



**AusQuest Limited**

**ABN 35 091 542 451**

**Annual Report for the financial year ended  
30 June 2018**

# AusQuest Limited

## Contents

### Contents

	<b>Page No</b>
Corporate directory	2
Chairman's Letter	3
Operations review	4
Directors' report	14
Auditor's independence declaration	21
Independent auditor's report	22
Directors' declaration	26
Consolidated statement of profit or loss and other comprehensive income	27
Consolidated statement of financial position	28
Consolidated statement of changes in equity	29
Consolidated statement of cash flows	30
Notes to the financial statements	31
Additional securities exchange information	61
Tenements	63

**AusQuest Limited**  
**Corporate directory**

**Corporate directory**

**Board of Directors**

Mr Greg Hancock	Non-Executive Chairman
Mr Graeme Drew	Managing Director
Mr Chris Ellis	Non-Executive Director

**Company Secretary**

Mr Henko Vos

**Registered Office**

C/-Nexia Perth  
Level 3, 88 William Street  
Perth WA 6000  
Telephone: (61 8) 9463 2463  
Website: [www.nexia.com.au](http://www.nexia.com.au)

**Principal Office**

8 Kearns Crescent  
Ardross WA 6153

Telephone: (61 8) 9364 3866  
Facsimile: (61 8) 9364 4892  
Website: [www.ausquest.com.au](http://www.ausquest.com.au)

**Auditors**

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

**Share Registry**

Advanced Share Registry Services Pty Ltd  
110 Stirling Highway  
Nedlands WA 6009

Telephone: (61 8) 9389 8033  
Facsimile: (61 8) 9389 7871  
Website: [www.advancedshare.com.au](http://www.advancedshare.com.au)

**Securities Exchange**

Australian Securities Exchange  
(Home Exchange: Perth, WA) Code: AQD

**Bankers**

ANZ  
135 Riseley Street  
Booragoon WA 6154

**AusQuest Limited**  
**Chairman's letter**

Dear Shareholder,

I am pleased to report on what has been a full year of active exploration under the terms of our Strategic Alliance Agreement (SAA) with South32, both in Australia and Peru. The impact on the Company has been significant.

In broad terms, total payments of A\$7.2 million were received from South32 during the 2018 financial year. This has allowed us to fund pre-drilling exploration work, site preparations and drilling activities across a growing portfolio of projects, together with bonus payments for agreed performance outcomes – with the likelihood that this level of funding should continue through FY2019.

At the start of the year, the Company had five projects under the SAA. By May 2018, this number had grown to 11 with seven projects in Australia and four in Peru advancing towards drilling. August 2017 saw the inaugural drilling program under the SAA at the Blue Billy Zinc Project in WA, where results were sufficiently encouraging to justify a second program that will be completed in 2018.

By October 2017, drilling under the SAA had been agreed for another two projects, the Chololo and Cerro de Fierro Copper Projects in Peru, and by April 2018 targets at the Jimberlana and Balladonia Nickel Projects in WA had also been included, making for a very active drilling program in the second half of 2018.

Together with the ramp-up in exploration activity, AusQuest has continued to progress a wide range of business development work to feed the needs of the Strategic Alliance. Under the SAA, the Company earns a bonus payment of US\$500,000 if three exploration opportunities are accepted by South32 in any one year.

It is pleasing to highlight that the business development team achieved this benchmark during 2018, resulting in a healthy addition to our cash position. The bonus payment was triggered in March 2018 following the acceptance of the Hamilton Project in Queensland, plus the Caramulla, Tangadee, and Yallum Hill Projects in Western Australia.

I would like to take this opportunity to note that the Company has deliberately chosen this business model – which involves dilution at the project rather than company level – to limit the ongoing issue of shares to the market and continuing dilution of shareholders to fund exploration activity.

As a result, over the course of the year, the net cash position of the company (funds not committed to exploration) has been relatively stable, if not mildly cash positive.

Drilling in Peru finally commenced in early June 2018 following road construction and site preparation at the Chololo Porphyry Copper prospect, where some 5000m of drilling across 10 holes were planned. At the time of writing, drilling had confirmed the presence of a porphyry system at Chololo although economic intersections were yet to be encountered. The second Peru drilling programme, at Cerro de Fierro (3,500m across seven holes), is scheduled to start in early October 2018 and will test a large IOCG (Iron-Oxide Copper-Gold) target.

The impact of these programs has been very significant for the Company with drilling activities at five projects in Australia or Peru now locked in for the remainder of 2018 and possibly beyond.

We are all looking forward to generating what we believe will be high level of activity and news-flow over the coming months, and I invite shareholders to follow our progress on our website or the Company Announcements Platform of the ASX. While there has been a high level of engagement with South32 across all these programs, operations are managed by AusQuest personnel, which has required a high level of dedication from the team.

On your behalf, I would like to thank our staff and consultants, led by our Managing Director Graeme Drew, for their efforts throughout the year. It has been a very busy one and I expect that this will not be changing in 2019!

With all this activity, and in an environment of reasonable commodity prices, any exploration success should result in a much-improved share price – which remains our key objective.

Yours faithfully



**Greg Hancock**  
Chairman

**Operations Review – 2018 Annual Report**

*Highlights – Year in Review*

**Corporate**

- ❑ Total payments of A\$7.2 million received during FY2018 under the Strategic Alliance Agreement (SAA) with leading diversified global miner South32 (ASX: S32) to evaluate and advance 11 of the Company's mineral projects – seven in Australia and four in Peru.
- ❑ Bonus payments totalling US\$1.0 million received under the SAA following agreement to drill the Chololo and Cerro de Fierro Projects in southern Peru, and South32 accepting three new "Exploration Opportunities" during the year.

**Peru: Copper-Gold**

- ❑ Drill permits received for two large copper-(gold) prospects in Peru following agreement under the SAA to drill test the Chololo and Cerro de Fierro copper targets.
- ❑ Initial reconnaissance diamond drilling (10 holes/5,000m) commenced at the Chololo porphyry copper prospect in June 2018, with early results supporting the potential for a buried porphyry copper system in the area.
- ❑ Diamond drilling at the Cerro de Fierro IOCG prospect (7 holes/3,500m) scheduled to commence in September 2018 following completion of access preparations.
- ❑ Potential for manto-style copper-(gold) mineralisation recognised at the Parcoy Project, which was accepted as a new Exploration Opportunity under the SAA. New tenement applications submitted to secure prospective ground to the north of Parcoy.
- ❑ New tenement applications submitted in the Azucar West and Parcoy regions to secure additional exploration opportunities for the Company.

**Australia: Base Metals (Nickel-Copper, Zinc)**

- ❑ Assay results from initial wide-spaced diamond drilling at the Blue Billy Zinc Joint Venture Project with South32 were consistent with results from major mineralised basins in northern Australia, with two holes providing evidence for possible nearby zinc mineralisation.
- ❑ RC drilling (~12 holes/2,900m) of structural targets at Blue Billy scheduled for the second half of 2018, with access preparations completed in August.
- ❑ Diamond drilling (~5 holes/1,900m) targeting bedrock conductors at the Jimberlana and Balladonia Nickel Projects approved under the SAA. Access preparations commenced in August ahead of drilling scheduled for late September 2018.
- ❑ Four new base metal exploration opportunities accepted by South32, taking the total number of projects under the SAA to 11.
- ❑ Several conductors identified by VTEM surveys completed over the Yallum Hill, Caramulla and Tangadee Projects. Follow-up ground EM surveys planned to confirm their potential as possible drill targets under the SAA.
- ❑ Induced Polarisation (IP) Surveys (MIMDAS) commenced at the Hamilton IOCG prospect in north-west Queensland in late August 2018 to identify targets for possible drilling under the SAA.

**OVERVIEW**

The 2018 financial year was the first full year of operations under AusQuest's Strategic Alliance Agreement (SAA) with diversified global miner South32 (ASX, LSE, JSE: S32; ADR: SOUHY). During the year, the number of projects under the SAA increased from five to 11 – with four projects in Peru and seven in Australia currently being explored.

Five of the Company's projects reached the drilling stage, with initial drilling either completed or in progress in two areas at the time of finalising this report. Further drilling at the Blue Billy Joint Venture Zinc Project and initial drilling at three other sites – two in Western Australia and one in Peru – is planned to be completed before the end of calendar year 2018.

## AusQuest Limited Operations review

The SAA established an innovative framework under which AusQuest draws on its extensive expertise to generate and secure early-stage exploration opportunities to be offered exclusively to South32 in return for funding to advance selected projects to the drilling stage, and further funding under agreed joint venture terms to drill-test targets.

In **Peru**, drill targets at the Chololo Porphyry Copper Project and the Cerro de Fierro IOCG Project were confirmed and environmental, community and access studies were completed as part of the drill permitting process. As at the end of July 2018, seven drill-holes had been completed at Chololo and permits had been received for drilling at Cerro de Fierro, which is scheduled for the second half of 2018. Elsewhere, ground geophysical surveys were used to help identify new targets for possible drilling.

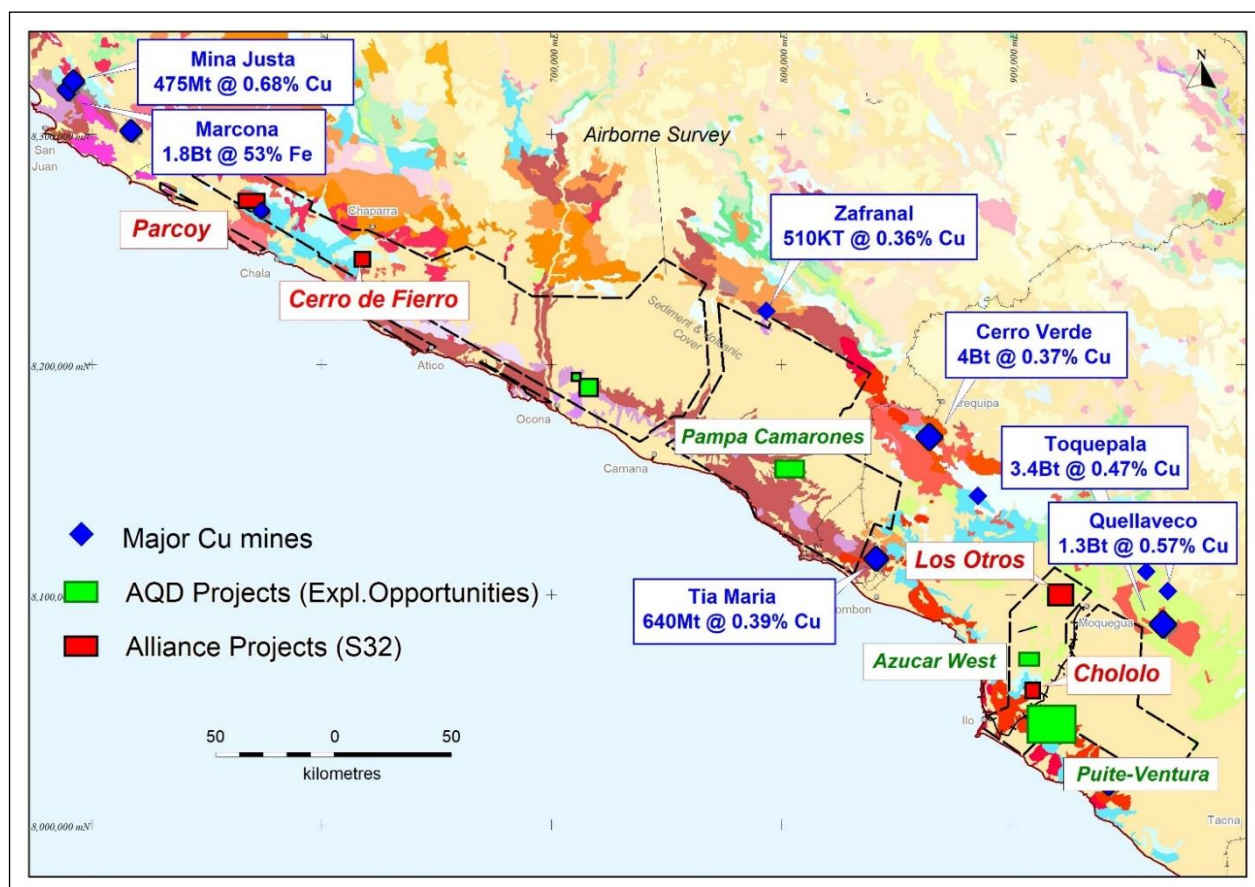
In **Australia**, four new base metal projects were accepted as 'Exploration Opportunities' under the SAA, with survey work in progress in each of these areas to identify new targets for drilling. Access approvals for drilling programs were received for three of the Company's SAA projects, with drilling now expected to commence at Blue Billy, Jimberlana and Balladonia during the second half of 2018. The inaugural reconnaissance drilling programme at Blue Billy was completed in 2H2017, with initial results supporting the concept of sediment-hosted zinc mineralisation in the area.

**Project generation** activities continued during the financial year to ensure that further opportunities are provided to the Strategic Alliance for consideration. The focus of this work is on base metal exploration opportunities, with scale being a key factor to consider before presentation of potential projects to South32.

### REVIEW OF PROJECTS

#### PERU: COPPER-GOLD

AusQuest has assembled a world-class exploration opportunity in Peru, South America – one of the world's most prominent destinations for international copper exploration. Detailed aeromagnetic data acquired by the Company in 2011 has been used to identify prospective areas for porphyry copper and/or iron-oxide copper-gold (IOCG) deposits beneath extensive cover in the south of Peru (Figure 1).



A combination of geological mapping and sampling, together with ground-based geophysical surveys, are being used to identify targets for drilling.



Four of the Company's projects in Peru are currently under the SAA, with both the Chololo Porphyry Copper Project and the Cerro de Fierro IOCG Project being the subject of agreements to cover drilling programs which are either in progress or due to start later in 2018, and the Los Otros porphyry copper and Parcoy IOCG projects currently at the target definition stage.

The Chololo and Cerro de Fierro agreements provide South32 with the right to earn a 70% interest in both projects by spending a total of US\$4.0 million on each. AusQuest, through its Peruvian subsidiary, is the operator for both drilling programs. The porphyry copper projects are located in the Moquegua-Ilo region in southern Peru, while the IOCG projects are located ~500km to the north, within a known IOCG metallogenic belt that contains the Mina Justa copper deposit.

Drilling at the **Chololo Porphyry Copper Project** commenced late in FY18 following the receipt of final approval from the Ministry of Energy and Mines (MEM) in April 2018. The programme, of up to 5,000m of diamond drilling, is expected to be completed in September, and will provide an initial test of this potentially large porphyry copper prospect.

The wide-spaced drill holes were positioned to test a range of targets that are commonly associated with porphyry copper deposits. These include a strong induced polarisation (IP) anomaly reflecting a possible pyrite (+/- chalcopyrite) halo, a magnetic anomaly along the Chololo Fault reflecting possible potassic alteration, and areas of anomalous geochemistry associated with advanced argillic alteration that may reflect outflow-structures from the porphyry centre (*Figure 2*).

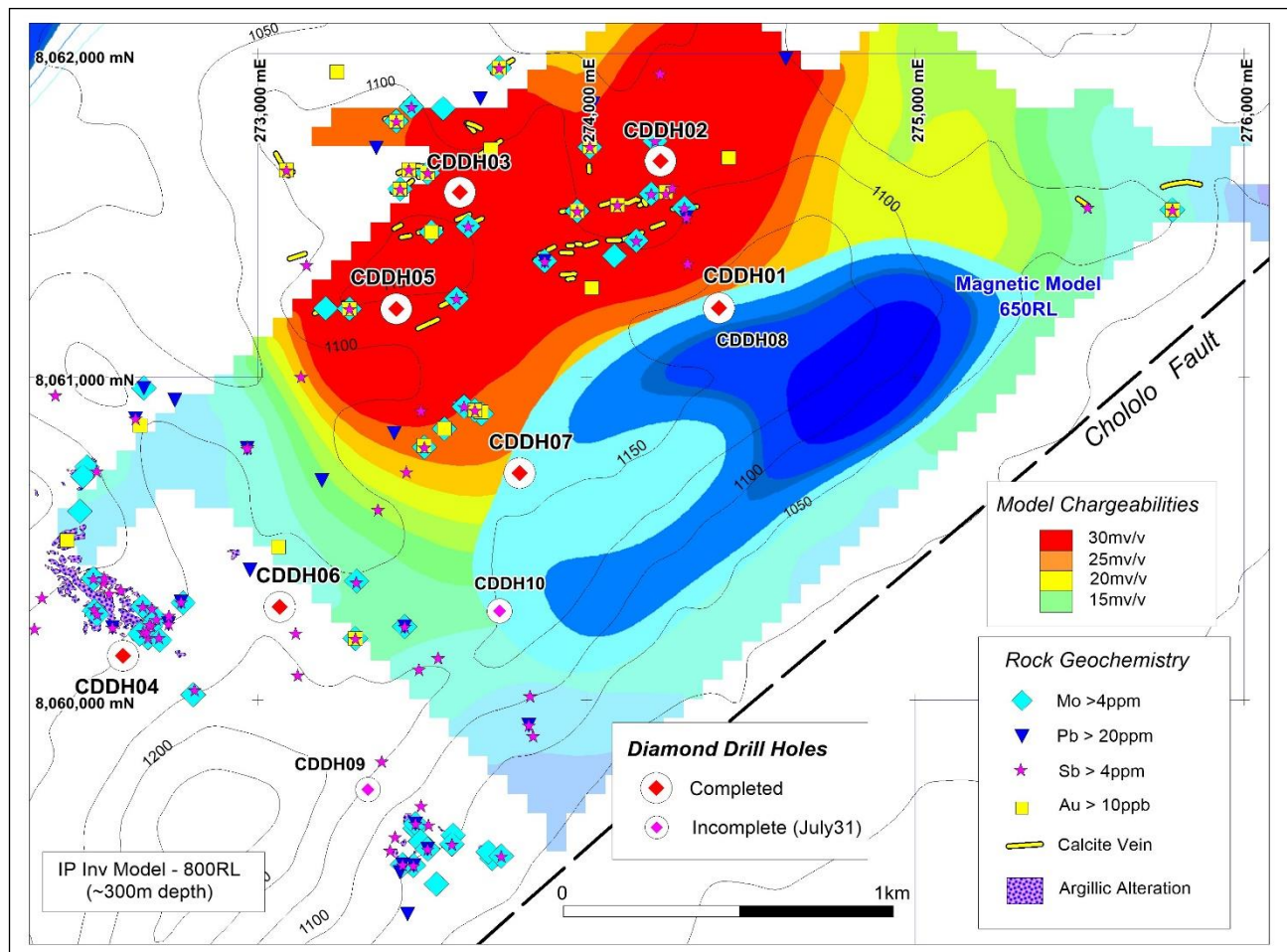


Figure 2: Chololo Porphyry Copper Target showing drill hole locations

As at the end of July 2018, seven of the planned 10 drill-holes had been completed (~3,400m) with assay data from the first two drill-holes (CHO01 and CHO02) received. Early indications suggest that drilling has intersected alteration proximal to a potentially mineralised porphyry copper system, but that the main mineralised (Cu) core of the system is still to be found.

Drilling of the IP target zone intersected abundant pyrite overprinting the host volcanoclastic sediments, with broad zones (>100m) of highly anomalous pathfinder elements (100-1,500ppm Pb, 400-6,220ppm Zn, 50-750ppm As, 10-100ppm Mo, 1000-4,750ppm Mn, 20-65ppm Sb and 5-20ppm Se), suggesting that drilling is peripheral to a preserved porphyry system. To the south of the IP zone, drill results appear more proximal to a porphyry source, with holes CHO04 and CHO06 intersecting strongly altered (pyrite-sericite-chlorite) diorite intrusions with traces of copper (chalcopyrite) evident in the

core. A full assessment of drilling results will be undertaken once this first phase of drilling is complete and all assay data have been received.



Figure 3: Chololo Porphyry Copper Project Drilling Operations

Diamond drilling of the **Cerro de Fierro Iron-Oxide Copper-Gold (IOCG)** target was agreed under the SAA in November 2017 and final approvals were received from MEM in July 2018 following environmental, community and land access submissions by the Company. Access preparation for the drill program commenced in August.

A drilling program comprising up to 3,500m at Cerro de Fierro is planned to test an Iron-Oxide Copper-Gold (IOCG) target defined by strong IP responses associated with a large discrete magnetic anomaly thought to reflect possible manto-style copper (gold) mineralisation (*Figure 4*).

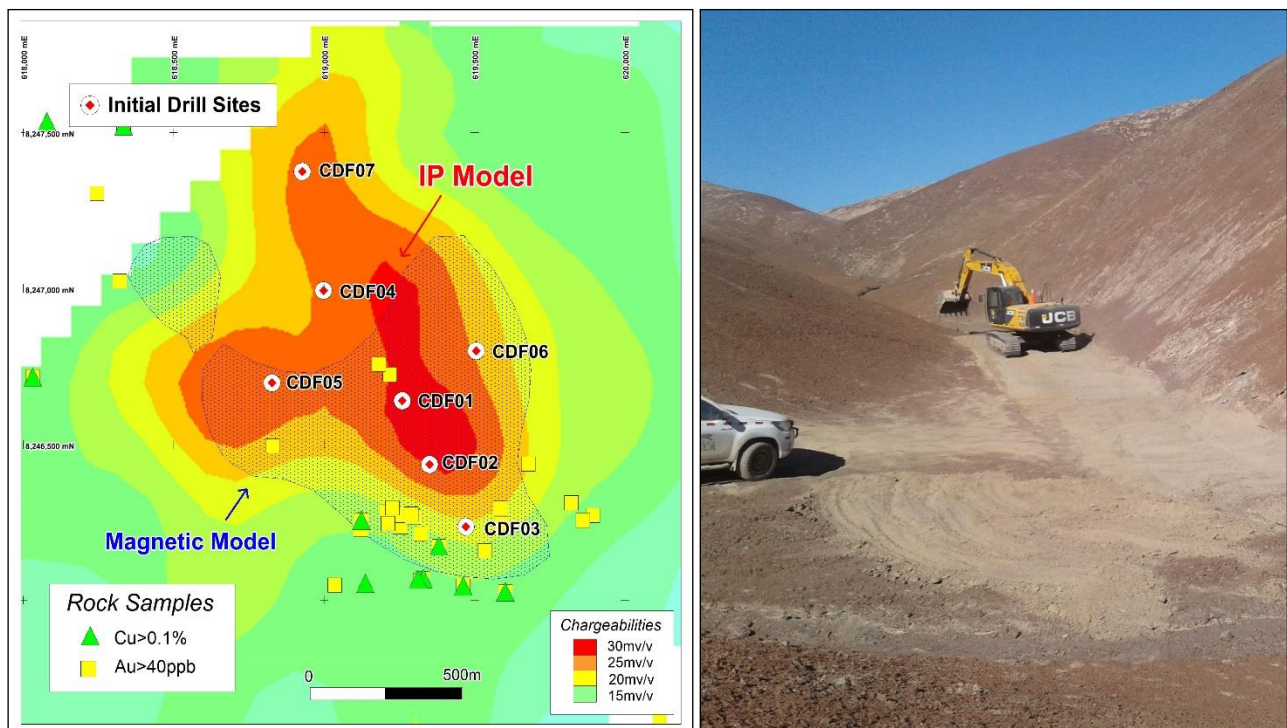


Figure 4: Cerro de Fierro IOCG Target showing planned drill-hole locations and access preparation



## AusQuest Limited Operations review

Geological mapping has located numerous outcrops in the vicinity of the geophysical targets that contain highly anomalous copper values in excess of 1,000ppm Cu, with many samples returning values in excess of 1% Cu.

The Cerro de Fierro Project, which is located at the southern end of a recognised IOCG metallogenic belt in the south of Peru, lies within ~150km of the Mina Justa deposit (~475Mt @ 0.68% Cu) that is currently being considered for development by Peruvian mining company Minsur.

At the **Los Otros Project**, geological mapping and sampling located large areas of intermediate to advanced argillic alteration (lithocap) containing anomalous levels of Mo, Bi, As, Sb, Pb, Au, Ag with occasional Cu, suggesting the potential for buried porphyry copper mineralisation nearby.

Wide-spaced IP lines (~1km) were subsequently surveyed to locate possible sulphide targets for drilling, but failed to outline any strong IP responses in the vicinity of the mapped alteration. Further work at Los Otros is currently under consideration.

During the year, five new tenement applications were secured over the **Parcoy Project**, where the Company's proprietary airborne survey data has highlighted a number of similarities with the Cerro de Fierro IOCG prospect (*Figure 5*).

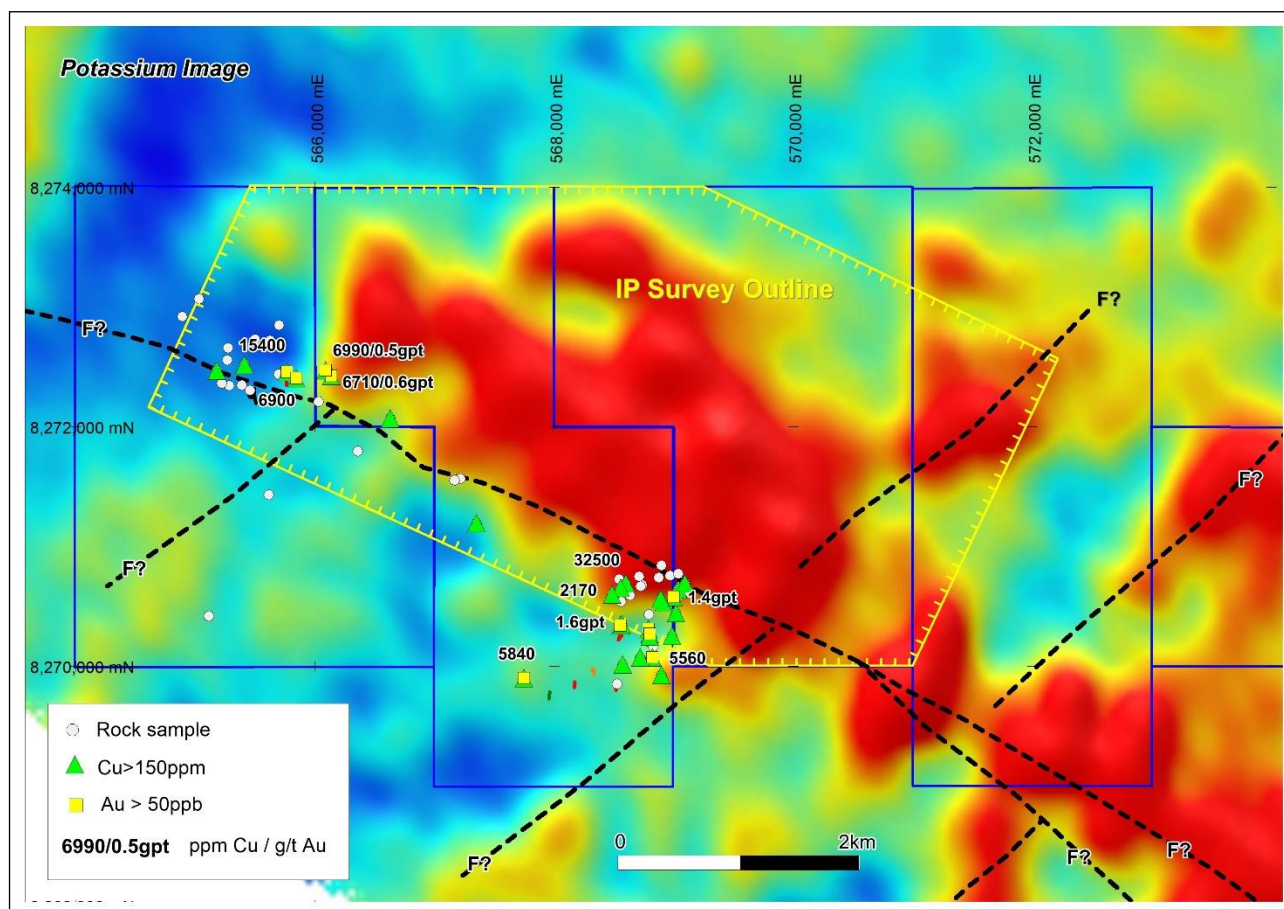


Figure 5: Parcoy Copper Project summary plan

The project, which is located approximately 90km south of the Mina Justa copper deposit, has been accepted as a new 'Exploration Opportunity' under the SAA with South32.

Reconnaissance mapping and sampling at Parcoy confirmed the prospectivity of the area, with numerous rock samples returning anomalous Cu (150ppm up to 3.2% Cu) and gold values (50ppb to 1.6ppm Au) associated with alteration and veining within intrusive rocks and andesitic volcanics.

Induced Polarisation (IP) surveys to identify potential targets for drilling will commence once access to the area has been secured.

### Project Generation (Peru)

Compilation and interpretation of exploration data as well as geological mapping and sampling over a number of the Company's 100%-owned prospects in southern Peru continued throughout FY18 in order to upgrade them to Opportunity and/or Drill-Ready status before presentation to South32 for consideration.

## AusQuest Limited Operations review

Mapping at the Azucar West prospect, located ~13km north of Chololo, identified several areas of argillic alteration containing anomalous Mo, As and Bi values within the volcanic cover sequence, suggesting the potential for buried porphyry mineralisation nearby. Eight new tenement applications were submitted to secure the surrounding areas.

A review of the Company's proprietary airborne survey data in the Parcoy area resulted in 15 new tenement applications being submitted over an area north of Parcoy, where strong magnetic anomalies highlighted the potential for IOCG (manto) mineralisation.

In August, the Company announced a Farm-In/Option Agreement with Westminster Resources Limited (TSX.V: WMR) covering five Mineral Concessions in the Puite-Ventura area, consolidating the Company's tenement position in the area where previous drilling (completed in 2016) had indicated potential for a nearby porphyry copper system.

Mapping and sampling of the consolidated area is being planned for FY2019.

### **AUSTRALIA BASE METALS: NICKEL-COPPER ZINC**

During FY2018, the Company advanced three of its prospects in Western Australia to the drilling stage and secured a further four base metal prospects (three in WA and one in Queensland) under the SAA with South32.

#### **Blue Billy Zinc Joint Venture Project**

The Blue Billy Zinc Project, which is located ~150km south-west of Paraburdoo within the Edmund Basin of Western Australia, is subject to the Blue Billy Joint Venture Agreement under which South32 can spend US\$4.0 million to earn a 70% interest in the project.

The tenement covers the down-dip extent of highly anomalous zinc values (up to 0.5% Zn) found within pyritic black mudstones similar to host rocks known to contain sedimentary zinc deposits in the Mt Isa-McArthur River District of north-west Queensland.

During the year, reconnaissance diamond drilling (4 holes/2,568m) revealed geological and geochemical characteristics consistent with major mineralised basins in northern Australia, supporting the concept of a sediment-hosted zinc deposit in this area.

Alteration within drill-holes BBDD03 and BBDD04 (~10km apart), including manganese alteration in the footwall sediments, suggested the potential for zinc mineralisation close to these drill-holes and available VTEM data were subsequently acquired to help outline targets for in-fill drilling (Figure 6).

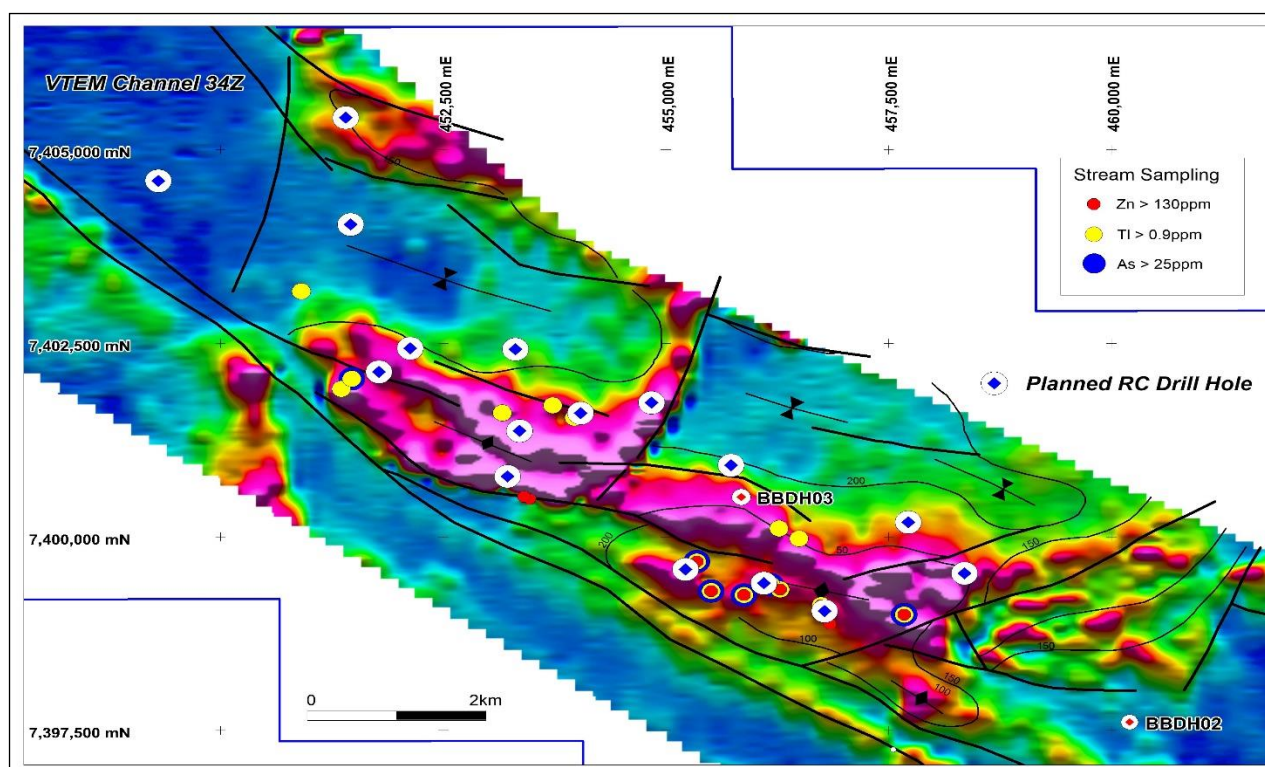


Figure 6: Blue Billy Joint Venture Zinc Project showing planned drill holes



## AusQuest Limited Operations review

Conductivity Depth Inversions (CDIs) sections were produced and structural contours constructed from the VTEM data, outlining several priority structural targets (synclinal structures adjacent to faults) in the vicinity of drill-hole BBDDH03.

A Reverse Circulation (RC) drilling program (12 holes/~2,900m) has been designed, and Native Title clearances obtained, to test these targets with access preparations to be completed in August ahead of drilling starting in September.

### Tangadee Zinc Project (subject to SAA)

The Tangadee Zinc Project is located ~150km south-west of Newman within the Edmund Basin of Western Australia. The area contains favourable host rocks, prospective large-scale structures and anomalous geochemistry, suggesting the potential for sediment-hosted zinc mineralisation similar to that found in north-west Queensland.

A detailed VTEM survey (~580km) was completed during the year to help advance the project towards drilling. Conductivity Depth Inversions (CDIs) have been produced and a structural interpretation is in progress at the time of this report to help map the conductive black shale horizons and define potential structural targets for drilling.

### Balladonia Nickel-Copper Project (subject to SAA)

The Balladonia Project (~940km<sup>2</sup>) is located ~50km south of the Nova-Bollinger nickel-copper deposit within the Fraser Range region of Western Australia.

Electromagnetic (EM) surveys over 12 interpreted mafic intrusions were completed during the year to test for nickel-copper mineralisation similar to that found at the nearby Nova-Bollinger deposit.

A total of six discrete bedrock targets have now been identified and programs of diamond drilling (3 holes/1,200m) and aircore drilling (~26 holes/1,300m) are planned to test these targets in the second half of 2018. Access preparations will commence in September (Figure 7).

Two new tenement applications were submitted to cover potential strike extensions of EM/magnetic targets.

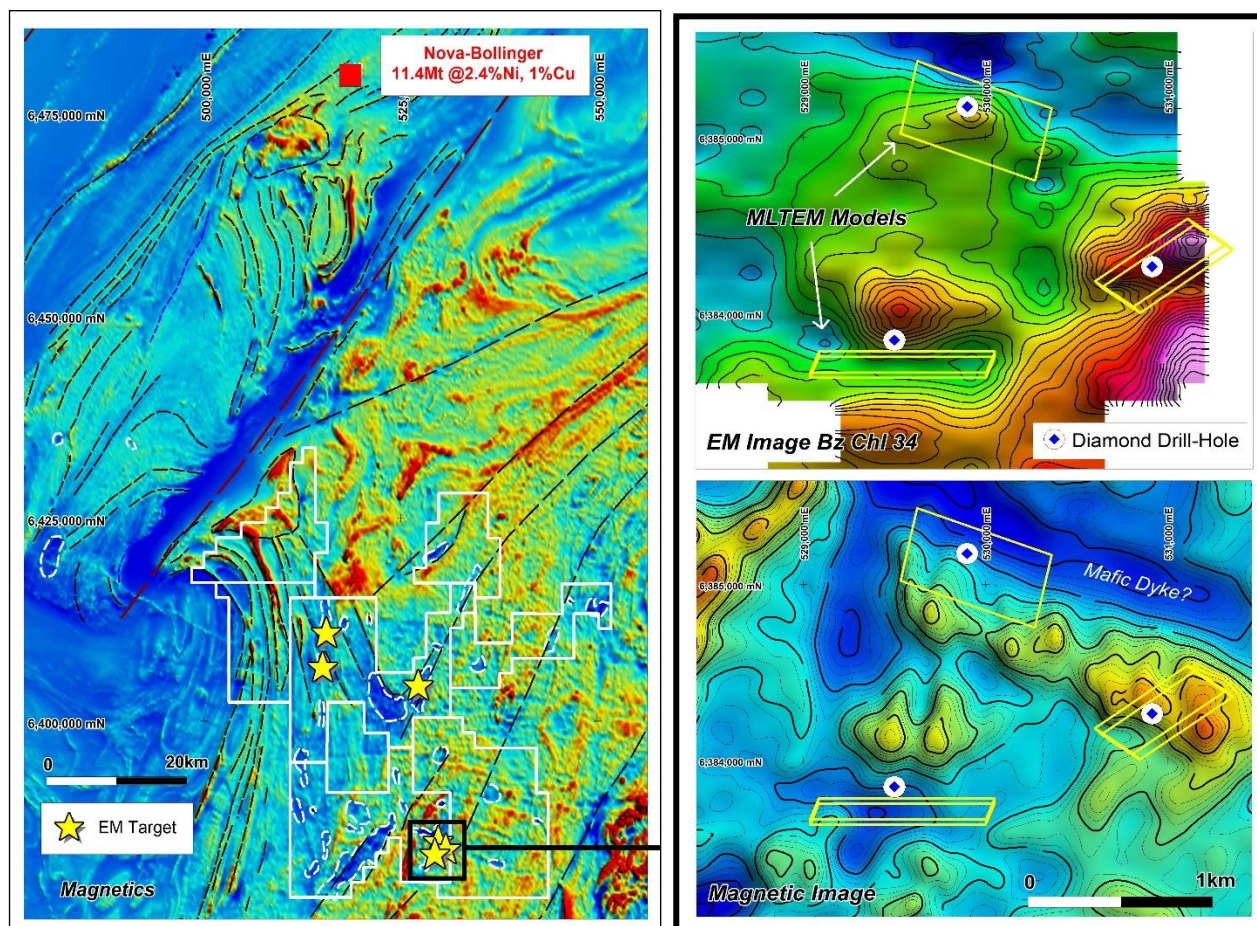


Figure 7: Balladonia Nickel Project showing diamond drill targets



### Jimberlana Nickel-Copper Project (subject to SAA)

The Jimberlana Project (~130km<sup>2</sup>) is located ~120km west of Norseman and covers the western extension of the Jimberlana Dyke, where the basal section of the dyke is interpreted to come close to surface (~200m to 700m). The Jimberlana Dyke is a very large (200km long), fertile (contains nickel sulphides), fractionated dyke-like intrusion which is considered to be a prime target for nickel sulphides near its base.

During FY2018, two small high-conductivity (>3,000 siemens) bedrock EM targets were located at depths of ~200m and ~300m below surface. The EM targets appear to be associated with a cross-cutting structure within the dyke complex and could be indicative of larger accumulations of sulphide mineralisation closer to the base of the dyke, which is interpreted to be at ~500m depth in this area (*Figure 8*). Two diamond drill holes (~700m) are planned to test these targets, with drilling expected to commence in the second half of 2018. Access preparations commenced in August.

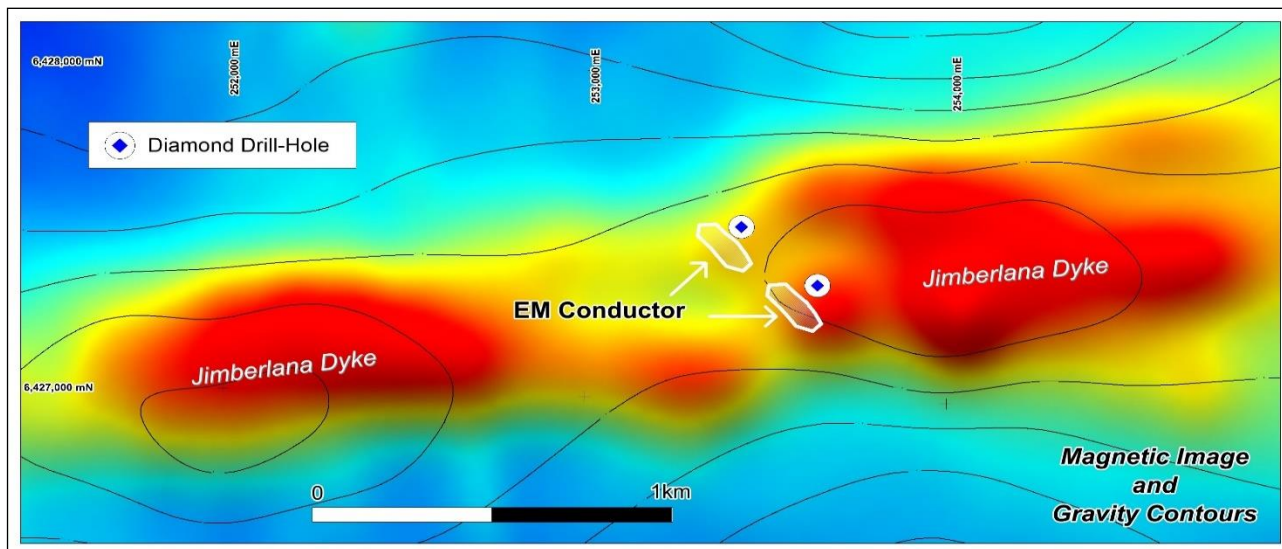


Figure 8: Jimberlana Nickel Project showing diamond drill targets

### Yallum Hill Copper-Nickel Project (subject to SAA)

The Yallum Hill Copper-Nickel Project is located ~350km north-east of Wiluna in Western Australia and covers a strong discrete magnetic response that is thought to reflect a copper and/or nickel target associated with intrusive activity along the northern margin of the Yilgarn Craton.

A detailed VTEM survey (~110km) was completed over the prospect late in the year which was successful in locating two bedrock EM anomalies along the southern flank of the magnetic response, highlighting possible targets for drilling (*Figure 9*). Ground TEM surveys are being undertaken to confirm their character and conductivity prior to consideration as possible drill targets. New tenement applications were submitted to secure possible strike extensions.

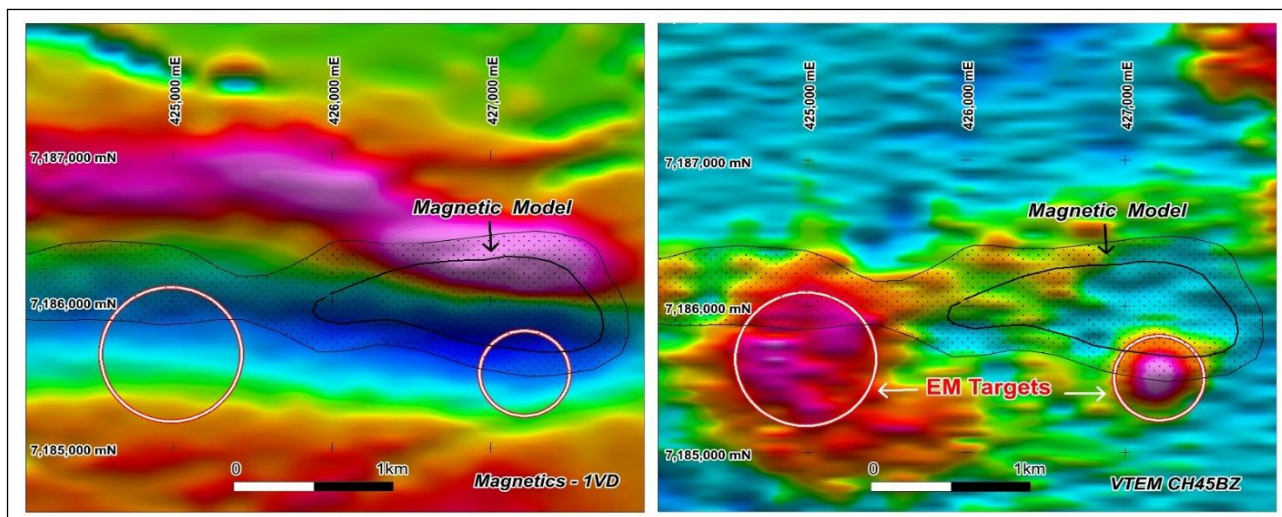


Figure 9: Yallum Hill Project showing VTEM targets



### **Caramulla Nickel Project (subject to SAA)**

The Caramulla Project is located ~60km east of Newman (WA) and is targeting nickel-copper mineralisation associated with ultramafic intrusions associated with a large mafic sill complex that is evident in the regional magnetic data.

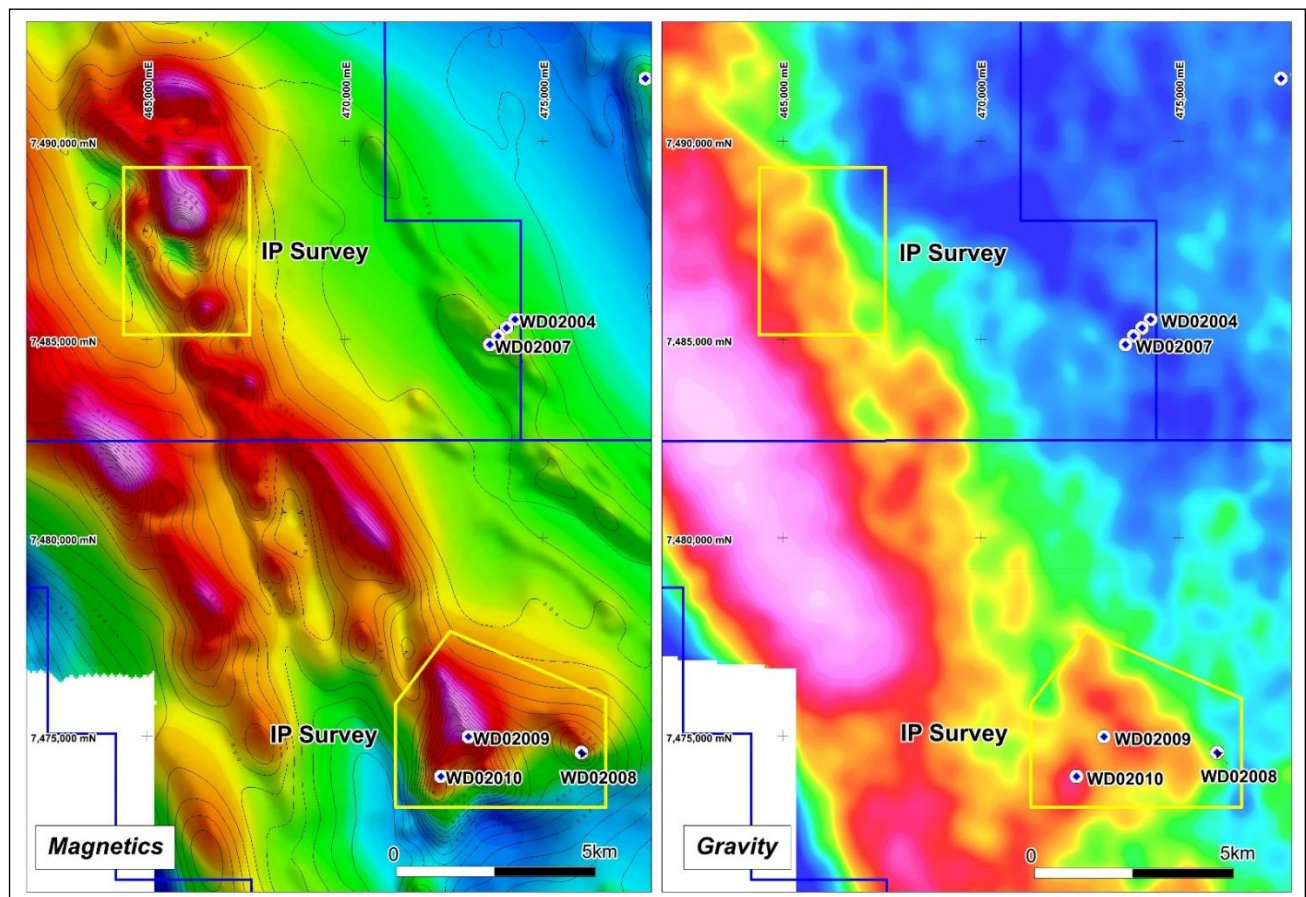
A detailed VTEM survey (~375km) was completed over the prospect late in the year, identifying at least one possible bedrock target. Ground EM surveys are in progress to confirm the nature of this anomaly before further work is considered.

### **Hamilton Copper Project (subject to SAA)**

The Hamilton Project is located in north-west Queensland, ~120km south of the Cannington mine. Limited historical drilling of magnetic and gravity targets in this area provided evidence for “near-miss” situations for Iron-Oxide Copper-Gold (IOCG) mineralisation beneath the cover sequence.

Detailed airborne gravity and magnetic data were acquired and re-processed to outline possible targets close to the historical drill-holes. Available drill core was inspected, highlighting extensive alteration typical of IOCG systems found elsewhere in north-west Queensland.

MIMDAS IP surveys have been designed to identify potential targets for drilling. All access approvals have been obtained and the surveys are scheduled to commence in Quarter 3 of 2018 (*Figure 10*).



*Figure 10: Hamilton Copper Project showing location of IP surveys*

### **Project Generation (Australia)**

The Company continues to undertake project generation studies across Australia looking for new base metal (copper, zinc and nickel) opportunities and possible drill-ready targets for consideration under the SAA, using both in-house and external consultants.

New tenement applications have been lodged at the Company's Perry Creek project west of Newman where the target is sediment hosted zinc deposits and in areas west of the Yallum Hill prospect where regional data suggests potential for possible IOCG related mineralisation.

## **CORPORATE**

During FY2018 AusQuest signed two Agreements with its Strategic Alliance partner, South32 (ASX: S32), to undertake drilling programs at the Chololo and Cerro de Fierro Copper Projects in southern Peru. Under the Agreements, South32 can spend US\$4.0 million on each project to earn a 70% interest with the right to earn a further 10% interest by completing Pre-Feasibility Studies.

AusQuest received a total of A\$7.2 million under the (SAA) to evaluate and advance eleven of the Company's projects – seven in Australia and four in Peru – including major drilling programs at three projects. Bonus payments totalling US\$1.0 million to help fund ongoing project generation studies were also received under the SAA.

A portion (\$432,841) of the \$750,000 Loan and Convertible Note Agreement with Mr Christopher Ellis, a Director and substantial shareholder of the Company, was converted to shares in the Company following approval by shareholders at the Company's Annual General Meeting in November 2017.

Repayment of the remainder in cash and/or shares will be subject to shareholder approval at a General Meeting of the Company.

## AusQuest Limited

### Directors' report

The directors of AusQuest Limited herewith submit the annual financial report of the Company and the entities it controlled ("Group") for the financial year ended 30 June 2018. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

#### Information about directors and senior management

The names and particulars of the directors of the Company during or since the end of the financial year and up to the date of this report are noted below. Except where indicated, directors have held office during and since the end of the financial year:

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

Greg has had over 25 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:

- Norsve Resources PLC – December 2012 - current
- Zeta Petroleum PLC – April 2015 – current
- Strata-X Energy Limited – July 2015 – current
- BMG Resources Ltd – Feb 2017 – current

**Graeme Drew B.Sc.Hons., FAIMM, MASEG**  
**Managing Director**

Graeme has over 40 years' experience in the exploration industry in Australia and overseas. Prior to co-founding AusQuest Limited 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, copper, 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.

Graeme has held no other directorships in listed companies over the last three years.

**Christopher Ellis B.Sc.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. Chris has held no other directorships in listed companies over the last three years.

#### Company secretary

**Henko Vos**

Mr Vos is a member of the Governance Institute of Australia and Certified Practicing Accountants Australia with more than 15 years' experience working within public practice, specifically within the area of audit and assurance both in Australia and South Africa. He holds similar secretarial roles in various other listed public companies in both industrial and resource sectors. He is 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	4,586,415	4,000,000
Graeme Drew	13,553,966	10,000,000
Chris Ellis	104,455,634	4,000,000

## **AusQuest Limited**

### **Directors' report**

#### **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 the year and since the end of the financial year there were no share options granted to any Key Management Personnel of the Group as part of their remuneration. 9,973,684 of listed options (exercise price of \$0.035 per option), previously granted to directors, expired unexercised on 30 April 2018.

#### **Principal activities**

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

#### **Review of operations**

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

The profit of the Group after income tax for the year was \$767,788 (2017: loss after tax of \$7,192,145).

#### **Changes in state of affairs**

During the year, the Company closed down its operations in Filigree SARL and Comoe Exploration SARL in Burkina Faso. These were assessed as discontinued operations for the year ended 30 June 2018.

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

#### **Subsequent events**

On 20 August 2018, the Company announced that it has signed a Farm-In/Option Agreement with Westminster Resources Limited (TSX.V:WMR) covering five Mineral Concessions within the Puute-Ventura project area in southern Peru (Figure 1). This agreement consolidates the Company's tenement position in an area where previous drilling by the Company (2016) had indicated potential for a nearby porphyry copper system in areas surrounding the initial drill-holes. Please refer to the Company's announcement dated 20 August 2018 for the terms of this Agreement.

On 11 September 2018, the Company issued 1,000,000 ordinary shares to a consultant pursuant to a geological service consultancy agreement.

There has not been any matter or circumstance occurring subsequent to 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 Group 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.

#### **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 Limited.



## AusQuest Limited Directors' report

### 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
<b>Unlisted</b>				
AusQuest Limited	39,500,000	Ordinary	5 cents each	30 Nov 2020

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

#### Shares issued on the exercise of options

During the year 26,316 shares were issued on the exercise of listed options (AQDOA).

#### Share options granted during the year

On 18 December 2017, the Company issued 9,500,000 unlisted options to employees and contractors under the Company's Long Term Incentive Scheme ("LTIS"). The exercise price of the options of \$0.05 under the LTIS was determined by the Directors. The employees eligible to participate in the plan are at the discretion of the Directors. The options hold no voting rights and are not transferable. At reporting date no options have been exercised and the employees have not ceased employment.

The fair value of \$0.009 for each option issued is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at valuation date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option. The options vest immediately and the Black-Scholes valuation of \$81,330 is expensed on grant date.

#### Share options that expired/lapsed

78,920,660 free-attaching listed options with an exercise price of 3.5 cents each lapsed unexercised on 30 April 2018. No other share options expired or lapsed during or since the end of the financial year.

### 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 4 board meetings, 2 audit committee meetings, and 1 nomination and remuneration committee meeting were held.

Directors	Board of Directors		Nomination and Remuneration committee		Audit committee	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Greg Hancock	4	4	1	1	2	2
Graeme Drew	4	4	1	1	2	2
Christopher Ellis	4	4	1	1	2	2

### 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 a Director or Officer 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 \$41,218 (2017: \$34,197) in respect of directors and officers liability and corporate reimbursement, for directors and officers in the Company.

## **AusQuest Limited**

### **Directors' report**

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.

#### **Non-audit services**

There were no non-audit services performed during the year by the auditors (or by another person or firm on the auditor's 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 21 of the financial report and forms part of this directors' report for the year ended 30 June 2018.

#### **Remuneration report (audited)**

This report, which forms part of the directors' report, outlines the remuneration arrangements in place for the key management personnel of AusQuest Limited (the "Company") for the financial year ended 30 June 2018.

The information provided in this remuneration report has been audited as required by Section 308(3C) of the Corporations Act 2001.

The remuneration report details the remuneration arrangements for Key Management Personnel ("KMP") who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent Company.

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;
- key terms of employment contracts;
- key management personnel equity holdings;
- transactions with key management personnel; and
- loans to/from key management personnel.

#### **Key management personnel details**

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

Greg Hancock	Non-Executive Chairman
Graeme Drew	Managing Director
Christopher Ellis	Non-Executive Director

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

#### **Remuneration policy and relationship between the remuneration policy and Company performance**

The Board policy for determining remuneration 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 remuneration 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

**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 but is not currently being utilised as all Non-Executive Directors elected to forego their directors fees with effect from 1 January 2013 until further notice in order to assist in preserving the cash levels of the Group.

**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 dated 21 April 2015.
- Base salary reviewed annually, increased from \$136,986 to \$200,000 on 1 March 2018 (excluding superannuation entitlements).
- 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.

**Remuneration of key management personnel**

	Short-term employee benefits		Post employment benefits	Other long term employee benefits	Share-based payment	Total	Performance related
	Salary and fees	Other <sup>(i)</sup>	Superannuation		Options		
	\$	\$	\$	\$	\$	\$	%
<b>2018</b>							
<u>Directors</u>							
Graeme Drew	157,991	-	15,009	-	-	173,000	-
Greg Hancock <sup>(i)</sup>	-	24,996	-	-	-	24,996	-
Chris Ellis	-	-	-	-	-	-	-
	157,991	24,996	15,009	-	-	197,996	
<b>2017</b>							
<u>Directors</u>							
Graeme Drew	79,909	-	7,591	-	-	87,500	-
John Ashley	-	-	-	-	-	-	-
Greg Hancock <sup>(i)</sup>	-	16,664	-	-	-	16,664	-
Chris Ellis	-	-	-	-	-	-	-
	79,909	16,664	7,591	-	-	104,164	

(i) Mr Hancock received \$24,996 (2017: \$16,664) for corporate advisory services rendered to the Company.

## AusQuest Limited Directors' report

There were no options granted as remuneration to key management personnel during the year.

There were no options granted as remuneration to key management personnel exercised during the year.

9,973,684 listed options (exercise price of \$0.035 per option), previously granted to directors, expired unexercised on 30 April 2018.

### Key management personnel equity holdings

#### Fully paid ordinary shares of AusQuest Limited

	Balance at 1 July No.	Balance on appointment No.	Granted as compensation No.	Other movements No.	Balance on resignation No.	Balance at 30 June No.
<b>2018</b>						
<b>Directors</b>						
Greg Hancock	4,586,415	-	-	-	-	4,586,415
Graeme Drew	13,553,966	-	-	-	-	13,553,966
Chris Ellis	82,813,586	-	-	21,642,048 <sup>(i)</sup>	-	104,455,634
	<u>100,953,967</u>	<u>-</u>	<u>-</u>	<u>21,642,048</u>	<u>-</u>	<u>122,596,015</u>

(i) Part conversion of a Convertible Note following shareholder approval at the AGM held on 22 November 2017.

#### Options (listed and unlisted) of AusQuest Limited

	Balance at 1 July No.	Balance on appointment / (resignation) No.	Granted as compensation No.	Exercised No.	Net other change <sup>(i)</sup> No.	Balance at 30 June No.	Vested during year No.	Vested and exercisable at 30 June No.
<b>2018</b>								
<b>Directors</b>								
Greg Hancock	4,000,000	-	-	-	-	4,000,000	-	4,000,000
Graeme Drew	11,500,000	-	-	-	(1,500,000)	10,000,000	-	10,000,000
Chris Ellis	12,473,684	-	-	-	(8,473,684)	4,000,000	-	4,000,000
	<u>27,973,684</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9,973,684)</u>	<u>18,000,000</u>	<u>-</u>	<u>18,000,000</u>

(i) Free-attaching listed options with an exercise price of 3.5 cents each lapsed unexercised on 30 April 2018.

### Transactions with key management personnel

The following transactions occurred with key management personnel:

	2018 \$	2017 \$
Corporate advisory services <sup>(i)</sup>	24,996	16,664
Convertible note and interest accrued <sup>(ii)</sup>	<u>384,540</u>	<u>768,288</u>

- (i) The Company entered into a 12 month corporate advisory services agreement with Mr Hancock on 1 May 2015 (subsequently extended). Under the agreement Mr Hancock can receive annual fees of up to \$25,000 + GST. Mr Hancock was paid \$24,996 (excluding GST) for services rendered during the 12 month period ending 30 June 2018 (2017: \$16,664 excluding GST). This amount is included as part of Mr. Hancock's remuneration in the table above.
- (ii) On 3 October 2016, the Company executed a Convertible Note Agreement ("the Loan") with Mr Chris Ellis for a total loan facility of \$750,000 to help fund the Company's working capital. The Loan, which was fully drawn down by the Company on that date, had a maturity date of 3 April 2018 (18 months). On 4 October 2017, the Company announced that the maturity date of the convertible note has been extended to 30 November 2018. On 23 November 2017, the Company issued 21,642,048 ordinary shares at \$0.02 per share to partly convert \$432,841 of the convertible note as approved by shareholders at the Company's AGM on 22 November 2017. The Loan is interest free for six months and thereafter accrues interest at 10% per annum. The Company accordingly accrued \$67,381 (2017: \$18,288) in interest payable on the Loan at reporting date.



**AusQuest Limited**  
**Directors' report**

There were no other transactions with key management personnel during the year.

*Receivable from and payable to related parties*

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Current payables:		
Interest on Convertible Note payable to Chris Ellis	67,381	33,117
Fee payable to Graeme Drew and related entity	18,250	21,551
Fee payable to Greg Hancock and related entity	2,291	2,291

**Loans to/from related parties**

Other than the convertible note and payable to Chris Ellis of \$317,159 (2017: \$750,000), there were no loans to or from related parties at the current and previous reporting date.

**(End of remuneration report)**

The 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**

18 September 2018  
Perth, WA



Accountants | Business and Financial Advisers

## **AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the audit of the consolidated financial report of AusQuest Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

**Perth, Western Australia**  
**18 September 2018**

A handwritten signature in blue ink, appearing to read 'M R Ohm'.

**M R Ohm**  
**Partner**

### **HLB Mann Judd (WA Partnership) ABN 22 193 232 714**

Level 4 130 Stirling Street Perth WA 6000 | PO Box 8124 Perth BC WA 6849 | Telephone +61 (08) 9227 7500 | Fax +61 (08) 9227 7533  
Email: [mailbox@hlbwa.com.au](mailto:mailbox@hlbwa.com.au) | Website: [www.hlb.com.au](http://www.hlb.com.au)

Liability limited by a scheme approved under Professional Standards Legislation

HLB Mann Judd (WA Partnership) is a member of  International, a world-wide organisation of accounting firms and business advisers



Accountants | Business and Financial Advisers

## INDEPENDENT AUDITOR'S REPORT

To the Members of AusQuest Limited

### Report on the Audit of the Financial Report

#### *Opinion*

We have audited the financial report of AusQuest Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### *Basis for Opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Material Uncertainty Related to Going Concern*

Without modifying our opinion, we draw attention to Note 1 in the annual financial report, which indicates the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

#### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty*

#### **HLB Mann Judd (WA Partnership) ABN 22 193 232 714**

Level 4 130 Stirling Street Perth WA 6000 | PO Box 8124 Perth BC WA 6849 | Telephone +61 (08) 9227 7500 | Fax +61 (08) 9227 7533

Email: [mailbox@hlbwa.com.au](mailto:mailbox@hlbwa.com.au) | Website: [www.hlb.com.au](http://www.hlb.com.au)

Liability limited by a scheme approved under Professional Standards Legislation

HLB Mann Judd (WA Partnership) is a member of  International, a world-wide organisation of accounting firms and business advisers



Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How our audit addressed the key audit matter
<b>Exploration and evaluation expenditure</b> Note 11	
<p>The Group has capitalised exploration and evaluation expenditure of \$4,055,120 as at 30 June 2018.</p> <p>Our audit procedures determined that the carrying value of exploration and evaluation was a key audit matter as it was an area which required the most significant audit effort, required the most communication with those charged with governance and was determined to be of key importance to the users of the financial statements.</p>	<p>Our procedures included but were not limited to the following:</p> <ul style="list-style-type: none"> <li>- We obtained an understanding of the key processes associated with management's review of the exploration and evaluation asset carrying values;</li> <li>- We considered the Directors' assessment of potential indicators of impairment;</li> <li>- We obtained evidence that the Group has current rights to tenure of its areas of interest;</li> <li>- We reviewed additions to exploration expenditure during the year;</li> <li>- We considered the accounting treatment in relation to exploration partner funding;</li> <li>- We verified amounts received from the Group's exploration partner and subsequently spent on exploration;</li> <li>- We verified the completeness of amounts recognised as income in relation to the Group's exploration partner contracts;</li> <li>- We enquired with management, reviewed ASX announcements and minutes of Directors' meetings to ensure that the Group had not decided to discontinue exploration and evaluation at its area of interests: and</li> <li>- We examined the disclosures made in the financial report.</li> </ul>

*Information Other than the Financial Report and Auditor's Report Thereon*

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.



In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### *Responsibilities of the Directors 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

#### *Auditor's Responsibilities for the Audit of the Financial Report*

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.





We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Report on the Remuneration Report**

#### *Opinion on the remuneration report*

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of AusQuest Limited for the year ended 30 June 2018 complies with section 300A of the *Corporations Act 2001*.

#### *Responsibilities*

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.

*HLB Mann Judd*

**HLB Mann Judd**  
**Chartered Accountants**

**Perth, Western Australia**  
**18 September 2018**

A handwritten signature in blue ink, appearing to read 'M R Ohm'.

**M R Ohm**  
**Partner**

**AusQuest Limited**  
**Directors' declaration**  
**30 June 2018**

- 1) In the directors' opinion:
  - a) the attached financial statements notes thereto comply with the Corporations Act 2001, the Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
    - (i) comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 2 to the financial statements;
    - (ii) give a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the financial year ended on that date; 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.
- 2) The directors have been given the declarations required by section 295A of the Corporations Act 2001.

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

On behalf of the directors



Graeme Drew  
Managing Director

18 September 2018  
Perth, WA

**AusQuest Limited**  
**Consolidated statement of profit or loss and other comprehensive income**  
**For the year ended 30 June 2018**

	<b>Note</b>	<b>Consolidated 2018 \$</b>	<b>2017 \$</b>
<b>Continuing operations</b>			
<b>Revenue</b>	5	2,156,489	681,973
<b>Expenses</b>			
Consultants and employee benefits expenses		(160,503)	(106,947)
Occupancy expenses		(108,263)	(95,364)
Share-based payment expenses	6	(114,330)	(32,599)
Impairment of exploration and evaluation expenditure	11	(754,926)	(1,267,959)
Other expenses	6	(494,456)	(539,982)
Finance costs		(54,924)	(23,181)
Total expenses		<u>(1,687,402)</u>	<u>(2,066,032)</u>
<b>Profit/(Loss) before income tax</b>	6	469,087	(1,384,059)
Loss after tax from discontinued operations	30	(15,890)	(5,997,461)
Income tax benefit	7	<u>314,591</u>	<u>189,375</u>
<b>Profit/(Loss) for the year after income tax</b>		<u>767,788</u>	<u>(7,192,145)</u>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange gain on translation of foreign operations		<u>157,830</u>	<u>36,909</u>
Other comprehensive income for the year, net of tax		<u>157,830</u>	<u>36,909</u>
<b>Total comprehensive income/(loss) for the year</b>		<u><u>925,618</u></u>	<u><u>(7,155,236)</u></u>
<b>Earnings/(Loss) per share</b>			
Basic and anti-dilutive earnings/(loss) per share	28	0.15	(1.44)
Basic and anti-dilutive earnings/(loss) per share from continuing operations (cents per share)		0.15	(0.24)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

**AusQuest Limited**  
**Consolidated statement of financial position**  
**As at 30 June 2018**

	<b>Note</b>	<b>Consolidated 2018 \$</b>	<b>2017 \$</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	27	4,520,934	1,694,181
Trade and other receivables	8	171,643	95,950
Other assets	9	130,928	147,874
<b>Total current assets</b>		<u>4,823,505</u>	<u>1,938,005</u>
<b>Non-current assets</b>			
Property, plant and equipment	10	47,773	21,993
Exploration and evaluation	11	4,055,120	3,650,791
<b>Total non-current assets</b>		<u>4,102,893</u>	<u>3,672,784</u>
<b>Total assets</b>		<u>8,926,398</u>	<u>5,610,789</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	12	1,064,333	388,279
Borrowings	13	317,159	750,000
Provisions	14	116,094	46,058
Unexpended funding	15	2,377,602	848,952
<b>Total current liabilities</b>		<u>3,875,188</u>	<u>2,033,289</u>
<b>Total liabilities</b>		<u>3,875,188</u>	<u>2,033,289</u>
<b>Net assets</b>		<u>5,051,210</u>	<u>3,577,500</u>
<b>Equity</b>			
Issued capital	16	57,253,653	56,786,891
Reserves	17	3,803,817	3,564,657
Accumulated losses		<u>(56,006,260)</u>	<u>(56,774,048)</u>
<b>Total equity</b>		<u>5,051,210</u>	<u>3,577,500</u>

The above statement of financial position should be read in conjunction with the accompanying notes



**AusQuest Limited**  
**Consolidated statement of changes in equity**  
**For the year ended 30 June 2018**

<b>Consolidated</b>	<b>Issued capital \$</b>	<b>Share-based payment reserve \$</b>	<b>Foreign currency translation reserve \$</b>	<b>Accumulated losses \$</b>	<b>Total \$</b>
Balance at 1 July 2017	56,786,891	246,599	3,318,058	(56,774,048)	3,577,500
Profit after income tax for the year	-	-	-	767,788	767,788
Other comprehensive income for the year, net of tax	-	-	157,830	-	157,830
Total comprehensive income for the year	-	-	157,830	767,788	925,618
<i>Transactions with owners in their capacity as owners:</i>					
Issue of shares	466,762	-	-	-	466,762
Options issued during the year	-	81,330	-	-	81,330
Balance at 30 June 2018	<u>57,253,653</u>	<u>327,929</u>	<u>3,475,888</u>	<u>(56,006,260)</u>	<u>5,051,210</u>

<b>Consolidated</b>	<b>Issued capital \$</b>	<b>Share-based payment reserve \$</b>	<b>Foreign currency translation reserve \$</b>	<b>Accumulated losses \$</b>	<b>Total \$</b>
Balance at 1 July 2016	56,770,891	230,000	3,281,149	(49,581,903)	10,700,137
Loss after income tax for the year	-	-	-	(7,192,145)	(7,192,145)
Other comprehensive income for the year, net of tax	-	-	36,909	-	36,909
Total comprehensive loss for the year	-	-	36,909	(7,192,145)	(7,155,236)
<i>Transactions with owners in their capacity as owners:</i>					
Issue of shares	16,000	-	-	-	16,000
Options issued during the year	-	16,599	-	-	16,599
Balance at 30 June 2017	<u>56,786,891</u>	<u>246,599</u>	<u>3,318,058</u>	<u>(56,774,048)</u>	<u>3,577,500</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes

**AusQuest Limited**  
**Consolidated statement of cash flows**  
**For the year ended 30 June 2018**

	<b>Note</b>	<b>Consolidated 2018 \$</b>	<b>2017 \$</b>
<b>Cash flows from operating activities</b>			
Receipts from South32 Group Operations Pty Ltd		2,149,806	742,573
Payments to suppliers and employees		(720,093)	(789,875)
Interest received		3,508	4,540
Net cash from/(used in) operating activities	27	<u>1,433,221</u>	<u>(42,762)</u>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(39,845)	(5,163)
Payments for exploration and evaluation		(5,284,879)	(1,771,686)
Payment received on grant of farm-in and joint venture interests		6,363,972	1,761,034
Research and development tax incentive refund received		314,591	189,375
Net cash from investing activities		<u>1,353,839</u>	<u>173,560</u>
<b>Cash flows from financing activities</b>			
Proceeds from convertible note		-	750,000
Proceeds from issue of shares		921	-
Net cash from financing activities		<u>921</u>	<u>750,000</u>
Net increase in cash and cash equivalents		2,787,981	880,798
Cash and cash equivalents at the beginning of the financial year		1,694,181	810,546
Exchange rate adjustment		38,772	2,837
Cash and cash equivalents at the end of the financial year	27	<u>4,520,934</u>	<u>1,694,181</u>

The above statement of cash flows should be read in conjunction with the accompanying notes

**AusQuest Limited**  
**Notes to the financial statements**  
**30 June 2018**

**Note 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**  
C/- Nexia Perth Pty Ltd  
Level 3, 88 William Street  
Perth WA 6000

**Principal place of business**  
8 Kearns Crescent  
Ardross WA 6153

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

**Note 2. Significant accounting policies**

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**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 18 September 2018.

**Basis of preparation**

The financial statements comprise the consolidated financial statements for the Group. For the purpose of preparing the consolidated financial statements, the Company is a for-profit entity.

The financial report has been prepared on the basis of historical cost. 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**

The 30 June 2018 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 2018 the Group recorded a net profit of \$767,788 (2017 net loss: \$7,192,145) and at 30 June 2018 had a net working capital of \$948,317 (30 June 2017: deficit of \$95,284). The Group also recorded a positive net cash generated from operating activities for the year ended 30 June 2018 of \$1,433,221 (2017: net cash used in operating activities of \$42,762).

Based on the Group's cash flow forecast 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 cast significant doubt whether 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.

**Note 2. Significant accounting policies (continued)**

**Critical accounting estimates**

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 2018*

In the year ended 30 June 2018, the directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group and effective for the current annual reporting period.

As a result of this review, the directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Group and, therefore, no material change is necessary to Group accounting policies.

*Standards and Interpretations in issue not yet adopted*

The directors have also reviewed all Standards and Interpretations in issue but are not yet adopted for the year ended 30 June 2018. As a result of this review the directors have determined that the following Standards and Interpretations may have an effect on the Group accounting policies in future financial periods, namely:

*AASB 9 Financial Instruments*

IFRS 9 Financial Instruments: Recognition and Measurement and is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The new standard results in changes to accounting policies for financial assets and liabilities covering classification and measurement, hedge accounting and impairment. The Group has assessed these changes and determined that based on the current financial assets and liabilities held at reporting date.

The changes in the Group's accounting policies from the adoption of IFRS 9 will apply to accounting periods beginning on or after 1 January 2018. Therefore, the Group will apply AASB 9 from 1 July 2018. The Group does not expect a significant effect on the financial statements resulting from the change of this standard as the Group's financial assets and liabilities are all short term in nature. The classification and measurement of financial assets is now based on the entity's business model for managing the financial asset, and the contractual cash flow characteristics of the financial asset. The treatment of financial liabilities is materially consistent with that required by IAS 39 with the exception of the treatment of modification or exchange of financial liabilities which do not result in de-recognition.

Management has concluded that this is not expected to have a material impact on the financial statements.

*AASB 15 Revenue*

AASB 15 established a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue. AASB 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group will apply AASB 15 from 1 July 2018 onwards.

The Group does not expect a significant effect on the financial statements resulting from the change of this standard.

*AASB 16 Leases*

AASB 16 replaces AASB 117 Leases and sets out the principles for the recognition, measurement, presentation and disclosure of leases. AASB 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligations to make lease payments. A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows applying AASB 107 Statement of Cash Flows. AASB 16 substantially carries forward the lessor accounting requirements in AASB 117 Leases. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

**Note 2. Significant accounting policies (continued)**

**Adoption of new and revised accounting standards (continued)**

*AASB 16 Leases (continued)*

This Standard applies to annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted provided the entity also applies AASB 15 Revenue from Contracts with Customers at or before the same date. The Group is on the process of assessing the impact of AASB 16 which will be applied from 1 July 2019 onwards.

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

**Parent entity information**

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 24.

**Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and 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.

**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.



**Note 2. Significant accounting policies (continued)**

**Operating segments (continued)**

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”.

**Cash and cash equivalents**

Cash comprises cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position. For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

**Trade and other receivables**

Trade receivables are measured on initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method, less any allowance for impairment. Trade receivables are generally due for settlement within periods ranging from 15 days to 30 days.

Impairment of trade receivables is continually reviewed and those that are considered to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms. Factors considered by the Group in making this determination include known significant financial difficulties of the debtor, review of financial information and significant delinquency in making contractual payments to the Group. The impairment allowance is set equal to the difference between the carrying amount of the receivable and the present value of estimated future cash flows, discounted at the original effective interest rate. Where receivables are short-term discounting is not applied in determining the allowance.

The amount of the impairment loss is recognised in the statement of profit or loss and other comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of profit or loss and other comprehensive income.

**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.

**Note 2. Significant accounting policies (continued)**

**Foreign currency translation (continued)**

Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

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

The functional currency of the foreign operations, E&A Resources Pty Ltd, 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 profit or loss and other 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.

**Revenue recognition**

Revenue is recognised when it is probable that the economic benefit will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

*Interest*

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

*Other revenue*

Other revenue is recognised when it is received or when the right to receive payment is established.

**Income 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 is provided on all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised.

However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

**Note 2. Significant accounting policies (continued)**

**Income tax (continued)**

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 is recognised as an expense or income in the statement of profit or loss and other 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.

The Company and its wholly-owned Australian resident entity are part of a tax-consolidated group under Australian taxation law. AusQuest Limited 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.

The Research and Development (R&D) tax rebate is recognised as income tax benefit upon receipt.

**Current and non-current classification**

Assets and liabilities are presented in the statement of financial position based on current and non-current classification. An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

**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.

**Note 2. Significant accounting policies (continued)**

**Impairment of assets (continued)**

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.

**Property, plant and equipment**

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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>
Fixtures, fittings and office equipment	10 - 40%
Computer equipment	20 - 50%
Field equipment	20 - 40%

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits/accumulated losses.

**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.

**Exploration and evaluation assets**

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.

**Note 2. Significant accounting policies (continued)**

**Exploration and evaluation assets (continued)**

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.

Contributions by a farmee in a farm out agreement are offset against the exploration and evaluation assets when spent. The unexpended expenditure from the farmee at reporting date is recorded as a liability in the statement of financial position. Where there is no obligation attached to the contribution received, the excess of cash received over the carrying amount of the exploration project is credited to the statement of profit or loss and other comprehensive income as revenue.

**Joint arrangements**

*Joint operations*

Interests in joint operations are reported in the financial statements by including the entity's share of assets employed in the joint operation, the share of liabilities incurred in relation to the joint operation and the share of any expenses incurred in relation to the joint operation in their respective classification categories.

*Joint ventures*

Interests in joint ventures are accounted for under the equity method in the consolidated financial statements and the cost method in the Company's financial statements.

**Impairment of non-financial assets**

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

**Trade and other payables**

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.



**Note 2. Significant accounting policies (continued)**

**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.

**Provisions**

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the 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.

**Employee benefits**

*Short-term employee benefits*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

*Other long-term employee benefits*

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

**Fair value measurement**

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either in the principal market or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

**Note 2. Significant accounting policies (continued)**

**Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

The fair value of the liability portion of a convertible note is determined using a market interest rate for an equivalent non-convertible note. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the note. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

**Issued capital**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**Earnings per share**

*Basic earnings per share*

Basic earnings per share is calculated by dividing the net profit/loss attributable to the owners of AusQuest Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

*Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

**Goods and Services Tax ('GST') and other similar taxes**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

**Note 3. Critical accounting judgements, estimates and assumptions**

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. During the year the Company impaired its Peruvian and Australian tenements. Impairment charges of \$203,762 and \$551,164 were recognised for these tenements respectively.

Other than exploration and evaluation expenditure impaired totalling \$754,926 (2017: \$7,263,512) during the year, no other impairment loss was recorded in the current financial year. Refer Note 4 (Operating Segments) and Note 11 (Exploration and Evaluation) for further detail on the impairment charges.

*Exploration and evaluation costs carried forward*

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors which could impact the future recoverability include the level of proved, probable and inferred mineral resources, future technological changes which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, this will increase losses and reduce net assets in the period in which this determination is made.

In addition, exploration and evaluation expenditure is capitalised if activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent that it is determined in the future that this capitalised expenditure should be written off, this will increase losses and reduce net assets in the period in which this determination is made.

*Share-based payments*

The Company makes equity settled share-based payments to certain employees and consultants, which are measured at fair value at the date of grant and expensed on a straight line basis over the vesting period, based on the Company's estimate of shares that will eventually vest. The fair values are determined using the Black Scholes Option Pricing Model or the Cox, Ross and Rubinstein Binomial Option Pricing Model. Vesting assumptions are reviewed during each reporting period to ensure they reflect current expectations.

*Loans to controlled entities*

The directors believe that the recoupment of the inter-company receivables from AusQuest Limited to Questdor SAC is dependent on the successful development and commercial exploitation or, alternatively, the sale of the exploration assets held by the controlled entity.

**Note 4. Operating segments**

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 2018.

**AusQuest Limited**  
**Notes to the financial statements**  
**30 June 2018**

**Note 4. Operating segments (continued)**

*Operating segment information*

	<b>Australia</b>	<b>South</b>	<b>Discontinued</b>	<b>Intersegment</b>	
	<b>\$</b>	<b>America</b>	<b>Operations</b>	<b>eliminations</b>	<b>Total</b>
		<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Consolidated - 2018</b>					
<b>Revenue</b>					
Interest revenue	3,440	-	-	-	3,440
Other revenue	2,153,049	-	-	-	2,153,049
<b>Total revenue</b>	<b>2,156,489</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,156,489</b>
<b>Expenses</b>					
Depreciation	(11,562)	(361)	-	-	(11,923)
Impairment of exploration expenditure	(551,164)	(203,762)	-	-	(754,926)
Other expenditure	(832,309)	(88,244)	(15,890)	-	(936,443)
<b>Total expenses</b>	<b>(1,395,035)</b>	<b>(292,367)</b>	<b>(15,890)</b>	<b>-</b>	<b>(1,703,292)</b>
<b>Profit/(Loss) before income tax</b>	<b>761,454</b>	<b>(292,367)</b>	<b>(15,890)</b>	<b>-</b>	<b>453,197</b>
Income tax benefit					314,591
<b>Profit after income tax</b>					<b>767,788</b>
<b>Assets</b>					
Non-current assets	8,162,821	5,048,932	-	(9,108,860)	4,102,893
Segment assets	12,446,490	5,570,602	18,166	(9,108,860)	8,926,398
<b>Total assets</b>					<b>8,926,398</b>
<b>Liabilities</b>					
Segment liabilities	3,450,729	7,807,439	32,955	(7,415,935)	3,875,188
<b>Total liabilities</b>					<b>3,875,188</b>
<b>Consolidated - 2017</b>					
<b>Revenue</b>					
Interest revenue	4,473	-	-	-	4,473
Other revenue	677,500	-	-	-	677,500
<b>Total revenue</b>	<b>681,973</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>681,973</b>
<b>Expenses</b>					
Depreciation	(6,256)	(204)	-	-	(6,460)
Impairment of exploration expenditure	(513,749)	(754,210)	(5,995,553)	-	(7,263,512)
Other expenditure	(590,053)	(201,560)	(1,908)	-	(793,521)
<b>Total expenses</b>	<b>(1,110,058)</b>	<b>(955,974)</b>	<b>(5,997,461)</b>	<b>-</b>	<b>(8,063,493)</b>
<b>Loss before income tax</b>	<b>(428,085)</b>	<b>(955,974)</b>	<b>(5,997,461)</b>	<b>-</b>	<b>(7,381,520)</b>
Income tax benefit					189,375
<b>Loss after income tax</b>					<b>(7,192,145)</b>
<b>Assets</b>					
Non-current assets	7,399,562	2,396,781	-	(6,123,559)	3,672,784
Segment assets	9,223,299	2,477,576	33,473	(6,123,559)	5,610,789
<b>Total assets</b>					<b>5,610,789</b>
<b>Liabilities</b>					
Segment liabilities	1,963,180	4,532,335	5,679,030	(10,141,256)	2,033,289
<b>Total liabilities</b>					<b>2,033,289</b>

**AusQuest Limited**  
**Notes to the financial statements**  
**30 June 2018**

**Note 5. Revenue**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Funding from South32 Group Operations Pty Ltd recognised as income:		
Blue Billy project (Note 11(ii))	-	586,291
Bonus generation fee (Note 11(ii))	1,290,801	-
Excess funding from South32 (Note 15)	379,438	-
Administration charges (Note 15)	452,792	91,209
Funding against written off exploration expenditure (Note 15)	32,160	-
Interest income	3,440	4,473
Loss on sale of assets	(2,142)	-
	<u>2,156,489</u>	<u>681,973</u>

**Note 6. Profit/(Loss) for the year**

Profit/(Loss) for the year includes the following expenses:

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Exploration expenditure expensed	-	77,603
Depreciation	11,923	6,460
Share-based payments:		
Consulting services	33,000	-
Director options	-	32,599
Employees and contractors	81,330	-
	<u>114,330</u>	<u>32,599</u>

**Note 7. Income tax expense**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<b>Tax benefit comprises:</b>		
Current tax benefit	314,591	189,375
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	-	-
Total tax benefit	<u>314,591</u>	<u>189,375</u>
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Profit/(Loss) before income tax expense	469,087	(7,381,520)
Tax at the statutory tax rate of 27.5% (2017: 27.5%)	128,999	(2,029,918)
Effect of net expenses that are not deductible in determining taxable profit	(110,999)	1,915,092
Effect of changes in unrecognised temporary differences	(18,000)	21,493
Effect of unused tax losses and tax offsets not recognised as deferred tax assets	-	93,333
Effect of research and development tax incentive refund	314,591	189,375
Income tax benefit	<u>314,591</u>	<u>189,375</u>

The tax rate used in the above reconciliation is the corporate tax rate of 27.5% payable by Australian corporate entities on taxable profits under Australian tax law.



**AusQuest Limited**  
**Notes to the financial statements**  
**30 June 2018**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<b>Unrecognised deferred tax assets and liabilities</b>		
The following deferred tax assets and (liabilities) have not been brought to account:		
Tax losses – revenue	10,049,966	10,315,694
Exploration and evaluation assets	(4,933,271)	(4,928,890)
Unrealised foreign exchange gain	(490,254)	(418,223)
Other temporary differences	49,807	93,870
	<u>5,062,451</u>	<u>5,062,451</u>
Deferred tax assets not recognised in equity – share issue costs	<u>12,986</u>	<u>39,793</u>

The above potential tax benefit for tax losses has not been recognised in the statement of financial position. Management has calculated that accounting losses arose in prior periods and therefore consider a reasonable assumption to be that, following submission of the tax returns, tax losses will be available to be utilised in order to offset its assessable income. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

**Relevance of tax consolidation to the Group**

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 Limited. The members of the tax-consolidated group (incorporated in Australia) are identified at Note 25.

**Note 8. Current assets - trade and other receivables**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Security deposits	50,000	50,000
Other debtors - unsecured	230	37,222
Input tax recoverable	121,413	8,728
	<u>171,643</u>	<u>95,950</u>

**Note 9. Current assets - Other assets**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Prepayments	130,928	41,485
Other assets <sup>(i)</sup>	-	106,389
	<u>130,928</u>	<u>147,874</u>

- (i) During the 2016-2017 year, the Company paid \$106,389 in relation to rates and rents on application of tenement licences. This amount is refundable should title not be granted.

**AusQuest Limited**  
**Notes to the financial statements**  
**30 June 2018**

**Note 10. Non-current assets - property, plant and equipment**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Fixtures, fittings and office equipment - at cost	16,175	18,020
Less: Accumulated depreciation	(14,087)	(15,639)
	<u>2,088</u>	<u>2,381</u>
Computer equipment - at cost	49,403	24,909
Less: Accumulated depreciation	(22,225)	(17,003)
	<u>27,178</u>	<u>7,906</u>
Field equipment - at cost	192,981	185,924
Less: Accumulated depreciation	(176,264)	(177,090)
	<u>16,717</u>	<u>8,834</u>
Low value pool - at cost	13,602	58,812
Less: Accumulated depreciation	(11,812)	(55,940)
	<u>1,790</u>	<u>2,872</u>
Carrying amount	<u><u>47,773</u></u>	<u><u>21,993</u></u>

*Reconciliations*

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

<b>Consolidated</b>	<b>Total \$</b>
Balance at 1 July 2016	23,290
Additions	5,163
Disposals	-
Depreciation expense	<u>(6,460)</u>
Balance at 30 June 2017	21,993
Additions	39,845
Write off	(2,142)
Depreciation expense	<u>(11,923)</u>
Balance at 30 June 2018	<u><u>47,773</u></u>

**AusQuest Limited**  
**Notes to the financial statements**  
**30 June 2018**

**Note 11. Non-current assets - exploration and evaluation**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Exploration and evaluation phase - at cost	<u>4,055,120</u>	<u>3,650,791</u>
<b>Consolidated</b>		<b>Total</b>
		<b>\$</b>
Balance at 1 July 2016		9,944,550
Capitalised during the year		1,841,318
Grant of joint venture interest in previously capitalised project <sup>(ii)</sup>		(65,073)
Impaired during the year <sup>(i)</sup>		(7,263,512)
Grant of farm-in interests in previously capitalised projects <sup>(ii)</sup>		(912,082)
Exchange movements		<u>105,590</u>
Balance at 30 June 2017		3,650,791
Capitalised during the year		5,818,431
Impaired during the year <sup>(i)</sup>		(754,926)
Grant of farm-in interests in previously capitalised projects <sup>(ii)</sup>		(4,807,572)
Exchange movements		<u>148,396</u>
Balance at 30 June 2018		<u>4,055,120</u>

The recoupment of costs carried forward in relation to areas in the exploration and evaluation phases is dependent on the successful development and commercial exploration or sale of the respective areas.

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

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
West Africa – discontinued operations <sup>a</sup>	-	5,995,553
South West Peru <sup>b</sup>	203,762	870,835
Other Australian Projects	<u>551,164</u>	<u>397,124</u>
Balance at 30 June 2018	<u>754,926</u>	<u>7,263,512</u>

<sup>a</sup> Please refer to Note 30(A)(i).

<sup>b</sup> On 21 September 2016 the Company announced that its partner in the Cardonal and Puite-Colorada Joint Ventures in the Ilo area of southern Peru, Compania Minera Zahena SAC ("Zahena"), has given notice of their intention to withdraw from the joint ventures in October 2016. Following the termination of the joint ventures, all drilling and assay data revert to AusQuest who retained 100 per cent ownership of these projects. The termination of the Joint Venture agreements did not, in the opinion of the directors, change the carrying values of the capitalised exploration and evaluation costs of these tenements at that point in time. Subsequent to the above, the Group decided not to renew a number of its Peruvian tenements and during the year impaired \$203,762 (2017: \$870,835) of previously capitalised expenditure incurred on those tenements. The impairment has been recognised in the statement of profit or loss and other comprehensive income.

**AusQuest Limited**  
**Notes to the financial statements**  
**30 June 2018**

**Note 11. Non-current assets - exploration and evaluation (continued)**

*(ii) Grant of farm-in and joint venture interests in previously capitalised projects:*

*2016-2017 financial year:*

On 20 February 2017 the Company announced that it had entered into a Strategic Alliance Agreement with South32 Group Operations Pty Ltd ("South32") to develop a pipeline of high-potential exploration opportunities. The terms of the agreement allows South32 the ability to accept exploration opportunities offered by the Company which in turn entitles the Company to receive an initial payment of US\$250,000 per opportunity accepted (and up to a maximum of US\$500,000) to advance these to drill-ready stage. Once a project reaches the drill-ready stage and becomes a drill ready opportunity, a joint venture is formed in which South32 can earn a 70% interest by incurring expenditures of US\$4,000,000. On execution of a joint venture agreement the Company is also entitled to receive a second payment equal to US\$500,000 less the total of the initial payment.

During the 2016-2017 financial year, the Company received a no-obligation cash contribution of US\$500,000 from South32 in relation to the Blue Billy project. The contribution received has been allocated to reduce the carrying amount of the Blue Billy project of \$65,073 to nil. The excess of the cash received over the carrying amount of Blue Billy of \$586,291 is recognised as revenue in the statement of profit or loss and other comprehensive income.

During the current year, the Company signed two agreements with South32 to undertake drilling programmes at the Chololo and Cerro de Fierro Copper projects in southern Peru. Under the terms of the Strategic Alliance Agreement, the two agreements plus the initial Blue Billy Project Joint Venture Agreement signed at inception, triggered the payment to the Company of a Bonus Generation Fee of US\$500,000 (AU\$652,231). This has been recognized as revenue in the statement of profit or loss and other comprehensive income.

On 12 March 2018, the Company announced that there were four new exploration opportunities agreed with South32. Under the terms of the Strategic Alliance Agreement, the four new exploration opportunities accepted by South32 have triggered the payment of a second bonus of US\$500,000 (AU\$638,570). This has been recognized as revenue in the statement of profit or loss and other comprehensive income.

For the year ended 30 June 2018, the Company received \$7,200,612 (30 June 2017: \$1,852,243) in funding of which \$4,807,572 (30 June 2017: \$912,082) has been allocated against capitalised exploration and evaluation expenditures at reporting date (Note 15).

**Note 12. Current liabilities - trade and other payables**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Trade and other payables and accruals	863,531	362,295
GST/VAT payables	200,802	25,984
	<u>1,064,333</u>	<u>388,279</u>

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.

**Note 13. Borrowings**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Convertible note	<u>317,159</u>	<u>750,000</u>

The Company executed a Loan and Convertible Note Agreement ("Agreement") on 5 October 2016 with Mr Chris Ellis, a director and substantial shareholder of the Company for a total loan facility of \$750,000.

**AusQuest Limited**  
**Notes to the financial statements**  
**30 June 2018**

**Note 13. Borrowings (continued)**

Key terms under the convertible note included:

- The conversion of the convertible note to the Company's shares is subject to shareholder approval, for the purposes of Listing Rule 10.11;
- The conversion price has been set at the lower of 2 cents per share or the 5-day Value Weighted Average Price (VWAP) immediately prior to the conversion;
- The Loan matures 18 months after execution of the Agreement, and if the convertible note has not been converted to shares by that date, it must be repaid in cash. The Loan must also be repaid on 20 business days' notice in the case of an event of default by the Company including material breach and insolvency events;
- Conversion to shares is solely at the election of the Company, provided shareholder approval has been obtained; and
- Interest on the Loan will be accrued at 10% per annum commencing six months after the date of the advance, if the Company has not converted the convertible note to shares within six months of the date of issue. All interest accrued is payable in cash.

The Company recognised the convertible note as a current liability on the basis that it will have to settle the loan in cash or if converted, it having a contractual obligation to issue a variable number of shares.

On 4 October 2017, the Company announced that the maturity date of the convertible note has been extended from 5 April 2018 to 30 November 2018. On 23 November 2017, the Company issued 21,642,048 ordinary shares at \$0.02 per share to partly convert \$432,841 of the convertible note as approved by shareholders at the Company's AGM on 22 November 2017.

As part of the strategic alliance with South32 Group Operations Pty Ltd, South32 also provided the Company with a US\$1,000,000 unsecured, interest-free cash advance facility to help fund project generation activities as and when required. Money drawn down from this facility can be repaid during the term of the Strategic Alliance Agreement but in any event must be repaid by 31 December 2019. At reporting date, no amount was drawn from this facility.

**Note 14. Current liabilities - provisions**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Employee benefits	116,094	46,058

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

**Note 15. Unexpended funding**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Balance at beginning of the year	848,952	-
Funding from strategic alliance and joint venture partner	7,200,612	1,852,243
Less: Amount spent on exploration and evaluation projects (Note 11)	(4,807,572)	(912,082)
Less: Amount spent on administration (Note 5)	(452,792)	(91,209)
Less: Excess funding recognised (Note 5)	(379,438)	-
Less: Funding against written off exploration expenditure (Note 5)	(32,160)	-
Balance at the end of the year	2,377,602	848,952

The balance represents the unexpended funding received from South32 Group Operations Pty Ltd at reporting date.



**AusQuest Limited**  
**Notes to the financial statements**  
**30 June 2018**

**Note 16. Equity - issued capital**

	<b>Consolidated</b>		<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>Shares No.</b>	<b>Shares No.</b>	<b>\$</b>	<b>\$</b>
Ordinary shares - fully paid	525,565,756	500,897,392	57,253,653	56,786,891

*Movements in ordinary share capital*

<b>Details</b>	<b>Shares No.</b>	<b>\$</b>
Balance at 1 July 2016	499,397,392	56,770,891
Issue of shares (consulting services) (i)	1,500,000	16,000
Balance at 30 June 2017	500,897,392	56,786,891
Issue of shares (part conversion of a convertible note) (ii)	21,642,048	432,841
Issue of shares (consulting services) (iii)	3,000,000	33,000
Listed options exercised – 3 May 2018	26,316	921
Balance at 30 June 2018	525,565,756	57,253,653

*(i) Issue of shares (consulting services)*

The Company issued 1,500,000 ordinary shares during the 2016/2017 financial year in lieu of cash payments for consulting services rendered to the Group. 500,000 shares were issued on 6 October 2016 and 1,000,000 shares on 13 June 2017. All shares were issued at the share price at the date the share-based payment arrangement was entered into. Consulting expenses to the same value were recognised in the statement of profit or loss and other comprehensive income.

*(ii) Issue of shares (part conversion of a convertible note)*

On 23 November 2017, the Company issued 21,642,048 ordinary shares on part conversion of a convertible note as approved by shareholders at the Company's AGM on 22 November 2017. The deemed conversion price was \$0.02 per share.

*(iii) Issue of shares (consulting services)*

The Company issued 3,000,000 ordinary shares during the 2017/2018 financial year in lieu of cash payments for consulting services rendered to the Group. 3,000,000 shares were issued on 11 January 2018. All shares were issued at the share price at the date the share-based payment arrangement was entered into. Consulting expenses to the same value were recognised in the statement of profit or loss and other comprehensive income.

*Ordinary shares*

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital. On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

**Note 16. Equity – listed options**

*Movements in listed options over ordinary shares on issue*

<b>Details</b>	<b>Listed options (AQDO) No.</b>	<b>Listed options (AQDOA) No.</b>	<b>Listed options Total No.</b>
Balance at 1 July 2016	68,750,000	78,946,976	147,696,976
Expired during the year	(68,750,000)	-	(68,750,000)
Balance at 30 June 2017	-	78,946,976	78,946,976
Exercised during the year	-	(26,316)	(26,316)
Expired during the year	-	(78,920,660)	(78,920,660)
Balance at 30 June 2018	-	-	-

**AusQuest Limited**  
**Notes to the financial statements**  
**30 June 2018**

**Note 16. Equity – listed options (continued)**

*Listed options*

During the 2014 financial year, a total of 68,750,000 free attaching listed options were issued (on a 1:2 basis) and allotted as part of the Company's Placement and Share Purchase Plan. The options were granted quotation on ASX under the code AQDO. The options, exercisable at 4 cents each, expired unexercised on 30 November 2016.

During the 2015 financial year, a total of 78,946,976 free attaching listed options were issued (on a 1:2 basis) and allotted as part of the Company's Placement and Share Purchase Plan. The options were granted quotation on ASX under the code AQDOA. These options were exercisable at 3.5 cents each. During the year, 26,316 of these options were exercised and converted into ordinary shares. The remaining balance of 78,920,660, expired unexercised on 30 April 2018.

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

**Note 17. Equity - reserves**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Foreign currency reserve	3,475,888	3,318,058
Share-based payments reserve	327,929	246,599
	<u>3,803,817</u>	<u>3,564,657</u>

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

*Foreign currency reserve*

The reserve is used to recognise exchange differences arising from translation of the financial statements of foreign operations to Australian dollars and foreign currency gains and losses on net investments in foreign operations.

*Share-based payments reserve*

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

**Note 18. Financial instruments**

***Financial risk management objectives***

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

- Foreign currency 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.

***Foreign currency risk***

The Group undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

**AusQuest Limited**  
**Notes to the financial statements**  
**30 June 2018**

**Note 18. Financial instruments (continued)**

***Foreign currency risk (continued)***

The carrying amount of the Group's foreign currency denominated financial assets and financial liabilities at the reporting date, expressed in Australian dollars, was as follows:

	<b>Assets</b>		<b>Liabilities</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
<b>Consolidated</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
US dollars	1,838,036	848,721	1,157,708	919,060

**Foreign currency sensitivity analysis**

The sensitivity analyses of the Group's exposure to foreign currency risk at the reporting date has been determined based on a change of 10% in the value of the Australian dollar against the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

At reporting dated, if the Australian dollar was 10% stronger and all other variables were constant, the Group's net profit after tax would have decreased by \$68,033 (2017: net loss decrease of \$7,034) with a corresponding increase in equity. Where the Australian dollar weakened, there would be an equal and opposite impact on the profit after tax and equity.

***Price risk***

The Group is not exposed to any significant price risk.

***Interest rate risk***

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 profit after tax would have increased by \$22,556 (2017: \$8,499) with a corresponding increase in equity. Where interest rates decreased, there would be an equal and opposite impact on the profit after tax and equity.

***Credit risk***

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***

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.

**AusQuest Limited**  
**Notes to the financial statements**  
**30 June 2018**

**Note 18. Financial instruments (continued)**

***Liquidity risk (continued)***

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.

**2018**

	<b>CONSOLIDATED</b>					
	<b>Less than 1 month</b>	<b>1-3 months</b>	<b>3 months to 1 year</b>	<b>1 - 5 years</b>	<b>5+ years</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Financial assets</b>						
Non-interest bearing	131,283	-	-	-	-	131,283
Variable interest rate	4,511,294	-	-	-	-	4,511,294
Fixed interest rate	-	-	50,000	-	-	50,000
	<u>4,642,577</u>	<u>-</u>	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>4,692,577</u>
<b>Financial liabilities</b>						
Non-interest bearing	3,335,620	106,315	-	-	-	3,441,935
Fixed interest rate	-	-	317,159	-	-	317,159
	<u>3,335,620</u>	<u>106,315</u>	<u>317,159</u>	<u>-</u>	<u>-</u>	<u>3,759,094</u>

**2017**

	<b>CONSOLIDATED</b>					
	<b>Less than 1 month</b>	<b>1-3 months</b>	<b>3 months to 1 year</b>	<b>1 - 5 years</b>	<b>5+ years</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Financial assets</b>						
Non-interest bearing	50,386	-	-	-	-	50,386
Variable interest rate	1,689,745	-	-	-	-	1,689,745
Fixed interest rate	-	-	50,000	-	-	50,000
	<u>1,740,131</u>	<u>-</u>	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>1,790,131</u>
<b>Financial liabilities</b>						
Non-interest bearing	1,067,169	170,062	-	-	-	1,237,231
Fixed interest rate	-	-	750,000	-	-	750,000
	<u>1,067,169</u>	<u>170,062</u>	<u>750,000</u>	<u>-</u>	<u>-</u>	<u>1,987,231</u>

***Fair value of financial assets and liabilities***

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 other financial liabilities recorded in the financial statements approximate their net fair values.

***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 debt and equity, comprising loan from a director, 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.

**AusQuest Limited**  
**Notes to the financial statements**  
**30 June 2018**

**Note 19. Key management personnel disclosures**

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:

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Short term employee benefits	157,991	79,909
Post employment benefits	15,009	7,591
Share based payments (options granted)	-	-
Other benefits	24,996	16,664
	<u>197,996</u>	<u>104,164</u>

**Note 20. Remuneration of auditors**

During the financial year the following fees were paid or payable for services provided by the auditor of the Company:

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<i>Audit services</i>		
Audit and review of the financial statements	<u>37,000</u>	<u>35,750</u>

The auditor of AusQuest Limited is HLB Mann Judd.

**Note 21. Contingencies**

In the opinion of the directors, there were no material contingent liabilities as at 30 June 2018 and no contingent liabilities have arisen in the interval between the period end and the date of this financial report.

At reporting date the Company had contingent share issues to consultants of up to 14,500,000 (2017: 17,500,000) fully paid ordinary shares. The issue of these shares are staged over a period of up to four years and is dependent on certain agreed project and/or Joint Venture milestones being reached.

**Note 22. Commitments**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<i>Capital commitments</i>		
Committed at reporting date but not recognised as liabilities, payable:		
Within one year	1,296,643	777,367
After one year but not more than five years	7,404,571	4,274,469
More than 5 years	<u>1,656,000</u>	<u>1,656,000</u>
	<u>10,357,214</u>	<u>6,707,836</u>

Capital commitments includes minimum expenditures and rent payable under granted tenements. Certain of these commitments will be paid for by the Company's joint-venture partners. The Company also has the discretion to surrender one or more of these tenements and thereby avoid payment of these commitments.

*Lease commitments - operating*

Committed at reporting date but not recognised as liabilities, payable:

Within one year	<u>87,000</u>	<u>56,666</u>
-----------------	---------------	---------------

The Company entered into an operating lease for its office premises at 8 Kearns Crescent, Ardross.

**AusQuest Limited**  
**Notes to the financial statements**  
**30 June 2018**

**Note 23. Related party transactions**

*Parent entity*

AusQuest Limited is the parent entity.

*Subsidiaries*

Interests in subsidiaries are set out in Note 25.

*Key management personnel*

Disclosures relating to key management personnel are set out in Note 19 and the remuneration report in the Directors' Report.

*Transactions with related parties*

The following transactions occurred with related parties:

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Rent of premises <sup>(i)</sup>	-	3,542
Corporate advisory services <sup>(ii)</sup>	24,996	16,664
Convertible note and interest accrued <sup>(iii)</sup>	384,540	768,288

- i. The office premises were rented by the Company for the financial year from Asuper Pty Ltd, an entity associated with former director Mr John Ashley. The Company continued with the lease agreement post Mr Ashley's retirement from the Board on 8 July 2016.
- ii. The Company entered into a 12 month corporate advisory services agreement with Mr Hancock on 1 May 2015 (subsequently extended). Under the agreement Mr Hancock can receive annual fees of up to \$25,000 + GST. Mr Hancock was paid \$24,996 (excluding GST) for services rendered during the 12 month period ending 30 June 2018 (2017: \$16,664 excluding GST). This amount is included as part of Mr. Hancock's remuneration in the Remuneration Report.
- iii. On 3 October 2016, the Company executed a Convertible Note Agreement ("the Loan") with Mr Chris Ellis for a total loan facility of \$750,000 to help fund the Company's working capital. The Loan, which was fully drawn down by the Company on that date, had a maturity date of 3 April 2018 (18 months). On 4 October 2017, the Company announced that the maturity date of the convertible note has been extended to 30 November 2018. On 23 November 2017, the Company issued 21,642,048 ordinary shares at \$0.02 per share to partly convert \$432,841 of the convertible note as approved by shareholders at the Company's AGM on 22 November 2017. The Loan is interest free for six months and thereafter accrues interest at 10% per annum. The Company accordingly accrued \$67,381 (2017: \$18,288) in interest payable on the Loan at reporting date.

There were no other transactions with key management personnel during the year.

*Receivable from and payable to related parties*

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Current payables:		
Interest payable to Chris Ellis	67,381	33,117
Fee payable to Graeme Drew and related entity	18,250	21,551
Fee payable to Greg Hancock and related entity	2,291	2,291

*Loans to/from related parties*

Other than the convertible note payable to Chris Ellis of \$317,159 (2017: \$750,000), there were no loans to or from related parties at the current and previous reporting date.

*Terms and conditions*

All transactions were made on normal commercial terms and conditions and at market rates.

**AusQuest Limited**  
**Notes to the financial statements**  
**30 June 2018**

**Note 24. Parent entity information**

Set out below is the supplementary information about the parent entity.

	<b>Parent</b>	
	<b>2018</b>	<b>2017</b>
<i>Statement of profit or loss and other comprehensive income</i>	<b>\$</b>	<b>\$</b>
Profit/(Loss) after income tax for the year	925,618	(7,155,236)
Other comprehensive income	-	-
Total comprehensive profit/(loss)	<u>925,618</u>	<u>(7,155,236)</u>
<i>Statement of financial position</i>		
Total current assets	4,283,668	1,823,736
Total non-current assets	<u>4,218,271</u>	<u>3,716,944</u>
Total assets	<u>8,501,939</u>	<u>5,540,680</u>
Total current liabilities	3,450,729	1,963,180
Total non-current liabilities	<u>-</u>	<u>-</u>
Total liabilities	<u>3,450,729</u>	<u>1,963,180</u>
Equity		
Issued capital	57,253,653	56,786,891
Share-based payment reserve	327,929	246,599
Accumulated losses	<u>(52,530,372)</u>	<u>(53,455,990)</u>
Total equity	<u>5,051,210</u>	<u>3,577,500</u>

*Guarantees entered into by the parent entity in relation to the debts of its subsidiaries*

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2018 and 30 June 2017.

*Contingent liabilities*

The parent entity had no contingent liabilities as at 30 June 2018 and 30 June 2017.

Included in non-current assets are investments and loans to subsidiaries of \$5,164,310 (2017: \$2,440,941), the recoverability of which is dependent on the successful exploitation of the subsidiaries exploration assets.

*Capital commitments - Property, plant and equipment*

The parent entity had no capital commitments for property, plant and equipment at 30 June 2018 and 30 June 2017.



**AusQuest Limited**  
**Notes to the financial statements**  
**30 June 2018**

**Note 25. Interests in subsidiaries**

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 2:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2018 %	2017 %
Parent Entity			
AusQuest Limited (i)	Australia		
Controlled entities			
<i>Held directly by AusQuest Limited:</i>			
Fortescue Resources Limited	Australia	100%	100%
E&A Resources Pty Ltd	British Virgin Islands	100%	100%
Questdor SAC	Peru	100%	100%
Filigree SARL	Burkina Faso	100%	100%
<i>Held through E&amp;A Resources Pty Ltd:</i>			
Comoe Exploration SARL	Burkina Faso	100%	100%

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

**Note 26. Events after the reporting year**

On 20 August 2018, the Company announced that it has signed a Farm-In/Option Agreement with Westminster Resources Limited (TSX.V:WMR) covering five Mineral Concessions within the Puute-Ventura project area in southern Peru (Figure 1). This agreement consolidates the Company's tenement position in an area where previous drilling by the Company (2016) had indicated potential for a nearby porphyry copper system in areas surrounding the initial drill-holes. Please refer to the Company's announcement dated 20 August 2018 for the terms of this Agreement.

On 11 September 2018, the Company issued 1,000,000 ordinary shares to a consultant pursuant to a geological service consultancy agreement.

There has not been any other matter or circumstance occurring subsequent to 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.

**Note 27. Cash and cash equivalents**

	Consolidated	
	2018 \$	2017 \$
Cash at bank and on hand	4,520,934	1,694,181
	<u>4,520,934</u>	<u>1,694,181</u>

Cash at bank earns interest at floating rates based on daily bank deposit rates.

*Reconciliation to the Statement of Cash Flows:*

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on bank and cash on hand.

**AusQuest Limited**  
**Notes to the financial statements**  
**30 June 2018**

**Note 27. Cash and cash equivalents (continued)**

*Reconciliation of profit/(loss) after income tax to net cash used in operating activities:*

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Profit/(Loss) after income tax for the year from continued operations	783,678	(1,194,684)
Profit/(Loss) after income tax for the year from discontinued operations	(15,890)	(5,997,461)
	<u>767,788</u>	<u>(7,192,145)</u>
Adjustments for:		
Depreciation and amortisation	11,923	6,460
Share-based payment expenses	114,330	32,599
Exploration and evaluation expenditure impaired	754,926	7,263,512
Previously capitalised project offset against income from joint venture partner	-	65,073
R&D tax rebate reclassified as investing activities	(314,591)	(189,375)
Plant and equipment written off	2,142	-
Exploration and evaluation expenditure included in investing activities	-	77,603
Operating profit before working capital changes	<u>1,336,518</u>	<u>63,727</u>
Change in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables	(46,480)	13,545
Decrease/(increase) in other assets	98,345	(116,082)
(Decrease)/increase in payables	(25,198)	21,868
Increase/(decrease) in provisions	70,036	(25,820)
Net cash from/(used in) operating activities	<u>1,433,221</u>	<u>(42,762)</u>

**Note 28. Earnings/(Loss) per share**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>Cents</b>	<b>Cents</b>
Basic earnings/(loss) per share	<u>0.15</u>	<u>(1.44)</u>
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Profit/(Loss) after income tax attributable to the owners of AusQuest Limited	<u>767,788</u>	<u>(7,192,145)</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares	<u>515,351,647</u>	<u>499,813,830</u>

The options of the Company have an anti-dilutive in nature as the average market price of ordinary shares during the year does not exceed the exercise price of the options.

Diluted earnings/(loss) per share have not been calculated as the result does not decrease earnings per share or increase loss per share.

**AusQuest Limited**  
**Notes to the financial statements**  
**30 June 2018**

**Note 29. Share-based payments**

**Equity-settled payments**

During the year the Company settled payment for certain consulting services received through the issue of ordinary shares.

The Company issued 3,000,000 ordinary shares during the year in lieu of cash payments for consulting services rendered to the Group. 3,000,000 shares were issued on 11 January 2018. All shares were issued at the share price at the date the share-based payment arrangement was entered into. Consulting expenses of \$33,000 were recognised in the statement of profit or loss and other comprehensive income.

**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 year**

The following share-based payment arrangements were in existence during the current and comparative reporting years:

Option series	Number	Grant date	Expiry date	Exercise price \$	Fair value at grant date \$
30 Nov 2020	22,000,000 <sup>(i)</sup>	25 Nov 2015	30 Nov 2020	0.05	0.008
30 Nov 2020	6,000,000 <sup>(ii)</sup>	01 Dec 2015	30 Nov 2020	0.05	0.009
30 Nov 2020	2,000,000 <sup>(iii)</sup>	13 June 2017	30 Nov 2020	0.05	0.008
30 Nov 2020	9,500,000 <sup>(iv)</sup>	18 Dec 2017	30 Nov 2020	0.05	0.009

- (i) Following shareholder approval at the Annual General Meeting held on 25 November 2015, 22,000,000 unlisted options was issued to the directors. These options have an exercise price of 5 cents each and expire on 30 November 2020.
- (ii) On 1 December 2015 the Company issued 6,000,000 unlisted options to employees and contractors under the Company's Long Term Incentive Scheme ("LTIS"). The exercise price of the options under the LTIS was determined by the Directors. The employees eligible to participate in the plan are at the discretion of the directors. The options hold no voting rights and are not transferable. At reporting date no options have been exercised and the employees have not ceased employment.
- (iii) On 13 June 2017 the Company issued 2,000,000 unlisted options to a contractor on the same terms as those granted to employees and other contractors on 1 December 2015. The options hold no voting rights and are not transferable.
- (iv) On 18 December 2017, the Company issued 9,500,000 unlisted options to employees and contractors under the Company's Long Term Incentive Scheme ("LTIS"). The exercise price of the options of \$0.05 under the LTIS was determined by the Directors. The employees eligible to participate in the plan are at the discretion of the Directors. The options hold no voting rights and are not transferable. At reporting date no options have been exercised and the employees have not ceased employment.

The fair value of the all the options issued is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at valuation date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option. The options vest immediately and the Black-Scholes valuation is expensed on grant date.

The expense recognised in the statement of profit or loss and other comprehensive income in relation to share-based payments granted in 2018 is \$81,330 (2017: \$32,599). There were no share based payment options exercised during the financial years ended 30 June 2017 and 30 June 2018.

**AusQuest Limited**  
**Notes to the financial statements**  
**30 June 2018**

**Note 29. Share-based payments (continued)**

The table below summarises the model inputs for the options granted during the year and valued using the Black-Scholes option pricing model:

Inputs into the model	Option series: 30 Nov 2020 (Dec 2017 issue)	
Grant date share price (cents)	1.9 cents	
Exercise price (cents)	5.0 cents	
Expected volatility	104%	
Option life	3 years	
Dividend yield	-	
Risk-free interest rate	2.03%	

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:

	2018		2017	
	Number of Options	Weighted average exercise price \$	Number of Options	Weighted average exercise price \$
Balance at beginning of the financial year	30,000,000	0.05	28,000,000	0.05
Granted during the financial year	9,500,000	0.05	2,000,000	0.05
Lapsed during the financial year	-	-	-	-
Balance at end of the financial year (i)	39,500,000	0.05	30,000,000	30,000,000
Exercisable at end of the financial year	39,500,000	0.05	30,000,000	30,000,000

(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 2.42 years (2017: 3.42 years).

**AusQuest Limited**  
**Notes to the financial statements**  
**30 June 2018**

**Note 30. Discontinued operations**

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographic area of operations; or
- is part of a single coordinated plan to dispose of a separate major line of business or geographic area of operations.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive loss is re-presented as if the operation had been discontinued from the start of the comparative year.

During the year, the Company closed down its operations in Filigree SARL and Comoe Exploration SARL in Burkina Faso. These were assessed as discontinued operations at 30 June 2018. The comparative consolidated statement of profit or loss and other comprehensive income has been restated to show the discontinued operation separately from continuing operations.

**A. Results of discontinued operations**

	<b>30 June 2018</b>	<b>30 June 2017</b>
	<b>\$</b>	<b>\$</b>
Revenue	-	-
Foreign exchange movement	-	(318)
Administration costs	(15,890)	(1,590)
Impairment of exploration expenditure (i)	-	(5,995,553)
Loss before tax expense	(15,890)	(5,997,461)
Income tax expense	-	-
Net loss from discontinued operations	(15,890)	(5,997,461)
Basic/diluted loss per share (cents per share)	(0.00)	(1.20)

(i) The Company's joint venture partner, Burkinor SARL, advised on 3 February 2017 that all "second exceptional renewals" of titles (those held for more than 12 years) are being refused by the Burkina Faso authorities and that 6 of the 11 tenements held will not be renewed. Consequently, previously capitalised exploration and development costs associated with these tenements totalling \$5,995,553 have been impaired for the full year ended 30 June 2017. The impairment has been recognised in the statement of profit or loss and other comprehensive income.

**B. Cash flows from discontinued operations**

	<b>30 June 2018</b>	<b>30 June 2017</b>
	<b>\$</b>	<b>\$</b>
Net cash from/(used in) operating activities	14,326	(7,022)
Net cash used in investing activities	-	-
Net cash used in financing activities	-	-
Net cash inflow/(outflow) for the year	14,326	(7,022)

**AusQuest Limited**  
**Additional securities exchange information**

Additional information required by the Australian Securities Exchange and not shown elsewhere in this report is as follows. This information is current as at 31 August 2018.

**1. Registered office and principal 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 principal administrative office is 8 Kearns Crescent, Ardross, WA, 6153.  
 Telephone + 61 8 9364 3866

**2. Register of securities are held at the following address:**

Advanced Share Registry Services  
 110 Stirling Highway  
 Nedlands WA 6009  
 Telephone + 61 8 9389 8033

**3. Restricted securities**

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

**4. On-market buy back**

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

**5. Shareholdings**

**a. Distribution of shareholders**

Category (size of holding)	Ordinary shares	Number of holders
1 – 1,000	25,277	224
1,001 – 5,000	643,823	217
5,001 – 10,000	1,130,993	142
10,001 – 100,000	28,649,368	656
100,000 and over	495,116,295	521
Total shareholding	525,565,756	1,760

**b. Less than marketable parcels of shares**

The number of shareholdings held in less than marketable parcels is 838 given a share value of 1.8 cents per share.

**c. Voting rights**

The voting rights attached to each class of equity security are as follows:

Ordinary shares

Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has vote on a show of hands.

Options

Options over ordinary shares do not carry voting rights.

**AusQuest Limited**  
**Additional securities exchange information**

**d. 20 Largest shareholders – ordinary shares**

NAME	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1 Chrysalis Investments Pty Ltd	104,455,634	19.87%
2 Mr Graeme Drew & Mrs Barbara J Drew	13,553,966	2.58%
3 ASuper Pty Ltd / Mrs Nova V Ashley	13,211,000	2.51%
4 Citicorp Nominees Pty Limited	11,423,431	2.17%
5 Novasc Pty Ltd (Bellis Australia S/F A/C)	11,265,952	2.14%
6 Mr Micheal James Sherington & Miss Katrina Louise Weier	7,657,037	1.46%
7 Mr James Thornett and Susan Thornett	7,332,109	1.40%
8 Buckland Capital Pty Ltd (D Millar S/F A/C)	7,300,000	1.39%
9 Sarelda Pty Ltd (The Sarelda Super Fund A/C)	7,165,653	1.36%
10 Invia Custodian Pty Limited (R&G Chadwick A/C)	6,230,000	1.19%
11 Jetosea Pty Ltd	6,153,810	1.17%
12 Stadjoy Pty Ltd	6,000,000	1.14%
13 Mr Peter James Walker	5,289,474	1.01%
14 Botsis Holdings Pty Ltd	5,000,000	0.95%
15 Mr Gregory George Hancock	4,586,415	0.87%
16 Mineral Royalties Online Pty Ltd	4,000,000	0.76%
17 Bnp Paribas Noms Pty Ltd	3,969,335	0.76%
18 Prisap Pty Ltd <Innes Super Fund A/C>	3,761,552	0.72%
19 Carrom Australia Pty Ltd	3,500,000	0.67%
20 Mrs Courtney Jane Sutherland	3,374,407	0.64%
<b>TOTAL</b>	<b>235,229,775</b>	<b>44.76%</b>

**e. Substantial shareholders**

Substantial shareholders listed in the Company's holding register as at 31 August 2018:

NAME	Number of fully paid ordinary shares held	Number of unlisted options held
1 Chrysalis Investments Pty Ltd (a company associated with Mr C Ellis)	104,455,634	4,000,000
	<b>104,455,634</b>	<b>4,000,000</b>

**6. Company secretary**

The name of the Company secretary is Henko Vos.

**7. Securities exchange listing**

Quotation has been granted for all the ordinary shares of the Company on the Australian Securities Exchange ('AQD').

**8. Unquoted securities**

Terms	Unlisted Options	
	Number	Number of holders
1 Unlisted options exercisable at 5 cents each on or before 30 November 2020	39,500,000	10
	<b>39,500,000</b>	<b>10</b>

**9. Unquoted equity security holdings greater than 20%**

At 31 August 2018 Mr Drew (Executive Director) was the only holder of unquoted equity securities greater than 20%, with a holding of 10,000,000.



**AusQuest Limited  
Tenements**

**Project Tenements as at 4<sup>th</sup> September 2018**

Tenement	Location	Lease Status	Registered Holder	Interest Held
<b><u>Australia</u></b>				
E69/3246	WA, Balladonia	Granted	AusQuest Ltd.	100%
E69/3317	WA, Balladonia	Granted	AusQuest Ltd.	100%
E69/3361	WA, Balladonia	Granted	AusQuest Ltd.	100%
E69/3394	WA, Balladonia	Application	AusQuest Ltd.	100%
E69/3558	WA, Balladonia	Application	AusQuest Ltd.	100%
E69/3559	WA, Balladonia	Application	AusQuest Ltd.	100%
E69/3415	WA, East Capricorn	Granted	AusQuest Ltd.	100%
E69/3572	WA, East Capricorn	Application	AusQuest Ltd.	100%
E69/3573	WA, East Capricorn	Application	AusQuest Ltd.	100%
E69/3574	WA, East Capricorn	Application	AusQuest Ltd.	100%
E69/3575	WA, East Capricorn	Application	AusQuest Ltd.	100%
E63/1742	WA, Jimberlana	Granted	AusQuest Ltd.	100%
E08/2754	WA, Bluebilly	Granted	AusQuest Ltd.	100%
E08/2904	WA, Bluebilly	Granted	AusQuest Ltd.	100%
E52/3501	WA, Perry Creek	Granted	AusQuest Ltd.	100%
E52/3502	WA, Perry Creek	Granted	AusQuest Ltd.	100%
E52/3585	WA, Perry Creek	Application	AusQuest Ltd.	100%
E52/3642	WA, Perry Creek	Application	AusQuest Ltd.	100%
E52/3643	WA, Perry Creek	Application	AusQuest Ltd.	100%
E52/3544	WA, Carramulla	Granted	AusQuest Ltd.	100%
E52/3602	WA, Carramulla	Application	AusQuest Ltd.	100%
E52/3603	WA, Tangadee	Granted	AusQuest Ltd.	100%
EPM 26681	QLD, Hamilton	Granted	AusQuest Ltd.	100%
EPM 26682	QLD, Hamilton	Granted	AusQuest Ltd.	100%

**AusQuest Limited  
Tenements**

**Project Tenements as at 4<sup>th</sup> September 2018 (continued)**

Tenement	Location	Lease Status	Registered Holder	Interest Held
<b><u>Peru</u></b>				
Azucar West 04	Moquegua	Application	Questdor SAC	100%
Azucar West 05	Moquegua	Application	Questdor SAC	100%
Azucar West 06	Moquegua	Application	Questdor SAC	100%
Azucar West 07	Moquegua	Application	Questdor SAC	100%
Azucar West 08	Moquegua	Application	Questdor SAC	100%
Azucar West 09	Moquegua	Application	Questdor SAC	100%
Azucar West 10	Moquegua	Application	Questdor SAC	100%
Azucar West 11	Moquegua	Application	Questdor SAC	100%
Azucar West 12	Moquegua	Application	Questdor SAC	100%
Azucar West C	Moquegua	Granted	Questdor SAC	100%
Azucar West D	Moquegua	Granted	Questdor SAC	100%
Azucar West E	Moquegua	Granted	Questdor SAC	100%
Cerro Ardines 01	Arequipa	Application	Questdor SAC	100%
Cerro Ardines 02	Arequipa	Application	Questdor SAC	100%
Cerro Ardines 03	Arequipa	Application	Questdor SAC	100%
Cerro Ardines 04	Arequipa	Application	Questdor SAC	100%
Cerro Ardines 05	Arequipa	Application	Questdor SAC	100%
Cerro Ardines 06	Arequipa	Application	Questdor SAC	100%
Cerro Ardines 07	Arequipa	Application	Questdor SAC	100%
Cerro Ardines 08	Arequipa	Application	Questdor SAC	100%
Cerro Ardines 10	Arequipa	Application	Questdor SAC	100%
Cerro De Fierro A	Arequipa	Granted	Questdor SAC	100%
Cerro De Fierro B	Arequipa	Granted	Questdor SAC	100%
Cerro De Fierro C	Arequipa	Granted	Questdor SAC	100%
Chololo 1	Moquegua	Granted	Questdor SAC	100%
Chololo 2	Moquegua	Granted	Questdor SAC	100%
Chololo 4	Moquegua	Granted	Questdor SAC	100%
Los Otros 01	Moquegua	Granted	Questdor SAC	100%
Los Otros 02	Moquegua	Granted	Questdor SAC	100%
Los Otros 03	Moquegua	Granted	Questdor SAC	100%
Los Otros 04	Moquegua	Granted	Questdor SAC	100%
Los Otros 05	Moquegua	Granted	Questdor SAC	100%
Los Otros 06	Moquegua	Granted	Questdor SAC	100%
Los Otros 07	Moquegua	Granted	Questdor SAC	100%
Los Otros 08	Moquegua	Granted	Questdor SAC	100%
Pampa Camarones 01	Arequipa	Granted	Questdor SAC	100%
Pampa Camarones 02	Arequipa	Granted	Questdor SAC	100%
Pampa Camarones 03	Arequipa	Granted	Questdor SAC	100%
Pampa Camarones 04	Arequipa	Granted	Questdor SAC	100%
Pampa Camarones 05	Arequipa	Granted	Questdor SAC	100%
Pampa Camarones 06	Arequipa	Granted	Questdor SAC	100%
Pampa Camarones 07	Arequipa	Granted	Questdor SAC	100%
Pampa Camarones 08	Arequipa	Granted	Questdor SAC	100%
Pampa De Las Pulgas AD	Moquegua	Granted	Questdor SAC	100%
Pampa De Las Pulgas AE	Moquegua	Granted	Questdor SAC	100%
Pampa De Las Pulgas AF	Moquegua	Granted	Questdor SAC	100%
Pampa De Las Pulgas AH	Moquegua	Granted	Questdor SAC	100%
Pampa De Las Pulgas J	Moquegua	Granted	Questdor SAC	100%
Pampa De Las Pulgas K	Moquegua	Granted	Questdor SAC	100%
Pampa De Las Pulgas L	Moquegua	Granted	Questdor SAC	100%

**AusQuest Limited  
Tenements**

Tenement	Location	Lease Status	Registered Holder	Interest Held
<b><i>Peru Cont.</i></b>				
Pampa De Las Pulgas M	Moquegua	Granted	Questdor SAC	100%
Pampa De Las Pulgas N	Moquegua	Granted	Questdor SAC	100%
Pampa De Las Pulgas O	Moquegua	Granted	Questdor SAC	100%
Pampa De Las Pulgas P	Moquegua	Granted	Questdor SAC	100%
Pampa De Las Pulgas Q	Moquegua	Granted	Questdor SAC	100%
Pampa De Las Pulgas R	Moquegua	Granted	Questdor SAC	100%
Pampa De Las Pulgas S	Moquegua	Granted	Questdor SAC	100%
Pampa De Las Pulgas T	Moquegua	Granted	Questdor SAC	100%
Pampa De Las Pulgas U	Moquegua	Granted	Questdor SAC	100%
Pampa De Las Pulgas VA	Moquegua	Granted	Questdor SAC	100%
Pampa De Las Pulgas W	Moquegua	Granted	Questdor SAC	100%
Pampa De Las Pulgas X	Moquegua	Granted	Questdor SAC	100%
Pampa De Las Pulgas Y	Moquegua	Granted	Questdor SAC	100%
Pampa De Las Pulgas Z	Moquegua	Granted	Questdor SAC	100%
Parcoy 01	Arequipa	Application	Questdor SAC	100%
Parcoy 02	Arequipa	Application	Questdor SAC	100%
Parcoy 03	Arequipa	Application	Questdor SAC	100%
Parcoy 04	Arequipa	Application	Questdor SAC	100%
Parcoy 05	Arequipa	Application	Questdor SAC	100%
Parcoy 06	Arequipa	Application	Questdor SAC	100%
Parcoy 07	Arequipa	Application	Questdor SAC	100%
Parcoy 08	Arequipa	Application	Questdor SAC	100%
Parcoy 09	Arequipa	Application	Questdor SAC	100%
Parcoy 10	Arequipa	Application	Questdor SAC	100%
Pinguino 1	Arequipa	Granted	Questdor SAC	100%
Pinguino F	Arequipa	Granted	Questdor SAC	100%
Pinguino G	Arequipa	Granted	Questdor SAC	100%
Pinguino H	Arequipa	Granted	Questdor SAC	100%
Pinguino I	Arequipa	Granted	Questdor SAC	100%
Ventura 1	Moquegua/Tacna	Application	Questdor SAC	100%
Ventura 2	Moquegua	Granted	Questdor SAC	100%
Ventura 3	Moquegua/Tacna	Application	Questdor SAC	100%
Ventura 4	Moquegua/Tacna	Granted	Questdor SAC	100%
Ventura 5	Moquegua	Granted	Questdor SAC	100%