



Update on offer to acquire Wolverine Zinc Mine

Highlights

- MinQuest Limited (“Minquest” or “the Company”) has substantively agreed the terms of an Asset Purchase Agreement (“APA”) with the Court appointed Monitor pursuant to which MinQuest would acquire the Wolverine Zinc Mine in the Yukon Territory.
- The Monitor has submitted a report to the Supreme Court of British Columbia recommending that the APA become effective if a restructuring proposal proposed by Yukon Zinc Corporation (“Yukon Zinc”) is not implemented.
- MinQuest intends to recommence discussions with Yukon Zinc to agree terms for the toll treatment of ore from the Fyre Lake Project using the Wolverine processing facilities if the Yukon Zinc restructuring proposal is implemented.
- The terms of the APA are that MinQuest will pay CAD\$15 million to acquire the assets of the Wolverine project from Yukon Zinc, and will make a payment of CAD\$3 million to the government of the Yukon Territory to supplement an existing CAD\$7.7 million of environmental bonds.
- The Agreement is conditional on the Yukon Zinc restructuring proposal not being implemented and on MinQuest obtaining financing within sixty days from the date on which it is determined that the restructuring proposal cannot be implemented by Yukon Zinc.
- MinQuest is examining the potential use of the processing facilities at Wolverine to fast-track development of the Fyre Lake Copper Project 28 kms south-west of Wolverine.
- MinQuest estimates that if the MinQuest Agreement is implemented, the combined cost of acquiring the Yukon Zinc assets and the capital expenditure required to put Fyre Lake into production will be in the range of CAD\$59 million to CAD\$64 million.
- MinQuest is reviewing the potential to re-open the Wolverine mine and process remaining the reserves and resources over a 2 year period.
- The development of the Fyre Lake and Wolverine projects will generate major economic benefits for the region and create long term employment opportunities if both projects are sequentially developed.

14 August 2015

DIRECTORS

David Deloub
Chairman

Jeremy Read
Managing Director

Paul Niardone
Non-Executive Director

Adam Davey
Non-Executive Director

Stephen Kelly
Company Secretary

SHARE INFORMATION

ASX Code: MNQ
Issued Capital:
220,230,116 Fully Paid
Shares
72,936,522 Unlisted
Options

CONTACT INFORMATION

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INTRODUCTION

MinQuest Limited ("**MinQuest**" or "**The Company**") (ASX:MNQ) advises that the Monitor has submitted to the Supreme Court of British Columbia a report recommending that the Court approve the execution of an APA pursuant to which MinQuest would acquire the assets of the Wolverine zinc mine in the Yukon Territory, Canada from the current owner of the project, Yukon Zinc.

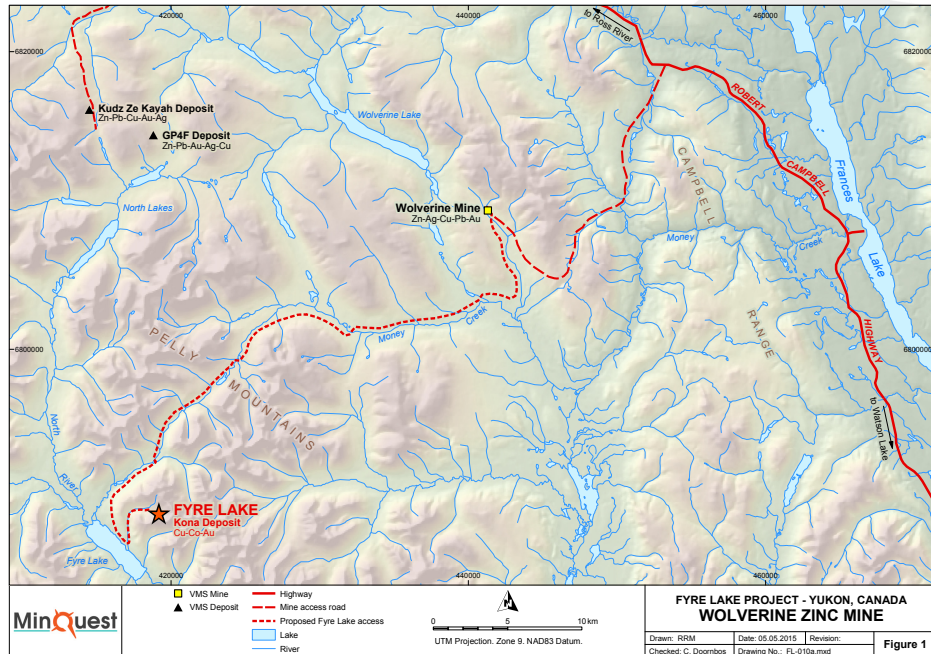
The submission of the Monitor's report follows a sales and solicitation process that resulted in MinQuest emerging as the preferred bidder for the assets of the Wolverine mine and the extensive package of mineral exploration claims surrounding the mine.

If the Court grants the Monitor's request at a hearing to be conducted on 14 August 2015 (Pacific Standard time), the APA will serve as a back up agreement to a restructuring proposal presented to the Court by Yukon Zinc. The APA will become effective if the Yukon Zinc restructuring proposal is not implemented.

MinQuest's offer is to acquire the assets of Yukon Zinc including the 750,000 tpa processing facility, tailings management facility, mine office, workshops, power station, underground mine, various mine equipment, surrounding exploration tenements and operating licences ("**Wolverine Project**"). The Wolverine Project is 28km north east of MinQuest's Fyre Lake Project in the Finlayson Lake District of the south east Yukon Territory.

The terms of the APA are that MinQuest will pay CAD\$15 million to acquire the Wolverine project from Yukon Zinc, and will make a payment of CAD\$3 million to the government of the Yukon Territory to supplement an existing CAD\$7.7 million of environmental bonds.

Completion of the APA will be conditional upon satisfaction of a number of conditions precedent including the Yukon Zinc restructuring proposal not being implemented, MinQuest paying a deposit of CAD\$500,000 within two days of being notified that the Yukon Zinc restructuring proposal has not been implemented, MinQuest securing finance to complete the APA within 60 days of the restructuring proposal not being implemented and the granting of an Approval and Vesting Order by the Court.



If MinQuest acquires the Wolverine Project pursuant to the APA, MinQuest is planning to use the existing facilities at Wolverine to process ore from Fyre Lake. MinQuest also is considering resuming mining and processing of remaining reserves at Wolverine while infrastructure is developed and permits obtained to transport ore from Fyre Lake to Wolverine.

Prior to Yukon Zinc entering the CCAA process MinQuest had held preliminary discussions with Yukon Zinc regarding the possibility of toll treating Fyre Lake ore utilising the Wolverine processing facility. If the Yukon Zinc restructuring proposal is implemented, MinQuest intends to approach Yukon Zinc to recommence those negotiations.

MinQuest Managing Director Jeremy Read said the outcome of the sales and solicitation process for the assets of Yukon Zinc, presents MinQuest with the potential for the Fyre Lake project to be developed more quickly and at significantly lower cost by utilising the existing infrastructure at Wolverine.

“Using the existing infrastructure at Wolverine, either through an acquisition of those assets by MinQuest or through a toll treatment arrangement with Yukon Zinc, could significantly reduce the pre-production capital expenditure for Fyre Lake, substantially improving the project economics, securing the long term viability and security of the Project and the Wolverine operations.

"The integrated development of these two projects will generate significant economic benefits for the region, potentially creating jobs and business opportunities for many years into the future.," he said.



WOLVERINE PROJECT

Yukon Zinc Corporation acquired the Wolverine Zinc Project in 2008. Construction occurred throughout 2009 and 2010 with the mill commissioning commencing in late 2010. Commercial production commenced in March 2012 and full design capacity of the mine and processing mill (750,000tpa) was achieved in the first quarter of 2013.

The project was placed on care and maintenance in January 2015 and on 13 March 2015 the Supreme Court of British Columbia granted Yukon Zinc protection from its creditors pursuant to the Companies Creditors Arrangements Act. PricewaterhouseCoopers Inc. has been appointed by the Court as Monitor of Yukon Zinc.

On 17 April, 2015 the Supreme Court of British Columbia (the Court) authorised the Monitor to proceed with a process for the solicitation of third party offers to invest in Yukon Zinc or to purchase all or any part of Yukon Zinc's assets. As a result of the solicitation process MinQuest made a conditional offer to purchase the Wolverine zinc project including the remaining Mineral Resources, processing mill, tailings management facility, workshops, mine office buildings, generator power plant, mine and operating leases and an extensive package of surrounding exploration claims.

Yukon Zinc Corporation has submitted a restructuring proposal for consideration by the Court at a hearing scheduled for 14 August 2015 (Pacific Standard Time). If the Court approves the Restructuring Proposal, it will be submitted to a meeting of creditors of Yukon Zinc Corporation scheduled for 2 September 2015.

RE-OPENING OF THE WOLVERINE MINE

In the event that the APA becomes effective and MinQuest acquires the Wolverine Project, MinQuest is examining the potential to resume mining and processing of the remaining ore at Wolverine to provide cash flow while Fyre Lake infrastructure is developed, permits obtained and transport routes established.

MinQuest has only recently gained access to operational and mining data from the Wolverine mine as a part of its due diligence review of Wolverine. Subsequently, MinQuest commenced an evaluation of the potential to put the Wolverine mine back into production.

The mine will need to be pumped out, rectification work completed in the mine and the processing plant and inspections completed by various regulatory bodies. MinQuest estimates the timeframe to recommence operations at Wolverine to be of the order of six months following completion of the acquisition subject to assessment of the condition of the underground mine infrastructure after water pumping has been completed.



Following MinQuest's initial analysis of the Wolverine operations, it is MinQuest's opinion that resumption of operations at Wolverine would not be economic in isolation, and would only be made viable through access to copper-cobalt-gold mineralisation from the Kona mineral resource on the Fyre Lake Project, to extend the useful life of the Wolverine processing plant.

Wolverine was discovered in 1995 and commenced production in 2013 with a Canadian NI 43-101 compliant proven and probable remaining reserves of 5.2Mt @ 9.66% Zn, 0.91% Cu, 1.26% Pb, 281.8 g/t Ag and 1.36 g/t Au.

Remaining reserves and resources at Wolverine are estimated to provide potential for a mine life of approximately 2 years, processing 750,000tpa.

BENEFITS TO THE FYRE LAKE PROJECT OF PURCHASING THE WOLVERINE ZINC MINE

MinQuest is assessing the possibility of fast tracking the development of the Kona Mineral Resource on the Fyre Lake Copper Project by utilising the existing infrastructure at Wolverine.

The Kona Mineral Resource is defined as 12.6Mt @ 1.56% Cu, 0.09% Co, 0.30% Zn and 0.63g/t Au as shown in Table One and classified in Accordance with the JORC 2012 guidelines.

Table 1: Kona 2014 Resource estimate comparison at 1% Cu cut-off

Estimate Year	Classification	Mt	Cu %	Co %	Au g/t
2014	Indicated	3.53	1.55	0.10	0.63
	Inferred	9.05	1.56	0.09	0.63
	Total	12.57	1.56	0.09	0.63

* Refer to MinQuest announcement to the ASX dated 23 January, 2015

The Fyre Lake Project is approximately 28km to the south west of the Wolverine zinc mine. To truck ore from the Kona Mineral Resource to the existing processing facilities at Wolverine a 40km road will need to be constructed. If MinQuest proceeds with the development of the Kona Mineral Resource, the Company will follow all permitting processes as required by the Yukon Territory Government and has commenced dialogue with the Kaska First Nation to ensure full consultation and stakeholder engagement.

Preliminary studies completed by MinQuest have concluded that the Wolverine processing plant can be converted to a single float circuit plant, producing a copper-cobalt-gold metal concentrate and increasing the processing capacity to



1.5Mtpa. Yukon Zinc was producing separate copper, lead and zinc metal concentrates from the Wolverine ore body at a nameplate capacity of 750,000tpa.

Capital works required to put the Kona Mineral Resource on the Fyre Lake project into production will include the construction of a road from Fyre Lake to Wolverine, establishment of surface infrastructure at Fyre Lake and modifications to the existing Wolverine processing plant, to increase the plant's capacity to 1.5Mtpa. In comparison to constructing a stand alone metal processing plant and mine at Fyre Lake, utilising the existing facilities at Wolverine could save up to CAD\$200M from the cost of developing the Fyre Lake Project as a stand-alone project.

MinQuest estimates that if the MinQuest Agreement becomes effective, the combined cost of acquiring the Wolverine Project and the capital expenditure required to put Fyre Lake into production will be in the range of CAD\$59 million to CAD\$64 million.

If the Wolverine mine is put back into production, there is the possibility that some or all of the funding for the development of the Fyre Lake project could be provided by the cash flows generated from mining activities at Wolverine.

The Company emphasises that the APA will only become effective if the restructuring proposal submitted by Yukon Zinc is not implemented. There is no certainty that a transaction will be completed.

MinQuest will provide further updates to the market as significant developments occur in relation to the Yukon Zinc restructuring proposal.



Competent Person Statement

The information in this report that relates to exploration results is based upon information reviewed by Mr Jeremy Read BSc (Hons) who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Read is a full time employee of MinQuest Limited and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Read consents to the inclusion in the report of the matters based on his information in the form and context in which it appears. Mr Read is the Managing Director of MinQuest and currently owns 2,525,253 Fully Paid Ordinary Shares and has the entitlement to a further 2,525,253 deferred consideration shares subject to relevant milestone events being achieved.

Forward Looking Statements

This announcement contains "forward-looking statements". Such forward-looking statements include, without limitation: estimates of future earnings, the sensitivity of earnings to commodity prices and foreign exchange rate movements; estimates of future production and sales; estimates of future cash flows, the sensitivity of cash flows to commodity prices and foreign exchange rate movements; statements regarding future debt repayments; estimates of future capital expenditures; estimates of resources and statements regarding future exploration results; and where the Company expresses or implies an expectation or belief as to future events or results, such expectation or belief is expressed in good faith and believed to have a reasonable basis. However, forward looking statements are subject to risks, uncertainties and other factors, which could cause actual results to differ materially from future results expressed, projected or implied by such forward-looking statements. Such risks include, but are not limited to commodity price volatility, currency fluctuations, increased production costs and variances in resource or reserve rates from those assumed in the company's plans, as well as political and operational risks in the countries and states in which we operate or sell product to, and governmental regulation and judicial outcomes. For a more detailed discussion of such risks and other factors, see the Company's Annual Reports, as well as the Company's other filings. The Company does not undertake any obligation to release publicly any revisions to any "forward looking statement" to reflect events or circumstances after the date of this release, or to reflect the occurrence of unanticipated events, except as may be required under applicable securities law.