



## Quarterly Report – 30<sup>th</sup> June 2018

### HIGHLIGHTS

#### Peru – Copper-Gold

- ❑ Diamond drilling (10 holes/5,000m) commenced at the Chololo Joint Venture porphyry copper project in southern Peru (South32).
- ❑ Drill permits received for ~3,000m of diamond drilling at the Cerro de Fierro IOCG project (South32), with drilling expected to commence in September.
- ❑ The Parcoy IOCG Project was accepted as a new exploration opportunity under the Strategic Alliance with South32. An IP survey was planned.
- ❑ New tenement applications were submitted to secure possible manto-style copper prospects identified by the Company's airborne data north of Parcoy.

#### Australia – Nickel, Copper, Zinc

- ❑ Access clearance surveys for RC drilling (~2,900m) at the Blue Billy Joint Venture Project were undertaken in early July with drilling planned to commence during the next Quarter.
- ❑ Access clearance surveys for diamond drilling (~1,900m) at the Jimberlana and Balladonia Nickel Projects are scheduled for mid-July with drilling scheduled to start in September.
- ❑ Discrete bedrock conductors identified by VTEM surveys over the Yallum Hill and Caramulla nickel-copper projects. Ground surveys planned to confirm drill targets.
- ❑ Tenements granted over the Hamilton Project in north-west Queensland and clearances obtained for IP surveys designed to identify targets for drilling.

#### Corporate

- ❑ At the end of June 2018, the Company's cash position was approximately A\$4.5M following receipt of funds from South32 for committed work programmes over Strategic Alliance Projects.

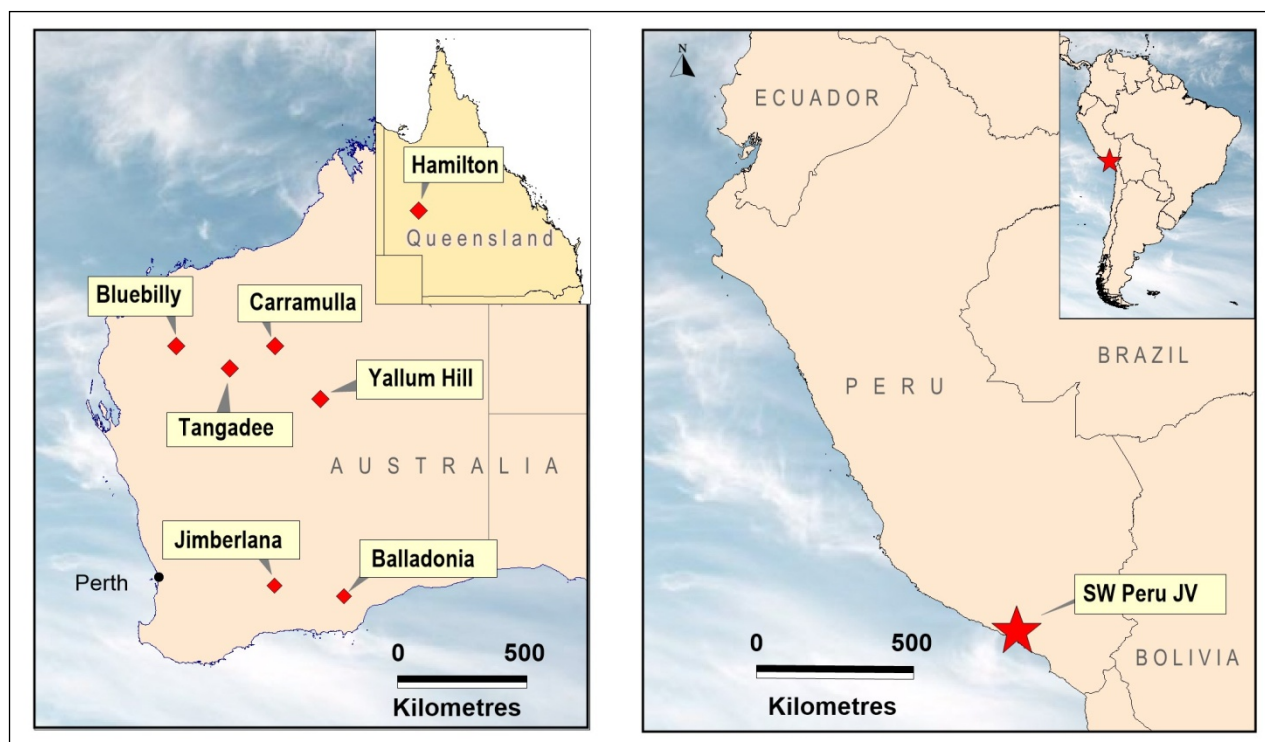


Figure 1: Project Locations – Australia and Peru

## OVERVIEW

During the Quarter, work concentrated on obtaining the necessary clearances and permits for drilling and ground geophysical surveys to commence at a number of prospects both in Peru and Australia under the Company's Strategic Alliance Agreement (SAA) with diversified global miner South32 (ASX, LSE, JSE: S32; ADR: SOUHY).

In **Peru**, diamond drilling commenced late in the Quarter at the Chololo Porphyry Copper Project following receipt of final drilling approval in April. Drill permits for the Cerro de Fierro IOCG diamond drilling programme were received with drilling scheduled for September. A new exploration opportunity (Parcoy) was accepted under the SAA and surveys planned to identify new drill targets for consideration. Elsewhere work continued to advance new projects for consideration under the Strategic Alliance.

In **Australia**, access and regulatory approvals were progressed over five of the Company's SAA projects in order for drilling and ground geophysical surveys to commence. It is now expected that these programmes will begin during the next Quarter. VTEM surveying over the Yallum Hill prospect identified targets for possible drilling.

## PERU COPPER-GOLD PROJECTS

*Over the past seven years, AusQuest has assembled a large portfolio of copper-gold prospects along the southern coastal belt of Peru in South America, with targets identified for drilling as possible porphyry copper targets and/or iron-oxide copper-gold (IOCG) targets with the size potential being of significance to AusQuest (Figure 2). Peru is one of the world's most prominent destinations for international copper exploration and is considered to be a prime location for world-class exploration opportunities.*

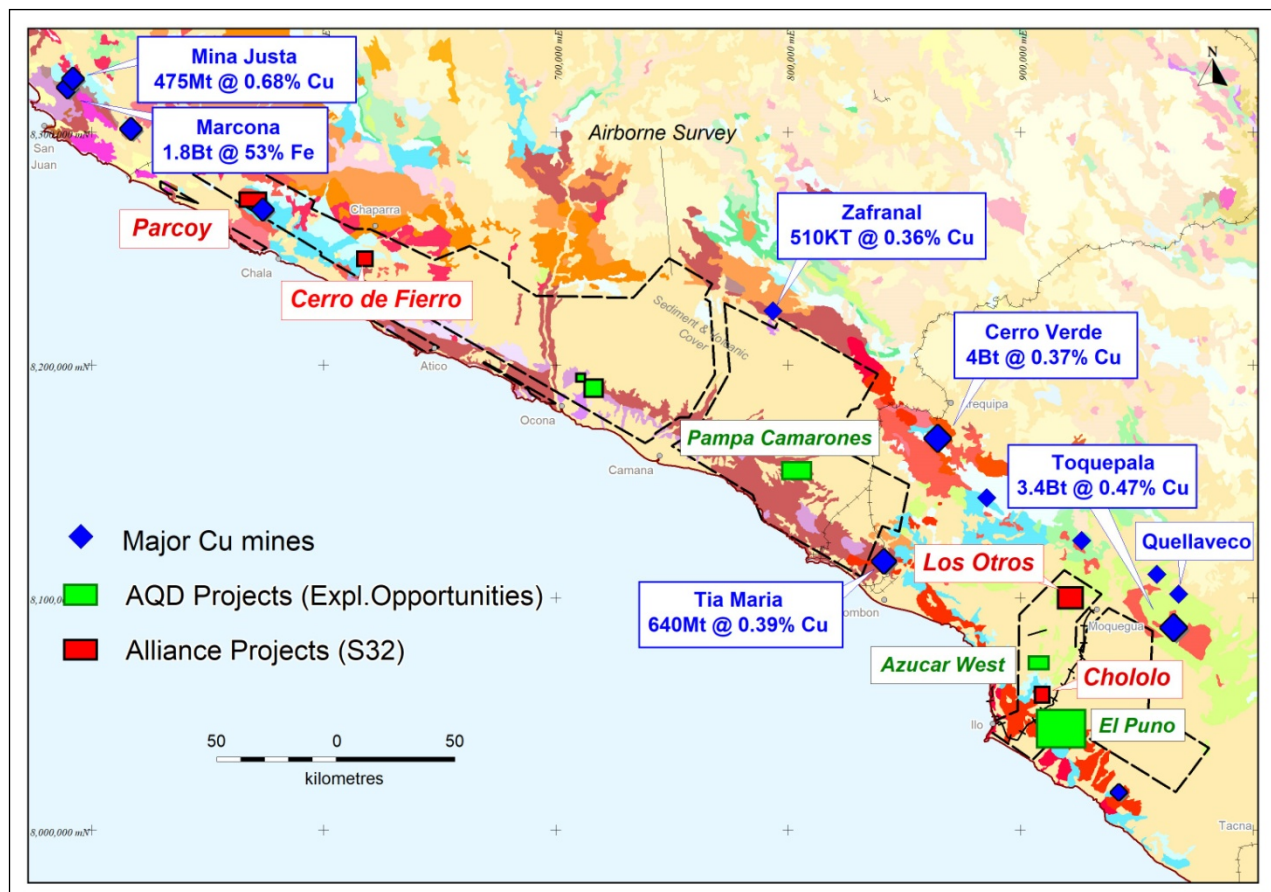


Figure 2: Project Locations Peru

### Strategic Alliance Projects (South32)

Drilling at the **Chololo Porphyry Copper Project** commenced late in the Quarter

following receipt of final approvals in April. The programme of up to 5,000m of diamond drilling is expected to continue for several months.



Chololo Project: Drill Site CDDH01



At the end of the Quarter, three of the ten widely spaced (~500m) drill-holes (CHODD01, 02, 03; ~1700m) had been completed across the northernmost section of the target zone (figure 4), intersecting thick sections (>200m) of disseminated pyrite within the overlying volcanoclastic sediments and within occasional dioritic rocks and veins intruding the sequence. Results to date suggest drilling may have located a possible pyritic halo associated with a nearby porphyry copper system. Drilling is continuing.

Geological logging of drill-holes is incomplete, and sampling of core commenced late in the Quarter. Half-core samples are being sent to the ALS laboratory in Lima for analysis with initial assay results expected in approximately four weeks.

The Chololo Project is subject to an agreement with South32, who can earn a 70% interest in the project by spending a total of US\$4.0 million. AusQuest, through its Peruvian subsidiary, is the operator for the initial drilling programme.

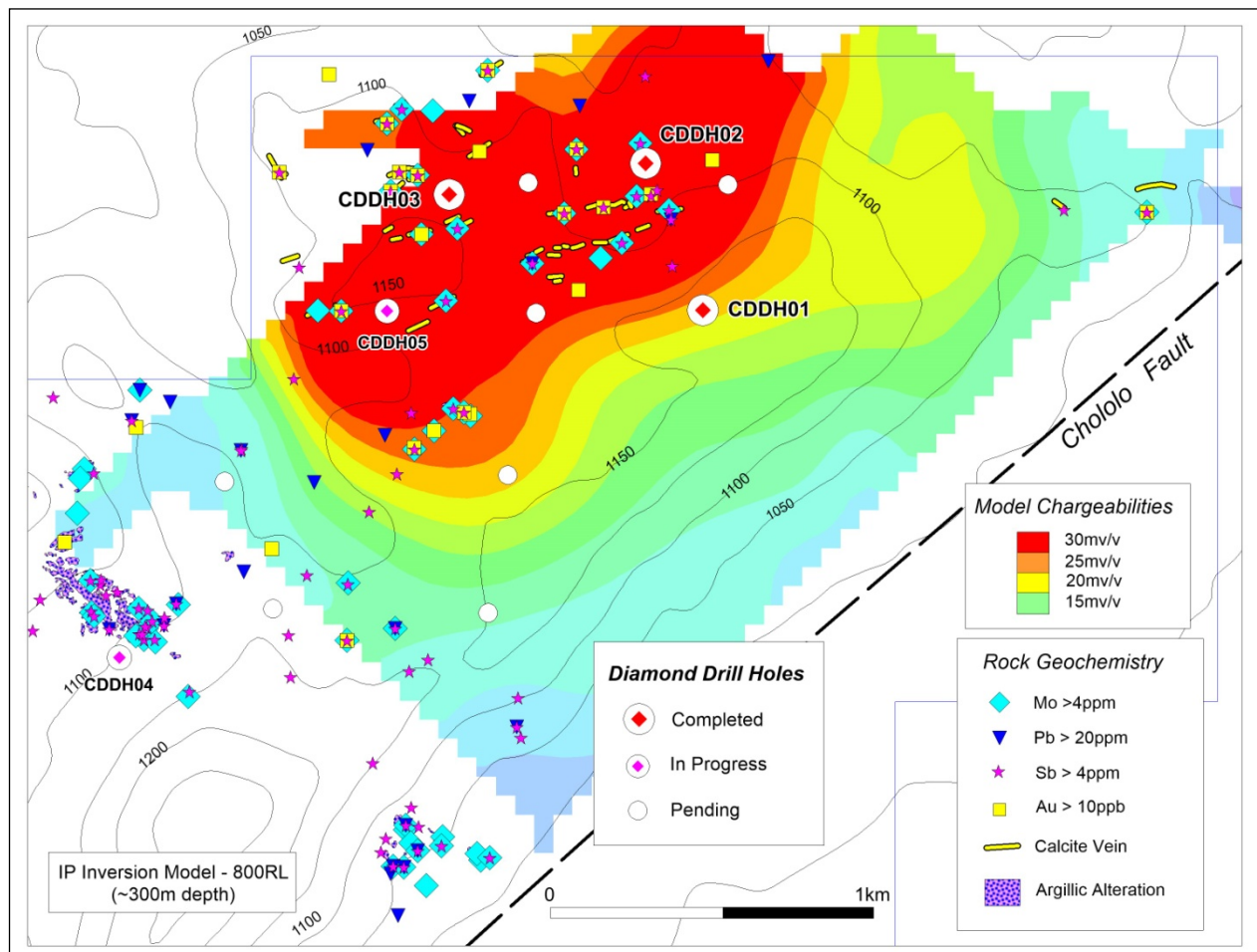


Figure 3: Chololo Porphyry Copper Project showing drilling status

At the **Cerro de Fierro** project, drill permits from the Peruvian government agency, INGEMMET were received in July. Quotes for earth works (access) and drilling are being finalised following further site visits by the preferred contractors. Access preparations are planned to commence in August ahead of drilling in September - October.

Diamond drilling (up to 3,000m) at Cerro de Fierro is proposed to test an Iron-Oxide Copper-Gold (IOCG) target defined by strong IP chargeability responses, a discrete magnetic anomaly and highly anomalous copper values in the surrounding rocks reflecting possible manto-style copper (gold) mineralisation.

As with Chololo, this project is subject to an agreement with South32 whereby they can earn a 70% interest by spending a total of US\$4.0 million. AusQuest, through its Peruvian subsidiary, will again be the operator of this drill programme.

At the **Los Otros Project**, interpretation of the IP survey results outlined one target of possible interest at the southern end of the survey grid. Modelling suggests a weak to moderate chargeable source which could reflect disseminated sulphide mineralisation associated with a nearby circular feature reflecting a possible volcanic centre. Anomalous geochemistry in this area suggests potential for base metals. Elsewhere possible IP targets appear to be too deep

(>400m) to justify drilling. Further work at this prospect will be subject to discussions and consideration under the Strategic Alliance.

During the Quarter, the **Parcoy IOCG project** which is located immediately north of the Los Chapitos copper prospect and approximately 90km south of the Mina Justa deposit, was accepted by South32 as a new exploration opportunity. An Induced Polarisation (IP) survey to identify potential targets for drilling was proposed and a contract signed with initial survey work scheduled to commence in Q3. The IP survey is expected to take approximately six weeks to complete.

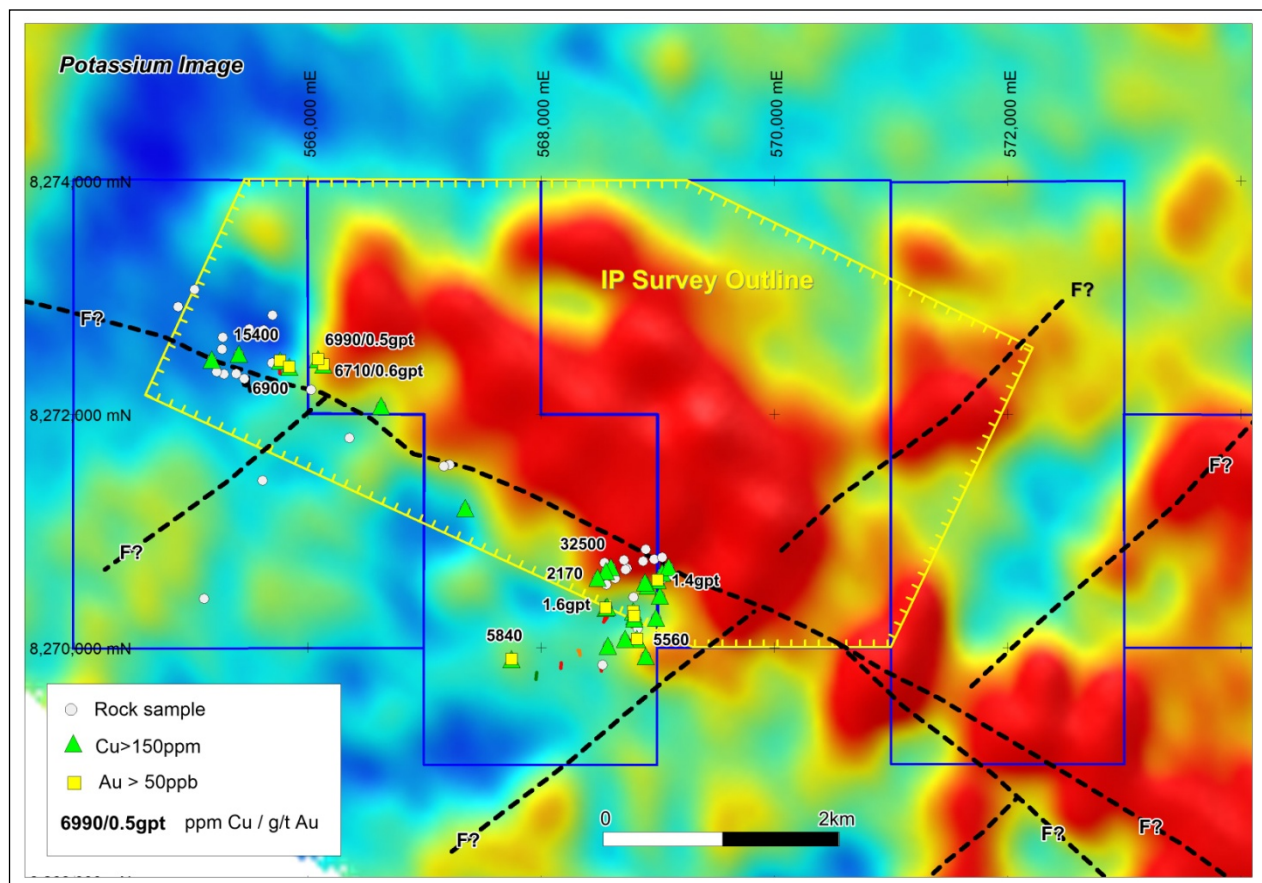


Figure 4: Parcoy IOCG Project – showing outline IP survey

### **New Opportunities Peru – Strategic Alliance (South32)**

During the Quarter, new tenement applications (15 MCs) were submitted north of the Parcoy project following a review of the Company's airborne survey data which highlighted strong magnetic responses in the

area, possibly reflecting further IOCG (manto-style) potential. Artisanal gold (copper) workings immediately east of the new tenement applications appear to be associated with strong magnetic responses.

Reconnaissance mapping and sampling over the Company's other projects was suspended



during the Quarter due to requirements for the commencement of drilling operations at Chololo. Plans to recommence regional exploration programmes to advance projects for consideration under the SAA will be initiated following site visits planned by South32 staff at the end of July.

## AUSTRALIA – BASE METAL PROJECTS (Nickel, Copper, Zinc)

### **Blue Billy Zinc Project (100% AQD – BBJVA; South32 earning to 70%)**

*The Blue Billy Zinc Project is located ~100km south-west of Paraburdoo within the Edmund Basin in Western Australia. The tenement covers the down-dip extent of anomalous zinc values (up to 0.5% Zn) found within a pyritic black mudstone similar to host rocks known to contain sedimentary zinc deposits in the Mt Isa-McArthur River District of north-west Queensland. A study of historical exploration data suggests the potential for SEDEX-style zinc mineralisation close to a regional-scale (growth?) fault system down-dip from the anomalous surface zinc occurrences. All*

*exploration work is being funded by South32 under the Blue Billy Joint Venture Agreement (BBJVA.)*

Native Title clearance surveys for the planned drilling programme were undertaken in early July. The programme of Reverse Circulation (RC) drilling (~2,900m) is designed to test structural targets in close proximity to drill-holes BBDDH03 and 04 which reported the strongest indicators for proximal zinc mineralisation from the initial drilling programme completed last year.

During the Quarter, a stream sediment sampling programme (147 samples) was completed outlining several anomalous areas with Zn values up to 366ppm, As up to 33ppm, and Tl up to 1.09ppm along the Talga Fault system (figure 4). Proposed drill sites have been modified based on these results to ensure the most prospective areas are tested by the upcoming drilling.

A contract for the drill programme has been signed, with drilling expected to begin during the September Quarter.

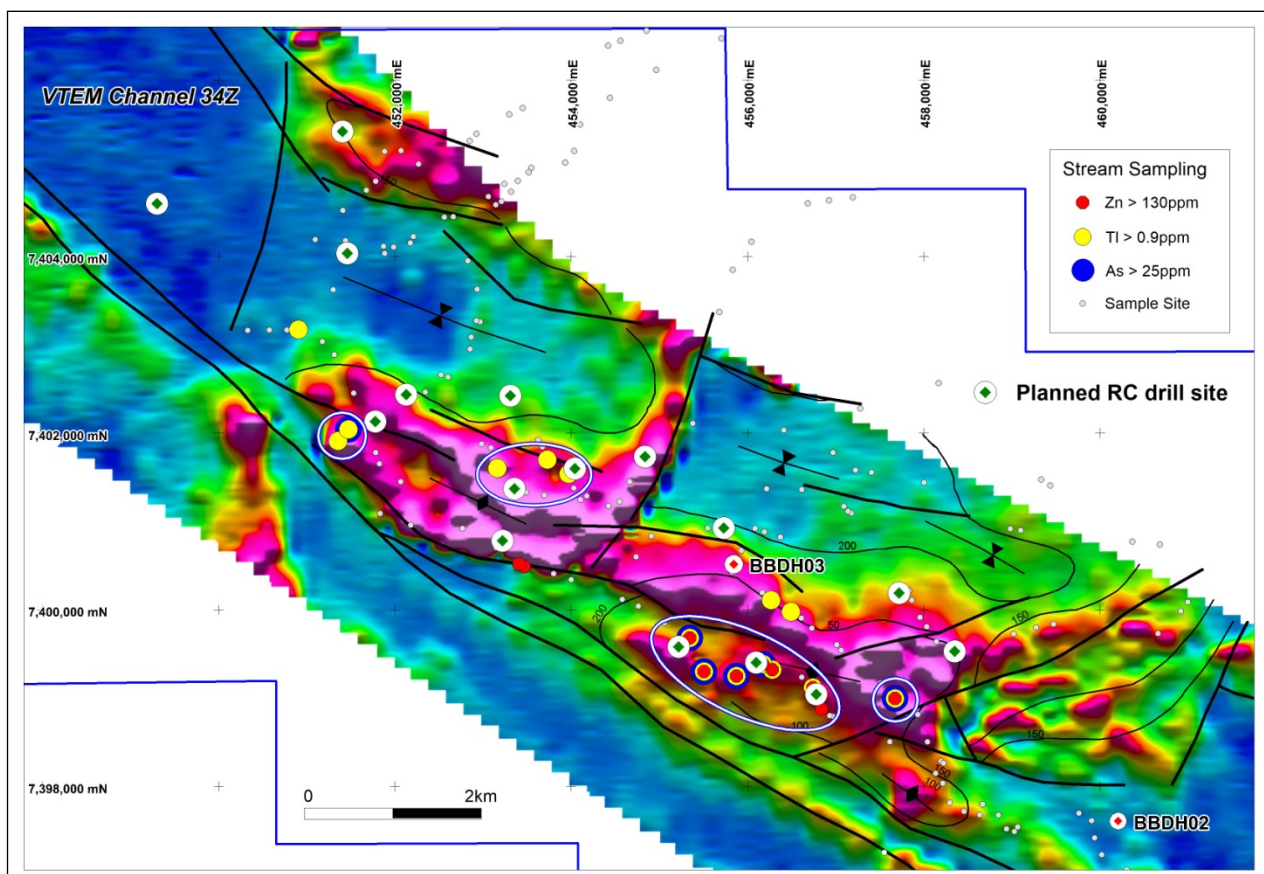


Figure 5: Blue Billy Joint Venture showing proposed RC drill sites

**Jimberlana Nickel-Copper Project (100% AQD subject to SAA)**

*The Jimberlana Project, which is located ~120km west of Norseman between the Lake Johnston and Forrestania Greenstone Belts, consists of one Exploration Licence (130km<sup>2</sup>) covering the western extension (~20km strike) of the Jimberlana Dyke. Recent research found a strong association between intrusive-related nickel sulphide deposits and the base of dyke-like structures. Jimberlana is a very large, fertile, fractionated dyke known to contain nickel sulphides within its contact zones but has never been drill tested at or close to its basal section. Exploration work at Jimberlana is being funded by South32.*

Native Title clearance for the planned drilling programme is scheduled to commence in mid-July following renegotiation of the Heritage Agreement with the Ngadju Native Title Aboriginal Corporation.

Two diamond drill holes (~700m) are planned to test high-conductivity EM targets (>3,000 siemens) which are associated with

The diamond drilling programme to test three discrete EM conductors associated with cross cutting dyke-like intrusions has been re-scheduled to September 2018 due to requirements for access and the availability of drill rigs.

Native Title clearance for aircore drilling is scheduled for August. A programme of 26 holes/1,300m is proposed to confirm rock type and geochemical responses associated with the EM anomalies (and their magnetic hosts) before further work is considered over these targets.

Numerous mafic intrusions inferred in the magnetic data remain to be tested within the

cross-cutting structures within the Jimberlana Dyke complex.

The targets are relatively small but may be indicative of larger bodies of mineralisation at depth, close to the base of the dyke, where large accumulations of nickel-copper mineralisation are more likely to occur.

A drilling contract has been signed, with drilling expected to commence around the end of August.

**Balladonia Nickel-Copper Project (100% AQD subject to SAA)**

*The Balladonia Project is located ~50km south of the Nova-Bollinger nickel-copper deposit. It consists of six Exploration Licences covering an area of ~1,040km<sup>2</sup>, within a structurally complex region of the Fraser Range Terrain centred above the southern margin of a deep regional gravity anomaly (~30 milligals) which is thought to reflect buried mafic/ultramafic rocks similar to those that may be related to the formation of the Nova deposit. Most of the tenements lie within the Dundas Nature Reserve. Exploration work at Balladonia is being funded by South32. Balladonia area should drilling results provide sufficient encouragement.*

**Yallum Hill Copper-Nickel Project (100% AQD subject to SAA)**

*The Yallum Hill Copper-Nickel Project is located ~350km north-east of Wiluna along the northern margin of the Yilgarn Craton in Western Australia. The tenement covers a distinct magnetic target close to the basal section of a large mafic sill complex. The target is under cover and is thought to reflect either a nickel target within ultramafic rocks at the base of the mafic sill complex, or possible copper mineralisation associated with an iron-rich hydrothermal system (IOCG). Exploration work at Yallum Hill is being funded by South32.*

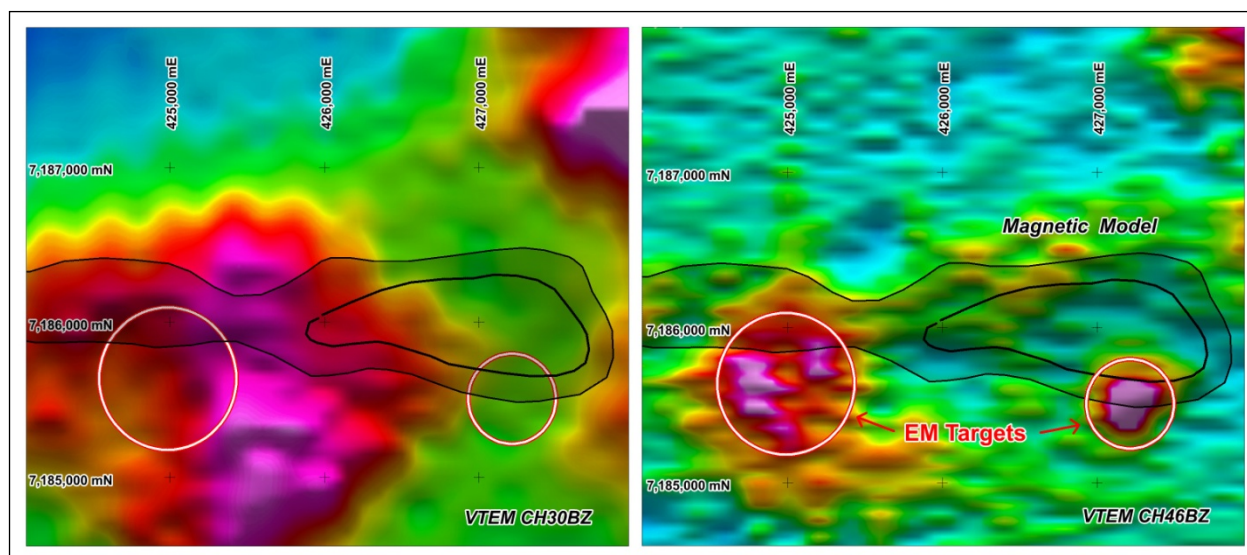


Figure 6: Yallum Hill VTEM Survey showing EM Target

During the Quarter, a detailed VTEM survey (~110km) was completed over the tenement, locating two late time EM anomalies along the southern flank of the magnetic response. The stronger and more discrete bedrock EM response occurs at the eastern end of the magnetic target where modelled depths are shallowest (~150m). While the magnetic and EM responses are not directly coincident, they appear to be spatially related and could reflect the same mineralising system.

Fixed loop ground TEM surveys have been planned to confirm the character and conductivity of the EM targets and provide data for modelling ahead of possible drilling. Both targets occur under cover. The EM surveys are expected to be completed within the September Quarter. A new tenement application was submitted to secure potential strike extensions of these targets.

#### **Tangadee Zinc Project (100% AQD subject to SAA)**

*The Tangadee zinc project is located approximately 150km south-west of Newman within the Edmund Basin of WA. It consists of one exploration licence covering ~280km<sup>2</sup>. Exploration is targeting sediment-hosted zinc mineralisation similar to deposits found in north-west Queensland. The area contains favourable host rocks, prospective large-scale structures and anomalous geochemistry in the available regional geochemical*

*database, highlighting potential for sediment hosted zinc mineralisation. Exploration work at Tangadee is being funded by South32.*

Final processed results from the VTEM survey (~580km) are expected in early July. Conductivity depth inversions will be produced once final corrected VTEM data are available to map out the black shale horizons and define potential structural targets for testing.

#### **Caramulla Nickel-Copper Project (100% AQD subject to SAA)**

*The Caramulla Project is located approximately 60km east of Newman (WA) immediately east of the Coobina chromite mine. It consists of two Exploration Licences covering ~160km<sup>2</sup>. Exploration is targeting nickel-copper sulphide mineralisation associated with interpreted ultramafic intrusions that occur stratigraphically below a large mafic sill complex that is evident in the regional magnetic data. Exploration work at Caramulla is being funded by South32.*

Final processed results from the VTEM survey (~375km) are expected in early July. Modelling of the preliminary data suggests at least one potential bedrock conductor slightly offset from the magnetic serpentinite which is considered a potential feeder dyke to the mafic intrusion.



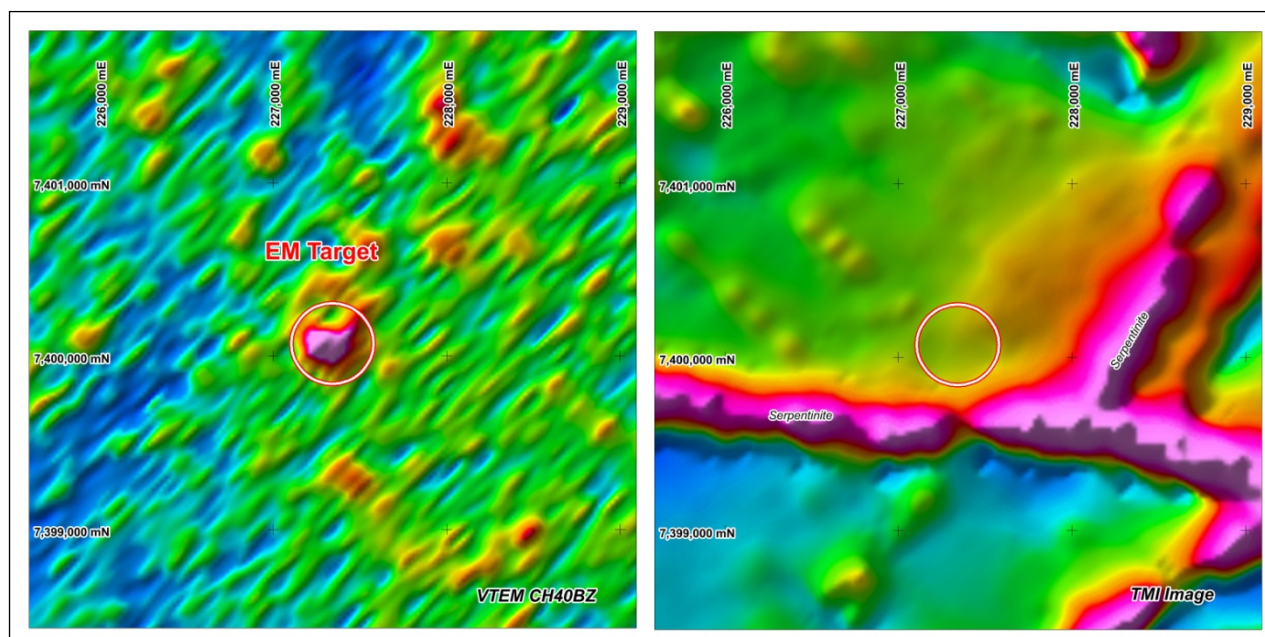


Figure 7: Caramulla VTEM Survey showing EM Target

A moving loop ground TEM survey is planned to confirm the character and conductivity of the EM target and provide data for modelling ahead of possible drilling. The EM survey is expected to be completed within the September Quarter.

#### **Hamilton Copper-Gold Project (100% AQD subject to SAA)**

*The Hamilton Project is located in north-west Queensland, ~120km south of the world-class Cannington mine. It consists of two Exploration Licence applications covering ~520km<sup>2</sup>. Exploration is targeting Iron-Oxide Copper-Gold (IOCG) mineralisation beneath the extensive cover in the region. Limited historical drilling testing magnetic and gravity targets has provided evidence for “near-miss” situations which will be the focus of the Company’s exploration programmes. Exploration work at Hamilton is being funded by South32.*

During the Quarter, the Hamilton tenements were granted by the Queensland Department of Natural Resources, Mines & Energy and a site visit completed. Access and clearance for the proposed MIMDAS IP surveys were obtained and a contract finalised. The IP surveys are now expected to begin in August and will take approximately six to eight weeks to complete. Results from these surveys will be critical in identifying potential targets for drilling.

Drill core from two wide-spaced historical drill-holes within the survey area were inspected, highlighting extensive alteration typical of IOCG systems found elsewhere in the Eastern Succession of North-West Queensland. Selected sample pulps from both drill-holes have been requested for re-assay.

#### **BUSINESS DEVELOPMENT**

As part of the Strategic Alliance with South32, the Company continued its project generation studies both within Australia and offshore, in order to provide new base metal (copper, zinc and nickel) opportunities and possible drill-ready targets for consideration under the SAA by South32.

During the Quarter, new tenement applications were submitted both in Peru (north of the Parcoy Project) and in Australia (west of Yallum Hill).

#### **CORPORATE**

At the end of June 2018, the Company’s cash position was approximately A\$4.5M following receipt of funds from South32 for committed work programmes at Chololo, Cerro de Fierro and Parcoy in Peru; plus Blue Billy, Balladonia, Jimberlana and Hamilton in Australia.

## KEY ACTIVITIES – SEPTEMBER 2018 QUARTER

The following activities are planned for the September 2018 Quarter:

- Blue Billy JV (Zn) – Complete access and commence RC drilling;
- Jimberlana (Ni-Cu) – Complete heritage clearance and commence diamond drilling of EM targets;
- Balladonia (Ni-Cu) – Complete heritage clearance for aircore drilling and commence diamond drilling of EM targets;
- Yallum Hill (Ni-Cu) – Complete ground EM surveys over VTEM targets;
- Carramulla (Ni-Cu) – Complete ground EM surveys over VTEM targets;
- Tangadee (Zn) – Assess VTEM data to identify structural targets for testing;
- Hamilton (Cu-Au) – Commence MIMDAS IP survey over target areas;
- Peru (Cu-Au) – Complete diamond drilling programme (5,000m) at the Chololo Porphyry Copper prospect;
- Peru (Cu-Au) – Prepare access for diamond drilling programme (~3000m) at Cerro de Fierro and commence drilling operations;
- Peru (Cu-Au) – Commence IP survey at the Parcoy IOCG prospect;
- Peru (Cu-Au) – Re-commence mapping/sampling within the Puute-Ventura prospect;
- Australia (Base metals) – Advance new opportunities under the SAA; and
- Peru (Base metals) – Advance new opportunities under the SAA.



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 Stream Sediment Sampling – Blue Billy

## Section 1 Sampling Techniques and Data

(Criteria in this section apply to all succeeding sections.)

Criteria	JORC Code explanation	Commentary
Sampling techniques	<ul style="list-style-type: none"> <li>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.</li> <li>Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.</li> <li>Aspects of the determination of mineralisation that are Material to the Public Report.</li> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>Stream Sediment sampling was completed within small streams 300m to 2km in length draining the target Blue Billy Formation within AusQuest E08/2754.</li> <li>Sample locations were recorded by hand-held GPS.</li> <li>Soil sampling sites were logged by the sampler and recorded on a sampling spread sheet</li> <li>Each stream sediment sample was collected by digging a 10 to 20 cm deep hole in the stream sediment and screening the material to pass a 200 microns (µm) sieve.</li> <li>Approximately 200g of material was collected in a numbered kraft packet.</li> </ul>
Drilling techniques	<ul style="list-style-type: none"> <li>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).</li> </ul>	<ul style="list-style-type: none"> <li>No drilling undertaken</li> </ul>
Drill sample recovery	<ul style="list-style-type: none"> <li>Method of recording and assessing core and chip sample recoveries and results assessed.</li> <li>Measures taken to maximise sample recovery and ensure representative nature of the samples.</li> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>No drilling undertaken</li> </ul>
Logging	<ul style="list-style-type: none"> <li>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.</li> <li>Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography.</li> <li>The total length and percentage of the relevant intersections logged.</li> </ul>	<ul style="list-style-type: none"> <li>No drilling undertaken</li> </ul>



Criteria	JORC Code explanation	Commentary
Sub-sampling techniques and sample preparation	<ul style="list-style-type: none"> <li>• If core, whether cut or sawn and whether quarter, half or all core taken.</li> <li>• If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry.</li> <li>• For all sample types, the nature, quality and appropriateness of the sample preparation technique.</li> <li>• Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.</li> <li>• 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.</li> <li>• Whether sample sizes are appropriate to the grain size of the material being sampled.</li> </ul>	<ul style="list-style-type: none"> <li>• No sub-sampling was completed</li> </ul>
Quality of assay data and laboratory tests	<ul style="list-style-type: none"> <li>• The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.</li> <li>• 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.</li> <li>• 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.</li> </ul>	<ul style="list-style-type: none"> <li>• The samples were submitted to Intertek Genalysis Maddington, WA, for 48 element suite 4A/MS48</li> <li>• Samples were subjected to a multi-acid digest, including Hydrofluoric, Nitric, Perchloric and Hydrochloric acids, in Teflon tubes providing close to a total digest for most elements.</li> <li>• Samples were analysed (48 elements) by Inductively Coupled Plasma Mass Spectrometry.</li> </ul>
Verification of sampling and assaying	<ul style="list-style-type: none"> <li>• The verification of significant intersections by either independent or alternative company personnel.</li> <li>• The use of twinned holes.</li> <li>• Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.</li> <li>• Discuss any adjustment to assay data.</li> </ul>	<ul style="list-style-type: none"> <li>• Field sample locations were compiled onto Excel spreadsheets for merging with assay data.</li> <li>• Digital data is regularly backed-up on the company's servers.</li> </ul>
Location of data points	<ul style="list-style-type: none"> <li>• 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.</li> <li>• Specification of the grid system used.</li> <li>• Quality and adequacy of topographic control.</li> </ul>	<ul style="list-style-type: none"> <li>• Sample locations are established with a handheld GPS to +/- 5m accuracy.</li> </ul>
Data spacing and distribution	<ul style="list-style-type: none"> <li>• Data spacing for reporting of Exploration Results.</li> <li>• 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.</li> <li>• Whether sample compositing has been applied.</li> </ul>	<ul style="list-style-type: none"> <li>• Samples were collected on available streams with spacing variable between 100m and 1km.</li> </ul>
Orientation of data in relation to	<ul style="list-style-type: none"> <li>• Whether the orientation of sampling achieves unbiased sampling of possible</li> </ul>	<ul style="list-style-type: none"> <li>• Most samples sites were positioned to maximise</li> </ul>

Criteria	JORC Code explanation	Commentary
<i>geological structure</i>	<i>structures and the extent to which this is known, considering the deposit type.</i> <ul style="list-style-type: none"> <li><i>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.</i></li> </ul>	coverage of the mapped Blue Billy Formation.
<i>Sample security</i>	<ul style="list-style-type: none"> <li><i>The measures taken to ensure sample security.</i></li> </ul>	<ul style="list-style-type: none"> <li>Samples were securely sealed in the field, followed by packing into larger sealed plastic bags or boxes for transport to the Perth office.</li> </ul>
<i>Audits or reviews</i>	<ul style="list-style-type: none"> <li><i>The results of any audits or reviews of sampling techniques and data.</i></li> </ul>	<ul style="list-style-type: none"> <li>No audits or reviews have been carried out on the sampling to date.</li> </ul>

## Section 2 Reporting of Exploration Results

(Criteria listed in the preceding section also apply to this section.)

Criteria	JORC Code explanation	Commentary
<i>Mineral tenement and land tenure status</i>	<ul style="list-style-type: none"> <li><i>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.</i></li> <li><i>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.</i></li> </ul>	<ul style="list-style-type: none"> <li>The Blue Billy Prospect is centered at 7401000N and 456000E (GDA94 Zone 50), approximately 200 km north east of Gascoyne Junction in Western Australia.</li> <li>Tenement holdings include granted Exploration Licences E08/2754 and E08/2904.</li> <li>The Blue Billy Prospect is subject to a joint venture agreement with South32 who can earn 70% by spending US\$4.0M.</li> <li>Aboriginal heritage surveys are routinely completed ahead of ground disturbing activities</li> </ul>
<i>Exploration done by other parties</i>	<ul style="list-style-type: none"> <li><i>Acknowledgment and appraisal of exploration by other parties.</i></li> </ul>	<ul style="list-style-type: none"> <li>Previous exploration drilling completed by Pasminco (1991-96) and Alcoa (1979-82) intersected 20 to 50m of anomalous zinc (0.1 to 0.5%Zn) immediately down dip from surface occurrences of the Blue Billy Formation highlighting the areas prospectivity. Aurora Minerals completed soil sampling and geophysical surveys along the Talga Fault (2008-11) but did not drill any holes..</li> </ul>
<i>Geology</i>	<ul style="list-style-type: none"> <li><i>Deposit type, geological setting and style of mineralisation.</i></li> </ul>	<ul style="list-style-type: none"> <li>The Blue Billy project is targeting sediment hosted</li> </ul>

Criteria	JORC Code explanation	Commentary
		zinc mineralisation similar to NW Queensland. The Blue Billy Formation black shale horizon within the Edmund Basin in WA is the target horizon
<i>Drill hole Information</i>	<ul style="list-style-type: none"> <li>• 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: <ul style="list-style-type: none"> <li>○ easting and northing of the drill hole collar</li> <li>○ elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar</li> <li>○ dip and azimuth of the hole</li> <li>○ down hole length and interception depth</li> <li>○ hole length.</li> </ul> </li> <li>• 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.</li> </ul>	<ul style="list-style-type: none"> <li>• No drilling undertaken</li> </ul>
<i>Data aggregation methods</i>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> <li>• The assumptions used for any reporting of metal equivalent values should be clearly stated.</li> </ul>	<ul style="list-style-type: none"> <li>• No drilling undertaken</li> </ul>
<i>Relationship between mineralisation widths and intercept lengths</i>	<ul style="list-style-type: none"> <li>• These relationships are particularly important in the reporting of Exploration Results.</li> <li>• If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.</li> <li>• 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’).</li> </ul>	<ul style="list-style-type: none"> <li>• No drilling undertaken</li> </ul>
<i>Diagrams</i>	<ul style="list-style-type: none"> <li>• 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.</li> </ul>	<ul style="list-style-type: none"> <li>• Stream sediment sample locations and selected element anomalies are provided in the ASX release.</li> </ul>
<i>Balanced reporting</i>	<ul style="list-style-type: none"> <li>• 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.</li> </ul>	<ul style="list-style-type: none"> <li>• Representative reporting of assay results is included in the ASX release.</li> </ul>



Criteria	JORC Code explanation	Commentary
<i>Other substantive exploration data</i>	<ul style="list-style-type: none"> <li><i>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.</i></li> </ul>	<ul style="list-style-type: none"> <li>The area was selected for sampling based on geological and geophysical data interpretations by the company. The relationship between stream sediment results and previously reported exploration data is shown in the report.</li> </ul>
<i>Further work</i>	<ul style="list-style-type: none"> <li><i>The nature and scale of planned further work (eg tests for lateral extensions or depth extensions or large-scale step-out drilling).</i></li> <li><i>Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.</i></li> </ul>	<ul style="list-style-type: none"> <li>Proposals of further work will follow after a thorough analysis of the data.</li> </ul>

## Appendix 5B

### Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity:

**AUSQUEST LIMITED**

ABN:

**35 091 542 451**

Quarter ended ("current quarter")

**30 June 2018**

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	169	2,117
1.2 Payments for		
(a) exploration & evaluation	(1,708)	(5,206)
(b) development	-	-
(c) production	-	-
(d) staff costs	(39)	(123)
(e) administration and corporate costs	(343)	(1,508)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	4
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other :		
Funding received from South 32 under the Strategic Alliance Agreement	2,492	7,228
R&D Refund	315	315
<b>1.9 Net cash from / (used in) operating activities</b>	<b>888</b>	<b>2,827</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(24)	(40)
(b) tenements (see item 10)	-	-

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
	(c) investments	-	-
	(d) other non-current assets	-	-
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(24)</b>	<b>(40)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	1	1
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>1</b>	<b>1</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	3,625	1,694
4.2	Net cash from / (used in) operating activities (item 1.9 above)	888	2,827
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(24)	(40)



<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1	1
4.5	Effect of movement in exchange rates on cash held	31	39
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>4,521</b>	<b>4,521</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	4,521	3,625
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>4,521</b>	<b>3,625</b>

6.	Payments to directors of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to these parties included in item 1.2	61
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	
Payment of director and consulting fees.		

<b>7. Payments to related entities of the entity and their associates</b>	<b>Current quarter \$A'000</b>
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	
-	

<b>8. Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end \$'000</b>	<b>Amount drawn at quarter end \$'000</b>
8.1 Loan facilities (Loan and Convertible Note)	A\$317,159	A\$317,159
8.2 Credit standby arrangements	-	-
8.3 South32 Advance facility	US\$1,000,000	Nil
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

*Loan and Convertible Note Agreement*

The Company executed a Loan and Convertible Note Agreement on 5 October 2016 with Mr Chris Ellis, a director and substantial shareholder of the Company for a total loan facility of \$750,000. The conversion price has been set at the lower of 2 cents per share or the 5-day Value Weighted Average Price immediately prior to the conversion. The loan matures on 30 November 2018. Interest on the Loan accrues at 10% per annum commencing six months after the date of the advance, being from 5 April 2017. On the 23 November 2017 \$432,841 was converted to AusQuest shares at 2 cents per share following approval from shareholders.

*South32 Advance facility*

As part of the strategic alliance with South32 Group Operations Pty Ltd, South32 also provided the Company with a US\$1,000,000 unsecured, interest-free cash advance facility to help fund project generation activities as and when required. Money drawn down from this facility can be repaid during the term of the strategic alliance agreement but in any event must be repaid by 31 December 2019. At the date of this report no amount was drawn from this facility.

<b>9. Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Exploration and evaluation	(2,500)
9.2 Development	-
9.3 Production	-
9.4 Staff costs	(50)
9.5 Administration and corporate costs	(175)
9.6 Other (provide details if material)	-
<b>9.7 Total estimated cash outflows</b>	<b>(2,725)</b>

10.	Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced		-		
10.2	Interests in mining tenements and petroleum tenements acquired or increased	EPM 26681 EPM 26682	-	Nil Nil	100% 100%

### Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here: .....

Date: 27 July 2018

Print name: Henko Vos (Company Secretary)

### Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.