingent liabilities were incurred in the interval between the period end and the date of this financial report.

22. SUBSIDIARIES

Name of entity	Country of Incorporation	Ownership Interest	
		2007 %	2006 %
Parent entity:			
AusQuest Ltd (i)	Australia		
Subsidiaries:			
Fortescue Resources Pty Ltd	Australia	100%	100%

(i) AusQuest Ltd is the head entity within the tax consolidated group. All the companies are members of the tax consolidation group.

23. SEGMENT INFORMATION

The Company operates predominantly in one geographical segment, being Australia, and in one industry, being mineral exploration.

24. RELATED PARTY DISCLOSURES

(a) Equity interests in related parties

Equity interests in subsidiaries

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 22 to the financial statements.

(b) Key management personnel remuneration

Details of key management personnel remuneration are disclosed in note 7 to the financial statements.

Notes to the Financial Statements (cont...)

24. RELATED PARTY DISCLOSURES (cont...)

(c) Key management personnel equity holdings

Fully paid ordinary shares of AusQuest Ltd

	Balance at 1 July	Granted as remuneration	Received on exercise of options	Net other change	Balance at 30 June
Specified Directors	No.	No.	No.	No.	No.
2007					
John Innes	2,125,000	-	620,082	604,508	3,349,590
Greg Hancock	620,000	-	160,000	78,000	858,000
Chris Ellis	-	-	500,151	7,844,221	8,344,372
John Ashley	3,605,344	-	269,247	387,458	4,262,049
Graeme Drew	2,591,856	-	60,100	265,195	2,917,151
2006					
John Innes	1,413,500	-	-	711,500	2,125,000
Greg Hancock	600,000	-	-	20,000	620,000
John Ashley	3,305,344	-	-	300,000	3,605,344
Graeme Drew	2,384,856	-	-	207,000	2,591,856

Executive share options of AusQuest Ltd

	Balance at 1 July	Granted as remuneration	Exercised	Net other change	Balance at 30 June	Balance vested at 30 June	Vested but not exercisable	Vested and exercisable	Options vested during year
Specified Directors	No.	No.	No.	No.	No.	No.	No.	No.	No.
2007									
John Innes	1,745,082	-	(620,082)	2,283,811	3,408,811	3,408,811	-	3,408,811	2,283,811
Greg Hancock	1,285,000	300,000	(160,000)	585,000	2,010,000	2,010,000	-	2,010,000	460,000
Chris Ellis	-	-	(500,151)	6,189,496	5,689,345	5,689,345	-	5,689,345	5,689,345
John Ashley	2,062,828	500,000	(269,247)	2,905,942	5,199,523	5,199,523	-	5,199,523	3,405,942
Graeme Drew	2,352,190	1,000,000	(60,100)	1,911,967	5,204,057	5,204,057	-	5,204,057	2,988,967
2006									
John Innes	1,531,750	-	-	213,332	1,745,082	1,745,082	-	1,745,082	-
Greg Hancock	1,275,000	-	-	10,000	1,285,000	1,285,000	-	1,285,000	-
John Ashley	2,062,828	-	-	-	2,062,828	2,062,828	-	2,062,828	-
Graeme Drew	2,352,190	-	-	-	2,352,190	2,352,190	-	2,352,190	-

During the financial year, 1,609,580 (2006: Nil) options were exercised at an exercise price of 20 cents by specified Directors for ordinary shares in AusQuest Ltd. These options were not originally granted as part of remuneration.

	Consolidated	
	2007 \$	2006 \$
(d) Other transactions with specified Directors		
The loss from operations includes the following items of revenue and expense that resulted from transactions other than remuneration, loans or equity holdings, with specified Directors or their personally-related entities:		
Premises were rented by AusQuest Ltd during the year from ASP Investments Pty Ltd, an entity associated with John Ashley	54,638	52,277
Consulting services provided by Hancock Corporate Investments Pty Ltd, an entity associated with Greg Hancock	22,500	-
Total recognised as expenses	77,138	52,277

During the year, shareholders approved the issue of 5.0 million shares in the Company at 20 cents per share, each with a free attaching option exercisable at 20 cents on or before 30 November 2009 to Chris Ellis. This was part of, and on the same terms and conditions, as the 15.0 million share placement undertaken during the year.

(e) Transactions with other related parties

Other related parties include:

- entities with joint control or significant influence over the consolidated entity;
- associates;
- joint ventures in which the entity is a venturer;



24. RELATED PARTY DISCLOSURES (cont...)

- subsidiaries;
- former key management personnel; and
- other related parties.

Amounts receivable from and payable to these related parties are disclosed in note 11 to the financial statements. All loans advanced to related parties are unsecured and are interest free.

(f) Parent entity

The ultimate parent entity in the consolidated entity is AusQuest Ltd.

25. SUBSEQUENT EVENTS

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

	Consolidated		Company	
	2007 \$	2006 \$	2007 \$	2006 \$

26. NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:

Cash and cash equivalents	6,258,157	2,590,505	6,238,157	2,590,505
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(b) Non-cash financing and investing activities

Issue of shares to acquire tenements or subsidiary	-	18,000	-	18,000
	-	18,000	-	18,000

(c) Reconciliation of loss for the period to net cash flows from operating activities

Loss for the period	(698,007)	(1,587,591)	(698,007)	(1,737,591)
(Gain)/loss on sale or disposal of non-current assets	(20,000)	(398,686)	(20,000)	(398,686)
Depreciation of non-current assets	19,671	13,175	19,671	13,175
Exploration expenditure written off	-	1,563,340	-	1,563,340
Equity settled share-based payment	466,796	-	466,796	-
Impairment of investment in subsidiary	-	-	-	150,000
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:				
(Increase)/decrease in assets:				
Current receivables	(190,965)	28,558	(190,965)	28,558
Increase/(decrease) in liabilities:				
Current payables	6,275	(11,968)	6,275	(11,968)
Net cash from operating activities	(416,230)	(393,172)	(416,230)	(393,172)

27. FINANCIAL INSTRUMENTS

(a) Financial risk management objectives

The parent entity manages the financial risks relating to the operations of the consolidated entity.

The consolidated entity does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The consolidated entity's activities expose it primarily to the financial risks of changes in interest rates. The consolidated entity does not use derivative financial instruments to manage its exposure to interest rates.

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3 to the financial statements.

Notes to the Financial Statements (cont...)

27. FINANCIAL INSTRUMENTS (cont...)

(c) Foreign currency risk management

The group does not transact in foreign currencies, hence no exposure to exchange rate fluctuations arise.

(d) Interest rate risk management

The consolidated entity is exposed to interest rate risk as it places funds at both fixed and floating interest rates. The risk is managed by maintaining an appropriate mix between fixed and floating rate products which also facilitates access to money.

Maturity profile of financial instruments

The following table details the consolidated entity's exposure to interest rate risk as at 30 June 2007:

	Weighted average effective interest rate %	Variable interest rate \$	Fixed maturity dates			Non interest bearing \$	Total \$
			Less than 1 year \$	1-5 years \$	5+ years \$		
2007							
Financial assets:							
Cash and cash equivalents	6.2	188,157	6,070,000	-	-	-	6,258,157
Trade and other receivables	-	-	-	-	-	273,411	273,411
		188,157	6,070,000	-	-	273,411	6,531,568
Financial liabilities:							
Trade payables	-	-	-	-	-	102,737	102,737
		-	-	-	-	102,737	102,737

The following table details the consolidated entity's exposure to interest rate risk as at 30 June 2006:

	Weighted average effective interest rate %	Variable interest rate \$	Fixed maturity dates			Non interest bearing \$	Total \$
			Less than 1 year \$	1-5 years \$	5+ years \$		
2006							
Financial assets:							
Cash and cash equivalents	4.6	148,566	2,441,939	-	-	-	2,590,505
Trade and other receivables	-	-	-	-	-	82,447	82,447
		148,566	2,441,939	-	-	82,447	2,672,952
Financial liabilities:							
Trade payables	-	-	-	-	-	101,063	101,063
		-	-	-	-	101,063	101,063

(e) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The consolidated entity's exposure and the credit ratings of its counterparties are continuously monitored. Credit exposure is controlled by counterparty limits that are reviewed and approved by the audit committee annually. The consolidated entity measures credit risk on a fair value basis.

The consolidated entity does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

(f) Fair value of financial instruments

The Directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values (2006: net fair value).

(g) Liquidity risk management

The consolidated entity manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.



Additional Securities Exchange Information

As at 5 October 2007

1. Shareholding

a. Distribution of Shareholders Number

Category (size of Holding)	Ordinary shares	Number of holders
1 – 1,000	10,966	28
1,001 – 5,000	734,708	232
5,001 – 10,000	1,927,795	242
10,001 – 100,000	25,262,044	762
100,001 – and over	98,248,415	196
Total shareholding	126,183,928	1460

b. The number of shareholdings held in less than marketable parcels is 105 given a share value of 20.5 cents per share.

c. Voting Rights

The voting rights attached to each class of equity security are as follows:

Ordinary shares

— Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

d. 20 Largest Shareholders — Ordinary Shares

Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1. National Nominees Limited	8,966,865	7.11
2. Chrysalis Investments Pty Ltd	6,160,000	4.88
3. Hamersley Holdings Limited	5,500,000	4.36
4. Oxiana Limited	5,387,250	4.27
5. Mr Ross Jeremy Taylor	4,500,000	3.57
6. Mr John A Innes & Mrs Ljuba Innes <Innes Super Fund A/C>	2,832,315	2.25
7. ANZ Nominees Limited <Cash Income A/C>	2,622,000	2.08
8. Mr Glenn Martin Courtis	2,375,457	1.88
9. Chrysalis Investments Pty Ltd <Ellis Superfund A/C>	2,184,372	1.73
10. Mr Graeme Drew & Mrs Barbara J Drew <The Drew Family Super A/C>	2,113,051	1.68
11. Asuper Pty Ltd	1,456,744	1.15
12. HFTT Pty Ltd <Haggarty Family A/C>	1,332,538	1.06
13. Jayleaf Holdings Pty Ltd	1,320,000	1.05
14. Intaglio Pty Ltd	1,199,859	0.95
15. Traist Pty Ltd	1,000,000	0.79
16. Asuper Pty Ltd <Ashley Super Fund A/C>	990,000	0.79
17. Mr William Standen Peters	988,528	0.78
18. UBS Wealth Management Australian Nominees Pty Ltd	954,955	0.76
19. James Thornett	948,277	0.75
20. Antico Holdings Pty Ltd <Gole Super Fund A/C>	943,248	0.75
	53,775,459	42.62

e. Names of substantial shareholders listed in the holding company's register as at 5 October 2007.

	Number of Shares Held
National Nominees Limited	8,966,865
Chrysalis Investments Pty Ltd (controlled by Chris Ellis, a director of the Company)	8,344,372

Additional Securities Exchange Information (cont...)

f. Distribution of Option holders

Category (size of Holding)	Listed Options	Number of holders
1 – 1,000	16,869	28
1,001 – 5,000	549,596	186
5,001 – 10,000	1,394,502	189
10,001 – 100,000	17,581,405	508
100,001 – and over	75,430,204	169
Total	94,972,576	1,080

Voting Rights

Listed options

- The options have no voting rights.
- The options are exercisable at xx cents each on or before 30 November 2009.

20 Largest Optionholders — Listed options

Name	Number of Listed Options Held	% Held of Listed Options
1. National Nominees Limited	7,113,772	7.49
2. Mr Ross Jeremy Taylor	4,910,000	5.17
3. Chrysalis Investments Pty Ltd	4,200,000	4.42
4. Hamersley Holdings Limited	3,750,000	3.95
5. Oxiana Limited	3,603,000	3.79
6. Chrysalis Investments Pty Ltd <Ellis Superfund A/C>	1,489,344	1.57
7. UBS Wealth Management Australia Nominees Pty Ltd	1,117,488	1.18
8. Asuper Pty Ltd <Ashley Super Fund A/C>	1,008,960	1.06
9. Mr Noel Mattocks <Noel Mattocks Family A/C>	1,000,000	1.05
10. Asuper Pty Ltd	993,234	1.05
11. Orchidee Pty Ltd <The Gilmour Super/Fund A/C>	950,000	1.00
12. HFTT Pty Ltd	908,549	0.96
13. Jayleaf Holdings Pty Ltd	900,000	0.95
14. Intaglio Pty Ltd	818,085	0.86
15. JPH Retirement Nominees Pty Ltd <Super Fund A/C>	800,000	0.84
16. Ms Jeanette Terpens	672,625	0.71
17. James Thornett	646,552	0.68
18. Antico Holdings Pty Ltd <Gole Super Fund A/C>	643,124	0.68
19. ANZ Nominees Limited <Cash Income A/C>	619,625	0.65
20. Alpine Nominees Pty Ltd	603,747	0.64
	36,748,105	38.69

2. The name of the company secretary is Darren Crawte.

3. The address of the registered office in Australia is Level 2, 47 Colin Street, West Perth WA 6005.

The principle place of business is 6 Kearns Crescent, Ardross WA 6153.

Telephone (08) 9364 3866

4. Registers of securities are held at the following addresses

Western Australia Advanced Share Registry Services
110 Stirling Highway, Nedlands WA 6009

5. Securities Exchange Listing

Quotation has been granted for all the ordinary shares of the company on all Member Exchanges of the Australian SecuritiesExchange Limited.



6. Unquoted Securities

2008 Options (exercisable at 40 cents on or before 1 May 2008)

Category (size of Holding)	2008 Options	Number of holders
1 – 1,000	-	-
1,001 – 5,000	-	-
5,001 – 10,000	-	-
10,001 – 100,000	-	-
100,001 – and over	5,000,000	1
Total	5,000,000	1

2008 Options (exercisable at 20 cents on or before 31 August 2008)

Category (size of Holding)	2008 Options	Number of holders
1 – 1,000	-	-
1,001 – 5,000	-	-
5,001 – 10,000	-	-
10,001 – 100,000	-	-
100,001 – and over	8,913,648	11
Total	8,913,648	11

2009 Options (exercisable at 30 cents on or before 31 August 2009)

Category (size of Holding)	2009 Options	Number of holders
1 – 1,000	-	-
1,001 – 5,000	-	-
5,001 – 10,000	-	-
10,001 – 100,000	-	-
100,001 – and over	1,875,000	8
Total	1,875,000	

2011 Options (exercisable at 54 cents on or before 30 June 2011)

Category (size of Holding)	2011 Options	Number of holders
1 – 1,000	-	-
1,001 – 5,000	-	-
5,001 – 10,000	-	-
10,001 – 100,000	-	-
100,001 – and over	3,700,000	8
Total	3,700,000	8

2012 Options (exercisable at 30 cents on or before 31 January 2012)

Category (size of Holding)	2012 Options	Number of holders
1 – 1,000	-	-
1,001 – 5,000	-	-
5,001 – 10,000	-	-
10,001 – 100,000	-	-
100,001 – and over	500,000	1
Total	500,000	1

All options have no voting rights.

Interests in Mining Tenements

AusQuest Ltd - Granted Tenements and Applications as at 29/08/2007

State	Tenement	Name	Status	Sub-blocks	Area Km ²	Grant Date	Expiry Date	Commitment \$
PLENTY RIVER								
NT	EL 22824	Plenty River	granted	494	1581	19/12/05	18/12/11	50,000
NT	EL 22872	Plenty River One	granted	91	235	31/10/05	30/10/11	25,000
NT	EL 22878	Plenty River Seven	granted	22	70	19/12/05	18/12/11	10,000
NT	EL 23566	Plenty River Eight	granted	240	768	19/12/05	18/12/11	40,000
NT	EL 23792	Plenty River Ten	granted	231	685	31/10/05	30/10/11	50,000
NT	EL 25007	Plenty River eleven	granted	82	215	31/10/05	30/10/11	45,000
NT	EL 25008	Plenty River twelve	application	383	1071			
DRUMMOND								
QLD	EPM 12047	Epping Forrest	granted	54	173	4/9/01	3/9/08	100,000
QLD	EPM 14732	Galilee 6	granted	10	32	27/5/05	26/5/10	30,000
TABLE HILL								
WA	E69/1773	Boondawarri 1	granted	35	112	30/5/02	29/5/07	70000
WA	E69/1776	Boondawarri 4	granted	21	67	30/5/02	29/5/07	42000
WA	E69/1777	Boondawarri 5	granted	21	67	30/5/02	29/5/07	42000
WA	E69/1780	Glikson 1	granted	22	70	30/5/02	29/5/07	44000
WA	E69/1781	Glikson 2	granted	20	64	30/5/02	29/5/07	40000
WA	E69/1782	Glikson 3	granted	25	80	30/5/02	29/5/07	50000
WA	E69/1783	Glikson 4	granted	20	64	30/5/02	29/5/07	40000
WA	E69/1784	Glikson 5	granted	35	112	30/5/02	29/5/07	70000
WA	E69/1785	Glikson 6	granted	25	80	30/5/02	29/5/07	50000
WA	E69/1949	Boondawarri 8	granted	70	225	22/2/07	21/2/12	70,000
WA	E69/1950	Boondawarri 9	granted	70	225	22/2/07	21/2/12	70,000
WA	E69/1952	Glikson 8	granted	67	201	2/5/06	1/5/11	67,000
HORSETRACK								
WA	E45/2490	Horsetrack Range 1	granted	70	225	2/2/05	1/2/10	70,000
WA	E45/2491	Horsetrack Range 2	granted	70	225	2/2/05	1/2/10	70,000
WA	E45/2492	Horsetrack Range 3	granted	70	225	2/2/05	1/2/10	70,000
WA	E45/2493	Horsetrack Range 4	granted	70	225	2/2/05	1/2/10	70,000
WA	E45/2924	Horsetrack Range 5	application	70	225			
BEASLEY RIVER								
WA	E47/1294	Beasley River 1	granted	16	51	30/3/04	29/3/09	30,000
WA	E47/1206	Beasley River 3	granted	6	19	23/1/06	22/1/11	20,000
WA	E47/1425	Beasley River 2	granted	9	29	25/5/05	24/5/10	20,000


AusQuest Ltd - Granted Tenements and Applications as at 29/08/2007

State	Tenement	Name	Status	Sub-blocks	Area Km ²	Grant Date	Expiry Date	Commitment \$
BELLARY								
WA	E47/1426	Hope Creek West	granted	8	26	25/5/05	24/5/10	20,000
WA	E47/1427	Hope Creek East	granted	6	19	25/5/05	24/5/10	20,000
WA	E47/1418	Lagoon Pool 1	granted	70	225	25/5/05	24/5/10	70,000
WA	E47/1424	Lagoon Pool 2	granted	44	141	18/10/06	17/10/11	44,000
WA	E47/1486	Bellary 1	granted	15	48	18/8/06	17/8/11	20,000
WA	E47/1641	Bellary 2	granted	9	28	5/3/07	4/3/12	20,000
WA	E47/1022	Rocklea 3	granted	70	225	6/10/04	5/10/09	70,000
WA	E47/1023	Rocklea 1	granted	70	225	6/10/04	5/10/09	70,000
WA	E47/1024	Rocklea 2	granted	70	225	6/10/04	5/10/09	70,000
WA	E47/1040	Fortescue 4	granted	52	167	29/6/05	28/6/10	52,000
SYLVANIA								
WA	E52/1777	Sylvania 1	granted	70	225	2/3/05	1/3/10	70,000
WA	E52/1778	Sylvania 2	granted	53	170	2/3/05	1/3/10	53,000
WA	E52/1922	Sylvania 3	granted	70	225	24/7/06	23/7/11	70,000
WA	E52/1923	Sylvania 4	granted	70	225	24/7/06	23/7/11	70,000
WA	E52/1924	Sylvania 5	granted	70	225	24/7/06	23/7/11	70,000
WA	E52/1933	Sylvania 6	granted	20	64	12/11/06	11/11/11	20,000
WA	E52/1979	Sylvania 7	granted	70	225	25/5/07	24/5/12	70,000
WA	E52/1980	Sylvania 8	granted	23	73	25/5/07	24/5/12	23,000
WA	E52/2018	Robertson 1	application	66	211			
WA	E52/2019	Robertson 2	granted	57	182	27/7/07	26/7/12	57,000
TOM PRICE IRON								
WA	E47/1485	Tom Price 1	granted	27	87	20/3/06	19/3/11	27,000
DUNDAS								
WA	E63/1000	Dundas 1	application	70	225			
WA	E63/1001	Dundas 2	application	70	225			
WA	E63/1002	Dundas 3	application	70	225			
WA	E63/1003	Dundas 4	application	70	225			
WA	E63/1004	Dundas 5	application	70	225			
RAVENSTHORPE								
WA	E63/994	Ravensthorpe 1	application	69	221			
WA	E74/367	Ravensthorpe 2	granted	47	150	19/2/07	18/2/12	47,000

Interests in Mining Tenements (cont...)

AusQuest Ltd - Granted Tenements and Applications as at 29/08/2007

State	Tenement	Name	Status	Sub-blocks	Area Km ²	Grant Date	Expiry Date	Commitment \$
MT DOBBIE								
NT	EL25505	Marqua	granted	211	658	15/3/07	14/3/13	30,000
NT	EL25498	Mt Dobbie	application	300	936			
NT	EL25508	Bonya	granted	224	698	13/7/07	12/7/13	33,000
DIAMANTINA PLAINS								
QLD	EPM15470	Diamantina 1	granted	100	312	9/3/07	8/3/12	49,000
QLD	EPM15472	Diamantina 3	granted	100	312	9/3/07	8/3/12	49,000
DIAMANTINA EAST								
QLD	EPM 15781	Diamantina East 1	application	30	94			
QLD	EPM 15782	Diamantina East 2	application	27	84			
QLD	EPM 15783	Diamantina East 3	application	15	47			
QLD	EPM 15785	Diamantina East 5	application	136	424			
QLD	EPM 15787	Diamantina East 7	application	45	140			
QLD	EPM 15789	Diamantina East 9	application	30	94			
QLD	EPM 15791	Diamantina East 11	application	83	258			
QLD	EPM 16750	Diamantina East 12	application	79	246			
QLD	EPM 16751	Diamantina East 13	application	10	31			
QLD	EPM 16752	Diamantina East 14	application	100	312			
QLD	EPM 16756	Diamantina East 15	application	90	280			
QLD	EPM 16757	Diamantina East 16	application	100	312			
QLD	EPM 16764	Diamantina East 17	application	99	308			
QLD	EPM 16766	Diamantina East 18	application	42	131			
SAVORY								
WA	E69/2301	Savory 1	application	200	642			
DARLING FAULT								
WA	E70/3262	Badgedong	application	200	642			
WA	E70/3263	Dalaroo	application	87	279			
WA	E70/3264	Koojan	application	51	163			
WA	E70/3265	Ajana	application	143	459			

Glossary

Anomalies	A feature which is different from its general surroundings. A geological or geochemical anomaly may be an indication of a zone of mineralisation.
Bedrock	The layer of solid rock that lies beneath soil and unconsolidated rock materials at the Earth's surface.
Calcrete	Conglomerate rock consisting of sand and gravel that has been cemented into a hard mass by calcium carbonate.
Down Hole Electromagnetic ("DHEM") survey	DHEM surveying is used to explore for conductive bodies below the Earth's surface, at depths where surface exploration techniques are inefficient. DHEM investigates the electromagnetic properties of rock surrounding an existing drillhole.
Diamond Drilling	A method of drilling where a diamond-impregnated drill bit is attached to the end of hollow drill rods to cut a cylindrical core of solid rock.
Disseminated	A mineral deposit in which the minerals occur as scattered particles in the rock (rather than as a single large mass).
Dyke	A linear mass of igneous rock that cuts across the structure of adjacent rock.
Electromagnetic ("EM") survey	The process of measuring electromagnetic (EM) waves in the earth's surface. When the waves penetrate the earth and hit a conducting formation or orebody, the changes in the electromagnetic current can be detected by instruments at the surface.
GEOTEM	An airborne electromagnetic surveying system designed for deep exploration for massive sulphide deposits over large areas.
Gravity data	Data obtained using a 'gravimeter', a prospecting tool used to measure irregularities or anomalies in gravity attraction produced by differences in the densities of rock formations.
Intrusion	Refers to a magma which has solidified before reaching the earth's surface.
Mafic	Rocks composed dominantly of ferromagnesian rock-forming silicates.
Magmatic	Pertaining to 'magma' – molten rock generated within the Earth.
Magnetic data	Data mapping variations in the magnetic field of the Earth that are attributable to changes in the structure or magnetic susceptibility of near-surface rocks.
Massive mineralisation	A mineral deposit – particularly sulphide - characterised by a concentration of ore in one place (as opposed to a 'disseminated' deposit – see above).
PGE	Platinum Group Elements notably platinum, palladium and rhodium.
Radiometric data	Data relating to the radioactivity emitted by rocks at or near the earth's surface.
Reverse Circulation ("RC") drilling	RC drilling uses a pneumatic hammer to cut through the rock and compressed air to bring crushed rock sample to the surface.
Sedimentary sequence	A sequence of sedimentary rock layers found in a specific geographic area, arranged in the order of their deposition.
Sill	A sheet of igneous rock intruded parallel to stratigraphy.
Ultramafic	Igneous rock (ie rock solidified from molten materials) that is composed chiefly of 'mafic' minerals (see above).
VTEM survey	A VTEM (Versatile Time-Domain Electromagnetic) survey is a helicopter mounted geophysical surveying system that is designed for the detection of massive sulphide deposits.

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