AusQuest Limited

ABN 35 091 542 451

Annual Report for the financial year ended 30 June 2016

Contents

Corporate directory

Board of Directors

Mr Greg Hancock	Non-Executive Chairman
Mr Graeme Drew	Managing 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
Telephone: (61 8) 9463 2463
Website: www.nexia.com.au

Principal Office
8 Kearns Crescent
Ardross WA 6153

Telephone: (61 8) 9364 3866
Facsimile: (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 Pty Ltd
110 Stirling Highway
Nedlands WA 6009

Telephone: (61 8) 9389 8033
Facsimile: (61 8) 9389 7871
Website: www.advancedshare.com.au

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

Bankers
Australian and New Zealand Bank
135 Riseley Street
Booragoon WA 6154

Solicitors
Hilary Macdonald
Suite 23, 18 Stirling Highway
Nedlands WA 6009

Telephone: (61 8) 9389 1102
Website: www.macdonaldlegal.com.au

Dear Shareholder,

In the 2015 Annual Report I indicated that the year ahead was going to be one of considerable drilling activity, particularly within our emerging copper-gold portfolio in southern Peru, thanks to the joint ventures we put in place early last year.

The first drilling rig arrived at Lana, in Peru, in December 2015 and this marked the beginning of an intensive phase of diamond drilling at five of our prospects. Approximately 15,000m of diamond drilling will have been completed over five of our prospects by the time this report is submitted.

Notwithstanding some encouraging results the Joint Venture partners, Compania Minera Zahena SAC and Southern Peru Copper Corporation Sucursal del Peru have advised their intention to withdraw from these projects. Results we have seen however, give AusQuest sufficient encouragement to push ahead with the next phase of exploration.

While activity on the Company's joint ventured properties has been intensive, significant effort was also applied to our 100 per cent-owned properties in Peru.

Data was assembled and examined and two projects, Chololo and Cerro de Fierro, were advanced to the stage where they are in a position to attract new joint venture partners. This process has generated considerable interest and discussions are continuing with several parties.

It is pleasing to note that, while the broader investment environment for base metal explorers and producers has remained challenging over the past year, our properties have attracted a high level of interest.

In Australia, the Company has been successful in identifying additional nickel targets within our Balladonia and Gibson Soak tenements with our overall tenement exposure in the Fraser Range region reduced to allow us to focus on key targets.

At Jimberlana, initial ground surveys identified an opportunity to explore for nickel-copper sulphides associated with the Jimberlana Dyke; and at Blue Billy, the tenement, which is considered prospective for zinc, was granted. Ground work in both of these areas is planned for later this year.

In West Africa, our joint venture partner, Ressources Burkinor SARL, continued their exploration activities to earn up to 80 per cent equity in our project. Following the recent discovery of some new gold anomalies, we expect that they will continue their exploration programs to achieve their full equity position.

With high quality drill targets being generated in Peru, the continued interest from potential new farm-in partners in Peru and active exploration programmes continuing to be developed in Australia, shareholders can look forward to further value being added to our exploration portfolio in the year ahead.

AusQuest is highly leveraged to exploration success at any of these projects and continues to pursue its core objective of making a company-changing mineral discovery by exploring in Tier-1 mineral provinces globally.

We have remained acutely conscious of the challenging funding environment for junior exploration companies and continue to manage our cash resources and commitments prudently.

During the year, we implemented a number of additional cost-cutting measures which, when combined with funds being expended by our joint venture partners, offers shareholders an attractive risk/return profile. We continue to provide shareholders multiple opportunities for exposure to high quality exploration targets.

This year saw the retirement of John Ashley from the board as a Non-Executive Director. John was a founding director of AusQuest and spent 12 years as an Executive Director before becoming a Non-Executive Director in 2012. On behalf of my fellow director and shareholders, I would like to sincerely thank him for his considerable support and effort over the years and wish him every happiness in his retirement.

I also express my thanks to the other directors for their contribution and commitment during the year; to our staff and consultants, who have worked hard to create an impressive portfolio of opportunities; and to our shareholders for their ongoing support.

With a well-structured and highly prospective exploration portfolio in Peru and Australia and a prudent and considered approach to business development, I am confident that AusQuest remains well placed for success in the year ahead.

Yours faithfully

Greg Hancock
Chairman

Operations Review – 2016 Annual Report

Highlights – Year in Review

Peru: Copper-Gold

- Diamond drilling was undertaken at four of the Company's porphyry copper-gold prospects in southern Peru under joint ventures signed with Compania Minera Zahena SAC (Zahena) in 2015.
- At the time of this report ~12,500m and 21 drill-holes had been completed with a minimum of 4 holes completed at each prospect.
- Results available to the Company show a range of alteration types and anomalous copper values, suggesting proximity to porphyry style mineralisation within the area.
- Zahena has now advised that it will be withdrawing from both joint ventures in October 2016. AusQuest will retain 100% ownership of the projects.
- Two prospects were also advanced to the drilling stage and discussions are continuing with potential joint venture partners to secure funding for more detailed testing of these prospects, including drilling.

Australia: Base Metals (Nickel-Copper, Zinc)

- The Company expanded its portfolio of base metal projects in Australia to include the Jimberlana and Glenayle nickel-copper prospects in WA and the Blue Billy zinc prospect in the Edmund Basin (WA).
- At Jimberlana, ground surveys identified a unique opportunity to explore for nickel-copper sulphides associated with the Jimberlana Dyke – a large-scale fertile mafic intrusion containing known nickel-copper and PGE sulphides.
- At the Blue Billy prospect, highly anomalous zinc within a black mudstone sequence suggests similarities with the zinc deposits found in the Mt Isa region of Queensland – initial ground work is planned for 2H 2016.
- Additional nickel targets were identified within the Balladonia and Gibson Soak projects in the Fraser Range region of WA.

Burkina Faso, West Africa: Gold

- The Company's joint venture partner, Ressources Burkinor SARL, a wholly-owned subsidiary of TSX-listed SEMAFO Inc., reported that it has requested renewal of all joint venture titles for a further three-year period.
- Auger sampling completed during 2016 continued to outline surface gold anomalies for follow up.

Corporate

- Exploration tax credits of $76,879 (0.0154 cents per share) were distributed to eligible shareholders on the 28th June 2016.

OVERVIEW

While the 2016 financial year continued to be a challenging time for junior explorers, AusQuest was able to make progress across its portfolio of emerging porphyry copper-gold projects in the south of Peru and its gold projects in West Africa, while also continuing to generate fresh opportunities for base metal exploration in Australia.

As a result of joint ventures signed in 2015, drill testing commenced during the year at five of the Company's porphyry copper-gold prospects in Peru and gold exploration activities progressed in Burkina Faso West Africa, both funded by joint venture partners.

In **Peru**, drill testing of porphyry copper-gold targets in the Ilo area commenced late in the year with three drill rigs mobilised to site to undertake the programme.

At the time of this report the Company received advice from Compania Minera Zahena SAC ("Zahena") that it would be withdrawing from both the Cardonal and Puite-Colorada joint ventures in October 2016. By this time Zahena will have completed 21 drill-holes for a total of ~12,500 metres with expenditure levels in excess of those required under the terms of the agreements (US$2.5 million).

Elsewhere in Peru, exploration mapping and sampling continued over the Company's 100%-owned prospects to identify porphyry copper and/or IOCG targets for possible joint venture and drilling.

The Cerro de Fierro prospect was significantly upgraded by this process and is now the subject of discussions with interested parties to secure funding for ongoing evaluation of the prospect. Discussions over the Chololo porphyry copper prospect continued, albeit at a slow pace given the downturn in the industry.

The Company plans to continue its strategy of leveraging its available funds through joint ventures and/or alliances over its projects in Peru, as a means of maximising benefits to shareholders in the current challenging environment for base metals.

Peru is one of the world's most prospective countries for the discovery of major new copper and gold deposits, and the Company is confident that this strategy remains the best pathway to unlock the sort of transformational discovery which is the Company's ultimate objective.

In **Australia**, the Company's exploration efforts continued to focus on generating additional base metal targets both in the Fraser Range region of WA and in new areas identified by the Company's consultants as being highly prospective for nickel, copper, and zinc.

Tenement applications were submitted and granted over new conceptual nickel-copper targets associated with the Jimberlana Intrusion and the northern margin of the Yilgarn Craton, as well as a conceptual zinc target within the Edmund Basin of WA. The Company's focus on early stage work is designed to build up a pipeline of targets for future drilling while at the same time conserving exploration funds.

In **West Africa**, the Company's joint venture partner, Ressources Burkinor SARL, a wholly-owned subsidiary of TSX-listed SEMAFO Inc., advised during the year that it had fulfilled the requirements of the First Earning Stage (US$4.0 million) and was continuing in the Joint Venture to earn an 80% interest in the project. The budget for 2016 was set at US$650,000 to complete further auger sampling programmes and renew the tenements for another three-year period. Under the Agreement, Burkinor must spend a total of US$7.5 million on the Banfora Gold Project to earn 80% equity in the project.

REVIEW OF PROJECTS

PERU: COPPER-GOLD

Over the past five 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.

Detailed aeromagnetic data acquired by the Company in 2011 has been used to identify prospective areas for porphyry copper and/or iron-oxide copper-gold (IOCG) deposits beneath extensive cover in the south of Peru. A combination of geological mapping and sampling, together with ground-based geophysical surveys, are being used to identify targets for drilling (Figure 1).

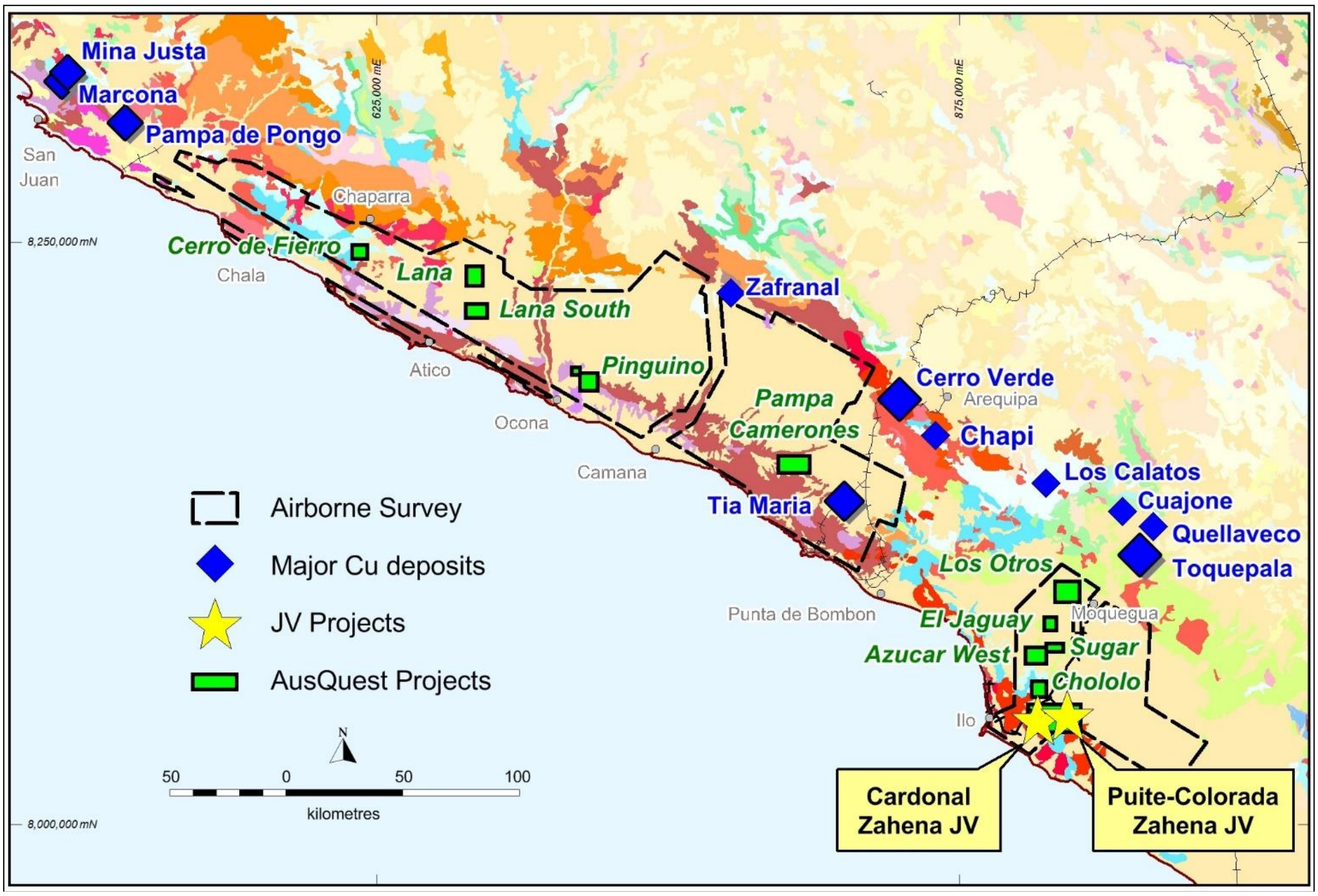

Figure 1: Project Locations in Southern Peru

Four of the Company's prospects are the subject of joint venture agreements with Compania Minera Zahena SAC ("Zahena") under which a significant amount of externally funded diamond drilling is taking place within the Company's mineral concessions.

In the Ilo area, Zahena mobilised three diamond drill rigs to site to complete the drill programme over the **Puite, Colorada, Cardonal and Ventana** porphyry copper prospects once drilling permits had been received. Drill-holes were sited to test a range of targets within each prospect, with drill-hole separations of 400m to several kilometres, highlighting the reconnaissance nature of the initial programmes (Figure 2).

At the time of this Report the Company received advice from Compania Minera Zahena SAC ("Zahena") that it would be withdrawing from both the Cardonal and Puite-Colorada joint ventures in October 2016. At the conclusion of the joint ventures Zahena will have completed 21 drill-holes for a total of ~12,500 metres with expenditure levels in excess of those required under the terms of the agreements.

The Company remains encouraged by the initial drill results it has seen which suggest that porphyry mineralisation is likely to occur within the general joint venture area. Preliminary logging of core has identified varying styles and intensity of alteration, including more distal sub-propylitic alteration and the more proximal propylitic and potassic (weak) phases in some drill-holes.

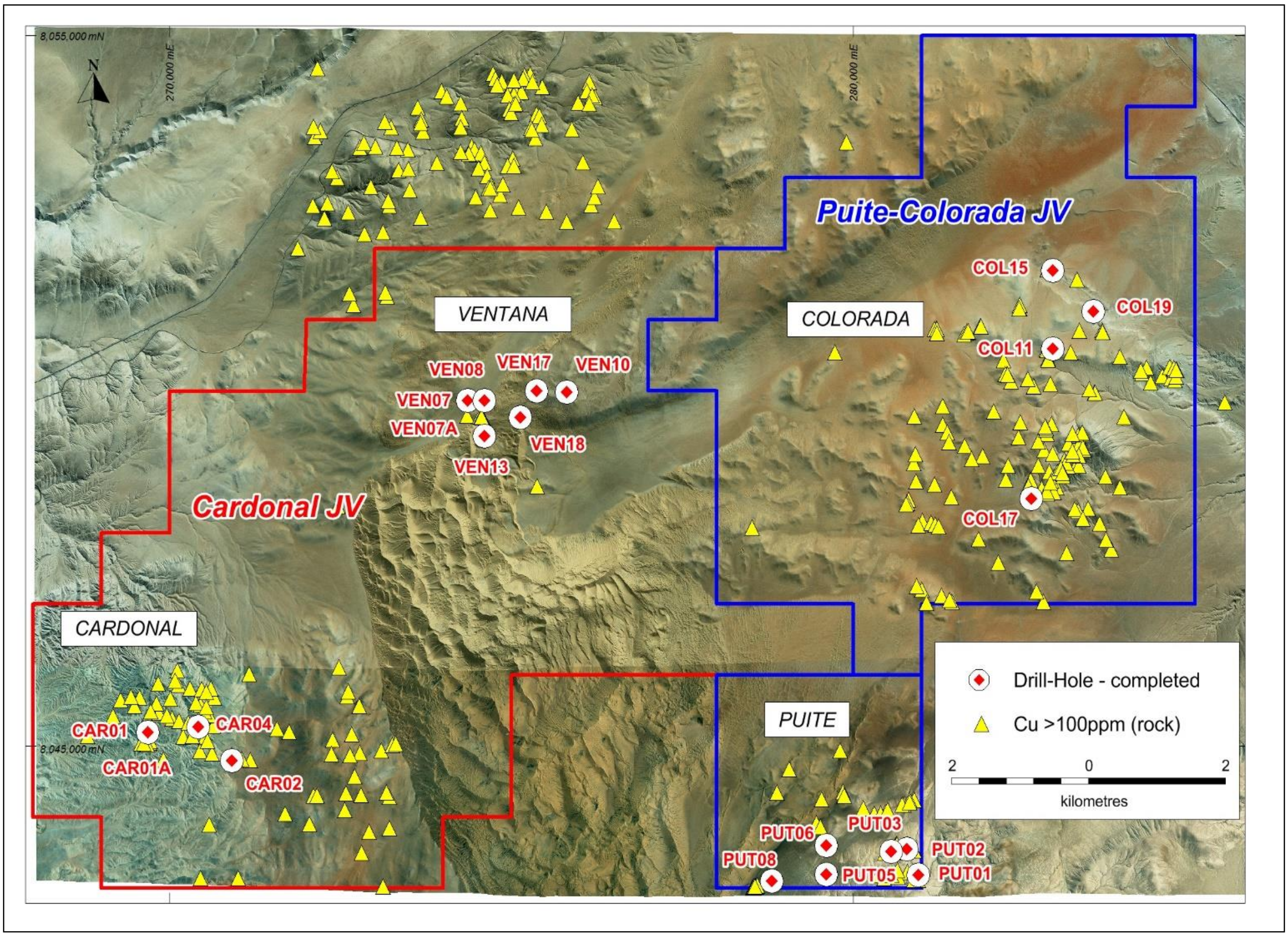

Figure 2: Location of drill-holes within Ilo joint venture areas.

Copper oxides and copper sulphides have so far been found in trace amounts at two of the prospects (Ventana and Puite) with maximum grades of up to 0.16% Cu where sulphides have been reported, and anomalous values up to ~500ppm Cu where copper oxides are visible along fractures.

The Company plans to complete a full analysis of the drilling data from each prospect once drilling has been completed and all assay data and geological logs have been received to identify new targets.

The four porphyry copper prospects currently being drilled are located approximately 30km due east of the port of Ilo and approximately 10km from the coast. These prospects have extensive cover and the initial drilling programs were designed as a first step to evaluating their potential for porphyry copper mineralisation.

The fifth joint venture, with Southern Peru Copper Corporation Sucursal del Peru over the Lana prospect, was terminated after drilling to ~500m depths failed to penetrate the cover sequence. The cause of the large gravity anomaly targeted by the drilling remains unexplained.

During the year, the Company also continued to advance its **100%-owned prospects** in Peru with a view to securing additional joint venture agreements once these prospects reach the drilling stage.

As part of this program, detailed geological mapping, rock and soil sampling programs were completed over the Cerro de Fierro and Chololo prospects and initiated over the El Jaguay area, where earlier reconnaissance had identified the potential for buried mineralisation.

The **Cerro de Fierro** prospect, which is located ~30km from the town of Chala and 130km south-east of the Mina Justa copper deposit, was originally identified from aeromagnetic data as a potential iron-oxide copper-gold (IOCG) target, extending over an area several square kilometres in size.

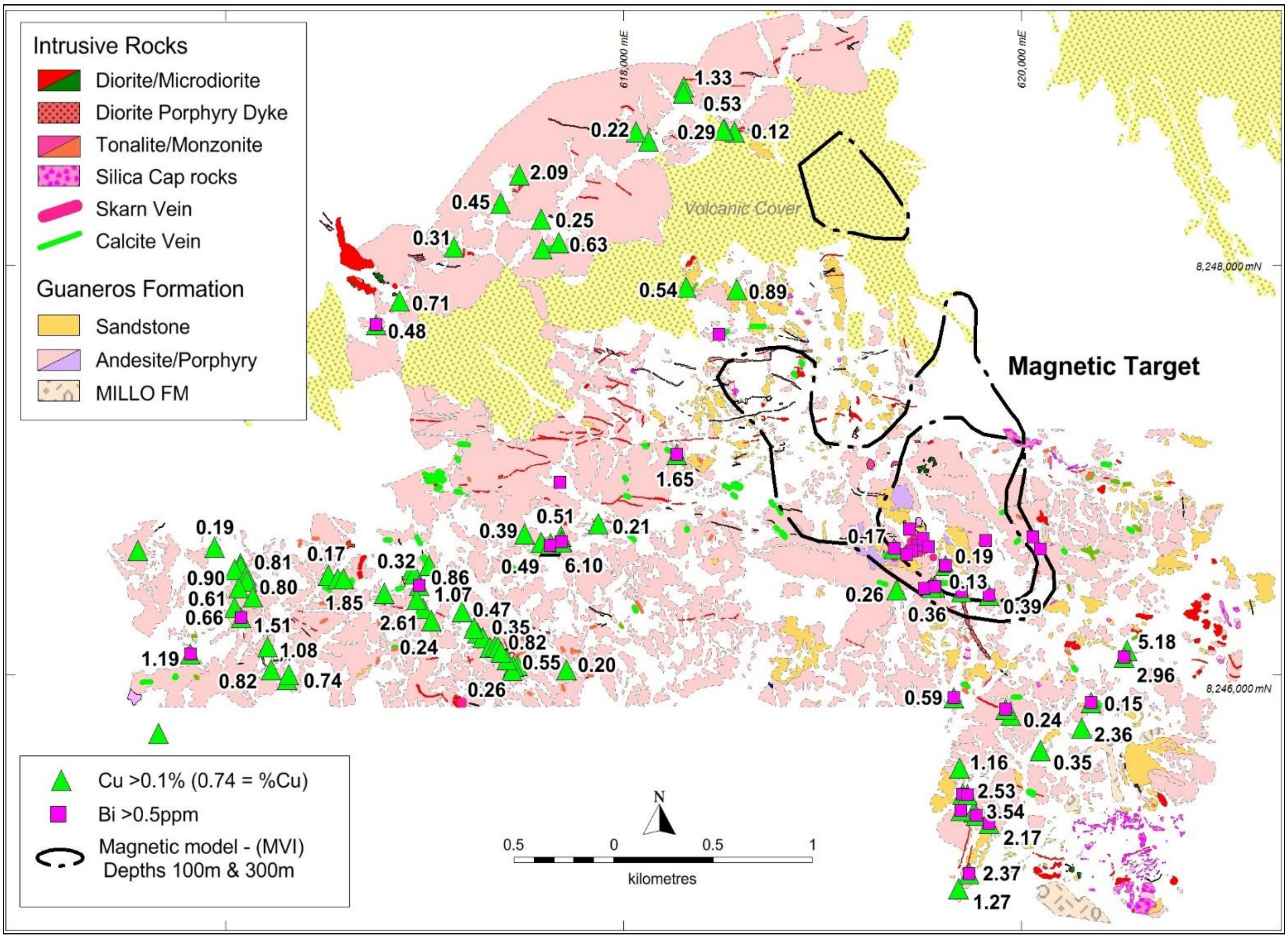

Figure 3:Cerro de Fierro geology and sampling results showing the magnetic target

Detailed geological mapping and rock sampling over the area surrounding the magnetic anomaly confirmed its prospectivity, with numerous copper values ranging between 0.1% Cu and 1.0% Cu and associated silver +/-gold +/- bismuth suggesting that the area is highly prospective for IOCG and/or porphyry copper style mineralisation (Figure 3).

Anomalous bismith and gold values representing the less mobile elements (compared to copper), were found to coincide with the shallowest portion of the magnetic anomaly, confirming it as a priority drill target.

Rock chemistry and airborne radiometric data also provided strong evidence for a possible mineralised system by defining a large, regional-scale potassic alteration system associated with the target.

The **Chololo** prospect, which is located ~20km north-east of the port of Ilo, is closely associated with the north-east trending Chololo Fault, which appears to control the location of other known porphyry copper systems in the area.

A detailed study of the rock geochemical and mineralogical data collected at Chololo identified areas of preserved lithocap containing high temperature minerals (Na-alunite and pyrophyllite), suggesting close proximity to a A detailed study of the rock geochemical and mineralogical data collected at Chololo identified areas of preserved lithocap preserved porphyry system. The presence of anomalous immobile metals within the basal lithocap (Mo, As and Sb) suggests that the porphyry is likely to be mineralised (+Cu) (Figure 4).

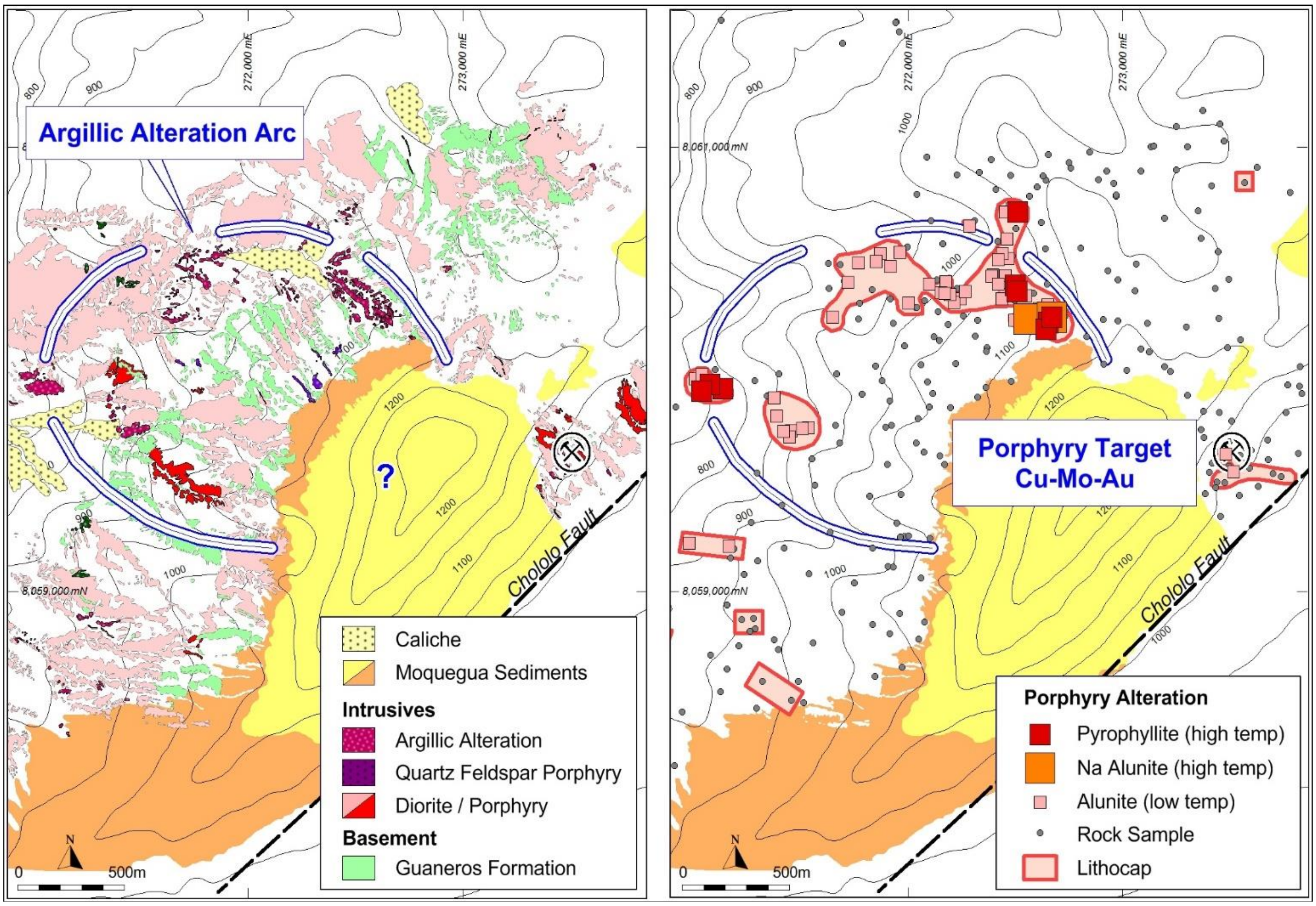

Figure 4: Chololo geology and alteration plan showing location of high temperature minerals

A similar assessment of the soil geochemical data found strong metal associations (Cu-Bi-Mo, and As-Sb+/-Cu), supporting the interpretation of a mineralised porphyry at depth.

Discussions are continuing with several third parties who have expressed interest in possible joint ventures over the Chololo and Cerro de Fierro prospects.

The Company is encouraged by results from its Peruvian projects, and plans to continue evaluating its portfolio of porphyry copper and/or IOCG targets to advance them to drilling and possible joint venture.

AUSTRALIA BASE METALS: NICKEL-COPPER ZINC

During the year, AusQuest pursued a deliberate strategy of expanding the number of nickel-copper and zinc projects it holds in WA whilst at the same time reducing its holdings in the Fraser Range (Balladonia and Gibson Soak) so that it only retains the highest priority targets.

This resulted in the successful generation of new nickel exploration projects at Jimberlana and Glenayle and a zinc exploration project in the Edmund Basin where historical work had identified anomalous zinc in favourable sediments but had not tested the key structural targets.

Balladonia Nickel-Copper Project

The Balladonia Project is located ~50km south of the Nova-Bollinger nickel-copper deposit and is centred over the southern margin of a deep regional gravity anomaly (~30 milligals) which is thought to reflect buried mafic/ultramafic rocks similar to those that may be related to the formation of the Nova-Bollinger deposit.

During the year, target areas were re-prioritised to reduce tenement holding costs while at the same time retaining the best targets for future follow-up. The Company's tenements at Balladonia were reduced to ~940km² (Figure 5).

The EM targets identified in 2015 have been rescheduled for drilling in 2017, once reconnaissance EM surveys have been completed over the remaining targets to provide a better measure of target priorities.

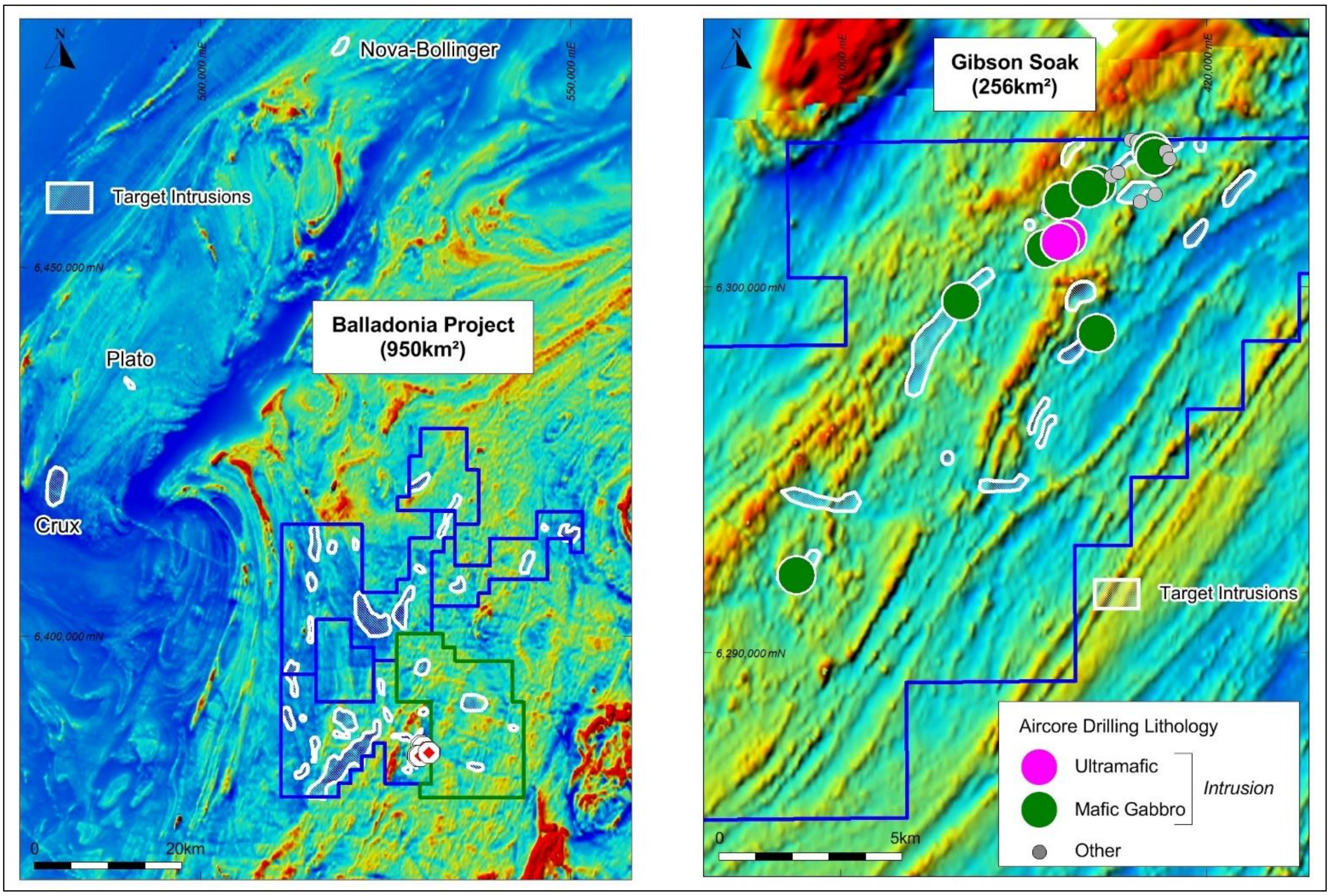

Figure 5: Balladonia and Gibson Soak nickel targets

Gibson Soak Nickel-Copper Project

The Gibson Soak Project is located ~30km north of the port of Esperance, within the broader Fraser Range terrain. The tenement covers an area of ~350km², centred on a regional north-east trending gravity high with similarities to the Fraser Range Complex, and covers major north-east trending structures thought to host mafic-ultramafic intrusions prospective for nickel sulphides.

During the year, aircore drilling confirmed that four of the twelve targets identified from the aeromagnetic data are associated with potential host rocks for nickel-copper sulphides. Geochemical and petrological studies confirmed similarities with the gabbroic intrusions from the Fraser Range domain to the north which host the Nova-Bollinger deposit (Figure 5).

Areas downgraded by the aircore drilling programme were surrendered. Ground EM surveys have been planned to test the targets once access has been finalised.

Jimberlana Nickel-Copper Project

The Jimberlana Project is located ~120km west of Norseman between the Lake Johnston and Forrestania Greenstone Belts. The tenements cover an area of ~270km² over the western extension of the Jimberlana Dyke, where gravity data suggests that its basal section comes close to surface (~200m to 500m).

Recent research has revealed a strong association between intrusive-related nickel sulphide deposits and the basal section of dyke-like structures, which provide effective trap-sites for the accumulation of massive nickel sulphides. The Jimberlana Dyke is considered to be a prime target for this style of nickel deposit as it is a very large (200km long), fertile (contains nickel sulphides), fractionated intrusion which has never been tested for nickel sulphide mineralisation at its base.

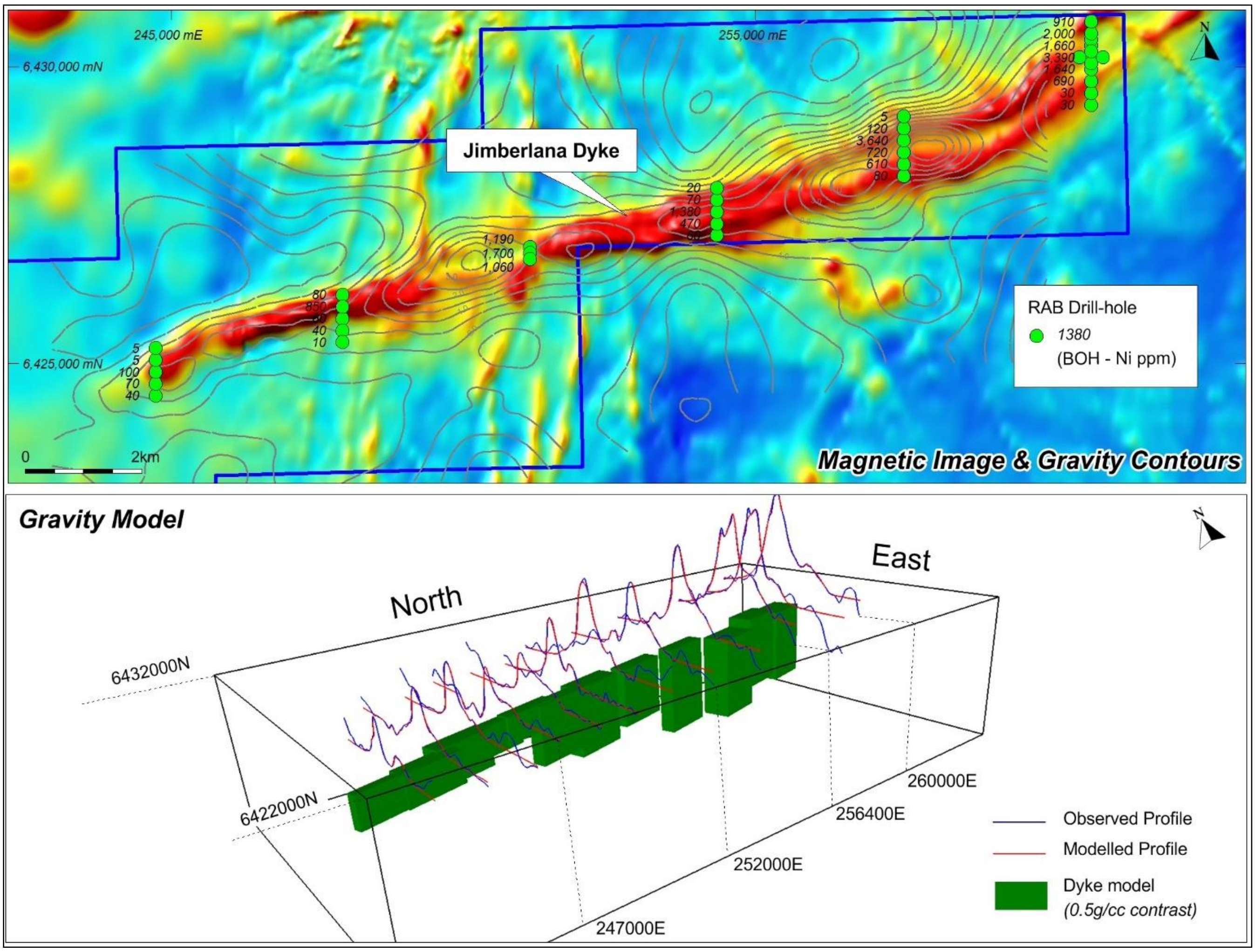

Figure 6: Jimberlana Dyke prospect showing detailed gravity data and modelling

During the year, the Company completed detailed gravity traverses across the Jimberlana project producing residual gravity responses over the dyke ranging from 2 to 6 milligals in amplitude. Computer modelling indicated shallow depths (~200m) to the base of the dyke at its western limit, increasing to ~700m at the eastern boundary of the tenement (Figure 6).

These relatively shallow depths are considered to be well within the explorable depth range for modern ground-based electromagnetic (EM) systems.

Heritage clearance was completed in August and EM surveying is planned for later in 2016 in order to test the floor of the Jimberlana Dyke for massive nickel sulphides.

Glenayle Nickel-Copper Project

The Glenayle Nickel-Copper Project is located ~350km north-east of Wiluna along the northern margin of the Yilgarn Craton in Western Australia. The tenements cover the basal section of a large mafic sill complex where data suggest there may be ultramafic rocks that could be prospective for nickel-copper sulphide mineralisation under the cover.

Initial reconnaissance field work failed to locate ultramafic rocks due to the extensive cover over most of the area. A limited shallow drilling program is being considered to confirm the presence of prospective host rocks to provide proof of concept before further surveys are considered.

Blue Billy Zinc Project

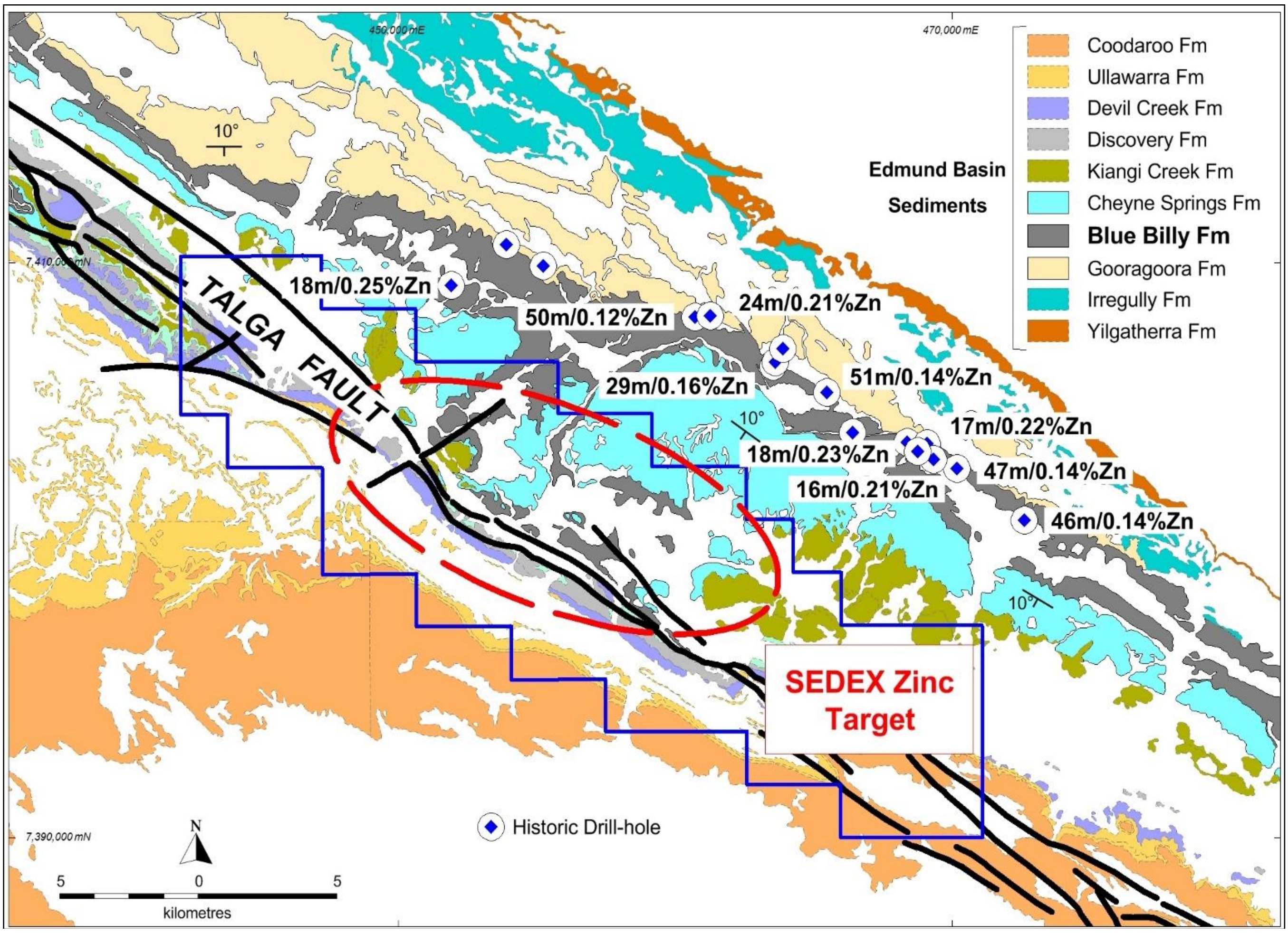

Figure 7: Blue Billy Zinc Prospect showing historical drilling and new target area.

The Blue Billy Zinc Project is located ~100km south-west of Paraburdoo within the Edmund Basin in the Pilbara region of Western Australia. The tenement covers the down-dip extent of anomalous zinc values (up to 0.5% Zn) found within a pyritic black mudstone similar to host rocks known to contain sedimentary zinc deposits in the Mt Isa-McArthur River District of north-west Queensland.

A study of historical exploration data suggested the potential for sediment-hosted zinc mineralisation close to a regional scale fault that is located ~10km down-dip from the surface zinc occurrences. Initial reconnaissance of the area is planned for later this year (Figure 7).

WEST AFRICA: GOLD

Banfora Joint Venture Project (AQD 100%, Burkinor earning to 80%)

The Banfora (Comoe) Project, which is located near the town of Banfora in south-west Burkina Faso, West Africa, covers an area of ~1430km² within an extensive greenstone belt that is relatively unexplored.

The project is subject to a Farm-In and Joint Venture Agreement with Ressources Burkinor SARL, a wholly-owned subsidiary of TSX-listed SEMAFO Inc.

During the year, Burkinor advised that it had completed the First Earning Stage (65%) of the Banfora Joint Venture and elected to earn an additional 15% equity in the project by spending a further US$3.5 million before April 21st 2017.

Expenditure for FY2016 was set at US$650,000, which included further auger sampling (3,447 holes for 24,068m) to define gold targets for possible deeper drilling in 2017. Anomalous gold auger samples (>50ppbAu) consistently aligned with north-east trending regional structures.

Burkinor also advised they have requested a renewal of all joint venture titles for a further 3-year period.

CORPORATE

During the year, a submission for an R&D tax refund for research work completed at Gibson Soak and Balladonia was successful with $204,160 refunded for the 2015 financial year.

The Company also successfully applied for Exploration Tax Credits from the Federal Government which resulted in $76,879 (0.0154 cents per share) being distributed to eligible shareholders on the 28th June 2016.

<u>COMPETENT PERSON'S STATEMENT</u>

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.

<u>FORWARD LOOKING STATEMENT</u>

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.

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

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.

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 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 2016 financial year, the Company had a total of 1 female employee out of a total of 7 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 2016 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 (effective from Mr Ashley's retirement on 8 July 2016 it comprises of 3 members). 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 2016 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 Company recognises the importance of having an appropriate mix of expertise and experience on its Board and Committees to enable it to effectively discharge its corporate governance and oversight responsibilities. The Board accordingly seeks to achieve a balance in its structure that best reflects the needs of the Company at any particular time. Appointment to the Board will be dependent on candidates demonstrating an appropriate breadth of experience in a field of expertise that is relevant to the ongoing supervision of the Company's affairs. This diversity of experience may include a commercial, technical, legal, corporate finance, business development or other background as the Board and management determine as part of its selection processes.

Geographically the mix of skills extents to the international market, with a higher focus placed on operational and technical experience throughout Peruvian, African and Australian markets.

The current Board composition addresses these desired skills, with details of each Director's skills and experience noted in the Directors Report accompanying the Annual Report. The Board continues to assess and monitor this evaluation.

The policy and process for the nomination, selection and appointment of new Directors is available on the Company's website.

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 2016 were as follows (with all directors noted as continuing in office as at 30 June 2016 and still being in office at the date of the 2016 Annual Report, other than Mr Ashley who retired on 8 July 2016):

Director	Status	Date of appointment	Length of service
Greg Hancock	Non-Executive/independent	16 September 2003	12 years
Graeme Drew	Executive/ non-independent	15 February 2000	16 years
John Ashley	Non-Executive/ non-independent	15 February 2000	16 years
Chris Ellis	Non-Executive/ non-independent	2 November 2006	9 years

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

On 1 May 2015 the Company entered into a 12 month corporate consulting agreement with Mr Hancock (subsequently extended for another 12 month period). Under the terms of the agreement Mr Hancock can receive up to $25,000 payable over 12 equal monthly payments for these services. Both the Board and Mr Hancock consider this agreement not to be material to them based on its nature and monetary value.

No Director has an interest, position, association or relationship of the type described in Box 2.3 of the Recommendations that is considered to 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 an executive capacity of the Company during the preceeding three year period and Mr Ellis is a substantial shareholder of the Company.

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. With Mr Ashley's retirement on 8 July 2016, Mr Drew (the Managing Director) became the third member of the Committee. 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.

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.

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

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 statutory 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 complied with this recommendation.

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, attended the 2015 AGM and will be attending the AGM this year, where they 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.

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 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.

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, and therefore the Risk Committee, comprises 4 members (3 members from 8 July 2016 following Mr Ashley's retirement) of which only 1 is independent. It is also chaired by the independent Director.

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 as a standing item at each board meeting 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.

The Company policies are designed to ensure strategic, operational, legal, reputation and financial risks are identified, assessed, effectively and efficiently managed and monitored to enable achievement of the Company's business objectives.

Details of the Company's policy on these matters are set out under the risk management policy which is publicly available on the Company's website.

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. Mr Drew, an executive Director of the Company, joined the Committee following Mr Ashley's retirement on 8 July 2016. 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 2016 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 Board's policy for determining the nature and amount of remuneration for Board members and senior executives of the Company was as follows:

Non-executive Directors are remunerated at a fixed fee for time, commitment and responsibilities. Remuneration for non-executive Directors is not linked to the performance of the Company. There are no documented agreements providing for termination or retirement benefits to non-executive directors (other than for superannuation where appropriate). During the financial year ending 30 June 2016 the non-executive directors waived all entitlements to their Directors' fees. The non-executive directors further agreed to indefinitely waive all director fees in order to help reserve the Company's cash funds.

Executive directors and senior executives are offered a competitive level of base pay at market rates and are reviewed annually to ensure market competitiveness. Long term performance incentives may include performance and production bonus payments, shares options granted at the discretion of the Board and subject to obtaining the relevant approvals.

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 2016 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 2016. 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 25 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:

- Norsve Resources PLC – December 2012 - current
- Zeta Petroleum PLC – April 2015 – current
- Strata-X Energy Limited – July 2015 - 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, copper, 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.

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 a Non-Executive Director of King Island Scheelite Limited on 8 November 2012. Chris has held no other Directorships in listed companies over the last three years.

John Ashley **B.Sc.Hons.,M.Sc., FAIMM, MSEG, MASEG, MAIG**
Non-Executive Director *(retired on 8 July 2016)*

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.

Company secretary

Henko Vos
Mr Vos is a member of the Governance Institute of Australia and Certified Practicing Accountants Australia with more than 15 years experience working within public practice, specifically within the area of audit and assurance both in Australia and South Africa. He holds similar secretarial roles in various other listed public companies in both industrial and resource sectors. He is an employee of Nexia Perth, a mid-tier corporate advisory and accounting practice.

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	5,250,000
Graeme Drew	11,612,466	13,000,000
Chris Ellis	82,813,586	20,973,684

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 the financial year 22,000,000 unlisted options (4,000,000 each to Messrs Hancock, Ashley and Ellis and 10,000,000 to Mr Drew) were issued to Directors as part of their remuneration. These options have an exercise price of 5 cents each and an expiry date of 30 November 2020.

Since the end of the financial year there were no share options granted to any 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 Operations Review included in this Annual Report.

The loss of the Group after income tax for the year was $7,943,167 (2015: $814,779).

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

On 21 September 2016 the Company announced that its partner in the Cardonal and Puite-Colorada Joint Ventures in the Ilo area of southern Peru, Compania Minera Zahena SAC ("Zahena"), has given notice of their intention to withdraw from the joint ventures in October 2016. Diamond drilling is ongoing and will continue in line with the minimum expenditure requirements under the agreements. Following the termination of the joint ventures, all drilling and assay data revert to AusQuest which will retain 100 per cent ownership of these projects. The Company plans to continue its strategy of attracting joint venture partners to its 100%-owned projects in Peru, which will now include those in the Ilo area. The termination of the Joint Venture agreements does not, in the opinion of the Directors, change the carrying values of the capitalised exploration and evaluation costs of these tenements at reporting date.

There has not been any other matter or circumstance occurring subsequent to 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 (AQDO)	68,750,000	Ordinary	4 cents each	30 Nov 2016
AusQuest Ltd (AQDOA)	78,946,976	Ordinary	3.5 cents each	30 Apr 2018
Unlisted				
AusQuest Ltd	28,000,000	Ordinary	5 cents each	30 Nov 2020

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

9,900,000 unlisted options with an exercise price of 7 cents each lapsed unexercised on 30 November 2015. No other share options expired or lapsed during or since the end of the financial year.

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, 5 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	5	5	1	1	2	2
Christopher Ellis	5	5	1	1	2	2
John Ashley	5	5	1	1	2	2
Graeme Drew	5	5	-	1	-	2

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 $33,823 (2015:$29,978) 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 auditor's 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 32 of the financial report and forms part of this directors' report for the year ended 30 June 2016.

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 2016.

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
Christopher Ellis	Non-Executive Director
John Ashley	Non-Executive Director (retired 8 July 2016)

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 directors 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		Share-based payment			
	Salary & fees $	Bonus $	Non-monetary $	Other(i) $	Super-annuation $	Other long-term employee benefits $	Options $	Total $	% of compen-sation consisting of options %	Perform-ance Related %
2016										
Directors										
Graeme Drew	136,986	-	-	-	13,014	-	80,000	230,000	35%	-
John Ashley	-	-	-	-	-	-	32,000	32,000	100%	-
Greg Hancock(i)	-	-	-	24,996	-	-	32,000	56,996	56%	-
Chris Ellis	-	-	-	-	-	-	32,000	32,000	100%	-
	136,986	-	-	24,996	13,014	-	176,000	350,996	N/A	-
2015										
Directors										
Graeme Drew	136,986	-	-	7,494	13,014	-	-	157,494	-	-
John Ashley	-	-	-	7,494	-	-	-	7,494	-	-
Greg Hancock(i)	-	-	-	11,660	-	-	-	11,660	-	-
Chris Ellis	-	-	-	7,494	-	-	-	7,494	-	-
	136,986	-	-	34,142	13,014	-	-	184,142	-	-

(i) Mr Hancock received $24,996 (2015: $4,166) for corporate advisory services rendered to the Company.

During the year 22,000,000 (4,000,000 each to Messrs Hancock, Ashley and Ellis and 10,000,000 to Mr Drew) unlisted options were issued to key management personnel as part of their remuneration. These options have an exercise price of 5 cents each and an expiry date of 30 November 2020.

No previously issued options granted as remuneration were exercised by key management personnel during the year.

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 2015.
- Base salary reviewed annually, currently at $150,000 (inclusive of superannuation entitlements)
- 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.
2016						
Directors						
Greg Hancock	4,586,415	-	-	-	-	4,586,415
Graeme Drew	11,612,466	-	-	-	-	11,612,466
John Ashley(i)	12,348,209	-	-	-	-	12,348,209
Chris Ellis	82,813,586	-	-	-	-	82,813,586
	111,360,676	-	-	-	-	111,360,676

(i) Mr Ashley retired from the Board on 8 July 2016.

	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.
2015						
Directors						
Greg Hancock	4,586,415	-	-	-	-	4,586,415
Graeme Drew	8,612,466	-	-	3,000,000	-	11,612,466
John Ashley	9,716,630	-	-	2,631,579	-	12,348,209
Chris Ellis	28,366,218	-	-	54,447,368	-	82,813,586
	51,281,729	-	-	60,078,947	-	111,360,676

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 (i) No.	Balance at 30 June No.	Vested during year No.	Vested and exercisable at 30 June No.
2016								
Directors								
Greg Hancock	1,250,000	-	-	-	4,000,000	5,250,000	4,000,000	5,250,000
Graeme Drew	3,000,000	-	-	-	10,000,000	13,000,000	10,000,000	13,000,000
John Ashley (ii)	2,638,290	-	-	-	4,000,000	6,638,290	4,000,000	6,638,290
Chris Ellis	16,973,684	-	-	-	4,000,000	20,973,684	4,000,000	20,973,684
	23,861,974	-	-	-	22,000,000	45,861,974	22,000,000	45,861,974

(i) Unlisted options granted to Directors (exercise price 5 cents, expiry date 30 November 2020) following shareholder approval on 25 November 2015.
(ii) Mr Ashley retired from the Board on 8 July 2016.

	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.
2015								
Directors								
Greg Hancock	1,250,000	-	-	-	-	1,250,000	1,250,000	1,250,000
Graeme Drew	1,500,000	-	-	-	1,500,000(i)	3,000,000	3,000,000	3,000,000
John Ashley	1,322,500	-	-	-	1,315,790(i)	2,638,290	2,638,290	2,638,290
Chris Ellis	8,500,000	-	-	-	8,473,684(i)	16,973,684	16,973,684	16,973,684
	12,572,500	-	-	-	11,289,474	23,861,974	23,861,974	23,861,974

(i) Listed options purchased on 30 April 2015 as part of share acquisitions made by the relevant director.

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	2016	**2015**
	$	**$**
Payment for corporate advisory services:	24,996	4,166
Rent of premises	42,715	56,177

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 $42,715 excluding GST (2015: $56,177 excluding GST).

The Company entered into a 12 month corporate advisory services agreement with Mr Hancock on 1 May 2015 (subsequently extended for another 12 month period). Under the agreement Mr Hancock can receive fees of up to $25,000 + GST. Mr Hancock was paid $24,996 for services rendered during the 12 month period ending 30 June 2016.

During the 2015 financial year, the Company executed a Convertible Note Agreement ("Agreement") with Mr Chris Ellis for a total loan facility of $750,000. The Company used the loan facility during December 2014 drawing down $750,000, which it settled in full on 20 April 2015 through the issue of 37,500,000 shares at 2 cents per share. No interest was paid on the loan.

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

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

	Consolidated	
	2016	**2015**
	$	**$**
Current payables:		
Trade payables to other related party	15,238	7,734

Loans to/from related parties
Other than the convertible note, 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.

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

21 September 2016
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 2016, 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
21 September 2016

M R Ohm
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 2016, 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, of the Group comprising 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 gives a true and fair view and 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*, the consolidated financial statements comply 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 about 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 Group's preparation of the financial report that gives a true and fair view 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 the company's and its controlled entities' 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.

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 Group's financial position as at 30 June 2016 and 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 modifying our opinion, we draw attention to Note 2 in the financial report, which indicates that it is likely that the Group will need to access additional working capital in the next twelve 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. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2016. 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.

Opinion

In our opinion, the Remuneration Report of AusQuest Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

M R Ohm
Partner

Perth, Western Australia
21 September 2016

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Australian 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 2016 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.

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

On behalf of the directors

Graeme Drew
Managing Director

21 September 2016
Perth, WA

AusQuest Limited
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2016

	Note	Consolidated 2016 $	Consolidated 2015 $
Continuing operations			
Revenue	5	19,490	31,781
Expenses			
Consultants and employee benefits expenses		(145,462)	(106,280)
Occupancy expenses		(92,795)	(143,015)
Administration expenses		(494,156)	(499,906)
Share-based payment expenses	6	(298,500)	(53,000)
Impairment of exploration and evaluation expenditure	11	(7,135,904)	(44,359)
Total expenses		(8,166,817)	(846,560)
Loss before income tax	6	(8,147,327)	(814,779)
Income tax benefit/(expense)	7	204,160	-
Loss for the year after income tax		(7,943,167)	(814,779)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange gain/(loss) on translation of foreign operations		420,114	2,183,821
Other comprehensive income for the year, net of tax		420,114	2,183,821
Total comprehensive income/(loss) for the year		(7,523,053)	1,369,042
		Cents	**Cents**
Basic loss per share	26	(1.60)	(0.24)

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

AusQuest Limited
Consolidated statement of financial position
As at 30 June 2016

	Note	Consolidated 2016 $	Consolidated 2015 $
Assets			
Current assets			
Cash and cash equivalents	25	810,546	2,395,546
Trade and other receivables	8	131,437	150,675
Other assets	9	31,792	41,921
Total current assets		973,775	2,588,142
Non-current assets			
Property, plant and equipment	10	23,290	32,400
Exploration and evaluation	11	9,944,550	15,649,086
Total non-current assets		9,967,840	15,681,486
Total assets		10,941,615	18,269,628
Liabilities			
Current liabilities			
Trade and other payables	12	169,600	286,489
Provisions	13	71,878	58,449
Total current liabilities		241,478	344,938
Total liabilities		241,478	344,938
Net assets		10,700,137	17,924,690
Equity			
Issued capital	14	56,770,891	56,702,391
Reserves	15	3,511,149	3,091,395
Accumulated losses		(49,581,903)	(41,869,096)
Total equity		10,700,137	17,924,690

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

AusQuest Limited
Consolidated statement of changes in equity
For the year ended 30 June 2016

Consolidated	**Issued capital $**	**Share-based payment reserve $**	**Foreign currency translation reserves $**	**Accumulated losses $**	**Total $**
Balance at 1 July 2015	56,702,391	230,360	2,861,035	(41,869,096)	17,924,690
Loss after income tax for the year	-	-	-	(7,943,167)	(7,943,167)
Other comprehensive loss for the year, net of tax	-	-	420,114	-	420,114
Total comprehensive loss for the year	-	-	420,114	(7,943,167)	(7,523,053)
Transactions with owners in their capacity as owners:					
Issue of shares	68,500	-	-	-	68,500
Options issued during the year		230,000	-	-	230,000
Lapsed options during the year	-	(230,360)	-	230,360	-
Balance at 30 June 2016	56,770,891	230,000	3,281,149	(49,581,903)	10,700,137

Consolidated	**Issued capital $**	**Share-based payment reserve $**	**Foreign currency translation reserves $**	**Accumulated losses $**	**Total $**
Balance at 1 July 2014	53,135,509	230,360	677,214	(41,054,317)	12,988,766
Loss after income tax for the year	-	-	-	(814,779)	(814,779)
Other comprehensive loss for the year, net of tax	-	-	2,183,821	-	2,183,821
Total comprehensive loss for the year	-	-	2,183,821	(814,779)	1,369,042
Transactions with owners in their capacity as owners:					
Issue of shares	3,802,983	-	-	-	3,802,983
Share issue costs	(236,101)	-	-	-	(236,101)
Balance at 30 June 2015	56,702,391	230,360	2,861,035	(41,869,096)	17,924,690

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

AusQuest Limited
Consolidated statement of cash flows
For the year ended 30 June 2016

	Note	Consolidated 2016 $	Consolidated 2015 $
Cash flows from operating activities			
Payments to suppliers and employees		(651,428)	(570,908)
Interest received		17,815	16,328
Net cash used in operating activities	25	(633,613)	(554,580)
Cash flows from investing activities			
Payments for property, plant and equipment		(392)	(5,723)
Exploration and evaluation expenditure		(1,424,334)	(1,852,510)
Payment received on grant of farm-in and joint venture interests		264,645	89,385
Research and development tax incentive refund received		204,160	-
Proceeds from disposal property, plant and equipment		1,800	5,000
Net cash used in investing activities		(954,121)	(1,763,848)
Cash flows from financing activities			
Proceeds from issue of shares	14	-	2,999,983
Share issue transaction costs	14	-	(236,101)
Proceeds from convertible note	14	-	750,000
Net cash from financing activities		-	3,513,882
Net increase/(decrease) in cash and cash equivalents		(1,587,734)	1,195,454
Cash and cash equivalents at the beginning of the financial year		2,395,546	1,018,821
Exchange rate adjustment		2,734	181,271
Cash and cash equivalents at the end of the financial year	25	810,546	2,395,546

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 Crescent
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 21 September 2016.

Basis of preparation
The financial statements comprise the consolidated financial statements for the Group. For the purpose of preparing the consolidated financial statements, the Company is a for-profit entity.

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 2016 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 2016 the Group recorded a net loss of $7,943,167 (2015 net loss: $814,779) and at 30 June 2016 had a net working capital surplus of $732,297 (30 June 2015: surplus of $2,243,204).

Based on the Group's cash flow forecast 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 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 2016
In the year ended 30 June 2016, 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 2016. 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 Group and, therefore, no change is necessary to Group accounting policies.

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 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.

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.

Note 2. Significant accounting policies (continued)

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 profit or loss and other 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”.

Cash and cash equivalents
Cash comprises cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Trade and other receivables
Trade receivables are measured on initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method, less any allowance for impairment. Trade receivables are generally due for settlement within periods ranging from 15 days to 30 days.

Note 2. Significant accounting policies (continued)

Impairment of trade receivables is continually reviewed and those that are considered to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms. Factors considered by the Group in making this determination include known significant financial difficulties of the debtor, review of financial information and significant delinquency in making contractual payments to the Group. The impairment allowance is set equal to the difference between the carrying amount of the receivable and the present value of estimated future cash flows, discounted at the original effective interest rate. Where receivables are short-term discounting is not applied in determining the allowance.

The amount of the impairment loss is recognised in the statement of comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of comprehensive income.

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.

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.

Note 2. Significant accounting policies (continued)

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.

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.

Note 2. Significant accounting policies (continued)

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.

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.

Note 2. Significant accounting policies (continued)

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:

(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 arrangements
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.

Note 2. Significant accounting policies (continued)

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.

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.

Note 2. Significant accounting policies (continued)

Borrowings
Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

The fair value of the liability portion of a convertible note is determined using a market interest rate for an equivalent non-convertible note. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the note. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

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.

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. During the year the Company surrendered all it Dundas tenements (Australia) and impaired its West African tenements recognising Semafo's newly acquired 65% interest earned under its Farm-in and Joint Venture Agreement. Impairment charges of $3,630,605 and $3,442,100 were recognised for these tenements respectively.

The termination of the Peruvian Joint Venture agreements subsequent to reporting date (refer Note 24 for detail) does not, in the opinion of the Directors, change the carrying values of the capitalised exploration and evaluation costs of these tenements at reporting date (nor at the date of this report). Accordingly no impairment charge was deemed necessary in relation to those tenements at reporting date.

Other than exploration and evaluation expenditure impaired totalling $7,135,904 (2015: $44,359) during the year, no other impairment loss was recorded in the current financial year (2015: nil). Refer Note 4 (Operating Segment) and Note 11 (Exploration and Evaluation) for further detail on the impairment charges.

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.

Note 4. Operating segments (continued)

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 2016.

Operating segment information

Consolidated - 2016	Australia $	Africa $	South America $	Intersegment eliminations / unallocated $	Total $
Revenue					
Interest revenue	17,781	-	-	-	17,781
Other revenue	1,709	-	-	-	1,709
Total revenue	19,490	-	-	-	19,490
Expenses					
Depreciation	(9,146)	-	(300)	-	(9,446)
Impairment of exploration expenditure	(3,693,804)	(3,442,100)	-	-	(7,135,904)
Other expenditure	(882,146)	(8,098)	(131,223)	-	(1,021,467)
Total expenses	(4,585,096)	(3,450,198)	(131,523)	-	(8,166,817)
Profit/(loss) before income tax expense	(4,565,606)	(3,450,198)	(131,523)	-	(8,147,327)
Income tax benefit					204,160
Loss after income tax expense					(7,943,167)
Assets					
Segment assets	14,782,173	6,350,169	2,579,235	(12,769,962)	10,941,615
Total assets					10,941,615
Liabilities					
Segment liabilities	210,089	5,849,690	3,577,839	(9,396,140)	241,478
Total liabilities					241,478

Consolidated - 2015	Australia $	Africa $	South America $	Intersegment eliminations/ unallocated $	Total $
Revenue					
Interest revenue	16,328	-	-	-	16,328
Other revenue	10,365	-	5,088	-	15,453
Total revenue	26,693	-	5,088	-	31,781
Expenses					
Depreciation	(13,509)	-	(293)	-	(13,802)
Impairment of exploration expenditure	(44,359)	-	-	-	(44,359)
Other expenditure	(660,357)	(20,594)	(107,448)	-	(788,399)
Profit/(loss) before income tax expense	(691,532)	(20,594)	(102,653)	-	(814,779)
Income tax expense					-
Loss after income tax expense					(814,779)
Assets					
Segment assets	18,428,433	9,517,542	2,295,051	(11,971,398)	18,269,628
Total assets					18,269,628
Liabilities					
Segment liabilities	272,971	5,767,866	3,232,199	(8,928,098)	344,938
Total liabilities					344,938

Note 5. Revenue

	Consolidated	
	2013	**2015**
	$	**$**
Interest income	17,781	16,328
Other income	1,709	15,453
	19,490	31,781

Note 6. Loss for the year

Loss for the year includes the following expenses:

	Consolidated	
	2016	**2015**
	$	**$**
Depreciation	9,446	13,802
Share-based payments		
Consulting services	68,500	53,000
Director options	230,000	-
	307,946	66,802

Note 7. Income tax expense

	Consolidated	
	2016	**2015**
	$	**$**
Tax expense/(income) comprises:		
Current tax benefit/(expense)	204,160	-
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	-	-
Total tax benefit/(expense)	204,160	-
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense	(8,147,327)	(814,779)
Tax at the statutory tax rate of 28.5% (2015: 30%)	(2,321,988)	(244,434)
Effect of expenses that are not deductible in determining taxable profit	2,009,112	(195,016)
Effect of changes in unrecognised temporary differences	(3,345)	2,941
Effect of unused tax losses and tax offsets not recognised as deferred tax assets	316,221	437,509
Effect of research and development tax incentive refund	204,160	-
Income tax benefit/(expense)	204,160	-

The tax rate used in the above reconciliation is the corporate tax rate of 28.5% (2015: 30%) payable by Australian corporate entities on taxable profits under Australian tax law.

Note 7. Income tax expense (continued)

	Consolidated 2016 $	Consolidated 2015 $
Unrecognised deferred tax assets and liabilities		
The following deferred tax assets and (liabilities) have not been brought to account:		
Tax losses – revenue	10,584,835	11,036,362
Temporary differences	(5,435,841)	(5,380,590)
	5,148,994	5,655,772
Deferred tax assets not recognised in equity – share issue costs	71,891	107,939

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 2016 $	Consolidated 2015 $
Security deposits	50,000	50,000
Other debtors - unsecured	56,616	58,490
Goods and Services Tax recoverable	24,821	42,185
	131,437	150,675

Note 9. Current assets - Other assets

	Consolidated 2016 $	Consolidated 2015 $
Prepayments	31,792	41,921

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

	Consolidated	
	2016	**2015**
	$	**$**
Fixtures, fittings and office equipment - at cost	18,020	18,020
Less: Accumulated depreciation	(15,296)	(14,889)
	2,724	3,131
Computer equipment - at cost	21,499	21,499
Less: Accumulated depreciation	(14,615)	(11,231)
	6,884	10,268
Field Equipment - at cost	185,989	189,792
Less: Accumulated depreciation	(174,204)	(174,822)
	11,785	14,970
Low value pool - at cost	57,038	58,454
Less: Accumulated depreciation	(55,141)	(54,423)
	1,897	4,031
	23,290	32,400

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 2014	50,957
Additions	5,723
Write off of assets	(6,865)
Disposals	(3,613)
Depreciation expense	(13,802)
Balance at 30 June 2015	32,400
Additions	392
Write off of assets	-
Disposals	(56)
Depreciation expense	(9,446)
Balance at 30 June 2016	23,290

Note 11. Non-current assets - exploration and evaluation

	Consolidated	
	2016	**2015**
	$	**$**
Exploration and evaluation phase - at cost	9,944,550	15,649,086

Note 11. Non-current assets - exploration and evaluation (continued)

Consolidated	**Total $**
Balance at 1 July 2014	11,791,786
Capitalised during the year	1,888,984
Impaired during the year [(i)]	(44,359)
Grant of farm-in and joint venture interests in previously capitalised projects[(ii)]	(89,385)
Exchange movements	2,102,060
Balance at 30 June 2015	15,649,086
Capitalised during the year	1,337,398
Impaired during the year [(i)]	(7,135,904)
Grant of farm-in and joint venture interests in previously capitalised projects[(ii)]	(264,645)
Exchange movements	358,615
Balance at 30 June 2016	9,944,550

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

	2016 $	**2015 $**
Dundas	3,630,605	-
West Africa	3,442,100	-
Gibson Soak	63,198	-
Stanley Project	-	8,166
Bald Hill	-	13,621

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

Peru (2015)

The Group entered into four separate farm-in and joint venture agreements with Compania Minera Zahena SAC (“Zahena”) and Southern Peru Copper Corporation Sucursal del Peru (“Southern”). Under the terms of the agreements these entities can earn up to an 70% interest in four copper-gold projects through a structured series of cash option payments and sole-funding exploration expenditures. Terms of these agreements were announced on the ASX platform on 24 February 2015 and 8 July 2015.

The Group received option payments under these agreements of US$190,000 (A$264,645) during the financial year (2015: US$70,000 (A$89,385)).

On 21 September 2016 the Company announced that its partner in the Cardonal and Puite-Colorada Joint Ventures in the Ilo area of southern Peru, Compania Minera Zahena SAC (“Zahena”), has given notice of their intention to withdraw from the joint ventures in October 2016. Diamond drilling is ongoing and will continue in line with the minimum expenditure requirements under the agreements. Following the termination of the joint ventures, all drilling and assay data revert to AusQuest which will retain 100 per cent ownership of these projects. The Company plans to continue its strategy of attracting joint venture partners to its 100%-owned projects in Peru, which will now include those in the Ilo area. The termination of the Joint Venture agreements does not, in the opinion of the Directors, change the carrying values of the capitalised exploration and evaluation costs of these tenements at reporting date.

(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 2016 $	Consolidated 2015 $
Trade and other payables	169,600	286,489

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 2016 $	Consolidated 2015 $
Employee benefits	71,878	58,449

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

Note 14. Equity - issued capital

	Consolidated		Consolidated	
	2016 Shares No.	2015 Shares No.	2016 $	2015 $
Ordinary shares - fully paid	499,397,392	495,897,392	56,761,891	56,702,391

Movements in ordinary share capital

Details	Shares No.	$
Balance at 1 July 2014	297,503,444	53,135,509
Issue of shares (net of issue costs)(i)	157,893,948	2,763,882
Issue of shares (consulting services)(ii)	3,000,000	53,000
Issue of shares (conversion of convertible notes)(iii)	37,500,000	750,000
Balance at 30 June 2015	495,897,392	56,702,391
Issue of shares (consulting services)(iv)	3,500,000	68,500
Balance at 30 June 2016	499,397,392	56,770,891

Note 14. Equity - issued capital (continued)

(i) Issue of shares (net of issue costs) 2015

The Company issued 157,893,948 ordinary shares during the year under a Placement to sophisticated investors and a Share Purchase Plan. 72,375,000 shares were issued on 19 March 2015, 45,698,223 shares on 29 April 2015, 32,887,369 shares on 30 April 2015 and 6,933,356 shares on 4 May 2015. All shares were issued at 1.9 cents per share with one free attaching listed option for every two shares subscribed for. These options are exercisable at 3.5 cents per share on or before 30 April 2018. The Company raised funds totalling $2,999,984 before issue costs ($2,763,883 after issue costs).

(ii) Issue of shares (consulting services) 2015

The Company issued 3,000,000 ordinary shares during the year in lieu of cash payments for consulting services rendered to the Group. 1,000,000 shares were issued on 5 February 2015, 1,000,000 shares on 27 February 2015 and 1,000,000 shares on 5 May 2015. Consulting expenses to the same value were recognised in the statement of profit or loss and other comprehensive income.

(iii) Issue of shares (conversion of convertible notes) 2015

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. The Company settled the loan on 20 April 2015 through the issue of 37,500,000 shares at 2 cents per share.

(iv) Issue of shares (consulting services) 2016

The Company issued 3,500,000 ordinary shares during the year in lieu of cash payments for consulting services rendered to the Group. 500,000 shares were issued on 10 September 2015, 2,000,000 shares on 1 December 2015 and 1,000,000 shares on 14 March 2016. All shares were issued at the prevailing market rates on the dates of the Company entering into the relevant consulting agreement for a combined value of $68,500. Consulting expenses to the same value were recognised in the statement of profit or loss and other comprehensive income.

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.

Movements in listed options over ordinary shares on issue

Details	**Listed options (AQDO) No.**	**Listed options (AQDOA) No.**	**Listed options Total No.**
Balance at 1 July 2014	68,750,000	-	68,750,000
Issued during the year	-	78,946,976	78,946,976
Balance at 30 June 2015	68,750,000	78,946,976	147,696,976
Issued during the year	-	-	-
Balance at 30 June 2016	68,750,000	78,946,976	147,696,976

Note 14. Equity - issued capital (continued)

Listed options
During the 2014 financial year, 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 and have been granted quotation on ASX under the code AQDO.

During the 2015 financial year, a total of 78,976,976 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 3.5 cents each on or before 30 April 2018 and have granted quotation on ASX under the code AQDOA.

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

As at 30 June 2016, the Company has 28,000,000 unlisted share options on issue exercisable on a 1:1 basis for 28,000,000 shares at an exercise price of 5 cents each. The options will expire 30 November 2020 (2015: 9,900,000 unlisted options exercisable at 7 cents each on of before 30 November 2015). Further details of options granted to employees during the prior financial year are contained in note 27 to the financial statements.

Note 15. Equity - reserves

	Consolidated	
	2016	**2015**
	$	**$**
Foreign currency reserve	3,281,149	2,861,035
Share-based payments reserve	230,000	230,360
	3,511,149	3,091,395

Movements in reserves during these periods are disclosed in the consolidated statement of changes in equity.

Foreign currency reserve
The reserve is used to recognise exchange differences arising from translation of the financial statements of foreign operations to Australian dollars and foreign currency gains and losses on net investments in foreign operations.

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 aims 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	
	2016	**2015**	**2016**	**2015**
Consolidated	**$**	**$**	**$**	**$**
US dollars	136,534	199,282	31,389	59,815

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 $10,514 (2015: $13,947) 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 $4,053 (2015: $11,968) 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.

2016	CONSOLIDATED					
	Less than 1 month $	1-3 months $	3 months to 1 year $	1 - 5 years $	5+ years $	Total $
Financial assets						
Non-interest bearing	81,394	-	-	-	-	81,394
Variable interest rate	810,589	-	-	-	-	810,589
Fixed interest rate	-	-	50,000	-	-	50,000
	891,983	-	50,000	-	-	941,983
Financial liabilities						
Non-interest bearing	169,600	-	-	-	-	169,600
	169,600	-	-	-	-	169,600

Note 16. Financial instruments (continued)

2015	CONSOLIDATED					
	Less than 1 month $	1-3 months $	3 months to 1 year $	1 - 5 years $	5+ years $	Total $
Financial assets						
Non-interest bearing	98,462	-	-	-	-	98,462
Variable interest rate	2,393,663	-	-	-	-	2,393,663
Fixed interest rate	-	-	50,000	-	-	50,000
	2,492,125	-	50,000	-	-	2,542,125
Financial liabilities						
Non-interest bearing	286,488	-	-	-	-	286,488
	286,488	-	-	-	-	286,488

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 (2015: 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	
	2016 **$**	**2015** **$**
Short term employee benefits	136,986	136,986
Post employment benefits	13,014	13,014
Share based payments (options granted)	176,000	-
Other benefits	24,996	34,142
	350,996	184,142

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	
	2016	2015
	$	$
Audit services		
Audit or review of the financial statements	35,000	32,900

The auditor of AusQuest Limited is HLB Mann Judd.

Note 19. Contingencies

In the opinion of the Directors, there were no material contingent liabilities as at 30 June 2016 and no contingent liabilities have arisen in the interval between the period end and the date of this financial report.

At reporting date the Company had contingent share issues to consultants of up to 21,000,000 (2015: 12,000,000) fully paid ordinary shares. The issue of these shares are staged over a period of up to four years and is dependent on certain agreed project and/or Joint Venture milestones being reached.

Note 20. Commitments

	Consolidated	
	2016	2015
	$	$
Capital commitments		
Committed at reporting date but not recognised as liabilities, payable:		
Within one year	1,104,928	1,001,800
After one year but not more than five years	4,821,711	5,493,200
	5,926,639	6,495,000

Capital commitments includes minimum expenditures and rent payable under granted tenements. Certain of these commitments will be paid for by the Company's joint-venture partners. The Company also has the discretion to surrender one or more of these tenements and thereby avoid payment of these commitments.

Lease commitments - operating		
Committed at reporting date but not recognised as liabilities, payable:		
Within one year	56,666	56,666

The Company entered into an operating lease for its office premises at 8 Kearns Crescent, Ardross. The current lease expires on 28 February 2017.

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.

Note 21. Related party transactions (continued)

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

	Consolidated	
	2016	2015
	$	$
Payment for corporate advisory services:	24,996	4,166
Rent of premises	42,715	56,177

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 $42,715 excluding GST (2015: $56,177 excluding GST).

The Company entered into a 12 month corporate advisory services agreement with Mr Hancock on 1 May 2015 (subsequently extended for another 12 month period). Under the agreement Mr Hancock can receive fees of up to $25,000 + GST. Mr Hancock was paid $24,996 for services rendered during the 12 month period ending 30 June 2016.

During the 2015 financial year, the Company executed a Convertible Note Agreement (“Agreement”) with Mr Chris Ellis for a total loan facility of $750,000. The Company used the loan facility during December 2014 drawing down $750,000, which it settled in full on 20 April 2015 through the issue of 37,500,000 shares at 2 cents per share. No interest was paid on the loan.

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

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

	Consolidated	
	2016	2015
	$	$
Current payables:		
Trade payables to other related party	15,238	7,734

Loans to/from related parties
Other than the convertible note, 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	
	2016	2015
	$	$
Loss after income tax for the year	(5,348,877)	(691,530)
Other comprehensive income	-	-
Total comprehensive income	(5,348,877)	(691,530)

Note 22. Parent entity information (continued)

Statement of financial position

	Parent 2016 $	Parent 2015 $
Total current assets	884,853	2,473,988
Total non-current assets	10,025,373	13,549,498
Total assets	10,910,226	16,023,486
Total current liabilities	210,089	272,971
Total non-current liabilities	-	-
Total liabilities	210,089	272,971
Equity		
Issued capital	56,770,891	56,702,391
Share-based payment reserve	230,000	230,360
Accumulated losses	(46,300,754)	(41,182,236)
Total equity	10,700,137	15,750,515

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 2016 and 30 June 2015.

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2016 and 30 June 2015.

Included in non-current assets are investments and loans to subsidiaries of $8,423,023, 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 2016 and 30 June 2015.

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 2016 %	Ownership interest 2015 %
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

On 21 September 2016 the Company announced that its partner in the Cardonal and Puite-Colorada Joint Ventures in the Ilo area of southern Peru, Compania Minera Zahena SAC ("Zahena"), has given notice of their intention to withdraw from the joint ventures in October 2016. Diamond drilling is ongoing and will continue in line with the minimum expenditure requirements under the agreements. Following the termination of the joint ventures, all drilling and assay data revert to AusQuest which will retain 100 per cent ownership of these projects. The Company plans to continue its strategy of attracting joint venture partners to its 100%-owned projects in Peru, which will now include those in the Ilo area. The termination of the Joint Venture agreements does not, in the opinion of the Directors, change the carrying values of the capitalised exploration and evaluation costs of these tenements at reporting date.

There has not been any other matter or circumstance occurring subsequent to 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. Cash and cash equivalents

	Consolidated	
	2016	**2015**
	$	**$**
Cash at bank and on hand	810,546	2,395,546

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Reconciliation to the Statement of Cash Flows:
For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on bank and cash on hand.

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

	Consolidated	
	2016	**2015**
	$	**$**
Loss after income tax expense for the year	(8,147,327)	(814,779)
Adjustments for:		
Depreciation and amortisation	9,446	13,802
Write off of plant and equipment	-	6,865
Net gain on disposal of plant and equipment	(1,745)	(3,720)
Share-based payment expenses	298,500	53,000
Exploration and evaluation expenditure impaired	7,135,904	44,359
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(50,224)	230,304
Decrease/(increase) in other assets	10,129	15,952
Decrease in trade and other payables	98,275	(90,837)
Increase/(decrease) in other provisions	13,429	(9,526)
Net cash used in operating activities	(633,613)	(554,580)

Note 26. Loss per share

	Consolidated	
	2016 Cents	2015 Cents
Basic loss per share	(1.60)	(0.24)

	2016 $	2015 $
Loss after income tax attributable to the owners of AusQuest Limited	(7,943,167)	(814,779)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic loss per share	497,757,666	340,994,237

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

Note 27. Share-based payments

Equity-settled payments
During the year the Company settled payment for certain consulting services received through the issue of ordinary shares.

The Company issued 3,500,000 ordinary shares during the year in lieu of cash payments for consulting services rendered to the Group. 500,000 shares were issued on 10 September 2015, 2,000,000 shares on 1 December 2015 and 1,000,000 shares on 14 March 2016. All shares were issued at the prevailing market rates on the dates of the Company entering into the relevant consulting agreement for a combined value of $68,500 (2015: $53,000). Consulting expenses to the same value were recognised in the statement of profit or loss and other comprehensive income.

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 $
30 Nov 2015	2,900,000(i)	30 Nov 2012	30 Nov 2015	0.07	0.025
30 Nov 2015	7,000,000(i)	02 Dec 2013	30 Nov 2015	0.07	0.023
30 Nov 2020	22,000,000	25 Nov 2015	30 Nov 2020	0.05	0.008
30 Nov 2020	6,000,000	01 Dec 2015	30 Nov 2020	0.05	0.009

(i) These options expired during the 2016 financial year.

The expense recognised in the statement of profit or loss and other comprehensive income in relation to share-based payments granted in 2015 and 2016 are disclosed in note 6.

Note 27. Share-based payments (continued)

Following shareholder approval at the Annual General Meeting held on 25 November 2015, 22,000,000 unlisted options was issued to the Directors. These options have an exercise price of 5 cents each and expire on 30 November 2020.

On 1 December 2015 the Company also issued 6,000,000 unlisted options to employees and contractors under the Company's Long Term Incentive Scheme ("LTIS"). The exercise price of the options under the LTIS 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 both the Director and LTIS 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 the options granted during the year and valued using the Black-Scholes option pricing model:

Inputs into the model	**Option series: 30 Nov 2020 ('Director Options') (Dec 2015 issue)**	**Option series: 30 Nov 2020 ('LTIS') (Dec 2015 issue)**
Grant date share price (cents)	1.6 cents	1.8 cents
Exercise price (cents)	5.0 cents	5.0 cents
Expected volatility	92%	92%
Option life	5 years	5 years
Dividend yield	-	-
Risk-free interest rate	2.32%	2.32%

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:

	2016		**2015**	
	Number of Options	**Weighted average exercise price $**	**Number of Options**	**Weighted average exercise price $**
Balance at beginning of the financial year	9,900,000	0.07	9,900,000	0.07
Granted during the financial year	28,000,000	0.05	-	-
Lapsed during the financial year	(9,900,000)	0.07	-	-
Balance at end of the financial year (i)	28,000,000	0.05	9,900,000	0.07
Exercisable at end of the financial year	28,000,000	0.05	9,900,000	0.07

(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 4.42 years (2015: 0.42 years).

Additional information required by the Australian Securities Exchange and not shown elsewhere in this report is as follows. This information is current as at 31 August 2016.

1. Registered office and principal administrative office

The address of the registered office in Australia is C/- Nexia Perth, Level 3, 88 William Street, Perth, WA, 6000.
Telephone + 61 8 9463 2463

The principal administrative office is 8 Kearns Crescent, Ardross, WA, 6153.
Telephone + 61 8 9364 3866

2. Register of securities are held at the following address:

Advanced Share Registry Services
110 Stirling Highway
Nedlands WA 6009
Telephone + 61 8 9389 8033

3. Shareholdings

a. Distribution of shareholders

Category (size of holding)	Ordinary shares	Number of holders
1 – 1,000	23,975	220
1,001 – 5,000	711,862	239
5,001 – 10,000	1,291,475	161
10,001 – 100,000	31,102,168	707
100,000 and over	466,267,912	471
Total shareholding	499,397,392	1,798

b. Less than marketable parcels of shares

The number of shareholdings held in less than marketable parcels is 1009 given a share value of 1.2 cents per share.

c. Distribution of listed optionholders ("AQDO")

Category (size of holding)	Listed options	Number of holders
1 – 1,000	57	4
1,001 – 5,000	-	-
5,001 – 10,000	-	-
10,001 – 100,000	5,280,709	136
100,000 and over	63,469,234	80
Total shareholding	68,750,000	220

d. Distribution of listed optionholders ("AQDOA")

Category (size of holding)	Listed options	Number of holders
1 – 1,000	-	-
1,001 – 5,000	-	-
5,001 – 10,000	-	-
10,001 – 100,000	3,043,996	75
100,000 and over	75,902,980	106
Total shareholding	78,946,976	181

e. Voting rights

The voting rights attached to each class of equity security are as follows:

Ordinary shares

Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has vote on a show of hands.

Options

Options over ordinary shares do not carry voting rights.

f. 20 Largest shareholders – ordinary shares

	NAME	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1	Chrysalis Investments Pty Ltd	82,813,586	16.58%
2	Merrill Lynch (Aust) Nominees P/L	29,217,057	5.85%
3	JP Morgan Nominees Australia Limited	22,112,046	4.43%
4	ASuper Pty Ltd / Mrs Nova V Ashley	12,348,209	2.47%
5	Mr Graeme Drew & Mrs Barbara J Drew	11,612,466	2.33%
6	Hamersley Holdings Limited	10,500,000	2.10%
7	Mr James Thornett	7,332,109	1.47%
8	Exploration Capital Partners	6,933,356	1.39%
9	Mr Richard W Chadwick & Mrs Gwenda Ann Chadwick	6,230,000	1.25%
10	Bnp Paribas Noms Pty Ltd	5,892,987	1.18%
11	Jayleaf Holdings Pty Ltd	5,636,550	1.13%
12	BT Portfolio Services Ltd (Warrell Holdings S/F A/C)	5,000,000	1.00%
13	Mr Gregory G Hancock	4,586,415	0.92%
14	Intaglio Pty Ltd (Adrienne Meakins Family A/C)	4,584,164	0.92%
15	Stadjoy Pty Ltd	4,500,000	0.90%
16	Mr Terence Mervyn Risby & Mrs Dawn Lillian Risby (Risby Family S/F A/C)	3,789,474	0.76%
17	HFTT Pty Ltd (Haggard Family A/C)	3,471,038	0.70%
18	Novasc pty Ltd	3,389,636	0.68%
19	Mr John A Innes & Mrs Ljuba Innes (Innes Super Fund)	3,350,171	0.67%
20	Carpenders Park Pty Ltd	3,289,474	0.66%
	TOTAL	236,588,738	47.39%

g. 20 Largest shareholders – listed options (AQDO)

	NAME	Number of Listed Options Held	% Held of Listed Options
1	Mr Ross Jeremy Taylor (Jamanaro A/C)	10,000,000	14.55%
2	Chrysalis Investments Pty Ltd	8,500,000	12.36%
3	First Investments Pty Ltd	4,500,000	6.55%
4	Iris Sydney Holdings Pty Ltd	4,174,368	6.07%
5	Value Adding Resources Pty Ltd	3,000,000	4.36%
6	Jemaya Pty Ltd (JH Featherby Super Fund A/C)	2,500,000	3.64%
7	Mr James Thornett	2,000,000	2.91%
8	Mr Graeme Drew & Mrs Barbara J Drew	1,500,000	2.18%
9	Rivermore Pty Limited	1,500,000	2.18%
10	ASuper Pty Ltd / Mrs Nova V Ashley	1,322,500	1.92%
11	GG Hancock Pty Ltd	1,250,000	1.82%
12	HFTT Pty Ltd (Haggard Family A/C)	1,250,000	1.82%
13	Carpenders Park Pty Ltd (Staff Super Fund A/C)	1,250,000	1.82%
14	Jones Org Pty Ltd (Jones Org A/C)	1,250,000	1.82%
15	Southern Terrain Pty Ltd (Southern Terrain A/C)	1,125,000	1.64%
16	Mr Kieran George Barratt	1,113,750	1.62%
17	Stadjoy Pty Ltd (Bradam Trading A/C)	1,000,000	1.46%
18	Plaucs Pty Ltd	1,000,000	1.46%
19	Perth Select Seafoods Pty Ltd	1,000,000	1.46%
20	Jayleaf Holdings Pty Ltd	875,000	1.27%
		50,110,618	72.91%

h. 20 Largest shareholders – listed options (AQDOA)

	NAME	Number of Listed Options Held	% Held of Listed Options
1	JP Morgan Nominees Australia Ltd	10,587,895	13.41%
2	Chrysalis Investments Pty Ltd	8,473,684	10.73%
3	Jetosea Pty Ltd	4,895,264	6.20%
4	Exploration Capital Partners 2014 Ltd Partnership	3,466,678	4.39%
5	Berenes Nominees Pty Ltd (Berenes Super Fund)	2,890,001	3.66%
6	BNP Paribas Noms Pty Ltd	2,570,000	3.26%
7	BT Portfolio Services Ltd (Warrell Holdings S/F A/C)	2,500,000	3.17%
8	Buckland Capital Pty Ltd	1,997,632	2.53%
9	Iris Sydney Holdings Pty Ltd	1,614,737	2.05%
10	Mr Graeme Drew & Mrs Barbara J Drew	1,500,000	1.90%
11	ASuper Pty Ltd / Mrs Nova V Ashley	1,315,790	1.67%
12	Stadjoy Pty Ltd	1,244,737	1.58%
13	Ms Paola Andrea Barrena	1,000,000	1.27%
14	CS Fourth Nominees Pty Ltd (HSBC CUST Nom Au Ltd 11 A/c)	1,000,000	1.27%
15	Jayleaf Holdings Pty Ltd	1,000,000	1.27%
16	Dixtru Pty Ltd	950,000	1.20%
17	Howard Trading Pty Ltd	883,334	1.12%
18	Kirzy Pty Ltd	883,334	1.12%
19	Nishhtha Pty Ltd	850,000	1.08%
20	W U Investments Pty Ltd	750,000	0.95%
		50,373,086	63.83%

i. Substantial shareholders

Substantial shareholders listed in the company's holding register as at 31 August 2015:

NAME		Number of fully paid ordinary shares held	Number of listed options held	Number of unlisted options held
1	Chrysalis Investments Pty Ltd (a company associated with Mr C Ellis)	82,813,586	16,973,684	4,000,000
		82,813,586	16,973,684	

4. Company secretary

The name of the company secretary is Henko Vos.

5. Securities exchange listing

Quotation has been granted for all the ordinary shares and listed options of the Company on the Australian Securities Exchange ('AQD').

6. Unquoted securities

Terms		Unlisted Options	
		Number	Number of holders
1	Unlisted options exercisable at 5 cents each on or before 30 November 2020	28,000,000	8
		28,000,000	8

7. Unquoted equity security holdings greater than 20%

At 31 August 2016 Mr Drew (Executive Director) was the only holder of unquoted equity securities greater than 20%, with a holding of 10,000,000.

8. Restricted securities

There are no restricted securities or securities under voluntary escrow at the date of this report.

9. On-market buy back

At the date of this report, the Company is not involved in an on-market buy back.

AusQuest Limited
Tenements

Project Tenements as at 31 August 2016

State	Tenement	Name	Status	Sub-Blocks	Area (km²)	Grant Date	Expiry Date	Current Commitment ($)
AUSTRALIA								
GIBSON SOAK								
WA	E63/1672	Gibson Soak	granted	95	256	3/09/2014	2/09/2019	122,000
BALLADONIA								
WA	E69/3246	Balladonia - 1	granted	89	257	20/01/2015	19/01/2020	144,500
WA	E69/3317	Balladonia - 2	granted	100	289	16/07/2015	15/07/2020	100,000
WA	E69/3361	Balladonia East	granted	75	217	16/11/2015	15/11/2020	125,000
WA	E69/3394	Balladonia South East	Application	96	279			
EAST CAPRICORN								
WA	E69/3415	Yallum Hill	granted	24	71	4/07/2016	3/07/2021	24,000
WA	E69/3358	Lake Buggan	granted	81	226	10/11/2015	9/11/2020	81,000
WA	E69/3395	Glenayle	granted	89	249	8/02/2016	7/02/2021	89,000
JIMBERLANA								
WA	E63/1742	Jimberlana West	granted	44	128	4/11/2015	3/11/2020	44,000
WA	E63/1744	Jimbalana Central	granted	50	145	4/11/2015	3/11/2020	50,000
BLUEBILLY								
WA	E08/2754	Bluebilly	granted	79	248	22/02/2016	21/02/2021	79,000

WEST AFRICA

Country	Permit Name	Status	Area (km²)	Expiry Date	
Burkina Faso	Komoe	granted	122	19/10/2016	JV Funded
Burkina Faso	Finkere	granted	140	19/10/2016	JV Funded
Burkina Faso	Kangounadeni	granted	89	19/10/2016	JV Funded
Burkina Faso	Kaouradeni	granted	79	19/10/2016	JV Funded
Burkina Faso	Tiefora	granted	102	19/10/2016	JV Funded
Burkina Faso	Tondoura	granted	142	19/10/2016	JV Funded
Burkina Faso	Logoniegue	granted	175	19/12/2017	JV Funded
Burkina Faso	Kapagouan	granted	158	27/07/2017	JV Funded
Burkina Faso	Noumoussou	granted	72	27/07/2017	JV Funded

SOUTH AMERICA

Country	Project Name	Applications	No. Granted	Area (km²)
PERU	Cerro De Fierro		3	22
PERU	Lana		4	40
PERU	Pinguino		5	49
PERU	El Jaguay		2	20
PERU	Sugar Azucar		2	20
PERU	Azucar West		3	28
PERU	Pampa Del Pulgas		25	221
PERU	Chololo	1	2	25
PERU	Los Otros	4	4	67
PERU	Lana South		4	40
PERU	Pampa Camarones	2	6	70
PERU	Siu Ku III		1	8