

May 16, 2016
ASX Release

DIAMOND DRILLING OF MAJOR PORPHYRY TARGETS COMMENCES AT PUITE IN SOUTHERN PERU

Drilling of first large-scale porphyry copper-gold target has commenced in the Ilo area

Further to its announcement of 20 April, AusQuest Limited (ASX: AQD) is pleased to advise that diamond drilling has now commenced at the **Puite** porphyry copper-gold prospect in southern Peru under the Puite-Colorada Joint Venture Agreement with Compania Minera Zahena SAC (“Zahena”).

Drilling at Puite represents the first of four large porphyry copper-gold prospects in the Ilo area which are scheduled for drill testing before the end of 2016.

A total of 20,000m of diamond drilling, or expenditure of not less than US\$3.0 million, will need to be completed before the end of 2016 to fulfil the requirements under the Joint Venture Agreements with Zahena for the Puite-Colorada and Cardonal Projects (see table below).

| 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 | Pending | October – 2016 |
| | Cardonal | | Pending | October – 2016 |

In order to earn a 70% interest in each joint venture project, Zahena must complete further drilling (20,000m at each project) and make staged cash payments to AusQuest (Puite-Colorada – US\$3.925 million, Cardonal – US\$2.875 million) over the following 3-year period (for details of the agreements see the Company’s ASX Announcement dated February 24th 2015).

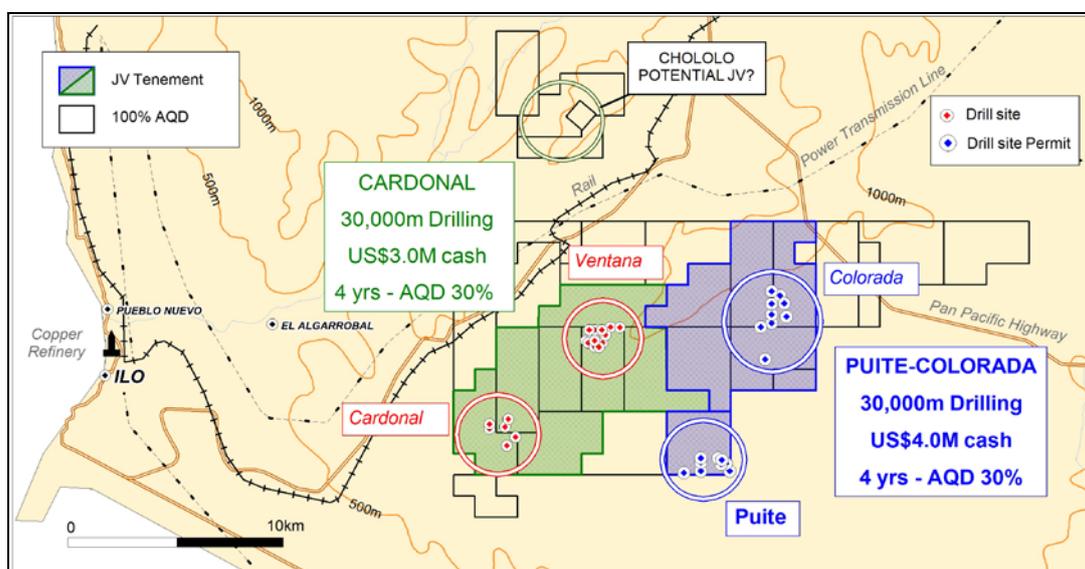


Figure 1: Prospect locations in the Ilo area

Puite Prospect

Puite is located approximately 30km due east from the coastal town of Ilo in the south of Peru and approximately 10km from the coast (*Figure 1*).

Geological mapping and sampling programs have located anomalous copper values (100ppm Cu to 0.27% Cu) within altered diorite dykes and granodiorite scattered over a large area (~3km²) dominated by sand cover.

IP and ground magnetic surveys outlined anomalies closely associated with the copper anomalism. A discrete magnetic target was defined semi-coincident with the copper soil anomaly and IP results suggested low levels of sulphide mineralisation marginal to the magnetic source.

Drilling by the Puite-Colorada Joint Venture will test a range of targets as a first step to evaluating the potential of this prospect (*Figure 3*).

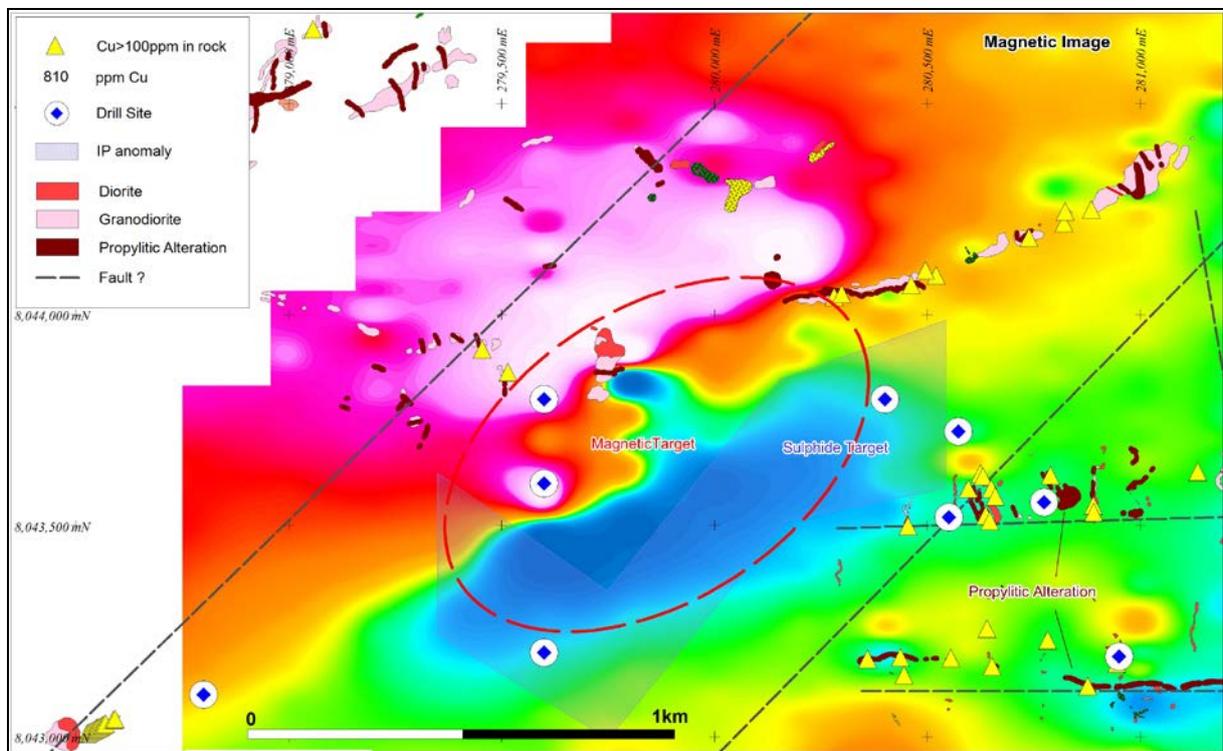


Figure 2: Puite porphyry copper-gold prospect showing magnetic and IP targets

The Company is very pleased that drilling in the Ilo area has finally commenced and is excited about the opportunities ahead, with up to 20,000m of diamond drilling scheduled to be completed across four of its copper-gold prospects in the Ilo area during the remainder of the year.

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.