

AusQuest Limited

ABN 35 091 542 451

Annual Report for the financial year ended 30 June 2014

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Corporate directory

Board of Directors

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

Company Secretaries

Mr Darren Crawte
Mr Henko Vos

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Share Registry

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Securities Exchange

Australian Securities Exchange
(Home Exchange: Perth, Western Australia)
Code: AQD

Operations Review

Highlights – Year in Review

Nickel-Copper Projects – Fraser Range, Western Australia

- AusQuest's land position in the emerging Fraser Range province, which hosts the world-class Nova-Bollinger nickel-copper discoveries, increased to ~1,850km² through successful tenement applications.
- Mafic rocks similar to those in the Nova-Bollinger area were discovered within the new Gibson Soak title, coincident with a strong regional gravity anomaly that defines the prospect.
- Mafic intrusions similar to those being tested by Sirius (at the Crux prospect) and Enterprise (at the Plato prospect) were identified, as well as potential strike extensions of the Nova sequence within the new Balladonia titles.
- At Dundas East, anomalous nickel-copper soil assays coincident with gravity and magnetic anomalies have defined a new target for testing.
- Surface sampling and EM surveys are planned for Dundas East, Gibson Soak and Balladonia to identify targets for drilling, as titles are granted and access approved.

Copper-Gold Projects – Peru

- A combination of large-scale porphyry copper and Iron Oxide Copper-Gold (IOCG) targets have been outlined in at least seven areas, defined by surface copper occurrences, porphyry-style alteration, and/or geophysical anomalies.
- Drilling permits were issued for the Cardonal (10 drill sites), Puite (13 drill sites) and Lana (10 drill sites) prospects to test porphyry copper and/or IOCG targets.

Burkina Faso Gold Projects – West Africa

- Exploration re-commenced over the Banfora gold projects (Burkina Faso) in April 2014 following completion of a joint venture with Ressources Burkinor SARL (Burkinor), a wholly-owned subsidiary of TSX-listed SEMAFO Inc.

Corporate

- A Farm-in and Joint Venture Agreement over the Banfora Gold Project in Burkina Faso was negotiated with Ressources Burkinor SARL (Burkinor). Under the agreement, Burkinor must spend a total of US$7.5M over three years to earn an 80% equity in the project. The agreement also included a US$600,000 cash payment to AusQuest.
- Agreement was reached with Cliffs Australia Holdings Ltd for an early termination of the Joint Venture covering the Stanley Manganese Project in WA, eliminating the Company's expenditure commitment on the project.
- In late 2013, the Company successfully completed a $2.75M capital raising comprising a Share Placement to sophisticated and professional investors and a Securities Purchase Plan (SPP) offered to shareholders.

OVERVIEW

While the 2014 financial year was another challenging time for junior explorers due to ongoing funding constraints, AusQuest was able to maintain a high level of activity across the Company's highest priority projects.

Exploration efforts in **Australia** were focused in the Fraser Range area of Western Australia, which has become one of the country's premier exploration hot spots following the discovery by Sirius Resources of the world-class Nova-Bollinger nickel-copper deposit.

New prospects were identified and new title applications submitted during the year south of Nova-Bollinger, following initial drilling at the Company's Dundas Nickel Project which identified prospective stratigraphy but no significant base metals.

Exploration activity on these projects will accelerate in the months ahead once the new titles are granted.

Titles over the Stanley Manganese Project were surrendered following a review of the project and early termination of the joint venture with Cliffs Australia Holdings covering these tenements.

In **Peru**, exploration continued over the Company's porphyry copper and IOCG copper-gold projects, albeit at a reduced pace following the termination of the joint venture with Cliffs Natural Resources Inc.

Applications for drill permits over three of the identified prospects were submitted to the appropriate authorities with approvals received for drilling at the Cardonal, Puite and Lana prospects.

Geological mapping and sampling continued in several areas with further porphyry targets identified for systematic ground geophysical surveys and subsequent target drilling.

The Company recently initiated discussions with several parties who have expressed interest in the projects, with the aim of negotiating a joint venture agreement to fund drilling operations at one or more of the prospects.

AusQuest is aiming to conclude a suitable agreement that will allow initial drill testing of at least one of the prospects to commence before the end of 2014.

The Company's copper-gold exploration venture in Peru represents an exciting growth opportunity in one of the world's most prospective countries for the discovery of major new porphyry copper and iron-oxide copper-gold (IOCG) deposits.

Exploration activity for gold in Burkina Faso, **West Africa** received a major boost during the year as a result of a joint venture agreement completed in April 2014 with Ressources Burkinor SARL, a wholly-owned subsidiary of TSX-listed SEMAFO Inc. This agreement will see Burkinor spend up to US$7.5 million on the Banfora Gold Project over the next three years to earn an 80% equity in the project.

Field work recommenced in Burkina Faso in April 2014 and the new joint venture is looking forward to the upcoming results from these programs.

PROJECT REVIEWS

FRASER RANGE NICKEL-COPPER PROJECTS (WA)

AusQuest now controls approximately 1,850km² of highly prospective ground 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.

The region is currently 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.

New tenement applications submitted during the year (Balladonia – 1,160km² and Gibson Soak – 350km²) cover gravity and magnetic targets reflecting potential extensions of the Fraser Range mafic sequence which hosts the Nova-Bollinger discoveries.

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

During the year, four EM targets were drill tested with diamond drilling intersecting narrow massive sulphide zones but no base metal values of interest. Analysis of rare earth element patterns from mafic rocks intersected by the drilling showed similarities with the mafic rocks within the Fraser Range terrain that host the Nova-Bollinger discoveries. This supports the impetus for further nickel exploration at Dundas.

Subsequent sampling at the Dundas East Prospect located anomalous nickel and copper values associated with a coincident magnetic/gravity target, highlighting the potential for nickel and copper sulphides in this area.

Ground electromagnetic (EM) surveys are planned to identify targets for drilling.

Balladonia Nickel-Copper Project (100% AQD)

The Balladonia tenements, which are located approximately 60km south of the Nova-Bollinger deposits, straddle the south-eastern boundary of the Fraser Range Terrain and coincide with a large (deep) gravity response (30 milligals) immediately south- east of the linear gravity response that defines the main Fraser Range terrain.

Aeromagnetic data over the tenements highlight a number of inferred mafic intrusions that produce similar negative magnetic anomalies to those being tested by Sirius at the Crux and Centauri prospects and Enterprise at the Plato prospect. These are believed to represent priority nickel-copper sulphide targets for the Company.

Over the western half of the titles, a sequence of rocks similar to the one hosting the Nova-Bollinger deposit has been interpreted with several elongated ‘eye type’ structures evident in the magnetics providing high priority target areas for initial exploration.

Surface sampling programs are planned to outline areas for subsequent ground and/or helicopter EM surveying to identify targets for drilling once the tenements are granted and access is approved.

Gibson Soak Nickel-Copper Project (100% AQD)

The Gibson Soak title is located ~ 30km north of the port of Esperance and covers the southern half (~20 strike kilometres) of a linear north-east trending gravity anomaly (15–25 milligals) which is believed to reflect similar mafic rocks to those found within the Fraser Range terrain that hosts the Nova-Bollinger nickel-copper deposits.

Much of the area is covered by farm-land with very little outcrop to be found. The road network throughout the area is excellent, providing easy access to all areas of potential interest.

A reconnaissance geochemical sampling programme is planned over the gravity anomaly to define areas for subsequent ground and/or helicopter EM surveys to identify targets for drilling.

Other Projects (Australia)

A re-assessment of the Company’s exploration priorities during the year resulted in a decision to withdraw from the Stanley Joint Venture Project and to surrender the Bald Hill title.

At Stanley, the Company reached agreement with Cliffs Australia Holdings Ltd for an early termination of the Stanley Joint Venture Agreement through payment of $50,000 to Cliffs, eliminating AusQuest’s ongoing expenditure commitment.

All Stanley tenements were subsequently surrendered.

The Bald Hill tenement was surrendered following the completion of ground EM surveys which failed to identify a viable drilling target associated with the nickel-copper-chrome geochemical anomaly that had been outlined by an earlier soil sampling programme.

COPPER-GOLD (PERU)

Over the past three 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.

During this time, the Company has assembled an extensive, high-quality tenement package in the southern coastal belt of Peru. This is a world-class mineral province which is highly prospective for large-scale porphyry copper and iron-oxide copper-gold (IOCG) deposits.

Detailed aeromagnetic data acquired by the Company were used to identify prospective areas beneath extensive sand and sediment cover, and a combination of geological mapping and sampling, together with ground-based geophysical surveys, were completed to identify targets for drilling.

A least seven large-scale drill targets have been identified within the Company's tenements representing possible iron-oxide copper-gold (IOCG) and/or porphyry copper targets, each with the size potential to be a significant project for the Company.

During the year, 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.

Drilling approvals have now been received from the Ministry of Energy and Mines (MEM) for the Puite (13 drill-holes), Cardonal (10 drill-holes), and Lana (10 drill-holes) prospects, clearing the way for drill testing of these porphyry copper-gold and/or IOCG targets to commence.

The Puite Prospect is a large buried porphyry copper (+/- gold) target under shallow cover which was outlined by a combination of surface mapping and sampling, ground magnetic and induced polarisation (IP) surveys.

The Company was originally attracted to the prospect after reconnaissance field work located anomalous copper values (100ppm Cu to 0.27% Cu) within altered diorite dykes and granodiorite, and soil sampling confirmed anomalous copper values (50ppm to 260ppm Cu) closely associated with a discrete magnetic target ~1km x 1km in size. Subsequent IP surveys suggested low levels of sulphide mineralisation (<5%) marginal to the magnetic source.

The Cardonal Prospect, which is located ~10km west of Puite, is a large buried porphyry copper target identified by mineralised diorite dykes and breccias at surface, containing anomalous levels of copper (100ppm up to 0.74% Cu) and associated propylitic alteration.

An extensive IP chargeability anomaly (>6km²), reflecting probable sulphide mineralisation at depths of ~300m to 400m, supports the concept of a buried porphyry copper target immediately south of the dykes.

The Lana Prospect is a large (~20km²) 8 milligal gravity anomaly located approximately 30km from the coast, beneath an estimated 200m of volcanic and sedimentary cover. The gravity target is discordant with the underlying magnetic response, similar to the Olympic Dam deposit in South Australia, and is thought to reflect buried IOCG-style mineralisation (hematite) beneath the cover sediments.

With three prospects now permitted for drilling, the Company is aiming to attract a suitable partner to help fund the drilling programmes in return for equity in the prospects. A number of parties have expressed interest in the projects, and early stage discussions are continuing. During the year, the Company continued to expand its copper-gold portfolio in Peru through ongoing regional and generative exploration activities.

Reconnaissance mapping and sampling at the Ceniceros Rojos Project, located ~20km north of the town of Camana, found early indications of possible porphyry copper style mineralisation with a number of rock samples returning anomalous copper values (ranging from 100ppm Cu up to 1.5% Cu) within diorite dykes and veins intersecting basement granite.

Further mapping and rock sampling at the Colorada prospect identified new areas with indications of buried porphyry copper mineralisation effectively increasing the potential size of the target.

The Company continues to be encouraged by the results obtained from its Peruvian projects, and plans to continue exploration and evaluation of the large-scale IOCG and/or porphyry copper targets which have been identified.

GOLD – WEST AFRICA

Comoe Project (AQD 100%, Ressources Burkinor 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.

During the year, a Farm-in and Joint Venture Agreement was negotiated with Ressources Burkinor SARL (Burkinor), a wholly-owned subsidiary of TSX-listed SEMAFO Inc., to significantly accelerate exploration activities over the Company's Banfora Gold prospects.

Under the terms of the Agreement, Burkinor can earn an 80% interest in the Banfora permits by spending a total of US$7.5 million over a three-year period and making an upfront cash payment to AusQuest of US$600,000.

This will see exploration activity ramp up significantly at Banfora, where AusQuest's exploration over the past four years has identified numerous gold targets which required further evaluation. In the first two months of the joint venture, Burkinor reported that 4,816 auger holes had been completed in three areas for a total of 31,312 metres, demonstrating their commitment to the project.

SEMAFO has a successful track record in exploring, developing and operating in West Africa, and has a very strong technical team which is well versed in community and Government relations.

AusQuest is very pleased to have concluded this deal as it brings a significant funding injection to the ongoing exploration of the Banfora Project, which the Company believes has the potential for significant gold discoveries.

CORPORATE

As outlined above, during the year AusQuest negotiated a Farm-in and Joint Venture Agreement over the Banfora Gold Project in Burkina Faso with Ressources Burkinor SARL (Burkinor), a wholly-owned subsidiary of TSX-listed SEMAFO Inc.

Under the agreement Burkinor must spend a total of US$7.5M over three years to earn an 80% equity in the project. The agreement also included a US$600,000 cash payment to AusQuest.

The Company also negotiated the termination of the South West Peru Joint Venture with Cliffs Natural Resources Exploration Inc (CNRE), a wholly-owned subsidiary of Cliffs Natural Resources Inc. (NYSE: CLF) (Paris: CLF), as well as the early termination of the Stanley Joint Venture Agreement with Cliffs Australia Holdings Ltd, eliminating the Company's ongoing expenditure commitment on the Stanley Project.

All titles in the Stanley area were subsequently surrendered and all tenements in Peru are now owned 100% by AusQuest.

In late 2013, the Company successfully completed a $2.75 million capital raising comprising a Share Placement to sophisticated and professional investors and a Securities Purchase Plan (SPP) offered to shareholders under the same terms and conditions.

INTRODUCTION

The Company is committed to implementing sound standards of corporate governance. In determining what those standards are, the Company has had regard to the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations – Third Edition ("Recommendations").

Further information about the Company's corporate governance practices is set out on the Company's website at www.ausquest.com.au. In accordance with the Recommendations, information published on the Company's website includes charters (for the Board and its sub-committees), the Company's Code of Conduct and other policies and procedures relating to the Board and its responsibilities.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Recommendation 1.1 – A listed entity should disclose:

(a) the respective roles and responsibilities of its board and management; and
(b) those matters expressly reserved to the board and those delegated to management.

The respective roles of the Board and Senior Management are summarised in the Company's Board Charter which is available on the Company's website. The Board charter also contains summaries of the responsibilities of the Board, Chair, Lead Independent Director, Managing Director, Non-Executive, Independent Directors as well as Senior Management.

The board has established functions that are reserved for the board, as separate from those functions discharged by the Managing Director and are also summarised in the Company's Board Charter which is available on the Company's website.

The roles and responsibilities of the Board compared with those delegated to management are reflective of the Recommendations.

Recommendation 1.2 – A listed entity should:

(a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and
(b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.

The Company undertakes appropriate checks before appointing or re-appointing a person and when putting forward a candidate for election as a director. A copy of the entity's Policy and Procedure for Selection and (Re) Appointment of Directors is available on the Company's website, and is in line with the Recommendations.

Recommendation 1.3 – A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.

The Company has entered into letters of appointment with Directors and employees. These contracts ensure that directors and senior executives have a clear understanding of their roles and responsibilities and of the entity's expectations of them.

Recommendation 1.4 – The Company Secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.

The Company Secretary is appointed and removed by, and is accountable directly to, the Board.

The Company Secretary has access to all Board members and the main functions of the role are to assist in advising the Board on governance matters and monitoring compliance with board and committee procedures. The role of the Company Secretary is further summarised in the Company's Board Charter which is available on the Company's website, and are reflective of the Recommendations.

Recommendation 1.5 – A listed entity should:

(a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;
(b) disclose that policy or a summary of it, and
(c) disclose at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either:
i. the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or
ii. if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.

The Company's Diversity Policy is set out on the Company's website.

The Company's Diversity Policy does not include measureable objectives as the Board believes that the Company will not be able to successfully meet these given the current size and stage of development of the Company. If the Company's activities increase in size, nature and scope in the future, then appropriate measureable objectives will be set and put into place.

Notwithstanding the above, the Company strives to provide the best possible opportunities for current and prospective employees of all backgrounds in such a manner that best adds to overall shareholder value and which reflects the values, principles and spirit of the Company's Diversity Policy.

During the 2014 financial year, the Company had a total of 2 women employees out of a total of 8 employees and contractors, however the Company had no women in senior executive positions or on the Board. A senior executive is defined by the Company as a member of the senior management team as distinct from the board, being those who have the opportunity to materially influence the integrity, strategy and operation of the company and its financial performance.

The Company is a not a 'relevant employer' under the Workplace Gender Equality Act 2012.

Recommendation 1.6 – A listed entity should:

a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors, and
b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

The Company has adopted policies and procedures concerning the evaluation and development of the Board, Board committees and individual directors. This responsibility is allocated to the Board (in its capacity as the Nomination Committee) and the Nomination Committee Charter is available on the Company's website.

Procedures include an internal Board performance assessment, an induction protocol and ongoing discussions with regard to the performance of the Board and its directors. The Company's "Process for Performance Evaluation" is available on the Company's website.

During the 2014 financial year, an internal Board performance assessment has been performed and assessed in accordance with the Company's Process for Performance Evaluation. No material weaknesses were identified and no governance changes were deemed necessary.

Recommendation 1.7 – A listed entity should:

a) have and disclose a process for periodically evaluating the performance of its senior executives; and
b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

The Nomination Committee is charged with periodic review of the job description and performance of the Managing Director.

The Company's website contains a section formally setting out the Company's "Process for Performance Evaluation".

The Managing Director was the subject of informal evaluations against both individual performance and overall business measures. These evaluations were undertaken progressively and periodically throughout the year.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

Recommendation 2.1 – The board of a listed entity should:

a) have a nomination committee which:
i) has at least three members, a majority of whom are independent directors; and
ii) is chaired by an independent director.

and disclose:

iii) the charter of the committee;
iv) the members of the committee, and
v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.

The full Board performs the function of the Nomination Committee. The Board considers that at this stage, no efficiencies or other benefits would be gained by establishing a separate Nomination Committee.

The Board, and therefore the Nomination Committee, comprises 4 members of which only 1 is independent. It is also chaired by the independent director. One meeting of the Board in its capacity as the Nomination Committee was held during the year and membership/ attendance at Board meetings is recorded in the Directors' Report section of the 2014 Annual Report. The Board has adopted a Nomination Committee charter to assist it to fulfil its function as the Nomination Committee and this is available on the Company's website.

Recommendation 2.2 – A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.

The Directors' Report section of the 2014 Annual Report contains details of the skills, experience and expertise held by each Director in office at the date of this Annual Report.

The Company strives to ensure that the mix of skills and diversity of the members of the Board adds to overall shareholder value and is representative of the core principles of the Company's Diversity Policy.

The Company's procedure for the selection and appointment of new directors and is also available on the Company's website along with a copy of the Nomination Committee Charter. The Nomination Committee is also responsible for reviewing succession plans, which are in place to assist in maintaining the appropriate balance of skills, experience and expertise on the Board.

Recommendation 2.3 – A listed entity should disclose:

a) the names of the directors considered by the board to be independent directors;
b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and
c) the length of service of each director.

The names and terms of office of each director, and their status as executive/non-executive/independent, for the year ended 30 June 2014 were as follows (with all directors noted as continuing in office as at 30 June 2014 and still being in office at the date of the 2014 Annual Report unless indicated otherwise):

Director	Status	Date of appointment	Length of service
Greg Hancock	Non-Executive/independent	16 September 2003	10 years
Graeme Drew	Executive/ non-independent	15 February 2000	14 years
John Ashley	Non-Executive/ non-independent	15 February 2000	14 years
Chris Ellis	Non-Executive/ non-independent	2 November 2006	7 years

The Company has accepted the definition of "independence" in the Recommendations in making the above assessments of independence.

No director has an interest, position, association or relationship of the type described in Box 2.3 of the Recommendations that is considered to not compromise independence. Each director's independence status is regularly assessed against Box 2.3.

Recommendation 2.4 –The majority of the board of a listed entity should be independent directors.

The Company did not have a majority of independent directors during the year. As at the year end, one out of the four directors, Mr Hancock, is independent. The remaining directors have been deemed non independent on the following bases - Mr Drew is involved in the day to day running of the Company, Mr. Ashley was also involved in the day to day running of the Company prior to 5 April 2012 (hence not three years has passed since he acted in an executive capacity) and Mr Ellis became a substantial shareholder of the Company on 17 December 2012.

Whilst this is not in accordance with the Recommendation, the Board considers that its current composition is the most appropriate blend of skills and expertise relevant to the Company's business, size and operations. The Board is aware of the importance of independent judgement and considers independence, amongst other things, when new appointments to the Board are made.

Recommendation 2.5 – The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.

Mr Hancock, the Chairman of the company is an independent, non-executive Director. The role of the Managing Director and CEO is filled by Mr Drew, hence the Company complies with this Recommendation.

Recommendation 2.6 – A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.

The Board is responsible for Board member induction, and ongoing education and development. The Company's Policy on Independent Professional Advice empowers a director to undertake training or take independent professional advice at the expense of the Company.

PRINCIPLE 3: ACT ETHICALLY AND RESPONSIBLY

Recommendation 3.1 – A listed entity should:

a) have a code of conduct for its directors, senior executives and employees; and
b) disclose that code or a summary of it.

The Company has established a formal code of conduct to guide the Board and Executives with respect to the practices necessary to maintain confidence in the Company's integrity, the practices necessary to take into account legal obligations and reasonable expectations of stakeholders, and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices. The code of conduct is disclosed on the company's website.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN CORPORATE REPORTING

Recommendation 4.1 – The board of a listed entity should:

a) have an audit committee which:
- **i) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and**
- **ii) is chaired by an independent director, who is not the chair of the board,**

and disclose:

- **iii) the charter of the committee;**
- **iv) the relevant qualifications and experience of the members of the committee; and**
- **v) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or**

b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.

The Board has established a separate Audit Committee comprising three non-executive directors, being Mr. Hancock, Mr Ashley and Mr Ellis. Only Mr Hancock is independent. It is noted that all Audit Committee members have industry experience.

The Chair of the Audit Committee is Mr Chris Ellis, who is not independent but is not the Chair of the Board. The Company does not meet the recommendation of the Audit Committee having a majority of independent directors, nor is the Chair of the Committee an independent director. However, whilst this is not in accordance with the Recommendation, the Board considers that its current composition is the most appropriate blend of skills and expertise relevant to the Company's business, size and operations. The Board is aware of the importance of independent judgement and considers independence, amongst other things, when new appointments to the Board are made.

A copy of the Company's Audit Committee Charter is available on the Company's website.

Details regarding the directors' qualifications and experience is contained in the Director's Report, with the Committee deemed to be structured so that it has the relevant accounting and financial expertise required to discharge its responsibilities.

The Committee met twice during the year and attendances by committee members are recorded in the Directors' Report section of this Annual Report.

Recommendation 4.2 – The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

In respect of each annual financial reporting period, the Company's Managing Director and CFO (or equivalent) provides the Board with a declaration in accordance with S.295A of the Corporations Act which is consistent with Recommendation 4.2. The Company did not comply with this recommendation for its 31 December 2013 half-year financial report, which was approved by the full Board, as this recommendation was only introduced post that date and there being no statutory requirement to obtain such approvals at that time.

Recommendation 4.3 – A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.

The Audit Committee Charter, which is available on the Company's website, states that the Audit Committee is to ensure that the external auditor is requested to attend the annual general meeting of the Company and is available to answer questions from shareholders. HLB Mann Judd, the entity's external auditor, will be attending the AGM this year and will be available to answer questions from security holders.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

Recommendation 5.1 – A listed entity should have a written policy for complying with its continuous disclosure obligations under the Listing Rules and disclose that policy or a summary of it.

The Company has established written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at senior executive level for that compliance. A copy of the Policy on ASX Listing Rule Compliance is available on the Company's website.

PRINCIPLE 6: RESPECT THE RIGHTS OF SECURITY HOLDERS

Recommendation 6.1 – A listed entity should provide information about itself and its governance to investors via its website.

The Company's website contains a separate section titled "Corporate Governance" which contains all key Corporate Governance documents including the Board and committee charters, Code of Conduct and other policies and procedures. The website also provides:

- an overview of the entity's current projects;
- copies of its annual reports and financial statements;
- copies of its announcements to ASX.

Recommendation 6.2 - A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.

The Company has a Shareholder Communications Policy which is publicly available on the company's website, including the effective use of electronic communications.

The Board encourages the attendance of shareholders at the Shareholders' Meetings and sets the time and place of each Shareholders Meeting in advance to allow maximum attendance by shareholders.

Recommendation 6.3 – A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.

The Company provides information in the notice of meeting that is presented in a clear, concise and effective manner. Shareholders are provided the opportunity at general meetings to ask questions in relation to each resolution before they are put to the vote and discussion is encouraged by the Board.

Recommendation 6.4 – A listed entity should give shareholders the option to receive communications from, and send communications to, the entity and its security registry electronically.

The Company provides shareholder materials directly to shareholders through electronic means. A shareholder may request a hard copy of the Company's annual report to be posted to them.

The Company's share registry is maintained electronically by Advanced Share Registry Services Pty Ltd. Their contact details are disclosed in the Corporate Directory of the Annual Report as well as the Company's website.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

Recommendation 7.1 - The board of a listed entity should:

a) have a committee or committees to oversee risk, each of which:
- **i) has at least three members, a majority of whom are independent directors; and**
- **ii) is chaired by an independent director;**

and disclose:

- **iii) the charter of the committee;**
- **iv) the members of the committee; and**
- **v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or**

b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework

The full Board performs the function of the Risk Committee. The Board considers that at this stage, no efficiencies or other benefits would be gained by establishing a separate risk committee.

The Board of Directors is responsible for overseeing and approving policies for the management and oversight of material business risks, internal compliance and internal controls. The objectives of AusQuest's risk management program are contained in the Risk Management Policy which is available on the Company's website. The Board has prepared a risk matrix and reviews this annually to ensure it reflects the Company's current risk profile.

Recommendation 7.2 - The Board or a committee of the board should review the entity's risk management framework at least annually to satisfy itself that it continues to be sound and disclose, in relation to each reporting period, whether such a review has taken place.

The Board reviews, at least annually, the Company's risk management framework. The risks identified are monitored on a continual basis and preventative measures are implemented as and when deemed necessary.

Recommendation 7.3 - A listed entity should disclose if it has an internal audit function, how the function is structured and what role it performs or if it does not have an internal audit function, that fact and the processes it employs for evaluating the continually improving the effectiveness of its risk management and internal control processes.

The Company does not have an internal audit function. The Board recognises that no cost effective internal control system will preclude all errors and irregularities. The Company's risk management and internal control system is based upon written procedures, policies and guidelines, an organisational structure that provides an appropriate division of responsibility, and the selection and training of qualified service providers and personnel.

Recommendation 7.4 - A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.

The Company has assessed its exposure to economic risks as high on the basis that it has no material income and is reliant on the potential exploration success to raise capital to fund exploration and operating costs. This risk is managed by regularly reviewing future cashflow requirements to ensure that fundraising is performed in a timely manner and that the Company remains in a position to pay its debts as and when they fall due. The company has no material exposure to environmental or sustainability risks.

A copy of the Company's policies on risk oversight and management of material business risks is publicly available under the heading Risk Management Policy.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

Recommendation 8.1 - The board of a listed entity should:

a) Have a remuneration committee which:
i) has at least three members, a majority of whom are independent directors; and
ii) is chaired by an independent director;

and disclose:

iii) the charter of the committee:
iv) the members of the committee; and
v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.

The Board has established a Remuneration Committee comprising three non-executive directors, being Mr. Hancock, Mr Ashley and Mr Ellis. Only Mr Hancock is independent, and acts as the chair of the committee.

The Company does not meet the recommendation of the Remuneration Committee having a majority of independent directors. Whilst this is not in accordance with the Recommendation, the Board considers that its current composition is the most appropriate blend of skills and expertise relevant to the Company's business, size and operations. The Board is aware of the importance of independent judgement and considers independence, amongst other things, when new appointments to the Board are made.

The Committee met once during the year and attendances by committee members are recorded in the Directors' Report section of the 2014 Annual Report.

The Remuneration Committee Charter is publicly available on the Company's website.

Recommendation 8.2 - A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.

The structure of non-executive remuneration is clearly distinguishable from that of executive directors and senior executives.

The level of remuneration packages and policies applicable to directors are detailed in the Remuneration Report which forms part of the Directors' Report to the 2014 Annual Report.

Recommendation 8.3 - A listed entity which has an equity-based remuneration scheme should have a policy on whether participants are permitted to enter into transactions (whether the use of derivatives or otherwise) which limit the economic risk of participating in the scheme and disclose that policy or a summary of it.

The Company has an equity-based remuneration scheme and also a Policy for Trading in Company securities which are publicly available on the Company's website. Under the policy Directors, officers and employees are prohibited from entering into transactions or arrangements which operate to limit the economic risk of their security holding in the Company without first seeking and obtaining written acknowledgement from the Chair.

Executives are also prohibited from entering into transactions or arrangements which limit the economic risk of participating in unvested entitlements.

The Directors of AusQuest Ltd herewith submit the annual financial report of the Company and the entities it controlled ("Group") for the financial year ended 30 June 2014. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Information about Directors and senior management

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

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

Greg has had over 20 years experience in capital markets practicing in the area of corporate finance. He maintains close links with the stockbroking and investment banking community on behalf of the Company.

Directorships held in listed companies over the last three years are as follows:

- Cooper Energy Limited – March 2001 – October 2011
- Norsve Resources PLC – December 2012 - current

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

Graeme has over 40 years experience in the exploration industry in Australia and overseas. Prior to co-founding AusQuest Ltd he was an Exploration Manager for CRAE and Rio Tinto Exploration Pty Ltd in Western Australia (9 years) and Eastern Australia (4 years).

He has wide experience in the search for, and evaluation of, most base and precious metals (notably nickel, gold, uranium, zinc and diamonds). Graeme has developed a passion for the 'big picture' and 'big project' generation which he strongly believes are the building blocks for successful exploration outcomes.

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

***John Ashley* B.Sc.Hons.,M.Sc.**
Non-Executive Director

John is a former Director of Southern Geoscience Consultants (SGC), which he established in 1985, and is a former Director of Aerodata Holdings and Conquest Mines NL (unlisted).

John has over 4 decades experience as a geophysicist in the exploration industry with government agencies, exploration companies, and consulting companies and has worked in many countries.

John has held no other Directorships in listed companies over the last three years.

***Christopher Ellis* B.Sc.Hons.**
Non-Executive Director

Chris is an experienced mining executive with over 30 years experience in geology, exploration, mine planning and project development in Australia and overseas. He was a founding member and Executive Director of Excel Coal Limited which was the subject of a take-over bid by the US coal giant Peabody Energy Inc, and has held senior positions within Shell Coal's Exploration, BP Coal (London and USA), Agipcoal Australia and the Stratford Joint Venture.

Chris was appointed an Executive Director of King Island Scheelite Limited on 8 November 2012.

Joint company secretaries

Darren Crawte

Darren is a qualified chartered accountant in both the UK and Australia and has worked within public practice for over 14 years, initially as an external auditor. He is currently a Director of Audit and Corporate Services at Nexia

Perth, a mid tier accounting and business advisory practice, where he specialises in providing corporate advisory, financial accounting/audit management, transactional support, taxation and other back office services to junior listed companies. Darren has acted as Company Secretary to a number of companies in the junior resources sector having managed a number of these through an initial public offering.

Henko Vos
Henko is a qualified Chartered Secretary and Certified Practicing Accountant with over 10 years experience working within public practice, specifically within the area of audit and assurance both in Australia and South Africa. He is also an employee of Nexia Perth.

Directors' shareholdings
The following table sets out each Director's relevant interest in shares, debentures, and rights or options in shares or debentures of the Company or a related body corporate as at the date of this report.

Directors	Fully paid ordinary shares Number	Share options Number
Greg Hancock	4,586,415	1,250,000
Graeme Drew	8,612,466	1,500,000
Chris Ellis	28,366,218	8,500,000
John Ashley	9,716,630	1,322,500

Remuneration of Directors and senior management
Information about the remuneration of Directors and senior management is set out in the Remuneration Report of this Directors' report.

Share options granted to Directors and senior management
During and since the end of the financial year there were no share options granted to Key Management Personnel of the Group as part of their remuneration.

Principal activities
The principal activity of the Group was mineral exploration throughout Australia, Africa and Peru.

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

The loss of the Group after income tax for the year was $2,902,414 (2013: $8,236,747).

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

Subsequent events
There has been no matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Future developments
Disclosure of information regarding the likely developments in the operations of the Group in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Group. Accordingly, this information has not been disclosed in this report.

Safety and environmental regulations
The Company is aware of its occupational health and safety and environmental obligations with regard to its exploration activities and ensures that it complies with all regulations when carrying out exploration work.

Dividends

No dividends were paid or declared since the start of the financial year. No recommendation for the payment of dividends has been made.

Share options

Shares under option or issued on exercise of options
Details of unissued shares or interests under option as at the date of this report are:

Issuing entity	Number of shares under option	Class of shares	Exercise price of option	Expiry date of options
Listed				
AusQuest Ltd	68,750,000	Ordinary	4 cents each	30 Nov 2016
Unlisted				
AusQuest Ltd	9,900,000	Ordinary	7 cents each	30 Nov 2015

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

Shares issued on the exercise of options
No shares were issued during the year on the exercise of options.

Share options that expired/lapsed
Details of share options that expired or lapsed during or since the end of the financial year are:

Issuing entity	Number of options expired/lapsed	Class of shares	Exercise price of option	Expiry date of options
AusQuest Ltd	1,350,000	Ordinary	20 cents each	01 Dec 2013
AusQuest Ltd	1,150,000	Ordinary	40 cents each	01 Dec 2013
AusQuest Ltd	500,000	Ordinary	30 cents each	30 Nov 2013
AusQuest Ltd	500,000	Ordinary	40 cents each	30 Nov 2013
AusQuest Ltd	1,750,000	Ordinary	40 cents each	30 Nov 2013

Directors' meetings

The following table sets out the number of Directors' meetings (including meetings of committees of Directors) held during the financial year and the number of meetings attended by each Director (while they were a Director or committee member).

During the financial year, 7 board meetings, 2 audit committee meetings, and 1 remuneration committee meeting were held.

	Board of Directors		Remuneration committee		Audit committee	
Directors	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Greg Hancock	7	7	1	1	2	2
Christopher Ellis	7	5	1	1	2	2
John Ashley	7	7	1	1	2	2
Graeme Drew	7	7	-	-	-	-

In addition 2 circular resolutions have been passed by Directors during the year.

Indemnification of officers and auditors

During or since the end of the financial year the Company has given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

- except as may be prohibited by the Corporations Act 2001 a Director or officer of the Company shall be indemnified out of the property of the Company against any liability incurred by him in his capacity as Director or officer of the Company or any related corporation in respect of any act or omission whatsoever and howsoever occurring or in defending any proceedings, whether civil or criminal.

Since the beginning of the financial year the Company has paid insurance premiums of $28,924 (2013:$34,957) in respect of Directors and Officers liability and corporate reimbursement, for Directors and officers in the Company.

The insurance premiums relate to:

- any loss for which the Directors and officers may not be legally indemnified by the Company arising out of any claim, by reason of any wrongful act committed by them in their capacity as a Director or officer of the Company or any related corporation, first made against them jointly or severally during the year of insurance; and

- indemnifying the Company against any payment which it has made and was legally permitted to make arising out of any claim, by reason of any wrongful act, committed by any Director or officer in their capacity as a Director or officer of the Company or any related corporation, first made against the Director or officer during the period of insurance.

Proceedings on behalf of the Company

No persons have applied for leave pursuant to s.237 of the Corporation Act 2001 to bring, or intervene in, proceedings on behalf of AusQuest Ltd.

Non-audit services

There were no non-audit services performed during the year by the auditors (or by another person or firm on the auditors' behalf).

Auditor's independence declaration

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the Company with an independence declaration in relation to the audit of the annual report. This independence declaration is included on page 25 of the financial report and forms part of this directors' report for the year ended 30 June 2014.

Remuneration report (audited)

This report, which forms part of the directors' report, outlines the remuneration arrangements in place for the key management personnel of AusQuest Ltd (the "Company") for the financial year ended 30 June 2014.

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

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

The prescribed details for each person covered by this report are detailed below under the following headings:

- key management personnel details;
- remuneration policy and relationship between the remuneration policy and Company performance;
- remuneration of key management personnel;
- key terms of employment contracts;
- key management personnel equity holdings;
- loans to key management personnel; and
- other transactions with key management personnel of the Group.

Key management personnel details

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

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

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

Remuneration policy and relationship between the remuneration policy and Company performance

The Board policy for determining remuneration is based on the principle of remunerating Directors and senior executives on their ability to add value to the Company (taking into account the Company's strategic plan and operations) whilst also considering market remuneration packages for similar positions within the industry and in consultation with external consultants.

The Board appreciates the interrelationship between this policy and Company performance. It acknowledges that it is in the best interests of shareholders to provide challenging but achievable incentives to reward senior executives for reaching the Company's stated goals. The Board will discuss these issues internally and with candidates prior to engaging additional Directors or senior executives in the future.

Key management personnel (excluding non-executive Directors)

The Remuneration Committee is responsible for determining the remuneration policies for the Group, including those affecting executive Directors and other key management personnel. The Committee may seek appropriate external advice to assist in its decision making. Remuneration policies and practices are directed primarily at attracting, motivating and retaining key management personnel.

The remuneration policy for executive Directors and other key management personnel has the following key elements:

- Primary benefits (being salary, fees, bonus and non monetary benefits)
- Post-employment benefits (being superannuation)
- Equity (being share options granted at the discretion of the Board)
- Other benefits

Non-Executive Directors

The Company's Non-Executive Directors receive only fees (including statutory superannuation) for their services and the reimbursement of reasonable expenses. The fees paid to the Company's Non-Executive Directors reflect the demands on, and responsibilities of these Directors. They do not receive any retirement benefits (other than compulsory superannuation).

The Board decides annually the level of fees to be paid to Non-Executive Directors with reference to market standards.

Non-Executive Directors may also receive share options where this is considered appropriate by the Board as a whole and with regard to the stage of the Company's development. Such options vest across the life of the option and are primarily designed to provide an incentive to Non-Executive Directors to remain with the Company.

A Non-Executive Directors' fee pool limit of $300,000 per annum was approved by the shareholders at the Annual General Meeting on 18 November 2008 but is not currently being utilised as all Non-Executive Directors elected to forego their director's fees with effect from 1 January 2013 until further notice in order to assist in preserving the cash levels of the Group.

Remuneration of key management personnel

	Short-term employee benefits				Post-employment benefits	Other long-term employee benefits	Share-based payment			
	Salary & fees $	Bonus $	Non-monetary $	Other[(i)] $	Super-annuation $	$	Options $	Total $	% of compensation consisting of options %	Performance Related %
2014										
Directors										
Graeme Drew	183,066	-	-	7,231	16,934	-	-	207,231	-	-
John Ashley	-	-	-	7,231	-	-	-	7,231	-	-
Greg Hancock	-	-	-	7,231	-	-	-	7,231	-	-
Chris Ellis	-	-	-	7,231	-	-	-	7,231	-	-
	183,066	-	-	28,924	16,934	-	-	228,924	-	-
2013										
Directors										
Graeme Drew	247,706	-	-	8,200	22,294	-	-	278,200	-	-
John Ashley	29,385	-	-	8,200	2,645	-	-	40,230	-	-
Greg Hancock[(ii)]	27,500	-	-	8,200	1,800	-	-	37,500	-	-
Chris Ellis	20,000	-	-	8,200	1,800	-	-	30,000	-	-
Craig Moulton	-	-	-	2,157	-	-	-	2,157	-	-
	324,591	-	-	34,957	28,539	-	-	388,087	-	-

(i) Relates to Directors' and Officers' liability insurance.
(ii) During the 2013 financial year, additional consulting services to the value of $11,250 were provided by Mr Hancock.

During the year no options were issued to key management personnel as part of their remuneration. No previously issued options granted as remuneration were exercised by key management personnel during the year. 500,000 unlisted options, exercisable at 30 cents each, and 500 unlisted options, exercisable at 40 cents each, previously issued to Mr Graeme Drew, lapsed unexercised on 30 November 2013.

There were no other options granted as remuneration to key management personnel which were granted, exercised or lapsed during the year.

Key terms of employment contracts

Remuneration and other terms of employment for the Managing Director, Graeme Drew are formalised in a service agreement. Major provisions of this agreement are set out below:

- Term of agreement – two years commencing 25 November 2013.
- Base salary reviewed annually, $200,000 (inclusive of superannuation entitlements) which Mr Drew agreed to reduce to $150,000 per annum with effect from 1 July 2014.
- Payment of termination benefit on early termination by the employer, other than for gross misconduct, equal to 3 months' salary, other than if there is a change of control of the Company, which will result in 12 months' salary.
- Notice period of 90 days.

Key management personnel equity holdings

Fully paid ordinary shares of AusQuest Ltd

	Balance at 1 July No.	Balance on appointment No.	Granted as compensation No.	Purchased during the year No.	Balance on resignation No.	Balance at 30 June No.
2014						
Directors						
Greg Hancock	2,086,415	N/A	-	2,500,000	N/A	4,586,415
Graeme Drew	5,612,466	N/A	-	3,000,000	N/A	8,612,466
John Ashley	7,071,630	N/A	-	2,645,000	N/A	9,716,630
Chris Ellis	11,366,218	N/A	-	17,000,000	N/A	28,366,218
	26,136,729	N/A	-	25,145,000	N/A	51,281,729

	Balance at 1 July No.	Balance on appointment No.	Granted as compensation No.	Purchased during the year No.	Balance on resignation No.	Balance at 30 June No.
2013						
Directors						
Greg Hancock	1,058,000	N/A	-	1,028,415	N/A	2,086,415
Graeme Drew	4,747,241	N/A	-	865,225	N/A	5,612,466
John Ashley	6,071,630	N/A	-	1,000,000	N/A	7,071,630
Chris Ellis	10,668,658	N/A	-	697,560	N/A	11,366,218
Craig Moulton [(i)]	-	N/A	-	-	-	N/A
	22,545,529	-	-	3,591,200	N/A	26,136,729

Options (listed and unlisted) of AusQuest Ltd

	Balance at 1 July No.	Balance on appointment/ (resignation) No.	Granted as compen-sation No.	Exercised No.	Net other change No.	Balance at 30 June No.	Vested during year No.	Vested and exercisable at 30 June No.
2014								
Directors								
Greg Hancock	-	-	-	-	1,250,000[(i)]	1,250,000	1,250,000	1,250,000
Graeme Drew	1,000,000	-	-	-	500,000[(ii)]	1,500,000	1,500,000	1,500,000
John Ashley	-	-	-	-	1,322,500[(i)]	1,322,500	1,322,500	1,322,500
Chris Ellis	-	-	-	-	8,500,000[(i)]	8,500,000	8,500,000	8,500,000
	1,000,000	-	-	-	11,572,500	12,572,500	12,572,500	12,572,500

	Balance at 1 July No.	Balance on appointment/ (resignation) No.	Granted as compen-sation No.	Exercised No.	Net other change No.	Balance at 30 June No.	Vested during year No.	Vested and exercisable at 30 June No.
2013								
Directors								
Greg Hancock	-	-	-	-	-	-	-	-
Graeme Drew	1,000,000	-	-	-	-	1,000,000	1,000,000	1,000,000
John Ashley	-	-	-	-	-	-	-	-
Chris Ellis	-	-	-	-	-	-	-	-
Craig Moulton [(iii)]	-	-	-	-	-	-	-	-
	1,000,000	-	-	-	-	1,000,000	1,000,000	1,000,000

(i) The movement comprises the lapse of 1,000,000 unlisted options on 30 November 2013 and the purchase of 1,500,000 listed options on 2 December 2013.

(ii) Listed options purchased on 2 December 2013 as part of share acquisitions made by the relevant director.

(iii) Mr Moulton is/was a full time employee of Cliffs Natural Resources Pty Ltd ('Cliffs'). Cliffs held 68,308,791 shares until 17 December 2012 but Mr Moulton did not hold shares or options independently.

Loans to key management personnel
There were no loans to other key management personnel during the current or previous financial years.

Other transactions with key management personnel of the Group
Office premises were rented by the Group for the financial year from Asuper Pty Ltd, an entity associated with Mr John Ashley, for a total amount of $53,289, excluding GST (2013: $57,356 excluding GST). The transactions were made on normal commercial terms.

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

(End of remuneration report)

The Directors' Report is signed in accordance with a resolution of Directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the Directors



Graeme Drew
Managing Director

24 September 2014
Perth, WA

HLB Mann Judd

Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of AusQuest Limited for the year ended 30 June 2014, 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 audit; and

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



Perth, Western Australia
24 September 2014

W M Clark
Partner

HLB Mann Judd

Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REPORT

To the members of Ausquest Limited

Report on the Financial Report

We have audited the accompanying financial report of Ausquest Limited ("the company"), which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for the consolidated entity. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In Note 2, the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the financial report complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

HLB Mann Judd

Accountants | Business and Financial Advisers

Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of Ausquest Limited is in accordance with the *Corporations Act 2001*, including:
   (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
   (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Emphasis of Matter

Without qualification to the opinion expressed above, we draw attention to Note 2 to the financial statements which indicate that the ability of the company to continue as a going concern and, therefore, meet its debts and commitments as and when they fall due is dependent on a successful capital raising. Should the Company be unsuccessful in raising additional funds through the issue of new equity, there is a material uncertainty which may cast significant doubt whether or not the entity will be able to continue as a going concern and therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the Remuneration Report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion the remuneration report of Ausquest Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

HLB Mann Judd
Chartered Accountants

W M Clark
Partner

Perth, Western Australia
24 September 2014

AusQuest Limited
Directors' declaration
30 June 2014

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes thereto give a true and fair view of the Group's financial position as at 30 June 2014 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



Graeme Drew
Managing Director

24 September 2014
Perth, WA

AusQuest Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2014

	Note	Consolidated 2014 $	Consolidated 2013 $
Revenue	5	44,719	194,263
Expenses			
Consultants and employee benefits expense		(224,405)	(247,864)
Occupancy expenses		(126,005)	(121,612)
Administration expense		(664,176)	(862,451)
Impairment of exploration expenditure	11	(1,932,547)	(7,199,083)
Total expenses		(2,947,133)	(8,431,010)
Loss before income tax expense	6	(2,902,414)	(8,236,747)
Income tax expense	7	-	-
Loss after income tax expense for the year attributable to the owners of AusQuest Limited		(2,902,414)	(8,236,747)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange gain/(loss) on translation of foreign operations		(332,023)	708,998
Other comprehensive (loss)/income for the year, net of tax		(332,023)	708,998
Total comprehensive loss for the year attributable to the owners of AusQuest Limited		(3,234,437)	(7,527,749)
		Cents	**Cents**
Basic earnings per share	26	(1.19)	(4.30)

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

AusQuest Limited
Statement of financial position
As at 30 June 2014

	Note	Consolidated 2014 $	Consolidated 2013 $
Assets			
Current assets			
Cash and cash equivalents		1,018,821	1,545,401
Trade and other receivables	8	497,231	391,511
Other assets	9	57,873	45,597
Total current assets		1,573,925	1,982,509
Non-current assets			
Property, plant and equipment	10	50,957	71,563
Exploration and evaluation	11	11,791,786	11,933,989
Total non-current assets		11,842,743	12,005,552
Total assets		13,416,668	13,988,061
Liabilities			
Current liabilities			
Trade and other payables	12	359,927	349,703
Provisions	13	67,975	91,195
Total current liabilities		427,902	440,898
Total liabilities		427,902	440,898
Net assets		12,988,766	13,547,163
Equity			
Issued capital	14	53,135,509	50,617,017
Reserves	15	907,574	1,605,944
Accumulated losses		(41,054,317)	(38,675,798)
Total equity		12,988,766	13,547,163

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

AusQuest Limited
Statement of changes in equity
For the year ended 30 June 2014

Consolidated	Issued capital $	Share based payment reserve $	Foreign currency translation reserves $	Accumulated losses $	Total $
Balance at 1 July 2012	52,307,672	761,395	300,239	(30,676,551)	22,692,755
Loss after income tax expense for the year	-	-	-	(8,236,747)	(8,236,747)
Other comprehensive income for the year, net of tax	-	-	708,998	-	708,998
Total comprehensive income/(loss) for the year	-	-	708,998	(8,236,747)	(7,527,749)
Transactions with owners in their capacity as owners:					
Lapsed options during the year	-	(237,500)	-	237,500	-
Options issued during the year	-	72,812	-	-	72,812
Buy back of shares	(1,690,655)	-	-	-	(1,690,655)
Balance at 30 June 2013	50,617,017	596,707	1,009,237	(38,675,798)	13,547,163

Consolidated	Issued capital $	Share based payment reserve $	Foreign currency translation reserves $	Accumulated losses $	Total $
Balance at 1 July 2013	50,617,017	596,707	1,009,237	(38,675,798)	13,547,163
Loss after income tax expense for the year	-	-	-	(2,902,414)	(2,902,414)
Other comprehensive loss for the year, net of tax	-	-	(332,023)	-	(332,023)
Total comprehensive loss for the year	-	-	(332,023)	(2,902,414)	(3,234,437)
Transactions with owners in their capacity as owners:					
Lapsed options during the year	-	(523,895)	-	523,895	-
Options issued during the year	-	157,548	-	-	157,548
Issue of shares	2,750,000	-	-	-	2,750,000
Share issue costs	(231,508)	-	-	-	(231,508)
Balance at 30 June 2014	53,135,509	230,360	677,214	(41,054,317)	12,988,766

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

AusQuest Limited
Statement of cash flows
For the year ended 30 June 2014

	Note	Consolidated 2014 $	Consolidated 2013 $
Cash flows from operating activities			
Payments to suppliers and employees		(846,118)	(1,363,454)
Interest received		30,394	146,945
Net cash used in operating activities	25	(815,724)	(1,216,509)
Cash flows from investing activities			
Payments for property, plant and equipment		(1,749)	(968)
Exploration and evaluation expenditure		(2,863,240)	(3,063,920)
Payment received on grant of farm-in and joint venture interests		635,640	-
Proceeds from disposal of exploration and evaluation assets		-	750,000
Net cash used in investing activities		(2,229,349)	(2,314,888)
Cash flows from financing activities			
Proceeds from issue of shares	14	2,750,000	-
Share issue transaction costs		(231,507)	-
Net cash from financing activities		2,518,493	-
Net decrease in cash and cash equivalents		(526,580)	(3,531,397)
Cash and cash equivalents at the beginning of the financial year		1,545,401	5,076,798
Cash and cash equivalents at the end of the financial year		1,018,821	1,545,401

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

Note 1. General information

AusQuest Limited (the Company) is a public Company listed on the Australian Securities Exchange (trading under the symbol ("AQD"), incorporated in Australia and operating in Australia, Africa and Peru.

The Company's registered office and its principal place of business are as follows:

Registered Office	**Principal place of business**
C/- Nexia Perth Pty Ltd	8 Kearns Crecent
Level 3, 88 William Street	ARDROSS WA 6153
Perth WA 6000	

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

Note 2. Significant accounting policies

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

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law.

Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with A-IFRS ensures that the financial statements and notes of the Company and the Group comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the directors on 24 September 2014.

Basis of preparation

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

Going concern

The 30 June 2014 financial report has been prepared on the going concern basis that contemplates the continuity of normal business activities and the realisation of assets and extinguishment of liabilities in the ordinary course of business. For the year ended 30 June 2014 the Group recorded an operating cash outflow of $815,724 (2013: $1,216,509) and at 30 June 2014 had a net working capital surplus of $1,146,023 (30 June 2013: surplus of $1,541,612).

Based on the Group's cash flow forecast, which is dependent on results from planned exploration activity, it is likely that the Group will need to access additional working capital in the next 12 months to advance its exploration projects and to ensure the realisation of assets on an orderly basis and the extinguishment of liabilities as and when they fall due.

The Directors are confident that the Group will be successful in raising additional funds through the issue of new equity, should the need arise. The Directors are also aware that the Group has the option, if necessary, to defer expenditure or relinquish certain projects and reduce administration costs in order to minimise its capital raising requirements. Based on these facts, the Directors consider the going concern basis of preparation to be appropriate for this financial report.

Should the Company be unsuccessful in raising additional funds through the issue of new equity, there is a material uncertainty which may cast significant doubt whether or not the entity will be able to continue as a going concern and therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The financial statements do not include any adjustments relative to the recoverability and classification of recorded asset amounts or, to the amounts and classification of liabilities that might be necessary should the entity not continue as a going concern.

Note 2. Significant accounting policies (continued)

Critical accounting estimates
In the application of the Group's accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experiences and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis.

Revisions to the accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects the current and future periods.

Refer to Note 3 for a discussion of critical judgements in applying the Group's accounting policies and key sources of estimation uncertainty.

Adoption of new and revised Accounting Standards

Standards and Interpretations applicable to 30 June 2014
In the year ended 30 June 2014, 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 annual reporting period.

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

Standards and Interpretations in issue not yet adopted
The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2014. The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the financial statements of the Group.

These Standards and Interpretations will be first applied in the financial report of the Group that relates to the annual reporting period beginning after the effective date of each pronouncement.

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

Parent entity information
In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 22.

Basis of consolidation
The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries) referred to as 'the Group' in these financial statements.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Control exists where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing when the Group controls another entity.

Note 2. Significant accounting policies (continued)

Business combinations have been accounted for using the acquisition method of accounting.

The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group.

The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expenses as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

Unrealised gains or transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in the statement of comprehensive income and within equity in the consolidated statement of financial position. Losses are attributed to the non-controlling interests even if that results in a deficit balance.

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised within equity attributable to owners of AusQuest Limited.

Operating segments
An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start up operations which are yet to earn revenues.

Management also considers other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors.

Operating segments have been identified based on the information provided to the chief operating decision maker – being the board of directors.

The Group aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in the nature of the minerals targeted.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 Operating Segments are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category for "all other segments".

Foreign currency translation
Both the functional and presentation currency of AusQuest Limited and its Australian subsidiaries is Australian dollars. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Note 2. Significant accounting policies (continued)

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance date.

All exchange differences in the consolidated financial report are taken to profit or loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss.

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

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

The functional currency of the foreign operations, E&A Resources Pty Ltd , Filigree SARL, Comoe Exploration SARL and Questdor SAC is United States dollars (US$). As at the balance date the assets and liabilities of these subsidiaries are translated into the presentation currency of AusQuest Limited at the rate of exchange ruling at the balance date and their statements of comprehensive income are translated at the weighted average exchange rate for the year.

The exchange differences arising on the translation are taken directly to the foreign currency translation reserve in equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in profit or loss.

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

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

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

Income tax
Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

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

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

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

Note 2. Significant accounting policies (continued)

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

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

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the entity intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax is recognised as an expense or income in the statement of comprehensive income, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

The Company and its wholly-owned Australian resident entity are part of a tax-consolidated group under Australian taxation law. AusQuest Ltd is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the Company (as head entity in the tax-consolidated group).

Amounts are recognised as payable to or receivable by the Company and each member of the Group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated Group as and when they arise.

Current and non-current classification
Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

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

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

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

Impairment of assets
At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Note 2. Significant accounting policies (continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

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

Depreciation is provided on plant and equipment. Depreciation is calculated on a diminishing value basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

Class of fixed asset	*Depreciation rate (%)*
Fixtures, fittings and office equipment	10 - 40%
Computer equipment	20 - 50%
Field equipment	20 - 40%

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

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

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

Financial instruments issued by the Company
Debt and equity instruments
Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Transaction costs on the issue of equity instruments
Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

Exploration and evaluation assets
Exploration, evaluation and development expenditure incurred may be accumulated in respect of each identifiable area of interest.

These costs are carried forward only if they relate to an area of interest for which rights of tenure are current and in respect of which:

Note 2. Significant accounting policies (continued)

(i) such costs are expected to be recouped through successful development and exploitation or from sale of the area; or
(ii) exploration and evaluation activities in the area have not, at balance date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active operations in, or relating to, the area are continuing.

Notwithstanding the fact that a decision not to abandon an area of interest has been made, based on the above, the exploration and evaluation expenditure in relation to an area may still be written off if considered appropriate to do so.

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

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

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

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

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

Share-based payments
The Group provides benefits to employees (including senior executives) of the Group in the form of share-based payments. The cost of these share-based payments is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value at grant date is measured by use of the Black and Scholes option pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the entity's estimate of shares that will eventually vest.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

Provisions
Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Note 2. Significant accounting policies (continued)

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

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

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

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

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

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

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

Issued capital
Ordinary shares are classified as equity.

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

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

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

Note 2. Significant accounting policies (continued)

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

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

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

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

Note 3. Critical accounting judgements, estimates and assumptions

Judgements made by management in the application of A-IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant note to the financial statements.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Impairment
The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Other than exploration expenditure written off totalling $1,932,547 (2013: $7,199,083) during the year, no impairment loss was recorded in the current financial year (2013: nil).

Share-based payments
The Group measures the cost of equity settled transactions with consultants and employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black & Scholes model using various assumptions, detailed in Note 27.

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

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

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

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

Loans to controlled entities
The Directors believe that the recoupment of the inter-company receivables from AusQuest Ltd to E&A Resources Pty Ltd, Filigree SARL and Questdor SAC is dependent on the successful development and commercial exploitation or, alternatively, the sale of the exploration assets held by the controlled entities.

Note 4. Operating segments

AASB 8 requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes.

Operating segments are now reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision-maker has been identified as the board of directors of AusQuest Limited.

The following table presents the revenue, results and certain asset and liability information regarding the segment information provided to the Board of Directors for the year ended 30 June 2014.

Operating segment information

Consolidated - 2014	Australia $	Africa $	South America $	Intersegment eliminations / unallocated $	Total $
Revenue					
Interest revenue	28,325	-	11	-	28,336
Other revenue	16,383	-	-	-	16,383
Total revenue	44,708	-	11	-	44,719
Expenses					
Depreciation	(20,527)	-	(287)	-	(20,814)
Impairment of exploration expenditure	(1,495,155)	-	(437,392)	-	(1,932,547)
Other expenditure	(872,640)	3,392	(124,524)	-	(993,772)
Profit/(loss) before income tax expense	(2,343,614)	3,392	(562,192)	-	(2,902,414)
Income tax expense					-
Loss after income tax expense					(2,902,414)
Assets					
Segment assets	15,445,843	7,900,198	1,327,104	(11,256,477)	13,416,668
Total assets					13,416,668
Liabilities					
Segment liabilities	328,993	4,918,179	2,508,924	(7,328,194)	427,902
Total liabilities					427,902

Note 4. Operating segments (continued)

Consolidated - 2013	Australia $	Africa $	South America $	Intersegment eliminations/ unallocated $	Total $
Revenue					
Interest revenue	117,183	-	17	-	117,200
Other revenue	77,063	-	-	-	77,063
Total revenue	194,246	-	17	-	194,263
Expenses					
Depreciation	(31,617)	-	-	-	(31,617)
Impairment of exploration expenditure	(1,096,865)	(6,016,520)	(85,698)	-	(7,199,083)
Other expenditure	(1,079,543)	(3,143)	(117,624)	-	(1,200,310)
Loss before income tax expense	(2,013,779)	(6,019,663)	(203,305)	-	(8,236,747)
Income tax expense					-
Loss after income tax expense					(8,236,747)
Assets					
Segment assets	15,100,291	8,028,307	1,111,029	(10,251,566)	13,988,061
Total assets					13,988,061
Liabilities					
Segment liabilities	395,757	4,938,324	1,688,058	(6,581,241)	440,898
Total liabilities					440,898

Note 5. Revenue

	Consolidated 2014 $	Consolidated 2013 $
Interest Income	28,336	117,200
Other Income	16,383	77,063
	44,719	194,263

Note 6. Loss for the year

Loss for the year includes the following expenses:

	Consolidated 2014 $	Consolidated 2013 $
Depreciation	20,814	31,617
Operating lease rental expenses		
Minimum lease payments	126,604	138,779
Employee benefits expenses		
Share-based payments	157,548	72,812
	304,966	243,208

Note 7. Income tax expense

	Consolidated 2014 $	Consolidated 2013 $
Tax expense/(income) comprises:		
Current tax expense/(income)	-	-
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	-	-
Total tax expense/(income)	-	-
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense	(2,902,414)	(8,236,747)
Tax at the statutory tax rate of 30%	(870,724)	(2,471,024)
Effect of expenses that are not deductible in determining taxable profit	95,376	2,741,808
Effect of changes in unrecognised temporary differences	25,065	9,708
Effect of unused tax losses and tax offsets not recognised as deferred tax assets	750,283	(280,492)
Income tax expense	-	-

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

	Consolidated 2014 $	Consolidated 2013 $
Unrecognised deferred tax assets and liabilities		
The following deferred tax assets and (liabilities) have not been brought to account:		
Tax losses – revenue	8,638,440	7,888,157
Temporary differences	(4,052,333)	(4,797,329)
	4,586,107	3,090,828
Deferred tax assets not recognised in equity – share issue costs	69,373	14,642

The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

Relevance of tax consolidation to the Group
The Company and its wholly-owned Australian resident entities have formed a tax-consolidated group and are therefore taxed as a single entity. The head entity within the tax-consolidated group is AusQuest Ltd. The members of the tax-consolidated group (incorporated in Australia) are identified at note 23.

Note 8. Current assets - trade and other receivables

	Consolidated 2014 $	Consolidated 2013 $
Security deposits	125,006	122,705
Other debtors - unsecured	326,790	229,242
Goods and services tax recoverable	45,435	39,564
	497,231	391,511

Note 9. Current assets - Other assets

	Consolidated 2014 $	Consolidated 2013 $
Prepayments	57,873	45,597

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

	Consolidated 2014 $	Consolidated 2013 $
Fixtures, fittings and office equipment - at cost	18,020	18,020
Less: Accumulated depreciation	(14,403)	(13,897)
	3,617	4,123
Computer equipment - at cost	48,880	47,444
Less: Accumulated depreciation	(33,599)	(25,953)
	15,281	21,491
Field Equipment - at cost	202,577	204,118
Less: Accumulated depreciation	(176,019)	(166,373)
	26,558	37,745
Low value pool - at cost	64,970	65,037
Less: Accumulated depreciation	(59,469)	(56,833)
	5,501	8,204
	50,957	71,563

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

Consolidated	Total $
Balance at 1 July 2012	102,456
Additions	968
Write off of assets	(244)
Depreciation expense	(31,617)
Balance at 30 June 2013	71,563
Additions	1,749
Disposals	(1,541)
Depreciation expense	(20,814)
Balance at 30 June 2014	50,957

Note 11. Non-current assets - exploration and evaluation

	Consolidated 2014 $	Consolidated 2013 $
Exploration and evaluation - at cost	11,791,786	11,933,989

Consolidated	Total $
Balance at 1 July 2012	17,071,623
Capitalised during the year	3,752,104
Disposals for the year	(1,690,655)
Impaired during the year [(i)]	(7,199,083)
Balance at 30 June 2013	11,933,989
Capitalised during the year	2,425,984
Grant of farm-in and joint venture interests in previously capitalised projects[(ii)]	(635,640)
Impaired during the year [(i)]	(1,932,547)
Balance at 30 June 2014	11,791,786

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

	2014 $	2013 $
South West Peru	443,138	
Stanley Project	1,168,708	-
Bald Hill	157,801	-
Comoe Project	-	6,016,520
Earoo	-	966,363

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

The Group entered into a farm-in and joint venture agreement with Ressources Burkinor SARL ('Burkinor'), a wholly owned subsidiary of TSX listed Semafo Inc. Under the terms of the agreement Burkinor can earn up to an 80% interest in the Banfora gold project by spending a total of US$7.5million over a three-year period and making an upfront cash payment to AusQuest of US$600,000 (AUD635,640) as a reimbursement of past expenditures incurred by AusQuest. The Company received these funds in early May 2014.

(iii) Capitalised exploration and evaluation expenditure

The ultimate recoupment of costs carried forward in respect of areas of interest still in the exploration and/or evaluation phases is dependent on successful development and commercial exploitation or, alternatively, sale of the respective areas of interest.

Note 12. Current liabilities - trade and other payables

	Consolidated 2014 $	Consolidated 2013 $
Trade and other payables	359,927	349,703

Refer to note 16 for further information on financial instruments.

The average credit period on purchases and services is 30 days. No interest is charged on the trade payables for the first 30 to 60 days from the date of the invoice. Thereafter, interest may be charged at various penalty rates on the outstanding balance. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

Note 13. Current liabilities - provisions

	Consolidated 2014 $	Consolidated 2013 $
Employee benefits	67,975	91,195

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

Note 14. Equity - issued capital

	Consolidated 2014 Shares No.	Consolidated 2013 Shares No.	Consolidated 2014 $	Consolidated 2013 $
Ordinary shares - fully paid	297,503,444	160,003,444	53,135,509	50,617,017

Movements in ordinary share capital

Details	Shares No.	$
Balance at 1 July 2012	228,312,235	52,307,672
Share buy back[(i)]	(68,308,791)	(1,690,655)
Balance at 30 June 2013	160,003,444	50,617,017
Issue of shares (net of issue costs)[(ii)]	137,500,000	2,518,492
Balance at 30 June 2014	297,503,444	53,135,509

(i) Share buy-back
On 17 December 2012, the Group disposed of 70% of the Stanley project, and gave a commitment to sole fund $1m of expenditure on that project within two years, as consideration for the buy-back of 68,308,791 ordinary shares from Cliffs Natural Resources Pty Ltd. These shares were subsequently cancelled by the Company. There is no current on-market share buy-back.

(ii) Issue of shares
The Company issued 137,500,000 ordinary shares during the year under a Placement to sophisticated investors and a Share Purchase Plan. 26,500,000 shares were issued on 17 October 2013, 37,000,000 shares on 22 November 2013 and 74,000,000 shares on 02 December 2013. All shares were issued at 2 cents per share with one free attaching listed option for every two shares subscribed for. These options are exercisable at 4 cents per share on or before 30 November 2016. The Company raised funds totalling $2,750,000 before issue costs.

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

Note 14. Equity - issued capital (continued)

Movements in listed options over ordinary shares on issue

Details	Listed options No.
Balance at 1 July 2012	-
Balance at 30 June 2013	-
Issued during the period	68,750,000
Balance at 30 June 2014	68,750,000

Listed options
During the period, a total of 68,750,000 free attaching listed options were issued (on a 1:2 basis) and allotted as part of the Company's Placement and Share Purchase Plan. These options are exercisable at 4 cents each on or before 30 November 2016. These free attaching options have been granted quotation on ASX under the code AQDO.

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

As at 30 June 2014, the Company has 9,900,000 unlisted share options on issue (2013: 8,150,000) exercisable on a 1:1 basis for 9,900,000 shares (2013: 8,150,000) at an exercise price of 7 cents each. The options will expire 30 November 2015. Further details of options granted to employees during the year are contained in note 27 to the financial statements.

Note 15. Equity - reserves

	Consolidated 2014 $	Consolidated 2013 $
Foreign currency reserve	677,214	1,009,237
Share-based payments reserve	230,360	596,707
	907,574	1,605,944

Foreign currency reserve
The reserve is used to recognise exchange differences arising from translation of the financial statements of foreign operations to Australian dollars.

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

Note 16. Financial instruments

Financial risk management objectives
The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Interest rate risk
- Capital management

This note presents information about the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this note and the financial report.

Note 16. Financial instruments (continued)

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Market risk

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

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

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

	Assets		Liabilities	
	2014	2013	2014	2013
Consolidated	**$**	**$**	**$**	**$**
US dollars	1,086,568	353,471	28,244	31,023

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

At reporting dated, if the Australian dollar was 10% stronger and all other variables were constant, the Group's net loss after tax would have decreased by $105,832 (2013: $32,245) with a corresponding increase in equity. Where the Australian dollar weakened, there would be an equal and opposite impact on the loss after tax and equity.

Price risk
The Group is not exposed to any significant price risk.

Interest rate risk
The Group is exposed to interest rate risk as it places funds at both fixed and floating interest rates. The Group manages this risk by maintaining an appropriate mix between fixed and floating rated products, which also facilitate access to money.

Although some of the Group's assets are subject to interest rate risk, it is not dependent on this income. Interest income is only incidental to the Group's operations and operating cash flows.

The Group is not exposed to interest rate risk associated with borrowed funds.

Interest rate sensitivity analysis
The sensitivity analyses of the Group's exposure to interest rate risk at the reporting date has been determined based on a change of 50 basis points in interest rates.

At reporting dated, if interest rates had been 50 basis points higher and all other variables were constant, the Group's net loss after tax would have decreased by $5,093 (2013: $7,725) with a corresponding increase in equity. Where interest rates decreased, there would be an equal and opposite impact on the loss after tax and equity.

Note 16. Financial instruments (continued)

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Liquidity risk
Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Liquidity risk management is the responsibility of the board of Directors, who have built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements.

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities, identifying when further capital raising initiatives are required.

Liquidity and interest risk tables
The following tables detail the Group's remaining contractual maturity for its non-derivative financial assets and liabilities and have been prepared on the following basis:

- Financial assets - based on the undiscounted contractual maturities including interest that will be earned on those assets except where the Company/Group anticipates that the cash flow will occur in a different period; and
- Financial liabilities - based on undiscounted cash flows on the earliest date on which the Group can be required to pay, including both interest and principal cash flows.

2014	CONSOLIDATED					
	Less than 1 month $	1-3 months $	3 months to 1 year $	1 - 5 years $	5+ years $	Total $
Financial assets						
Non-interest bearing	372,919	-	-	-	-	372,919
Variable interest rate	1,018,649					1,018,649
Fixed interest rate	-	69,777	55,229	-	-	125,006
	1,391,568	69,777	55,229	-	-	1,516,574
Financial liabilities						
Non-interest bearing	321,477	38,450	-	-	-	359,927
	321,477	38,450	-	-	-	359,927

2013	CONSOLIDATED					
	Less than 1 month $	1-3 months $	3 months to 1 year $	1 - 5 years $	5+ years $	Total $
Financial assets						
Non-interest bearing	39,912	110,359	-	116,825	-	267,096
Variable interest rate	1,545,053	-	-	-	-	1,545,053
Fixed interest rate	-	69,777	52,928	-	-	122,705
	1,584,965	180,136	52,928	116,825	-	1,934,854
Financial liabilities						
Non-interest bearing	279,165	50,538	20,000	-	-	349,703
	279,165	50,538	20,000	-	-	349,703

Note 16. Financial instruments (continued)

Fair value of financial assets and liabilities
The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective net fair values, determined in accordance with the accounting policies disclosed in Note 2. The Directors consider that the carrying amount of financial assets and other financial liabilities recorded in the financial statements approximate their net fair values (2013: net fair values).

Capital management
The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The capital structure of the Group consists of equity only, comprising issued capital and reserves, net of accumulated losses. The Group's policy is to use capital market issues to meet the funding requirements of the Group.

There were no changes in the Group's approach to capital management during the year. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

Note 17. Key management personnel disclosures

Details of key management personnel compensation are disclosed in the Remuneration Report which forms part of the Directors' Report and has been audited. The aggregate compensation of the key management personnel is summarised below:

	Consolidated	
	2014	**2013**
	$	**$**
Short term employee benefits	183,066	324,591
Post employment benefits	16,934	28,539
Other benefits	28,924	34,957
	228,924	388,087

Note 18. Remuneration of auditors

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

	Consolidated	
	2014	**2013**
	$	**$**
Audit services		
Audit or review of the financial statements	31,000	31,985

The auditor of AusQuest Limited is HLB Mann Judd.

Note 19. Contingent liabilities

In the opinion of the Directors, there were no material contingent liabilities as at 30 June 2014 and no contingent liabilities have arisen in the interval between the period end and the date of this financial report.

Note 20. Commitments

	Consolidated 2014 $	Consolidated 2013 $
Capital commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
Exploration and evaluation	1,970,900	1,374,770
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	53,289	49,302

The Company entered into an operating lease for its office premises at 8 Kearns Crescent, Ardross. The current lease expires on 31 December 2014.

Note 21. Related party transactions

Parent entity
AusQuest Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 23.

Key management personnel
Disclosures relating to key management personnel are set out in note 17 and the remuneration report in the directors' report.

Transactions with related parties
The following transactions occurred with related parties:

	Consolidated 2014 $	Consolidated 2013 $
Payment for goods and services:		
Rent of premises	53,289	57,356

Premises were rented by the Group for the financial year from Asuper Pty Ltd, an entity associated with Mr John Ashley. The transaction was made on commercial terms.

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

	Consolidated 2014 $	Consolidated 2013 $
Current payables:		
Trade payables to other related party	4,249	4,519

Loans to/from related parties
There were no loans to or from related parties at the current and previous reporting date.

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

Note 22. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	2014	**2013**
	$	**$**
Loss after income tax	(2,343,612)	(5,467,725)
Total comprehensive income	(2,343,612)	(5,467,725)

Statement of financial position

	Parent	
	2014	**2013**
	$	**$**
Total current assets	1,185,882	1,786,039
Total assets	13,204,156	12,938,482
Total current liabilities	328,993	395,727
Total liabilities	328,993	395,727
Equity		
Issued capital	53,135,509	50,617,017
Reserves	230,360	596,707
Accumulated losses	(40,490,706)	(38,670,989)
Total equity	12,875,163	12,542,735

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2014 and 30 June 2013.

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2014 and 30 June 2013.

Included in non-current assets are investments in and loans to subsidiaries of $8,619,677, the recoverability of which is dependent on the successful exploitation of the subsidiaries exploration assets.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment at 30 June 2014 and 30 June 2013.

Note 23. Interests in subsidiaries

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

Name	Principal place of business / Country of incorporation	Ownership interest 2014 %	Ownership interest 2013 %
Parent Entity			
AusQuest Limited (i)	Australia	-	-
Subsidiaries			
Fortescue Resources Limited	Australia	100%	100%
E&A Resources Pty Ltd	British Virgin Islands	100%	100%
Questdor SAC	Peru	100%	100%
Filigree SARL	Burkina Faso	100%	100%
Sub-subsidiary			
Comoe Exploration SARL	Burkina Faso	100%	100%

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

Note 24. Events after the reporting period

There has been no matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Note 25. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated 2014 $	Consolidated 2013 $
Loss after income tax expense for the year	(2,902,414)	(8,236,747)
Adjustments for:		
Depreciation and amortisation	20,814	31,617
Write off of property, plant and equipment	-	243
Net loss on disposal of property, plant and equipment	1,541	-
Share-based payments	157,548	72,812
Exploration expenditure written off and impaired	1,932,547	7,199,083
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	17,269	(194,612)
Decrease/(increase) in prepayments	(12,276)	29,753
Decrease in trade and other payables	(7,534)	(127,704)
Increase/(decrease) in other provisions	(23,219)	9,046
Net cash used in operating activities	(815,724)	(1,216,509)

Note 26. Loss per share

	Consolidated 2014 Cents	Consolidated 2013 Cents
Basic loss per share	(1.19)	(4.30)

	2014 $	2013 $
Loss after income tax attributable to the owners of AusQuest Limited	(2,902,414)	(8,236,747)

	Number	Number
Weighted average number of ordinary shares used in calculating basic loss per share	243,466,457	191,630,350

Diluted loss per share has not been calculated as the result does not increase loss per share.

Note 27. Share-based payments

Employee share options
The Company has an ownership-based compensation arrangement for consultants and employees of the Company.

Each option issued under the arrangement converts into one ordinary share of AusQuest Limited on exercise. No amounts are paid or payable by the recipient on receipt of the option. Options neither carry rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry. The number of options granted is at the sole discretion of the Directors.

Incentive options issued to Directors (executive and non-executive) are subject to approval by shareholders and attach vesting conditions as appropriate.

Share based payment arrangements in existence during period

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

Option series	Number	Grant date	Expiry date	Exercise price $	Fair value at grant date $
01 Dec 2013 (i)	1,350,000	13 Feb 2009	01 Dec 2013	0.20	0.106
01 Dec 2013 (i)	1,150,000	13 Feb 2009	01 Dec 2013	0.40	0.101
30 Nov 2013 (i)	500,000	26 Nov 2010	30 Nov 2013	0.30	0.116
30 Nov 2013 (i)	500,000	26 Nov 2010	30 Nov 2013	0.40	0.107
30 Nov 2013 (i)	1,750,000	03 Dec 2010	30 Nov 2013	0.40	0.088
30 Nov 2015	2,900,000	30 Nov 2012	30 Nov 2015	0.07	0.025
30 Nov 2015	7,000,000	02 Dec 2013	30 Nov 2015	0.07	0.023

(i) These options expired during the 2014 financial year.

Note 27. Share-based payments (continued)

The expense recognised in the statement of profit or loss and other comprehensive income in relation to share based payments granted in 2014 is disclosed in note 6.

On 2 December 2013 the Company issued 7,000,000 new options to employees and contractors, exercisable at 7 cents on or before 30 November 2015 under the Company's Employment Option Scheme ('ESOP'). These options vested on the date of issue.

The exercise price of the options under the ESOP was determined by the Directors. The employees eligible to participate in the plan are at the discretion of the Directors. The options hold no voting rights and are not transferable. At balance date no options have been exercised and the employees have not ceased employment.

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

The table below summarises the model inputs for ESOP options granted during the year and valued using the Black-Scholes option pricing model, as well as the inputs for the 30 November 2015 option series granted on 30 November 2012:

Inputs into the model	**Option series: 30 Nov 2015 ('ESOP')**	**Option series: 30 Nov 2015 (30 Nov 2012 issue)**
Grant date share price (cents)	2.8 cents	4.0 cents
Exercise price (cents)	7.0 cents	7.0 cents
Expected volatility	216%	123%
Option life	2 years	3 years
Dividend yield	-	-
Risk-free interest rate	2.79%	2.62%

The following table shows a reconciliation of the outstanding share options granted as share based payments at the beginning and end of the financial year:

	2014		**2013**	
	Number of Options	**Weighted average exercise price $**	**Number of Options**	**Weighted average exercise price $**
Balance at beginning of the financial year	8,150,000	0.24	6,500,000	0.34
Granted during the financial year	7,000,000	0.07	2, 900,000	0.07
Lapsed during the financial year	(5,250,000)	0.34	(1,250,000)	0.35
Balance at end of the financial year (i)	9,900,000	0.07	8,150,000	0.24
Exercisable at end of the financial year	9,900,000	0.07	8,150,000	0.24

(i) Balance at end of the financial year
The share options outstanding at the end of the financial year had a weighted average remaining contractual life of 1.42 years (2013: 1.14 years).