



## Quarterly Report – 30<sup>th</sup> June 2016

### HIGHLIGHTS

#### Peru – Copper-Gold

- ❑ **Drilling underway across three porphyry copper-gold targets** in the south of Peru under the Puite-Colorada and Cardonal Joint Venture Agreements.
- ❑ **Three diamond drill rigs were mobilised to the area** with one operating at the Puite prospect, and two currently drilling under the Cardonal Joint Venture. A total of up to 37 drill-holes and 20,000m is expected to be completed over the next 4-5 months.
- ❑ **Porphyry-style alteration reported** from the initial drilling at Puite with some visible copper occurring within veinlets and fractures in the diorite.
- ❑ **Joint Venture discussions and site visits by interested parties** undertaken over the Company's Chololo porphyry copper prospect near the port of Ilo.

#### Australia – Base Metals

- ❑ **Potential sediment-hosted zinc target identified at the Blue Billy zinc prospect** within the Edmund Basin of WA, after compilation of available exploration data.
- ❑ **Access clearance surveys for ground electromagnetic surveys** at the Jimberlana nickel-copper prospect initiated. Tenements were rationalised at Gibson Soak and Balladonia to retain priority nickel targets.

#### West Africa – Gold

- ❑ Ressources Burkinor SARL, a wholly-owned subsidiary of TSX-listed SEMAFO Inc., reported that it is renewing the joint venture titles for a further three-year period.

#### Corporate

- ❑ R&D tax refund of \$203,000 received for FY2015.
- ❑ Exploration tax credits of \$76,879 (0.0154 cents per share) distributed to eligible shareholders on the 28<sup>th</sup> June 2016.

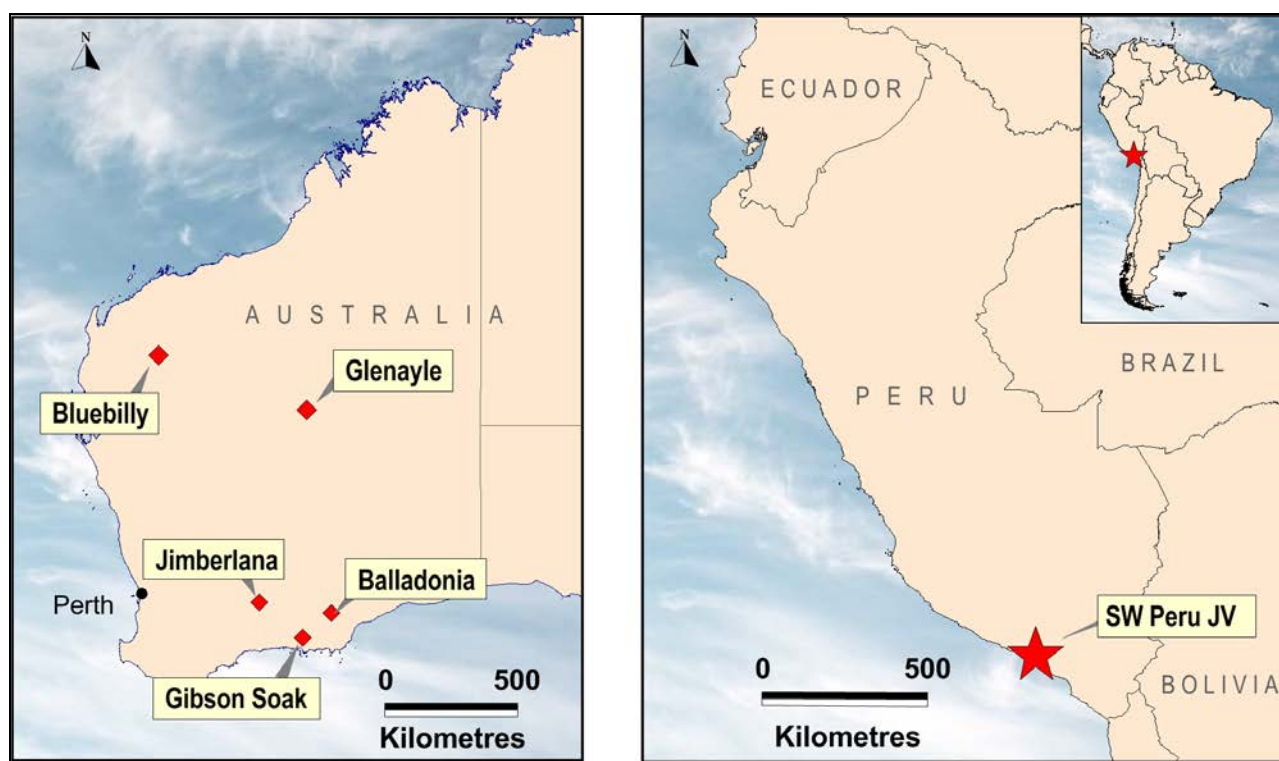


Figure 1: Project Locations – Australia and Peru

## OVERVIEW

Drilling operations commenced during the Quarter to test four porphyry copper-gold targets identified in the south of Peru. Three drill rigs were mobilised to site during May and June with up to 20,000m of diamond drilling planned for completion by the end of 2016.

Drilling commenced at the Puite prospect with five holes (~3100m) completed by the end of the Quarter and one in progress. One drill hole was completed at the Colorada prospect before two of the drill rigs were moved to Cardonal as a matter of priority, following the receipt of the drill permit late in the Quarter. Drill results for the first three drill holes at Puite have been received, indicating proximity to potential porphyry copper mineralisation.

Discussions and site visits continued with third parties interested in possible joint ventures over a further two of the Company's prospects in Peru (Chololo and Cerro de Fierro). The Company remains optimistic that new joint venture agreements in Peru are possible by the end of the year.

In Australia, the Company continued to advance its nickel-copper and zinc projects, with early stage work undertaken aimed at confirming concepts and identifying areas for detailed follow-up, including drilling.

In West Africa, the Company's joint venture partner, Burkinor SARL, reported that it is renewing the joint venture titles for a further three-year period. It must spend a further US\$0.75 million (i.e. a total of US\$7.5 million) to complete the stage 2 earn-in to 80% equity in the project.

## PERU COPPER-GOLD JV PROJECTS

(100% AQD, Zahena earning to 70%)

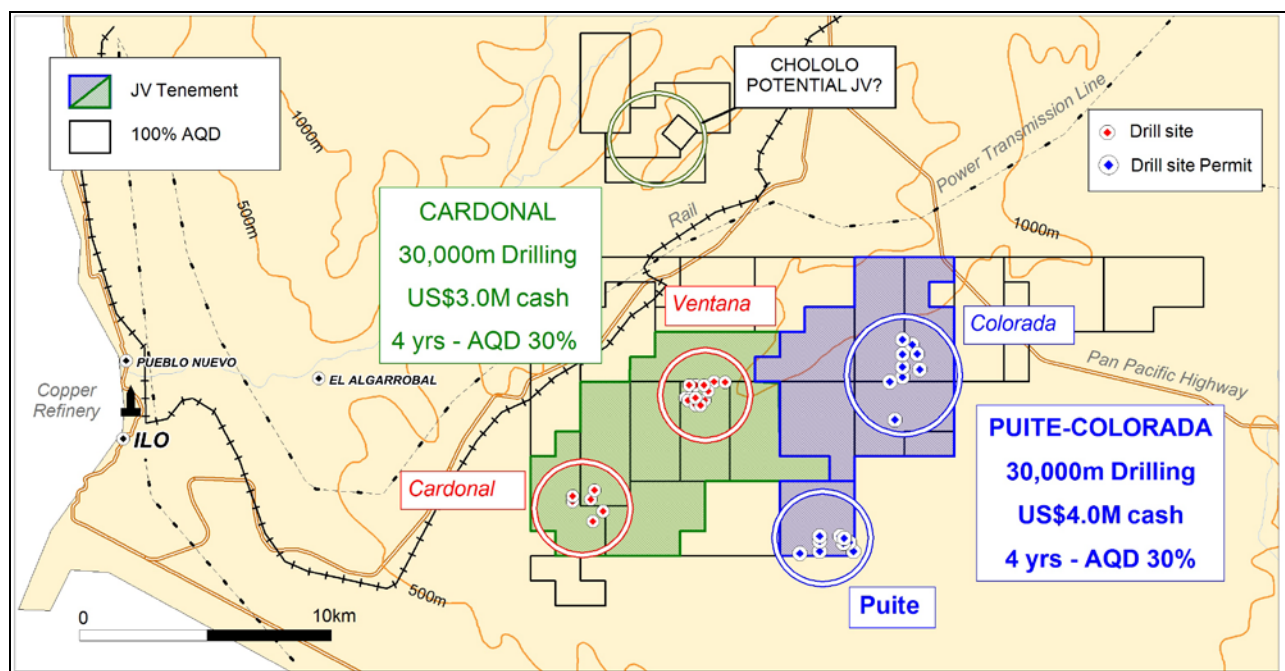
During the Quarter, diamond drilling commenced at the Puite, Colorada, and Cardonal porphyry copper-gold prospect in the south of Peru under the Puite-Colorada and Cardonal Joint Venture Agreements with Compania Minera Zahena SAC ("Zahena").

A total of 20,000m of diamond drilling, or expenditure of not less than US\$3.0 million, will need to be completed before the end of 2016 to fulfil the requirements under the Joint Venture Agreements with Zahena for both the Puite-Colorada and Cardonal Projects (see table below).

Joint Venture	Prospect	Drilling	Drill Permit	Drilling Completed by
<i>Puite-Colorada</i>	Puite	10,000m	Granted	December – 2016
	Colorada		Granted	December – 2016
<i>Cardonal</i>	Ventana	10,000m	Granted	October – 2016
	Cardonal		Granted	October – 2016

In order to earn a 70% interest in each joint venture project, Zahena must complete further drilling (20,000m at each project) and make staged cash payments to AusQuest (Puite-Colorada – US\$3.925 million, Cardonal – US\$2.875 million) over the following 3-year period (*Figure 2*).

The Puite prospect is located approximately 30km due east of the port of Ilo and approximately 10km from the coast. This prospect has extensive sand cover and the initial drilling program was designed to test a range of targets as a first step to evaluating its potential for porphyry copper mineralisation.



*Figure 2: Prospect locations in the Ilo area in the south of Peru*

Geological mapping and sampling programs have located anomalous copper values (100ppm Cu to 0.27% Cu) within altered diorite dykes scattered over a large area (~3km<sup>2</sup>), and IP / ground magnetic surveys have outlined anomalies closely associated with the copper anomalism.

Drilling at Puite is slower than anticipated with five holes (~3100m) completed by the end of the Quarter, one hole in progress, and three holes yet to be drilled. Preliminary geological reports from the first five drill-holes indicate the presence of porphyry-style alteration (weak sub-propylitic to strong propylitic) within diorite host rocks,

suggesting the potential for a porphyry copper system nearby.

Visual copper minerals were reported in the core, in veinlets and on fractures, but in trace amounts. Assays from the first three holes confirmed anomalous copper in the core with values of up to 0.12% Cu over thicknesses of ~15m associated with propylitic alteration, a marginal alteration phase to a porphyry copper system.

A more complete picture will be possible once all drilling has been completed and all assays are available. Drilling continues (*Figure 3*).



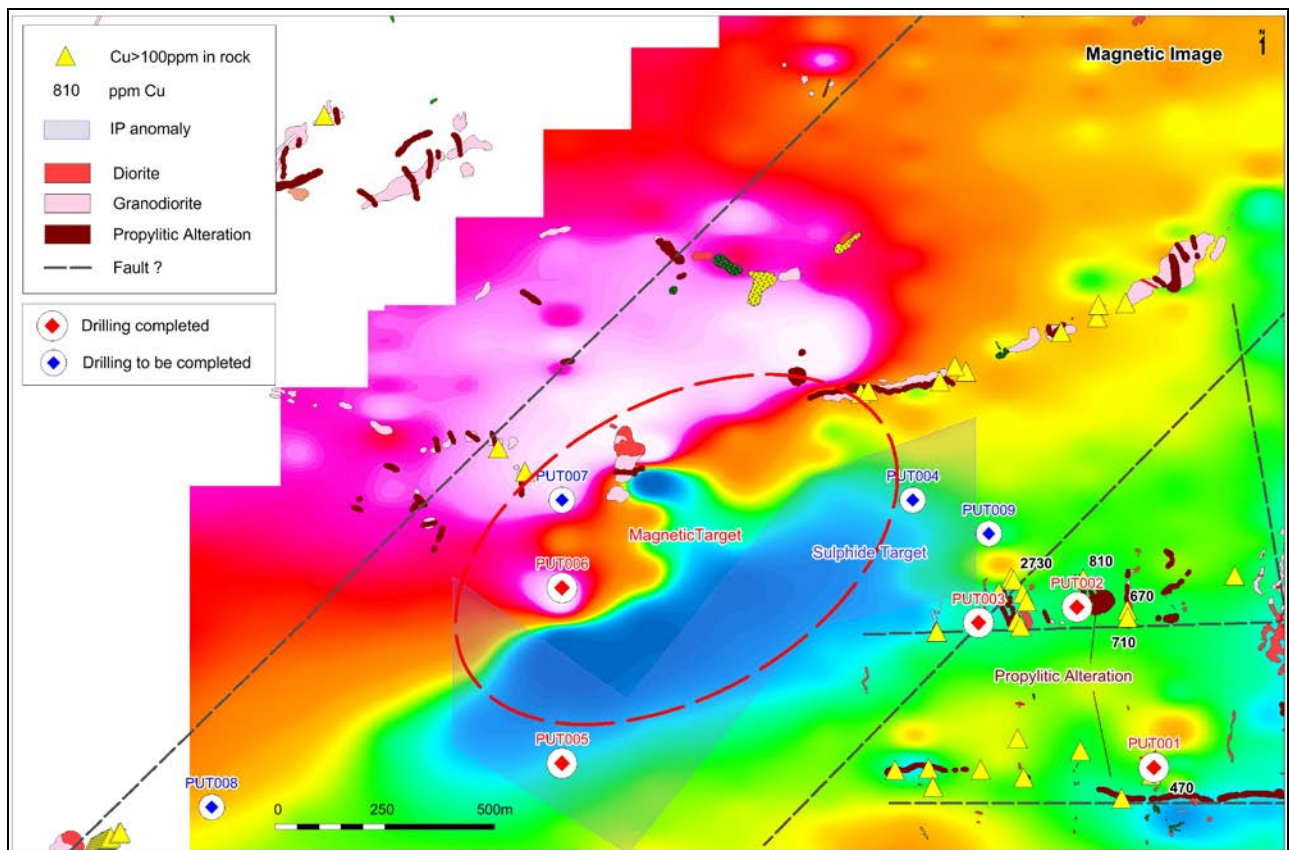


Figure 3: Puite porphyry copper-gold prospect showing drill-holes

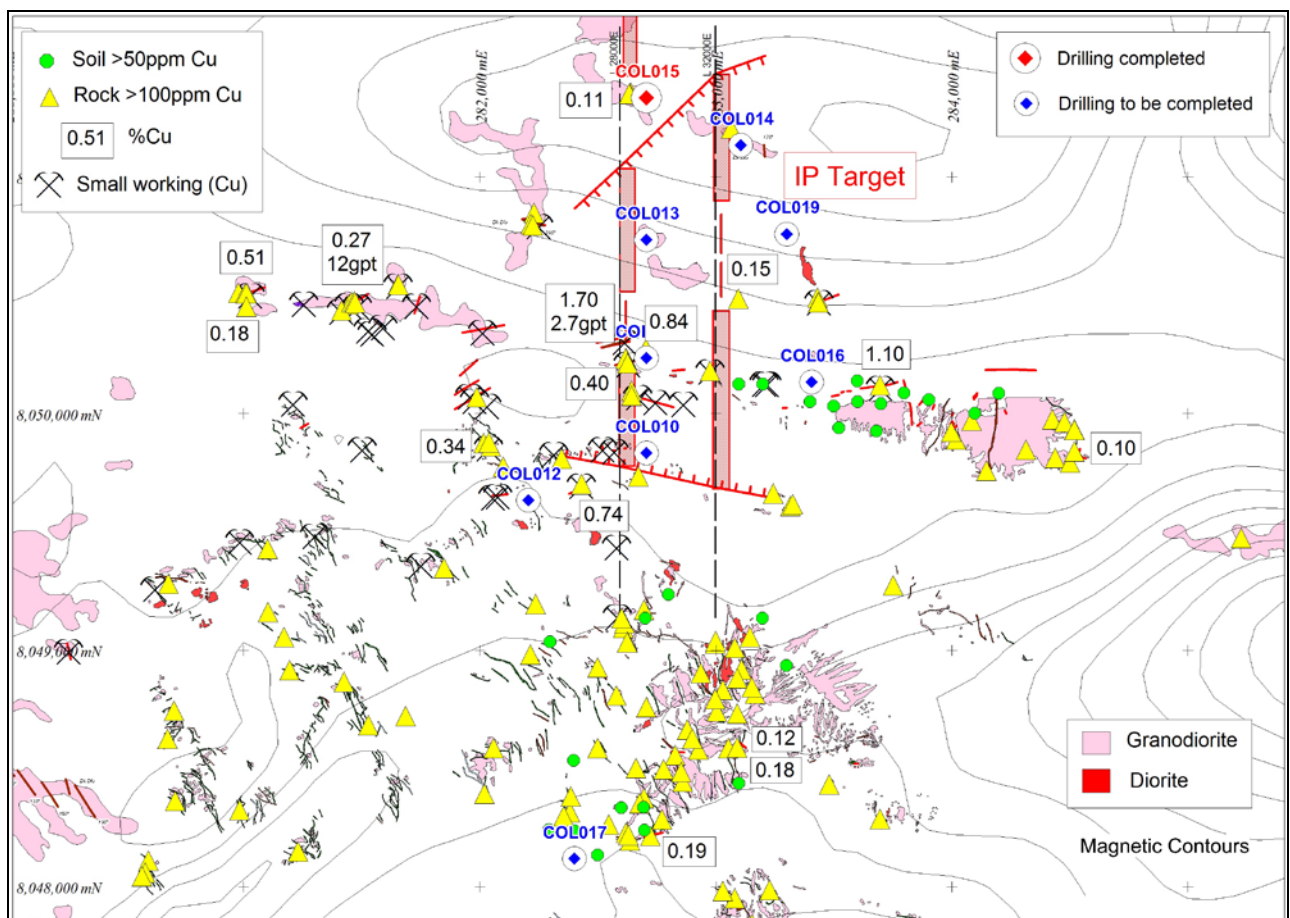


Figure 4: Colorado porphyry copper-gold prospect showing drill-holes

At the Colorado Prospect, which is located ~10km NNE of Puite, one diamond hole was completed on the northern edge of the prospect before the drill rig was mobilised to the Cardonal prospect, following approval of the drilling permit. A geological report on this drill-hole is awaited.

Drilling will resume at Colorado once drilling has been completed at Puite. Only one of the 10 planned holes at Colorado has been completed so far.

The Colorado prospect includes areas with anomalous Cu (+/-Mo) values both in rock and soil samples, alteration in dioritic dykes, IP chargeability anomalies beneath

epithermal veins containing anomalous Cu (+/-Au), and complex structures (*Figure 4*).

Drilling at the Cardonal prospect commenced in early July with two rigs in operation. The Cardonal prospect is a large buried porphyry copper target identified by mineralised diorite dykes and breccias at surface, containing anomalous levels of copper (100ppm up to 0.74% Cu) and associated propylitic alteration. The presence of an extensive IP chargeability anomaly (>6km<sup>2</sup>), reflecting probable sulphide mineralisation at depths of ~300m to 400m, supports the concept of a buried porphyry copper target.

A total of six drill-holes is planned as an initial test of this prospect (*Figure 5*).

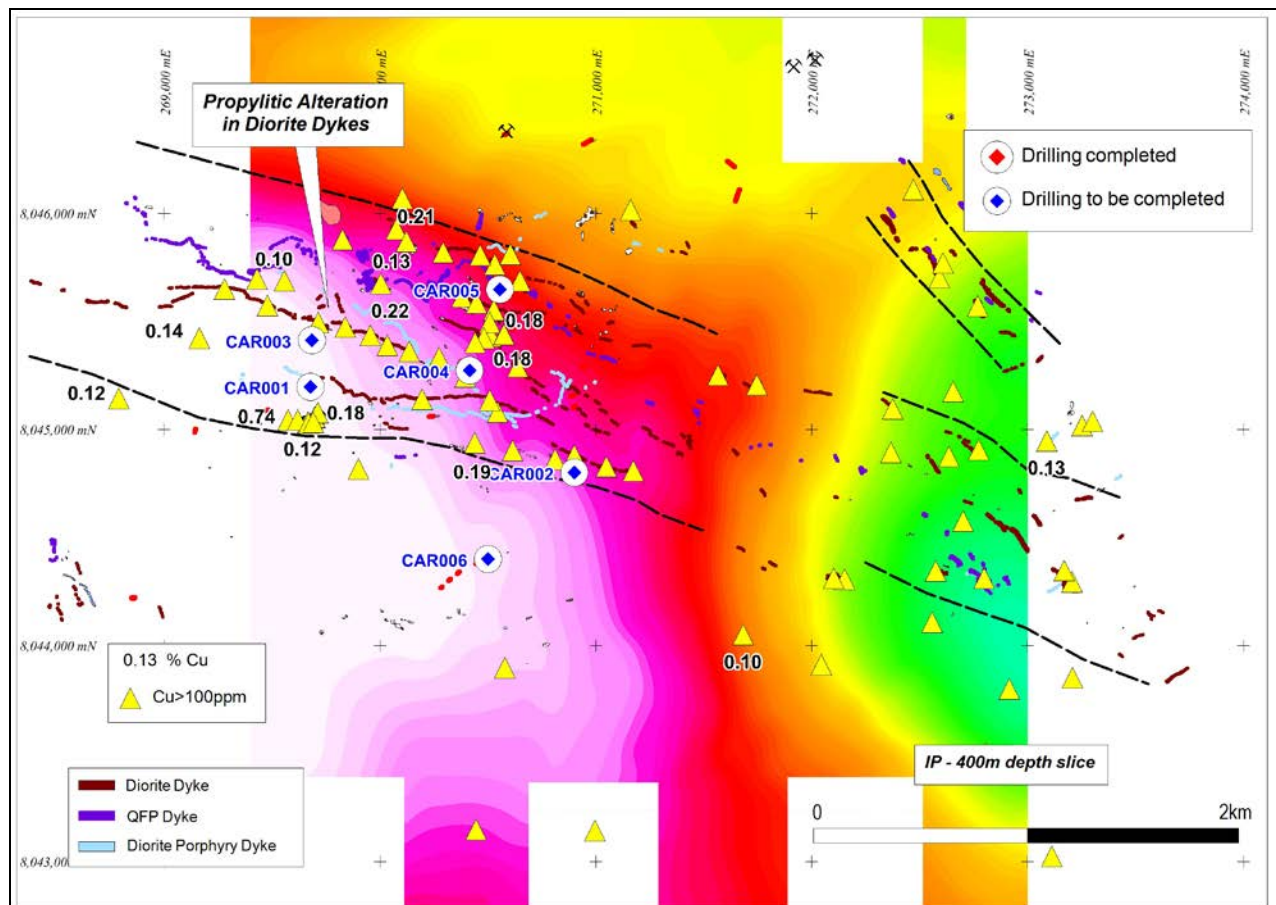


Figure 5: Cardonal Prospect showing planned drill-holes

Drilling at the Ventana prospect will follow completion of the Cardonal programme.

The Ventana prospect contains a strong indication of porphyry copper mineralisation exposed in the road cuttings excavated on the property. The mineralisation and porphyry-

style structures extend over several kilometres in length, suggesting the potential for a large-scale porphyry occurrence in this area. Copper values at surface ranged from 0.13% Cu to 1.0% Cu in rock samples. A total of 13 drill-holes are planned to test this prospect.





*Drilling at the Puite and Colorada Prospects in the south of Peru*

## **PERU COPPER-GOLD PROJECTS** (100% AQD)

*Over the past five years, AusQuest has assembled a large portfolio of copper-gold prospects along the southern coastal belt of Peru in South America with targets identified for drilling as possible porphyry copper targets and/or iron-oxide copper-gold (IOCG) targets with the size potential being of significance to AusQuest (Figure 2). Peru is one of the world's most prominent destinations for international copper exploration and is considered to be a prime location for world-class exploration opportunities (Figure 6).*

During the Quarter, mapping and sampling at the Cerro de Fierro prospect was completed and a report prepared. This prospect is located ~30km from the town of Chala and 130km south-east of the Mina Justa copper deposit.

The prospect was originally identified from aeromagnetic data as a potential iron-oxide

copper-gold (IOCG) target, extending over an area several square kilometres in size. Evaluation of geological and geochemical data confirmed the prospectivity of the area with numerous copper values (from 0.1% Cu up to 1.0% Cu) and associated silver +/- gold +/- bismuth, suggesting the magnetic anomaly represents a well-defined drilling target for IOCG style copper-gold mineralisation.

The potential for buried porphyry copper style mineralisation was also recognised in the data with the Cerro de Fierro prospect located within an east-west structural corridor (Clavelinas-IQUIPI Fault System) hosting porphyry copper deposits to the east including the Zafranal deposit, which is currently the subject of a Pre-Feasibility Study.

Several parties have expressed interest in the Cerro de Fierro project and discussions are ongoing with respect to a possible joint venture over the property.

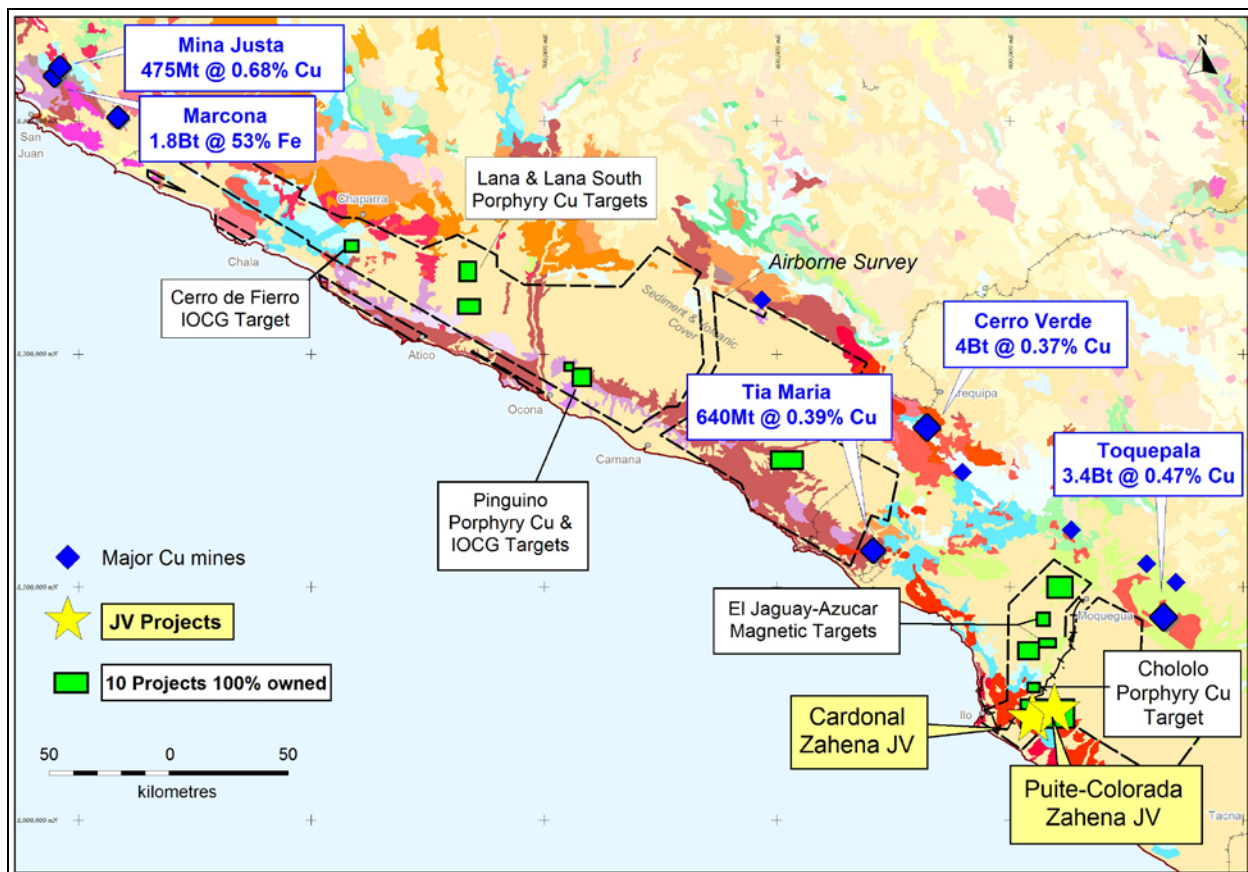


Figure 6: Peru Project Locations

During the Quarter further site inspections to the Chololo porphyry copper prospect were conducted with interested parties. The Company remains optimistic that a joint venture agreement over the Chololo prospect can be negotiated by the end of the year.

The Chololo prospect is located approximately 20km north-east of the port of Ilo, close to power and transport infrastructure. The prospect is at least 3km<sup>2</sup> in size and occurs along the Chololo Fault, approximately 3km north-east of a known porphyry copper occurrence at Ilo Este.

Geological mapping and rock sampling was initiated over magnetic targets at the El Jaguay, Sugar and Azucar West prospects late in the Quarter as part of the Company's ongoing assessment of its tenements in the south of Peru. Following an internal review tenements within the Ceniceros Rojos project were surrendered.

The Company continues to be encouraged by the progress being made at its Peruvian projects, and plans to continue evaluating its extensive portfolio of large porphyry copper

and/or IOCG targets with the aim of advancing prospects to the drilling stage before seeking joint venture partners to fund drilling.

## AUSTRALIA – BASE METAL PROJECTS (Nickel, Copper, Zinc)

### Balladonia Ni-Cu Project (100% AQD)

*The Balladonia Project is located ~50km south of the Nova-Bollinger nickel-copper deposit. It consists of four Exploration Licences covering an area of ~940km<sup>2</sup>, within a structurally complex region of the Fraser Range Terrain centred above the southern margin of a deep regional gravity anomaly (~30 milligals) which is thought to reflect buried mafic/ultramafic rocks similar to those that may be related to the formation of the Nova deposit. Most of the tenements lie within the Dundas Nature Reserve.*

During the Quarter aeromagnetic data was re-assessed to identify priority targets within the extensive Balladonia tenements so that titles could be rationalised ahead of their anniversary dates. Inferred mafic intrusive



rocks have been retained under title with approximately 50% of the original area now under title (*Figure 7*).

Drilling of the EM targets, which are closely associated with interpreted cross-cutting mafic intrusions, has been re-scheduled for late 2016/early 2017.

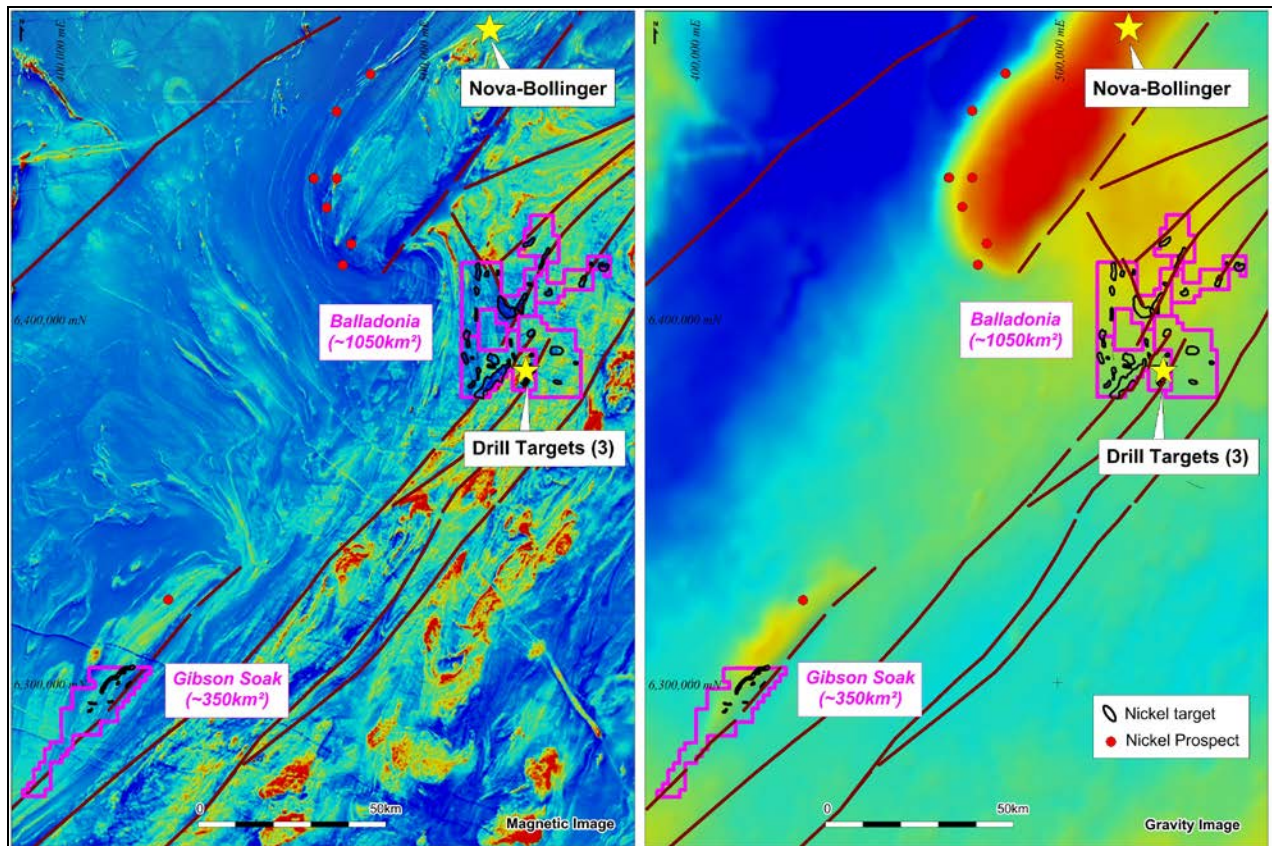


Figure 7: Fraser Range Nickel Projects showing retained titles and magnetic targets

### **Gibson Soak Ni-Cu Project (100% AQD)**

*The Gibson Soak Project is located ~30km north of the port of Esperance, within the broader Fraser Range terrain. The tenement covers an area of ~350km<sup>2</sup>, centred on a regional north-east trending gravity high with similarities to the Fraser Range Complex and covers major north-east trending structures thought to host mafic-ultramafic intrusions prospective for nickel sulphides.*

During the Quarter, tenements were rationalised to retain the highest priority targets based on drill results from the previous Quarter which highlighted gabbroic intrusions similar to those found in the Fraser Range that are considered prospective for nickel-copper sulphides (*Figure 7*).

Ground EM surveys have been planned to test these targets later in the year provided

access has been finalised. All prospective targets are located within the outline of the regional gravity anomaly and within farm land north of Esperance.

### **Jimberlana Ni-Cu Project (100% AQD)**

*The Jimberlana Project, which is located ~120km west of Norseman between the Lake Johnston and Forrestania Greenstone Belts, consists of two Exploration Licences (273km<sup>2</sup>) covering the western extension (~50km strike) of the Jimberlana Dyke. Recent research has recognised a strong association between intrusive related nickel sulphide deposits and lateral/horizontal magma flow within dykes that can create effective trap-sites for the accumulation of massive nickel sulphides at or near the base of these chonolithic type structures. Within Australia, the Jimberlana Dyke is believed to be a prime target for this style of deposit. Jimberlana is a very large, fertile, fractionated intrusion known to contain*



*nickel sulphides in a number of locations along its strike length, but has had no previous exploration (drilling) targeted at its basal section.*

During the Quarter, an EM survey was designed to test the floor of the Jimberlana Dyke for possible massive sulphide accumulations. The survey has been limited to the western 10km of strike, where the floor of the dyke is interpreted to be at relatively shallow depths (<400 metres).

Heritage clearances for the proposed EM survey and possible follow-up drilling were initiated and are expected to be completed within the coming months.

The Company believes that the western limit of the Jimberlana Dyke provides a unique opportunity in Australia to explore the basal section of a highly fertile intrusion where the potential for large accumulations of nickel-copper sulphides is considered high.

### **Blue Billy Zinc Project (100%AQD)**

*The Bluebilly zinc Project is located ~100km south west of Parabadoo within the Edmund Basin in Western Australia. The tenement*

*covers the down-dip extent of anomalous zinc values (up to 0.5% Zn) found within a pyritic black mudstone similar to host rocks known to contain sedimentary zinc deposits in the Mt Isa-McArthur River District of north-west Queensland. A study of historical exploration data suggests potential for SEDEX-style zinc mineralisation close to a regional scale (growth?) fault system down-dip from the anomalous surface occurrences.*

During the Quarter available drill core from historical drilling (Alcoa drill-hole) outside the area of interest was inspected and selectively sampled to characterise stratigraphy associated with the anomalous zinc interval (18m @ 0.25%Zn) and help determine the likelihood of stronger mineralisation down-dip. Results are awaited.

Compilation of available data is ongoing identifying structural complexities in the area of interest and the possibility of a localised sub-basin reflecting a priority target area for sediment hosted zinc similar to that found in the Mt Isa - McArthur River area. Initial field reconnaissance is planned for the next Quarter.

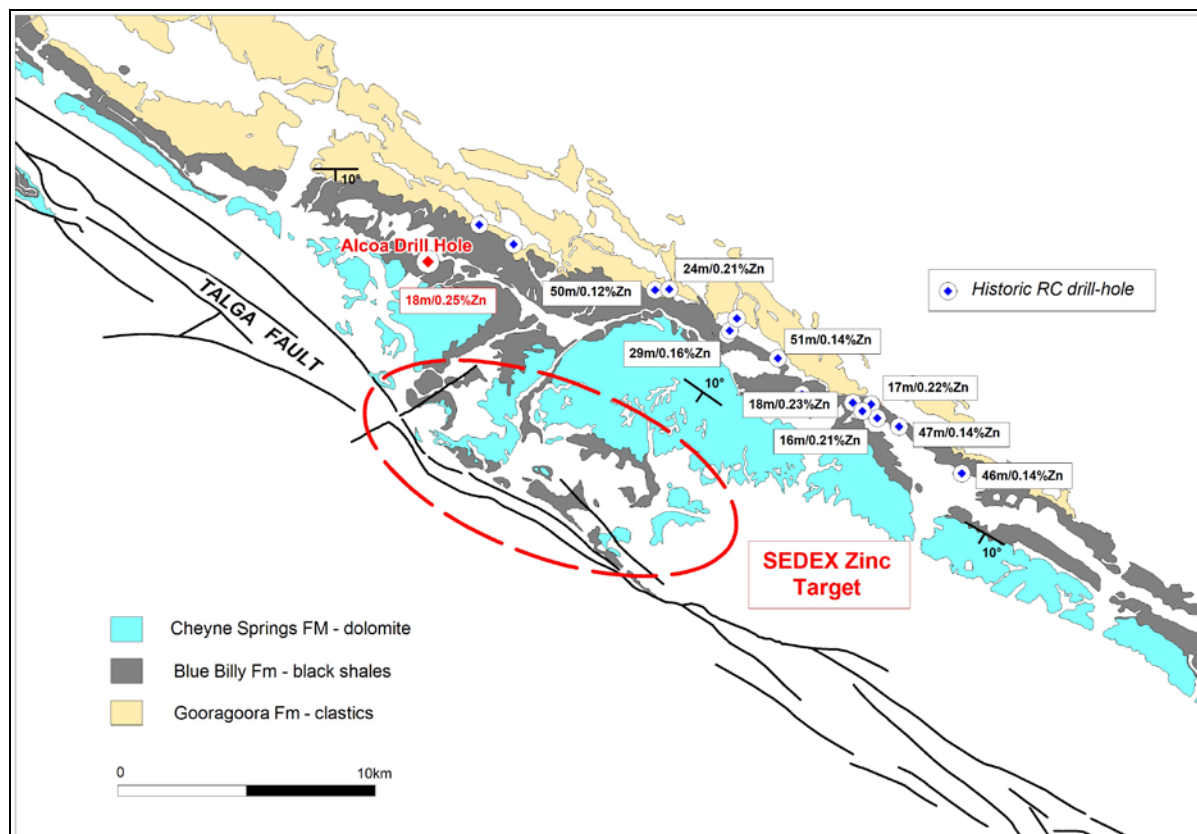


Figure 8: Blue Billy Zinc Project WA showing target area

## **Glenayle Ni-Cu Project (100%AQD)**

*The Glenayle Ni-Cu Project is located ~350km northeast of Wiluna along the northern margin of the Yilgarn Craton in Western Australia. Tenements cover the basal section of large mafic sill complex where available magnetic and geochemical data suggest there may be ultramafic rocks under the extensive cover that could be prospective for nickel-copper sulphide deposits.*

An initial reconnaissance field visit made to the area failed to locate outcrops of ultramafic rocks although most targets were found to be under extensive sand cover. Several samples of the mafic sills were collected for assay and detailed modelling of the magnetic targets has been commissioned.

Future work on the project will depend on assessment of these results.

## **GOLD – WEST AFRICA**

### **Comoe Project (AQD 35%, Ressources Burkinor SARL 65% earning to 80%)**

*The Comoe Project is located near the town of Banfora in south-west Burkina Faso, West Africa, within an extensive greenstone belt. AusQuest controls approximately 1,150km<sup>2</sup> of title within the Belt, which is now under a Farm-In and Joint Venture Agreement with Ressources Burkinor SARL, a wholly-owned subsidiary of TSX-listed SEMAFO Inc. Burkinor has now earned a 65% interest in the titles and has elected to earn a further 15% by spending a further US\$3.5 million before April 21<sup>st</sup> 2017. Burkinor is the operator of the JV.*

During the Quarter, Burkinor advised that it was in the process of renewing the joint venture titles for a further 3-year period from their anniversary dates in October 2016. Field programmes under the joint venture have been suspended until the end of the year by which time the tenement renewals are expected to be granted.

Burkinor must spend a further US\$0.75 million (i.e. total US\$7.5 million) to

complete their stage 2 earn-in and secure an 80% equity in the project.

## **BUSINESS DEVELOPMENT**

AusQuest continues to assess opportunities both within Australia and offshore to determine if they would add value to the Company, especially in areas of immediate interest.

## **CORPORATE**

A submission for an R&D tax refund for work completed at Gibson Soak and Balladonia was successful with \$203,000 refunded for the 2014-15 FY.

The Company successfully applied for Exploration Tax Credits from the Federal Government which resulted in \$76,879 (0.0154 cents per share) being distributed to eligible shareholders on the 28<sup>th</sup> June 2016.

The Company's cash position as at the end of March 2016 is approximately \$0.8 million.

## **KEY ACTIVITIES – SEPTEMBER 2016 QUARTER**

The following activities are planned for the September 2016 Quarter:

- Jimberlana (Ni-Cu) – Access clearance for the EM survey to identify drill targets;
- Gibson Soak (Ni-Cu) – Access for ground EM surveys to test Ni targets;
- Blue Billy (Zn) – Access and initial field reconnaissance and sampling;
- Peru (Cu-Au) – Diamond drilling (JV funded) at the Puite Prospect;
- Peru (Cu-Au) – Diamond drilling (JV funded) at the Cardonal Prospect;
- Peru (Cu-Au) – Diamond drilling (JV funded) at the Ventana Prospect;
- Peru (Cu-Au) – Diamond drilling (JV funded) at the Colorada Prospect;
- Peru (Cu-Au) – Map and sample El Jaguay, Sugar and Azucar West prospects;
- Peru (Cu-Au) – Continue JV discussions over Chololo and Cerro de Fierro; and

- Comoe (Au) – Monitor results from Burkinor JV program.



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.*



# JORC Code, 2012 Edition – Table 1 report, Diamond Drilling at Puite in Peru

## Section 1 Sampling Techniques and Data

(Criteria in this section apply to all succeeding sections.)

Criteria	JORC Code explanation	Commentary
Sampling techniques	<ul style="list-style-type: none"> <li><i>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.</i></li> <li><i>Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.</i></li> <li><i>Aspects of the determination of mineralisation that are Material to the Public Report.</i></li> <li><i>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.</i></li> </ul>	<ul style="list-style-type: none"> <li>The entire cored hole is sampled. Composite samples are collected over 3 metre intervals.</li> <li>Core is cut in half with half sent for analysis and half retained for geological and quality control purposes</li> <li>Sample intervals are measured by tape from depth intervals shown on core blocks labeled by the drillers, as per standard industry practice.</li> </ul>
Drilling techniques	<ul style="list-style-type: none"> <li><i>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).</i></li> </ul>	<ul style="list-style-type: none"> <li>Diamond Drilling to produce continuous core.</li> <li>HQ and NQ drill rods used to produce 63.5mm and 47.6mm diameter core respectively. The hole starts with HQ core and changes to NQ at the appropriate depth depending on drilling conditions.</li> <li>Down-hole surveys are read at ~ 50m intervals.</li> </ul>
Drill sample recovery	<ul style="list-style-type: none"> <li><i>Method of recording and assessing core and chip sample recoveries and results assessed.</i></li> <li><i>Measures taken to maximise sample recovery and ensure representative nature of the samples.</i></li> <li><i>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.</i></li> </ul>	<ul style="list-style-type: none"> <li>Core recovery is determined by comparing core lengths measured against drilled intervals shown on core blocks and recorded on the logs.</li> <li>Experienced diamond drillers are engaged to ensure maximum core recovery.</li> <li>Sample recovery is high negating any sample bias due to recovery.</li> </ul>
Logging	<ul style="list-style-type: none"> <li><i>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.</i></li> <li><i>Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc)</i></li> </ul>	<ul style="list-style-type: none"> <li>Drill core and sample chips are logged by experienced geologists to identify key rock types, alteration and mineralisation styles.</li> <li>Core logging is qualitative with visual estimates of</li> </ul>

Criteria	JORC Code explanation	Commentary
	<p><i>photography.</i></p> <ul style="list-style-type: none"> <li><i>The total length and percentage of the relevant intersections logged.</i></li> </ul>	<p>mineralisation made for later comparison with assay results.</p> <ul style="list-style-type: none"> <li>All core is logged and photographed.</li> </ul>
<b>Sub-sampling techniques and sample preparation</b>	<ul style="list-style-type: none"> <li><i>If core, whether cut or sawn and whether quarter, half or all core taken.</i></li> <li><i>If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry.</i></li> <li><i>For all sample types, the nature, quality and appropriateness of the sample preparation technique.</i></li> <li><i>Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.</i></li> <li><i>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.</i></li> <li><i>Whether sample sizes are appropriate to the grain size of the material being sampled.</i></li> </ul>	<ul style="list-style-type: none"> <li>Samples are collected by splitting the core in half along its length and sampling over 3 metre intervals. In sections where core cannot be cut, representative core chips are collected for assay.</li> <li>Duplicate samples are collected from the core every 40<sup>th</sup> sample for quality control. The duplicated sample is split from the same length as the original sample with 30% of the core used as the original and 30% used as the “duplicate”. 40% is retained in the core box.</li> <li>The sample sizes are appropriate for the geological materials being sampled.</li> </ul>
<b>Quality of assay data and laboratory tests</b>	<ul style="list-style-type: none"> <li><i>The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.</i></li> <li><i>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.</i></li> <li><i>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.</i></li> </ul>	<ul style="list-style-type: none"> <li>Assaying of the drill samples is by standard industry practice.</li> <li>The samples are sorted, dried, crushed then split to obtain a representative sub-sample which is then pulverized.</li> <li>A portion of the pulverized sample is digested 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.</li> <li>Inductively Coupled Plasma Atomic Emission Spectroscopy (ICP-AES) was used to measure Ag, Al, As, Ba, Be, Bi, Ca, Cd, Co, Cr, Cu, Fe, K, La, Li, Mg, Mn, Mo, Na, Ni, P, Pb, S, Sb, Sc, Sn, Sr, Ti V, W, Y, Zn, Zr.</li> <li>Assays are provided by SGS del Peru in Lima which is a certified laboratory for mineral analyses. Analytical data is transferred to the company via email.</li> <li>Data from the laboratory’s internal quality procedures (standards, repeats and blanks) are provided to check data quality.</li> <li>The Company inserts duplicate samples on a 1 in 40 basis, and blind standards within each batch on a 1 in 20 basis.</li> <li>Blanks are inserted as per standard industry practice</li> </ul>

Criteria	JORC Code explanation	Commentary
Verification of sampling and assaying	<ul style="list-style-type: none"> <li>The verification of significant intersections by either independent or alternative company personnel.</li> <li>The use of twinned holes.</li> <li>Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.</li> <li>Discuss any adjustment to assay data.</li> </ul>	<ul style="list-style-type: none"> <li>N/A for this report.</li> <li>No twinned holes were completed.</li> <li>All data are entered into Excel spreadsheets and stored in the company's database.</li> <li>No adjustments have been made to the assay data.</li> </ul>
Location of data points	<ul style="list-style-type: none"> <li>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.</li> <li>Specification of the grid system used.</li> <li>Quality and adequacy of topographic control.</li> </ul>	<ul style="list-style-type: none"> <li>Drill hole collars including elevation are located by hand held GPS to an accuracy of approximately 5m.</li> <li>Down hole surveys on angled holes are carried out every 50m down hole, and at the end of the hole.</li> <li>All surface location data are in WGS 84 datum, UTM zone 19S.</li> </ul>
Data spacing and distribution	<ul style="list-style-type: none"> <li>Data spacing for reporting of Exploration Results.</li> <li>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.</li> <li>Whether sample compositing has been applied.</li> </ul>	<ul style="list-style-type: none"> <li>Diamond drill-holes were positioned to test targets identified by various ground surveys. No systematic drilling of targets has been undertaken.</li> </ul>
Orientation of data in relation to geological structure	<ul style="list-style-type: none"> <li>Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.</li> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>Any bias due to the orientation of the drilling is unknown at this early stage of exploration.</li> </ul>
Sample security	<ul style="list-style-type: none"> <li>The measures taken to ensure sample security.</li> </ul>	<ul style="list-style-type: none"> <li>Samples security is managed by the operator of the JV. Procedures match with Industry best practice.</li> <li>Samples are collected into securely tied bags and placed into cable-tied plastic 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.</li> <li>Reputable freight companies are used to transport samples to the laboratory.</li> <li>Sample pulps (after assay) are held by the laboratory and returned to the company after 90 days.</li> </ul>
Audits or reviews	<ul style="list-style-type: none"> <li>The results of any audits or reviews of sampling techniques and data.</li> </ul>	<ul style="list-style-type: none"> <li>No reviews or audits of the sampling techniques or data have been carried out to date.</li> </ul>



## Section 2 Reporting of Exploration Results

(Criteria listed in the preceding section also apply to this section.)

Criteria	JORC Code explanation	Commentary
<b>Mineral tenement and land tenure status</b>	<ul style="list-style-type: none"> <li>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.</li> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>The Puite Prospect is centered at 8044500N and 279500E (PSAD56 Zone 19S), approximately 20 km east of Ilo, Peru.</li> <li>The Puite Prospect is subject to a joint venture agreement with Compania Minera Zahena SAC which includes Mineral concessions Pampa de Las Pulgas J, K ,O, P, W, V, AF.</li> <li>All tenements are held 100% by Questdor SAC a 100% owned subsidiary of AusQuest Limited.</li> <li>A drill permit (AIA) has been provided by INGEMMET for the drilling programme following environmental, and community approvals.</li> </ul>
<b>Exploration done by other parties</b>	<ul style="list-style-type: none"> <li>Acknowledgment and appraisal of exploration by other parties.</li> </ul>	<ul style="list-style-type: none"> <li>No historic exploration data is available.</li> </ul>
<b>Geology</b>	<ul style="list-style-type: none"> <li>Deposit type, geological setting and style of mineralisation.</li> </ul>	<ul style="list-style-type: none"> <li>The Puite project is targeting a porphyry copper-gold resource associated with diorite intrusions along the coastal belt of southern Peru.</li> </ul>
<b>Drill hole Information</b>	<ul style="list-style-type: none"> <li>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: <ul style="list-style-type: none"> <li>easting and northing of the drill hole collar</li> <li>elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar</li> <li>dip and azimuth of the hole</li> <li>down hole length and interception depth</li> <li>hole length.</li> </ul> </li> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>All relevant drill hole data and information are provided below.</li> </ul>
<b>Data aggregation methods</b>	<ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>N/A for this report.</li> </ul>

Criteria	JORC Code explanation	Commentary
	<ul style="list-style-type: none"> <li>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.</li> <li>The assumptions used for any reporting of metal equivalent values should be clearly stated.</li> </ul>	
<i>Relationship between mineralisation widths and intercept lengths</i>	<ul style="list-style-type: none"> <li>These relationships are particularly important in the reporting of Exploration Results.</li> <li>If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.</li> <li>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').</li> </ul>	<ul style="list-style-type: none"> <li>All intervals reported are down-hole lengths. True widths are unknown at this stage.</li> </ul>
<i>Diagrams</i>	<ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>All drill holes are shown on appropriate plans and included in the ASX release.</li> </ul>
<i>Balanced reporting</i>	<ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>N/A for this report.</li> </ul>
<i>Other substantive exploration data</i>	<ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>The relationship between current drilling and previously reported exploration data is shown in the report.</li> </ul>
<i>Further work</i>	<ul style="list-style-type: none"> <li>The nature and scale of planned further work (eg tests for lateral extensions or depth extensions or large-scale step-out drilling).</li> <li>Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.</li> </ul>	<ul style="list-style-type: none"> <li>Drilling is continuing to test a range of targets associated with the Puite Prospect as reported in previous ASX releases.</li> <li>Future drill hole locations are shown on the plans included within the ASX report</li> </ul>

Hole No.	Easting	Northing	Azimuth	Inclination	Depth
PUT 01	280747	8042827	0	90	500
PUT 02	280571	8043193	70	-60	670
PUT 03	280347	8043157	70	-60	719
PUT 05	279397	8042837	0	-60	588
PUT 06	279397	8043237	0	-60	610

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

AUSQUEST LIMITED

ABN

35 091 542 451

Quarter ended ("current quarter")

30 June 2016

### Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A '000	Year to date (12 months) \$A '000
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for		
	(a) exploration and evaluation	(279)	(1,425)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(146)	(651)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	2	18
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other:		
	- Option payment received under Extended Cardonal JV Agreement	-	265
	- Research and development refund	204	204
<b>Net Operating Cash Flows</b>		<b>(219)</b>	<b>(1,589)</b>
<b>Cash flows related to investing activities</b>			
1.8	Payment for purchases of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	(1)	(1)
1.9	Proceeds from sale of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	2	2
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other	-	-
<b>Net investing cash flows</b>		<b>1</b>	<b>1</b>
1.13	Total operating and investing cash flows (carried forward)	<b>(218)</b>	<b>(1,588)</b>



<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from unissued shares, options etc.	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (share issue costs)	-	-
<b>Net financing cash flows</b>		-	-
<b>Net increase (decrease) in cash held</b>		(218)	(1,588)
1.20	Cash at beginning of quarter/year to date	1,026	2,396
1.21	Exchange rate adjustments to item 1.20	3	3
1.22	<b>Cash at end of quarter / year to date</b>	<b>811</b>	<b>811</b>

**Payments to directors of the entity and associates of the directors**  
**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A '000
1.23	Aggregate amount of payments to the parties included in item 1.2	54
1.24	Aggregate amount of loans to the parties included in item 1.10	-
1.25	Explanation necessary for an understanding of the transactions  Executive directors' salaries, superannuation and rental of office space.  Non executive directors have agreed to waive any entitlement to be paid fees until advised otherwise.	

**Non-cash financing and investing activities**

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

None.

- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

None.

## Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A '000	Amount used \$A '000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

## Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	320
4.2 Development	-
4.3 Production	-
4.4 Administration	140
Total	<b>460</b>

## Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A '000	Previous quarter \$A '000
5.1 Cash on hand and at bank	811	1,026
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (Money market/Term Deposit)	-	-
<b>Total: cash at end of quarter</b> (item 1.22)	<b>811</b>	<b>1,026</b>

## Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	E63/1732 E63/1733 Peru: Ceniceros Rojos I, J, K, L		100% 100% 100%	Nil Nil Nil
6.2 Interests in mining tenements acquired or increased	E69/3415		Nil	100%

## Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	<b>Preference +securities</b> (description)				
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	<b>+Ordinary securities</b>	499,397,392	499,397,392		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5	<b>+Convertible debt securities</b> (description)				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	<b>Options</b> (description and conversion factor)	68,750,000 78,946,976 28,000,000	68,750,000 78,946,976 -	Exercise price 4.0 cents 3.5 cents 5.0 cents	Expiry date 30 Nov 2016 30 Apr 2018 30 Nov 2020
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	<b>Debentures</b> (totals only)				
7.12	<b>Unsecured notes</b> (totals only)				



## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here:  
Print name:

Henko Vos (Company Secretary)

Date: 27 July 2016

### Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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