



AusQuest Limited

ABN 35 091 542 451

**Financial report for the half-year ended
31 December 2014**

Corporate directory

Board of Directors

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

Company Secretary

Mr Henko Vos

Registered Office

C/- Nexia Perth
Level 3, 88 William Street
Perth, WA, 6000

Corporate Office

8 Kearns Crescent
Ardross, WA, 6153

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Fax: +61 8 9364 4892
Website: www.ausquest.com.au

Auditors

HLB Mann Judd
Level 4, 130 Stirling Street
Perth, WA, 6000

Share Registry

Advanced Share Registry Services
150 Stirling Highway
Nedlands, WA, 6009

Securities Exchange Listing

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

**Financial report for the
half-year ended 31 December 2014**

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Directors' report

The directors of AusQuest Limited herewith submit the financial report for the half-year ended 31 December 2014. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

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

Gregory Hancock
Graeme Drew
John Ashley
Chris Ellis

Review of Operations

Highlights

PERU – COPPER-GOLD

- ❑ Drilling approvals were received for the Lana, Cardonal and Puite prospects, clearing the way for drilling three of the Company's porphyry or IOCG copper-gold projects in southern Peru.
- ❑ Negotiations with joint venture partners were completed in February 2015, resulting in landmark agreements being signed with leading South American copper companies Zahena SAC and Southern Peru Copper Corporation with a total estimated value of up to A\$34 million (US\$26.5 million).
- ❑ Under these agreements, four of the Company's copper-gold prospects will be drill tested (~5,000m at each prospect) over the next 12 to 18 months.
- ❑ New tenement applications were submitted over three porphyry copper targets identified by interpretation of the Company's proprietary aeromagnetic data.
- ❑ Geological mapping and sampling commenced at the Chololo prospect, where sericite alteration indicative of a new porphyry copper system was identified in early reconnaissance work.

AUSTRALIA – BASE METALS (Nickel, Copper)

- ❑ AusQuest's strategic footprint in the emerging Fraser Range nickel-copper province of WA was expanded to 2,300km² with the acquisition of new tenements at Balladonia and Gibson Soak.
- ❑ Prospective mafic host rocks similar to those drilled recently by Sirius Resources at their Crux prospect and Mt Ridley Mines at the Mt Ridley prospect are interpreted to occur within the Balladonia and Gibson Soak projects.
- ❑ Ground electromagnetic (EM) surveys are planned in Q1 2015 to test potential nickel-copper sulphide targets at the Dundas East and Balladonia South projects to identify targets for drilling later in 2015.

WEST AFRICA GOLD (Joint Venture)

- ❑ Burkinor SARL, a wholly owned subsidiary of TSX-listed SEMAFO Inc., advised that up to 39,000m of Reverse Circulation (RC) drilling and 150,000m of shallow auger drilling is planned for 2015 within the Banfora Gold Joint Venture Project.
- ❑ During 2014 Burkinor completed ~75,000m of auger drilling and collected ~21,500 samples over eight

prospects. The 2015 program reflects a significant escalation in activity and expenditure (up to US\$5.6M), with exploration planned to test a number of recently identified gold auger anomalies in at least five areas.

OVERVIEW

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

In Peru, joint venture negotiations were finalised in February 2015 to secure funding for drilling of the Company's porphyry copper targets that have approved drill permits. These new joint venture agreements, with two leading South American copper companies, have a total estimated value of A\$34 million (US\$26.5 million) in both option payments to AusQuest and in-ground exploration expenditure. New tenement applications were also submitted to secure a further three porphyry copper targets identified by interpretation of the Company's proprietary detailed aeromagnetic data.

In the Fraser Range, the Company increased its strategic exploration footprint to ~2,300km². Exploration activities recommenced with the grant of a new tenement in the Balladonia area providing new opportunities for nickel and copper exploration. Planning for ground EM surveys was completed with surveys commencing in February 2015.

In West Africa, the Company's joint venture partner, Burkinor SARL, advised of a significant escalation in expenditure for 2015 (up to US\$5.6 million), with up to 39,000m of RC drilling and 150,000m of auger drilling planned in at least five of the joint venture areas. Burkinor SARL, which is a wholly-owned subsidiary of TSX-listed SEMAFO Inc., can earn up to 80% equity in the Banfora projects by spending a total of US\$7.5 million over a three-year period.

COPPER-GOLD – PERU

Over the past three years, AusQuest has assembled a large portfolio of copper-gold prospects along the southern coastal belt of Peru (South America) with the size potential to be of significance to AusQuest. Peru is one of the world's most prominent destinations for international copper exploration and is considered to be a prime location for world-class exploration opportunities.

During the second half of 2014 negotiations with potential joint venture partners were initiated to secure funding for drilling of the Company's copper-gold prospects.

In February 2015, agreements were finalised with two of South America's leading copper companies, Zahena SAC and Southern Peru Copper Corporation which will see them commit to 5,000m of RC or diamond drilling at four of the Company's porphyry copper-gold prospects (a total of 20,000m of drilling) over the next 12 to 18 months.

Under the agreements, Zahena and Southern Copper can earn up to 70% in all projects for a structured series of cash option payments to AusQuest totalling ~US\$10 million and sole funding 70,000m of drilling worth an estimated US\$16.5 million. The total estimated value of agreements is US\$26.5 million (~A\$34 million).

The agreements give AusQuest free-carried exposure to a major copper exploration drilling program in one of the world's most prospective copper regions, representing a potentially transformational development for the Company.

In addition, AusQuest continues to develop further porphyry and IOCG copper-gold exploration targets in southern Peru for which new joint ventures may be sought as drill targets are defined.

The second half of 2014 saw the Company expand its copper-gold portfolio, submitting a further 19 mineral concession applications over three porphyry copper targets identified by interpretation of the Company's proprietary aeromagnetic data.

Systematic mapping and sampling at the Chololo prospect was also initiated following recognition of sericite/alunite alteration during an early reconnaissance visit by the Company's consultants, suggesting the presence of nearby porphyry copper mineralisation.

The Chololo prospect straddles the north-east trending Chololo Fault, which is associated with known mineralisation at the Ilo Este prospect, some 3km to the south, where drilling by Latin Resources has reported several long intersections (~200m) of low grade copper (0.1 to 0.24% Cu) from limited drilling.

AUSTRALIA – FRASER RANGE PROJECTS (Nickel, Copper)

AusQuest controls approximately 2,300km² 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 AngloGold Ashanti. The region is the focus of increased exploration activity by a range of companies and is now considered to be one of the country's premier locations for nickel and gold exploration.

The Balladonia South title was granted in January 2015, opening up a new exploration opportunity for the Company and clearing the way for exploration activities to re-commence. The tenement straddles a major north-east trending structure and contains a number of inferred mafic intrusions which are characterised by negative magnetic anomalies similar to those being drilled by Sirius Resources at their Crux and Centauri prospects (see *Sirius ASX Announcement – 23 January 2015*).

Reconnaissance surface sampling supported the occurrence of mafic host rocks in the area and ground EM surveys are planned to locate massive nickel sulphides associated with the interpreted intrusions. This work is now underway.

Ground EM surveys were also planned over the Dundas East prospect where previous soil sampling programs that located anomalous nickel and copper values associated with coincident magnetic/gravity anomalies reflecting possible mafic host rocks within a dominantly sedimentary sequence. This work commenced in late January 2015.

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

The Gibson Soak tenement, which is located ~30km north of the port of Esperance, was granted in September 2014. 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.

Recent drilling by Mount Ridley Mines Ltd reported olivine-bearing mafic-ultramafic intrusions containing disseminated nickel and copper sulphides immediately to the north of the Gibson Soak tenement, significantly upgrading the potential of the Company's land holding.

A comparison of magnetic and gravity data over the Gibson Soak and Mt Ridley titles clearly shows numerous possible mafic intrusions within the Gibson Soak tenement, similar to those being tested by Mt Ridley's drilling program. These intrusions, which are characterised by negative and/or low magnetic responses, are regarded as prime targets for nickel-copper exploration.

A program of aircore drilling and ground EM surveys is being planned to test these targets where access is possible.

Much of the Gibson Soak tenement is covered by farm land which requires access agreements to be negotiated before on-ground work can commence. Discussions are continuing.

GOLD – WEST AFRICA (Joint Venture)

The Banfora Gold Project is located in south-west Burkina Faso, West Africa, within the Banfora Greenstone Belt. The area is relatively unexplored but contains widespread artisanal gold workings. AusQuest controls approximately 1,150km² of title within the Belt, which is now under a Farm-In and Joint Venture Agreement with Burkinor SARL, a wholly-owned subsidiary of TSX-listed SEMAFO Inc. Burkinor has the right to earn up to an 80% interest in the Banfora project by spending a total of US\$7.5 million over a three-year period.

Exploration activity during the second half of 2014 was limited by the onset of the wet season, which curtailed field operations for approximately three months. Grid-based auger sampling has been the focus of field

operations so far, in order to identify near-surface gold occurrences that justify further testing by deeper drilling.

Numerous anomalous gold results (>25ppb Au) have been reported by Burkinor, with targets in at least five of the joint venture tenements being proposed for initial testing by RC drilling.

Two exploration licences were added to the joint venture area through option agreements negotiated by Burkinor, consolidating the joint venture's prospects along the eastern contact of the Banfora Greenstone Belt, and taking the total area under joint venture to ~1,430km².

In February 2015 Burkinor advised a significant escalation in planned exploration expenditure for 2015. The proposed program and budget included up to 39,000m of Reverse Circulation (RC) drilling and 150,000m of shallow auger drilling for a total budget of up to US\$5.6 million.

CORPORATE

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

Auditor's Independence Declaration

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the Company with an Independence Declaration in relation to the review of the half-year financial report. This Independence declaration is set out on page 5 and forms part of this directors' report for the half year ended 31 December 2014.

Signed in accordance with a resolution of directors made pursuant to s.306(3) of the Corporations Act 2001.

On behalf of the Directors



Graeme Drew
Managing Director

Perth, 13 March 2015

COMPETENT PERSON'S STATEMENT

The details contained in this report that pertain to exploration results are based upon information compiled by Mr Graeme Drew, a full-time employee of AusQuest Limited. Mr Drew is a Fellow of the Australasian Institute of Mining and Metallurgy (AUSIMM) and has sufficient experience in the activity which he is undertaking to qualify as a Competent Person as defined in the December 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (JORC Code). Mr Drew consents to the inclusion in the report of the matters based upon his information in the form and context in which it appears.

FORWARD LOOKING STATEMENT

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



Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of AusQuest Limited for the half-year ended 31 December 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 review; and
- b) any applicable code of professional conduct in relation to the review.

Perth, Western Australia
13 March 2015

A handwritten signature in blue ink, appearing to read 'W M Clark'.

W M Clark
Partner



Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Ausquest Limited

Report on the Condensed Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Ausquest Limited ("the company") which comprises the condensed consolidated statement of financial position as at 31 December 2014, the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of Matter

Without qualification to the opinion expressed above, we draw attention to Note 2 to the financial statements which indicates 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.



HLB Mann Judd
Chartered Accountants



W M Clark
Partner

Perth, Western Australia
13 March 2015

Directors' declaration

In the directors' opinion:

1. the attached financial statements and notes thereto are in accordance with the Corporations Act 2001 including:
 - a. complying with Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - b. giving a true and fair view of the Group's financial position as at 31 December 2014 and of its performance for the financial half-year ended on that date; and
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



Graeme Drew
Managing Director

Perth, 13 March 2015

**Condensed consolidated statement of comprehensive income
for the half-year ended 31 December 2014**

		Consolidated	
		Half-year to 31 Dec 2014 \$	Half-year to 31 Dec 2013 \$
	Note		
Revenue	3	7,601	33,746
Consultants and employee benefits expenses		(46,056)	(16,542)
Share-based payments		-	(157,548)
Occupancy expenses		(75,271)	(71,548)
Administrative expenses		(230,078)	(344,831)
Impairment of exploration expenditure	4	(40,375)	(1,638,259)
Loss before income tax expense		(384,179)	(2,194,982)
Income tax expense		-	-
Loss for the period		(384,179)	(2,194,982)
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Exchange gain on translation of foreign operations		1,477,860	286,244
Total comprehensive income/(loss) for the period		1,093,681	(1,908,738)
Loss per share:			
Basic loss per share (cents per share)		0.13	1.15

The accompanying notes form part of these financial statements.

**Condensed consolidated statement of financial position
as at 31 December 2014**

		Consolidated	
		31 Dec 2014	30 June 2014
	Note	\$	\$
Current assets			
Cash and cash equivalents		974,430	1,018,821
Trade and other receivables		246,786	497,231
Other assets		50,000	57,873
Total current assets		1,271,216	1,573,925
Non-current assets			
Property, plant and equipment		42,962	50,957
Exploration and evaluation expenditure	4	13,826,497	11,791,786
Total non-current assets		13,869,459	11,842,743
Total assets		15,140,675	13,416,668
Current liabilities			
Trade and other payables		254,837	359,927
Provisions		53,391	67,975
Convertible notes	6	750,000	-
Total current liabilities		1,058,228	427,902
Total liabilities		1,058,228	427,902
Net assets		14,082,447	12,988,766
Equity			
Issued capital		53,135,509	53,135,509
Reserves		2,385,434	907,574
Accumulated losses		(41,438,496)	(41,054,317)
Total equity		14,082,447	12,988,766

The accompanying notes form part of these financial statements.

**Condensed consolidated statement of changes in equity
for the half-year ended 31 December 2014**

	Consolidated				
	Issued capital (fully paid ordinary shares)	Share based payment reserve	Foreign currency translation reserve	Accumulated losses	Total equity
	\$	\$	\$	\$	\$
Balance at 1 July 2014	53,135,509	230,360	677,214	(41,054,317)	12,988,766
Loss for the period	-	-	-	(384,179)	(384,179)
Exchange differences on translation of foreign operations	-	-	1,477,860	-	1,477,860
Total comprehensive income for the period	-	-	1,477,860	(384,179)	1,093,681
Balance at 31 December 2014	53,135,509	230,360	2,155,074	(41,438,496)	14,082,447

	Consolidated				
	Issued capital (fully paid ordinary shares)	Share based payment reserve	Foreign currency translation reserve	Accumulated losses	Total equity
	\$	\$	\$	\$	\$
Balance at 1 July 2013	50,617,017	596,707	1,009,237	(38,675,797)	13,547,164
Loss for the period	-	-	-	(2,194,982)	(2,194,982)
Exchange differences on translation of foreign operations	-	-	286,244	-	286,244
Total comprehensive loss for the period	-	-	286,244	(2,194,982)	(1,908,738)
Shares issued during the period	2,750,000	-	-	-	2,750,000
Transaction cost	(231,508)	-	-	-	(231,508)
Share based payments	-	157,548	-	-	157,548
Options expired during the period	-	(523,895)	-	523,895	-
Balance at 31 December 2013	53,135,509	230,360	1,295,481	(40,346,884)	14,314,466

**Condensed consolidated statement of cash flows
for the half-year ended 31 December 2014**

	Consolidated	
	Half-year to 31 Dec 2014	Half-year to 31 Dec 2013
	\$	\$
Cash flows from operating activities		
Payments to suppliers and employees	(133,928)	(350,270)
Interest received	3,881	14,622
Net cash used in operating activities	(130,047)	(335,648)
Cash flows from investing activities		
Payment for property, plant and equipment	-	(386)
Proceeds from the sale of property, plant and equipment	5,000	-
Payment for exploration and evaluation activities	(669,344)	(1,211,327)
Net cash used in investing activities	(664,344)	(1,211,713)
Cash flows from financing activities		
Proceeds from the issue of shares	-	2,750,000
Payments for share issue costs	-	(231,508)
Proceeds from borrowings	750,000	-
Net cash generated by financing activities	750,000	2,518,492
Net (decrease)/increase in cash and cash equivalents	(44,391)	971,131
Cash and cash equivalents at the beginning of the half-year	1,018,821	1,545,401
Cash and cash equivalents at the end of the half-year	974,430	2,516,532

The accompanying notes form part of these financial statements.

Notes to the condensed consolidated financial statements for the half-year ended 31 December 2014

1. General information

The financial report covers AusQuest Limited as a consolidated entity consisting of AusQuest Limited and the entities it controlled during the period.

The financial report consists of the financial statements, notes to the financial statements and the directors' declaration.

AusQuest Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office

C/- Nexia Perth
Level 3, 88 William Street
Perth WA 6000

Principal place of business

8 Kearns Crescent
Ardross WA 6153

2. Significant accounting policies

Statement of compliance

These general purpose financial statements for the half-year reporting period ended 31 December 2014 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These condensed consolidated general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Group as in the full financial report.

It is recommended that these financial statements be read in conjunction with the annual report for the year ended 30 June 2014 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001 and the ASX Listing Rules.

Basis of preparation

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

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

Accounting policies and methods of computation

The accounting policies and methods of computation are consistent with those of the previous financial year and corresponding interim reporting period. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Significant accounting judgments and key estimates

The preparation of half-year financial report requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this half-year financial report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2014.

Notes to the condensed consolidated financial statements for the half-year ended 31 December 2014

Going concern

The 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 half-year ended 31 December 2014 the Group recorded an operating cash outflow of \$130,047 (half-year ended 31 December 2013: \$335,648) and at 31 December 2014 had a net working capital surplus of \$212,988 (30 June 2014: surplus of \$1,146,023).

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.

3. Revenue

	Half-year to 31 Dec 2014	Half-year to 31 Dec 2013
	\$	\$
Interest income	3,881	12,563
Other income	3,720	21,183
	7,601	33,746

4. Exploration and Evaluation Expenditure

	Half-year to 31 Dec 2014	Full-year to 30 June 2014
	\$	\$
Balance at beginning of period	11,791,786	11,933,989
Capitalised during the period	2,075,086	2,425,984
Grant of farm-in and joint venture interest in previously capitalised projects	-	(635,640)
Impaired during the period	(40,375)	(1,932,547)
Balance at end of period	13,826,497	11,791,786

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.

Notes to the condensed consolidated financial statements for the half-year ended 31 December 2014

5. Segment Information

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

The following table presents the revenue and results information regarding the segment information provided to the Board of Directors for the half-year ended 31 December 2014.

Continuing operations

	Australia	Africa	South America	Intersegment eliminations	Consolidated
	\$	\$	\$	\$	\$
Six Months to 31 December 2014					
Segment revenue	7,601	-	-	-	7,601
Segment loss after tax	(314,030)	(22,497)	(47,652)	-	(384,179)
Net loss after tax					(384,179)
As at 31 December 2014					
Segment assets	15,877,762	8,967,562	1,788,977	(11,493,626)	15,140,675
Segment liabilities	918,565	5,476,664	2,790,021	(8,127,022)	1,058,228
Included within segment result:					
Depreciation	7,232	-	147	-	7,379
Interest income	3,881	-	-	-	3,881
Impairment of exploration expenditure	40,375	-	-	-	40,375

Continuing operations

	Australia	Africa	South America	Intersegment eliminations	Consolidated
	\$	\$	\$	\$	\$
Six Months to 31 December 2013					
Segment revenue	33,736	-	10	-	33,746
Segment loss after tax	(1,685,293)	4,419	(514,108)	-	(2,194,982)
Net loss after tax					(2,194,892)
As at 30 June 2014					
Segment assets	15,445,843	7,900,198	1,327,104	(11,256,477)	13,416,668
Segment liabilities	328,993	4,918,179	2,508,924	(7,328,194)	427,902
Included within segment result:					
Depreciation	10,158	-	145	-	10,303
Interest income	12,552	-	11	-	12,563
Impairment of exploration expenditure	1,188,141	-	450,118	-	1,638,259

Notes to the condensed consolidated financial statements for the half-year ended 31 December 2014

6. Convertible Note

The Company executed a Convertible Note Agreement ("Agreement") on 3 October 2014 with Mr Chris Ellis, a director and substantial shareholder of the Group for a total loan facility of \$750,000, available in up to three equal advances of \$250,000.

Key terms under the convertible note included:

- Maturity date set as 3 October 2015.
- Conversion date being the last to occur of the date on which the Company issues shares to raise funds for working capital purposes and the date shareholders ratify the issue of the convertible notes and approve the conversion of the convertible notes to ordinary shares in general meeting.
- Conversion price being the higher of either \$0.02 per conversion share or where the Company undertakes a share placement at greater than \$0.02 per share, \$0.02 per conversion share plus 50% of the difference between the issue price of such placement shares and \$0.02.
- Interest accruing at 10% per annum with the first 6 months after drawdown being interest free. Interest is payable in cash.
- Under the terms of the Agreement, the Company retains sole discretion to settle the loan in cash or shares.

The Company recognised the convertible notes as a current liability on the basis of it having a contractual obligation to deliver cash to the lender to settle the loan on maturity date if conversion does not take place.

7. Subsequent events

On 24 February 2015 the Company announced that it had executed three separate joint venture agreements with Zahena SAC ("Zahena") and Southern Peru Copper Corporation ("Southern Copper") covering four large porphyry copper-gold targets previously identified by the Company. Under the agreements these two entities can earn up to 70% equity interest in the relevant projects for a structured series of cash option payments to AusQuest totalling approximately US\$10m and sole funding 70,000m of drilling worth an estimated US\$16.5m (total estimated value of agreements being approximately US\$26.5m or A\$34m).

The agreements allows for further staged equity increases by Zahena and Southern Peru on meeting certain further criteria.

On 11 March 2015 the Company announced it will undertake an additional capital raise up to approximately \$2m in a share placement to sophisticated and professional investors through the issue of up to approximately 105 million new shares at 1.9 cents per share. Participants in the placement will receive one attaching option exercisable at 3.5 cents on or before 30 April 2018 for every two shares subscribed for in the placement.

In addition to the placement, the Company will also offer eligible shareholders the opportunity to participate in a securities purchase plan ("SPP") to raise between \$500,000 and \$1 million which together will make the total capital raised between \$2.5m and \$3.0m.

Funds raised pursuant to these capital raisings will primarily be used to fund exploration and drilling of nickel-copper targets within the Company's 100% owned Fraser Range projects, exploration and drill permitting of porphyry copper-gold targets identified within the Company's extensive portfolio of exploration projects in Peru (that are not already free-carried through initial drilling as recently announced to the ASX on 24th February 2015), and for working capital purposes.

Other than noted above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs in future financial years.

**Notes to the condensed consolidated financial statements
for the half-year ended 31 December 2014**

8. Contingent liabilities

There has been no change in contingent liabilities since the last annual reporting date.

9 Commitments

The Group's other commitments remain unchanged. For details of these commitments, please refer to the 30 June 2014 annual financial report.

10. Related parties

Arrangements with related parties continue to be in place. For details of these arrangements, please refer to the 30 June 2014 annual financial report.