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AUSQUEST LIMITED

ABN 35 091 542 451

FINANCIAL REPORT

for the half-year 31 December 2023

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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 2023. 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

- ❑ Strategic Alliance Agreement (SAA) with a wholly-owned subsidiary of South32 Limited (South32) extended for a further two-year period to December 2025.

Australia – Copper, Gold, Zinc, Nickel

- ❑ Multiple high-priority base metal and/or graphite targets, plus the possibility of carbonatite intrusions with rare earth potential, identified by the helicopter-borne VTEM survey completed at Balladonia under the SAA.
- ❑ District-scale base metal potential inferred at Balladonia following confirmation of extensive Broken Hill Type (BHT) host stratigraphy in drill-holes designed to test a variety of magnetic and gravity targets.
- ❑ Approvals received for Reverse Circulation (RC) drilling at Morrisey (under the SAA), with drilling of potential magnetite resources to start in early Q2 2024.
- ❑ Potential for prospective Ni-Cu-PGE host rocks identified at the Moora Project. Further drilling being considered under the SAA.

Peru – Copper-Gold

- ❑ Potential for large-scale porphyry copper mineralisation confirmed at the Cangallo Project and drill permits obtained for an initial test of the prospect.
- ❑ Permits for additional drilling at the Cerro de Fierro Iron-Oxide Copper-Gold (IOCG) Prospect approved. The new drill sites will facilitate testing for extensions of the copper mineralisation located by earlier drilling.
- ❑ A number of parties have expressed interest in funding further exploration at the Company’s Peru copper projects. Discussions with potential joint venture partners were initiated.

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AUSTRALIA – BASE METAL PROJECTS

Exploration during the first half of FY2024 focused on target definition at the Balladonia and Moora Projects, with approvals for drill testing prospects at the Morrisey Project sought from the Government.

At the **Balladonia Base Metal Project**, assays from the reconnaissance diamond drilling program confirmed the extensive nature of prospective host rocks for Broken Hill Type (BHT) mineralisation, highlighting the possibility of a district-scale opportunity for the discovery of base metals at Balladonia.

At the Tea Tree Prospect, drilling defined a potential 'lode horizon' within the host stratigraphy, with the distribution of strong potassic alteration associated with anomalous lead values suggesting the potential for stronger mineralisation south and east of the current drilling.

The prospective host stratigraphy can be traced for tens of kilometres north and south of the Tea Tree prospect, as well as at other locations across the project area. Numerous target areas have now been outlined for further testing.

A helicopter-borne electromagnetic survey (VTEM) was successfully completed in December 2024, identifying a number of high-priority EM targets for testing. The more discrete conductors (<1,000m strike) are considered either massive sulphide and/or graphite targets, while the longer strike length targets are most likely due to graphitic source rocks.

Moderately conductive VTEM targets often coincide with magnetic lows, suggesting the presence of carbonatite intrusions similar to the one located at the Telegraph Prospect. These targets occur along linear trends and are thought to represent deeply weathered dyke-like intrusions associated with the NNW trending structures.

Carbonatites are often associated with rare earth element (REE) deposits and are prime targets for exploration companies worldwide. A review of assays from previous Balladonia drilling programs revealed several holes with anomalous REE's, either within dykes or in saprolitic clays overlying bedrock.

Compilation and interpretation of available data was initiated to prioritise targets and prepare a comprehensive exploration program to more fully test the area.

The Company continues to be encouraged by the results at Balladonia, which suggest a highly prospective region for the discovery of large-scale BHT base metal deposits and possibly rare earth element mineralisation. Further exploration programs are currently the subject of discussions with South32.

At the **Morrisey Magnetite and Nickel-Copper-PGE Project**, final approvals were received for a Reverse Circulation (RC) drilling program (~3,000m) designed to determine the potential size and grade of magnetite mineralisation at the Waterfall Prospect, as well as test several magnetic/gravity targets identified at other locations within the area.

Initial drilling (hole 22MYRC001) at Waterfall intersected coarse grained magnetite over thicknesses greater than 60 metres, which could be easily upgraded to a premium product (>70% Fe) containing very low impurities. This drill-hole was not positioned in an optimal location to test the magnetic/gravity target.

In the current program at least eight drill-holes will be completed at Waterfall focusing on the area south-west of drill-hole 22MYRC001, where magnetite is expected to occur at shallower depths and have greater thickness. Access preparation is expected to commence in March with drilling scheduled to start in early April.

At the **Moora Nickel-Copper-PGE Project**, priority target areas for ultramafic host rocks were identified around the eastern and north-western margins of the Latham Intrusion based on soil geochemistry and magnetic modelling. A limited RC drilling program (two holes/~500m) has been designed to confirm the presence of prospective ultramafic rocks beneath the gabbro intersected by the initial drill program before further work is planned.

Fertile ultramafic host rocks within the Gonneville Intrusion at the Julimar Prospect, north of Perth, are known to be strongly magnetic, suggesting that similar magnetic rock types within the Latham Intrusion should be high-priority targets for nickel-copper-PGE mineralisation.

At the **Jubilee Lake Nickel-Copper PGE Project**, the planned drilling program designed to test EM and magnetic targets was postponed to allow further drill sites to be heritage cleared before the commencement of drilling. A number of alternative drill-sites were forwarded to CDNTS and the Traditional Owners for consideration. The initial heritage survey only cleared one site for drilling.

The targets are located adjacent to the Rodona Shear and other sub-parallel structures which are thought to represent major deep-seated feeder structures responsible for the extensive outpouring of flood basalts in the area, highlighting similarities with the giant Norilsk nickel-copper-PGE deposits in Russia.

At the **Hamilton Copper-Gold Project**, a review of the Company's drilling database was initiated to identify possible "near-miss" situations that justify further testing and could interest other parties. This review is expected to be completed in Q1 2024.

Tenements were rationalised at the **Mount Davis Project** in order to retain priority base metal targets while at the same time reducing expenditure commitments. An airborne EM survey is being considered to test for high-grade mineralisation associated with structures near the base of the Frere Formation.

New exploration opportunities continued to be identified and advanced for consideration under the SAA. Clearances for a proposed gravity survey over the **Coober Pedy IOCG Project** in South Australia are being sought to enable the survey to commence in H1 2024.

PERU COPPER-GOLD PROJECTS

AusQuest has assembled a large portfolio of copper-gold prospects along the southern coastal belt of Peru, South America, which 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 for copper.

During H1 of FY2024, the search for new joint venture partners began with several companies being given access to the Company's database and undertaking site visits. Discussions are continuing.

Exploration within the **Cerro de Fierro and Pirata Project** has now identified at least four targets with strong indications of nearby buried porphyry copper mineralisation.

Mapping and sampling over the **Lantana Porphyry Copper Prospect** identified mineralised dykes containing highly anomalous copper and pathfinder elements which are thought to reflect fluid pathways from a nearby porphyry system.

The Lantana prospect is considered a high-priority copper target due to the scale of the prospect (~2,000m x 800m) and the widespread occurrence of highly anomalous copper values located marginal to outcropping lithocap – an indicator of a buried porphyry system. A drilling program to test this prospect was designed and drill permitting initiated.

A review of the Company's database at Cerro de Fierro was completed, identifying areas where drilling had failed to properly test extensions of the copper-gold mineralisation intersected by the original program (e.g., CDFDD003 – 43m @ 0.43% Cu and 0.35g/t Au and 30m @ 0.43% Cu and 0.16g/t Au). A drilling program to test for these extensions was designed and permits obtained.

At the **Cangallo Porphyry Copper Project**, further rock-chip sampling consistently reported highly anomalous copper and molybdenum values from small outcrops within the extensive cover, highlighting the potential for a large-scale (~2.5km x 1.5km) porphyry copper system.

A drilling program has been designed and drill permits have been received for at least 70% of the drill sites to enable planning to commence.

A review of drilling results from the **Parcoy Project** was prepared and provided to third parties who have expressed interest in pursuing this opportunity. The Company believes there are copper targets at Parcoy that were not tested by the initial wide-spaced drilling programs.

Further exploration at the Company's other prospects (Chololo, Ventura, Playa Kali) has been temporarily put on hold while the Company endeavours to find suitable partners for its projects.

Changes in state of affairs

During the half-year ended 31 December 2023 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

On 24 January 2024 the Company issued 19,000,000 unlisted options to employees and contractors under the Company's Long Term Incentive Scheme ("LTIS"). These options have an exercise price of \$0.03 and expire on 30 November 2026. The exercise price of the options under the LTIS was determined by the Directors. The participants eligible to participate in the plan are at the discretion of the directors.

Other than the above, there has not been any matter or circumstance occurring subsequent to the end of the financial period 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 periods.

Dividends

No dividends were paid or declared since the start of the financial half-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 6.

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



Graeme Drew
Managing Director

Perth, Western Australia
8 March 2024

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 2023, 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
8 March 2024



M R Ohm
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 half-year financial report of AusQuest Limited ("the Company") and its controlled entities ("the Group"), which comprises the condensed consolidated statement of financial position as at 31 December 2023, 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, selected explanatory notes, and the directors' declaration, for the Group 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 accompanying 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 Group's financial position as at 31 December 2023 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 2(b) in the financial report, which indicates that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

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.

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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 Group's financial position as at 31 December 2023 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
8 March 2024



M R Ohm
Partner

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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 2023 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 2023.

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



Graeme Drew
Managing Director

Perth, Western Australia
8 March 2024

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Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 31 December 2023

	Note	Half-year ended 31 Dec 2023 \$	Half-year ended 31 Dec 2022 \$
Revenue	4	65,089	580,930
Other income	4	-	26,505
		<u>65,089</u>	<u>607,435</u>
Consultants and employee benefits expenses		75,788	145,948
Occupancy expenses		5,536	16,629
Depreciation expense		4,746	5,620
Depreciation expense of right-of-use asset		43,265	43,330
Share-based payments expense	11	160,000	-
Administrative expenses		348,667	311,615
Impairment of exploration and evaluation expenditure	6	217,047	120,697
Exploration expenditure (recovered) / expensed		-	425
Finance costs		2,122	4,046
Interest on lease liability		6,110	1,691
		<u>863,281</u>	<u>650,001</u>
Loss before income tax expense		(798,192)	(42,566)
Income tax benefit		-	-
Loss for the year after income tax of continuing operations		<u>(798,192)</u>	<u>(42,566)</u>
Gain after tax from discontinuing operations		-	-
Loss for the year after income tax of continuing operations		<u>(798,192)</u>	<u>(42,566)</u>
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange (loss)/ gain on translation of foreign operations		(469,354)	202,372
Other comprehensive income for the year, net of tax		<u>(469,354)</u>	<u>202,372</u>
Total comprehensive (loss) for the year		<u>(1,267,546)</u>	<u>159,806</u>
(Loss)/Earnings per share			
Basic and diluted (loss)/earnings per share from continuing and discontinued operations (cents per share)		(0.10)	(0.01)
Basic and diluted (loss)/earnings per share from continuing operations (cents per share)		(0.10)	(0.01)

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

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Condensed Consolidated Statement of Financial Position

As at 31 December 2023

	Note	31 Dec 2023 \$	30 Jun 2023 \$
Current Assets			
Cash and cash equivalents		1,564,293	3,733,325
Trade and other receivables	5	297,533	631,136
Unexpended funding	8	524,302	314,080
Other assets		29,468	35,074
Total Current Assets		2,415,596	4,713,615
Non-Current Assets			
Property, plant and equipment		52,410	52,132
Exploration and evaluation expenditure	6	5,233,190	4,888,356
Right-of-use asset		128,856	-
Total Non-Current Assets		5,414,456	4,940,488
Total Assets		7,830,052	9,654,103
Current Liabilities			
Trade and other payables	7	342,743	1,191,969
Provisions		148,566	147,576
Lease liability		86,004	-
Total Current Liabilities		577,313	1,339,545
Non-Current Liabilities			
Lease liability		45,727	-
Total Non-Current Liabilities		45,727	-
Total Liabilities		623,040	1,339,545
Net Assets		7,207,012	8,314,558
Equity			
Issued capital	9	62,308,182	62,308,182
Reserves		4,974,388	5,283,742
Accumulated losses		(60,075,558)	(59,277,366)
Total Equity		7,207,012	8,314,558

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

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Condensed Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2023

	Issued capital	Share based payment	Foreign currency translation reserve	Accumulated losses	Total Equity
	\$	\$	\$	\$	\$
Balance at 1 July 2023	62,308,182	433,319	4,850,423	(59,277,366)	8,314,558
Loss after income tax for the year	-	-	-	(798,192)	(798,192)
Other comprehensive loss for the year, net of tax	-	-	(469,354)	-	(469,354)
Total comprehensive income/(loss) for the period	-	-	(469,354)	(798,192)	(1,267,546)
Options issued during the period	-	160,000	-	-	160,000
	-	160,000	-	-	160,000
Balance at 31 December 2023	62,308,182	593,319	4,381,069	(60,075,558)	7,207,012
Balance at 1 July 2022	62,308,182	473,319	4,330,585	(59,679,348)	7,432,738
Loss after income tax for the year	-	-	-	(42,566)	(42,566)
Other comprehensive loss for the year, net of tax	-	-	202,372	-	202,372
Total comprehensive income/(loss) for the period	-	-	202,372	(42,566)	159,806
Balance at 31 December 2022	62,308,182	473,319	4,532,957	(59,721,914)	7,592,544

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

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Condensed Consolidated Statement of Cash Flows

For the half-year ended 31 December 2023

	Half-year ended 31 Dec 2023 \$	Half-year ended 31 Dec 2022 \$
Cash Flows from Operating Activities		
Receipts from South32 Group Operations Pty Ltd	60,808	573,574
Government contributions	-	26,505
Payments to suppliers and employees	(611,130)	(523,628)
Interest received	4,281	7,369
Finance costs	(2,122)	(4,046)
Net (outflow)/cash inflow from operating activities	(548,163)	79,774
Cash Flows from Investing Activities		
Payments for property, plant and equipment	(6,373)	(4,113)
Payments for exploration and evaluation	(2,618,852)	(5,070,928)
Payment received on grant of farm-in and joint venture interests	1,073,771	3,819,037
Net cash outflow from investing activities	(1,551,454)	(1,256,004)
Cash Flows from Financing Activities		
Repayment of lease liabilities	(46,500)	(44,994)
Net cash outflow from financing activities	(46,500)	(44,994)
Net decrease in cash and cash equivalents	(2,146,117)	(1,221,224)
Cash and cash equivalents at the start of the period	3,733,325	3,878,896
Exchange rate adjustment	(22,915)	10,588
Cash and cash equivalents at the end of the period	1,564,293	2,668,260

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

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1. General information

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

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.

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

2. Significant accounting policies

(a) 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.

(i) Statement of compliance

These general purpose condensed consolidated financial statements for the half-year reporting period ended 31 December 2023 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 2023 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.

(b) Going Concern

The 31 December 2023 half year report has been prepared on the going concern basis that contemplates the continuity of normal business activities and the realisation of assets and extinguishment of liabilities in the ordinary course of business. For the half year ended 31 December 2023 the Group recorded a net loss of \$798,192 (2022 net loss: \$42,566) and at 31 December 2023 had net working capital of \$1,838,283 (30 June 2023: net working capital of \$3,374,070). The Group also recorded a net cash outflow in operating activities for the half year ended 31 December 2023 of \$548,163 (2023: net cash inflow in operating activities of \$79,774).

The Company note that the current Strategic Alliance Agreement with South32 was extended to 31 December 2025, which covers Australian exploration and evaluation work following confirmation from South32 in 2023 that it will not fund further exploration work over the Company's current Peruvian projects. The Company remains of the opinion that its Peruvian projects warrant further assessment and plans to continue exploration work on a number of these tenements either in its own right or under agreement with a new party.

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.

2. Significant accounting policies

(b) Going Concern (continued)

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 Group 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 Group not continue as a going concern.

(c) 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 2023.

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 \$217,047 (Note 6) for the half-year ended 31 December 2023 (half-year ended 31 December 2022: \$120,697). No other impairment loss was recorded in the period.

(d) New accounting standards and interpretations

Adoption of new and revised standards

In the half-year ended 31 December 2023, 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 2023.

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 2023.

(e) 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 2023. 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. 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 2023.

	Australia	South America	Intersegment Eliminations	Consolidated
	\$	\$	\$	\$
Six months to 31 December 2023				
Segment revenue	65,089	-	-	65,089
Segment expenditure	(789,489)	(73,792)	-	(863,281)
Net loss after tax	(724,400)	(73,792)	-	(798,192)
<i>Included within segment results:</i>				
Interest income	4,281	-	-	4,281
Depreciation	(47,602)	(409)	-	(48,011)
Impairment of exploration	(209,784)	(7,263)	-	(217,047)
As at 31 December 2023				
Segment assets	29,026,813	4,497,551	(25,694,312)	7,830,052
Segment liabilities	505,731	25,811,621	(25,694,312)	623,040
	Australia	South America	Intersegment Eliminations	Consolidated
	\$	\$	\$	\$
Six months to 31 December 2022				
Segment revenue	607,435	-	-	607,435
Segment expenditure	(480,111)	(169,890)	-	(650,001)
Net loss after tax	127,324	(169,890)	-	(42,566)
<i>Included within segment results:</i>				
Interest income	7,356	-	-	7,356
Depreciation	(47,470)	(1,480)	-	(48,950)
Impairment of exploration	(120,697)	-	-	(120,697)
As at 31 December 2022				
Segment assets	28,993,063	3,592,411	(24,389,843)	8,195,631
Segment liabilities	494,544	24,498,386	(24,389,843)	603,087

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4. Revenue

	Half-year ended 31 Dec 2023 \$	Half-year ended 31 Dec 2022 \$
Funding from South32 Group Operations Pty Ltd recognised as income		
Administration charges (Note 8)	60,808	573,574
Interest income	4,281	7,356
	65,089	580,930
Government assistance	-	26,505
	-	26,505
Total revenue and other income	65,089	607,435

5. Trade and other receivables

	31 Dec 2023 \$	30 Jun 2023 \$
<i>Current</i>		
Security deposits	50,000	50,000
Input tax recoverable	119,501	558,900
Receivable - GST/IGV	44,769	-
Other receivables	83,263	22,236
Total trade and other receivables	297,533	631,136

6. Exploration and evaluation expenditure

	Half-year to 31 Dec 2023 \$	Year to 30 Jun 2023 \$
Balance at beginning of period	4,888,356	3,840,585
Capitalised during the period/year	2,295,950	9,547,735
Impaired during the period/year ⁽ⁱ⁾	(217,047)	(604,057)
Grant of farm-in interests in previously capitalised projects ⁽ⁱⁱ⁾	(1,284,255)	(7,420,053)
Exchange movements	(449,814)	(475,854)
Balance at end of period	5,233,190	4,888,356

The recoupment of costs carried forward in relation to areas in the exploration and evaluation phases is dependent on the successful development and commercial exploration or sale of the respective areas.

	Half-year to 31 Dec 2023 \$	Year to 30 Jun 2023 \$

(i) Significant impairments to the following projects occurred during the period

South West Peru	7,263	269,509
Other Australian Projects	209,784	334,548
Total Impairment	217,047	604,057

6. Exploration and evaluation expenditure (continued)

The Group has impaired expenditure for those projects and tenements where they have decided not to renew lease. For the period to 31 December 2023 the Group has impaired \$217,047 (Year ended 30 June 2023: \$604,057) of previously capitalised expenditure incurred on those projects and tenements. 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 2023, the Company received \$1,134,841 (30 June 2023 full year: \$8,024,560) in funding. \$1,284,255 (30 June 2023 full year: \$7,420,053) has been allocated against capitalised exploration and evaluation expenditures at reporting date during the reporting period. Refer to note 8 for details of funding received.

7. Trade and other payables

	31 Dec 2023 \$	30 Jun 2023 \$
<i>Current</i>		
Trade payables and accruals	319,843	1,110,965
Employee liabilities	22,900	45,263
Payable - GST/IGV	-	35,741
Total current trade and other payables	342,743	1,191,969

8. Funding receivable / Unexpended funding

	Half-year to 31 Dec 2023 \$	Year to 30 Jun 2023 \$
Balance at beginning of period	(314,080)	162,617
Funding from strategic alliance and joint venture partner	1,134,841	8,024,560
Less: Amount spent on exploration and evaluation projects	(1,284,255)	(7,420,053)
Less: Amount spent on administration	(60,808)	(1,081,204)
Balance at end of period	(524,302)	(314,080)

The balance at 31 December 2023 represents the funding receivable from South32 Group Operations Pty Ltd at reporting date.

9. Issued capital

	Shares No.	Shares \$
<i>Ordinary Shares – fully paid</i>	825,149,223	62,308,182
Balance at 1 July 2022	825,149,223	62,308,182
Balance at 30 June 2023	825,149,223	62,308,182
Balance at 31 December 2023	825,149,223	62,308,182

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10. Share options

(a) Listed Options

The Company had no listed options on issue during the half year ended 31 December 2023.

(b) Unlisted Options

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

	31 Dec 2023 No.	30 Jun 2023 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
AQDAE: Options Expiring 30-Nov-2026 exercisable \$0.03	20,000,000	-

Following shareholder approval at the Annual General Meeting held on 21 November 2023, 20,000,000 unlisted options were issued to the directors. These options have an exercise price of 3.0 cents each and expire on 30 November 2026 (refer Note 11 for further detail).

11. Share-based payments

Employee share options

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

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

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

Share based payment arrangements in existence during year

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

Option series	Number	Grant date	Expiry date	Exercise price \$	Fair value at grant date \$
30-Nov-24	20,000,000	26-Nov-20	30-Nov-24	0.075	0.009
30-Nov-24	19,000,000	25-Jan-21	30-Nov-24	0.050	0.013
30-Nov-26	20,000,000 ⁽ⁱ⁾	21-Nov-23	30-Nov-26	0.030	0.008

(i) Following shareholder approval at the Annual General Meeting held on 21 November 2023, 20,000,000 unlisted options were issued to the directors. These options have an exercise price of 3.0 cents each and expire on 30 November 2026.

The fair value of all the 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 options vest immediately and the Black-Scholes valuation is expensed on grant date.

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11. Share-based payments (continued)

The expense recognised in the statement of profit or loss and other comprehensive income in relation to share-based payments granted in November 2023 is \$160,000 (2023: \$Nil). There were no share based payment options exercised during the half year period to 31 December 2023.

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
21-Nov-2023	30-Nov-2026	\$0.012	\$0.03	146%	0%	4.09%	\$0.008

12. Contingencies liabilities

Contingent Shares

At reporting date the Company had no contingent shares on issue (30 June 2023: 3,000,000).

SBN Mineral Concession Challenge - Peru

As previously reported, the Company, through its wholly owned subsidiary Questdor SAC, received during 2022 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 certain State-owned lands in Peru. The Company held discussions with its lawyers and the SBN to understand the basis for the payment request and formed the view that the SBN was not legally entitled to payment for temporary surface rights over the lands in question, at that point in time. The Company subsequently commenced the process of challenging the request for payment from the SBN through the Peruvian Administrative Judiciary and understands that other mining companies are also challenging similar payment requests by the SBN. The Company's challenge has moved through the lower courts, which did not fully address the Company's argument at law, and has now progressed to the Supreme Court of Peru for leave to appeal on the question of interpretation of the relevant law. Notwithstanding the Company's strong belief in its legal position, there is no certainty as to how the Judiciary will finally 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. The Company understands that the next part of the judicial process, presentation to the Supreme Court, is likely to occur over the next twelve months. 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 financial year ended 30 June 2023. 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 mining concessions 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.

13. Commitments

The Group's commitments remain unchanged.

14. Related parties

Arrangements with related parties continue to be in place in line with those disclosed in the 2023 Annual Report.

15. 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.

16. Subsequent Events

On 24 January 2024 the Company issued 19,000,000 unlisted options to employees and contractors under the Company's Long Term Incentive Scheme ("LTIS"). These options have an exercise price of \$0.03 and expire on 30 November 2026. The exercise price of the options under the LTIS was determined by the Directors. The participants eligible to participate in the plan are at the discretion of the directors.

Other than the above, 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.

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