AUSQUEST LIMITED

ABN 35 091 542 451

Quarterly Report – 30th June 2014

HIGHLIGHTS

AUSTRALIA – BASE METALS (Nickel, Copper)

- **New nickel-copper target areas** outlined by surface sampling at **Dundas East**, located 80km south of Nova-Bollinger nickel-copper deposit in the Fraser Range region of WA.

- **Nickel-copper prospectivity of the Gibson Soak Project**, located ~30km north of Esperance, upgraded following the discovery of mafic metagabbro outcrop similar to that found within the Fraser Range terrain which hosts Nova-Bollinger.

- **Possible mafic intrusions similar to those being tested by Sirius** (Crux prospect) and Enterprise (Plato prospect) identified within the Balladonia Project, located ~50km east of Crux.

- **Ground-based exploration including surface sampling and EM surveys** planned for Dundas East, Gibson Soak and Balladonia to identify targets for drilling, when titles are granted and access is secured.

PERU – COPPER-GOLD

- **Drilling approvals received for two large porphyry copper-gold targets** at the Puite (13 drill sites) and Cardonal (10 drill sites) prospects in southern Peru, clearing the way for drilling to commence.

- New **porphyry copper targets identified within the Ceniceros Rojos Project**, with several rock-chip samples returning copper values in excess of 0.3% Cu from diorite dykes and veins within the basement rocks.

WEST AFRICA GOLD

- **AusQuest's new Joint Venture Partner, Burkinor SARL, has hit the ground** running with **~4,800 auger drill-holes** completed over three prospect areas to the end of June 2014. Assays are pending.

CORPORATE

- **Agreement reached with Cliffs Australia Holdings Ltd** for an early termination of the Stanley Agreement, thereby eliminating the Company's expenditure commitment on the Stanley Manganese Project.

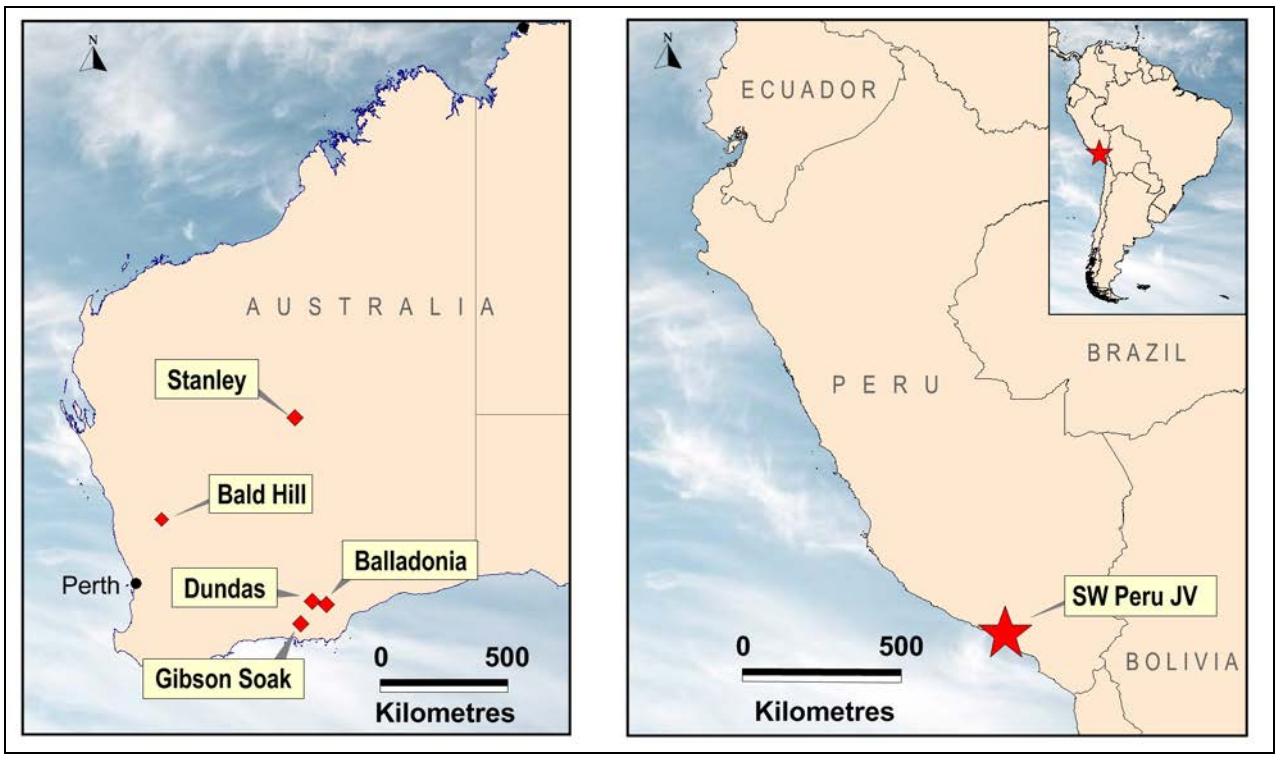


Figure 1: Project Locations – Australia and Peru

OVERVIEW

The June Quarter was an active period for AusQuest Limited (ASX: AQD) on several fronts:

- **Nickel-copper, Fraser Range province, Australia** (*Figure 1*) – exploration activities focused on the Company's Fraser Range prospects, located south of Sirius Resources' Nova-Bollinger nickel-copper discoveries. New targets were identified at Dundas East, Balladonia and Gibson Soak based on surface sampling results and interpretation of geophysical data, providing a strong pipeline of future exploration opportunities in this area.

- **Porphyry and IOCG copper-gold, southern Peru** – drill permits were approved for both the Puite and Cardonal porphyry copper prospects, clearing the way for drilling to commence in both areas. A number of companies have expressed interest in reviewing the Company's projects with a view to earning equity by funding drilling. Reconnaissance mapping and sampling continued over the Company's projects with further porphyry copper potential recognised at the Ceniceros Rojos Project, located close to the coastal town of Camana.

- **West African gold** – the Company's new Joint Venture Partner, Burkinor SARL, hit the ground running with ~4,800 auger drill-holes completed over three prospects by the end of June 2014. News flow is expected to increase for this project over the coming months. Burkinor can earn up to 80% equity by spending a total of $7.5 million over a three-year period.

AUSTRALIA – FRASER RANGE PROJECTS (Nickel, Copper)

AusQuest controls approximately 1,300km² of title within the Fraser Range Province of WA, which hosts the Nova–Bollinger nickel-copper deposit discovered by Sirius Resources and the Tropicana gold mine, commissioned recently by Anglo Gold (Figure 2). The region is 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.

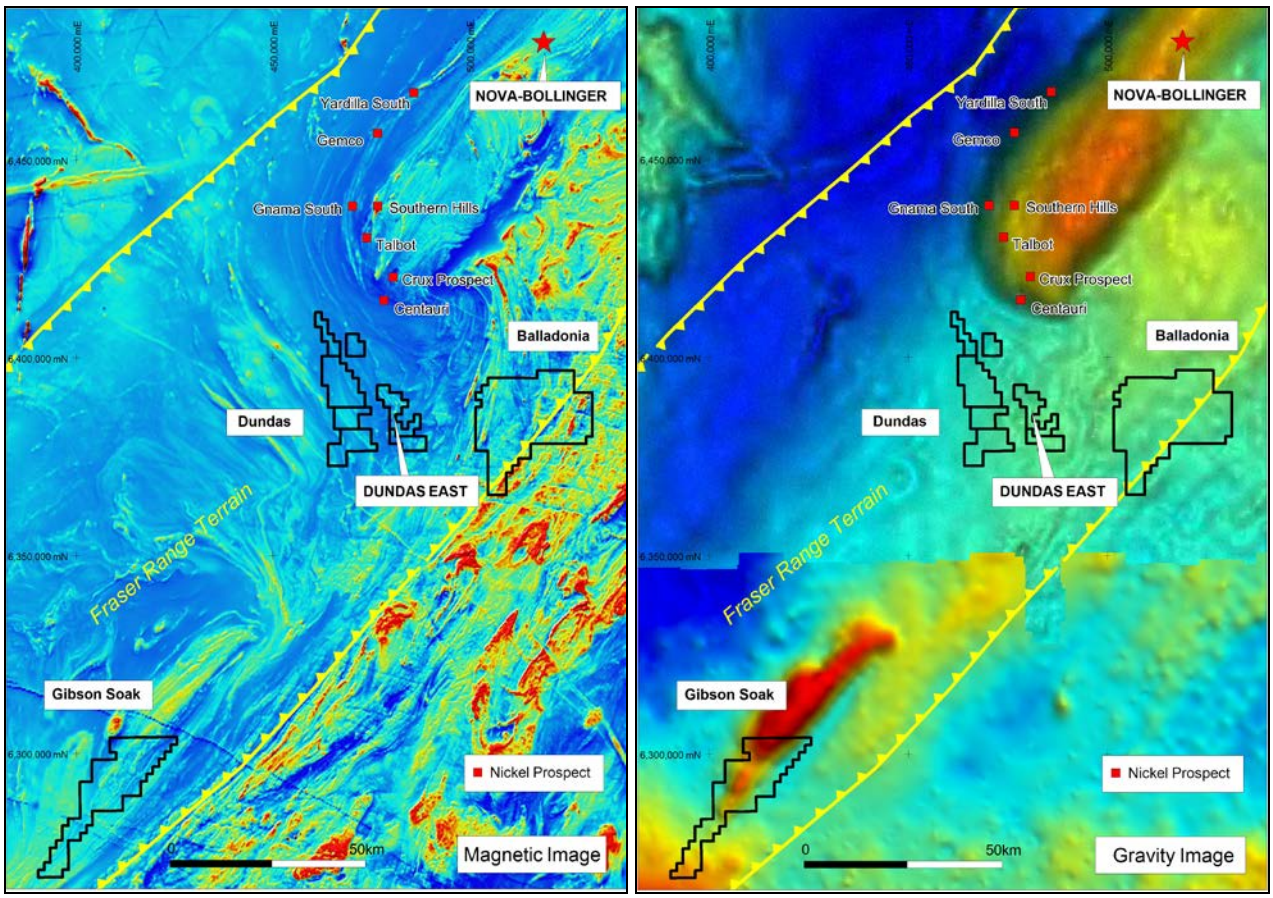


Figure 2: Fraser Range Tenement Locations

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

The Dundas Project is located ~100km east-southeast of Norseman (WA), and ~80km south-west of the Nova-Bollinger nickel-copper discovery (Sirius Resources). The tenements cover an area of ~350km² within a structurally complex region bordering the south-west margin of the main Fraser Range Complex which hosts the Nova discovery.

During the Quarter, surface sampling at the Dundas East Prospect located anomalous nickel and copper values associated with a coincident magnetic/gravity target previously interpreted as representing prospective mafic rocks within a dominantly sedimentary sequence.

Samples were collected on a 250m triangular grid and assayed for a range of elements, including nickel and copper, using a portable XRF instrument. Assays ranged from 10 to 90ppm Ni and 5 to 75ppm Cu, with coincident Ni-Cu anomalies (>70ppm Ni and >40ppm Cu) located in at least five areas (*Figure 3*).

The coincidence of increased magnetic response, increased rock density (gravity) and moderately anomalous nickel and copper values (given the surface conditions in the sampled area) suggests the potential for nickel and copper sulphides at this prospect.

Ground electromagnetic (EM) surveys are planned to identify targets for drilling, once access has been approved and a suitable system is available for surveying.

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

The Gibson Soak Project is located ~30km north of the port of Esperance, within the broader Fraser Range terrain. The tenement, which covers an area of ~380km², is still in the application stage but is expected to be granted within the next couple of months. The tenement covers a regional north-east trending gravity high with similarities to the Fraser Range Complex which hosts the Nova-Bollinger nickel-copper discoveries.

During the Quarter, initial field reconnaissance undertaken by the Company along public roads identified the presence of mafic meta-gabbro outcrop within a regional gravity high (15–25 milligals), supporting comparisons with the Fraser Complex which hosts the Nova-Bollinger nickel-copper discoveries.

The regional gravity anomaly is approximately 20km by 7km in size within the Company's tenement, and represents a priority target once title is granted and access approved (*Figure 4*).

Much of the area is under crop with very little outcrop to be found. Interpretation of available radiometric data and satellite imagery, supported by field observations, has confirmed the presence of widespread granitic rocks outside the boundary of the gravity anomaly.

Surface sampling over the gravity anomaly is being planned to define areas for subsequent ground EM surveys and drilling of targets, once title is granted and approvals for access have been obtained.

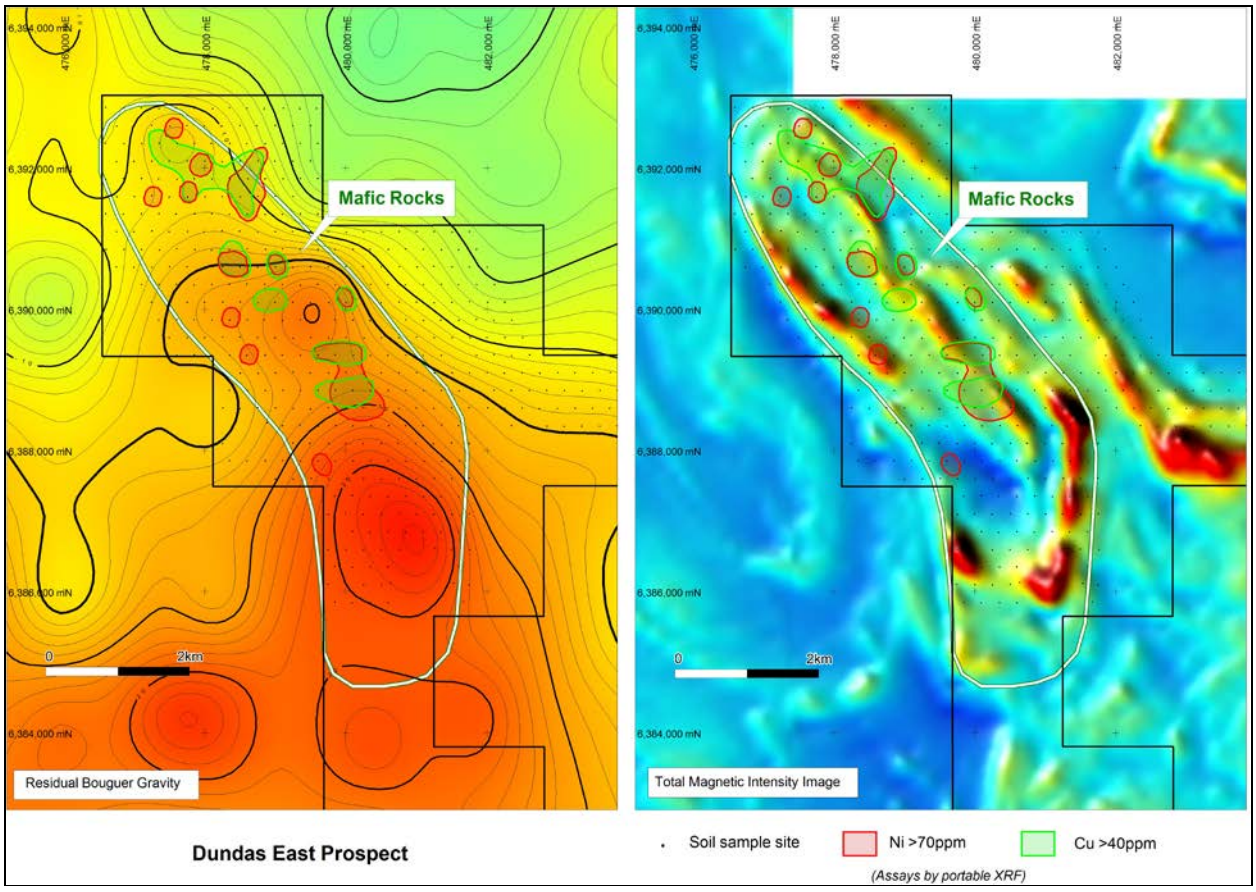


Figure 3: Dundas East Ni, Cu soils anomalies on magnetics and gravity images

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

The Balladonia Project is located ~30km east of the Dundas project and ~80km south of the Nova–Bollinger nickel-copper deposit. The tenement application, which is ~580km² in size, straddles a major NE trending structure that forms the south-eastern boundary of the Fraser Range Terrain containing the Nova discovery. The tenement occurs within the Dundas Nature Reserve and is expected to be granted within the coming months.

Detailed aeromagnetic surveying has already been completed over the title, identifying a number of possible mafic intrusions both parallel to – and cross-cutting – the general trend of the Fraser Range Belt (*Figure 5*). These intrusions are characterised by negative magnetic anomalies similar to those being tested by Sirius at its Crux and Centauri prospects, and Enterprise at the

Plato prospect, both within ~50km of the Balladonia title.

The largest intrusion(s) strikes parallel to the NE terrain bounding structure and represents a priority nickel-copper sulphide exploration target. The northern and southern limits of this structure are controlled by EW dykes of similar magnetic character, which appear to displace the older structures.

A surface sampling program has been planned to identify areas for subsequent ground EM surveying and drilling, when title is granted and access approved.

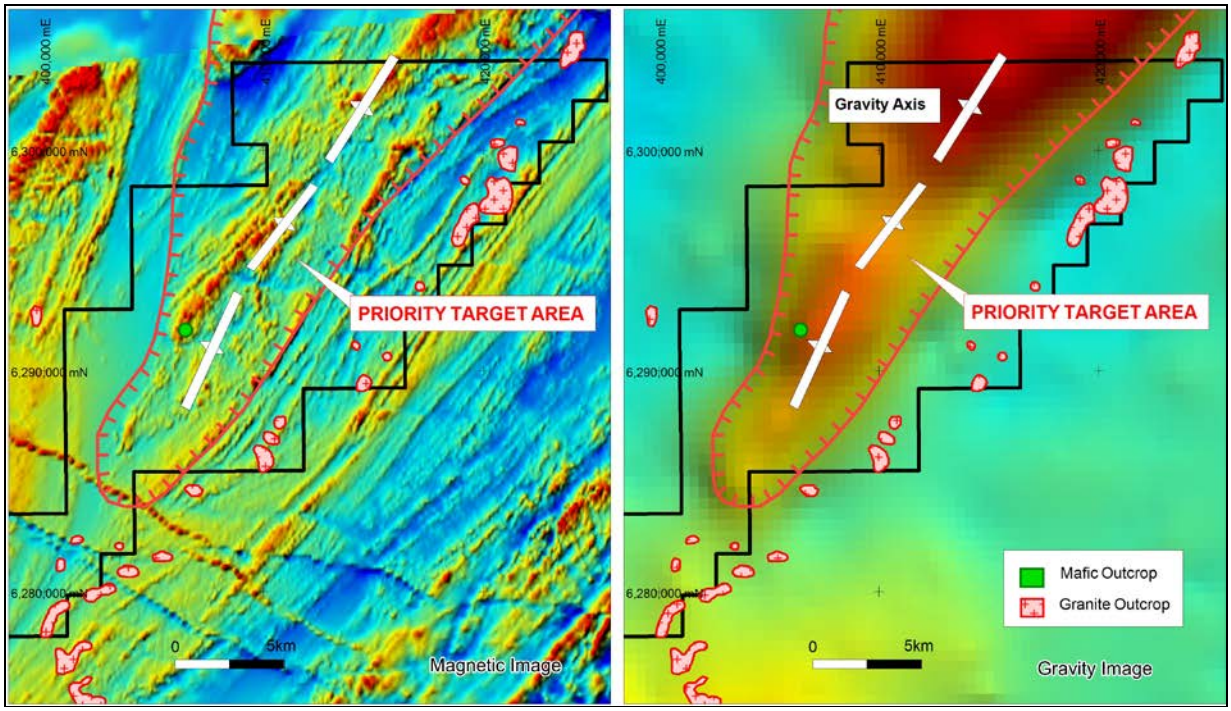


Figure 4: Gibson Soak priority target area

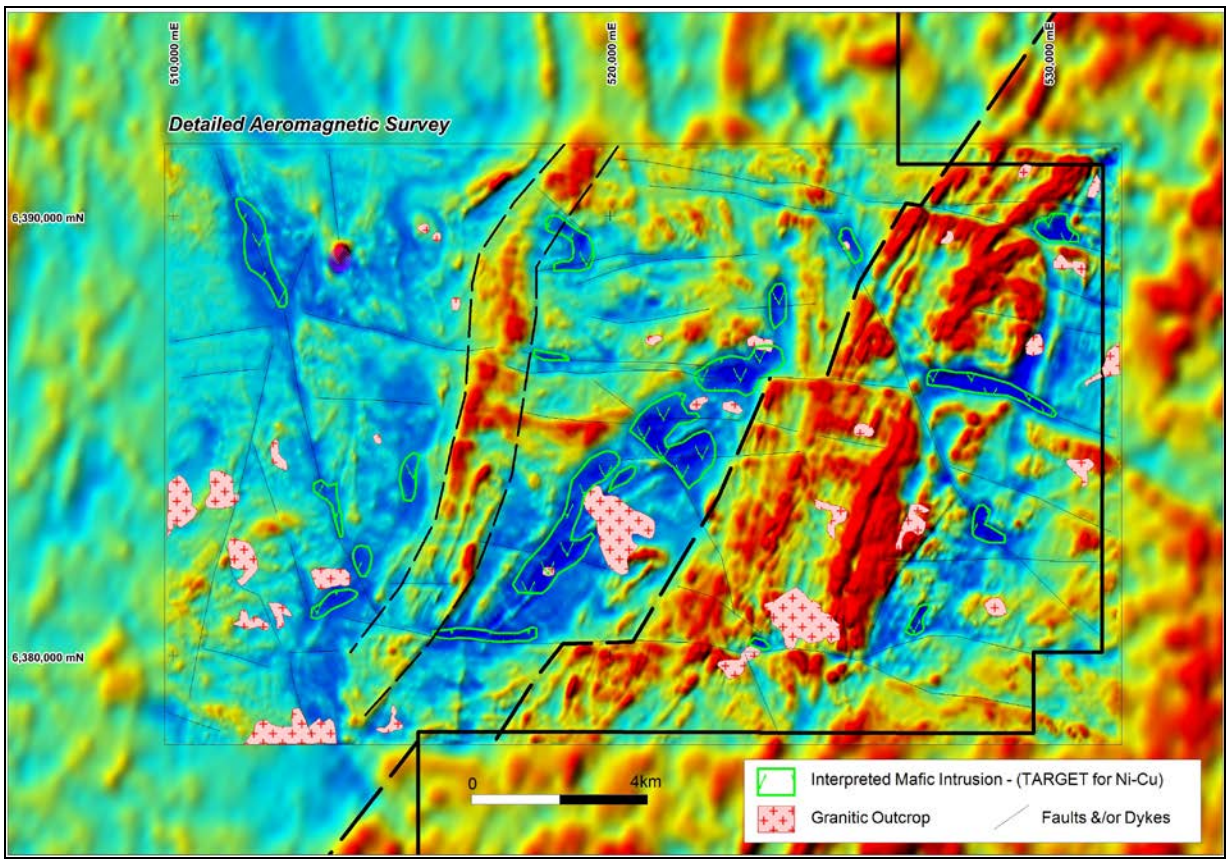


Figure 5: Balladonia Detailed Magnetic Image showing mafic intrusions

AUSTRALIA – OTHER BASE METAL PROJECTS

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

The Stanley Project is located 170km east of Wiluna in Western Australia, within the Earaheedy Basin.

During the Quarter, a re-assessment of the Company's exploration priorities resulted in a decision to withdraw from the Stanley Joint Venture Project. AusQuest subsequently reached agreement with Cliffs Australia Holdings Ltd (Cliffs) for an early termination of the Joint Venture through a payment of $50,000 to Cliffs, thereby eliminating the Company's ongoing expenditure commitment.

All of the Stanley tenements have now been surrendered.

Bald Hill Project *(100% AQD)*

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

During the Quarter, large loop TEM surveys were completed over the area of anomalous nickel-copper-chrome geochemistry but failed to locate any conductors of potential interest. No further work is planned and the title has been recommended for surrender.

PERU COPPER-GOLD PROJECTS
(100% AQD)

Over the past three years, AusQuest has assembled a large portfolio of prospects along the southern coastal belt of Peru in South America with up to eight targets identified for drilling as possible iron-oxide copper-gold (IOCG) and/or porphyry copper targets with the size potential to be of significance to AusQuest (Figure 6). Peru is one of the world's most prominent destinations for international copper exploration and is considered a prime location for world-class exploration opportunities.

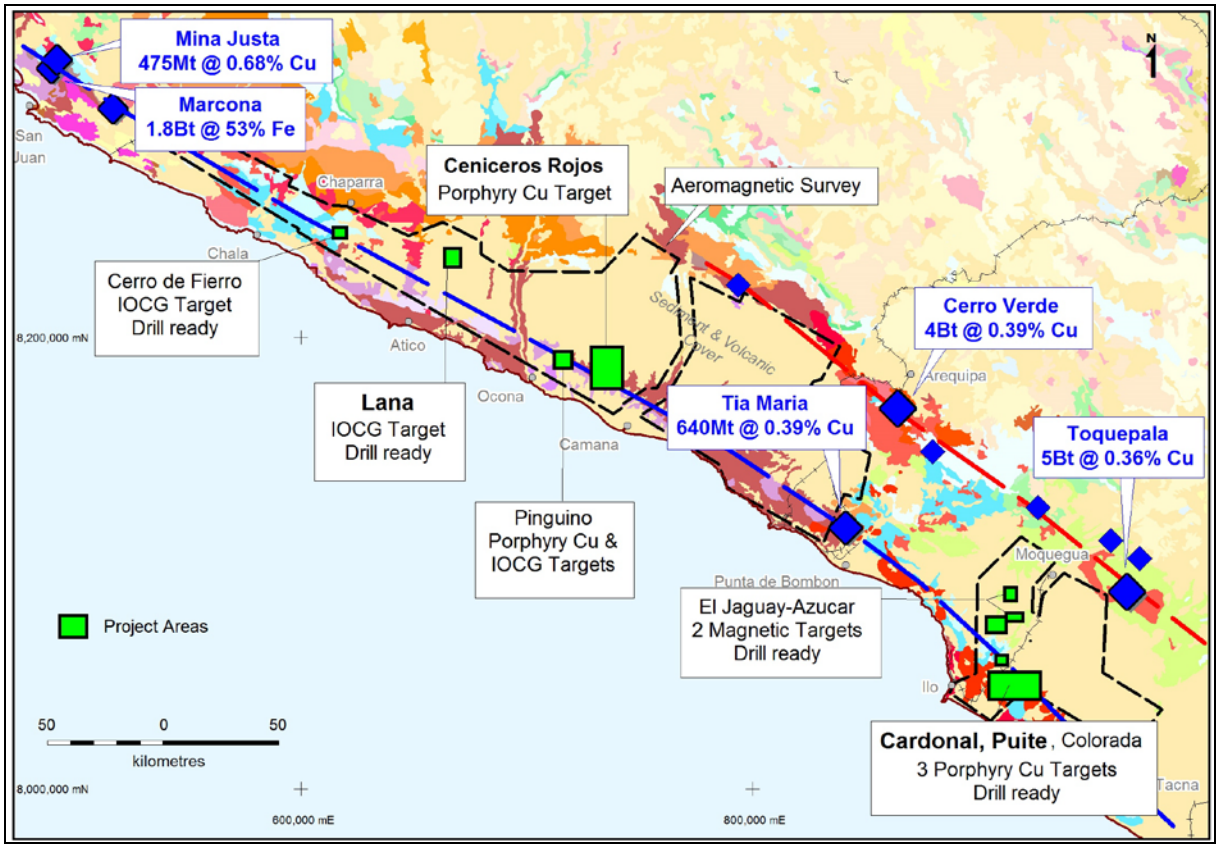


Figure 6: Peru Copper-Gold Project Locations

During the Quarter, Cliffs Natural Resources Exploration Inc. (CNRE), a wholly-owned subsidiary of Cliffs Natural Resources Inc. (NYSE: CLF) (Paris: CLF), advised it would not be exercising its 'right of first offer' over the four prospects that had been recommended for drilling under the South West Peru Joint Venture, thereby confirming a 100% unencumbered ownership of these properties by AusQuest.

Drilling permits for the Puite and Cardonal Prospects, located ~30km east of the town of Ilo in southern Peru, were received during the Quarter from the Ministry of Energy and Mines (MEM), clearing the way for drill testing of these porphyry copper-gold targets to commence later in the year.

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 (*Figure 7*).

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) along sparse ridges that cross the prospect.

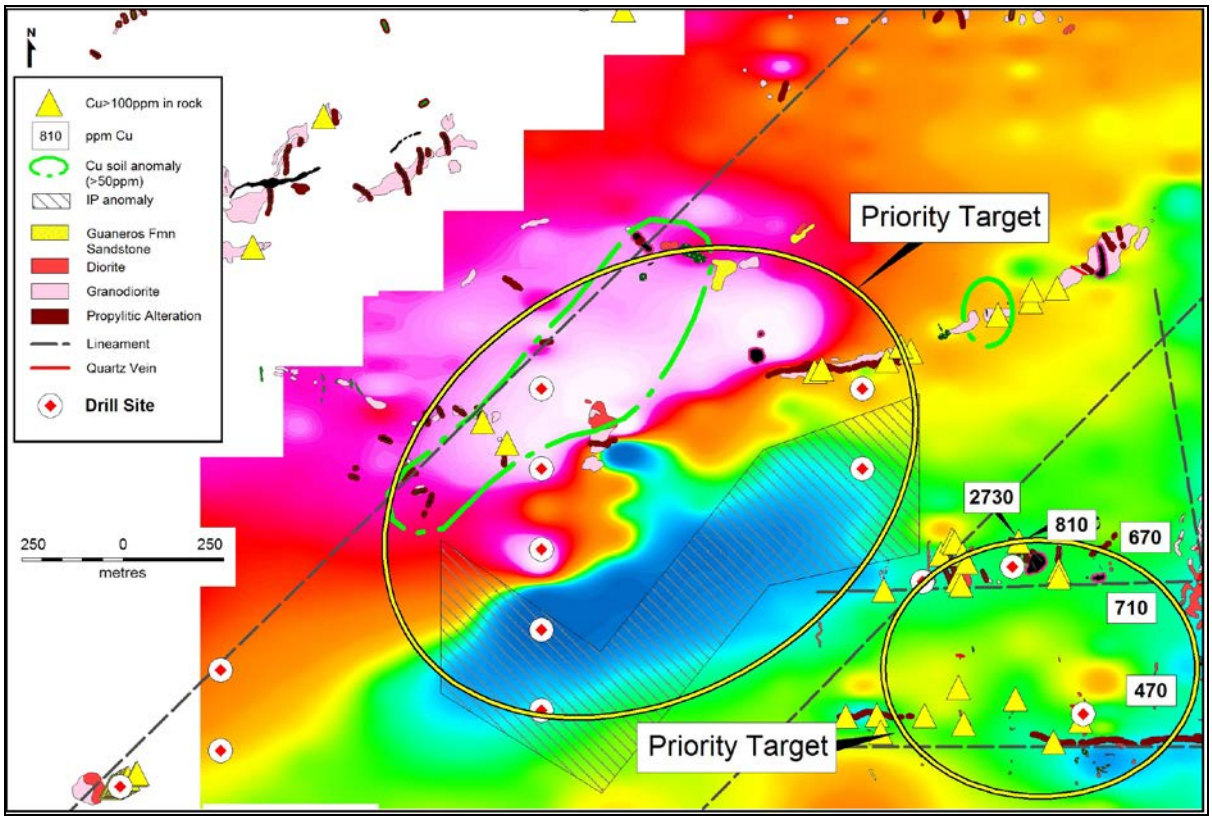


Figure 7: Puite Project showing planned drilling over TMI Image

Subsequent ground magnetic surveys defined a discrete magnetic target ~1km x 1km in size, closely associated with the surface copper anomalism. 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 (*Figure 8*).

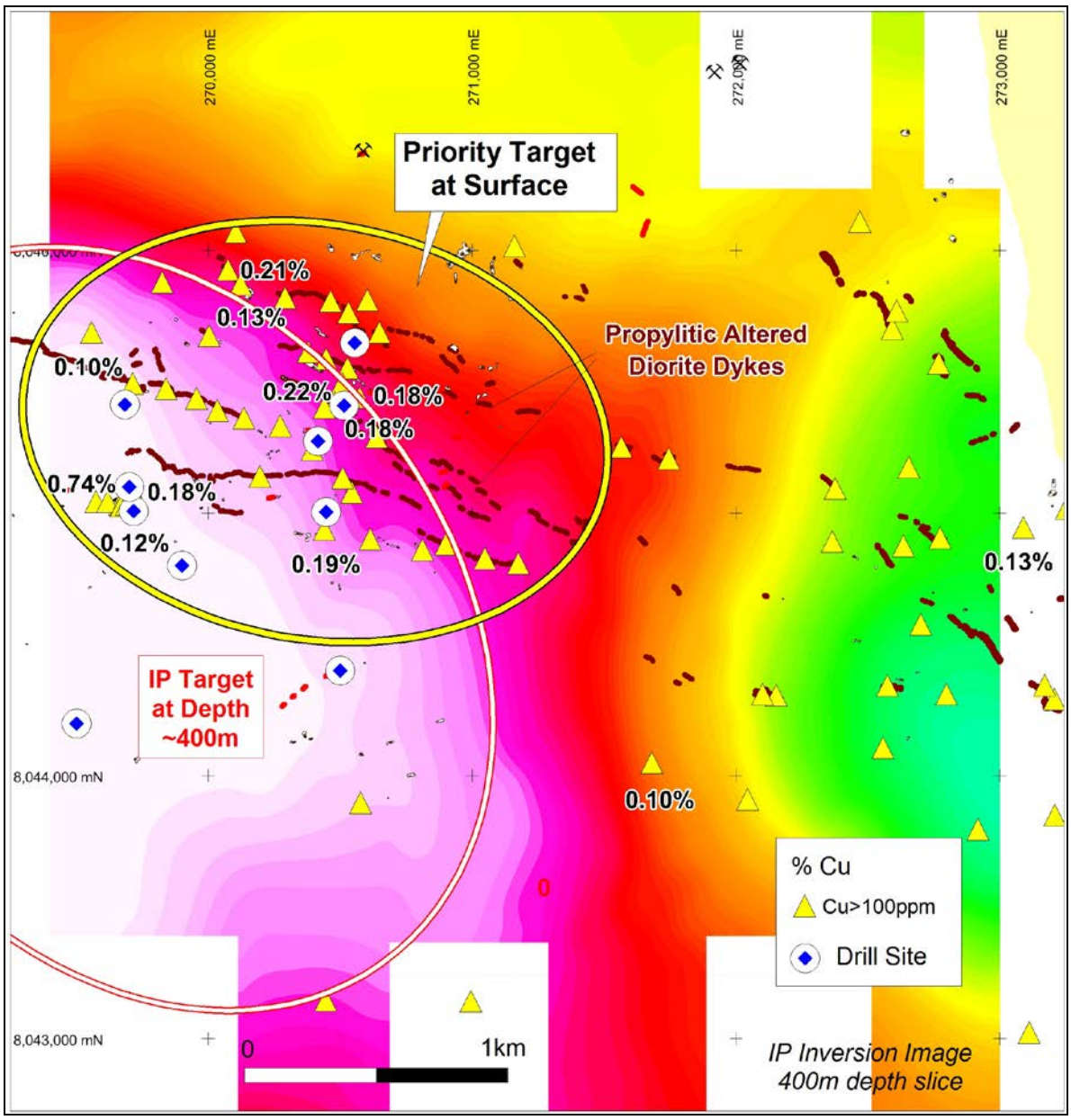


Figure 8: Cardonal Project showing planned drilling relative to IP and Cu targets

Drilling approvals received for the Puite and Cardonal prospects cover 13 and 10 drill platforms respectively, enabling initial testing of a range of geological, geochemical (Cu), magnetic and IP targets in both areas.

The Company's remaining drill application over the Lana prospect, where a large-scale gravity target has been identified, is now expected to be approved early in the next Quarter.

During the Quarter, the Company continued to expand its copper-gold portfolio in Peru through ongoing regional and generative project exploration activities.

Initial mapping and sampling at the Ceniceros Rojos Project, located ~20km north of the town of Camana, identified early indications of possible porphyry copper mineralisation with a number of samples returning anomalous copper assays ranging from 100ppm Cu up to 1.5% Cu within diorite dykes and veins intersecting basement granites and gneisses (*Figure 9*).

The Ceniceros Rojos Project was originally identified by interpretation of the Company's proprietary aeromagnetic data which showed possible alteration around the margin of a Cretaceous granitic pluton. Further evaluation of this area is being planned to confirm target areas for geophysical surveys and subsequent drilling.

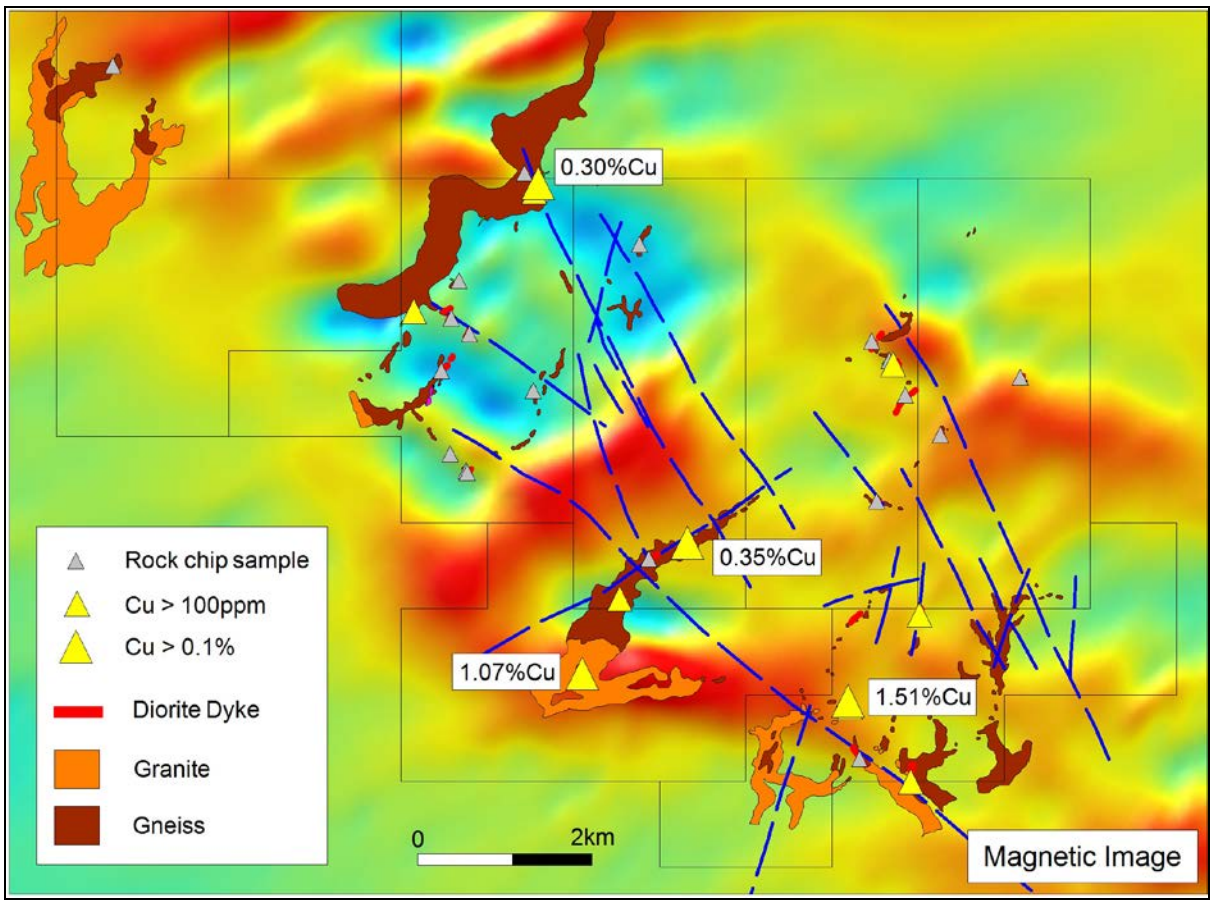


Figure 9: Ceniceros Rojos Project – reconnaissance mapping and sampling

The Company is currently considering the best way of progressing the drill programs at both Puite and Cardonal before committing to access and drilling contracts. Confidentiality agreements have been signed with a number of parties who have expressed interest in the projects, and site visits organised. The Company's preference is to attract a suitable partner to help fund the upcoming drilling and future work at these prospects.

The Company continues to be encouraged by the results obtained to date 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%, Burkinor SARL earning to 80%)*

The Comoe Project is located near the town of Banfora in south-west Burkina Faso, West Africa, within an extensive greenstone belt. The area is relatively unexplored except for extensive historical surface sampling programs and widespread artisanal gold workings along the belt. AusQuest controls approximately 1,150km² of title within the Belt, which is now under a Farm-In and Joint Venture Agreement with Burkinor SARL, a wholly-owned subsidiary of TSX-listed SEMAFO Inc, which has the right to earn up to an 80% interest in all the Banfora permits by spending a total of US$7.5 million on exploration over a three-year period.

During the Quarter, exploration activities ramped up with Burkinor reporting that 4,816 auger holes for 31,312m had been completed over three of the tenements, with hole depths averaging ~6m. Assay results are awaited.

Burkinor has advised that it intends to continue the auger sampling programs and undertake geological mapping and rock-chip sampling over selected prospects until these programs are temporarily halted by the wet season.

BUSINESS DEVELOPMENT

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

CORPORATE

During the Quarter, agreement was reached with Cliffs Australia Holdings Ltd for an early termination of the Stanley Agreement by making a payment of $50,000 to Cliffs, thereby eliminating the Company's ongoing expenditure commitment on the Project.

All conditions precedent for the Comoe Farm-out and Joint Venture Agreement were met during the Quarter and a Commencement Date of May 1st 2014 was agreed by the parties.

The Company's cash reserves at the end of June 2014 are approximately $1.0 million.

KEY ACTIVITIES – SEPTEMBER 2014 QUARTER

The following activities are planned for the September 2014 Quarter:

- Dundas (Ni-Cu) – Ground EM surveys over the Dundas East prospect;
- Gibson Soak (Ni-Cu) – Access agreements with land owners – reconnaissance sampling;
- Peru (Cu-Au) – Complete drill permitting for Lana;
- Peru (Cu-Au) – Drill preparations at Cardonal and Puite;
- Peru (Cu-Au) – Mapping/sampling to continue at various prospects;
- Comoe (Au) – Monitor results from Burkinor JV programs.



Graeme Drew
Managing Director

COMPETENT PERSON'S STATEMENT

The details contained in this report that pertain to exploration results are based upon information compiled by Mr Graeme Drew, a full-time employee of AusQuest Limited. Mr Drew is a Fellow of the Australasian Institute of Mining and Metallurgy (AUSIMM) and has sufficient experience in the activity which he is undertaking to qualify as a Competent Person as defined in the December 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (JORC Code). Mr Drew consents to the inclusion in the report of the matters based upon his information in the form and context in which it appears. The information presented in this report in relation to the Ceniceros Rojos and Dundas Projects is extracted from the ASX announcements dated 25 June and 20 July 2014 titled 'AusQuest Receives First Peru Drill Approval' and 'Fraser Range New Exploration Targets'respectively. The Competent Person responsible for that announcement is Mr. Graeme Drew. The report is stored on the ASX website under ASX- AQD, and on the Company's website at www.ausquest.com.au. AusQuest confirms that it is not aware of any new information or data that materially affects the information included in that announcement.

FORWARD LOOKING STATEMENT

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

AUSQUEST TENEMENT HOLDINGS

(as at 30 June 2014)

Location	Tenement	Ownership
AUSTRALIA		
DUNDAS		
West Aust.	E63/1001	100%
West Aust.	E63/1002	100%
West Aust.	E63/1003	100%
West Aust.	E63/1004	100%
BALD HILL		
West Aust.	E59/1937	100%
WEST AFRICA		
Burkina Faso	Komoe	100%
Burkina Faso	Finkere	100%
Burkina Faso	Kangounadeni	100%
Burkina Faso	Kaouradeni	100%
Burkina Faso	Tiefora	100%
Burkina Faso	Tondoura	100%
Burkina Faso	Logoniegue	100%
Burkina Faso	Kapagouan	100%
Burkina Faso	Noumoussou	100%
PERU (SOUTH AMERICA)		
PERU	Cerro De Fierro A, B, C (3)	100%
PERU	Lana C, D, G, H (4)	100%
PERU	Pinguino F, G, H, I (4)	100%
PERU	Ceniceros Rojos H to N (7)	100%
PERU	El Jaguay A, B (2)	100%
PERU	Sugar A, B (2)	100%
PERU	Azucar West A to D (2)	100%
PERU	Pampa Del Pulgas J, K, M to T, V to Y, AA to AF (20)	100%

Rule 5.3

Appendix 5B

Mining exploration entity quarterly report

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

Name of entity

AUSQUEST LIMITED

ABN	Quarter ended ("current quarter")
35 091 542 451	30 June 2014

Consolidated statement of cash flows

		Current quarter $A '000	Year to date (12 months) $A '000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for		
	(a) exploration and evaluation	(791)	(2,944)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(169)	(765)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	5	30
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other	-	-
	Net Operating Cash Flows	(955)	(3,679)
	Cash flows related to investing activities		
1.8	Payment for purchases of:		
	(a)prospects	-	-
	(b)equity investments	-	-
	(c) other fixed assets	-	(1)
1.9	Proceeds from sale of:		
	(a)prospects	-	-
	(b)equity investments	-	-
	(c)other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other – Proceeds from Semafo Inc joint venture	636	636
	Net investing cash flows	636	635
1.13	Total operating and investing cash flows (carried forward)	(319)	(3,044)

1.13	Total operating and investing cash flows (brought forward)	(319)	(3,044)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	2,750
1.15	Proceeds from unissued shares, options etc	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (share issue costs)	-	(232)
	Net financing cash flows	-	2,518
	Net increase (decrease) in cash held	(319)	(526)
1.20	Cash at beginning of quarter/year to date	1,338	1,545
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	**Cash at end of quarter / year to date**	**1,019**	**1,019**

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

		Current quarter $A '000
1.23	Aggregate amount of payments to the parties included in item 1.2	65
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

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

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

Non-cash financing and investing activities

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

None.

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

On 28 April 2014 the Company entered a Farm-in and Joint Venture Agreement with Ressources Burkinor SARL, 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 Company's Banfora Gold Project by spending US7.5M over a three-year period and making an upfront cash payment of US600,000. The Company received the US600,000 payment on 12 May 2014.

Financing facilities available

Add notes as necessary for an understanding of the position.

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

Estimated cash outflows for next quarter

		$A'000
4.1	Exploration and evaluation	320
4.2	Development	-
4.3	Production	-
4.4	Administration	150
	Total	**470**

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter $A '000	Previous quarter $A '000
5.1	Cash on hand and at bank	1,019	1,338
5.2	Deposits at call	-	-
5.3	Bank overdraft	-	-
5.4	Other (Money market/Term Deposit)	-	-
	Total: cash at end of quarter (item 1.22)	**1,019**	**1,338**

Changes in interests in mining tenements

		Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	E69/2503		30%	Nil
		E53/1403		30%	Nil
		E38/2167-2168		30%	Nil
		E69/2587		30%	Nil
		E38/2239-2240		30%	Nil
		E53/1460		30%	Nil
		E38/2764-2765		30%	Nil
		PERU			
		Azucar West A, B (2)		100%	Nil
		Ceniceros Rojos A to G (7)		100%	Nil
		Azucar X, Y, AA (3)		100%	Nil

6.2	Interests in mining tenements acquired or increased				

Issued and quoted securities at end of current quarter

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

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

Compliance statement

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

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



Sign here: Date: 30 July 2014

(Company secretary)

Print name: Darren Crawte

Notes

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

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

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

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

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

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