July 4th, 2016
ASX Release

DRILLING UPDATE – PERU COPPER-GOLD PROJECTS

Major diamond drilling program continuing with three rigs now operating across two prospects at the Puite-Colorada Joint Venture in the south of Peru

Further to its announcement of 16 May regarding the start of drilling at the Puite porphyry copper-gold prospect in the south of Peru under the Puite-Colorada Joint Venture Agreement with Compania Minera Zahena SAC ("Zahena"), AusQuest Limited (ASX: AQD) is pleased to advise that a third diamond drilling rig has now arrived on site with drilling continuing at both the Puite prospect (2 rigs) and the Colorada prospect (1 rig).

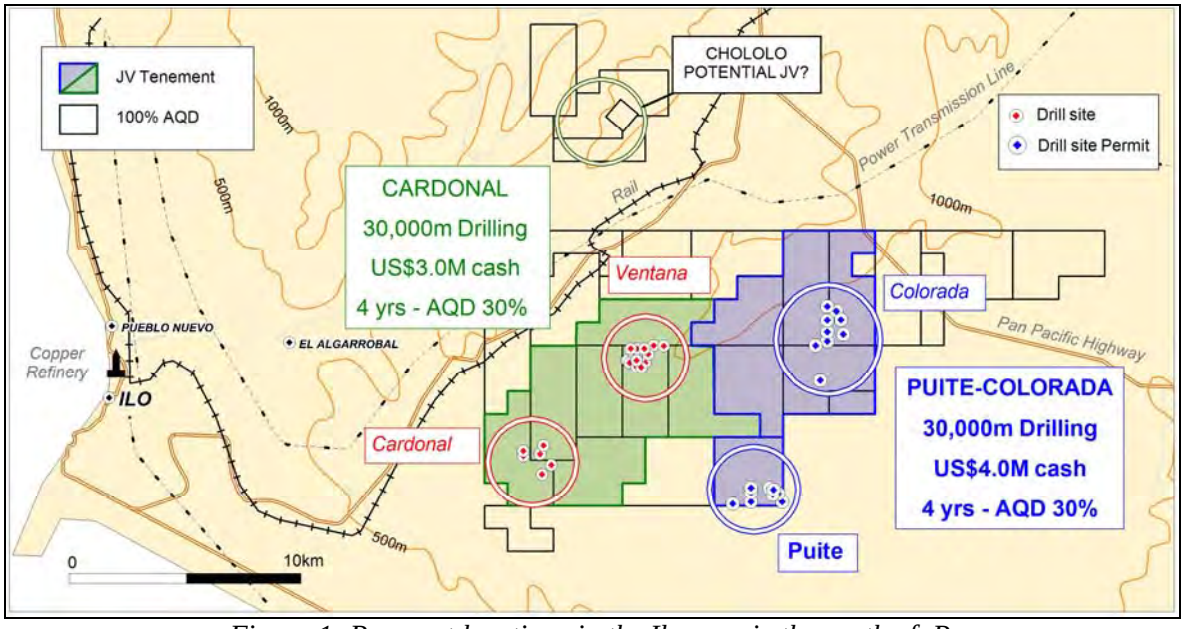

Figure 1: Prospect locations in the Ilo area in the south of Peru

Drilling at the **Puite Prospect** has been slower than anticipated with three holes (~1900m) completed to date and a further six holes still to be drilled. Preliminary reports from the first drill-holes confirm the presence of porphyry-style alteration (weak sub-propylitic to strong propylitic) within diorite host rocks. This suggests the potential for a porphyry copper system nearby, which is an encouraging result so early in the programme.

Visual copper oxide and sulphide minerals have been reported within veinlets, but at this stage only in trace amounts. Drilling is continuing (see *Figure 2*).

The **Colorada Prospect**, located approximately 10km NNE of Puite, represents the second porphyry copper-gold target to be tested under the Puite-Colorada Joint Venture. Drilling is designed to test a range of targets as a first step to evaluating the potential of this prospect.

These include areas with anomalous Cu (+/-Mo) values in both rock and soil samples that are associated with altered dioritic dykes, IP chargeability anomalies located beneath epithermal veins containing anomalous Cu (+/-Au), and complex structural settings (*Figure 3*).

Under the Puite-Colorada Joint Venture Agreement, a total of 10,000m of diamond drilling – or expenditure of not less than US$1.5 million – must be completed before the end of 2016.

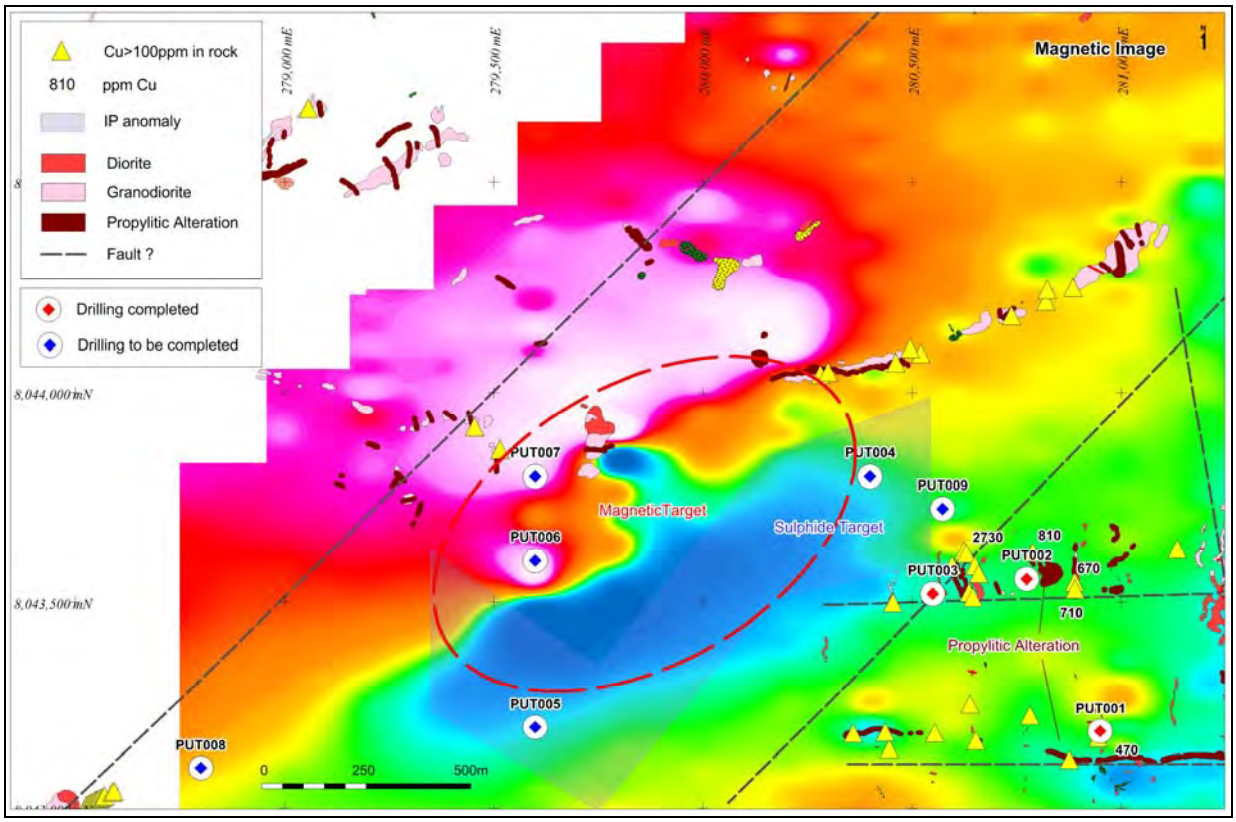

Figure 2: Puite porphyry copper-gold prospect showing drill-holes

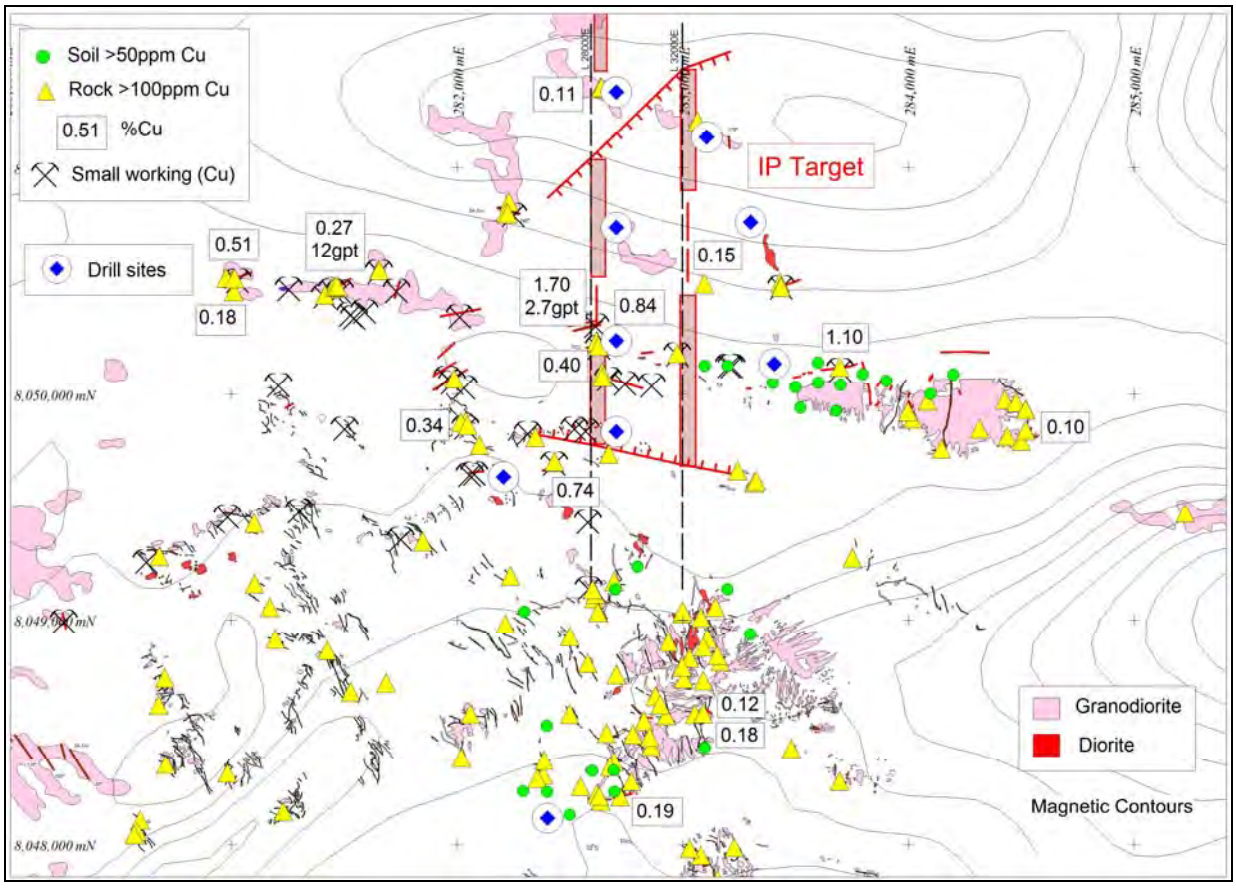

Figure 3: Colorada porphyry copper-gold prospect showing drill-holes

The commencement of drilling operations under the Cardonal Joint Venture Agreement with Zahena is still pending receipt of the final drill permits for the Ventana and Cardonal prospects. The Company has been advised that these permits are now very close to being issued.

The table below summarises planned drilling (20,000m) in Peru between now and the end of 2016:

Joint Venture	**Prospect**	**Drilling**	**Drill Permit**	**Drilling Completed by**
Puite-Colorada	Puite -	10,000m	Granted	December – 2016
	Colorada		Granted	December – 2016
Cardonal	Ventana	10,000m	Pending	October – 2016
	Cardonal		Pending	October – 2016

The Company is very pleased that target drilling is progressing at a steady pace with early-stage results supporting AusQuest's view that the area is highly prospective for porphyry style copper – gold mineralisation.

AusQuest's Managing Director, Graeme Drew, said the initial results from drilling at Puite were very encouraging given that this was the first-ever drilling to be completed in the area.

"We are excited about the opportunities ahead, with up to 20,000m of diamond drilling scheduled to be completed across four of our key copper-gold prospects in the Ilo area during the remainder of the year," he said. "That should make for a very busy second half, with regular news-flow and updates as drilling progresses."

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	• *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 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 cut, 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.*	• N/A for this report – Sample analysis has not been undertaken. • Certified Laboratory Standards are inserted with low-medium-high grade resolution. The Company inserts its own "blind" standards within each batch of samples on a 1 in 20 basis. • Blanks are inserted as per standard industry practice
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 – Assay results are pending.
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.

Criteria	JORC Code explanation	Commentary
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 Puite Prospect is centered at 8044500N and 279500E (PSAD56 Zone 19S), approximately 20 km east of Ilo, Peru. • 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,

Criteria	JORC Code explanation	Commentary
		V, AF. • All tenements are held 100% by Questdor SAC a 100% owned subsidiary of AusQuest Limited. • A drill permit (AIA) has 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 Puite project is 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.
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.*	• N/A for this report – Assay results are pending.
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').*	• N/A for this report. Assays are pending
Diagrams	• *Appropriate maps and sections (with scales) and tabulations of intercepts should be*	• All drill holes are shown on appropriate plans and

Criteria	JORC Code explanation	Commentary
	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.	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. Assays are pending
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 Puite Prospect 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