



AusQuest Limited

ABN 35 091 542 451

**Financial report for the half-year ended
31 December 2015**

Corporate directory

Board of Directors

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

Company Secretary

Mr Henko Vos

Registered Office

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

Corporate Office

8 Kearns Crescent
Ardross, WA, 6153

Tel: +61 8 9364 3866
Fax: +61 8 9364 4892
Website: www.ausquest.com.au

Auditors

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

Share Registry

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

Securities Exchange Listing

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

**Financial report for the
half-year ended 31 December 2015**

	Page
Directors' report	1
Auditor's independence declaration	5
Independent auditor's review report	6
Directors' declaration	8
Condensed consolidated statement of comprehensive income	9
Condensed consolidated statement of financial position	10
Condensed consolidated statement of changes in equity	11
Condensed consolidated statement of cash flows	12
Notes to the condensed consolidated financial statements	13

Directors' report

The directors of AusQuest Limited herewith submit the financial report for the half-year ended 31 December 2015. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

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

Gregory Hancock
Graeme Drew
John Ashley
Chris Ellis

Review of Operations

Highlights

Copper-Gold - Peru

- ❑ Maiden joint venture drilling program commenced at the Lana prospect in Peru in late December 2015, with up to 25,000m of diamond drilling planned across five large porphyry copper-gold prospects during 2016 under newly-established joint ventures.
- ❑ Discussions continuing for a potential new joint venture over the Chololo porphyry copper project.
- ❑ Amended drilling plans submitted to Government for the Cardonal and Puite-Colorada Joint Ventures, including extra drill-holes and two additional prospects.
- ❑ Significant copper (+/- gold and silver) mineralisation identified over large areas by mapping and sampling programs at the Cerro de Fierro prospect, confirming the project's prospectivity.

Nickel-Copper – Australia

- ❑ Funding assistance of up to \$150,000 secured under the 'Western Australian Exploration Incentive Scheme' (EIS) to drill EM/magnetic targets at Balladonia in the Fraser Range region, WA.
- ❑ New conceptual nickel-copper project secured in Western Australia over the western end of the Jimberlana Intrusion.

Gold – West Africa

- ❑ Joint Venture report on RC and auger drilling results from the 2015 exploration programme at the Banfora JV Project in Burkina Faso expected in the first half of 2016.
- ❑ 2016 programme and budget for Banfora expected in the March Quarter 2016.

Corporate

- ❑ Option payments received for two of the Peru Joint Ventures (Cardonal – US\$120,000 and Puite-Colorada – US\$70,000).

OVERVIEW

The six months to 31 December 2015 marked an important milestone in AusQuest's history, with the commencement of drilling operations at the Company's copper-gold joint venture projects in the south of Peru in the latter part of the year.

Under three separate Joint Venture agreements established with major companies in Peru, up to 25,000 metres of diamond drilling are expected to be completed before the end of 2016 as part of commitments to earn equity in five highly promising porphyry copper-gold prospects.

The Company also continued to make progress with its nickel-copper exploration projects in Western Australia, with a successful application for funding assistance for drilling at Balladonia (in the Fraser Range region) under the Government's 'Co-funded Drilling Initiative' and the identification of a new conceptual nickel-copper prospect at Jimberlana, where tenure has been secured.

In **Peru**, access preparations were completed for diamond drilling at the Lana prospect with drilling under the Joint Venture Agreement with Southern Peru Copper Corporation Sucursal del Peru ("Southern") commencing in late December 2015. This is the first of several large porphyry copper-gold prospects in southern Peru which are scheduled to be drill tested by joint venture partners before the end of 2016. Joint Venture discussions continued with interested parties over the Chololo prospect and field work at Cerro de Fierro focused on identifying future targets for drilling.

In **Western Australia**, drilling at Balladonia was rescheduled to 2016 following the receipt of funding approval under the Government's 'Co-funded Drilling Initiative' to drill EM and magnetic targets and aircore drilling at Gibson Soak near Esperance which is planned to commence in the first half of 2016. Tenement applications covering a new conceptual nickel-copper target at the western end of the Jimberlana Intrusion were granted.

In **West Africa**, the Company's joint venture partner, Burkinor SARL, completed its 2015 gold drilling and sampling programs at the Banfora Project and initiated a full assessment of results. Burkinor, which is a wholly-owned subsidiary of TSX-listed SEMAFO Inc., can earn up to 80% equity in the Banfora Project by spending a total of US\$7.5 million over a three-year period.

COPPER-GOLD – PERU

Over the past four years, 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 copper exploration and is considered to be a prime location for world-class exploration opportunities.

During the first half of FY2016, drilling operations commenced at the Lana Joint Venture Project which is the first of five large porphyry copper-gold prospects in the south of Peru scheduled to be drill tested by the Company's joint venture partners before the end of 2016.

Option payments of US\$120,000 (for Cardonal) and US\$70,000 (for Puite-Colorada) were received, marking the official starting dates for these Joint Venture Agreements and setting dates for the expected completion of Stage 1 drilling (see table below).

Joint Venture	Prospect	Drilling	Drill Permit	Drilling to be Completed by
<i>Lana</i>	Lana	5,000m	Yes	April 8 th 2016
<i>Puite-Colorada</i>	Puite	10,000m	Pending	October 9 th 2016
	Colorada		Pending	October 9 th 2016
<i>Cardonal</i>	Ventana	10,000m	Pending	December 28 th 2016
	Cardonal		Pending	December 28 th 2016

Initial drill results from the Lana Prospect indicate that the sedimentary cover sequence is thicker (>550m) than expected and that drilling has not successfully penetrated to the gravity target.

Final permits for the amended drill programmes at the Ventana (13 holes), Cardonal (6 holes), Puite (9 holes) and Colorada (9 holes) prospects are currently with the relevant Government Departments for final approval. Latest estimates indicate that these permits should be received in time for the second and subsequent drill programmes to commence in March-April 2016.

Joint Venture discussions continued with several parties interested in the Chololo porphyry copper prospect, located approximately 20km north-east of the port of Ilo, close to power and transport infrastructure. Detailed studies of the rock and soil geochemical database undertaken by the Company during the reporting period supported the interpretation of a mineralised porphyry at depth.

At the Cerro de Fierro prospect, detailed mapping and sampling was initiated to advance the prospect to drill status. The prospect was originally identified from aeromagnetic data as a potential iron-oxide copper-gold (IOCG) target, covering several square kilometres in size.

Numerous copper values in excess of 0.1% Cu and up to 6.1% Cu have been reported from this program as well as anomalous gold (>40ppb Au) and silver (>3ppm Ag) values at a number of locations. Mapping has identified skarn-style mineralisation within narrow veins above the buried magnetic source, plus mineralised structures and intrusive diorites within the andesitic volcanics – providing a potential range of geological targets. Detailed analysis of the rock-chip geochemical database is being undertaken to help determine priority areas for target drilling.

The Company is encouraged by the progress being made at its Peruvian projects, and plans to continue evaluating its extensive portfolio of large porphyry copper and/or IOCG targets with the aim of advancing prospects to the drilling stage before seeking joint venture partners to fund drilling.

NICKEL-COPPER – AUSTRALIA

AusQuest controls approximately 2,800km² of title within the Fraser Range Province of WA, which hosts the Nova–Bollinger nickel-copper development and the Tropicana gold mine. The region is the focus of significant exploration activity by a range of companies, and is considered to be one of the country's premier locations for nickel and gold exploration.

The Balladonia Project, which is located ~50km south of the Nova–Bollinger nickel-copper deposit, covers an area of ~1,850km². In December 2015, the Company was advised that its application for funding assistance (\$150,000) under the 'Western Australian Exploration Incentive Scheme' (EIS) had been successful, with drilling of the EM and magnetic targets now scheduled for 2016.

The EM anomalies are considered high priority targets as they appear to have a close association with interpreted cross-cutting mafic intrusions which are considered to be the preferred host rocks for nickel-copper sulphides within mafic-hosted intrusive systems.

At the Gibson Soak Project (~960km²), located ~30km north of the port of Esperance, access for aircore drilling was prepared along existing roads and tracks to enable drilling to start in the first half of 2016. The program is designed to test a range of magnetic targets (low magnetic responses) to confirm their prospectivity for nickel and copper ahead of more systematic ground EM coverage to identify targets for deeper drilling. A total of 15 targets will be tested by this programme.

During the reporting period, a new nickel-copper prospect was identified at the western end of the Jimberlana Dyke Intrusion in WA. Recent research recognises that horizontal movement of magmas within dykes is a common occurrence, creating favourable structures (dyke flares /chonoliths) for the accumulation of massive nickel sulphides within prospective dykes.

The Jimberlana Project covers the western end (~20km strike) of the Jimberlana Dyke Intrusion, where there is potential for massive nickel sulphides to occur near the base of the intrusion at relatively shallow depths (200m to 500m). Historical exploration has shown the dyke to be highly prospective for nickel, copper and Platinum Group Elements, but no previous exploration has targeted the basal section of the intrusion which elsewhere is too deep (>1000m) to explore.

Detailed gravity surveys which have been completed over the western-most tenement will be used to prioritise areas for ground EM surveys to identify targets for drilling. The Company believes this represents a unique opportunity to explore the base of the highly prospective Jimberlana Dyke Intrusion where potential for large accumulations of nickel-copper sulphides is believed to be high.

GOLD – WEST AFRICA (Joint Venture)

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

Joint Venture exploration activity during the six months to 31 December 2015 was limited to assessing results from the auger and Reverse Circulation (RC) drilling programmes completed before the onset of the wet season in late July. A total of 13,982 holes for 116,223 metres of auger and 189 holes for 28,417 metres of RC drilling had been completed as part of the 2015 programme.

The Company has been advised that a full report on results should be available in the first half of 2016, at which time the programme and budget for 2016 will be known. A reduced budget for 2016 has been advised.

CORPORATE

During the second half of 2015 the Company received option payments totalling US\$190,000 as part of its joint venture agreements in Peru.

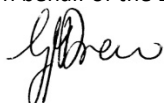
The Company's cash position at 31 December 2015 was \$1,436,518.

Auditor's Independence Declaration

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the Company with an Independence Declaration in relation to the review of the half-year financial report. This Independence declaration is set out on page 5 and forms part of this directors' report for the half year ended 31 December 2015.

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

On behalf of the Directors



Graeme Drew
Managing Director

Perth, 10 March 2016

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 2015, 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
10 March 2016



M R W Ohm
Partner

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of AusQuest Limited

Report on the Condensed Half-Year Financial Report

We have reviewed the accompanying half-year financial report of AusQuest Limited ("the company") which comprises the condensed consolidated statement of financial position as at 31 December 2015, the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

- a) giving a true and fair view of the Group's financial position as at 31 December 2015 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*.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants



M R W Ohm
Partner

Perth, Western Australia
10 March 2016

Directors' declaration

In the directors' opinion:

1. the attached financial statements and notes thereto are in accordance with the Corporations Act 2001 including:
 - a. complying with Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - b. giving a true and fair view of the Group's financial position as at 31 December 2015 and of its performance for the financial half-year ended on that date; and
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors



Graeme Drew
Managing Director

Perth, 10 March 2016

**Condensed consolidated statement of comprehensive income
for the half-year ended 31 December 2015**

	<u>Note</u>	<u>Consolidated</u>	
		<u>Half-year to 31 Dec 2015</u>	<u>Half-year to 31 Dec 2014</u>
		\$	\$
Revenue		11,699	7,601
Consultants and employee benefits expenses		(122,216)	(46,056)
Share-based payments expense	6	(230,000)	-
Occupancy expenses		(46,376)	(75,271)
Administrative expenses		(247,134)	(230,078)
Impairment of exploration and evaluation expenditures	3	(3,630,606)	(40,375)
Loss before income tax expense		<u>(4,264,633)</u>	<u>(384,179)</u>
Income tax expense		-	-
Loss for the period		<u>(4,264,633)</u>	<u>(384,179)</u>
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Exchange gain on translation of foreign operations		571,058	1,477,860
Total comprehensive income/(loss) for the period		<u>(3,693,575)</u>	<u>1,093,681</u>
Loss per share:			
Basic loss per share (cents per share)		<u>(0.86)</u>	<u>(0.13)</u>

The accompanying notes form part of these financial statements.

**Condensed consolidated statement of financial position
as at 31 December 2015**

	<u>Note</u>	Consolidated	
		31 Dec 2015	30 Jun 2015
		\$	\$
Current assets			
Cash and cash equivalents		1,436,518	2,395,546
Trade and other receivables		243,158	150,675
Other assets		29,706	41,921
Total current assets		1,709,382	2,588,142
Non-current assets			
Plant and equipment		27,936	32,400
Exploration and evaluation expenditure	3	12,971,822	15,649,086
Total non-current assets		12,999,758	15,681,486
Total assets		14,709,140	18,269,628
Current liabilities			
Trade and other payables		139,493	286,489
Provisions		63,532	58,449
Total current liabilities		203,025	344,938
Total liabilities		203,025	344,938
Net assets		14,506,115	17,924,690
Equity			
Issued capital	4	56,747,391	56,702,391
Reserves		3,662,093	3,091,395
Accumulated losses		(45,903,369)	(41,869,096)
Total equity		14,506,115	17,924,690

The accompanying notes form part of these financial statements.

**Condensed consolidated statement of changes in equity
for the half-year ended 31 December 2015**

	Consolidated				
	Issued capital	Share based payment reserve	Foreign currency translation reserve	Accumulated losses	Total equity
	\$	\$	\$	\$	\$
Balance at 1 July 2015	56,702,391	230,360	2,861,035	(41,869,096)	17,924,690
Loss for the period	-	-	-	(4,264,633)	(4,264,633)
Other comprehensive income for the period, net of tax	-	-	571,058	-	571,058
Total comprehensive loss for the period	-	-	571,058	(4,264,633)	(3,693,575)
Issue of shares	45,000	-	-	-	45,000
Options issued during the period	-	230,000	-	-	230,000
Lapsed options during the period	-	(230,360)	-	230,360	-
Balance at 31 December 2015	56,747,391	230,000	3,432,093	(45,903,369)	14,506,115

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

The accompanying notes form part of these financial statements.

**Condensed consolidated statement of cash flows
for the half-year ended 31 December 2015**

	Consolidated	
	Half-year to 31 Dec 2015	Half-year to 31 Dec 2014
	\$	\$
Cash flows from operating activities		
Payments to suppliers and employees	(428,256)	(133,928)
Interest received	11,733	3,881
Net cash used in operating activities	(416,523)	(130,047)
Cash flows from investing activities		
Payment for plant and equipment	(445)	-
Proceeds from the sale of plant and equipment	-	5,000
Payment for exploration and evaluation activities	(727,458)	(782,947)
Payment received on grant of farm-in and joint venture interests	170,986	-
Net cash used in investing activities	(556,917)	(777,947)
Cash flows from financing activities		
Proceeds from borrowings	-	750,000
Net cash generated by financing activities	-	750,000
Net decrease in cash and cash equivalents	(973,440)	(157,994)
Cash and cash equivalents at the beginning of the half-year	2,395,546	1,018,821
Exchange rate adjustment	14,412	113,603
Cash and cash equivalents at the end of the half-year	1,436,518	974,430

The accompanying notes form part of these financial statements.

Notes to the condensed consolidated financial statements for the half-year ended 31 December 2015

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. Its registered office and principal place of business are:

Registered office	Principal place of business
C/- Nexia Perth Level 3, 88 William Street Perth WA 6000	8 Kearns Crescent Ardross WA 6153

2. Significant accounting policies

Statement of compliance

These general purpose condensed consolidated financial statements for the half-year reporting period ended 31 December 2015 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 2015 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001 and the ASX Listing Rules.

Basis of preparation

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

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

Accounting policies and methods of computation

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

Significant accounting judgments and key estimates

The preparation of half-year financial report requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates. In preparing this half-year financial report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2015, except for the following:

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 the Dundas tenements totalling \$3,630,606 (refer note 3). No other impairment loss was recorded in the period.

Notes to the condensed consolidated financial statements for the half-year ended 31 December 2015

Going concern

The financial report has been prepared on the going concern basis that contemplates the continuity of normal business activities and the realisation of assets and extinguishment of liabilities in the ordinary course of business. For the half-year ended 31 December 2015 the Group recorded an operating cash outflow of \$416,523 (half-year ended 31 December 2014: outflow of \$130,047) and at 31 December 2015 had a net working capital surplus of \$1,506,357 (30 June 2015: surplus of \$2,243,204).

Based on the Group's cash flow forecast, which is dependent on results from planned exploration activity, it is likely that the Group will potentially seek to access additional working capital in the next 12 months to advance its exploration projects.

The Directors are confident that the Group will be successful in raising additional funds through the issue of new equity, should the need arise. However, should no capital raising eventuate, the Directors are also aware that the Group has the option, if necessary, to defer expenditure or relinquish certain projects and reduce administration costs. Based on these facts, the Directors consider the going concern basis of preparation to be appropriate for this financial report.

3. Exploration and Evaluation Expenditure

	Half-year to 31 Dec 2015	Full-year to 30 Jun 2015
	\$	\$
Balance at beginning of period	15,649,086	11,791,786
Capitalised during the period	653,757	1,888,984
Impaired during the period (i)	(3,630,606)	(44,359)
Grant of farm-in and joint venture interest (ii)	(269,142)	(89,385)
Exchange movements	568,727	2,102,060
Balance at end of period	12,971,822	15,649,086

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

	Half-year to 31 Dec 2015	Full-year to 30 Jun 2015
	\$	\$
Dundas	3,630,606	-
South West Peru	-	443,138
Stanley Project	-	8,166
Bald Hill	-	13,621

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

Peru

During 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 five copper-gold projects through a structured series of cash option payments and sole-funding exploration expenditures.

The Group received the first option payment of US\$70,000 (A\$89,385) in April 2015 and the second option payment of US\$120,000 (A\$170,986) in October 2015. A third option payment of US\$70,000 (A\$98,156) was received on 12 January 2016. This amount has been included with trade and other receivables in the statement of financial position.

A summary of these terms was announced on the ASX platform on 24 February 2015 and 8 July 2015.

**Notes to the condensed consolidated financial statements
for the half-year ended 31 December 2015**

3. Exploration and Evaluation Expenditure (continued)

(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.

4. Issued capital

	Half-year to 31 Dec 2015	Full-year to 30 Jun 2015
	\$	\$
Ordinary Shares – fully paid	56,747,391	56,702,391
	56,747,391	56,702,391

Issue of shares (consulting services)

The Company issued 2,500,000 ordinary shares during the period in lieu of cash payments for consulting services rendered to the Group. 500,000 shares were issued on 10 September 2015 and 2,000,000 shares on 1 December 2015. All shares were issued at the prevailing market rate on these dates, being 1.8 cents on both dates for a combined value of \$45,000. Consulting expenses to the same value were recognised in the statement of comprehensive income.

As a consequence of the abovementioned issues, total ordinary shares on issue increased from 495,897,392 to 498,397,392 at reporting date.

Unlisted options on issue

On 30 November 2015, 9,900,000 unlisted share options exercisable at 7 cents each expired unexercised.

The Company issued 28,000,000 unlisted share options with an exercise price of 5 cents and an expiry date of 30 November 2020 on 1 December 2015 to directors, employees and consultants. The unlisted options was priced using a Black-Scholes pricing model (refer note 6). The Company recognised a share-based payment expense of \$230,000 in the statement of comprehensive income with a corresponding increase in the share-based payments reserve.

**Notes to the condensed consolidated financial statements
for the half-year ended 31 December 2015**

5. Segment Information

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

The following table presents the revenue and results information regarding the segment information provided to the Board of Directors for the half-year ended 31 December 2015.

Continuing operations

	Australia \$	Africa \$	South America \$	Intersegment eliminations \$	Consolidated \$
Six Months to 31 December 2015					
Segment revenue	11,699	-	-	-	11,699
Segment loss after tax	(4,206,317)	(532)	(69,483)	-	(4,276,332)
Net loss after tax					(4,264,633)
As at 31 December 2015					
Segment assets	22,081,309	9,985,282	2,467,120	(19,824,571)	14,709,140
Segment liabilities	2,335,675	6,032,138	3,363,214	(11,528,002)	203,025
Included within segment result:					
Depreciation	4,755	-	154	-	4,909
Interest income	11,699	-	-	-	11,699
Impairment of exploration expenditure	3,630,606	-	-	-	3,630,606

Continuing operations

	Australia \$	Africa \$	South America \$	Intersegment eliminations \$	Consolidated \$
Six Months to 31 December 2014					
Segment revenue	7,601	-	-	-	7,601
Segment loss after tax	(314,030)	(22,497)	(47,652)	-	(384,179)
Net loss after tax					(384,179)
As at 30 June 2015					
Segment assets	18,428,433	9,517,542	2,295,051	(11,971,398)	18,269,628
Segment liabilities	272,971	5,767,866	3,232,199	(8,928,098)	344,938
Included within segment result:					
Depreciation	7,232	-	147	-	7,379
Interest income	3,881	-	-	-	3,881
Impairment of exploration expenditure	40,375	-	-	-	40,375

Notes to the condensed consolidated financial statements for the half-year ended 31 December 2015

6. Share-based payments

The table below summarises the model inputs for the 28,000,000 unlisted options granted during the period and valued using the Black-Scholes option pricing model:

Inputs into the model	Option series: 30 Nov 2020 (Nov 2015)	Option series: 30 Nov 2020 (Dec 2015)
Grant date	25 Nov 2015	1 Dec 2015
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 half-year period:

	Half-year to 31 Dec 2015	
	Number of Options	Weighted average exercise price \$
Balance at beginning of the period	9,900,000	0.07
Lapsed during the period	(9,900,000)	0.07
Granted during the period	28,000,000	0.05
Balance at end of the period	28,000,000	0.05
Exercisable at end of the period	28,000,000	0.05

The Company recognised a share-based payment expense of \$230,000 in the statement of comprehensive income with a corresponding increase in the share-based payments reserve.

7. 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.

8. Contingent liabilities

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

9. Commitments

The Group's commitments remain unchanged. For details of these commitments, please refer to the 30 June 2015 annual financial report.

10. Related parties

Arrangements with related parties continue to be in place. For details of these arrangements, please refer to the 30 June 2015 annual financial report.