AusQuest Limited

ABN 35 091 542 451

Financial report for the half-year ended 31 December 2019

Corporate directory

Board of Directors

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

Company Secretary

Mr Henko Vos

Registered Office

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Auditors

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Level 4, 130 Stirling Street
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Share Registry

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Securities Exchange Listing

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

Bankers

Australian and New Zealand Bank
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Booragoon WA 6154

Financial report for the half-year ended 31 December 2019

	Page
Directors' report	1
Auditor's independence declaration	5
Independent auditor's review report	6
Directors' declaration	8
Condensed consolidated statement of profit or loss and other comprehensive income	9
Condensed consolidated statement of financial position	10
Condensed consolidated statement of changes in equity	11
Condensed consolidated statement of cash flows	12
Notes to the condensed consolidated financial statements	13

Directors' report

The Directors of AusQuest Limited ("AQD" or the "Company") herewith submit the financial report for the half-year ended 31 December 2019. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

Directors

The names of the directors of the Company who have held office during and since the end of the half-year period and until the date of this report are noted below. Directors were in office for the entire period unless otherwise noted.

Gregory Hancock
Graeme Drew
Chris Ellis

Review of Operations

HIGHLIGHTS

Peru – Copper-Gold

- Scout diamond drilling program (7 holes/3200m) completed at the Cerro de Fierro IOCG Project in southern Peru in January 2020 confirmed widespread copper mineralisation (see ASX release 5th March 2020).
- Strong surface copper anomalies were identified by soil and rock sampling at the Parcoy Prospect, located ~50km north-west of Cerro de Fierro.
- Drill Permit applications were progressed for additional drilling (+20 drill-holes) at Cerro de Fierro and initial testing of copper targets at Parcoy. Drilling in both areas is expected to commence early in the second half of calendar 2020.

Australia – Nickel, Copper, Zinc

- A strong base metal target (Cu, Pb, Zn, Ag) was identified by air-core and RC drilling at the Telegraph prospect (Balladonia Project) within the Fraser Range region of WA. Diamond drilling commenced in February.
- Results from initial scout drilling at the Hamilton prospect in north-west Queensland support the concept of nearby IOCG mineralisation. Further drilling is being proposed.
- A high priority target for sediment-hosted zinc mineralisation was outlined by surface sampling at the Tangadee Zinc Project in WA. Drilling is proposed to test this anomaly.
- Titles were granted over five new prospects (Gunanya, Madley (1 to 3) and Runton) in the Paterson Range region of WA.

Corporate

- A Placement raising $0.5M and $1.28M Rights Issue to shareholders were both successfully completed in December 2019.
- The Company's cash position at the end of December 2019 was ~$3.4M.
- AQD and South32 extend Strategic Alliance Agreement for a further 2 years to 31st December 2021, subject to further extension.

OVERVIEW

The Company's activities during the first half of FY2020 were focused on completing drill programs both in Australia and Peru and advancing several prospects under the Company's Strategic Alliance Agreement (SAA) with South32 to the drilling stage.

In **Peru**, a second-stage diamond drilling program commenced at the Cerro de Fierro Project following encouraging results from the initial drilling program. At the Parcoy Project, detailed soil and rock-chip sampling was undertaken to identify new potential copper targets for drilling. Low-level exploration was also completed over a number of other prospects to evaluate their potential as new opportunities for the SAA.

In **Australia**, air-core and Reverse Circulation (RC) drilling at the Telegraph Prospect at Balladonia, within the Fraser Range region of WA, successfully defined a base metal target which will be subject to deeper diamond drilling in early 2020. At Hamilton in NW Queensland, drilling provided further encouragement for the presence of nearby copper mineralisation beneath the Eromanga Basin cover sequence. Sampling at the Tangadee Project in Western Australia was also completed, identifying a zinc target for possible drilling in 2020.

Project generation studies continued with ~2,900km² now secured under title in the Paterson Range Province in Western Australia and additional titles secured in the Cerro de Fierro – Parcoy region of Peru, where the Company will be focusing its efforts in 2020.

PERU COPPER-GOLD PROJECTS

AusQuest has assembled a large portfolio of copper-gold prospects along the southern coastal belt of Peru, South America. Peru is one of the world's most prominent destinations for international exploration and is considered to be a prime location for world-class exploration opportunities, especially in copper.

Current Projects (under the SAA)

During the first half of FY2020, a second round of diamond drilling commenced at the **Cerro de Fierro Iron-Oxide Copper-Gold (IOCG) Project** in southern Peru to further define the scale and controls on the copper mineralisation located by earlier drilling.

A total of seven drill-holes and ~3200m were completed by the end of January 2020 confirming the widespread nature of copper mineralisation at this prospect (ASX report 5th March 2020).

The copper mineralisation encountered occurs within veins and breccias in sub-vertical shears and/or sub-horizontal manto-style structures. Copper continues to preferentially occur within mafic volcanics (andesites), below a relatively thick (~200m to 300m) dacitic unit that is generally, but not always, barren of copper.

The wide-spaced (>250m) drill-holes completed by year-end continue to support the presence of a large mineralising system that likely extends well beyond the limits of the current Drill Permit Area.

An application to increase the number of drill pads from 20 to 40, and enlarge the Drill Permit Area to the south and west of its current limits, was submitted in December and is expected to take up to six months to process. Surface sample results in these areas contain numerous high-grade copper values (>1% Cu) within the andesitic volcanics, outlining priority targets for future drilling.

At the Company's **Parcoy IOCG Project**, located ~50km north-west of Cerro de Fierro and ~100km south-east of the Mina Justa deposit (~475Mt @ 0.68% Cu), soil and rock-chip sampling programs have outlined highly anomalous copper (+/- gold) values within both andesitic volcanic rocks similar to those found at the Cerro de Fierro prospect, and in adjacent intrusive rocks (monzodiorite), where the higher grade samples occur within narrow north-south trending vein sets.

The copper anomalies are up to several square kilometres in size and are associated with a variety of indicator elements (Mo, Bi, Se, and As), suggesting relatively large-scale hydrothermal activity concentrated along a north-west trending fault zone that is known to host copper mineralisation ~6km to the south-east at the Los Chapitos Project.

Mapping and rock-chip sampling is ongoing in order to prioritise targets ahead of drilling in 2020. Base-line environmental and archaeological surveys have started as part of the drill permitting process.

At the **Los Otros Project**, age dating of alteration within the volcanic sequence is in progress to identify areas with porphyry copper potential similar to the nearby deposits of Cuajone and Toquepala. Results are expected in early 2020.

New opportunities under the SAA with South32 are being pursued in southern Peru with a greater emphasis on the Cerro de Fierro – Parcoy region following the encouraging results received from both the Cerro de Fierro and Parcoy Projects. New title applications were submitted.

AUSTRALIA – BASE METAL PROJECTS (Nickel, Copper, Zinc)

Current Projects (under the SAA)

During the first half of FY 2020, shallow air-core and deeper Reverse Circulation (RC) drilling at the **Telegraph prospect at Balladonia**, within the Fraser Range region of WA, reported highly anomalous base metal (Cu, Pb, Zn and Ag) values within deep clay/silica/pyrite alteration, defining a base metal target some 500m x 200m in area.

The RC drilling did not penetrate to planned drill depths (~250m) and diamond drilling has now commenced to test below the RC drilling coverage (ASX release 20th February).

The highly anomalous copper (from 200ppm to 4,000ppm Cu), lead (from 100ppm to 900ppm), zinc (from 200ppm to 2,900ppm Zn) and silver (from 0.5g/t to 8.0g/t Ag) values intersected by the RC drilling occur over thicknesses of up to ~90 metres in some holes. The association of these anomalous metal values with elevated rare earths (Ce, La, Y) and anomalous indicator elements (As, Sb, Sn and Tl), supports the concept of a base metal target beneath the alteration.

At the **Hamilton IOCG Project** in north-west Queensland, reconnaissance diamond drilling beneath the Cretaceous cover (~200m) was completed to test an IP/gravity target located ~500m north of historical drill-hole WD02009, which contained strong indications of a nearby IOCG system.

The wide-spaced (~400m) drilling intersected anomalous copper values (9m @ 0.11% Cu) associated with elevated Au, Ag, Pb, and Bi values within clay altered rocks in drill-hole HMDD03 (located ~500m south-west of WD02009), supporting the concept of a nearby source.

Detailed aeromagnetic data over the prospect are being remodelled to help identify new drill targets for consideration under the SAA.

At the **Tangadee Zinc Project**, located within the Edmund Basin of WA, soil sampling programs completed during first half of FY2020 identified a strong zinc anomaly (>1,000ppm Zn) within the core of a large-scale synclinal structure that is considered to be a favourable site for the occurrence of sediment-host zinc mineralisation.

The anomaly is over 1,000m in strike length, and is associated with anomalous thallium (>5ppm Tl), As, Cd, and Cu within shallow dipping siltstones, reflecting an initial target size of several square kilometres.

A final assessment of data will be completed in early 2020 after which further work programs, including drilling of target areas, will be considered under the SAA with South32.

New opportunities for consideration under the SAA were secured in the Paterson region of WA where discoveries at Winu and Havieron by Rio Tinto and Greatland Gold (now Newcrest JV), enhanced the already excellent copper-gold pedigree of the region.

Tenements over the five prospect areas (Gunanya, Madley 1 to 3, and Runton) have now been granted, enabling field work to commence in 2020.

CORPORATE

The loss of the Group after income tax for the half-year was $576,394 (2018: loss after tax of $449,781). At the end of December 2019, the Company's cash position was $3.4 million (30 June 2019: $1.8 million).

During the half year ended 31 December 2019, the Company raised $1,778,387 to advance its exploration programs on the Company's 100% owned properties and to identify and investigate new acquisition and/or exploration opportunities both in Australia and Peru that might be of further interest to the Company's strategic alliance partner South32, or be retained as 100% owned AusQuest projects.

On 22 January 2020, the Company issued 1,000,000 ordinary shares to a consultant pursuant to a consultancy agreement for consulting services rendered to the Group. The shares are escrowed until the earlier of 22 January 2021 or until the Company issues a prospectus, cleansing statement or some other form of disclosure document.

On 10 March 2020, the Company and South32 Group Operations Pty Ltd have agreed to extend the Strategic Alliance Agreement that has been operational from 17 February 2017, for a further two years (up to 31 December 2021) in order to continue developing a pipeline of high-potential exploration opportunities in Australia and internationally. Further details are disclosed in ASX announcement dated 10 March 2019 - AQD and South 32 Extend Strategic Alliance Agreement.

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 review of the half-year financial report. This Independence declaration is set out on page 5 and forms part of this Directors' report for the half-year ended 31 December 2019.

Signed in accordance with a resolution of Directors made pursuant to Section 306(3) of the *Corporations Act 2001*.

On behalf of the Directors



Graeme Drew
Managing Director

Perth, 11 March 2020

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.

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.

HLB MANN JUDD
ADVISORY AND ACCOUNTING

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of AusQuest Limited for the half-year ended 31 December 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) any applicable code of professional conduct in relation to the review.



Perth, Western Australia
11 March 2020

B G McVeigh
Partner

INDEPENDENT AUDITOR'S REVIEW REPORT
To the members of AusQuest Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of AusQuest Limited ("the company") which comprises the condensed consolidated statement of financial position as at 31 December 2019, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes, and the directors' declaration, for the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of AusQuest Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

B M Veigh

B G McVeigh
Partner

Perth, Western Australia
11 March 2020

Directors' declaration

1. In the opinion of the Directors of AusQuest Limited (the "Company"):

a. the accompanying interim financial statements and notes thereto are in accordance with *the Corporations Act 2001* including:

   i. giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the financial half-year ended on that date; and

   ii. complying with Australian Accounting Standards, the *Corporations Regulations 2001*, professional reporting requirements and other mandatory requirements.

b. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

c. The interim financial statements and notes thereto are in accordance with Interim Financial Reporting Standards issued by the International Accounting Standards Board.

2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 303(5) of the *Corporations Act 2001* for the half-year ended 31 December 2019.

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



Graeme Drew
Managing Director

Perth, 11 March 2020

Condensed consolidated statement of profit or loss and other comprehensive income for the half-year ended 31 December 2019

	Note	Consolidated Half-year to 31 Dec 2019 $	Consolidated Half-year to 31 Dec 2018 $
Revenue	3	313,116	714,580
Consultants and employee benefits expenses		(127,457)	(105,883)
Share-based payments expense		-	(66,000)
Occupancy expenses		(88,088)	(81,660)
Administrative expenses		(402,640)	(311,613)
Impairment of exploration and evaluation expenditure	5	(267,751)	(599,205)
Finance costs		(3,574)	-
Loss before income tax expense		(576,394)	(449,781)
Income tax expense		-	-
Loss for the year		(576,394)	(449,781)
Other comprehensive (loss)/income			
Items that may be reclassified to profit or loss			
Exchange (loss)/gain on translation of foreign operations		(19,872)	392,681
Other comprehensive (loss)/income for the period		(19,872)	392,681
Total comprehensive loss for the period		(596,266)	(57,100)
Basic and diluted loss per (cents per share)		(0.10)	(0.09)

The accompanying notes form part of these financial statements.

Condensed consolidated statement of financial position as at 31 December 2019

	Note	Consolidated 31 Dec 2019 $	Consolidated 30 Jun 2019 $
Current assets			
Cash and cash equivalents		3,455,824	1,816,388
Receivables	4	327,577	362,413
Other assets		134,336	203,743
Total current assets		3,917,737	2,382,544
Non-current assets			
Plant and equipment		66,948	52,992
Exploration and evaluation expenditure	5	4,867,916	4,765,916
Total non-current assets		4,934,864	4,818,908
Total assets		8,852,601	7,201,452
Current liabilities			
Trade and other payables	6	743,921	374,879
Provisions		135,173	120,160
Unexpended funding	8	1,197,995	997,888
Total current liabilities		2,077,089	1,492,927
Total liabilities		2,077,089	1,492,927
Net assets		**6,775,512**	**5,708,525**
Equity			
Issued capital	9	59,394,693	57,731,440
Reserves		4,239,106	4,258,978
Accumulated losses		(56,858,287)	(56,281,893)
Total equity		**6,775,512**	**5,708,525**

The accompanying notes form part of these financial statements.

Condensed consolidated statement of changes in equity for the half-year ended 31 December 2019

	Consolidated				
	Issued capital	Share based payment reserve	Foreign currency translation reserve	Accumulated losses	Total equity
	$	$	$	$	$
Balance at 1 July 2019	57,731,440	327,929	3,931,049	(56,281,893)	5,708,525
Loss for the period	-	-	-	(576,394)	(576,394)
Other comprehensive loss for the period	-	-	(19,872)	-	(19,872)
Total comprehensive loss for the period	-	-	(19,872)	(576,394)	(596,266)
Issue of shares	1,778,387	-	-	-	1,778,387
Share issue costs	(115,134)	-	-	-	(115,134)
Balance at 31 December 2019	**59,394,693**	**327,929**	**3,911,177**	**(56,858,287)**	**6,775,512**

	Consolidated				
	Issued capital	Share based payment reserve	Foreign currency translation reserve	Accumulated losses	Total equity
	$	$	$	$	$
Balance at 1 July 2018	57,253,653	327,929	3,475,888	(56,006,260)	5,051,210
Loss for the period	-	-	-	(449,781)	(449,781)
Other comprehensive income for the period	-	-	392,681	-	392,681
Total comprehensive income for the period	-	-	392,681	(449,781)	(57,100)
Issue of shares	470,787	-	-	-	470,787
Balance at 31 December 2018	**57,724,440**	**327,929**	**3,868,569**	**(56,456,041)**	**5,464,897**

The accompanying notes form part of these financial statements.

Condensed consolidated statement of cash flows for the half-year ended 31 December 2019

	Consolidated	
	Half-year to 31 Dec 2019 $	**Half-year to 31 Dec 2018 $**
Cash flows from operating activities		
Receipt from South32 Group Operations Pty Ltd	311,855	712,226
Payments to suppliers and employees	(535,953)	(567,411)
Interest received	798	1,379
Finance costs	(3,574)	(7,098)
Net cash (used in)/provided by operating activities	(226,874)	139,096
Cash flows from investing activities		
Payment for plant and equipment	(19,425)	(6,910)
Payment for exploration and evaluation activities	(3,117,209)	(6,458,110)
Payment received on grant of farm-in and joint venture interests	3,337,078	3,851,853
Net cash provided by/(used in) investing activities	200,444	(2,613,167)
Cash flows from financing activities		
Issue of shares	1,778,387	-
Share issue costs	(115,134)	-
Net cash provided by financing activities	1,663,253	-
Net increase/(decrease) in cash and cash equivalents	1,636,823	(2,474,071)
Cash and cash equivalents at the beginning of the half-year	1,816,388	4,520,934
Exchange rate adjustment	2,613	90,681
Cash and cash equivalents at the end of the half-year	**3,455,824**	**2,137,544**

The accompanying notes form part of these financial statements.

Notes to the condensed consolidated financial statements for the half-year ended 31 December 2019

1. General information

The financial report covers AusQuest Limited as a consolidated entity consisting of AusQuest Limited and the entities it controlled during the period ("the Group"). The financial report consists of the financial statements, notes to the financial statements and the Directors' declaration. AusQuest Limited is a listed public company limited by shares, incorporated and domiciled in Australia.

2. Significant accounting policies

Statement of compliance
These general purpose condensed consolidated financial statements for the half-year reporting period ended 31 December 2019 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

The financial statements were authorised for issue on 11 March 2020.

These condensed consolidated general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Group as in the full financial report. It is recommended that these financial statements be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the ASX Listing Rules.

Basis of preparation
The half-year financial report has been prepared on a historical cost basis. Cost is based on the fair value of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

For the purposes of preparing the report, the half-year has been treated as a discrete reporting period.

Accounting policies and methods of computation
The accounting policies and methods of computation are consistent with those of the previous financial year and corresponding interim reporting period, other than in respect of new and revised accounting standards adopted as set out below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Significant accounting judgments and key estimates
The preparation of half-year financial report requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates. In preparing this half-year financial report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2019.

Exploration and evaluation expenditure:
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. An assessment by the Group of its previously capitalised exploration and evaluation expenditures resulted in an impairment of tenements totalling $267,751 (Note 5) for the half-year ended 31 December 2019 (half-year ended 31 December 2018: $599,205). No other impairment loss was recorded in the period.

Notes to the condensed consolidated financial statements for the half-year ended 31 December 2019

2. Significant accounting policies (continued)

Adoption of new and revised standards

In the period ended 31 December 2019, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the current reporting periods beginning on or after 1 July 2019.

As a result of this review, the Group has applied AASB 16 from 1 July 2019.

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.

AASB 16 is effective from annual reporting periods beginning on or after 1 January 2019. A lessee can choose to apply the Standard using a full retrospective or modified retrospective approach.

There is no material impact to profit or loss or net assets on the adoption of this new standard in the current or comparative periods as leases were only short term leases and low value leases.

Standards and Interpretations in issue not yet adopted

The Directors have also reviewed all Standards and Interpretations in issue not yet adopted for the period ended 31 December 2019. As a result of this review the Directors have determined that there is no material impact of the Standards and Interpretations in issue not yet adopted on the Group and, therefore, no change is necessary to Group accounting policies.

Notes to the condensed consolidated financial statements for the half-year ended 31 December 2019

3. Revenue

	Half-year to 31 Dec 2019 $	Half-year to 31 Dec 2018 $
Funding from South32 Group Operations Pty Ltd recognised as income:		
Administration charges (Note 8)	311,855	521,828
Funding against written off exploration expenditure (Note 8)	-	190,398
Interest income	731	1,352
Other income	530	1,002
Total revenue	313,116	714,580

4. Receivables

	31 Dec 2019 $	30 June 2019 $
Security deposits	50,000	50,000
Receivable GST / VAT	264,641	308,905
Other receivables	12,936	3,508
Total trade and other receivables	327,577	362,413

5. Exploration and evaluation expenditure

	Half-year to 31 Dec 2019 $	Full-year to 30 Jun 2019 $
Balance at beginning of period/year	4,765,916	4,055,120
Capitalised during the period/year	3,540,589	8,727,796
Impaired during the period/year (i)	(267,751)	(743,169)
Grant of farm-in interests in previously capitalised projects (ii)	(3,170,953)	(7,270,222)
Exchange movements	115	(3,609)
Balance at end of period/year	4,867,916	4,765,916

(i) Impairments to the following projects occurred during the period/year:

	Half-year to 31 Dec 2019 $	Full-year to 30 Jun 2019 $
South West Peru	5,076	139,132
Other Australian Projects	262,675	604,037
Total impairment	267,751	743,169

The Group has impaired expenditure for those projects and tenement where they have decided not to renew leases and/or the lease is still under application. For the period to 31 December 2019 the Group has impaired $267,751 (30 June 2019: $743,169) of previously capitalised expenditure incurred on those. The impairment has been recognised in the statement of profit or loss and other comprehensive income.

Notes to the condensed consolidated financial statements for the half-year ended 31 December 2019

5. Exploration and evaluation expenditure (continued)

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

For the half-year ended 31 December 2019, the Company received $3,682,915 (30 June 2019 full year: $6,810,563) in funding. $3,170,953 (30 June 2019 full year: $7,270,222) has been allocated against capitalised exploration and evaluation expenditures at reporting date during the reporting period (Note 5 and 8).

6. Trade and other payables

	31 Dec 2019 $	30 June 2019 $
Trade and other payables and accruals	497,474	346,382
Payable GST / VAT	246,447	28,497
Total trade and other payables	743,921	374,879

7. Facilities

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 (30 June 2019: Nil). The facility ended on 31 December 2018.

8. Unexpended funding

	Half-year to 31 Dec 2019 $	Full-year to 30 Jun 2019 $
Balance at beginning of period/year	997,888	2,377,602
Funding from strategic alliance and joint venture partner	3,682,915	6,810,563
Amount spent on exploration and evaluation projects (Note 5)	(3,170,953)	(7,270,222)
Amount spent on administration	(311,855)	(729,657)
Funding against written off exploration expenditure	-	(190,398)
Balance at end of period/year	1,197,995	997,888

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

Notes to the condensed consolidated financial statements for the half-year ended 31 December 2019

9. Issued capital

	31 Dec 2019 $	30 Jun 2019 $
Ordinary Shares – fully paid	59,394,693	57,731,440

Details	No.	$
Balance at 30 June 2018	525,565,756	57,253,653
Issue of shares (balance conversion of a convertible note)	20,239,305	404,787
Issue of shares (consulting services)	3,500,000	73,000
Balance at 30 June 2019	549,305,061	57,731,440
Placement of shares on 25 October 2019 (i)	35,714,286	500,000
Rights issue issued on 15 November 2019 (ii)	91,313,334	1,278,387
Capital raising costs	-	(115,134)
Balance at 31 December 2019	676,332,681	59,394,693

During the half year ended 31 December 2019, the Company raised $1,778,387 to advance its exploration programs on the Company's 100% owned properties and to identify and investigate new acquisition and/or exploration opportunities both in Australia and Peru that might be of further interest to the Company's strategic alliance partner South32, or be retained as 100% owned AusQuest projects.

(i) Placement of shares

On 25 October 2019 the Company issued 35,714,286 ordinary shares with 35,714,286 free attaching listed options pursuant to a Placement to certain sophisticated investors to raise $500,000. The free attaching listed options have an exercise price of $0.025 and an expiry date of 30 November 2021.

(ii) Rights Issue

On 15 November 2019 the Company issued 91,313,334 ordinary shares with 91,313,334 free attaching listed options raising $1,278,387 pursuant to a 1-for-4 non-renounceable pro-rata Rights Offer. The free attaching listed options have an exercise price of $0.025 and an expiry date of 30 November 2021.

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.

Notes to the condensed consolidated financial statements for the half-year ended 31 December 2019

10. Share Options

(a) Listed Options

At the date of this report the Company had 127,027,620 listed options exercisable at $0.025 and an expiry date of 30 November 2021 on issue (30 June 2019: nil).

	Half-year to 31 Dec 2019		Half-year to 31 Dec 2018	
	Number of Options	Weighted average exercise price $	Number of Options	Weighted average exercise price $
Balance at beginning of the period	-	-	-	-
Granted during period	127,027,620	0.025	-	-
Balance at end of the period	127,027,620	0.025	-	-

During the period to 31 December 2019, the Company issued 127,027,620 ordinary shares with 127,027,620 free attaching listed options. The free attaching listed options have an exercise price of $0.025 and an expiry date of 30 November 2021.

(b) Unlisted Options

At the date of this report the Company had 39,500,000 unlisted options exercisable on 30 November 2020 at $0.05 on issue (30 June 2019: 39,500,000). Full terms and conditions are as detailed in the annual report for the financial year ended 30 June 2019.

	Half-year to 31 Dec 2019		Half-year to 31 Dec 2018	
	Number of Options	Weighted average exercise price $	Number of Options	Weighted average exercise price $
Balance at beginning of the period	39,500,000	0.05	39,500,000	0.05
Granted during period	-	-	-	-
Lapsed during the period	-	-	-	-
Balance at end of the period	39,500,000	0.05	39,500,000	0.05

Notes to the condensed consolidated financial statements for the half-year ended 31 December 2019

11. Subsequent events

On 22 January 2020, the Company issued 1,000,000 ordinary shares to a consultant pursuant to a consultancy agreement for consulting services rendered to the Group. The shares are escrowed until the earlier of 22 January 2021 or until the Company issues a prospectus, cleansing statement or some other form of disclosure document.

On 10 March 2020, the Company and South32 Group Operations Pty Ltd have agreed to extend the Strategic Alliance Agreement that has been operational from 17 February 2017, for a further two years (up to 31 December 2021) in order to continue developing a pipeline of high-potential exploration opportunities in Australia and internationally. Further details are disclosed in ASX announcement dated 10 March 2019 - AQD and South 32 Extend Strategic Alliance Agreement.

There has been no other matter or circumstance that has arisen since the end of the half-year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs in future financial years.

12. Contingent liabilities

At reporting date the Company had contingent share issues to consultants of up to 8,000,000 (30 June 2019: 11,000,000) 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. Other than the above, there has been no change in contingent liabilities since the last annual reporting date.

13. Commitments

The Group's commitments remain unchanged.

14. Related parties

Arrangements with related parties continue to be in place in line with those disclosed in the 2019 Annual Report.

15. Financial instruments

The methods and valuation techniques used for the purpose of measuring fair values are unchanged compared to the previous reporting period.

The carrying amounts of financial assets and financial liabilities are considered to be a reasonable approximation of their fair value.

Notes to the condensed consolidated financial statements for the half-year ended 31 December 2019

16. Segment Information

Operating segments are 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 and results information regarding the segment information provided to the Board of Directors for the half-year ended 31 December 2019.

	Australia $	South America $	Discontinued Operations $	Intersegment eliminations $	Consolidated $
Six Months to 31 December 2019					
Segment revenue	312,586	530	-	-	313,116
Segment expenditure	(687,442)	(202,068)	-	-	(889,510)
Net loss after tax	(374,856)	(201,538)	-	-	(576,394)
Included within segment result:					
Interest income	731	-	-	-	731
Depreciation	(4,226)	(1,670)	-	-	(5,896)
Impairment of exploration expenditure	(262,675)	(5,076)	-	-	(267,751)
As at 31 December 2019					
Segment assets	12,531,566	12,086,737	10,756	(15,776,458)	8,852,601
Segment liabilities	1,780,709	14,572,237	34,762	(14,310,619)	2,077,089

	Australia $	South America $	Discontinued Operations $	Intersegment eliminations $	Consolidated $
Six Months to 31 December 2018					
Segment revenue	713,578	1,002	-	-	714,580
Segment expenditure	(878,798)	(285,563)	-	-	(1,164,361)
Net profit after tax	(165,220)	(284,561)	-	-	(449,781)
Included within segment result:					
Interest income	1,352	-	-	-	1,352
Depreciation	(6,116)	(989)	-	-	(7,105)
Impairment of exploration expenditure	(482,111)	(117,094)	-	-	(599,205)
As at 30 June 2019					
Segment assets	11,106,179	10,488,303	10,746	(14,403,776)	7,201,452
Segment liabilities	1,433,056	12,752,418	34,727	(12,727,274)	1,492,927