



## Quarterly Report – 31<sup>st</sup> March 2016

### HIGHLIGHTS

#### **Peru – Copper-Gold**

- Access and site preparation for diamond drilling commenced in the south of Peru under the Puite-Colorada and Cardonal Joint Ventures. Two drill rigs are expected on site in early May 2016.
- The total programme, comprising up to 37 drill-holes for 20,000m of drilling across four porphyry copper-gold prospects, is expected to take 4-5 months to complete.
- Analysis of rock geochemistry has upgraded the prospectivity of the Cerro de Fierro prospect, highlighting extensive potassic alteration in the volcanics and significant copper values surrounding the targeted magnetic anomaly. A buried IOCG (manto) model has been invoked.
- Joint Venture presentations were initiated for the Chololo and Cerro de Fierro prospects, both of which are at the drill-ready stage.

#### **Australia – Nickel-Copper**

- Potential host rocks for nickel-copper sulphides identified at four of the 12 magnetic targets tested by aircore drilling at the Gibson Soak Project.
- Gravity surveys over the Jimberlana Dyke prospect suggest that potential trap sites for nickel-copper mineralisation along the floor of the intrusion occur close to surface (<500m), near the western limit of the Dyke.
- Tenements covering a new nickel-copper project at Glenayle and a zinc project at Bluebilly in WA were granted.

#### **West Africa – Gold**

- AusQuest has been advised by Ressources Burkinor Sarl, a wholly-owned subsidiary of TSX-listed SEMAFO Inc., that it has completed the First Earning Stage (65%) of the Banfora Joint Venture and has elected to continue to earn an additional 15% equity, which requires further expenditure of US\$1.17M (i.e. total US\$7.5M) before April 21<sup>st</sup> 2017.
- The budget for the Banfora Joint Venture Project has been set at US\$650,000 for 2016.

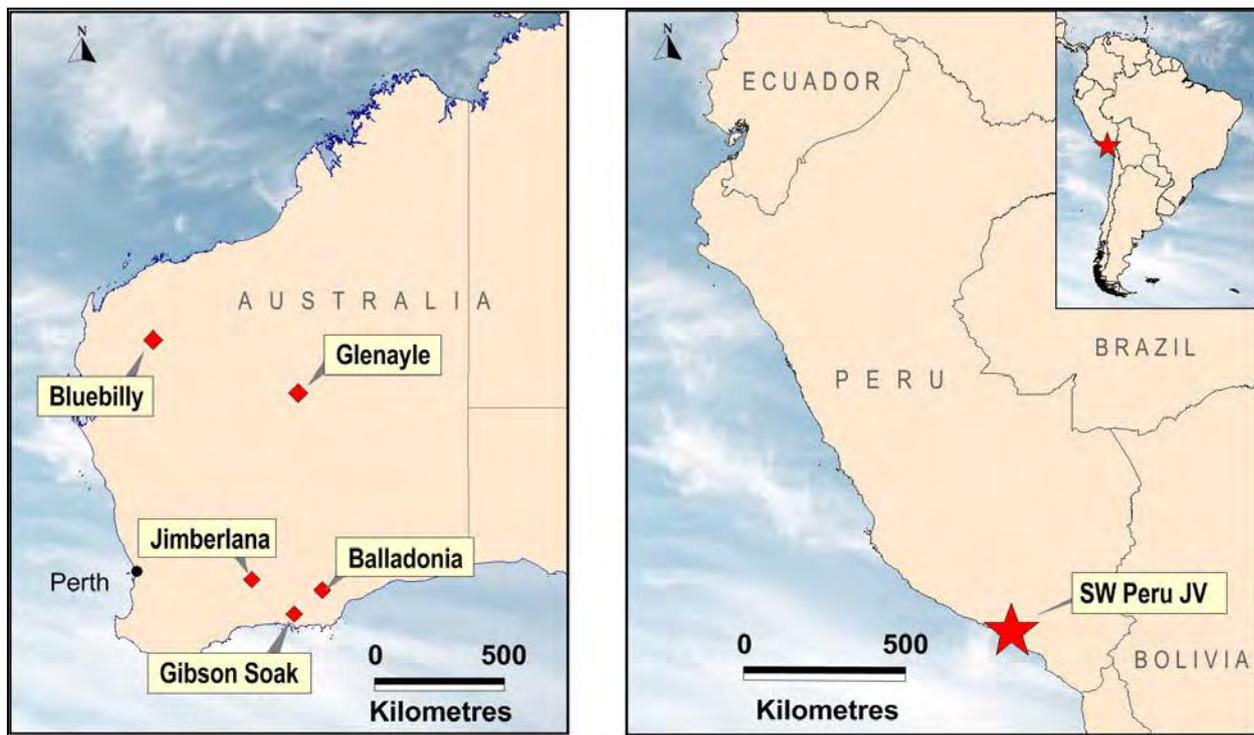


Figure 1: Project Locations – Australia and Peru

## OVERVIEW

Drilling operations in the south of Peru continued throughout the Quarter with the completion of the programme at Lana and the commencement of access preparations for drilling in the Puite-Colorada and Cardonal projects near the coastal town of Ilo. The Company also continued to make progress with its nickel-copper projects in the Fraser Range and also secured the grant of tenements covering new nickel-copper and zinc projects in Western Australia.

In **Peru**, drilling at the Lana prospect failed to test the gravity target, as the cover sedimentary sequence was much thicker than expected.

Access and drill site preparation for drilling at the Puite, Colorada, Cardonal and Ventana porphyry copper-gold prospects commenced in April with two diamond drill rigs expected on site in early May.

Under the Puite-Colorada and Cardonal Joint Ventures established last year with Compania Minera Zahena SAC (“Zahena”), up to 20,000m of diamond drilling will be completed before the end of 2016 as part of commitments to earn equity in the four porphyry copper-gold prospects. The total

programme, comprising up to 37 drill-holes, is expected to take 4-5 months to complete.

Discussions also continued with third parties interested in possible joint ventures over two of the Company’s prospects (Chololo and Cerro de Fierro) which are at the drill-ready stage.

In **Western Australia**, aircore drilling at the Gibson Soak Project identified potential host rocks for nickel-copper mineralisation in at least four locations and initial gravity surveys at Jimberlana confirmed that potential trap-sites near the base of the prospective Jimberlana Dyke are within relatively easy reach of the surface. Planning for drilling EM/magnetic targets at Balladonia also continued, and is now planned to commence later in the year.

In **West Africa**, the Company’s joint venture partner, Burkinor SARL, advised that it had fulfilled the requirements of the First Earning Stage and was electing to continue expenditure under the Joint Venture to earn an 80% interest in the project. The budget for 2016 was set at US\$650,000 which will be used for auger drilling programmes to identify further targets for drilling.

**PERU COPPER-GOLD JV PROJECTS** (100% AQD, JV partners earning to 70%)

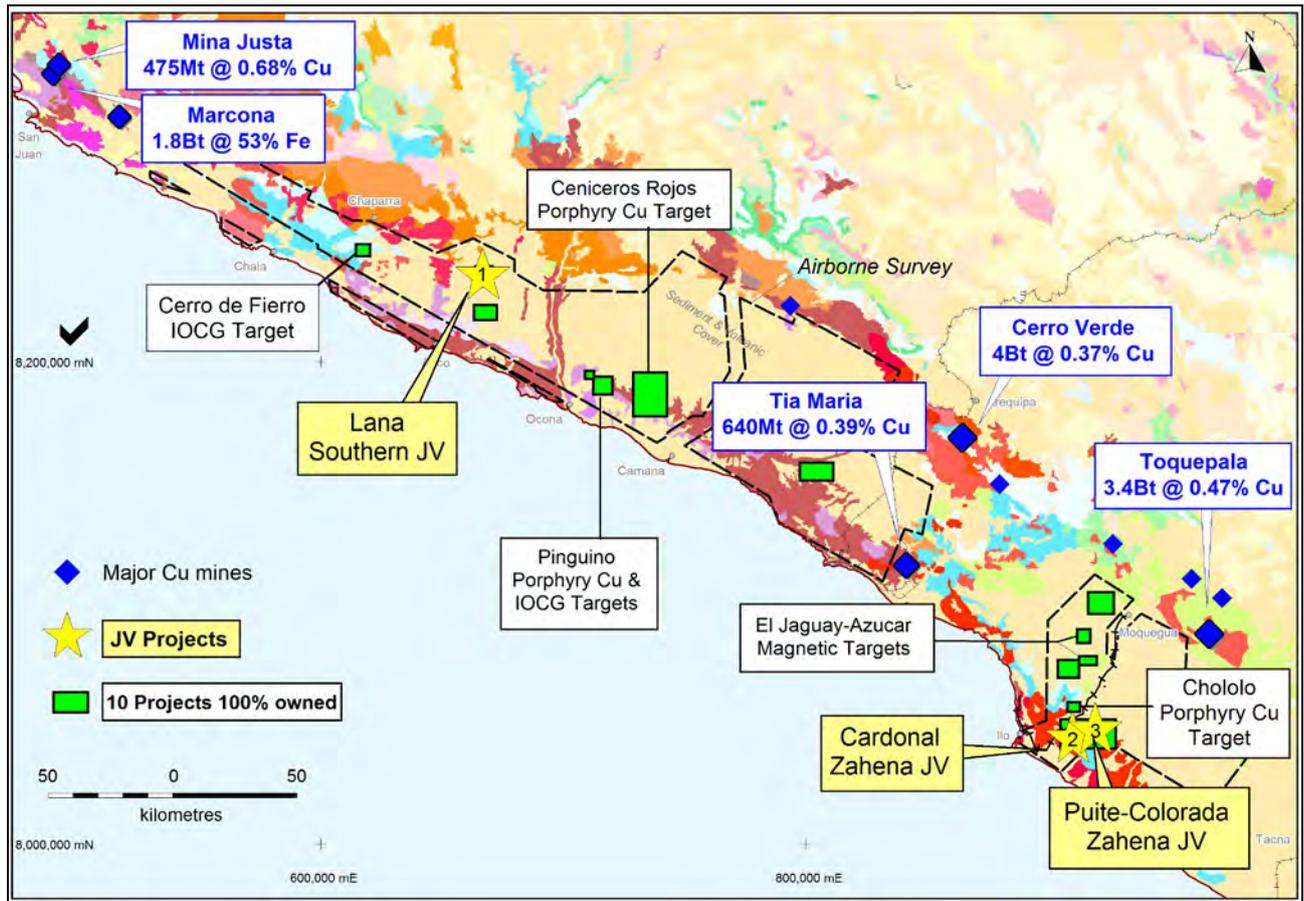


Figure 2: Peru Project Locations

During the Quarter, diamond drilling at the **Lana** prospect continued with five holes for 2,647m completed, to test a large scale gravity anomaly for possible mineralisation located below the sedimentary cover. All holes were drilled vertically to depths ranging from 460m to 550m, but failed to penetrate the cover sequence. The cause of the gravity anomaly was not intersected. As a consequence of the deep cover, Southern Copper Peru elected to withdraw from the joint venture.

Under the Cardonal and Puite-Colorada Joint Venture Agreements with Compania Minera Zahena SAC (“Zahena”), access and site preparation for diamond drilling commenced in early April (Figure 4). Two diamond drilling rigs have been contracted to complete the programme, which will begin at

the Puite prospect where nine drill sites have been prepared. Drilling operations in the Ilo area are expected to commence in early May and continue for 4-5 months.

The total programme will see up to 37 drill-holes and 20,000m of drilling completed across four large porphyry copper-gold prospects that have not previously been tested by drilling. The Company is excited at the possibility of a new porphyry copper cluster being discovered in this area (Figure 3).

After **Puite**, drilling will progressively test targets at the **Cardonal** (6 drill-holes), **Ventana** (13 drill-holes) and **Colorada** (9 drill-holes) prospects, with drilling priorities to be set as results are returned.

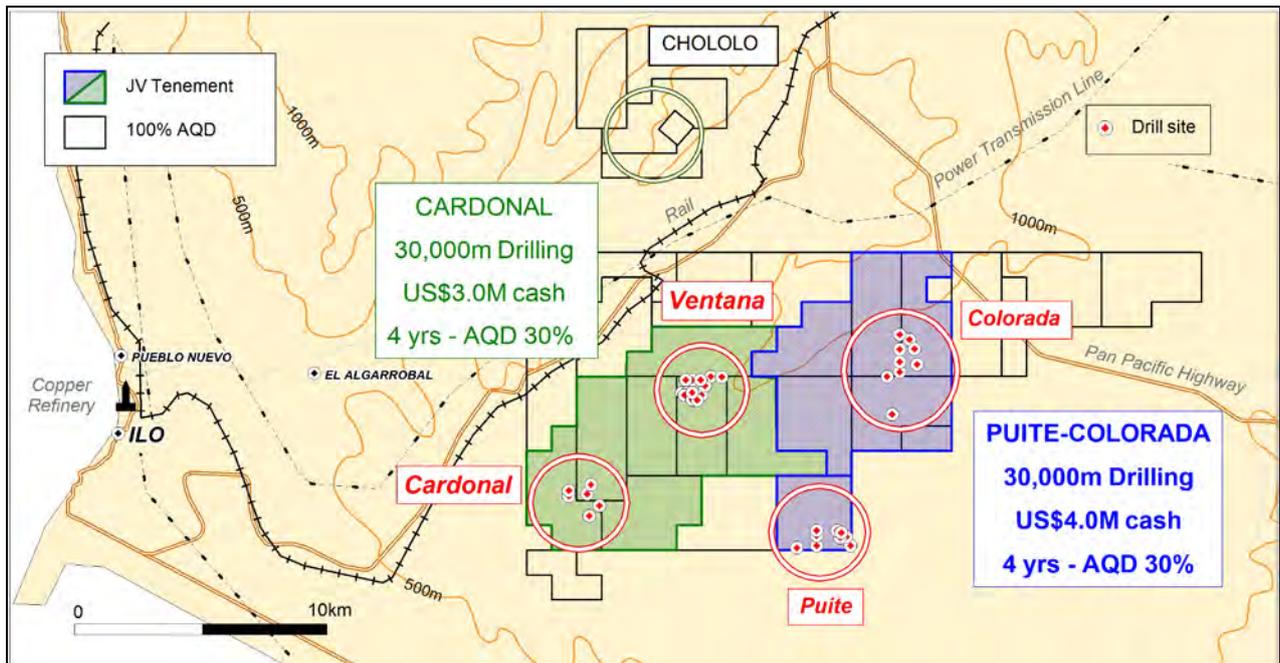


Figure 3: Joint Venture Prospects in the Ilo area showing drill-hole locations.

Under the Cardonal and Puite-Colorada Joint Venture Agreements, Zahena is required to complete a minimum 10,000m of diamond drilling or spend not less than US\$1.5 million within each joint venture area prior to the anniversary date of the agreements (October 8<sup>th</sup> and December 28<sup>th</sup> 2016 respectively) to satisfy joint venture conditions.

In order to earn a 70% interest in the projects, Zahena must then complete an additional 20,000m of drilling within each Project and make staged cash payments to

AusQuest totalling a further US\$3.925 million for Puite and US\$2.925 million for Cardonal over the following 3-year period.

Drill permitting for the amended drill programmes within both the Cardonal (19 holes) and Puite-Colorada (18 holes) Joint Venture Projects is in its final stages and is now expected to be completed around the end of April, with drill rigs ready to commence drilling as soon as the first permit is received.



Figure 4: Drill site preparation at the Puite Prospect

## PERU COPPER-GOLD PROJECTS

(100% AQD)

Over the past five 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.

During the Quarter, field work focused on completing geological mapping and sampling at the **Cerro de Fierro** prospect, located ~30km from the town of Chala and 130km south-east of the Mina Justa copper deposit.

The prospect was originally identified from

aeromagnetic data as a potential iron-oxide copper-gold (IOCG) target, extending over an area several square kilometres in size. Previous work had located copper mineralisation in the area but failed to identify the cause of the discrete magnetic response and any relationship between copper mineralisation and magnetics.

A total of 624 rock samples has been collected as part of the mapping and sampling programme with numerous copper values in excess of 0.1% Cu reported and 35 samples returning values in excess of 1% Cu.

A detailed analysis of the rock-chip geochemical database identified a range of metal associations and metal patterns which suggest that the buried magnetic target could be central to a large-scale redistribution of metals (Cu, Ag) within the volcanic sequence which may reflect roof-rocks to a potential IOCG (manto) style target at depth (Figure 5).

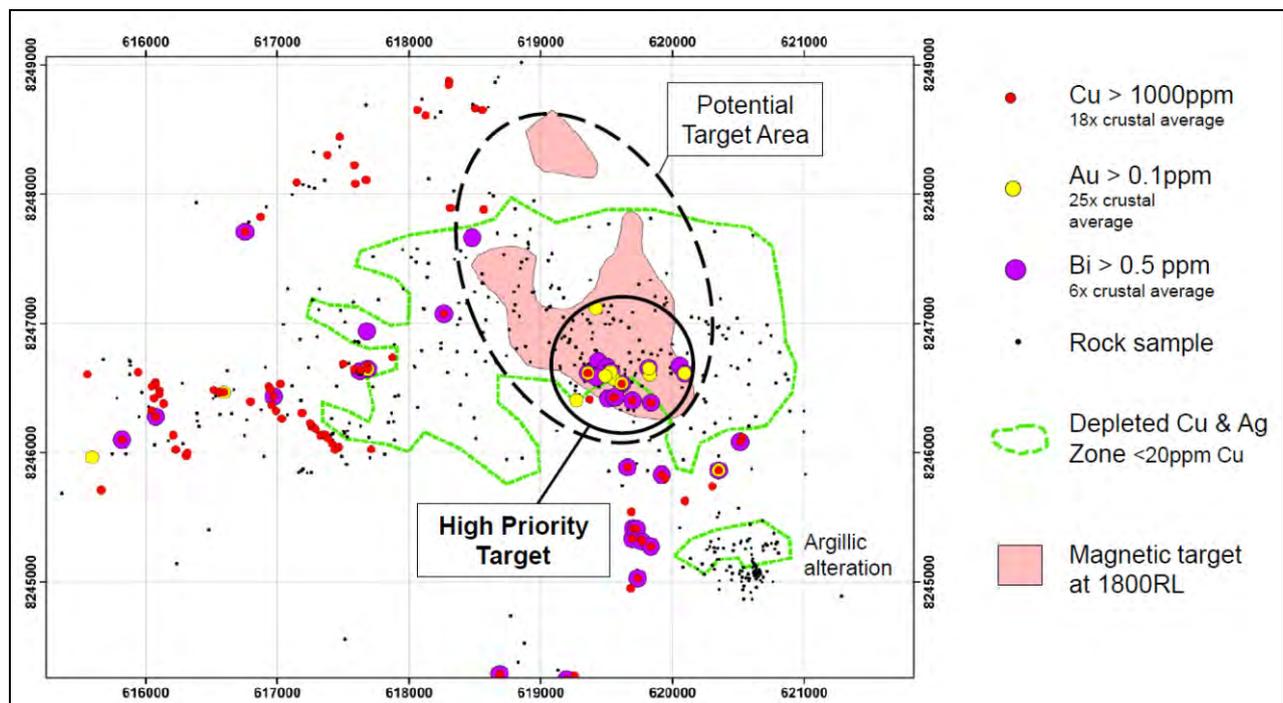


Figure 5: Cerro de Fierro: Metal distribution surrounding buried magnetic target.

A regional scale potassic alteration signature covering many tens of square kilometres was also recognised from the geochemical data (and confirmed by the airborne radiometric data) with higher copper and silver values generally associated with increasing amounts of potassic alteration. A late leaching event

appears to have overprinted the volcanic rocks in the vicinity of the magnetic anomaly, outlining a possible zone of copper depletion above the magnetic target.

Anomalous bismuth ( $\text{Bi} > 0.5\text{ppm}$ ), and gold ( $\text{Au} > 0.1\text{ppm}$ ), which represent less mobile

elements than copper, were found to coincide with the southern portion of the magnetic target where modelling indicates the target is relatively shallow (~50m to 100m), highlighting a priority target for drilling. Skarn-type veins which suggest potential for a mineralised system at depth also occur in this area. A detailed report on the geology and geochemistry is in preparation.

Discussions with interested parties were initiated to assess the possibility for a joint venture over this property.

At the **Chololo** prospect, a detailed study of the rock geochemical data and mineralogical data as provided by Short Wave Infrared (SWIR) analysis of rock samples, identified areas of preserved lithocap containing high temperature minerals (Na-alunite and pyrophyllite) suggesting close proximity to a preserved porphyry system at depth. The presence of anomalous immobile metals within the basal lithocap (Mo >10ppm, As >50ppm and Sb >5ppm) suggest the porphyry is likely to be mineralised (+Cu) (*Figure 6*).

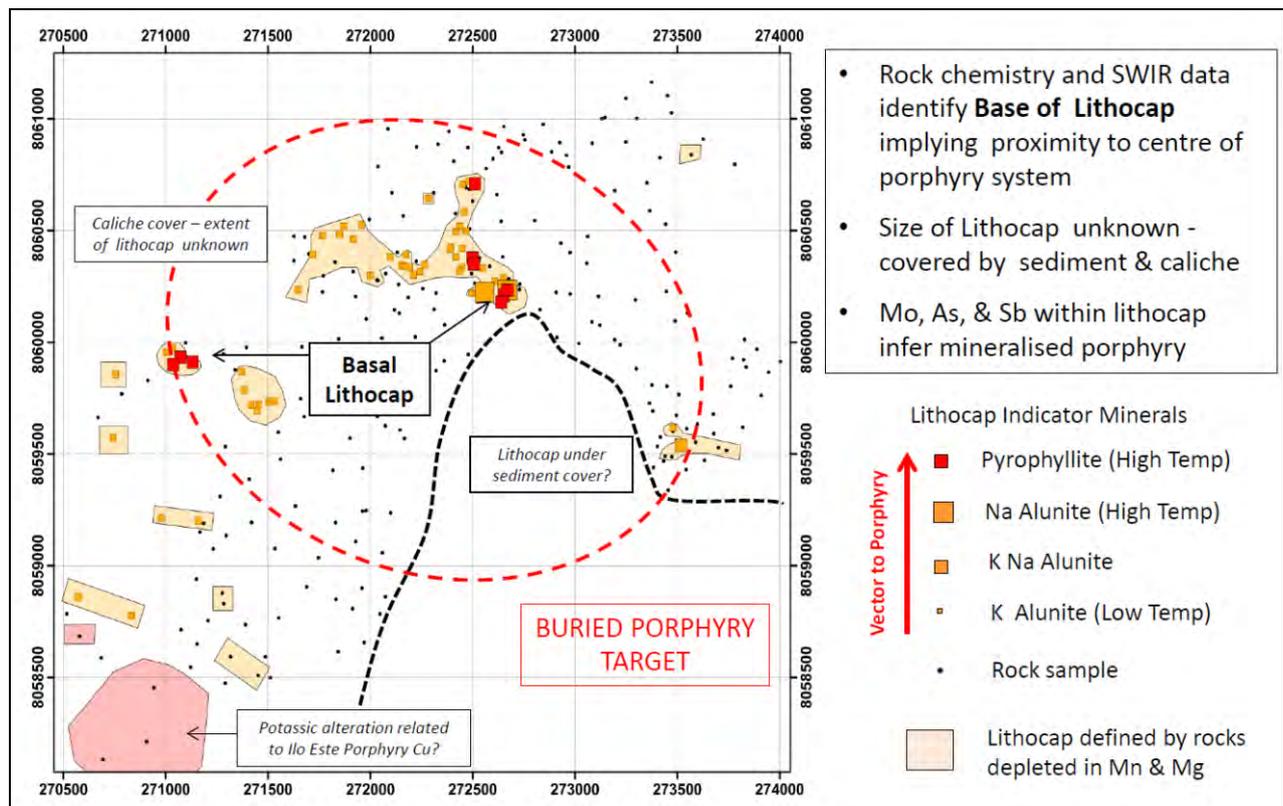


Figure 6: Chololo showing interpretation of rock geochemical data.

The Chololo prospect is located approximately 20km north-east of the port of Ilo, close to power and transport infrastructure. The prospect is at least 3km<sup>2</sup> in size and occurs along the Chololo Fault approximately 3km north-east of a known porphyry copper occurrence at Ilo Este.

Discussions with third parties who have expressed interest in a possible joint venture over the Chololo tenements are continuing.

The Company continues to be encouraged by the progress being made at its Peruvian projects, and plans to continue evaluating its

extensive portfolio of large porphyry copper and/or IOCG targets with the aim of advancing prospects to the drilling stage before seeking joint venture partners to fund drilling.

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

**Balladonia Ni-Cu Project (100% AQD)**

The Balladonia Project is located ~50km south of the Nova-Bollinger nickel-copper deposit. It consists of four Exploration Licences covering an area of ~1,850km<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.

Drilling of the EM targets which are closely associated with interpreted cross-cutting mafic intrusions is still in the planning stage. Drilling is being scheduled for later in 2016.

### **Gibson Soak Ni-Cu Project (100% AQD)**

The Gibson Soak Project is located ~30km north of the port of Esperance, within the broader Fraser Range terrain. The tenements

cover an area of ~960km<sup>2</sup>, centred on a regional north-east trending gravity high with similarities to the Fraser Range Complex and cover major north-east trending structures thought to host mafic-ultramafic intrusions prospective for nickel sulphides.

During the Quarter, aircore drilling (38 holes for a total of 1030m) was completed along public access roads to test 12 targets identified from aeromagnetic data as possible mafic intrusions. Olivine gabbros and ultramafic rocks were reported from four of the targets tested confirming the presence of potential host rocks for nickel-copper sulphides at these locations (Figure 7).

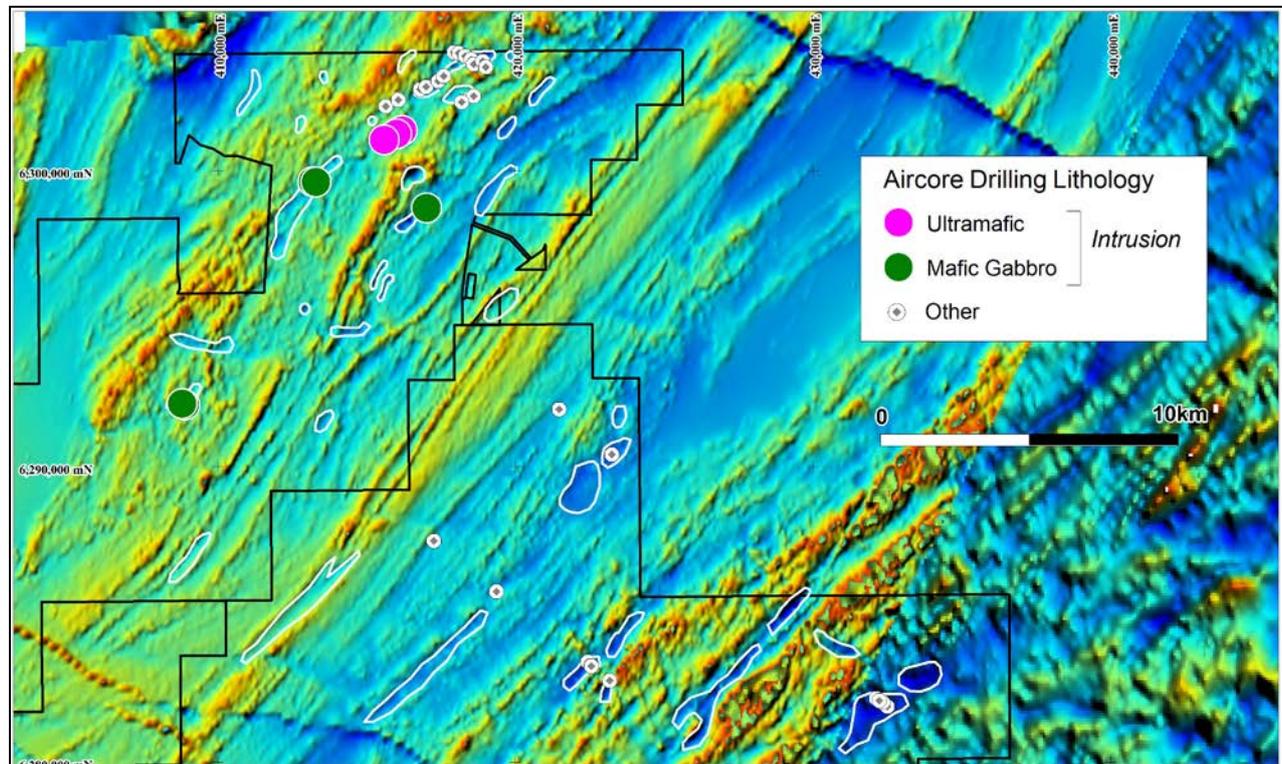


Figure 7: Gibson Soak aircore drilling showing location of prospective intrusions.

Geochemical results and petrological studies confirm similarities with other known gabbroic intrusions that occur within the Fraser Range domain further to the north.

Ground EM surveys will now be planned to locate potential massive sulphide targets for deeper drilling. All prospective targets are located within the confines of the regional gravity anomaly and within farm land north of Esperance. Access to these areas is still to be obtained.

### **Jimberlana Ni-Cu Project (100% AQD)**

The Jimberlana Project, which is located ~120km west of Norseman between the Lake Johnston and Forrestania Greenstone Belts, consists of two Exploration Licences (273km<sup>2</sup>) covering the western extension (~50km strike) of the Jimberlana Dyke. Recent research has recognised a strong association between intrusive related nickel sulphide deposits and lateral/horizontal

magma flow within dykes that can create effective trap-sites for the accumulation of massive nickel sulphides at or near the base of these chonolithic type structures. Within Australia, the Jimberlana Dyke is believed to be a prime target for this style of deposit. Jimberlana is a very large, fertile, fractionated intrusion known to contain nickel sulphides in a number of locations along its strike length, but has had no previous exploration (drilling) targeted at its basal section.

During the Quarter, interpretation of the detailed gravity survey over the Dyke was completed. Residual bouguer gravity responses varied from 1 to 2 milligals in the

west to 5 to 6 milligals in the east with the highest amplitudes coinciding with areas where the dyke is widest and magnetic data suggests the presence of a relatively unaltered ultramafic core.

Modelling of the gravity data using a density contrast of 0.5g/cc between the Dyke and the granitic country rock indicates depths to the base of the intrusion are shallowest (~200m) at its western limit and deepest (~700m) in the east. Several sudden changes in modelled depths are apparent and thought to reflect either a primary variation near the base of the dyke or possibly structural displacements (Figure 8).

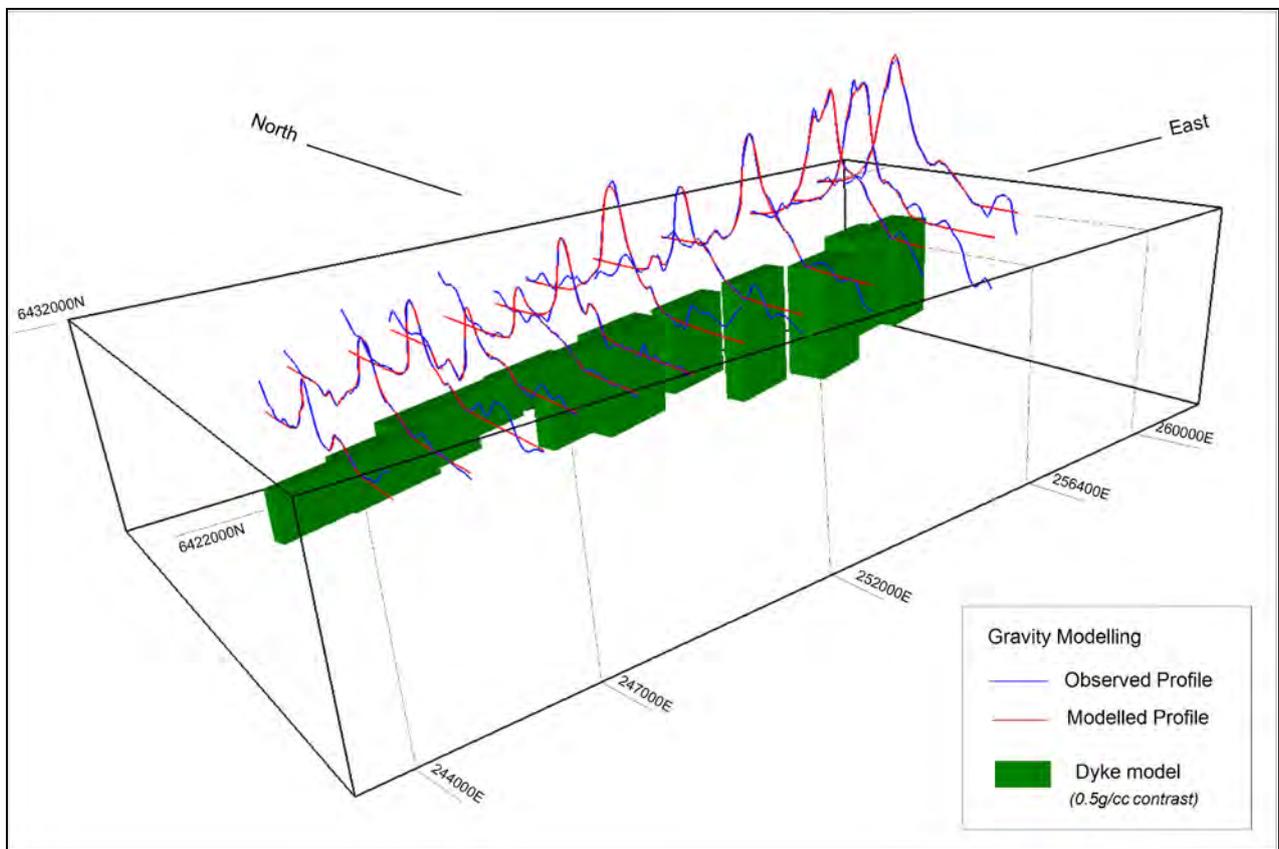


Figure 8: Jimberlana gravity modelling showing the basal contact shallowing to the west.

Interpretation of aeromagnetic data suggests the basal section of the Dyke may be more complex than indicated by the gravity, with narrower dyke-like bodies possibly extending below the base of the intrusion. In either case a major change in floor geometry of the intrusion is inferred at depths that can be effectively explored with current EM techniques.

The Company believes that the western limit of the Jimberlana Dyke provides a unique opportunity to explore the basal section of this highly fertile intrusion where the potential for large accumulations of nickel-copper sulphides is considered high.

## New Projects (100% AQD)

Tenements over two new projects identified by the Company's consultants were granted during the Quarter.

The **Glenayle Project** is located along the northern margin of the Yilgarn Craton in Western Australia and will be explored for **nickel-copper** sulphide deposits similar to the Nova-Bollinger discovery in the Fraser Range, which is located along the eastern margin of the Craton. Tenements cover the basal section of large mafic sill complex where available magnetic and geochemical data suggest there are ultramafic rocks under cover that have never been explored. Heritage Agreements are still being finalised to allow access and initial reconnaissance mapping and sampling in the area.

The **Bluebilly Project** is located within the Edmund Basin in Western Australia and is targeting sedimentary **zinc** deposits similar to those found in the Mt Isa-Century District of north-west Queensland. Previous exploration in the area by Pasminco located many anomalous zinc values (up to 0.5% Zn) within a pyritic black shale horizon (the Blue Billy Formation) over ~10km of strike, which also contains indicators characteristic of a distal halo to SEDEX-style zinc mineralisation. The Company's tenement covers a potential regional scale growth fault and possible sub-basin ~10km down-dip from the known zinc occurrences (*Figure 9*).

A Heritage Agreement has been finalised to allow access for initial field reconnaissance in the area.

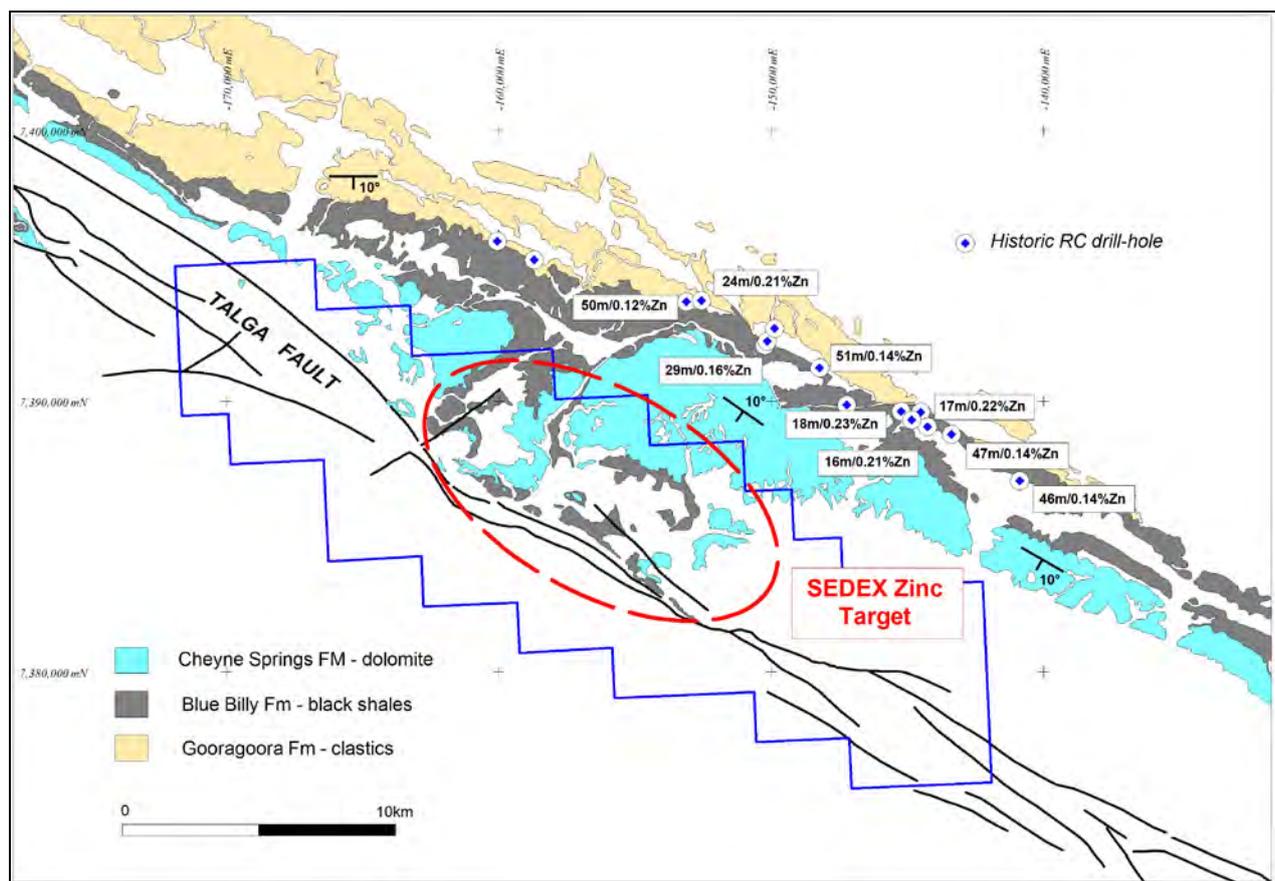


Figure 9: Blue Billy Zinc Project WA

## **GOLD – WEST AFRICA**

### **Comoe Project (AQD 35%, Ressources Burkinor SARL 65% earning to 80%)**

The Comoe Project is located near the town of Banfora in south-west Burkina Faso, West

Africa, within an extensive greenstone belt. AusQuest controls approximately 1,150km<sup>2</sup> of title within the Belt, which is now under a Farm-In and Joint Venture Agreement with Ressources Burkinor SARL, a wholly-owned subsidiary of TSX-listed SEMAFO Inc. Burkinor has now earned a 65% interest in

*the titles and has elected to earn a further 15% by spending a further US\$1.17 million before April 21<sup>st</sup> 2017. Burkinor is the operator of the JV.*

During the Quarter, the Company was advised that Burkinor had completed the First Earning Stage (65%) of the Banfora Joint Venture and has elected to continue to earn an additional 15% equity in the project. A detailed report of results for the First Earning Stage was provided.

Budgeted expenditure for 2016 has been set at US\$650,000 which will be used primarily on further auger drilling to define gold targets for possible deeper drilling in 2017.

## **BUSINESS DEVELOPMENT**

AusQuest continues to assess opportunities both within Australia and offshore to determine if they would add value to the Company, especially in areas of immediate interest.

## **CORPORATE**

The Company's cash position as at the end of March 2016 is approximately \$1.025M.

## **KEY ACTIVITIES – JUNE 2016 QUARTER**

### **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. The information presented in this report in relation to the Cenicerros Rojos and Dundas Projects is extracted from the ASX announcements dated 25 June and 20 July 2014 titled 'AusQuest Receives First Peru Drill Approval' and 'Fraser Range New Exploration Targets' respectively. The Competent Person responsible for that announcement is Mr. Graeme Drew. The report is stored on the ASX website under ASX- AQD, and on the Company's website at [www.ausquest.com.au](http://www.ausquest.com.au). AusQuest confirms that it is not aware of any new information or data that materially affects the information included in that announcement.*

### **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.*

The following activities are planned for the June 2016 Quarter:

- Jimberlana (Ni-Cu) – Planning for EM coverage over the Dyke to identify drill targets;
- Gibson Soak (Ni-Cu) – Access for ground EM surveys to test Ni targets;
- New Projects – Initial field reconnaissance to Blue Billy and/or Glenayle;
- Peru (Cu-Au) – Diamond drilling (JV funded) at the Puite Prospect;
- Peru (Cu-Au) – Diamond drilling (JV funded) at the Cardonal Prospect;
- Peru (Cu-Au) – Diamond drilling (JV funded) at the Ventana Prospect;
- Peru (Cu-Au) – Advance new prospects to drilling stage (mapping & sampling);
- Peru (Cu-Au) – Continue JV discussions over Chololo and Cerro de Fierro; and
- Comoe (Au) – Monitor results from Burkinor JV program.



Graeme Drew  
Managing Director