

May 29, 2018
ASX Release

NEW COPPER-GOLD PROJECT IN PERU ACCEPTED BY SOUTH32 AS EXPLORATION PIPELINE GROWS

AusQuest Limited (ASX: AQD) is pleased to advise that, following a meeting with its Strategic Alliance partner South32 (ASX: S32), the **Parcoy Iron Oxide Copper-Gold (IOCG) Project** will become its fourth exploration project in Peru to secure both technical and financial support from South32 under the Strategic Alliance Agreement (SAA).

Under the terms of the SAA, South32 has exclusive rights to the Company's projects by funding selected projects up to the drilling stage and can elect to spend a further US\$4.0 million on each project to earn a 70% interest, with the right to earn an additional 10% interest by completing a Pre-Feasibility Study.

The Parcoy Project is located in southern Peru, ~25km north of the coastal town of Chala and immediately to the north-west of the Los Chapitos prospect, where Camino Resources recently reported a new copper discovery (selected intersections – 168m @ 0.72% Cu, 96.5m @ 0.93% Cu). The project also lies ~80km south-east of the Mina Justa IOCG deposit (*Figure 1*).

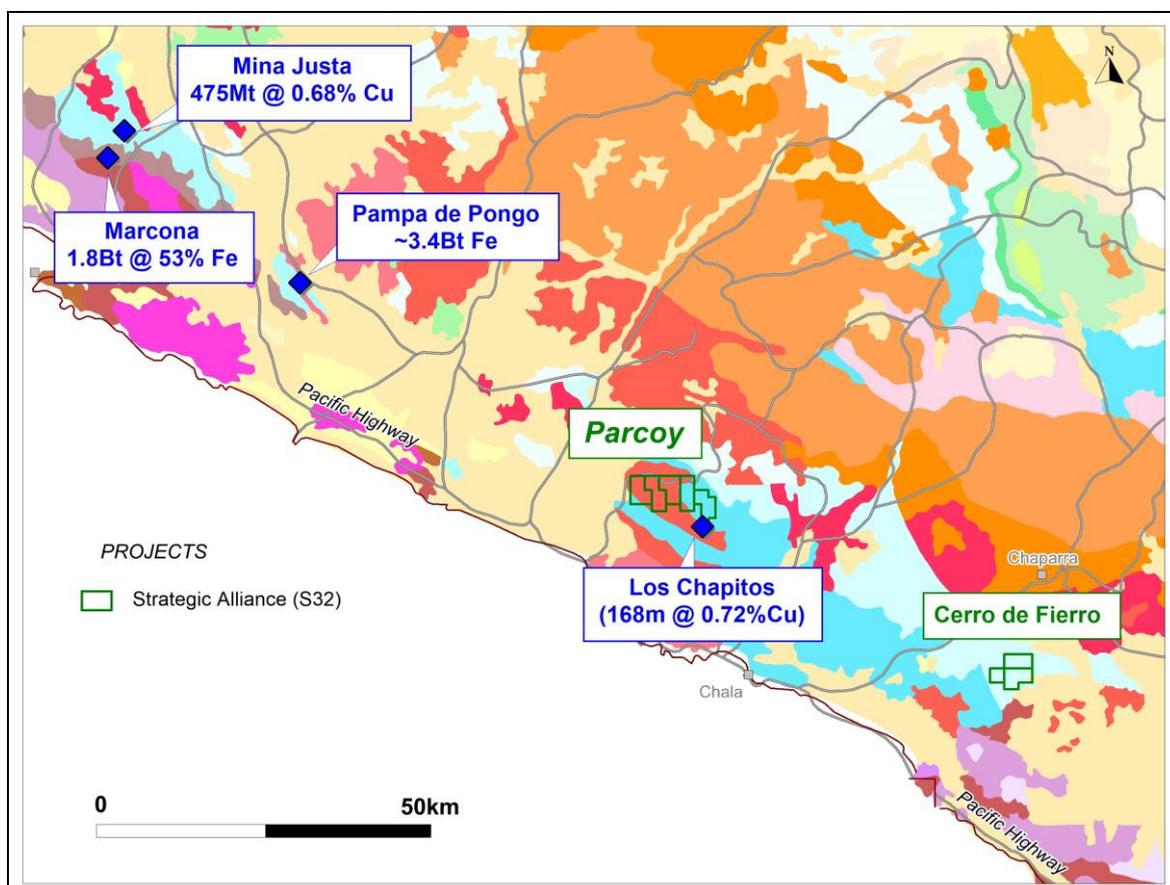


Figure 1: Parcoy Location Plan.

Interpretation of the Company’s proprietary airborne data in the Los Chapitos area indicated widespread potassium anomalism to the north and west of Los Chapitos, along a potentially mineralised structure. This is similar to the potassic alteration identified at the Company’s Cerro de Fierro Project, which will be drill tested later this year.

Mapping and sampling at Parcoy (as reported in the Company’s March 2018 Quarterly Report) confirmed the prospectivity of the area, with many rock samples reporting anomalous Cu (ranging from 150ppm up to 3.2% Cu) and gold values (ranging from 50ppb to 1.6ppmAu) associated with alteration and veining within both the intrusive rocks and volcanics located along the WNW trending structures (lineaments), suggesting the possibility for manto-style IOCG mineralisation (*Figure 2*).

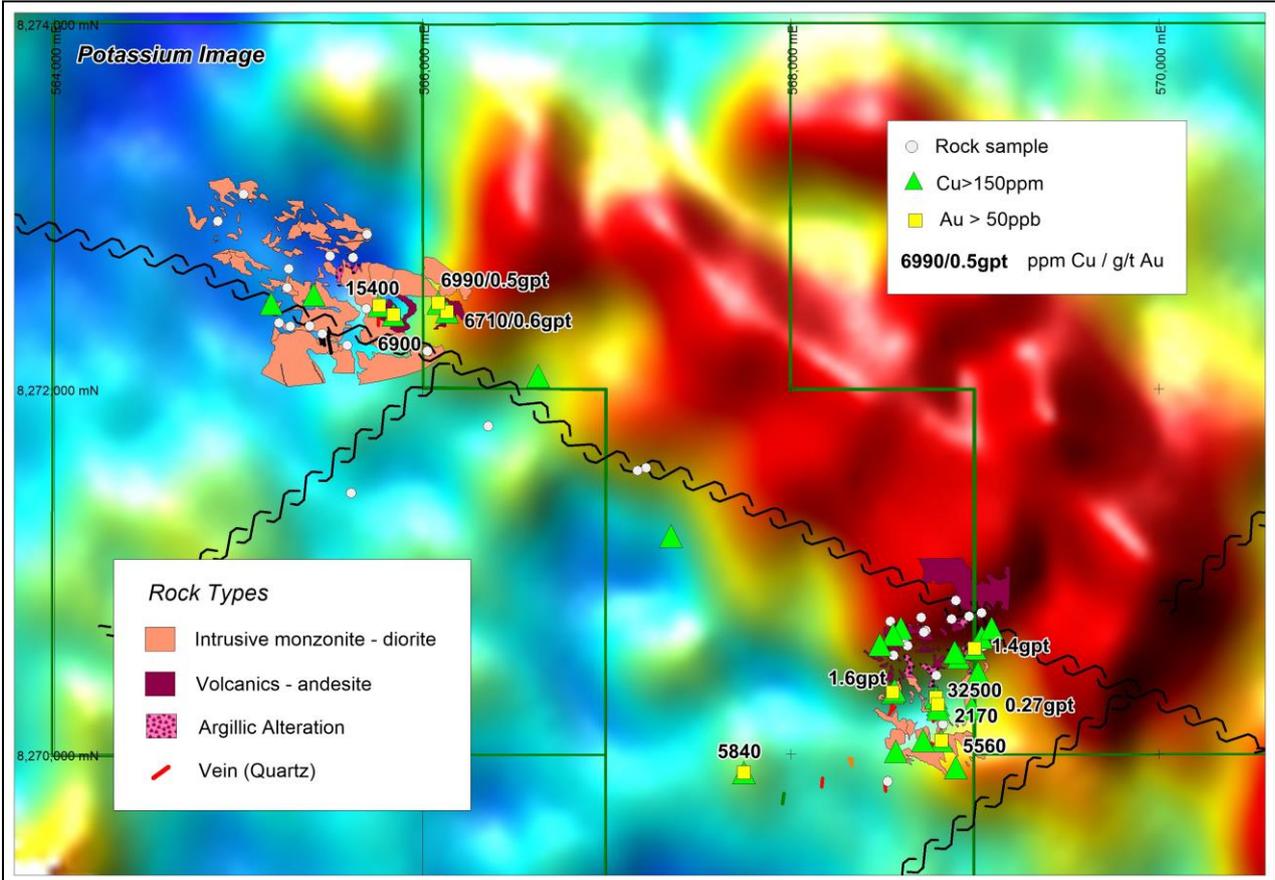


Figure 2: Parcoy Project showing sampling results and the airborne potassium image.

Induced polarisation (IP) surveys have been planned to identify potential targets for drilling.

AusQuest Managing Director Graeme Drew said the inclusion of the Parcoy Project under the SAA added further depth and momentum to the Company’s ongoing exploration program in Peru.

“This builds on the strong pipeline of high-potential projects we have already established under the SAA,” he said.

“The next six months will be an exciting time as we begin drill testing five of our key projects – with significant drilling commencing at the Chololo and Cerro de Fierro copper projects in Peru, as well as the Blue Billy zinc, Balladonia and Jimberlana nickel prospects in Western Australia.”



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.