



Quarterly Report – 30th September 2019

HIGHLIGHTS

Peru – Copper-Gold

- ❑ Second-stage diamond drilling (4 holes/~2,400m) to commence at the Cerro de Fierro IOCG Project in mid-November under the Strategic Alliance Agreement (SAA) with South32. Camp and access preparations initiated.
- ❑ Significant copper (+/-gold) targets outlined by rock and soil sampling programs at the Parcoy Project, located 50km north-west of Cerro de Fierro.
- ❑ Drill permitting at Parcoy to commence during the December 2019 Quarter under the SAA, to facilitate drilling in the second half of 2020.

Australia – Nickel, Copper, Zinc

- ❑ Significant base metal target (Cu, Pb, Zn, Ag) approximately 500m x 200m in size confirmed by in-fill air-core drilling at the Telegraph prospect, at Balladonia.
- ❑ Reverse Circulation (RC) drilling (6 holes/~1,600m) scheduled to commence in mid-November under the SAA to test this target.
- ❑ Anomalous copper reported from drilling at the Hamilton prospect in north-west Queensland, providing further encouragement for the potential to discover nearby IOCG mineralisation.

Corporate

- ❑ Quarter-end cash position of ~\$1.2M with additional funding of ~\$2.0M for drilling in Peru expected from South32 during the December Quarter.
- ❑ A Prospectus to raise up to \$2.4M via a Placement (\$0.5M) and Rights Issue to shareholders (~\$1.9M) lodged with the ASX on October 17th 2019 to advance the Company's early-stage exploration projects in Australia and Peru.

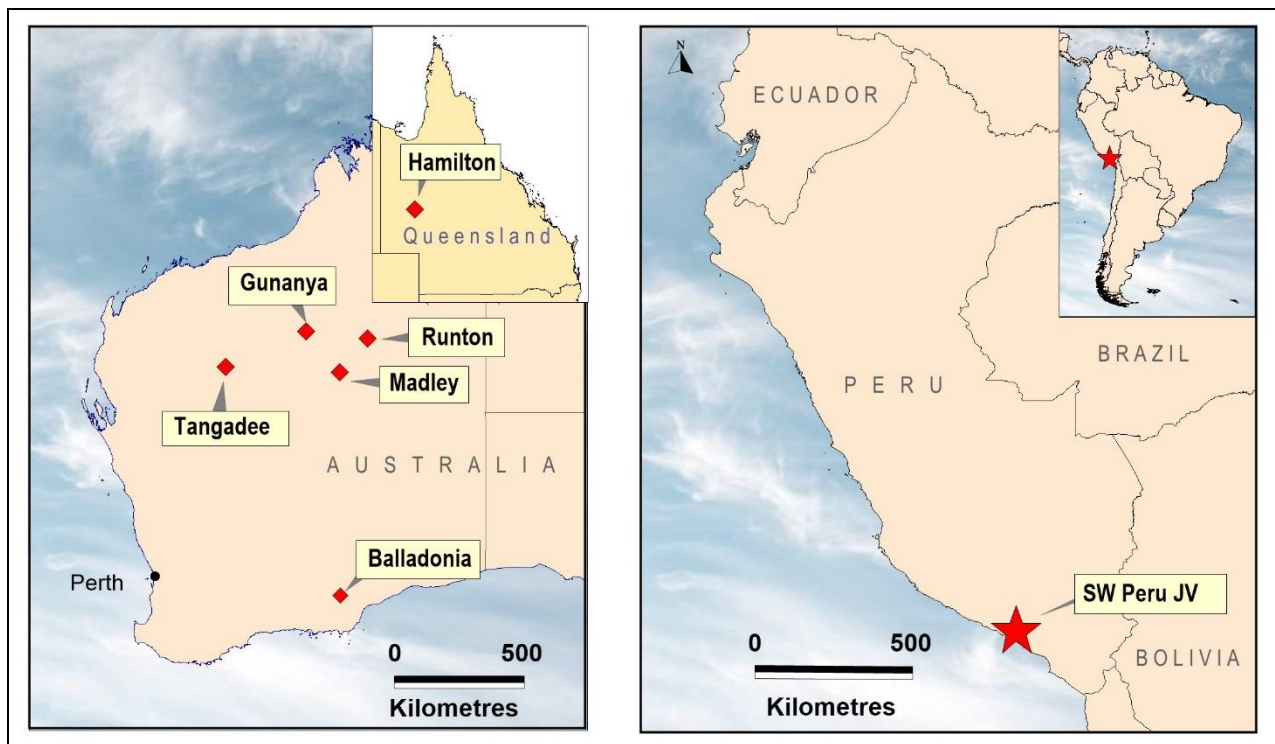


Figure 1: Project Locations – Australia and Peru

OVERVIEW

The key focus of exploration activity during the Quarter was:

- To complete the permitting process for Stage 2 drilling at the Cerro de Fierro Project and identify potential drill targets at the Parcoy Copper Project in southern Peru; and
- To complete target drilling at the Hamilton and Telegraph prospects in Australia under the Company's Strategic Alliance Agreement (SAA) with South32.

In **Peru**, exploration at the Cerro de Fierro and Parcoy Projects continued with surface sampling completed at both sites to identify copper and gold targets for follow-up, including drilling. Reconnaissance sampling over permits owned 100% by AusQuest was also initiated to help provide new opportunities under the SAA.

Permit applications for the second round of diamond drilling at the Cerro de Fierro IOCG prospect were submitted for Government approval, which is expected around the middle of November.

In **Australia**, in-fill air-core drilling at the Telegraph prospect at the Balladonia Project in the Fraser Range region of Western Australia, and initial diamond drill testing of the Hamilton IOCG prospect in north-west Queensland were completed. Preparations for RC drill testing of the Telegraph base metal prospect were initiated, with further assessment of the Hamilton area now underway.

New opportunities in base metals continued to be pursued both within Australia and offshore. Agreements with Native Title owners over the Paterson Range tenement applications were finalised with grant of the titles expected before the end of 2019, allowing early-stage exploration work to commence shortly thereafter.

In Peru, areas within the Cerro de Fierro – Parcoy region were assessed for new prospects.

PERU COPPER-GOLD PROJECTS

AusQuest has assembled a large portfolio of copper-gold prospects along the southern coastal belt of Peru in South America, with numerous targets identified for drilling as

possible porphyry copper and/or iron-oxide copper-gold (IOCG) targets with the size potential being of significance to AusQuest. 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.

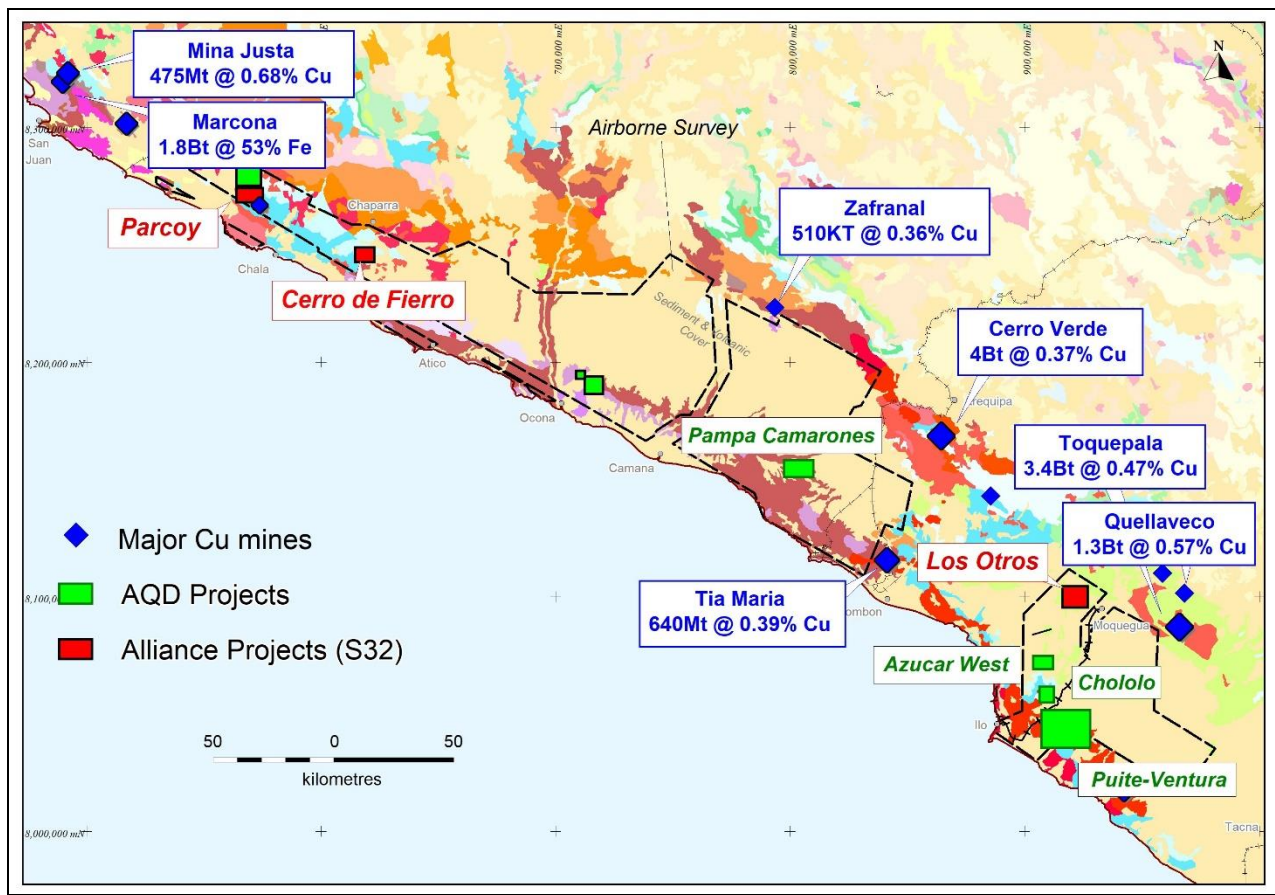


Figure 2: Project Locations – Southern Peru

Cerro de Fierro IOCG (100% AQD – South32 earning to 70%)

The Cerro de Fierro Project is located at the southern end of a recognised Iron-Oxide Copper-Gold (IOCG) metallogenic belt in southern Peru. It lies within ~150km of the Mina Justa deposit (~475Mt @ 0.68% Cu), which is being developed by Peruvian mining company Minsur S.A. It is subject to an agreement with South32, which can earn a 70% interest in the project by spending a total of US\$4.0 million.

Preparations for the Stage 2 diamond drilling program (4 holes/~2,400m) commenced with drilling expected to begin around mid-November. This program is expected to take two months to complete with final assays

available approximately one month after completion of the program.

A drilling contract was signed with AK Drilling International and camp installation and drill site access preparations were initiated.

Drilling will test for extensions to the copper and gold mineralisation reported in drill-holes CDFDD02, 03 and 06, as well as testing new targets with similar geochemical and geophysical characteristics to the north. Initial drill-holes CDFDD08 and CDFDD09 are sited ~ 500m west of CDFDD03 and will also test key structural elements identified around the margin of the magnetite core of the system.

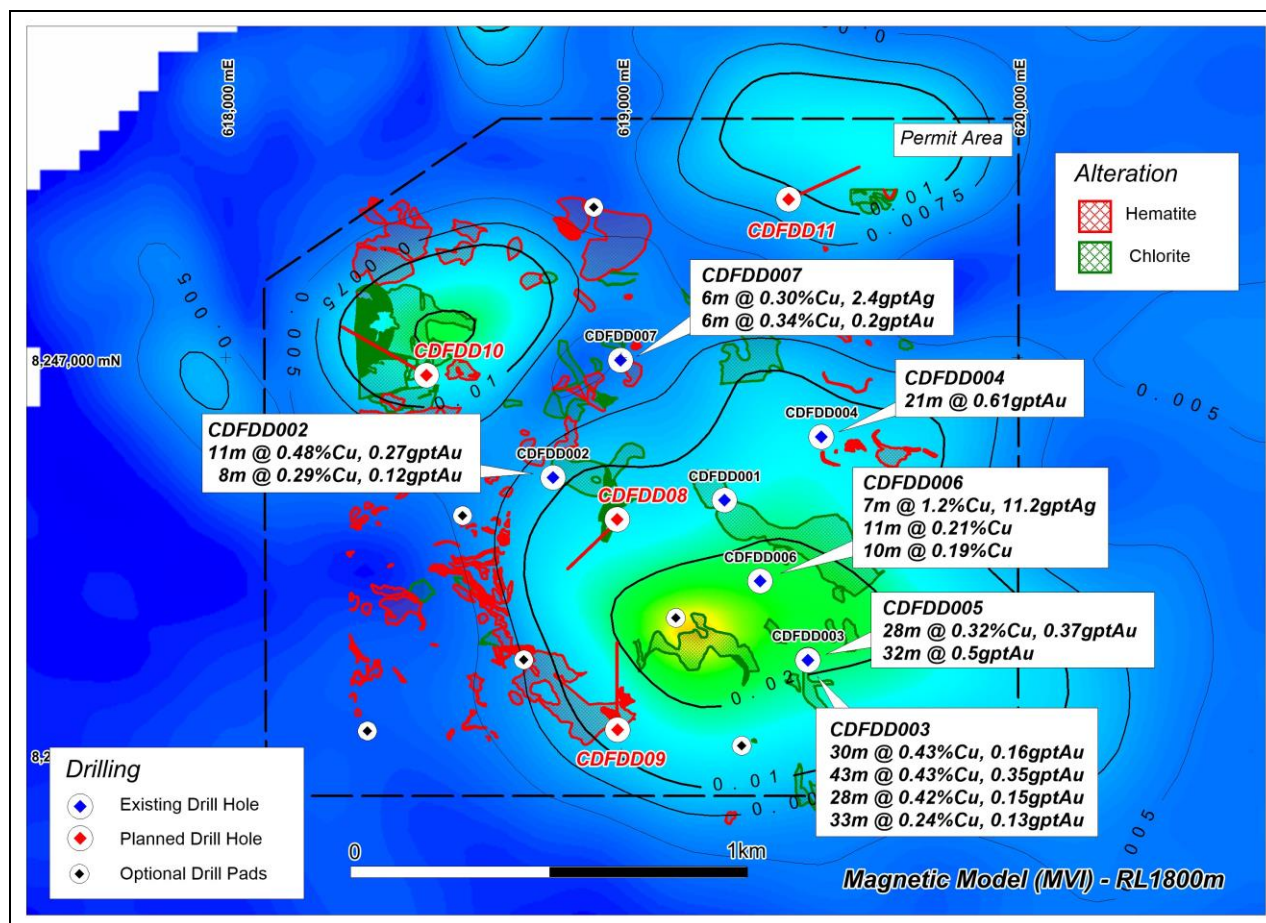


Figure 3: Cerro de Fierro Prospect summary showing the location of planned drill-holes

During the Quarter, detailed geological mapping and rock sampling programs continued in order to complete coverage over the project area and prioritise areas for future drill testing.

Correlation of geological mapping with rock geochemistry is providing a clearer picture as to the distribution of the two major volcanic packages which drilling suggests controls the broad distribution of copper in the area – namely a dacitic (felsic) package which is generally barren (except for isolated occurrences of copper and/or gold within structures) and an underlying andesitic (more mafic) package which contains the bulk of the copper mineralisation.

Recognition of this dacitic-andesitic contact at surface several kilometres from the core of the IOCG system (magnetic anomaly) coupled with the presence of highly anomalous copper values in the same areas, supports the concept of a large IOCG system (>10km²) at Cerro de Fierro with the

potential to host multiple bodies of copper (+/- gold) mineralisation.

A strong structural control on the copper mineralisation is evident within the current area of drilling as well as in the west of the prospect, where copper occurs within faults intersecting the overlying dacitic volcanics. Definition of key structures affecting the distribution of copper and gold will be completed once mapping is complete.

A drone survey was commissioned during the Quarter to provide a detailed digital terrain model (DTM) over the prospect to assist with the geological mapping and definition of key structures. The results of this survey are pending.

An application to increase the number of drill pads from 20 to 40, and to increase the size of the Drill Permit Area, is in preparation to be submitted to Government during the December Quarter. This application, which will cover drill testing of surface copper anomalies outlined by the Company's soil

and rock-chip sampling programs outside the current area of drilling, is expected to take up to six months for approval.

Parcoy IOCG (100% AQD – South32 earning to 70%)

The Parcoy Project is located near the southern end of a recognised Iron-Oxide Copper-Gold (IOCG) metallogenic belt in southern Peru. It lies within ~100km of the Mina Justa deposit (~475Mt @ 0.68% Cu), and ~50km north-west of the Company's Cerro de Fierro Project. It is subject to an agreement with South32, which can earn a 70% interest in the project by spending a total of US\$4.0 million.

During the Quarter, assay results from the soil sampling program outlined a strong copper anomaly over an area at least 4km² in size. This anomaly coincides at least in part with a weak but distinct IP chargeability

response that possibly reflects low levels of sulphides in the rocks.

The copper anomaly, which is defined by numerous assays ranging from 200ppm Cu up to 3,600ppm Cu, overlies sub-cropping monzodiorite that intrudes volcanic rocks similar to those found at the Company's Cerro de Fierro Project.

Higher copper grades within the soil anomaly are generally associated with narrow north-south or north-west/south-east trending vein sets, with the intensity of veining likely to control the copper values. Detailed geological mapping over selected areas is planned to identify targets for drilling and/or trenching.

The soil sampling program was extended to cover the full ~6km strike extent of the prospect. Sampling has now been completed with assays pending.

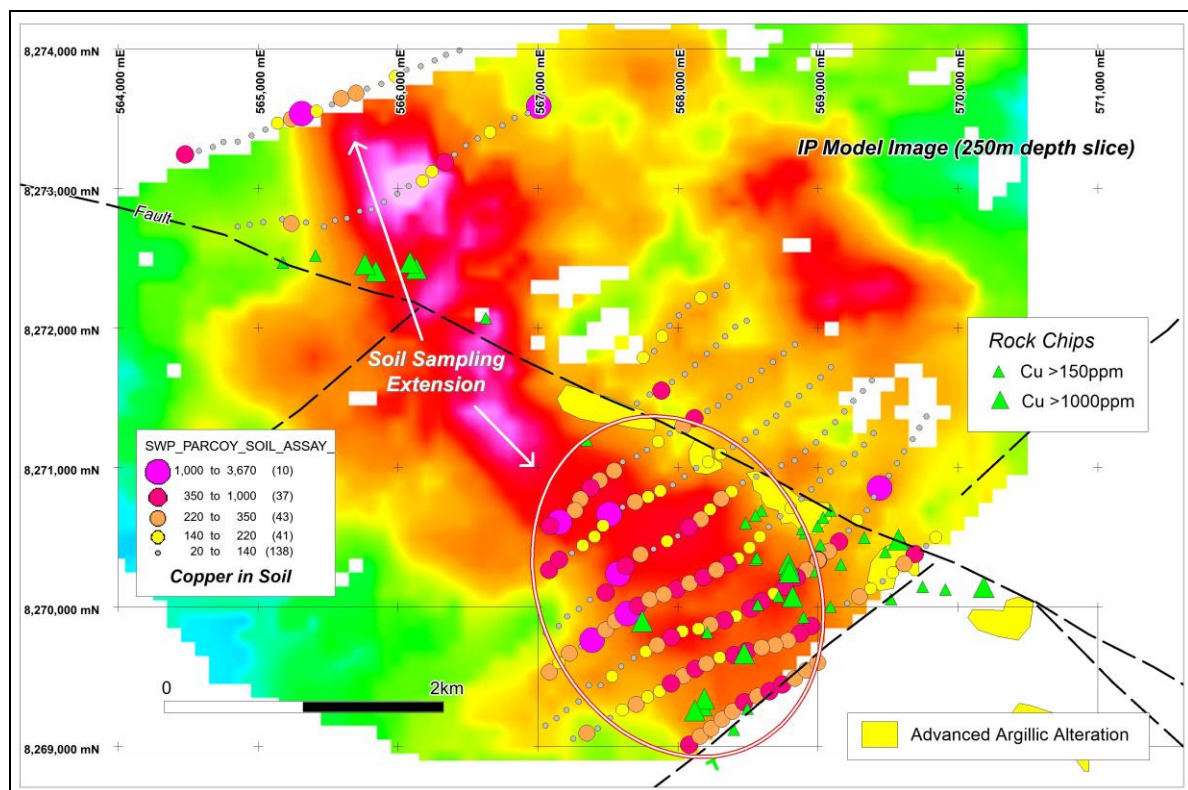


Figure 4: Parcoy Project showing the copper soil anomaly relative to the IP model.

The regional scale north-west trending fault that traverses the Parcoy prospect is known to host copper mineralisation ~6km to the south-east at the Los Chapitos Project. Drilling by Camino Minerals at this prospect has reported numerous copper intersections

(e.g. 168m @ 0.72% Cu) associated with the faulting and within the adjacent volcanics.

Both manto-style mineralisation (IOCG) within the volcanic stratigraphy, and vein-style copper (+/-gold) mineralisation within

the monzodiorite intrusion are being targeted by the Company's ongoing programs.

Los Otros Porphyry Copper Project *(100% AQD subject to SAA)*

At Los Otros, age dating of alunite samples from the advanced argillic alteration in the north and east of the prospect is in progress to determine whether the alteration is of Palaeocene age and hence belongs to the same porphyry copper belt that hosts the large deposits in southern Peru such as Toquepala, Cerro Verde and Quellaveco. Results are expected around the end of the year.

New Opportunities

Reconnaissance geological mapping and rock sampling was completed over the **Pampa Camarones Project** to outline areas of interest associated with the magnetic complex identified by the Company's airborne survey. Sampling was confined to sub-cropping dykes and veins due to the extensive cover in the area.

Results from this work will be used to assess the potential for mineralisation within the interpreted buried intrusives and possibly elevate the project to new opportunity status under the SAA. Assay results are awaited.

Limited rock-chip sampling over the **Cerro Ardines Project** was also undertaken, locating several areas with copper anomalism. Further mapping and sampling is required before any meaningful understanding of this prospect, located immediately north of Parcoy, can be developed.

Reconnaissance mapping and sampling will continue in Peru over selected areas identified by the Company as having the

potential for porphyry and/or IOCG style copper mineralisation.

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

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 seven Exploration Licences covering an area of ~1,200km² and is located 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.

During the Quarter, in-fill air-core drilling (39 holes/1,097m) was completed at the Telegraph Prospect, with results suggesting the potential for a base metal source (possibly volcanogenic massive sulphides or VMS) and defining an anomalous area approximately 500m x 200m in size beneath the current level of drilling (*Figures 5 and 6*).

The air-core program returned highly anomalous copper (300 to 5,500ppm Cu), silver (1 to 51g/t Ag), lead (150 to 1,800ppm Pb) and zinc (400 to 2,900ppm Zn) values, with variably anomalous pathfinder elements (Sn, As, Se, Mo, Tl and Bi) and anomalous light rare earths (Ce, La) within a deeply weathered (>99m) altered bedrock.

Drill-hole depths varied from ~5m over the unaltered basement gneisses, up to a maximum of 99m within the target area, where relatively sudden, deep weathering/alteration of the basement rocks was encountered.

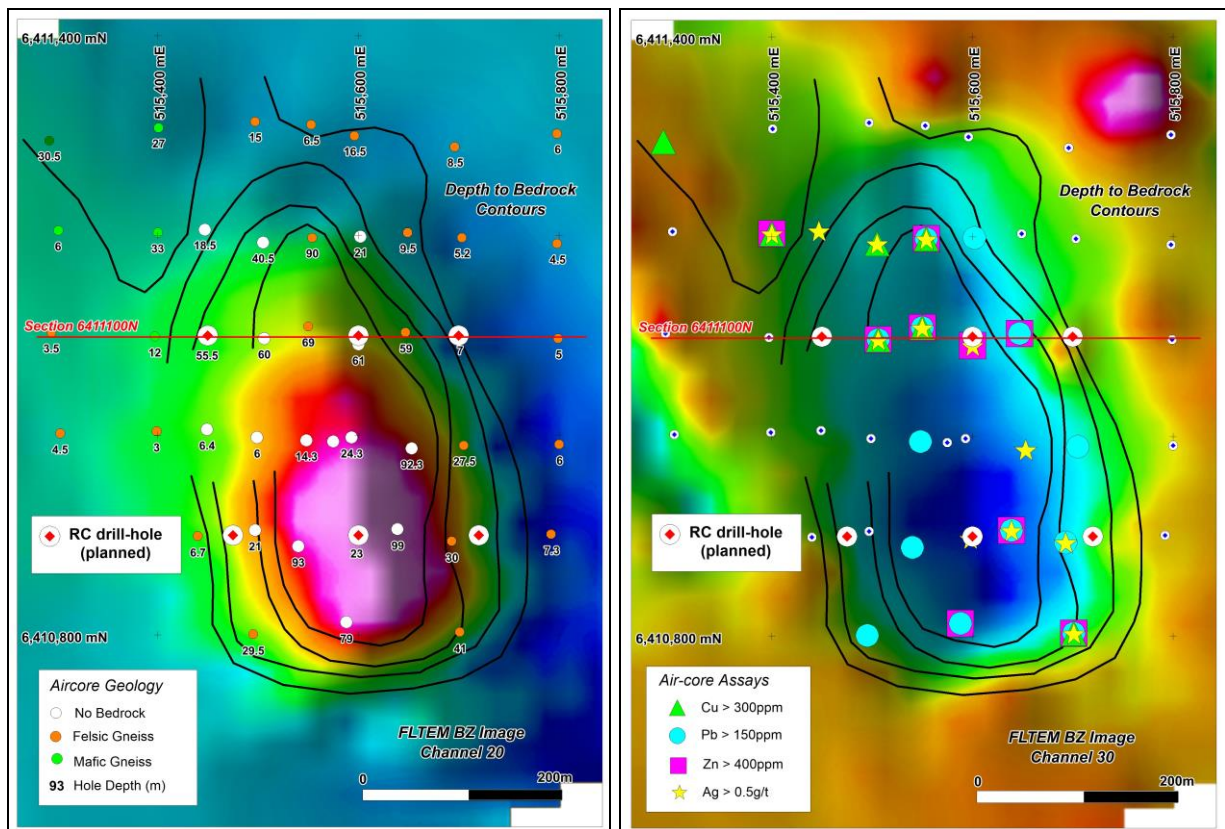


Figure 5: Balladonia Telegraph Prospect – air-core drilling results and depth to bedrock contours.

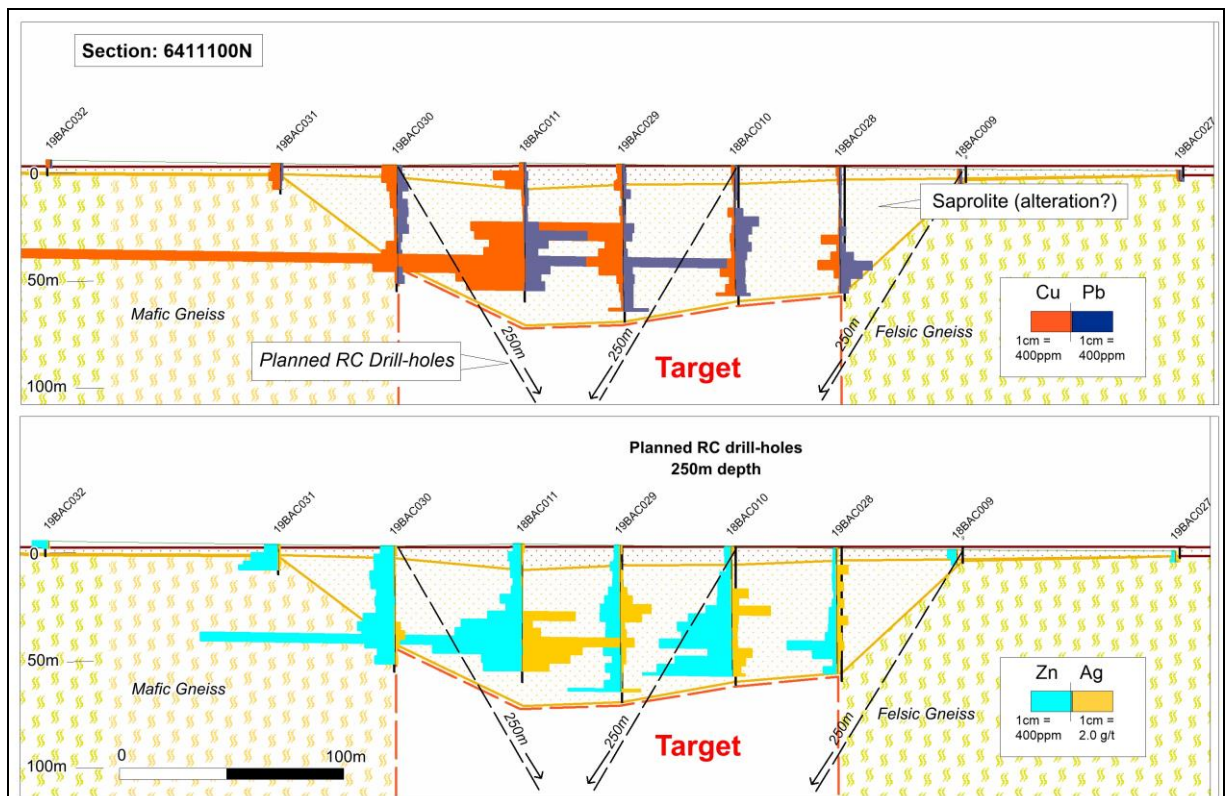


Figure 6: Telegraph Section 6411100N showing air-core results and planned RC drill-holes.

Many drill-holes within the main target area failed to reach bedrock as they either ended in hard, siliceous layers within the saprolitic clays (weathered bedrock) or the depth of

weathering/alteration was too deep for the air-core system to penetrate.

A 6-hole Reverse Circulation (RC) drilling program (~1,600m) is planned to test for

base metal mineralisation beneath the current level of drilling (*Figure 5 and 6*). All necessary approvals for the drill program have been received and a drilling contract has been signed. Access and site preparation work has been initiated and drilling is expected to commence around mid-November. The program is estimated to take approximately two weeks to complete with assays expected within one month of completion of drilling.

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 Licences covering an area of ~520km². Exploration is targeting Iron-Oxide Copper-Gold (IOCG) mineralisation beneath the extensive cover in the region. Limited historical drilling designed to test magnetic and gravity targets has provided evidence for “near-miss” situations which will be the focus of the Company’s exploration program. Exploration work at Hamilton is being funded by South32.

During the Quarter, reconnaissance diamond drilling (4 holes/1,447m) was completed at the Winton South prospect to test an IP/gravity target located ~500m north of historical drill-hole WD02009, which provided strong indications (potassic alteration) of a nearby IOCG system.

The wide-spaced (~400m) drill holes were positioned to provide a drill-section across both the IP/gravity and magnetic anomalies, in order to identify possible vectors to mineralisation and provide an understanding of the geological setting beneath the thick (~200m) Cretaceous cover.

Anomalous copper values (9m @ 0.11% Cu) intersected in drill-hole HMDD03 are considered to be significant given the wide spacing of drill-holes, as they are associated with advanced argillic alteration (strong depletion in manganese, magnesium and zinc) that is often found within IOCG systems. Hole HMDD03 is located at least 500m south-west of historical drill-hole WD02009.

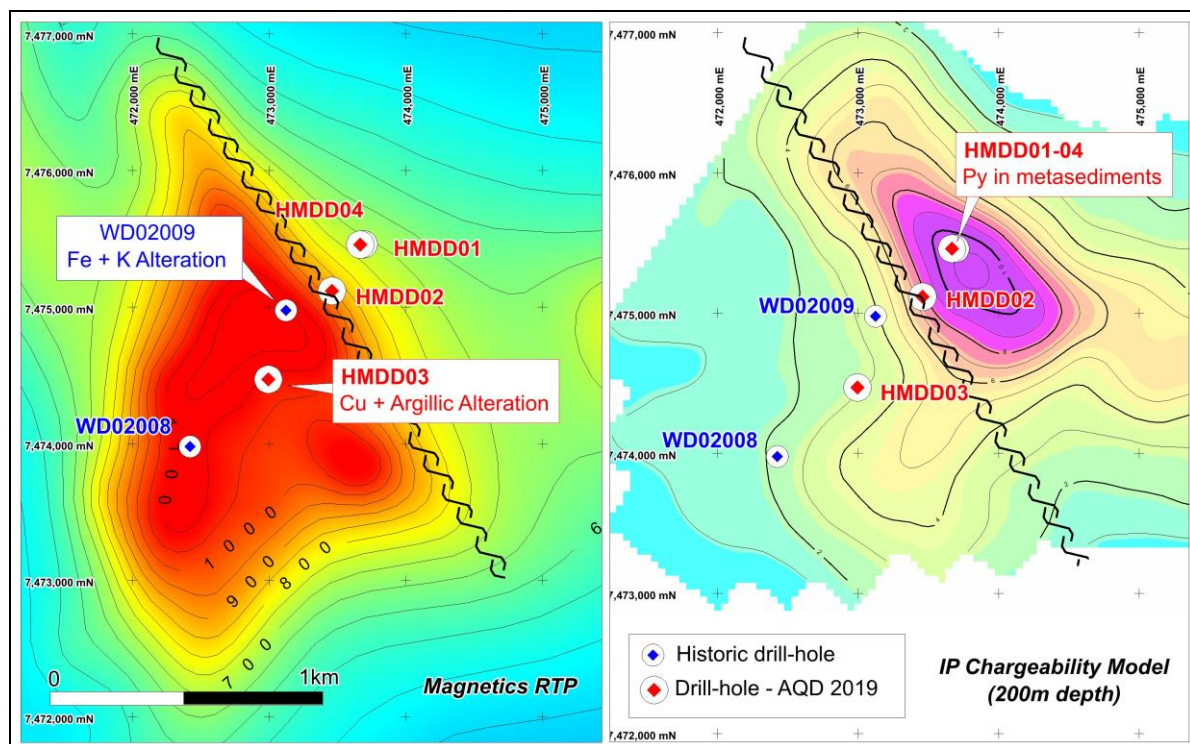


Figure 7: Hamilton Project showing recent drill-hole locations

Drill holes HMDD01 and 04, drilled to test the IP anomaly, intersected sulphidic and graphitic metasediments, effectively

explaining the cause of the strong IP response. Anomalous lead (0.17% Pb), zinc (0.63% Zn) and silver (2.3g/t Ag) reported

over a 5m thick section within the metasedimentary sequence are being assessed for regional implications but are currently thought to reflect values commonly found within metasedimentary rocks in this region.

Drill core samples from historical drill-holes WD02008, WD02009 and WD02010 have been provided by South32 and submitted for re-analysis in order to obtain a more complete assessment of the prospect before further drilling is considered under the Strategic Alliance Agreement (SAA). Assays are pending.

Computer modelling of the detailed aeromagnetic data was initiated to help identify potential target areas close to drill-holes WD02009 and HMDD03. Magnetic susceptibility measurements on core are being used to provide control for the modelling.

Tangadee Zinc Project (100% AQD subject to SAA)

The Tangadee Zinc Project is located ~150km south-west of Newman within the Edmund Basin of WA. It consists of one

Exploration Licence covering an area of ~280km². 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 the potential for sediment-hosted zinc mineralisation. Exploration work at Tangadee is being funded by South32.

During the Quarter, reconnaissance soil sampling was completed over favourable structural and stratigraphic positions to identify areas of potential interest for sediment-hosted zinc.

A total of 238 soil samples were collected along lines 500m to 1,000m apart at intervals of 100m across the potential host rock sequence (mudrocks). Anomalous zinc (up to 1,950ppm Zn) and copper values (up to 1,200ppm Cu) coincident with elevated Pb, Cd, and As as well as anomalous Thallium (up to 9ppm Tl) outlined a priority target area within the core of a large-scale synclinal structure intersected by regional scale faulting (Figure 8).

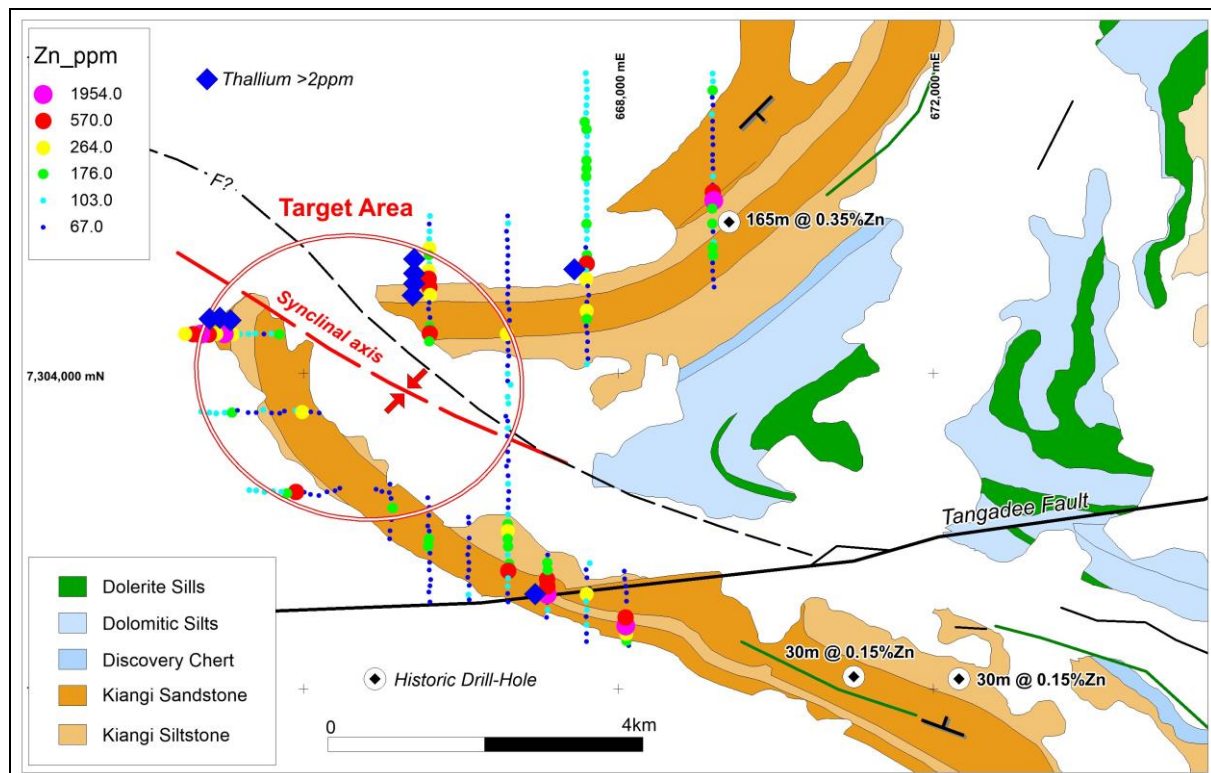


Figure 8: Tangadee Zinc Prospect showing reconnaissance soil sampling results

Follow-up sampling over the core of the structure either by in-fill surface sampling or shallow drilling will be proposed for consideration under the SAA to identify possible targets for drilling.

New Opportunities

Tenements over the Gunanya and Runton 1 prospects were granted in October with the remainder of applications (four) located in the Paterson Region of WA expected to be granted over the coming months. Field work over these titles (total area ~2,900km²) is being planned for 2020.

The Paterson Region is considered to be highly prospective for copper and gold following the discoveries of the Winu and Havieron deposits by Rio Tinto and Greatland Gold (now Newcrest JV), which enhanced the already excellent copper-gold pedigree of the region.

CORPORATE

At the end of September 2019, the Company's cash position was approximately \$1.2 million, with ~\$2.0 million of additional funding for drilling in Peru expected from South32 during the December Quarter.

During the Quarter a Prospectus to raise up to \$2.4 million via a Placement (\$0.5 million) and Rights Issue to shareholders (~\$1.9M) was lodged with the ASX to advance the Company's early-stage exploration projects in Australia and Peru. Details of the Rights Issue and the Placement were released to the ASX on the 16th, and 17th of October and the Prospectus with an Entitlement and

Acceptance Form was sent to eligible shareholders on 25 October 2019.

KEY ACTIVITIES – DECEMBER 2019 QUARTER

- Balladonia (Ni-Cu) – Complete RC drilling at the Telegraph base metal prospect;
- Hamilton (Cu-Au) – Complete assessment of drilling results at Winton South;
- Tangadee (Zn) – Follow-up sampling of key structural target area – forward planning;
- Peru (Cu-Au) – Commence Stage 2 diamond drilling at Cerro de Fierro;
- Peru (Cu-Au) – Complete expanded mapping/sampling program at Cerro de Fierro;
- Peru (Cu-Au) – Complete detailed mapping over soil Cu target areas at Parcoy;
- Peru (Cu-Au) – Submit applications for Drill Permits at Parcoy and Cerro de Fierro;
- Peru (Cu-Au) – Recce sampling over selected AQD projects for SAA consideration;
- Australia (Base metals) – Identify new opportunities for the SAA; and
- Peru (Base metals) – Identify and 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.

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 September 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	151	151
1.2 Payments for		
(a) exploration & evaluation	(1,430)	(1,430)
(b) development	-	-
(c) production	-	-
(d) staff costs	(38)	(38)
(e) administration and corporate costs	(140)	(140)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(2)	(2)
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other :		
Funding received from South 32 under the Strategic Alliance Agreement	791	791
R&D Refund	-	-
1.9 Net cash from / (used in) operating activities	(668)	(668)

2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(6)	(6)
	(b) tenements (see item 10)	-	-
	(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)	-	-
2.6	Net cash from / (used in) investing activities	(6)	(6)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
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)	-	-
3.10	Net cash from / (used in) financing activities	-	-

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,817	1,817
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(668)	(668)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(6)	(6)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	55	55
4.6	Cash and cash equivalents at end of period	1,198	1,198

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	1,198	1,817
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,198	1,817

6. Payments to directors of the entity and their associates

6.1 Aggregate amount of payments to these parties included in item 1.2

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

**Current quarter
\$A'000**

63

-

Payment of director and consulting fees.

7.	Payments to related entities of the entity and their associates	Current quarter \$A'000
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	
	-	

8.	Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$'000	Amount drawn at quarter end \$'000
8.1	Loan facilities (Loan and Convertible Note)	-	-
8.2	Credit standby arrangements	-	-
8.3	Other	-	-
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.		

9.	Estimated cash outflows for next quarter	\$A'000
9.1	Exploration and evaluation	(1800)
9.2	Development	-
9.3	Production	-
9.4	Staff costs	(70)
9.5	Administration and corporate costs	(150)
9.6	Other (provide details if material)	-
9.7	Total estimated cash outflows	(2020)

Mining exploration entity and oil and gas exploration entity quarterly report

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	E52/3501 E52/3502 E52/3585 E52/3642 E52/3643 E52/3736	-	100% 100% 100% 100% 100% 100%	Nil Nil Nil Nil Nil Nil
10.2	Interests in mining tenements and petroleum tenements acquired or increased				

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: ...(signed electronically).....

Date: 30 October 2019

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.