



Quarterly Report – 31st December 2015

Maiden copper-gold drilling program commences in Peru with up to 25,000m of diamond drilling planned across five porphyry targets during 2016 by joint venture partners

HIGHLIGHTS

Peru – Copper-Gold

- ❑ **Maiden Joint Venture drilling program commenced** at the Lana porphyry prospect in Peru in late December: **up to 25,000m of diamond drilling** planned across five large porphyry copper-gold prospects during 2016 under newly established joint ventures.
- ❑ Discussions continuing for a **potential new joint venture over the Chololo porphyry copper project**.
- ❑ **Significant copper mineralisation** was located at the Cerro de Fierro prospect in faults and veins within the andesitic volcanics west of the magnetic target extending the prospective search area by several kilometres.

Australia – Nickel-Copper

- ❑ **Aircore drilling across selected magnetic targets** (possible mafic-ultramafic intrusions) in the Gibson Soak area in the Fraser Range region of WA scheduled to commence in February 2016.
- ❑ **Funding assistance of \$150,000 secured** under the ‘Western Australian Exploration Incentive Scheme’ (EIS) to **drill EM/magnetic targets at Balladonia** in the Fraser Range region, WA – drill planning is in progress.
- ❑ **A new conceptual nickel-copper project was secured** in Western Australia over the western end of the Jemberlana Intrusion.

West Africa – Gold

- ❑ **The 2016 programme and budget for the Banfora Project** in Burkina Faso is expected from the Company’s Joint Venture partner in the first Quarter 2016.

Corporate

- ❑ **First Option payment (US\$70,000) received** for the third Joint Venture Agreement (Puite-Colorada) in Peru, part of the Company’s newly established portfolio of joint ventures in Peru.

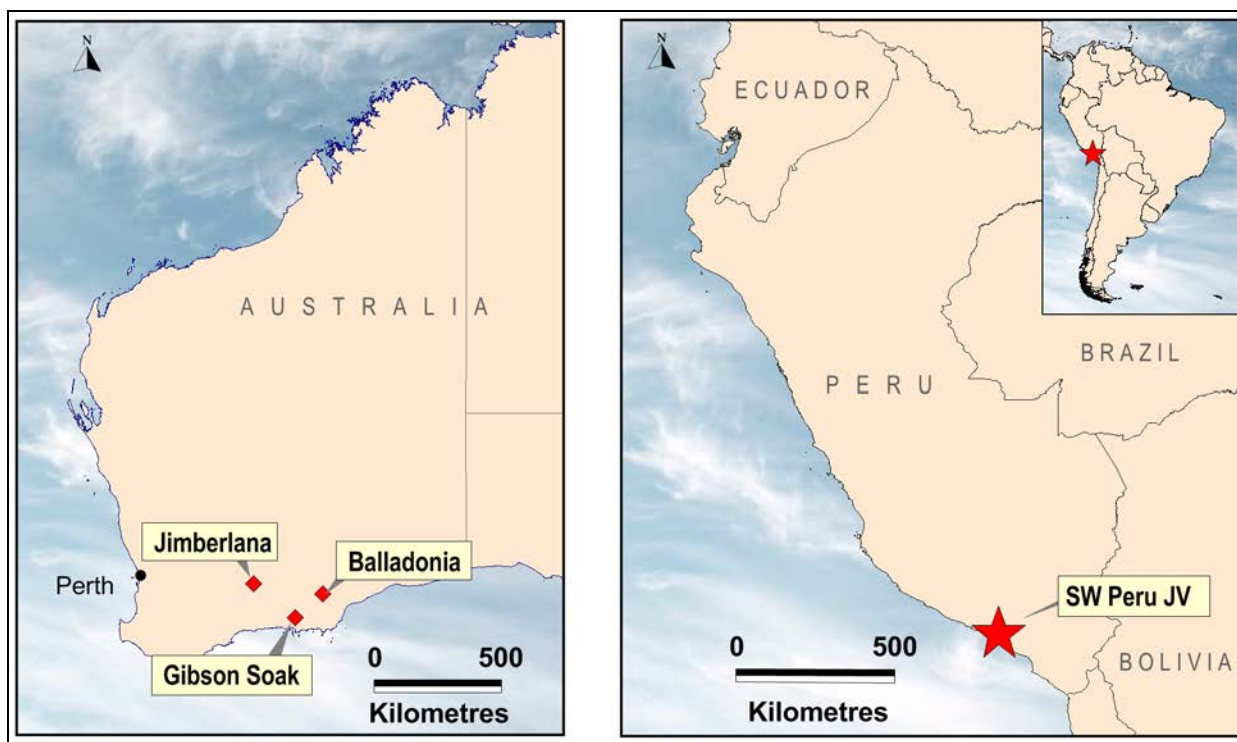


Figure 1: Project Locations – Australia and Peru

OVERVIEW

The commencement of drilling operations in the south of Peru marked a major milestone for AusQuest during the December Quarter. Under three separate Joint Venture agreements established with major companies in Peru last year, up to 25,000 metres of diamond drilling is expected to be completed before the end of 2016 as part of commitments to earn equity in five highly promising porphyry copper-gold prospects.

The Company also continued to make progress with its nickel-copper projects in Western Australia, with a successful application for funding assistance for drilling at Balladonia (Fraser Range) under the Government’s ‘Co-funded Drilling Initiative’ and the identification of a new conceptual nickel-copper prospect at Jimberlana where tenure has been secured.

In **Peru**, access preparations for diamond drilling at the Lana prospect were completed with drilling under the Joint Venture Agreement with Southern Peru Copper Corporation Sucurs del Peru (“Southern”) commencing late in the Quarter. This is the first of several large porphyry copper-gold

prospects scheduled to be drill tested by joint venture partners before the end of 2016.

Elsewhere, fieldwork concentrated on further advancing porphyry copper and/or IOCG prospects to the drilling stage, allowing drill permitting and possible joint venture discussions to be initiated.

In **Western Australia** drilling at the Balladonia and Gibson Soak Projects was delayed pending funding approval for Balladonia under the Government’s ‘Co-funded Drilling Initiative’ and improved ground conditions for drill access at Gibson Soak, near Esperance. Tenement applications covering a new conceptual nickel-copper target at the western end of the Jimberlana Intrusion were granted, allowing fieldwork to commence to provide proof of concept.

In **West Africa**, the Company’s joint venture partner, Burkinor SARL, initiated a full assessment of results from their 2015 auger and RC drilling programme with a report pending. Burkinor, which is a wholly-owned subsidiary of TSX-listed SEMAFO Inc., can earn up to 80% equity in the Banfora projects by spending a total of US\$7.5 million over a three-year period.

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

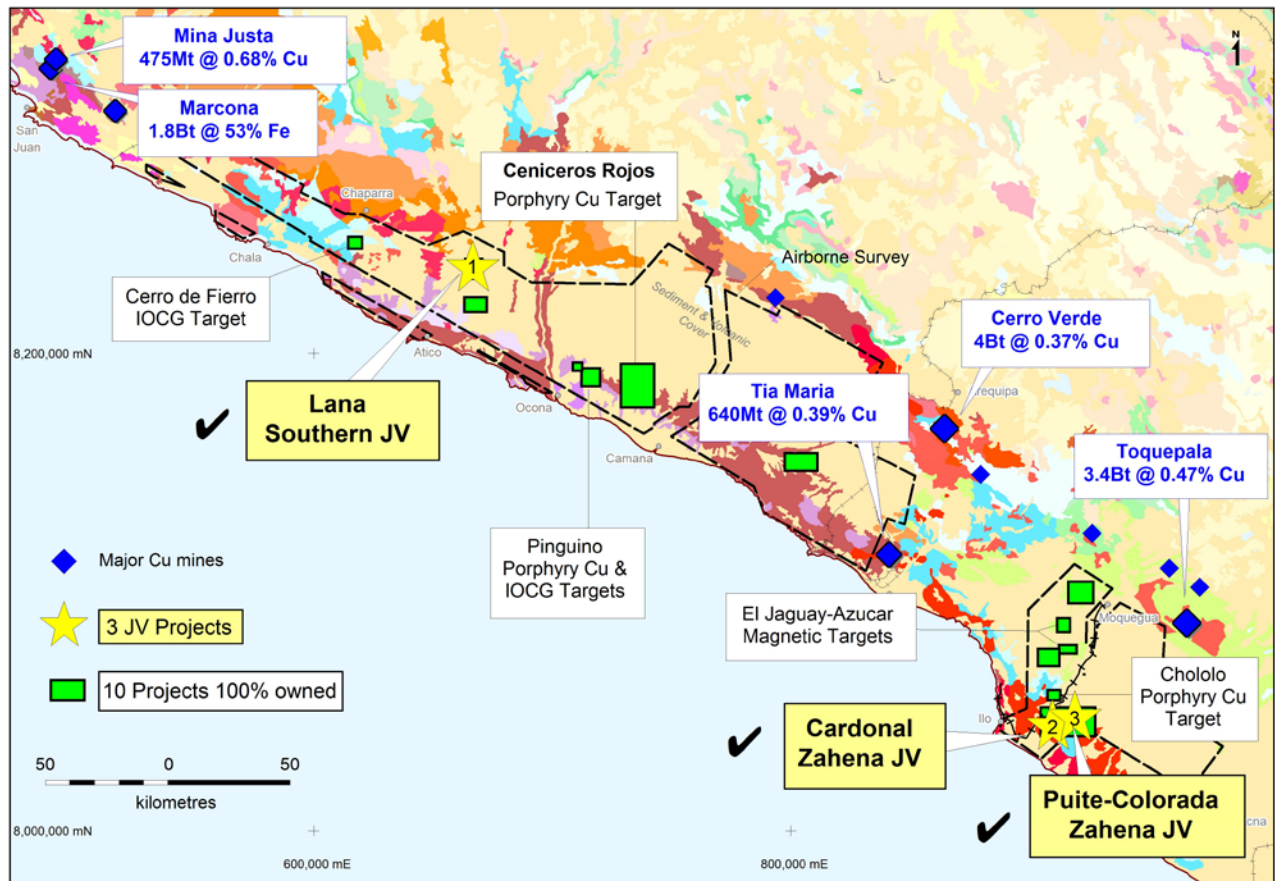


Figure 2: Peru Joint Venture and Project Locations

During the Quarter, diamond drilling commenced under the Lana Joint Venture Agreement with Southern Peru Copper Corporation Sucursal del Peru (“Southern”). Lana is the first of five large porphyry copper-gold prospects in the south of Peru which are scheduled to be drill tested before the end of 2016.

A total of 25,000 metres of diamond drilling or expenditure of not less than US\$4.0

million will need to be completed before the end of 2016 to fulfil requirements under the Joint Venture Agreements with both Southern (at the Lana Project) and Compania Minera Zahena SAC (“Zahena”) for the Puite-Colorada and Cardonal Projects.

The following table summarises the expected drilling program in Peru for 2016:

Joint Venture	Prospect	Drilling	Drill Permit	Drilling to be Completed by
Lana	Lana	5,000m	Yes	April – 2016
Puite-Colorada	Puite	10,000m	Pending	October – 2016
	Colorada		Pending	October – 2016
Cardonal	Ventana	10,000m	Pending	December – 2016
	Cardonal		Pending	December – 2016

The **Lana** Prospect is located approximately 30km from the coastal town of Atico in the south of Peru and covers a large (~20km²) discrete gravity anomaly (8 milligals), located close to the intersection of major

structures interpreted from the Company’s aeromagnetic and gravity data.

The gravity target is offset from a deeper (~400m) magnetic response and parallels the strike of the underlying structures, indicating

the potential for possible buried iron-oxide copper-gold (IOCG) and/or porphyry copper-style mineralisation beneath the sediment cover.

Drill permits for up to nine diamond drill-holes were approved early in the Quarter. Access was prepared allowing drilling along the northern-most drill section to commence in late December. To date two holes have been completed (~550m) but did not successfully penetrate the sedimentary cover

sequence, which is thicker than expected.

Final permits for the amended drill programmes at both the **Cardonal** (19 holes) and **Puite-Colorada** (18 holes) prospects are currently with the relevant Government Departments for approval. Latest estimates suggest that permits for both projects should be received in time for the second and subsequent drill programmes to commence around March-April 2016.

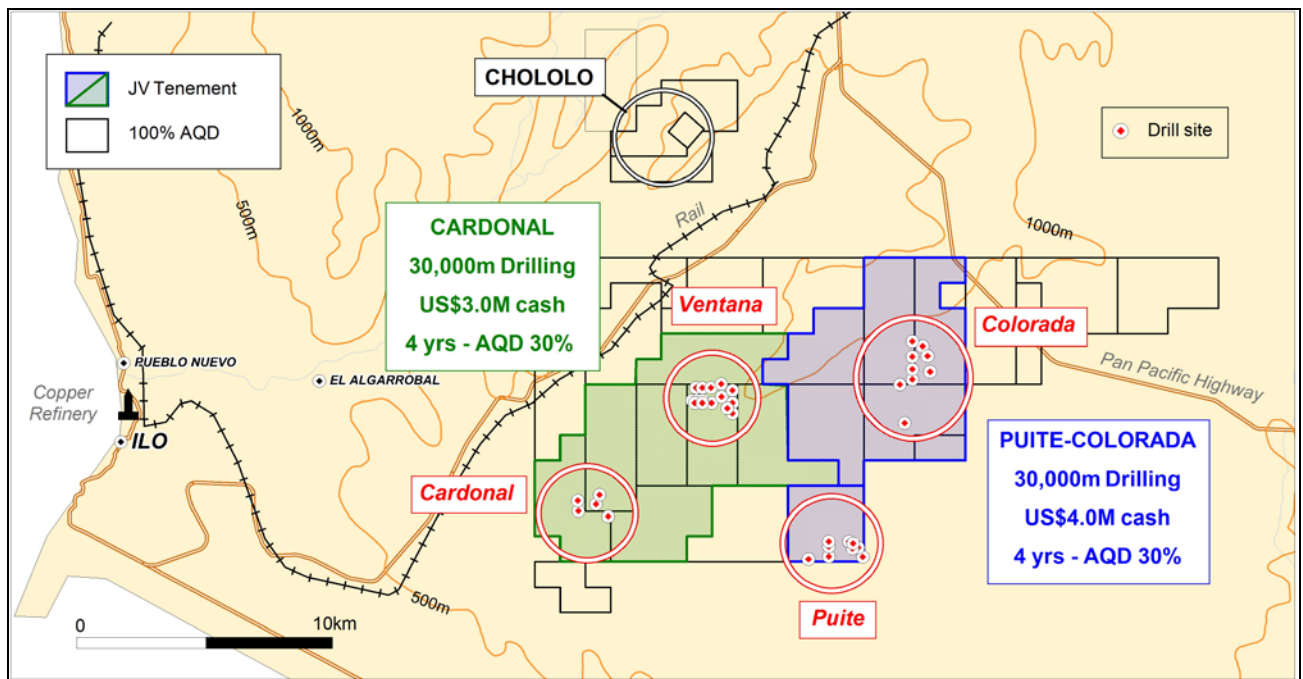


Figure 3: Location of Joint Venture drilling prospects near Ilo in the south of Peru.

The initial Option payment of US\$70,000 was received from Zahena under the terms of the Puite-Colorada Joint Venture Agreement. Official starting dates for all three Joint Venture Agreements have now been reached, which means that drilling and/or expenditure commitments for the first 12 months of each agreement have been activated.

The combined value of the joint venture agreements in Peru is estimated at ~US\$28 million (~A\$37 million), including staged option payments to AusQuest over four year periods (totalling ~A\$13 million) and in-ground exploration (drilling) expenditure totalling an estimated A\$24 million if all agreements reach their full term.

PERU COPPER-GOLD PROJECTS (100% AQD)

Over the past four 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, the database for the **Chololo** porphyry copper prospect was provided to additional parties who expressed

interest in a possible joint venture over the property. Discussions are continuing with several parties.

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 3km² in size and occurs along the Chololo Fault immediately north-east of the Ilo Este porphyry copper prospect, which is currently subject to exploration drilling by Compania Minera Zahena SAC in joint venture with Latin Resources.

A detailed study of the soil geochemical data over Chololo found strong metal associations, supporting the interpretation of a mineralised porphyry at depth. These associations include Cu-Bi-Mo reflecting areas of high temperature, As-Sb+/-Cu

reflecting areas of high sulphidation and Pb-Zn-Mn reflecting areas likely to occur within an outer propylitic zone. Further analysis of geochemical data including rock-chip analyses was initiated to optimise drill targeting.

Detailed mapping and sampling continued over 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.

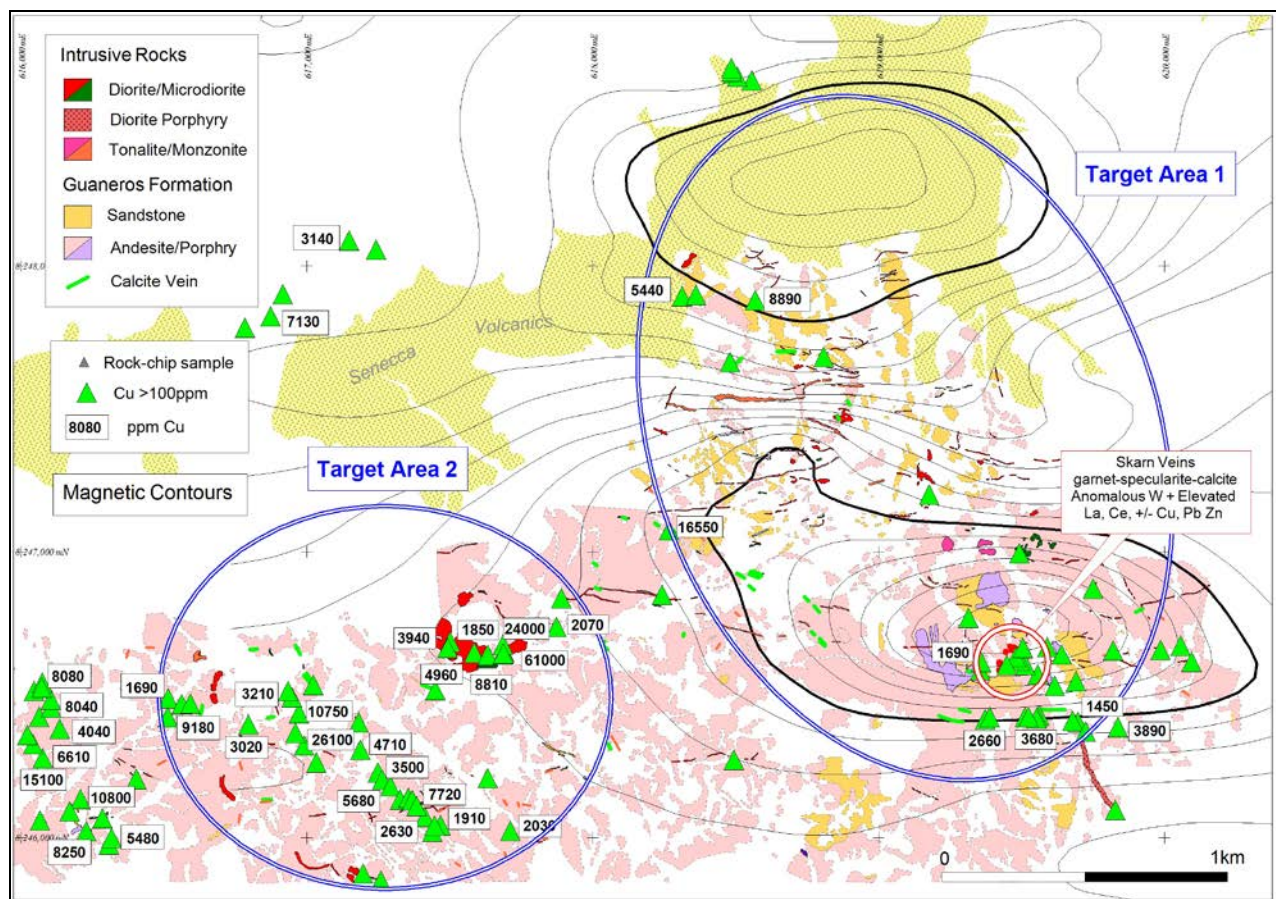


Figure 4: Cerro de Fierro prospect showing detailed mapping and anomalous copper values

A total of 386 rock samples have now been collected as part of the current mapping and sampling programme. Numerous copper values in excess of 0.1% Cu have been reported with a number of samples returning

values in excess of 1% Cu. Anomalous copper values occur around the margin of the buried magnetic target and associated with a diorite intrusion, faults and veins within the andesitic volcanics in the western half of the

prospect, which has outlined a second area of interest.

Anomalous gold (>40ppb Au) and silver (>3ppm Ag) values were also reported from the sampling programme with gold located near the southern contact of the magnetic target and anomalous silver associated with faults and calcite veins within andesitic volcanics in the west.

Skarn-type mineralisation characterised by a garnet-specularite (Fe)-calcite mineral assemblage occurs as veins above the buried magnetic source, providing a possible window into the target below. Highly anomalous levels of tungsten (>100ppmW), elevated rare earths and occasional high copper, lead and zinc values within the skarn veins suggests the potential for a mineralised system at depth.

A detailed analysis of the rock-chip geochemical data has been initiated to better understand the various metal associations apparent in the data and determine potential mineralisation styles and areas of interest for target drilling.

The initial mapping and sampling programme was extended and is now expected to be completed in February-March 2016, with a detailed report to be prepared ahead of possible joint venture discussions with interested parties.

The Company is 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 – FRASER RANGE PROJECTS (Nickel, Copper)

AusQuest controls approximately 2,900km² of title within the Fraser Range Province of WA, which hosts the Nova-Bollinger nickel-copper deposit discovered by Sirius Resources and the Tropicana gold mine, operated by Anglo Gold (Figure 6). The region is the focus of exploration activity by a range of companies and is considered to be one of the country's premier locations for exploration.

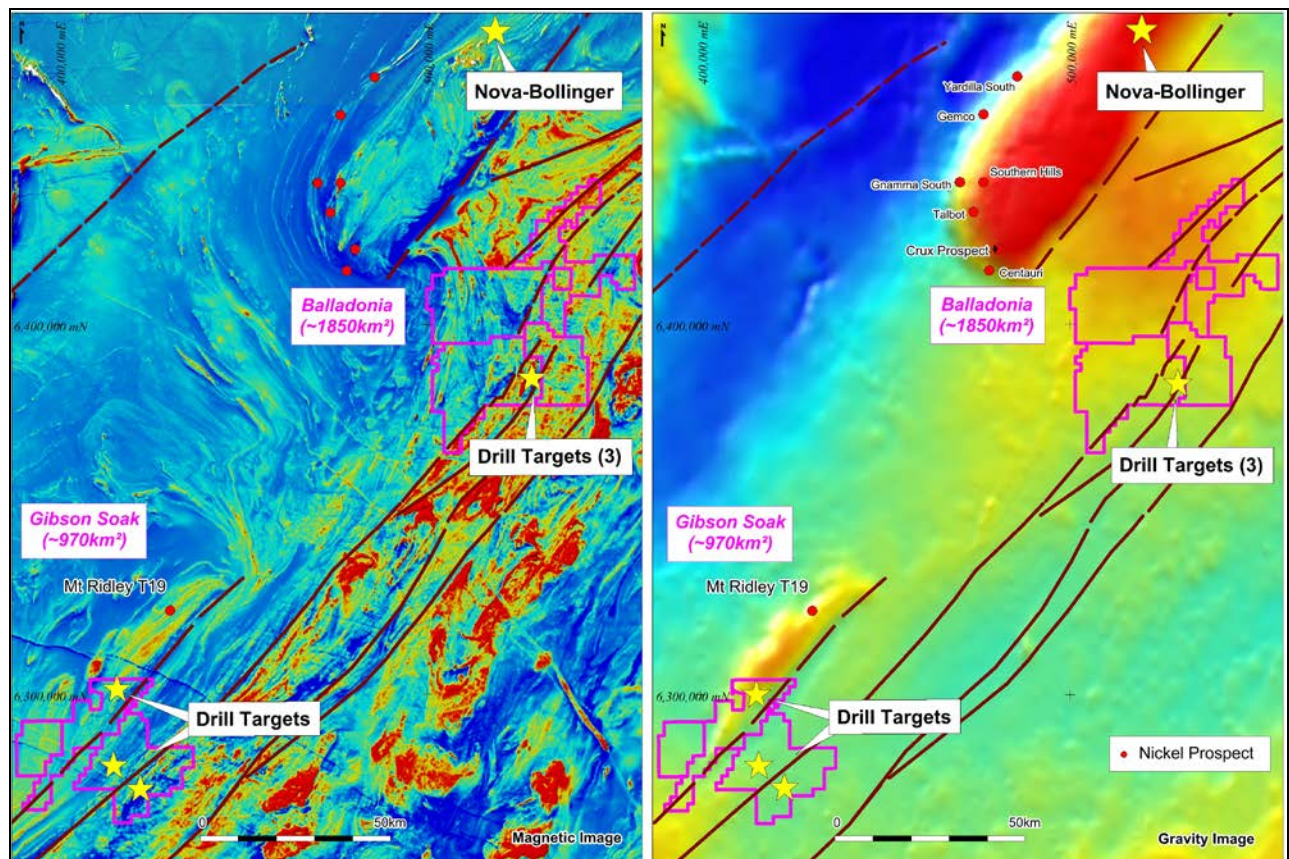


Figure 5: Fraser Range Projects showing current target locations.

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 ~1,850km², 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.

During the Quarter, the Company was advised that its application for funding assistance (\$150,000) under the 'Western Australian Exploration Incentive Scheme' (EIS) to drill EM/magnetic targets in the Balladonia area was successful. Drill planning is underway.

The EM anomalies are considered high priority targets as they appear to have a close association with interpreted cross-cutting mafic intrusions which are considered to be the preferred host rocks for nickel-copper sulphides within these mafic-hosted systems.

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 ~960km², 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, access for a planned aircore drilling programme was prepared within vacant crown land (VCL) that adjoins the Mt Ridley tenement, where initial drill results have confirmed that prospective host rocks for nickel sulphide mineralisation occur in the region.

An aircore program has been designed to test a spread of magnetic targets (low magnetic responses) to confirm the presence of prospective host rocks ahead of more systematic ground coverage to identify potential mineralisation. Up to 16 targets will be tested by this programme.

A local drill contractor has been engaged with drilling expected to start in early February subject to favourable ground conditions for access.

Jimberlana Ni-Cu Project (100% AQD)

The Jimberlana Project is located approximately 120km west of Norseman, in between the Lake Johnston and Forresteria Greenstone Belts, and consists of two Exploration Licences (273km²) covering the western extension (~50km strike) of the Jimberlana Dyke Intrusion. Recent research has recognised that horizontal movement of magmas within dykes is a common occurrence and suggests that the basal sections of relatively thick mafic-ultramafic dyke-like structures are potential targets for massive nickel-copper sulphide deposits. Within Australia, the Jimberlana Intrusion is believed to be a prime target for this style of deposit. Jimberlana is a unique fractionated intrusion, being ~180km long with widths varying from a few hundred metres up to ~2km. It is known to contain nickel sulphides at a number of locations along its strike length and has had no previous exploration (drilling) targeted at its basal section.

During the Quarter, interpretation of available gravity, magnetic and geological data suggested that depths to the base of the Jimberlana Intrusion although beyond reach in the Norseman area, appeared to be shallowing to the west and, in particular, to the west of Lake Johnston where the intrusion appeared to terminate.

Reconnaissance gravity traverses completed in the Lake Johnston area indicated depths to the base of the Jimberlana Intrusion range from ~1500m east of Lake Johnston to <500m to the west.

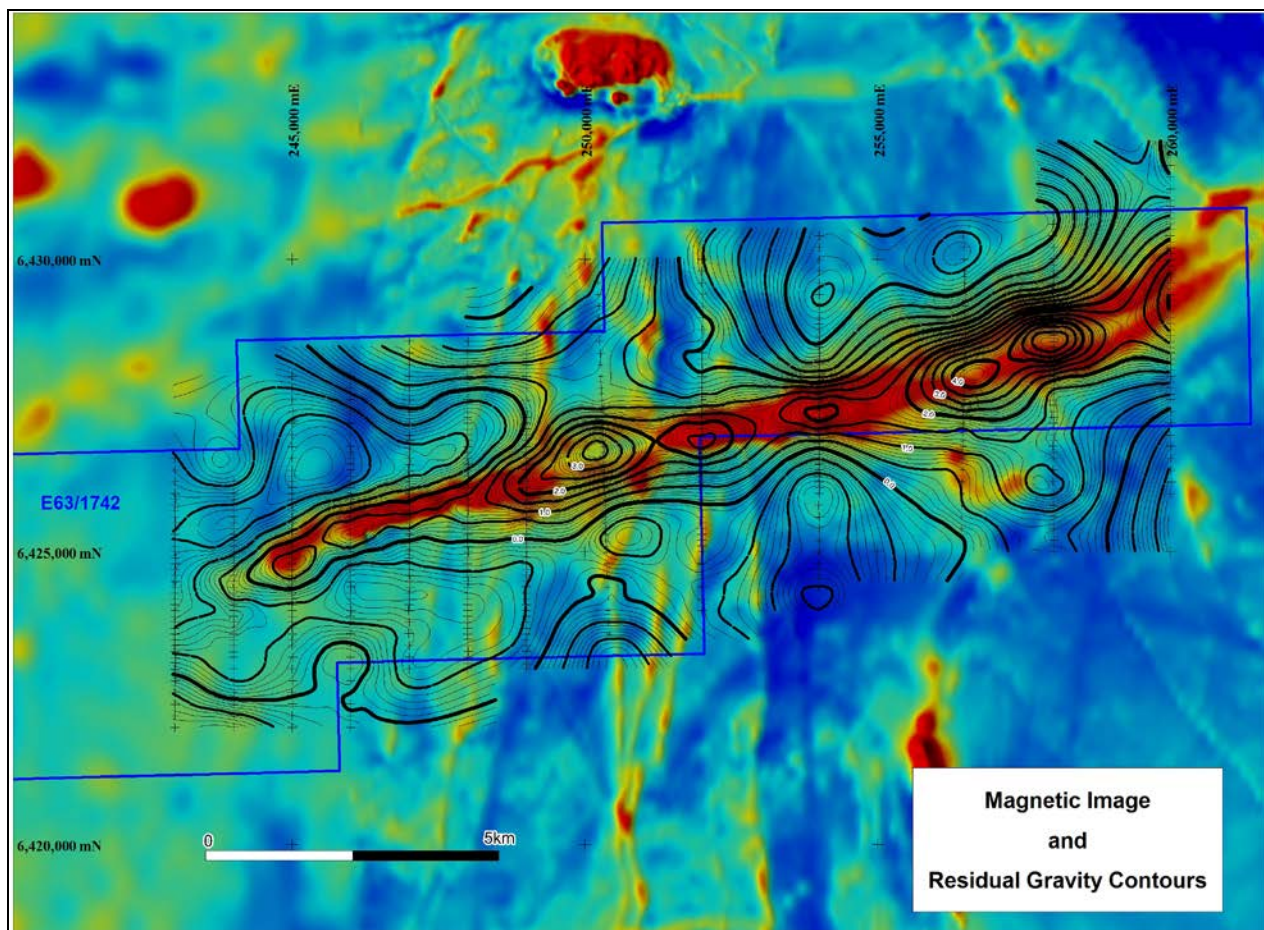


Figure 6: Jimberlana Project showing gravity and magnetic responses over the intrusion.

Detailed in-fill gravity traverses were subsequently surveyed over the Company's western tenement (Figure 6) to better define depths to the base of the intrusion. Modelling of the in-fill data is in progress to identify priority zones for EM surveys and possible drilling.

The Company believes that relatively shallow depths inferred to the base of the Jimberlana Intrusion at its western end, provide a unique opportunity to explore the basal section of this prospective Intrusion where the potential for large accumulations of nickel-copper sulphides is considered to be greatest.

Dundas Ni-Cu Project (100% AQD)

The remaining Dundas tenements were surrendered in early January 2016, following a review of the Company's nickel-copper projects which identified higher priorities elsewhere.

GOLD – WEST AFRICA

Comoe Project (AQD 100%, Ressources Burkinor SARL 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. The area is relatively unexplored except for extensive historical surface sampling programs and widespread artisanal gold workings along the belt. AusQuest controls approximately 1,150km² 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 the right to earn up to an 80% interest in all the Banfora permits by spending a total of US\$7.5 million over a three-year period. Burkinor are the operators of the JV.

No fieldwork was reported by Ressources Burkinor SARL during the Quarter. A full assessment and reporting of the 2015 auger

and Reverse Circulation drilling results is pending.

The Company has been advised that the budget for 2016 should be known before the end of February 2016, but is expected to be at lower levels than for 2015.

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 first Option payment of US\$70,000 for the third Peru Joint Venture Agreement (Puite-Colorada) was received from Zahena.

KEY ACTIVITIES – MARCH 2016 QUARTER

The following activities are planned for the March 2016 Quarter:

- Balladonia (Ni-Cu) – Commencement of drill planning and operations;
- Gibson Soak (Ni-Cu) – Aircore drilling of magnetic targets to test for Ni potential;
- Peru (Cu-Au) – Diamond drilling (JV funded) at the Lana Prospect;
- Peru (Cu-Au) – Commence access preparation for drilling in the ILO area;
- Peru (Cu-Au) – Complete mapping & sampling at Cerro de Fierro;
- Peru (Cu-Au) – JV discussions over the Chololo and Cerro de Fierro prospects; and
- Comoe (Au) – Monitor results from Burkinor JV program.



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. 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. 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.

JORC Code, 2012 Edition – Table 1 AusQuest Rock-Chip Sampling Cerro de Fierro

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"> • 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. • Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used. • Aspects of the determination of mineralisation that are Material to the Public Report. • 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. 	<ul style="list-style-type: none"> • Rock chip sampling comprises the collection of rocks, usually by hammering an outcrop, with samples being of variable size and quality. • Sample locations are recorded by hand-held GPS. • Reconnaissance sampling is not systematic, with samples of potentially mineralized rock being the main focus of the program.
Drilling techniques	<ul style="list-style-type: none"> • 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). 	<ul style="list-style-type: none"> • Not applicable – surface sampling only
Drill sample recovery	<ul style="list-style-type: none"> • Method of recording and assessing core and chip sample recoveries and results assessed. • Measures taken to maximise sample recovery and ensure representative nature of the samples. • 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. 	<ul style="list-style-type: none"> • Not applicable – surface sampling only
Logging	<ul style="list-style-type: none"> • 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. • Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography. • The total length and percentage of the relevant intersections logged. 	<ul style="list-style-type: none"> • Not applicable – reconnaissance surface sampling only

Criteria	JORC Code explanation	Commentary
<i>Sub-sampling techniques and sample preparation</i>	<ul style="list-style-type: none"> • <i>If core, whether cut or sawn and whether quarter, half or all core taken.</i> • <i>If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry.</i> • <i>For all sample types, the nature, quality and appropriateness of the sample preparation technique.</i> • <i>Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.</i> • <i>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.</i> • <i>Whether sample sizes are appropriate to the grain size of the material being sampled.</i> 	<ul style="list-style-type: none"> • No sub-sampling of rock-chip samples was undertaken • Approximately 2 kg of rock was collected from each site sampled which is regarded as representative of the outcrop being sampled • Mineralised and altered rocks were the target of this program.
<i>Quality of assay data and laboratory tests</i>	<ul style="list-style-type: none"> • <i>The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.</i> • <i>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.</i> • <i>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.</i> 	<ul style="list-style-type: none"> • Rock chip samples are crushed and pulverized to 85% minus 75 microns, then a representative sub-sample is collected for digestion using a 4 acid digest, followed by analysis by ICP-MS and/or AES. Gold are assayed by 30 g fire assay with AAS finish. • In laboratory QAQC data is reviewed for all assay jobs. Blanks and standards are included with all sample batches.
<i>Verification of sampling and assaying</i>	<ul style="list-style-type: none"> • <i>The verification of significant intersections by either independent or alternative company personnel.</i> • <i>The use of twinned holes.</i> • <i>Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.</i> • <i>Discuss any adjustment to assay data.</i> 	<ul style="list-style-type: none"> • Rock-chip sampling is compiled into Excel spreadsheets for merging with assay data when it becomes available. • Digital data is regularly backed-up on the company's servers.
<i>Location of data points</i>	<ul style="list-style-type: none"> • <i>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.</i> • <i>Specification of the grid system used.</i> • <i>Quality and adequacy of topographic control.</i> 	<ul style="list-style-type: none"> • Sample locations are recorded using GPS to within 5 metres accuracy. • The grid projection used is PSAD 56 Zone 18S • Topographic control is obtained from GPS readings or topographic maps and is considered adequate for current needs
<i>Data spacing and distribution</i>	<ul style="list-style-type: none"> • <i>Data spacing for reporting of Exploration Results.</i> • <i>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.</i> • <i>Whether sample compositing has been applied.</i> 	<ul style="list-style-type: none"> • Rock chip sampling is irregular and based on availability of suitable outcrop.

Criteria	JORC Code explanation	Commentary
<i>Orientation of data in relation to geological structure</i>	<ul style="list-style-type: none"> • <i>Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.</i> • <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> 	<ul style="list-style-type: none"> • Not applicable to reconnaissance rock chip sampling
<i>Sample security</i>	<ul style="list-style-type: none"> • <i>The measures taken to ensure sample security.</i> 	<ul style="list-style-type: none"> • Samples are securely tied/sealed in the field, followed by packing into larger sealed plastic bags for transport to the laboratory.
<i>Audits or reviews</i>	<ul style="list-style-type: none"> • <i>The results of any audits or reviews of sampling techniques and data.</i> 	<ul style="list-style-type: none"> • No audits or reviews have been carried out on the sampling to date.

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"> • <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> • <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> 	<ul style="list-style-type: none"> • The Cerro de Fierro project is located approximately 30 km east of the town of Chala in the south of Peru. • The Cerro de Fierro project comprises 3 granted mineral concessions. • The tenements are held by Questdor which is a 100% subsidiary of AusQuest Limited. • There are no major heritage issues to prevent access to the tenements during surface exploration activities. Permits to drill are required including environmental, water and land access involving community consultations.
<i>Exploration done by other parties</i>	<ul style="list-style-type: none"> • <i>Acknowledgment and appraisal of exploration by other parties.</i> 	<ul style="list-style-type: none"> • No public reporting of exploration data is required in Peru.
<i>Geology</i>	<ul style="list-style-type: none"> • <i>Deposit type, geological setting and style of mineralisation.</i> 	<ul style="list-style-type: none"> • The deposit styles being explored for are porphyry copper and gold and IOCG, which are large scale disseminated copper (and gold) deposits found within orogenic belts that surround the Pacific Rim. These deposits are vertically extensive and areally large requiring significant drilling to evaluate.

Criteria	JORC Code explanation	Commentary
<i>Drill hole Information</i>	<ul style="list-style-type: none"> • 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"> ○ easting and northing of the drill hole collar ○ elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar ○ dip and azimuth of the hole ○ down hole length and interception depth ○ hole length. • 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. 	<ul style="list-style-type: none"> • Not applicable – surface sampling only
<i>Data aggregation methods</i>	<ul style="list-style-type: none"> • 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. • 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. • The assumptions used for any reporting of metal equivalent values should be clearly stated. 	<ul style="list-style-type: none"> • Not applicable – surface sampling only.
<i>Relationship between mineralisation widths and intercept lengths</i>	<ul style="list-style-type: none"> • These relationships are particularly important in the reporting of Exploration Results. • If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported. • 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’). 	<ul style="list-style-type: none"> • Not applicable – surface sampling only
<i>Diagrams</i>	<ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> • Sample locations included on plan in ASX release.
<i>Balanced reporting</i>	<ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> • Assay ranges and highlights provided in ASX release.
<i>Other substantive exploration data</i>	<ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> • The area was selected for sampling based on geological and geophysical data interpretations by the company.

Criteria	JORC Code explanation	Commentary
<i>Further work</i>	<ul style="list-style-type: none"> <i>The nature and scale of planned further work (eg tests for lateral extensions or depth extensions or large-scale step-out drilling).</i> <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> 	<ul style="list-style-type: none"> Proposals of further work will be determined after a thorough analysis of the data.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

AUSQUEST LIMITED

ABN

35 091 542 451

Quarter ended ("current quarter")

31 December 2015

Consolidated statement of cash flows

	Current quarter \$A '000	Year to date (6 months) \$A '000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for		
(a) exploration and evaluation	(302)	(801)
(b) development	-	-
(c) production	-	-
(d) administration	(181)	(330)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	5	12
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other : Option payment received under Extended Cardonal JV Agreement	165	165
Net Operating Cash Flows	(313)	(954)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other	-	-
Net investing cash flows	(-)	(-)
1.13 Total operating and investing cash flows (carried forward)	(313)	(954)

	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from unissued shares, options etc.	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (share issue costs)	-	-
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(313)	(954)
1.20	Cash at beginning of quarter/year to date	1,755	2,396
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter / year to date	1,442	1,442

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter \$A '000
1.23	Aggregate amount of payments to the parties included in item 1.2	54
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Executive directors' salaries, superannuation and rental of office space.

Non executive directors have agreed to waive any entitlement to be paid fees until at least 31 December 2015.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

None.

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

None.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A '000	Amount used \$A '000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	400
4.2 Development	-
4.3 Production	-
4.4 Administration	150
Total	550

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A '000	Previous quarter \$A '000
5.1 Cash on hand and at bank	1,442	1,755
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (Money market/Term Deposit)	-	-
Total: cash at end of quarter (item 1.22)	1,442	1,755

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	E63/1003		100%	Nil
	E63/1004		100%	Nil
6.2 Interests in mining tenements acquired or increased	E69/3361		Nil	100%
	E69/3358		Nil	100%
	E63/1742		Nil	100%
	E63/1744		Nil	100%

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities (description)				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	498,397,392	498,397,392		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	2,000,000	2,000,000		
7.5 +Convertible debt securities (description)				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options (description and conversion factor)	68,750,000 78,946,976 28,000,000	68,750,000 78,946,976 -	<i>Exercise price</i> 4.0 cents 3.5 cents 5.0 cents	<i>Expiry date</i> 30 Nov 2016 30 Apr 2018 30 Nov 2020
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter	9,900,000	-	<i>Exercise price</i> 7.0 cents	<i>Expiry date</i> 30 Nov 2015
7.11 Debentures (totals only)				
7.12 Unsecured notes (totals only)				

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here:
Print name: Henko Vos (Company Secretary)

Date: 29 January 2015

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 wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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