



AusQuest Limited

ABN 35 091 542 451

**Financial report for the half-year ended
31 December 2020**

For personal use only

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

Registered Office

C/- Nexia Perth
Level 3, 88 William Street
Perth, WA, 6000
Tel: +61 8 9463 2463
Website: www.nexia.com.au

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 (WA) Partnership
Level 4, 130 Stirling Street
Perth, WA, 6000

Share Registry

Advanced Share Registry Services
110 Stirling Highway
Nedlands, WA, 6009
Tel: +61 8 9389 8033
Fax: +61 8 9389 7871
Website: www.advancedshare.com.au

Securities Exchange Listing

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

Bankers

Australian and New Zealand Bank
135 Riseley Street
Booragoon WA 6154

For personal use only

**Financial report for the
half-year ended 31 December 2020**

	Page
Directors' report	1
Auditor's independence declaration	5
Independent auditor's review report	6
Directors' declaration	8
Condensed consolidated statement of profit or loss and other 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

For personal use only

Directors' report

The Directors of AusQuest Limited ("AQD" or the "Company") herewith submit the financial report for the half-year ended 31 December 2020. 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
Chris Ellis

Review of Operations

HIGHLIGHTS

Australia – Copper, Gold, Zinc, Nickel

- ❑ Reconnaissance drilling (7 holes/2,098m) completed at the **Hamilton Copper Project** in north-west Queensland under the Strategic Alliance Agreement (SAA) with a wholly owned subsidiary of South32 Limited (South32) highlighted several magnetic targets for further testing. Up to 2,000m of diamond drilling is now planned to commence in April 2021.
- ❑ Air-core drilling was agreed under the SAA to test further base metal targets within the **Balladonia Project** in Western Australia (WA), with drilling expected to commence during Q2 2021.
- ❑ Initial drilling (7 drill-holes over 3 targets) completed at the **Gunanya Project** in WA under the SAA yielded mixed results with one priority target still untested.
- ❑ Reconnaissance sampling at the **Morrisey Nickel-Copper Project** within the Narryer Terrane of WA significantly enhanced the prospectivity of the area, confirming the presence of ultramafic and mafic host rocks and nickel-copper soil anomalies.

Peru – Copper-Gold

- ❑ Final Government approval received for drilling at the **Cerro de Fierro** and **Parcoy Copper Projects**, both of which are subject to the SAA with South32.
- ❑ Drilling at Cerro de Fierro (~4,000m of Reverse Circulation drilling) is planned to commence in February 2021 with drilling at Parcoy (~1,700m of diamond drilling) to commence around mid-year. Both programs will test strong copper anomalies (>1.0% Cu) outlined by surface sampling.
- ❑ Systematic rock-chip sampling undertaken up to 15km east of the Cerro de Fierro prospect outlined six additional copper (molybdenum) targets for testing.
- ❑ Permits are expected to be received around mid-year to allow drill testing of the **Los Otros Porphyry Copper Prospect** during the second half of 2021.

Corporate

- The Company's cash position at the end of December was ~\$1.2 million with an additional \$761,000 received in January (R&D tax refund). Additional funds from South32 are expected during Q1 2021 to cover the costs of agreed work programs (including drilling in Peru and Australia).

OVERVIEW

During the first half of FY2021, the Company re-focused its activities into Australia as drilling at its Peruvian copper projects was delayed due to issues surrounding the global outbreak of COVID-19. These issues were resolved late in the reporting period, with drill permits for both the Cerro de Fierro and Parcoy Copper Projects being issued by the Government.

Exploration activity concentrated on reconnaissance drilling at several of the Company's prospects in Western Australia and Queensland, which are subject to the SAA with South32.

Drilling programs were completed at the Hamilton Copper-Gold Project in north-west Queensland, the Tangadee Zinc Project in WA, and the Gunanya Gold-Copper Project in WA.

As a result, further drilling will be completed at Hamilton and possibly Gunanya (pending final assessment of results) but tenements at Tangadee were recommended for relinquishment. Planning of further drilling at Balladonia in the Fraser Range Province in WA was also initiated to enable this program to start in early 2021.

New opportunities continued to be advanced around the western margin of the Yilgarn of WA following the Julimar discovery by Chalice Mining, with a focus on nickel and copper projects at Morrisey and Moora. In the Paterson Province of WA, aeromagnetic surveys over Madley and Runton provided detailed data for modelling to more fully assess these prospects.

In **Peru**, protocols to be able to manage work activities in light of the COVID-19 pandemic were approved by the authorities and field work re-commenced at the Cerro de Fierro Project. Sampling programs were initiated, resulting in the identification of further copper (molybdenum, gold) targets for testing, located up to 15km east of the main copper prospect.

Drilling approvals for the Cerro de Fierro and Parcoy Copper Projects were received late in the year, allowing field operations to commence. Access preparations commenced in January 2021 with drilling now expected to start in February at Cerro de Fierro before moving to Parcoy in late Q2 2021.

Drill permits for the Los Otros Project were also pursued with a strong possibility that these could be approved by mid-year, potentially allowing drilling at the Company's projects in Peru to progress well into the second half of 2021.

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

During the first half of FY2021, drilling programs were completed at the **Hamilton Copper-Gold Project** in north-west Queensland, the **Gunanya Gold-Copper Project** in WA, and the **Tangadee Zinc Project** in WA under the SAA.

At the **Hamilton IOCG Project**, the second drilling program provided strong indications of possible IOCG mineralisation similar to that found at the Ernest Henry deposit. A large potassic alteration zone similar in size to that reported at Ernest Henry was outlined by five of the 13 holes completed to date, with strong potassic-calcic alteration in one hole suggestive of alteration similar to that found in the footwall to the deposit.

Magnetic targets close to drill-holes with the strongest alteration will be targeted as a priority by the upcoming drill program. Detailed aeromagnetic data were acquired to help optimise drill sites.

Heritage Clearance surveys have been completed to allow drilling to re-commence in 2021, immediately following the cessation of the wet season.

At **Gunanya**, the initial reconnaissance RC drilling program which was designed to test three magnetic targets for their gold-copper potential intersected weakly altered magnetic basement rocks beneath two of the anomalies, with the third, more discrete target remaining untested.

Drilling over the third anomaly had to be abandoned before reaching the target, due to high water flows in both drill-holes which at the time were within favourable stratigraphy (Mundadjini Formation), similar in nature to the sediments that reportedly host copper and gold mineralisation elsewhere in the Paterson Province. Discussions are continuing under the SAA regarding possible future testing of this target.

Large variations in sedimentary rock types and basement depths encountered by the drilling suggest the presence of large-scale regional faults within the area, making it a favourable setting for hydrothermal style mineralising systems.

Drilling at the **Tangadee Zinc Project** returned anomalous levels of zinc (up to 1.3% Zn), with elevated copper, silver, thallium, and gold values within a thick black mudstone sequence explaining the source of the zinc-soil anomaly, but no indications for higher grades elsewhere on the property. Tenements were relinquished.

At the **Balladonia Copper-Nickel Project** in the Fraser Range region of WA, a number of discrete magnetic targets thought to reflect IOCG and/or BHT-style mineralisation similar to those found within the Eastern Succession of north-west Queensland were identified following comparative studies between the two areas.

A program of shallow air-core drilling to obtain bedrock geochemical data over selected targets was agreed under the SAA and Heritage Clearance surveys initiated to enable drilling to commence in 2021.

New opportunities continued to be advanced for consideration under the SAA. Reconnaissance sampling at the **Morrisey Nickel-Copper Project** within the Narryer Terrane of WA significantly enhanced the prospectivity of the area, confirming the presence of ultramafic and mafic host rocks and nickel-copper soil anomalies.

Land access to the **Moora** tenements continues to be negotiated with local land-owners, with indications that first-pass auger sampling over selected target areas should be possible during Q1 2021.

In the Paterson Province of WA, detailed aeromagnetic surveys over the **Madley** and **Runton** Projects provided detailed data for modelling to better assess these prospects. Tenements were subsequently rationalised to retain priority target areas.

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.

Government approvals for Stage 3 drilling at the **Cerro de Fierro Copper Project** were received late in the year. A total of 20 new drill pads were approved to test extensive surface copper anomalism (>1.0% Cu) south of previously reported drill intersections. Approximately 4,000m of RC drilling (minimum 13 drill-holes) is planned, with access preparations commencing in late January and drilling to start in early February.

The Company is excited that drilling will finally re-commence at its Cerro de Fierro prospect. While COVID-19 caused disruptions to its exploration activities in Peru, the Company has received Government approval to continue its exploration programs under strict health and safety protocols. This includes drilling operations at the Company's projects.

Rock-chip sampling to the east of Cerro de Fierro identified at least six new copper (+/- molybdenum, gold) prospects associated with a regional east-west structural corridor trending towards the main Cerro de Fierro prospect. The potential for additional copper mineralisation in this region, either porphyry or manto (replacement) style, is considered excellent.

At the **Parcoy Copper Project**, Government approvals for initial drill testing of the prospect were received. A total of 20 drill pads were approved to test priority copper (+/- gold) targets (numerous copper assays >1.0% Cu) within andesitic volcanics similar to those found at the Company's Cerro de Fierro Project, ~50km to the south.

An initial program of ~1,700m diamond drilling (minimum four holes) will commence once access preparations have been completed around the end of May 2021.

The Company expects that the timing of drilling operations at Parcoy and Cerro de Fierro will result in semi-continuous drilling in Peru over at least the next six to nine months.

At the **Los Otros Project**, permits to allow drill testing of a porphyry copper target were progressed with environmental and archaeological studies completed and community consultation meetings planned for Q1 2021.

The porphyry copper target is associated with an area of advanced argillic alteration (~1km²) that appears to be of Palaeocene age, similar to the ages reported for the nearby giant porphyry copper deposits. Drilling is expected to commence during the second half of 2021.

New opportunities that can utilise the Company's database in southern Peru continue to be assessed for inclusion under the SAA, but at a relatively slow pace given the significant level of drilling activity already planned for 2021.

New tenement applications were submitted to consolidate the Company's land position in the Puite-Ventura area, where historical drilling suggests the potential for buried porphyry copper mineralisation. A review of available data was initiated to identify possible targets for testing.

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 2020.

Signed in accordance with a resolution of Directors made pursuant to Section 306(3) of the *Corporations Act 2001*.

On behalf of the Directors



Graeme Drew
Managing Director

Perth, 9 March 2021

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 2020, 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 2021**

**B G McVeigh
Partner**

hlb.com.au

HLB Mann Judd (WA Partnership) ABN 22 193 232 714

Level 4, 130 Stirling Street, Perth WA 6000 / PO Box 8124 Perth BC WA 6849

T: +61 (0)8 9227 7500 **E:** mailbox@hbw.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

HLB Mann Judd (WA Partnership) is a member of HLB International, the global advisory and accounting network.

For personal use only

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 2020, 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 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 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 2020 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 Group's financial position as at 31 December 2020 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*.

hlb.com.au

HLB Mann Judd (WA Partnership) ABN 22 193 232 714

Level 4, 130 Stirling Street, Perth WA 6000 / PO Box 8124 Perth BC WA 6849

T: +61 (0)8 9227 7500 E: mailbox@hلبwa.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

HLB Mann Judd (WA Partnership) is a member of HLB International, the global advisory and accounting network.

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 2021



B G McVeigh
Partner

For personal use only

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 2020 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 2020.

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



Graeme Drew
Managing Director

Perth, 9 March 2021

**Condensed consolidated statement of profit or loss and other comprehensive income
for the half-year ended 31 December 2020**

	Note	Consolidated	
		Half-year to 31 Dec 2020 \$	Half-year to 31 Dec 2019 \$
Revenue	3	422,117	313,116
Consultants and employee benefits expenses		(132,284)	(127,457)
Occupancy expenses		(54,658)	(88,088)
Depreciation expense		(4,851)	-
Depreciation expense of right-of-use asset		(33,564)	-
Share-based payments expense		(200,000)	-
Administrative expenses		(466,438)	(402,640)
Impairment of exploration and evaluation expenditure	5	(1,406,651)	(267,751)
Finance costs		(2,495)	(3,574)
Interest on lease liability		(1,227)	-
Loss before income tax expense		(1,880,051)	(576,394)
Income tax expense		-	-
Loss for the period		(1,880,051)	(576,394)
Other comprehensive (loss)/income			
<i>Items that may be reclassified to profit or loss</i>			
Exchange (loss)/gain on translation of foreign operations		(982,378)	(19,872)
Other comprehensive (loss)/income for the period		(982,378)	(19,872)
Total comprehensive loss for the period		(2,862,429)	(596,266)
Basic and diluted loss per (cents per share)		(0.28)	(0.10)

The accompanying notes form part of these financial statements.

**Condensed consolidated statement of financial position
as at 31 December 2020**

	Note	Consolidated	
		31 Dec 2020	30 Jun 2020
		\$	\$
Current assets			
Cash and cash equivalents		1,223,841	2,719,202
Trade and other receivables	4	313,292	467,622
Unexpended funding	8	7,439	-
Other assets		154,537	247,687
Total current assets		1,699,109	3,434,511
Non-current assets			
Property, plant and equipment		55,840	63,816
Exploration and evaluation expenditure	5	2,826,670	4,623,815
Right-of-use asset	6	1,817	37,383
Total non-current assets		2,884,327	4,725,014
Total assets		4,583,436	8,159,525
Current liabilities			
Trade and other payables	7	406,875	346,199
Provisions		137,754	125,742
Unexpended funding	8	-	946,608
Lease liability	6	4,896	44,636
Total current liabilities		549,525	1,463,185
Total liabilities		549,525	1,463,185
Net assets		4,033,911	6,696,340
Equity			
Issued capital	9	59,416,693	59,416,693
Reserves	10	3,436,062	4,546,369
Accumulated losses		(58,818,844)	(57,266,722)
Total equity		4,033,911	6,696,340

The accompanying notes form part of these financial statements.

For personal use only

**Condensed consolidated statement of changes in equity
for the half-year ended 31 December 2020**

	Consolidated				
	Issued capital	Share based payment reserve	Foreign currency translation reserve	Accumulated losses	Total equity
	\$	\$	\$	\$	\$
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 loss for the period	-	-	(982,378)	(1,880,051)	(2,862,429)
Issue of shares	-	-	-	-	-
Share issue costs	-	-	-	-	-
Options issued during the period	-	200,000	-	-	200,000
Lapsed options during the period	-	(327,929)	-	327,929	-
Balance at 31 December 2020	59,416,693	200,000	3,236,062	(58,818,844)	4,033,911

	Consolidated				
	Issued capital	Share based payment reserve	Foreign currency translation reserve	Accumulated losses	Total equity
	\$	\$	\$	\$	\$
Balance at 1 July 2019	57,731,440	327,929	3,931,049	(56,281,893)	5,708,525
Loss for the period	-	-	-	(576,394)	(576,394)
Other comprehensive income for the period	-	-	(19,872)	-	(19,872)
Total comprehensive income for the period	-	-	(19,872)	(576,394)	(596,266)
Issue of shares	1,778,387	-	-	-	1,778,387
Share issue costs	(115,134)	-	-	-	(115,134)
Balance at 31 December 2019	59,394,693	327,929	3,911,177	(56,858,287)	6,775,512

The accompanying notes form part of these financial statements.

For personal use only

**Condensed consolidated statement of cash flows
for the half-year ended 31 December 2020**

	Consolidated	
	Half-year to 31 Dec 2020	Half-year to 31 Dec 2019
	\$	\$
Cash flows from operating activities		
Receipt from South32 Group Operations Pty Ltd	365,263	311,855
COVID-19 government contributions	107,152	-
Payments to suppliers and employees	(549,965)	(535,953)
Interest received	996	798
Finance costs	(2,495)	(3,574)
Net cash (used in) operating activities	<u>(79,049)</u>	<u>(226,874)</u>
Cash flows from investing activities		
Payment for property, plant and equipment	(1,569)	(19,425)
Payment for exploration and evaluation activities	(2,817,484)	(3,117,209)
Payment received on grant of farm-in and joint venture interests	1,483,773	3,337,078
Net cash provided by/(used in) investing activities	<u>(1,335,280)</u>	<u>200,444</u>
Cash flows from financing activities		
Payment of lease liability	(37,484)	-
Proceeds from issue of shares	-	1,778,387
Share issue costs	-	(115,134)
Net cash provided by/(used in) financing activities	<u>(37,484)</u>	<u>1,663,253</u>
Net increase/(decrease) in cash and cash equivalents	(1,451,813)	1,636,823
Cash and cash equivalents at the beginning of the half-year	2,719,202	1,816,388
Exchange rate adjustment	(43,548)	2,613
Cash and cash equivalents at the end of the half-year	<u>1,223,841</u>	<u>3,455,824</u>

The accompanying notes form part of these financial statements.

For personal use only

Notes to the condensed consolidated financial statements for the half-year ended 31 December 2020

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 2020 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 2020 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, other than in respect of new and revised accounting standards adopted as set out below. 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 2020.

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 \$1,406,651 (Note 5) for the half-year ended 31 December 2020 (half-year ended 31 December 2019: \$267,751). No other impairment loss was recorded in the period.

**Notes to the condensed consolidated financial statements
for the half-year ended 31 December 2020**

2. Significant accounting policies (continued)

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 2020. 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 to 31 Dec 2020	Half-year to 31 Dec 2019
	\$	\$
Funding from South32 Group Operations Pty Ltd recognised as income:		
Administration charges (Note 8)	365,263	311,855
Interest income	1,554	731
Government assistance	55,300	-
Other income	-	530
Total revenue	422,117	313,116

4. Receivables

	31 Dec 2020	30 June 2020
	\$	\$
Security deposits	50,000	50,000
Receivable GST / VAT	260,539	385,787
Other receivables	2,753	31,835
Total trade and other receivables	313,292	467,622

5. Exploration and evaluation expenditure

	Half-year to 31 Dec 2020	Full-year to 30 Jun 2020
	\$	\$
Balance at beginning of period/year	4,623,815	4,765,916
Capitalised during the period/year	2,981,233	5,935,845
Impaired during the period/year (i)	(1,406,651)	(1,259,122)
Grant of farm-in interests in previously capitalised projects (ii)	(2,436,956)	(4,902,120)
Exchange movements	(934,771)	83,296
Balance at end of period/year	2,826,670	4,623,815

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

	Half-year to 31 Dec 2020	Full-year to 30 Jun 2020
	\$	\$
South West Peru	1,213,550	765,098
Other Australian Projects	193,101	494,024
Total impairment	1,406,651	1,259,122

**Notes to the condensed consolidated financial statements
for the half-year ended 31 December 2020**

5. Exploration and evaluation expenditure (continued)

The Group has impaired expenditure for those projects and tenement where they have decided not to renew leases and/or the lease is still under application. For the period to 31 December 2020 the Group has impaired \$1,406,651 (30 June 2020: \$1,259,122) 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 2020, the Company received \$1,848,172 (30 June 2020 full year: \$5,362,064) in funding. \$2,436,956 (30 June 2020 full year: \$4,902,120) has been allocated against capitalised exploration and evaluation expenditures at reporting date during the reporting period (Note 5 and 8).

6. Lease Liability

	Building \$	Total \$
(a) Amounts recognised in the balance sheet		
Rights-of-use asset		
Balance as at 1 July 2020	37,383	37,383
Less: Depreciation	(33,564)	(33,564)
Add: Foreign exchange movement	(2,002)	(2,002)
Closing balance 31 December 2020	1,817	1,817
Balance as at 1 July 2019		
Right-of-use assets recognised as at 1 July	133,849	133,849
Less: Depreciation	(101,600)	(101,600)
Add: Foreign exchange movement	5,134	5,134
Closing balance 30 June 2020	37,383	37,383
	31 Dec 2020	30 June 2020
	\$	\$
Lease liabilities		
Balance as at 1 July	44,636	-
Lease liability recognised during the period	-	133,849
Add: Interest	1,227	9,966
Less: Payment	(37,484)	(104,313)
Add: Foreign exchange movement	(3,483)	5,134
Closing balance	4,896	44,636
Current	4,896	44,636
Non-current	-	-
(b) Amounts recognised in the consolidated statement of profit or loss		
Depreciation of right-of-use asset	33,564	101,600
Interest expense on lease liabilities	1,227	9,966

For personal use only

**Notes to the condensed consolidated financial statements
for the half-year ended 31 December 2020**

7. Trade and other payables

	31 Dec 2020	30 June 2020
	\$	\$
Trade and other payables and accruals	380,924	279,350
Payable GST / VAT	25,951	66,849
Total trade and other payables	406,875	346,199

8. Unexpended funding

	Half-year to 31 Dec 2020	Full-year to 30 Jun 2020
	\$	\$
Balance at beginning of period/year	946,608	997,888
Funding from strategic alliance and joint venture partner	1,848,172	5,362,064
Amount spent on exploration and evaluation projects (Note 5)	(2,436,956)	(4,902,120)
Amount spent on administration	(365,263)	(511,224)
Balance at end of period/year	(7,439)	946,608

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

9. Issued capital

	31 Dec 2020	30 Jun 2020
	\$	\$
Ordinary Shares – fully paid	59,416,693	59,416,693

Details

	No.	\$
Balance at 30 June 2019	549,305,061	57,731,440
Placement of shares on 25 October 2019	35,714,286	500,000
Rights issue issued on 15 November 2019	91,313,334	1,278,387
Issue of shares (consulting services)	1,000,000	22,000
Capital raising costs	-	(115,134)
Balance at 30 June 2020	677,332,681	59,416,693

Balance at 31 December 2020

677,332,681	59,416,693
-------------	------------

For personal use only

**Notes to the condensed consolidated financial statements
for the half-year ended 31 December 2020**

10. Share Options

(a) Listed Options

At the date of this report the Company had 127,027,620 listed options exercisable at \$0.025 and an expiry date of 30 November 2021 on issue (30 June 2020: 127,027,620).

	Half-year to 31 Dec 2020		Half-year to 31 Dec 2019	
	Number of Options	Weighted average exercise price \$	Number of Options	Weighted average exercise price \$
Balance at beginning of the period	127,027,620	0.025	-	-
Granted during period	-	-	127,027,620	0.025
Balance at end of the period	127,027,620	0.025	127,027,620	0.025

(b) Unlisted Options

On 26 November 2020, the Company issued 20,000,000 unlisted options exercisable on 30 November 2024 at \$0.075 on issue (30 June 2020: 39,500,000) to directors. The unlisted options were priced using a Black-Scholes pricing model (refer note 11). The Company recognised a share-based payment expense of \$200,000 in the statement of comprehensive income with a corresponding increase in the share-based payments reserve.

On 30 November 2020, 39,500,000 unlisted options exercisable at \$0.05 each expired unexercised.

11. Share-based payments

The table below summarises the model inputs for the 20,000,000 unlisted options granted during the period and valued using the Black-Scholes option pricing model:

	Option series: 30 Nov 2024
Grant date	26 November 2020
Grant date share price (cents)	1.8 cents
Exercise price (cents)	7.5 cents
Expected volatility	109%
Option life	4 years
Dividend yield	-
Risk-free interest rate	0.30%

For personal use only

**Notes to the condensed consolidated financial statements
for the half-year ended 31 December 2020**

11. Share-based payments (continued)

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 2020		Half-year to 31 Dec 2019	
	Number of Options	Weighted average exercise price \$	Number of Options	Weighted average exercise price \$
Balance at beginning of the period	39,500,000	0.05	39,500,000	0.05
Granted during period	20,000,000	0.075	-	-
Lapsed during the period	(39,500,000)	(0.05)	-	-
Balance at end of the period	20,000,000	0.075	39,500,000	0.05

The Company recognised a share-based payment expense of \$200,000 in the statement of comprehensive income with a corresponding increase in the share-based payments reserve.

12. Contingent liabilities

At reporting date the Company had contingent share issues to consultants of up to 15,000,000 (30 June 2020: 7,000,000) 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 2021.
- The possible issue of 9 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 2021.
- The possible issue of 1 million shares in the Company when drilling commences within tenements introduced by a consultant in the Paterson Province.
- The possible issue of 3 million shares in the Company when cumulative drilling by the Company within the tenements in the Paterson Province introduced by a consultant exceeds 10,000 meters.

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 2020 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.

For personal use only

**Notes to the condensed consolidated financial statements
for the half-year ended 31 December 2020**

16. 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 2020.

	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)
Included within segment result:					
Interest income	996	558	-	-	1,544
Depreciation	(3,397)	(35,018)	-	-	(38,415)
Impairment of exploration expenditure	(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

	Australia	South America	Discontinued Operations (Africa)	Intersegment eliminations	Consolidated
	\$	\$	\$	\$	\$
Six Months to 31 December 2019					
Segment revenue	312,586	530	-	-	313,116
Segment expenditure	(687,442)	(202,068)	-	-	(889,510)
Net profit after tax	(374,856)	(201,538)	-	-	(576,394)
Included within segment result:					
Interest income	731	-	-	-	731
Depreciation	(4,226)	(1,670)	-	-	(5,896)
Impairment of exploration expenditure	(262,675)	(5,076)	-	-	(267,751)
As at 31 December 2019					
Segment assets	12,531,566	12,086,737	10,756	(15,776,458)	8,852,601
Segment liabilities	1,780,709	14,572,237	34,762	(14,310,619)	2,077,089

For personal use only

**Notes to the condensed consolidated financial statements
for the half-year ended 31 December 2020**

17. Subsequent events

On 25 January 2021 the Company issued 19,000,000 unlisted options under its Long Term Incentive Plan. The options are exercisable at \$0.05 each on or before 30 November 2024.

On 19 February 2021 the Company announced that it has successfully completed a bookbuild to raise up to \$3.0 million in a Placement through the issue of up to 142,857,150 new fully paid ordinary shares at an issue price of \$0.021 each with participants in the Placement receiving one attaching unlisted option, exercisable at \$0.04 each on or before 1 March 2023, for every two shares subscribed.

The issue of 111,904,768 shares and 55,952,384 options was not subject to shareholder approval and the Company accordingly issued these shares and options on 1 March 2021, raising \$2.352 million before costs (Tranche 1). The issue of 30,952,382 shares and 20,476,191 options (which includes the director participation and 5,000,000 unlisted Broker Options) remains subject to shareholder approval at a general meeting scheduled to be held on 31 March 2021. This portion of the Placement is expected to settle in early April 2021 (Tranche 2).

There has been no other 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.