



AUSQUEST LIMITED

ABN 35 091 542 451



ANNUAL REPORT 2013

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)

Company Secretaries

Mr Darren Crawte
Ms Bianca Joubert

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Securities Exchange

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

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Chairman's Letter

Dear Shareholder,

I am pleased to present AusQuest's 2013 Annual Report.

Last year, I reaffirmed the Company's foundation vision, which is to make discoveries with provincial implications. This year's activities have been very much devoted to achieving that end, with the Company focusing a considerable amount of time and resources on assembling an extensive and highly prospective copper-gold exploration portfolio in Peru, South America through our joint venture with Cliffs Natural Resources Exploration Inc. ("CNRE") and progressing our 100% owned nickel-copper project in the Fraser Range area of WA.

I wrote to shareholders in July outlining the significance and potential of the emerging Peru opportunity, explaining why we selected Peru as a location as well as the style of mineralisation we are targeting. I also indicated that the relatively low profile of our activities in Peru was about to change as we move towards drill testing targets for large-scale porphyry copper and IOCG-style (iron oxide copper-gold) mineralisation.

This style of mineralisation underpins some of the largest and highest value mines in the world, and represents a fantastic prize for any mineral explorer if it is successful.

The early work has now been completed in Peru and targets identified. Recommendations have been forwarded to our Joint Venture partner and subject to final clearances, the first targets are ready for drilling, which should commence in early 2014.

In addition to these Joint Venture targets, we have also identified large targets within our 100 percent owned tenements that are also ready to be drilled. Permitting for drilling at the Lana prospect has already begun and we remain hopeful that this process will be completed in time for drilling to commence around the beginning of 2014.

During the year it became increasingly evident that the pace of exploration activity in Peru had accelerated. Against this backdrop, it is pleasing that our relatively early entry into the country has given us an early-mover advantage in gaining strategically valuable ground within the infrastructure-rich coastal belt of Peru, close to some large-scale existing copper mines.

We look forward to progressing both our Joint Venture targets and those on our 100 per cent owned ground, and expect to be in a position to deliver a significant amount of news flow on our Peru venture throughout 2014.

In Australia, we announced the discovery of three high priority targets at the Dundas Nickel-Copper Project, which is located 80km south of the world-class Nova and Bollinger nickel-copper deposits in the emerging Fraser Range region of Western Australia. These geophysical targets have similar characteristics to the one that was central to the discovery of the Nova deposit and with final clearances now in place, drilling operations to test these targets are expected to commence towards the end of 2013. We look forward to reporting the results of this drilling in the near future.

At the Stanley Project, located 170km east of Wiluna in the Earacheedy Basin, work continued on evaluating the manganese potential of the region. During the year our equity in this project was reduced to 30 per cent as part of the transaction which we concluded with CNRE to buy-back their 29% shareholding in the Company. This resulted in CNRE increasing their equity in the Stanley project to 70 percent, and AusQuest reducing its issued capital to approximately 160 million shares. As part of this transaction, AusQuest also agreed to spend \$1 million on further exploration at the Stanley Project by the end of 2014.

Also on the corporate front, I can report to you that the Board instituted a cost reduction programme during the year covering rent, salaries and consultancies. The Directors also resolved not to take Directors' fees or shares in lieu of fees, from the beginning of January 2013.

The combined effect of these measures has been to maximise the amount of cash going directly into on-ground exploration including drilling, which is something that I believe all shareholders should welcome.

In West Africa, expenditure was significantly reduced as we work to find the best way to realise value from what is an excellent ground position in a world-class gold province. While the level of share market interest in the West African gold sector has declined significantly over the past year, we are confident of being able to establish an appropriate pathway to advance these assets and return value to shareholders.

In conclusion, I would like to thank my fellow Directors for their hard work and commitment during what has been a difficult year; our staff and consultants who have worked diligently through the year to create the impressive portfolio we now have; and our shareholders for their patience and support.

Hopefully the year ahead will deliver the exploration success we all desire and with it the sort of appreciation in shareholder value that we all strive for.

Yours faithfully,

Greg Hancock
Chairman

Exploration Report

HIGHLIGHTS

Copper-Gold Projects, Peru

(JV with Cliffs Natural Resources Exploration Inc. – “CNRE”)

- **At least six porphyry copper and iron-oxide copper-gold (IOCG) targets have been identified under cover within the Company's newly secured exploration portfolio in Southern Peru using a combination of geology, geochemistry and geophysics. Permitting for drilling has commenced.**
- **Tenement ownership was rationalised with four targets remaining under joint venture title and two targets now under title which is 100%-owned by AusQuest.**
- **Total expenditure under the Joint Venture with CNRE reached US\$4.0M in July 2013, triggering a decision on the future direction of the Joint Venture. Drill proposals were submitted to CNRE as part of this process.**
- **Exploration activity over the next 12 months is planned to move from target identification to target testing (drilling).**

Nickel-Copper and Manganese (Australia)

- **Nickel-copper sulphide drill targets were identified at the Dundas Project located within the emerging Fraser Range province (WA), which hosts the Nova-Bollinger nickel-copper discovery. Drilling is planned for later in 2013.**
- **At least 19 manganese (+/- base metal) targets were outlined by VTEM surveys over the Stanley Project (30% AusQuest), which is located within the Earraheedy Basin (WA). Drill testing is planned over the next 12 months.**

Gold (Burkina Faso, West Africa)

- **Exploration activity in West Africa was slowed and the Company's tenement package within the Banfora Greenstone Belt was consolidated. Numerous gold targets remain to be tested.**

Corporate

- **AusQuest completed a buy-back of 68M of its shares from Cliffs Australia Holdings Pty Ltd in exchange for equity in the Stanley Project (70%) and a commitment to spend a further \$1.0M on exploration at Stanley. As a result, the Company's issued capital was reduced from 228M shares to 160M shares in January 2013, maintaining a very tight capital structure which is strongly leveraged to growth and exploration success.**



OVERVIEW

The 2013 financial year was another period of active exploration and business development for AusQuest, especially in Peru where a significant new exploration initiative which first commenced in 2011 in joint venture with global miner Cliffs Natural Resources Exploration Inc (CNRE) has now reached the stage of drill-testing.

At least six priority targets have been identified for drill testing in Peru, laying the foundations for a period of substantial exploration activity and growth in the 2014 financial year. This represents an exciting new venture for the Company in one of the world's most prospective countries for the discovery of major new porphyry copper and iron-oxide copper-gold (IOCG) deposits.

During the year, a first-pass assessment of prospects selected from the Company's regional aeromagnetic survey was completed and detailed systematic exploration including mapping, sampling and ground geophysical surveys commenced over priority targets identified by this process.

The Joint Venture is targeting large-scale porphyry copper and iron oxide copper-gold (IOCG) deposits in the southern coastal belt of Peru, where extensive cover has limited historic exploration over much of the area. Large-scale porphyry and IOCG deposits are known (and currently being mined) along the coastal belt both in Peru and to the south in Chile.

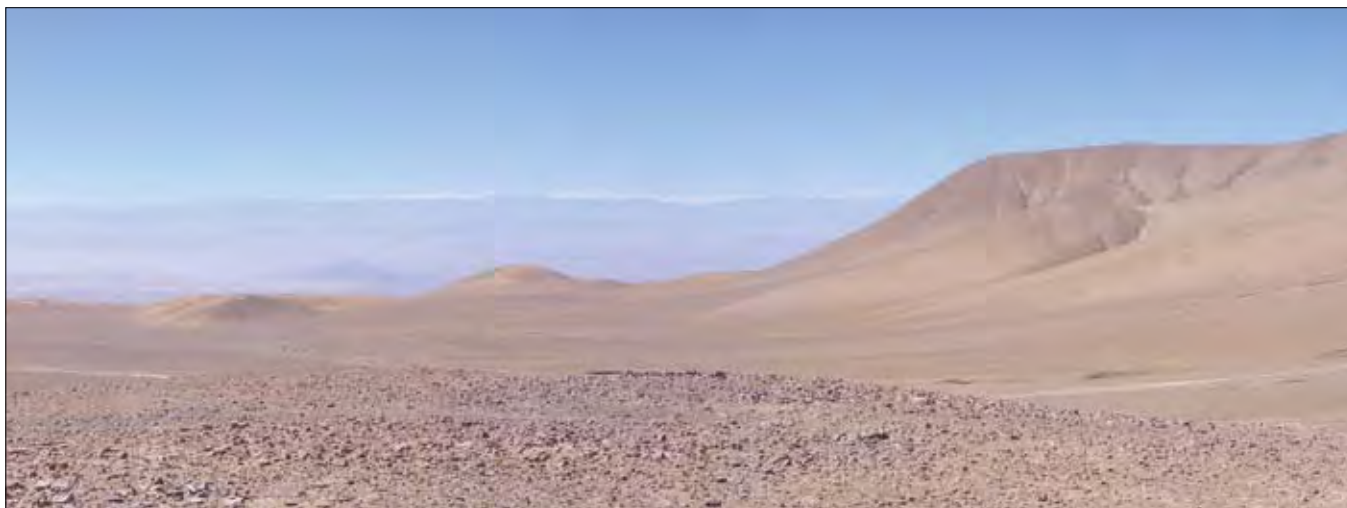
Subject to final clearances and discussions with AusQuest's joint venture partner, the Company is aiming to start drilling the first of these targets towards the end of 2013.

In Australia, exploration activities focused on the Company's nickel project at Dundas, which is located within the emerging Fraser Range area of Western Australia, approximately 80km south of the Nova-Bollinger nickel-copper discovery, and the Stanley Manganese Project located within the Earaheedy Basin (WA), which is now 70% owned by Cliffs Australia Holdings Ltd (CAH) as a result of the buy-back of AusQuest shares from CAH in December 2012.

VTEM (versatile time domain electro-magnetic), ground EM (electro-magnetic) and surface sampling programs were successfully completed within both the Dundas and Stanley Projects, defining numerous targets for drilling, which is planned to commence during the second half of 2013. This provides another significant opportunity for exploration upside for the Company in one of Australia's most active new exploration frontiers.

Exploration activity for gold in Burkina Faso, West Africa was scaled back while the Company considered the best way forward to maximise value for shareholders from this Project.

Exploration activities during the 2013 financial year were limited to selective mapping and sampling in areas along strike from extensive artisanal gold workings. While numerous targets remain to be tested in West Africa, AusQuest is assessing alternative options to progress this Project.



Peru Landscape

PROJECT REVIEWS

Copper-Gold (Peru)

(JV with Cliffs Natural Resources Exploration Inc “CNRE”)

Peru is highly prospective for large-scale porphyry copper and iron-oxide copper- gold (IOCG) deposits and is becoming one of the world’s most prominent destinations for international copper exploration (Figure 1).

Over the past two years AusQuest, in joint venture with Cliffs Natural Resources Exploration Inc (CNRE) – a wholly owned subsidiary of global miner Cliffs Natural Resources Inc. (NYSE: CLF) (Paris: CLF) – has assembled an extensive, high-quality tenement package in the southern coastal belt of Peru, which is highly prospective for new porphyry copper and IOCG discoveries beneath extensive areas of surficial cover.

A regional aeromagnetic survey flown by the Joint Venture in 2011 was used to identify areas for acquisition and follow-up. Questdor SAC, a wholly-owned subsidiary of AusQuest, has been registered in Peru to facilitate exploration activities.

During the year, reconnaissance geological mapping and sampling was completed over 11 projects, identifying prospective areas for IOCG and/or porphyry copper (+/-gold) mineralisation in six of the 11 areas surveyed.

A total of approximately 1,190 rock-chip, 270 stream and 520 soil samples were collected and sent to ALS laboratories in Lima for analysis.

Ground-based geophysics including magnetics (114km), gravity (2,570 readings) and Induced Polarisation (IP – 62km) were also completed over selected prospects where either cover precluded effective sampling or sampling had identified areas of high interest.

At this stage, seven priority targets have been identified – four within the joint venture titles and three within 100%-owned AusQuest titles (Figure 2).

Joint Venture Projects

The Pampa de Las Pulgas tenements are located in the south-eastern corner of the Joint Venture area, approximately 30km east of the port of Ilo and the copper refinery of Southern Copper Ltd.

The region is dominated by granites of the coastal batholith which have been intruded by diorites, some of which appear to be associated with copper (+/- gold) mineralisation.

Three porphyry copper prospects have been identified within the Pampa de Las Pulgas tenements, namely:

- the Colorada prospect, which contains numerous occurrences of small epithermal quartz veins with highly anomalous copper (up to 1.68% Cu) and gold (up to 12g/t Au) values scattered over an area of ~6km² (Figure 3);
- the Cardonal prospect, which is defined by the concentration of narrow mineralised diorite dykes (with copper values of up to 0.7% Cu) and breccias that are believed to reflect a buried porphyry copper target similar to the Tia Maria deposit (640Mt @ 0.43% Cu), located ~100km to the north-west in a similar geological setting (Figure 4); and
- the Puite prospect, which is defined by anomalous copper in altered diorite (values of up to 0.27% Cu) with copper oxides often visible along fracture planes within the diorite, and copper-in-soil anomalies (up to 208ppm) where there is poor outcrop and extensive cover (Figure 5).

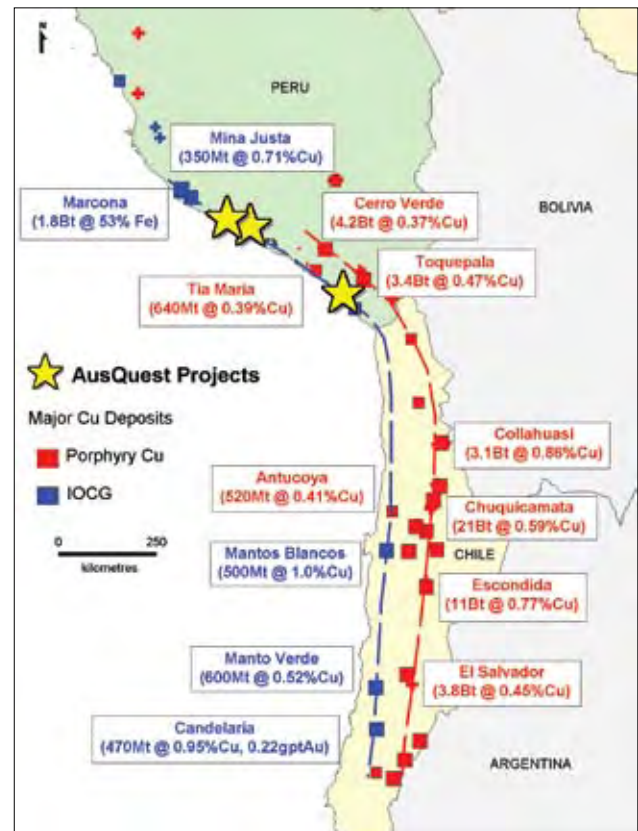


Figure 1: Major Copper deposit trends in Chile and Peru

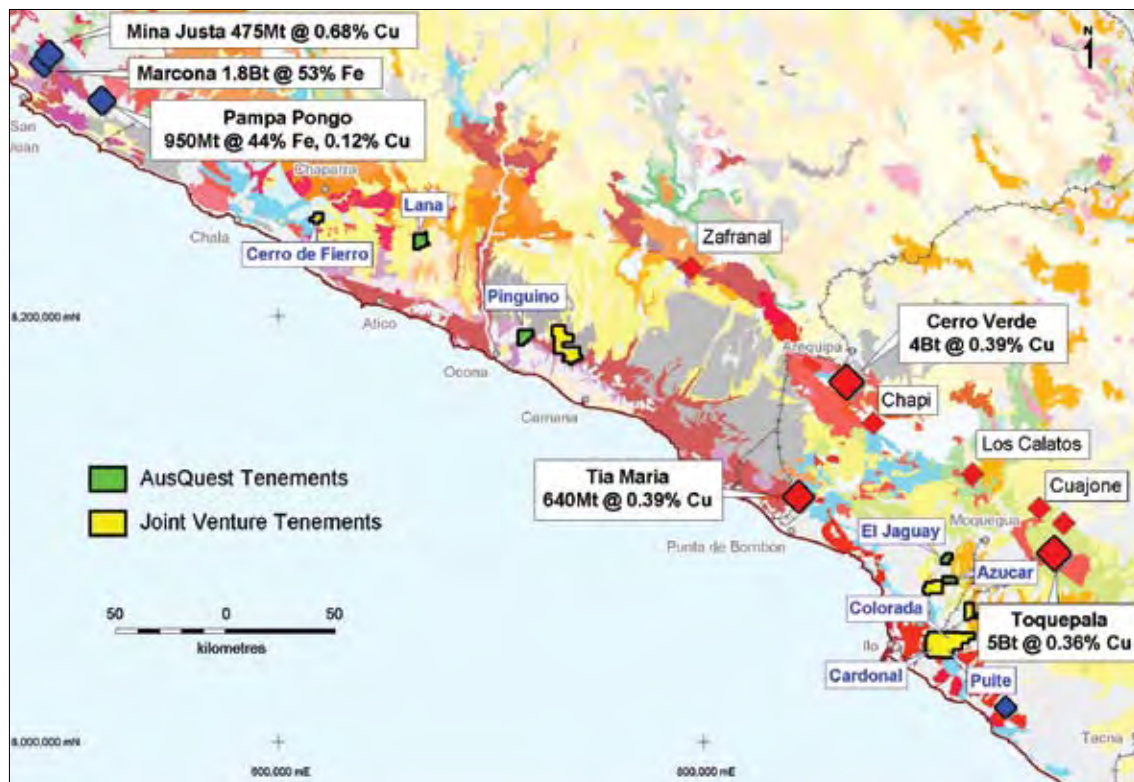


Figure 2: Peru Project Locations

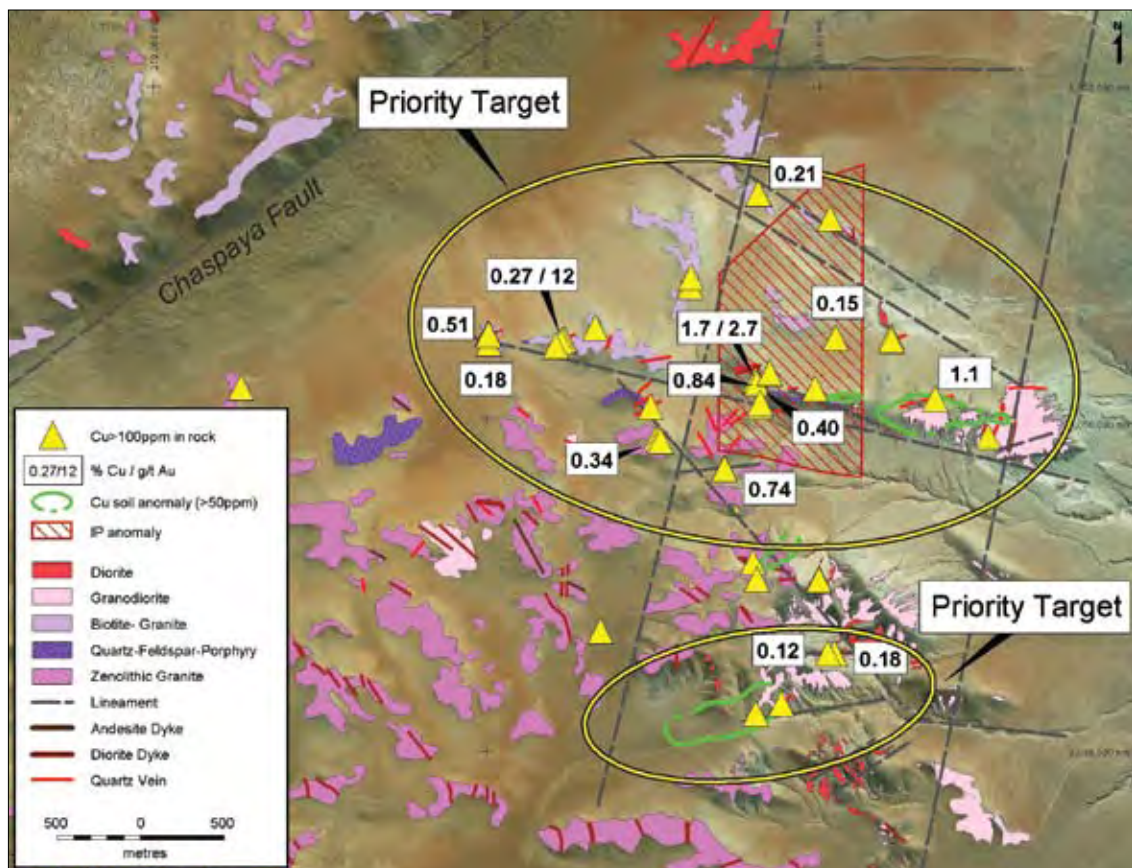


Figure 3: Colorado Prospect Summary Plan

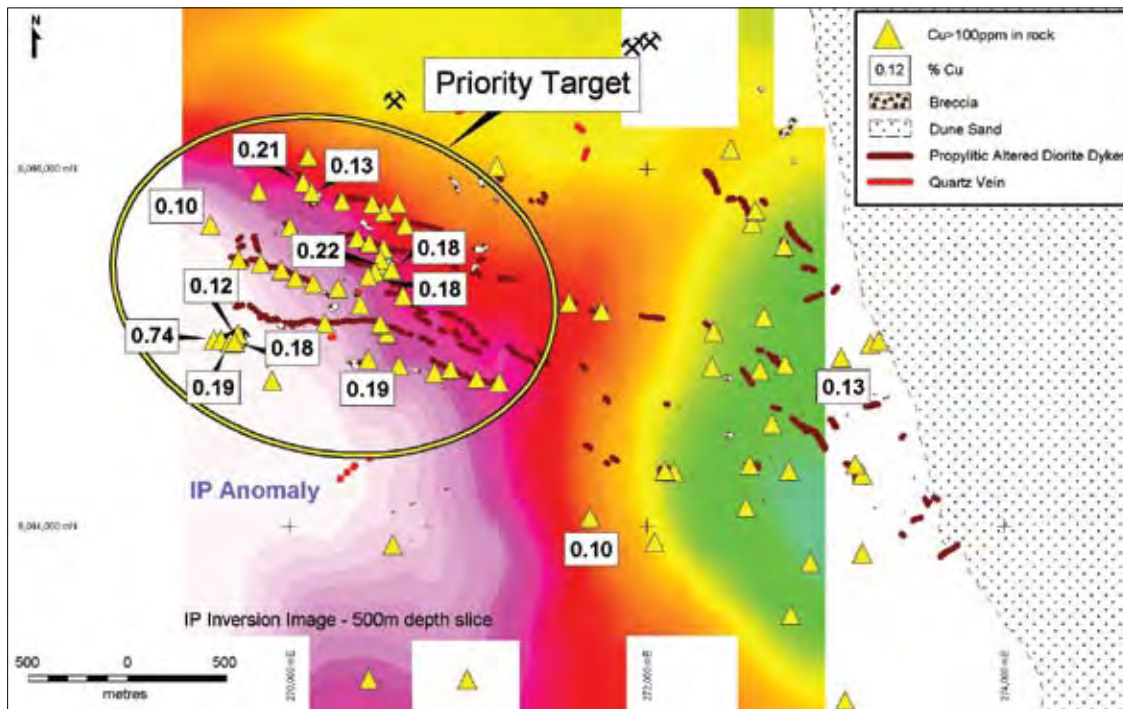


Figure 4: Cardonal Prospect Summary Plan

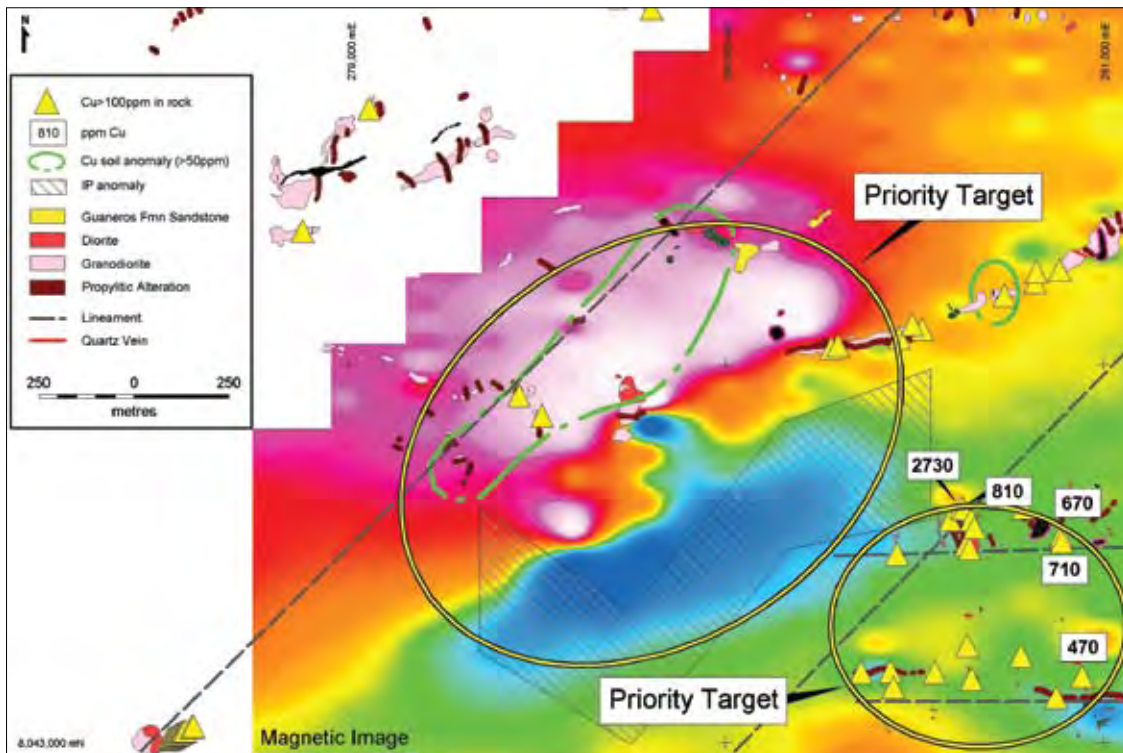


Figure 5: Puite Summary Plan

Detailed mapping, sampling and geophysical surveys have been completed over each prospect to outline targets for drilling. Extensive IP anomalies interpreted to reflect sulphide mineralisation at depths of 200 to 400m have been detected at the Colorado and Cardonal prospects, while at Puite a shallow magnetic target extending over an area of approximately 600m x 600m appears to correlate with a soil copper anomaly.

Drilling of these targets as well as various copper-in-rock and soil anomalies has been recommended to the Joint Venture.

The Cerro de Fierro prospect is located in the north-west of the joint venture area and is considered to be an IOCG-style target. Aeromagnetic and ground magnetic surveys have outlined a large (3km²) isolated magnetic target beneath younger volcanic cover (Figure 6).

Reconnaissance mapping and sampling located anomalous copper values (up to 0.18% Cu) associated with micro-veining in volcanics immediately adjacent to the target. Drilling has been recommended to the Joint Venture.

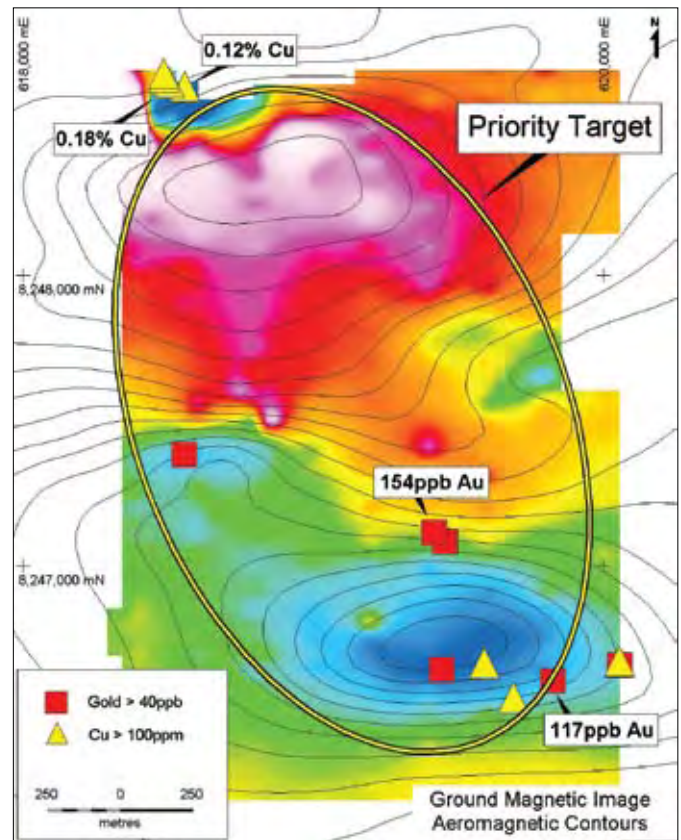
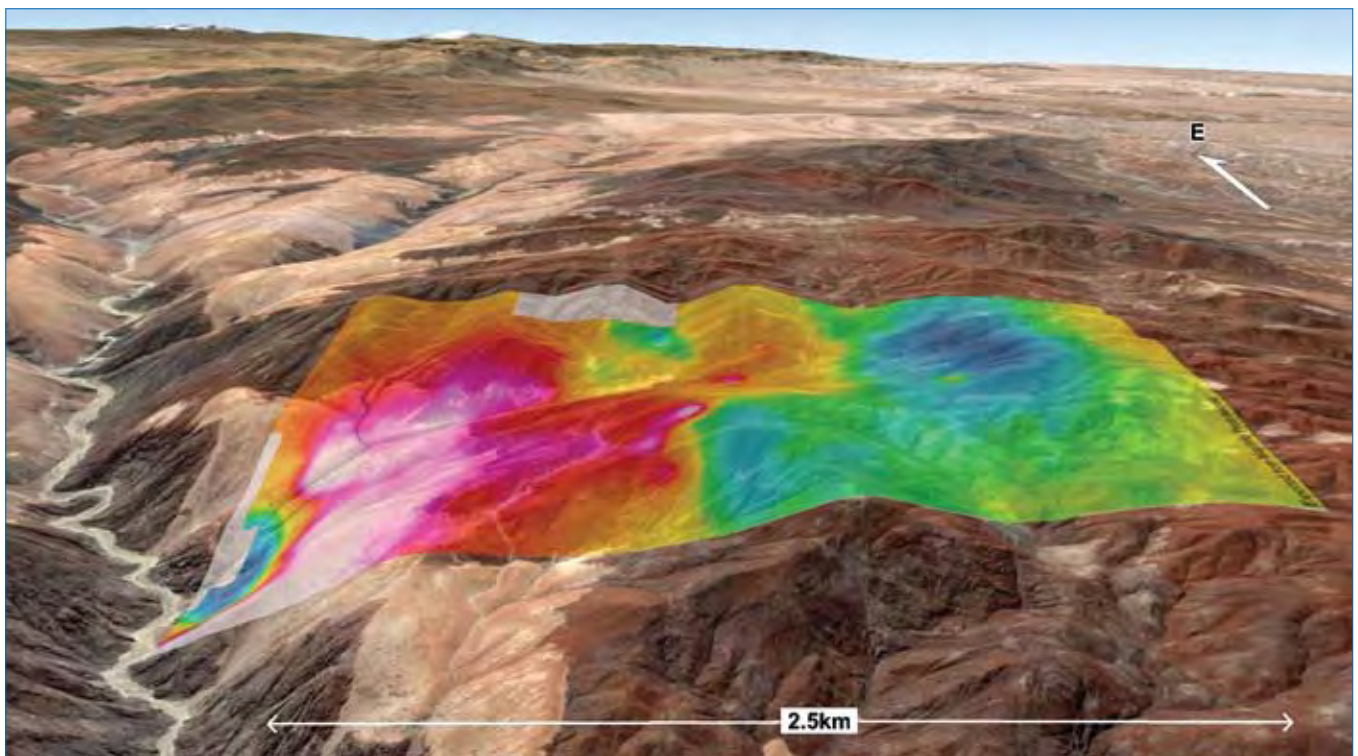


Figure 6: Cerro De Fierro Ground Magnetic Image



Cerro De Fierro Ground Magnetic Image Over Terrain

AusQuest Projects

Following a review of Joint Venture titles after reconnaissance mapping and sampling programs were completed, four areas considered prospective by the Company's consultants became 100%-owned by AusQuest. These include:

- the Lana prospect, which is a large (~20km²) discrete 6 milligal residual gravity anomaly which computer modelling suggests could reflect buried IOCG-style mineralisation beneath the cover sediments (Figure 7);
- the El Jaguay and Azucar prospects, where discrete magnetic targets identified beneath younger volcanic flow rocks, are thought to reflect potential IOCG- style mineralisation; and
- the Pinguino prospect, where anomalous copper-in-rock samples (250 to 700ppm Cu) associated with altered late stage intrusive diorites, are thought to reflect potential porphyry-style copper mineralisation.

Drilling at Lana, El Jaguay and Azucar is considered a necessary next step in evaluating the potential of these covered targets. At Pinguino, additional ground surveys are required before drill targets can be outlined.

The Company is encouraged by results from its prospects in southern Peru and is excited about reaching the drilling stage for at least six of the targets defined to date.

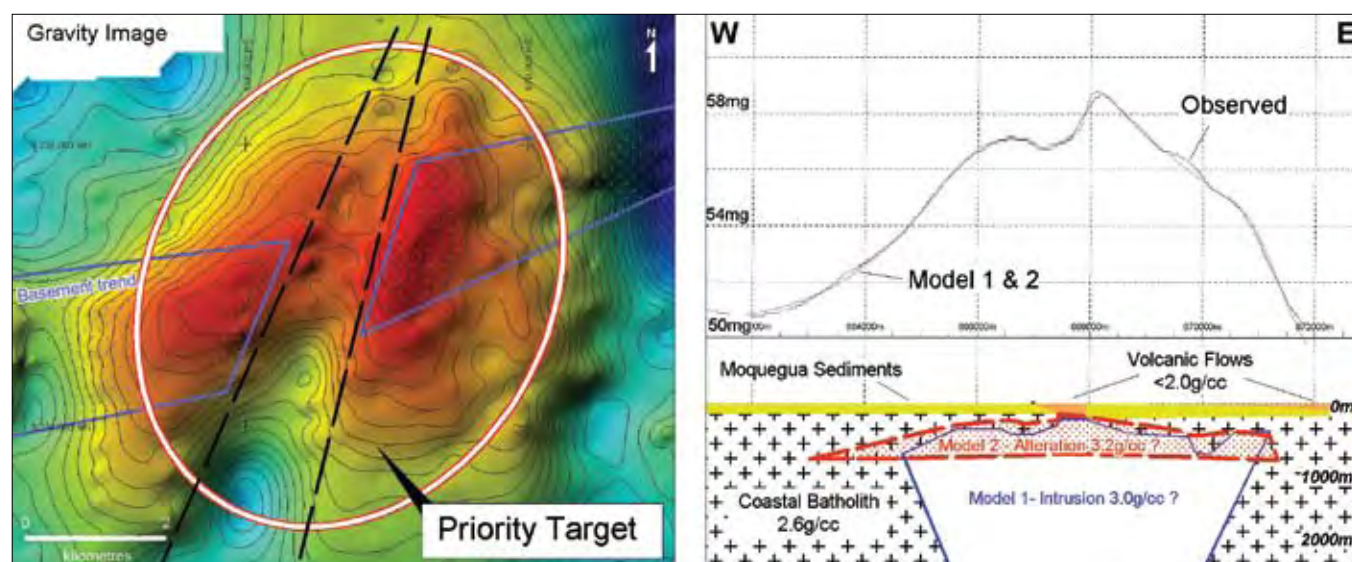


Figure 7: Lana Gravity Image and Modelling



Peru Landscape



Nickel-Copper and Manganese (Australia)

Dundas Nickel-Copper Project

The Dundas Nickel-Copper Project is located approximately 100km east-southeast of Norseman (WA) and approximately 80km south-west of the Nova-Bollinger nickel-copper discovery (Sirius Resources) (Figure 8).

The tenements cover an area of 450km² within a structurally complex region bordering the south-west margin of the main Fraser Range Complex which hosts the Nova discovery.

During the year, a VTEM (versatile time domain electro-magnetic) survey was completed to test for massive sulphide mineralisation in proximity to broad zones of anomalous nickel and copper geochemistry outlined by regional surface sampling programs.

The survey identified moderate to strong conductors of limited strike length closely associated with domal and/or intrusive structures interpreted from the Company's detailed aeromagnetic data.

Ground EM surveys confirmed three high priority nickel-copper targets with strike lengths varying from ~400 to 800m. All conductors are relatively shallow (depths ~50m to 200m) and were recommended for drilling (Figure 9).

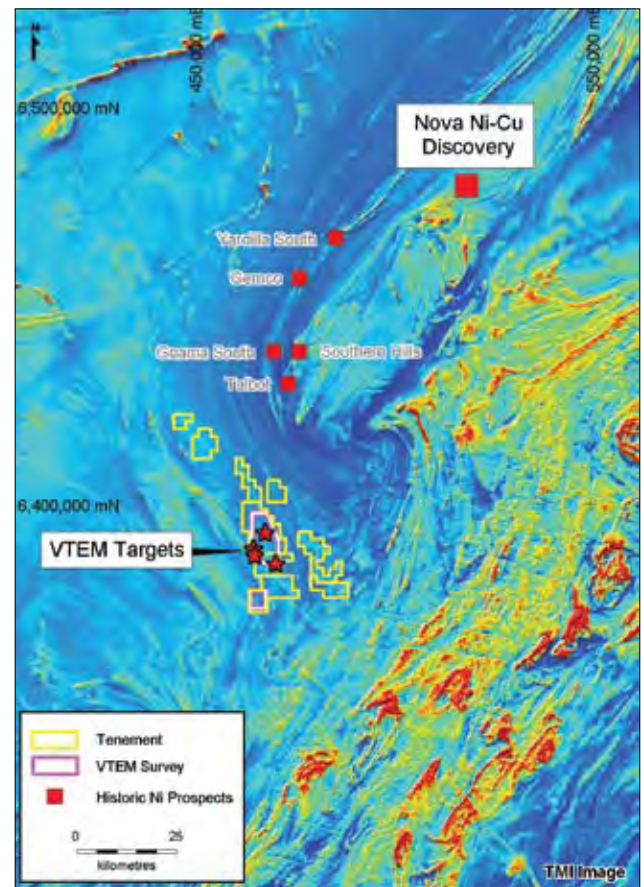


Figure 8: Dundas Project Location

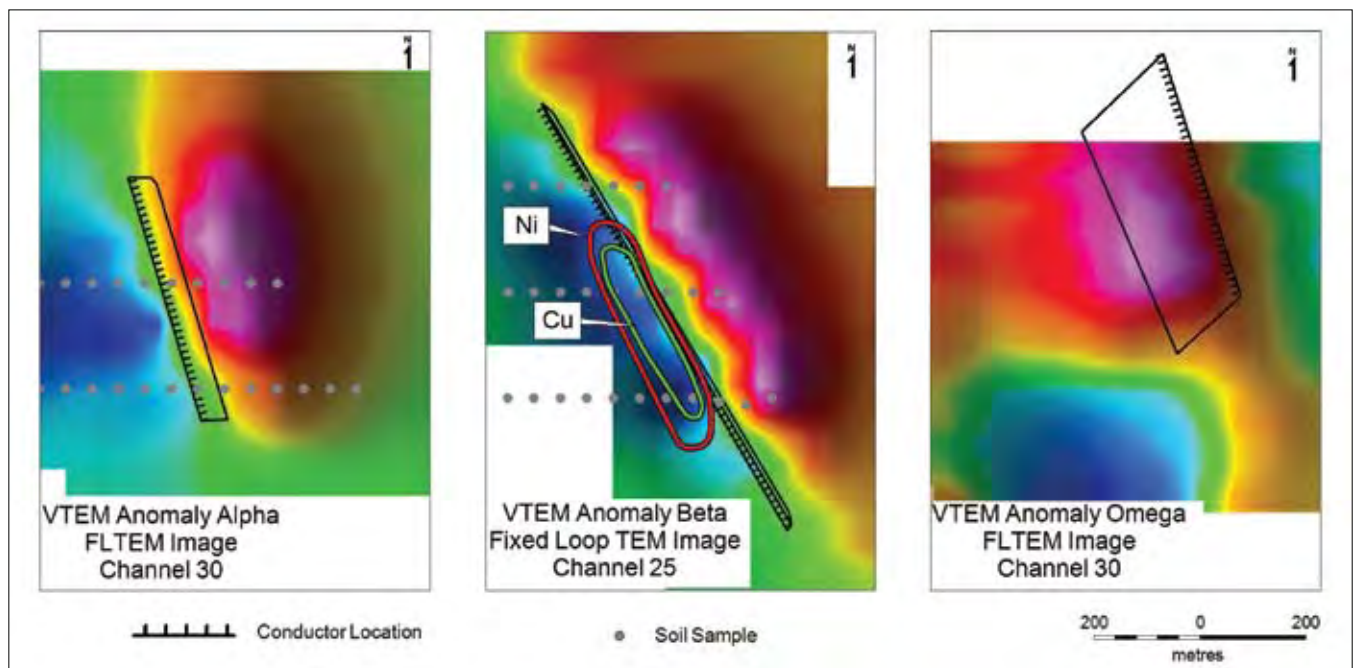


Figure 9: Dundas Project Ground EM Anomalies

Limited soil sampling was completed over targets where ground conditions permitted. Twice background nickel (50ppm) and copper (30ppm) anomalies were identified over one of the targets, upgrading its potential. Drilling is planned for the second half of 2013.

Airborne and ground-based geophysics, together with surface geochemistry, played an important role in the discovery of the Nova nickel-copper deposit by Sirius Resources in 2012.

Stanley Manganese Project (30% AusQuest, 70% Cliffs Australia Holdings Ltd)

The Stanley Project is located within the Earraheedy Basin ~170km east of Wiluna in Western Australia. Manganese mineralisation in the area occurs at several different stratigraphic locations around the basin, highlighting the area's potential to contain a range of manganese deposits.

AusQuest's equity in the Stanley Project reduced to 30% during the year, as it formed part of the agreement with Cliffs Australia Holdings Ltd to buy back their 30% stake in AusQuest in 2012. Details of this agreement were reported to the ASX in December 2012.

During the year, a VTEM survey was completed over the Windidda Prospect to identify potential concentrations of manganese associated with structures intersecting the Windidda Carbonate and Chiall Quartzite contact, where manganiferous outcrops had been found.

Ten targets varying in strike length from ~1 to 6km were outlined by the survey. A RAB (rotary air blast) drilling program is planned to start testing these targets during the second half of 2013. This program will also include three manganese targets previously identified at the Dome prospect and six manganese targets identified at the Niminga prospect (Figure 10).

The Company's tenements in the region were rationalised during the year to retain all of the priority targets. The total area covered by this project was reduced to ~600km².

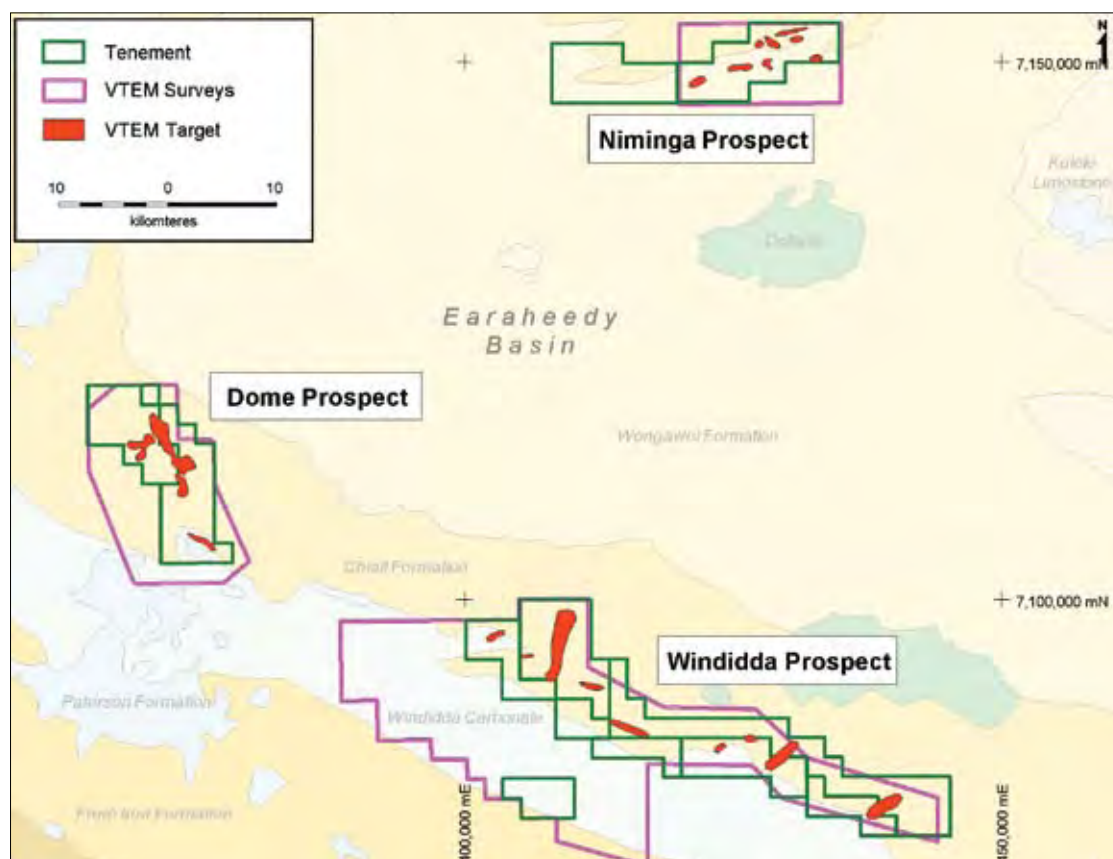


Figure 10: Stanley Project Showing Prospect Location



Other Projects

During the year, exploration activities were discontinued at the ***Earoo Nickel Project*** in WA following disappointing drill results and at the ***Teriwa Copper-Gold Project*** in Queensland following a change in the Company's priorities.

The final payment of \$0.75 million for the sale of the Company's Rocklea Iron Ore Project was received from Dragon Energy in January 2013.

Gold (Burkina Faso, West Africa)

The Comoe Project is located near the town of Banfora in south-west Burkina Faso, West Africa, within an extensive greenstone belt. The area is relatively unexplored except for historical surface sampling programs and widespread artisanal gold workings along the belt.

AusQuest has been active in this area since 2010, during which time it has discovered a gold-rich VMS deposit at Phaco Hill and numerous gold prospects that require significant further work to evaluate their potential.

During the year, exploration activities were scaled back while the Company considered the best way forward to maximise value for shareholders from this asset.

The 2013 exploration program was limited to selective mapping and sampling in the Kapogouan and Noumousso Permits, where extensive artisanal gold workings are located, and reviewing data collected during the previous campaigns.

Reporting on the Company's exploration results was undertaken as part of the process for tenement renewal which is due on 19th October 2013. A further three-year term is currently being sought.

Business Development

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

Corporate

During the year, AusQuest reached agreement with its major shareholder, Cliffs Australia Holdings Pty Ltd ("Cliffs"), to undertake a selective buy-back and cancellation of Cliffs' 29.91% shareholding in the Company, as reported to the ASX on 17 December 2012.

Following the cancellation of these shares, AusQuest's total issued capital reduced from 228 million to 160 million shares, effectively increasing the equity ownership for existing shareholders by approximately 40 per cent.

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.



Field operations in Australia and 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 Council's 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.

Corporate Governance Statement (cont...)

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.

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, one out of the four directors is independent, 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 Ellis became a substantial shareholder of the Company on 17 December 2012. Mr. Moulton who resigned on 4 October 2012 was a full time employee of Cliffs Natural Resources Pty Ltd, who was a substantial shareholder of the Company during the year and was therefore not independent.

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 2013 were as follows (with all directors noted as continuing in office as at 30 June 2013 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	resigned 4 October 2012



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.

During the 2013 financial year, the Company had a total of 2 women employees out of a total of 8 employees and contractors, however the Company had no women in senior executive positions or 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 non-executive directors, being Mr. Hancock and Mr Ellis and an additional non-executive director, being Mr Moulton until 4 October 2012; thereafter Mr Ashley was appointed as a member of the Committee. The Committee met four times during the year and attendances by committee members are recorded in the Directors’ Report.

Mr Ellis, the Chair of the Audit Committee, is non-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.

Corporate Governance Statement (cont...)

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.

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 (until 4 October 2012) after which Mr Ashley was appointed as a member of the Committee. Three 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 2013. 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 Econ, 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 years are as follows:

- Cooper Energy Limited - March 2001 – October 2011
- Norsve Resources PLC - December 2012 - current

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 and 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 was appointed a Non-Executive Director of King Island Scheelite Limited on 8 November 2012.

Craig Moulton BSc (Hons)

Non Executive Director (resigned on 4 October 2012)

Company Secretaries

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.

Bianca Joubert B.Compt (Hons), CA(SA), CSA (Cert)

Bianca is a qualified chartered accountant with 9 years experience working within public practice, specifically within the area of audit and assurance in South Africa, New Zealand and Australia. She is also an employee of Nexia Perth, a mid-tier corporate advisory and accounting practice.



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	2,086,415	-
Chris Ellis	11,366,218	-
John Ashley	7,071,630	-
Graeme Drew	5,612,466	1,000,000

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 is 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 \$8,236,747 (2012: \$9,053,588).

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 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.

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	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
AusQuest Ltd	2,900,000	Ordinary	7 cents each	30 November 2015

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.

Directors' Report (cont...)

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	1,250,000	Ordinary	35 cents each	31 December 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 \$34,956 (2012: \$38,571) in respect of Directors and Officers liability and corporate reimbursement, for Directors and officers in the Company. The insurance premiums relate to:

- any loss for which the Directors and officers may not be legally indemnified by the Company arising out of any claim, by reason of any wrongful act committed by them in their capacity as a Director or officer of the Company or any related corporation, first made against them jointly or severally during the year of insurance; and
- indemnifying the Company against any payment which it has made and was legally permitted to make arising out of any claim, by reason of any wrongful act, committed by any Director or officer in their capacity as a Director or officer of the Company or any related corporation, first made against the Director or officer during the period of insurance.

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, 8 board meetings, 4 audit committee meetings, and 3 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	8	8	3	3	4	4
Christopher Ellis	8	8	3	3	4	4
John Ashley	8	8	2	2	1	1
Graeme Drew	8	7	-	-	-	-
Craig Moulton	3	2	1	1	3	2

In addition 4 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 2013.

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 2013. 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 2013)
Christopher Ellis	Non-Executive Director
Craig Moulton	Non-Executive Director (resigned on 4 October 2012)

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.

There were no bonuses approved or paid during the 2013 financial year.

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.

In order to preserve the cash levels of the Group, all non-Executive Directors elected to forego their director's fees with effect from 1 January 2013 until further notice.

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			
	\$	\$	\$	\$	\$	\$	\$	\$	%	%

2013

Directors

Graeme Drew	247,706	-	-	8,200	22,294	-	-	278,200	-	-
John Ashley	29,385	-	-	8,200	2,645	-	-	40,230	-	-
Greg Hancock (i)	27,500	-	-	8,200	1,800	-	-	37,500	-	-
Chris Ellis	20,000	-	-	8,200	1,800	-	-	30,000	-	-
Craig Moulton (ii)	-	-	-	2,157	-	-	-	2,157	-	-
	324,591	-	-	34,957	28,539	-	-	388,087	-	-

2012

Directors

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)	-	-	-	6,886	-	-	-	6,886	-	-
Peter Ravenscroft	4,308	-	-	845	-	-	-	5,153	-	-
	464,374	125,685	-	38,571	30,844	-	-	659,474	-	-

(i) During the year, additional consulting services to the value of \$11,250 (2012: \$45,000) were provided by Mr Hancock

(ii) The Company did 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, \$270,000 (inclusive of superannuation entitlements) reduced to \$200,000 per annum with effect from 1 July 2013.
- 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, equal to 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, 26 September 2013



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 2013, 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.

HLB MANN JUDD
Chartered Accountants

W M CLARK
Partner, HLB Mann Judd

Perth, Western Australia
26 September 2013

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 2013, 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 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 company'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 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*.

HLB Mann Judd (WA Partnership) ABN 22 193 232 714
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Email: hlb@hlbwa.com.au. Website: <http://www.hlb.com.au>
Liability limited by a scheme approved under Professional Standards Legislation

HLB Mann Judd (WA Partnership) is a member of  HLB International, a worldwide organisation of accounting firms and business advisers.



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



Accountants | Business and Financial Advisers

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 2013 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.

Emphasis of Matter

Without qualification to the opinion expressed above, we draw attention to Note 1 to the financial statements which indicate that the ability of the company to continue as a going concern and, therefore, meet its debts and commitments as and when they fall due is dependent successful capital raising. Should the company be unsuccessful in its capital raising, there is a material uncertainty that may cast significant doubt over whether the company will continue as a going concern and, therefore, whether it will realise its assets, and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the Remuneration Report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2013. 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 2013 complies with section 300A of the *Corporations Act 2001*.

HLB MANN JUDD

Chartered Accountants

W M CLARK

Partner

Perth, Western Australia
26 September 2013

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 2013 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 2013.

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

On behalf of the Directors



Graeme Drew
Managing Director

Perth, 26 September 2013



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Consolidated Statement of Comprehensive Income

for the financial year ended 30 June 2013

	Note	2013 \$	2012 \$
Continuing operations			
Revenue	5	194,263	450,776
Consultants and employee benefits expense		(247,864)	(368,697)
Occupancy expenses		(121,612)	(109,174)
Administration expense		(862,451)	(1,040,028)
Exploration expenditure expensed as incurred		-	(71,043)
Impairment of exploration expenditure	11	(7,199,083)	(7,909,791)
Loss before income tax expense		(8,236,747)	(9,047,957)
Income tax expense	7	-	-
Loss for the year	6	(8,236,747)	(9,047,957)
Other comprehensive income:			
<i>Items that may be reclassified to profit or loss</i>			
Exchange gain/(loss) on translation of foreign operations		708,998	342,905
Total comprehensive loss for the year		(7,527,749)	(8,705,052)
Loss for the year attributable to owners of the parent		(8,236,747)	(9,053,588)
Profit/(loss) for the year attributable to non-controlling interests		-	5,631
		(8,236,747)	(9,047,957)
Total comprehensive loss attributable to owners of the parent		(7,527,749)	(8,761,903)
Total comprehensive income/(loss) attributable to non-controlling interests		-	56,851
		(7,527,749)	(8,705,052)
Loss per share:			
Basic (cents per share)	16	4.30	3.97

Notes to the financial statements are included on pages 32 -51.



Consolidated Statement of Financial Position

as at 30 June 2013

	Note	2013 \$	2012 \$
Current assets			
Cash and cash equivalents	20	1,545,401	5,076,789
Trade and other receivables	8	391,511	1,272,405
Other assets	9	45,597	75,350
Total current assets		1,982,509	6,424,553
Non-current assets			
Property, plant and equipment	10	71,563	102,456
Exploration and evaluation expenditure	11	11,933,989	17,071,623
Total non-current assets		12,005,552	17,174,079
Total assets		13,988,061	23,598,632
Current liabilities			
Trade and other payables	12	349,703	823,728
Provisions	13	91,194	82,148
Total current liabilities		440,897	905,876
Total liabilities		440,897	905,876
Net assets		13,547,164	22,692,756
Equity			
Issued capital	14	50,617,017	52,307,672
Reserves	15	1,605,944	1,061,634
Accumulated losses		(38,675,797)	(30,676,550)
Parent entity interest		13,547,164	22,692,756
Non controlling interests		-	-
Total equity		13,547,164	22,692,756

Notes to the financial statements are included on pages 32 -51.

Consolidated Statement of Changes in Equity

for the financial year ended 30 June 2013

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 2012	52,307,672	761,395	300,239	-	(30,676,550)	-	22,692,756
Profit/(Loss) for the year	-	-	-	-	(8,236,747)	-	(8,236,747)
Exchange differences on translation of foreign operations	-	-	708,998	-	-	-	708,998
Total comprehensive income/(loss) for the year	-	-	708,998	-	(8,236,747)	-	(7,527,749)
Lapsed options during the year	-	(237,500)	-	-	237,500	-	-
Options issued during the year	-	72,812	-	-	-	-	72,812
Buy back of shares	(1,690,655)	-	-	-	-	-	(1,690,655)
Balance at 30 June 2013	50,617,017	596,707	1,009,237	-	(38,675,797)	-	13,547,164
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

Notes to the financial statements are included on pages 32 -51.



Consolidated Statement of Cash Flows

for the financial year ended 30 June 2013

	Note	2013 \$	2012 \$
Cash flows from operating activities			
Payments to suppliers and employees		(1,363,454)	(1,136,637)
Interest received		146,945	594,690
Net cash used in operating activities	20 (b)	(1,216,509)	(541,947)
Cash flows from investing activities			
Payment for property, plant and equipment		(968)	(32,021)
Exploration and evaluation expenditure		(3,063,920)	(6,908,741)
Proceeds from disposal of exploration and evaluation assets		750,000	1,125,000
Net cash used in investing activities		(2,314,898)	(5,815,762)
Net decrease in cash and cash equivalents		(3,531,397)	(6,357,709)
Cash and cash equivalents at the beginning of the financial year		5,076,798	11,434,507
Cash and cash equivalents at the end of the financial year	20(a)	1,545,401	5,076,798

Notes to the financial statements are included on pages 32 -51.

Notes to the Financial Statements

for the financial year ended 30 June 2013

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, Africa and Peru.

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

Registered office	Principal place of business
C/- Nexia Perth Pty Ltd	8 Kearns Crescent
Level 3	ARDROSS WA 6153
88 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 26 September 2013.

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.

Going Concern Basis of Preparation

The 30 June 2013 financial report has been prepared on the going concern basis that contemplates the continuity of normal business activities and the realisation of assets and extinguishment of liabilities in the ordinary course of business. For the year ended 30 June 2013 the Group recorded a net loss of \$8,236,747 (2012 net loss: \$9,053,588) and had a net working capital surplus of \$1,541,612 (30 June 2012: surplus of \$5,518,677).

Based on the Group's cash flow forecast, which is dependent on results from planned exploration activity, it is likely that the Group will need to access additional working capital in the next 12 months to advance its exploration projects and to ensure the realisation of assets on an orderly basis and the extinguishment of liabilities as and when they fall due.

The Directors are confident that the Group will be successful in raising additional funds through the issue of new equity, should the need arise. The Directors are also aware that the Group has the option, if necessary, to defer expenditure or relinquish certain projects and reduce administration costs in order to minimise its capital raising requirements. Based on these facts, the Directors consider the going concern basis of preparation to be appropriate for this financial report.

Should the Company be unsuccessful in raising additional funds through the issue of new equity, there is a material uncertainty which may cause significant doubt whether or not the entity will be able to continue as a going concern and therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The financial statements do not include any adjustments relative to the recoverability and classification of recorded asset amounts or, to the amounts and classification of liabilities that might be necessary should the entity not continue as a going concern.

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

Standards and Interpretations applicable to 30 June 2013

In the year ended 30 June 2013, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the current annual reporting period. The following is a summary of these Standards and Interpretations that have had a material impact on the Company.



2. SIGNIFICANT ACCOUNTING POLICIES (cont...)

❖ *AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Other Comprehensive Income.*

This Standard requires entities to group items presented in other comprehensive income on the basis of whether they might be reclassified subsequently to profit or loss and those that will not. The adoption has had no effect on the financial position or performance of the Group. In addition, the pre-existing terminology for the statement of comprehensive income has been retained.

Standards and Interpretations in issue not yet adopted

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2013. 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.

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.

Notes to the Financial Statements (cont...)

2. SIGNIFICANT ACCOUNTING POLICIES (cont...)

(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.

(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



2. SIGNIFICANT ACCOUNTING POLICIES (cont...)

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.

(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.

Notes to the Financial Statements (cont...)

2. SIGNIFICANT ACCOUNTING POLICIES (cont...)

The functional currency of the foreign operations, E&A Resources Pty Ltd, Filigree SARL, 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

(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.



2. SIGNIFICANT ACCOUNTING POLICIES (cont...)

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 \$7,199,083 (2012: \$7,909,791) during the year, no impairment loss was recorded in the current financial year (2012: 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, Filigree SARL 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 2013.

	Continuing operations				
	Australia \$	Africa \$	Other \$	Intersegment eliminations \$	Consolidated \$
30 June 2013:					
Segment revenue	194,246	-	17	-	194,263
Segment loss after tax	(2,013,779)	(6,019,663)	(203,305)	-	(8,236,747)
Unallocated expenses					-
Segment net loss after tax					(8,236,747)
Segment assets	15,100,291	8,028,307	1,111,029	(10,251,566)	13,988,061
Segment liabilities	395,757	4,938,324	1,688,058	(6,581,242)	440,897
Included within segment result:					
Depreciation	31,617	-	-	-	31,617
Interest income	117,183	-	17	-	117,200
Impairment of exploration expenditure	1,096,865	6,016,520	85,698	-	7,199,083

Notes to the Financial Statements (cont...)

4. SEGMENT INFORMATION (cont...)

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	215,858	(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

5. REVENUE

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

	Consolidated	
	2013 \$	2012 \$
Continuing operations		
Interest income	117,200	392,708
Other income	77,063	58,068
	194,263	450,776

6. LOSS FOR THE YEAR

Loss for the year includes the following expenses:

	Consolidated	
	2013 \$	2012 \$
Depreciation of non-current assets	31,617	48,471
Operating lease rental expenses:		
Minimum lease payments	138,779	109,175
Employee benefits expense:		
Share-based payments	72,812	-



7. INCOME TAXES

Income tax recognised in profit or loss

	Consolidated	
	2013 \$	2012 \$
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	8,236,747	9,047,957
Income tax expense calculated at 30%	2,471,024	2,714,387
Effect of expenses that are not deductible in determining taxable profit	(2,741,808)	(2,480,522)
Effect of changes in unrecognised temporary differences	(9,708)	227,390
Effect of unused tax losses and tax offsets not recognised as deferred tax assets	280,492	(461,255)
	-	-

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.

Unrecognised deferred tax assets and liabilities

	Consolidated	
	2013 \$	2012 \$
The following deferred tax assets and (liabilities) have not been brought to account:		
Tax losses – revenue	7,888,157	7,664,152
Temporary differences	(4,797,329)	(3,514,569)
	3,090,828	4,149,583
Deferred tax assets not recognised in equity – share issue costs	14,462	84,517

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	
	2013 \$	2012 \$
Current		
Goods and services tax recoverable	39,564	55,020
Accrued interest income	2,058	31,803
Deferred sales proceeds	-	750,000
Security deposits	122,705	117,385
Other debtors – unsecured	227,184	318,197
	391,511	1,272,405

Notes to the Financial Statements (cont...)

9. OTHER ASSETS

	Consolidated	
	2013	2012
	\$	\$
Current		
Prepayments	45,597	75,350
	45,957	75,350

10. PROPERTY, PLANT AND EQUIPMENT

	Consolidated
	Office furniture and equipment at cost \$
Gross carrying amount	
Balance at 1 July 2011	376,137
Additions	32,021
Assets written off	(71,293)
Balance at 30 June 2011	336,865
Additions	964
Assets written off	(5,914)
Balance at 30 June 2012	331,915

	Consolidated
	Office furniture and equipment at cost \$
Accumulated depreciation and impairment	
Balance at 30 June 2011	248,432
Assets written off	(62,494)
Depreciation expenses	48,471
Balance at 30 June 2012	234,409
Assets written off	(5,674)
Depreciation expenses	31,617
Balance at 30 June 2013	260,352
Net book value	
As at 30 June 2012	102,456
As at 30 June 2013	71,563



11. EXPLORATION AND EVALUATION EXPENDITURE

Exploration and evaluation phase:

	Consolidated	
	2013 \$	2012 \$
Balance at beginning of year	17,071,623	19,267,933
Capitalised during the year	3,752,104	5,713,481
Disposals for the year	(1,690,655)	-
Impaired during the year (i)	(7,199,083)	(7,909,791)
Balance at end of year	11,933,989	17,071,623

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:

	Consolidated	
	2013 \$	2012 \$
Comoe Project	6,016,520	-
Earoo	966,363	-
Table Hill	-	3,715,212
Plenty River	-	3,520,114
Mt Ramsay	-	321,686

12. TRADE AND OTHER PAYABLES

	Consolidated	
	2013 \$	2012 \$
Trade payables (i)	349,703	823,728
	349,703	823,728

(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	
	2013 \$	2012 \$
<u>Current</u>		
Employee benefits (i)	91,194	82,148
	91,194	82,148

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

Notes to the Financial Statements (cont...)

14. ISSUED CAPITAL

	Consolidated			
	2013		2012	
	\$		\$	
160,003,444 fully paid ordinary shares (2012: 228,312,235)	50,617,017		52,307,672	
	2013		2012	
	No.	\$	No.	\$
Fully paid ordinary shares				
Balance at beginning of financial year	228,312,235	52,307,672	228,312,235	52,307,672
Share buy back*	(68,308,791)	(1,690,655)	-	-
Balance at end of financial year	160,003,444	50,617,017	228,312,235	52,307,672

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

*On 17 December 2010, the Group disposed of 70% of the Stanley project, and gave a commitment to sole fund \$1m of expenditure on that project within two years, as consideration for the buy back of 68,308,791 ordinary shares from Cliffs Natural Resources Pty Ltd. These shares were subsequently cancelled by the Company.

Share options on issue

Share options issued by the Company carry no rights to dividends and no voting rights.

As at 30 June 2013, the Company has 8,150,000 share options on issue (2012: 6,500,000) exercisable on a 1:1 basis for 8,150,000 shares (2012: 6,500,000) at various exercise prices. The options will expire between 30/11/2013 and 30/11/2015. Further details of options granted to Directors and employees are contained in note 22 to the financial statements.

15. RESERVES

	Consolidated	
	2013	2012
	\$	\$
Share-based payments reserve	596,707	761,395
Foreign currency translation reserve	1,009,237	300,239
Total reserves	1,605,944	1,061,634

Movements in these reserves during the year are disclosed in the consolidated statement of changes in equity.

The share-based payments reserve arises on the grant of share options to executive, employees, consultants and advisors. Further information about share-based payments to employees is made in notes 22 and 23 to the financial statements.

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.



16. LOSS PER SHARE

	Consolidated	
	2013 Cents per share	2012 Cents per share
Basic loss per share	4.30	3.97

Basic loss per share

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

	2013 \$	2012 \$
Net loss	8,236,747	9,053,588
	2013 No.	2012 No.
Weighted average number of ordinary shares for the purposes of basic loss per share	191,630,350	228,312,235

Diluted loss per share

Diluted loss per share has not been calculated as the result does not increase loss per share.

17a. COMMITMENTS FOR EXPENDITURE

	Consolidated	
	2013 \$	2012 \$
Exploration expenditure		
Annual expenditure commitment	1,374,770	1,941,304

17b. OPERATING LEASE COMMITMENTS

The Company entered into an operating lease for its office premises at 8 Kearns Crescent, Ardross. The current lease expires on 31 December 2013.

	Consolidated	
	2013 \$	2012 \$
Current lease commitment	49,302	98,452

18. CONTINGENT LIABILITIES

In the opinion of the Directors, there were no material contingent liabilities as at 30 June 2013 and no contingent liabilities have arisen in the interval between the period end and the date of this financial report.

Notes to the Financial Statements (cont...)

19. SUBSIDIARIES

Name of entity	Country of incorporation	Ownership interest	
		2013 %	2012 %
Parent entity			
AusQuest Ltd (i)	Australia		
Subsidiaries			
Fortescue Resources Pty Ltd	Australia	100%	100%
E&A Resources Pty Ltd	British Virgin Islands	100%	100%
Questdor SAC	Peru	100%	100%
Filigree SARL	Burkina Faso	100%	100%
Sub-subsidiary			
Comoe Exploration SARL	Burkina Faso	100%	100%

(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	
	2013 \$	2012 \$
Cash and cash equivalents	1,545,401	5,076,798

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

	Consolidated	
	2013 \$	2012 \$
Loss for the year	(8,236,747)	(9,047,957)
Depreciation	31,617	48,471
Equity-settled share-based payment	72,812	-
Plant and equipment written off	243	8,799
Exploration expenditure written off and impaired	7,199,083	7,980,834
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:		
(Increase)/decrease in assets:		
Trade and other receivables	(194,612)	425,869
Prepayments	29,753	15,918
Increase/(decrease) in liabilities:		
Trade and other payables	(127,704)	25,155
Provisions	9,046	964
Net cash from operating activities	(1,216,509)	(541,947)



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 aims 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.

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.

Notes to the Financial Statements (cont...)

21. FINANCIAL INSTRUMENTS (cont...)

2013	CONSOLIDATED					
	Less than 1 month \$	1-3 months \$	3 months to 1 year \$	1 - 5 years \$	5+ years \$	Total \$
Financial assets						
Non-interest bearing	39,912	110,359	-	116,825	-	267,096
Variable interest rate	1,545,053	-	-	-	-	1,545,053
Fixed interest rate	-	69,777	52,928	-	-	122,705
	1,584,965	180,136	52,928	116,825	-	1,934,854
Financial liabilities						
Non-interest bearing	279,165	50,538	20,000	-	-	349,703
	279,165	50,538	20,000	-	-	349,703

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

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 date, 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 \$7,725(2012: \$2,607) 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.

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	
	2013 \$	2012 \$	2013 \$	2012 \$
US Dollars	353,471	203,289	31,023	185,766



21. FINANCIAL INSTRUMENTS (cont...)

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 date, if the Australian dollar was 10% stronger and all other variables were constant, the Group's net loss after tax would have decreased by \$32,245 (2012: \$17,505) 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 require 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 2013 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 (2012: 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 \$
31 Jan 2012 (i)	500,000	1 Aug 2007	31 Jan 2012	0.30	0.172
31 Dec 2012 (ii)	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
30 Nov 2015	2,900,000	30 Nov 2012	30 Nov 2015	0.07	0.025

(i) These options expired in the prior year

(ii) These options expired in the current year

The expense recognised in the statement of comprehensive income in relation to share based payments granted in 2013 is disclosed in note 6. The fair value of the share options granted during the financial year is \$72,812 (2012: nil). 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.

Notes to the Financial Statements (cont...)

22. SHARE-BASED PAYMENTS (cont...)

Inputs into the model	30 Nov 2013
Grant date share price (cents)	4 cents
Exercise price (cents)	7 cents
Expected volatility	123%
Option life	3 years
Dividend yield	-
Risk-free interest rate	2.62%

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:

	2013		2012	
	Number of options	Weighted average exercise price \$	Number of Options	Weighted average exercise price \$
Balance at beginning of the financial year	6,500,000	0.34	7,000,000	0.34
Granted during the financial year	2,900,000	0.07	-	-
Lapsed during the financial year	(1,250,000)	0.35	(500,000)	0.30
Balance at end of the financial year (i)	8,150,000	0.24	6,500,000	0.34
Exercisable at end of the financial year	8,150,000	0.24	6,500,000	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 1.13 years (2012: 1.24 years).

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	
	2013 \$	2012 \$
Short term employee benefits	324,591	590,059
Post employment benefits	28,539	30,844
Other benefits	34,957	38,571
Share based payments	-	-
	388,087	659,474



23. RELATED PARTY TRANSACTIONS (cont...)

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.	Purchased during the year No.	Balance on resignation No.	Balance at 30 June No.
2013						
Greg Hancock	1,058,000	-	-	1,028,415	N/A	2,086,415
Chris Ellis	10,668,658	-	-	697,560	N/A	11,366,218
John Ashley	6,071,630	-	-	1,000,000	N/A	7,071,630
Graeme Drew	4,747,241	-	-	865,225	N/A	5,612,466
Craig Moulton (i)	-	-	-	-	-	N/A
	22,545,529	-	-	3,591,200	-	26,136,729

	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

Share options of AusQuest Ltd

	Balance at 1 July No.	Balance on appointment No.	Granted as compensation No.	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.
2013									
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
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 compensation No.	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

Notes to the Financial Statements (cont...)

23. RELATED PARTY TRANSACTIONS (cont...)

(i) Mr Peter Ravenscroft and Mr. Craig Moulton are/were full time employees of Cliffs Natural Resources Pty Ltd ("Cliffs"). Cliffs held 68,308,791 shares until 17 December 2012 but 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 \$57,356 (2012: \$54,151) and the balance payable by the Company to A Super Pty Ltd at year end was \$4,519 (2012: \$4,381).

(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 previous 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, Cliffs Natural Resources Pty Ltd whereby each party would contribute 50% of funding for exploration work in South West Peru.

On 17 December 2012, the Group disposed of 70% of the Stanley project, and gave a commitment to sole fund \$1m of expenditure on that project within two years, as consideration for the buy-back of 68,308,791 ordinary shares from Cliffs Natural Resources Pty Ltd. These shares were subsequently cancelled by the Company. Cliffs Natural Resources Pty Ltd therefore ceased to be a substantial shareholder of the Group on this date.

(d) Parent entities

The ultimate parent entity in the Group is AusQuest Ltd.

24. REMUNERATION OF AUDITORS

	Consolidated	
	2013 \$	2012 \$
Auditor of the Group		
Audit or review of the financial report	31,985	32,970
Other audit services	-	-
	31,985	32,970

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 2013, and throughout the financial year ended 30 June 2013 the parent company of the Group was AusQuest Ltd.

	2013 \$	2012 \$
Result of the parent entity		
Loss for the year	(5,467,725)	(9,645,663)
Other comprehensive income	-	175,353
Total comprehensive income for the year	(5,467,725)	(9,470,310)
Financial position of parent entity at year end		
Current assets	1,786,017	5,593,059
Non-current assets	11,152,465	14,930,708
Total assets	12,938,482	20,523,767
Current liabilities	395,747	720,111
Total liabilities	395,747	720,111
Total equity of the parent entity comprising of:		
Share capital	50,617,017	52,307,672
Reserves	596,707	936,748
Accumulated losses	(38,670,989)	(33,440,764)
Total equity	12,542,735	19,803,656

Parent entity contingencies

The parent entity has no contingent liabilities as at 30 June 2013 (2012: nil).

Included in Non-current assets are investments in and loans to subsidiaries of \$10,571,195, the recoverability of which is dependent on the successful exploitation of the subsidiaries exploration assets.

Parent entity capital commitments

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

Additional Securities Exchange Information

As at 30 September 2013

Additional information required by the Australian Securities Exchange and not shown elsewhere in this report is as follows. This information is current as at 30 September 2013.

1. Shareholdings

a. Distribution of shareholder number

Category (size of holding)	Ordinary shares	Number of holders
1 – 1,000	23,099	220
1,001 – 5,000	803,304	272
5,001 – 10,000	1,760,324	217
10,001 – 100,000	29,143,791	740
100,000 and over	128,272,926	257
Total shareholding	160,003,444	1,706

b. Less than marketable parcels of shares

The number of shareholdings held in less than marketable parcels is 964 given a share value of 0.023 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 HAMERSLEY HOLDINGS LIMITED	10,500,000	6.56
2 ASUPER PTY LTD	7,005,630	4.37
3 CHRYSALIS INVESTMENTS PTY LTD	6,160,000	3.85
4 CHRYSALIS INVESTMENTS PTY LTD <ELLIS SUPERFUND A/C>	5,206,218	3.25
5 MR JOHN ALEXANDER INNES & MRS LJUBA INNES <INNES SUPER FUND A/C>	3,350,171	2.09
6 MR ROSS JEREYMY TAYLOR	3,000,000	1.87
7 MR GRAEME DREW AND MRS BARBARA JANE DREW <THE DREW FAMILY S/F A/C>	2,775,601	1.73
8 INTAGLIO PTY LTD	2,629,103	1.64
9 NOVASC PTY LTD <BELLIS AUSTRALIA SUPER FUND A/C>	2,266,000	1.41
10 MR GREG HANCOCK	1,756,415	1.09
11 ANTICO HOLDINGS PTY LTD <GOLE SUPER FUND A/C>	1,693,248	1.05
12 MR JAMES THORNETT	1,662,898	1.03
13 INTAGLIO PTY LTD	1,455,061	0.90
14 MR RICHARD WILLMOT CHADWICK AND MRS GWENDA ANN CHADWICK	1,430,000	0.89
15 IRIS SYDNEY HOLDINGS PTY LTD	1,300,000	0.81
16 ACN 139 886 025 PTY LTD	1,231,276	0.77
17 ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD <CUSTODIAN A/C>	1,220,751	0.76
18 JAYLEAF HOLDINGS PTY LTD <POLLOCK INVESTMENT A/C>	1,186,550	0.74
19 SUSAN THORNETT	1,186,245	0.74
20 NOVASC PTY LTD <BELLIS AUSTRALIA SUPER A/C>	1,100,000	0.68
TOTAL	58,115,167	36.23



Additional Securities Exchange Information (cont...)

e. Substantial shareholders

Substantial shareholders listed in the company's holding register as at 30 September 2013:

NAME	Number of fully paid ordinary shares held
1 CHRYSLIS INVESTMENTS PTY LTD	11,366,218
2 HAMERSLEY HOLDINGS LIMITED	10,500,000

2. Company Secretaries

The names of the company secretaries are Darren Crawte and Bianca Joubert.

3. Registered office and principle administrative office

The address of the registered office in Australia is c/- Nexia Perth Level 3, 88 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
1 Unlisted options exercisable at 30 cents on or before 30 November 2013	500,000	1
2 Unlisted options exercisable at 40 cents on or before 30 November 2013	2,250,000	11
3 Unlisted options exercisable at 20 cents on or before 1 December 2013	1,350,000	7
4 Unlisted options exercisable at 40 cents on or before 1 December 2013	1,150,000	6
5 Unlisted options exercisable at 7 cents on or before 30 November 2015	2,900,000	8
	8,150,000	33

Unquoted equity security holdings greater than 20%

At 30 September 2013, 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 30 September 2013

AUSTRALIA

State	Tenement	Name	Status	Sub-blocks	Area (km ²)	Grant Date	Expiry Date	Current Commitment (\$)
DUNDAS								
WA	E63/1000	Dundas 1	granted	18	57	9/02/09	8/02/14	30,000
WA	E63/1001	Dundas 2	granted	18	57	9/02/09	8/02/14	30,000
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	E69/2503	Stanley 3	granted	22	70	6/07/09	5/07/14	102,000
WA	E53/1403	Eraheedy 3	granted	21	67	30/06/09	29/06/14	32,625
WA	E38/2167	Eraheedy 7	granted	6	19	25/08/09	24/08/14	61,625
WA	E38/2168	Eraheedy 8	granted	7	22	25/08/09	24/08/14	72,500
WA	E69/2587	Stanley	granted	18	57	27/10/10	26/10/15	53,000
WA	E38/2239	Stanley	granted	22	70	23/03/10	22/03/15	40,500
WA	E38/2240	Stanley	granted	14	44	23/03/10	22/03/15	38,500
WA	E53/1460	Stanley	granted	16	51	13/01/10	12/01/15	37,500
WA	E38/2764	Stanley	Application	21	67	18/03/13	17/03/18	28,667
WA	E38/2765	Stanley	Application	33	105	18/03/13	17/03/18	45,334

BALD HILL

WA	E59/1937	Bald Hill	granted	44	140	30/08/13	29/08/18	44,000
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WEST AFRICA

Country	Permit Name	Status	Area (km ²)	Expiry Date
Burkina Faso	Komoe	granted	122	19/10/13
Burkina Faso	Finkere	granted	140	19/10/13
Burkina Faso	Kangounadeni	granted	89	19/10/13
Burkina Faso	Kaouradeni	granted	79	19/10/13
Burkina Faso	Tiefora	granted	102	19/10/13
Burkina Faso	Tondoura	granted	142	19/10/13
Burkina Faso	Logoniegue	granted	175	19/12/14
Burkina Faso	Kapagouan	granted	158	27/07/14
Burkina Faso	Noumoussou	granted	72	27/07/14

SOUTH AMERICA

Country	Project Name	Total Applications	No. Granted	Area (km ²)
Peru	Cerro De Fierro		3	22
Peru	Lana		4	40
Peru	Pinguino		4	39
Peru	Ceniceros Rojos		14	136
Peru	El Jaguay		2	20
Peru	Sugar Azucar	1	5	60
Peru	Azucar West	1	4	50
Peru	Pampa Del Pulgas	3	20	208
Peru	Chololo	2	0	15



Glossary

Alteration	Change in the mineral composition of rock – typically by the action of hydrothermal solutions.
Anomalies	A feature which is different from its general surroundings. A geophysical 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.
Diorite	Coarse grained intermediate intrusive igneous rocks composed mainly of plagioclase feldspars.
Dyke	An intrusive sheet of rock that formed within a crack or weakness in a pre-existing rock body.
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.
Hydrothermal	Mineralising processes resulting from the action of hot fluids.
Induced Polarisation (IP)	A ground based geophysical survey used to locate the presence of disseminated sulphide mineralisation.
Iron Oxide Copper Gold (IOCG)	Concentrations of copper and gold mineralisation hosted within iron oxide dominant assemblages which share a common genetic origin.
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 high 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.
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.
VTEM survey	A VTEM (Versatile Time-Domain Electromagnetic) survey is a helicopter mounted geophysical surveying system that is designed for the detection of massive sulphide deposits.

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