



AUSQUEST LIMITED

ABN 35 091 542 451

FINANCIAL REPORT

for the financial year ended 30 June 2022

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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

Registered Office

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

Corporate Office

8 Kearns Crescent
Ardross, WA, 6153
Telephone: +61 8 9364 3866
Facsimile: +61 8 9364 4892
Website: www.ausquest.com.au

Auditors

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

Share Registry

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

Chairmans' Letter

Dear Shareholder

It would be fair to say that the 2022 Financial Year could be viewed in two distinct halves.

The first half saw our long-standing Strategic Alliance Agreement with South32 ("SAA") further extended, with subsequent field work, including reconnaissance drilling, laying the foundations for a second half which saw much more intensive drilling programs undertaken across our key projects in Australia and Peru.

While the effects of the COVID-19 pandemic declined during the year, we still experienced significant delays in rig availability and assay turn-around time, causing serious frustrations for industry participants and shareholders alike.

The impact of the extension to the SAA (until December 2023) on the Company cannot be overstated.

It means that AusQuest remains well-funded to continue developing its pipeline of high-potential exploration opportunities in Australia and overseas. Under the terms of the SAA, AusQuest will continue to manage exploration programs in consultation with South32 to advance projects to the drill-ready stage. At the point of re-signing, AusQuest had six active projects under the SAA.

In Peru, we kicked off our exploration activity for the first half with a successful "proof-of-concept" drilling program which provided evidence of extensive manto-style copper mineralization at the Parcoy Project. The encouraging results led to further work being agreed to outline targets that could offer better grades at shallower depths, to be drill tested later in the year.

At Balladonia in WA, reconnaissance air-core drilling revealed priority nickel and copper targets at the Harms Lake prospect and evidence of Broken Hill Type mineralization at the Tea Tree prospect. Geophysics at Morrissey (WA) delivered three priority nickel-copper targets for follow-up, and drilling results at Hamilton (Queensland) suggested geological similarities to the nearby Osborne copper-gold mine.

All of these encouraging developments pointed to a period of significant drilling activity across both Australia and Peru in the second half of the year.

Permitting for drilling in Peru also advanced, and further survey work in WA upgraded targets at several of our prospects. The scene was set for an exciting second half to the year.

The second half commenced in Peru with a four-hole (1,260m) drilling program at Los Otros, searching for buried porphyry copper mineralisation. Drilling was reconnaissance in nature and delivered interesting rather than compelling results.

In Australia, drilling operations commenced at Balladonia in February, with a 1,045m program (comprising five holes) to test targets at the Harms Lake and Tea Tree prospects, followed in April by a 2,040m program at Hamilton (three holes) testing targets defined by new gravity surveys

As the Financial Year drew to a close, the Company was still awaiting results from the above programs, but had commenced preparations for drilling at the Parcoy Project in Peru, where a ~3,500m drilling program has been designed to test beneath strong surface copper anomalies that had been outlined following encouraging results from the initial drill program in 2021.

Permitting for a 6,700m RC drilling program to test five copper targets at the Pirata prospect was also nearing completion, with drilling expected to commence before the end of 2022.

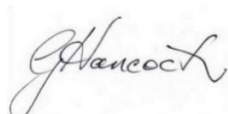
A new opportunity was also added to the SAA portfolio during the year, when South32 agreed to include the Jubilee Lake nickel-copper prospect in WA. Geophysical surveys commenced late in the year designed to fast-track drilling, should targets be identified.

All up, it has been a year of significant activity with many results still pending and further drilling campaigns planned for the 2022/2023 year.

The SAA continues to generate strong engagement with South32 on the existing portfolio as well as additional work on new projects that we hope will become exploration opportunities in future years. Under the SAA, the Company continues to be well funded to pursue these new opportunities.

I would like to conclude by expressing my thanks to my fellow directors, our staff and consultants for their effort during the year, and shareholders for their ongoing support.

Yours faithfully



Greg Hancock

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 year ended 30 June 2022. 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 Operations

A review of the Group's exploration projects and activities during the year is discussed in the Operations Review included in this Annual Report.

The loss of the Group after income tax for the year was \$1,457,728 (2021: loss after tax of \$1,282,827).

Changes in state of affairs

During the year ended 30 June 2022 there was no significant change in the state of affairs of the Group other than as referred to in the financial statements or notes thereto.

Events Occurring after the Reporting Date

There has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Future developments

Disclosure of information regarding the likely developments in the operations of the Group in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Group. Accordingly, this information has not been disclosed in this report.

Safety and environmental regulations

The Group is aware of its occupational health and safety and environmental obligations with regard to its exploration activities and ensures that it complies with all regulations when carrying out exploration work.

Dividends

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

Proceedings on behalf of the Company

No persons have applied for leave pursuant to s.237 of the Corporation Act 2001 to bring, or intervene in, proceedings on behalf of AusQuest Limited.

Directors' Report

Information about directors and senior management

The names and particulars of the directors of the Company during or since the end of the financial year and up to the date of this report are noted below. Except where indicated, directors have held office during and since the end of the financial year:

Greg Hancock BA Econ., BEd Hons., F.Fin
Non-Executive Director and Chairman

Greg has had over 25 years' experience in capital markets practicing in the area of corporate finance. He maintains close links with the stockbroking and investment banking community on behalf of the Company.

Directorships held in listed companies over the last three years are as follows:

- Zeta Petroleum PLC – April 2015 – current
- Strata-X Energy Limited (now called Pure Hydrogen Corporation Limited) – July 2015 – March 2021
- BMG Resources Ltd – Feb 2017 – current
- Golden State Mining Limited – Nov 2018 – current
- Cobra Resources PLC – Nov 2018 – current
- Group 6 Metals Ltd – Feb 2019 – current
- Triangle Energy Limited – Feb 2022 - current

Graeme Drew B.Sc.Hons., FAIMM, MASEG
Managing Director

Graeme has over 40 years' experience in the exploration industry in Australia and overseas. Prior to co-founding AusQuest Limited he was an Exploration Manager for CRAE and Rio Tinto Exploration Pty Ltd in Western Australia (9 years) and Eastern Australia (4 years). He has wide experience in the search for, and evaluation of, most base and precious metals (notably nickel, copper, gold, uranium, zinc and diamonds). Graeme has developed a passion for the 'big picture' and 'big project' generation which he strongly believes are the building blocks for successful exploration outcomes.

Graeme has held no other directorships in listed companies over the last three years.

Christopher Ellis B.Sc.Hons.
Non-Executive Director

Chris is an experienced mining executive with over 30 years' experience in geology, exploration, mine planning and project development in Australia and overseas. He was a founding member and Executive Director of Excel Coal Limited which was the subject of a take-over bid by the US coal giant Peabody Energy Inc, and has held senior positions within Shell Coal's Exploration, BP Coal (London and USA), Agipcoal Australia and the Stratford Joint Venture.

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

Henko Vos
Company secretary

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

Directors' Report

Directors' meetings

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member).

During the financial year 4 board meetings and 2 audit committee meeting and 1 nomination and remuneration committee meeting were held.

| Directors | Board of Directors | | Nomination and Remuneration committee | | Audit committee | |
|-------------------|--------------------|----------|---------------------------------------|----------|--------------------|----------|
| | Eligible to attend | Attended | Eligible to attend | Attended | Eligible to attend | Attended |
| Greg Hancock | 4 | 4 | 1 | 1 | 2 | 2 |
| Graeme Drew | 4 | 4 | 1 | 1 | 2 | 2 |
| Christopher Ellis | 4 | 4 | 1 | 1 | 2 | 2 |

Directors' shareholdings

The following table sets out each director's relevant interest in shares, debentures, and rights or options in shares or debentures of the Company or a related body corporate as at the date of this report.

| Directors | Fully paid ordinary shares Number | Share options (Unlisted) Number |
|--------------|--------------------------------------|---------------------------------------|
| Greg Hancock | 4,586,415 | 5,000,000 |
| Graeme Drew | 19,323,409 | 11,190,476 |
| Chris Ellis | 174,916,293 | 14,523,810 |

Directors' Report

Review Of Results And Operations

HIGHLIGHTS

Australia – Copper, Gold, Zinc, Nickel

- ❑ Additional diamond drilling (three holes/2,045m) was successfully completed at the *Hamilton Base Metal Project* in NW Queensland, confirming the presence of widespread copper mineralisation associated with banded iron formations (BIF), similar to those found at the nearby Osborne copper-gold mine.
- ❑ A strong off-hole conductor was identified at the Hamilton North prospect by Down-hole Electromagnetic (DHEM) surveys, with drilling planned for Q4 2022.
- ❑ Diamond drilling at the *Balladonia Base Metal Project* in the Fraser Range region of Western Australia provided strong evidence for Broken Hill Type (BHT) mineralisation at the Tea Tree prospect, including iron, manganese and potassic alteration within garnet-rich quartzites and BIFs plus highly anomalous lead, zinc and cadmium values within the mafic volcanics.
- ❑ High-priority drill targets were confirmed at the *Morrisey Nickel-Copper Project* within the Narryer Terrane of WA following ground electromagnetic (EM) surveys. Initial drill testing commenced in August 2022, with results pending.
- ❑ The *Jubilee Lake Nickel-Copper-PGE Project* was accepted as a new Exploration Opportunity under the Strategic Alliance with South32 (SAA). EM surveys to advance the project to the drilling stage commenced at the end of the Financial Year, with results pending.

Peru – Copper-Gold

- ❑ A program of 10 Reverse Circulation (RC) drill-holes for ~3,500m commenced in June to test strong surface copper anomalies over a strike length of ~3km at the *Parcoy Project*. Results are pending.
- ❑ An RC drilling program (20 holes for ~6,700m) to test four large-scale porphyry and/or manto copper targets at Pirata, located east of the *Cerro de Fierro* prospects, is expected to commence towards the end of Q3 2022. Drilling is expected to take several months to complete.
- ❑ New areas for porphyry and/or manto-style copper mineralisation have been secured in the Cerro de Fierro region, where the Company is consolidating a strong ground position.

Corporate

- ❑ The Strategic Alliance Agreement (SAA) with a wholly-owned subsidiary of South32 Limited (South32) was extended for a further 2-year period (up to 31 December 2023) to continue the development of high-potential exploration opportunities in Australia and Peru.

Directors' Report

REVIEW OF PROJECTS

AUSTRALIA BASE METALS: COPPER, GOLD, ZINC and NICKEL

AusQuest controls approximately 7,300km² of exploration title within Australia – 6,800km² within Western Australia (WA) and 500km² within Queensland (QLD). Four of seven projects (Hamilton, Balladonia, Morrisey and Jubilee) are currently subject to the Strategic Alliance Agreement (SAA) with a wholly-owned subsidiary of South32 Limited (South32), while three (Moora, Mt Davis and Gunanya) are 100%-owned by AusQuest (*Figure 1*).

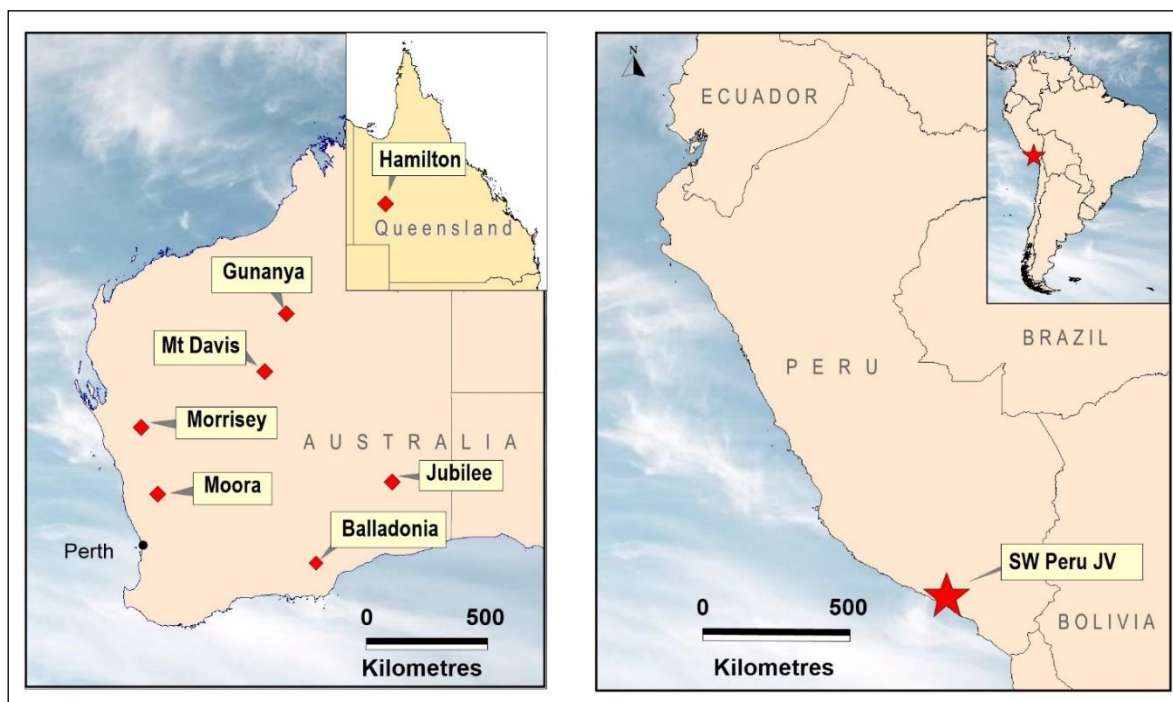


Figure 1: AusQuest Project Locations in Australia and Peru.

Hamilton Copper Project

The Hamilton Project, which covers an area of ~500km², is located in north-west Queensland, ~120km south of the Cannington mine. Limited historical drilling of magnetic and gravity targets in this area provided evidence for “near-miss” situations for Iron Oxide-Copper-Gold (IOCG) and Broken Hill Type (BHT) mineralisation.

The Hamilton Project covers a belt of magnetic rocks extending over a strike length of approximately 30km under Eromanga Basin cover, which is approximately 200m thick. Numerous magnetic targets within this belt have never been tested by drilling (*Figure 2*).

During FY2022, detailed gravity surveys and additional diamond drilling (three holes for a total of ~2,045m) were completed to further test targets identified at the Hamilton North and Hamilton South prospects.

A review of results from earlier drilling indicated the presence of mineralised BIF stratigraphy and significant iron and carbonate alteration associated with highly anomalous copper values.

Multi-element geochemical data identified areas of greater potential, and structural measurements on drill core highlighted the possibility of favourable trap-sites (fold closures) where stronger copper mineralisation could occur.

Diamond drilling during the year confirmed the widespread nature of copper mineralisation within the mineralised BIF and adjacent stratigraphy, especially at the *Hamilton North* prospect where an additional two drill-holes (for ~1,500m) were completed.

Subsequent down-hole electromagnetic (DHEM) surveys identified a strong off-hole EM response approximately 50m to 75m south-west of drill-hole 22HMDD018, highlighting the potential for a sulphide body within the mineralised BIF sequence at Hamilton North.

Directors' Report

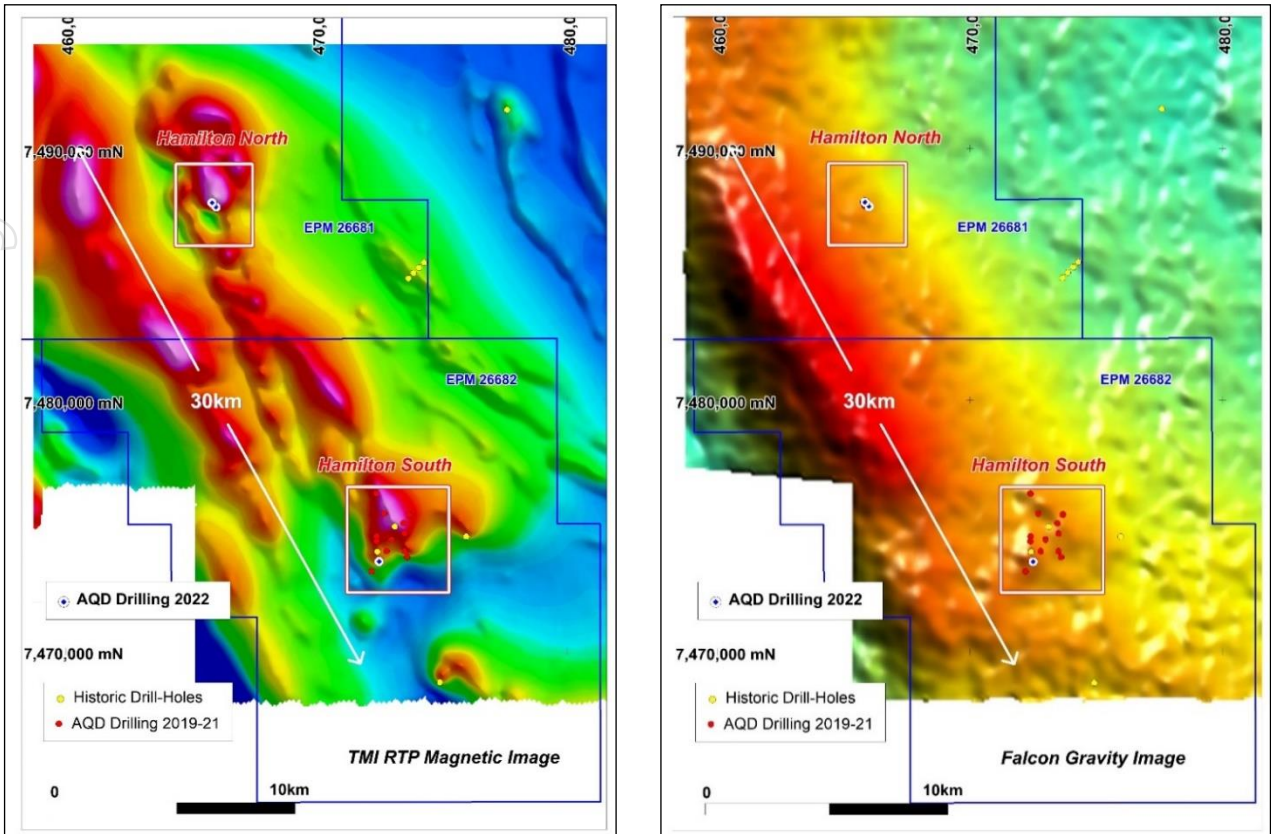


Figure 2: Hamilton Project magnetic and gravity target showing the location of prospects and drill-holes.

Computer modelling of the DHEM data confirmed at least one conductor, ~50m to 75m wide and 150m to 200m long with a conductance of ~3,000 to 5,000 Siemens (typical of sulphide mineralization), plunging at ~50° to the E/ENE roughly parallel to the layering measured within drill-core (Figure 3). Further drilling at Hamilton North is planned to test this target in Q4 2022.

At Hamilton South, drilling (one hole for 600m) tested a coincident magnetic-gravity response, but failed to intersect the cause of the gravity anomaly. Weakly altered metasediments and/or mafic volcanics were intersected in drill-hole 22HMDD017, suggesting it had missed the target. Carbonate and potassic alteration near the bottom of the hole suggest that mineralisation may occur either lateral to, or beneath, the current drill-hole position.

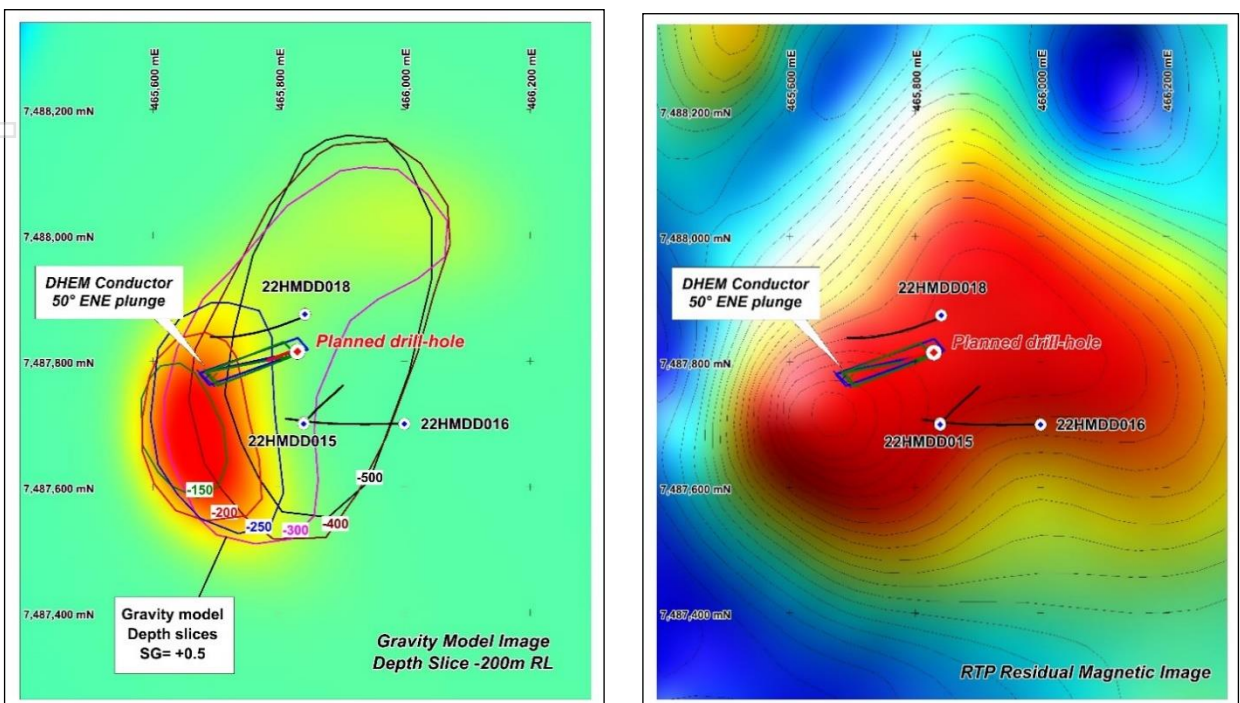


Figure 3: Hamilton North gravity and magnetics showing location of drill-holes and DHEM conductors.

Directors' Report

Balladonia Base Metal Project

The Balladonia Project, which covers an area of ~840km², is located ~50km south of the Nova-Bollinger nickel-copper deposit within the Fraser Range region of WA. Comparisons with the Eastern Succession of north-west QLD (east of Mt Isa) – where iron-oxide copper-gold (IOCG) and Broken Hill Type (BHT) deposits are known to occur – are becoming increasingly apparent as further data are acquired.

At the *Tea Tree Prospect*, a total of four diamond holes for ~940m were completed across a NNW trending magnetic/gravity corridor that extends over a strike length of at least 15km. Drilling intersected high-grade metamorphic rocks containing banded iron formations (BIFs), garnetiferous quartzites, garnetites and mafic volcanics similar to sequences found in north-west Queensland (*Figure 4*).

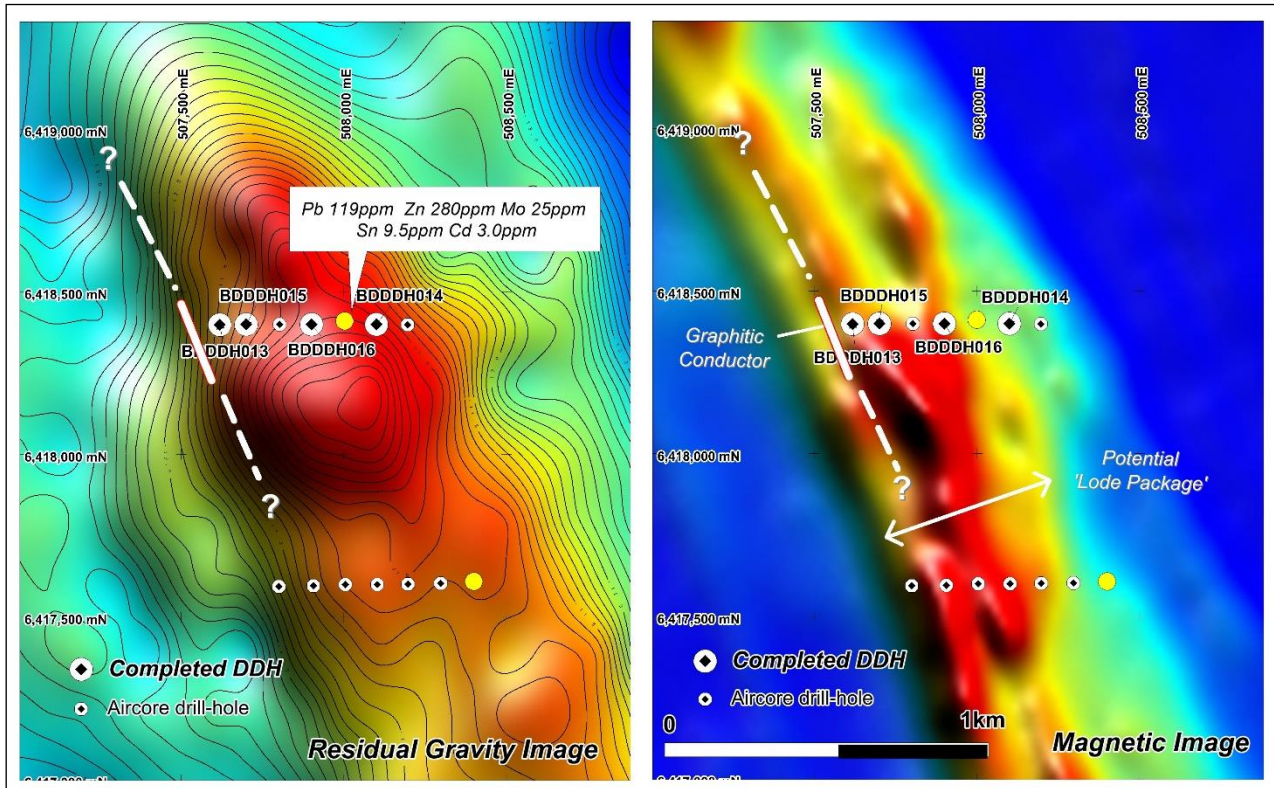


Figure 4: Tea Tree Prospect showing location of drill-holes on magnetic & gravity images.

Assay results identified the presence of potassic alteration throughout much of the sequence, also highlighting iron (Fe) and manganese (Mn) alteration within the garnetiferous quartzites, and substantial thicknesses (~30-50m) of highly anomalous lead (up to 420ppm Pb), zinc (up to 3,170ppm Zn) and cadmium (up to 20ppm Cd) within the adjacent mafic rocks.

BHT alteration indices designed to identify potential BHT environments were also calculated, producing anomalous results across the drilled section (*Figure 5*).

The occurrence of potential 'lode packages' similar to those found in north-west Queensland (and possibly Broken Hill) has not previously been recognised in the Fraser Province, and significantly upgrades the base metal prospectivity of this region.

High-amplitude magnetic/gravity anomalies within the Balladonia Project are now considered to be high-priority targets for BHT lead-zinc-silver and possibly IOCG mineralisation.

At the *Harms Lake* prospect, drilling (one hole/200m) tested an EM target which was found to be caused by graphite (returning an intercept of 4m @ 10.5% Total Graphitic Carbon (TGC)) within high grade metamorphic rocks, similar to the graphite intersected at the Tea Tree prospect (4m @ 20.5% TGC). No exploration for graphite has been undertaken in this area.

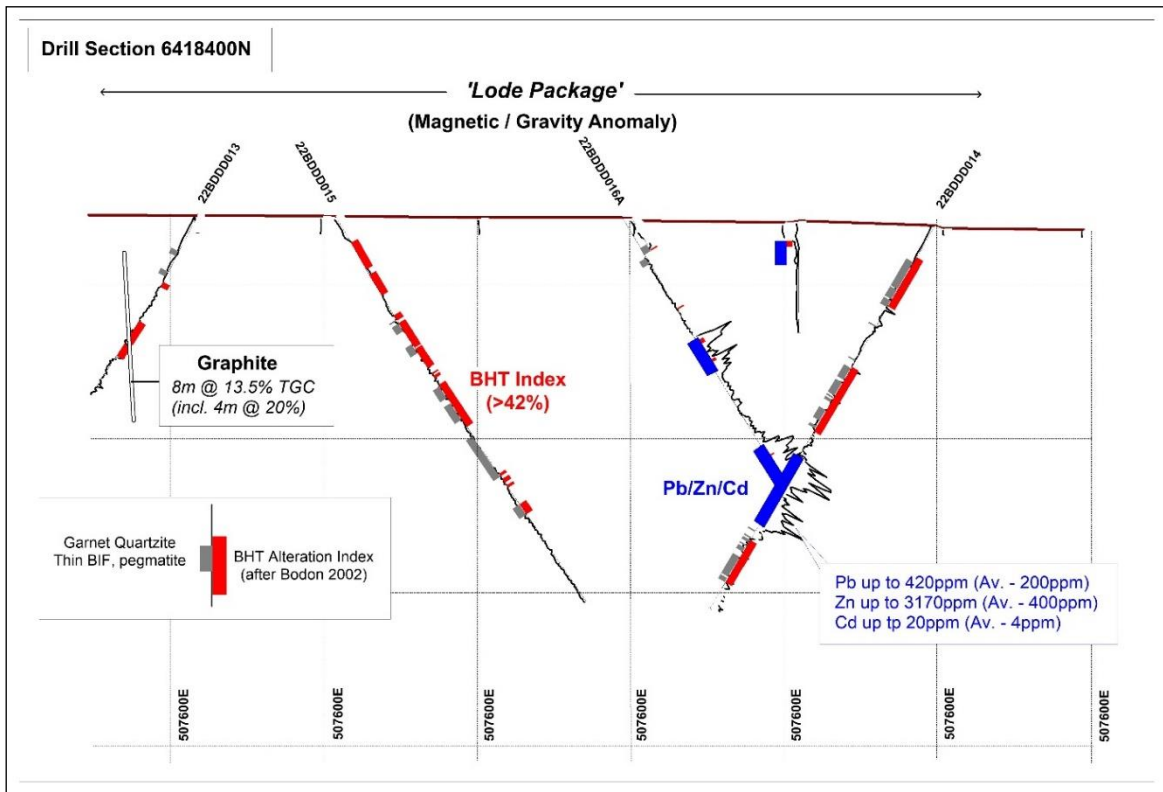


Figure 5: Drill-hole Section 6418400N showing assay results across the magnetic/gravity sequence.

Morrisey Nickel-Copper Project

The Morrisey Project, which covers an area of ~1,200km², is located within the Narryer Terrane ~500km north of Perth in WA. This area became the focus of industry attention following the discovery of the Julimar nickel-copper-PGE deposit north of Perth, which highlighted the untested nickel-copper-PGE potential of the western margin of the Yilgarn Craton.

During the year, soil and rock geochemical surveys confirmed the presence of mafic and ultramafic rocks within the targeted magnetic complexes, highlighting the potential for nickel-copper mineralisation in the vicinity of previously identified helicopter electromagnetic (HEM) anomalies.

Moving Loop Transient Electromagnetic (MLTEM) surveys confirmed the three HEM targets, outlining moderate to strong conductors (~600 to 6,000 Siemens) at relatively shallow depths (<100m), reflecting possible sulphide mineralisation associated with the interpreted mafic/ultramafic intrusions (Figures 6, 7, 8).

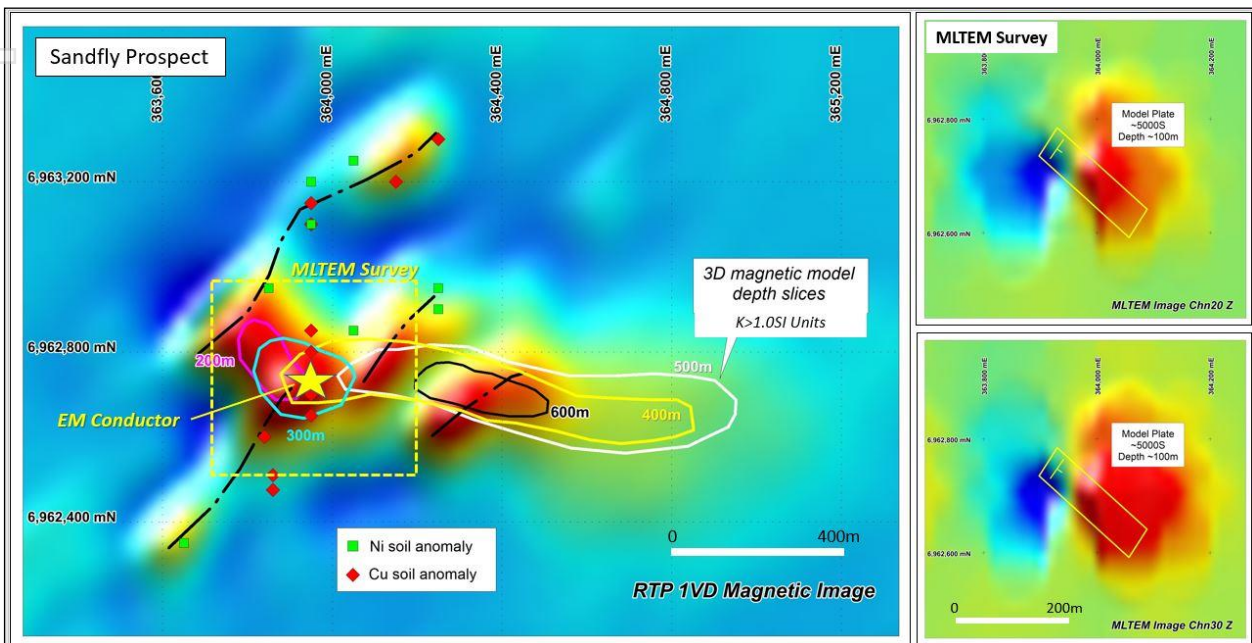


Figure 6: Sandfly prospect showing magnetic data plus EM anomaly/model (RHS) location.

Directors' Report

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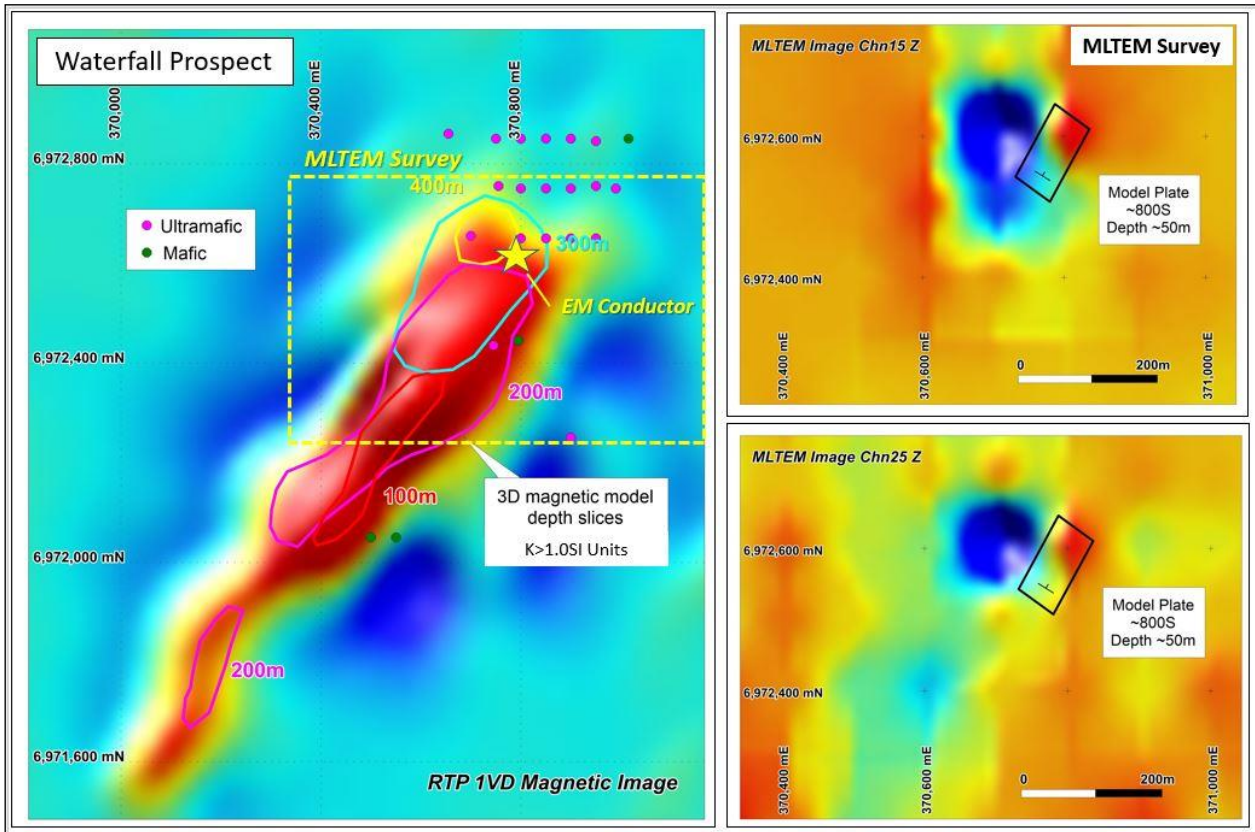


Figure 7: Waterfall prospect showing magnetic data plus EM anomaly/model (RHS) location.

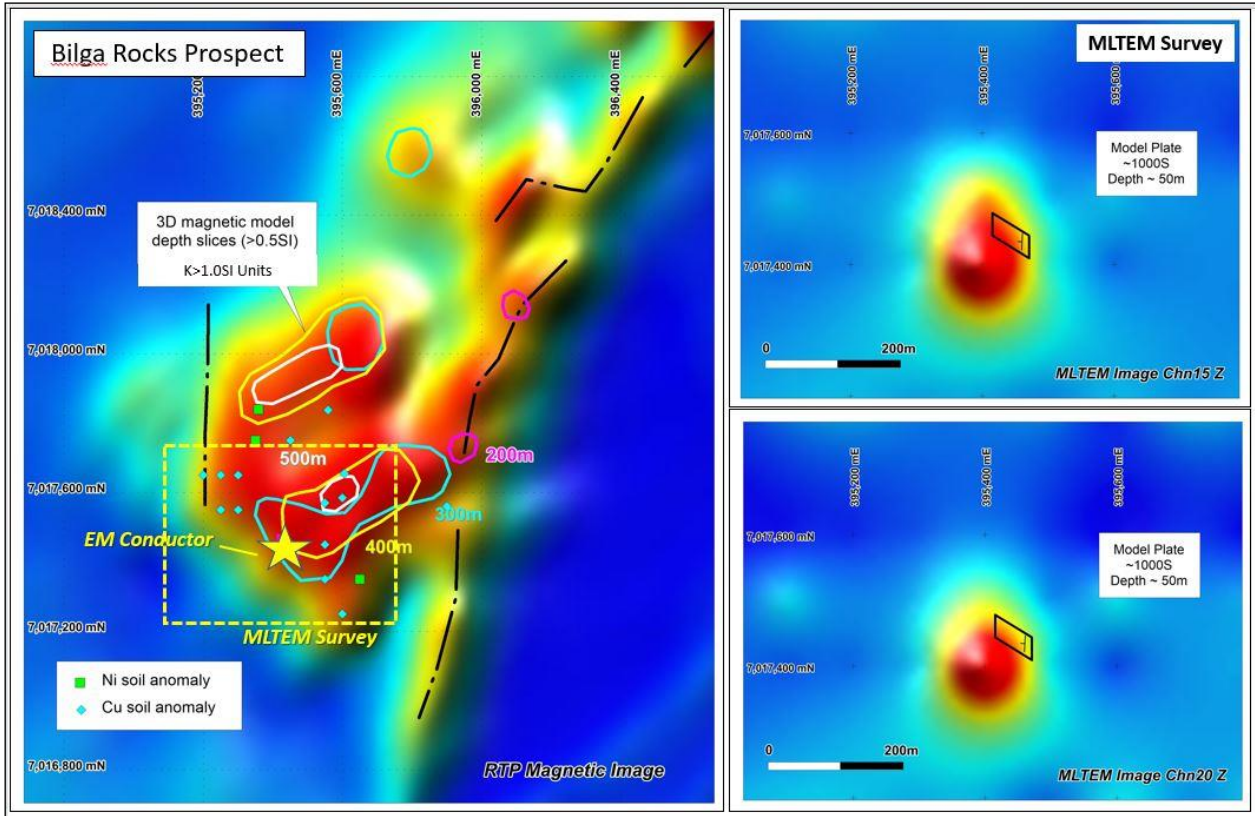


Figure 8: Bilga Rocks prospect showing magnetic data plus EM anomaly/model (RHS) location.

Modelling of magnetic data suggests that the EM targets may be closely associated with possible chonolith-type intrusions (horizontal cylindrical bodies) with similar magnetic characteristics to the Gonneville intrusion that hosts the nickel-copper-PGE mineralisation discovered by Chalice Mining at the Julimar Project, north of Perth.

All required clearances have been obtained and RC drilling (~1,000m) commenced in August to provide an initial test of the targets. Results are pending.

Directors' Report

Jubilee Lake Nickel-Copper-PGE Project

The Jubilee Lake Project, which covers an area of ~3,200km², is located within a large flood basalt terrane approximately 500km east of Kalgoorlie in WA. Mafic/ultramafic intrusions associated with the Rodona Shear are considered prime targets for nickel-copper-PGE sulphide deposits, similar to those found at the giant Norilsk deposits in Russia, and more locally at Nebo-Babel (Oz Minerals) and possibly at Nova-Bollinger (IGO), both nearby deposits.

During the year, the project was accepted as a new Exploration Opportunity under the SAA, securing finance for initial testing of the concept.

An MLTEM survey commenced in late June to search for sulphide mineralisation associated with interpreted mafic/ultramafic intrusions located along the Rodona Shear (Figure 9). At the time of this report, results from this survey were still pending.

Any conductors identified by the MLTEM survey could fast-track the project to the drilling stage.

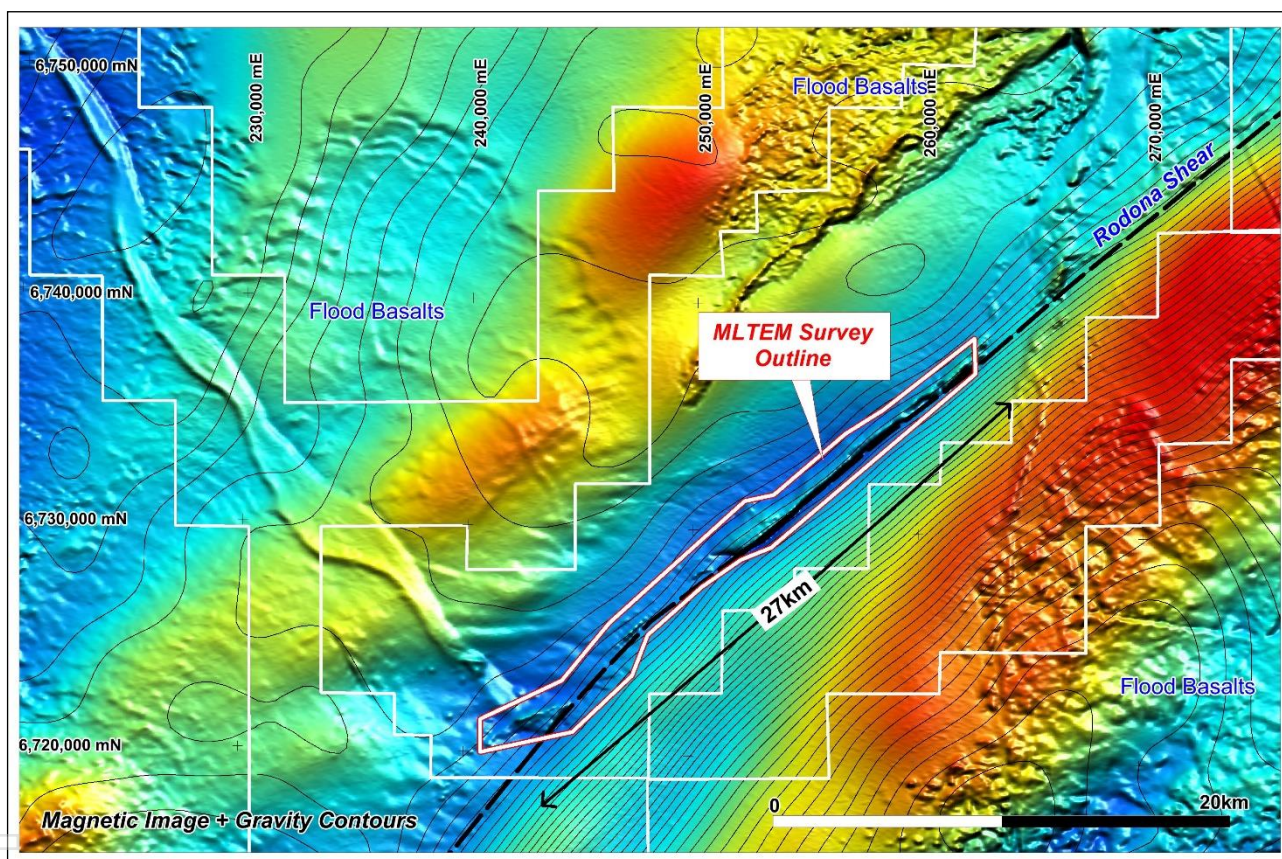


Figure 9: Jubilee Lake magnetics and gravity showing outline of planned MLTEM survey.

Moora Nickel-Copper Project (AQD 100%)

The Moora Project, which covers an area of ~570km², is located ~150km north of Perth, WA within the Jimperding Metamorphic Belt, which hosts the new nickel-copper-PGE discoveries at Julimar and Yarawindah Brook, just north of Perth.

During the year, HEM surveys that were completed over selected target areas failed to identify any anomalies of obvious interest. However, much of the survey was found to be ineffective due to the presence of conductive cover (saline water).

Subsequent gravity surveys over the Latham and Wubin prospects outlined strong gravity responses coincident with magnetic anomalies, inferring the potential for mafic/ultramafic intrusions in the area (Figure 10).

Further exploration including either ground-based EM surveys and/or shallow drilling over the gravity/magnetic targets is planned once access and compensation agreements have been finalised with landowners. A draft agreement has been prepared for discussion.

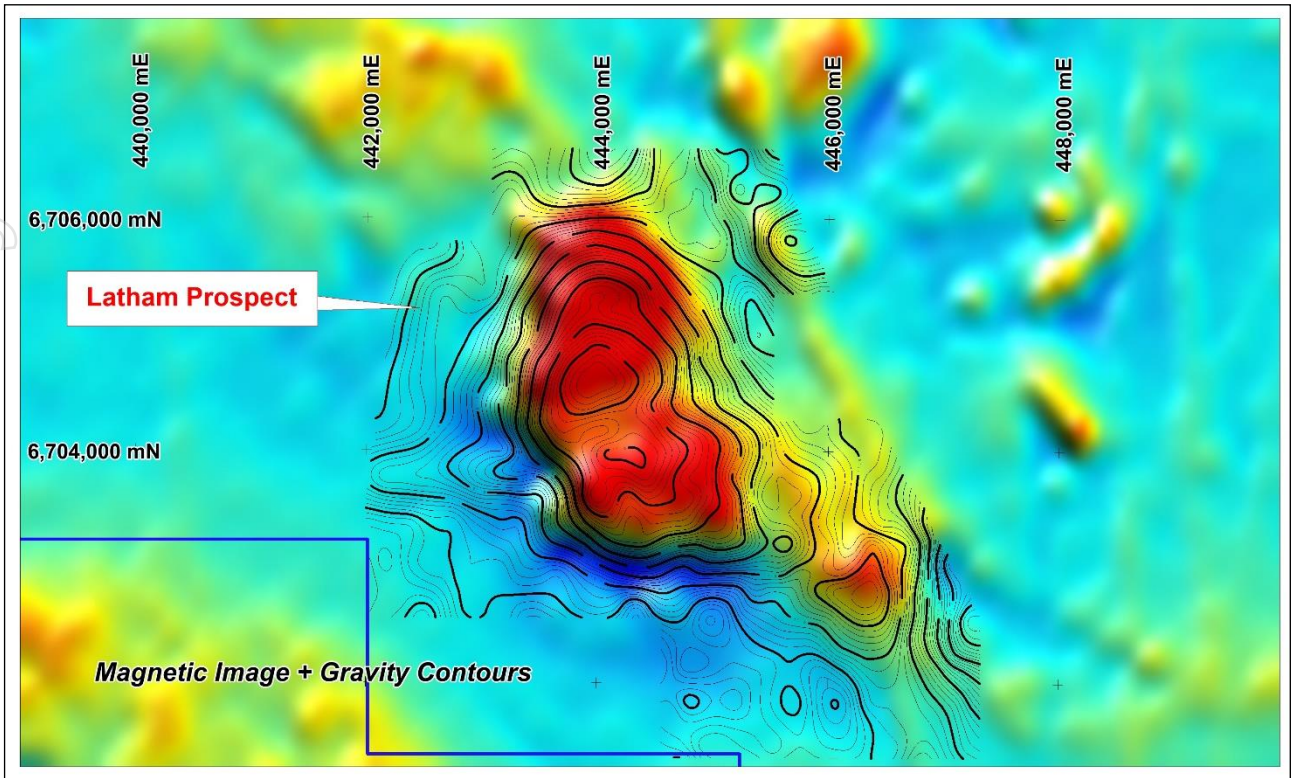


Figure 10: Moora Project showing magnetics and gravity over the Latham Prospect.

Mt Davis Lead-Zinc-Copper Project (AQD 100%)

The Mt Davis Project, which is located ~180km NNE of Wiluna in WA, covers an area of ~750km² along the northern margin of the Earraheedy Basin. The Project is believed to contain similar stratigraphy to the Chinook Prospect, where extensive strataform lead, zinc (+/- copper) mineralisation, has been discovered below the Frere Iron Formation (FIF) by Rumble Resources on the southern side of the Basin.

A detailed low-level aeromagnetic/radiometric survey was completed during the year as a first step in defining the location of the FIF and the structures affecting it, in order to prioritise areas for follow-up (Figure 11).

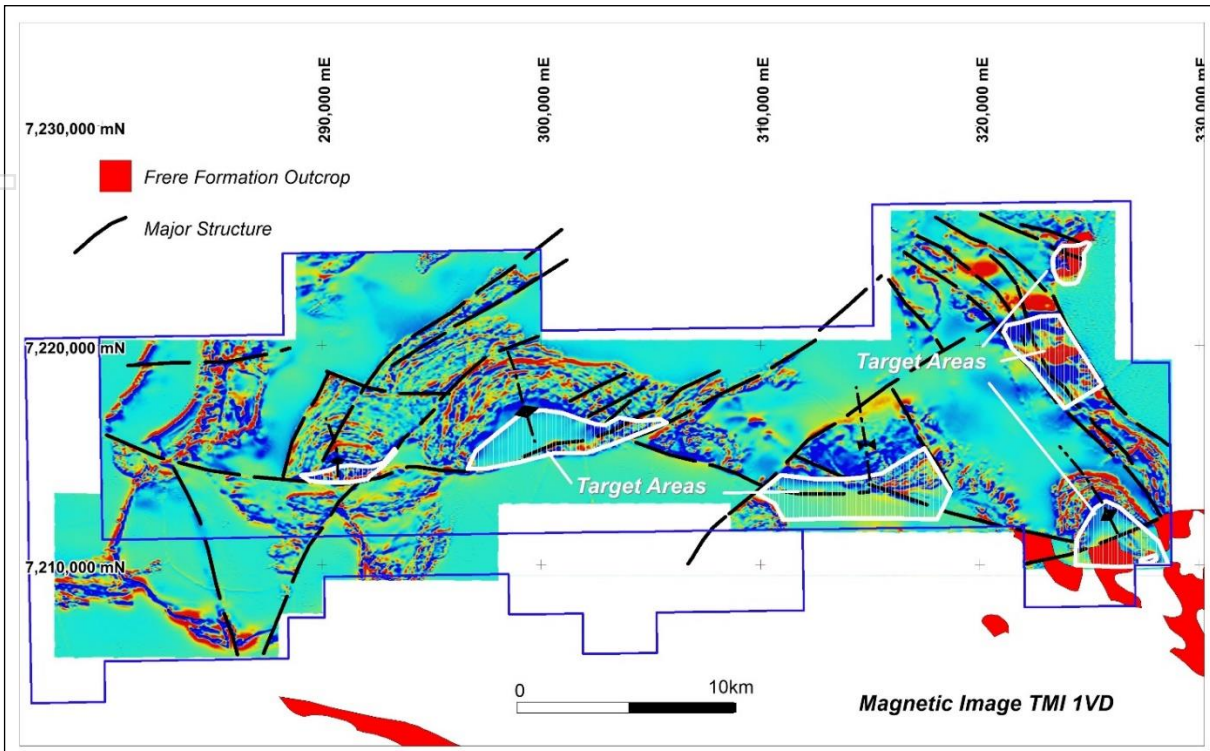


Figure 11: Mt Davis detailed aeromagnetic image showing location of priority target areas.

Directors' Report

Six areas of immediate interest were defined where both favourable stratigraphy (the base of the FIF) and large-scale structures are evident in the magnetics. Shallow northerly dipping and gently folded FIF can be traced over a strike length of ~40km with large-scale NE and NW trending faults disrupting the stratigraphy. Both stratigraphic and structural controls are believed to be important in localising higher grades of lead, zinc and copper at the Chinook prospect.

Initial field reconnaissance within the eastern half of the project is planned before the end of 2022.

Paterson Copper-Gold Project (AQD 100%)

The Paterson Copper-Gold Project, which now only includes the Gunanya tenement, is located ~250km east and north-east of Newman within the Paterson Province of Western Australia, where discoveries at Winu (Rio Tinto) and Havieron (Greatland Gold/Newcrest) have highlighted the prospectivity of the region.

A review of the Paterson prospects during the year resulted in the Madley tenements being surrendered as part of an ongoing process of prioritising resources. Further exploration at Gunanya is under consideration.

New Opportunities and Project Generation (Australia)

The Company continues to undertake project generation studies across Australia targeting new base metal (copper, zinc and nickel) opportunities for consideration under the SAA.

A tenement application that was lodged in South Australia to cover a potential IOCG target close to Coober Pedy was granted in July 2022. A Heritage Agreement is being finalized to allow on-ground exploration to commence in 2023. Gravity surveys are being planned to better define targets ahead of possible drilling.

PERU: COPPER-GOLD

AusQuest controls approximately 510km² of exploration title within southern Peru – one of the world's most prominent destinations for international copper exploration. Detailed aeromagnetic data acquired by the Company has been used to identify prospective areas for porphyry copper and/or IOCG deposits beneath extensive cover in the south of the country (Figure 12).



Figure 12: Project Locations – Southern Peru.

Directors' Report

Two of the projects (Cerro de Fierro and Parcoy) are currently subject to the SAA with South32, while the remaining projects (Playa Kali and Ventura Los Otros) are 100%-owned by AusQuest.

Cerro de Fierro Copper Project:

The Cerro de Fierro Project is located at the southern end of a recognised Iron-Oxide Copper-Gold (IOCG) metallogenic belt in southern Peru. It lies within ~150km of the Mina Justa deposit (~475Mt @ 0.68% Cu), which is being developed by the Marcobre Joint Venture. The potential for porphyry copper deposits has also been highlighted by the Company's exploration program.

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

A recommendation to drill-test four high priority targets (20 RC drill-holes for a total of ~6,700m) was accepted under the SAA in late 2021. Three of the targets contain strong indications of advanced argillic alteration and high-temperature mineralogy over significant areas (>1km²), suggesting the possibility of large-scale porphyry copper systems in the area. The fourth target is a manto copper target, with similar geophysical characteristics to the Cerro de Fierro prospect (*Figure 13*).

Environmental and archaeological studies as well as community consultations were completed during the first half of 2022, with documentation submitted to Government to obtain a drilling permit. Approval to allow drilling operations to commence at Pirata should be received in September. Drilling is expected to take two to three months to complete.

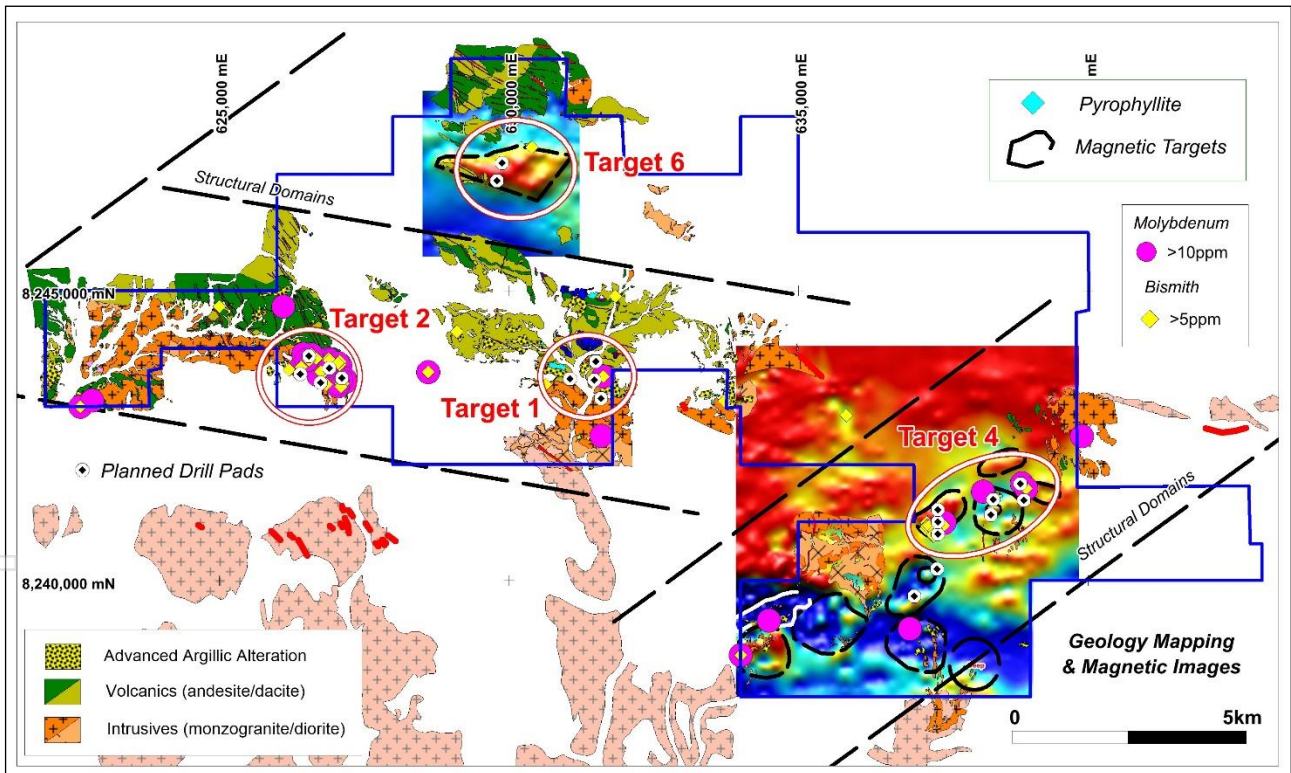


Figure 13: Cerro de Fierro East (Pirata) showing geology, geochemical anomalies and planned drilling.

Parcoy Copper Project:

The Parcoy Project is located ~50km north-west of Cerro de Fierro and is prospective for manto-style copper mineralisation within volcanic stratigraphy, similar to that found at the Mina Justa deposit, approximately 100km further to the north.

During the year, in-fill surface sampling was completed over the central portion of the prospect following confirmation of manto-style copper mineralisation within the volcanic sequences by the initial reconnaissance drilling program in 2021.

Directors' Report

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

While drilling in 2021 provided 'proof-of-concept' for manto-style copper, it did not test the strongest copper anomalies due to difficult access within the central part of the area. Drilling in 2022 (10 RC drill-holes for a total of ~3,500m) is designed to test the stronger anomalies (*Figure 14*).

Drill permit applications were submitted and approved by the Peruvian Government which allowed drilling to commence in July. This program is expected to take a month to complete with assay results expected to be available one to two months after completion of the drilling. At the time of this report, results are pending.

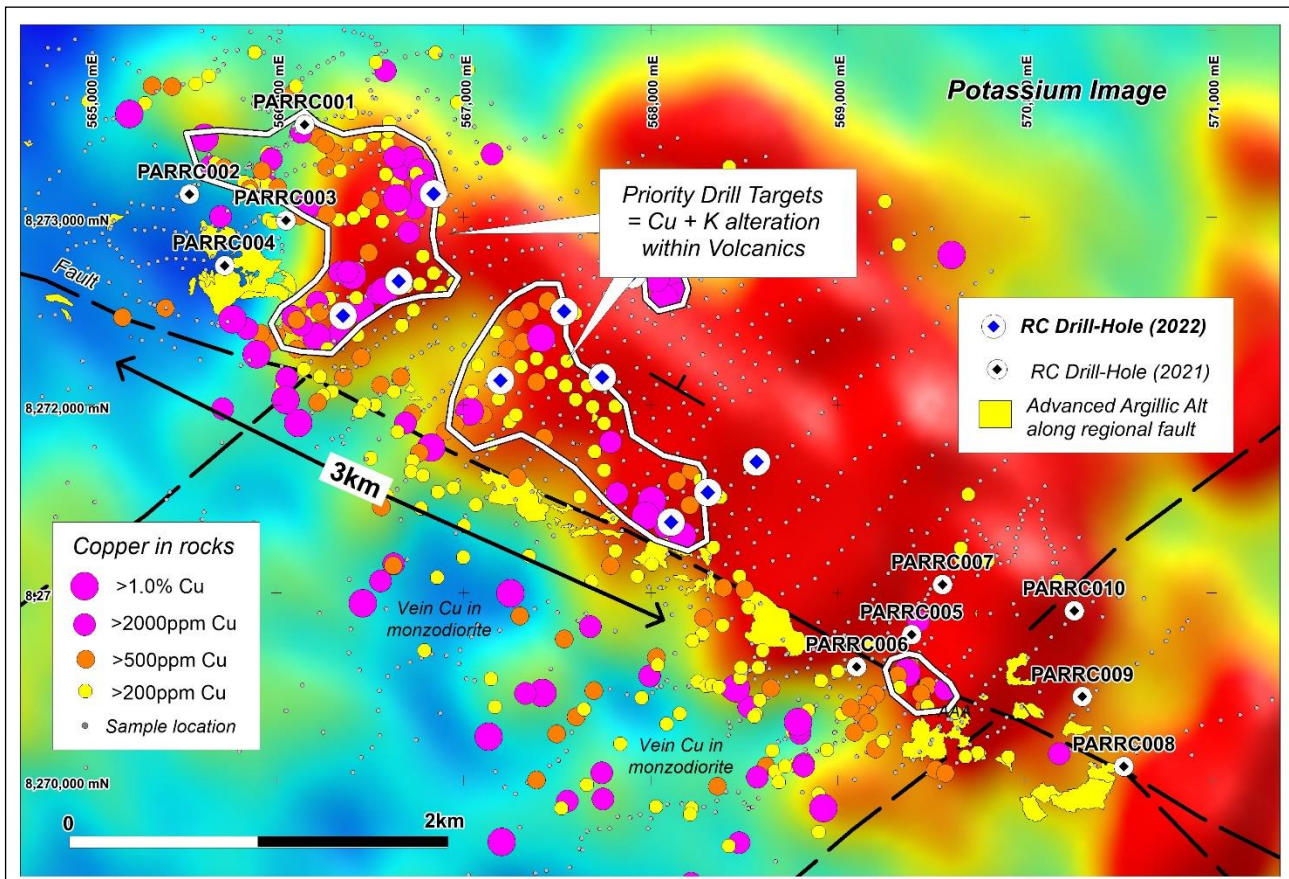


Figure 14: Parcoy Project showing copper anomalies and drill-hole locations.

Los Otros Copper Project:

At the Los Otros Porphyry Copper Project, initial wide-spaced RC drilling (four holes for a total of 1,261m) of porphyry copper targets was completed. The targets are located close to the Palaeocene Porphyry Copper Belt of southern Peru, which is the country's major copper producing region.

The drilling program intersected advanced argillic alteration (AAA) with the strongest alteration in hole LOTRC04 providing a possible vector towards a buried porphyry system located beneath the sediment cover in the north. Following these results, the Company was advised that South32 would not be pursuing the Los Otros opportunity due to higher priority projects elsewhere both inside and outside the AusQuest portfolio.

The tenement holding at Los Otros was subsequently rationalised with the two most prospective mineral claims being retained by the Company. Further exploration work at Los Otros is being considered in light of the project's location and the presence of other major company titles nearby.

Directors' Report

New Opportunities and Project Generation (Peru)

Project generation work within southern Peru continued at a slow pace during FY2022 as a result of the Company's continuing focus on advancing projects under the SAA.

New tenement applications were submitted to consolidate the Company's land position in the Cerro de Fierro region, and tenements at Puite and Azucar West in the south were surrendered following a review of data and a reset of priorities for the Company's projects in Peru.

Geological mapping and soil sampling was commissioned to upgrade new areas ahead of consideration under the SAA as new exploration opportunities. Ground magnetic surveys over the Playa Kali project identified potential targets in areas of anomalous surface geochemistry, highlighting areas for future exploration work. The Playa Kali project is located close to the coast between the Cerro de Fierro and Parcoy Projects.

CORPORATE

The Strategic Alliance Agreement (SAA) with a wholly-owned subsidiary of South32 Limited (South32) has been extended for a further 2-year period (up to 31 December 2023).

The Company's cash balance remained relatively stable during FY2022 largely due to contributions under the SAA which provided funding of ~\$5.4 million for agreed work programs over projects both in Australia and Peru. The Company's cash position at the end of June 2022 was \$3.9 million.

The Company advises that the appeal to the Administrative Judiciary against payments requested by the Ministry of Housing (SBN) in Peru is ongoing. Further details are provided under Note 22 to the Financial Statements.

Remuneration of directors and senior management

Information about the remuneration of directors and senior management is set out in the Remuneration Report of this Directors' Report.

Share options granted to directors and senior management

During the year and since the end of the financial year there were no share options granted to any Key Management Personnel of the Group as part of their remuneration.

Share options

Shares under option or issued on exercise of options

Details of unissued shares or interests under option as at the date of this report are:

| Issuing entity | Number of shares under option | Class of shares | Exercise price of option | Expiry date of options |
|------------------|-------------------------------|-----------------|--------------------------|------------------------|
| Unlisted | | | | |
| AusQuest Limited | 19,000,000 | Ordinary | 5 cents each | 30 Nov 2024 |
| AusQuest Limited | 20,000,000 | Ordinary | 7.5 cents each | 30 Nov 2024 |
| AusQuest Limited | 76,428,575 | Ordinary | 4 cents each | 01 Mar 2023 |

The holders of such options do not have the right, by virtue of the option, to participate in any share or other interest issue of any other body corporate or registered scheme.

Shares issued on the exercise of options

There were no shares issued on the exercise of options during or since the end of the financial year.

Share options granted during the year

There were no shares options granted during or since the end of the financial year.

Share options that expired/lapsed

On 30 November 2021, 126,068,288 AQDOC listed options exercisable at \$0.05 each expired unexercised. 34,562,225 of these options were held by directors.

Directors' Report

Indemnification of directors and officers

The Company has agreed to indemnify all the directors of the Company for any liabilities to another person (other than the Company or related body corporate) that may arise from their position as directors of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith.

During the financial year the Company paid a premium in respect of a contract insuring the directors and officers of the Company and its controlled entities against any liability incurred in the course of their duties to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The insurance premiums relate to:

- any loss for which the directors and officers may not be legally indemnified by the Company arising out of any claim, by reason of any wrongful act committed by them in their capacity as a Director or Officer of the Company or any related corporation, first made against them jointly or severally during the year of insurance; and
- indemnifying the Company against any payment which it has made and was legally permitted to make arising out of any claim, by reason of any wrongful act, committed by any Director or Officer in their capacity as a Director or Officer of the Company or any related corporation, first made against the Director or Officer during the period of insurance.

Non-audit services

There were no non-audit services performed during the year by the auditors (or by another person or firm on the auditor's behalf).

Auditor's independence declaration

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the Company with an independence declaration in relation to the audit of the financial report. This independence declaration is included on page 23 of the annual report and forms part of this directors' report for the year ended 30 June 2022.

Remuneration report (audited)

This report, which forms part of the directors' report, outlines the remuneration arrangements in place for the key management personnel of AusQuest Limited (the "Company") for the financial year ended 30 June 2022.

The information provided in this remuneration report has been audited as required by Section 308(3C) of the Corporations Act 2001.

The remuneration report details the remuneration arrangements for Key Management Personnel ("KMP") who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent Company.

Group performance and its consequences on shareholder wealth

It is not possible at this time to evaluate the Group's financial performance using generally accepted measures such as profitability and total shareholder return as the Group is focussed on exploration activities with no significant revenue stream. This assessment will be developed as and when the Group moves from explorer to producer.

The table below shows the gross revenue, losses and loss per share for the last five years for the Group:

| | | 2022 | 2021 | 2020 | 2019 | 2018 |
|---------------------------|-------|-------------|-------------|-----------|-----------|-----------|
| Revenue and other income | \$ | 744,656 | 1,086,772 | 621,679 | 923,545 | 2,156,489 |
| Net loss | \$ | (1,457,728) | (1,397,914) | (984,829) | (275,633) | 767,788 |
| Earnings/(Loss) per share | Cents | (0.18) | (0.19) | (0.16) | (0.05) | 0.15 |
| Share price at year end | \$ | 0.021 | 0.022 | 0.015 | 0.014 | 0.033 |

Directors' Report

The prescribed details for each person covered by this report are detailed below under the following headings:

- key management personnel details;
- remuneration policy and relationship between the remuneration policy and Company performance;
- remuneration of key management personnel;
- key terms of employment contracts;
- key management personnel equity holdings;
- transactions with key management personnel; and
- loans to/from key management personnel.

Key management personnel details

The key management personnel of AusQuest Limited during the year or since the end of the year were:

| | |
|-------------------|------------------------|
| Greg Hancock | Non-Executive Chairman |
| Graeme Drew | Managing Director |
| Christopher Ellis | Non-Executive Director |

There were no group executives employed by AusQuest Limited during the year.

Remuneration policy and relationship between the remuneration policy and Company performance

The Board policy for determining remuneration is based on the principle of remunerating directors and senior executives on their ability to add value to the Company (taking into account the Company's strategic plan and operations) whilst also considering market remuneration packages for similar positions within the industry and in consultation with external consultants.

The Board appreciates the interrelationship between this policy and Company performance. It acknowledges that it is in the best interests of shareholders to provide challenging but achievable incentives to reward senior executives for reaching the Company's stated goals. The Board will discuss these issues internally and with candidates prior to engaging additional directors or senior executives in the future.

Key management personnel (excluding non-executive directors)

The Remuneration Committee is responsible for determining the remuneration policies for the Group, including those affecting executive directors and other key management personnel. The Committee may seek appropriate external advice to assist in its decision making. Remuneration policies and practices are directed primarily at attracting, motivating and retaining key management personnel.

The remuneration policy for executive directors and other key management personnel has the following key elements:

- Primary benefits (being salary, fees, bonus and non-monetary benefits)
- Post-employment benefits (being superannuation)
- Equity (being share options granted at the discretion of the Board)
- Other benefits

Non-Executive Directors

The Company's Non-Executive Directors receive only fees (including statutory superannuation) for their services and the reimbursement of reasonable expenses. The fees paid to the Company's Non-Executive Directors reflect the demands on, and responsibilities of these directors. They do not receive any retirement benefits (other than compulsory superannuation).

The Board decides annually the level of fees to be paid to Non-Executive Directors with reference to market standards.

Non-Executive Directors may also receive share options where this is considered appropriate by the Board as a whole and with regard to the stage of the Company's development. Such options vest across the life of the option and are primarily designed to provide an incentive to Non-Executive Directors to remain with the Company.

A Non-Executive Directors' fee pool limit of \$300,000 per annum was approved by the shareholders.

Directors' Report

Key terms of employment contracts

Remuneration and other terms of employment for the Managing Director, Graeme Drew are formalised in a service agreement. Major provisions of this agreement are set out below:

- Term of agreement dated 21 April 2015.
- Base salary reviewed annually, salary of \$200,000 from 1 March 2018 (excluding superannuation entitlements).
- Payment of termination benefit on early termination by the employer, other than for gross misconduct, equal to 3 months' salary, other than if there is a change of control of the Company, which will result in 12 months' salary.
- Notice period of 90 days.

The consulting agreement in place with the Chairman, Greg Hancock is summarised below:

- Term of agreement is renewed annually.
- Fee of \$48,000 from 1 July 2019.
- No payment of termination benefit.

Remuneration of key management personnel

| | Short-term employee benefits | | Post employment benefits | Long term employee benefits | Share-based payment | Total | Performance Related |
|-----------------------------|------------------------------|----------------------|--------------------------|-----------------------------|---------------------|----------------|---------------------|
| | Salary and fees | Other ⁽ⁱ⁾ | Super-annuation | Other ⁽ⁱⁱ⁾ | Options | | |
| | \$ | \$ | \$ | \$ | \$ | \$ | % |
| 2022 | | | | | | | |
| Directors | | | | | | | |
| Graeme Drew | 200,000 | - | 20,000 | - | - | 220,000 | - |
| Greg Hancock ⁽ⁱ⁾ | - | 48,000 | - | - | - | 48,000 | - |
| Chris Ellis | - | - | - | - | - | - | - |
| | 200,000 | 48,000 | 20,000 | - | - | 268,000 | |

| | Short-term employee benefits | | Post employment benefits | Long term employee benefits | Share-based payment | Total | Performance Related |
|-----------------------------|------------------------------|----------------------|--------------------------|-----------------------------|---------------------|----------------|---------------------|
| | Salary and fees | Other ⁽ⁱ⁾ | Super-annuation | Other ⁽ⁱⁱ⁾ | Options | | |
| | \$ | \$ | \$ | \$ | \$ | \$ | % |
| 2021 | | | | | | | |
| Directors | | | | | | | |
| Graeme Drew | 200,000 | - | 19,000 | - | 90,000 | 309,000 | - |
| Greg Hancock ⁽ⁱ⁾ | - | 48,000 | - | - | 45,000 | 93,000 | - |
| Chris Ellis | - | - | - | - | 45,000 | 45,000 | - |
| | 200,000 | 48,000 | 19,000 | - | 180,000 | 447,000 | - |

(i) Mr Hancock received \$48,000 (2021: \$48,000) for corporate advisory services rendered to the Company.

There were no options granted as remuneration to key management personnel during the year.

There were no options granted as remuneration to key management personnel exercised during the year.

Directors' Report

Key management personnel equity holdings

Fully paid ordinary shares of AusQuest Limited

| | Balance at 1 July No. | Balance on appointment No. | Granted as compensation No. | Other movements No. | Balance on resignation No. | Balance at 30 June No. |
|------------------|-----------------------------|----------------------------------|-----------------------------------|---------------------------|----------------------------------|------------------------------|
| 2022 | | | | | | |
| Directors | | | | | | |
| Greg Hancock | 4,586,415 | - | - | - | - | 4,586,415 |
| Graeme Drew | 19,323,409 | - | - | - | - | 19,323,409 |
| Chris Ellis | 174,916,293 | - | - | - | - | 174,916,293 |
| | <u>198,826,117</u> | - | - | - | - | <u>198,826,117</u> |

Options (listed and unlisted) of AusQuest Limited

| | Balance at 1 July No. | Other movements No. | Lapsed No. | Granted as compensation No. | Balance at 30 June No. | Vested during year No. | Vested and exercisable at 30 June No. |
|------------------|-----------------------------|---------------------------|-----------------------------|-----------------------------------|------------------------------|------------------------------|--|
| 2022 | | | | | | | |
| Directors | | | | | | | |
| Greg Hancock | 5,000,000 | - | - | - | 5,000,000 | - | 5,000,000 |
| Graeme Drew | 14,578,967 | - | (3,388,491) ⁽ⁱ⁾ | - | 11,190,476 | - | 11,190,476 |
| Chris Ellis | 45,697,544 | - | (31,173,734) ⁽ⁱ⁾ | - | 14,523,810 | - | 14,523,810 |
| | <u>65,276,511</u> | - | <u>(34,562,225)</u> | - | <u>30,714,286</u> | - | <u>30,714,286</u> |

- (i) Listed options lapsed unexercised (exercise price of \$0.05 per option, expiry date of 30 November 2021). Value at lapse is nil.

Transactions with key management personnel

The following transactions occurred with key management personnel:

| | 2022 \$ | 2021 \$ |
|--------------------------------|------------|------------|
| Corporate advisory services(i) | 48,000 | 48,000 |

- (i) The Company entered into a 12 month corporate advisory services agreement with Mr Hancock. Mr Hancock was paid \$48,000 (excluding GST) for services rendered during the 12 month period ending 30 June 2022 (2021: \$48,000 excluding GST). This amount is included as part of Mr. Hancock's remuneration in the table above.

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

Receivable from and payable to related parties

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

| | 2022 \$ | 2021 \$ |
|--|------------|------------|
| Current payables | | |
| Fee payable to Graeme Drew and related entity | 18,334 | 18,250 |
| Fee payable to Greg Hancock and related entity | 4,000 | 4,000 |

Directors' Report

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

(End of remuneration report)

The Directors' Report is signed in accordance with a resolution of directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the directors



Graeme Drew
Managing Director

23 September 2022
Perth, WA

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of AusQuest Limited for the year ended 30 June 2022, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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



Perth, Western Australia
23 September 2022

B G McVeigh
Partner

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INDEPENDENT AUDITOR'S REPORT

To the Members of AusQuest Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of AusQuest Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group 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* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our report.

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| Key Audit Matter | How our audit addressed the key audit matter |
|---|--|
| <p>Exploration and evaluation expenditure Refer to Note 11 in the financial report</p> | |
| <p>The Group has capitalised exploration and evaluation expenditure of \$3,840,585 as at 30 June 2022.</p> <p>In accordance with AASB 6 <i>Exploration for and Evaluation of Mineral Resources</i>, the Group capitalises all exploration and evaluation expenditure in respect of each identifiable area of interest, including acquisition costs and measures the asset using the cost model.</p> <p>Our audit focussed on the Group’s assessment of the carrying amount of the capitalised exploration and evaluation asset, as this is one of the most significant assets of the Group. We planned our work to address the audit risk that the capitalised expenditure may no longer meet the recognition criteria of the standard. In addition, we considered it necessary to assess whether facts and circumstances existed to suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount.</p> | <p>Our procedures included but were not limited to the following:</p> <ul style="list-style-type: none"> - We obtained an understanding of the key processes associated with management’s review of the exploration and evaluation asset carrying values; - We considered the Directors’ assessment of potential indicators of impairment; - We obtained evidence that the Group has current rights to tenure of its areas of interest; - We ensured there was planned or budgeted expenditure for 30 June 2022; - We verified additions to exploration expenditure during the year; - We considered the accounting treatment in relation to exploration partner funding; - We verified amounts received from the Group’s exploration partner and subsequently spent on exploration; - We verified the completeness of amounts recognised as income in relation to the Group’s exploration partner contracts; - We enquired with management, reviewed ASX announcements and minutes of Directors’ meetings to ensure that the Group had not decided to discontinue exploration and evaluation at its area of interest; and - We examined the disclosures made in the financial report. |

Information Other than the Financial Report and Auditor’s Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Group’s annual report for the year ended 30 June 2022, but does not include the financial report and our auditor’s report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report, or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included within the directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of AusQuest Limited for the year ended 30 June 2022 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Perth, Western Australia
23 September 2022



B G McVeigh
Partner

Directors' Declaration

1. In the opinion of the Directors of AusQuest Limited (the "Company"):
 - a) the accompanying financial statements and notes thereto are in accordance with the Corporations Act 2001 , Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - i. giving a true and fair view of the Group's financial position as at 30 June 2022 and of its performance for the financial 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.
2. The directors have been given the declarations required by section 295A of the Corporations Act 2001.

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



Graeme Drew
Managing Director

Perth, Western Australia
23 September 2022

Consolidated Statement of Profit Or Loss and Other Comprehensive Income

For the ended 30 June 2022

| | Note | 2022 \$ | 2021 \$ |
|---|------|--------------------|--------------------|
| Revenue | 5 | 648,656 | 1,019,472 |
| Other income | 5 | 96,000 | 67,300 |
| | | <u>744,656</u> | <u>1,086,772</u> |
| Consultants and employee benefits expenses | | 264,896 | 236,734 |
| Occupancy expenses | | 28,606 | 118,526 |
| Depreciation expense | 10 | 11,194 | 9,528 |
| Depreciation expense of right-of-use asset | 12 | 107,819 | 43,795 |
| Share-based payments expense | 6 | 11,000 | 506,319 |
| Administrative expenses | | 767,341 | 835,246 |
| Impairment of exploration and evaluation expenditure | 11 | 1,956,939 | 1,481,290 |
| Finance costs | | 6,005 | 6,270 |
| Interest on lease liability | | 6,701 | 8,002 |
| | | <u>3,160,501</u> | <u>3,245,710</u> |
| Loss before income tax expense | | (2,415,845) | (2,158,938) |
| Income tax benefit | 7 | 958,117 | 761,024 |
| Loss for the year after income tax of continuing operations | | <u>(1,457,728)</u> | <u>(1,397,914)</u> |
| Gain after tax from discontinuing operations | 30 | - | 115,087 |
| Loss for the year after income tax of continuing operations | | <u>(1,457,728)</u> | <u>(1,282,827)</u> |
| Other comprehensive income | | | |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | | |
| Exchange (loss)/ gain on translation of foreign operations | | 938,703 | (826,558) |
| Other comprehensive income for the year, net of tax | | <u>938,703</u> | <u>(826,558)</u> |
| Total comprehensive (loss) for the year | | <u>(519,025)</u> | <u>(2,109,385)</u> |
| (Loss)/Earnings per share | | | |
| Basic and diluted (loss)/earnings per share from continuing and discontinued operations (cents per share) | 28 | (0.18) | (0.19) |
| Basic and diluted (loss)/earnings per share from continuing operations (cents per share) | 28 | (0.18) | (0.19) |

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

Consolidated Statement of Financial Position

As at 30 June 2022

| | Note | 2022 \$ | 2021 \$ |
|--|------|------------------|------------------|
| Current Assets | | | |
| Cash and cash equivalents | 27 | 3,878,896 | 5,408,593 |
| Trade and other receivables | 8 | 619,650 | 423,619 |
| Other assets | 9 | 31,541 | 126,205 |
| Total Current Assets | | 4,530,087 | 5,958,417 |
| Non-Current Assets | | | |
| Property, plant and equipment | 10 | 30,633 | 50,834 |
| Exploration and evaluation expenditure | 11 | 3,840,585 | 3,362,726 |
| Right-of-use asset | 12 | 85,958 | 21,177 |
| Other assets | | - | - |
| Total Non-Current Assets | | 3,957,176 | 3,434,737 |
| Total Assets | | 8,487,263 | 9,393,154 |
| Current Liabilities | | | |
| Trade and other payables | 13 | 655,989 | 1,249,379 |
| Provisions | 14 | 148,239 | 137,954 |
| Unexpended funding | 15 | 162,617 | 65,843 |
| Lease liability | 12 | 87,680 | 23,199 |
| Total Current Liabilities | | 1,054,525 | 1,476,375 |
| Non-Current Liabilities | | | |
| Lease liability | | - | - |
| Total Non-Current Liabilities | | - | - |
| Total Liabilities | | 1,054,525 | 1,476,375 |
| Net Assets | | 7,432,738 | 7,916,779 |
| Equity | | | |
| Issued capital | 16 | 62,308,182 | 62,273,198 |
| Reserves | 18 | 4,803,904 | 3,865,201 |
| Accumulated losses | | (59,679,348) | (58,221,620) |
| Total Equity | | 7,432,738 | 7,916,779 |

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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2022

| | Issued capital | Share based payment | Foreign currency translation reserve | Accumulated losses | Total Equity |
|---|-------------------|---------------------|--------------------------------------|---------------------|--------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Balance at 1 July 2021 | 62,273,198 | 473,319 | 3,391,882 | (58,221,620) | 7,916,779 |
| Loss after income tax for the year | - | - | - | (1,457,728) | (1,457,728) |
| Other comprehensive loss for the year, net of tax | - | - | 938,703 | - | 938,703 |
| Total comprehensive income/(loss) for the period | - | - | 938,703 | (1,457,728) | (519,025) |
| Issue of shares | 34,984 | - | - | - | 34,984 |
| Lapsed options during the period | - | - | - | - | - |
| | 34,984 | - | - | - | 34,984 |
| Balance at 30 June 2022 | 62,308,182 | 473,319 | 4,330,585 | (59,679,348) | 7,432,738 |
| Balance at 1 July 2020 | 59,416,693 | 327,929 | 4,218,440 | (57,266,722) | 6,696,340 |
| Loss after income tax for the year | - | - | - | (1,282,827) | (1,282,827) |
| Other comprehensive loss for the year, net of tax | - | - | (826,558) | - | (826,558) |
| Total comprehensive income/(loss) for the period | - | - | (826,558) | (1,282,827) | (2,109,385) |
| Issue of shares | - | - | - | - | - |
| Share issue costs | 2,856,505 | - | - | - | 2,856,505 |
| Options issued during the period | - | 473,319 | - | - | 473,319 |
| Lapsed options during the period | - | (327,929) | - | 327,929 | - |
| | 2,856,505 | 145,390 | - | 327,929 | 3,329,824 |
| Balance at 30 June 2021 | 62,273,198 | 473,319 | 3,391,882 | (58,221,620) | 7,916,779 |

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

Consolidated Statement of Cash Flows

For the year ended 30 June 2022

| | 2022 \$ | 2021 \$ |
|--|-------------------------|------------------|
| Cash Flows from Operating Activities | | |
| Receipts from South32 Group Operations Pty Ltd | 647,793 | 1,016,512 |
| COVID-19 government contributions | - | 126,352 |
| Government contributions | 96,000 | - |
| Payments to suppliers and employees | (1,078,372) | (1,085,074) |
| Interest received | 879 | 1,713 |
| Finance costs | (6,003) | (6,270) |
| Net cash (outflow)/inflow from operating activities | 27(ii) (339,703) | 53,233 |
| Cash Flows from Investing Activities | | |
| Payments for property, plant and equipment | (17,932) | (1,569) |
| Payments for exploration and evaluation | (6,884,089) | (6,200,933) |
| Payment received on grant of farm-in and joint venture interests | 4,765,664 | 5,346,371 |
| Research and development tax incentive refund received | 958,117 | 761,024 |
| Net cash outflow from investing activities | (1,178,240) | (95,107) |
| Cash Flows from Financing Activities | | |
| Proceeds from issue of shares | 23,984 | 3,000,000 |
| Share issue costs | - | (176,495) |
| Repayment of lease liabilities | (114,550) | (57,659) |
| Net cash (outflow)/inflow from financing activities | 27(iii) (90,566) | 2,765,846 |
| Net (decrease)/increase in cash and cash equivalents | (1,608,509) | 2,723,972 |
| Cash and cash equivalents at the start of the period | 5,408,593 | 2,719,202 |
| Exchange rate adjustment | 78,812 | (34,581) |
| Cash and cash equivalents at the end of the period | 27(i) 3,878,896 | 5,408,593 |

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

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 Company's registered office and its principal place of business are as follows:

Registered Office

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

Principal place of business

8 Kearns Crescent
Ardross WA 6153

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

2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

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

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

i. Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law. Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with A-IFRS ensures that the financial statements and notes of the Company and the Group comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the directors on 23 September 2022.

(b) Critical accounting estimates

In the application of the Group's accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experiences and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis.

Revisions to the accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects the current and future periods.

Refer to Note 3 for a discussion of critical judgements in applying the Group's accounting policies and key sources of estimation uncertainty.

2. Significant accounting policies (continued)

(c) Operating segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start up operations which are yet to earn revenues.

Management also considers other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the Board of Directors.

Operating segments have been identified based on the information provided to the chief operating decision maker – being the Board of Directors. The Group aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in the nature of the minerals targeted.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 Operating Segments are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category for “all other segments”.

(d) Financial Instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

(i) Financial Assets

Trade receivables are held in order to collect the contractual cash flows and are initially measured at the transaction price (excludes estimates of variable consideration) as defined in AASB 15, as the contracts of the Group do not contain significant financing components. Impairment losses are recognised based on lifetime expected credit losses in profit or loss.

Other receivables are held in order to collect the contractual cash flows and accordingly are measured at initial recognition at fair value, which ordinarily equates to cost and are subsequently measured at cost less impairment due to their short term nature. A provision for impairment is established based on 12-month expected credit losses unless there has been a significant increase in credit risk when lifetime expected credit losses are recognised. The amount of any provision is recognised in profit or loss.

(ii) Financial Liabilities and Equity

Financial liabilities and equity instruments issued by the Group are classified in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

All other loans including convertible loan notes are initially recorded at fair value, which is ordinarily equal to the proceeds received net of transaction costs. These liabilities are subsequently measured at amortised cost, using the effective interest rate method.

2. Significant accounting policies (continued)

(d) Financial Instruments (continued)

(iii) *Financial Liabilities and Equity*

Financial liabilities and equity instruments issued by the Group are classified in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

All other loans including convertible loan notes are initially recorded at fair value, which is ordinarily equal to the proceeds received net of transaction costs. These liabilities are subsequently measured at amortised cost, using the effective interest rate method.

(iv) *Effective Interest Rate Method*

The effective interest rate method is a method of calculating the amortised cost of a financial asset or liability and allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

(e) Cash and cash equivalents

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

(f) Foreign currency translation

Both the functional and presentation currency of AusQuest Limited and its Australian subsidiaries is Australian dollars. All other foreign subsidiaries uses American dollar as their functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance date.

All exchange differences in the consolidated financial report are taken to profit or loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss.

Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

The exchange differences arising on the translation are taken directly to the foreign currency translation reserve in equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in profit or loss.

2. Significant accounting policies (continued)

(g) Revenue and other income

Revenue is recognised when or as the Group transfers control of goods or services to a customer at the amount to which the Group expected to be entitled. If the consideration promised includes a variable amount, the Group estimates the amount of consideration to which it will be entitled.

Revenue is measured at the transaction price received or receivable (which excludes estimates of variable consideration) allocated to the performance obligation satisfied and represents amounts receivable for services provided in the normal course of business, net of discounts, VAT, GST and other sales related taxes. Where the expected period between transfer of a promised service and payment from the customer is one year or less no adjustment for a financing component is made.

Revenue arising from the provision of services is recognised when and to the extent that the customer simultaneously receives and consumes the benefits of the Group's performance or the Group does not create an asset with an alternative use but has an enforceable right to payment for performance completed to date.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Government assistance revenue is recognised when it is received or when the right to receive payment is established.

(h) Income tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax is provided on all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised.

However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

2. Significant accounting policies (continued)

(h) Income tax (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the entity intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax is recognised as an expense or income in the statement of profit or loss and other comprehensive income, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

The Company and its wholly-owned Australian resident entity are part of a tax-consolidated group under Australian taxation law. AusQuest Limited is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the Company (as head entity in the tax-consolidated group).

Amounts are recognised as payable to or receivable by the Company and each member of the Group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group as and when they arise.

The Research and Development (R&D) tax rebate is recognised as income tax benefit upon receipt.

(i) Impairment of assets

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

2. Significant accounting policies (continued)

(j) **Property, plant and equipment**

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is provided on plant and equipment. Depreciation is calculated on a diminishing value basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

| <i>Class of fixed asset</i> | <i>Depreciation rate (%)</i> |
|---|------------------------------|
| Fixtures, fittings and office equipment | 10 - 40% |
| Computer equipment | 20 - 50% |
| Field equipment | 20 - 40% |

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits/accumulated losses.

(k) **Trade and other payables**

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

(l) **Provisions**

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

(m) **Employee benefits**

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

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2. Significant accounting policies (continued)

(m) Employee benefits (continued)

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

(n) Share-based payments

The Group provides benefits to employees (including senior executives) of the Group in the form of share-based payments. The cost of these share-based payments is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value at grant date is measured by use of the Black and Scholes option pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the entity's estimate of shares that will eventually vest.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

(o) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification. An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

2. Significant accounting policies (continued)

(p) Exploration and evaluation assets

Exploration, evaluation and development expenditure incurred may be accumulated in respect of each identifiable area of interest.

These costs are carried forward only if they relate to an area of interest for which rights of tenure are current and in respect of which:

- (i) such costs are expected to be recouped through successful development and exploitation or from sale of the area; or
- (ii) exploration and evaluation activities in the area have not, at balance date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active operations in, or relating to, the area are continuing.

Notwithstanding the fact that a decision not to abandon an area of interest has been made, based on the above, the exploration and evaluation expenditure in relation to an area may still be written off if considered appropriate to do so.

Contributions by a farmee in a farm out agreement are offset against the exploration and evaluation assets when spent. The unexpended expenditure from the farmee at reporting date is recorded as a liability in the statement of financial position. Where there is no obligation attached to the contribution received, the excess of cash received over the carrying amount of the exploration project is credited to the statement of profit or loss and other comprehensive income as revenue.

(q) Joint arrangements

Joint operations

Interests in joint operations are reported in the financial statements by including the entity's share of assets employed in the joint operation, the share of liabilities incurred in relation to the joint operation and the share of any expenses incurred in relation to the joint operation in their respective classification categories.

Joint ventures

Interests in joint ventures are accounted for under the equity method in the consolidated financial statements and the cost method in the Company's financial statements.

(r) Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either in the principal market or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

(s) Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2. Significant accounting policies (continued)

(t) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the net profit/loss attributable to the owners of AusQuest Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(u) Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

(v) New accounting standards and interpretations

Adoption of new and revised standards

In the year ended 30 June 2022, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the current reporting periods beginning on or after 1 July 2021.

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

(w) New accounting standards and interpretations not yet adopted

The Directors have also reviewed all Standards and Interpretations issued but not yet mandatory for the year ended 30 June 2022. As a result of this review the Directors have determined that there is no material impact of the Standards and Interpretations issued but not yet mandatory, therefore no change is necessary to Group accounting policies.

3. Critical accounting judgements, estimates and assumptions

Judgements made by management in the application of A-IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant note to the financial statements. The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

(a) *Exploration and evaluation costs carried forward*

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors which could impact the future recoverability include the level of proved, probable and inferred mineral resources, future technological changes which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, this will increase losses and reduce net assets in the period in which this determination is made.

In addition, exploration and evaluation expenditure is capitalised if activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent that it is determined in the future that this capitalised expenditure should be written off, this will increase losses and reduce net assets in the period in which this determination is made.

(b) *Share-based payments*

The Company makes equity settled share-based payments to certain employees and consultants, which are measured at fair value at the date of grant and expensed on a straight line basis over the vesting period, based on the Company's estimate of shares that will eventually vest. The fair values are determined using the Black Scholes Option Pricing Model or the Cox, Ross and Rubinstein Binomial Option Pricing Model. Vesting assumptions are reviewed during each reporting period to ensure they reflect current expectations.

(c) *Loans to controlled entities*

The directors believe that the recoupment by AusQuest Limited of the inter-company receivables from Questdor SAC is dependent on the successful development and commercial exploitation or, alternatively, the sale of the exploration assets held by the controlled entity.

(d) *Coronavirus (COVID-19) pandemic*

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the consolidated entity based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the consolidated entity operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the consolidated entity unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Notes to the Consolidated Financial Statements for the year ended 30 June 2022

4. Operating Segments

AASB 8 requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes.

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

The following table presents the revenue, results and certain asset and liability information regarding the segment information provided to the Board of Directors for the year ended 30 June 2022.

| | Australia | South America | Intersegment Eliminations | Consolidated |
|---------------------------------------|--------------------|--------------------|------------------------------|--------------------|
| | \$ | \$ | \$ | \$ |
| Consolidated - 2022 | | | | |
| Revenue | | | | |
| Interest revenue | 866 | - | - | 866 |
| Other revenue | 743,790 | - | - | 743,790 |
| Total revenue | 744,656 | - | - | 744,656 |
| Expenses | | | | |
| Depreciation | (94,600) | (24,413) | - | (119,013) |
| Impairment of exploration expenditure | (548,309) | (1,408,630) | - | (1,956,939) |
| Other expenses | (747,142) | (337,407) | - | (1,084,549) |
| Total expenses | (1,390,051) | (1,770,450) | - | (3,160,501) |
| Loss before income tax | (645,395) | (1,770,450) | - | (2,415,845) |
| Income tax benefit | | | | 958,117 |
| Loss after income tax | | | | (1,457,728) |
| Assets | | | | |
| Current Assets | 3,999,996 | 530,091 | - | 4,530,087 |
| Non-Current Assets | 22,504,338 | 2,521,651 | (21,068,813) | 3,957,176 |
| Total Assets | 26,504,334 | 3,051,742 | (21,068,813) | 8,487,263 |
| Liabilities | | | | |
| Current Liabilities | 1,014,674 | 39,851 | - | 1,054,525 |
| Non-Current Liabilities | - | 21,068,813 | (21,068,813) | - |
| Total Liabilities | 1,014,674 | 21,108,664 | (21,068,813) | 1,054,525 |

Notes to the Consolidated Financial Statements for the year ended 30 June 2022

4. Operating Segments (Continued)

| | Australia | South America | Intersegment Eliminations | Consolidated |
|---|--------------------|--------------------|---------------------------|--------------------|
| | \$ | \$ | \$ | \$ |
| Consolidated - 2021 | | | | |
| Revenue | | | | |
| Interest revenue | 1,671 | - | - | 1,671 |
| Other revenue | 1,084,548 | 553 | - | 1,085,101 |
| Total revenue | 1,086,219 | 553 | - | 1,086,772 |
| Expenses | | | | |
| Depreciation | (6,781) | (46,542) | - | (53,323) |
| Impairment of exploration expenditure | (265,983) | (1,215,307) | - | (1,481,290) |
| Other expenses | (1,471,993) | (239,104) | - | (1,711,097) |
| Total expenses | (1,744,757) | (1,500,953) | - | (3,245,710) |
| Loss before income tax | (658,538) | (1,500,400) | - | (2,158,938) |
| Income tax benefit | | | | 761,024 |
| Gain after tax from discontinued operations | | | | 115,087 |
| Loss after income tax | | | | (1,282,827) |
| Assets | | | | |
| Current Assets | 5,402,136 | 556,281 | - | 5,958,417 |
| Non-Current Assets | 19,857,821 | 2,439,703 | (18,862,787) | 3,434,737 |
| Total Assets | | | | 9,393,154 |
| Liabilities | | | | |
| Current Liabilities | 1,378,668 | 97,707 | - | 1,476,375 |
| Non-Current Liabilities | - | 18,862,787 | (18,862,787) | - |
| Total Liabilities | | | | 1,476,375 |

5. Revenue

| | 2022 | 2021 |
|--|----------------|------------------|
| | \$ | \$ |
| Funding from South32 Group Operations Pty Ltd recognised as income | | |
| Administration charges (Note 15) | 618,127 | 911,668 |
| Funding against written off exploration expenditure (Note 15) | 29,663 | 104,844 |
| Government assistance | 96,000 | 67,300 |
| Other income | - | 1,289 |
| Interest income | 866 | 1,671 |
| Total revenue | 744,656 | 1,086,772 |

Notes to the Consolidated Financial Statements for the year ended 30 June 2022

6. Profit/(Loss) for the year

| | 2022 \$ | 2021 \$ |
|--|---------------|----------------|
| Exploration expenditure impaired during the year (Note 11) | 1,956,939 | 1,481,290 |
| Share-based payments: | | |
| Consulting services | 11,000 | 33,000 |
| Employee and contractors | - | 473,319 |
| | <u>11,000</u> | <u>506,319</u> |

7. Income tax expense

| | 2022 \$ | 2021 \$ |
|---|----------------|----------------|
| Tax benefit comprises: | | |
| Current tax benefit | 958,117 | 761,024 |
| Deferred tax expense/(income) relating to the origination and reversal of temporary differences | | |
| Total tax benefit | <u>958,117</u> | <u>761,024</u> |
| <i>Numerical reconciliation of income tax expense and tax at the statutory rate</i> | | |
| (Loss)/Profit before income tax expense | (2,415,845) | (2,158,938) |
| Tax at the statutory tax rate of 25% (2021: 26%) | (603,961) | (561,324) |
| Effect of net expenses that are not deductible in determining taxable profit | 2,750 | 131,876 |
| Effect of changes in unrecognised temporary differences | (584,457) | 84,386 |
| Effect of research and development tax incentive refund | 958,117 | 761,024 |
| Adjustments recognised in the current year in relation to the current tax of previous years | 550,630 | 2,801 |
| Effect of temporary differences that would be recognised directly in equity | 635,038 | (45,889) |
| Impact from change in tax rate on unrecognised DTAs | - | 388,150 |
| Income tax benefit | <u>958,117</u> | <u>761,024</u> |

The tax rate used in the above reconciliation is the corporate tax rate of 25% (2021: 26%) payable by Australian corporate entities on taxable profits under Australian tax law.

| | 2022 \$ | 2021 \$ |
|---|------------------|------------------|
| Unrecognised deferred tax assets and liabilities: | | |
| The following deferred tax assets and (liabilities) have not been brought to account: | | |
| Tax losses – revenue | 8,903,922 | 8,699,520 |
| Exploration and evaluation assets | (4,312,231) | (4,192,776) |
| Unrealised foreign exchange gain | - | (453,384) |
| Other reserves | (1,088,423) | - |
| Other temporary differences | 108,207 | 136,446 |
| | <u>3,611,475</u> | <u>4,189,806</u> |

Notes to the Consolidated Financial Statements for the year ended 30 June 2022

7. Income tax expense (continued)

The above potential tax benefit for tax losses, calculated on the expected future tax rate of 25%, has not been recognised in the statement of financial position. Management has calculated that accounting losses arose in prior periods and therefore consider a reasonable assumption to be that, following submission of the tax returns, tax losses will be available to be utilised in order to offset its assessable income. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

Relevance of tax consolidation to the Group

The Company and its wholly-owned Australian resident entities have formed a tax consolidated group and are therefore taxed as a single entity. The head entity within the tax-consolidated group is AusQuest Limited. The members of the tax-consolidated group (incorporated in Australia) are identified at Note 26.

8. Trade and other receivables

| | 2022 | 2021 |
|--|----------------|----------------|
| | \$ | \$ |
| <i>Current</i> | | |
| Trade receivables | - | 9,116 |
| Security deposits | 50,000 | 50,000 |
| Input tax recoverable | 458,964 | 370,870 |
| Receivable - GST/VAT | 92,292 | - |
| Other receivables | 18,394 | 9,037 |
| Total trade and other receivables | 619,650 | 439,023 |

9. Other assets

| | 2022 | 2021 |
|--|---------------|----------------|
| | \$ | \$ |
| <i>Current</i> | | |
| Prepayments | 31,541 | 109,986 |
| Other assets | - | 79 |
| Accrued revenue | - | 736 |
| Total trade and other receivables | 31,541 | 110,801 |

10. Property, Plant and Equipment

| | 2022 | 2021 |
|---|---------------|---------------|
| | \$ | \$ |
| Computer equipment - at cost | 55,392 | 56,566 |
| Less: Accumulated depreciation | (40,939) | (42,601) |
| | <u>14,453</u> | <u>13,965</u> |
| Field equipment - at cost | 175,521 | 207,379 |
| Less: Accumulated depreciation | (172,784) | (184,636) |
| | <u>2,737</u> | <u>22,743</u> |
| Fixtures, fittings and office equipment - at cost | 30,967 | 29,950 |
| Less: Accumulated depreciation | (18,894) | (17,262) |
| | <u>12,073</u> | <u>12,688</u> |
| Low value pool - at cost | 12,653 | 13,067 |
| Less: Accumulated depreciation | (11,283) | (11,629) |
| | <u>1,370</u> | <u>1,438</u> |
| Carrying amount | 30,633 | 50,834 |

Notes to the Consolidated Financial Statements for the year ended 30 June 2022

10. Property, Plant and Equipment (continued)

| | Consolidated Total \$ |
|-------------------------|-----------------------------|
| Consolidated | |
| Balance at 1 July 2020 | 63,816 |
| Additions | 1,569 |
| Write off | - |
| Depreciation expense | (9,528) |
| Forex | (5,023) |
| | <hr/> |
| Balance at 30 June 2021 | 50,834 |
| | |
| Additions | 16,755 |
| Write off | - |
| Depreciation expense | (11,194) |
| Forex | (25,762) |
| | <hr/> |
| Balance at 30 June 2022 | 30,633 |

11. Exploration and evaluation expenditure

| | 2022 \$ | 2021 \$ |
|---|------------------|------------------|
| Balance at beginning of period | 3,362,726 | 4,623,815 |
| Capitalised during the period/year | 6,262,276 | 7,207,073 |
| Impaired during the period/year ⁽ⁱ⁾ | (1,956,939) | (1,481,290) |
| Grant of farm-in interests in previously capitalised projects ⁽ⁱⁱ⁾ | (4,681,850) | (6,227,021) |
| Exchange movements | 854,372 | (759,851) |
| | <hr/> | <hr/> |
| Balance at end of period | 3,840,585 | 3,362,726 |

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.

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

| | 2022 \$ | 2021 \$ |
|---------------------------|------------------|------------------|
| South West Peru | 1,408,630 | 1,215,307 |
| Other Australian Projects | 548,309 | 265,983 |
| | <hr/> | <hr/> |
| Total Impairment | 1,956,939 | 1,481,290 |

^a The Group has impaired expenditure for those projects and tenement where they have decided not to renew leases. Costs for leases that are under application are allocated to prepaid exploration expenditure, rather than impaired. For the year to 30 June 2022 the Group has impaired \$1,956,939 (30 June 2021: \$1,481,290) of previously capitalised expenditure incurred on those. The impairment has been recognised in the statement of profit or loss and other comprehensive income.

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

For the year ended 30 June 2022, the Company received \$5,426,414 (30 June 2021: \$6,362,768) in funding. An amount of \$4,681,850 (30 June 2021: \$6,227,021) has been allocated against capitalised exploration and evaluation expenditures at reporting date (Note 15).

Notes to the Consolidated Financial Statements for the year ended 30 June 2022

12. Right-of-use Asset and Lease Liability

| | 2022 | 2021 |
|--|---------------|---------------|
| | \$ | \$ |
| <i>(a) Amounts recognised in the statement of financial position</i> | | |
| Right-of-use asset | | |
| Right-of-use asset recognised as at 1 July | 21,177 | 37,383 |
| Add: Rights-of-use asset recognised during the year | 171,908 | 30,552 |
| Less: Depreciation | (107,819) | (43,795) |
| Add: Foreign exchange movement | 692 | (2,963) |
| Balance at end of period | 85,958 | 21,177 |
| Lease liabilities | | |
| Lease liability recognised as at 1 July | 23,199 | 44,636 |
| Add: Lease liability recognised during the year | 171,908 | 30,552 |
| Add: Interest | 6,701 | 8,002 |
| Less: Payment | (114,550) | (57,659) |
| Add: Foreign exchange movement | 422 | (2,332) |
| Balance at end of period | 87,680 | 23,199 |
| Current | 87,680 | 23,199 |
| Non-current | - | - |
| | 2022 | 2021 |
| | \$ | \$ |

(b) Amounts recognised in the consolidated statement of profit or loss

| | | |
|---------------------------------------|---------|--------|
| Depreciation of right-of-use asset | 107,819 | 43,795 |
| Interest expense on lease liabilities | 6,701 | 8,002 |

(c) Leasing Activities

The Group currently holds office, housing and storages leases with varying terms, the latest expiring on 30 June 2023.

The leases are recognised as a right-of-use assets and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is amortised over the shorter of the asset's useful life and the lease term on a straight-line basis.

Initial measurement

Assets and liabilities from a lease are initially measured on a present value basis. The lease liability includes the present value of the fixed payments and variable lease payments that depend on an index, initially measured using the index as at the commencement date (reconciled and adjusted for actual index each year). The lease payments are discounted using the Company's incremental borrowing rate of 4.85%.

The right-of-use asset is measured at cost comprising of the initial measurement of the lease liability.

Notes to the Consolidated Financial Statements for the year ended 30 June 2022

13. Trade and other payables

| | 2022 | 2021 |
|---|----------------|------------------|
| | \$ | \$ |
| <i>Current</i> | | |
| Trade payables and accruals | 608,636 | 1,133,201 |
| Employee liabilities | 47,353 | 38,283 |
| Payable GST / VAT | - | 77,895 |
| Total current trade and other payables | 655,989 | 1,249,379 |

The average credit period on purchases and services is 30 days. No interest is charged on the trade payables for the first 30 to 60 days from the date of the invoice. Thereafter, interest may be charged at various penalty rates on the outstanding balance. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

14. Provisions

| | 2022 | 2021 |
|-------------------------|----------------|----------------|
| | \$ | \$ |
| <i>Current</i> | | |
| Employee benefits | 148,239 | 137,954 |
| Total provisions | 148,239 | 137,954 |

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

15. Unexpended funding

| | 2022 | 2021 |
|---|----------------|---------------|
| | \$ | \$ |
| Balance at beginning of period | 65,843 | 946,608 |
| Funding from strategic alliance and joint venture partner | 5,426,414 | 6,362,768 |
| Less: Amount spent on exploration and evaluation projects (Note 11) | (4,681,850) | (6,227,021) |
| Less: Amount spent on administration (Note 5) | (618,127) | (911,668) |
| Less: Funding against written off exploration expenditure (Note 11) | (29,663) | (104,844) |
| Balance at end of period | 162,617 | 65,843 |

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

16. Issued capital

Movement in ordinary shares capital

| | Shares No. | Shares \$ |
|--|--------------------|-------------------|
| <i>Ordinary Shares – fully paid</i> | 825,149,223 | 62,308,182 |
| Balance at 1 July 2020 | 677,332,681 | 59,416,693 |
| Issue of shares (placement T1) ⁽ⁱ⁾ | 111,904,768 | 2,350,000 |
| Issue of shares (placement T1) ⁽ⁱⁱ⁾ | 30,952,382 | 650,000 |
| Issue of shares (consulting services) ⁽ⁱⁱⁱ⁾ | 3,000,000 | 33,000 |
| Capital raising costs | - | (176,495) |
| Balance at 30 June 2021 | 823,189,831 | 62,273,198 |

Notes to the Consolidated Financial Statements for the year ended 30 June 2022

16. Issued capital (continued)

| | Shares No. | Shares \$ |
|---|--------------------|-------------------|
| Balance at 1 July 2021 | 823,189,831 | 62,273,198 |
| Issue of shares (exercise of options) ^(iv) | 959,392 | 23,984 |
| Issue of shares (consulting services) ^(v) | 1,000,000 | 11,000 |
| Balance at 30 June 2022 | 825,149,223 | 62,308,182 |

(i) Issue of shares (placement tranche 1)

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

(ii) Issue of shares (placement tranche 2)

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

(iii) Issue of shares (consulting services)

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

(iv) Exercise of listed options

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

(v) Issue of shares (consulting services)

The Company issued 1,000,000 ordinary shares on 10 March 2022 in lieu of cash payments for consulting services rendered to the Group. All shares were issued at the share price at the date the share-based payment arrangement was entered into. Consulting expenses to the same value were recognised in the statement of profit or loss and other comprehensive income.

17. Share options

Movement in options over ordinary shares on issue

| | Listed Options (AQDOA) No. | Unlisted Options No. |
|--------------------------------|----------------------------------|----------------------------|
| Balance at 1 July 2020 | 127,027,620 | 39,500,000 |
| Granted during the year | - | 115,428,575 |
| Exercised during the year | - | - |
| Expired during the year | - | (39,500,000) |
| Balance at 30 June 2021 | 127,027,620 | 115,428,575 |
| Granted during the year | - | - |
| Exercised during the year | (959,392) | - |
| Expired during the year | (126,068,228) | - |
| Balance at 30 June 2022 | - | 115,428,575 |

Notes to the Consolidated Financial Statements for the year ended 30 June 2022

17. Share options (continued)

(a) Listed Options

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

(b) Unlisted Options

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

| | 2022 No. | 2021 No. |
|--|-------------|-------------|
| AQDAC : Options Expiring 30-Nov-2024 exercisable \$0.075 | 20,000,000 | 20,000,000 |
| AQDAD : Options Expiring 30-Nov-2024 exercisable \$0.05 | 19,000,000 | 19,000,000 |
| AQDAB : Options Expiring 01-Mar-2023 exercisable \$0.04 | 76,428,575 | 76,428,575 |

There were no movements in unlisted options during the financial year ended 30 June 2022

During March 2021 and April 2021, the Company issued 142,857,150 ordinary shares with 71,428,575 free attaching unlisted options as part of a Placement announced on 19 February 2021. The free attaching unlisted options have an exercise price of \$0.04 and an expiry date of 1 March 2023. A further 5,000,000 unlisted options were issued to the Company's brokers with the options having the same terms as those issued under the Placement

Following shareholder approval at the Annual General Meeting held on 26 November 2020, 20,000,000 unlisted options was issued to the directors. These options have an exercise price of 7.5 cents each and expire on 30 November 2024 (refer Note 29 for further detail).

On 25 January 2021 the Company issued 19,000,000 unlisted options to employees and contractors under the Company's Long Term Incentive Scheme ("LTIS"). The exercise price of the options under the LTIS was determined by the Directors. The employees eligible to participate in the plan are at the discretion of the directors. The options hold no voting rights and are not transferable. At reporting date no options have been exercised and the employees have not ceased employment. (refer Note 29 for further detail).

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

18. Reserves

| | 2022 \$ | 2021 \$ |
|------------------------------|------------------|------------------|
| Foreign currency reserve | 4,330,585 | 3,391,882 |
| Share-based payments reserve | 473,319 | 473,319 |
| | <u>4,803,904</u> | <u>3,865,201</u> |

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

Foreign currency reserve

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

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

19. Financial instruments

Financial risk management objectives

The Company has exposure to the following risks from its use of financial instruments:

- Foreign currency risk
- Liquidity risk
- Interest rate risk
- Capital management

This note presents information about the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this note and the financial report.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Foreign currency risk

The Group undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The carrying amount of the Group's foreign currency denominated financial assets and financial liabilities at the reporting date, expressed in Australian dollars, was as follows:

| | 2022 | 2021 | 2022 | 2021 |
|--------------|-----------|-----------|---------|---------|
| | \$ | \$ | \$ | \$ |
| Consolidated | | | | |
| US dollar | 1,169,336 | 1,390,363 | 271,925 | 187,104 |

Foreign currency sensitivity analysis

The sensitivity analyses of the Group's exposure to foreign currency risk at the reporting date has been determined based on a change of 10% in the value of the Australian dollar against the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

At reporting date, if the Australian dollar was 10% stronger and all other variables were constant, the Group's net loss after tax would have decreased by \$89,741 (2021: net loss decrease of \$120,326) with a corresponding increase in equity. Where the Australian dollar weakened, there would be an equal and opposite impact on the loss after tax and equity.

Price risk

The Group is not exposed to any significant price risk.

19. Financial instruments (continued)

Interest rate risk

The Group is exposed to interest rate risk as it places funds at both fixed and floating interest rates. The Group manages this risk by maintaining an appropriate mix between fixed and floating rated products, which also facilitate access to money.

Although some of the Group's assets are subject to interest rate risk, it is not dependent on this income. Interest income is only incidental to the Group's operations and operating cash flows. The Group is not exposed to interest rate risk associated with borrowed funds.

Interest rate sensitivity analysis

The sensitivity analyses of the Group's exposure to interest rate risk at the reporting date has been determined based on a change of 50 basis points in interest rates.

At reporting date, if interest rates had been 50 basis points higher and all other variables were constant, the Group's net loss after tax would have decrease by \$19,249 (2021: \$27,013) with a corresponding increase in equity. Where interest rates decreased, there would be an equal and opposite impact on the loss after tax and equity.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Liquidity risk management is the responsibility of the Board of Directors, who have built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements.

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities, identifying when further capital raising initiatives are required.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial assets and liabilities and have been prepared on the following basis:

- Financial assets - based on the undiscounted contractual maturities including interest that will be earned on those assets except where the Company/Group anticipates that the cash flow will occur in a different period; and
- Financial liabilities - based on undiscounted cash flows on the earliest date on which the Group can be required to pay, including both interest and principal cash flows.

Notes to the Consolidated Financial Statements for the year ended 30 June 2022

19. Financial instruments (continued)

| 2022 | CONSOLIDATED | | | | | | |
|------------------------------|--------------|-------------------|----------------|--------------------|-------------|----------|------------------|
| | Rate | Less than 1 month | 1-3 months | 3 months to 1 year | 1 - 5 years | 5+ years | Total |
| | % | \$ | \$ | \$ | \$ | \$ | \$ |
| Financial assets | | | | | | | |
| Non-interest bearing | | 598,812 | - | - | - | - | 598,812 |
| Variable interest rate | 0.05% | 3,849,734 | - | - | - | - | 3,849,734 |
| Fixed interest rate | 0.10% | - | - | 50,000 | - | - | 50,000 |
| | | <u>4,448,546</u> | <u>-</u> | <u>50,000</u> | <u>-</u> | <u>-</u> | <u>4,498,546</u> |
| Financial liabilities | | | | | | | |
| Non-interest bearing | | 641,635 | 176,971 | - | - | - | 818,606 |
| Fixed interest rate | | 7,307 | 14,613 | 65,760 | - | - | 87,680 |
| | | <u>648,942</u> | <u>191,584</u> | <u>65,760</u> | <u>-</u> | <u>-</u> | <u>906,286</u> |
| 2021 | | | | | | | |
| 2021 | CONSOLIDATED | | | | | | |
| | Rate | Less than 1 month | 1-3 months | 3 months to 1 year | 1 - 5 years | 5+ years | Total |
| | % | \$ | \$ | \$ | \$ | \$ | \$ |
| Financial assets | | | | | | | |
| Non-interest bearing | | 379,646 | - | - | - | - | 379,646 |
| Variable interest rate | 0.05% | 5,402,567 | - | - | - | - | 5,402,567 |
| Fixed interest rate | 0.10% | - | - | 50,000 | - | - | 50,000 |
| | | <u>5,782,213</u> | <u>-</u> | <u>50,000</u> | <u>-</u> | <u>-</u> | <u>5,832,213</u> |
| Financial liabilities | | | | | | | |
| Non-interest bearing | | 1,025,679 | 289,543 | - | - | - | 1,315,222 |
| Fixed interest rate | | - | - | - | - | - | - |
| | | <u>1,025,679</u> | <u>289,543</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,315,222</u> |

Fair value of financial assets and liabilities

The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective net fair values, determined in accordance with the accounting policies disclosed in Note 2. The directors consider that the carrying amount of financial assets and other financial liabilities recorded in the financial statements approximate their net fair values.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The capital structure of the Group consists of debt and equity, comprising issued capital and reserves, net of accumulated losses. The Group's policy is to use capital market issues to meet the funding requirements of the Group.

There were no changes in the Group's approach to capital management during the year. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

Notes to the Consolidated Financial Statements for the year ended 30 June 2022

20. Key management personnel disclosure

Details of key management personnel compensation are disclosed in the Remuneration Report which forms part of the Directors' Report and has been audited. The aggregate compensation of the key management personnel is summarised below:

| | 2022 \$ | 2021 \$ |
|--|----------------|----------------|
| Short term employee benefits | 248,000 | 248,000 |
| Post employment benefits | 20,000 | 19,000 |
| Share based payments for options granted | - | 180,000 |
| | <u>268,000</u> | <u>447,000</u> |

21. Remuneration of Auditors

During the financial year the following fees were paid or payable for services provided by the auditor of the Company:

| | 2022 \$ | 2021 \$ |
|--|---------------|---------------|
| Audit Services | | |
| Audit and review of the financial statements | <u>51,938</u> | <u>37,925</u> |

The auditor of AusQuest Limited is HLB Mann Judd.

22. Contingent liabilities

Contingent Shares

At reporting date the Company had contingent share issues to consultants of up to 3,000,000 (30 June 2021: 12,000,000) fully paid ordinary shares. The issue of these shares is dependent on certain agreed project and/or Joint Venture milestones being reached, including:

- The possible issue of 3 million shares in the Company for joint venture projects where South32 has earned a 70% interest by spending a minimum of US\$4 million per project before 31 December 2023.

SBN Mineral Concession Challenge - Peru

As previously reported, the Company, through its wholly owned subsidiary Questdor SAC, received during 2021 a request for payment from the Ministry of Housing (SBN) for access to surface rights over certain State owned land in Peru on which the Company holds mineral concessions (tenements). SBN oversees access to surface rights over State-owned land in Peru. The Company 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 access to these surface rights. 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 will now progress 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 few 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 2022. The Company continues to monitor the position and will report as required.

Notes to the Consolidated Financial Statements for the year ended 30 June 2022

22. Contingent liabilities (continued)

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

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

23. Commitments

| | 2022 | 2021 |
|---|------------|------------|
| | \$ | \$ |
| Commitments | | |
| Committed at reporting date but not recognised as liabilities, payable: | | |
| Within one year | 2,926,110 | 2,746,600 |
| After one year but not more than five years | 10,273,138 | 13,592,402 |
| More than five years | | |

The Company has the ability to relinquish tenements if required or deemed appropriate which will reduce further minimum spending commitments.

24. Related parties

Parent entity

AusQuest Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in Note 26.

Key management personnel

Disclosures relating to key management personnel are set out in Note 20 and the remuneration report in the Directors' Report.

Transactions with related parties

The following transactions occurred with related parties:

| | 2022 | 2021 |
|--|--------|--------|
| | \$ | \$ |
| Corporate advisory services ⁽ⁱ⁾ | 48,000 | 48,000 |

- (i) The Company entered into a 12 month corporate advisory services agreement with Mr Hancock on 1 May 2015 (subsequently extended). Under the agreement Mr Hancock can receive annual fees of up to \$48,000 + GST. Mr Hancock was paid \$48,000 (excluding GST) for services rendered during the 12 month period ending 30 June 2022 (2021: \$48,000 excluding GST). This amount is included as part of Mr. Hancock's remuneration in the Remuneration Report.

Notes to the Consolidated Financial Statements for the year ended 30 June 2022

24. Related parties (continued)

Receivable from and payable to related parties

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

| | 2022 | 2021 |
|--|--------------|--------------|
| | \$ | \$ |
| Current payables | | |
| Fee payable to Graeme Drew and related entity | 18,334 | 18,250 |
| Fee payable to Greg Hancock and related entity | 4,000 | 4,000 |
| | <u>4,000</u> | <u>4,000</u> |

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

25. Parent entity information

| | 2022 | 2021 |
|---|------------------|--------------------|
| | \$ | \$ |
| <i>Statement of profit or loss and other comprehensive income</i> | | |
| Loss after income tax for the year | (255,497) | (1,781,456) |
| Total comprehensive income | (255,497) | (1,781,456) |
| <i>Statement of financial position</i> | | |
| Total current assets | 3,999,999 | 5,402,136 |
| Total non-current assets | 4,710,942 | 3,893,211 |
| Total assets | 8,710,941 | 9,295,358 |
| Total current liabilities | 1,014,674 | 1,378,568 |
| Total liabilities | 1,014,674 | 1,378,568 |
| Issued capital | 62,308,183 | 62,273,198 |
| Share-based payment reserve | 473,319 | 473,319 |
| Accumulated losses | (55,085,235) | (54,829,738) |
| Total equity | 7,696,267 | 7,916,779 |

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2022 and 30 June 2021.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2022 and 30 June 2021.

Included in non-current assets are investments and loans to subsidiaries of \$12,123,255 (2021: \$10,428,217), the recoverability of which is dependent on the successful exploration of the subsidiaries exploration assets.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment at 30 June 2022 and 30 June 2021.

Notes to the Consolidated Financial Statements for the year ended 30 June 2022

26. Interest in subsidiaries

| Name | Principal place of business / Country of incorporation | Ownership interest | |
|--|---|--------------------|-----------|
| | | 2022 % | 2021 % |
| Parent Entity | | | |
| AusQuest Limited ⁽ⁱ⁾ | Australia | | |
| Controlled entities | | | |
| <i>Held directly by AusQuest Limited:</i> | | | |
| Fortescue Resources Limited | Australia | 100% | 100% |
| E&A Resources Pty Ltd | British Virgin Islands | 100% | 100% |
| Questdor SAC | Peru | 100% | 100% |
| Filigree SARL | Burkina Faso | 100% | 100% |
| <i>Held through E&A Resources Pty Ltd:</i> | | | |
| Comoe Exploration SARL | Burkina Faso | 100% | 100% |

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 2:

- (i) AusQuest Limited is the head entity within the tax consolidated group. All the Australian-incorporated companies are members of the tax consolidated group.

27. Cash and cash equivalents

- (i) *Cash and cash equivalents*

| | 2022 \$ | 2021 \$ |
|--|------------------|------------------|
| Cash at bank and on hand | 3,878,896 | 5,408,593 |
| Total cash & cash equivalents | 3,878,896 | 5,408,593 |

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

Reconciliation to the Statement of Cash Flows:

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on bank and cash on hand.

Notes to the Consolidated Financial Statements for the year ended 30 June 2022

27. Cash and cash equivalents (continued)

(ii) Reconciliation of (loss)/profit after income tax to net cash used in operating activities:

| | 2022 | 2021 |
|---|--------------------|--------------------|
| | \$ | \$ |
| Reconciliation of cash flows from operating activities with profit from ordinary activities after income tax: | | |
| (Loss) after income tax for the year from continued operations | (1,457,728) | (1,397,914) |
| (Loss) after income tax for the year from discontinued operations | - | 115,087 |
| | <u>(1,457,728)</u> | <u>(1,282,827)</u> |
| Adjustment for non-cash items: | | |
| Depreciation and amortisation | 11,194 | 9,528 |
| Depreciation and interest expense on right-of-use asset | 114,520 | 51,797 |
| Share-based payment expenses | 11,000 | 506,319 |
| Exploration and evaluation expenditure impaired | 1,956,939 | 1,481,290 |
| R&D tax rebate reclassified as investing activities | (958,117) | (761,024) |
| Exploration and evaluation expenditure included in investing activities | - | 1,522 |
| Disposal of property, plant and equipment | 1,177 | - |
| Foreign exchange differences | - | (92,563) |
| | <u>(321,015)</u> | <u>(85,958)</u> |
| Change in operating assets and liabilities: | | |
| (Increase)/decrease in trade and other receivables | 1,983 | 722 |
| (Increase)/decrease in other assets | 9,455 | 75,422 |
| (Decrease) in payables | (40,411) | 50,834 |
| Increase in provisions | 10,285 | 12,213 |
| | <u>(339,703)</u> | <u>53,233</u> |
| Net cash (used in)/from operating activities | <u>(339,703)</u> | <u>53,233</u> |

(iii) Changes in liabilities arising from financing activities

| | \$ | \$ |
|------------------------------------|---------------|---------------|
| Accrued interest and leases | | |
| Opening balance | 23,199 | 44,636 |
| Interest accrued | | |
| Non-cash recognition of lease | 171,908 | 30,552 |
| Payment of leases | (114,550) | (57,659) |
| Lease interest | 6,701 | 8,002 |
| Forex on leases | 422 | (2,332) |
| Closing balance | <u>87,680</u> | <u>23,199</u> |

Notes to the Consolidated Financial Statements for the year ended 30 June 2022

28. (Loss)/Earnings per share

| | 2022 | 2021 |
|---|--------|--------|
| Basic (loss)/earnings per share from continuing operations | (0.18) | (0.19) |
| Basic (loss)/earnings per share from continuing and discontinued operations | (0.18) | (0.19) |

| | 2022 | 2021 |
|--|-------------|-------------|
| (Loss)/Profit after income tax attributable to the owners of AusQuest Limited from continuing operations | (1,457,728) | (1,397,914) |

| | Number | Number |
|--|-------------|-------------|
| Weighted average number of ordinary shares | 824,061,913 | 722,457,145 |

The options of the Company have an anti-dilutive in nature as the average market price of ordinary shares during the year does not exceed the exercise price of the options. Diluted (loss)/earnings per share have not been calculated as the result does not decrease earnings per share or increase loss per share.

29. Share-based payments

Equity-settled payments

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

The Company issued 1,000,000 ordinary shares on 10 March 2022 in lieu of cash payments for consulting services rendered to the Group. All shares were issued at the share price at the date the share-based payment arrangement was entered into. Consulting expenses of \$11,000 were recognised in the statement of profit or loss and other comprehensive income.

Employee share options

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

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

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

29. Share-based payments (continued)

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-20 | 22,000,000 | (i) | 25-Nov-15 | 30-Nov-20 | 0.050 | 0.008 |
| 30-Nov-20 | 6,000,000 | (ii) | 01-Dec-15 | 30-Nov-20 | 0.050 | 0.009 |
| 30-Nov-20 | 2,000,000 | (iii) | 13-Jun-17 | 30-Nov-20 | 0.050 | 0.008 |
| 30-Nov-20 | 9,500,000 | (iv) | 18-Dec-17 | 30-Nov-20 | 0.050 | 0.009 |
| 30-Nov-24 | 20,000,000 | (v) | 26-Nov-20 | 30-Nov-24 | 0.075 | 0.009 |
| 30-Nov-24 | 19,000,000 | (vi) | 25-Jan-21 | 30-Nov-24 | 0.050 | 0.013 |
| 01-Mar-23 | 5,000,000 | (vii) | 31-Mar-21 | 01-Mar-23 | 0.040 | 0.008 |

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

(ii) On 1 December 2015 the Company issued 6,000,000 unlisted options to employees and contractors under the Company's Long Term Incentive Scheme ("LTIS"). The exercise price of the options under the LTIS was determined by the Directors. The employees eligible to participate in the plan are at the discretion of the directors. The options hold no voting rights and are not transferable. These options expired unexercised on 30 November 2020.

(iii) On 13 June 2017 the Company issued 2,000,000 unlisted options to a contractor on the same terms as those granted to employees and other contractors on 1 December 2015. The options hold no voting rights and are not transferable. These options expired unexercised on 30 November 2020.

(iv) On 18 December 2017, the Company issued 9,500,000 unlisted options to employees and contractors under the Company's Long Term Incentive Scheme ("LTIS"). The exercise price of the options of \$0.05 under the LTIS was determined by the Directors. The employees eligible to participate in the plan are at the discretion of the Directors. The options hold no voting rights and are not transferable. These options expired unexercised on 30 November 2020.

(v) Following shareholder approval at the Annual General Meeting held on 26 November 2020, 20,000,000 unlisted options was issued to the directors. These options have an exercise price of 7.5 cents each and expire on 30 November 2024.

(vi) On 25 January 2021 the Company issued 19,000,000 unlisted options to employees and contractors under the Company's Long Term Incentive Scheme ("LTIS"). The exercise price of the options under the LTIS was determined by the Directors. The employees eligible to participate in the plan are at the discretion of the directors. The options hold no voting rights and are not transferable. These options are exercisable at 5 cents and expire on 30 November 2024. At reporting date no options have been exercised and the employees have not ceased employment.

(vii) On 9 April 2021 following shareholder approval 5,000,000 options were issued to the Company's brokers as part of the capital raising announced on 19 February 2021. These options are exercisable at 4 cents and expire on 1 March 2023.

The fair value of the 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.

Notes to the Consolidated Financial Statements for the year ended 30 June 2022

29. 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 2022 is \$Nil (2021: \$427,000). There were no share based payment options exercised during the financial years ended 30 June 2022 and 30 June 2021.

The following table shows a reconciliation of the outstanding share options granted as share-based payments at the beginning and end of the financial year:

| | 2022 | | 2021 | |
|--|-----------------------------|---|-----------------------------|--|
| | Number of Options No. | Weighted average exercise price \$ | Number of Options No. | Weighted average exercise price % |
| Balance at beginning of period | 44,000,000 | 0.06 | 39,500,000 | 0.05 |
| Granted during the period | - | - | 44,000,000 | 0.06 |
| Lapsed during the period | - | - | (39,500,000) | 0.05 |
| Balance at 30 June 2021 | 44,000,000 | 0.06 | 44,000,000 | 0.06 |
| Exercisable at end of the financial year | 44,000,000 | 0.06 | 44,000,000 | 0.06 |

30. Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographic area of operations; or
- is part of a single coordinated plan to dispose of a separate major line of business or geographic area of operations.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive loss is re-presented as if the operation had been discontinued from the start of the comparative year.

Results of discontinued operations (African operations)

| | 2022 \$ | 2021 \$ |
|--|------------|------------|
| Other income | - | 22,524 |
| Foreign exchange movement | - | 92,563 |
| Loss before tax expense | - | 115,087 |
| Income tax expense | - | - |
| Net loss from discontinued operations | - | 115,087 |
| Basic/diluted earnings per share (cents per share) | - | 0.02 |

Cash flows from discontinued operations

| | 2022 \$ | 2021 \$ |
|---------------------------------------|------------|------------|
| Net cash from operating activities | - | - |
| Net cash used in investing activities | - | - |
| Net cash used in financing activities | - | - |
| Net cash inflow for the year | - | - |

31. Subsequent Events

There has been no matter or circumstance that has arisen since the end of the financial 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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Additional securities exchange information

Additional information required by the Australian Securities Exchange and not shown elsewhere in this report is as follows. This information is current as at 13 September 2022.

1. Registered office and principal administrative office

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

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

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

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

3. Restricted securities

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

4. On-market buy back

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

5. Shareholdings

(a) Distribution of shareholders

| Category (size of holding) | Ordinary shares | Number of holders |
|----------------------------|--------------------|-------------------|
| 1 – 1,000 | 28,574 | 233 |
| 1,001 – 5,000 | 541,913 | 192 |
| 5,001 – 10,000 | 953,324 | 121 |
| 10,001 – 100,000 | 35,547,881 | 757 |
| 100,001 and over | 788,077,531 | 703 |
| | 825,149,223 | 2,006 |

(b) Less than marketable parcels of shares

The number of shareholdings held in less than marketable parcels is 806 given a share value of 1.7 cents per share.

(c) Voting rights

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

Ordinary shares

Each ordinary share is entitled to one vote, and each member present at a meeting or by proxy has one vote based on a conducted poll.

Options

Options over ordinary shares do not carry voting rights.

Additional securities exchange information

(d) 20 Largest shareholders – ordinary shares

| Name | Number of Ordinary Fully Paid Shares Held | % Held of Issued Ordinary Capital |
|--|---|-----------------------------------|
| 1 Chrysalis Investments Pty Ltd | 174,916,293 | 21.20% |
| 2 Altor Capital Management Pty Ltd (Altor Alpha Fund A/C) | 29,955,496 | 3.63% |
| 3 OTS Super Pty Ltd (The Drew Family Super A/C) | 19,323,409 | 2.34% |
| 4 Mrs Vani Shankar Ruttala | 18,413,764 | 2.23% |
| 5 Mr John Jeremie White | 16,117,376 | 1.95% |
| 6 Asuper Pty Ltd (Ashley Super Fund A/C) | 14,000,000 | 1.70% |
| 7 Mr MJ Sherington & Miss KL Weier (Sherington Weier Family A/C) | 13,738,831 | 1.67% |
| 8 Mr Peter James Walker | 9,736,842 | 1.18% |
| 9 HSBC Custody Nominees (Australia) Limited | 9,191,542 | 1.11% |
| 10 Mr James Thornett and Susan Thornett | 9,165,135 | 1.11% |
| 11 BNP Paribas Nominees Pty Ltd | 8,664,218 | 1.05% |
| 12 Invia Custodian Pty Ltd (Abex Ltd A/C) | 7,787,500 | 0.94% |
| 13 Scintilla Strategic Investments Limited | 7,500,000 | 0.91% |
| 14 Mrs Bronwyn Ginette Gould | 7,191,826 | 0.87% |
| 15 Sarelda Pty Ltd (The Sarelda Super Fund A/C) | 7,165,653 | 0.87% |
| 16 Verguier Pty Ltd | 6,981,250 | 0.85% |
| 17 Mr Peter Alaric Hayes | 6,830,000 | 0.83% |
| 18 Mr Andrew Richard Jackson Ball | 6,615,743 | 0.80% |
| 19 Jetosea Pty Limited | 6,275,526 | 0.76% |
| 20 Mr Timothy Mark McKenzie | 6,000,000 | 0.73% |
| | 385,570,404 | 46.73% |

(e) Substantial holders of fully paid ordinary shares

Substantial shareholders listed in the Company's holding register as at 13 September 2022:

| Name | Number of fully paid ordinary shares held |
|--|---|
| 1 Chrysalis Investments Pty Ltd (a company associated with Mr C Ellis) | 174,916,293 |
| | 174,916,293 |

6. Company secretary

The name of the Company secretary is Henko Vos.

7. Securities exchange listing

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

Additional securities exchange information

8. Unquoted securities

| Terms | Unlisted Options | |
|--|--------------------|-------------------|
| | Number | Number of holders |
| 1 Unlisted options exercisable at 4 cents each on or before 1 March 2023 | 76,428,575 | 101 |
| 2 Unlisted options exercisable at 7.5 cents each on or before 30 November 2024 | 20,000,000 | 3 |
| 3 Unlisted options exercisable at 5 cents each on or before 30 November 2024 | 19,000,000 | 7 |
| | 115,428,575 | 111 |

9. Unquoted equity security holdings greater than 20%

At 13 September 2022, the following held unquoted equity securities greater than 20%:

1. Unlisted options exercisable at 4 cents each on or before 1 March 2023 – none.
2. Unlisted options exercisable at 7.5 cents each on or before 30 November 2024:
 - 2.1 Mr Graham Drew – 10,000,000 (50%)
 - 2.2 Mr Greg Hancock – 5,000,000 (25%)
 - 2.3 Mr Chris Ellis – 5,000,000 – (25%)
3. Unlisted options exercisable at 7.5 cents each on or before 30 November 2024 – none.

Tenements

Project Tenements as at 30 August 2022

| Tenement | Location | Lease Status | Registered Holder | Interest Held |
|-------------------|-------------------|--------------|-------------------|---------------|
| Australia | | | | |
| E69/3246 | WA, Balladonia | Granted | AusQuest Ltd. | 100% |
| E69/3558 | WA, Balladonia | Granted | AusQuest Ltd. | 100% |
| E69/3559 | WA, Balladonia | Application | AusQuest Ltd. | 100% |
| E69/3671 | WA, Balladonia | Granted | AusQuest Ltd. | 100% |
| E69/3672 | WA, Balladonia | Application | AusQuest Ltd. | 100% |
| E69/3825 | WA, Balladonia | Granted | AusQuest Ltd. | 100% |
| E69/3932 | WA, Balladonia | Granted | AusQuest Ltd. | 100% |
| E69/3859 | WA, Jubilee Lake | Granted | AusQuest Ltd. | 100% |
| E69/4006 | WA, Jubilee Lake | Application | AusQuest Ltd. | 100% |
| E69/4007 | WA, Jubilee Lake | Application | AusQuest Ltd. | 100% |
| E69/4010 | WA, Jubilee Lake | Application | AusQuest Ltd. | 100% |
| E69/4011 | WA, Jubilee Lake | Application | AusQuest Ltd. | 100% |
| E69/4012 | WA, Jubilee Lake | Application | AusQuest Ltd. | 100% |
| E45/5447 | WA, Gunanya | Granted | AusQuest Ltd. | 100% |
| E70/5383 | WA, Morrisey Well | Granted | AusQuest Ltd. | 100% |
| E09/2397 | WA, Morrisey Well | Granted | AusQuest Ltd. | 100% |
| E59/2525 | WA, Morrisey Well | Granted | AusQuest Ltd. | 100% |
| E59/2526 | WA, Morrisey Well | Granted | AusQuest Ltd. | 100% |
| E09/2502 | WA, Morrisey Well | Application | AusQuest Ltd. | 100% |
| E70/5388 | WA, Moora | Granted | AusQuest Ltd. | 100% |
| E70/5389 | WA, Moora | Granted | AusQuest Ltd. | 100% |
| E70/5401 | WA, Moora | Granted | AusQuest Ltd. | 100% |
| E70/5402 | WA, Moora | Granted | AusQuest Ltd. | 100% |
| E70/5418 | WA, Moora | Granted | AusQuest Ltd. | 100% |
| E69/3896 | WA, Mount Davis | Granted | AusQuest Ltd. | 100% |
| E69/3898 | WA, Mount Davis | Granted | AusQuest Ltd. | 100% |
| EPM 26681 | QLD, Hamilton | Granted | AusQuest Ltd. | 100% |
| EPM 26682 | QLD, Hamilton | Granted | AusQuest Ltd. | 100% |
| Peru | | | | |
| Cangallo 1 | Arequipa | Application | Questdor SAC | 100% |
| Cangallo 2 | Arequipa | Granted | Questdor SAC | 100% |
| Cangallo 3 | Arequipa | Granted | Questdor SAC | 100% |
| Cangallo 4 | Arequipa | Application | Questdor SAC | 100% |
| Cangallo 5 | Arequipa | Application | Questdor SAC | 100% |
| Cangallo 6 | Arequipa | Application | Questdor SAC | 100% |
| Cangallo 7 | Arequipa | Application | Questdor SAC | 100% |
| Cangallo 9 | Arequipa | Application | Questdor SAC | 100% |
| Cerro De Fierro A | Arequipa | Granted | Questdor SAC | 100% |
| Cerro De Fierro B | Arequipa | Granted | Questdor SAC | 100% |
| Cerro De Fierro C | Arequipa | Granted | Questdor SAC | 100% |
| Cerro De Fierro D | Arequipa | Granted | Questdor SAC | 100% |
| Cerro De Fierro E | Arequipa | Granted | Questdor SAC | 100% |
| Cerro De Fierro F | Arequipa | Granted | Questdor SAC | 100% |
| Cerro De Fierro G | Arequipa | Granted | Questdor SAC | 100% |
| Cerro De Fierro H | Arequipa | Granted | Questdor SAC | 100% |
| Cerro De Fierro I | Arequipa | Granted | Questdor SAC | 100% |
| Cerro De Fierro J | Arequipa | Granted | Questdor SAC | 100% |
| Cerro De Fierro K | Arequipa | Granted | Questdor SAC | 100% |
| Cerro De Fierro L | Arequipa | Granted | Questdor SAC | 100% |
| Cerro De Fierro N | Arequipa | Granted | Questdor SAC | 100% |
| Cerro De Fierro O | Arequipa | Granted | Questdor SAC | 100% |
| Cerro De Fierro P | Arequipa | Granted | Questdor SAC | 100% |
| Cerro De Fierro Q | Arequipa | Application | Questdor SAC | 100% |

Tenements

Project Tenements as at 30 August 2022 (continued)

| Tenement | Location | Lease Status | Registered Holder | Interest Held |
|-------------------|----------------|--------------|-------------------|---------------|
| Peru Cont. | | | | |
| Chololo 1 | Moquegua | Granted | Questdor SAC | 100% |
| Chololo 2 | Moquegua | Granted | Questdor SAC | 100% |
| El Sello 01 | Arequipa | Granted | Questdor SAC | 100% |
| El Sello 02 | Arequipa | Granted | Questdor SAC | 100% |
| El Sello 03 | Arequipa | Application | Questdor SAC | 100% |
| El Sello 04 | Arequipa | Granted | Questdor SAC | 100% |
| El Toro 01 | Arequipa | Granted | Questdor SAC | 100% |
| El Toro 02 | Arequipa | Granted | Questdor SAC | 100% |
| El Toro 03 | Arequipa | Granted | Questdor SAC | 100% |
| Los Otros 07 | Moquegua | Granted | Questdor SAC | 100% |
| Los Otros 08 | Moquegua | Granted | Questdor SAC | 100% |
| Parcoy 01 | Arequipa | Granted | Questdor SAC | 100% |
| Parcoy 02 | Arequipa | Granted | Questdor SAC | 100% |
| Parcoy 03 | Arequipa | Granted | Questdor SAC | 100% |
| Parcoy 04 | Arequipa | Granted | Questdor SAC | 100% |
| Parcoy 05 | Arequipa | Granted | Questdor SAC | 100% |
| Parcoy 06 | Arequipa | Granted | Questdor SAC | 100% |
| Parcoy 07 | Arequipa | Granted | Questdor SAC | 100% |
| Parcoy 08 | Arequipa | Granted | Questdor SAC | 100% |
| Parcoy 09 | Arequipa | Granted | Questdor SAC | 100% |
| Parcoy 10 | Arequipa | Granted | Questdor SAC | 100% |
| Parcoy 12 | Arequipa | Granted | Questdor SAC | 100% |
| Playa Kali 01 | Arequipa | Granted | Questdor SAC | 100% |
| Playa Kali 02 | Arequipa | Application | Questdor SAC | 100% |
| Playa Kali 03 | Arequipa | Application | Questdor SAC | 100% |
| Playa Kali 04 | Arequipa | Granted | Questdor SAC | 100% |
| Playa Kali 05 | Arequipa | Application | Questdor SAC | 100% |
| Playa Kali 06 | Arequipa | Granted | Questdor SAC | 100% |
| Playa Kali 07 | Arequipa | Granted | Questdor SAC | 100% |
| Playa Kali 08 | Arequipa | Granted | Questdor SAC | 100% |
| Playa Kali 09 | Arequipa | Granted | Questdor SAC | 100% |
| Ventura 1 | Moquegua | Granted | Questdor SAC | 100% |
| Ventura 2 | Moquegua | Granted | Questdor SAC | 100% |
| Ventura 3 | Moquegua/Tacna | Granted | Questdor SAC | 100% |
| Ventura 4 | Moquegua/Tacna | Granted | Questdor SAC | 100% |
| Ventura 5 | Moquegua | Granted | Questdor SAC | 100% |
| Ventura 6 | Moquegua | Application | Questdor SAC | 100% |
| Ventura 7 | Moquegua | Granted | Questdor SAC | 100% |
| Ventura 8 | Moquegua | Granted | Questdor SAC | 100% |