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ASX Release

AUSQUEST LIMITED
ABN 35 091 542 451

BLUE BILLY ZINC PROSPECT, WA – DRILLING UPDATE

Assays from reconnaissance drill-holes up to 10km apart provide further encouragement for sediment-hosted zinc mineralisation in this portion of the Edmund Basin

AusQuest Limited (ASX: AQD) is pleased to announce that it has received assay results from all four recently completed, widely spaced reconnaissance diamond drill-holes at the Blue Billy Zinc Project, located 100km south-west of Paraburdoo in Western Australia.

Results support the zinc potential of the prospect, with all holes showing geological and geochemical characteristics consistent with other major mineralised basins found in northern Australia. A zone of elevated indicator elements (Zn, Cu, Ag and Cd) with values in excess of ten times normal shale backgrounds provides strong evidence for mineralising processes being active within this portion of the Edmund Basin.

The Blue Billy Project is a joint venture between AusQuest Limited and South32 (ASX: S32), in which South32 can earn a 70% interest in the project by spending US$4.0 million.

The Joint Venture parties have agreed to conduct follow-up work in the vicinity of drill-holes BBDD03 and BBDD04, where the strongest indications of nearby mineralisation were reported, in order to identify priority targets for future drilling (*Figure 1*).

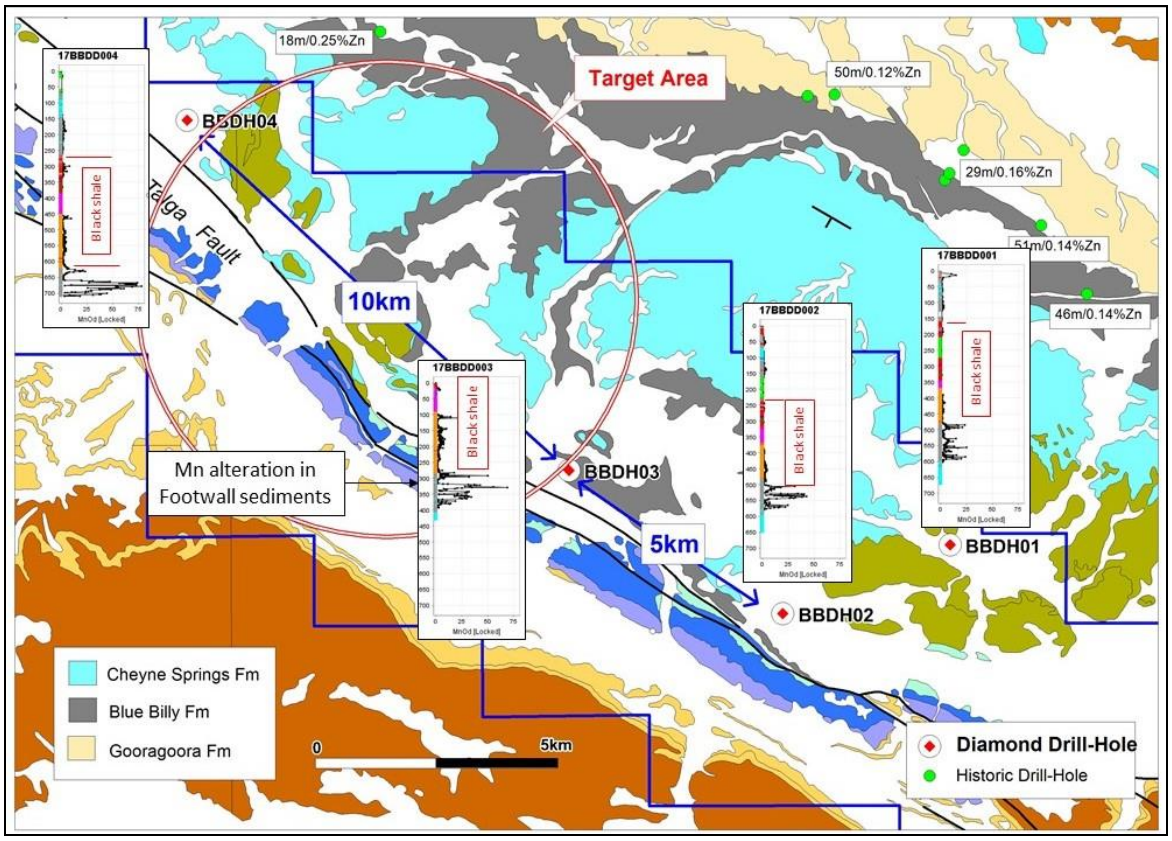

Figure 1: Blue Billy JV geology showing wide spaced drill-hole locations

Drilling intersected thick but variable intervals (>200m) of pyritic and carbonaceous black shales (the preferred host rock for sediment-hosted zinc mineralisation) in each drill-hole with carbonate sediments in the footwall, except for drill-hole BBDD04 which intersected more clastic sediments below the black shales.

Alteration within drill-holes BBDD03 and BBDD04 appears stronger than in the other two holes, suggesting closer proximity to potential zinc mineralisation. This includes stronger manganese alteration within the footwall sediments (*Figure 1*) and stronger mineralisation (15 metres @ 0.26% Zn, 350ppm Cu and 3g/t Ag in BBDD04) within the black shales.

Drill holes BBDD03 and BBDD04 are located approximately 10km apart along the inferred trace of the Talga Fault. They were positioned on either side of a major cross-cutting zone (5km wide) of structural complexity, which will now become the focus for further joint venture activities as a pre-condition to the next round of target drilling.

The initial drilling program was designed to test 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.

Drill core was cut and sampled on a continuous 1 metre basis. A total of ~2,180 samples were submitted for analysis, which included a wide range of elements to enable alteration and mineralisation factors to be calculated for comparison with reported values from studies of known deposits in NW Queensland.

AusQuest's Managing Director Graeme Drew said the Company was pleased with these initial results, which provided 'proof of concept' for the potential of the project to host large-scale base metal mineralised systems and successfully identified areas where the search for potentially economic concentrations of zinc should be focused.

"The next step is to identify and prioritise targets within the area highlighted by this programme, in order to optimise the effectiveness of the next round of drilling" he said.

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 report, Diamond Drilling at Blue Billy Project

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.*	• The core was continuously sampled on a 1 metre basis throughout the target horizon and within the immediate footwall and hangingwall sequences. • Core was cut in half with half sent for analysis and half retained for geological and quality control purposes • Sample intervals were measured by tape from depth intervals shown on core blocks labeled by the drillers, as per standard industry practice.
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).*	• Diamond Drilling with an RC pre-collar. • HQ and NQ drill rods used to produce 63.5mm and 47.6mm diameter core respectively. The hole starts at the base of the pre-collar with HQ core and changes to NQ at the appropriate depth depending on drilling conditions. • Down-hole surveys were read at ~ 30m intervals.
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.*	• Core recovery was determined by comparing core lengths measured against drilled intervals shown on core blocks and recorded on the logs. • Experienced diamond drillers were engaged to ensure maximum core recovery. • Sample recovery was high negating any sample bias due to recovery.
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)*	• Drill core and sample chips were logged by experienced geologists to identify key rock types, alteration and mineralisation styles. • Core logging is qualitative with visual estimates of

Criteria	JORC Code explanation	Commentary
	photography. • *The total length and percentage of the relevant intersections logged.*	mineralisation made for later comparison with assay results. • All core was logged and photographed.
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.*	• Samples were collected by cutting the core in half along its length and sampling over 1 metre intervals. • The sample sizes are appropriate for the geological materials 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.*	• Assaying of the drill samples is by standard industry practice. • The samples are sorted and dried. The whole sample is crushed then split by riffle splitter to obtain a representative sub-sample which is then pulverized in a vibrating pulveriser. • A portion of the pulverized sample is then digested and refluxed using a four acid digest (Hydrofluoric, Nitric, Hydrochloric and Perchloric) which approximates a total digest for most elements. Some refractory minerals are not completely dissolved. • Inductively Coupled Plasma Mass Spectroscopy (ICP-MS) is used to measure Ag, Al, As, Ba, Be, Bi, Ca, Cd, Ce, Co, Cr, Cs, Cu, Fe, Ga, Ge, Hf, In, La, Li, Mg, Mn, Mo, Na, Nb, Ni, P, Pb, Rb, Re, S, Sb, Sc, Se, Sn, Sr, Ta, Te, Th, Ti, Tl, U, V, W, Y, Zn, and Zr. • Data from the laboratory's internal quality procedures (standards, repeats and blanks) and AusQuest (standards, repeats and blanks) are reviewed to check data quality. • Assays are provided by Intertek Genalysis of 15 Davison St, Maddington, WA which is a certified laboratory for mineral analyses. Analytical data is transferred to the company via email and by hard copy.

Criteria	JORC Code explanation	Commentary
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.*	• N/A for this report – No significant intersections reported. Drilling was reconnaissance in nature.
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.*	• Drill hole collars including elevation are located by hand held GPS to an accuracy of approximately 5m. • Down hole surveys are carried out every 30m down hole, and at the end of the hole. • All surface location data are in GDA 94 datum, zone 50S.
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.*	• Diamond drill-holes were widely spaced located between 3,000m and 10,000m apart to test prospectivity of the target stratigraphy. No systematic drilling of targets has been undertaken.
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.*	• Any bias due to the orientation of the drilling is unknown at this early stage of exploration.
Sample security	• *The measures taken to ensure sample security.*	• Samples are collected into securely tied bags and placed into cable-tied plastic bags for transport to the laboratory. Each sample batch has a sample submission sheet that lists the sample numbers and the work required to be done on each sample. • Reputable freight companies are used to transport samples to the laboratory. • Sample pulps (after assay) are held by the laboratory and returned to the company after 90 days.
Audits or reviews	• *The results of any audits or reviews of sampling techniques and data.*	• No reviews or audits of the sampling techniques or data have been carried out 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 Blue Billy Prospect is centered at 7401000N and 456000E (GDA94 Zone 50), approximately 200 km north east of Gascoyne Junction in Western Australia. • Tenement holdings include one granted Exploration Licence (E08/2754) and one application (E08/2904). • The Blue Billy Prospect is subject to a joint venture agreement with South32 who can earn 70% by spending US$4.0M. • Aboriginal heritage surveys are routinely completed ahead of ground disturbing activities..
Exploration done by other parties	• *Acknowledgment and appraisal of exploration by other parties.*	• Previous exploration drilling completed by Pasminco (1991-96) and Alcoa (1979-82) intersected 20 to 50m of anomalous zinc (0.1 to 0.5%Zn) immediately down dip from surface occurrences of the Blue Billy Formation highlighting the areas prospectivity. Aurora Minerals completed soil sampling and geophysical surveys along the Talga Fault (2008-11) but did not drill any holes.
Geology	• *Deposit type, geological setting and style of mineralisation.*	• The Blue Billy project is targeting sediment hosted zinc mineralisation similar to NW Queensland. The Blue Billy Formation black shale horizon within the Edmund Basin in WA is the target horizon.

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*
		• All relevant drill hole data and information are provided below.

Criteria	JORC Code explanation	Commentary
	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.*	• N/A for this report – No aggregation techniques have been used on the data.
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').*	• All intervals reported are down-hole lengths. True widths are unknown at this stage.
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.*	• All drill holes are shown on appropriate plans and 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 significant results have been reported. The initial drilling was reconnaissance in nature.
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 current drilling and previously reported exploration data is shown 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.*	• Future drilling will be dependent on results from the current programme.

Hole No	Easting	Northing	RL	Azimuth	Inc	Total Depth
17BBDD001	463598	7399009	294.0	30	-80	751.0
17BBDD002	460215	7397610	291.0	210	-80	649.0
17BBDD003	455955	7400333	287.0	210	-70	424.0
17BBDD004	448066	7407636	252.0	220	-75	744.8