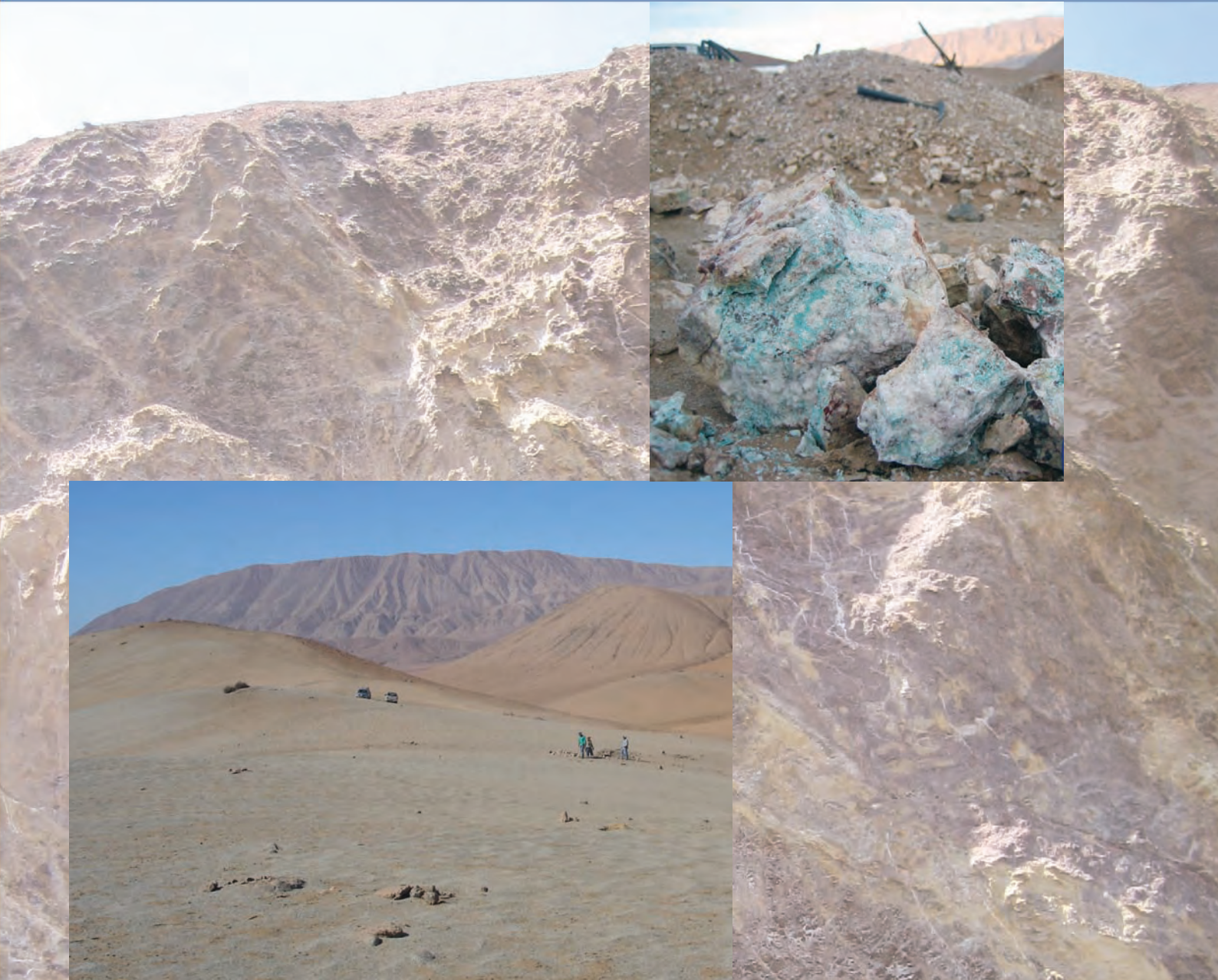




AUSQUEST LIMITED

ABN 35 091 542 451



ANNUAL REPORT 2012

Corporate Directory

Board of Directors

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

Company Secretary

Mr Darren Crawte

Registered Office

C/- Nexia Perth
Level 7, The Quadrant
1 William Street
Perth WA 6000

Principal Office

8 Kearns Crescent
Ardross WA 6153
Telephone: (61 8) 9364 3866
Facsimile: (618) 9364 4892
Website: www.ausquest.com.au

Auditors

HLB Mann Judd
Level 4, 130 Stirling Street
Perth WA 6000

Share Registry

Advanced Share Registry Services Pty Ltd
150 Stirling Highway
Nedlands WA 6009
Telephone (61 8) 0389 8033
Facsimile: (61 8) 9389 7871
Website: www.advancedshare.com.au

Securities Exchange

Australian Securities Exchange
(Home Exchange: Perth, Western Australia)
Code: AQD

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Chairman's Letter

Dear Shareholder,

I am pleased to present AusQuest's 2012 Annual Report and comment on what has been a year of significant activity for the Company.

Extensive drilling was undertaken in Burkina Faso, West Africa, in parallel with establishment of our new exploration initiative in Peru and ongoing testing of our Australian tenements, including drilling of the Dundas target, which is located 80km from Sirius Resources' exciting new Nova nickel-copper discovery.

In Burkina Faso, exploration activities focused on the permits surrounding the previously announced Phaco Hill gold-silver discovery, to test a series of gold-in-soil anomalies offering the potential for additional gold finds.

Commencing in February 2012, 27,000 metres of shallow RAB drilling provided an initial test of a range of targets across our Comoe tenements. The results continue to indicate the significant prospectivity of the region, with significant intersections such as 12m @ 3.82g/t Au south-east of Phaco Hill, 4m @ 8.66g/t Au at Cisaillee and 4m @ 4.69g/t Au at Nandrefa highlighting the potential for new gold discoveries within the project area.

The Company also acquired additional Exploration Permits along the north-east contact of the Banfora Greenstone Belt, increasing our landholding to 1,100km² and highlighting our belief in the area's potential to yield significant gold resources with more drilling and a greater understanding of the controls on gold in this under-explored Belt.

The Company's entry into Peru was accelerated during the latter part of the year with the signing of a joint venture agreement with Cliffs Natural Resources and the granting of titles over targets identified by our regional aeromagnetic survey.

Peru is highly regarded by the Company as a prospective location for the discovery of large-scale copper and gold deposits, but has had relatively little modern day exploration, especially in areas of extensive cover.

Early reconnaissance work has already identified at least one prospect of interest (copper and gold values up to 1.68% Cu and 12g/t Au), and more systematic evaluation of this property is now underway. We believe the first drill targets for the joint venture could be ready by the end of the year.

In Australia, a 12-hole RC drilling programme was completed at Dundas to test an EM target associated with anomalous base metals; however, the results were not sufficiently encouraging to justify further drilling. The proximity of Dundas to the new Nova nickel-copper discovery means we will be reassessing our datasets before considering the best way forward for this Project.

At the Stanley Project, reconnaissance field work continued to highlight the Earaaheedy Basin as a prospective environment for the accumulation of manganese. The Company is keen to advance this project as a priority by attracting a suitable joint venture partner.

Your Directors are very conscious of the market capitalisation of the Company, which over the past 12 months has been impacted both by depressed market conditions and the exodus of a major shareholder.

Accordingly, your Board has considered the future direction of the Company – including its goals and ambitions – and has reaffirmed our foundation vision to make discoveries with provincial implications. We assure shareholders of our determination to make significant progress towards achieving this goal over the next 12 months.

In conclusion, I would like to thank our Board, management and staff for their endeavours over the past 12 months and our shareholders for their patience. I trust that next year will bear witness to more exploration success and an improved market performance by AusQuest.

Greg Hancock

Greg Hancock
Chairman

Exploration Report

HIGHLIGHTS

Gold (Burkina Faso, West Africa)

- **100% equity acquired in the Comoe Project, which includes the Phaco Hill gold-silver discovery.**
- **Extensive programme of reconnaissance RAB drilling (~27,000m) completed as an initial test of 25 gold-in-soil anomalies.**
- **High-grade intersections returned from six prospect areas, with shallow gold intersections above 1g/t Au returned from numerous other locations.**
- **Best results include:**
 - 12m @ 3.82g/t Au from surface – Phaco SE prospect
 - 4m @ 8.66g/t Au from surface – Cisaillee prospect
 - 4m @ 4.69g/t Au – Nandrefa prospect
 - 1m @ 4.63g/t Au – Lagnin prospect
 - 4m @ 1.9g/t Au – Diarabokoko prospect
 - 8m @ 2.01g/t Au – Vipere prospect
- **High-grade gold intersection at Phaco SE thought to reflect a possible extension to the known mineralization at Phaco Hill.**
- **AusQuest's land-holding in Burkina Faso increased to ~1,100km² through the acquisition of two Exploration Permits covering artisanal workings along the NE margin of the Banfora Greenstone Belt.**

Copper-Gold (Peru) (Joint Venture with Cliffs Natural Resources Exploration)

- **Potential porphyry-style copper-gold mineralisation identified from very limited rock exposure at the Pampa Colorado Prospect.**
- **Assays of up to 1.68% Cu and 12g/t Au reported from sampling of sparse epithermal quartz veins scattered over a wide area (~4km²). There are no visible signs of previous drilling in the area.**
- **74 of 154 Mineral Claim applications granted, with the claims covering potential IOCG targets along the southern coastal belt of Peru. The Company controls ~1,450km² of title.**
- **Exploration activity escalated in the second half of 2012 to identify targets for drilling. This work is being funded 50% by CNRE under the joint venture.**

Manganese and Base Metals (Australia)

- **Extensive manganiferous outcrop located at upper Windidda Limestone contact at the Stanley Project (WA), highlighting new manganese potential within the Earaaheedy Basin.**
- **Broad zones of anomalous gold and base metals intersected by RC drilling at the Dundas Project (WA), highlighting a possible mineralised structure that is largely untested.**





OVERVIEW

The 2012 financial year was another period of active exploration for AusQuest in a number of areas.

Exploration activity in Burkina Faso, West Africa continued unabated once the Company obtained full ownership of the project by acquiring the outstanding 20% equity from Endeavour Mining.

This year's program focused on testing gold targets outside the main Phaco Hill prospect – where a gold-silver VMS deposit was discovered in 2011 – in order to establish the broader exploration potential of the region and set priorities for future programs.

This work was successful in identifying five priority areas for follow-up drilling, while highly anomalous results were returned from multiple prospect areas.

In Peru, field work commenced late in the financial year once tenements covering target areas for IOCG mineralisation identified by the Company's aeromagnetic survey, began to be granted (31st March 2012).

Approximately half of the Company's 154 applications (covering a total area of ~1,450km²) have now been granted and ground work is currently underway in several locations. Initial sample results from the Pampa Colorado prospect have provided significant encouragement to accelerate programs at this prospect.

These offshore programs represent a diversification of the Company's exploration interests into areas which are considered highly prospective for gold and base metals but are under-explored by comparison with much of Australia.

In Australia, exploration activities focused on drill-testing targets that had previously been identified at Plenty River (NT) and Dundas (WA), and evaluating the manganese potential of the Stanley Project located within the Earaheedy Basin in WA.

Results from Stanley remain encouraging with new areas of extensive manganese outcrop located, but results from Plenty River and Dundas have resulted in the Company withdrawing from Plenty River and considering looking for a partner at Dundas to follow-up on leads generated by this year's program.

A number of new opportunities were also considered during the year but no new projects have been acquired at this stage.

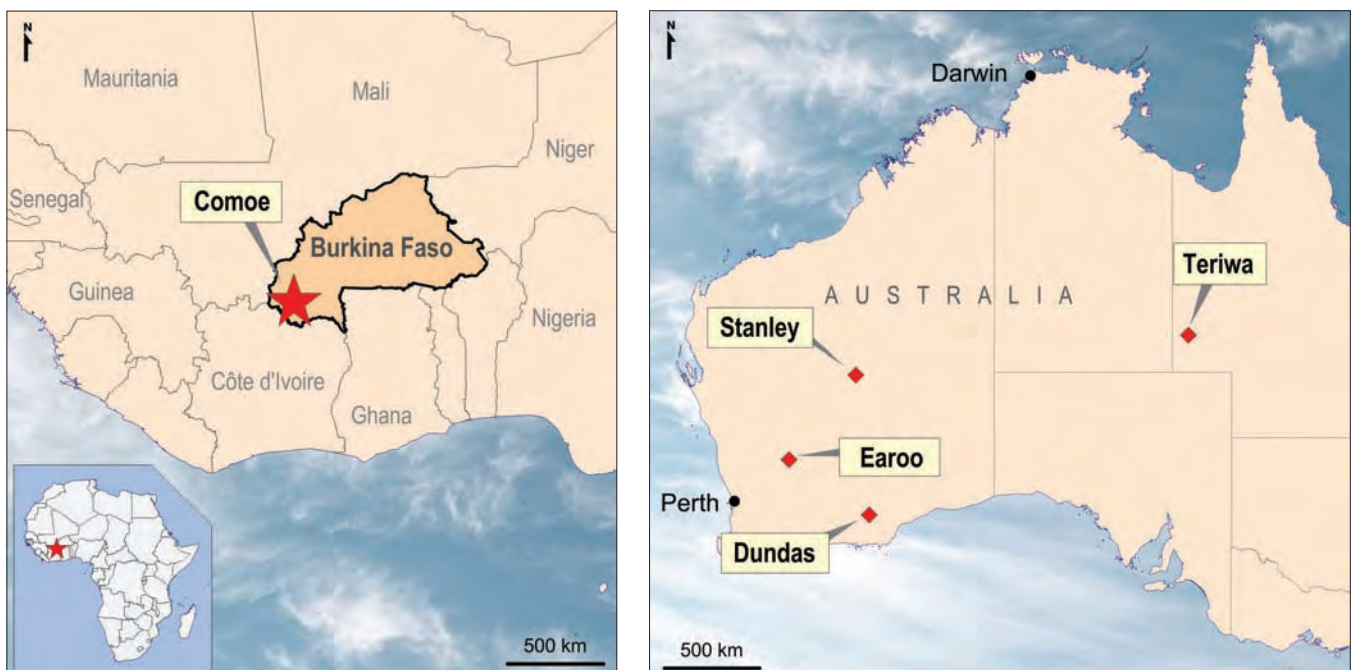


Figure 1. Project Locations in West Africa and Australia

Gold (Burkina Faso, West Africa)

During the year, the Company completed a Share Sale and Royalty Agreement with Endeavour Exploration Limited (“Endeavour”) to purchase its equity in the Comoe Project in exchange for a 1.5% Net Smelter Royalty, payable out of future production revenue.

This transaction resulted in the Comoe Joint Venture being dissolved and AusQuest acquiring 100 per cent ownership of the Project, which includes the Phaco Hill gold-silver discovery.

Previous drilling at Phaco Hill in 2011 outlined gold (+/- silver, lead and zinc) mineralisation associated with a laterally extensive zone (4km x 1km) of sulphidic and aluminous alteration that is typical of gold-bearing volcanogenic massive sulphide (VMS) systems found elsewhere in the world.

At least three separate high-grade gold lodes had been identified by drilling, all of which remain poorly defined and open in all directions.

During the year, the Company completed an extensive reconnaissance RAB drilling programme comprising 781 holes for a total of ~27,000m to test up to 25 gold-soil anomalies within the Comoe Project area and determine their potential to host significant new gold discoveries.

The initial RAB coverage was widely spaced using drill sections at 125m to 400m intervals and drill-holes 25 to 50m apart. All RAB holes were drilled to refusal with hole depths varying from as shallow as 3m to 70m in places (average 34m).

Drill holes were sampled on a 4m composite basis. Long turnaround times experienced during the year for assay results from the in-country laboratories affected the Company’s ability to plan follow-up drilling of interesting results before the start of the wet season.

Prospects drilled during the year are shown in Table 1 and all RAB assay results using a 0.35g/tAu cut off are shown in Table 2:

Tenement	Prospect	RAB Holes	Metres Drilled
Komoe	Cisaillee	71	1,290
	Flutiau	22	510
	Phaco Hill NE	31	989
	Phaco Hill South Ext.	35	800
	Grano	18	310
	Phaco East	7	191
	K3	18	191
	Karite Nez	14	161
	K5	13	91
	Tondoura	Arbore	37
Python Sud		43	1,646
Cobra		20	1,039
Mamba		57	2,163
Vipere		22	713
Confluence		33	1,292
Constrictor		9	251
Moutieredougou		96	5,156
Moutieredougou NW		7	330
Kangounadeni	Diarabakoko East	32	1,636
	Diarabakoko EM	24	854
Tiefora	Nyarara	11	398
	Koroboro East	38	1,467
Finkere	Nandrefa	60	1,957
	Lagnin	50	1,565
	Lagnin East	13	552



Table 1 – Prospects Drilled (2012)

RAB Drilling at Komoe

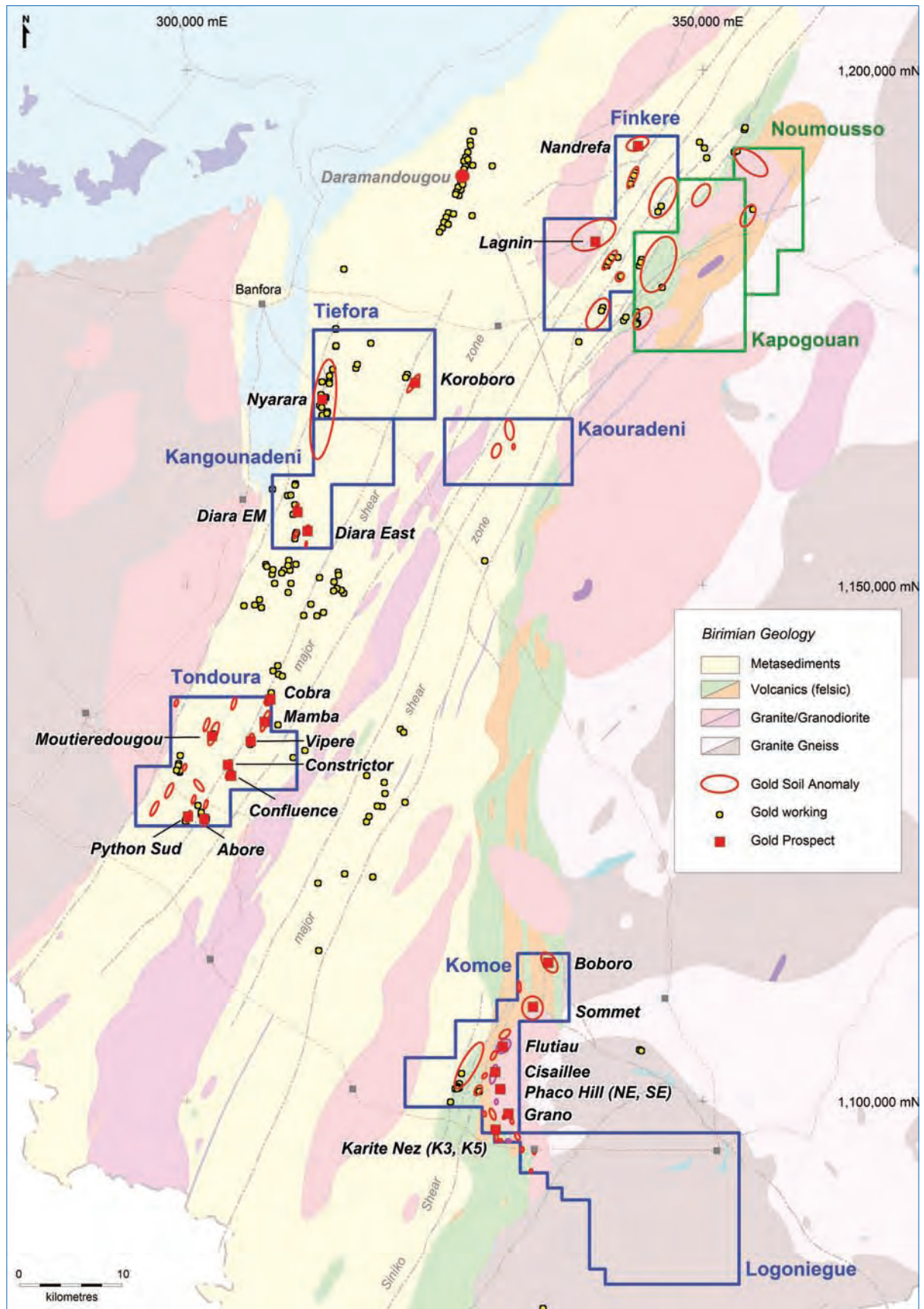


Figure 2. Comoe Prospect Locations

Shallow gold intersections in excess of 1g/t Au were returned at numerous sites, with the more significant intersections occurring in at least five areas:

- **Phaco SE prospect:** A high-grade gold intersection (12m grading 3.82g/t Au from surface) reported ~200m south-east of Phaco Hill is thought to represent the onset of a new gold zone(s) associated with the Phaco Hill gold-silver mineralisation identified in 2011;
- **Cisaillee prospect:** an intersection of 4m at 8.66g/t Au on the northern-most drill section and several thicker intersections to the south including 24m at 0.62g/t Au were located in pyritic and siliceous rocks where continuations of the Phaco Hill volcanic sequence are thought to intersect the Siniko Shear zone;
- **Nandrefa prospect:** intersections of 4 metres @ 4.69g/t Au and 16 metres @ 0.46g/t Au remain open in all directions. The gold occurs within deformed and altered granodiorite on the western side of a major NNE trending shear zone;
- **Lagnin prospect:** several highly anomalous intersections occur within altered granodiorite, including a 1 metre interval @ 4.63g/t Au from an end of hole sample of sheared rock, suggesting gold mineralisation could be present below the depth of drilling;
- **Diarabokoko East prospect:** an intersection of 4m @ 1.9g/t Au was returned along strike from RC drilling results of 12m @ 1.5g/t Au and 4m @ 1.86g/t Au reported from limited drilling in 2010;

At Phaco Hill, RAB results extended the mineralisation trend by several hundred metres both to the north and south of RC and Diamond drilling coverage completed in 2011. Intersections of 11m @ 0.5g/t Au, 6.5m @ 0.34g/t Au, and 14m @ 0.26g/t Au help define the trend.

Results from Phaco NE in particular are considered encouraging (11m @ 0.5g/t Au) as they coincide with a base metal soil anomaly thought to reflect a continuation of the sulphide mineralisation associated with the Phaco Hill discovery. Base metal assays from the RAB drilling are pending.

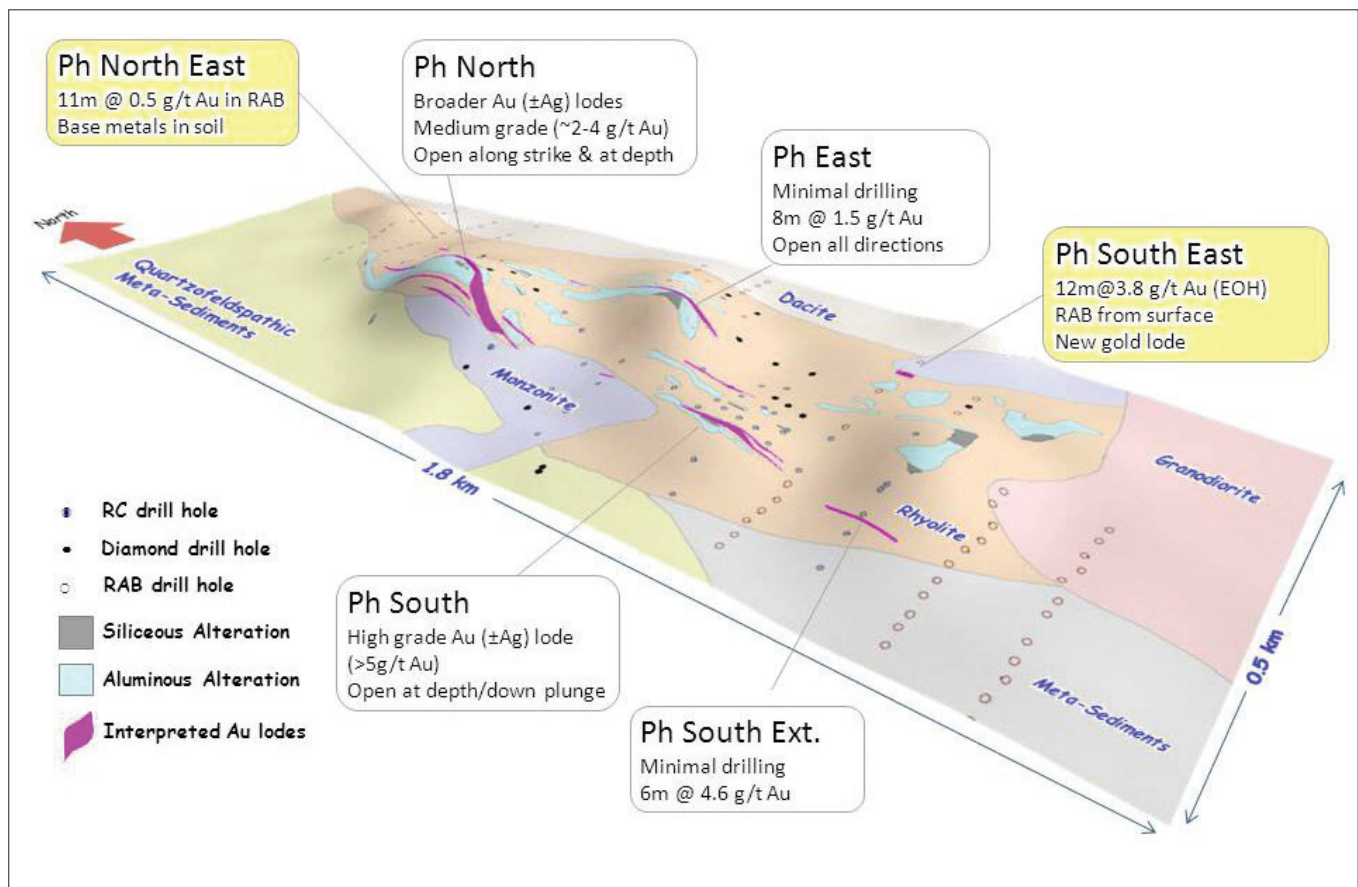


Figure 3. Phaco Hill: Gold-Silver Prospect showing potential extensions

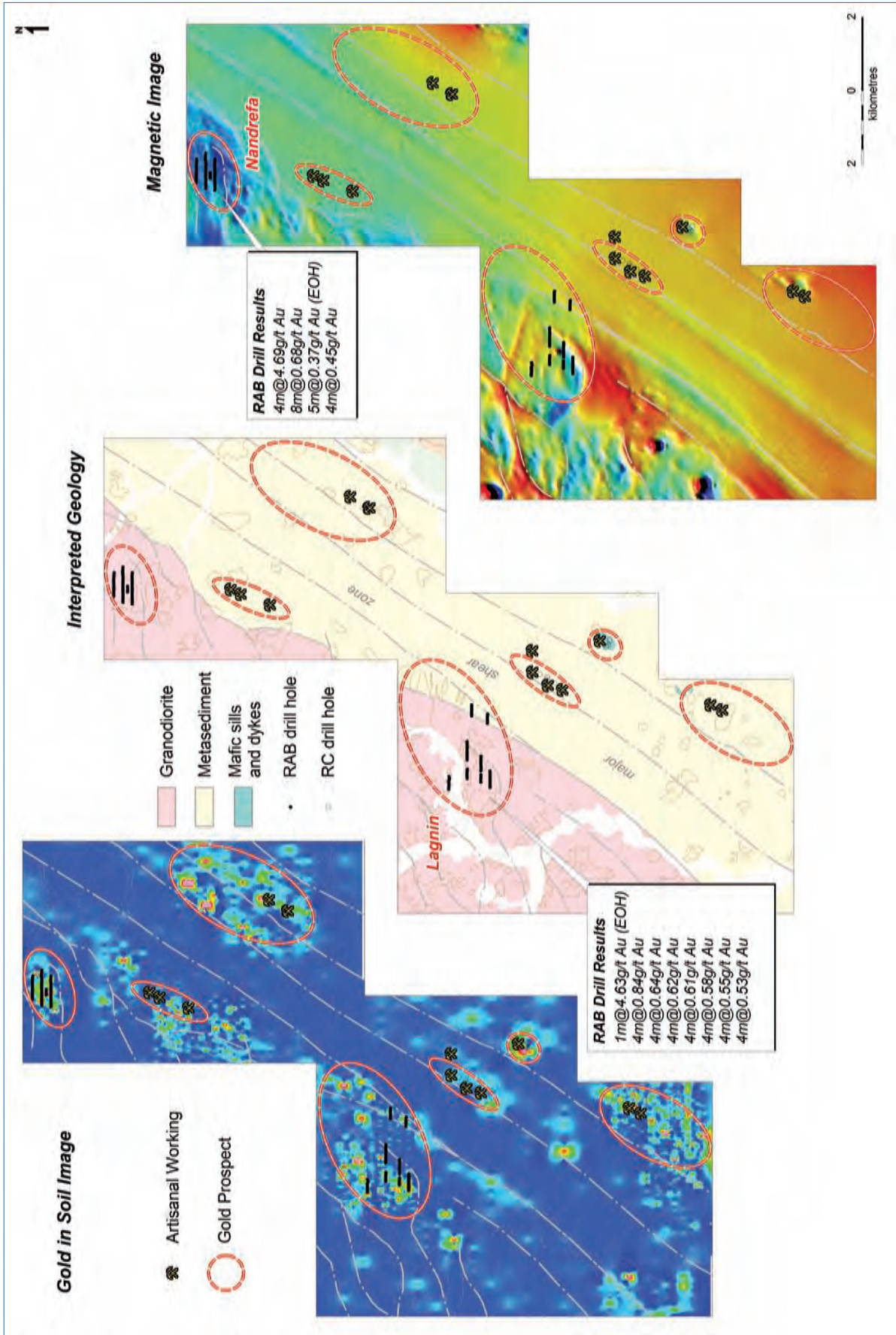


Figure 4. Finkere Summary plans showing Lagmin and Nandrefa RAB results

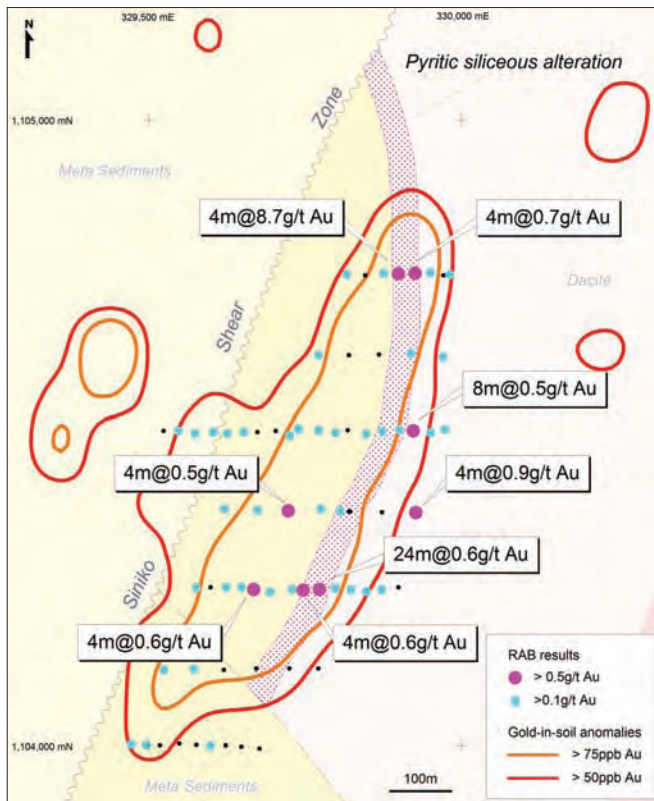


Figure 5. Cisaille Prospect RAB results

Several prospects in the Tondoura area also produced intersections in excess of 1g/t Au, but at this stage these are considered lower priority targets as mineralisation is most likely narrow and discontinuous. These include 8m @ 2.0g/t Au from Vipere, 4m @ 1.1g/t Au from Mamba, and 15m @ 0.53g/t Au from Abore. Graphite and quartz veins were noted at several sites and appear to be associated with the anomalous gold sections.

The Company believes the above results provide an excellent first step in assessing the gold potential of the Comoe Project, but additional drilling is required before the full potential of the area can be determined.

Regional and detailed soil sampling programs were completed over the western portion of the Tondoura tenement which had not been previously sampled, and over selected areas within the Logoniegue and Komoe tenements, to test structural targets highlighted by geological assessment of the aeromagnetic data.

A total of ~3,000 samples were collected on grids ranging from 500m x 200m to 125m x 50m for the more detailed infill sampling. Assay results have outlined numerous (+50ppb Au) gold anomalies that either formed part of the RAB drilling program for 2012, or still remain to be tested. Of particular note are several gold-soil anomalies within the new Logoniegue tenement that occur along the

southern extension of the Phaco Hill mineralised trend which have not been tested.

Regional geological mapping within the Komoe tenement continued, locating a new gold prospect (Sommet) at the northern end of the Logoniegue granodiorite where extensive magnetite alteration was found in the enclosing sediments.

Modelling of aeromagnetic data suggests the alteration occurs in shallow dipping lenses and is associated with structures wrapping around the end of the granodiorite, providing favourable sites for the concentration of gold mineralisation. Historic soil sampling in the area was very wide spaced and compromised by extensive alluvial cover. Several localised anomalies of +50ppb Au warrant testing.

During the year, the Company acquired two new Exploration Permits (Noumousso and Kapogouan) along the NE margin of the Banfora Greenstone Belt from private interests, increasing its total land-holding 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





Prospect	Hole number	Easting	Northing	From (m)	To (m)	Interval (m)	Grade
Cisaillee	KPRB0003	329923	1104503	16	24	8	0.50
Cisaillee	KPRB0006	329847	1104498	12	16	4	0.35
Cisaillee	KPRB0016	329603	1104501	24	28	4	0.41
Cisaillee	KPRB0023	329926	1104754	12	16	4	0.70
Cisaillee	KPRB0024	329899	1104753	4	8	4	8.66
Cisaillee	KPRB0033	329927	1104372	4	8	4	0.90
Cisaillee	KPRB0037	329723	1104375	8	12	4	0.50
Cisaillee	KPRB0046	329798	1104251	4	8	4	0.39
Cisaillee	KPRB0047	329773	1104249	4	28	24	0.62
Cisaillee	KPRB0049	329747	1104248	16	20	4	0.60
Cisaillee	KPRB0052	329668	1104249	0	4	4	0.35
Cisaillee	KPRB0052	329668	1104249	8	12	4	0.55
Cisaillee	KPRB0052	329668	1104249	20	21	1	0.59
Cisaillee	KPRB0053	329648	1104253	0	4	4	0.43
Cisaillee	KPRB0071	329472	1104002	12	13	1	0.42
Phaco NE	KPRB0116	329827	1102797	8	12	4	0.36
Phaco NE	KPRB0121	329703	1102800	16	27	11	0.50
Phaco NE	KPRB0123	329653	1102798	16	20	4	0.43
Phaco NE	KPRB0124	329621	1102797	8	12	4	0.37
Phaco SE	KPRB0126	329755	1101996	0	12	12	3.82
Phaco SE	KPRB0153	329472	1101702	28	32	4	0.40
Arbore	TPRB0009	301702	1126998	32	40.5	8.5	0.76
Arbore	TPRB0018	301650	1127200	32	36	4	0.62
Arbore	TPRB0020	301800	1127200	16	20	4	0.45
Arbore	TPRB0030	301877	1127399	32	36	4	1.40
Arbore	TPRB0033	301906	1127520	16	28	12	0.50
Arbore	TPRB0036	301848	1127409	12	16	4	0.36
Python Sud	TPRB0064	299900	1127400	36	40	4	0.66
Cobra	TPRB0093	307901	1138900	56	60	4	0.82
Mamba	TPRB0108	307993	1137297	8	12	4	1.10
Mamba	TPRB0144	307549	1136200	0	4	4	0.49
Vipere	TPRB0162	306210	1135153	8	16	8	2.01
Constrictor	TPRB0215	303930	1132550	8	12	4	0.50
Moutieredougou	TPRB0247	302933	1136300	12	16	4	0.75
Moutieredougou	TPRB0249	302850	1136302	48	49	1	0.35
Moutieredougou NW	TPRB0265	301901	1136299	8	12	4	0.48
Diara East	GPRB0005	311622	1155496	16	20	4	0.36
Diara EM	GPRB0028	310399	1157198	48	52	4	0.50
Diara East	GPRB0048	311601	1155389	4	8	4	1.88
Diara East	GPRB0049	311656	1155499	28	32	4	0.39
Nandrefa	FPRB0002	343988	1193054	28	32	4	4.69
Nandrefa	FPRB0018	343193	1193048	24	29	5	0.37
Nandrefa	FPRB0039	343750	1192804	20	24	4	0.45
Nandrefa	FPRB0046	343450	1192797	8	16	8	0.68
Lagnin	FPRB0065	338301	1183049	20	24	4	0.53
Lagnin	FPRB0070	338049	1183050	4	8	4	0.84
Lagnin	FPRB0076	338650	1183302	12	16	4	0.55
Lagnin	FPRB0081	338353	1183300	0	4	4	0.62
Lagnin	FPRB0094	338849	1183678	12	16	4	0.64
Lagnin	FPRB0098	338498	1183675	0	4	4	0.58
Lagnin	FPRB0098	338498	1183675	32	33	1	4.63
Lagnin	FPRB0099	338452	1183678	0	4	4	0.61
Lagnin	FPRB0104	338290	1184154	4	8	4	0.40
Lagnin East	FPRB0117	340296	1183547	36	40	4	0.37

Table 2 – RAB Drilling Assay Results (using 0.35g/t Au cut-off)

Copper-Gold (Peru)

During the year, the Company announced that it had entered into an exploration joint venture with its strategic partner, Cliffs Natural Resources Exploration Inc (CNRE), to jointly identify, explore and evaluate potential Iron Oxide Copper Gold (IOCG) and other mineral deposits in south-western Peru.

The agreement calls for each party to contribute up to US\$2.0 million on a 50:50 basis to the initial prospect identification stage, with CNRE then being required to sole-fund further evaluation of selected projects (at CNRE election) up to US\$4.0 million, in order to secure their 70% interest in the Project. Details of the agreement were reported to the ASX on 21st October 2011.

Peru is considered 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.

A regional aeromagnetic survey flown by the joint venture over the southern coastal region, which is largely under extensive cover, was used to identify areas of interest and tenement applications were subsequently submitted by Questdor SAC, a wholly-owned subsidiary of AusQuest that is registered in Peru.

This is the first time, to the Company's knowledge, that such an extensive regional survey has been flown in this coastal region, and the Company believes that targets identified by the survey will provide significant new exploration opportunities for the Joint Venture.

A total of 155 applications have now been submitted (~1,450km²) covering 14 areas considered to be prospective for IOCG mineralisation. To date, 74 Mineral Claims have been granted and reconnaissance work has commenced to evaluate their potential.

Early results from the Pampa Colorado prospect, east of Ilo, have identified numerous occurrences of small epithermal quartz veins containing anomalous copper values ranging from 0.3% to 1.68% Cu and occasional gold up to 12g/t Au within an area of ~4km². The veins are often associated with weak-to-moderate propylitic alteration, suggesting the possibility of a nearby (buried) porphyry-style copper and gold system.

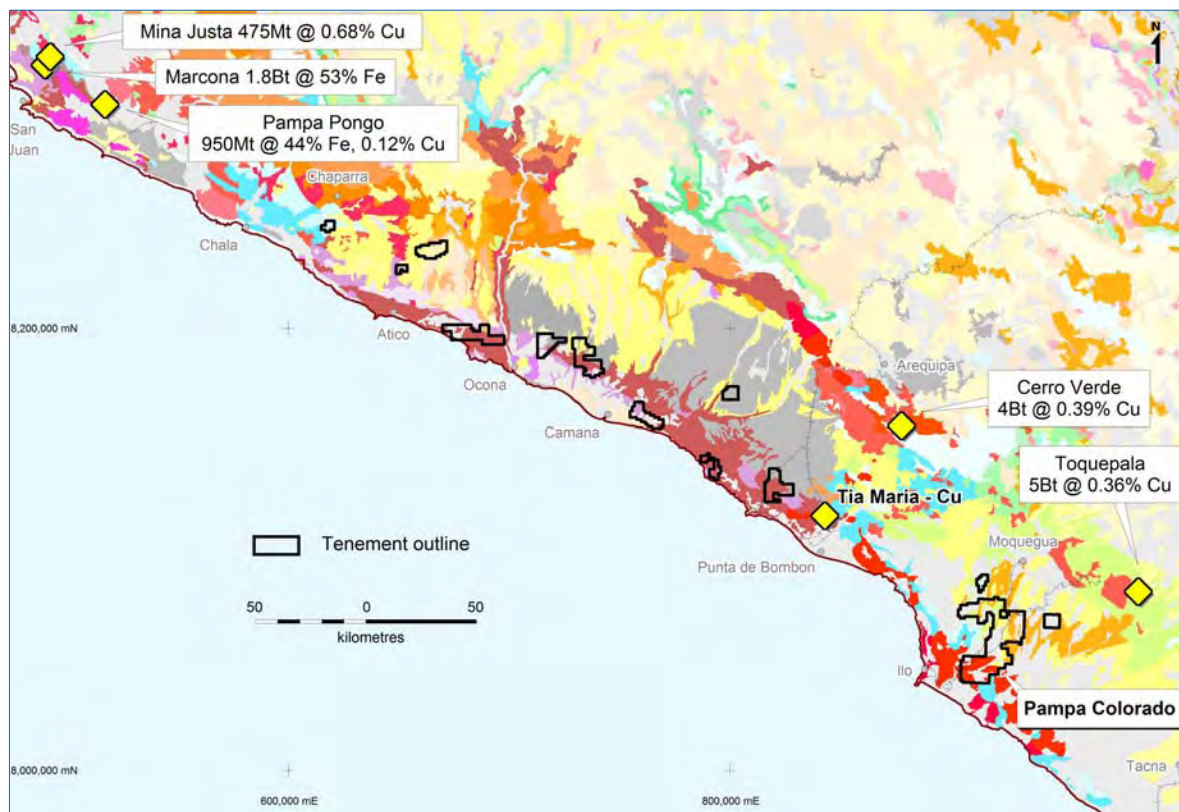


Figure 6. Peru Tenement Locations

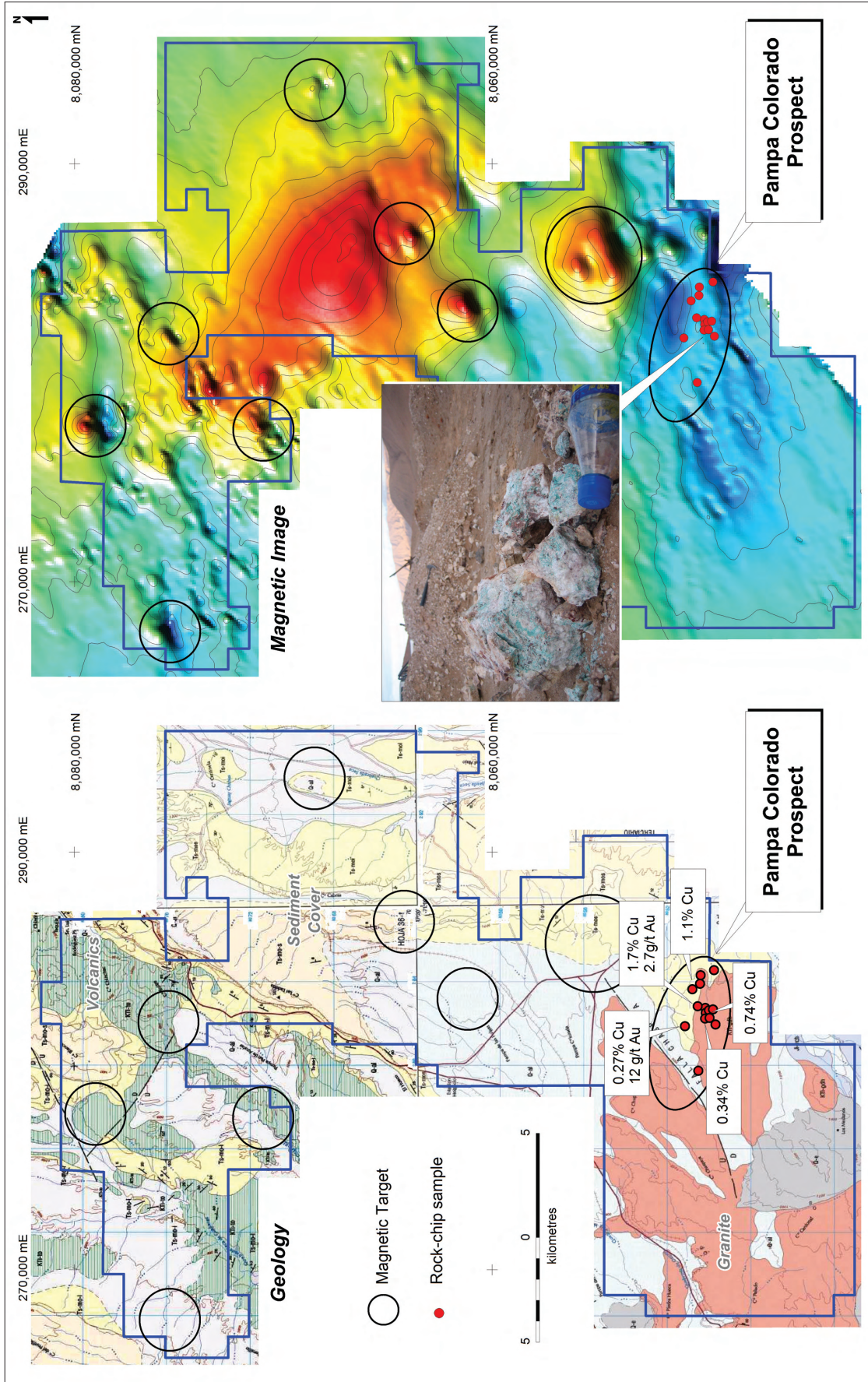


Figure 7. Pampa Colorado Prospect and surrounding targets

Orientation soil sampling and trial geophysical surveys are currently underway in several areas, including Pampa Colorado, to find the best way of targeting buried mineralisation in this terrain. Future plans for the Company include an escalation of exploration activity in Peru over the remainder of 2012 and in 2013.

The Company is encouraged by its prospects in southern Peru given the limited field work completed to date, and is aiming to advance at least one prospect to the drilling stage by the end of 2012.

Manganese and Base Metals (Australia)

During the year, exploration activities focused on drill-testing targets that had previously been identified at Plenty River (NT) and Dundas (WA) Projects, as well as evaluating the manganese potential of the Stanley Project located within the Earaaheedy Basin in WA.

Stanley Project

The Stanley Project, which covers an area of approximately 2,300km², is located 170km east of Wiluna within the Earaaheedy Basin in WA. Manganese (up to ~50% Mn at surface) has been reported from numerous locations and at different stratigraphic positions around the Basin, highlighting the area's potential to contain a range of manganese deposits.

During the year, a detailed review of available data was undertaken and the tenement portfolio was rationalised in order to retain the higher priority targets. Interpretation of low-level aerial photography was also completed highlighting new areas of potential interest which were associated with the upper contact of the Windidda Limestone, an analogous position to the manganese deposits in the Woodie Woodie area in the eastern Pilbara of WA.

Field reconnaissance of photo features confirmed the presence of an extensive manganese-rich horizon extending over at least 10km with possible correlations to the Dome prospect some 60km to the west. The manganese horizon appears thin (1 metre) at surface, but is shallow

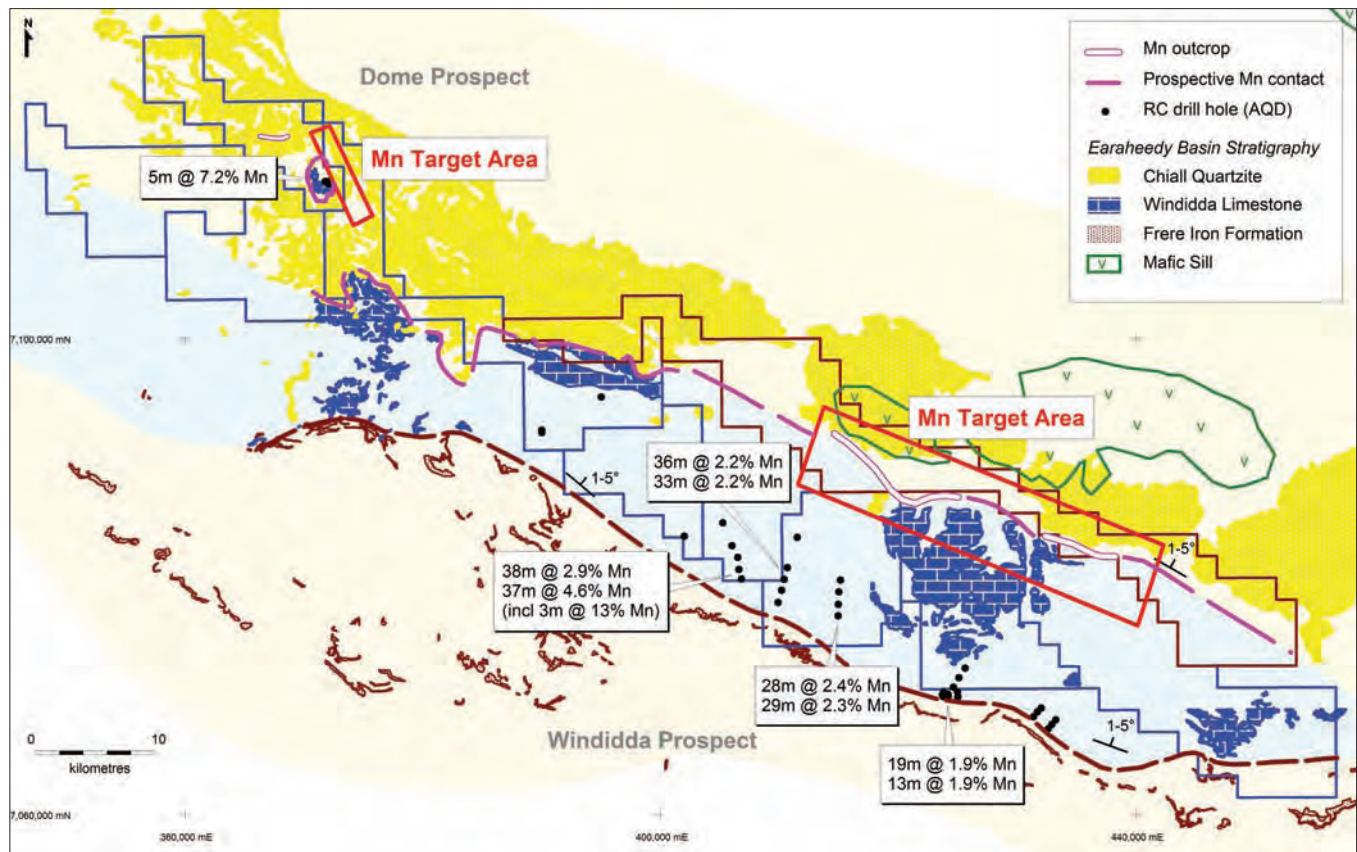


Figure 8. Windidda and Dome Prospects showing main target areas



dipping (<5°) and has an extensive strike length, providing good scope for thicker intervals of manganese mineralisation to be found along its strike length.

Detailed mapping and geophysical surveys (EM, gravity) are being initiated to identify targets for drilling.

At the Niminga and Dome prospects, VTEM and gravity targets interpreted to reflect possible manganese and/or clay alteration along structures remain to be drill tested. This work was postponed until the review was completed and will now form part of the ongoing testing program.

Dundas Gold

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 400km southwest of the Tropicana gold discovery and 80km south-west of the new Nova nickel-copper discovery by Sirius Resources.

During the year, RC drilling (32 holes/3,542m) was undertaken to test gold and base metal targets identified by shallow RAB drilling and subsequent ground electromagnetic (EM) surveys.

Wide zones of elevated gold (20 to 140ppb Au) and base metals (0.5 to 26ppm Ag, 100 to 3,000ppm Cu, 10 to 770ppm Pb, and 100 to 4,200ppm Zn) were intersected including narrow zones of +1g/t Au reported in several holes, but no ore grade intersections were located.

The gold zones are dominantly hosted within felsic gneisses similar to the host rocks reported from the Tropicana gold deposit to the north, and are closely associated with a regional NNW trending structure that was outlined by the EM survey. The potential of this structure along strike remains to be assessed.

Other Projects

During the year, work was discontinued at the Plenty River and Mt Ramsay projects following disappointing results.

At the Earoo Nickel Project, located ~130km north-west of Southern Cross in the Yilgarn region of WA, interpretation of ground electromagnetic data confirmed at least one anomaly of potential interest close to the mafic sill contact. Discussions commenced with interested parties for a possible farm-out of the project.

At the Teriwa Copper-Gold Project, located ~350km southwest of Mt Isa in western Queensland, a gravity survey was planned to define a possible drill target, but is yet to be undertaken. The Teriwa project represents a possible Olympic Dam-style geophysical target at depths of approximately 400 metres below the surface.

The second payment of \$1.5 million for the sale of the Company's Rocklea Iron Ore Project was received from Dragon Energy in January 2012. The final payment of \$750,000 is due on the 19th January 2013. To date the Company has received a total of \$5.375 million. Should payment not be made, the tenement will revert to AusQuest and its Joint Venture partners.

Business Development

AusQuest continues to search for advanced exploration projects with definite signs of mineralisation and significant upside potential, both within Australia and offshore, which could add significant value to the Company.

Financial

AusQuest remains in a strong financial position with \$5 million in cash (as at the end of June 2012) to underpin ongoing exploration activities.

The details contained in the Annual report that pertain to exploration results are based upon information compiled by Mr Graeme Drew, 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 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Resources'. Mr Drew consents to the inclusion of the report of the matters based on his information in the form and context in which it appears.



Operating in Burkina Faso



Field work in Peru



Corporate Governance Statement

INTRODUCTION

The Company is committed to implementing sound standards of corporate governance. In determining what those standards should involve, the Company has had regard to the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations with 2010 Amendments ("Recommendations").

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 Corporate Governance Principles and Recommendations with 2010 Amendments, 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.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Recommendation 1.1 – Establish and disclose the functions reserved to the board and those delegated to senior executives.

The board has established functions that are reserved for the board, as separate from those functions discharged by the Managing Director and are summarised in the Company's Board Charter which is available on the Company's website.

The Board retains responsibility for the following key areas:

- (a) Providing leadership for and supervision of the Company's senior management. The Board provides the strategic direction of the Company and regularly measures the progression by senior management of that strategic direction;
- (b) overseeing the Company, including its control and accountability systems;
- (c) appointing the chief executive officer, or equivalent, for a period and on terms as the directors see fit and, where appropriate, removing the chief executive officer, or equivalent;
- (d) ratifying the appointment and, where appropriate, the removal of senior executives;
- (e) approving the Company's policies on risk oversight and management, internal compliance and control, Code of Conduct, and legal compliance;
- (f) satisfying itself that senior management has developed and implemented a sound system of risk management and internal control in relation to financial reporting risks and reviewed the effectiveness of the operation of that system;
- (g) assessing the effectiveness of senior management's implementation of systems for managing material business risk including the making of additional enquiries and to request assurances regarding the management of material business risk, as appropriate;
- (h) monitoring, reviewing and challenging senior management's performance and implementation of strategy;
- (i) ensuring appropriate resources are available to senior management;
- (j) approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures;
- (k) monitoring the financial performance of the Company;
- (l) ensuring the integrity of the Company's financial and other reporting (with the assistance of the Audit Committee, if applicable) through approval and monitoring;
- (m) providing overall corporate governance of the Company, including conducting regular reviews of the balance of responsibilities within the Company to ensure division of functions remain appropriate to the needs of the Company;
- (n) appointing the external auditor (where applicable, based on recommendations of the Audit Committee) and the appointment of a new external auditor when any vacancy arises, provided that any appointment made by the Board must be ratified by shareholders at the next annual general meeting of the Company;
- (o) engaging with the Company's external auditors and Audit Committee;
- (p) monitoring compliance with all of the Company's legal obligations, such as those obligations relating to the environment, native title, cultural heritage and occupational health and safety; and
- (q) make regular assessment of whether each non-executive director is independent in accordance with the Company's Policy on Assessing the Independence of Directors.

The Managing Director is responsible for running the affairs of the Company under delegated authority from the Board and to implement the policies and strategy set by the Board. The Managing Director must also report to the Board in a timely manner on those matters included in the Company's risk profile, all relevant operational matters and any other material matter.

The functions and responsibilities of the Board compared with those delegated to management are reflective of the Recommendations.

The Managing Director is also responsible for appointing and, where appropriate, removing senior executives, including the chief financial officer and the company secretary, with the approval of the Board. The Managing Director is also responsible for evaluating the performance of senior executives.

Recommendation 1.2 – Disclose the process for evaluating the performance of senior executives.

The Remuneration Committee is charged with periodic review of the job description and performance of the Managing Director according to agreed performance parameters.

The Managing Director and senior executives were the subject of informal evaluations against both individual performance and overall business measures. These evaluations were undertaken progressively and periodically.

The Company's website contains a section formally setting out the Company's Process for Performance Evaluation.

Corporate Governance Statement (cont...)

Recommendation 1.3 – Provide the information in the guide to reporting on Recommendations.

The Company is not aware of any departure from Recommendations 1.1 or 1.2. Performance evaluations for senior executives have taken place in the reporting period in accordance with the process disclosed.

The board charter is publicly available at www.ausquest.com.au and it includes a description of what matters are reserved for the board or senior executives respectively.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

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

The Company did not have a majority of independent directors during the year. As at the year end, two out of the five directors are independent, namely Mr. Ellis and Mr. Hancock. Mr. Drew is involved in the day to day running of the Company, Mr. Ashley was also involved in the day to day running of the Company prior to 5 April 2012 and Mr. Moulton is a full time employee of Cliffs Natural Resources Pty Ltd, a substantial shareholder of the Company.

The Board considers that its current composition is the most appropriate blend of skills and expertise, relevant to the Company’s business and is appropriate given the Company’s current size and operations. The Board is aware of the importance of independent judgement and considers independence, amongst other things, when new appointments to the Board are made.

Recommendation 2.2 – The chairperson should be an independent director.

Mr Hancock, the Chairman of the company is an independent director.

Recommendation 2.3 – The roles of chairperson and chief executive officer should not be exercised by the same individual.

The role of the Chairperson is filled by Mr Hancock (Independent non-executive Director).

The role of the Managing Director and CEO is filled by Mr Drew.

Recommendation 2.4 – The Board should establish a nomination committee.

The full Board performs the function of the Nomination Committee. The Board considers that at this stage, no efficiencies or other benefits would be gained by establishing a separate nomination committee. One separate meeting was held during the year and attendance by the Board is recorded in the Directors’ Report. The Board has adopted a nomination committee charter to assist it to fulfil its function as the nomination committee and this is available on the Company’s website.

Recommendation 2.5 – Disclose the process for evaluating the performance of the Board, its committees and individual directors.

The Board is charged with Board and Board Committee membership, succession planning and performance evaluation, as well as Board member induction, education and development.

The Company has adopted policies and procedures concerning the evaluation and development of its directors, executives and Board committee. Procedures include an internal Board performance assessment, an induction protocol and ongoing discussions with regard to the performance of the Board and its directors.

The Company’s Process for Performance Evaluation is available on the Company’s website.

Recommendation 2.6 – Provide the information indicated in Guide to reporting on Principle 2.

Contained in the Directors’ Report section of this Annual Report are details of the skills, experience and expertise held by each Director in office at the date of this Annual Report.

The terms of office, and their status as executive/non executive/independent, for each director for the year ended 30 June 2012 were as follows (with all directors noted as continuing in office as at 30 June 2012 and still being in office at the date of this annual report unless indicated otherwise):

Director	Independence status	Date of appointment
Greg Hancock	Non-Executive/independent	(appointed 16 September 2003)
Graeme Drew	Executive/ non-independent	(appointed 15 February 2000)
John Ashley	Non- Executive/ non-independent	(appointed 15 February 2000)
Chris Ellis	Non-Executive/ independent	(appointed 2 November 2006)
Craig Moulton	Non-Executive/ non-independent	(appointed 9 August 2011)

The Company has accepted the definition of “independence” in the Recommendations in making the above assessments of independence.

The Company’s Corporate Governance Charter empowers a director to take independent professional advice at the expense of the Company.

In accordance with the Process for Performance Evaluation, an evaluation of Board Performance took place during the year.

The Company strives to ensure that the mix of skills and diversity of the members of the Board adds to overall shareholder value and is representative of the core principles of the Company’s Diversity Policy.

The Company’s procedure for the selection and appointment of new directors is available on the Company’s website along with a copy of the Nomination Committee Charter.



PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

Recommendation 3.1: Establish a code of conduct and disclose the code, or a summary as to:

- 3.1.1 the practices necessary to maintain confidence in the company's integrity;**
- 3.1.2 the practices necessary to take into account legal obligations and reasonable expectations of stakeholders; and**
- 3.1.3 the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.**

The Company has established a formal code of conduct to guide the Directors, the Managing Director and the CFO (or equivalent) with respect to the practices necessary to maintain confidence in the Company's integrity, the practices necessary to take into account legal obligations and reasonable expectations of stakeholders, and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices. The code of conduct is disclosed on the company's website.

Recommendation 3.2: Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving diversity for the board to assess annually both the objectives and progress in achieving them.

The Company's policy regarding diversity is set out on the Company's website.

The Company's diversity policy does not include measureable objectives as the Board believes that the Company will not be able to successfully meet these given the size and stage of development of the Company. If the Company's activities increase in size, nature and scope in the future, then appropriate measureable objectives will be set and put into place.

Recommendation 3.3: Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.

Given the size of the Company the Directors do not consider it appropriate to set measurable objectives in relation to diversity. Notwithstanding this the Company strives to provide the best possible opportunities for current and prospective employees of all backgrounds in such a manner that best adds to overall shareholder value and which reflects the values, principles and spirit of the Company's Diversity Policy.

Recommendation 3.4: Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.

For the 2012 financial year, the Company had a total of 3 women employees out of a total of 17 employees and contractors, however the Company had no women in senior executive positions or women on the Board.

Recommendation 3.5: Companies should provide the information indicated in the *Guide to reporting on Principle 3*.

The Company is not aware of any departure from Recommendations 3.1 or 3.4.

The Company's diversity policy does not include measureable objectives as the Board believes that the Company will not be able to successfully meet these given the size and stage of development of the Company.

The Company's Code of Conduct and the Company's diversity policy are publicly available on the Company's website.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Recommendation 4.1, 4.2, 4.3 and 4.4: The Board should establish an Audit Committee.

The Board has established a separate Audit Committee comprising the two independent non-executive directors, being Mr. Hancock and Mr Ellis and an additional non-executive director, being Mr Moulton. The Committee met three times during the year and attendances by committee members are recorded in the Directors' Report.

Mr Ellis, the Chair of the Audit Committee, is independent and not the Chair of the Board. He is an experienced mining executive with over 30 years experience in geology, exploration, mine planning and project development in Australia and overseas. Mr Hancock is also financially literate. All Audit Committee members have industry experience.

A copy of the Company's Audit Committee Charter is available on the Company's website. The Company's process for the selection, appointment and rotation of the Company's external auditors is also available on the Company's website.

The Company is not aware of any departure from Recommendations 4.1, 4.2, 4.3 or 4.4.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

Recommendation 5.1: Establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of them.

The Company has established written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at senior executive level for that compliance.

Recommendation 5.2: Provide the information indicated in *Guide to reporting on Principle 5*.

The Company is not aware of any departure from Recommendations 5.1 or 5.2.

A summary of the Company's policy on ASX Listing Rule Compliance is publicly available on the Company's website.

Corporate Governance Statement (cont...)

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

Recommendation 6.1: Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.

The Company has adopted policies formally setting out the Company’s communications strategy with its stakeholders including the effective use of electronic communications.

The board encourages the attendance of shareholders at the Shareholders’ Meetings and sets the time and place of each Shareholders Meeting to allow maximum attendance by shareholders.

Recommendation 6.2: Provide the information indicated in Guide to reporting on Principle 6.

Details of how the Company will communicate with its shareholders publicly is set out under the heading “Shareholder Communication Policy” which is publicly available on the Company’s website.

The Company is not aware of any departure from Recommendations 6.1 or 6.2.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

Recommendation 7.1: Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

The Board of Directors is responsible for overseeing and approving policies for the management and oversight of material business risks, internal compliance and internal controls. The objectives of AusQuest’s risk management program are contained in the Risk Management Policy which is available on the Company’s website.

Recommendation 7.2: The Board to require management to design and implement the risk management and internal control system to manage the Company’s material business risks, and report to it on whether those risks are being managed effectively. Board to disclose that management has reported to it as to the effectiveness of the Company’s management of its material business risks.

The Company has in place a system of risk management that identifies and categorises and manages material business risks faced by the Company. A risk register is updated and tabled at appropriate Board meetings throughout the year. Key risks addressed include

- Occupational Health and Safety;
- Protection of assets;
- Market risk;
- Liquidity risk; and
- Compliance risk.

The Board has delegated responsibility for establishing and maintaining effective management strategies for material business risk to the Managing Director and senior executives. The Board requires that the senior executive team report on at least a quarterly basis as to the effectiveness of the Group’s risk management systems.

The Board recognises that no cost effective internal control system will preclude all errors and irregularities. The system is based upon written procedures, policies and guidelines, an organisational structure that provides an appropriate division of responsibility, and the selection and training of qualified personnel.

The Board of Directors review the business and financial risk management systems and internal control systems implemented by management to obtain reasonable assurance that the entity’s assets are safeguarded and that the reliability and integrity of its financial information is maintained. The Board review, at least annually, the effectiveness of the Group’s risk management systems.

Recommendation 7.3: Board to disclose whether it has received assurance from the Managing Director (or equivalent) and the CFO (or equivalent) that the declaration provided in accordance with S.295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

The Company’s Managing Director and CFO (or equivalent) provided the Board assurance in compliance with this Recommendation that the declaration provided in accordance with S.295A of the Corporations Act was founded on a sound system of risk management and internal control and that system was operating effectively in all material respects in relation to financial reporting risks.

Recommendation 7.4: Provide the information indicated in Guide to reporting on Principle 7.

The Company is not aware of any departure from Recommendations 7.1, 7.2 or 7.3 although notes it is continuing to develop and refine its risk management and internal control processes.

A copy of the Company’s policies on risk oversight and management of material business risks is publicly available under the heading “Risk Management Policy”.



PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

Recommendation 8.1: The Board should establish a remuneration committee.

The Board has established a Remuneration Committee comprising the independent directors and an additional director, being Mr Hancock, Mr Ellis and Mr Moulton. Two meetings were held during the year and attendance by committee members is recorded in the Directors' Report.

Recommendation 8.2: The remuneration committee should be structured so that it:

- consists of a majority of independent directors
- is chaired by an independent chair
- has at least three members.

The remuneration committee consists of a majority of independent directors, is chaired by an independent chair, namely Mr. Greg Hancock, and does have at least 3 members.

Recommendation 8.3: Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.

The structure of non-executive remuneration is clearly distinguishable from that of executive directors and senior executives.

The level of remuneration packages and policies applicable to directors are detailed in the Remuneration Report which forms part of the Directors' Report to this Annual Report.

Recommendation 8.4: Provide the information indicated in Guide to reporting on Principle 8

Non- Executive Director Retirement Benefits

Non-executive directors are entitled to statutory superannuation. There are no other schemes for retirement benefits for non executive directors.

Limiting Risk

Directors are prohibited from entering into transactions which limit the risk of participating in unvested entitlements under any equity based remuneration scheme.

Information Publicly Available

The Company's website contains a section formally setting out the Remuneration Committee Charter which is used by the Board when considering matters relevant to a Remuneration Committee.

Directors' Report

The Directors of AusQuest Ltd herewith submit the annual financial report of the Company and the entities it controlled ("Group") for the financial year ended 30 June 2012. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Information about Directors and Senior Management

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 noted below. Except where indicated, directors have held office during and since the end of the financial year:

Greg Hancock BA Econs, BEd Hons., F.Fin
Non-Executive Director and Chairman

Greg has had over 20 years experience in capital markets practicing 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 - March 2001 – October 2011

Graeme Drew BSc (Hons), FAIMM, MASEG
Managing Director

Graeme has over 40 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 years.

John Ashley BSc (Hons), MSc., FAIMM, MSEG, MASEG, MAIG
Non-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 El Sherana West (uranium), Prieska (copper/lead/zinc), Red October, Ulysses (gold).

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

Christopher Ellis BSc (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.

Chris has held no other Directorships in listed companies over the last three years.

Craig Moulton

Non Executive Director (appointed on 5 August 2011 and previously acted as alternate director for Mr. Ravenscroft from 8 February 2011)

Craig holds a Bachelor of Science (Geology) with Honours from the University of Western Australia and has over 18 years experience in the mining industry in Australia and overseas. He is currently General Manager Exploration Asia Pacific for Cliffs Natural Resources. Prior to Cliffs, Craig held senior mining, development and exploration roles in Rio Tinto Iron Ore, Fujitsu Australia and Rio Tinto Copper Projects.

Peter Ravenscroft MSc, FAIMM

Non-Executive Director (appointed as non-executive director on 8 February 2011 and resigned on 5 August 2011)

Company secretary

Darren Crawte LLB (Hons), ACA, CA, MAICD

Darren is a qualified chartered accountant in both the UK and Australia and has worked within public practice for over 14 years, initially as an external auditor. He is currently a Director of Audit and Corporate services at Nexia Perth, a mid tier accounting and business advisory practice, where he specialises in providing corporate advisory, financial accounting/audit management, transactional support, taxation and other back office services to junior listed companies. Darren has acted as Company Secretary to a number of companies in the junior resources sector having managed a number of these through an initial public offering.



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	Fully paid ordinary shares Number	Share options Number
Greg Hancock	1,058,000	-
Chris Ellis	10,668,658	-
John Ashley	6,071,630	-
Graeme Drew	4,747,241	1,000,000
Craig Moulton (i)	-	-

(i) Mr. Craig Moulton is a full time employee of Cliffs Natural Resources Pty Ltd ("Cliffs"). Cliffs hold 68,308,791 shares but Mr Moulton does not hold shares or options independently.

Remuneration of Directors and senior management

Information about the remuneration of Directors and senior management is set out in the Remuneration Report of this Directors' report.

Share options granted to Directors and senior management

During and since the end of the financial year there were no share options granted to Key Management Personnel of the Group as part of their remuneration.

Principal activities

The principal activity of the Group was mineral exploration throughout Australia, Africa and Peru.

Review of operations

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

The loss of the Group after income tax and after allocation to non-controlling interests for the year was \$9,053,588 (2011: \$10,487,100).

Changes in state of affairs

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

Subsequent events

There has been no matters 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 Group, the results of those operations, or the state of affairs of the Group in future financial years.

Future developments

Disclosure of information regarding the likely developments in the operations of the Group in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Group. Accordingly, this information has not been disclosed in this report.

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

Shares under option or issued on exercise of options

Details of unissued shares or interests under option as 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	1,250,000	Ordinary	35 cents each	31 December 2012
AusQuest Ltd	500,000	Ordinary	30 cents each	30 November 2013
AusQuest Ltd	2,250,000	Ordinary	40 cents each	30 November 2013
AusQuest Ltd	1,350,000	Ordinary	20 cents each	1 December 2013
AusQuest Ltd	1,150,000	Ordinary	40 cents each	1 December 2013

Directors' Report (cont...)

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

Shares issued on the exercise of options

No shares were issued during the year on the exercise of options.

Share options that expired/lapsed

Details of share options that expired or lapsed during or since the end of the financial year are:

Issuing entity	Number of options expired/ lapsed	Class of shares	Exercise price of option	Expiry date of options
AusQuest Ltd	500,000	Ordinary	30 cents each	31 January 2012

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 \$38,571 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.

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, 5 board meetings, 3 audit committee meetings, and 2 remuneration committee meetings were held.

Directors	Board of Directors		Remuneration committee		Audit committee	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Greg Hancock	7	7	2	2	3	3
Christopher Ellis	7	7	2	2	3	3
John Ashley	7	7	-	-	-	-
Graeme Drew	7	7	-	-	-	-
Craig Moulton	6	6	2	2	3	3
Peter Ravenscroft	1	1	-	-	-	-

In addition 5 circular resolutions have been passed by Directors during the year.

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

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the Company with an independence declaration in relation to the audit of the annual report. This independence declaration is included on page 25 of the financial report and forms part of this directors' report for the year ended 30 June 2012.

Remuneration report

This remuneration report, which forms part of the Directors' report, sets out information about the remuneration of AusQuest Ltd's key management personnel for the financial year ended 30 June 2012. Disclosures required under AASB 124 Related Party Disclosures have been transferred from the financial report and have been audited. The additional disclosures required by the Corporations Act 2001 and the Corporations Regulations 2001 have not been audited.



The prescribed details for each person covered by this report are detailed below under the following headings:

- key management personnel details;
- remuneration policy and relationship between the remuneration policy and Company performance;
- remuneration of key management personnel; and
- key terms of employment contracts

Key management personnel details

The key management personnel of AusQuest Ltd during the year or since the end of the year were:

Greg Hancock	Non-Executive Chairman
Graeme Drew	Managing Director
John Ashley	Executive Director (1 July 2011 to 4 April 2012 Non-Executive Director 5 April 2012 to 30 June 2012)
Christopher Ellis	Non-Executive Director
Craig Moulton	Non-Executive Director (appointed On 9 August 2011)
Peter Ravenscroft	Non-Executive Director (resigned on 5 August 2011)
Darren Crawte	Company Secretary

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

Remuneration policy and relationship between the remuneration policy and Company performance

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.

Key management personnel (excluding non-executive Directors)

The Remuneration Committee is responsible for determining the remuneration policies for the Group, including those affecting executive Directors and other key management personnel. The Committee may seek appropriate external advice to assist in its decision making. Remuneration policies and practices are directed primarily at attracting, motivating and retaining key management personnel.

The remuneration policy for executive Directors and other key management personnel has the following key elements:

- Primary benefits (being salary, fees, bonus and non monetary benefits)
- Post-employment benefits (being superannuation)
- Equity (being share options granted at the discretion of the Board)
- Other benefits

Executive directors are also entitled to receive a cash bonus under the Executive Short Term Incentive Plan. The Plan, which was adopted by the Board on 17 December 2009, provides that executive directors may receive a cash bonus dependant on the achievement of a number of quantitative objectives aligned to exploration success, identification of new opportunities and implementation of those new opportunities. Approximately 85% of the bonus is aligned to the achievement of these objectives and the remaining 15% is aligned to qualitative goals in areas such as governance, funding and external relationships. The quantum of the bonus is defined as a percentage of annual salary and allows for a payment of between 15% and 50%, depending on whether goals are achieved on a threshold, target or stretch basis. The bonus is payable on a financial year basis.

In September 2011, the Remuneration Committee approved the payment of cash bonuses to the participants of the plan for the 2011 financial year, based on the assessment of the performance of the participants in the various qualitative and quantitative fields as discussed above. These were paid in full during the current financial year. The awards for the 2012 financial year will be considered and approved in the 2013 financial year and shown as part of remuneration once approved and granted.

Non-executive Directors

The Company's non-executive Directors receive only fees (including statutory superannuation) for their services and the reimbursement of reasonable expenses. The fees paid to the Company's non-executive Directors reflect the demands on, and responsibilities of these Directors. They do not receive any retirement benefits (other than compulsory superannuation). The Board decides annually the level of fees to be paid to non-Executive Directors with reference to market standards.

Non-Executive Directors may also receive share options where this is considered appropriate by the Board as a whole and with regard to the stage of the Company's development. Such options vest across the life of the option and are primarily designed to provide an incentive to non-Executive Directors to remain with the Company.

A non-Executive Directors' fee pool limit of \$300,000 per annum was approved by the shareholders at the Annual General Meeting on 18 November 2008 and is currently utilised to a level of \$135,000 excluding superannuation per annum. The fees currently paid to non-Executive Directors are \$55,000 excluding superannuation per annum for the non-Executive Chairman and \$40,000 excluding superannuation per annum for the non-Executive Directors.

Directors' Report (cont...)

Remuneration of key management personnel

	Short-term employee benefits				Post-employment benefits	Other long-term employee benefits	Share-based payment	Total	% of compensation consists of options	Performance Related
	Salary & fees	Bonus	Non-monetary	Other	Super-annuation		Options			
	\$	\$	\$	\$	\$	\$	\$	\$	%	%
2012										
<u>Directors</u>										
Graeme Drew	247,706	67,500	-	7,710	22,294	-	-	345,210	-	19.6%
John Ashley	72,360	58,185	-	7,710	-	-	-	138,255	-	42.1%
Greg Hancock (i)	100,000	-	-	7,710	4,950	-	-	112,660	-	-
Chris Ellis	40,000	-	-	7,710	3,600	-	-	51,310	-	-
Craig Moulton (ii)	4,308	-	-	6,886	-	-	-	6,886	-	-
Peter Ravenscroft	-	-	-	845	-	-	-	5,153	-	-
	464,374	125,685	-	38,571	30,844	-	-	659,474	-	-
2011										
<u>Directors</u>										
Graeme Drew	234,730	45,500	-	7,764	25,221	-	111,503	424,718	26.2%	10.7%
John Ashley	130,718	39,680	-	7,764	-	-	-	178,162	-	22.3%
Greg Hancock (i)	55,000	-	-	7,764	4,950	-	-	67,714	-	-
Chris Ellis	40,000	-	-	7,764	3,600	-	-	51,364	-	-
Richard Mehan	24,154	-	-	4,774	2,174	-	-	31,072	-	-
Peter Ravenscroft	14,405	-	-	3,021	-	-	-	17,426	-	-
Craig Moulton (ii)	-	-	-	-	-	-	-	-	-	-
	499,007	85,180	-	38,821	35,945	-	111,503	770,456	-	-

(i) During the year, additional consulting services to the value of \$45,000 (2011: nil) were provided by Mr Hancock. In the previous year, these consulting services were provided by Hancock Corporate Investments Pty Ltd.

(ii) The Company does not pay any director's fees to Craig Moulton as he is a full-time employee of Cliffs Natural Resources, a substantial shareholder of AusQuest Ltd.

During the year no options were issued to key management personnel.

No options granted as remuneration were exercised by key management personnel during the year.

There were no options granted as remuneration to key management personnel which were granted, exercised or lapsed during the year

Key terms of employment contracts

Remuneration and other terms of employment for the Managing Director, Graeme Drew are formalised in a service agreement. Major provisions of this agreement are set out below:

- Term of agreement – two years commencing 25 November 2011.
- Base salary reviewed annually, currently \$270,000 per annum (inclusive of superannuation entitlements).
- Entitlement to participate in Short Term Incentive Plan comprising a cash bonus dependent on the achievement of predetermined quantitative and qualitative objectives.
- Payment of termination benefit on early termination by the employer, other than for gross misconduct, equals 3 months salary, other than if there is a change of control of the Company, which will result in 12 months salary.
- Notice period of 90 days.

This Directors' report is signed in accordance with a resolution of Directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the Directors



Graeme Drew

Managing Director

Perth, 19 September 2012



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 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b) any applicable code of professional conduct in relation to the audit.

This declaration is in respect of AusQuest Limited.

W M CLARK
Partner, HLB Mann Judd

Perth, Western Australia
19 September 2012

Independent Auditor's Report to the Members of AusQuest Limited



Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REPORT

To the members of AusQuest Limited

Report on the Financial Report

We have audited the accompanying financial report of AusQuest Limited ("the company"), which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for the consolidated entity. The consolidated entity comprises the company and the entities it controlled at the year's end 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 of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In Note 2, the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the consolidated financial report complies with 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. Those 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 control 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 control. 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*.



Independent Auditor's Report to the Members of AusQuest Limited (cont...)



Accountants | Business and Financial Advisers

Matters relating to the electronic presentation of the audited financial report and remuneration report

This auditor's report relates to the financial report and remuneration report of AusQuest Limited for the financial year ended 30 June 2012 published in the annual report and included on the company's website. The company's directors are responsible for the integrity of the company's website. We have not been engaged to report on the integrity of this website. The auditor's report refers only to the financial report and remuneration report. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report and remuneration report. If users of the financial report and remuneration report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report and remuneration report to confirm the information contained in this website version of the financial report and remuneration 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 consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion the remuneration report of AusQuest Limited for the year ended 30 June 2012 complies with section 300A of the *Corporations Act 2001*.

HLB MANN JUDD
Chartered Accountants

W M CLARK
Partner

Perth, Western Australia
19 September 2012

Directors' Declaration

The Directors declare that:

- a. the financial statements, notes and the additional disclosures of the Group are in accordance with the Corporations Act 2001 including:
 - i. giving a true and fair view of the Group's financial position as at 30 June 2012 and of its 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. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
- c. note 2 confirms that the financial statements also comply with International Financial Reporting Standards issued by the International Accounting Standards Board.

This declaration has been made after receiving the declarations required to be made to the directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2012.

This declaration is signed in accordance with a resolution of the Board of Directors.

On behalf of the Directors



Graeme Drew
Director

Perth, 19 September 2012



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Consolidated Statement of Comprehensive Income

for the financial year ended 30 June 2012

	Note	2012 \$	2011 \$
Continuing operations			
Revenue	5	450,776	4,693,672
Consultants and employee benefits expense		(368,697)	(679,985)
Occupancy expenses		(109,174)	(127,542)
Administration expense		(1,040,028)	(1,555,850)
Exploration expenditure expensed as incurred		(71,043)	(682,363)
Impairment of exploration expenditure	11	(7,909,791)	(12,141,108)
Loss before income tax expense		(9,047,957)	(10,493,176)
Income tax expense	7	-	-
Loss for the year	6	(9,047,957)	(10,493,176)
Other comprehensive income:			
Exchange gain/(loss) on translation of foreign operations		342,905	(23,104)
Total comprehensive loss for the year		(8,705,052)	(10,516,280)
Loss for the year attributable to owners of the parent		(9,053,588)	(10,487,100)
Profit/(loss) for the year attributable to non-controlling interests		5,631	(6,076)
		(9,047,957)	(10,493,176)
Total comprehensive loss attributable to owners of the parent		(8,761,903)	(10,510,204)
Total comprehensive income/(loss) attributable to non-controlling interests		56,851	(6,076)
		(8,705,052)	(10,516,280)
Loss per share:			
Basic (cents per share)	16	3.97	4.59

Notes to the financial statements are included on pages 34 to 52.



Consolidated Statement of Financial Position

as at 30 June 2012

	Note	2012 \$	2011 \$
Current assets			
Cash and cash equivalents	20	5,076,789	11,434,507
Trade and other receivables	8	1,272,405	2,073,276
Other assets	9	75,350	91,267
Total current assets		6,424,553	13,599,050
Non-current assets			
Other receivables	8	-	750,000
Property, plant and equipment	10	102,456	127,705
Exploration and evaluation expenditure	11	17,071,623	19,267,933
Total non-current assets		17,174,079	20,145,638
Total assets		23,598,632	33,744,688
Current liabilities			
Trade and other payables	12	823,728	2,265,695
Provisions	13	82,148	81,185
Total current liabilities		905,876	2,346,880
Total liabilities		905,876	2,346,880
Net assets		22,692,756	31,397,808
Equity			
Issued capital	14	52,307,672	52,307,672
Reserves	15	1,061,634	278,944
Accumulated losses		(30,676,550)	(22,817,119)
Parent entity interest		22,692,756	29,769,497
Non controlling interests		-	1,628,311
Total equity		22,692,756	31,397,808

Notes to the financial statements are included on pages 34 to 52.

Consolidated Statement of Changes in Equity

for the financial year ended 30 June 2012

Consolidated	Issued Capital \$	Share based payments reserve \$	Foreign currency translation reserve \$	Non controlling contribution reserve \$	Accumulated losses \$	Non controlling interests \$	Total \$
Balance at 1 July 2011	52,307,672	847,395	8,554	(577,005)	(22,817,119)	1,628,311	31,397,808
Profit/(Loss) for the year	-	-	-	-	(9,053,588)	5,631	(9,047,957)
Exchange differences on translation of foreign operations	-	-	291,685	-	-	51,220	342,905
Total comprehensive income/(loss) for the year	-	-	(291,685)	-	(9,053,588)	56,851	(8,705,052)
Lapsed options during the year	-	(86,000)	-	-	86,000	-	-
Adjustment to reflect change of non-controlling interest in subsidiary	-	-	-	1,685,162	-	(1,685,162)	-
Elimination of non-controlling interests	-	-	-	(1,108,157)	1,108,157	-	-
Balance at 30 June 2012	52,307,672	761,395	300,239	-	(30,676,550)	-	22,692,756
Balance at 1 July 2010	52,307,672	1,048,976	31,658	-	(12,796,815)	1,057,382	41,648,873
Loss for the year	-	-	-	-	(10,487,100)	(6,076)	(10,493,176)
Exchange differences on translation of foreign operations	-	-	(23,104)	-	-	-	(23,104)
Total comprehensive loss for the year	-	-	(23,104)	-	(10,487,100)	(6,076)	(10,516,280)
Recognition of share-based payments	-	265,215	-	-	-	-	265,215
Lapsed options during the year	-	(466,796)	-	-	466,796	-	-
Adjustment to reflect change of non-controlling interest in subsidiary	-	-	-	(577,005)	-	577,005	-
Balance at 30 June 2011	52,307,672	847,393	8,554	(577,005)	(22,817,119)	1,628,311	31,397,808

Notes to the financial statements are included on pages 34 to 52.



Consolidated Statement of Cash Flows

for the financial year ended 30 June 2012

	Note	2012 \$	2011 \$
Cash flows from operating activities			
Payments to suppliers and employees		(1,136,637)	(3,770,916)
Interest received		594,690	594,690
Net cash used in operating activities	20 (b)	(541,947)	(2,786,226)
Cash flows from investing activities			
Payment for property, plant and equipment		(32,021)	(38,275)
Exploration and evaluation expenditure		(6,908,741)	(8,667,501)
Proceeds from disposal of exploration and evaluation assets		1,125,000	3,875,000
Net cash used in investing activities		(5,815,762)	(4,830,776)
Net decrease in cash and cash equivalents		(6,357,709)	(7,617,002)
Cash and cash equivalents at the beginning of the financial year		11,434,507	19,051,509
Cash and cash equivalents at the end of the financial year	20(a)	5,076,798	11,434,507

Notes to the financial statements are included on pages 34 to 52.

Notes to the Financial Statements

for the financial year ended 30 June 2011

1. GENERAL INFORMATION

AusQuest Limited (the Company) is a public Company listed on the Australian Securities Exchange (trading under the symbol "AQD"), incorporated in Australia and operating in Australia.

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

Registered office	Principal place of business
C/- Nexia Perth	8 Kearns Crescent
Level 7, The Quadrant	Ardross WA 6153
1 William Street	
Perth WA 6000	

The Group's principal activities are the exploration and evaluation of mineral resources in Australia, Africa and Peru.

2. SIGNIFICANT 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 A-IFRS ensures that the financial statements and notes of the Company and the Group comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the Directors on 19 September 2012.

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. All amounts are presented in Australian dollars, unless otherwise noted.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, management is required to make judgements, 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 experiences and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the 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 the current and future periods.

Refer to Note 3 for a discussion of critical judgements in applying the Group's accounting policies and key sources of estimation uncertainty.

Adoption of new and revised Accounting Standards

Changes in accounting policy on initial application of Accounting Standards

In the year ended 30 June 2012, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current reporting period.

Standards and Interpretations affecting the reported results or financial position

There are no new and revised Standards and Interpretations adopted in these financial statements affecting the reported results or financial position.

Standards and Interpretations adopted with no effect on the financial statements

It has been determined by the Directors that there is no material impact of any other new and revised Standards and Interpretations on its business, and therefore, no change is necessary to Group accounting policies.

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2012. 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 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.

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

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries) referred to as 'the Group' in these financial statements.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.



2. SIGNIFICANT ACCOUNTING POLICIES (cont...)

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Control exists where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing when the Group controls another entity.

Business combinations have been accounted for using the acquisition method of accounting. The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expenses as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

Unrealised gains or transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in the statement of comprehensive income and within equity in the consolidated statement of financial position. Losses are attributed to the non-controlling interests even if that results in a deficit balance.

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised within equity attributable to owners of AusQuest Limited.

(b) 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.

(c) 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.

(d) Financial assets

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.

Investments in subsidiaries 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 cost price, net of transaction costs. Subsequent to initial recognition, investments in subsidiaries are measured at cost.

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

(e) 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.

(f) 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 statement of cash flows 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.

Notes to the Financial Statements (cont...)

2. SIGNIFICANT ACCOUNTING POLICIES (cont...)

(g) Impairment of assets

At each reporting date, the Group 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 Group 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.

(h) 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 provided on all 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.

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 statement of comprehensive income, 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.



2. SIGNIFICANT ACCOUNTING POLICIES (cont...)

(i) 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 permits 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.

(j) 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 consolidated financial statements and the cost method in the Company's financial statements.

(k) Operating cycle

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

(l) 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.

(m) Foreign currency translation

Both the functional and presentation currency of AusQuest Limited and its Australian subsidiaries is Australian dollars. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance date.

All exchange differences in the consolidated financial report are taken to profit or loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss.

Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currency of the foreign operations, E&A Resources Pty Ltd, Comoe Exploration SARL and Questdor SAC is United States dollars (US\$). As at the balance date the assets and liabilities of these subsidiaries are translated into the presentation currency of AusQuest Limited at the rate of exchange ruling at the balance date and their statements of comprehensive income are translated at the weighted average exchange rate for the year.

The exchange differences arising on the translation are taken directly to the foreign currency translation reserve in equity.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in profit or loss.

(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:

<i>Class of fixed asset</i>	<i>Depreciation rate (%)</i>
Office furniture & equipment	7.5 – 50.0

Notes to the Financial Statements (cont...)

(o) Provisions

Provisions are recognised when the Group 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 cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

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

Interest revenue

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

(q) Share-based payments

The Group provides benefits to employees (including senior executives) of the Group in the form of share-based payments. The cost of these share-based payments is measured by reference to the fair value of the equity instruments at the date at which they are granted. 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.

(r) Earnings per share

Basic earnings per share is calculated as net profit/loss attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit/loss attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(s) Operating segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start up operations which are yet to earn revenues. Management also considers other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors.

Operating segments have been identified based on the information provided to the chief operating decision maker – being the board of directors.

The Group aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in the nature of the minerals targeted.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 Operating Segments are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category for "all other segments".

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Judgements made by management in the application of A-IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant note to the financial statements.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

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. Other than exploration expenditure written off totalling \$7,909,791 (2011: \$12,141,108) during the year, no impairment loss was recorded in the current financial year (2011: nil).



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 various assumptions.

Loans to controlled entities

The Directors believe that the recoupment of the inter-company receivables from AusQuest Ltd to E&A Resources Pty Ltd and Questdor SAC is dependent on the successful development and commercial exploitation or, alternatively, the sale of the exploration assets held by the controlled entities.

4. SEGMENT INFORMATION

AASB 8 requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes.

Operating segments are now reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision-maker has been identified as the board of directors of AusQuest Limited.

The following table presents the revenue, results and certain asset and liability information regarding the segment information provided to the Board of Directors for the year ended 30 June 2012.

Continuing operations

	Australia	Africa	Other	Intersegment eliminations	Consolidated
	\$	\$	\$	\$	\$
30 June 2012:					
Segment revenue	571,960	-	159	(121,343)	450,776
Segment loss after tax	(9,163,580)	21,108	215,857	(121,343)	(9,047,957)
Unallocated expenses					-
Segment net loss after tax					(9,047,957)
Segment assets	22,691,953	12,389,324	127,316	(11,609,961)	23,598,632
Segment liabilities	720,110	3,365,623	608,529	(3,788,386)	905,876
Included within segment result:					
Depreciation	48,471	-	-	-	48,471
Interest income	392,549	-	159	-	392,708
Impairment of exploration expenditure	7,909,791	-	-	-	7,909,791

Continuing operations

	Australia	Africa	Other	Intersegment eliminations	Consolidated
	\$	\$	\$	\$	\$
30 June 2011:					
Segment revenue	5,072,148	-	-	(378,476)	4,693,672
Segment loss after tax	(9,406,993)	(15,401)	(717,133)	(353,649)	(10,493,176)
Unallocated expenses					-
Segment net loss after tax					(10,493,176)
Segment assets	32,426,156	9,401,183	489,541	(8,572,192)	33,744,688
Segment liabilities	991,096	5,330,406	1,169,345	(5,143,967)	2,346,880
Included within segment result:					
Depreciation	47,671	-	-	-	47,671
Interest income	914,346	-	-	-	914,346
Impairment of exploration expenditure	12,141,108	-	-	-	12,141,108

Notes to the Financial Statements (cont...)

5. REVENUE

An analysis of the Group's revenue for the year, from continuing operations, is as follows:

	Consolidated	
	2012 \$	2011 \$
Continuing operations		
Interest income	392,708	914,346
Profit on disposal of tenements	-	3,779,326
Other income	58,068	-
	450,776	4,693,672

6. LOSS FOR THE YEAR

Loss for the year includes the following expenses:

	Consolidated	
	2012 \$	2011 \$
Depreciation of non-current assets	48,471	47,671
Operating lease rental expenses:		
Minimum lease payments	109,175	127,542
Employee benefits expense:		
Share-based payments	-	265,215

7. INCOME TAXES

Income tax recognised in profit or loss

	Consolidated	
	2012 \$	2011 \$
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 the pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:

Loss from operations	9,047,957	10,493,176
Income tax expense calculated at 30%	2,714,387	3,147,953
Effect of expenses that are not deductible in determining taxable profit	(2,480,522)	(3,929,764)
Effect of changes in unrecognised temporary differences	227,390	(240,917)
Effect of unused tax losses and tax offsets not recognised as deferred tax assets	(461,255)	1,022,728
	-	-

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.



7. INCOME TAXES (cont...)

Unrecognised deferred tax assets and liabilities

	Consolidated	
	2012 \$	2011 \$
The following deferred tax assets and (liabilities) have not been brought to account:		
Tax losses – revenue	7,664,152	6,279,742
Temporary differences	(3,514,569)	(3,030,369)
	4,149,583	3,249,373
Deferred tax assets not recognised in equity – share issue costs	84,517	917,163

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 (incorporated in Australia) are identified at note 19.

8. TRADE AND OTHER RECEIVABLES

	Consolidated	
	2012 \$	2011 \$
Current		
Goods and services tax recoverable	55,020	178,761
Accrued interest income	31,803	233,785
Deferred sales proceeds (i)	750,000	1,125,000
Security deposits	117,385	135,608
Other debtors – secured	-	292,516
Other debtors – unsecured	318,197	107,606
	1,272,405	2,073,276
Non Current		
Deferred sales proceeds (i)	-	750,000
	-	750,000

- (i) During the 2011 financial year the Group entered into an agreement with Dragon Energy Limited to sell its two iron ore projects in the Pilbara region of Western Australia. Under the agreement, the combined assets were sold for \$7.5 million. This included a payment of \$0.5 million for the Nameless Project, which was received during the year, and \$7.0 million for the Rocklea Project (75% AQD).

On completion of the Rocklea sale, Dragon Energy paid a first installment, being \$3.375 million (75% of \$4.5 million). The two remaining installments payable to AusQuest were as follows:

- \$1.125 million (75% of \$1.5 million) which was paid on 19 January 2012, being 12 months after completion date, and
- \$0.75 million (75% of \$1.0 million) to be paid by 19 January 2013, being 24 months after completion.

The Rocklea sale agreement required Dragon Energy Limited to grant AusQuest a registrable first ranking fixed charge over the tenement in order to secure payment of the deferred components of the consideration and to provide the following non-exhaustive covenants in favour of the Vendors, being AusQuest and its joint venture partners:

- to preserve the Tenement and maintain it in good standing;
- not to sell, assign, sublease, transfer, farm-out or grant any rights to all or part of the tenement or grant any mineral rights or split commodity rights in relation to the tenement, without the Vendors' prior written consent; and
- not to permit any new encumbrances in relation to the tenement without the Vendors' prior written consent.

These conditions will remain in force until such time as the deferred consideration has been paid in full.

If any party defaults in the performance of the agreement and such default continues unremedied for 14 days after receipt of a default notice, then the non-defaulting party or parties may rescind the Rocklea sale agreement and/or sue the defaulting party for specific performance.

Notes to the Financial Statements (cont...)

9. OTHER ASSETS

	Consolidated	
	2012 \$	2011 \$
Current		
Prepayments	75,350	91,267
	75,350	38,634

10. PROPERTY, PLANT AND EQUIPMENT

	Consolidated	
	Office furniture and equipment at cost \$	
Gross carrying amount		
Balance at 1 July 2010		350,655
Additions		38,275
Assets written off		(12,793)
Balance at 30 June 2011		376,137
Additions		32,021
Assets written off		(71,293)
Balance at 30 June 2012		336,865

	Consolidated	
	Office furniture and equipment at cost \$	
Accumulated depreciation and impairment		
Balance at 1 July 2010		207,149
Assets written off		(6,338)
Depreciation expense		47,671
Balance at 30 June 2011		248,432
Assets written off		(62,494)
Depreciation expenses		48,471
Balance at 30 June 2012		234,409
Net book value		
As at 30 June 2011		127,705
As at 30 June 2012		102,456



11. EXPLORATION AND EVALUATION EXPENDITURE

Exploration and evaluation phase:	Consolidated	
	2012 \$	2011 \$
Balance at beginning of year	19,267,933	23,531,396
Capitalised during the year	5,713,481	9,848,319
Disposals for the year	-	(1,970,674)
Impaired during the year (i)	(7,909,791)	(12,141,108)
Balance at end of year	17,071,623	19,267,933

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.

(i) Significant impairments to the following projects occurred during the year:

Exploration and evaluation phase:	Consolidated	
	2012 \$	2011 \$
Table Hill	3,715,212	5,144,497
Plenty River	3,520,114	-
Mt Ramsay	321,686	-
Diamantina	-	2,896,214
Bellary	-	1,902,209
Savory	-	1,280,906
WYO Well	-	374,584

12. TRADE AND OTHER PAYABLES

	Consolidated	
	2012 \$	2011 \$
Trade payables (i)	823,728	2,265,695
	823,728	2,265,695

(i) The average credit period on purchases 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 may be charged at various penalty rates on the outstanding balance. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

13. PROVISIONS

	Consolidated	
	2012 \$	2011 \$
<u>Current</u>		
Employee benefits (i)	82,148	81,185
	82,148	81,185

(i) The current provision for employee benefits relates to annual leave and long service leave entitlements.



17a. COMMITMENTS FOR EXPENDITURE

	Consolidated	
	2012 \$	2011 \$
Exploration expenditure		
Annual expenditure commitment	1,941,304	4,208,930
	1,941,304	4,208,930

17b. OPERATING LEASE COMMITMENTS

The Company entered into an operating lease for its office premises at 8 Kearns Crescent, Ardross. The lease commenced on 1 August 2010 and is for a term of 6 years.

	Consolidated	
	2012 \$	2011 \$
Annual lease commitment	98,452	92,800
	98,542	92,800

18. CONTINGENT LIABILITIES

In the opinion of the Directors, there were no material contingent liabilities as at 30 June 2012 and no contingent liabilities have arisen in the interval between the period end and the date of this financial report.

19. SUBSIDIARIES

Name of entity	Country of incorporation	Ownership interest	
		2012 %	2011 %
Parent entity			
AusQuest Ltd (i)	Australia		
Subsidiaries			
Fortescue Resources Pty Ltd	Australia	100%	100%
E&A Resources Pty Ltd	British Virgin Islands	100%	60%
Questdor SAC	Peru	100%	100%
Sub-subsidiary			
Comoe Exploration SARL	Burkina Faso	100%	60%

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

20. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of cash and cash equivalents

For the purposes of the statement of cash flows, 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 statement of cash flows are reconciled to the related items in the statement of financial position as follows:

	Consolidated	
	2012 \$	2011 \$
Cash and cash equivalents	5,076,798	11,434,507
	5,076,798	11,434,507

Notes to the Financial Statements (cont...)

20. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (cont...)

(b) Reconciliation of loss for the year to net cash flows from operating activities

	Consolidated	
	2012 \$	2011 \$
Loss for the year	(9,047,957)	(10,493,176)
Depreciation	48,471	47,671
Equity-settled share-based payment	-	265,215
Gain on sale of exploration expenditure	-	(3,779,326)
Plant and equipment written off	8,799	6,405
Exploration expenditure written off and impaired	7,980,834	12,141,108
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:		
(Increase)/decrease in assets:		
Trade and other receivables	425,869	(627,217)
Prepayments	15,918	(52,663)
Increase/(decrease) in liabilities:		
Trade and other payables	25,155	(331,067)
Provisions	964	36,794
Net cash from operating activities	(541,947)	(2,786,226)

21. FINANCIAL INSTRUMENTS

Overview

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Interest rate risk
- Capital management

This note presents information about the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this note and the financial report.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group 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.

Liquidity risk management

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Liquidity risk management is the responsibility of the board of Directors, who have built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements.

The Group 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, identifying when further capital raising initiatives are required.



21. FINANCIAL INSTRUMENTS (cont...)

Liquidity and interest risk tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial assets and liabilities and have been prepared on the following basis:

- Financial assets - based on the undiscounted contractual maturities including interest that will be earned on those assets except where the Company/Group anticipates that the cash flow will occur in a different period; and
- Financial liabilities - based on undiscounted cash flows on the earliest date on which the Group can be required to pay, including both interest and principal cash flows.

2012	CONSOLIDATED					
	Less than 1 month \$	1-3 months \$	3 months to 1 year \$	1 - 5 years \$	5+ years \$	Total \$
Financial assets						
Non-interest bearing	65,483	293,203	764,275	-	-	1,122,961
Variable interest rate	521,446	-	-	-	-	521,446
Fixed interest rate	4,586,420	68,240	51,865	-	-	4,706,525
	5,173,349	361,443	816,140	-	-	6,350,932
Financial liabilities						
Non-interest bearing	540,320	261,408	22,000	-	-	823,728
	540,320	261,408	22,000	-	-	823,728

2011	CONSOLIDATED					
	Less than 1 month \$	1-3 months \$	3 months to 1 year \$	1 - 5 years \$	5+ years \$	Total \$
Financial assets						
Non-interest bearing	736,584	204,802	1,270,304	750,000	-	2,961,690
Variable interest rate	2,193,115	-	-	-	-	2,193,115
Fixed interest rate	2,043,570	7,000,000	135,608	-	-	9,179,178
	4,973,269	7,204,802	1,405,912	750,000	-	14,333,983
Financial liabilities						
Non-interest bearing	1,326,305	919,390	20,000	-	-	2,265,695
	1,326,305	919,930	20,000	-	-	2,265,695

Interest rate risk management

The Group is exposed to interest rate risk as it places funds at both fixed and floating interest rates. The Group manages this risk by maintaining an appropriate mix between fixed and floating rated products, which also facilitate access to money.

Although some of the Group's assets are subject to interest rate risk, it is not dependent on this income. Interest income is only incidental to the Group's operations and operating cash flows.

The Group is not exposed to interest rate risk associated with borrowed funds.

Interest rate sensitivity analysis

The sensitivity analyses of the Group's exposure to interest rate risk at the reporting date has been determined based on a change of 50 basis points in interest rates.

At reporting dated, if interest rates had been 50 basis points higher and all other variables were constant, the Group's net loss after tax would have decreased by \$2,607(2011: \$10,966) with a corresponding increase in equity. Where interest rates decreased, there would be an equal and opposite impact on the loss after tax and equity.

Foreign currency risk management

The Group undertakes certain transactions in foreign currencies, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters.

Notes to the Financial Statements (cont...)

21. FINANCIAL INSTRUMENTS (cont...)

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the balance date in Australian dollars are as follows:

	Assets		Liabilities	
	2012 \$	2011 \$	2012 \$	2011 \$
US Dollars	203,289	785,339	185,766	1,355,785

Foreign currency sensitivity analysis

The sensitivity analyses of the Group's exposure to foreign currency risk at the reporting date has been determined based on a change of 10% in the value of the Australian dollar against the relevant foreign currencies.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

At reporting dated, if the Australian dollar was 10% stronger and all other variables were constant, the Group's net loss after tax would have decreased by \$17,505 (2011: \$133,443) with a corresponding increase in equity. Where the Australian dollar weakened, there would be an equal and opposite impact on the loss after tax and equity.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The capital structure of the Group consists of equity only, comprising issued capital and reserves, net of accumulated losses. The Group's policy is to use capital market issues to meet the funding requirements of the Group.

There were no changes in the Group's approach to capital management during the year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

Fair value of financial assets and liabilities

The Group has adopted the amendments to AASB 7 Financial Instruments: Disclosures which required disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities
- level 2 - inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices), and
- level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group has no financial assets or liabilities at 30 June 2012 which have been measured at fair value using any of the above measurements.

The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective net fair values, determined in accordance with the accounting policies disclosed in Note 2. The Directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximate their values (2011: net fair values).



22. SHARE-BASED PAYMENTS

Employee share options

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.

Share based payment arrangements in existence during period

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 \$
30 June 2011 (i)	3,700,000	11 July 2006	30 June 2011	0.54	0.126
31 Jan 2012 (ii)	500,000	1 Aug 2007	31 Jan 2012	0.30	0.172
31 Dec 2012	1,250,000	1 Feb 2008	31 Dec 2012	0.35	0.190
1 Dec 2013	1,350,000	13 Feb 2009	1 Dec 2013	0.20	0.106
1 Dec 2013	1,150,000	13 Feb 2009	1 Dec 2013	0.40	0.101
30 Nov 2013	500,000	26 Nov 2010	30 Nov 2013	0.30	0.116
30 Nov 2013	500,000	26 Nov 2010	30 Nov 2013	0.40	0.107
30 Nov 2013	1,750,000	3 Dec 2010	30 Nov 2013	0.40	0.088

(i) These options expired in the prior year

(ii) These options expired in the current year

There were no new share based payments granted during the current financial year. The expense recognised in the statement of comprehensive income in relation to share based payments granted in 2011 is disclosed in note 6.

The fair value of the share options granted during the financial year is \$nil (2011: \$265,215). In the previous financial year, options were priced using a Black & Scholes pricing model. Expected volatility is based on the movement of the underlying share price around its average share price over the expected term of the option. The Directors have determined the expected period of exercise to be similar to the option life based on historical experience.

Inputs into the model	Option series		
	30 Nov 2013	30 Nov 2013	30 Nov 2013
Grant date share price (cents)	18.5 cents	18.5 cents	16 cents
Exercise price (cents)	30 cents	40 cents	40 cents
Expected volatility	115%	115%	115%
Option life	3 years	3 years	3 years
Dividend yield	-	-	-
Risk-free interest rate	5.15%	5.15%	5.05%

The following table shows a reconciliation of the outstanding share options granted as share based payments at the beginning and end of the financial year:

	2012		2011	
	Number of options	Weighted average exercise price \$	Number of Options	Weighted average exercise price \$
Balance at beginning of the financial year	7,000,000	0.34	7,950,000	0.42
Granted during the financial year	-	-	2,750,000	0.38
Lapsed during the financial year	(500,000)	0.30	(3,700,000)	0.54
Balance at end of the financial year (i)	6,500,000	0.34	7,000,000	0.34
Exercisable at end of the financial year	6,500,000	0.34	7,000,000	0.34

(i) Balance at end of the financial year

The share options outstanding at the end of the financial year had a weighted average remaining contractual life of 1.24 years (2011: 2.12 years).

Notes to the Financial Statements (cont...)

23. RELATED PARTY TRANSACTIONS

(a) Equity interests in related parties

Equity interests in subsidiaries

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 19 to the financial statements.

(b) Transactions with key management personnel

Key management personnel compensation

Details of key management personnel compensation are disclosed in the Remuneration Report which forms part of the Directors' Report and has been audited. The aggregate compensation of the key management personnel is summarised below:

	Consolidated	
	2012 \$	2011 \$
Short term employee benefits	590,059	584,187
Post employment benefits	30,844	35,945
Other benefits	38,571	38,821
Share based payments	-	111,503
	659,474	770,456

Key management personnel equity holdings

Fully paid ordinary shares of AusQuest Ltd

	Balance at 1 July No.	Balance on appointment No.	Granted as compensation No.	Received on exercise of options No.	Net other change No.	Balance at 30 June No.
2012						
Greg Hancock	1,058,000	-	-	-	N/A	1,058,000
Chris Ellis	10,668,658	-	-	-	N/A	10,668,658
John Ashley	6,071,630	-	-	-	N/A	6,071,630
Graeme Drew	4,747,241	-	-	-	N/A	4,747,241
Peter Ravenscroft (i)	-	-	-	-	-	N/A
Craig Moulton (i)	-	-	-	-	N/A	-
	22,545,529	-	-	-	-	22,545,529
2011						
Greg Hancock	1,058,000	-	-	-	N/A	1,058,000
Chris Ellis	10,668,658	-	-	-	N/A	10,668,658
John Ashley	6,071,630	-	-	-	N/A	6,071,630
Graeme Drew	4,747,241	-	-	-	N/A	4,747,241
Richard Mehan (i)	-	-	-	-	-	-
Peter Ravenscroft (i)	-	-	-	-	-	-
Craig Moulton (i)	-	-	-	-	N/A	-
	22,545,529	-	-	-	-	22,545,529



23. RELATED PARTY TRANSACTIONS (cont...)

Share options of AusQuest Ltd

	Balance at 1 July No.	Balance on appointment No.	Granted as	Exercised No.	Net other change No.	Balance on resignation No.	Balance at 30 June No.	Vested during year No.	Vested and exercisable at 30 June No.
2012									
Greg Hancock	-	-	-	-	-	N/A	-	-	-
Chris Ellis	-	-	-	-	-	N/A	-	-	-
John Ashley	-	-	-	-	-	N/A	-	-	-
Graeme Drew	1,000,000	-	-	-	-	N/A	1,000,000	1,000,000	1,000,000
Peter Ravenscroft (i)	-	-	-	-	-	-	N/A-	-	-
Craig Moulton (i)	-	-	-	-	-	N/A	-	-	-
	1,000,000	-	-	-	-	-	1,000,000	1,000,000	1,000,000

	Balance at 1 July No.	Balance on appointment No.	Granted as	Exercised No.	Net other change No.	Balance on resignation No.	Balance at 30 June No.	Vested during year No.	Vested and exercisable at 30 June No.
2011									
Greg Hancock	300,000	-	-	-	(300,000)	N/A	-	-	-
Chris Ellis	-	-	-	-	-	N/A	-	-	-
John Ashley	500,000	-	-	-	(500,000)	N/A	-	-	-
Graeme Drew	1,000,000	-	1,000,000	-	(1,000,000)	N/A	1,000,000	1,000,000	1,000,000
Richard Mehan (i)	-	-	-	-	-	-	-	-	-
Peter Ravenscroft (i)	-	-	-	-	-	-	-	-	-
Craig Moulton (i)	-	-	-	-	-	N/A	-	-	-
	1,800,000	-	1,000,000	-	(1,800,000)	-	1,000,000	1,000,000	1,000,000

(i) Mr Richard Mehan, Mr Peter Ravenscroft and Mr. Craig Moulton are/were full time employees of Cliffs Natural Resources Pty Ltd (“Cliffs”). Cliffs hold 68,308,791 shares but Mr Mehan, Mr Ravenscroft and Mr Moulton do not/did not hold shares or options independently.

Further details of the employee share option plan and of share options relating to the 2011 financial year are contained in note 22 to the financial statements.

Other transactions with key management personnel of the Group

Premises were rented by the Group for the financial year from A Super Pty Ltd, an entity associated with John Ashley on commercial terms. Rental fees incurred during the year totaled \$54,151 (2011: \$52,513) and the balance payable by the Company to A Super Pty Ltd at year end was \$4,381 (2011: \$4,299).

During the previous year, consulting services were provided by Hancock Corporate Investments Pty Ltd, an entity associated with Greg Hancock. Services provided during the previous year totaled \$45,000 and the balance payable by the Company to Hancock Corporate Investments Pty Ltd at the end of the previous year was \$ \$11,250.

(c) Transactions with other related parties

Other related parties include:

- the parent entity
- entities with significant influence over the Group
- associates
- joint ventures in which the entity is a venturer
- other related parties.

During the year the Group entered into a Joint Venture arrangement with Cliffs Natural Resources Exploration Inc. (“Cliffs”), a Company associated with a substantial shareholder of the Group whereby each party would contribute 50% of funding for exploration work in South West Peru. During the year the Group received total reimbursements to the value of \$870,228 from Cliffs. At year end there was \$293,203 outstanding from Cliffs, as disclosed in note 8.

(d) Parent entities

The ultimate parent entity in the Group is AusQuest Ltd.

Notes to the Financial Statements (cont...)

24. REMUNERATION OF AUDITORS

	Consolidated	
	2012 \$	2011 \$
Auditor of the Group		
Audit or review of the financial report	32,970	31,450
Other audit services	-	-
	32,970	31,450

The auditor of AusQuest Ltd is HLB Mann Judd.

25. SUBSEQUENT EVENTS

There has been no 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 Group, the results of those operations, or the state of affairs of the Group in future financial years.

26. PARENT ENTITY DISCLOSURES

As at 30 June 2012, and throughout the financial year ended 30 June 2012 the parent company of the Group was AusQuest Ltd.

	2012 \$	2011 \$
Result of the parent entity		
Loss for the year	(9,645,663)	(11,414,503)
Other comprehensive income	175,353	-
Total comprehensive income for the year	(9,470,310)	(11,414,503)
Financial position of parent entity at year end		
Current assets	5,593,059	11,856,134
Non-current assets	14,930,708	18,408,286
Total assets	20,523,767	30,264,420
Current liabilities	720,111	990,453
Total liabilities	720,111	990,453
Total equity of the parent entity comprising of:		
Share capital	52,307,672	52,307,672
Reserves	936,748	847,395
Accumulated losses	(33,440,764)	(23,881,101)
Total equity	19,803,656	29,273,966

Parent entity contingencies

The parent entity has no contingent liabilities as at 30 June 2012 (2011: nil).

Parent entity capital commitments

The parent entity currently has no capital commitments for the acquisition of property, plant and equipment.

27. ACQUISITION OF CONTROLLED ENTITY

During the current year, E&A Resources Pty Ltd issued additional ordinary shares to AusQuest Ltd which increased AusQuest's interest from 60% to 80%. This was as a result of AusQuest meeting the second stage of its minimum expenditure requirements under the shareholders deed with Endeavour Mining Ltd in relation to the Banfora Gold Project.

On 19 January 2012, AusQuest further increased its interest in E&A Resources Pty Ltd to 100% by purchasing the remaining 20% from Endeavour Exploration Limited in exchange for a net smelter royalty of 1.5%.



Additional Securities Exchange Information

As at 20 September 2012

Additional information required by the Australian Securities Exchange and not shown elsewhere in this report is as follows. This information is current as at 20 September 2012.

1. Shareholdings

a. Distribution of shareholder number

Category (size of holding)	Ordinary shares	Number of holders
1 – 1,000	24,509	227
1,001 – 5,000	840,423	285
5,001 – 10,000	1,910,343	235
10,001 – 100,000	32,049,295	816
100,000 and over	193,487,665	262
Total shareholding	228,312,235	1,825

b. Less than marketable parcels of shares

The number of shareholdings held in less than marketable parcels is 931 given a share value of 2.8 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 vote on a show of hands.

Options

Options over ordinary shares do not carry voting rights.

d. 20 Largest shareholders – ordinary shares

Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1 CLIFFS AUSTRALIA HOLDINGS PTY LTD	68,308,791	29.92
2 HAMERSLEY HOLDINGS LIMITED	10,500,000	4.60
3 CHRYSALIS INVESTMENTS PTY LTD	6,160,000	2.70
4 MR ROSS JEREMY TAYLOR	6,040,000	2.65
5 ASUPER PTY LTD	5,120,134	2.24
6 CHRYSALIS INVESTMENTS PTY LTD (ELLIS SUPERFUND ACCOUNT)	4,508,658	1.98
7 MR JOHN ALEXANDER INNES MRS LJUBA INNES	3,350,171	1.47
8 MR GRAEME DREW AND MRS BARBARA JANE DREW	2,775,601	1.22
9 INTAGLIO PTY LTD	2,629,103	1.15
10 JP MORGAN NOMINEES AUSTRALIA	2,406,940	1.05
11 ACN 139 886 025 PTY LTD	1,707,823	0.75
12 ANTICO HOLDINGS PTY LTD	1,693,248	0.74
13 MR JAMES THORNETT	1,662,898	0.73
14 NOVASC PTY LTD	1,516,000	0.66
15 MR RICHARD WILLMOT CHADWICK AND MRS GWENDA ANN CHADWICK	1,430,000	0.63
16 JAYLEAF HOLDINGS PTY LTD	1,186,550	0.52
17 SUSAN THORNETT	1,186,245	0.52
18 ORCHIDEE PTY LTD	1,160,815	0.51
19 PASO HOLDINGS PTY LTD	1,144,939	0.50
20 MR GRAEME DREW AND MRS BARBARA DREW (THE DREW FAMILY S/F A/C)	1,052,540	0.46
TOTAL	125,540,456	55.00

Additional Securities Exchange Information (cont...)

e. Substantial shareholders

Substantial shareholders listed in the company's holding register as at 20 September 2012:

NAME	Number of fully paid ordinary shares held
1 CLIFFS AUSTRALIA HOLDINGS PTY LTD	68,308,791

2. Company Secretary

The name of the company secretary is Darren Crawte.

3. Registered office and principle administrative office

The address of the registered office in Australia is c/- Nexia Perth Level 7, The Quadrant 1 William Street PERTH WA 6000

Telephone +61 8 9463 2463

The principle administrative office is 8 Kearns Crescent, Ardross WA 6153

Telephone +61 8 9364 3866

4. Registers of securities are held at the following address:

Advanced Share Registry Services

150 Stirling Highway, Nedlands WA 6009

Telephone +61 8 9389 8033

5. Securities exchange listing

Quotation has been granted for all the ordinary shares of the company on the Australian Securities Exchange Limited.

6. Unquoted equity securities

TERMS	Unlisted options	
	Number	Number of holders
2 Unlisted options exercisable at 35 cents on or before 31 December 2012	1,250,000	6
3 Unlisted options exercisable at 30 cents on or before 30 November 2013	500,000	1
4 Unlisted options exercisable at 40 cents on or before 30 November 2013	2,250,000	11
5 Unlisted options exercisable at 20 cents on or before 1 December 2013	1,350,000	7
6 Unlisted options exercisable at 40 cents on or before 1 December 2013	1,150,000	6
	6,500,000	31

Unquoted equity security holdings greater than 20%

At 20 September 2012, there are no unquoted equity security holdings greater than 20% that arise other than as a result of the issue of options under an employee incentive scheme.

7. Restricted securities

There are no restricted securities or securities in voluntary escrow at the date of this report.

8. On-market buy back

At the date of this report, the company is not involved in an on-market buy back.



Interests in Mining Tenements

AusQuest Tenements as at 16 August 2012

AUSTRALIA

State	Tenement	Name	Status	Sub-blocks	Area (km ²)	Grant Date	Expiry Date	Current Commitment (\$)
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DUNDAS

WA	E63/1000	Dundas 1	granted	35	112	9/02/09	8/02/14	52,500
WA	E63/1001	Dundas 2	granted	35	112	9/02/09	8/02/14	52,500
WA	E63/1002	Dundas 3	granted	35	112	9/02/09	8/02/14	52,500
WA	E63/1003	Dundas 4	granted	35	112	9/02/09	8/02/14	52,500
WA	E63/1004	Dundas 5	granted	35	112	9/02/09	8/02/14	52,500

STANLEY

WA	E69/2502	Stanley 2	granted	6	19	6/07/09	5/07/14	61,000
WA	E69/2503	Stanley 3	granted	68	217	6/07/09	5/07/14	151,000
WA	E53/1402	Eraheedy 2	granted	40	128	30/06/09	29/06/14	40,000
WA	E53/1403	Eraheedy 3	granted	21	67	30/06/09	29/06/14	32,625
WA	E38/2166	Eraheedy 6	granted	29	92	25/08/09	24/08/14	29,000
WA	E38/2167	Eraheedy 7	granted	43	137	25/08/09	24/08/14	43,000
WA	E38/2168	Eraheedy 8	granted	80	256	25/08/09	24/08/14	80,000
WA	E69/2587	Stanley	granted	64	204	27/10/10	26/10/15	64,000
WA	E38/2238	Stanley	granted	41	131	23/03/10	22/03/15	41,000
WA	E38/2239	Stanley	granted	37	118	23/03/10	22/03/15	37,000
WA	E38/2240	Stanley	granted	58	185	23/03/10	22/03/15	58,000
WA	E53/1460	Stanley	granted	30	96	13/01/10	12/01/15	30,000
WA	E69/2794	Stanley	granted	63	201	17/03/11	16/03/16	78,500
WA	E53/1589	Stanley	granted	44	140	8/07/11	7/07/16	44,000
WA	E38/2764	Stanley	applic.	44	140			44,000
WA	E38/2765	Stanley	applic.	70	224			70,000

EAROO

WA	E77/1779	Earoo 1	granted	200	642	10/01/11	9/01/16	200,000
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TERIWA

QLD	EPM18652	Teriwa 1	granted	91	285	27/09/11	26/09/16	70,000
QLD	EPM18653	Teriwa 2	granted	100	312	27/09/11	26/09/16	70,000

Interests in Mining Tenements (cont...)

WEST AFRICA

Country	Permit Name	Status	Area (km ²)	Expiry Date	Commitment (\$)
Burkina Faso	Komoe	granted	122	19/10/13	62,151
Burkina Faso	Finkere	granted	140	19/10/13	71,321
Burkina Faso	Kangounadeni	granted	89	19/10/13	45,340
Burkina Faso	Kaouradeni	granted	79	19/10/13	40,245
Burkina Faso	Tiefora	granted	102	19/10/13	51,962
Burkina Faso	Tondoura	granted	142	19/10/13	72,340
Burkina Faso	Logoniegue	granted	175	19/12/14	89,151
Burkina Faso	Kapagouan	granted	158	27/07/14	80,491
Burkina Faso	Noumoussou	granted	72	27/07/14	36,679

SOUTH AMERICA

Country	Project Name	Total Applications	No. Granted	Area (km ²)
PERU	Cerro De Fierro	4	3	32
PERU	Choclon	2	2	16
PERU	Lana	8	8	79
PERU	Falle Torre	17	13	154
PERU	Pinguino	9	9	82
PERU	Ceniceros Rojos	14	0	140
PERU	Viripampa	9	0	84
PERU	Punta Al Aire	5	5	43
PERU	Caballo Blanco	12	2	116
PERU	Cuesta Tingo	4	0	39
PERU	El Jaguay	3	3	25
PERU	Sugar Azucar	27	20	262
PERU	Azucar West	5	0	50
PERU	Pampa Del Purgatorio	5	2	42
PERU	Pampa Del Pulgas	33	7	304



Glossary

Alteration	Change in the composition of rock – typically by the action of hydrothermal solutions.
Anomalies	A feature which is different from its general surroundings. A geological or geochemical anomaly may be an indication of a zone of mineralisation.
Artisanal Workings	Small scale gold mining.
Base Metal	Relatively common metals such as copper, lead, zinc.
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.
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.
Epithermal Vein	Hydrothermal veins formed at shallow depths (<1km) within the earth’s crust – sometimes gold and copper bearing.
Felsic Volcanic	Volcanic Rocks with a high silica content.
Granodiorite	Coarse grained igneous rock intermediate in composition between granite and diorite.
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.
Greenstone Belt	Elongate zones of volcanic and sedimentary rocks.
Hydrothermal	Mineralising processes resulting from the action of hot fluids.
Mafic	Rocks composed dominantly of ferromagnesian rock-forming silicates.
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).
Porphyry Copper	Disseminated copper and other sulphide minerals within large body of rock - typically porphyritic in nature.
Propylitic Alteration	Chemical alteration of rocks caused by hydrothermal fluids.
Rotary Air Blast (“RAB”) drilling	RAB drilling uses a blade to cut through weathered rock, and compressed air to bring samples to the surface.
Reverse Circulation (“RC”) drilling	RC drilling uses a pneumatic hammer to cut through rock, and compressed air to bring crushed rock samples to the surface.
Sedimentary sequence	A sequence of sedimentary rock layers found in a specific geographic area, arranged in the order of their deposition.
Stratigraphy	Classification of stratified (layered) rocks.
VMS Deposit	Volcanic Massive Sulphide deposits, typically copper-lead-zinc, formed by volcanic processes.
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.

A U S Q U E S T L I M I T E D

ABN 35 091 542 451

8 Kearns Crescent

Ardross Western Australia 6153

Telephone (08) 9364 3866

Facsimile (08) 9364 4892

Website www.ausquest.com.au

