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ASX Release

AUSQUEST LIMITED
ABN 35 091 542 451

LARGE PORPHYRY COPPER TARGET IDENTIFIED AT CHOLOLO PROJECT IN PERU

Strong IP anomalies suggest potential for significant amounts of sulphide mineralisation

AusQuest Limited (ASX: AQD) is pleased to advise that it has identified a significant porphyry copper target at the **Chololo Copper Project**, located ~30km from the port of Ilo in southern Peru, based on the results of a successful recent geophysical survey.

Induced Polarisation (IP) Surveys conducted over the project have located strong chargeability anomalies in the northern half of the prospect, indicating the potential for a buried porphyry (copper) system in this area. Preliminary computer modelling of the IP data has confirmed the large target size and strength of response, suggesting potential for significant amounts of sulphide mineralisation within the source rocks (Figures 1 and 3).

The Chololo Project is one of three projects in Peru that were selected by the Company's alliance partner, South32 (ASX: S32), as 'exploration opportunities' under the Strategic Alliance Agreement (SAA). South32 can elect to progress the Chololo Project to joint venture status once a drilling program has been agreed. Under the joint venture, South32 would need to spend US$4.0 million to earn a 70% interest in the project.

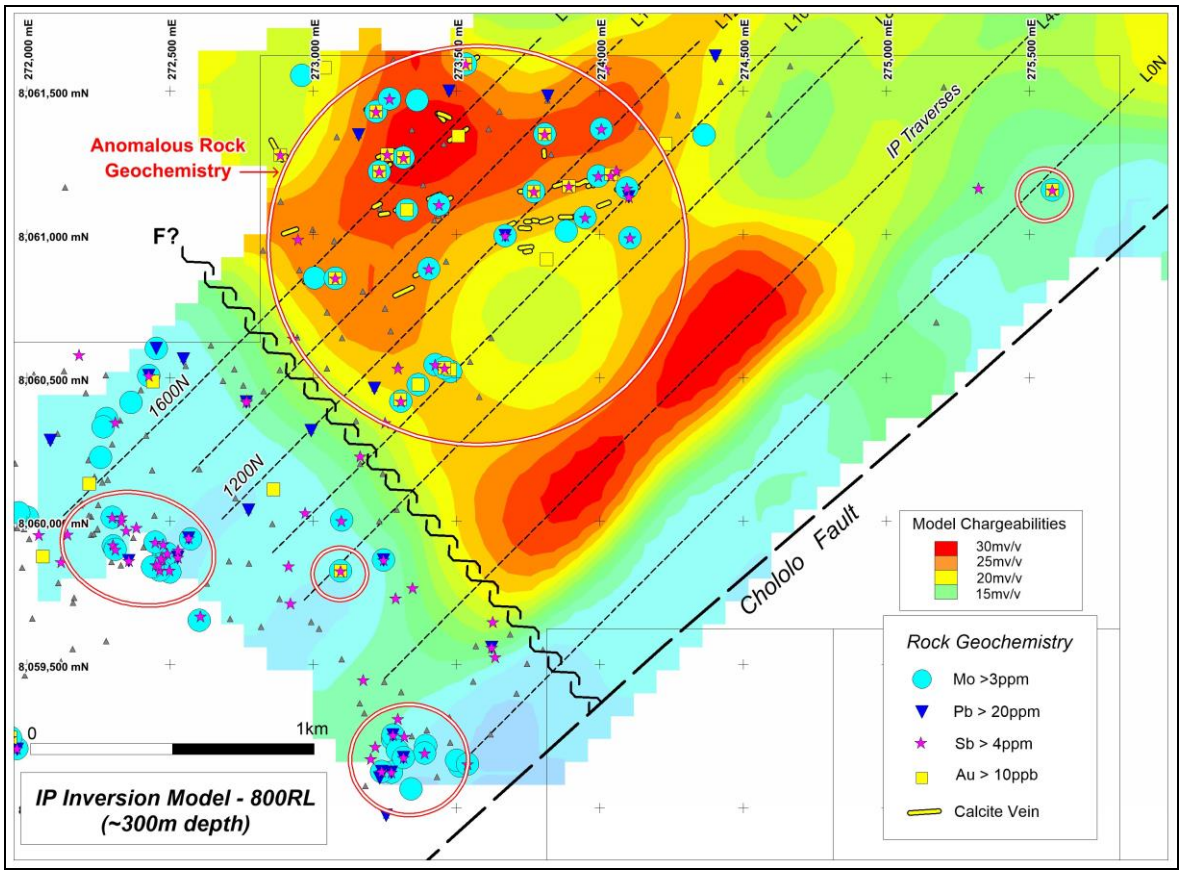

Figure 1: Chololo IP Target and rock geochemistry

Recent geological mapping and sampling in the north of the prospect located numerous calcite veins cutting a sequence of sediments (sandstones) overlying a buried magnetic complex. Analyses of the veins show they contain elevated levels of Mo (>3ppm to 20ppm), Pb (>20ppm to 260ppm), Sb (>4ppm to 40ppm) and Au (>10ppb to 80ppb), as well as elevated Mn, Zn, As and Cd – suggesting potential for a mineralised porphyry system at depth (Figure 2).

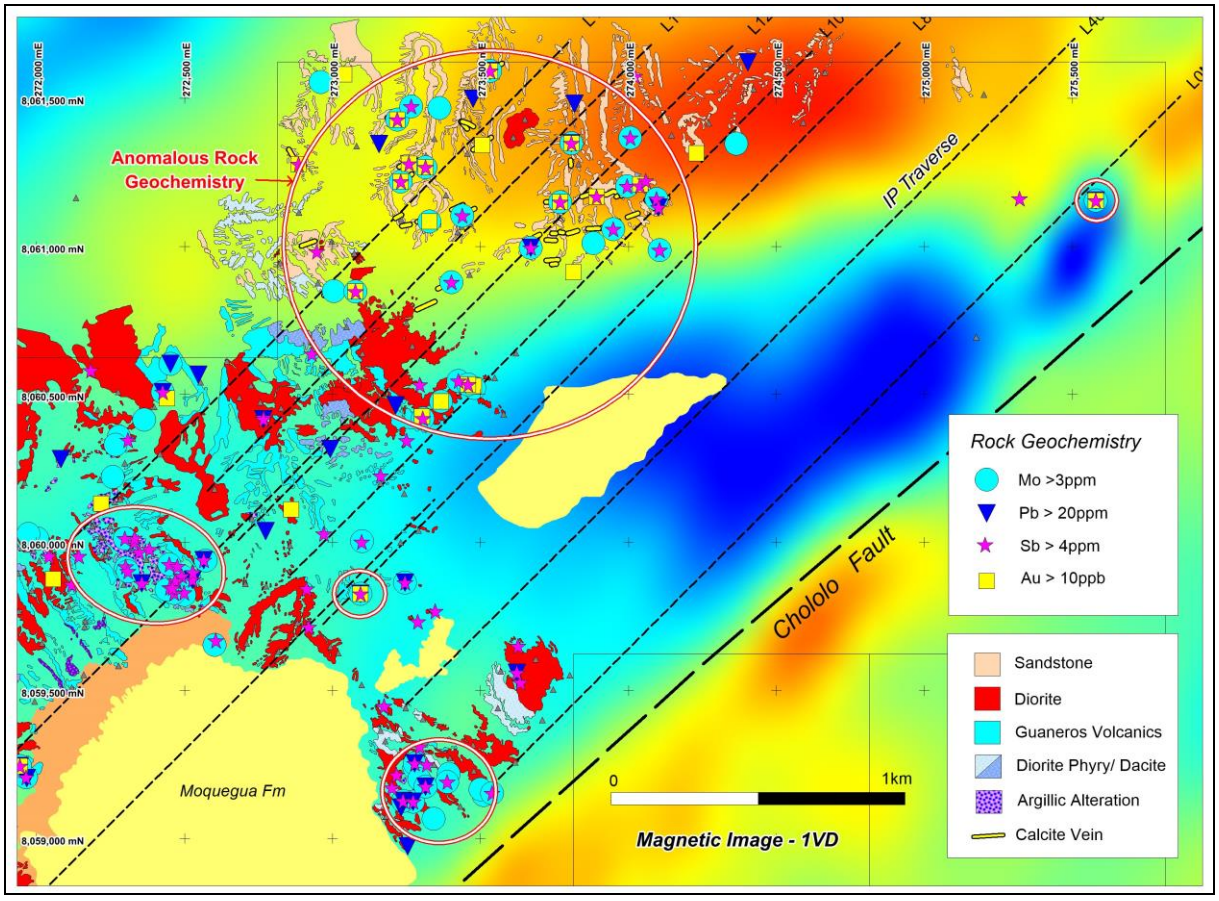

Figure 2: Chololo Geology and magnetics showing anomalous geochemical samples

Pole-dipole IP surveys (200m dipoles, n=1 to 6) over this area were undertaken by Valdor SudAmerica along survey lines spaced at 400m and 200m intervals, oriented parallel to the Chololo Fault, to identify potential drill targets associated with the magnetic and geochemical anomalies.

Strong IP responses (chargeability >20mv/v) were detected on most lines, indicating the potential for buried sulphide mineralisation at depths ranging from ~150m to 400m, and extending over several square kilometres in area. The IP anomalies are thought to reflect a large-scale pyrite (+/- chalcopyrite) halo associated with an inferred buried porphyry copper system (Figure 1).

AusQuest Managing Director Graeme Drew said the identification of a large-scale sulphide target at the Chololo Porphyry Copper Prospect was a highly significant development for the Company in its ongoing hunt for Tier-1 scale exploration opportunities.

"We are confident that we will be able to present the Chololo Project to South32 as a drill ready target under our Strategic Alliance," he said. "In the meantime survey work is continuing at the alliance's other two prospects in Peru and we anticipate that at least one of these will also reach the drilling stage within the next few months."

Graeme Drew
Managing Director

COMPETENT PERSON'S STATEMENT

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

FORWARD LOOKING STATEMENT

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

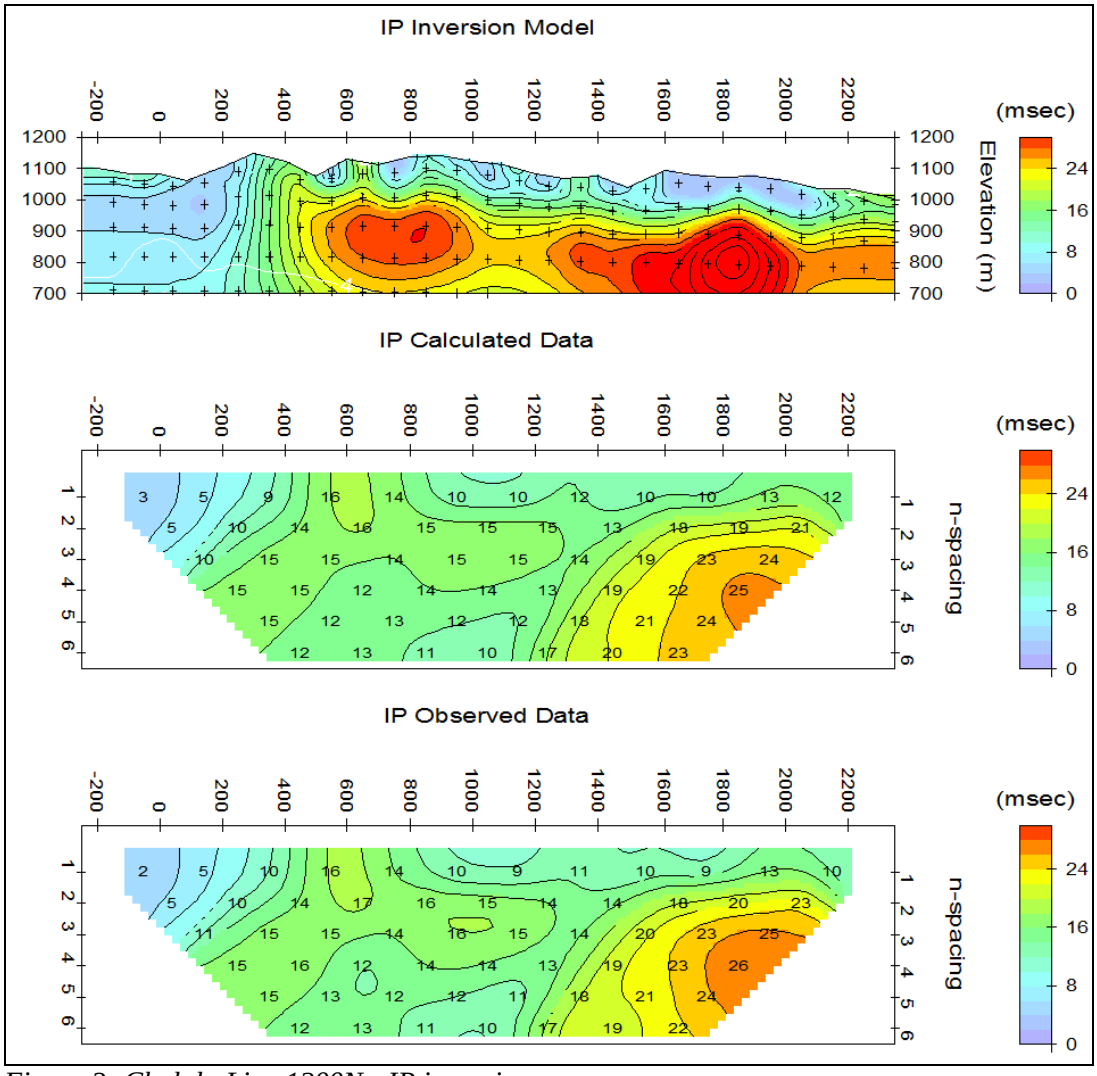

Figure 3: Chololo Line 1200N - IP inversion

JORC Code, 2012 Edition – Table 1 report, Chololo Induced Polarisation and Sampling Survey Results

Section 1 Sampling Techniques and Data

(Criteria in this section apply to all succeeding sections.)

Criteria	JORC Code explanation	Commentary
Sampling techniques	• *Nature and quality of sampling (eg cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling.* • *Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.* • *Aspects of the determination of mineralisation that are Material to the Public Report.* • *In cases where 'industry standard' work has been done this would be relatively simple (eg 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (eg submarine nodules) may warrant disclosure of detailed information.*	• Pole -dipole induced polarisation surveys used a Walcer 10KW transmitter, GDD Elrec Pro receiver, and a 0.125Hz duty cycle. Mode of measurement – Cole-Cole. • Rock chip sampling usually comprises hammering an outcrop to collect samples of variable size and quality. • Reconnaissance sampling is not systematic, with samples of potentially mineralized rock being the main focus of the program.
Drilling techniques	• *Drill type (eg core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (eg core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc).*	• Not applicable
Drill sample recovery	• *Method of recording and assessing core and chip sample recoveries and results assessed.* • *Measures taken to maximise sample recovery and ensure representative nature of the samples.* • *Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.*	• Not applicable
Logging	• *Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.* • *Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography.*	• Not applicable

Criteria	JORC Code explanation	Commentary
	• *The total length and percentage of the relevant intersections logged.*	
Sub-sampling techniques and sample preparation	• *If core, whether cut or sawn and whether quarter, half or all core taken.* • *If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry.* • *For all sample types, the nature, quality and appropriateness of the sample preparation technique.* • *Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.* • *Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling.* • *Whether sample sizes are appropriate to the grain size of the material being sampled.*	• No sub-sampling of rock-chip samples was undertaken • Approximately 2 kg of rock was collected from each site sampled which is regarded as representative of the outcrop being sampled
Quality of assay data and laboratory tests	• *The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.* • *For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.* • *Nature of quality control procedures adopted (eg standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (ie lack of bias) and precision have been established.*	• Rock chip samples are crushed and pulverized to 85% minus 75 microns, then a representative sub-sample is collected for digestion using a 4 acid digest, followed by analysis by ICP-MS and/or AES. Gold are assayed by 30 g fire assay with AAS finish. • In laboratory QAQC data is reviewed for all assay jobs. Blanks and standards are included with all sample batches.
Verification of sampling and assaying	• *The verification of significant intersections by either independent or alternative company personnel.* • *The use of twinned holes.* • *Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.* • *Discuss any adjustment to assay data.*	• Rock-chip sampling is compiled into Excel spreadsheets for merging with assay data when it becomes available. • Digital data is regularly backed-up on the company's servers.
Location of data points	• *Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.* • *Specification of the grid system used.* • *Quality and adequacy of topographic control.*	• All transmitter and receiver stations for the IP are located by hand held GPS to an accuracy of ~5m. • Sample locations are recorded using GPS to ~5m accuracy.
Data spacing and distribution	• *Data spacing for reporting of Exploration Results.* • *Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.* • *Whether sample compositing has been*	• Dipole size a= 200m with dipole separations of n=1 to 6 • IP traverse spacing was 400m with 200m infill lines where required. This was considered sufficient for the scale of target being tested. • Rock chip sampling is irregular and based on availability of suitable outcrop.

Criteria	JORC Code explanation	Commentary
	applied.	
Orientation of data in relation to geological structure	• *Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.* • *If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.*	• Survey lines were oriented parallel to topography and the main structure and cross cutting stratigraphy to optimize efficiency and test targets near the fault.
Sample security	• *The measures taken to ensure sample security.*	• Results were transmitted electronically from the contractor to the Company. • Rock samples are securely tied/sealed in the field, followed by packing into larger sealed plastic bags for transport to the laboratory
Audits or reviews	• *The results of any audits or reviews of sampling techniques and data.*	• Data quality was reviewed on an ongoing basis.

Section 2 Reporting of Exploration Results

(Criteria listed in the preceding section also apply to this section.)

Criteria	JORC Code explanation	Commentary
Mineral tenement and land tenure status	• *Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings.* • *The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area.*	• The Chololo Project is located ~30km NE of the town of Ilo in southern Peru. • Tenement holdings include three granted Mineral Concessions held in the name of Questdor SAC a wholly owned subsidiary of AusQuest. • The Chololo Project is subject to the Strategic Alliance with South32 as reported to the ASX on February 20 - 2017.
Exploration done by other parties	• *Acknowledgment and appraisal of exploration by other parties.*	• No reported exploration has been completed over the prospect being tested. There is no public reporting of exploration results in Peru. • Historical drilling 4km to the SW of the prospect is known to have intersected low-grade porphyry Cu mineralization.
Geology	• *Deposit type, geological setting and style of mineralisation.*	• The Company is exploring for a buried and preserved porphyry copper resource adjacent to the Chololo fault.
Drill hole Information	• *A summary of all information material to the understanding of the exploration results including a*	• Not applicable

Criteria	JORC Code explanation	Commentary
	tabulation of the following information for all Material drill holes: ○ *easting and northing of the drill hole collar* ○ *elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar* ○ *dip and azimuth of the hole* ○ *down hole length and interception depth* ○ *hole length.* • *If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case.*	
Data aggregation methods	• *In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (eg cutting of high grades) and cut-off grades are usually Material and should be stated.* • *Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail.* • *The assumptions used for any reporting of metal equivalent values should be clearly stated.*	• Not applicable
Relationship between mineralisation widths and intercept lengths	• *These relationships are particularly important in the reporting of Exploration Results.* • *If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.* • *If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (eg 'down hole length, true width not known').*	• Not applicable
Diagrams	• *Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.*	• Relevant IP plans are included in the ASX release.
Balanced reporting	• *Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.*	• All relevant results are reported.

Criteria	JORC Code explanation	Commentary
Other substantive exploration data	• *Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.*	• The relationship between the IP results and previously reported exploration data is discussed in the report.
Further work	• *The nature and scale of planned further work (eg tests for lateral extensions or depth extensions or large-scale step-out drilling).* • *Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.*	• Further work will depend on a full assessment of the IP results..