May 7, 2020
ASX Release

BASE METAL AND RARE EARTH ELEMENT POTENTIAL HIGHLIGHTED AT BALLADONIA PROJECT, WA

Diamond drilling results together with regional review reveals new exploration opportunity for the Fraser Range Province

AusQuest Limited (ASX: AQD) is pleased to advise that it has identified the potential for both base metals and rare earth elements (REE) in the Fraser Range Province of Western Australia following a review of recent and historical drilling at its Balladonia Project.

Results from recent diamond drilling at the Telegraph Prospect at Balladonia, together with a review of earlier drilling results from the Canterbury prospect, has indicated the possibility of wide-spread carbonatite activity within the project area. Carbonatites are a type of igneous rock which are a major source of rare earth elements (REE) worldwide.

Telegraph Prospect:
Assay results from the recent diamond drilling program (four drill-holes for 980m) at the Telegraph Prospect have confirmed the presence of a carbonatite intrusion with a layered sovite core beneath the silica-clay alteration intersected by the earlier air-core and Reverse Circulation (RC) drilling (ASX releases – 20 August 2019 and 7 January 2020).

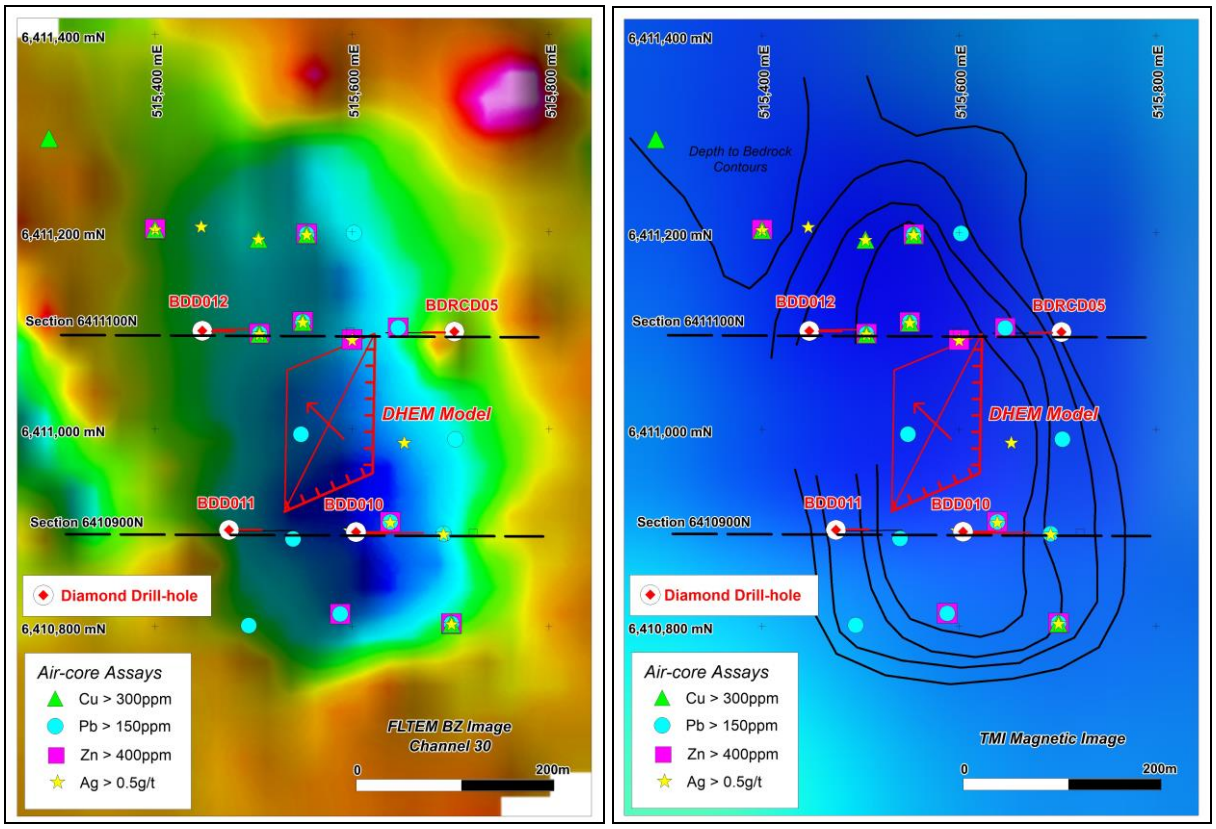

Figure 1: Telegraph Prospect showing diamond drill-hole locations and DHEM Model

The sovite core was intersected in three of the four holes drilled, and contains between 20 to 35% CaO and 15 to 25% MgO as evidenced by alternating layers of carbonate and ultramafic minerals (pyroxene/olivine), indicating the presence of a highly fractionated evolving system that is capable of producing both base metal and REE concentrations under the right conditions.

The carbonatite has an iron-manganese-potassium alteration halo which grades outwards into potassic only alteration which in turn is overprinted by the silica-clay alteration that contains the anomalous base metals (Cu, Pb, Zn, Ag, As, Bi, Mo) identified by earlier drilling (*Figure 2a*).

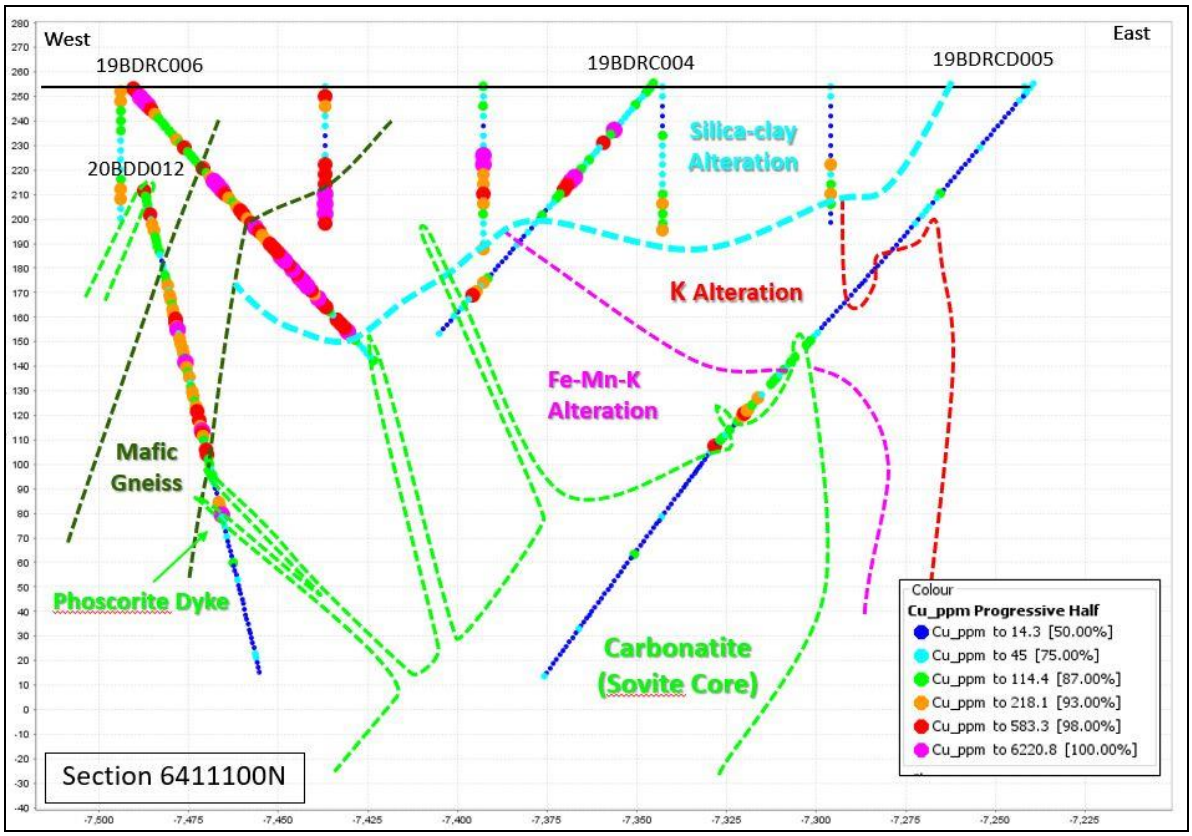

Figure 2a: Telegraph Prospect northern drill section showing alteration and copper intersections

A detailed assessment of all geochemical data suggests the source of the base metal anomalism within the silica-clay alteration has not been intersected by the diamond drilling.

The Company now believes that base metal mineralisation occurs to the south and east of the current drilling, below the anomalous copper, silver and zinc values that occur within the silica-clay alteration zone near the eastern margin of the target (*Figure 2b*).

Geochemical vectoring using data from the silica-clay alteration zone is being used to identify other possible locations for buried copper mineralisation.

Further drilling under the Strategic Alliance Agreement with South32 will be considered once all the data have been fully assessed.

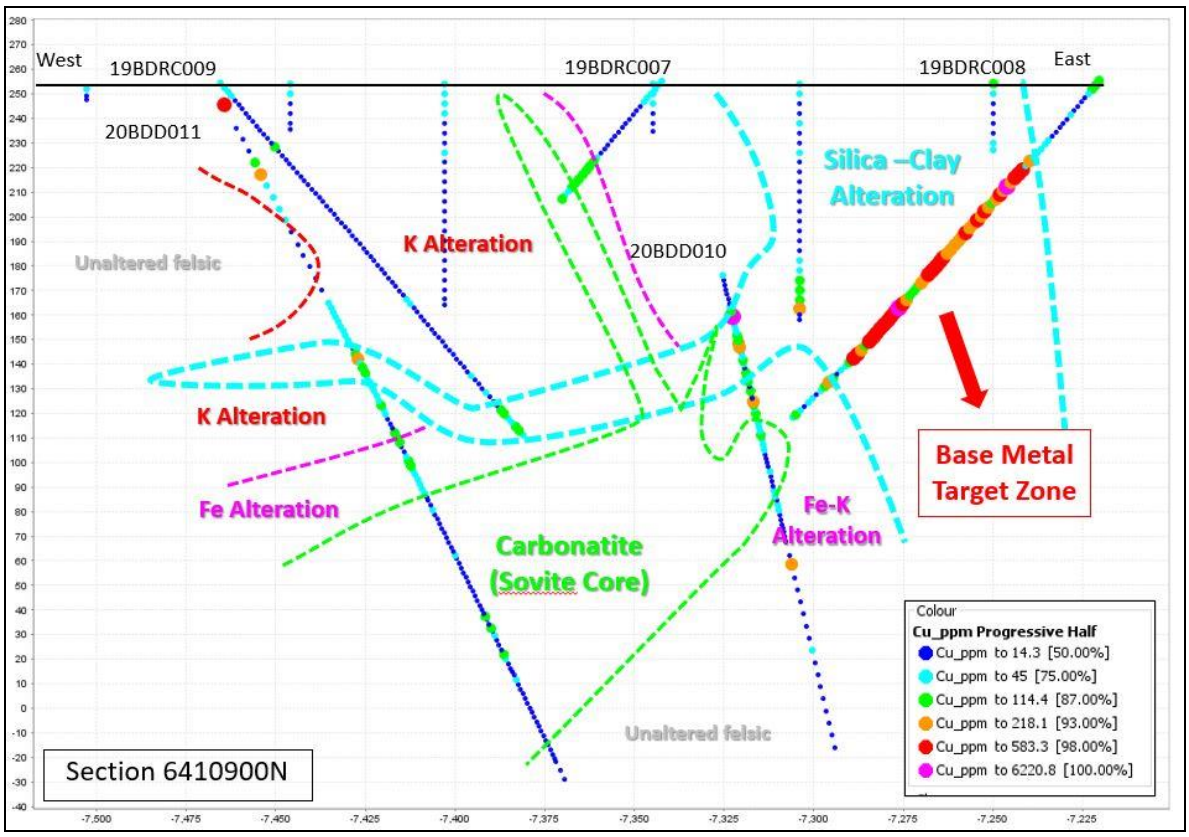

Figure 2b: Telegraph Prospect southern drill section showing alteration and copper intersections

Down-hole electromagnetic (DHEM) surveys were also completed in drill-holes 20BDD010 and 20BDD012 to search for near-miss situations. Modelling of the DHEM data shows a weak to moderate discrete conductor (~100 to 200 siemens) located between the surveyed drill-holes and plunging towards the north-west (*Figure 1*). Further drilling of this target will also be considered under the SAA.

The potential for accumulations of REEs associated with the carbonatite intrusion is also being assessed. While the sovite core of the carbonatite intrusion is generally barren of REE, anomalous REE (ranging from 300 to 1000ppm cerium (Ce), 200 to 650ppm lanthanum (La), and 100 to 800ppm yttrium(Y)) occur within the alteration zone(s) above the carbonatite, as well as within narrow ytrium-rich intrusions and/or phoscorite dykes which intrude the surrounding basement gneisses.

A narrow (0.6m) phoscorite dyke within drill-hole 20BDDD012 returned REE and base metal values of 1043ppm Ce, 463ppm La, 70ppm Y, 7123ppm P, 2942ppm Cu, 119ppm Pb, 226ppm Zn, and 4.1g/t Ag, demonstrating the complexity of mineralogy within carbonatite systems as well as highlighting the potential for concentrations of elements within the greater carbonatite complex.

Regional Prospects:

A review of previous exploration data following the recognition of a carbonatite intrusion at the Telegraph Prospect suggests that carbonatite activity could be wide-spread throughout the Balladonia region. Phoscorite dykes containing highly anomalous REE, including cerium (up to 2082ppm Ce), lanthanum (up to 1020ppm La), yttrium (up to 110ppm Y) were identified at the Company's Canterbury Prospect, located ~30km south-east of Telegraph, following a review of historical drill data.

A review of regional aeromagnetic data suggests that both prospects are closely associated with magnetic lows, providing a targeting mechanism for identifying other potential carbonatite intrusions within the project area (*Figure 3*).

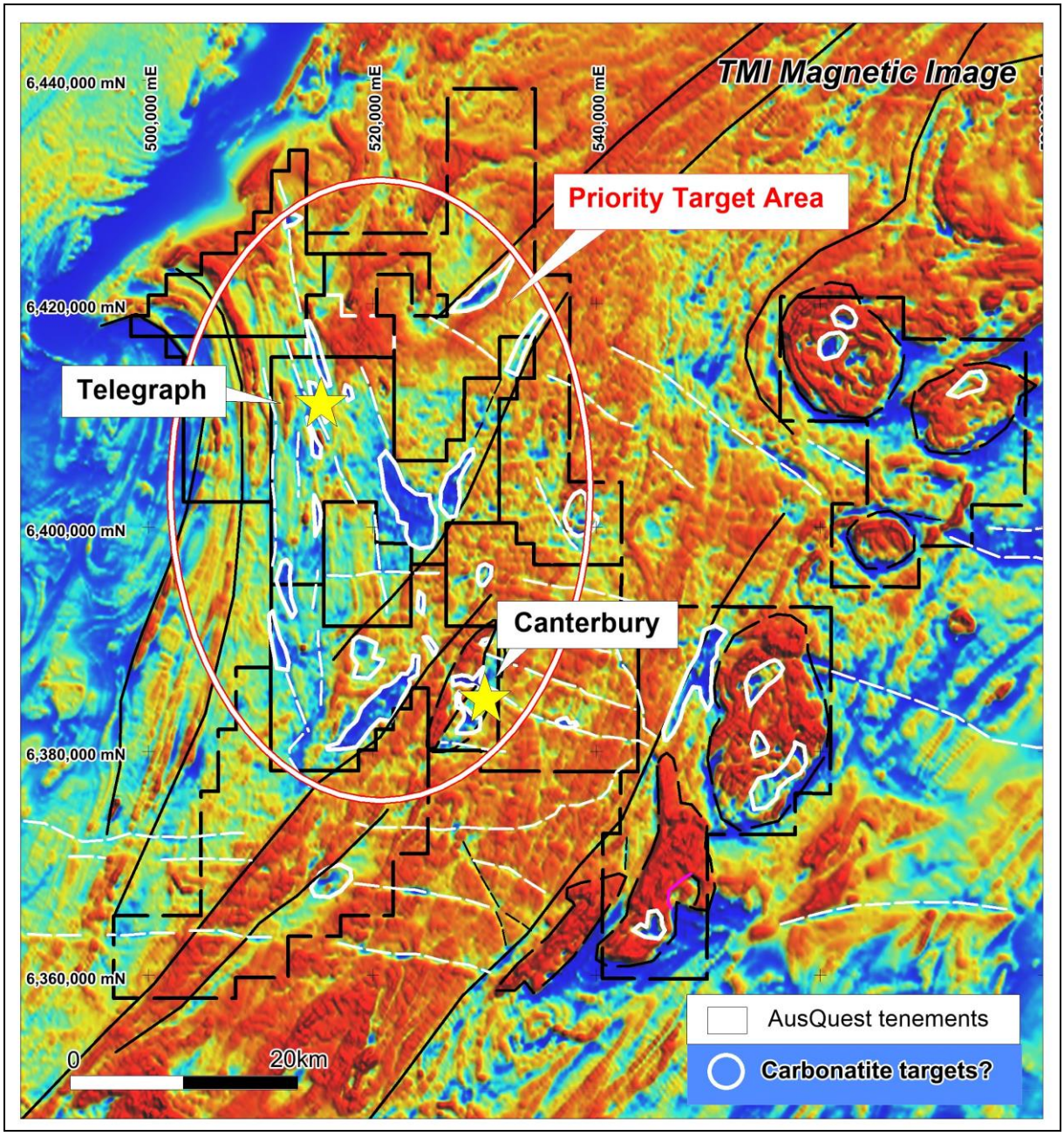

Figure 3: Balladonia Project showing target area for carbonatite intrusions and base metal deposits

Similarities between the Balladonia region in WA and the Eastern Succession of north-west Queensland (east of Mt Isa) are also now being explored by the Company, following the discovery of carbonatite activity at Balladonia.

The Eastern Succession, which has been explored by many companies over the past 50 years, contains numerous base metal mines as well as documented REE prospects within the same belts of rock that host the copper, silver, lead and zinc mines.

Iron-oxide copper-gold (IOCG) and Broken Hill Type (BHT) deposits are well known in the Eastern Succession and may also be present at Balladonia.

Management Comment:

AusQuest's Managing Director, Graeme Drew, said the discovery of carbonatite activity within the Balladonia region was an exciting new development for the Fraser Range region which would provide new exploration opportunities for the Company.

"While we are still working on the implications of this development, we are excited about what it could mean – and geological comparisons with the Eastern Succession in north-west Queensland only add to our strong interest in the area" he said.

"It's important to remember that developing a solid understanding of geological context and what it means for discovery potential only comes from drilling – and drilling activity is still at a really early stage in this region.

"We look forward to reporting further on the Balladonia Project over the coming months."

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.

Definition of terms referenced in this release:

Carbonatite: An igneous rock composed mainly of carbonate. Carbonatites are a major source of rare earth elements (REE) world-wide and are also known to produce base metal deposits (copper).

Sovite: A medium to coarse-grained magmatic calcium carbonate rock often found within carbonatite intrusions.

Phoscorite: An igneous rock generally found within carbonatite complexes. It contains mainly phosphate (apatite) and magnesium-iron silicate minerals.

JORC Code, 2012 Edition – Table 1 report, Diamond Drilling at Balladonia 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.*	• Sample intervals were determined by the on-site geologist. • Sample intervals varied from a standard 2 metre sample for continuous core sampling to between 0.2m and 0.5m samples every 2 to 5 metres down-hole where it was deemed appropriate by the on-site geologist. • Where HQ3 and NQ core was sampled, core was cut in half with half sent for analysis and half retained for geological and quality control purposes. Where PQ3 core was sampled, a ¼ core was used for analysis. • 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 was used from surface for 3 of the 4 holes drilled, with PQ3 coring required to successfully penetrate through the upper portions of the weathered section. One drill-hole used an earlier RC hole as a pre-collar. • PQ3, HQ3 and NQ drill rods used to produce 83mm, 61.1mm and 47.6mm diameter core respectively. The PQ3 core starts at surface changing to HQ3 and then NQ at the appropriate depths depending on drilling conditions. • Down-hole surveys were 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.*	• 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

Criteria	JORC Code explanation	Commentary
	• *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. • Sample recovery was generally 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) photography.* • *The total length and percentage of the relevant intersections logged.*	• 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 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 core in half along its length and sampling intervals ranging from 20cm to 2.5m in length as determined by the on-site geologist. Where PQ3 core was produced ¼ core was used as a sample. • 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,

Criteria	JORC Code explanation	Commentary
		Maddington, WA which is a certified laboratory for mineral analyses. • Analytical data is transferred to the company via email and by hard copy.
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 – Drilling is early stage testing of targets. No grade intervals quoted.
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 ~50m down hole, and at the end of the hole. • All surface location data are in GDA 94 datum, zone 51S.
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.*	• Angled drill holes were spaced at approximately 200m x 100m to 150m intervals and designed to assess prospectivity of the identified target. Drill hole locations are provided below.
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 polyweave 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 Balladonia Project (Telegraph Prospect) is centered at 6411000N and 515500E (GDA94 Zone 51), approximately 135 km ESE of Norseman in Western Australia. • Tenement holdings include four granted Exploration License's (E69/3246, 3317, 3558, 3671) and seven Exploration License applications (E69/3394, 3559, 3672, 3775, 3776, 3785, 3786). • The Balladonia Prospect is subject to a Strategic Alliance Agreement whereby South32 have the right to earn a 70% interest by spending US$4.5M. • Aboriginal heritage surveys are routinely completed ahead of ground disturbing activities.
Exploration done by other parties	• *Acknowledgment and appraisal of exploration by other parties.*	• Limited surface exploration has been completed by other parties. AusQuest is the first exploration company to complete drilling programs within the tenements. • The tenements have been covered by regional government geophysical and geological surveys and partly by regional GSWA geochemical sampling.
Geology	• *Deposit type, geological setting and style of mineralisation.*	• The Telegraph Prospect is a large ovoid shaped alteration feature approximately 500m N-S and 200m E-W hosted by felsic, intermediate and mafic gneisses. The clay alteration zones contain anomalous base and rare earth metals. The Company is targeting base metal mineralization beneath the extensive clay-silica alteration.

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.*
		• All relevant drill hole data are tabulated below and provided in the ASX release.

Criteria	JORC Code explanation	Commentary
	• *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.*	
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.*	• No weighting averaging techniques were used.
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').*	• No significant grades and widths were reported from this limited drill program.
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.*	• 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.*	• Anomalous ranges of elements are quoted as no grade intersections were reported. • Drilling still at initial target testing stage.
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 drill results and previously reported exploration data is presented 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.*	• Further work will depend on the assessment of these drilling results and compilation with other data sets.

Diamond drill-hole location details

Hole No	Prospect	Easting	Northing	RL	Azimuth	Inc	Depth (m)
19BDRCD005	Telegraph	515704	6411099	259	270	-60	279
20BDD010	Telegraph	515604	6410896	259	90	-80	279
20BDD011	Telegraph	515475	6410898	258	90	-70	301
20BDD012	Telegraph	515448	6411100	257	90	-80	243