August 23rd, 2016
ASX Release

AUSQUEST LIMITED
ABN 35 091 542 451

DRILLING UNDERWAY AT ALL FOUR COPPER-GOLD PROSPECTS IN THE SOUTH OF PERU

AusQuest Limited (ASX: AQD) is pleased to advise that initial drilling has now commenced at all four prospects in the Ilo area of southern Peru under the Cardonal-Ventana and Puite-Colorada Joint Ventures with Compania Minera Zahena SAC ("Zahena").

Three drill rigs are currently operating in the area with two now working at the Ventana prospect and one at the Colorada prospect. A total of ~8,000m out of a possible 20,000m have been completed to date with 13 holes (out of a possible 38) drilled within the four prospect areas (Puite – 6; Colorada – 3; Cardonal – 2; and Ventana – 2).

Drill-hole separations vary from ~400m to 800m, highlighting the reconnaissance nature of this program (see Figure 1).

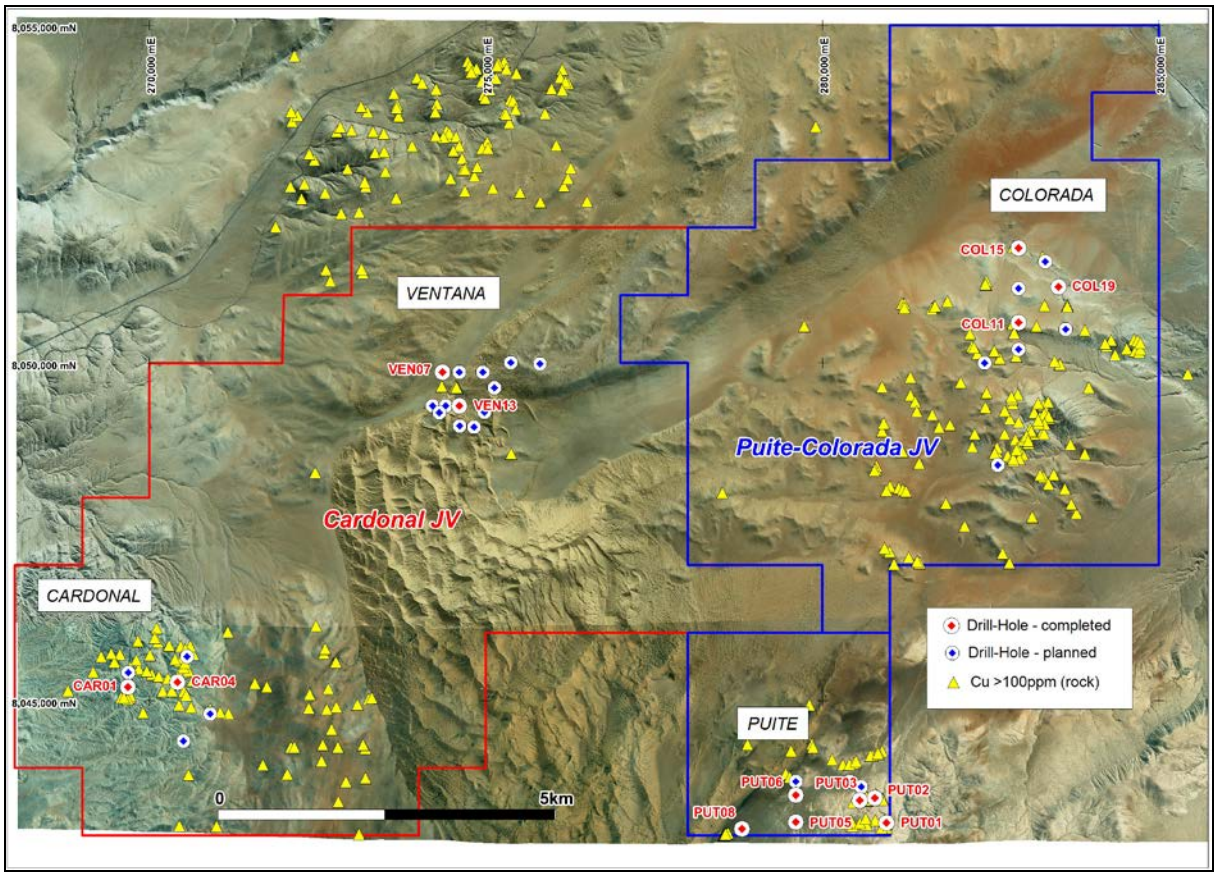


Figure 1: Prospect and drill-hole locations in the Ilo area

Preliminary drill logs for 11 of the 13 holes completed and assay results for 7 of the holes completed have been received to date, suggesting that a porphyry deposit(s) could occur within the general joint venture area.

This conclusion is supported by the varying styles and intensity of alteration intersected by the initial drilling, including more distal sub-propylitic alteration and the more proximal propylitic and potassic (weak) phases in some drill-holes.

Copper oxides and copper sulphides have so far been found at two of the prospects (Ventana and Puite) in trace amounts, with maximum grades up to 0.16% Cu where sulphides have been reported, and anomalous values up to ~500ppm Cu where copper oxides are visible along fractures.

At the **Puite Prospect**, preliminary geological reports from the six drill-holes (PUT01, 02, 03, 05, 06 and 08) 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 located nearby.

Visual copper minerals were reported in trace amounts within veinlets and on fracture surfaces within the altered diorite. Assays from the first five holes (PUT01, 02, 03, 05 and 06) indicate the presence of elevated levels of copper in holes PUT02 and 05 with average values of up to 0.12% Cu over thicknesses of ~15m associated with propylitic alteration within the dioritic host rock.

Drill-holes PUT05 and 06, which were sited to test a magnetic target associated with anomalous copper in soils, intersected disseminated and vein magnetite which appears to be part of an alteration assemblage, and trace amounts of pyrite and chalcopyrite within altered diorite in drill-hole PUT05.

Drill-hole PUT08 located ~800m to the west of hole PUT05 intersected similar alteration to that found in hole 05, suggesting that the alteration could extend over a strike length of at least 1000m. Assay results for PUT08 are still pending. A more complete assessment of the Puite prospect will be possible once all drill results are available.

Drilling at the remaining three prospects is still at an early stage, with two holes completed at **Cardonal** (CAR01 and 04) and **Ventana** (VEN07 and 13) and three holes completed at **Colorada** (COL11, 15 and 19). Porphyry-style alteration has been intersected at each prospect with trace amounts of copper oxide and sulphide evident within drill-hole VEN07 at Ventana. A full complement of drill logs and assay results are awaited and drilling is continuing.

The Company is pleased that drilling has now commenced at all four copper-gold prospects in the Ilo area and is progressing at a steady pace. The Company looks forward to providing updates on the drilling programme as further information becomes available and a more complete assessment is possible.

Graeme Drew
Managing Director

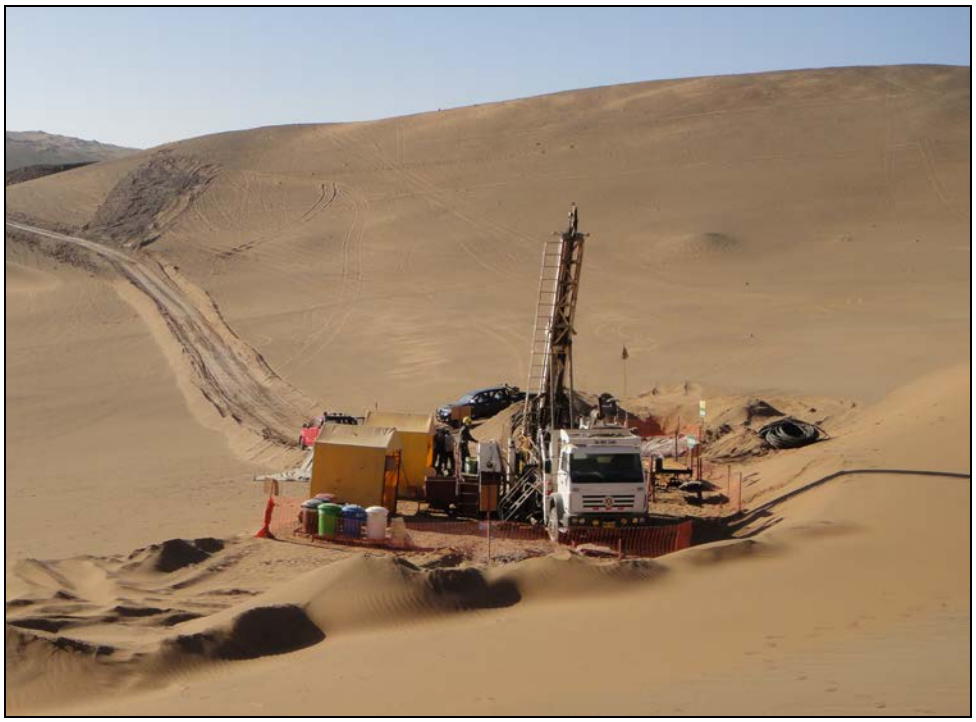
COMPETENT PERSON'S STATEMENT

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.



Drilling at Ventana –Drill-hole VEN 13

Drilling at Colorada –Drill-hole COL 11

JORC Code, 2012 Edition – Table 1 report, Diamond Drilling in southern Peru

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.*	• The entire cored hole is sampled. Composite samples are collected over 3 metre intervals. • Core is cut in half using a hydraulic press with half sent for analysis and half retained for geological and quality control purposes • Sample intervals are 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 to produce continuous core. • 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. • Down-hole surveys are 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.* • *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 is determined by comparing core lengths measured against drilled intervals shown on core blocks and recorded on the logs. • Experienced diamond drillers are engaged to ensure maximum core recovery. • Sample recovery is 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)*	• Drill core and sample chips are logged by experienced geologists to identify key rock types, alteration and mineralisation styles. • Core logging is qualitative with visual estimates of

Criteria	JORC Code explanation	Commentary
	photography. • *The total length and percentage of the relevant intersections logged.*	mineralisation made for later comparison with assay results. • All core is 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 are collected by splitting the core in half along its length and sampling over 3 metre intervals. In sections where core cannot be split, representative core chips are collected for assay. • Duplicate samples are collected from the core every 40th 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. • 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, dried, crushed then split to obtain a representative sub-sample which is then pulverized. • 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. • 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. • 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. • Data from the laboratory's internal quality procedures (standards, repeats and blanks) are provided to check data quality. • The Company inserts duplicate samples on a 1 in 40 basis, and blind standards within each batch on a 1 in 20 basis. • Blanks are inserted as per standard industry practice

Criteria	JORC Code explanation	Commentary
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. • No twinned holes were completed. • All data are entered into Excel spreadsheets and stored in the company's database. • No adjustments have been made to the assay data.
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 on angled holes are carried out every 50m down hole, and at the end of the hole. • All surface location data are in WGS 84 datum, UTM zone 19S.
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.*	• Diamond drill-holes were positioned to test targets identified by various ground surveys. No systematic drilling of targets has been undertaken.
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 security is managed by the operator of the JV. Procedures match with Industry best practice. • 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. • 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 Ilo Prospects (Puite, Colorad, Cardonal, and Ventana) are centered at 8044500N and 279500E (PSAD56 Zone 19S), approximately 20 km east of Ilo, Peru. • The Prospects are subject to joint venture agreements with Compania Minera Zahena SAC which includes Mineral concessions Pampa de Las Pulgas J, K ,O, P, S, W, V, AB, AC, AD, AF. • All tenements are held 100% by Questdor SAC a 100% owned subsidiary of AusQuest Limited. • Drill permits (AIA) have been provided by INGEMMET for the drilling programme following environmental, and community approvals.
Exploration done by other parties	• *Acknowledgment and appraisal of exploration by other parties.*	• No historic exploration data is available.
Geology	• *Deposit type, geological setting and style of mineralisation.*	• The Ilo Prospects are targeting a porphyry copper-gold resource associated with diorite intrusions along the coastal belt of southern Peru.
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:* o *easting and northing of the drill hole collar* o *elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar* o *dip and azimuth of the hole* o *down hole length and interception depth* o *hole length.* • *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.*	• All relevant drill hole data and information are provided below. All surface location data are in WGS 84 datum, UTM zone 19S
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.*	• N/A for this report.

Criteria	JORC Code explanation	Commentary
	• *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.*	
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').*	• All intervals reported are down-hole lengths. True widths are unknown at this stage.
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.*	• All 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.*	• N/A for this report.
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 drilling and previously reported exploration data is shown 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.*	• Drilling is continuing to test a range of targets associated with the various prospects in the Ilo area as reported in previous ASX releases. • Future drill hole locations are shown on the plans included within the ASX report

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
PUT 08	278597	8042737	270	-60	682
COL 11	282697	8050239	180	-60	686
COL 15	282706	8051335	0	-60	597
COL 19	283300	8050760	0	-90	470

CAR 01	269476	8044834	330	-70	500
CAR 04	270213	8044910	15	-70	500
VEN 07	274150	8049500	180	-60	616
VEN 13	274400	8049000	0	-60	645