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ASX Release

AUSQUEST LIMITED
ABN 35 091 542 451

CHOLOLO COPPER PROJECT – DRILLING UPDATE

~3,400m of drilling completed with initial holes indicating proximity to a potentially mineralised porphyry copper system

AusQuest Limited (ASX: AQD) is pleased to advise that it has made good early progress with the recently commenced wide-spaced diamond drilling program at the Chololo Porphyry Copper prospect in southern Peru, initial results supporting the potential for a buried porphyry copper system within the prospect area.

As at the end of July 2018 seven out of ten drill-holes had been completed (~3,400m) with assay data from the first two drill-holes (CHO01 and CHO02) received.

This initial wide-spaced drilling (~600m) has intersected alteration considered to be proximal to a potentially mineralised porphyry copper system. The remaining three drill-holes (~1,600m) and assessment of all assay and geological data should help to locate the main mineralised core of the inferred buried porphyry.

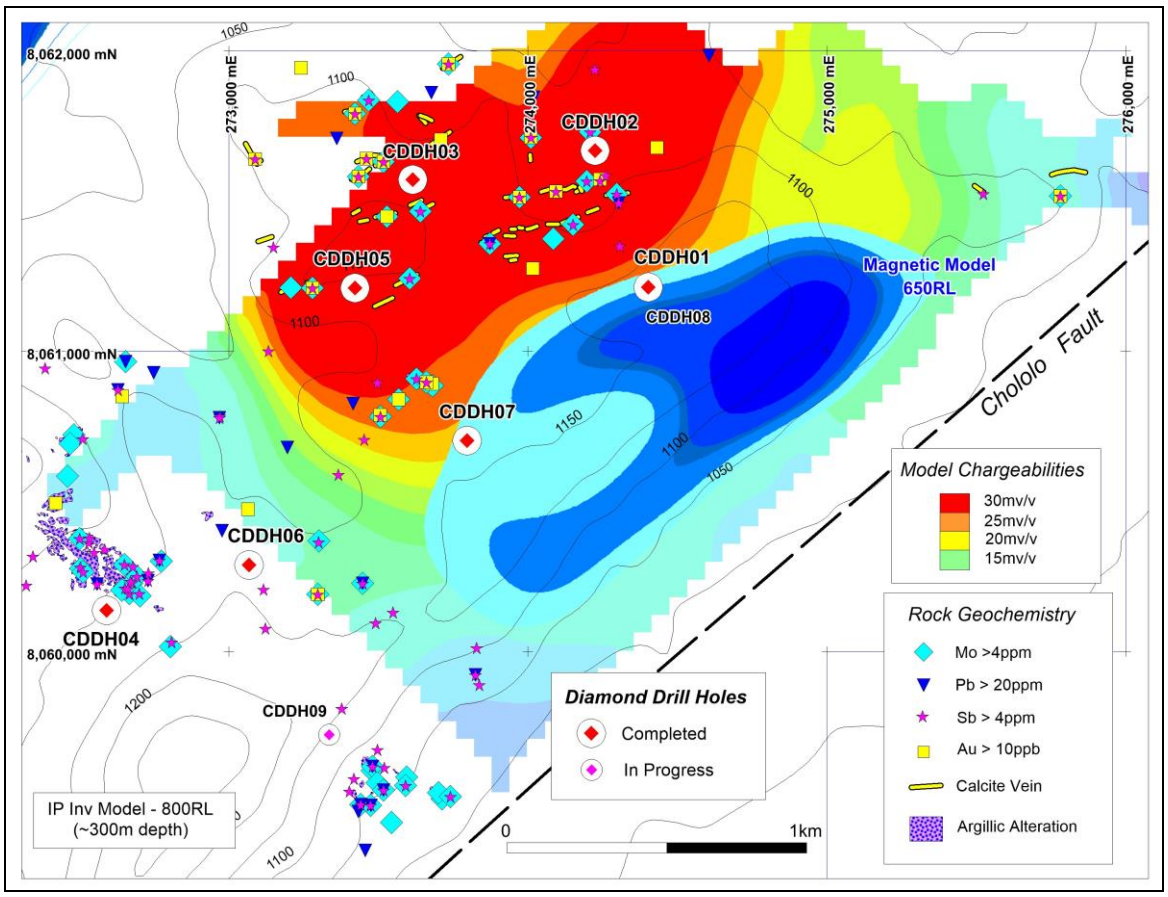

Figure 1: Chololo Porphyry Copper Project showing location of drill holes

Drilling of the IP target zone (CHO01, 02, 03, 05) intersected abundant pyrite (trace chalcopyrite) within the host volcanoclastic sequence, with both blebby and vein pyrite implying a possible hydrothermal source (porphyry system).

Assay data from drill-holes CHO01 and CHO02 supports the presence of a nearby porphyry system with broad zones (>100m) of highly anomalous pathfinder elements (100-1,500ppm Pb, 400-6,220ppm Zn, 50-750ppm As, 10-100ppm Mo, 1000-4,750ppm Mn, 20-65ppm Sb and 5-20ppm Se) overprinting the host volcaniclastics.

South of the IP zone, drilling (CHO04 and CHO06) appears to be more proximal to a porphyry source with CHO06 intersecting a broad zone (>200m) of strongly altered (pyrite-sericite-chlorite) diorite porphyry intrusion. Traces of copper (chalcopyrite) are evident in the core and appear to increase with depth through this zone (assays awaited). Further drilling in this area (CHO09) is in progress.

The drilling program is now expected to be completed around the end of August 2018, with processing and logging of drill core and final assay data expected to be available approximately four weeks after completion of the program. A full assessment of the drilling data will be undertaken once all data have been received.

The Chololo Project, which is located ~30km from the port of Ilo in southern Peru, is subject to an agreement with global mining and metals company, South32 (ASX, LSE, JSE: S32; ADR: SOUHY), whereby South32 can earn a 70% interest in the project by spending US$4.0 million, with the right to earn an additional 10% interest by completing a Pre-Feasibility Study. AusQuest is the operator during this first phase of drilling.

AusQuest Managing Director Graeme Drew said the Company was encouraged by these early results and believed the potential for porphyry copper mineralisation at Chololo had been enhanced.

“While porphyry copper targets are large they can still be hard to find, especially when they are under cover,” he said. “However, as our understanding grows with each drill-hole, we are begining to zero-in on areas that should host the potentially mineralised core of the porphyry.”

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 Chololo in Peru

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 entire cored hole is sampled (except for Quartenary cover sequence). Composite samples are collected over 3 metre intervals. • Core is cut in half with half sent for analysis and half retained for geological and quality control purposes • Sample intervals are 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 to produce continuous core. • HQ and NQ drill rods used to produce 63.5mm and 47.6mm diameter core respectively. The hole starts with HQ core and changes to NQ at the appropriate depth depending on drilling conditions. • Down-hole surveys are read at ~ 50m 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 is determined by comparing core lengths measured against drilled intervals shown on core blocks and recorded on the logs. • Experienced diamond drillers are engaged to ensure maximum core recovery. • Sample recovery is 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 are 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 is 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 are collected by cutting the core in half along its length and sampling over 3 metre intervals. In sections where core cannot be cut, representative core chips are collected for assay. • Duplicate samples are collected from the core every 40th sample for quality control. The duplicated sample is cut from the same length and a quarter of the core is used as the original sample with 30% of the core used as the original and 30% used as the "duplicate". 40% is retained in the core box. • 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, dried, crushed then split to obtain a representative sub-sample which is then pulverized. • A portion of the pulverized sample is digested 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 Atomic Emission Spectroscopy (ICP-AES) was used to measure Ag, Al, As, Ba, Be, Bi, Ca, Cd, Co, Cr, Cu, Fe, K, La, Li, Mg, Mn, Mo, Na, Ni, P, Pb, S, Sb, Sc, Sn, Sr, Ti V, W, Y, Zn, Zr. • Assays are provided by ALS del Peru in Lima which is a certified laboratory for mineral analyses. Analytical data is transferred to the company via email. • Data from the laboratory's internal quality procedures (standards, repeats and blanks) are provided to check data quality. • The Company collects duplicate samples on a 1: 20 basis, and also inserts coarse blanks on a 1:30 basis and as a

Criteria	JORC Code explanation	Commentary
		laboratory check blank pulps on a 1:35 and standard pulp on a 1:20 are inserted on a 1:20 basis. • Blanks are inserted as per standard industry practice
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 twinned holes were completed. • All data are entered into Excel spreadsheets and stored in the company's database. • No adjustments have been made to the assay data.
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 on angled holes are carried out every 50m down hole, and at the end of the hole. • All surface location data are in WGS 84 datum, UTM zone 19S.
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 positioned to test targets identified by various ground surveys. 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 security is managed by the operator of the Project. Procedures match with Industry best practice. • 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.

Criteria	JORC Code explanation	Commentary
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 Chololo Prospect is centered at 8060000N and 273600E (WGS 84 Zone 19S), approximately 20 km east of Ilo, Peru. • The Chololo Prospect is subject to an agreement with South32 which includes Mineral concessions Chololo 1 2 and 4. • All tenements are held 100% by Questdor SAC a 100% owned subsidiary of AusQuest Limited. • A drill permit (AIA) has been provided by INGEMMET for the drilling programme following environmental, and community approvals.
Exploration done by other parties	• *Acknowledgment and appraisal of exploration by other parties.*	• No historic exploration data is available.
Geology	• *Deposit type, geological setting and style of mineralisation.*	• The Chololo project is targeting a porphyry copper-gold resource associated with diorite intrusions along the coastal belt of southern Peru.

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

Criteria	JORC Code explanation	Commentary
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.
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.*	• N/A for this report.
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.*	• Drilling is continuing to test a range of targets associated with the Chololo Prospect as reported in previous ASX releases. • Future drill hole locations are shown on the plans included within the ASX report

Hole_ID	Datum	Zone	Easting	Northing	RL(m)	Azimuth	Dip	Depth
CHODD001	WGS84	19S	274200	8060851	1170	0	-70	500
CHODD002	WGS84	19S	274022	8061305	1083	45	-70	600
CHODD003	WGS84	19S	273412	8061209	1107	0	-90	600
CHODD004	WGS84	19S	272388	8059774	1099	45	-80	531
CHODD005	WGS84	19S	273219	8060848	1158	225	-70	410
CHODD006	WGS84	19S	272864	8059925	1112	225	-70	512
CHODD007	WGS84	19S	273594	8060340	1116	135	-70	320