AUSQUEST LIMITED

ABN 35 091 542 451

Quarterly Report – 31st December 2014

HIGHLIGHTS

AUSTRALIA – BASE METALS (Nickel, Copper)

- AusQuest's strategic footprint in the emerging Fraser Range nickel-copper province expanded following the grant of the Balladonia South Exploration Licence, located ~ 80km south of the Nova nickel-copper deposit.

- Prospective mafic host rocks similar to those being drilled by Sirius Resources at their nearby Crux and Centauri prospects are interpreted within the Balladonia South tenement.

- Ground electromagnetic (EM) surveys are planned in February to test potential nickel-copper sulphide targets at the Dundas East and Balladonia South prospects to identify targets for drilling later in the year.

PERU – COPPER-GOLD

- Negotiations with potential joint venture partners commenced, to secure funding for drilling of the Company's porphyry copper-gold targets in 2015. Resolution of proposed terms is expected in Q1 2015, clearing the way for exploration to move forward.

- New tenement applications were submitted over three porphyry copper targets identified by interpretation of the Company's proprietary aeromagnetic data.

- Additional drill targets were identified at the Colorada prospect following completion of detailed geological mapping and sampling while geological mapping and sampling also commenced at the Chololo prospect, where sericite alteration indicative of nearby porphyry copper mineralisation was identified in early reconnaissance visits.

WEST AFRICA GOLD

- AusQuest's joint venture partner, Burkinor SARL, has recommenced exploration at the Banfora Project following the end of the wet season. A program and budget for 2015, including deeper drilling, is expected shortly.

CORPORATE

- The Company received funds of $750,000 in December from conversion of a Loan and Convertible Note Agreement which was approved at the Company's Annual General Meeting on November 26th 2014. Details of the terms and conditions of the loan were reported to the ASX on October 6th 2014.

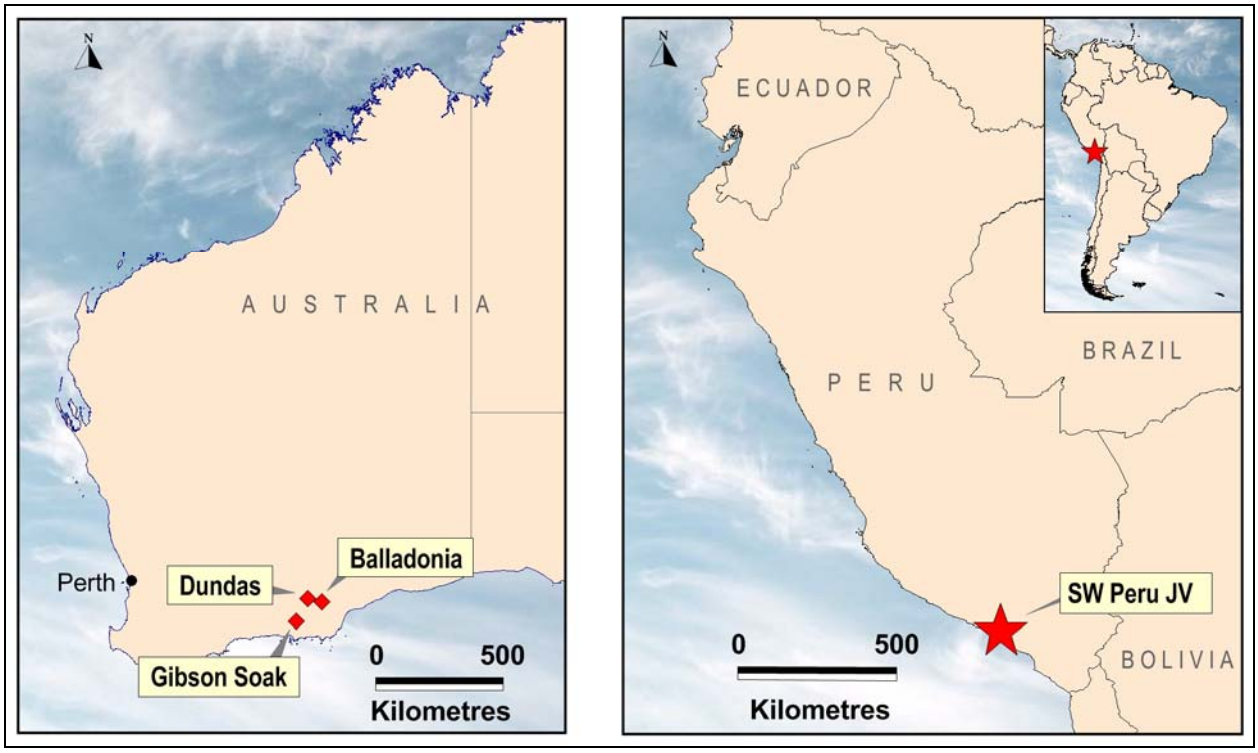


Figure 1: Project Locations – Australia and Peru

OVERVIEW

During the December Quarter, AusQuest continued to focus its exploration activities within the Fraser Range nickel-copper province in WA and its emerging portfolio of porphyry and/or IOCG copper-gold targets in southern Peru.

In the Fraser Range, exploration activities recommenced with the grant of new tenements in the Balladonia area providing new opportunities for nickel and copper exploration. Planning for ground EM surveys was completed with surveys expected to commence in late January 2015.

In Peru, joint venture negotiations were advanced to secure funding for drilling of the Company's porphyry copper targets that have drill permits approved. New tenement applications were submitted to secure a further three porphyry copper targets identified by interpretation of the Company's proprietary detailed aeromagnetic data.

In West Africa, the Company's joint venture partner, Burkinor SARL, recommenced gold exploration activities in October following cessation of the wet season. A program and budget for 2015 is expected within the first quarter of 2015. Burkinor, a wholly-owned subsidiary of TSX-listed SEMAFO Inc, can earn up to 80% equity in the Banfora projects by spending a total of $7.5 million over a three-year period.

AUSTRALIA – FRASER RANGE PROJECTS (Nickel, Copper)

AusQuest controls approximately 1,850km² of title within the Fraser Range Province of WA, which hosts the Nova–Bollinger nickel-copper deposit discovered by Sirius Resources and the Tropicana gold mine, commissioned recently by Anglo Gold (Figure 2). The region is the focus of increased exploration activity by a range of companies and is now considered to be one of the country's premier locations for exploration.

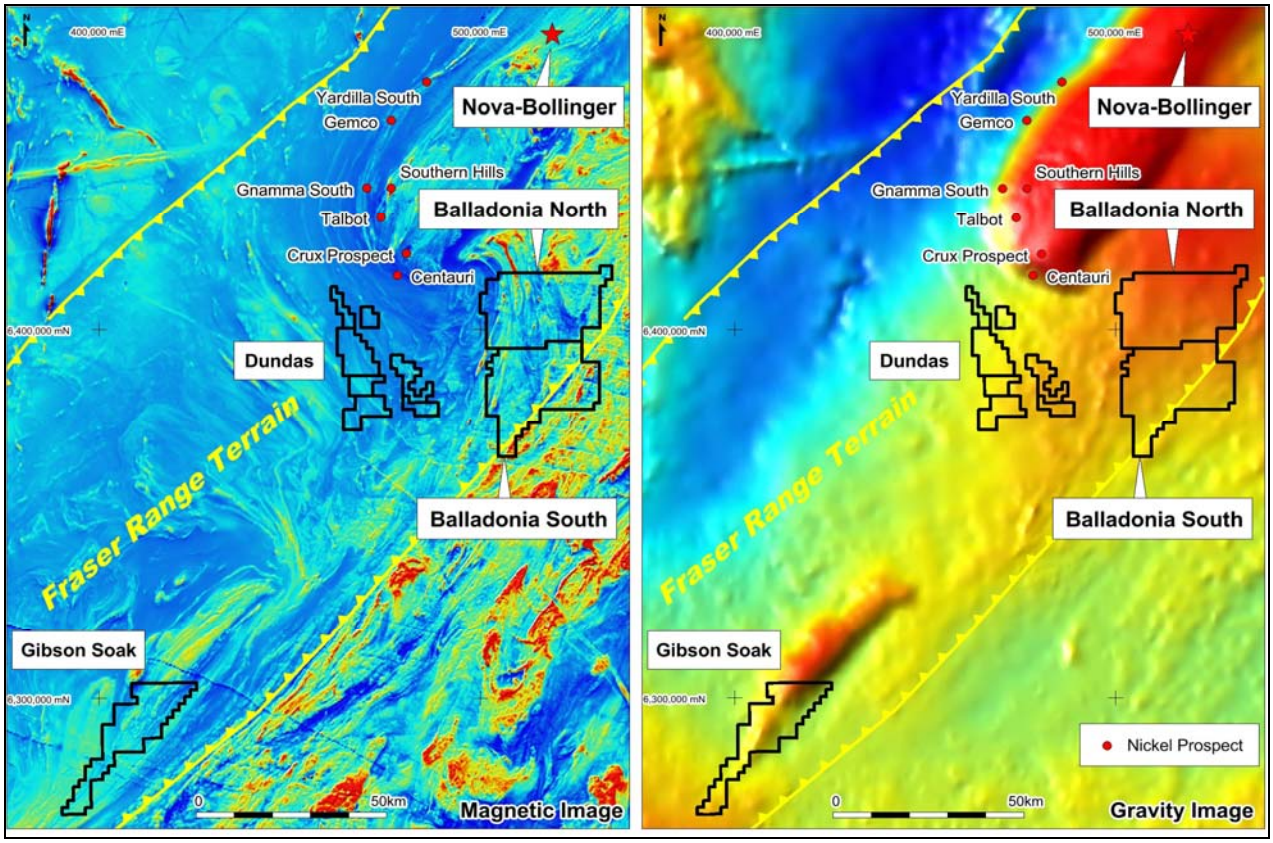


Figure 2: Fraser Range Project Locations

Balladonia Ni-Cu Project *(100% AQD)*

The Balladonia Project is located ~30km east of the Dundas project and ~50km south of the Nova–Bollinger nickel-copper deposit. It consists of two Exploration Licences covering an area of ~1,150km², within a structurally complex region of the Fraser Range Terrain centred above the southern margin of a deep regional gravity anomaly (~30 milligals) which is thought to reflect buried mafic/ultramafic rocks similar to those that may be related to the formation of the Nova deposit. The tenements occur within the Dundas Nature Reserve.

During the Quarter, the Balladonia South title was granted, opening up a new exploration opportunity for the Company and clearing the way for exploration activities to re-commence.

The tenement straddles a major north-east trending structure that forms the south-eastern boundary of the Fraser Range Terrain as defined by regional aeromagnetic data, and contains a number of inferred mafic intrusions which are characterised by negative magnetic anomalies similar to those being drilled by Sirius Resources at their Crux and Centauri prospects (see Sirius Announcement – 23 January 2015).

Reconnaissance surface sampling completed over the magnetic targets supports the occurrence of mafic host rocks in the area with elevated background values of nickel (>40ppmNi) and chrome (>80ppm Cr) outlining target areas for ground EM surveys to test for massive nickel sulphides associated with these interpreted intrusions (*Figure 3*).

EM surveys are expected to commence by early February with targets identified by these surveys to be drilled later in the year subject to rig availability and access being obtained.

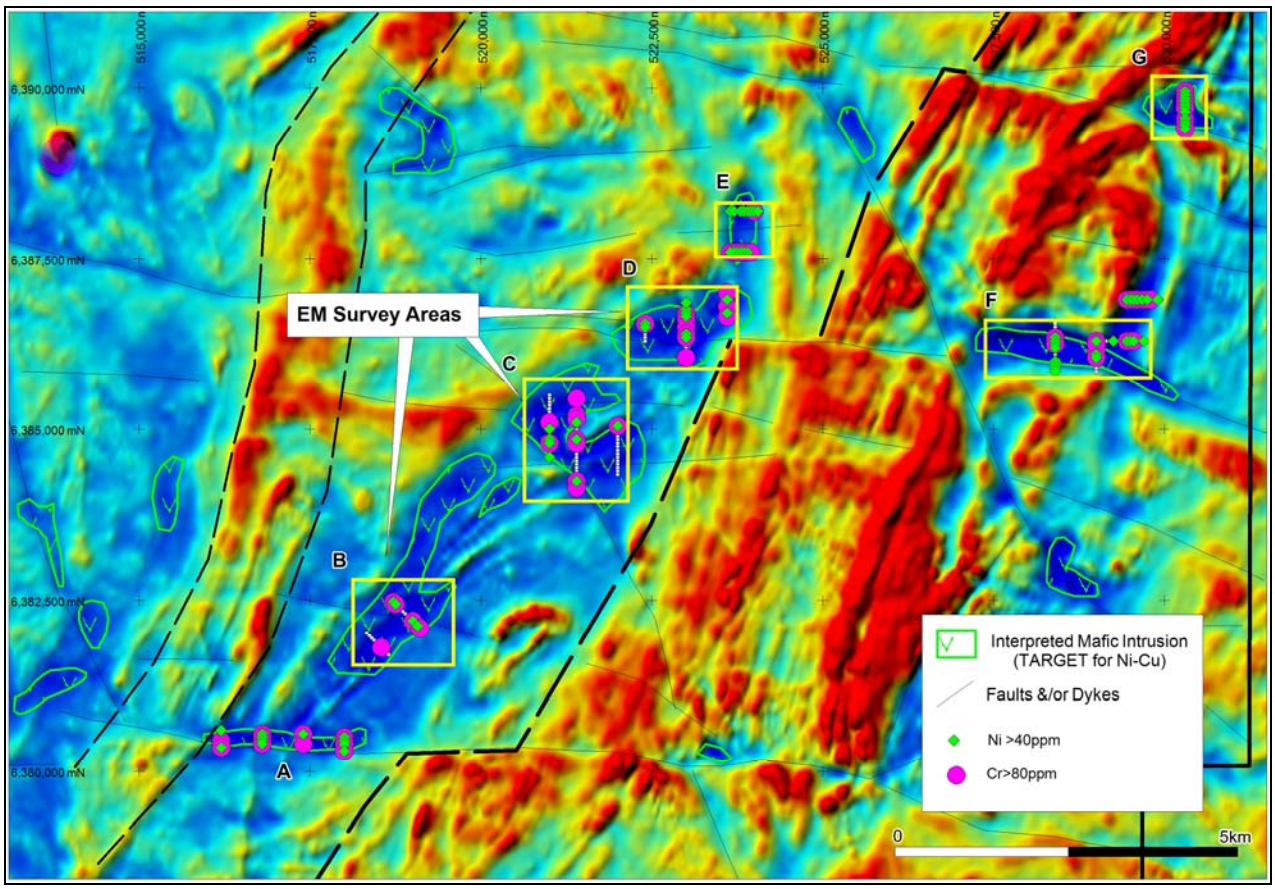


Figure 3:Balladonia South sampling results and planned EM surveys

Gibson Soak Ni-Cu Project *(100% AQD)*

The Gibson Soak Project is located ~30km north of the port of Esperance, within the broader Fraser Range terrain. The tenement, which covers an area of ~380km, is centred on a regional north-east trending gravity high with similarities to the Fraser Range Complex which hosts the Nova-Bollinger nickel-copper discoveries.

During the Quarter, reconnaissance surface sampling along public roads was completed to identify areas for more detailed sampling and/or ground EM surveys to be undertaken once access to the farm-land can be obtained. Results were inconclusive given the poor quality of sample medium that occurs at surface in this area.

Negotiations with land-owners to enable access to farm-land for further exploration work have stalled, with access being denied at this stage. Discussions are continuing.

Dundas Ni-Cu 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 ~350km² within a structurally complex region bordering the south-west margin of the main Fraser Range Complex which hosts the Nova discovery.

Fixed Loop ground electromagnetic (EM) surveys over the Dundas East prospect will commence in late January and are expected to take approximately two weeks to complete.

These surveys are designed to test targets identified by previous soil sampling programs that located anomalous nickel (>70ppm Ni) and copper (40ppm Cu) values associated with coincident magnetic/gravity anomalies thought to reflect prospective mafic host rocks within a dominantly sedimentary sequence (*Figure 4*).

Targets identified by these surveys will be drilled later in the year, subject to rig availability and access being obtained.

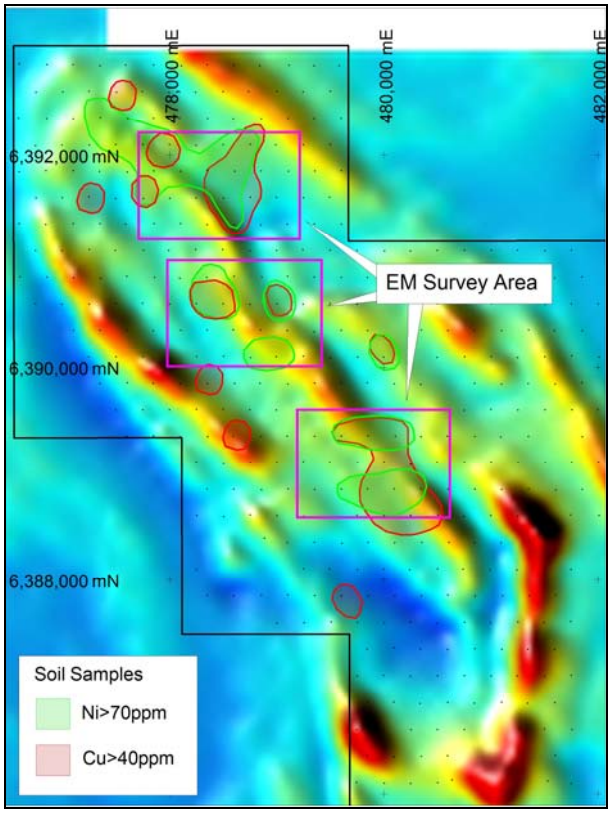


Figure 4: Dundas East EM Surveys

PERU COPPER-GOLD PROJECTS
(100% AQD)

Over the past three years, AusQuest has assembled a large portfolio of copper-gold prospects along the southern coastal belt of Peru in South America with up to eight targets identified for drilling as possible iron-oxide copper-gold (IOCG) and/or porphyry copper targets with the size potential to be of significance to AusQuest. Peru is one of the world's most prominent destinations for international copper exploration and is considered to be a prime location for world-class exploration opportunities.

During the Quarter, negotiations with potential joint venture partners commenced, to secure funding for drilling (in 2015) of up to three of the Company's porphyry copper-gold targets that have already received approval for drilling from the Peruvian Government.

Resolution of proposed terms and conditions of these joint ventures is expected in the first quarter of 2015.

During the Quarter, the Company also expanded its copper-gold portfolio in southern Peru by submitting a further 19 mineral concession applications over three porphyry copper targets identified by interpretation of the Company's proprietary aeromagnetic data (*Figure 5*). Magnetic targets selected by the Company are thought to reflect magnetite associated with potassic alteration which could indicate proximity to porphyry copper (+/-gold) mineralisation. All of the targets occur under relatively shallow sediment and/or volcanic cover.

At the Colorada Prospect, located ~40km from the port of Ilo, mapping and sampling south of the epithermal veins was completed. Several targets were recommended for initial drill testing based on the coincidence of alteration (chlorite-epidote) and anomalous copper values (>100ppm Cu) within dioritic dykes that intrude altered basement granodiorites (*Figure 6*).

The copper mineralisation occurs either as oxides or sulphides and is associated with variably anomalous Mo, Ag, Fe, Pb, U, W, and Zn, suggesting proximity to a possible porphyry copper system.

Systematic mapping and sampling at the Chololo prospect, which is located immediately north-east of the Ilo Este prospect currently being drilled by Latin Resources, commenced late in the Quarter. Latin Resources has reported several long intersections (~200m) of low grade copper mineralisation (0.1 to 0.24% Cu) from limited drilling undertaken to date.

The Chololo prospect straddles a major NE trending fault and occurs at higher elevations (~300m) than the neighbouring Ilo Este prospect. The area of sericite alteration found during initial reconnaissance visits will be the initial focus of the mapping and sampling program. Systematic soil sampling over the prospect has also commenced but no assay results are available.

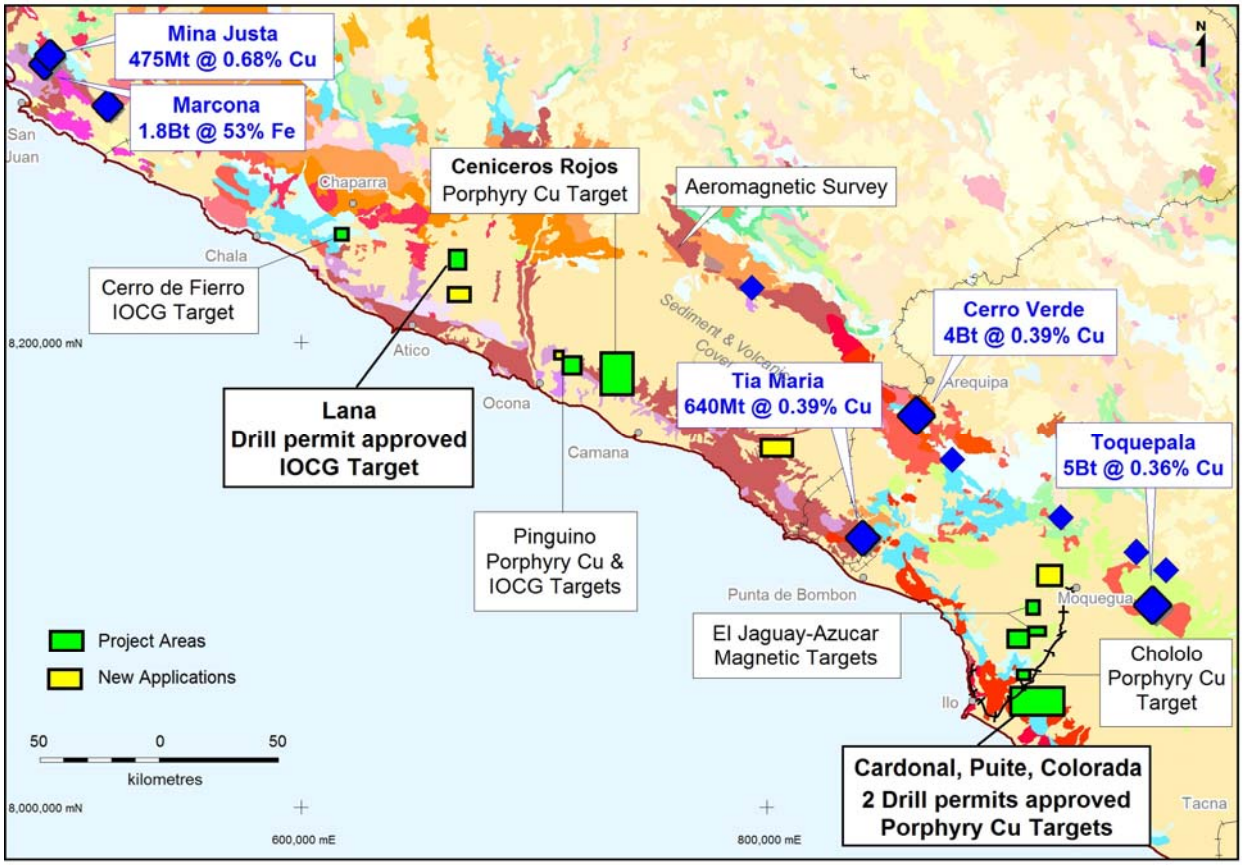


Figure 5: Peru Project Locations showing new project applications

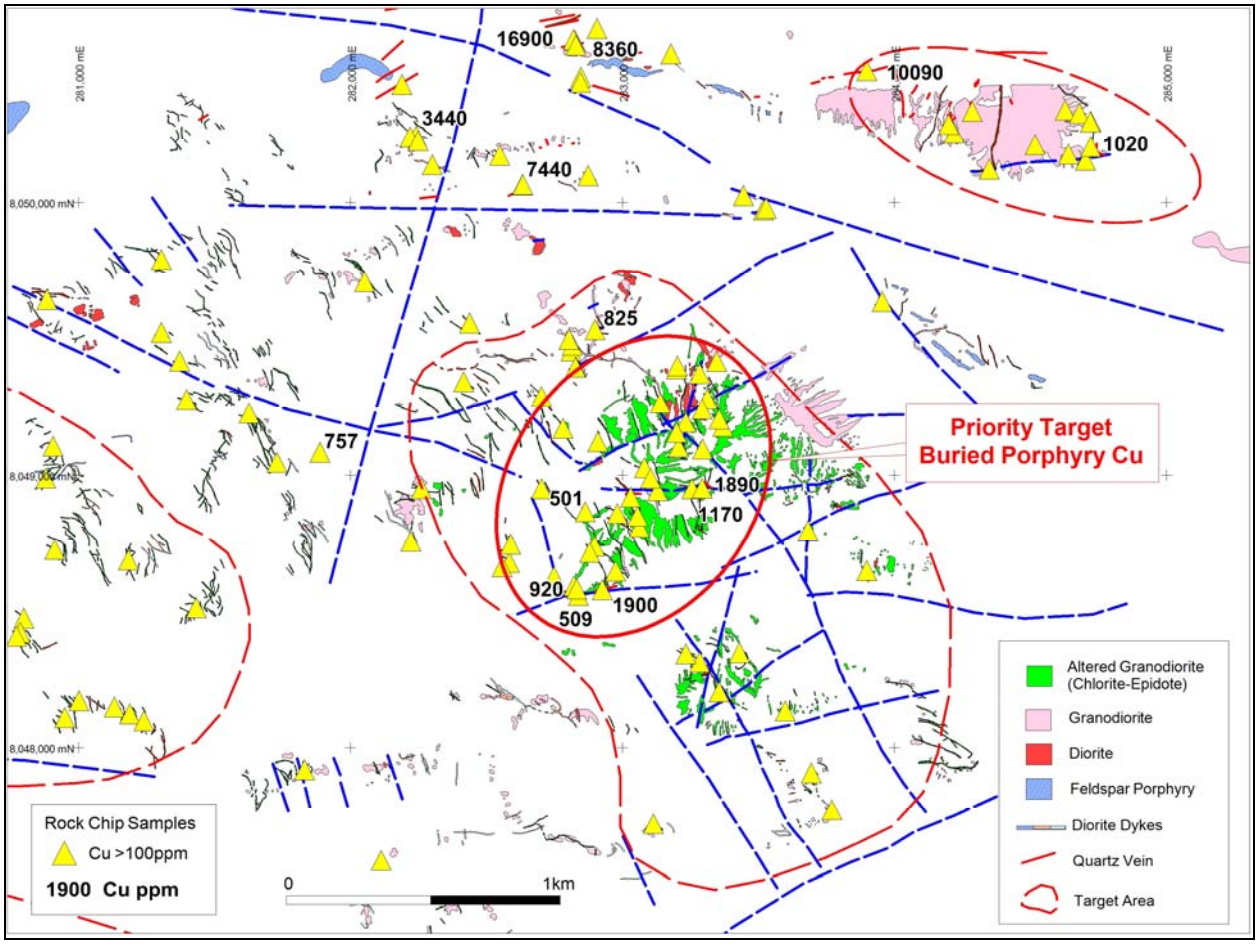


Figure 6: Colorada Prospect showing Porphyry Copper Target

The Company continues to be encouraged by the results being obtained from its Peruvian projects, and plans to continue exploring for large-scale IOCG and/or porphyry copper targets within the covered areas of southern Peru.

GOLD – WEST AFRICA

Comoe Project *(AQD 100%, Burkinor SARL earning to 80%)*

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, which is now under a Farm-In and Joint Venture Agreement with Burkinor SARL, a wholly-owned subsidiary of TSX-listed SEMAFO Inc. Burkinor has the right to earn up to an 80% interest in all the Banfora permits by spending a total of US$7.5 million over a three-year period. Burkinor are the operators of the JV.

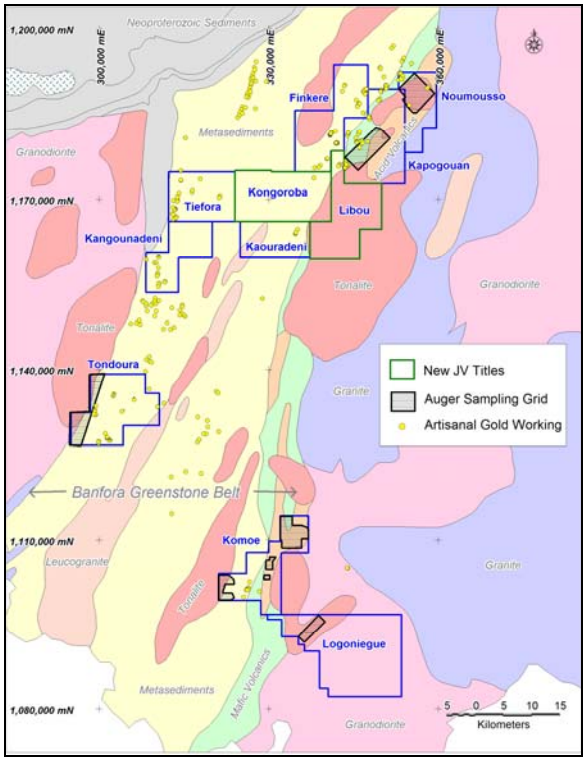


Figure 7: Banfora JV showing Auger grids

During the Quarter, Burkinor reported that exploration over the project recommenced in October following the cessation of the wet season.

An additional two exploration licences were added to the joint venture area through option agreements negotiated by Burkinor, to consolidate the joint venture's prospects along the eastern contact of the Banfora Greenstone Belt, south of the Kapogouan tenement. This takes the total area under joint venture to ~1430km² (*Figure 7*).

Exploration activity during the Quarter focused on the Tondoura Project, where approximately 1700 shallow auger holes were drilled providing bedrock samples (~3350) along the north-east trending granite–sediment contact.

Numerous anomalous gold results (>25ppbAu) were reported by Burkinor close to the contact, with some samples returning up to 0.7g/t Au. The auger program at Tondoura is expected to be completed during the first Quarter 2015.

A program and budget for 2015 is currently being prepared by Burkinor and is expected to include Reverse Circulation (RC) drilling of gold anomalies identified by the auger sampling program. To date, Burkinor has spent approximately US$1.8 million on the project and is required to spend a further ~US$2.2 million to complete their first obligation to earn 65% equity in the project.

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 received funds of $750,000 from conversion of a Loan and Convertible Note Agreement which was approved at the Company's Annual General Meeting on November 26th 2014. Details of the terms and conditions of the loan were reported to the ASX on October 6th 2014.

The funding arrangement represents a strong vote of confidence from the Company's major shareholder, underpinning ongoing exploration efforts and avoiding the need to undertake a dilutive capital raising at a low point in the market.

The Company now has ~$1.0 million in cash available at the end of December to progress its projects both in the Fraser Range of WA and in southern Peru.

KEY ACTIVITIES – MARCH 2015 QUARTER

The following activities are planned for the March 2015 Quarter:

- Balladonia (Ni-Cu) – Ground EM surveys to identify targets for drilling;
- Dundas (Ni-Cu) – Ground EM surveys to identify targets for drilling;
- Gibson Soak (Ni-Cu) – Access agreements with land owners;
- Peru (Cu-Au) – Finalise negotiations to secure funding for drilling porphyry Cu targets;
- Peru (Cu-Au) – Complete mapping/sampling at the Chololo prospect;
- Comoe (Au) – Monitor results from Burkinor JV programs.



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 Ceniceros Rojos and Dundas Projects is extracted from the ASX announcements dated 25 June and 20 July 2014 titled 'AusQuest Receives First Peru Drill Approval' and 'Fraser Range New Exploration Targets'respectively. 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 Decemeber 2014)

Location	Tenement	Ownership
AUSTRALIA		
DUNDAS		
West Aust.	E63/1001	100%
West Aust.	E63/1002	100%
West Aust.	E63/1003	100%
West Aust.	E63/1004	100%
BALLADONIA		
West Aust	E69/3246	100%
GIBSON SOAK		
West Aust.	E63/1672	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)	100%
PERU	Lana C, D, G, H (4)	100%
PERU	Pinguino F, G, H, I (4)	100%
PERU	Ceniceros Rojos H to N (7)	100%
PERU	El Jaguay A, B (2)	100%
PERU	Sugar A, B (2)	100%
PERU	Azucar West C to D (3)	100%
PERU	Pampa Del Pulgas J to Z, AA to AH (25)	100%

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 2014

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	(344)	(632)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(57)	(146)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	1	3
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other	-	-
	Net Operating Cash Flows	(400)	(775)
	Cash flows related to investing activities		
1.8	Payment for purchases of:		
	(a)prospects	-	-
	(b)equity investments	-	-
	(c) other fixed assets	-	-
1.9	Proceeds from sale of:		
	(a)prospects	-	-
	(b)equity investments	-	-
	(c)other fixed assets	-	5
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other	-	-
	Net investing cash flows	-	5
1.13	Total operating and investing cash flows (carried forward)	(400)	(770)

	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from unissued shares, options etc	-	-
1.16	Proceeds from borrowings	750	750
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (share issue costs)	-	-
	Net financing cash flows	750	750
	Net increase (decrease) in cash held	350	(20)
1.20	Cash at beginning of quarter/year to date	649	1,019
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	**Cash at end of quarter / year to date**	**999**	**999**

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	53
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, superannuation, consulting fees and rental of office space.

Non executive directors have agreed to waive any entitlement to be paid fees until 31 December 2014.

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	300
4.2	Development	-
4.3	Production	-
4.4	Administration	150
	Total	**450**

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	999	649
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)	**999**	**649**

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	E69/3246		Nil	100%

Issued and quoted securities at end of current quarter

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

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	**Preference +securities** *(description)*				
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	**+Ordinary securities**	297,503,444	297,503,444		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5	**+Convertible debt securities** (*description)*				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	**Options** *(description and conversion factor)*	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				
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	**Debentures** *(totals only)*				
7.12	**Unsecured notes** *(totals only)*				

Compliance statement

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

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



Sign here: Date: 30 January 2015

(Company secretary)

Print name: Henko Vos

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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