

July 14th, 2016
ASX Release

DRILLING SET TO COMMENCE AT TWO MORE COPPER-GOLD PROSPECTS IN PERU

Drill rigs now on site at the Cardonal prospect in the south of Peru following approval of the Drilling Permit for the Cardonal Joint Venture

Further to its announcement of 4th July, AusQuest Limited (ASX: AQD) is pleased to advise that drilling is set to commence at the **Cardonal** and **Ventana** prospects in the south of Peru following completion of permitting. Two of the drill rigs operating in the region have been deployed to the Cardonal area as a matter of priority.

Under the Cardonal Joint Venture Agreement with Compania Minera Zahena SAC (“Zahena”), target drilling at Cardonal and Ventana is scheduled to be completed by October 2016. The Company has been advised that one drill rig will continue operating at the Puite prospect, where drilling is scheduled to be completed by the end of December.

The table below summarises drilling required until the end of 2016 for Zahena to complete their first requirement under the Joint Venture Agreements. This should result in significant ongoing news-flow for AusQuest between now and the end of the year:

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

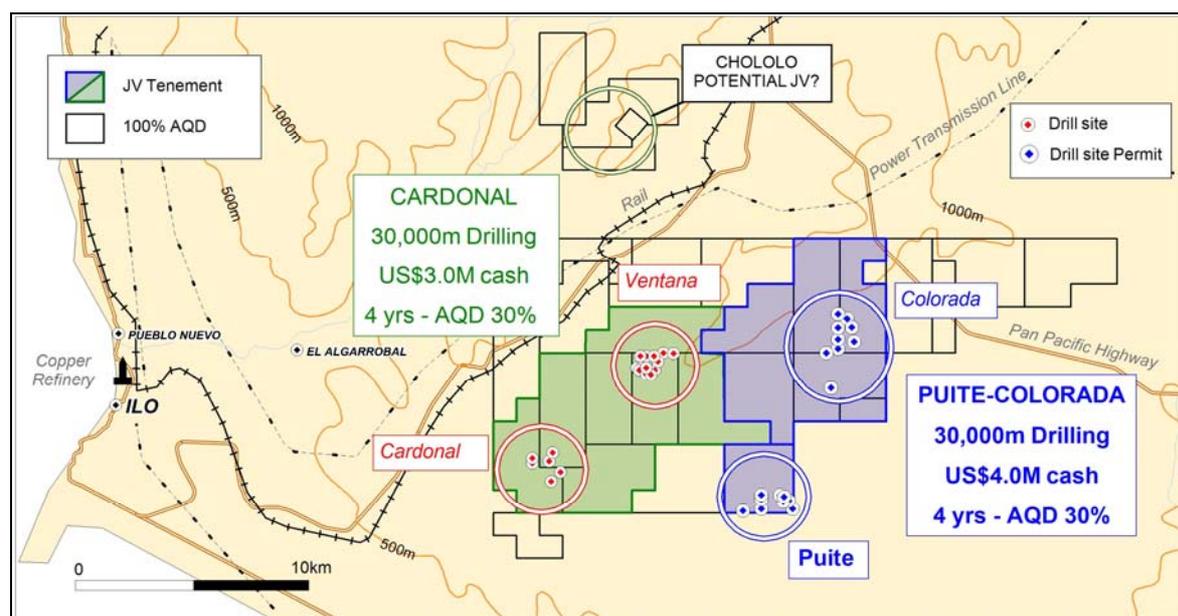


Figure 1: Prospect locations in the Ilo area in the south of Peru

Further to the drilling update provided on 4th July, AusQuest has received preliminary geological reports from the Puite prospect for the first three drill-holes, confirming the presence of porphyry-style alteration (weak sub-propylitic to strong propylitic) and the presence of some copper oxide and sulphide minerals associated with veinlets and fractures within the diorite host rocks. Assays are expected within the next two to three weeks.

Drilling has been temporarily suspended at the Colorada prospect due to the drill rig moving to Cardonal, which is considered to be a higher priority target. Drilling will resume at Colorada once drilling at the Puite prospect has been completed. Only one of the 10 planned holes at Colorada has been completed so far with assays awaited.

The Cardonal and Ventana prospects are located along the Chaspaya Fault, approximately 10km west of the Puite and Colorada prospects. They have been defined by a combination of geological mapping, surface sampling and geophysical surveys.

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) with associated propylitic alteration. The presence of an extensive IP chargeability anomaly (>6km²), 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 are planned to test this prospect (*Figure 2*).

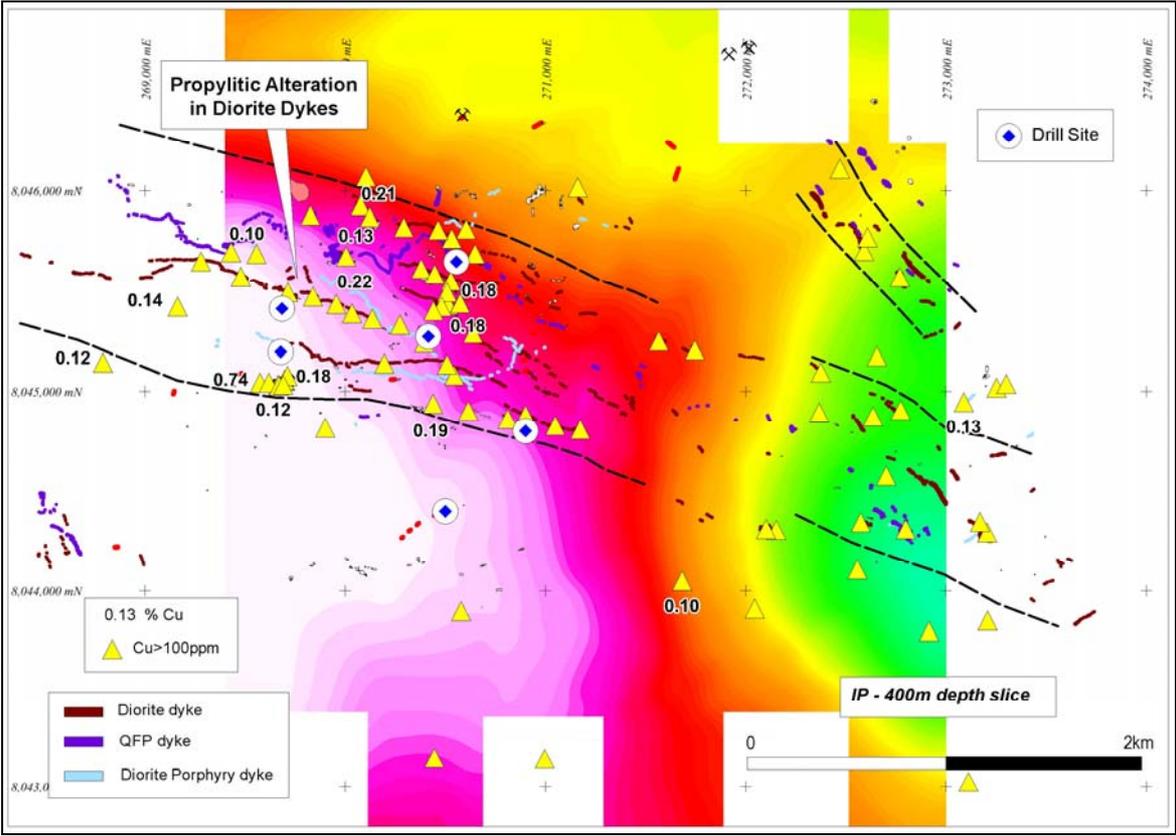


Figure 2: Cardonal Prospect showing planned drill-holes

The **Ventana** Prospect contains strong indications of porphyry copper mineralisation that is exposed in road cuttings recently 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 (*Figure 3*).

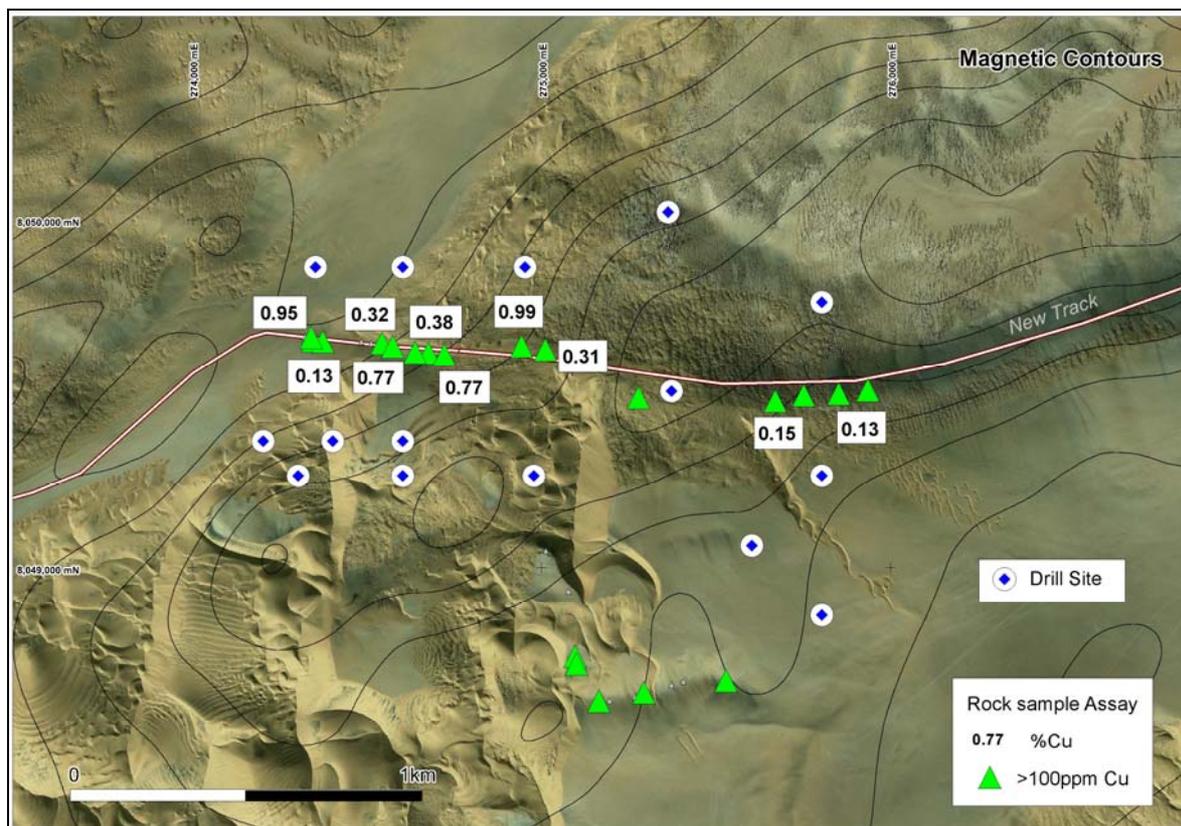


Figure 3: Ventana Prospect showing planned drill-holes

The Company is pleased that all drilling permits have now been approved and target drilling can proceed at all four of the Company's porphyry copper-gold prospects in the south of Peru.

The Board of AusQuest is excited about the opportunities ahead, with up to 20,000m of diamond drilling scheduled for completion across four of the Company's priority copper-gold prospects in Peru over the remainder of 2016.

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.