AUSQUEST LIMITED

ABN 35 091 542 451

Quarterly Report – 30th September 2017

HIGHLIGHTS

Peru – Copper-Gold

- A drilling programme to test a large porphyry copper target at the Chololo Project was approved by the Company's Strategic Alliance partner, South32. Drill permitting commenced.

- A second drilling programme in Peru is under consideration by the Strategic Alliance. Drilling is proposed to test a strong IP response associated with the IOCG magnetic target at the Cerro de Fierro Project.

- Compilation of data at the Los Otros Project (South32 Strategic Alliance) outlined three target areas with potential for buried porphyry copper mineralisation.

Australia – Nickel, Copper, Zinc

- Reconnaissance drilling (4 holes/2,568m) at the Blue Billy Zinc Project (South32 Strategic Alliance) highlighted favourable host rocks for sediment-hosted zinc mineralisation. Assays are expected around the end of October.

- Further targets were identified within the eastern extension of the reconnaissance electromagnetic (EM) survey at the Jimberlana Nickel Project (South32 Strategic Alliance).

- MLTEM surveys over interpreted mafic intrusions at Balladonia have identified up to seven targets of interest. Modelling will be completed before consideration by the Strategic Alliance as a drill-ready opportunity.

Corporate

- Preliminary discussions commenced with South32 on a joint venture agreement over the Chololo Copper Project in Peru following acceptance of the drilling proposal. It is expected that this agreement will be completed during the next Quarter.

- The Company now has two Strategic Alliance projects at the drill-ready stage, with a third drill program currently under consideration.

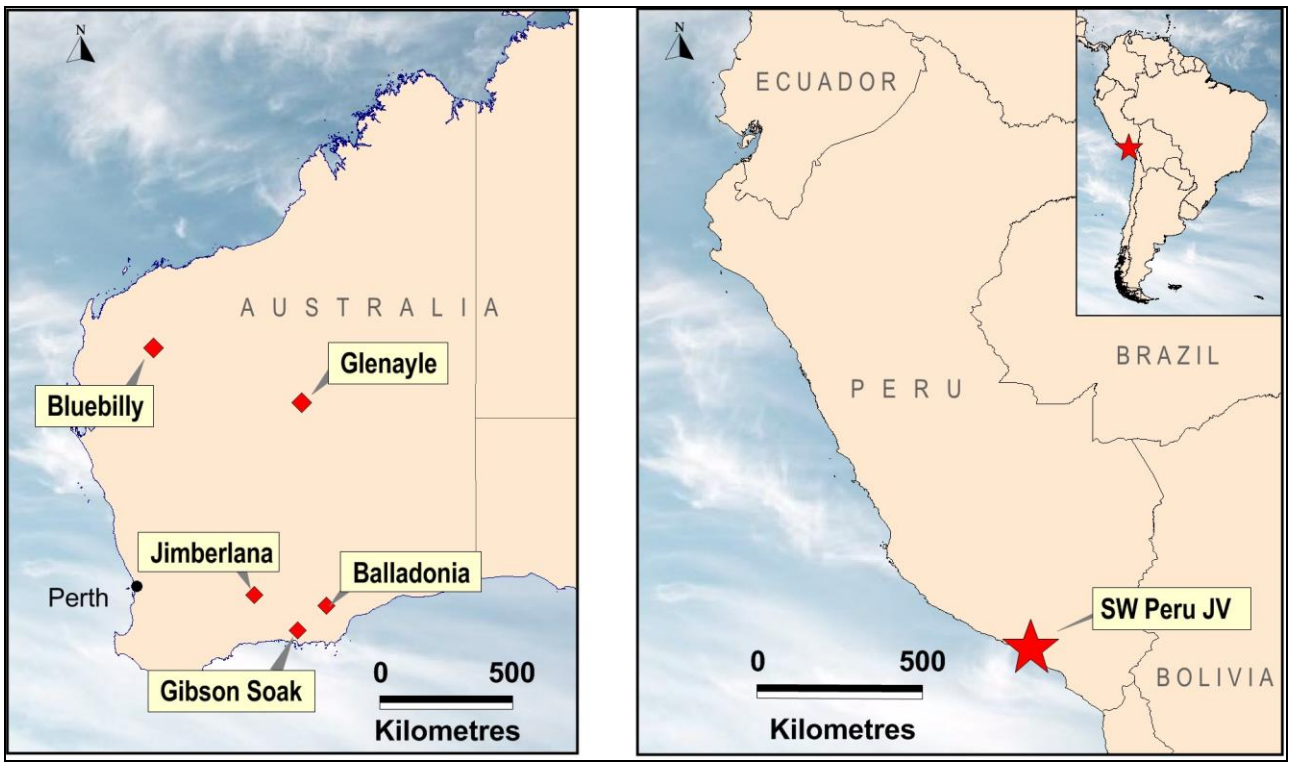

Figure 1: Project Locations – Australia and Peru

OVERVIEW

During the Quarter, field programmes under the Company's Strategic Alliance (SA) with diversified global miner South32 (ASX, LSE, JSE: S32; ADR: SOUHY) were accelerated both in Australia and Peru.

In **Peru**, IP surveys at the Cerro de Fierro Copper Project were completed and mapping/sampling programmes at the Los Otros Project were in full swing during the Quarter, in order to provide the Alliance with potential targets for follow-up exploration and/or drilling. The Chololo Porphyry Copper Project was advanced to the drilling stage with drill permitting now underway.

In **Australia**, EM surveys continued at the Jimberlana and Balladonia Nickel Projects, with further bedrock conductors identified in both areas. At the Blue Billy Zinc Project, the Alliance's inaugural drilling programme was successfully completed with assay results expected by the end of October. A review of data from the Gibson Soak Nickel Project resulted in the tenement being relinquished to allow resources to be focused on higher priority areas.

Project generation activities continued in Australia and Peru with several areas identified for possible tenement acquisition.

PERU COPPER-GOLD PROJECTS

Over the past five years, AusQuest has assembled a large portfolio of copper-gold prospects along the southern coastal belt of Peru in South America, with targets identified for drilling as possible porphyry copper targets and/or iron-oxide copper-gold (IOCG) targets with the size potential being of significance to AusQuest (Figure 2). Peru is one of the world's most prominent destinations for international copper exploration and is considered to be a prime location for world-class exploration opportunities.

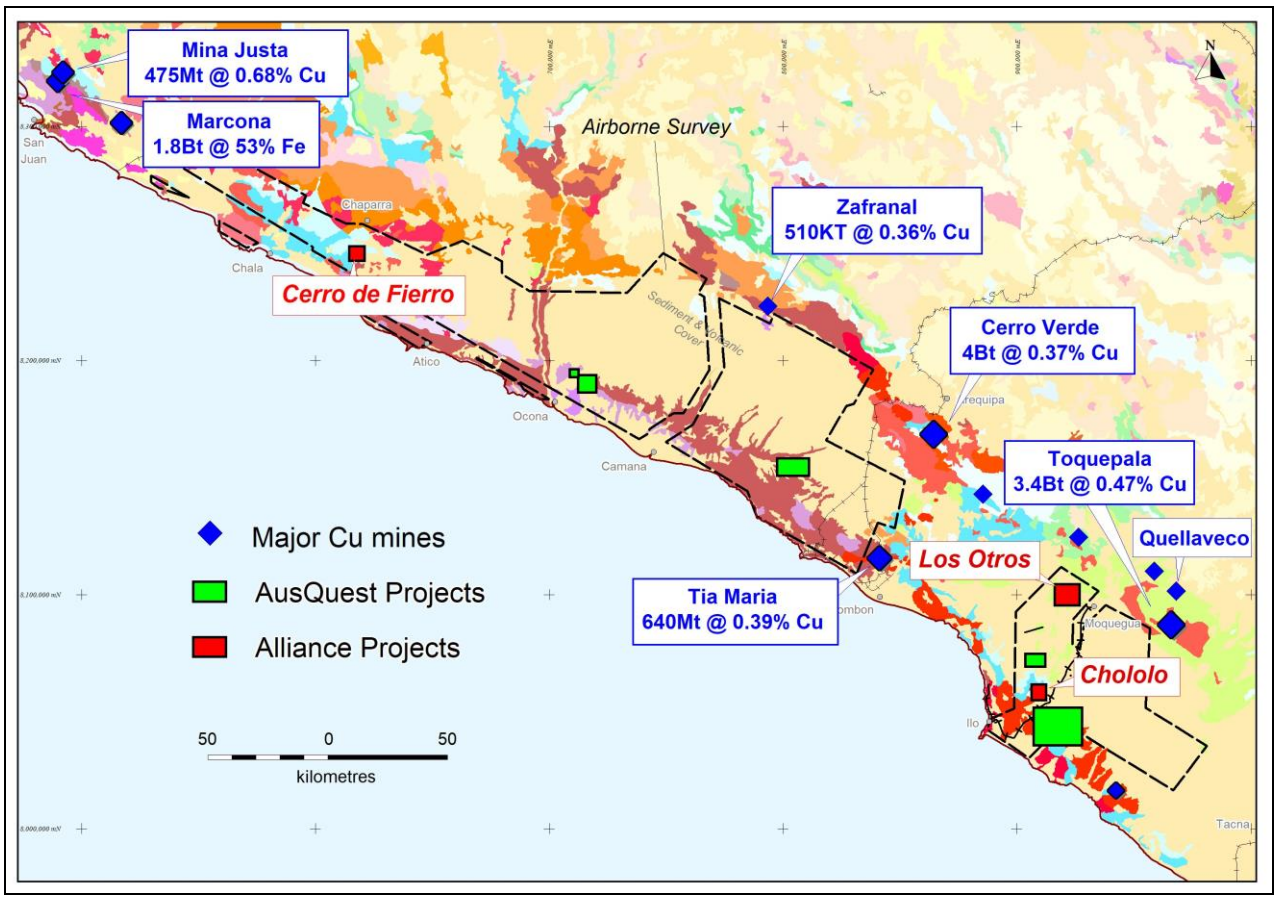

Figure 2: Project Locations in southern Peru

Strategic Alliance Projects *(funded by South32)*

During the Quarter, a program of up to 5,000m of diamond drilling was agreed with South32 to test a large potential porphyry copper target at the Chololo Prospect in southern Peru. This will be the first project in Peru to be tested by drilling under the Strategic Alliance.

Drill permitting is now in progress and is estimated to take around six months to complete, with 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 relation to the Chololo Project before drilling commences. Under the joint venture, South32 would spend US$4.0 million to earn a 70% interest in the Chololo Project.

Drilling will primarily target a strong IP chargeability anomaly thought to reflect a large-scale pyrite (+/- chalcopyrite) halo associated with a buried porphyry copper system. Computer modelling of the IP data confirmed the large target size and strength of response, suggesting the potential for significant amounts of sulphide mineralisation within the source rocks (*Figure 3*) (see ASX release 21 September).

Late in the Quarter, pole-dipole Induced Polarisation (IP) surveys (a=200m, n=1 to 6, lines 200m and 400m apart) were completed over the **Cerro de Fierro Project**, located ~130km south-east of the Mina Justa copper deposit (~475Mt @ 0.68% Cu) in southern Peru, to test a potential iron-oxide copper-gold (IOCG) target identified from the Company's proprietary aeromagnetic data.

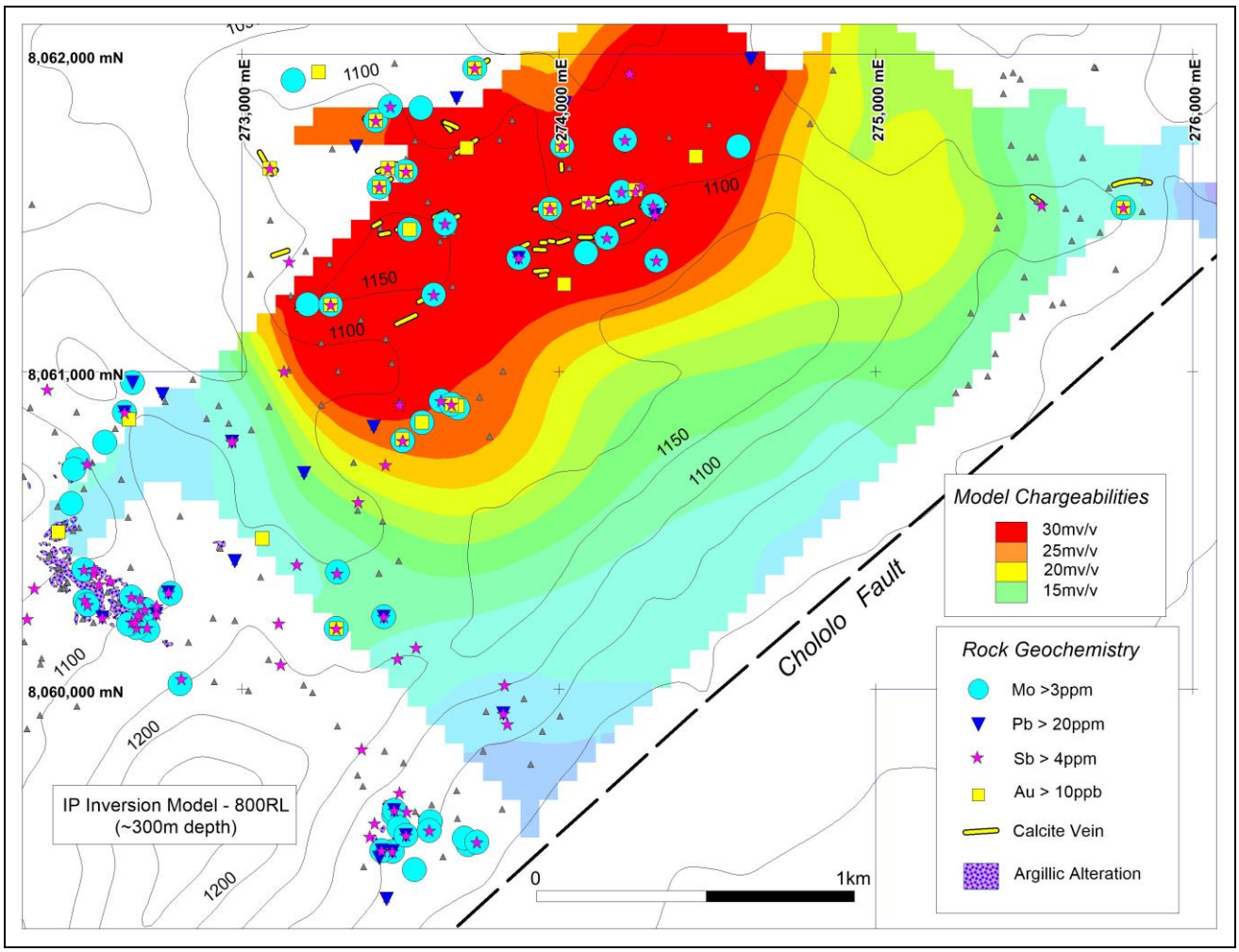

Figure 3: Chololo IP Target and rock geochemistry

The magnetic target extends over an area several square kilometres in size within a regional-scale potassic alteration anomaly covering many tens of square kilometres. The buried magnetic target is thought to reflect a potential manto-style IOCG deposit within the volcanic sequence.

Strong IP responses (chargeability >20mv/v) were detected on several lines coincident with the magnetic target, indicating the potential for buried mineralisation at depths ranging from ~150m to 300m. Computer modelling of the IP data indicated that the target is at least 1,000m long and 500m wide with the relatively flat dip of the target supporting the concept that mineralisation may occur in layers (volcaniclastics) within the volcanic sequence (*Figures 4 and 5*).

The IP anomalies are thought to reflect a combination of iron sulphide and iron oxide mineralisation with potential for copper oxide and/or sulphide mineralisation throughout the target section, which may be up to several hundred metres thick. The NNW trend of the target parallels mapped structures in the area, implying a possible relationship between structure, sulphides and the magnetic target.

Earlier geological mapping and sampling completed by the Company in 2016 located extensive copper mineralisation proximal to the magnetic target, with numerous copper values in excess of 1,000ppm Cu and many samples returning values in excess of 1% Cu.

A drilling program to test this target has been prepared and is currently the subject of discussions with South32.

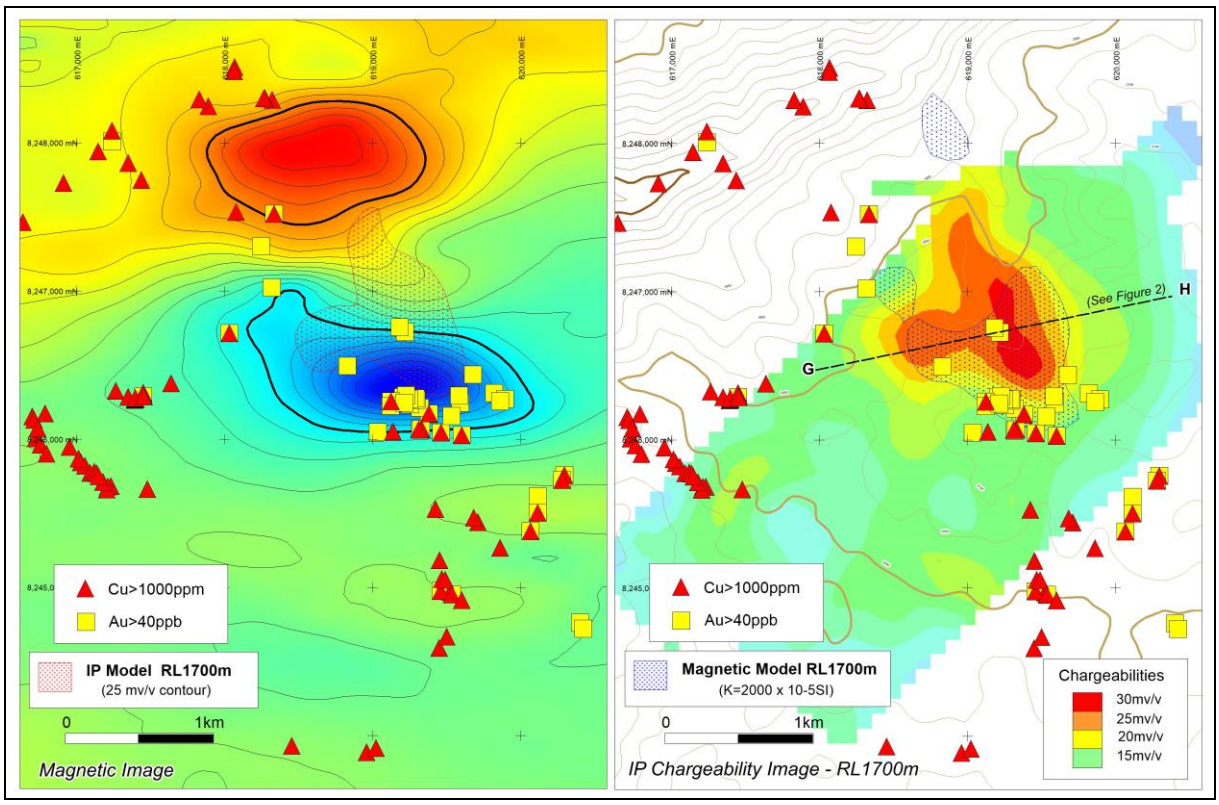

Figure 4: Cerro de Fierro IP/Magnetic Target and rock geochemistry

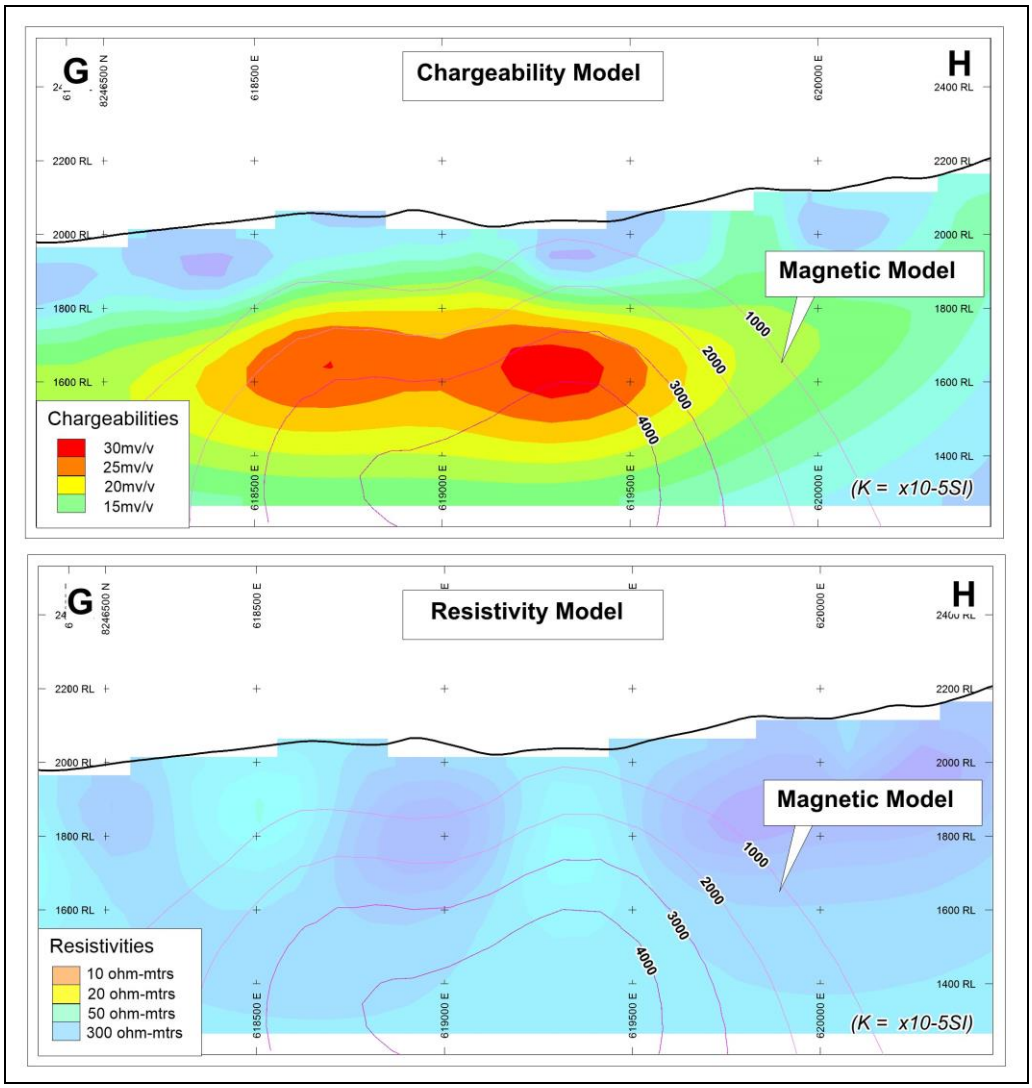

Figure 5: Section G-H showing relationship between IP and Magnetic Models

At the **Los Otros Project**, initial traverse mapping and sampling was completed outlining three target areas for follow-up. A total of ~510 samples were collected and sent to the ALS laboratory in Lima for analysis.

Large areas of intermediate to advanced argillic alteration (lithocap) were located by the mapping with numerous samples from these outcrops returning anomalous levels of Mo, Bi, As, Sb, Pb, Au, Ag and occasional Cu, suggesting the potential for a buried porphyry copper system(s) in these areas.

Major WNW and NNW structures were also confirmed by mapping, with the WNW structures paralleling the regional Incapuquio Fault system, which is known to be closely associated with several large porphyry copper deposits in the region.

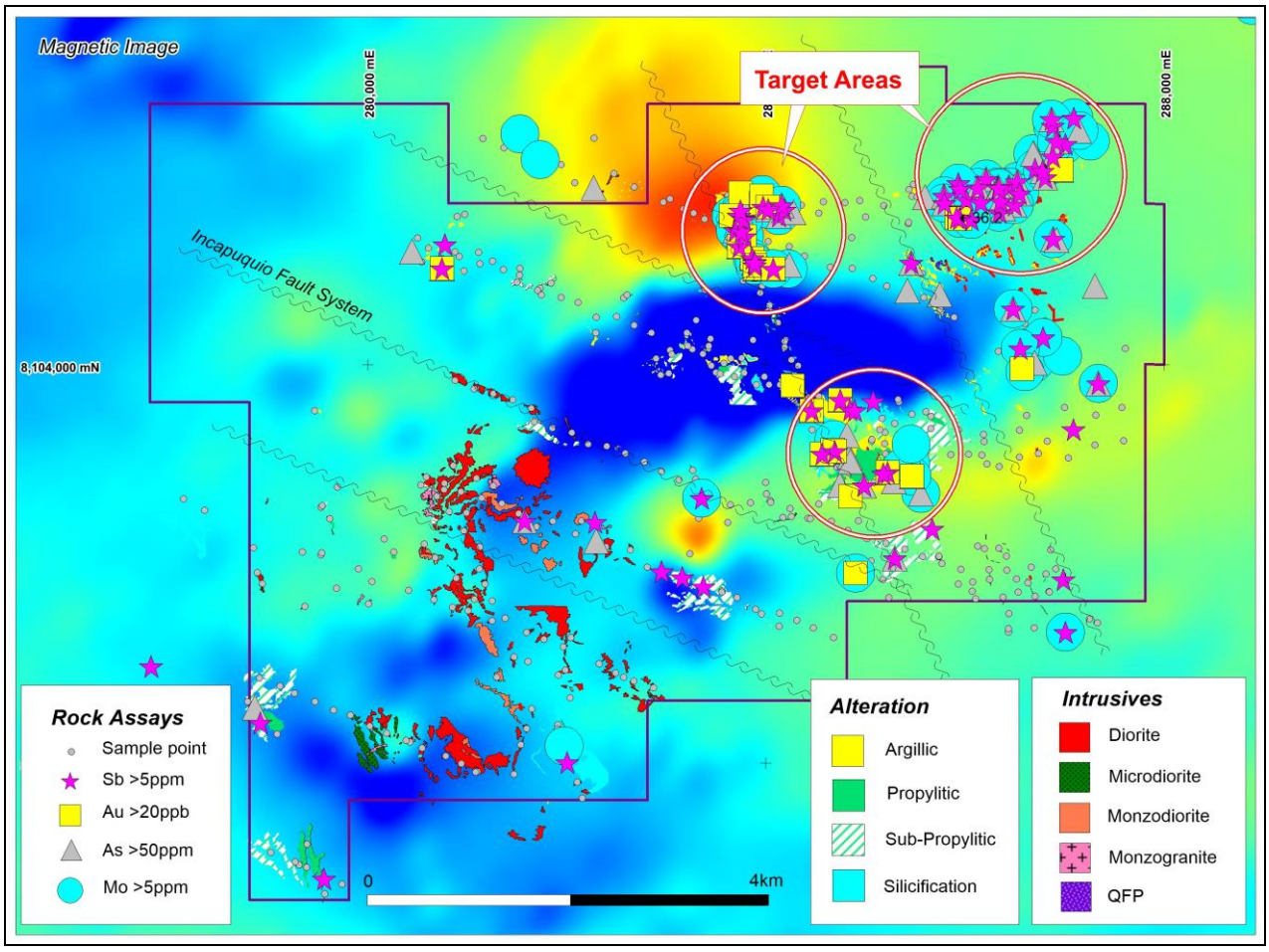

Figure 6: Los Otros Magnetics and Geology showing alteration/geochemical target areas

Modelling of the aeromagnetic data was initiated to help define the relationship between anomalous geochemistry and magnetic source rocks. The areas of alteration and anomalous geochemistry appear to flank the magnetic bodies, suggesting that they may be associated with buried intrusions concealed by the overlying volcanic sequences.

In-fill mapping and sampling is now underway to refine target areas for geophysical surveys (IP) in order to define targets for drilling.

The Company is very pleased with progress that is being made at all the prospects in Peru under the Strategic Alliance with South32 and looks forward to generating further positive results from its ongoing programs.

AusQuest Projects

Fieldwork over the AusQuest-owned projects in Peru was limited as the Peruvian team concentrated their efforts on the Alliance projects.

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

<u>Blue Billy Zinc Project</u> (*100% AQD – BBJVA; South32 earning to 70%)*

The Blue Billy Zinc Project is located ~100km south-west of Paraburdoo within the Edmund Basin in Western Australia. The tenement covers the down-dip extent of anomalous zinc values (up to 0.5% Zn) found within a pyritic black mudstone similar to host rocks known to contain sedimentary zinc deposits in the Mt Isa-McArthur River District of north-west Queensland. A study of historical exploration data suggests the potential for SEDEX-style zinc mineralisation close to a regional-scale (growth?) fault system down-dip from the anomalous surface zinc occurrences. All exploration work is being funded by South32 under the Blue Billy Joint Venture (BBJVA).

During the Quarter, an initial reconnaissance diamond drilling program (4 holes/2,568m) was completed. All four drill holes intersected thick intervals (up to 285m) of pyritic and carbonaceous shales, which are considered to be favourable host rocks for sediment-hosted zinc mineralisation, similar to those found in north-west Queensland.

The drilling program was designed to provide an initial test of the prospective stratigraphy close to the Talga Fault in order to identify potential vectors to mineralisation. Drill-holes were spaced between 4km and 10km apart to test a 15km strike length of the target horizon for indicators of nearby base metal mineralisation (*Figure 7*).

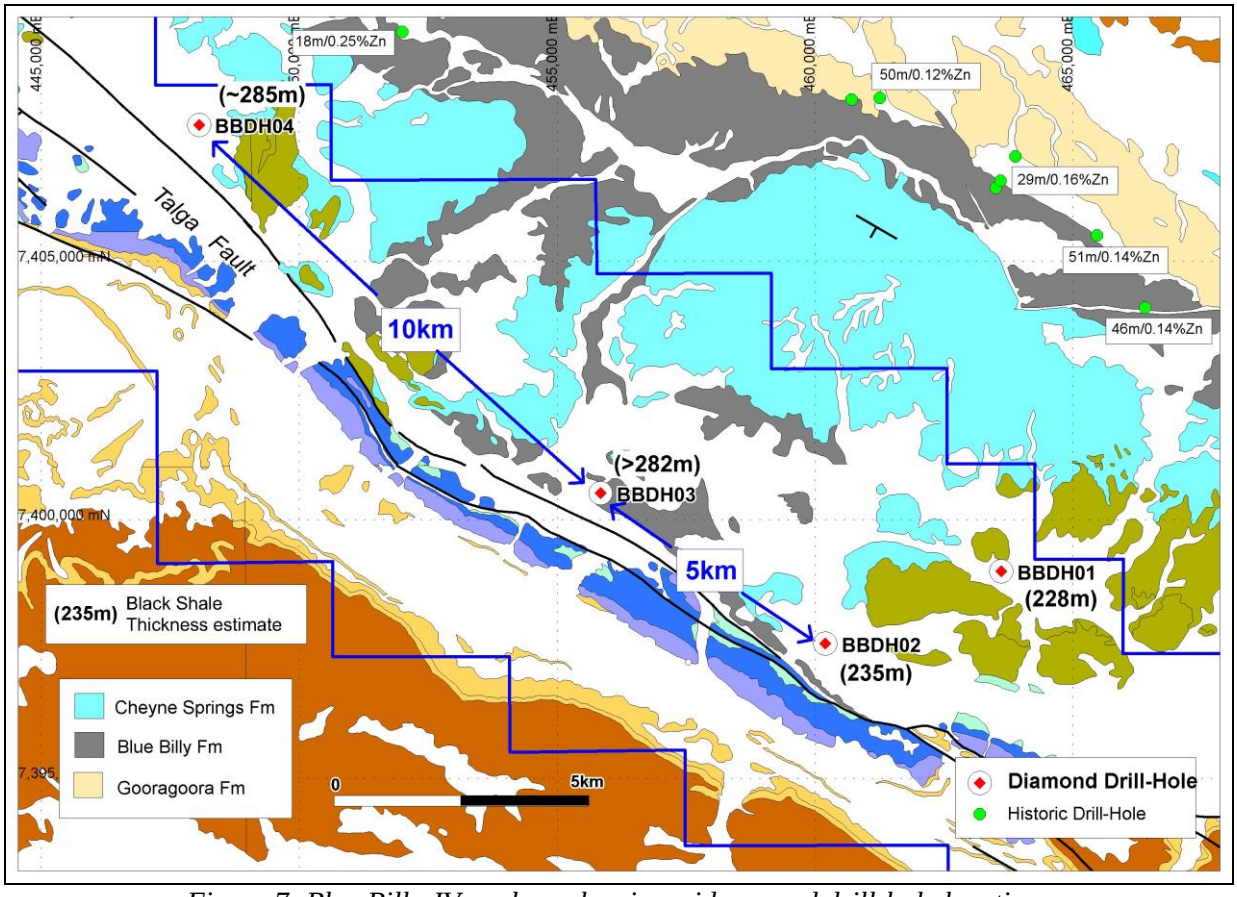

Figure 7: Blue Billy JV geology showing wide spaced drill-hole locations

Traces of sphalerite (Zn) and galena (Pb) plus thicker pyritic shale sequences were evident in the two northern-most drill-holes (BB03 and BB04), suggesting the presence of base metal bearing fluids within the basin and the potential for nearby structures which may have helped to concentrate mineralisation in this area.

Core was cut and sampled on a 1 metre basis with half-core samples (~2,150) dispatched to Intertek for analysis. Assay data for the four drill-holes are expected around the end

of October. Geochemical indicators will be identified and vectors to mineralisation determined once all the assay data have been received.

Geophysical logging – natural gamma, density, resistivity, magnetic susceptibility and acoustic velocity – was successfully completed in three of the four holes and will be used to help map changes within the sedimentary section and to assist correlations with geochemical data when it is available.

<u>Jimberlana Ni-Cu Project</u> ***(100% AQD subject to SAA)***

The Jimberlana Project is located ~120km west of Norseman between the Lake Johnston and Forrestania Greenstone Belts, and consists of one Exploration Licence (130km²) covering the western extension (~20km strike) of the Jimberlana Dyke. Recent research has found a strong association between intrusive-related nickel sulphide deposits and the base of dyke-like structures. Jimberlana is a very large, fertile, fractionated dyke known to contain nickel sulphides within its contact zones, but has never been tested (drilled) at or close to its basal section. Exploration work at Jimberlana is being funded by South32.

During the Quarter, high-power electromagnetic (HPEM) surveys were completed over the eastern extension (~7km strike) of the Jimberlana Dyke where earlier gravity surveys had inferred the depth to the base of the dyke was likely to be in excess of 500 metres (*Figure 8*).

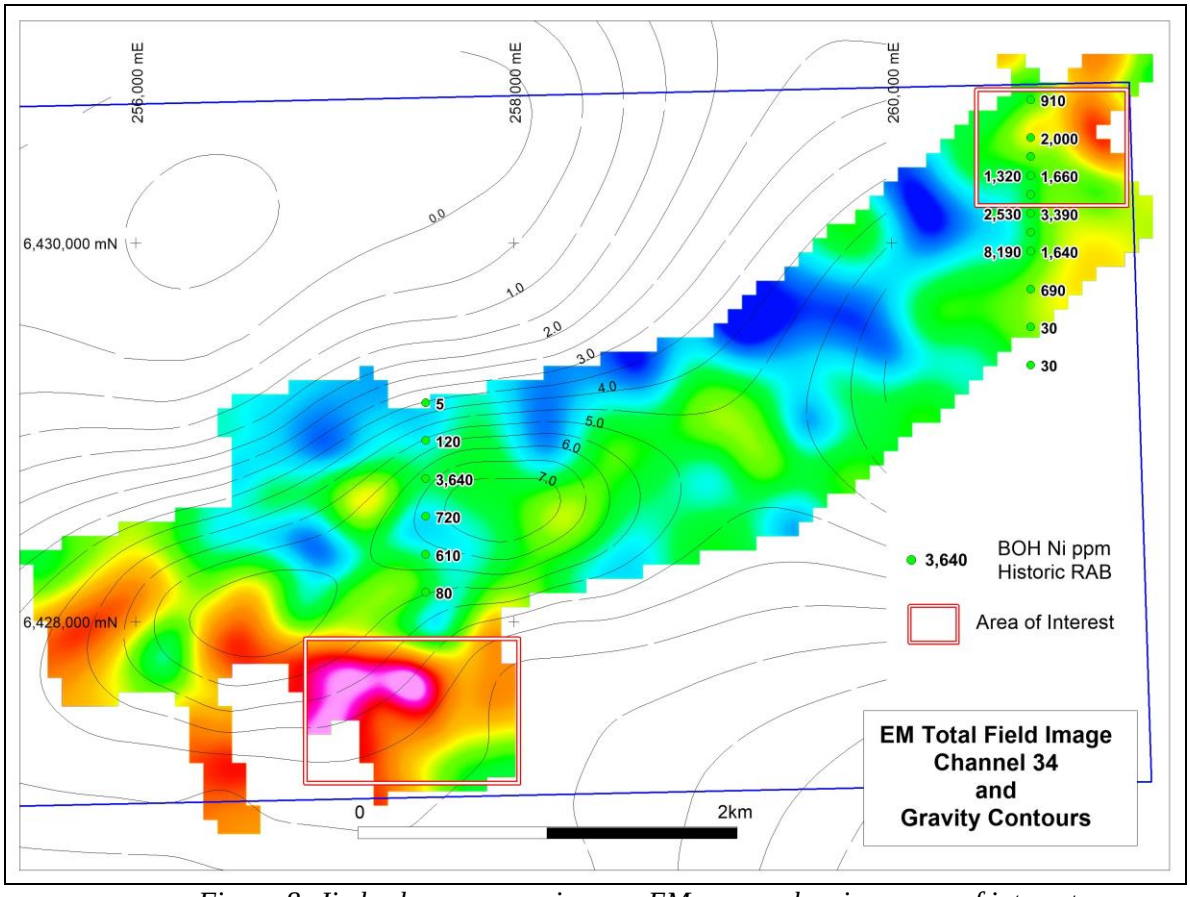

Figure 8: Jimberlana reconnaissance EM survey showing areas of interest

The reconnaissance survey was completed by HPEM Geophysics using 300m x 300m transmitter loops, a three-component LANDTEM sensor and 300m station spacings (slingram), with survey lines run parallel to the strike of the dyke in order to provide a rapid initial test for massive sulphides located near the interpreted base of the dyke.

Late-time EM anomalies implying moderate to high conductivity targets were detected in

three areas within or marginal to the dyke, two within the eastern extension of the survey (*Figure 8*) and one within the western half of survey (ASX release, 22 June 2017).

Preliminary modelling of the EM data suggests the presence of targets parallel to the trace of the dyke, but better target definition is required before the possibility of drilling is considered by the Alliance. Detailed in-fill surveys over the eastern two targets are expected to be completed before the end of the year.

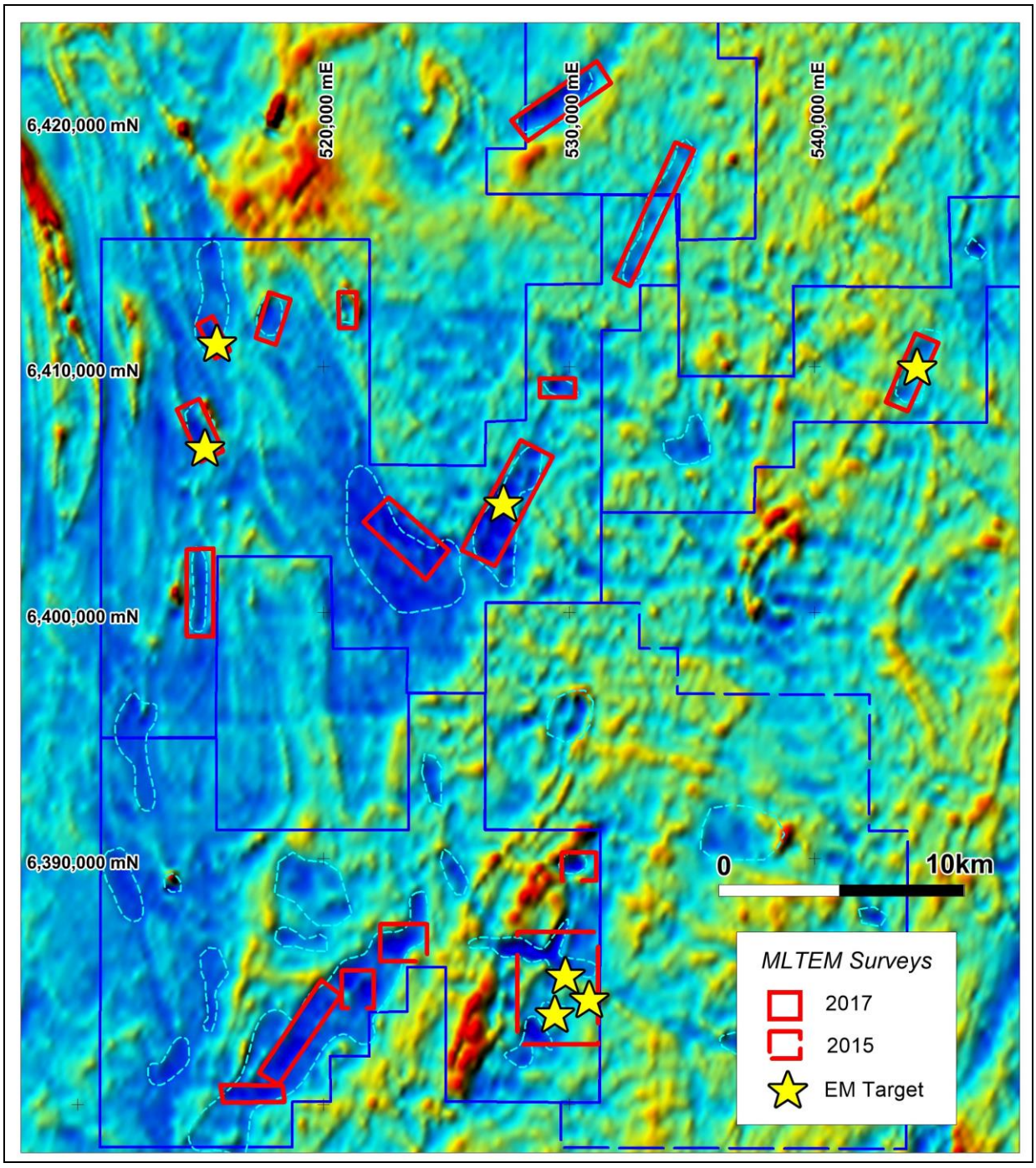

Figure 9: Balladonia reconnaissance EM surveys showing potential targets

<u>Balladonia Ni-Cu Project</u> ***(100% AQD subject to SAA)***

The Balladonia Project is located ~50km south of the Nova–Bollinger nickel-copper deposit. It consists of four Exploration Licences covering an area of ~940km², within a structurally complex region of the Fraser Range Terrain centred above the southern margin of a deep regional gravity anomaly (~30 milligals) which is thought to reflect buried mafic/ultramafic rocks similar

to those that may be related to the formation of the Nova deposit. Most of the tenements lie within the Dundas Nature Reserve. Exploration work at Balladonia is being funded by South32.

Reconnaissance moving loop electromagnetic surveys (MLTEM) continued throughout the Quarter to test interpreted mafic intrusions within the Fraser Range for nickel-copper mineralisation similar to that found at Nova-Bollinger. The targeted intrusions (12) are relatively strike extensive and are associated with inferred regional structures that cross-cut the area.

The MLTEM surveys were run parallel to the strike of the target intrusions using 300m x 300m transmitter loops, a three-component squid sensor and a 300m station spacing (slingram). In-fill EM surveys were undertaken over anomalous areas identified by the reconnaissance surveys in order to confirm the location and characteristics of bedrock conductors.

A total of up to seven conductors have now been identified as potential drill targets, four from the current surveys (2017) and three from previous EM work completed by the Company in 2015 (*Figure 9*). Results from the in-fill EM surveys are expected shortly to allow computer modelling of data to be completed prior to consideration of the targets by the Alliance as drill-ready opportunities.

Glenayle Ni-Cu Project (*100% AQD*)

The Glenayle Ni-Cu Project is located ~350km northeast of Wiluna along the northern margin of the Yilgarn Craton in Western Australia. Tenements cover the basal section of large mafic sill complex where available magnetic and geochemical data suggest there may be ultramafic rocks under the extensive cover that could be prospective for nickel-copper sulphide deposits.

HPEM surveys to test magnetic targets for possible massive nickel and copper sulphides have been planned but a decision on the commissioning of these surveys has not been made.

BUSINESS DEVELOPMENT

As part of the Strategic Alliance with South32, the Company is increasing its project generation work both within Australia and offshore, to provide new base metal (Cu, Zn and Ni) opportunities and possible drill-ready targets for the Alliance.

CORPORATE

During the Quarter, AusQuest announced that a second project (Chololo) had been accepted by South32 as a drill-ready opportunity under the Strategic Alliance. Preliminary discussions have been held with South32 and it is now expected that a joint venture agreement over the Chololo Project will be completed by the end of the December Quarter 2017.

The maturity date on the existing $750,000 Loan and Convertible Note Agreement with Mr Christopher Ellis, a director and substantial shareholder of the Company, has been extended from 5 April 2018 to 30 November 2018. Other terms of the Loan and Convertible Note Agreement as announced on 5 October 2016 remain unchanged.

KEY ACTIVITIES – DECEMBER 2017 QUARTER

The following activities are planned for the December 2017 Quarter:

- Jimberlana (Ni-Cu) – In-fill EM surveys to confirm drill targets;
- Balladonia (Ni-Cu) – Compilation and modelling of EM data to confirm drill targets;
- Blue Billy JV (Zn) – Assess drill results & determine vectors for sediment-hosted zinc;
- Peru (Cu-Au) – Continue permitting for Chololo porphyry copper drill program;
- Peru (Cu-Au) – In-fill mapping & sampling at Los Otros – plus potentially reconnaissance IP;

- Peru (Cu-Au) – Plan drill program at Cerro de Fierro – with the aim of commencing the permitting process; and
- Project Generation – Identify new exploration opportunities.

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.

JORC Code, 2012 Edition – Table 1 AusQuest Rock-Chip Sampling Los Otros

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.*	• Rock chip sampling comprises the collection of rocks, usually by hammering an outcrop, with samples being of variable size and quality. • Sample locations are recorded by hand-held GPS. • 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 – surface sampling only
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 – surface sampling only
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.* • *The total length and percentage of the relevant intersections logged.*	• Descriptions of all surface samples are recorded by the project geologist.

Criteria	JORC Code explanation	Commentary
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 • Mineralised and altered rocks were the target of this program although background samples from various rock types were also collected
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.*	• Sample locations are recorded using GPS to within 5 metres accuracy. • The grid projection used is PSAD 56 Zone 18S • Topographic control is obtained from GPS readings or topographic maps and is considered adequate for current needs
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 applied.*	• Rock chip sampling is irregular and based on availability of suitable outcrop.

Criteria	JORC Code explanation	Commentary
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.*	• Not applicable to reconnaissance rock chip sampling
Sample security	• *The measures taken to ensure sample security.*	• 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.*	• No audits or reviews have been carried out on the sampling to date.

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 Los Otros project is located approximately 10 km north west of the town of Moquegua in the south of Peru. • The Los Otros project comprises 5 granted mineral concessions and 3 applications. • The tenements are held by Questdor which is a 100% subsidiary of AusQuest Limited. • There are no major heritage issues to prevent access to the tenements during surface exploration activities. Permits to drill are required including environmental, water and land access involving community consultations.
Exploration done by other parties	• *Acknowledgment and appraisal of exploration by other parties.*	• No public reporting of exploration data is required in Peru.
Geology	• *Deposit type, geological setting and style of mineralisation.*	• The deposit styles being explored for are porphyry copper and gold and IOCG, which are large scale disseminated copper (and gold) deposits found within orogenic belts that surround the Pacific Rim. These deposits are vertically extensive and areally large requiring significant drilling to evaluate.

Criteria	JORC Code explanation	Commentary

Drill hole Information	• *A summary of all information material to the understanding of the exploration results including a 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.*
		• Not applicable – surface sampling only

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 – surface sampling only.
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 – surface sampling only
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.*	• Sample locations included on plan in 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.*	• Assay ranges and highlights provided diagramitically in ASX release.
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 area was selected for sampling based on geological and geophysical data interpretations by the company.

Criteria	JORC Code explanation	Commentary
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.*	• Proposals of further work will be determined after a thorough analysis of the data.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity:

AUSQUEST LIMITED

ABN:	Quarter ended ("current quarter")
35 091 542 451	**30 September 2017**

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (3 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers		
1.2	Payments for		
	(a) exploration & evaluation	(1,181)	(1,181)
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(22)	(22)
	(e) administration and corporate costs	(162)	(162)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	1	1
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Research and development refunds	-	-
1.8	Other :		
	Funding received from South 32 under the Strategic Alliance Agreement	715	715
1.9	**Net cash from / (used in) operating activities**	**(649)**	**(649)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(13)	(13)
	(b) tenements (see item 10)	-	-
	(c) investments	-	-

Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
	(d) other non-current assets	-	-
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	**Net cash from / (used in) investing activities**	**(13)**	**(13)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	**Net cash from / (used in) financing activities**	**-**	**-**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	1,694	1,694
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(649)	(649)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(13)	(13)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (3 months) $A'000**
4.5	Effect of movement in exchange rates on cash held	(10)	(10)
4.6	**Cash and cash equivalents at end of period**	**1,022**	**1,022**

5.	**Reconciliation of cash and cash equivalents** at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	**Current quarter $A'000**	**Previous quarter $A'000**
5.1	Bank balances	1,022	1,694
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**1,022**	**1,694**

6.	**Payments to directors of the entity and their associates**	**Current quarter $A'000**
6.1	Aggregate amount of payments to these parties included in item 1.2	44
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Payment of director and consulting fees.

7.	Payments to related entities of the entity and their associates	Current quarter $A'000
7.1	Aggregate amount of payments to these parties included in item 1.2	
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	

7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

8.	Financing facilities available *Add notes as necessary for an understanding of the position*	Total facility amount at quarter end $'000	Amount drawn at quarter end $'000
8.1	Loan facilities (Loan and Convertible Note)	A$750,000	A$750,000
8.2	Credit standby arrangements	-	-
8.3	South32 Advance facility	US$1,000,000	Nil

8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

Loan and Convertible Note Agreement

The Company executed a Loan and Convertible Note Agreement on 5 October 2016 with Mr Chris Ellis, a director and substantial shareholder of the Company for a total loan facility of $750,000. The conversion price has been set at the lower of 2 cents per share or the 5-day Value Weighted Average Price immediately prior to the conversion. The loan matures on 30 November 2018. Interest on the Loan accrues at 10% per annum commencing six months after the date of the advance, being from 5 April 2017.

South32 Advance facility

As part of the strategic alliance with South32 Group Operations Pty Ltd, South32 also provided the Company with a US$1,000,000 unsecured, interest-free cash advance facility to help fund project generation activities as and when required. Money drawn down from this facility can be repaid during the term of the strategic alliance agreement but in any event must be repaid by 31 December 2019. At the date of this report no amount was drawn from this facility.

9.	Estimated cash outflows for next quarter	$A'000
9.1	Exploration and evaluation	(540)
9.2	Development	-
9.3	Production	-
9.4	Staff costs	(40)
9.5	Administration and corporate costs	(90)
9.6	Other (provide details if material)	-
9.7	**Total estimated cash outflows**	**(670)**

10.	Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	*Australia* E63/1672	-	100%	Nil
10.2	Interests in mining tenements and petroleum tenements acquired or increased	-	-	-	-

Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
2 This statement gives a true and fair view of the matters disclosed.

Sign here: ..... Date: 25 October 2017

Print name: Henko Vos (Company Secretary)

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.