

June 24, 2019
ASX Release

DRILLING UPDATE AT KEY STRATEGIC ALLIANCE PROJECTS IN AUSTRALIA

AusQuest Limited (ASX: AQD) advises that all necessary approvals have been received to allow drilling programs to commence at two of its Australian exploration projects being progressed under the Strategic Alliance Agreement (SAA) with South32.

In-fill air-core drilling planned at the **Balladonia Prospect** in the Fraser Range area of Western Australia is scheduled to begin in early July pending favourable weather conditions and availability of a suitable drill rig. Initial diamond drilling at the **Hamilton Prospect** in north-west Queensland is scheduled to commence in late July.

Balladonia:

At Balladonia, an initial air-core drilling program (6 holes/202m) completed in December 2018 (see December 2018 Quarterly Report) intersected highly anomalous base metal values in several drill-holes at the newly named Telegraph Prospect.

A multi-element geochemical signature within drill-hole BAC011 included anomalous copper (300 to 5,500ppm Cu), silver (1 to 15gpt Ag), lead (100 to 1,800ppm Pb) and zinc (300 to 2,900ppm Zn) values within weathered bedrock over an interval of 28 metres before the drill-hole terminated in bedrock. A program of 40 air-core holes (~1,600m) has been planned to outline the full extent of the metal anomalism before deeper drilling is considered under the SAA later in 2019 (*Figure 1*).

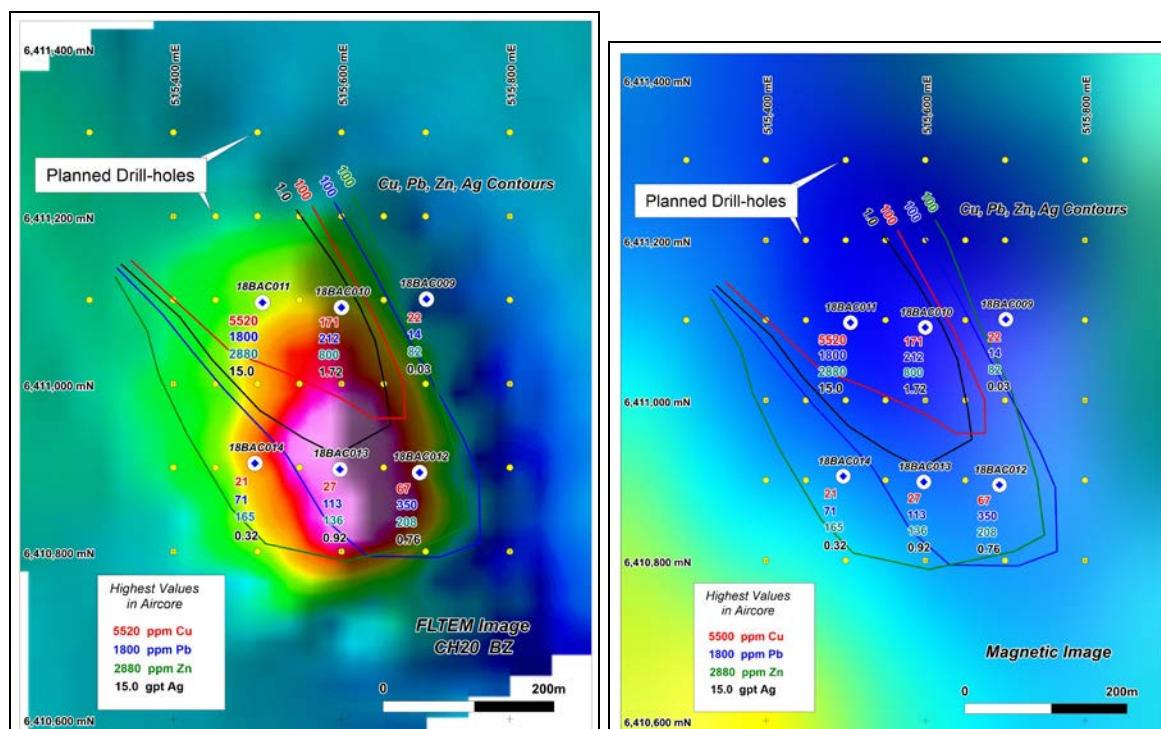


Figure 1: Telegraph Prospect showing air-core drilling results and proposed drilling

Hamilton

At the Hamilton Project, located ~120km south of the world-class Cannington mine in north-west Queensland, the initial diamond drilling program (four holes for ~1,400m) will test an IP/gravity target located ~500m north of historical drill-hole WD02009, which provided strong indications (potassic alteration) of a nearby Iron-Oxide Copper-Gold (IOCG) system.

The IP target has a strike length of ~1,000 metres and occurs immediately below the Cretaceous cover sequence, which is known to be ~200m thick. The four planned drill-holes are spaced at 400m intervals across the target to test the IP anomaly and its immediate surrounds for copper and gold mineralisation (*Figure 2*).

Drilling is scheduled to start in the second half of July and should take approximately three weeks to complete, with assays expected to be available approximately four weeks after drilling is completed.

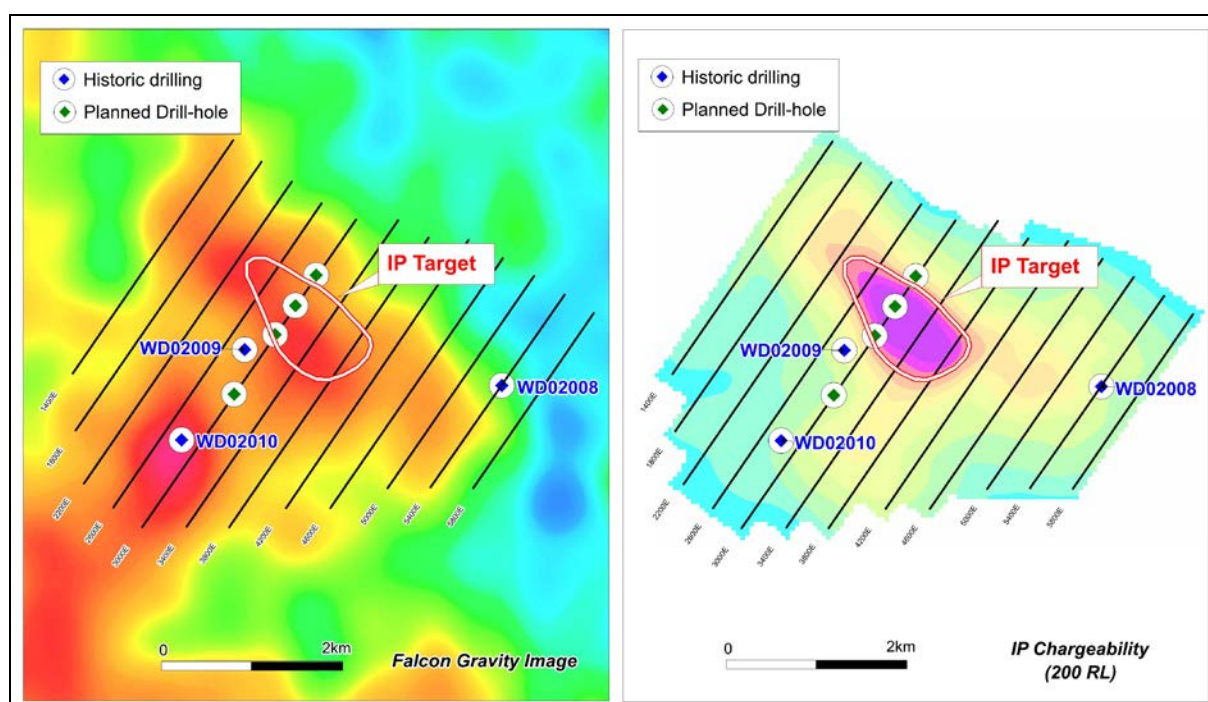


Figure 2: Hamilton Project showing planned drill-holes relative to gravity and IP data

Yallum Hill Update

Assay results from the recently completed reconnaissance drilling program at the Yallum Hill prospect, located ~350km north-west of Wiluna in WA, reported approximately 10 metres of anomalous iron values (20 to 41% Fe) in both drill-holes, but failed to locate any anomalous copper or nickel associated with the iron-rich sediments, downgrading the base metal potential of this prospect. No further work is planned in this area.

Management Comment

AusQuest Managing Director Graeme Drew said the Company was continuing to progress project generation and exploration activities aimed at identifying and testing large-scale targets under the SAA either in Australia or Peru with the potential to become Tier-1 discoveries.

“The targets at Balladonia and Hamilton fit this category and are very promising early-stage exploration targets located in active exploration regions of WA and Queensland,” he said.

“The Company is looking forward to an active drilling period in Australia over the coming months with strong news-flow expected. At the same time, we will complete surface programs at our Cerro de Fierro copper-gold prospect in Peru, where initial drilling results have provided significant encouragement to undertake further drilling.”



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.