



AUSQUEST LIMITED

ABN 35 091 542 451

FINANCIAL REPORT

for the half-year 31 December 2021

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CORPORATE DIRECTORY

Board of Directors Mr Greg Hancock - *Chairman and Non-Executive Director*
Mr Graeme Drew - *Managing Director*
Mr Chris Ellis - *Non-Executive Director*

Company Secretary Mr Henko Vos

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DIRECTORS REPORT

The Directors of AusQuest Limited (“AQD” or the “Company”) herewith submit the financial report of the Company and the entities it controlled (“Group”) for the half-year ended 31 December 2021. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Board of Directors

The names of directors who held office during the date of this report are as follows. Directors were in office for the entire period unless otherwise stated.

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

Company Secretary

Henko Vos

Principal Activities

The principal activity of the Group was mineral exploration throughout Australia and Peru.

Review Of Results And Operations

HIGHLIGHTS

Corporate

- ❑ The Strategic Alliance Agreement (SAA) with a wholly-owned subsidiary of South32 was extended for a further 2-year period (up to 31st December 2023) to continue the development of high-potential exploration opportunities in Australia and Peru.
- ❑ The Company’s half year end cash position was \$4.05 million.

Australia – Copper, Gold, Zinc, Nickel

- ❑ Drilling at the *Hamilton Project* in NW Queensland intersected copper-mineralised banded iron formation (BIF) and skarns similar to those associated with the nearby Osborne copper-gold mine. Detailed gravity surveys upgraded and refined the targets, ahead of further drilling being planned under the SAA for Q2 2022.
- ❑ At the *Balladonia Project* in the Fraser Range of WA, air-core drilling and geophysical surveys (electromagnetic and gravity) identified priority drill targets at the Tea Tree and Harms Lake prospects. Drilling under the SAA, supported by EIS funding from the WA Government, is planned for Q1/Q2 2022.
- ❑ Anomalous nickel-copper values and ultramafic rocks were located close to EM targets at the *Morrisey Nickel-Copper Project*, within the Narryer Terrane of WA. Ground EM surveys are planned to optimise targets ahead of drill testing in Q2 2022 under the SAA.
- ❑ The *Jubilee Lake Nickel-Copper-PGE Project* was accepted as a new Exploration Opportunity under the SAA. EM surveys to advance the project to the drilling stage are scheduled to commence in Q2 2022.

Peru – Copper-Gold

- ❑ Initial target drilling under the SAA commenced in January at the *Los Otros Project* to test large-scale porphyry copper targets. Results are expected by late February 2022.
- ❑ A drilling program to test four large-scale porphyry and/or manto copper targets located east of the *Cerro de Fierro* prospects was finalised under the SAA. Permitting has commenced, with drilling expected to start towards the end of Q2 2022.
- ❑ Copper anomalism has been extended at the *Parcoy Project*, with priority targets outlined and further drilling proposed under the SAA.

Overview

During the first half of FY2022, AusQuest and South32 agreed to extend their Strategic Alliance Agreement (SAA) for a further two-year period to enable exploration to be advanced over their extensive portfolio of high-quality exploration projects in Australia and Peru.

In **Australia**, ongoing exploration over three of the Company's Projects resulted in new drilling campaigns being planned. At the Hamilton Copper Project in NW Queensland and the Balladonia Nickel-Copper Project in WA, geophysical surveys identified priority targets for additional drilling, while at the Morrisey Nickel-Copper Project (WA), EM surveys will be used to optimise drill sites ahead of drilling in Q1-Q2 2022. A new Exploration Opportunity was proposed at the Jubilee Lake Ni-Cu-PGE Project and accepted under the SAA.

In **Peru**, the focus turned to prioritising targets within the Company's Cerro de Fierro East (Pirata), Parcoy and Los Otros Projects, where strong indications of multiple porphyry copper and/or IOCG (Manto) targets suggest the potential for district-scale mineralisation.

Preparations for drilling commenced with environmental, archaeological and community studies in progress to allow permit applications to be submitted as soon as possible. Drilling is expected to start at Los Otros in Q1 2022 with drilling operations in the other two areas expected to commence by mid-2022. A total of ~11,000m of Reverse Circulation (RC) drilling is planned.

AUSTRALIA – BASE METAL PROJECTS (Nickel, Copper, Zinc)

Exploration during the first half of FY2022 focused on advancing targets at Hamilton, Balladonia and Morrisey following encouraging results generated from earlier drilling.

At **Hamilton**, the assessment of results from earlier drilling confirmed the presence of mineralised banded iron formation (BIF) similar to the host rocks found at the Osborne copper-gold deposit (global resource ~36Mt @ 2% Cu, 1g/t Au), located approximately 70km to the north.

The mineralised BIF stratigraphy is associated with significant carbonate alteration which becomes iron-rich adjacent to the BIF, where it contains highly anomalous copper values. Interpretation of multi-element geochemical data was used to identify drill-holes of greater interest, and structural measurements on core highlighted the possibility of favourable trap-sites (fold closures) where stronger copper mineralisation is most likely to be found.

Detailed gravity surveys over key target areas identified discrete anomalies associated with the mineralised BIF both in the northern and southern prospects. A review of specific gravity (SG) data from drill-core revealed the presence of high SG (heavy) rocks reflecting both iron-carbonate alteration (skarn) and/or BIF and containing anomalous levels of copper (up to 0.8% Cu) and pathfinder elements. This has confirmed the gravity anomalies as priority targets for further drilling.

The coincidence of anomalous gravity and magnetic responses has significantly upgraded the copper prospects at Hamilton, with additional drill-holes now being considered under the SAA as part of an upcoming drill program planned for Q2 2022.

The Hamilton Project covers a belt of magnetic rocks extending over a strike length of approximately 30km under Eromanga Basin cover. Numerous magnetic targets within this belt have never been tested by drilling.

At **Balladonia**, detailed gravity and EM surveys were completed over selected areas, outlining several targets of interest at the Tea Tree and Harms Lake prospects.

Detailed gravity over Tea Tree produced strong gravity responses (2-3 milligals) over the interpreted BIF stratigraphy, defining potential structural targets along its 10km strike length where mineralisation is most likely to accumulate.

EM surveys over both prospects located strong conductors in each area, outlining further targets for testing. At Harms Lake, the anomaly identified by geophysics occurs near the margin of an interpreted mafic/ultramafic intrusion – suggesting the potential for nickel and copper sulphides – while at Tea Tree the strong conductor identified suggests a potential sulphide body along the western margin of the inferred BIF stratigraphy.

An application for EIS funding (under the Western Australian Government’s Exploration Incentive Scheme) to support drilling at the Tea Tree prospect was successful with 50% of direct drilling costs (estimated at \$120,000) to be provided under the EIS.

Drilling at Balladonia is scheduled to commence in Q1 2022 subject to the availability of drill rigs.

At the **Morrisey Nickel-Copper-PGE Project**, assay results received from soil and rock geochemical surveys confirmed the presence of mafic and ultramafic rocks within the targeted magnetic complexes, and also highlighted anomalous nickel and copper values in the vicinity of the helicopter electromagnetic (HEM) anomalies – suggesting excellent potential for base metal sulphides associated with the EM targets.

The presence of anomalous molybdenum and arsenic reported from one of the prospects indicates the potential that other styles of mineralisation (iron-oxide copper-gold or IOCG) and Broken Hill Type or BHT) may also be present in the area.

Ground MLTEM to optimise drill sites will be completed ahead of drilling planned for Q2 2022 under the SAA.

The HEM responses are thought to reflect sulphide mineralisation within the large magnetic complexes that outline possible intrusive mafic/ultramafic bodies similar to those that host the Ni-Cu-PGE mineralisation discovered recently by Chalice Mining at the Julimar Project, north of Perth.

During the reporting period the **Jubilee Lake Nickel-Copper PGE Project**, which is located ~500km east of Kalgoorlie in WA, was accepted as a new Exploration Opportunity under the SAA, securing finance for initial testing of the project.

The Project is centred over inferred mafic/ultramafic intrusions located along the Rodona Shear zone, which is considered to be a feeder structure to the surrounding flood basalts, highlighting the possibility of finding Ni-Cu-PGE deposits similar to the giant deposits found at Norilsk in Russia, and more locally at Nebo-Babel (Oz Minerals) and possibly Nova-Bollinger (IGO).

Ground EM surveys to test the target intrusions for sulphide mineralisation are expected to commence in Q2 2022.

New opportunities continued to be identified and advanced for consideration under the SAA.

At the Moora Project in the wheatbelt north of Perth (WA), HEM surveys have been completed over selected target areas with final results due in Q1 2022.

In the Paterson Province (WA), ground EM surveys over a magnetic target at the Gunanya Copper-Gold Project are planned to be completed in Q2 2022, at which time a decision on the project’s future will be made.

At the Mt Davis Lead-Zinc-Copper Project located in the Earraheedy Basin of WA, Exploration Licences were granted and a detailed aeromagnetic survey was planned for Q1 2022 to provide stratigraphic and structural controls ahead of reconnaissance sampling.

PERU COPPER-GOLD PROJECTS

AusQuest has assembled a large portfolio of copper-gold prospects along the southern coastal belt of Peru, South America. Peru is one of the world’s most prominent destinations for international exploration and is considered to be a prime location for world-class exploration opportunities, especially in copper.

During the reporting period, a program of detailed mapping, rock-chip sampling and ground magnetics was completed over the **Pirata Project**, located immediately east of the **Cerro de Fierro** prospects. At least six possible porphyry copper and/or manto-style copper targets were identified, within a major east-west structural corridor that is considered to be a highly prospective target zone within the southern Coastal Belt of Peru.

A recommendation to drill test four of the copper targets has been accepted under the SAA. Permits are now being sought to allow drilling operations to commence at 20 drill sites. Environmental, archaeological and community studies are in progress and it is expected that drilling should commence towards the end of Q2 2022.

Three of the targets contain strong indications of advanced argillic alteration and high temperature mineralogy over significant areas (> 1km²), suggesting proximity to the centre of potential porphyry copper systems, while the fourth target is a manto copper target, similar to the Cerro de Fierro prospect.

At the **Parcoy Project**, in-fill surface sampling was completed over the central portion of the prospect following confirmation of manto-style copper mineralisation within the volcanic sequences by the initial reconnaissance drilling program.

Strong copper anomalism within potassically altered volcanics was outlined over a strike length of ~ 3km adjacent to the main regional (feeder) fault system, defining priority targets for further drilling. Anomalous Mo, W and Bi within the interpreted footwall sequence indicates there are strong similarities with the copper mineralisation identified by the initial drill program.

Drilling to test surface copper anomalies is currently being considered under the SAA. Permitting for this program is expected to take approximately three months to complete.

At the **Los Otros Porphyry Copper Project**, reconnaissance Reverse Circulation (RC) drilling of large porphyry copper targets commenced in mid-January 2022. The porphyry copper targets are located close to the Palaeocene Porphyry Copper Belt of southern Peru, which is the country's major copper producing region.

Geological mapping and sampling by the Company had outlined large areas of alteration with numerous samples returning anomalous levels of Mo, Bi, As, Sb, Pb, Au, Ag and occasional Cu, suggesting the potential for buried porphyry copper mineralisation.

Results from the reconnaissance drilling program should be available towards the end of Q1 2022.

New opportunities continued to be advanced with geological mapping and soil sampling completed over the Puite-Ventura Project near Ilo and the Playa Kali Project west of Cerro de Fierro. The data are currently being processed to assess prospectivity before these projects are advanced for consideration under the SAA. It is expected that recommendations over both areas will be made over the coming months.

Changes in state of affairs

During the half-year ended 31 December 2021 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.

Events Occurring after the Reporting Date

There has not been any 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.

Dividends

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 7.

This report is made in accordance with a resolution of directors.



Graeme Drew
Managing Director

Perth, Western Australia
9 March 2022

COMPETENT PERSON'S STATEMENT

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

FORWARD LOOKING STATEMENT

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

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of AusQuest Limited for the half-year ended 31 December 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) any applicable code of professional conduct in relation to the review.

Perth, Western Australia
9 March 2022



B G McVeigh
Partner

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of AusQuest Limited

Report on the Condensed Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of AusQuest Limited ("the company") which comprises the condensed consolidated statement of financial position as at 31 December 2021, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration, for the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's responsibilities for the review of the financial report* section of our report. We are independent of the company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibility of the directors for the financial report

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

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December

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2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

Independence

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

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Perth, Western Australia
9 March 2022



B G McVeigh
Partner

DIRECTORS' DECLARATION

1. In the opinion of the Directors of AusQuest Limited (the "Company"):
 - a. the accompanying interim financial statements and notes thereto are in accordance with *the Corporations Act 2001* including:
 - i. giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the financial half-year ended on that date; and
 - ii. complying with Australian Accounting Standards, the *Corporations Regulations 2001*, professional reporting requirements and other mandatory requirements.
 - b. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
 - c. The interim financial statements and notes thereto are in accordance with Interim Financial Reporting Standards issued by the International Accounting Standards Board.
2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 303(5) of the *Corporations Act 2001* for the half-year ended 31 December 2021.

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



Graeme Drew
Managing Director

Perth, Western Australia
9 March 2022

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 31 December 2021

	Note	Half-year ended 31 Dec 2021 \$	Half-year ended 31 Dec 2020 \$
Revenue	3	245,582	422,117
		<u>245,582</u>	<u>422,117</u>
Consultants and employee benefits expenses		125,852	132,284
Occupancy expenses		13,813	54,658
Depreciation expense		5,362	4,851
Depreciation expense of right-of-use asset		60,500	33,564
Share-based payments expense		-	200,000
Administrative expenses		349,406	466,438
Impairment of exploration and evaluation expenditure	5	365,544	1,406,651
Finance costs		3,094	2,495
Interest on lease liability		3,868	1,227
		<u>927,439</u>	<u>2,302,168</u>
Loss before income tax expense		(681,857)	(1,880,051)
Income tax benefit		-	-
Loss for the Period		<u>(681,857)</u>	<u>(1,880,051)</u>
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange (loss)/ gain on translation of foreign operations - continuing		377,715	(985,046)
Exchange (loss)/ gain on translation of foreign operations - discontinuing		-	2,668
Other comprehensive income for the year, net of tax		<u>377,715</u>	<u>(982,378)</u>
Total comprehensive (loss) for the year		<u>(304,142)</u>	<u>(2,862,429)</u>
(Loss)/Earnings per share			
Basic and diluted (loss)/earnings per share from continuing and discontinued operations (cents per share)		(0.08)	(0.28)
Basic and diluted (loss)/earnings per share from continuing operations (cents per share)		(0.08)	(0.28)

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

Condensed Consolidated Statement of Financial Position

As at 31 December 2021

	Note	31 Dec 2021 \$	30 Jun 2021 \$
Current Assets			
Cash and cash equivalents		4,055,072	5,408,593
Trade and other receivables	4	494,057	423,619
Other assets		50,682	126,205
Total Current Assets		4,599,811	5,958,417
Non-Current Assets			
Property, plant and equipment		55,498	50,834
Right-of-use asset		133,201	21,177
Exploration and evaluation expenditure	5	4,001,418	3,362,726
Total Non-Current Assets		4,190,117	3,434,737
Total Assets		8,789,928	9,393,154
Current Liabilities			
Trade and other payables	6	411,350	1,249,379
Provisions		145,503	137,954
Unexpended funding	7	461,374	65,843
Lease liability		90,710	23,199
Total Current Liabilities		1,108,937	1,476,375
Non-Current Liabilities			
Lease liability		44,370	-
Total Non-Current Liabilities		44,370	-
Total Liabilities		1,153,307	1,476,375
Net Assets		7,636,621	7,916,779
Equity			
Issued capital	8	62,297,182	62,273,198
Reserves	9	4,242,916	3,865,201
Accumulated losses		(58,903,477)	(58,221,620)
Total Equity		7,636,621	7,916,779

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

Condensed Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2021

	Issued capital	Share based payment	Foreign currency translation reserve	Accumulated losses	Total Equity
	\$	\$	\$	\$	\$
Balance at 1 July 2021	62,273,198	473,319	3,391,882	(58,221,620)	7,916,779
Loss for the period	-	-	377,715	(681,857)	(304,142)
Other comprehensive loss for the period	-	-	-	-	-
Total comprehensive income/(loss) for the period	-	-	377,715	(681,857)	(304,142)
Issue of shares	23,984	-	-	-	23,984
	23,984	-	-	-	23,984
Balance at 31 December 2021	62,297,182	473,319	3,769,597	(58,903,477)	7,636,621
Balance at 1 July 2020	59,416,693	327,929	4,218,440	(57,266,722)	6,696,340
Loss for the period	-	-	-	(1,880,051)	(1,880,051)
Other comprehensive loss for the period	-	-	(982,378)	-	(982,378)
Total comprehensive income/(loss) for the period	-	-	(982,378)	(1,880,051)	(2,862,429)
Options issued during the period	-	200,000	-	-	200,000
Lapsed options during the period	-	(327,929)	-	327,929	-
	-	(127,929)	-	327,929	200,000
Balance at 31 December 2020	59,416,693	200,000	3,236,062	(58,818,844)	4,033,911

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

Condensed Consolidated Statement of Cash Flows

For the half-year ended 31 December 2021

	Half-year ended 31 Dec 2021 \$	Half-year ended 31 Dec 2020 \$
Cash Flows from Operating Activities		
Receipts from South32 Group Operations Pty Ltd	244,845	365,263
COVID-19 government contributions	-	107,152
Payments to suppliers and employees	(588,558)	(549,965)
Interest received	738	996
Finance costs	(3,094)	(2,495)
Net cash outflow from operating activities	(346,069)	(79,049)
Cash Flows from Investing Activities		
Payments for property, plant and equipment	(1,087)	(1,569)
Payments for exploration and evaluation	(2,865,738)	(2,817,484)
Payment received on grant of farm-in and joint venture interests	1,875,789	1,483,773
Net cash outflow from investing activities	(991,036)	(1,335,280)
Cash Flows from Financing Activities		
Proceeds from issue of shares	23,984	-
Repayment of lease liabilities	(64,241)	(37,484)
Net cash outflow from financing activities	(40,257)	(37,484)
Net decrease in cash and cash equivalents	(1,377,362)	(1,451,813)
Cash and cash equivalents at the start of the period	5,408,593	2,719,202
Exchange rate adjustment	23,841	(43,548)
Cash and cash equivalents at the end of the period	4,055,072	1,223,841

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

1. General information

The financial report covers AusQuest Limited as a consolidated entity consisting of AusQuest Limited and the entities it controlled during the period ("the Group"). The financial report consists of the financial statements, notes to the financial statements and the Directors' declaration. AusQuest Limited is a listed public company limited by shares, incorporated and domiciled in Australia.

2. Significant accounting policies

Statement of compliance

These general purpose condensed consolidated financial statements for the half-year reporting period ended 31 December 2021 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These condensed consolidated general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Group as in the full financial report. It is recommended that these financial statements be read in conjunction with the annual report for the year ended 30 June 2021 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001 and the ASX Listing Rules.

Basis of preparation

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

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

Significant accounting judgments and key estimates

The preparation of half-year financial report requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates. In preparing this half-year financial report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2021.

Exploration and evaluation expenditure:

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. An assessment by the Group of its previously capitalised exploration and evaluation expenditures resulted in an impairment of tenements totalling \$365,544 (Note 5) for the half-year ended 31 December 2021 (half-year ended 31 December 2020: \$1,406,651). No other impairment loss was recorded in the period.

New accounting standards and interpretations

Adoption of new and revised standards

In the half-year ended 31 December 2021, 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 reporting periods beginning on or after 1 July 2021.

As a result of this review, the Directors have determined that there is no material impact of new Standards and Interpretations issued by the AASB that are relevant to the Group and effective for the current reporting periods beginning on or after 1 July 2021.

New accounting standards and interpretations not yet adopted

The Directors have also reviewed all Standards and Interpretations in issue not yet adopted for the period ended 31 December 2021. As a result of this review the Directors have determined that there is no material impact of the Standards and Interpretations in issue not yet adopted on the Group and, therefore, no change is necessary to Group accounting policies.

3. Revenue

	Half-year ended 31 Dec 2021 \$	Half-year ended 31 Dec 2020 \$
Funding from South32 Group Operations Pty Ltd recognised as income		
Administration charges	219,715	365,263
Funding against written off exploration expenditure	25,129	-
Other income	-	55,300
Interest income	738	1,554
Total revenue	245,582	422,117

4. Trade and other receivables

	31 Dec 2021 \$	30 Jun 2021 \$
<i>Current</i>		
Security deposits	50,000	50,000
Receivable GST / VAT	444,030	370,870
Other receivables	27	2,749
Total trade and other receivables	494,057	423,619

5. Exploration and evaluation expenditure

	Half-year to 31 Dec 2021 \$	Year to 30 Jun 2021 \$
Balance at beginning of period	3,362,726	4,623,815
Capitalised during the period/year	2,127,264	7,207,073
Impaired during the period/year ⁽ⁱ⁾	(365,544)	(1,481,290)
Grant of farm-in interests in previously capitalised projects ⁽ⁱⁱ⁾	(1,491,641)	(6,227,021)
Exchange movements	368,613	(759,851)
Balance at end of period	4,001,418	3,362,726

(i) Impairments to the following projects occurred during the period/year

South West Peru	-	1,215,307
Other Australian Projects	365,544	265,983
Total Impairment	365,544	1,481,290

5. Exploration and evaluation expenditure (continued)

The Group has impaired expenditure for those projects and tenement where they have decided not to renew lease. For the period to 31 December 2021 the Group has impaired \$365,544 (30 June 2021: \$1,481,290) of previously capitalised expenditure incurred on those. The impairment has been recognised in the statement of profit or loss and other comprehensive income.

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

For the half-year ended 31 December 2021, the Company received \$2,132,016 (30 June 2021 full year: \$6,362,768) in funding. \$1,491,641 (30 June 2021 full year: \$6,227,021) has been allocated against capitalised exploration and evaluation expenditures at reporting date during the reporting period (Note 5 and 7).

6. Trade and other payables

	31 Dec 2021 \$	30 Jun 2021 \$
<i>Current</i>		
Trade payables and accruals	341,495	1,133,201
Employee liabilities	33,435	38,283
Payable GST / VAT	36,420	77,895
Total current trade and other payables	411,350	1,249,379

7. Unexpended funding

	Half-year to 31 Dec 2021 \$	Year to 30 Jun 2021 \$
Balance at beginning of period	65,843	946,608
Funding from strategic alliance and joint venture partner	2,132,016	6,362,768
Less: Amount spent on exploration and evaluation projects	(1,491,641)	(6,227,021)
Less: Amount spent on administration	(219,715)	(911,668)
Less: Funding against written off exploration expenditure	(25,129)	(104,844)
Balance at end of period	461,374	65,843

The balance represents the unexpended funding received from South32 Group Operations Pty Ltd at reporting date.

8. Issued capital

	31 Dec 2021 \$	30 Jun 2021 \$
<i>Ordinary Shares – fully paid</i>	62,297,182	62,273,198
	No.	\$
Balance at 1 July 2020	677,332,681	59,416,693
Issue of shares (placement T1) ⁽ⁱ⁾	111,904,768	2,350,000
Issue of shares (placement T1) ⁽ⁱⁱ⁾	30,952,382	650,000
Issue of shares (consulting services) ⁽ⁱⁱⁱ⁾	3,000,000	33,000
Capital raising costs	-	(176,495)
Balance at 30 June 2021	823,189,831	62,273,198
Balance at 1 July 2021	823,189,831	62,273,198
Issue of shares ^(iv)	959,392	23,984
Balance at 31 December 2021	824,149,223	62,297,182

8. Issued capital (continued)

(i) Issue of shares (placement tranche 1)

On 1 March 2021 the Company issued 111,904,768 ordinary shares with 55,952,384 free attaching listed options pursuant to a Placement to certain sophisticated investors to raise \$2,350,000. The free attaching listed options have an exercise price of \$0.04 and an expiry date of 1 March 2023.

(ii) Issue of shares (placement tranche 2)

On 9 April 2021 the Company issued 30,952,382 ordinary shares with 15,476,191 free attaching listed options pursuant to a Placement to certain sophisticated investors to raise \$650,000. The free attaching listed options have an exercise price of \$0.04 and an expiry date of 1 March 2023.

(iii) Issue of shares (consulting services)

The Company issued 3,000,000 ordinary shares during the 2020/21 financial year in lieu of cash payments for consulting services rendered to the Group. 1,000,000 shares were issued on 22 January 2020. All shares were issued at the share price at the date the share-based payment arrangement was entered into. Consulting expenses to the same value were recognised in the statement of profit or loss and other comprehensive income.

(iv) Exercise of listed options

On 29 November 2021 the Company issued 959,392 shares, following of the exercise of listed options. These options had an expiry date of 30 November 2021 and were exercisable at \$0.025.

9. Share options

(a) Listed Options

At the beginning of the period the Company had 127,027,620 listed options exercisable at \$0.025 each and an expiry date of 30 November 2021 on issue (30 June 2021: 127,027,620). On 29 November 2021, 959,392 of these options were exercised and issued as shares with the remaining balance lapsing unexercised.

	Half-year ended 31 Dec 2021		Half-year ended 31 Dec 2020	
	Number of Options	Weighted average exercise price	Number of Options	Weighted average exercise price
	No.	\$	No.	%
Balance at beginning of period	127,027,620	0.025	127,027,620	0.025
Granted during the period	-	-	-	-
Exercised during the period	(959,392)	(0.025)	-	-
Lapsed during the period	(126,068,228)	(0.025)	-	-
Balance at end of period	-	-	127,027,620	-

(b) Unlisted Options

At the date of this report the Company had the following unlisted options:

	31 Dec 2021	30 Jun 2021
	No.	No.
AQDAC : Options Expiring 30-Nov-2024 exercisable \$0.075	20,000,000	20,000,000
AQDAD : Options Expiring 30-Nov-2024 exercisable \$0.05	19,000,000	19,000,000
AQDAB : Options Expiring 01-Mar-2023 exercisable \$0.04	76,428,575	76,428,575

10. Segment information

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

The following table presents the revenue and results information regarding the segment information provided to the Board of Directors for the half-year ended 31 December 2021.

	Australia	South America	Discontinued Operations (Africa)	Intersegment Eliminations	Consolidated
	\$	\$	\$	\$	\$
Six months to 31 December 2021					
Segment revenue	245,582	-	-	-	245,582
Segment expenditure	(730,743)	(196,696)	-	-	(927,439)
Net loss after tax	(485,161)	(196,696)	-	-	(681,857)
<i>Included within segment results:</i>					
Interest income	738	-	-	-	738
Depreciation	(47,444)	(18,418)	-	-	(65,862)
Impairment of exploration	(365,544)	-	-	-	(365,544)
As at 31 December 2021					
Segment assets	25,012,069	3,547,953	-	(19,770,094)	8,789,928
Segment liabilities	1,113,853	19,809,548	-	(19,770,094)	1,153,307

	Australia	South America	Discontinued Operations (Africa)	Intersegment Eliminations	Consolidated
	\$	\$	\$	\$	\$
Six months to 31 December 2020					
Segment revenue	421,559	558	-	-	422,117
Segment expenditure	(992,456)	(1,309,712)	-	-	(2,302,168)
Net loss after tax	(570,897)	(1,309,154)	-	-	(1,880,051)
<i>Included within segment results:</i>					
Interest income	996	558	-	-	1,554
Depreciation	(3,397)	(35,018)	-	-	(38,415)
Impairment of exploration	(193,101)	(1,213,550)	-	-	(1,406,651)
As at 31 December 2020					
Segment assets	4,204,171	7,797,991	9,784	(7,428,510)	4,583,436
Segment liabilities	500,417	16,290,386	31,622	(16,272,900)	549,525

11. Contingencies liabilities

Contingent Shares

At reporting date the Company had contingent share issues to consultants of up to 8,000,000 (30 June 2021: 12,000,000) fully paid ordinary shares. The issue of these shares is dependent on certain agreed project and/or Joint Venture milestones being reached, including:

- The possible issue of 2 million shares in the Company for potential new joint venture agreements signed under the Strategic Alliance Agreement with South32 before 31 December 2023.
- The possible issue of 6 million shares in the Company for joint venture projects where South32 has earned a 70% interest by spending a minimum of US\$4 million per project before 31 December 2023.

SBN Mineral Concession Challenge - Peru

The Company, through its wholly owned subsidiary Questdor SAC, has received a request for payment from the Ministry of Housing (SBN) for access to surface rights over certain State owned land in Peru on which the Company holds mineral concessions (tenements). SBN oversees access to surface rights over State-owned land in Peru. The Company has been in discussions with the SBN and its lawyers to understand the basis for the payment request and has formed the view that the SBN is not legally entitled to payment for temporary access to these surface rights. The Company is in the process of challenging the request for payment from the SBN through the Peruvian Administrative Judiciary. The Company understands that other mining companies are also challenging similar payment requests from SBN. Notwithstanding the Company's strong belief in its position, there is no certainty as to how the Judiciary will rule on the payment requests by the SBN.

At this point it is not possible to quantify the financial impact should the Company be unsuccessful in its challenge nor the time frame to resolve this issue. Given these uncertainties and the Company's belief that it has strong legal grounds to challenge, the Company did not recognise any liabilities in its statement of financial position for the half-year ended 31 December 2021. The Company continues to monitor the position and will report as required.

The Company confirms that this challenge does not impact the legal rights that the Company holds over its tenements in Peru which remain in good standing.

Other than the above, there has been no change in contingent liabilities since the last annual reporting date.

12. Commitments

The Group's commitments remain unchanged.

13. Related parties

Arrangements with related parties continue to be in place in line with those disclosed in the 2021 Annual Report.

14. Financial instruments

The methods and valuation techniques used for the purpose of measuring fair values are unchanged compared to the previous reporting period.

The carrying amounts of financial assets and financial liabilities are considered to be a reasonable approximation of their fair value.

15. Subsequent Events

There has been no matter or circumstance that has arisen since the end of the half-year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs in future financial years.