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ASX Release

AUSQUEST LIMITED
ABN 35 091 542 451

LARGE COPPER-GOLD TARGET IDENTIFIED AT CERRO DE FIERRO, SOUTHERN PERU

Strong IP anomalies suggest potential for Manto-style IOCG target at least 1km long and 500m wide

AusQuest Limited (ASX: AQD) is pleased to advise that it has identified a significant iron-oxide copper-gold (IOCG) target at the **Cerro de Fierro Project**, located ~40km from the coastal town of Chala in southern Peru, based on results from a recent successful geophysical survey.

Induced Polarisation (IP) Surveys conducted over the project have located strong chargeability anomalies coincident with a magnetic anomaly that was being tested as a potential IOCG target. Earlier geological mapping and sampling completed by the Company in 2016 had located extensive copper mineralisation proximal to the magnetic target, with numerous copper values in excess of 1,000ppm Cu and many samples returning values in excess of 1% Cu (*Figure 1*).

Computer modelling of the IP and magnetic data has confirmed that the target is at least 1,000m long and 500m wide with relatively flat dips suggesting the potential for significant amounts of sulphide and magnetite mineralisation within permeable layers (volcaniclastics) in the volcanic sequence, a similar setting to the Candelaria copper deposit in Chile.

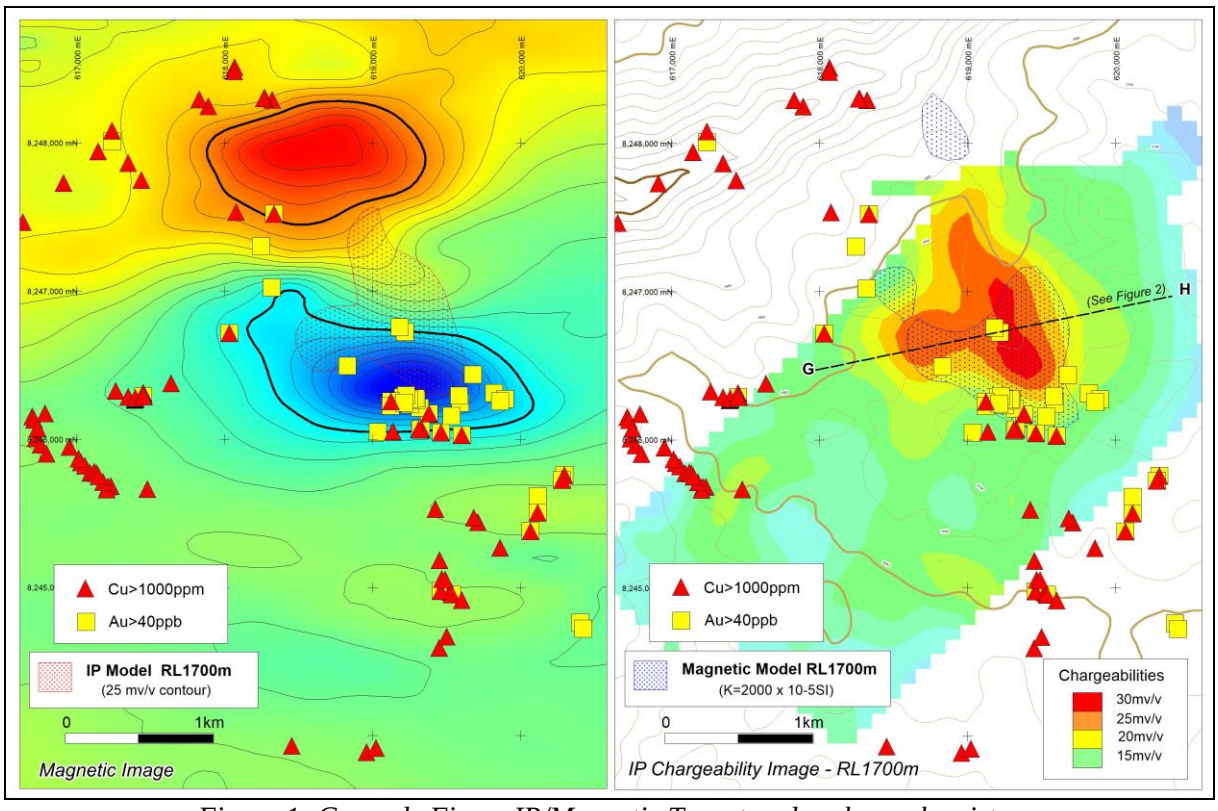

Figure 1: Cerro de Fierro IP/Magnetic Target and rock geochemistry

The Cerro de Fierro Project is one of three projects in Peru that were selected by the Company's alliance partner, South32 (ASX: S32), as 'exploration opportunities' under the Strategic Alliance Agreement (SAA). South32 can elect to progress the Project to joint venture status once a drilling program has been agreed. Under the joint venture, South32 would spend US$4.0 million to earn a 70% interest in the project.

The Cerro de Fierro prospect was originally identified from the Company's aeromagnetic data as a potential IOCG target, extending over an area several square kilometres in size. The prospect is located at the southern end of a recognised IOCG metallogenic belt within 150km of the Mina Justa (~475Mt @ 0.68% Cu) and Pampa de Pongo (945Mt @ 44.7% Fe, 0.12% Cu, 0.09 gt Au) deposits.

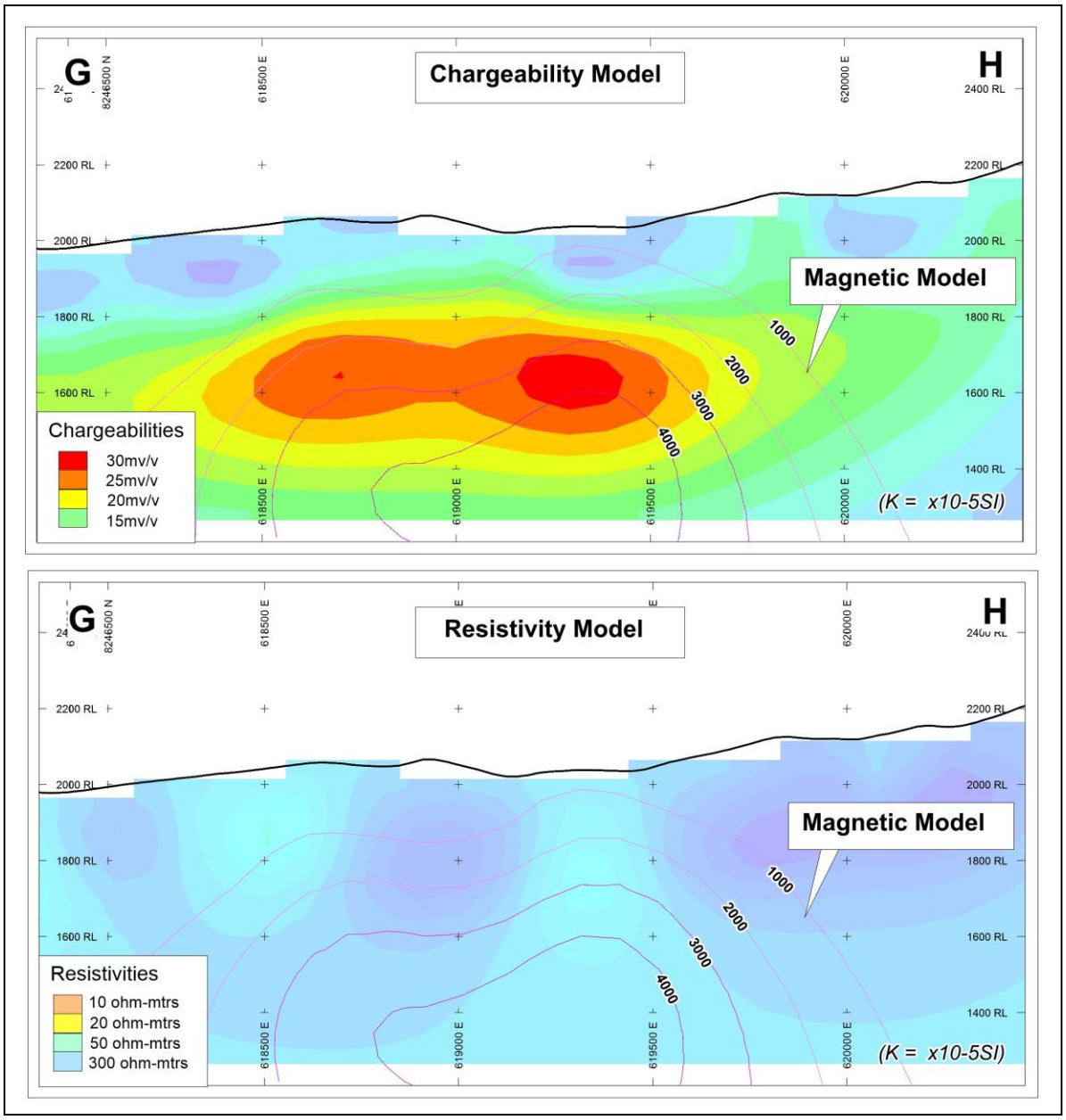

Figure 2: Section G-H showing relationship between IP and Magnetic Models

Geochemical data over the prospect identified a range of metal associations and metal patterns, suggesting that the buried magnetic target could be central to a large-scale redistribution of metals (Cu, Ag) within the volcanic sequence, reflecting the potential for IOCG (manto)-style mineralisation at depth.

The pole-dipole IP survey (200m dipoles, n=1 to 6, line spacing 400m) completed by Valdor SudAmerica, was designed to identify potential drill targets associated with the magnetic and geochemical anomalies.

Strong IP responses (chargeability >20mv/v) were detected on several lines coincident with the magnetic target, indicating the potential for buried mineralisation at depths ranging from ~150m to 300m and extending over a strike length of at least 1,000m. The relatively flat-lying nature of the IP target is compatible with the flat dips inferred for the volcanic (andesitic) sequence, suggesting that mineralisation may occur in layers (volcaniclastics) within the volcanic sequence (*Figure 2*).

The IP anomalies are thought to reflect a combination of iron sulphide and iron oxide mineralisation with potential for copper oxide and/or sulphide mineralisation throughout the target section, which may be up to several hundred metres thick. The NNW trend of the target parallels mapped structures in the area, implying a possible relationship between structure, sulphides and the magnetic target.

AusQuest Managing Director Graeme Drew said the identification of a large-scale IP-magnetic target at the Cerro de Fierro IOCG Prospect was another highly significant development for the Company.

"This is the second strong drill target to be identified in Peru under our Strategic Alliance with South32," he said.

"We are confident that we will be able to present the Cerro de Fierro Project to South32 as a drill-ready target under our Strategic Alliance Agreement," he said. "In the meantime, survey work is continuing at the Alliance's other prospects both in Peru and Australia and we remain confident that further drilling opportunities will be forthcoming in the not too distant future."

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, Cerro de Fierro Induced Polarisation Survey

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.*	• Pole -dipole induced polarisation surveys used a Walcer 10KW transmitter, GDD Elrec Pro receiver, and a 0.125Hz duty cycle. Mode of measurement – Cole-Cole.
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).*	• Not applicable
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.* • *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.*	• Not applicable
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.*	• Not applicable
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*	• Not applicable

Criteria	JORC Code explanation	Commentary
	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.*	
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.*	• Not applicable.
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.*	• Not applicable
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.*	• All transmitter and receiver stations for the IP are located by hand held GPS to an accuracy of ~5m. • Sample locations are recorded using GPS to ~5m accuracy.
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.*	• Dipole size a= 200m with dipole separations of n=1 to 6 • IP traverse spacing was 400m with 200m infill lines where required. This was considered sufficient for the scale of target being tested.
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.*	• Survey lines were oriented orthogonal to the main structures taking local topography into account to optimize efficiency.

Criteria	JORC Code explanation	Commentary
Sample security	• *The measures taken to ensure sample security.*	• Results were transmitted electronically from the contractor to the Company.
Audits or reviews	• *The results of any audits or reviews of sampling techniques and data.*	• Data quality was reviewed on an ongoing basis.

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 Cerro de Fierro project is located approximately 40 km east of the town of Chala in the south of Peru. • The Cerro de Fierro project comprises 3 granted mineral concessions. • The tenements are held by Questdor which is a 100% subsidiary of AusQuest Limited and are included under the Strategic Alliance with South32. • There are no major heritage issues to prevent access to the tenements during surface exploration activities. Permits to drill are required including environmental, water and land access involving community consultations.
Exploration done by other parties	• *Acknowledgment and appraisal of exploration by other parties.*	• No reported exploration has been completed over the prospect being tested. There is no public reporting of exploration results in Peru.
Geology	• *Deposit type, geological setting and style of mineralisation.*	• Exploration is targetting an IOCG deposit which is a large scale disseminated copper (and gold) deposit often found within orogenic belts that surround the Pacific Rim. These deposits are vertically extensive and areally large requiring significant drilling to evaluate.

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.*
		• Not applicable

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.*	• Not applicable
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').*	• Not applicable
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.*	• Relevant IP plans are 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.*	• All relevant results are reported.
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 the IP results and previously reported exploration data is discussed in the report.

Criteria	JORC Code explanation	Commentary
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 a full assessment of the IP results and evaluation by the Strategic Alliance partners.