AUSQUEST
LIMITED
ABN 35 091 542 451

Quarterly Report – 30th September 2013

HIGHLIGHTS

FRASER RANGE (WA) – BASE METALS (Nickel, Copper)

- **DDH1 Drilling was contracted to drill the high priority Alpha, Beta and Omega drill targets** at the 100%-owned Dundas Project, with a rig expected on site by the **end of November 2013** and drilling scheduled to commence shortly thereafter.
- Dundas is located 80km south of the **Nova and Bollinger** nickel-copper-cobalt deposits.
- The drill targets were identified by **fixed loop EM (FLEM) surveys and surface sampling**, both of which played an important role in the discovery of the Nova nickel-copper deposit by Sirius Resources in 2012.
- A **minimum programme of 5 diamond drill-holes** (~1,200m) is planned to test the three priority targets.

PERU – COPPER-GOLD

- **Large drill targets** were identified **at seven prospects** in Peru's southern coastal belt – three within 100%-owned projects and four within projects subject to the Peru JV (AusQuest 30%).
- Large-scale **magnetic and gravity targets** reflecting possible IOCG mineralisation were interpreted at the three 100%-owned AusQuest projects.
- **Large-scale targets** associated with **surface copper occurrences and porphyry-style alteration** were outlined by **Induced Polarisation (IP) and ground magnetic** surveys at Cardonal and Puite.
- **Drill proposals** covering iron-oxide copper-gold (IOCG) and/or porphyry copper targets at **Colorada, Cardonal, Puite and Cerro de Fierro** were submitted to the JV.
- The **drill permitting** process was **initiated at Cardonal and Puite** (Peru JV) and is **in progress** over the **Lana gravity target** (100% AusQuest).

CORPORATE

- The Company announced its intention to raise up to $2.75M by way of a *Placement* to sophisticated and professional investors and a *Securities Purchase Plan (SPP)* offered to shareholders on the same terms and conditions. **The funds raised will primarily be used for drilling in the Fraser Range and in Peru**.

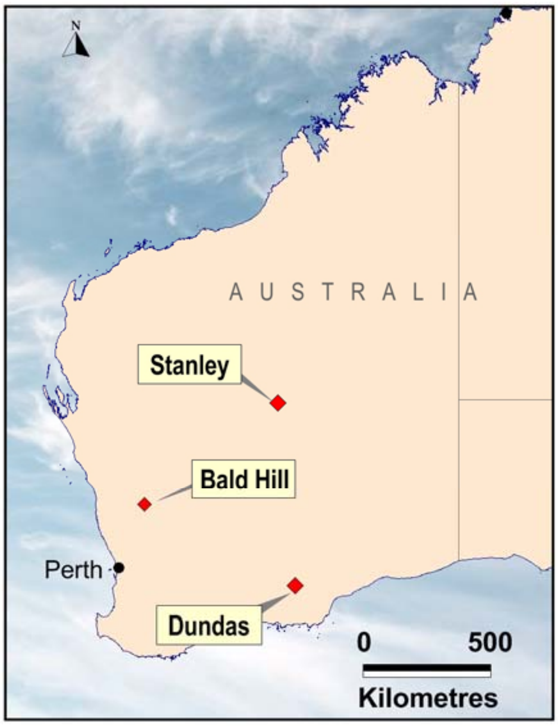

Figure 1: Project Locations – Australia and Peru

OVERVIEW

The September Quarter was an active and successful period for AusQuest Limited (ASX: AQD), with the focus of exploration activities shifting towards drilling of the Company's nickel-copper project in the Fraser Range area of WA as well as its emerging portfolio of Peruvian copper-gold projects in South America.

In Australia (*Figure 1*), exploration focused on confirming drill targets at the Dundas Nickel-Copper Project, located ~80km south of the Nova-Bollinger nickel-copper discoveries (Sirius Resources), where access for drilling has now been granted and drilling contracts finalised.

In Peru, ground geophysical surveys and sampling programmes within the Peru JV area were completed and drilling submissions subsequently prepared for four projects. The drill permitting process continued at Lana (100% AQD) and was initiated over the Cardonal and Puite prospects.

Work in Burkina Faso (West Africa) was restricted to reporting on previous exploration activities, tenement renewal documentation and compilation of data over the Kapogouan and Nomousso prospects.

During the Quarter, the Company embarked on a capital raising by way of a Placement to sophisticated and professional investors as well as an SPP for the Company's shareholders on the same terms and conditions.

AUSTRALIA – BASE METAL PROJECTS

Dundas Nickel-Copper Project *(100% AQD)*

The Dundas Project is located approximately 100km east-southeast of Norseman (WA), and ~80km south-west of the Nova-Bollinger nickel-copper discovery (Sirius Resources). 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 Quarter, access clearance surveys were completed over the three high priority drilling targets defined by ground EM surveys and surface geochemistry and drilling is now scheduled to commence in early December 2013.

Ground EM surveys identified two strong and one moderate discrete conductor with strike lengths varying from ~400m to 800m and target depths from ~50m to 200m. Soil sampling upgraded one of the targets where low-level nickel and copper anomalism was found to coincide with the projected surface position of the interpreted conductor (*Figure 2*).

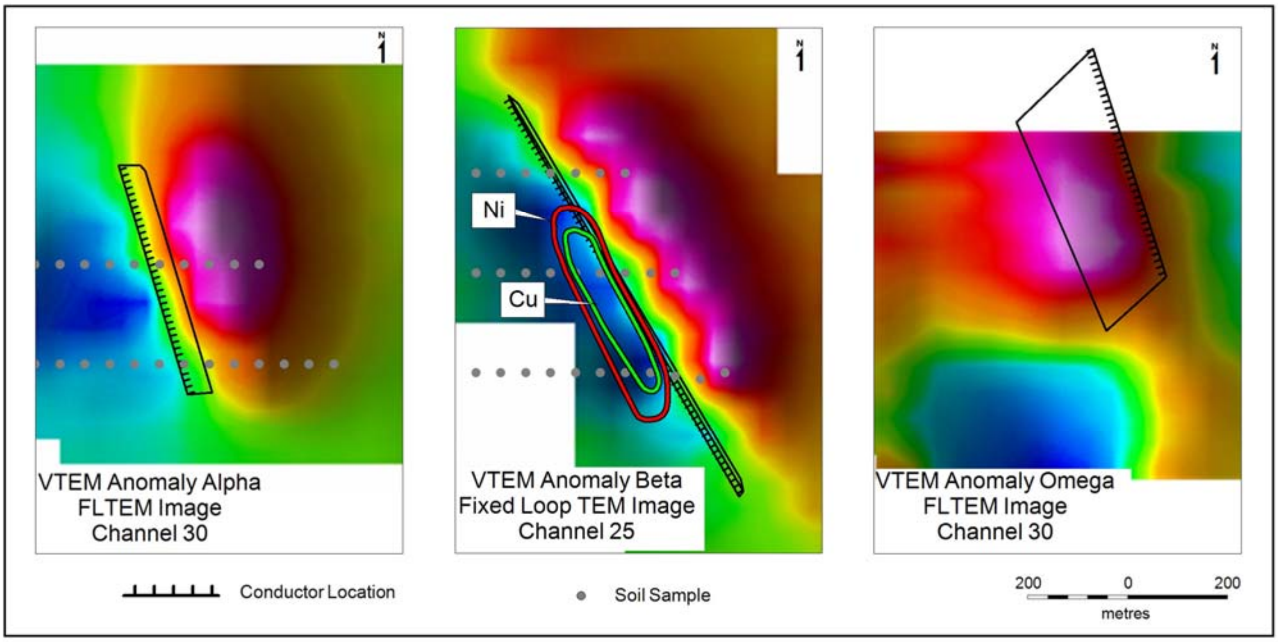

Figure 2: Ground EM Drilling Targets

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.

The Company also secured the services of DDH1 Drilling (DDH1), which has a proven track record in the region, to undertake the drilling program. DDH1 expect to have a drill rig on site by the end of November 2013 with drilling scheduled to commence shortly thereafter. A minimum diamond drill programme of 5 holes (~1,200 metres) is planned to test these targets.

During the Quarter the Company's consultants also interrogated the project's geochemical database (from previous RAB drilling) and detailed aeromagnetic data to identify potential mafic and ultramafic rocks which are the preferred hosts for nickel sulphide mineralisation. This resulted in a significant strike length of potential mafic host rocks being outlined within the Company's tenement package (*Figure 3*).

A search of the Company's records showed that significant areas of prospective stratigraphy remain to be tested, especially given the high nickel-copper prospectivity of the Fraser Range region as evidenced by the Nova discovery. Further EM surveying is currently being planned to complement the upcoming drilling programme.

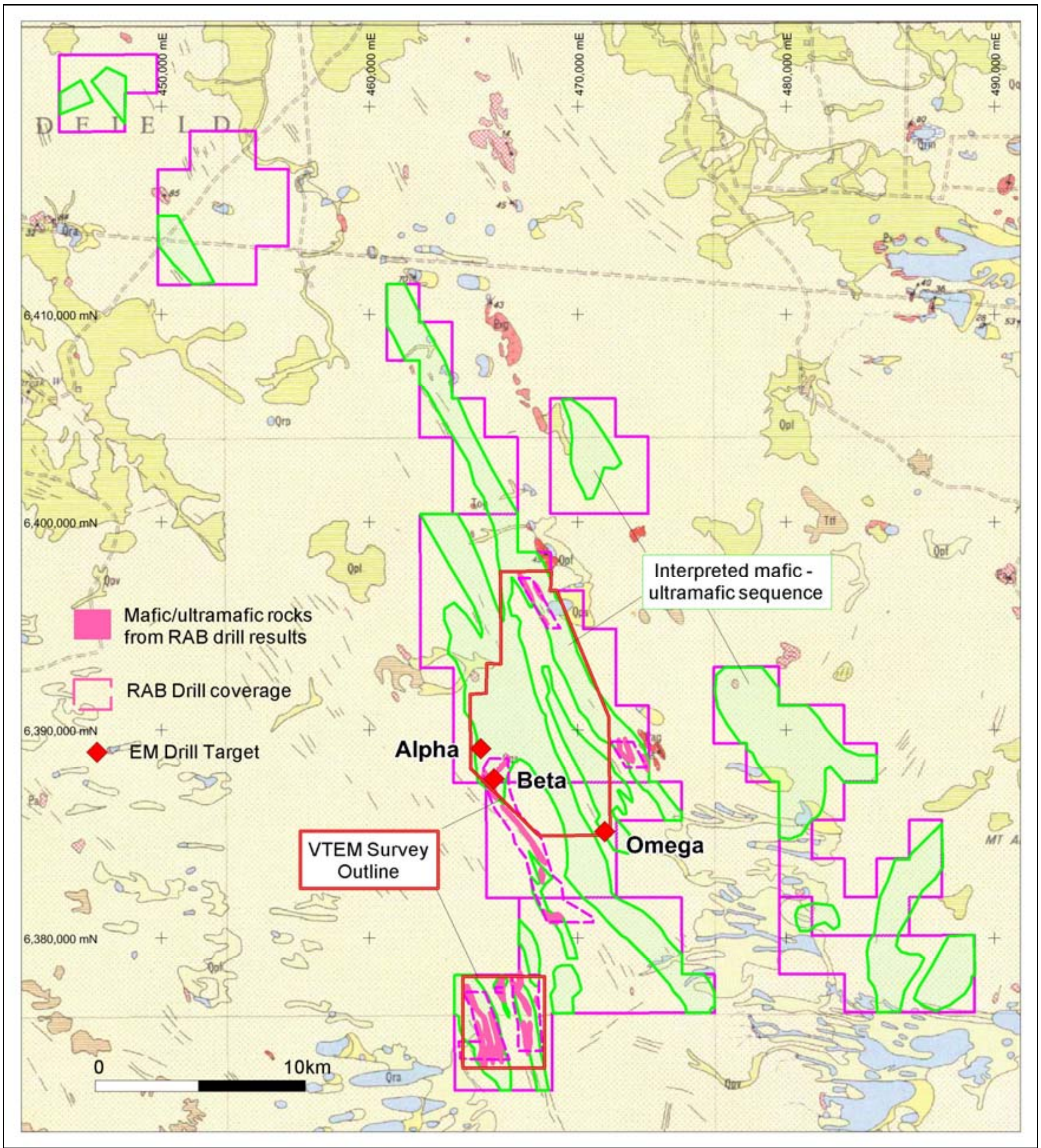

Figure 3: Dundas Summary Plan showing prospective stratigraphy

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

The Stanley Project is located 170km east of Wiluna in Western Australia, within the Earaheedy Basin. Manganese mineralisation in the area occurs at several different stratigraphic locations around the basin and is often associated with carbonate units that are located stratigraphically above the Frere Iron Formation. The Stanley Project formed part of the agreement with Cliffs Australia Holdings Ltd to buy back their equity in AusQuest. Details of this agreement were reported to the ASX in December 2012.

During the Quarter, site clearance surveys for the proposed RAB/Aircore drilling programme designed to test a range of VTEM targets across all the prospects had to be postponed due to the unavailability of key personnel. A new date for the clearance survey has not been set.

Drilling of selected targets that have been previously cleared for access at the Dome and Windidda prospects is now being planned for the final quarter of 2013.

Bald Hill Project *(100% AQD)*

The Bald Hill Project is located ~300km north of Perth in Western Australia. The tenement covers a large (~15km²) coincident gravity and magnetic anomaly that may reflect potential for iron-oxide copper-gold

(IOCG) mineralisation or Ni-Cu-PGM mineralisation associated with a mafic/ultramafic host sequence.

Initial reconnaissance was undertaken during the Quarter and 20 wide spaced soil samples were collected to provide an initial assessment of the prospect. Assays are pending.

PERU COPPER-GOLD PROJECTS

Over the past two years AusQuest has assembled a world-class exploration opportunity in Peru, South America – one of the world's most prominent destinations for international copper exploration. In joint venture with global miner Cliffs Natural Resources Exploration Inc (CNRE), a wholly owned subsidiary of Cliffs Natural Resources Inc. (NYSE: CLF) (Paris: CLF), AusQuest has assembled an extensive, high-quality tenement package in the southern coastal belt of Peru, a world-class mineral province which is highly prospective for large-scale porphyry copper and iron-oxide copper-gold (IOCG) deposits. A regional aeromagnetic survey flown by the joint venture has been used to identify areas for follow-up. Questdor SAC, a wholly-owned subsidiary of AusQuest, has been registered in Peru to facilitate exploration activities.

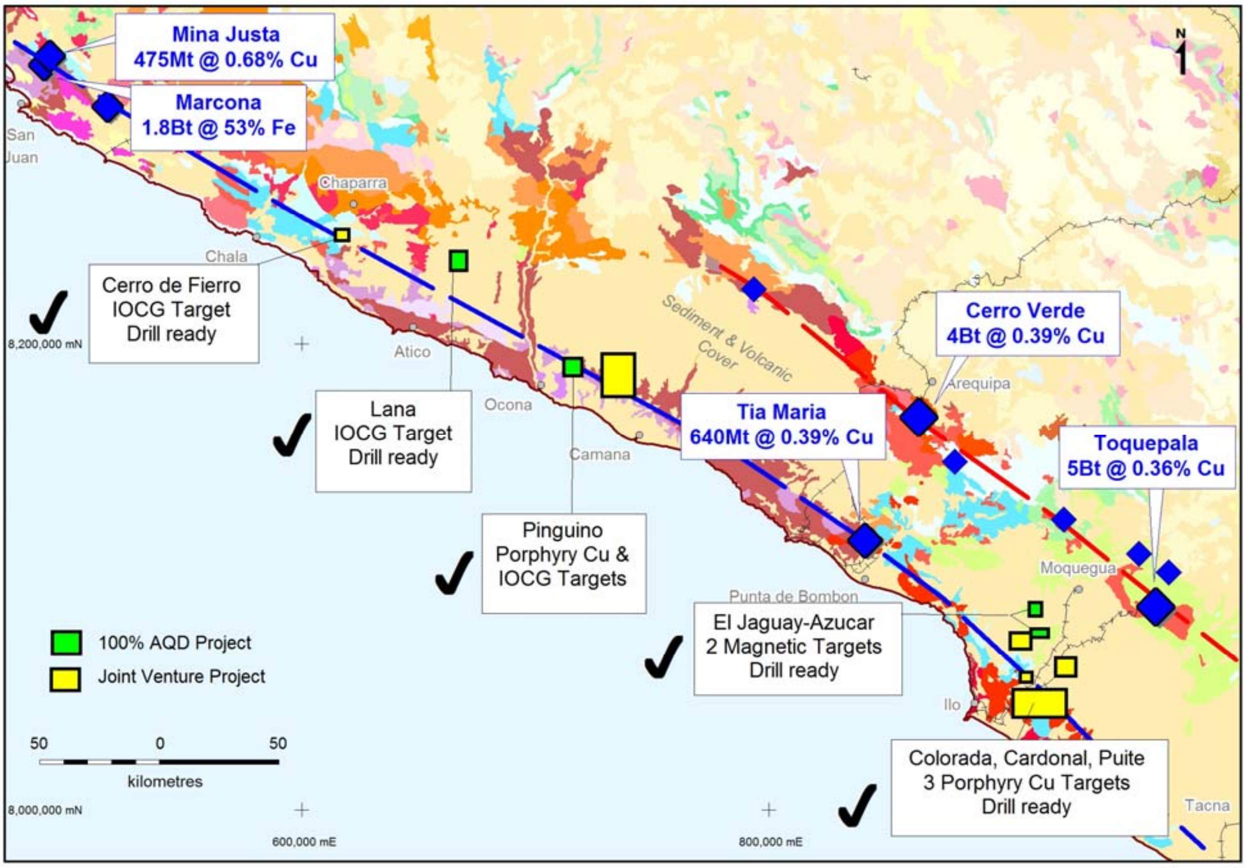

Figure 4: Peru Project Location Plan

Large-scale drill targets have now been identified at seven prospects in Peru's southern coastal belt – three within projects 100% owned by AusQuest, and four within projects subject to the Peru JV (AusQuest 30%) (Figure 4).

The Company's 100%-owned targets include a very large gravity target (~20km²) at Lana and large discrete magnetic targets at El Jaguay and Azucar which are thought to reflect possible IOCG-style mineralisation beneath cover sediments and/or younger volcanic flow rocks.

During the Quarter, a ground magnetic survey (29km) undertaken over the **Azucar** prospect confirmed the presence of a large (>1km²) relatively strong magnetic response which modelling suggests is due to a relatively flat-lying target that is up to several hundred metres thick and occurs at shallow depth (~50m) beneath the volcanic flow rocks mapped at surface (Figure 5).

At the **El Jaguay** prospect, ground magnetics (5km) confirmed the presence of a small but very strong magnetic anomaly (~7,000nt) on the northern edge of the target, implying significant concentrations of iron oxide (magnetite) at this location. No evidence of magnetite (iron oxide) could be found at surface suggesting the target is buried beneath the volcanic cover rocks.

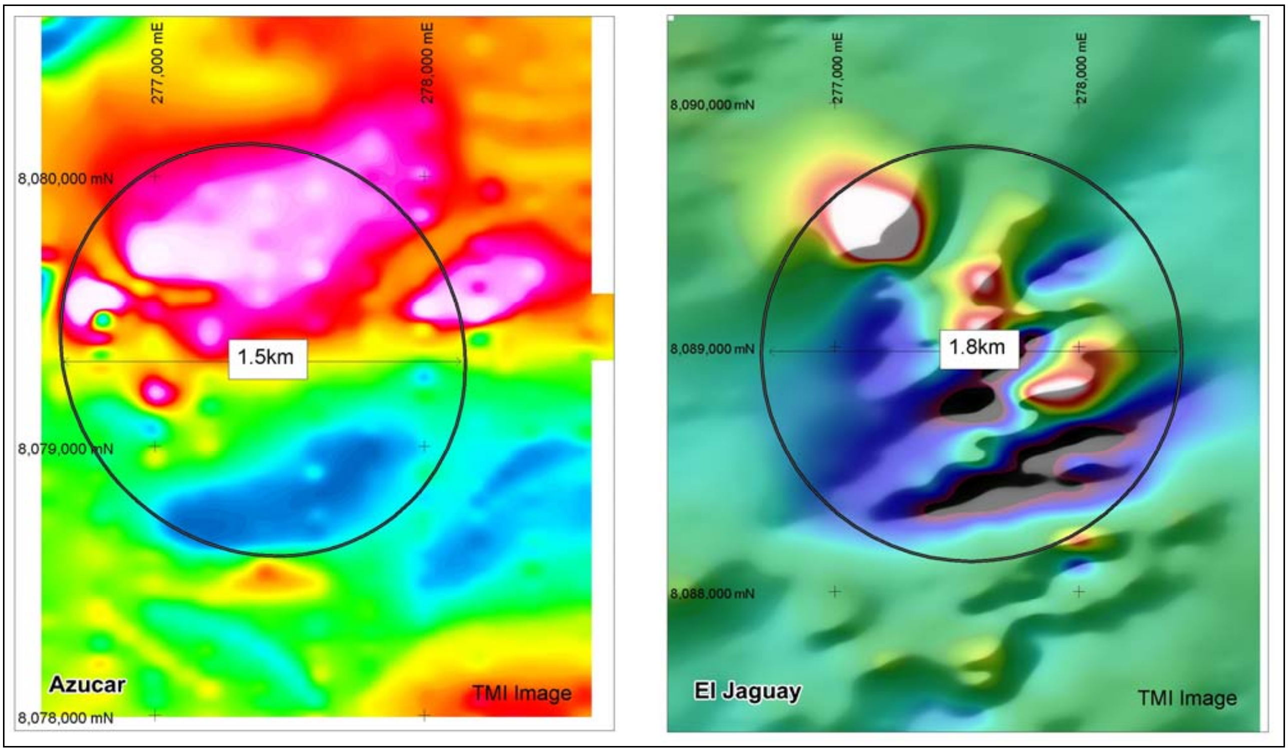

Figure 5: Ground Magnetic Images over the Azucar and El Jaguay prospects

Within the South West Peru JV tenements, Induced Polarisation (IP) and ground magnetic surveys were completed over the Cardonal and Puite prospects to identify targets associated with anomalous copper geochemistry and surface alteration located by earlier mapping and sampling programs.

At **Cardonal**, the IP surveys identified an extensive chargeability anomaly (>6km²), reflecting probable sulphide mineralisation at depths of ~300m to 400m, centred immediately south of the altered dykes and breccias that contain anomalous levels of copper (100ppm Cu to 0.74% Cu), suggesting potential for a large porphyry copper system at depth in a similar geological setting to the Tia Maria deposits, located ~90km to the north-west (*Figure 6*).

At the **Puite** prospect, IP and ground magnetic surveys outlined anomalies closely associated with the anomalous copper values (100ppm Cu to 0.27% Cu) located within altered diorite dykes and granodiorite, or within soil samples collected along the ridges.

Ground magnetics defined a discrete magnetic target ~600m x 600m in size and semi-coincident with the copper soil anomaly, with IP results suggesting low levels of sulphide mineralisation (<5%) marginal to the magnetic source.

The magnetic target is relatively shallow (~25m to 200m), while the IP source appears to be deeper, occurring at depths ranging from ~200m to 300m. Drilling of the combined magnetic, IP and copper anomalies has been recommended (*Figure 7*).

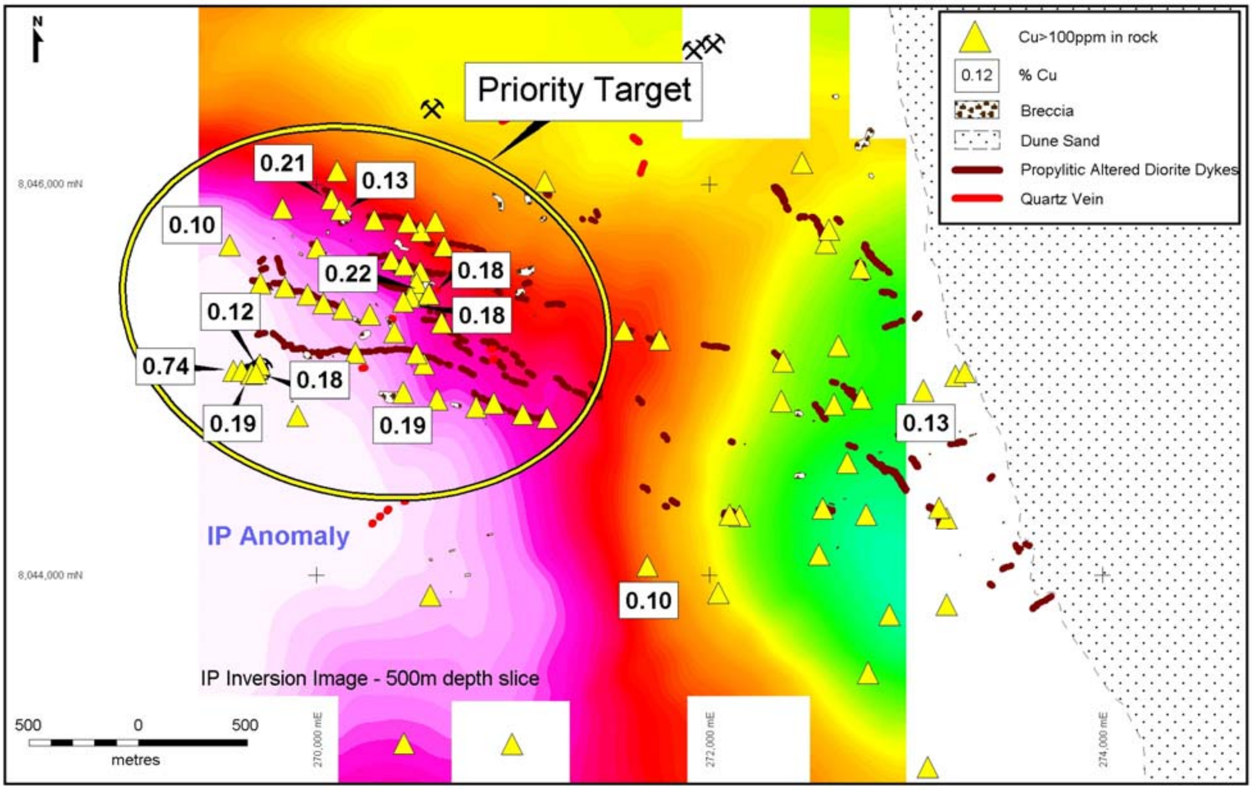

Figure 6: Cardonal Porphyry Copper Target showing relationship between IP and anomalous Cu

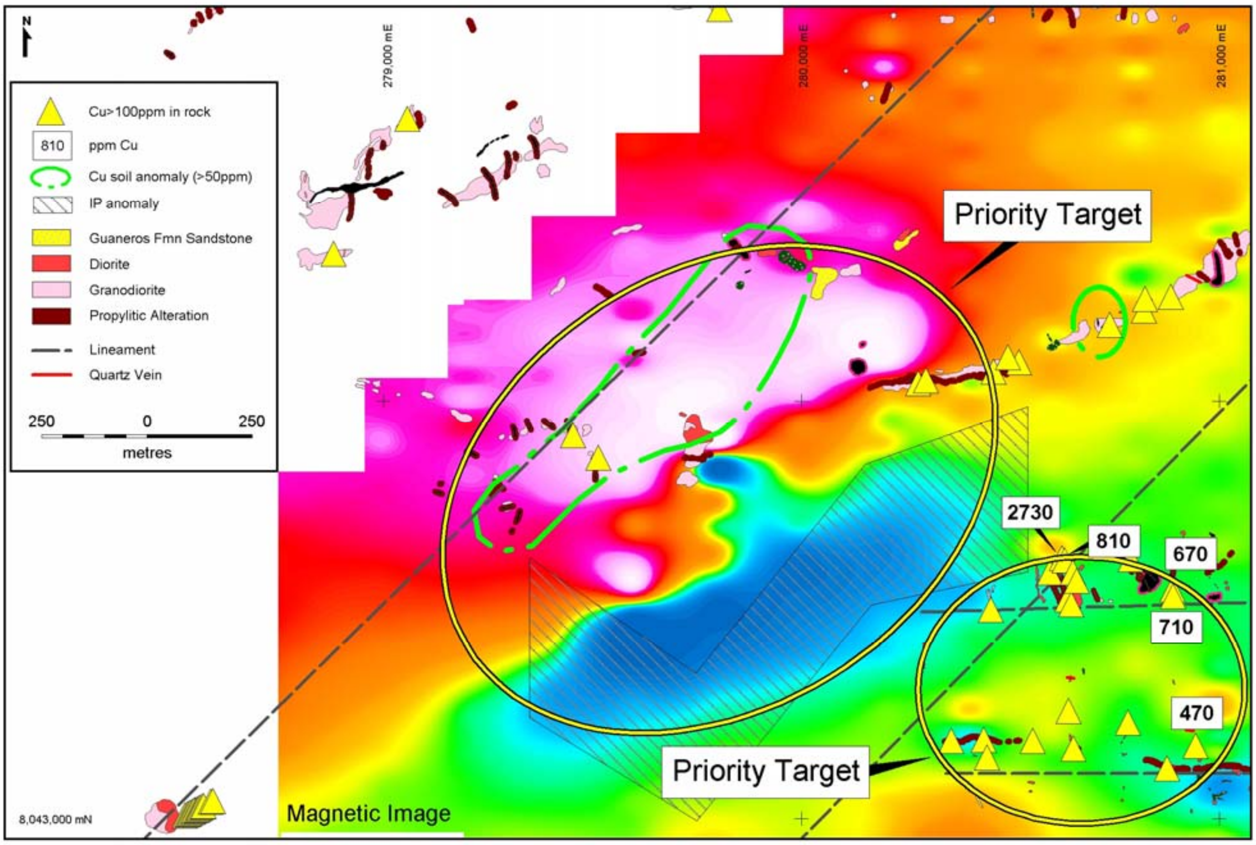

Figure 7: Puite Copper prospect showing overlapping magnetic, IP, and Cu anomalies

During the Quarter, drilling recommendations for the Cardonal, Puite, Colorado and Cerro de Fierro prospects were completed and submitted to the Joint Venture for approval. A decision by CNRE is expected around the end of November 2013.

Prior to drilling in Peru, a permitting process involving both Government agencies and community consultations (where appropriate) must be undertaken. It is anticipated that this process should take between 3 to 6 months to complete.

Baseline environmental and water studies were completed at the Lana prospect with access for drilling operations still to be finalised. Permitting for drilling at the Cardonal and Puite prospects was initiated.

The Company looks forward to commencing drilling operations in the near future to test what it believes to be a highly prospective group of copper-gold targets each with company-making potential.

GOLD – WEST AFRICA

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

The Comoe Project is located near the town of Banfora in south-west Burkina Faso, West Africa, within an extensive greenstone belt. The area is relatively unexplored except for extensive historical surface sampling programs and widespread artisanal gold workings along the belt. AusQuest controls approximately 1,150km² of title within the Belt.

During the Quarter, all available data from the Kapogouan and Nomousso tenements were compiled, outlining a number of areas where anomalous gold at surface appears to occur in structurally favourable settings based on interpretation of available aeromagnetic data. Priority gold targets were outlined at Mouro South, Mouro North, Solo and Temassigui.

The Company is awaiting advice from the Minister on the renewal of six of its titles in the Banfora region for a further three years. All necessary reports were sent to the Minister in July.

The Company continues to consider opportunities to advance this project for the benefit of shareholders.

BUSINESS DEVELOPMENT

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

CORPORATE

During the Quarter, the Company announced its intention to raise up to $2.75 million by way of a *Placement* to sophisticated and professional investors and a *Securities Purchase Plan (SPP)* offered to shareholders on the same terms and conditions.

Participants in the placement and SPP will receive one attaching option exercisable at $0.04 on or before 30 November 2016 for every two shares subscribed. The options will be listed on the Australian Securities Exchange (ASX), subject to meeting ASX requirements.

Funds raised will be primarily used for drilling targets identified at the Fraser Range project in WA and large-scale porphyry copper and/or IOCG targets in Peru.

Shareholder approval for the issue of shares and options under the Placement will be sought at the Company's AGM, which is scheduled to take place on November 26th 2013.

Cash reserves at 30th September 2013 were approximately $0.8 million.

KEY ACTIVITIES – DECEMBER 2013 QUARTER

The following activities are planned for the December 2013 Quarter:

- Dundas (Ni) – Drilling (~1,200m) three high priority Ni-Cu targets;
- Dundas (Ni) – FLTEM surveys over prospective stratigraphy;
- Peru (Cu-Au) – Commence drill permitting of the Cardonal and Puite prospects;
- Peru (Cu-Au) – Finalise permitting at Lana (100%);
- Peru (Cu-Au) – Reconnaissance mapping and sampling at the Pinguino prospect (100%);
- Comoe (Au) – Tenement renewals for Banfora titles.

Graeme Drew
Managing Director

<u>COMPETENT PERSON'S STATEMENT</u>

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

<u>FORWARD LOOKING STATEMENT</u>

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

Rule 5.3

Appendix 5B

Mining exploration entity quarterly report

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

Name of entity

AUSQUEST LIMITED

ABN	Quarter ended ("current quarter")
35 091 542 451	30 September 2013

Consolidated statement of cash flows

	Cash flows related to operating activities	Current quarter $A '000	Year to date (3 months) $A '000
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration and evaluation (b) development (c) production (d) administration	 (695) - - (75)	 (695) - - (75)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	10	10
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other	-	-
	Net Operating Cash Flows	(760)	(760)
	Cash flows related to investing activities		
1.8	Payment for purchases of: (a)prospects (b)equity investments (c) other fixed assets	 - - -	 - - -
1.9	Proceeds from sale of: (a)prospects (b)equity investments (c)other fixed assets	 - - -	 - - -
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
	Net investing cash flows	-	-
1.13	Total operating and investing cash flows (carried forward)	(760)	(760)

1.13	Total operating and investing cash flows (brought forward)	(760)	(760)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from unissued shares, options etc	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (share issue costs)	-	-
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(760)	(760)
1.20	Cash at beginning of quarter/year to date	1,545	1,545
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	**Cash at end of quarter / year to date**	**785**	**785**

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

		Current quarter $A '000
1.23	Aggregate amount of payments to the parties included in item 1.2	74
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

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

Non-cash financing and investing activities

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

None.

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

None.

Financing facilities available

Add notes as necessary for an understanding of the position.

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

Estimated cash outflows for next quarter

		$A'000
4.1	Exploration and evaluation	640
4.2	Development	
4.3	Production	
4.4	Administration	210
	Total	**850**

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter $A '000	Previous quarter $A '000
5.1	Cash on hand and at bank	785	1,545
5.2	Deposits at call		
5.3	Bank overdraft		
5.4	Other (Money market/Term Deposit)		
	Total: cash at end of quarter (item 1.22)	**785**	**1,545**

Changes in interests in mining tenements

		Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	Peru Tenements			
		Viripampa A to I (9)		30%	Nil
		Lana A,B,E,F (4)		30%	Nil
		Pinguino A to E (5)		30%	Nil
		Choclon A,B (2)		30%	Nil
		Punta al Aire A to E (5)		30%	Nil
		Caballo Blanco A to L (12)		30%	Nil
		Sugar C to J (8)		30%	Nil
		El Jaguay C (1)		30%	Nil
		Cuesta Tingo A to D (4)		30%	Nil
		Pampa Purgatorio A to E (5)		30%	Nil
		Falla Torre A to Q (17)		30%	Nil
		Azucar K to W (13)		30%	Nil
		Pampa Pulgas A to I (8)		30%	Nil

6.2	Interests in mining tenements acquired or increased	E59/1937		0%	100%

Issued and quoted securities at end of current quarter

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

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	**Preference +securities** *(description)*				
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	**+Ordinary securities**	160,003,444	160,003,444		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5	**+Convertible debt securities** *(description)*				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	**Options** *(description and conversion factor)*	 1,350,000 1,150,000 500,000 500,000 1,750,000 2,900,000	 - - - - - -	*Exercise price* 20 cents 40 cents 30 cents 40 cents 40 cents 7 cents	*Expiry date* 1 Dec 2013 1 Dec 2013 30 Nov 2013 30 Nov 2013 30 Nov 2013 30 Nov 2015
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter				

7.11	**Debentures** *(totals only)*		
7.12	**Unsecured notes** *(totals only)*		

Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).

2 This statement does give a true and fair view of the matters disclosed.

Sign here: .... Date: 28 October 2013
(Company secretary)

Print name: Darren Crawte

Notes

1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.

5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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