

STRONG EXPLORATION ENCOURAGEMENT IN PERU PLUS NEW DRILLING OPPORTUNITIES IN AUSTRALIA

- *Phase 2 exploration to commence at Cerro de Fierro following encouraging results*
- *Company to concentrate on copper potential in Cerro de Fierro region of Peru*
- *Two new drilling opportunities in Australia approved under the SAA*

AusQuest Limited (ASX: AQD) is pleased to advise that exploration will continue at the **Cerro de Fierro Copper-Gold Project** in southern Peru under its Strategic Alliance (SAA) with South32, following encouraging assay results from the initial reconnaissance phase of drilling completed in December 2018.

A detailed assessment of the Cerro de Fierro drill results is currently underway to determine the controls on copper mineralisation intersected by the initial drilling and outline areas for follow-up in-fill drilling. Exploration during Q1 2019 will include additional mapping and sampling south of the main target zone to help outline areas for future drilling. It is anticipated that a Phase 2 drilling program could commence in Q2 2019.

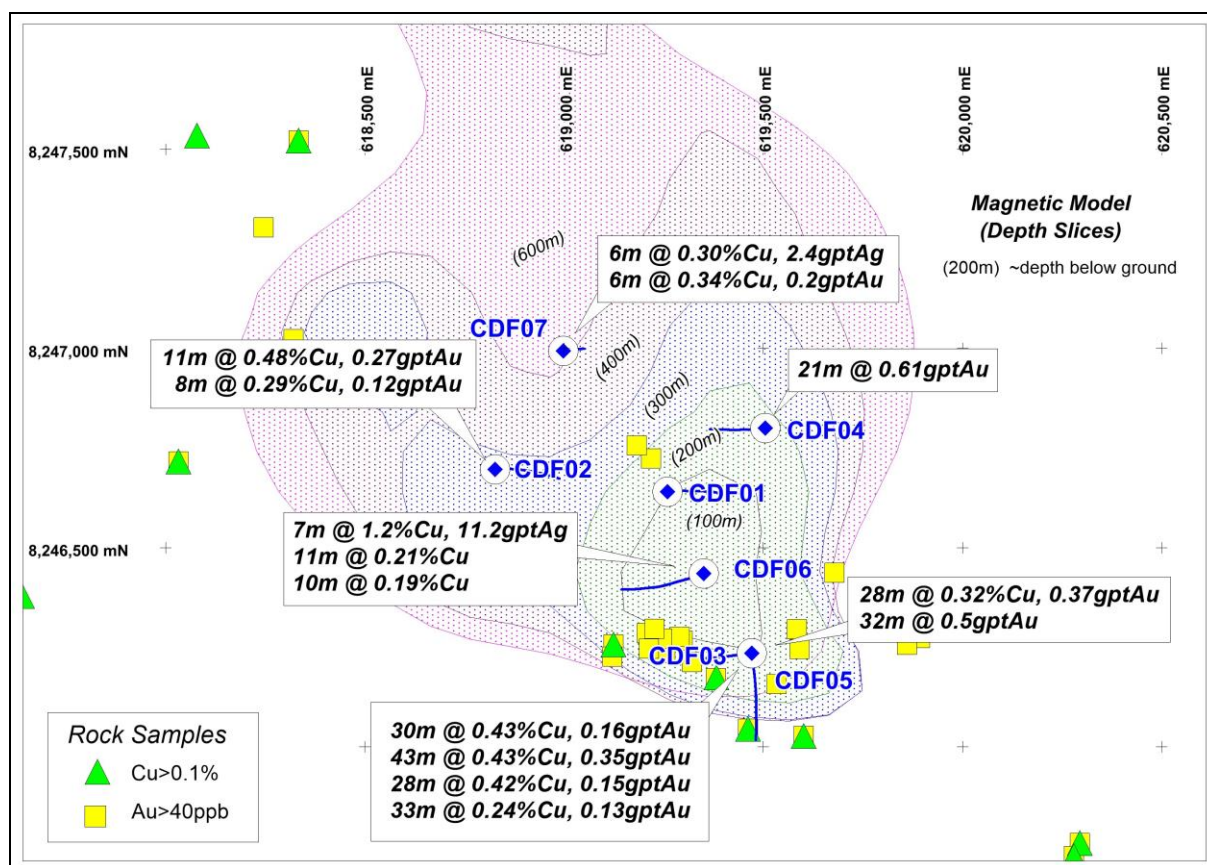


Figure 1: Cerro de Fierro magnetic model showing summary of drill results

Preliminary assessment of data suggests that the copper mineralisation occurs close to the outer contact zones of the magnetite body, which has had limited drill testing to date.

A summary of significant assays from the initial drill program as reported to the ASX on the 28th November and 18th December 2018 is provided in Figure 1 above.

Based on the initial encouragement at Cerro de Fierro, the Company plans to shift its exploration focus in Peru to the Cerro de Fierro – Parcoy region in order to advance these prospects more rapidly, as a priority over the next 12 months.

The **Parcoy IOCG Project** is located ~50km north of Cerro de Fierro and ~90km south of the Mina Justa Copper deposit, which is now under development. An IP geophysical survey is planned to commence late in Q1 2019 following community agreement, in order to identify targets for additional drilling.

The Company has also established a strong land position in this region based on its proprietary aeromagnetic data, with an extra 23 mineral concessions (~220km²) now under application. Funding for exploration at both the Cerro de Fierro and Parcoy Projects will continue to be provided under the SAA.

New Australian Projects Accepted for Drill Testing

The Company is also pleased to advise that two new projects in Australia (Yallum Hill and Hamilton) have been accepted for drill testing under the SAA. Drill preparations have been initiated for both projects and it is expected that these programs will be completed around mid-2019.

At **Yallum Hill**, which is located ~350km north-east of Wiluna along the northern margin of the Yilgarn Craton in Western Australia, initial drilling (two holes for 900m) will test magnetic and EM targets identified by surveys completed in 2018. Modelling of EM and magnetic data at Yallum Hill has identified similarities with copper-gold deposits found in the Eastern Succession of north-west Queensland (Ernest Henry) (see Figures 2 and 3 below).

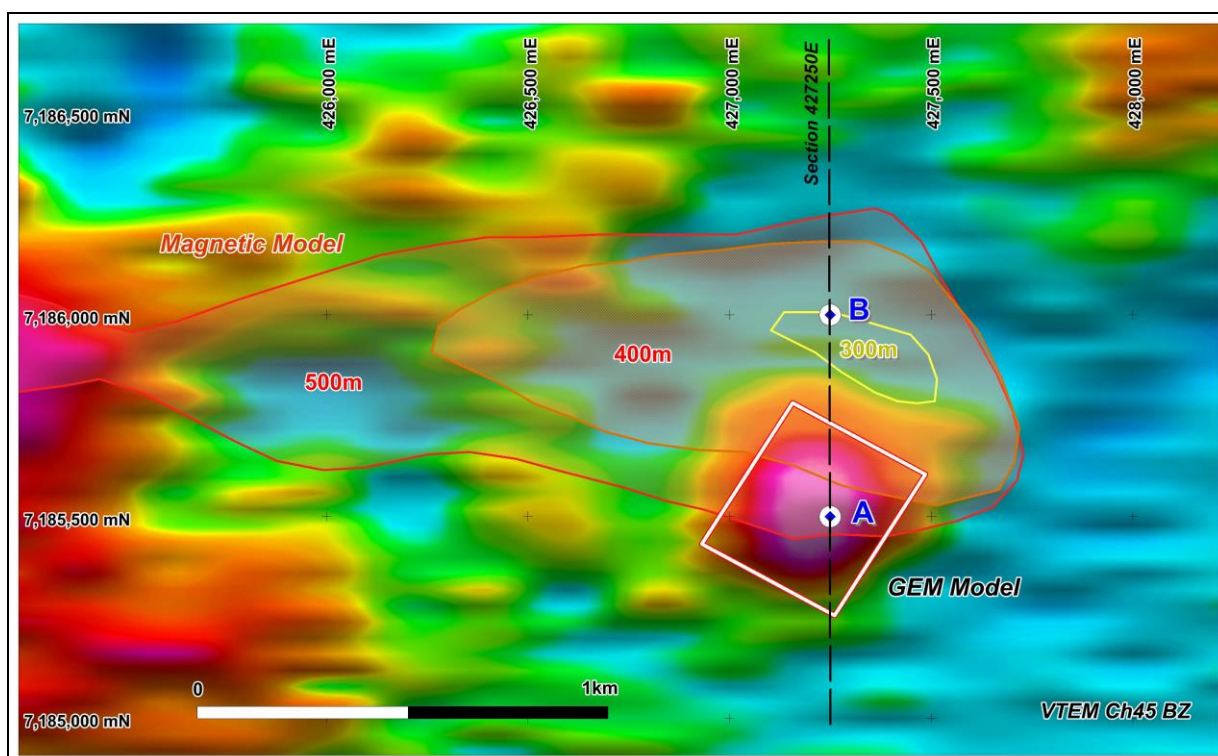


Figure 2: Yallum Hill EM and magnetic models showing planned drill-holes.

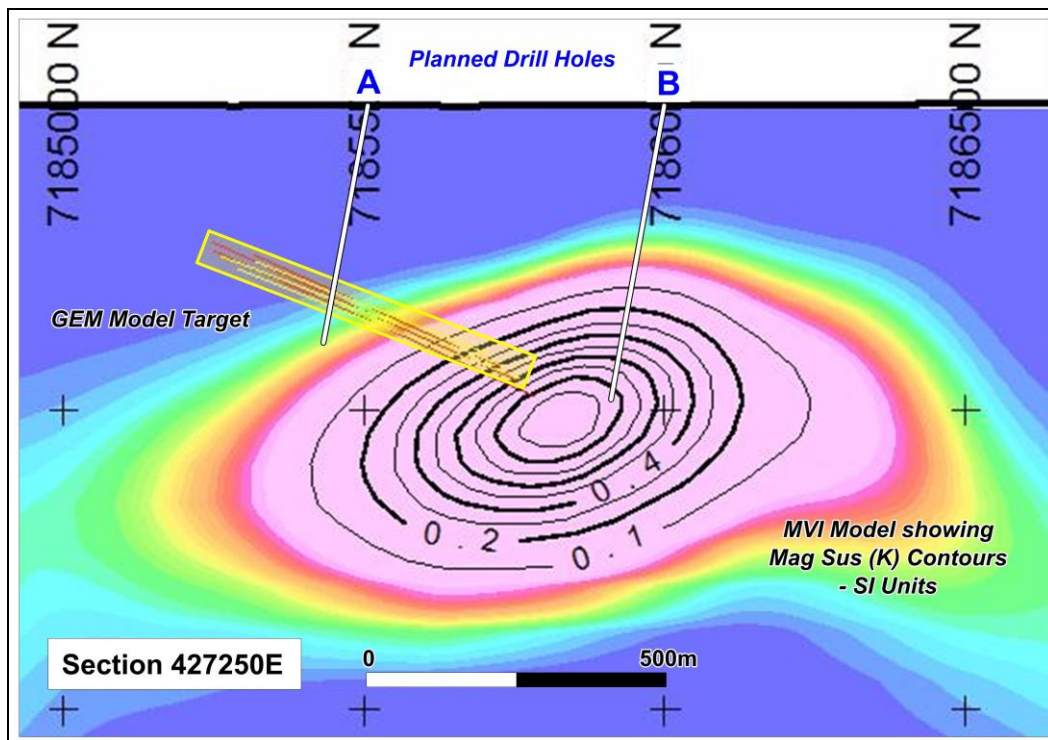


Figure 3: Drill Section 427250E showing drill holes relative to magnetic and EM models

Initial drilling at Yallum Hill is aimed at providing ‘proof of concept’, which would significantly increase the prospectivity of the region. The Company has applied for additional tenements in order to secure other priority targets in the region.

At the **Hamilton Prospect**, located ~120km south of the world-class Cannington mine in north-west Queensland, initial drilling (four holes for ~1,400m) will test an IP/ magnetic/ gravity target for Iron-Oxide Copper-Gold (IOCG) mineralisation (Figure 4).

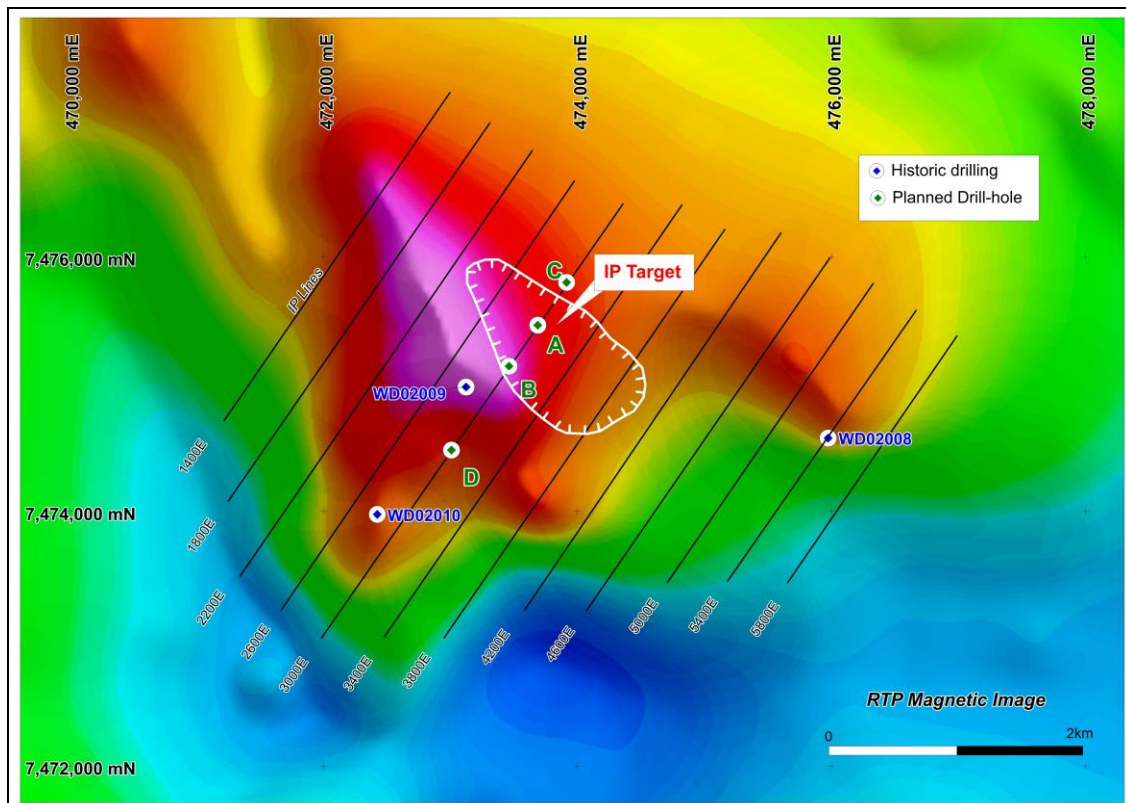


Figure 4: Hamilton Project showing planned drill-holes relative to magnetics and IP

Historical reconnaissance drilling provided strong evidence for a “near-miss” situation close to drill hole WD02009, with IP surveying late in 2018 defining a sulphide target ~500m north of this drill-hole, close to the northern contact zone of the magnetic body believed to be the target of the original drilling.

Current expectations are that this drill program should commence in Q2 2019 once all necessary approvals have been obtained.

Chololo Project Update

AusQuest also advises that further drilling at the **Chololo Porphyry Copper Project** in Peru will not be funded under the SAA. The Company has been advised by South32 that this is a result of the prioritisation of projects and a preference to shift the focus of exploration and funding to the northern projects (Cerro de Fierro and Parcoy) following early encouragement from these prospects.

The Company remains committed to advancing the Chololo Project and will in due course seek alternate avenues of funding to complete a second round of drilling which it believes could locate a preserved porphyry copper resource buried beneath the cover sediments.

Management Comment

AusQuest Managing Director Graeme Drew said that the Company’s generative exploration model under the Strategic Alliance with South32 was continuing to work effectively and generate an exciting pipeline of new projects for evaluation and drill testing.

“The SAA model involves identifying early-stage base metal projects with scale, defining drill targets, testing them by drilling and then moving forward based on the results, to more detailed drilling or to new opportunities,” he said.

“This is an excellent arrangement for both parties which is continuing to yield encouraging results. We are looking forward to another active year of exploration and drilling at our projects in Australia and Peru and reporting results from upcoming drill programs as they come to hand.”



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.