AUSQUEST LIMITED

ABN 35 091 542 451

Quarterly Report – 31st December 2013

Busy Quarter for AusQuest with the first phase of nickel exploration drilling in the Fraser Range and preparations for the start of copper-gold drilling in Peru.

HIGHLIGHTS

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

- Fixed loop EM surveys identified a new strong EM target at the Lambda prospect.
- Initial drill testing (6 holes for 1,546m) of the Lambda, Alpha, Beta and Omega prospects was completed in January 2014. No visible base metal mineralisation was reported. Assays are pending.
- A new title application was submitted over a possible extension of the prospective Fraser Range mafic sequence outlined by gravity data released by the WA Geological Survey.

PERU – COPPER-GOLD

- Permitting is in progress over three of the seven copper-gold prospects identified in Peru's southern coastal belt to enable target drilling to commence in Q2 2014.
- Environmental approval has been obtained for drilling of the Lana gravity target.
- Community meetings regarding drilling at the Cardonal and Puite IOCG and porphyry copper prospects are scheduled for late January and early February 2014.
- Large-scale targets associated with surface copper occurrences and porphyry-style alteration, have been outlined at Cardonal and Puite.
- Cliffs Natural Resources Exploration (CNRE) requested additional time to decide on their continued participation in selected prospects within the Peru JV. A decision on their future participation is expected shortly.

CORPORATE

- The Company successfully completed a capital raising of $2.75M by way of a *Placement* to sophisticated and professional investors and a *Securities Purchase Plan (SPP)* offered to shareholders.
- Cash reserves of ~$2.5M at the end of December 2013, which will enable the Company to progress its planned exploration programs in the Fraser Range and in southern Peru.

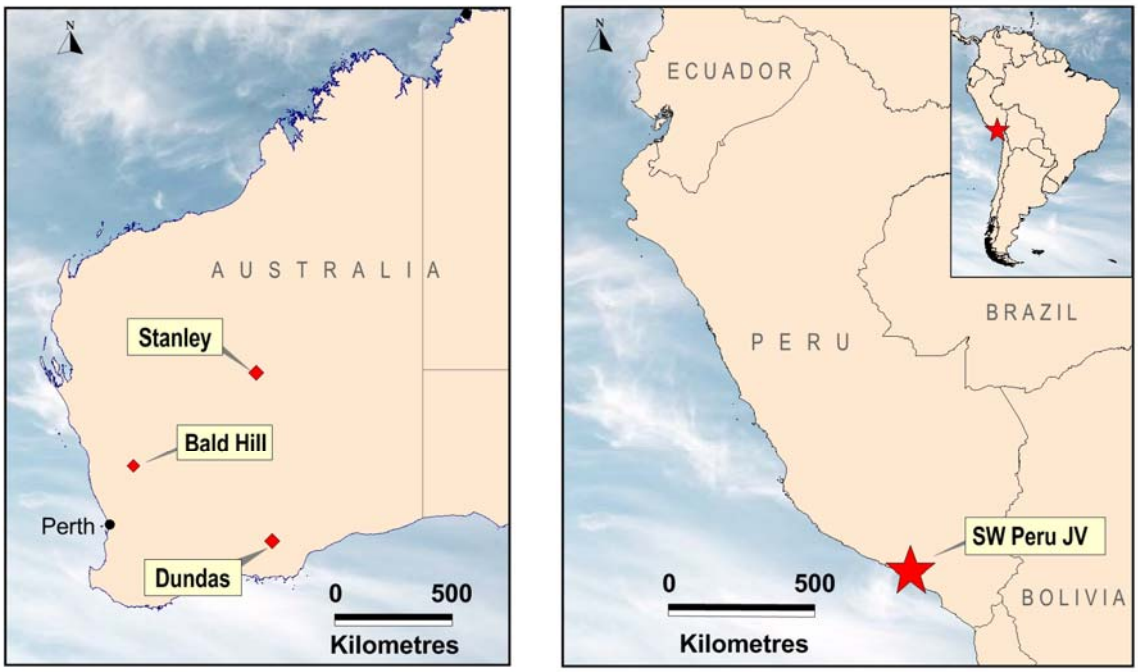

Figure 1: Project Locations – Australia and Peru

OVERVIEW

The December Quarter was an active period for AusQuest Limited (ASX: AQD), with key activities including the commencement of a maiden drilling program at the Dundas Nickel-Copper Project in the Fraser Range area of WA and continued preparations for the start of drilling within the Company's emerging portfolio of Peruvian copper-gold projects in South America.

In Australia (*Figure 1*), exploration activities focused on finalising drill targets at the Dundas Project, located approximately 80km south of the Nova-Bollinger nickel-copper discoveries (Sirius Resources), and completing the initial drilling program to test four prospects identified by a combination of ground EM and sampling.

In Peru, consultants were engaged to undertake drill permitting over three of the Company's priority copper-gold prospects (Cardonal, Puite and Lana) to enable drilling operations to commence in the second Quarter of 2014.

Work in Burkina Faso (West Africa) continued to focus on obtaining three-year renewals for titles held by Comoe Exploration (a 100%-owned subsidiary of AusQuest) as well as conducting limited sampling within selected prospects.

During the Quarter, the Company successfully completed a capital raising by way of a Placement to sophisticated and professional investors as well as a Securities Purchase Plan (SPP) for the Company's existing shareholders on the same terms and conditions.

AUSTRALIA – BASE METAL PROJECTS

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

The Dundas Project is located ~100km east-southeast of Norseman (WA), and ~80km south-west of the Nova-Bollinger nickel-copper discovery (Sirius Resources). The tenements cover an area of ~450km² within a structurally complex region bordering the south-west margin of the main Fraser Range Complex which hosts the Nova discovery.

During the Quarter, additional fixed loop electromagnetic (FLEM) surveys were completed by GEM Geophysics, resulting in the identification of a strong conductor (Lambda), located close to the previously identified Alpha, Beta and Omega EM targets. Modelling of the results at Lambda

indicated possible overlapping conductors, both plunging shallowly to the north with the largest conductor at least 800m long and ~200m deep at its shallowest end.

Initial drill testing of the four EM targets (Alpha, Beta, Omega and Lambda) was completed in January 2014 with four diamond and two Reverse Circulation (RC) drill-holes completed for a total of 1,546 metres as detailed in the table below:

Hole No	Prospect	Easting	Northing	Azimuth	Dip	Total Depth
13DSDD034	Omega	466123	6387646	90	-70	397.2
13DSDD035	Lambda	467452	6388744	180	-75	343.2
13DSDD036	Alpha	465402	6388995	270	-60	205.0
13DSDD037	Lambda	467452	6388952	180	-75	402.9
14DSRC040	Beta	471462	6384756		-90	78.0
14DSRC041	Beta	471410	6384751	60	-55	120.0

At the **Lambda** prospect (*Figure 2*), both drill holes intersected narrow zones (~20cm) of coarse grained massive and/or matrix sulphides (pyrrhotite, pyrite) associated with siliceous alteration within a felsic gneiss sequence.

The sulphide intersections closely correlate with the interpreted position of the upper EM conductor but no cause of the lower conductor was identified. The sulphide unit is relatively flat-lying as predicted by modelling, and cross cuts the gneissic foliation, suggesting a structural association.

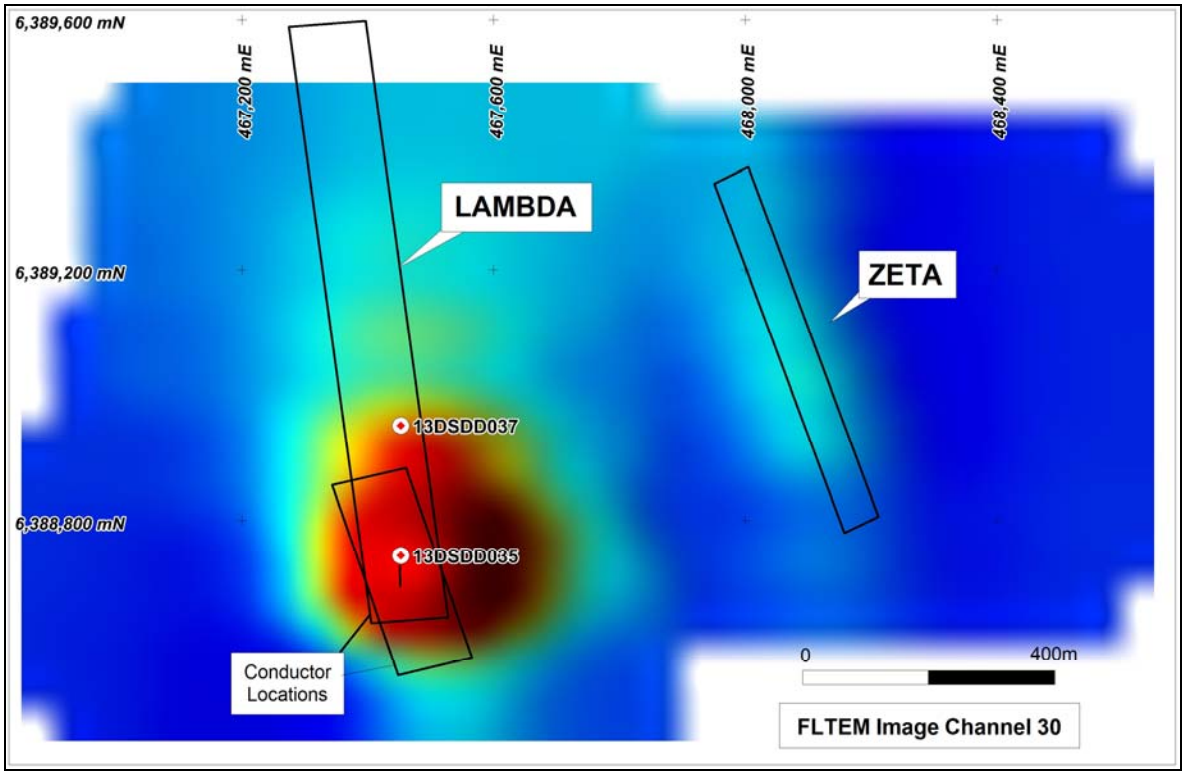

Figure 2: Lambda FLTEM Target showing drill-hole locations

DHEM surveys confirmed a strong in-hole response associated with the sulphide mineralisation but no response near the lower conductor position. No obvious base metal mineralisation was visible in the core. Assays are pending.

At the **Omega** prospect (*Figure 3*), drilling intersected narrow zones (~0.5m) of

graphitic schist associated with low-level sulphides (dominantly pyrite) over a total width of ~14m, within an intermediate schistose host rock.

DHEM surveys confirmed that the EM target had been intersected by the drilling, although modelling suggests the largest portion of the EM target occurs below the current drill intersection.

Drilling at the **Alpha** and **Beta** prospects located sulphide mineralisation (mainly pyrite) associated with steeply-dipping graphitic schists within felsic and mafic gneisses, reflecting probable fault zones within the sequence. At the Beta prospect a larger thickness of mafic rocks was intersected, possibly explaining the nickel-copper anomaly located by the soil sampling program over this conductor.

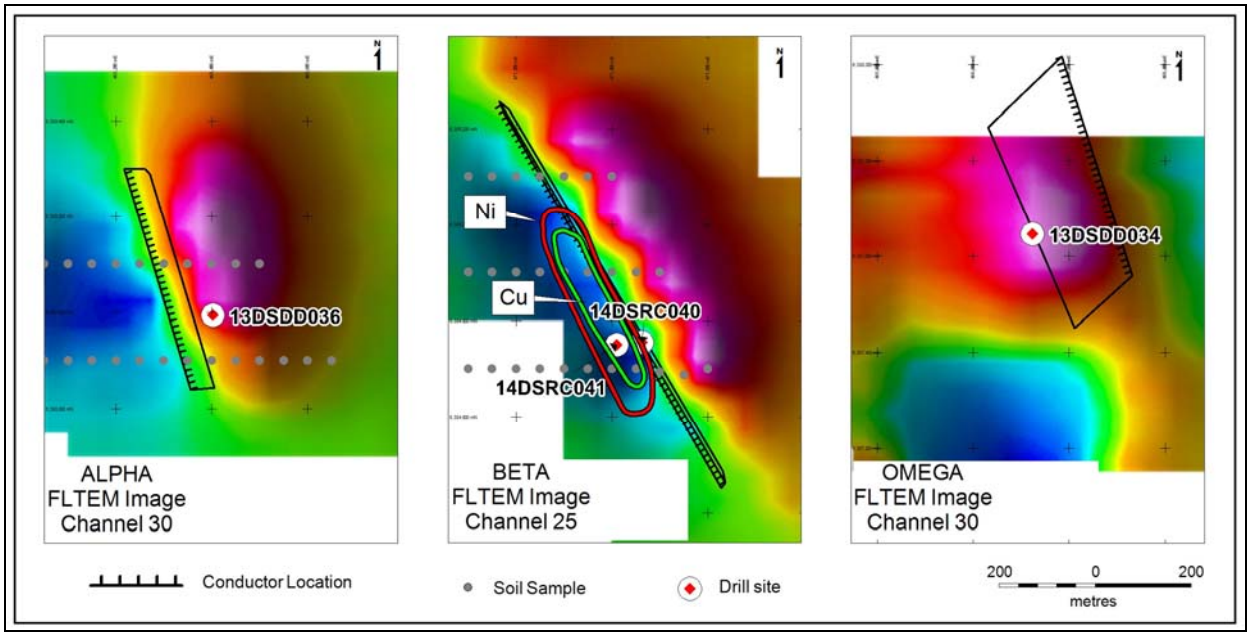

Figure 3: FLTEM Targets – Alpha, Beta, and Omega prospects showing drill hole locations

DHEM surveys at both sites confirmed the upper portions of the EM target zones had been intersected by the drilling. All samples from the drilling program have been sent to the Ultra Trace laboratory in Perth for assay with final results expected in mid-February 2014.

During the Quarter, AusQuest submitted new tenement applications over possible extensions of the Fraser Range mafic sequence as indicated by gravity data released by the Geological Survey of WA (*Figure 4*).

The tenement located to the south of the Dundas Project covers the southern half of a regional gravity high thought to reflect a continuation of the mafic granulite sequence that hosts the Nova deposit. Initial field work over this area awaits grant of the title.

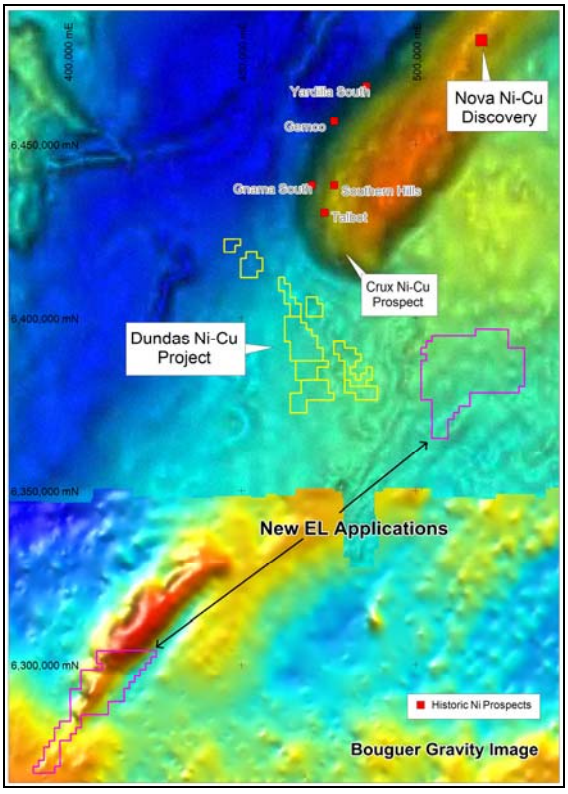

Figure 4: Fraser Range tenement applications

An evaluation of the broader project's nickel-copper prospectivity is planned once all assay results have been received. A significant strike length of possible mafic host rocks within the Company's existing tenement package and new tenement application still remain to be tested, especially given the high nickel-copper prospectivity of the Fraser Range region as evidenced by the Nova-Bollinger discoveries.

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

The Stanley Project is located 170km east of Wiluna in Western Australia, within the Earaheedy Basin. Manganese mineralisation in the area occurs at several different stratigraphic locations around the basin and is often associated with carbonate units that are located stratigraphically above the Frere Iron Formation.

During the Quarter, a small RC drilling program (13 holes for 705m) was completed to provide an initial test of the previously identified VTEM target at the Dome prospect and to in-fill previous drilling at the Windidda prospect (reported in the Company's September 2010 Quarterly Report) where high background manganese values (between 2.0% and 5.0% Mn – including an intersection of 3m at 13.1% Mn) had been located by earlier drilling.

At Dome, 11 shallow drill-holes for 528 metres were completed along three broadly spaced traverses (~1.5km apart) with holes spaced at ~200m intervals across the target zone (*Figure 5*). No significant manganese assays were reported, however no obvious cause of the VTEM anomaly was identified suggesting the original target may not have been tested.

At Windidda, the two infill drill-holes intersected broad zones of anomalous manganese (between 40 and 50 metres thick with average manganese grades of ~3%Mn) associated with manganese veinlets within a dominantly mudrock sequence, confirming the continuity of this enriched zone for several kilometres down-dip (*Figure 5*).

Further exploratory work is under consideration to identify areas in proximity to faults where enhanced manganese enrichment may occur.

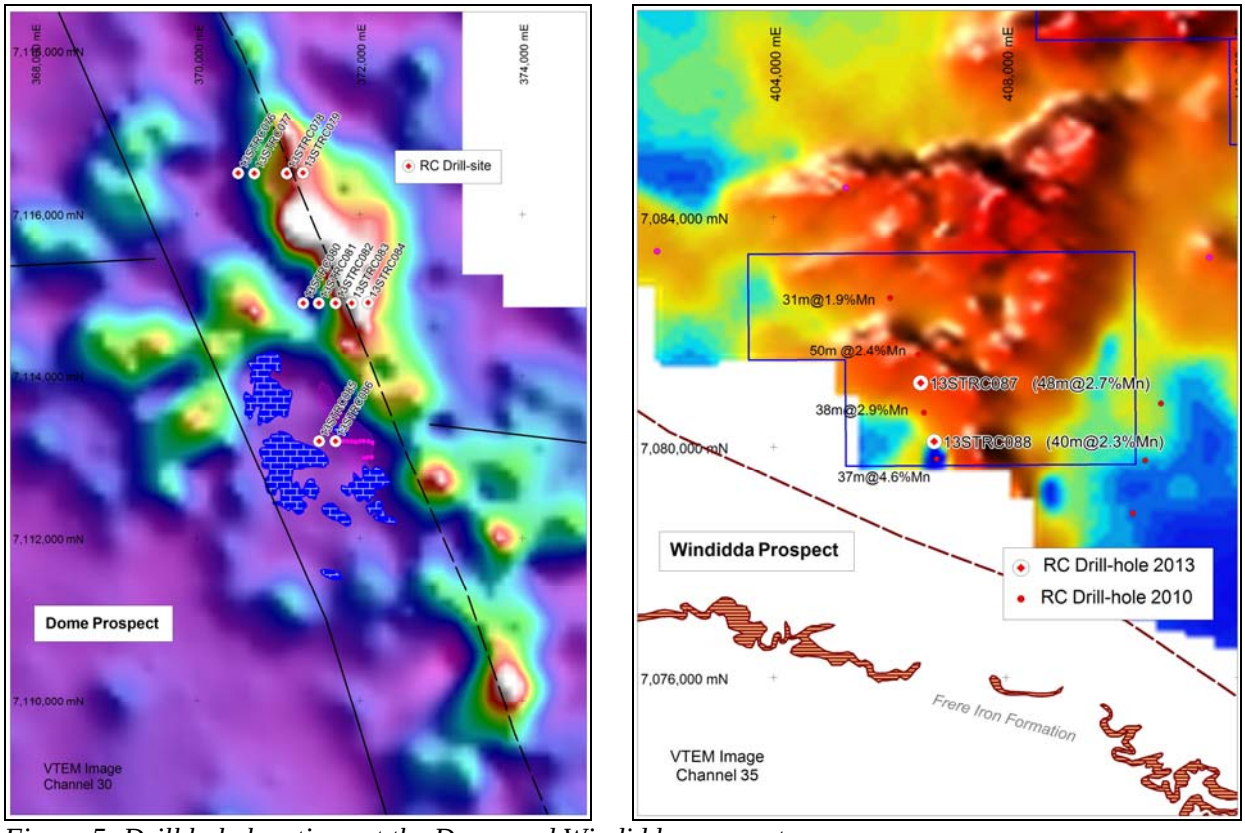

Figure 5: Drill hole locations at the Dome and Windidda prospects

Bald Hill Project *(100% AQD)*

The Bald Hill Project is located ~300km north of Perth in Western Australia. The tenement covers a large (~15km²) coincident gravity and magnetic anomaly that may reflect potential for iron-oxide copper-gold (IOCG) mineralisation or Ni-Cu-PGM mineralisation associated with a mafic/ultramafic host sequence.

During the Quarter the Company was advised that its application for funding assistance under the Department of Minerals and Energy's "Co-Funding for Exploration Drilling Initiative" had been successful. Under the initiative, the DMP will provide 50% of the drilling costs up to a maximum of $130,000 for drilling proposed to test the coincident gravity/magnetic anomalies at Bald Hill.

Assay results from limited wide-spaced soil sampling across the target area suggest the presence of mafic rocks within this dominantly granitic terrain, indicating the potential for possible nickel-copper mineralisation.

PERU COPPER-GOLD PROJECTS

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

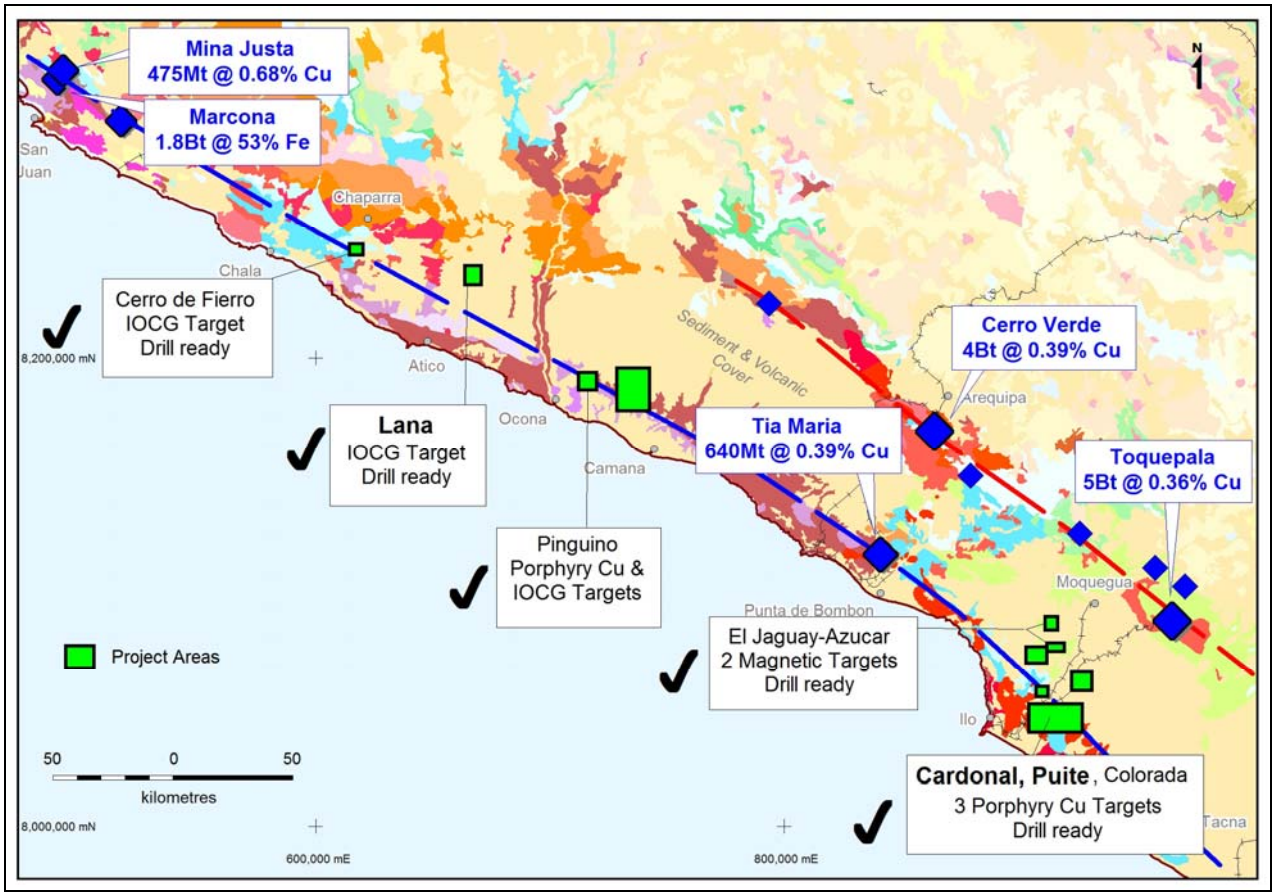

Figure 6: Peru Project Locations

A least seven large-scale drill targets (*Figure 6*) have been identified through a combination of geological mapping and sampling, and ground-based geophysical surveys within the Company's tenements along the southern coastal belt of Peru (see September 2013 Quarterly Report).

These targets represent possible iron-oxide copper-gold (IOCG) and/or porphyry copper targets, each with the size potential to be a significant project for the Company. Low priority tenements have been surrendered to maximise expenditures within these higher priority areas.

During the Quarter, the Company's focus was on obtaining the required permits to enable drill testing of at least three of the seven targets (Lana, Cardonal and Puite) to commence. Local consultants were engaged to facilitate the process. It is envisaged that a larger drilling campaign would provide better economies of scale and reduce drilling and mobilisation costs. Drilling is expected to commence during the second Quarter of 2014.

Environmental approval for drilling of the Lana gravity target was obtained based on an Environmental Impact Survey and following a series of community consultations. Community meetings to discuss drilling at the Cardonal and Puite prospects are scheduled for late January and early February 2014.

Discussions with Cliffs Natural Resources Exploration (CNRE) regarding their continued participation in selected prospects within the Peru JV were extended beyond the scheduled date of 29th November 2013, following a request from CNRE for more time to consider their position.

A response from CNRE regarding drilling recommendations for the Cardonal, Puite, Colorado and Cerro de Fierro prospects is expected shortly.

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

GOLD – WEST AFRICA

Comoe Project *(AQD 100%)*

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

During the Quarter, site visits were held with representatives from the Ministry of Mines and Energy as part of the ongoing renewal process for six of the Company's tenements in the Banfora region.

Limited rock-chip sampling from the Mouro South, and Temassigui prospects (Kapagouan) and from the Cisaillee prospect north of Phaco Hill (Komoe) returned several high-grade gold assays in excess of 10g/t Au, highlighting potential for higher grade mineralisation at these prospects.

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

BUSINESS DEVELOPMENT

AusQuest continues to look for opportunities both within Australia and offshore with the aim of adding value to the Company especially in areas of immediate interest to the Company.

CORPORATE

During the Quarter, the Company successfully completed a capital raising of $2.75 million by way of a Placement to sophisticated and professional investors and a Securities Purchase Plan (SPP) offered to shareholders under the same terms and conditions.

The funds raised will primarily be used for drilling targets identified within the Fraser Range Project in WA and large-scale porphyry copper and/or IOCG targets in Peru.

Shareholder approval for the issue of shares and options under the SPP was obtained at the Company's AGM on November 26th 2013.

Cash reserves at 31st December 2013 are approximately $2.5 million.

KEY ACTIVITIES – MARCH 2014 QUARTER

The following activities are planned for the March 2014 Quarter:

- Dundas (Ni-Cu) – Evaluate results from drilling and plan future programs;
- Peru (Cu-Au) – Continue drill permitting for the Cardonal and Puite prospects;
- Peru (Cu-Au) – Finalise drill permitting at Lana;
- Peru (Cu-Au) – Mapping and sampling at the Pinguino prospect;
- Comoe (Au) – Tenement renewals for Banfora titles.



Graeme Drew
Managing Director

COMPETENT PERSON'S STATEMENT

The details contained in this report that pertain to exploration results are based upon information compiled by Mr Graeme Drew, a full-time employee of AusQuest Limited. Mr Drew is a Fellow of the Australasian Institute of Mining and Metallurgy (AUSIMM) and has sufficient experience in the activity which he is undertaking to qualify as a Competent Person as defined in the December 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (JORC Code). Mr Drew consents to the inclusion in the report of the matters based upon his information in the form and context in which it appears. The information presented in this report in relation to the Fraser Range Project is extracted from the ASX announcement dated 28 January 2014 titled 'Fraser Range Drilling Update'. The Competent Person responsible for that announcement is Mr. Graeme Drew. The report is stored on the ASX website under ASX- AQD, and on the Company's website at www.ausquest.com.au. AusQuest confirms that it is not aware of any new information or data that materially affects the information included in that announcement.

FORWARD LOOKING STATEMENT

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

AUSQUEST TENEMENT HOLDINGS

(as at 31 December 2013)

Location	Tenement	Ownership
AUSTRALIA		
DUNDAS		
West Aust.	E63/1000	100%
West Aust.	E63/1001	100%
West Aust.	E63/1002	100%
West Aust.	E63/1003	100%
West Aust.	E63/1004	100%
STANLEY		
West Aust.	E69/2503	30%
West Aust.	E53/1403	30%
West Aust.	E38/2167	30%
West Aust.	E38/2168	30%
West Aust.	E69/2587	30%
West Aust.	E38/2239	30%
West Aust.	E38/2240	30%
West Aust.	E53/1460	30%
West Aust.	E38/2764	30%
West Aust.	E38/2765	30%
BALD HILL		
West Aust.	E59/1937	100%
WEST AFRICA		
Burkina Faso	Komoe	100%
Burkina Faso	Finkere	100%
Burkina Faso	Kangounadeni	100%
Burkina Faso	Kaouradeni	100%
Burkina Faso	Tiefora	100%
Burkina Faso	Tondoura	100%
Burkina Faso	Logoniegue	100%
Burkina Faso	Kapagouan	100%
Burkina Faso	Noumoussou	100%
PERU (SOUTH AMERICA)		
PERU	Cerro De Fierro A, B, C (3)	30%
PERU	Lana C, D, G, H (4)	100%
PERU	Pinguino F, G, H, I (4)	100%
PERU	Ceniceros Rojos A to N (14)	100%
PERU	El Jaguay A, B (2)	100%
PERU	Sugar A, B (2)	100%
PERU	Azucar X, Y, AA (3)	100%
PERU	Azucar West A to D (4)	100%
PERU	Pampa Del Pulgas J, K, M to T, V to Y, AA to AF (20)	30%

JORC Code, 2012 Edition – Table 1 report, AusQuest RC Drilling at Stanley

Section 1 Sampling Techniques and Data

(Criteria in this section apply to all succeeding sections.)

Criteria	JORC Code explanation	Commentary
Sampling techniques	• *Nature and quality of sampling (eg cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling.* • *Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.* • *Aspects of the determination of mineralisation that are Material to the Public Report.* • *In cases where 'industry standard' work has been done this would be relatively simple (eg 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (eg submarine nodules) may warrant disclosure of detailed information.*	• RC drill-cutting samples were collected at 1m intervals, riffle-split with 1/8 (about 3 kg) bagged and retained for possible later geochemical analysis. • Composite 4m samples were prepared by PVC tube-spearing successive 1m spoil piles of un-bagged (residual) sample. • The composite 4m spear-samples (of about 3 kg) are used to provide **indicative** geochemistry to save on assay cost. • Where indicated by 4m composite sample geochemical results, or visual identification of significant mineralization, the 1m riffle-split samples were submitted for geochemistry in addition to, or instead of the 4m composite samples. • Each 4m (~3 kg) composite sample, or 1m (3 kg) riffle-split sample is re-split and pulverized in the laboratory to obtain a pulp for which >80% passes a 75µm sieve mesh.
Drilling techniques	• *Drill type (eg core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (eg core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc).*	• RC Drilling with a face sampling hammer has been used, with a hole diameter of approximately 120.65 mm (4¾"). • No down hole surveys were undertaken as holes were shallow (~50m to 100m).
Drill sample recovery	• *Method of recording and assessing core and chip sample recoveries and results assessed.* • *Measures taken to maximise sample recovery and ensure representative nature of the samples.* • *Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.*	• Estimates of sample loss are judged by the size of sample provided and recorded by the on-site geologist on the drill log. • Wet and/or dry samples are recorded on the log. • Experienced RC drillers and appropriate rig and compressor matching are used to provide maximum sample recovery and where possible, a dry hole. • At this early stage of exploration, it is not known if there is a relationship between sample recovery and assay grade.
Logging	• *Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.*	• RC sample chips are logged by experienced geologists to identify key rock types and mineralization types and styles. • Sample logging is qualitative with visual estimates of mineralization

Criteria	JORC Code explanation	Commentary
	• *Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography.* • *The total length and percentage of the relevant intersections logged.*	made for later comparison with assay results. • All samples are logged.
Sub-sampling techniques and sample preparation	• *If core, whether cut or sawn and whether quarter, half or all core taken.* • *If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry.* • *For all sample types, the nature, quality and appropriateness of the sample preparation technique.* • *Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.* • *Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling.* • *Whether sample sizes are appropriate to the grain size of the material being sampled.*	• RC samples are collected every metre from the cyclone and passed through a three-tier riffle splitter, giving a 1 to 7 split. The 7/8 sample residue for each metre is presented in rows on the ground, corresponding to sample depth. • 4-metre composite samples were collected using a PVC tube of about 5cm internal diameter. Similar volumes of cuttings were "speared" from each of four adjacent 1m spoil piles and placed into one bag. These 4m composite samples of cuttings are mixed in the pulverizing process in the lab, producing a more or less representative sample for analysis. • Wet samples were returned over short intervals in only two holes, most were tube-speared for both composite and 1m samples. A few with very poor recoveries were manually-sampled into 4m (composite) and 1m bags. These showed little visual evidence of mineralisation. • Because the 4m composite sampling is only intended to be indicative, duplicate samples were not collected. This was left for the 1m sample batches (1 in 20). • The sample sizes are considered appropriate for the geological materials sampled.
Quality of assay data and laboratory tests	• *The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.* • *For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.* • *Nature of quality control procedures adopted (eg standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (ie lack of bias) and precision have been established.*	• Analysis of the drill samples is by standard industry practice. • Samples are sorted and dried. The whole sample is crushed then split by riffle splitter to obtain a representative sub-sample which is then pulverized (to >80% passing a 75µm sieve mesh) in a vibrating mill. • A portion of the pulverized sample is then dissolved using a four-acid digest (Hydofluoric, Nitric, Hydrochloric and Perchloric) which approximates a total digest for most minerals. Some refractory minerals are not completely dissolved. • Inductively Coupled Plasma Optical Emmision Spectroscopy (ICP-OES) is used to measure Al, Ba, Ca, Co, Cr, Cu, Fe, K, Mg, Mn, Ni, S, Sr and Zn. • Inductively Coupled Plasma Mass Spectroscopy (ICP-MS) is used to measure As and Pb. • Assays for gold, platinum and palladium are done by fire-assay. Fire

Criteria	JORC Code explanation	Commentary
		assays are carried out on representative 40gm sub-samples of pulverized sample material. • Data from the laboratory's internal quality procedures (standards, repeats and blanks) are reviewed to check data quality. • Assays are provided by Ultra Trace Analytical Laboratories of 18-20 Wittenburg Drive, Canning Vale which is a certified laboratory for mineral analyses. • Analytical data is transferred to the company via email.
Verification of sampling and assaying	• *The verification of significant intersections by either independent or alternative company personnel.* • *The use of twinned holes.* • *Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.* • *Discuss any adjustment to assay data.*	• Significant intersections are reviewed and checked by senior staff. • No twinned holes were used. • All data are entered into Excel spreadsheets. • No adjustments have been made to the assay data.
Location of data points	• *Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.* • *Specification of the grid system used.* • *Quality and adequacy of topographic control.*	• The drill hole collars are located by hand held GPS to an accuracy of approximately 5m. • All surface data is in the GDA94 datum, UTM zone 51. • No drill-hole RLs were deemed necessary at this stage.
Data spacing and distribution	• *Data spacing for reporting of Exploration Results.* • *Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.* • *Whether sample compositing has been applied.*	• Drill holes were designed to test geophysical targets. Spacing of drill-holes is highly variable and is not sufficient to establish a Resource estimate. • Samples were composited at 4m intervals before being sent for "first-pass" geochemistry.
Orientation of data in relation to geological structure	• *Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.* • *If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.*	• Bias due to the orientation of the drilling is unknown at this early stage of exploration.
Sample security	• *The measures taken to ensure sample security.*	• Samples are collected into securely tied bags and placed into cable-tied plastic bags for transport to the laboratory. Each sample batch has a sample submission sheet that lists the sample numbers and the work required to be done on each sample. • Reputable freight companies are used to transport samples to the laboratory. • Sample pulps (after assay) are held by the laboratory and returned to the company after 90 days.

Criteria	JORC Code explanation	Commentary
Audits or reviews	• *The results of any audits or reviews of sampling techniques and data.*	• No reviews or audits of the sampling techniques or data have been carried out to date.

Drill-Hole location details

Prospect	Hole No	Easting	Northing	Azimuth	Dip	Total Depth
Dome	13STRC076	370502	7116499	0	90	48m
	13STRC077	370702	7116498	0	90	48m
	13STRC078	371102	7116496	0	90	48m
	13STRC079	371300	7116503	0	90	48m
	13STRC080	371304	7114902	0	90	48m
	13STRC081	371495	7114902	0	90	48m
	13STRC085	371499	7113200	0	90	48m
	13STRC086	371699	7113200	0	90	48m
Dome	13STRC082	371699	7114903	0	90	48m
	13STRC083	371899	7114902	0	90	48m
	13STRC084	372100	7114908	0	90	48m
Windidda	13STRC087	406531	7081110	0	90	77m
	13STRC088	406763	7080094	0	90	100m

Section 2 Reporting of Exploration Results

(Criteria listed in the preceding section also apply to this section.)

Criteria	JORC Code explanation	Commentary
Mineral tenement and land tenure status	• *Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings.* • *The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area.*	• The Stanley Project is centered at 121 degrees 53 minutes East and 26 degrees 12 minutes South, approximately 170 km ENE from Wiluna, Western Australia. • Tenement holdings in the area comprise 10 granted exploration licences (E38/2167, 2168, 2764, 2765, 2239, and 2240, E53/1403 and 1460, and E69/2503 and 2587). • Tenements are held 30% by AusQuest Limited and 70% by Cliffs Australia Holdings Pty Ltd. • Aboriginal heritage and flora surveys are routinely completed ahead of ground disturbing activities.
Exploration done by other parties	• *Acknowledgment and appraisal of exploration by other parties.*	• Open file data have been gathered and reviewed by AusQuest consultants. Historic drilling by RGC suggested the area was prospective for manganese.
Geology	• *Deposit type, geological setting and style of mineralisation.*	• The exploration model is Proterozoic structural and /or bedded manganese deposits.
Drill hole Information	• *A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes:* o *easting and northing of the drill hole collar* o *elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar* o *dip and azimuth of the hole* o *down hole length and interception depth* o *hole length.* • *If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case.*	• All relevant drill hole data are tabulated in the ASX releases. • No accurate RL data have been collected at this early exploratory stage.
Data aggregation methods	• *In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (eg cutting of high grades) and cut-off grades are usually Material and should be stated.* • *Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail.* • *The assumptions used for any reporting of metal equivalent values should be clearly*	• Intercept length-weighted averages and uncut grades are used in reporting drill hole intercepts. • A lower cut-off grade of 1%Mn is used for the intervals reported. • No metal equivalents are reported.

Criteria	JORC Code explanation	Commentary
	stated.	
Relationship between mineralisation widths and intercept lengths	• *These relationships are particularly important in the reporting of Exploration Results.* • *If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.* • *If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (eg 'down hole length, true width not known').*	• All assay intervals reported are down-hole lengths. True widths are unknown at this stage.
Diagrams	• *Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.*	• All drill holes are shown on appropriate plans and included in the ASX release.
Balanced reporting	• *Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.*	• All significant assay results are reported.
Other substantive exploration data	• *Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.*	• The relationship between current drill results and previously reported exploration data is discussed in the report with particular reference to VTEM targets being tested by the RC drilling.
Further work	• *The nature and scale of planned further work (eg tests for lateral extensions or depth extensions or large-scale step-out drilling).* • *Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.*	• The locations for future drilling are still to be determined and await a detailed review of the current results.

Rule 5.3

Appendix 5B

Mining exploration entity quarterly report

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

Name of entity

AUSQUEST LIMITED

ABN	Quarter ended ("current quarter")
35 091 542 451	31 December 2013

Consolidated statement of cash flows

	Cash flows related to operating activities	Current quarter $A '000	Year to date (6 months) $A '000
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for		
	(a) exploration and evaluation	(562)	(1,257)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(244)	(319)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	4	14
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other	-	-
	Net Operating Cash Flows	(802)	(1,562)
	Cash flows related to investing activities		
1.8	Payment for purchases of:		
	(a)prospects	-	-
	(b)equity investments	-	-
	(c) other fixed assets	(2)	(2)
1.9	Proceeds from sale of:		
	(a)prospects	-	-
	(b)equity investments	-	-
	(c)other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
	Net investing cash flows	(2)	(2)
1.13	Total operating and investing cash flows (carried forward)	(804)	(1,564)

1.13	Total operating and investing cash flows (brought forward)	(804)	(1,564)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	2,750	2,750
1.15	Proceeds from unissued shares, options etc	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (share issue costs)	(215)	(215)
	Net financing cash flows	2,535	2,535
	Net increase (decrease) in cash held	1,731	971
1.20	Cash at beginning of quarter/year to date	785	1,545
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	**Cash at end of quarter / year to date**	**2,516**	**2,516**

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

		Current quarter $A '000
1.23	Aggregate amount of payments to the parties included in item 1.2	67
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

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

Non-cash financing and investing activities

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

None.

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

None.

Financing facilities available

Add notes as necessary for an understanding of the position.

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

Estimated cash outflows for next quarter

		$A'000
4.1	Exploration and evaluation	600
4.2	Development	-
4.3	Production	-
4.4	Administration	200
	Total	**800**

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter $A '000	Previous quarter $A '000
5.1	Cash on hand and at bank	2,516	785
5.2	Deposits at call		
5.3	Bank overdraft		
5.4	Other (Money market/Term Deposit)		
	Total: cash at end of quarter (item 1.22)	**2,516**	**785**

Changes in interests in mining tenements

		Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed				
6.2	Interests in mining tenements acquired or increased				

Issued and quoted securities at end of current quarter

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

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	**Preference +securities** *(description)*				
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	**+Ordinary securities**	297,503,444	297,503,444		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	137,500,000	137,500,000	2 cents per share	2 cents per share
7.5	**+Convertible debt securities** (*description)*				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	**Options** *(description and conversion factor)*	9,900,000 68,750,000	- 68,750,000	*Exercise price* 7 cents 4 cents	*Expiry date* 30 Nov 2015 30 Nov 2016
7.8	Issued during quarter	7,000,000 68,750,000	- 68,750,000	*Exercise price* 7 cents 4 cents	*Expiry date* 30 Nov 2015 30 Nov 2016
7.9	Exercised during quarter				
7.10	Expired during quarter	1,350,000 1,150,000 500,000 500,000 1,750,000	- - - - -	*Exercise price* 20 cents 40 cents 30 cents 40 cents 40 cents	*Expiry date* 1 Dec 2013 1 Dec 2013 30 Nov 2013 30 Nov 2013 30 Nov 2013
7.11	**Debentures** *(totals only)*				
7.12	**Unsecured notes** *(totals only)*				

Compliance statement

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

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



Sign here: Date: 31 January 2014

(Company secretary)

Print name: Darren Crawte

Notes

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

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

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

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

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

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