



Quarterly Report – 31st December 2016

HIGHLIGHTS

Peru – Copper-Gold

- ❑ Final results received from recent reconnaissance joint venture drilling, resulting in the identification of new areas of interest.
- ❑ Additional tenements secured over a new porphyry copper prospect south of the Puite prospect following assessment of the initial reconnaissance drilling results.
- ❑ Induced Polarisation (IP) survey commenced recently at the Chololo copper prospect to identify potential drill targets associated with the inferred buried porphyry system.
- ❑ IP surveys at the Colorada East and Cerro de Fierro prospects also planned to commence in Q1 2017.

Australia – Nickel, Copper, Zinc

- ❑ High-powered electromagnetic (HPEM) survey targeting massive nickel-copper sulphides at the base of the Jimberlana Dyke scheduled to commence in February 2017.
- ❑ HPEM surveys over nickel targets identified within the Gibson Soak Project contracted to commence in February 2017.
- ❑ Historical seismic traverse over the Blue Billy Project is being re-processed to identify potential drill targets for sedimentary zinc deposits adjacent to the Talga Fault. Results are expected in February 2017.

Corporate

- ❑ Discussions continuing with parties interested in drill testing AusQuest's projects both in Peru and in Australia.
- ❑ Funds of \$750,000 from the Loan and Convertible Note Agreement were received from the Company's major shareholder (details released to ASX on 5th Oct 2016).

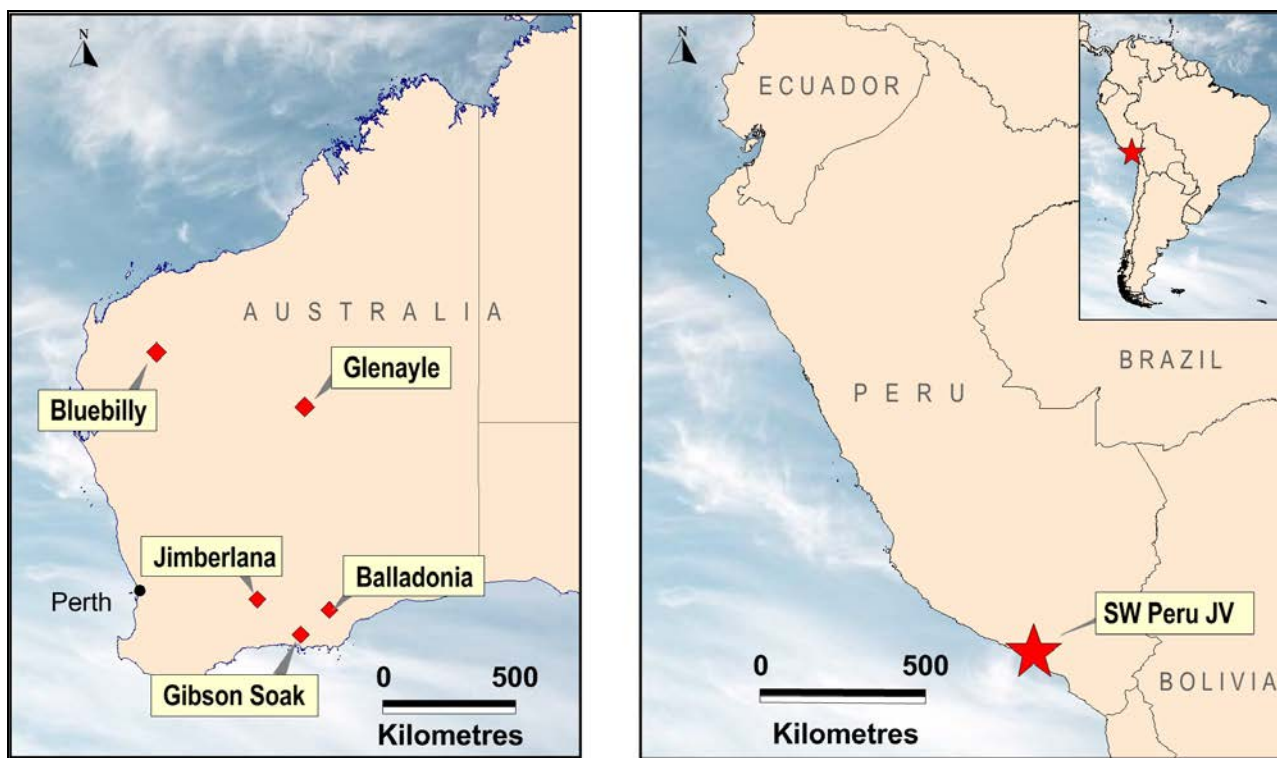


Figure 1: Project Locations – Australia and Peru

OVERVIEW

Final results from the recent joint venture drilling programmes in southern Peru were received and new areas of interest were identified following a detailed assessment of the results. New tenement applications were submitted to cover areas considered to be of interest based on the results from the initial reconnaissance drilling.

Mapping and sampling continued in several areas to identify further porphyry copper targets for evaluation. Induced polarisation (IP) surveys were planned for the Chololo, Cerro de Fierro and Colorada prospects with surveys commencing at the Chololo prospect in January 2017 (see ASX release 16th January 2017).

In Australia, the Company continued to ramp-up its exploration efforts in WA with several geophysical programs designed to advance projects to the drilling stage.

HPEM surveys at the Jimberlana, Gibson Soak and Balladonia Nickel Projects have been contracted, with the Jimberlana and Gibson Soak EM surveys due to commence in February 2017.

At the Blue Billy zinc prospect, re-processing of available seismic data commenced to improve the Company's understanding of the geology adjacent to the Talga Fault and identify potential drill targets for sedimentary zinc mineralisation. Results are due in February.

Discussions with third parties interested in testing the Company's copper-gold prospects in Peru and base metal prospects in Australia were advanced during the Quarter, and the Company remains hopeful that suitable joint ventures will be forthcoming over one or more of its prospects in the near future.

In West Africa, the Company's joint venture partner, Burkinor SARL, reported that the renewal of joint venture titles for a further three-year period is proving to be more problematic than originally thought. Further work has been stopped until this issue is resolved.

PERU COPPER-GOLD JV 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 (Figure 2).

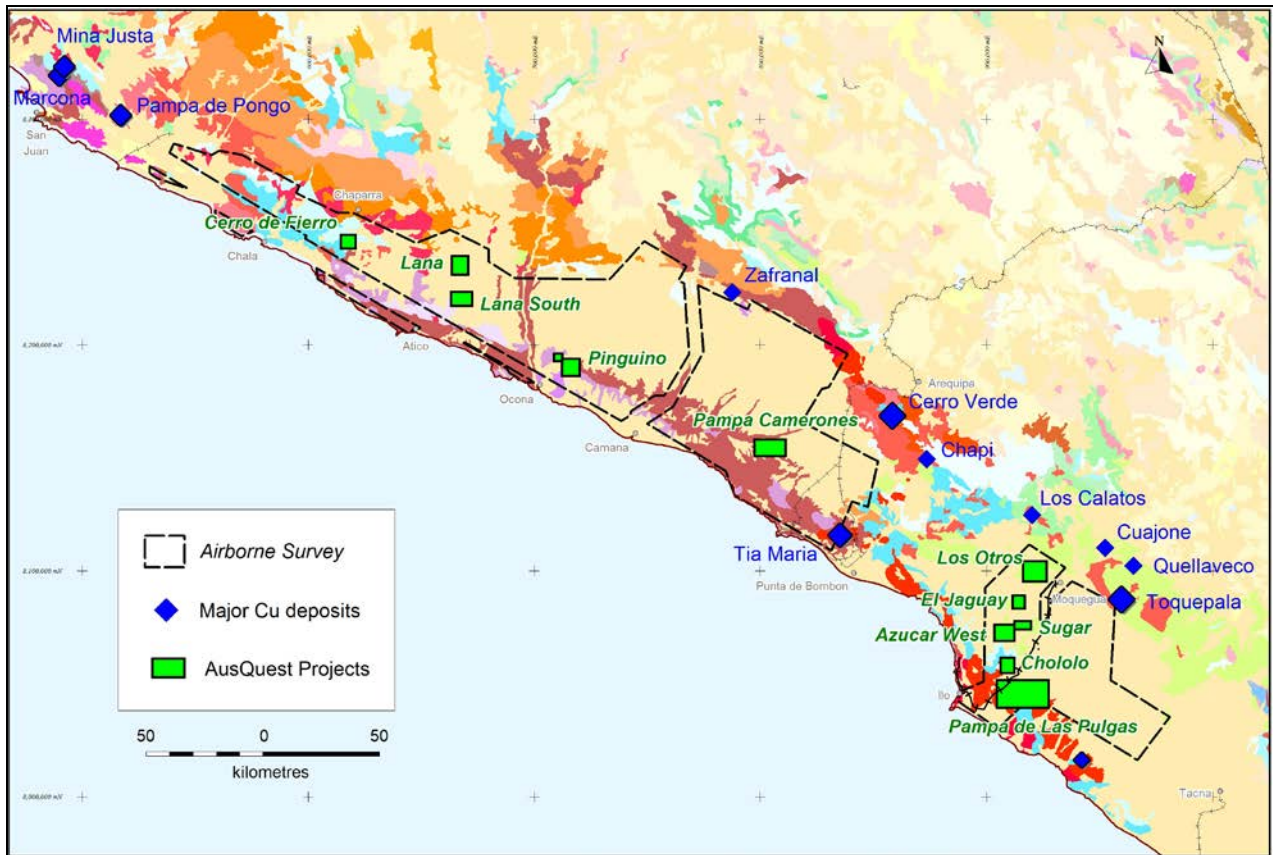


Figure 2: Project Locations in southern Peru

During the Quarter, final drill results from the Cardonal and Ventana prospects within the Pampa de Las Pulgas Project were received, with assays from Ventana suggesting the potential for porphyry-style mineralisation to the north and east of the initial prospect. Results from Cardonal downgraded the potential of this prospect.

New tenement applications covering ~50km² were submitted immediately south of the Puite prospect, where initial drilling results suggested the potential for nearby porphyry-style copper mineralisation to the south of the area drilled.

Initial reconnaissance mapping and sampling is planned for Q1 2017.

Geochemical data from drill-core at Puite indicated that a large hydrothermal alteration

system had overprinted the original intrusive dioritic rocks, suggesting the potential for porphyry copper mineralisation south and possibly east of the area drilled.

The Puite prospect is located ~30km due east of the port of Ilo and ~10km from the coast, and includes large areas of cover.

Assessment of drill data from the Colorada prospect, located ~10km NNE of Puite, resulted in a recommendation for an Induced Polarisation (IP) survey to test magnetic targets located immediately east of the Colorada prospect, where the potential for a buried porphyry system is inferred from interpretation of the Company's magnetic data.

The IP survey is expected to commence in the first Quarter of 2017.

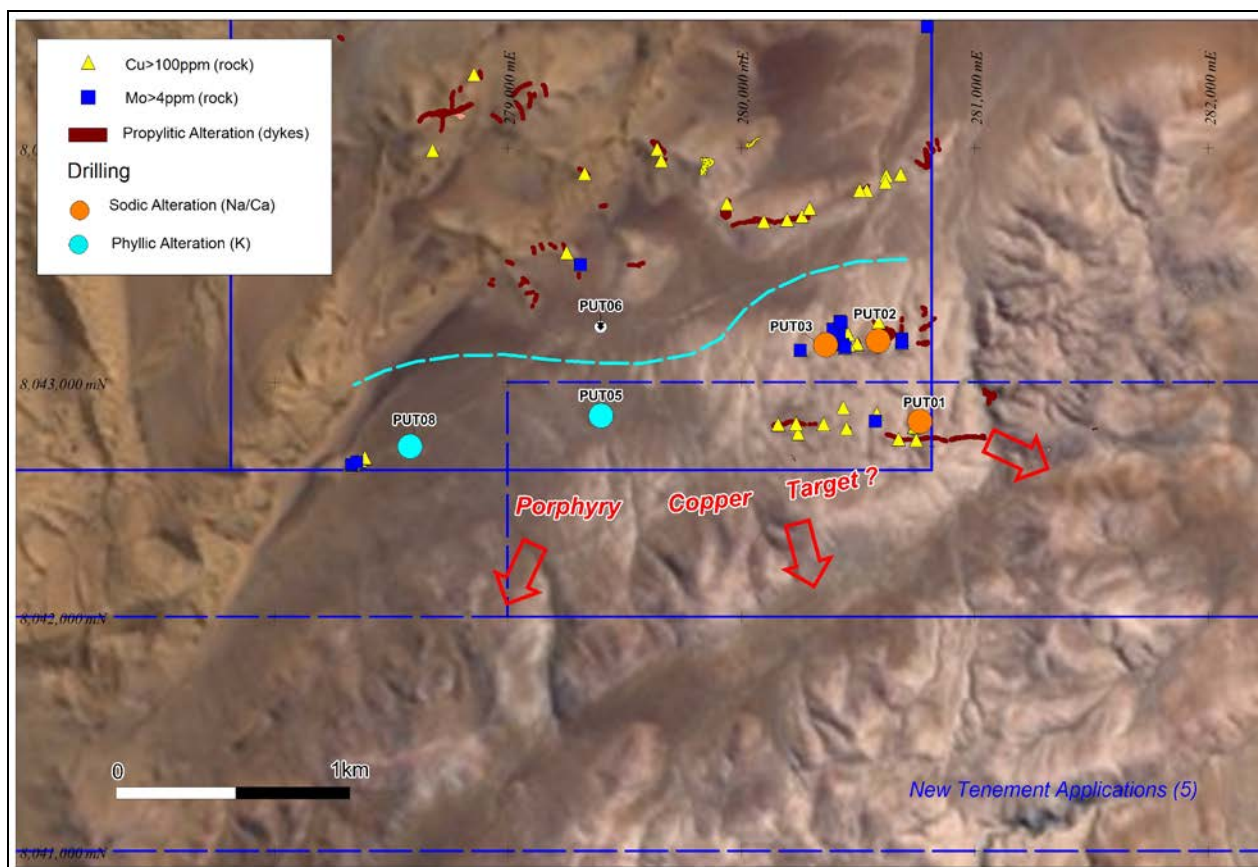


Figure 3: Puite Prospect: interpretation of drill results showing new tenement applications

During the Quarter, a report was compiled on the mapping and sampling programs completed at the El Jaguay prospect. Mapping outlined an area of quartz sericite and silica alteration associated with weakly elevated Bi, Cu, As and Pb in the north-west of the prospect, suggesting the potential for a porphyry system buried beneath the sediment cover in this area. An IP survey has been recommended.

In January, an IP survey commenced at the Chololo Prospect to identify potential drill targets associated with a buried porphyry copper system inferred by earlier mapping and sampling programs.

The IP survey (pole-dipole, $a=200\text{m}$, $n=1$ to 6) is designed to explore for disseminated sulphide mineralisation (pyrite and chalcopyrite), which can form a halo to the

mineralised core of a porphyry copper system.

The survey, which will explore to depths of ~400m, is expected to take approximately 2-3 weeks to complete with data expected to be available for interpretation by early February 2017.

The Chololo prospect is located ~20km north-east of the port of Ilo, close to power and transport infrastructure. It is associated with the Chololo Fault, which appears to control the location of other known porphyry copper systems in the area.

Detailed mapping and sampling completed at Chololo in 2016 identified alteration styles and anomalous levels of metals (Cu, Mo, Bi, Sb, Pb, Zn +/-Au) that highlighted the potential for a preserved porphyry copper system to occur at depth.

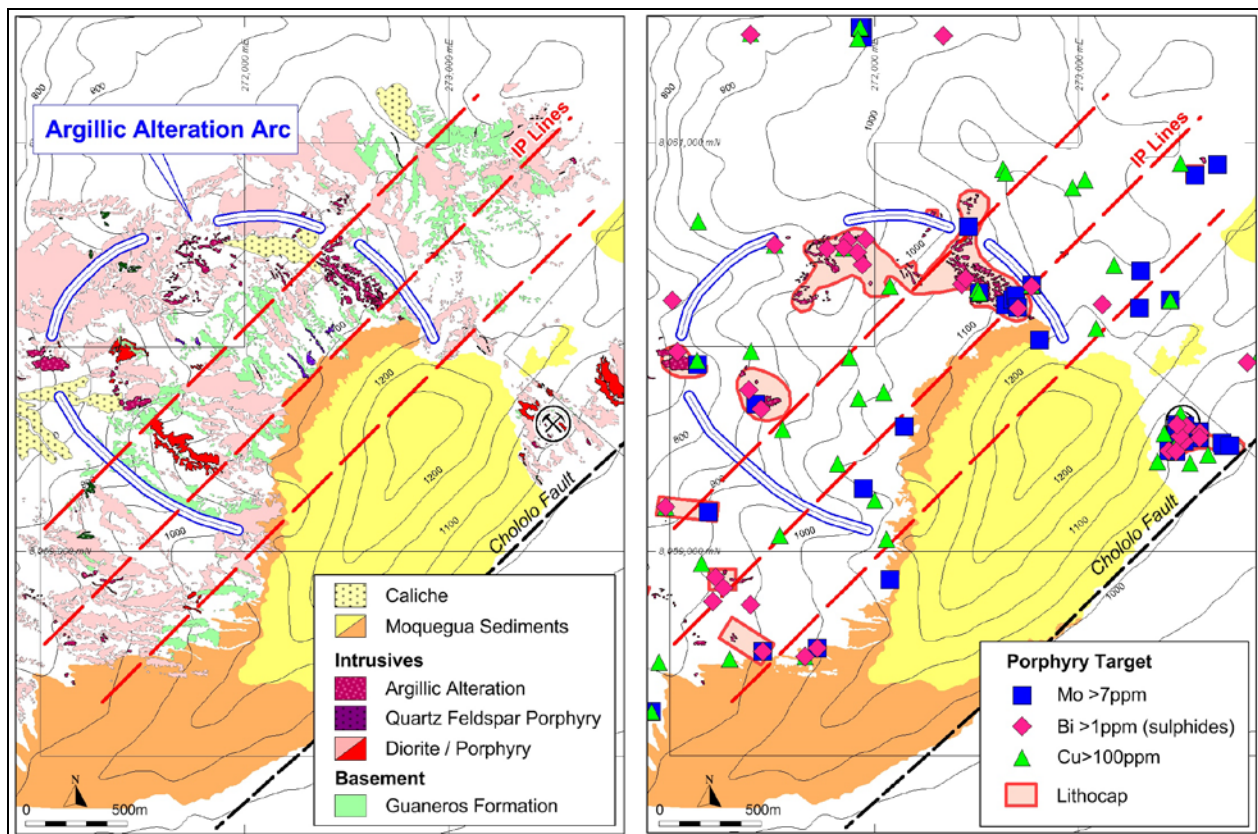


Figure 4: Chololo Porphyry Copper Project showing location of IP lines

An IP survey was also planned to upgrade potential drill targets at the Cerro de Fierro Prospect, where earlier mapping and sampling identified the potential for Iron-oxide copper-gold (IOCG) mineralisation. Quotations for this work have been requested and it is expected that a survey should commence in late Q1 2017.

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

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 (273km²) 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 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.

Commencement of a high-powered electromagnetic survey (HPEM) to identify potential drill targets at the Jimberlana nickel-copper prospect was re-scheduled for February 2017 due to the availability of the preferred contractor.

The survey, which will take approximately two weeks to complete, will test the western 10km strike length of the Jimberlana Dyke, targeting accumulations of massive nickel-copper sulphides along the floor of the dyke complex, where depths to the basal section are relatively shallow (~200m to ~500m) and well within the depth of exploration for the HPEM system.

Extensions to this survey over the remaining 10km strike length will be planned once the initial results have been assessed.

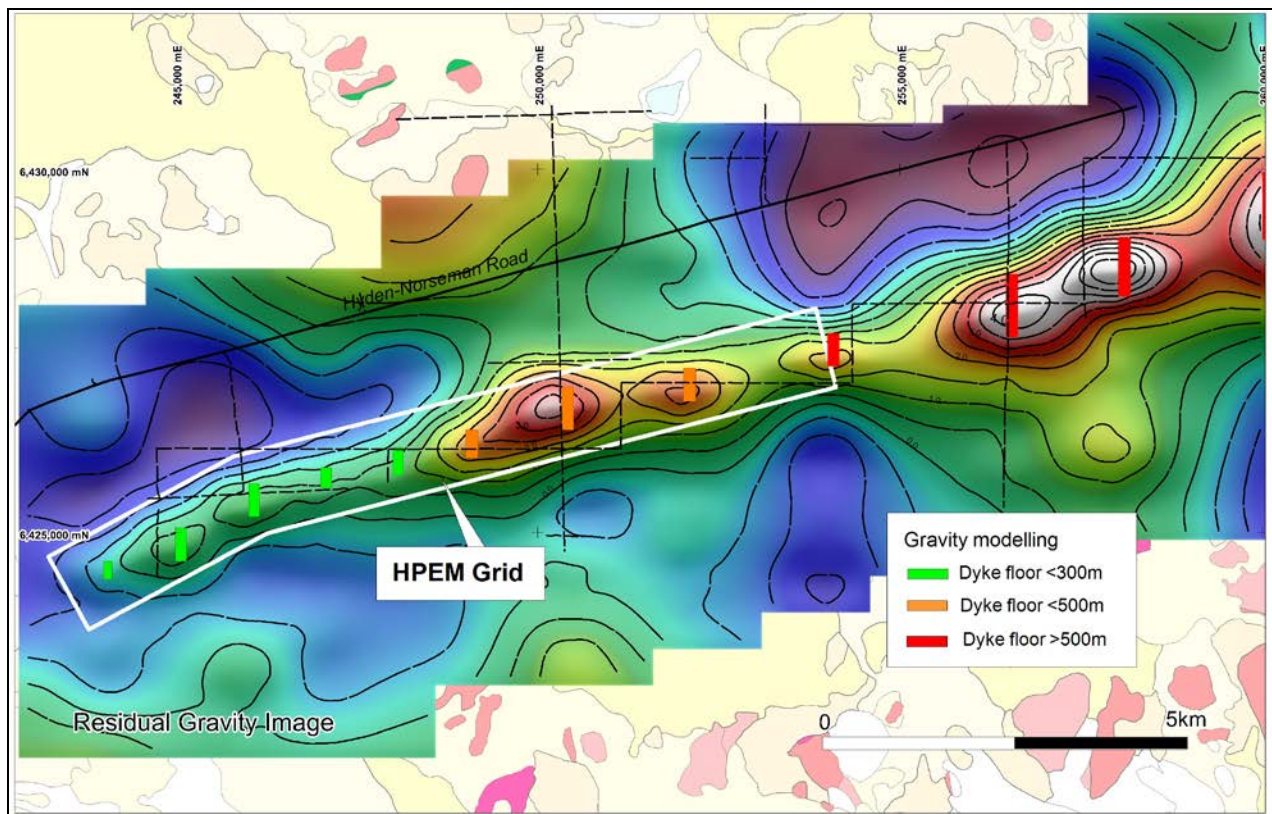


Figure 5: Jimberlana Nickel Project: HPEM Survey outline

The Company believes the Jimberlana Project provides a unique opportunity to explore the basal section of a highly fertile intrusion where the potential for large accumulations of nickel-copper sulphides is considered to be very high.

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 ~940km², 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.

Access approvals are still pending for the reconnaissance HPEM surveys planned to test ~12 mafic intrusions interpreted from the aeromagnetic data. The targets outlined have similar magnetic expressions to known gabbroic intrusions within the Fraser Range area and are relatively strike extensive (ranging from 2 to 6km) and associated with

inferred NE and NW structures that cross-cut the area.

It is now expected that HPEM surveys will commence in the March-April 2017 period, once all clearances have been obtained and a suitable contract crew is available.

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 tenement covers an area of ~350km², centred on a regional north-east trending gravity high with similarities to the Fraser Range Complex and covers major north-east trending structures thought to host mafic-ultramafic intrusions prospective for nickel sulphides.

HPEM surveys are expected to commence in February 2017 to identify potential drill targets associated with the mafic intrusions interpreted from magnetic data and confirmed by earlier aircore drilling. GAP Geophysics Exploration Services has been contracted to undertake this program, which is expected to take ~2 weeks to complete.

All targets being surveyed occur within Vacant Crown Land (VCL) in the northern half of the tenement and can be accessed under normal clearance processes. Other

targets occur within farmland and still require access approval from the landowner before fieldwork can commence.

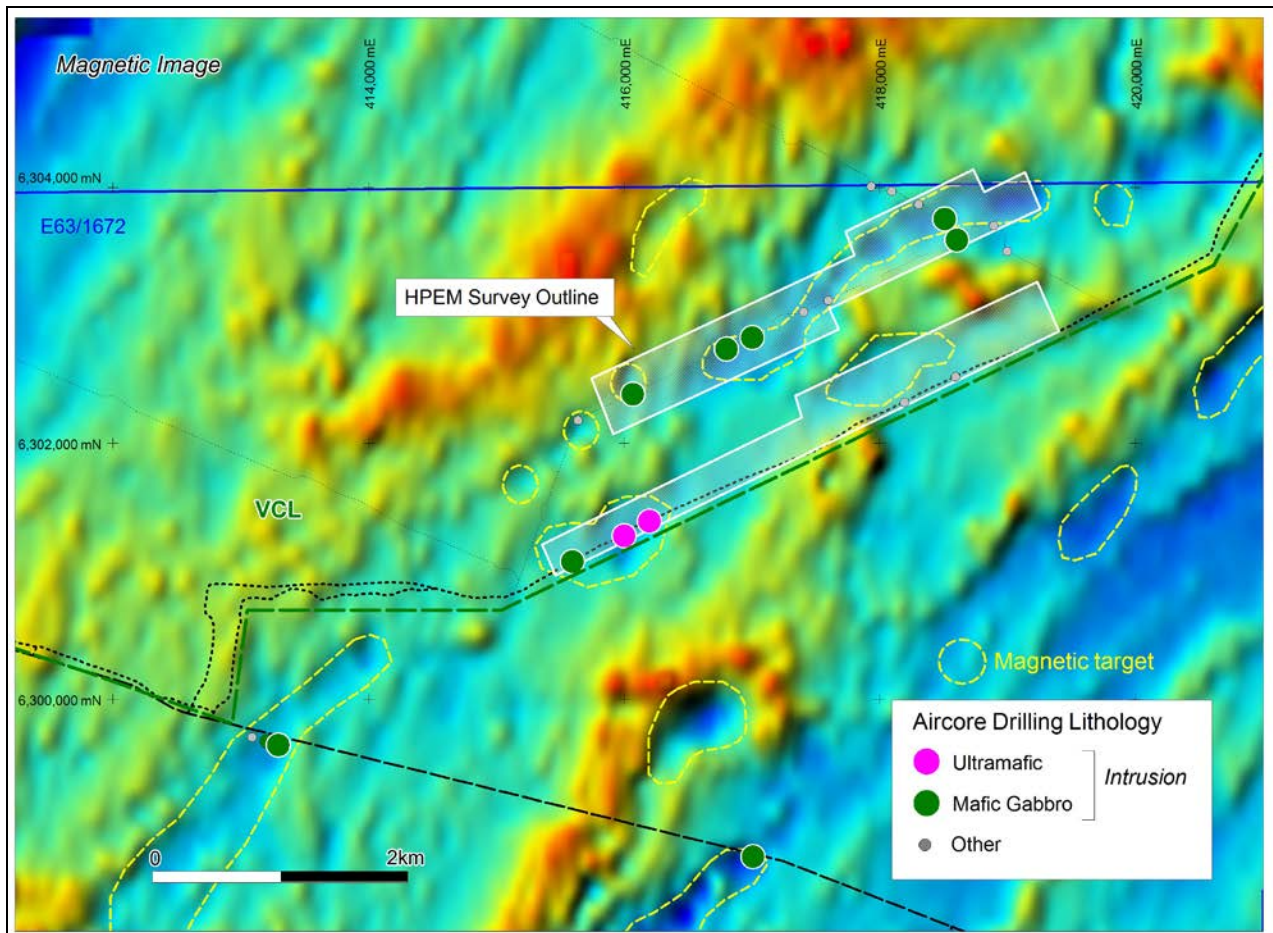


Figure 6: Gibson Soak proposed HPEM surveys

Blue Billy Zinc Project (100%AQD)

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

During the Quarter, HiSeis were contracted to reprocess ~35km of seismic data from the eastern end of a regional traverse that crosses the targeted sediments and structures within the Blue Billy zinc prospect.

The seismic data were originally collected by Geoscience Australia in conjunction with the Geological Survey of WA to examine the full crustal profile across the Edmund and Collier Basins, whereas re-processing by HiSeis will focus on maximising information from the upper 1km of section where the potential for sedimentary zinc mineralisation is thought to exist.

The original processed seismic data shows strong reflectors in the area and significant disruption to the sedimentary sequence in the vicinity of the Talga Fault, suggesting that re-processed data focussed on the upper part of the section could provide valuable insights into the potential of this prospect and possibly identify targets for drilling.

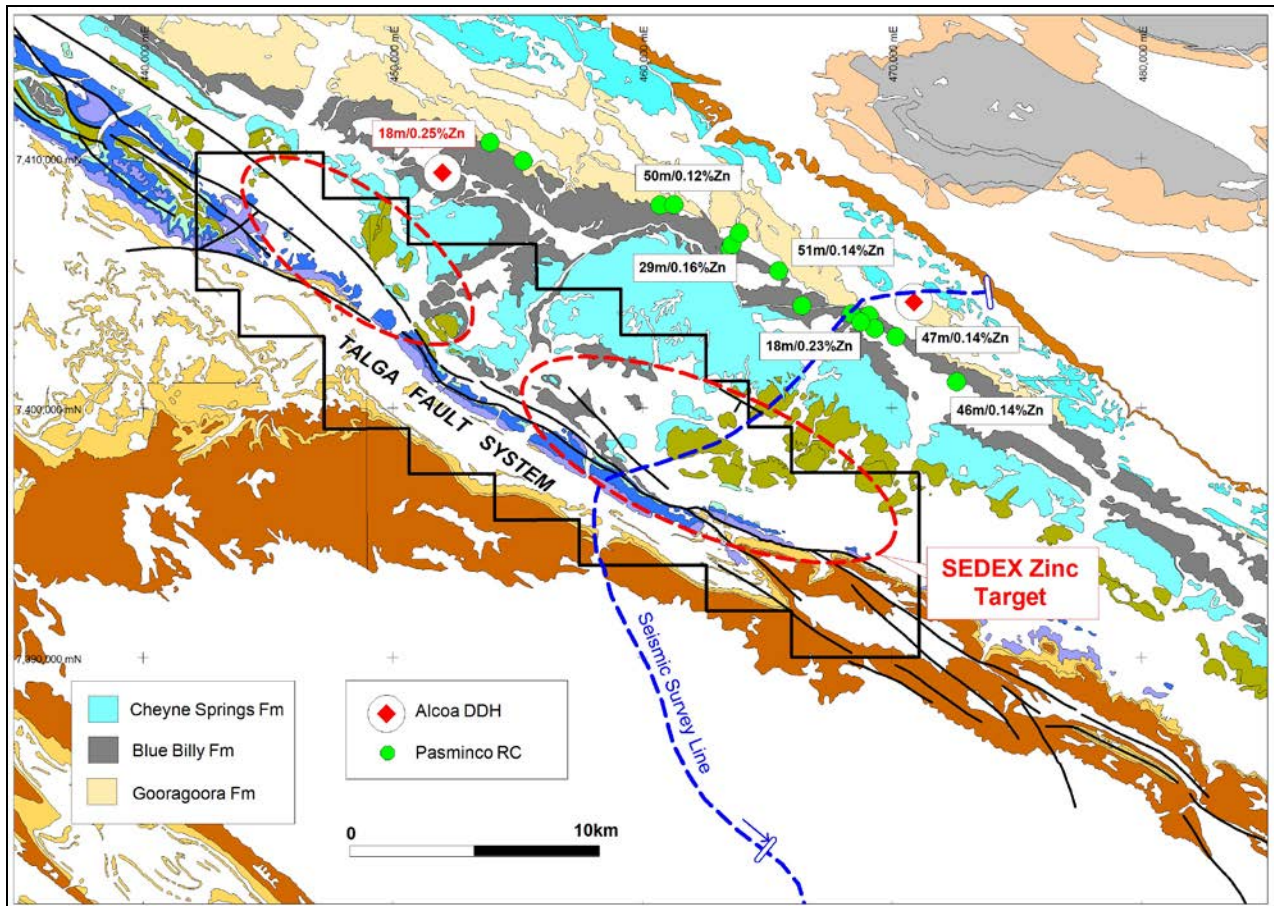


Figure 7: Blue Billy Zinc Project showing Seismic Survey line being re-processed

Seismic velocity and density measurements were completed on core samples from an historical Alcoa drill-hole located just outside the prospect to provide control for re-processing. The results of this work are expected in early February 2017.

Glenayle Ni-Cu Project (100%AQD)

The Glenayle Ni-Cu Project is located ~350km northeast of Wiluna along the northern margin of the Yilgarn Craton in Western Australia. Tenements cover the basal section of large mafic sill complex where available magnetic and geochemical data suggest there may be ultramafic rocks under the extensive cover that could be prospective for nickel-copper sulphide deposits.

During the Quarter, computer modelling of the Yallum Hill magnetic anomaly was completed, outlining a relatively flat lying tube-like body ~6km in length, occurring at depths of ~200m to 300m with magnetic properties reflecting high magnetite content (1 to 20%) in the source rock.

The target appears to occur within the Salvation Group sediments which overly the Earahedy Basin sediments. Whilst these magnetic properties suggest iron formation as the source, the location and geometry of the target implies that it could be related to the intrusion of mafic sills of the Warakurna Large Igneous Province, which has known potential to host nickel and copper mineralisation.

HPEM surveys are being considered to test this prospect for possible massive nickel and copper sulphides.

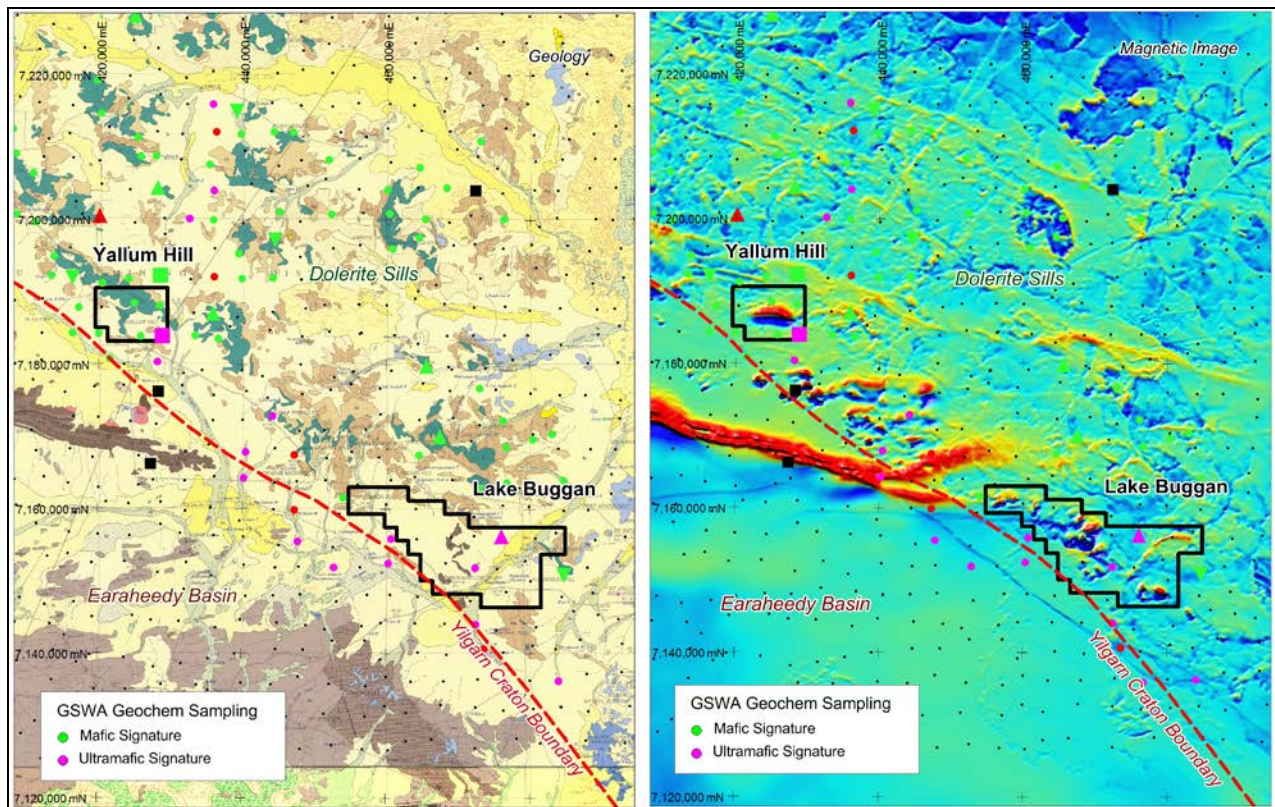


Figure 8: Glenayle geology and magnetics showing Yallum Hill anomaly

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 1,150km² 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 now earned a 65% interest in the titles and has elected to earn a further 15% by spending a further US\$3.5 million before April 21st 2017. Burkinor is the operator of the JV.

Burkinor has advised that tenement renewals for the original six Banfora tenements are proving more difficult to obtain than originally thought. Field programmes under the joint venture remain suspended to see if this issue can be resolved.

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

Discussions with third parties interested in testing the Company's copper-gold prospects in Peru and base metal prospects in Australia were advanced during the Quarter. The Company continues to be encouraged by the ongoing interest shown in its prospects and remains optimistic that suitable joint ventures will be forthcoming over one or more of its prospects in the near future.

KEY ACTIVITIES – MARCH 2017 QUARTER

The following activities are planned for the March 2017 Quarter:

- Jimberlana (Ni-Cu) – Complete HPEM survey to identify drill targets;
- Balladonia (Ni-Cu) – Finalise clearances for HPEM surveys;
- Gibson Soak (Ni-Cu) – HPEM surveys to identify drill targets;

- Blue Billy (Zn) – Re-process seismic data to upgrade prospectivity and define drill targets;
- Peru (Cu-Au) – IP survey over the Chololo prospect to optimise drill targets;
- Peru (Cu-Au) – IP survey over the Colorada East prospect to identify drill targets;
- Peru (Cu-Au) – Commence IP survey at Cerro de Fierro to identify drill targets
- Peru (Cu-Au) – Mapping & sampling at Los Otros porphyry copper prospect; 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.

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")

31 December 2016

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation	(200)	(561)
(b) development	-	-
(c) production	-	-
(d) staff costs	(9)	(36)
(e) administration and corporate costs	(130)	(255)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	3
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(338)	(849)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
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	-	-

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	750	750
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	750	750

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	303	811
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(338)	(849)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4 Net cash from / (used in) financing activities (item 3.10 above)	750	750
4.5 Effect of movement in exchange rates on cash held	-	3
4.6 Cash and cash equivalents at end of period	715	715

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	715	303
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)	715	303

6. Payments to directors of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	-
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	

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	11
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	

Payment of office rent.

Mining exploration entity and oil and gas exploration entity quarterly report

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

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9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	(300)
9.2 Development	-
9.3 Production	-
9.4 Staff costs	(50)
9.5 Administration and corporate costs	(80)
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	(430)

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	E63/1744 E69/3395	-	100% 100%	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:

Date: 30 January 2016

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.