

Tuesday 24th February, 2015

AusQuest Limited – Secures copper-gold joint ventures worth up to \$34m – Speculative Buy

AusQuest Limited (ASX: AQD, Share Price: \$0.027, Market Cap: \$8m) has been on our Portfolio Watch-list for several years now, focused on big-picture exploration both here and abroad. Sadly, market conditions over recent years have worked against companies with ambitions of this type, but challenge has also brought opportunity. The company's exposure to the nickel potential of the Fraser Range province in WA, the copper-gold potential of Peru and gold potential of Burkina Faso is paying dividends.

AusQuest has successfully concluded three separate joint venture agreements worth up to \$34m with two leading South American copper companies, covering four large porphyry copper-gold targets in Peru.



Market Significance

AusQuest's share price reflects the enormous significance of these exploration joint venture deals, surging from a close of \$0.016 on Monday to a high of \$0.035 during today's (Tuesday's) trade. These deals differentiate AusQuest from its exploration sector peers in that they provide funding at a time when the taps have effectively been turned off for the vast majority of companies. The quantum of the funding also reflects the high quality of AusQuest's Peruvian projects and we anticipate further share price appreciation once the dust settles and accelerated exploration activity commences.

Announcement Detail

AusQuest has signed two landmark joint venture agreements covering three of its large-scale porphyry copper-gold targets in southern Peru with Compania Minera Zahena SAC (Zahena), whilst it has also finalised terms for a third agreement covering a fourth target with Southern Peru Copper Corporation Sucurs del Peru (Southern), which is now awaiting signature.

The combined value of the agreements is up to US\$26.5 million (~A\$34 million) in cash option payments to AusQuest (~A\$12.8 million) and in-ground exploration expenditure (A\$21.2 million) encompassing four of AusQuest's extensive portfolio of porphyry copper-gold targets.

Technical Significance

The new joint venture arrangements are enormously significant for several reasons. Firstly, they provide AusQuest shareholders with free-carried exposure through a series of aggressive exploration programs, whilst simultaneously aligning the company with a series of major companies in the region.

AusQuest shareholders will also benefit from having access to the financial and technical capabilities of these companies, which have ability to advance any discovery through to development and production.

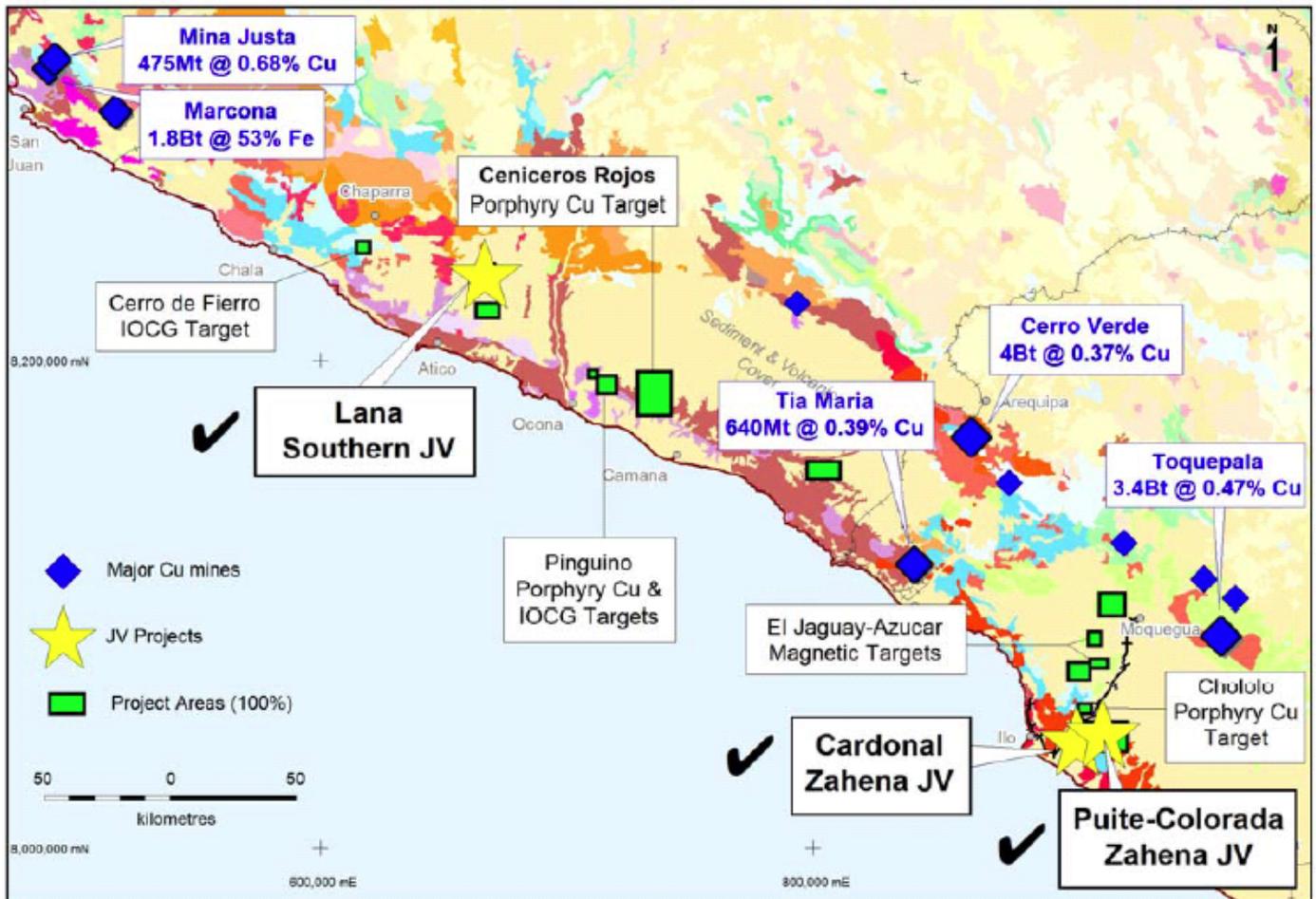
Furthermore, the farm-out deals eliminate the risk of AusQuest having to access funding in what is an extremely difficult ASX resource equity market environment, whilst also by association minimizing shareholder dilution.

Both Southern and Zahena are quality partners, being leading companies in the copper industry in Peru, with Southern producing more than 300,000 tonnes a year of copper (~US\$2.0 billion a year revenue) from its Toquepala and Cuajone mines in southern Peru, whilst Zahena is a major explorer in the region with strong technical expertise in porphyry copper exploration and a number of active exploration joint ventures.

Project Background

AusQuest, through its wholly-owned subsidiary Questdor, has been active in Peru since 2011, assembling an extensive portfolio of high-quality targets for porphyry and IOCG-style mineralization, utilising its proprietary airborne geophysical data sets. The targets are all situated with the southern coastal belt of Peru, close to infrastructure and major world-class deposits.

First-stage drilling of all four prospects is due to be completed within the next 12 to 18 months, with Lana expected to be the first target drilled. The agreements are structured to include both staged option payments to Questdor and expenditure towards drilling, with the farm-in companies to earn a 70% interest in the respective projects.



Burkina Faso

AusQuest also confirmed a major exploration program at its Banfora Gold Joint Venture Project in Burkina Faso, which includes plans to drill up to 39,000 metres of (RC and 150,000 metres of shallow auger drilling during 2015. Breakaway's joint venture partner is Ressources Burkinor, a wholly-owned subsidiary of TSX-listed SEMAFO Inc. The proposed budget for this work is estimated by Burkinor at ~US\$5.6 million, which includes a provision of US\$1.6 million which is dependent on results.

The program is now underway and is being managed by Burkinor, with RC drilling to provide an initial test of a range of gold targets identified from an auger sampling program completed during 2014. The extensive auger sampling program (400m x 25m grid) will focus on the eastern margin of the Banfora Greenstone Belt and test the entire Mouro Shear trend containing the Mouro South gold workings, within the confines of the joint venture tenements.

Summary

It is a very exciting time to be an AusQuest shareholder, with credible, big-picture exploration activity taking place on two fronts – Peru and Burkina Faso. We have therefore decided that now is the right time to upgrade the stock from our Watch-List to a Speculative Buy. The stock has exposure to up to \$41m worth of combined exploration funding, yet a market value of just \$8m.

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