AUSQUEST LIMITED

ABN 35 091 542 451

Quarterly Report – 30th June 2012

HIGHLIGHTS

WEST AFRICAN GOLD (Comoe Project, Burkina Faso)

- **High-grade gold intersection of 12m @ 3.82g/t Au from surface** located 200 metres SE of the Phaco Hill gold-silver discovery, reflecting a possible extension to the known mineralisation.

- Initial reconnaissance RAB drilling within the Tondoura tenement returns results including **8m @ 2.0g/t Au** at Vipere, **4m @ 1.1g/t Au** at Mamba and **15m @ 0.53g/t Au** at Abore.

- **~27,000m of RAB drilling** (780 holes) completed over **24 prospects** with drilling now suspended due to the onset of the wet season – **assays for seven prospects still pending**.

- **AusQuest's land position increased to ~1,100km²** through the acquisition of two new Exploration Permits along the NE margin of the Banfora Greenstone Belt.

PERU – COPPER-GOLD (Joint Venture with Cliffs Natural Resources Exploration)

- **Potential porphyry style copper-gold mineralisation with assays up to 1.7% Cu and 2.7g/t Au** obtained from reconnaissance sampling at the **Pampa Colorado Prospect** (south west Peru).

- **72 of the 155 Mineral Claim applications in Peru were granted** by the end of June 2012, with the Company now controlling ~1,450km² of title along the coastal belt of southern Peru.

- **Exploration activity in Peru set to be escalated** through the second half of 2012 – 50% funded by CNRE.

AUSTRALIA – GOLD, BASE METALS

- **Broad zones (30-40m) of elevated gold and base metals** intersected in RC drilling of an EM target at Dundas (WA).

CORPORATE

- Strong cash position of **approximately $5.0M** at 30th June 2012.

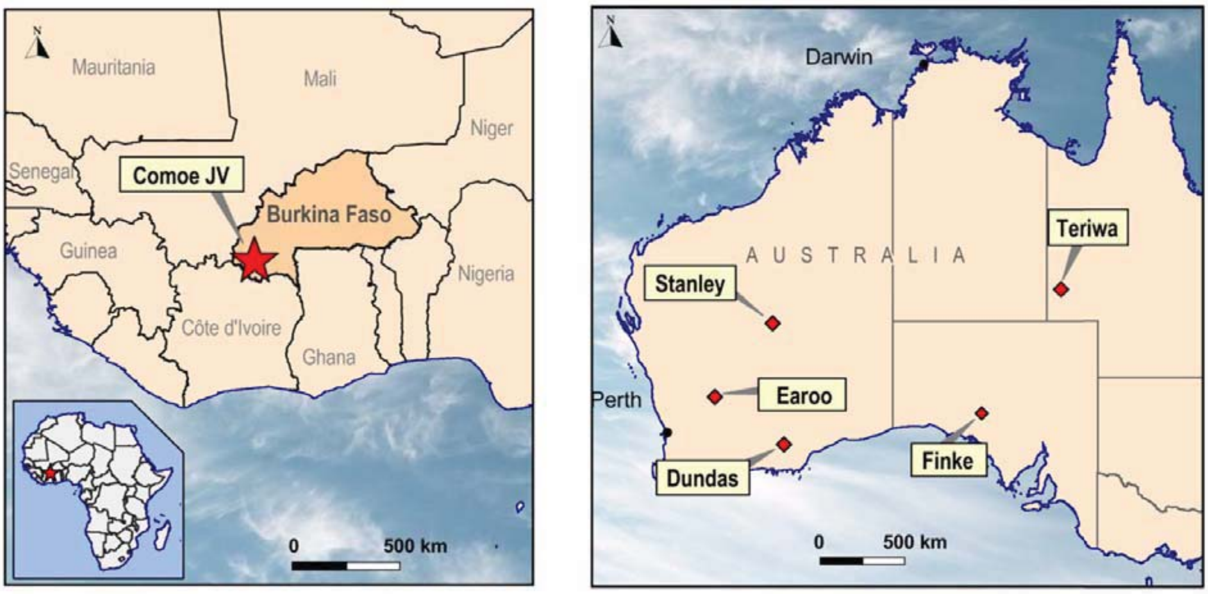

Figure 1: Project Locations – Australia and West Africa

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 in Peru (*Figure 5*) under a joint exploration venture with its strategic alliance partner, Cliffs Natural Resources.

During the June 2012 Quarter, the Company's exploration efforts were focused mainly on gold exploration in Burkina Faso, West Africa, where an extensive shallow RAB drilling program (~27,000m) was completed to test 24 gold soil anomalies identified from surface sampling.

In Western Australia, RC drilling was completed over an EM target at the Dundas Gold Project and the Company continued to rationalise its Australian project portfolio with the relinquishment of lower priority prospects.

In Peru, tenements continued to be granted and initial reconnaissance work commenced over a number of prospects with an emphasis in the southern-most area, where initial indications of mineralisation have been encouraging.

GOLD – WEST AFRICA

<u>Comoe Project</u> *(AQD 100%)*

The Comoe Project is located near the town of Banfora in south-west Burkina Faso, West Africa, within an extensive greenstone belt. 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.

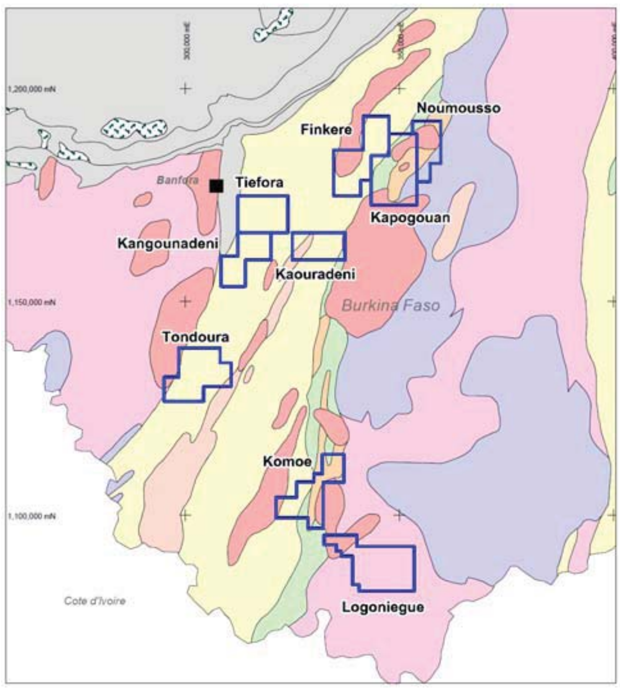

Figure 2: Comoe Project Tenement Locations

During the Quarter, the Company completed an extensive regional RAB drilling programme comprising 780 holes for a total of ~27,000m over 24 gold-soil anomalies scattered throughout five of the seven tenements.

The first-pass RAB coverage was achieved using drill sections generally spaced at 125m to 250m intervals and drill-holes either 25 or 50m apart. All RAB holes were drilled to refusal with average hole depths varying from ~20m at Komoe to ~50m at Kangounadeni. Drill-holes were sampled on a 4m composite basis.

Turnaround times for assay results from in-country analytical laboratories continue to be slow, with results now received for prospects within the Komoe and Tondoura tenements and assays from seven prospects within the Kangounadeni, Tiefora and Finkere tenements expected by late August.

During the Quarter a high-grade gold intersection (**12m grading 3.82g/t Au** from surface) was reported approximately 200m south-east of the previously discovered Phaco Hill gold-silver prospect (*Figure 4*).

This intersection is considered significant as it could represent the onset of a new gold zone(s) associated with an interpreted feeder system for the Phaco Hill mineralisation that was outlined by drilling in 2011.

Assay results from RAB drilling north and south of the main Phaco trend reported anomalous gold values (including 11m @ 0.5g/t Au, 6.5m @ 0.34g/t Au, 14m @ 0.26g/t Au) from a number of drill-holes that ended in mineralisation, extending the Phaco gold trend by several hundred metres in both directions.

At Tondoura, drill access was hampered by artisanal workings at several prospects, precluding direct testing of the lodes at depth at these sites. Better results to date include 8m @ 2.0g/t Au at Vipere, 4m @ 1.1g/t Au at Mamba, 4m @ 0.82g/t Au at Cobra and 15m @ 0.53g/t Au at Abore, where an anomalous gold zone has been outlined over a strike length of ~500 metres. In-fill RAB drilling is required to outline potential mineralisation associated with these intersections (*Figure 3*).

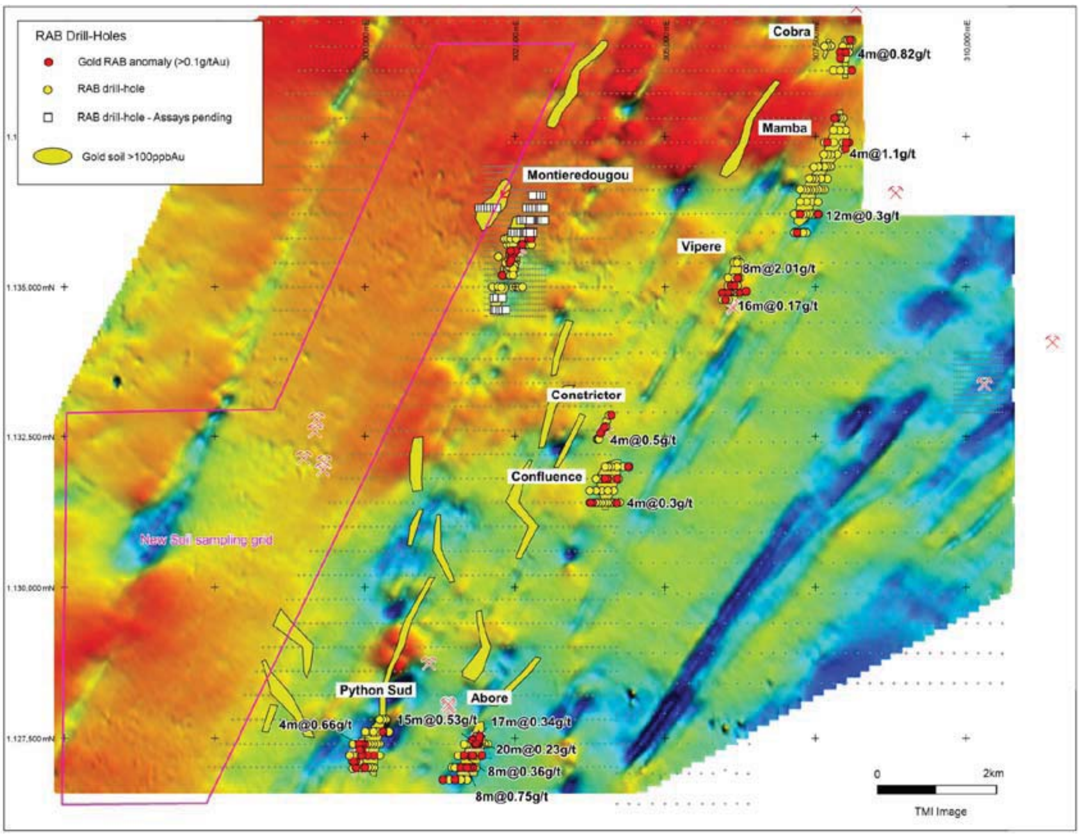

Figure 3: Tondoura RAB drilling results

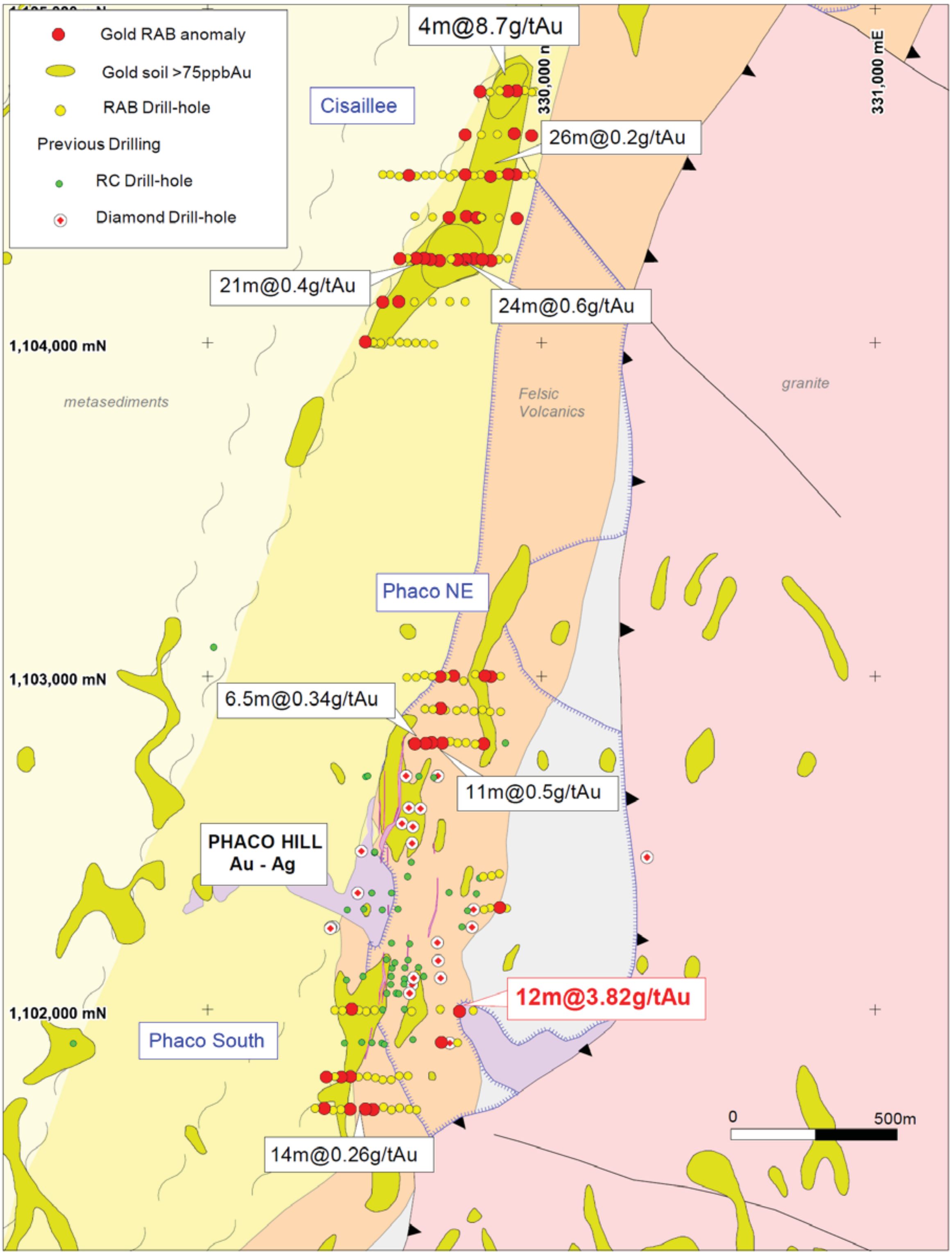

Figure 4:Phaco Hill Extension RAB results

Results to date from RAB drilling across the Moutieredougou gold workings have returned minor gold anomalism but no significant assays of immediate interest. Assay results from 45 drill-holes and from rock-chip sampling along the main workings are still pending.

Regional mapping in the northern half of the Komoe tenement identified areas of high strain associated with the large granitic body that borders the Phaco Hill mineralisation. Significant amounts of iron alteration (magnetite) appear to have infiltrated the sediments adjacent to the granite, highlighting a prospective structural zone for the concentration of gold mineralisation. Historic soil sampling in this area was wide spaced (250m x 100m) and relatively ineffective due to the presence of extensive alluvial cover close to the granite contact.

Regional soil sampling was completed over the western portion of the Tondoura tenement, which contains artisanal gold workings and areas of alteration indicative of gold mineralisation. A total of ~1,350 samples were collected on a 400m x 100m grid with in-fill sampling to 200m x 100m over selected areas. Assays are pending.

During the Quarter, the Company acquired two new Exploration Permits (Noumousso and Kapogouan) along the NE margin of the Banfora Greenstone Belt from private interests, increasing its land holdings in the area to ~1,100km². The tenements cover similar geological sequences to those found within the Komoe tenement, which contains the Phaco Hill gold-silver discovery.

Under the terms of the agreement, the Company will acquire a 100% interest in the tenements, subject to a 1.5% NSR on production, by completing annualised payments totalling US$205,000 over a 3-year period. The first-year payment of US$25,000 has been made.

PERU PROJECTS (Joint Venture with CNRE)

Peru is highly prospective 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 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. Questdor SAC, a wholly-owned subsidiary of AusQuest, has been registered in Peru to facilitate exploration activities.

A total of 72 Mineral Claims out of 155 applications (~1450 km²) have now been granted over copper-gold targets identified from the regional aeromagnetic data.

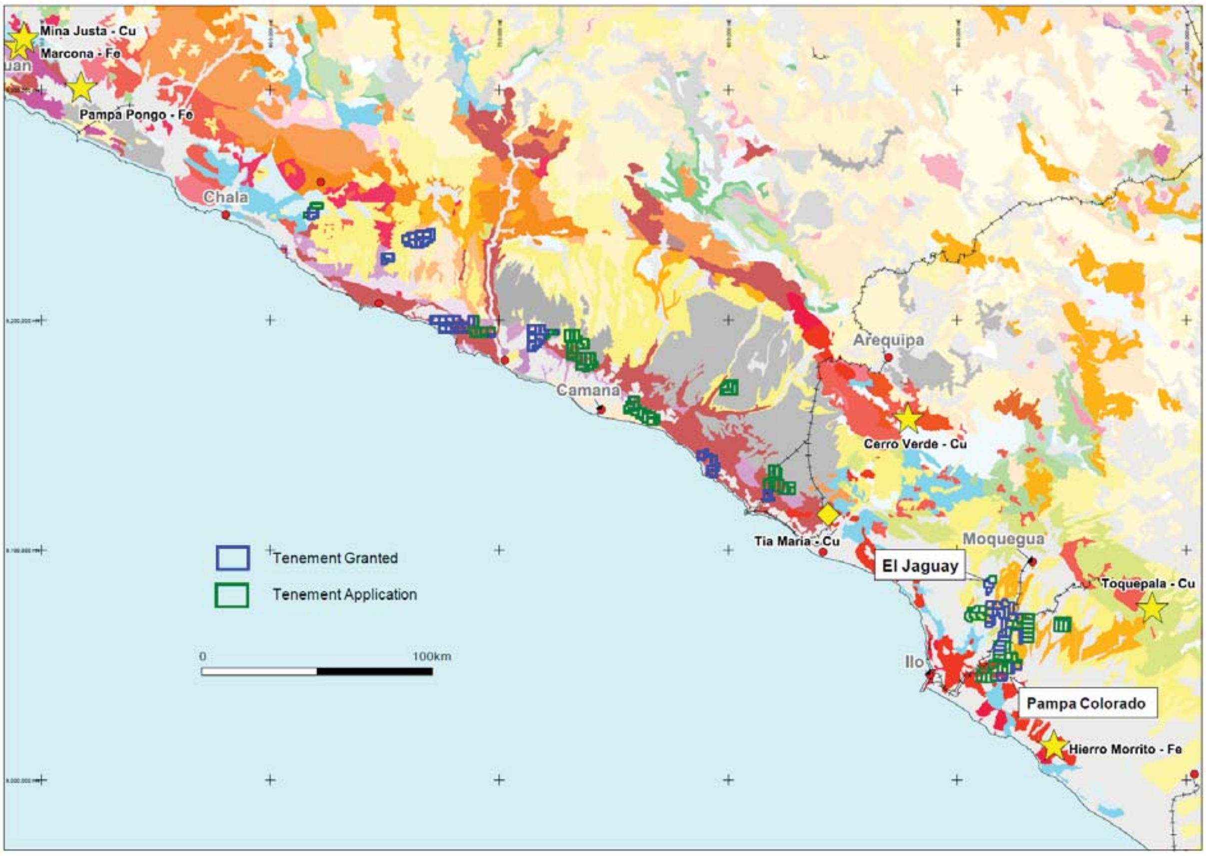

Figure 5: Peru Joint Venture Tenements

Reconnaissance mapping and sampling at the Pampa Colorado prospect located numerous occurrences of small epithermal quartz veins containing anomalous copper values ranging from 0.3% to 1.7% Cu and occasional gold up to 2.7g/t Au. The veins are often associated with weak to moderate propylitic alteration suggesting the possibility of a nearby (buried) porphyry-style copper and gold system. Existing geological maps suggest the area is underlain by Cretaceous granite but initial reconnaissance has found a variety of intrusive rock types (*Figure 6*).

Sporadic outcrops of the epithermal veins occur in an area (~10km²) which is almost totally covered by a thin veneer of sediment. An orientation soil sampling program was completed over the main area of workings and trial geophysical surveys planned to find the best way of targeting buried mineralisation in this terrain. Results from these surveys should be available during the next Quarter.

Epithermal quartz veins containing copper

At the El Jaguay prospect, south west of Moquegua, initial reconnaissance has identified numerous porphyritic bodies within the target area which was originally shown to contain only volcanic rocks of the Toquepala Formation. While no signs of mineralisation have yet been found, the source of the strong magnetic anomaly is still to be located. Further mapping, sampling and ground geophysical surveys are planned for the next quarter.

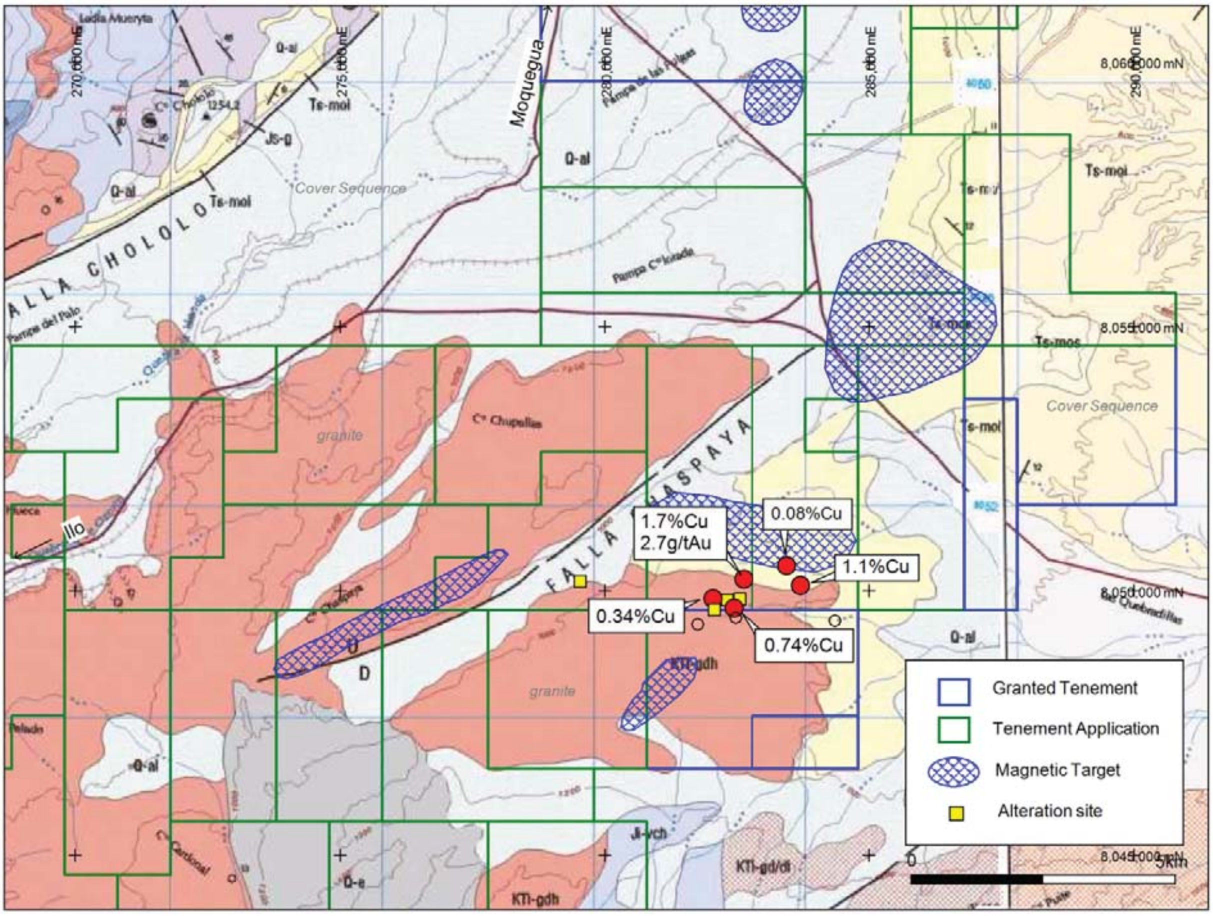

Figure 6: Pampa Colorado Prospect Sampling results

Interpretation of the Company's aeromagnetic database continues to provide new insights into the prospectivity of this region. The Company is encouraged by its prospects in southern Peru given the limited field work completed to date, and plans to escalate exploration activity in this area over the remainder of 2012.

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.

During the Quarter, wide-spaced RC drilling (12 holes/1,626m) on 200-400m sections was completed along a previously defined 2km long EM target to test for gold and base metal mineralisation. Holes were generally inclined 60° to the west and drilled to ~150 metres depth.

Wide zones (30-40m) of elevated gold (20 to 140ppb Au) with several +1g/t Au assays, and zones (10-50m wide) of elevated base metals – 0.5 to 26ppm Ag, 100 to 3000ppm Cu, 10 to 770ppm Pb, and 100 to 4200ppm Zn – were intersected immediately east of the EM anomaly which was caused by a major NNW trending structure containing variable amounts of graphite and pyrite (*Figure 7*).

The anomalous gold zones are up to 500m long and 50-100m wide, and occur at depths of ~40m below the surface. The elevated base metal zones are narrower and appear to be more closely associated with the bounding graphitic-pyritic structure. The gold zones are dominantly hosted within felsic gneisses similar to the host rocks reported from the Tropicana gold deposit located ~400km to the north.

The Company is currently assessing the significance of these results.

Earoo Nickel Project *(AQD 100%)*

The Earoo Project is located ~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 some of which are known to host nickel sulphide occurrences.

Discussions were initiated with interested parties for a possible farm-out of the project.

Teriwa Copper-Gold Project *(100% AQD)*

The Teriwa Project is located ~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.

Quotes were received for a gravity survey to confirm the location and depth of a possible drill target.

Finke Copper-Gold Project *(AQD 100%)*

The Finke Project is located ~40km south-west of Tarcoola 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.

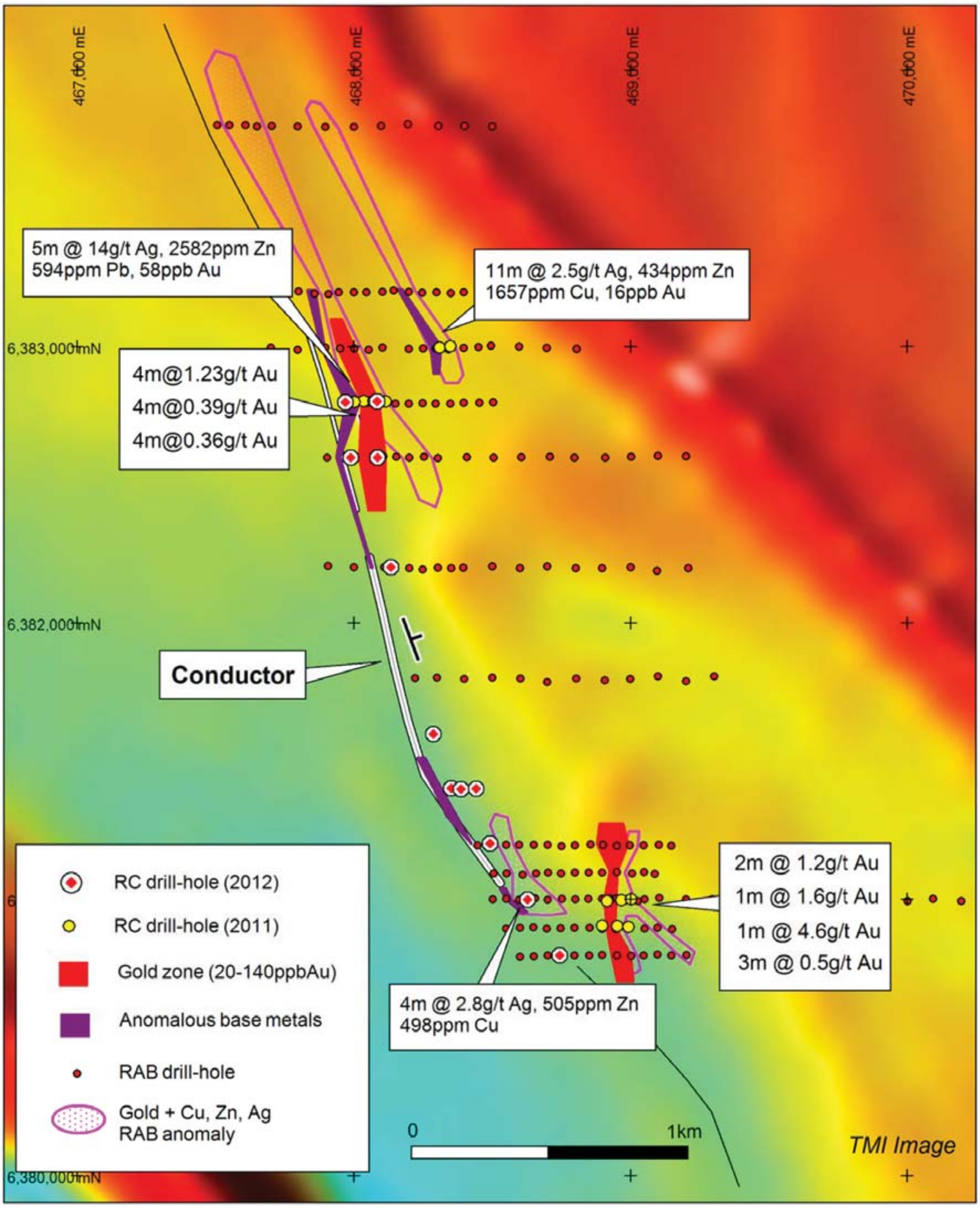

Figure 7: Dundas Gold Project drilling results

MANGANESE PROJECTS – AUSTRALIA

Stanley Project (*100% AQD*)

The Stanley Project is located 170km east of Wiluna in Western Australia within the Earaheedy Basin. The Project covers a total area of approximately 4,000km². 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.

Detailed examination of available imagery was initiated to identify signs of surface manganese associated with structures that cut through the basin stratigraphy and in particular the Frere Iron Formation. Numerous faults were identified from the regional magnetic data and a number of potential manganese outcrops identified.

Field reconnaissance is planned to check these occurrences.

Drilling of VTEM targets interpreted to reflect possible manganese (Mn)/clay alteration along structures at the Dome and Niminga prospects has been postponed while this work is completed.

BUSINESS DEVELOPMENT

The Company continues to evaluate opportunities both within Australia and offshore with the aim of adding value to the Company. Priority will be given to exploration properties with drill-ready targets, especially in areas of immediate interest to the Company.

CORPORATE

AusQuest's cash reserves as at the 31st March were approximately **A$5.0 million**.

KEY ACTIVITIES – SEPTEMBER 2012 QUARTER

The following activities are planned for the September 2012 Quarter:

- Comoe (gold) – Compile RAB drilling results upon receipt of assay data;
- Comoe (gold) – Complete soil sampling and mapping of selected areas;
- Stanley (manganese) – Field reconnaissance over new manganese prospects;
- Peru (IOCG) – Mapping and sampling of IOCG and porphyry copper targets;
- Peru (IOCG) – Magnetic, gravity and IP surveys over selected targets.

Graeme Drew
Managing Director

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.

Rule 5.3

Appendix 5B

Mining exploration entity quarterly report

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

Name of entity

AUSQUEST LIMITED

ABN	Quarter ended ("current quarter")
35 091 542 451	30 June 2012

Consolidated statement of cash flows

	Cash flows related to operating activities	Current quarter $A '000	Year to date (12 months) $A '000
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for		
	(a) exploration and evaluation	(1,508)	(6,804)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(310)	(1,239)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	53	595
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other	-	-
	Net Operating Cash Flows	(1,765)	(7,448)
	Cash flows related to investing activities		
1.8	Payment for purchases of:		
	(a)prospects	-	-
	(b)equity investments	-	-
	(c) other fixed assets	(1)	(33)
1.9	Proceeds from sale of:		
	(a)prospects	-	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)	1,092
1.13	Total operating and investing cash flows (carried forward)	(1,766)	(6,356)

1.13	Total operating and investing cash flows (brought forward)	(1,766)	(6,356)
	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	(1,766)	(6,356)
1.20	Cash at beginning of quarter/year to date	6,845	11,435
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	**Cash at end of quarter / year to date**	**5,079**	**5,079**

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	118
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	650
4.2	Development	-
4.3	Production	-
4.4	Administration	300
	Total	950

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	535	845
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (Money market/Term Deposit)	4,544	6,000
Total: cash at end of quarter (item 1.22)	**5,079**	**6,845**

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	E23792		100%	Nil
		E25007		100%	Nil
		E80/4312		100%	Nil
		E80/4313		100%	Nil
		E69/2504		100%	Nil

6.2	Interests in mining tenements acquired or increased	**Tenements in Peru**			
		Lana A to H (8)		Nil	30%
		Cerro de Fierro A to C (3)		Nil	30%
		Pinguino A to I (9)		Nil	30%
		Choclon A,B (2)		Nil	30%
		Punta Al Aire A to E (5)		Nil	30%
		Caballo Blanco I,J (2)		Nil	30%
		Sugar A to J (10)		Nil	30%
		Azucar K to O,Q,R,T,W (9)		Nil	30%
		El Jaguay A to C (3)		Nil	30%
		Pampa del Purgatorio B,C (2)		Nil	30%
		Pampa las Pulgas A,C,I,M to P (7)		Nil	30%
		Falle Torre A to K,M (12)		Nil	30%

NB: Peru tenements are subject to a Joint Venture with Cliffs Natural Resources Exploration as per the announcements to the ASX on the 3rd June and 21st October 2011.

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)*			*Exercise price*	*Expiry date*
		1,250,000	-	35 cents	31 Dec 2012
		1,350,000	-	20 cents	1 Dec 2013
		1,150,000	-	40 cents	1 Dec 2013
		500,000	-	30 cents	30 Nov 2013
		500,000	-	40 cents	30 Nov 2013
		1,750,000	-	40 cents	30 Nov 2013
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter				
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: 23 July 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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