September 21st, 2017
ASX Release

AUSQUEST LIMITED
ABN 35 091 542 451

SOUTH32 COMMIT TO DRILLING THE CHOLOLO PORPHYRY COPPER TARGET IN PERU

- **First project to be drilled in Peru under the Strategic Alliance with South32**
- **Permitting now in progress for up to 5,000m of drilling**
- **Strong chargeability anomaly identified from recent IP survey**

AusQuest Limited (ASX: AQD) is pleased to advise that its Strategic Alliance partner, South32 (ASX: S32), has committed to a diamond drilling program of up to 5,000m at the Chololo Porphyry Copper Project in southern Peru, making it the first project in Peru to be selected for drilling under the Strategic Alliance.

Drill permitting is now in progress and is estimated to take around six months to complete, with diamond drilling expected to commence before the end of Q1 2018. As provided for in the Strategic Alliance Agreement (SAA), the parties will execute a joint venture document in regard to the Chololo Project before drilling commences. Under the joint venture, South32 would need to spend US$4.0 million to earn a 70% interest in the Chololo Project.

The Chololo Project is located ~30km from the port of Ilo in southern Peru, where a recently completed Induced Polarisation (IP) survey highlighted a strong chargeability anomaly indicating potential for a buried porphyry copper system in the area (see ASX release 5 July).

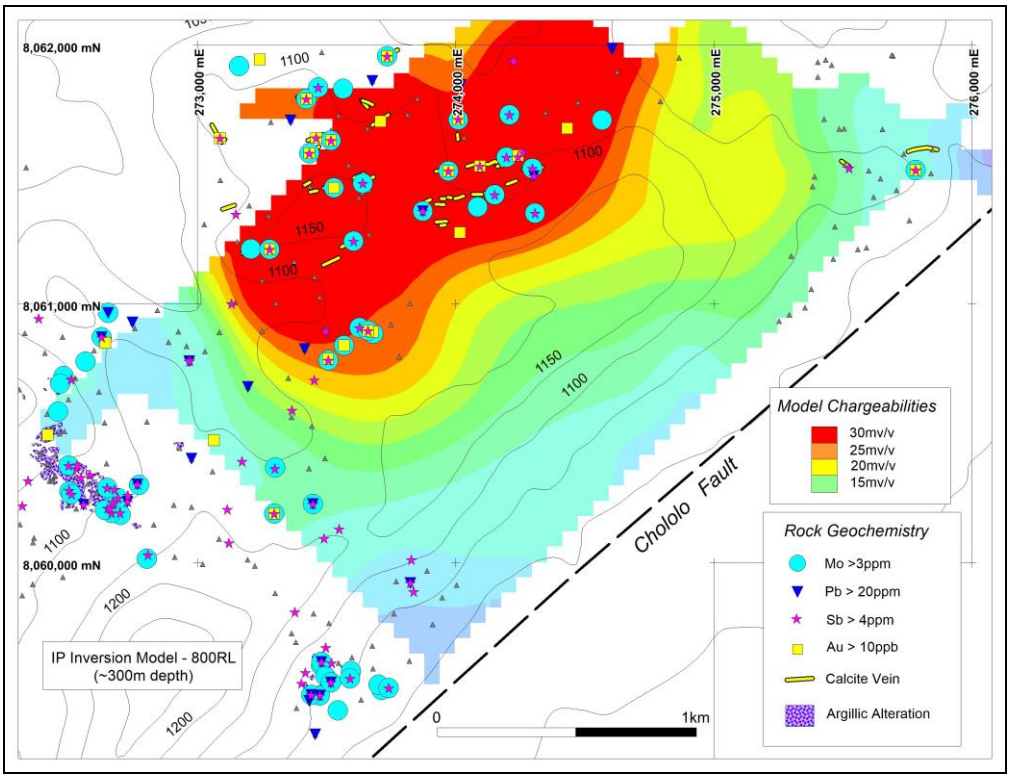

Figure 1: Chololo IP Target and rock geochemistry

The IP anomaly is thought to reflect a large-scale pyrite (+/- chalcopyrite) halo associated with the inferred buried porphyry copper system. Computer modelling of the IP data has confirmed the large target size and strength of response, suggesting the potential for significant amounts of sulphide mineralisation within the source rocks (*Figure 1*).

The Chololo Project is one of three projects in Peru that have so far been selected by South32 as 'exploration opportunities' under the SAA. Work to bring two of these projects to the drill-ready stage is continuing, with IP and electromagnetic surveys underway at Cerro de Fierro and mapping/sampling in progress at Los Otros.

AusQuest Managing Director Graeme Drew said the decision to drill the Chololo Project was a highly significant development for the Company in its ongoing hunt for Tier-1 scale mineral discoveries.

"We are very pleased that South32 have accepted the Chololo Project as being drill-ready. The IP target we have identified is a strong porphyry copper target, and we are looking forward to completing the permitting process and getting on the ground to start drilling as soon as we possibly can."

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.