



Quarterly Report – 31 March 2012

DRILLING RESUMES AT WEST AFRICAN GOLD PROJECTS IN BURKINA FASO; DRILLING UNDERWAY AT DUNDAS GOLD PROJECT (WA)

HIGHLIGHTS

WEST AFRICAN GOLD (Burkina Faso)

- **Encouraging initial assay results** received from the first prospect RAB drilled at the **Komoe and Tondoura gold projects in Burkina Faso, West Africa:**
 - *including 4m @ 8.66g/t Au and 24m @ 0.62g/t Au at the Cisaillee prospect*
- **~15,000m of RAB drilling** (490 holes) **completed over 17 prospects** since drilling commenced in February – *all other assays pending and expected to be received over the coming months*
- **Additional 8,000 metres of RAB drilling** planned within the **Kangounadeni, Tiefora and Finkere** permits before the completion of the RAB drilling program
- **High-grade gold - 32.7g/t Au**, reported from a quartz-graphite rock-chip sample within the **Tondoura** tenement

AUSTRALIA – GOLD, BASE METALS

- **2km long target zone** identified at **Dundas Project (WA)** from ground EM survey – associated with anomalous base and precious metals intersected by previous drilling
- **RC drilling to test this target commenced in mid-April** – *initial assay results expected in late May*

PERU – COPPER-GOLD

- **Granting of key Prospecting Licences commences** with 43 of the 127 applications granted by the end of March 2012
- **Initial field reconnaissance of potential IOCG targets** commenced

CORPORATE

- Strong cash position of **approximately \$6.9M** at 31st March 2012

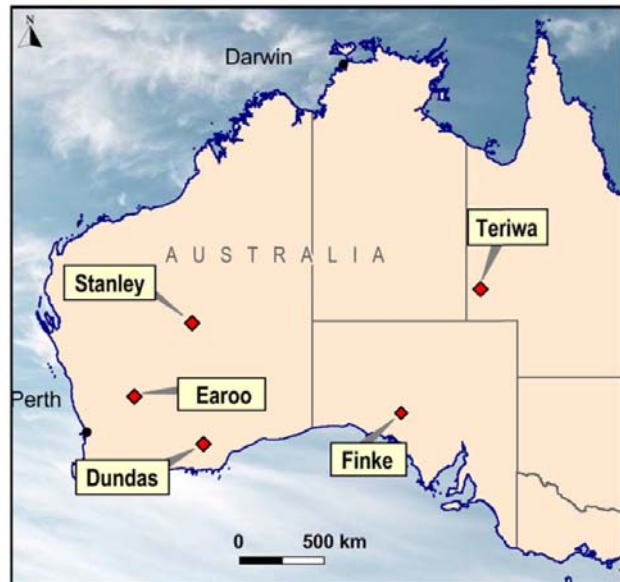


Figure 1: Project Locations – Australia and West Africa

OVERVIEW

AusQuest Limited (ASX: AQD) has a diversified portfolio of gold, base metal and bulk commodity projects in West Africa and Australia (Figure 1) and, more recently, in Peru, South America in conjunction with its strategic alliance partner, Cliffs Natural Resources.

During the March 2012 Quarter, the Company's exploration efforts were mainly focused on Burkina Faso, West Africa, where an extensive program (+20,000m) of shallow RAB drilling commenced in mid-February to test gold targets identified from earlier surface sampling.

In Western Australia, geophysical surveys identified targets at the Dundas Gold Project and drilling is currently underway to test these anomalies.

Rationalisation of the Company's projects continued with titles over the Mt Ramsay (WA) and Plenty River (NT) projects in the process of being relinquished.

In Peru, granting of key tenements commenced at the end of March with many additional titles remaining in the application stage. Initial field reconnaissance commenced during the Quarter.

GOLD – WEST AFRICA

Comoe Project (AQD 100%)

The Comoe Project is located in south-west Burkina Faso, West Africa, within a NNE trending greenstone belt, approximately 20km east of the town of Banfora. The area is relatively unexplored except for extensive historical surface sampling programs and scattered artisanal gold workings along the belt. Burkina Faso is emerging as a significant new West African gold province.

During the Quarter, RAB drilling of gold targets commenced with approximately 490 holes for a total of 15,000m completed to date.

Drilling has so far been completed at a total of 17 prospects, nine of which are located within the Komoe tenement and eight within Tondoura. Drill sections were generally spaced at 125m intervals with drill-holes either 25 or 50m apart. Five of the prospects within Komoe were tested by a single line of drill-holes.

All RAB drill-holes are inclined at 50 degrees to cut across the interpreted dip of the rocks, with average hole depths varying from ~20m at Komoe to ~ 40m at Tondoura. Drill-holes are being sampled on a 4m composite basis.

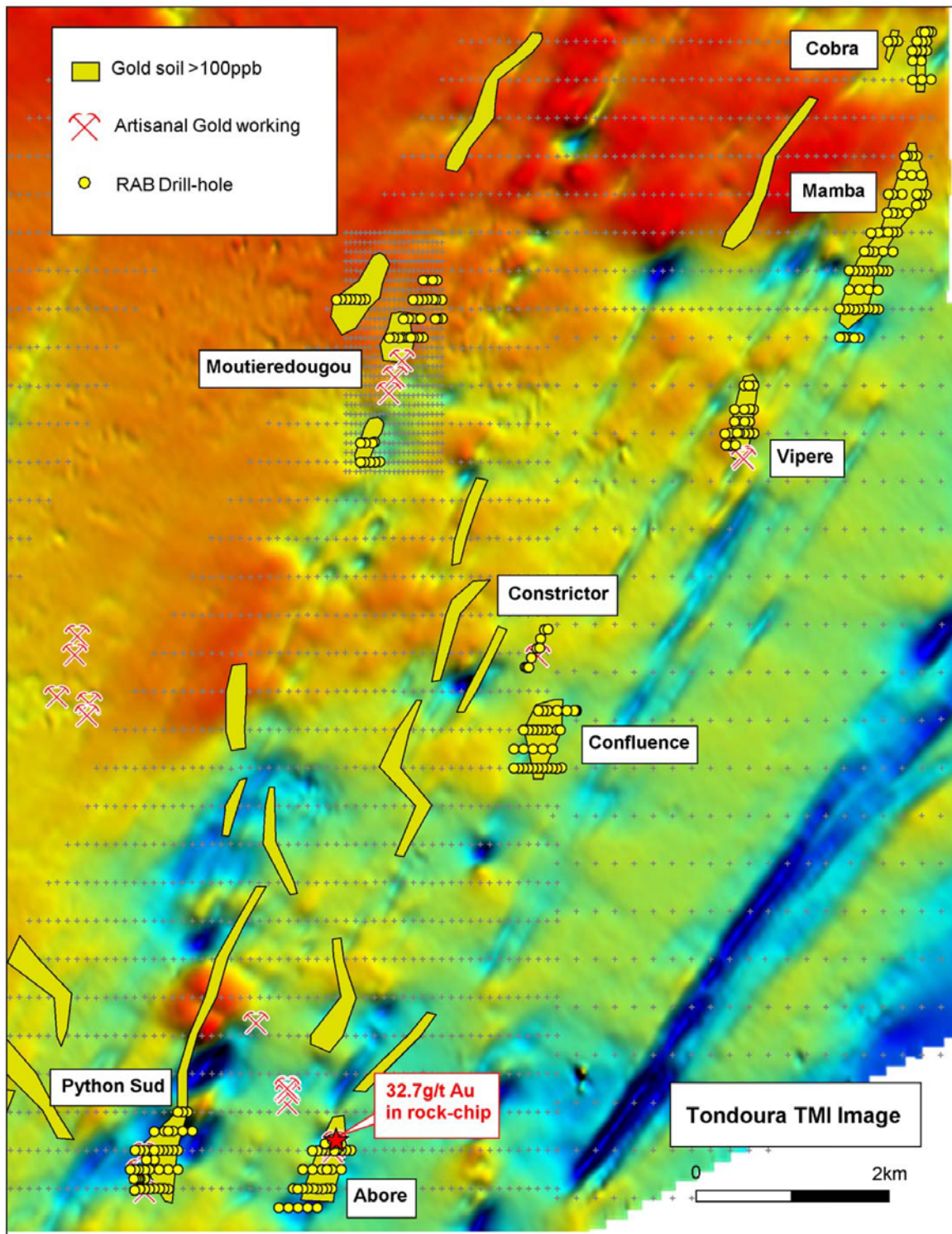


Figure 2: Tondoura Gold Prospects - RAB drill-hole locations

Gold assay results continue to be delayed due to the heavy workload at the laboratories in Ouagadougou. Results have so far been received from the **Cisaille prospect** at Komoe with better intersections including **4m at 8.66g/t Au** from the northern-most drill section and **24m at 0.62g/t Au** within an iron-rich mylonitic chert horizon that extends across

several drill-lines but with variable gold results.

Assay results for the remaining prospects are expected to be received progressively over the coming months following completion of the planned drilling program. Approximately 8,000m of RAB drilling remains to be completed over prospects located within the Kangounadeni, Tiefora and Finkere tenements.

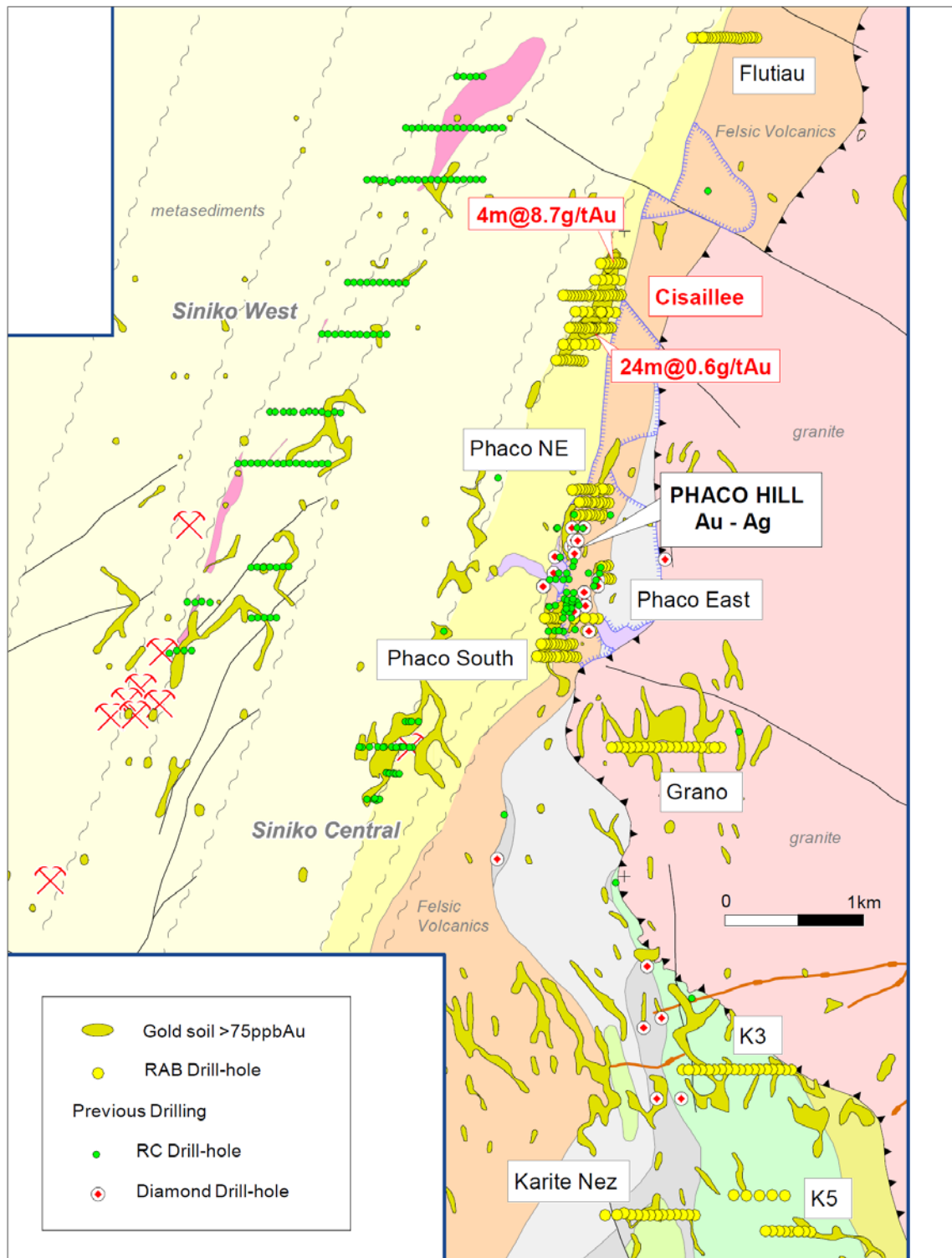


Figure 3: Komoe Gold Prospects – RAB drill-hole locations

Reconnaissance mapping and sampling was undertaken over the gold soil targets prior to and during the RAB drilling program. Of particular note was a quartz-graphite rock-chip sample from the Abore prospect (Tondoura) which reported a gold assay of **32.7g/t Au**, highlighting the possibility of high gold grades in this area.

Regional soil sampling was completed over selected areas within the Logoniegue and Komoe tenements to test structural targets highlighted by the aeromagnetic data that had not been previously sampled. A total of 825 samples were collected and a number of anomalous gold values in excess of 100ppb Au (max 0.55g/t Au) reported. Results are being compiled.

The Company is pleased with the progress of the RAB drilling program and expects to have more results to report over the coming weeks and months.

GOLD AND BASE METALS – AUSTRALIA

Dundas Gold (100% AQD)

The Dundas Gold Project is located approximately 100km east-southeast of Norseman in WA and covers an area of ~1,100km² within a structurally complex region 200km southwest of the Tropicana gold discovery. The tenements occur within the Dundas Nature Reserve, which is under the control of the Department of Environment

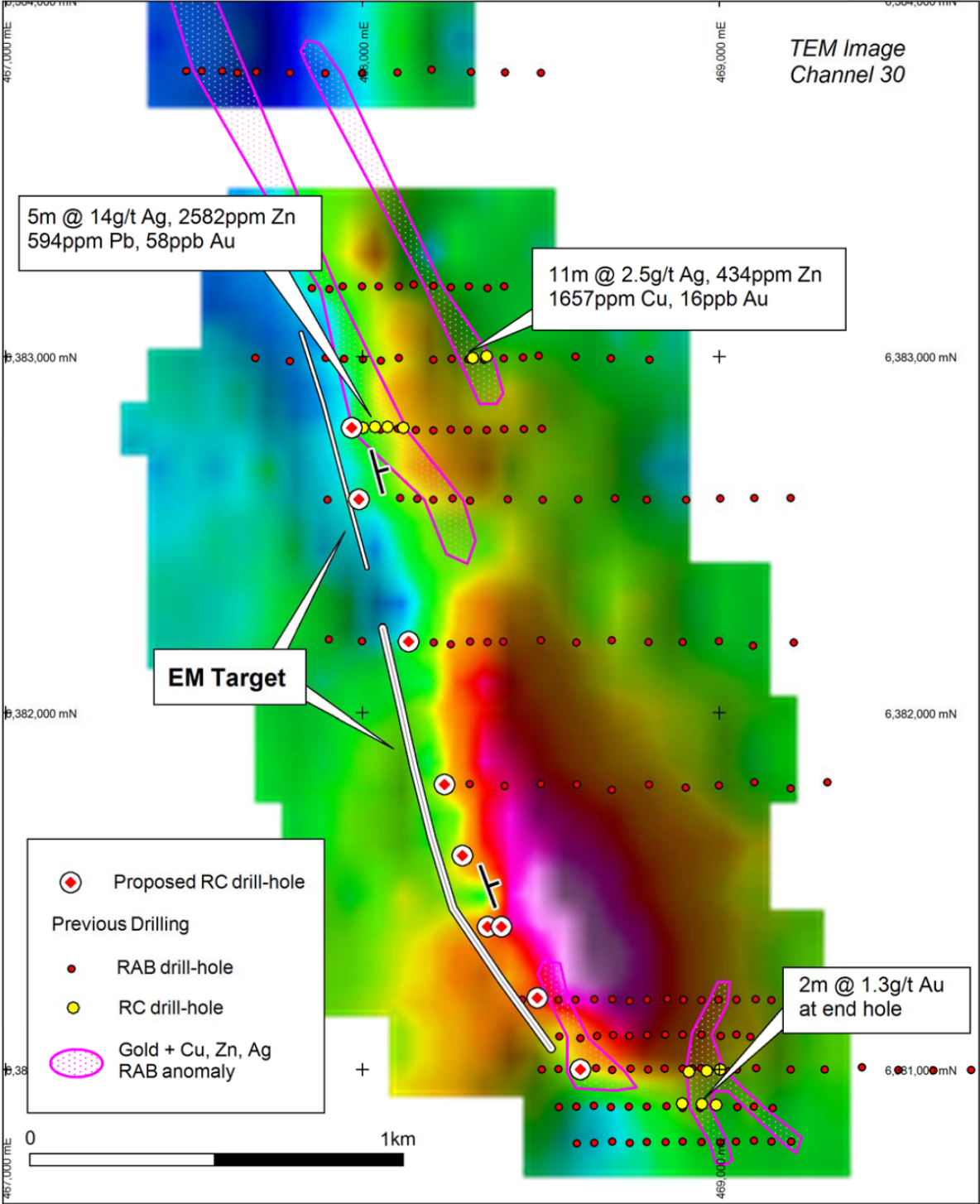


Figure 4: Dundas Project – EM image showing intersections and RC drill-hole locations

During the Quarter, a ground electromagnetic survey was completed over the area where RC drill-holes RC07 and RC011 had previously reported intersections of 5m @ 14g/t Ag, 2,582ppm Zn, 594ppm Pb, 58ppb Au (RC07) and 11m @ 2.5g/t Ag, 434ppm Zn, 1,657ppm Cu, 16ppb Au (RC011).

A distinct EM response slightly west of drill-hole RC07 was identified by the survey, reflecting a possible sulphide source which may contain base and/or precious metals. Modelling of the EM data indicated a strike extensive body (~2km) with conductivities up to 400 siemens, an easterly dip (~60°), and depths to source of approximately 60 metres below ground.

The strongest response has a strike extent of ~800 metres and occurs south of drill-hole RC07, where there is no effective drill coverage.

An RC drilling program (minimum 9 holes for 1,500 metres) commenced in mid-April to test this anomaly. Drilling is expected to be completed in May with assays available approximately four weeks after completion of the program.

Earoo Nickel Project (AQD 100%)

The Earoo Project is located approximately 130km north-west of Southern Cross in the Yilgarn region of WA. Interpretation of regional aeromagnetic data identified a large mafic intrusion which is believed to form part of the Warakurna Large Igneous Province (WLIP), which may include intrusive rocks in the Musgrave area – some of which are known to host nickel sulphide occurrences.

A report was prepared during the Quarter to gauge possible third party interest in this project.

Teriwa Copper-Gold Project (100% AQD)

The Teriwa Project is located approximately 350km southwest of Mt Isa and 100km northwest of the Diamantina

Project in western Queensland. It represents an Olympic Dam-style geophysical target at depths of approximately 500 metres below the surface.

Planning commenced during the Quarter for an in-fill gravity survey to confirm the location and depth of a possible drill target.

Finke Copper-Gold Project (AQD 100%)

The Finke Project is located approximately 40km south-west of Tarcoola and 20km south of the Trans-Australian Railway within the Yellabinna Regional Reserve in South Australia. The Company's tenement covers a linear trend of magnetic targets thought to reflect ironstone bodies with the potential for copper and gold mineralisation.

An initial site visit with the Traditional Owners to check on access is still to be completed.

MANGANESE PROJECTS - AUSTRALIA

Stanley Project (100% AQD)

The Stanley Project is located 170km east of Wiluna in Western Australia within the Earraheedy Basin. The Project comprises 16 granted Exploration Licences and three Exploration Licence Applications covering a total area of approximately 4,400km². Manganese mineralisation in the area occurs at several different stratigraphic locations around the basin and is often associated with carbonate units that are located stratigraphically above the iron formations which occur near the base of the Frere Formation.

VTEM targets interpreted to reflect possible manganese (Mn)/clay alteration along structures at the Dome and Niminga prospects remain to be drill tested. This drilling program is planned to commence in the second Quarter of 2012 subject to access and drill rig availability.

PERU PROJECTS

Peru is considered to be a highly prospective country for large Iron Oxide Copper Gold (IOCG) and porphyry copper deposits but is relatively under-explored when compared to its neighbour Chile, which is the world's largest copper producer. AusQuest recently embarked on

a new exploration venture in Peru in conjunction with its strategic alliance partner, Cliffs Natural Resources Exploration (CNRE), to explore the southern coastal region which is largely under cover. A regional aeromagnetic survey flown by the joint venture has been used to identify areas for follow-up.



Figure 5: South West Peru JV - showing areas of tenement applications

At the end of the Quarter, 43 of a possible 127 Prospecting Licences had been granted by INGEMMET (Institute of Geology Mines and Metallurgy). It is expected that further applications will now be granted over the coming months.

Early stage reconnaissance continued with a number of target areas visited by the company's consultants, mainly where vehicle access was possible. Evidence of mineralisation and /or alteration was found in the general region of several targets despite the very limited time spent in each area.

An experienced local geologist has now been employed to help with the ongoing

assessment and setting of priorities for more systematic exploration coverage.

Interpretation of the Company's aeromagnetic data continued with two additional areas highlighted as being prospective for IOCG mineralisation. New tenement applications were submitted.

AusQuest looks forward to reporting on the progress of this new exploration initiative over the coming months.

BUSINESS DEVELOPMENT

The Company continues to evaluate opportunities both within Australia and offshore with the aim of adding significant

value to the Company. Priority will be given to exploration properties with drill-ready targets, especially in areas of immediate interest to the Company.

Several opportunities have already emerged in Peru and West Africa given AusQuest's increased presence in these regions. Early discussions have been held with several parties.

CORPORATE

AusQuest's cash reserves as at the 31st March were approximately **A\$6.9 million**.



Graeme Drew
Managing Director

KEY ACTIVITIES – JUNE 2012 QUARTER

The following field activities are planned for the June 2012 Quarter:

- Comoe (gold) – Complete RAB drilling program over gold targets;
- Comoe (gold) – Soil sampling and mapping of selected areas to upgrade to drill status;
- Dundas (gold & base metals) – RC drilling (1,500m) of the EM target;
- Stanley (manganese) – RC drilling of VTEM targets;
- Teriwa (copper-gold) – In-fill gravity survey; and
- Peru (IOCG) – Field reconnaissance of IOCG and porphyry copper targets.

COMPETENT PERSON'S STATEMENT

The details contained in this report that pertain to exploration results are based upon information compiled by Mr Graeme Drew, a full-time employee of AusQuest Limited. Mr Drew is a Fellow of the Australasian Institute of Mining and Metallurgy (AUSIMM) and has sufficient experience in the activity which he is undertaking to qualify as a Competent Person as defined in the December 2004 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (JORC Code). Mr Drew consents to the inclusion in the report of the matters based upon his information in the form and context in which it appears.

FORWARD LOOKING STATEMENT

This report contains forward looking statements concerning the projects owned by AusQuest Limited. Statements concerning mining reserves and resources may also be deemed to be forward looking statements in that they involve estimates based on specific assumptions. Forward-looking statements are not statements of historical fact and actual events and results may differ materially from those described in the forward looking statements as a result of a variety of risks, uncertainties and other factors. Forward looking statements are based on management's beliefs, opinions and estimates as of the dates the forward looking statements are made and no obligation is assumed to update forward looking statements if these beliefs, opinions and estimates should change or to reflect other future developments.

Appendix 5B

Mining exploration entity quarterly report

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

Name of entity

AUSQUEST LIMITED

ABN

35 091 542 451

Quarter ended ("current quarter")

31 March 2012

Consolidated statement of cash flows

	Current quarter \$A '000	Year to date (9 months) \$A '000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for		
(a) exploration and evaluation	(1,290)	(5,296)
(b) development	-	-
(c) production	-	-
(d) administration	(51)	(929)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	130	542
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other	-	-
Net Operating Cash Flows	(1,211)	(5,683)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(5)	(32)
1.9 Proceeds from sale of:		
(a) prospects	1,125	1,125
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	1,120	1,093
1.13 Total operating and investing cash flows (carried forward)	(91)	(4,590)

1.13	Total operating and investing cash flows (brought forward)	(91)	(4,590)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from unissued shares, options etc	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (share issue costs)	-	-
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(91)	(4,590)
1.20	Cash at beginning of quarter/year to date	6,936	11,435
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter / year to date	6,845	6,845

Payments to directors of the entity and associates of the directors

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

		Current quarter \$A '000
1.23	Aggregate amount of payments to the parties included in item 1.2	138
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

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

Non-cash financing and investing activities

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

None.

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

None.

Financing facilities available

Add notes as necessary for an understanding of the position.

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

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	1,500
4.2 Development	-
4.3 Production	-
4.4 Administration	370
Total	1,870

Reconciliation of cash

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

	Current quarter \$A '000	Previous quarter \$A '000
5.1 Cash on hand and at bank	845	665
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other (Money market/Term Deposit)	6,000	6,271
Total: cash at end of quarter (item 1.22)	6,845	6,936

Changes in interests in mining tenements

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

Issued and quoted securities at end of current quarter

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

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities (description)				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	228,312,235	228,312,235		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities (description)				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options (description and conversion factor)	1,250,000 1,350,000 1,150,000 500,000 500,000 1,750,000	- - - - - -	<i>Exercise price</i> 35 cents 20 cents 40 cents 30 cents 40 cents 40 cents	<i>Expiry date</i> 31 Dec 2012 1 Dec 2013 1 Dec 2013 30 Nov 2013 30 Nov 2013 30 Nov 2013
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter	500,000		30 cents	31 January 2012
7.11 Debentures (totals only)				
7.12 Unsecured notes (totals only)				

Compliance statement

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

Sign here:



(Company secretary)

Date: 30 April 2012

Print name: Darren Crawte

Notes

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

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