August 8th, 2019
ASX Release

AUSQUEST LIMITED
ABN 35 091 542 451

DRILLING UPDATE FOR KEY STRATEGIC ALLIANCE PROJECTS IN AUSTRALIA AND PERU

AusQuest Limited (ASX: AQD) is pleased to advise that diamond drilling has commenced at the **Hamilton** Iron-oxide Copper-gold (IOCG) Project in north-west Queensland, under the Strategic Alliance Agreement (SAA) with South32.

The Hamilton Project is located ~120km south of the world-class Cannington mine in north-west Queensland, and 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 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 1*).

Drilling is expected to take approximately two to three weeks to complete, with assays expected to be available approximately four weeks after drilling has been completed.

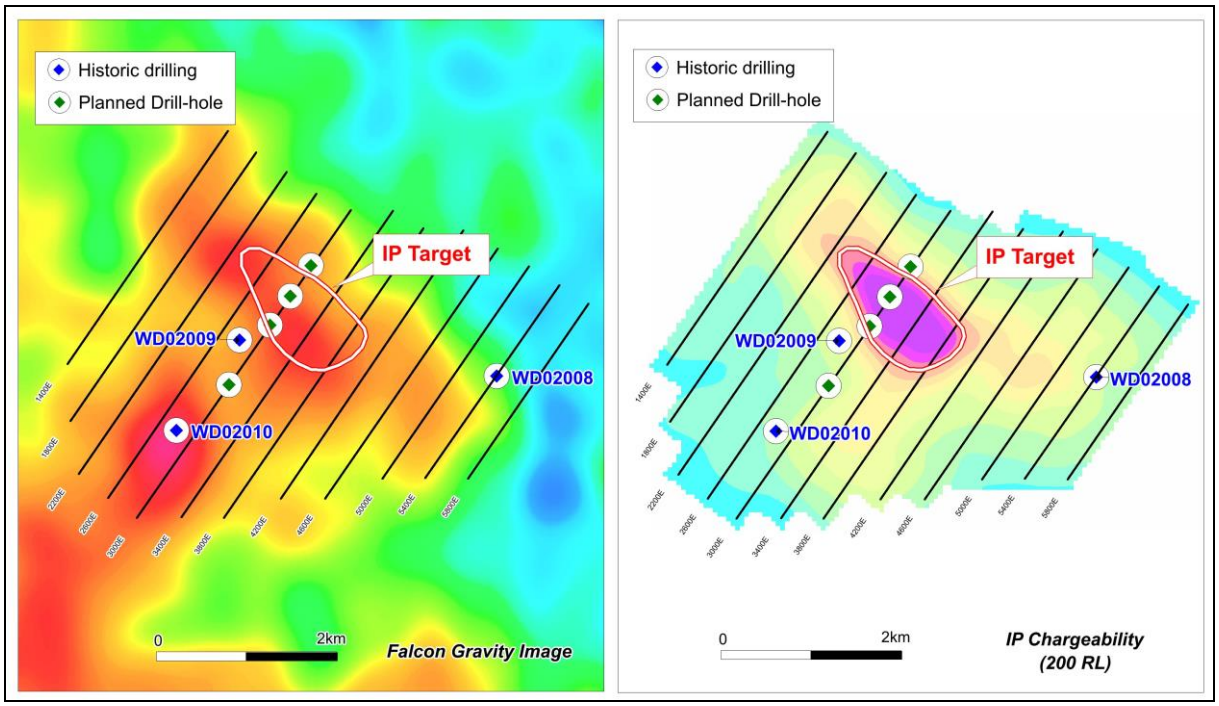

Figure 1: Hamilton Project showing planned drill-holes relative to gravity and IP data

Balladonia

In-fill air-core drilling (39 holes/1097m) at the Telegraph Prospect, part of the Balladonia Project in Western Australia, was completed in late July, with composite samples sent to the Intertek laboratories in Perth for analysis (reported to ASX June Quarterly report). Assay results are expected over the coming weeks.

The program was designed to follow-up highly 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, intersected during the initial reconnaissance drill program (6 holes/202m).

Hole depths varied from ~5m over the unaltered basement gneisses up to a maximum of 99m within the target area, where relatively sudden, deep weathering of the basement rocks (possibly due to alteration) was encountered (*Figure 2*).

Deeper target drilling will be considered once a full assessment of the pending assay data has been completed.

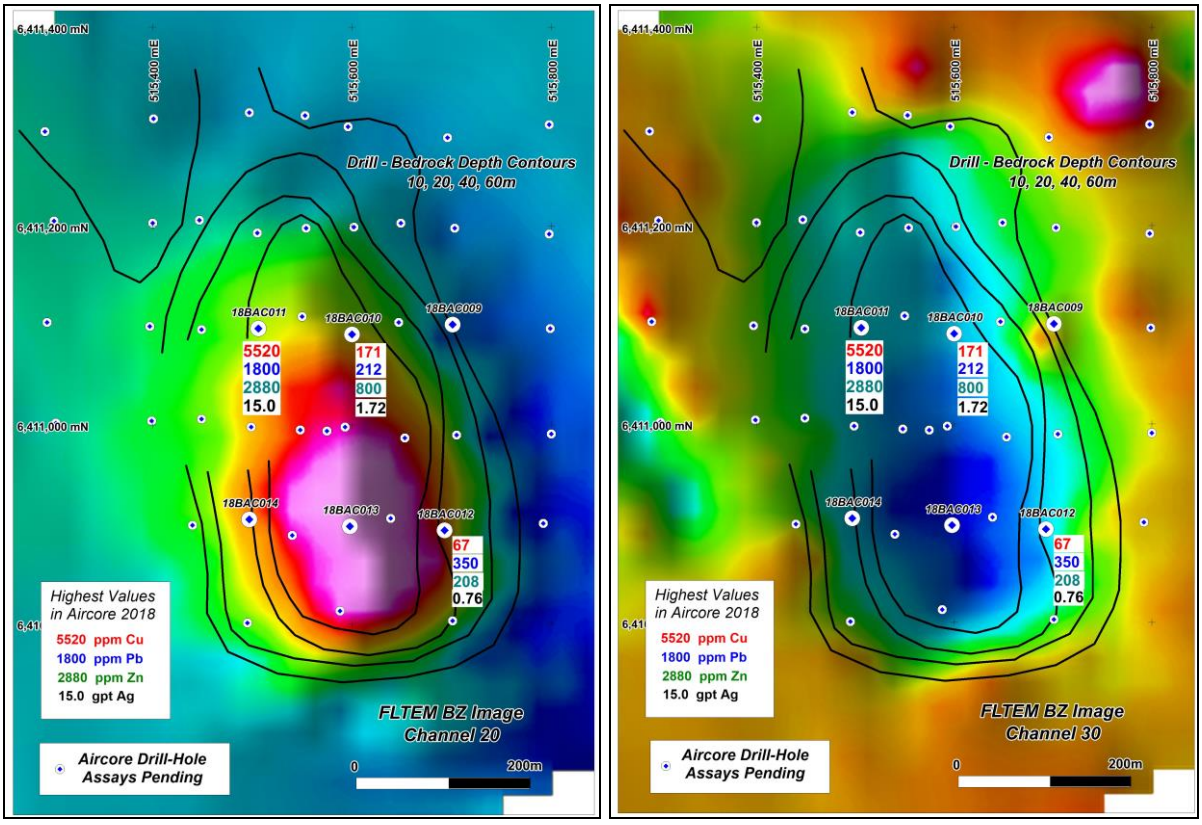

Figure 2: Telegraph Prospect showing infill air-core drill-holes and depth to bedrock contours

Cerro de Fierro

A proposal to undertake further drilling at the Cerro de Fierro copper prospect in southern Peru was approved at a recent Strategic Alliance meeting with South32.

Compilation and evaluation of drilling data has indicated excellent potential for breccia-related copper mineralisation adjacent to the current drill-holes (CDFDD03, 02 and 06), and a minimum program of four diamond drill-holes (~2400m) has been agreed to test this and other selected targets within the current Drill Permit Area (*Figure 3*).

Access approvals and preparations for drilling have been initiated and it is expected that drilling should commence during the December Quarter 2019.

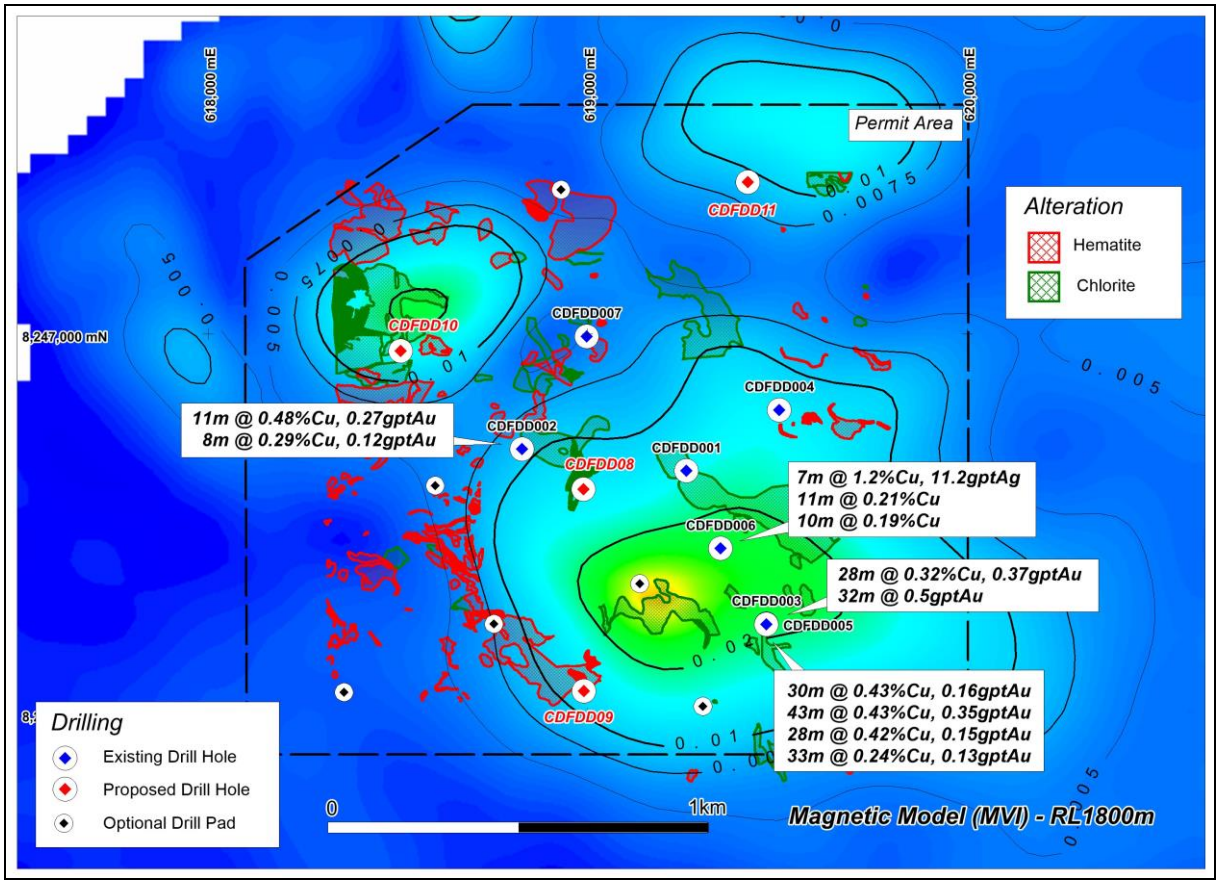

Figure 3: Cerro de Fierro magnetic model showing planned drill-holes and drill-pads

The initial drilling program at Cerro de Fierro was completed in late 2018 (7 holes/3,544m) intersecting significant copper mineralisation within the inferred IOCG system (reported to ASX – 19 December 2018).

Recent soil and rock-chip geochemical surveys across the tenements, coupled with geological mapping and ground magnetic surveys, have provided strong evidence for a significantly larger copper-bearing system (IOCG) than was initially inferred from the aeromagnetic survey (June Quarterly Report to ASX).

Numerous copper targets have been outlined outside the current Drill Permit Area and additional drilling to test these targets is planned once the required permits have been obtained.

Environmental base-line studies were initiated over the full tenement area to facilitate the approvals process, and allow drill testing of the additional targets to commence as soon as possible. Current indications suggest drilling outside the current Permit Area could start during the June Quarter of 2020.

Management Comment

AusQuest Managing Director Graeme Drew said the Company was looking forward to an active drilling period both in Australia and Peru between now and the end of 2019, with strong news-flow expected.

"We have compelling exploration targets at both the Hamilton IOCG Project in Queensland and the Cerro de Fierro copper prospect in southern Peru, which we are excited to test with drilling," he said.

"We are also looking forward to receiving assay results from the recently completed Balladonia air-core drilling program which we think should provide further encouragement for deeper drill testing at this prospect possibly later this year."

"The targets at Balladonia and Hamilton are very promising early-stage exploration targets located in active exploration regions of WA and Queensland, whilst the Cerro de Fierro project in Peru continues to provide strong encouragement the more work we do," he continued.

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.