



Quarterly Report – 31st March 2017

HIGHLIGHTS

Exploration programs for new nickel and copper projects set to begin following Strategic Alliance Agreement with South32

Corporate

- ❑ AusQuest enters into Strategic Alliance Agreement (SAA) with South32 to develop a pipeline of high-potential exploration opportunities both in Australia and internationally.
- ❑ Five of AusQuest's projects have been identified by South32 as being of interest (three in Australia and two in Peru) – four as Exploration Opportunities and one (the Blue Billy Project in WA) as a Drill-Ready Opportunity subject to a US\$4M farm-in joint venture (BBJVA).
- ❑ Initial funding of US\$1.5M received includes funds to progress four projects to the drilling stage, plus a payment for the Blue Billy Joint Venture Project.

Peru – Copper-Gold

- ❑ Mapping and sampling at the Los Otros Project commenced late in the Quarter using funding from the SAA with South32.
- ❑ Induced Polarisation (IP) surveys at the Chololo copper prospect are being extended under the Strategic Alliance to identify potential drill targets under cover along the Chololo Fault.

Australia – Nickel, Copper, Zinc

- ❑ Electromagnetic (EM) surveys targeting massive nickel-copper sulphides at the base of the Jemberlana Dyke commenced in early April 2017 using funding from the SAA. Results are expected by early May.
- ❑ EM surveys over nickel targets within the Gibson Soak and Balladonia Projects will commence in April-May using funding from the SAA.
- ❑ Reprocessed seismic data over the Blue Billy Zinc Project identifies drill targets with the potential for sediment-hosted zinc mineralisation adjacent to the Talga Fault. Drilling has been approved by the BBJV.

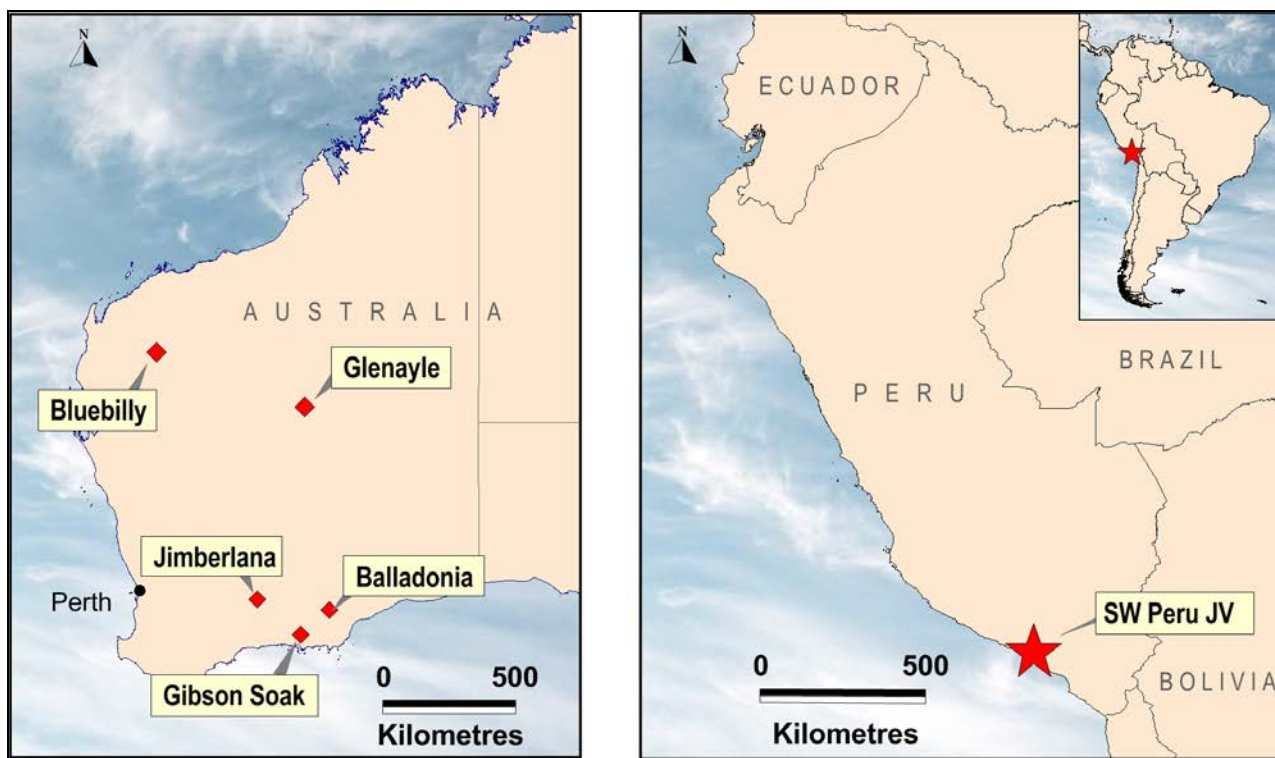


Figure 1: Project Locations – Australia and Peru

OVERVIEW

During the Quarter AusQuest announced that it has entered into a **Strategic Alliance Agreement (SAA)** with diversified global miner South32 (ASX, LSE, JSE: S32; ADR: SOUHY) under which the two companies would work together to develop a pipeline of high-potential exploration opportunities both in Australia and internationally.

The Strategic Alliance Agreement establishes an innovative framework under which AusQuest will draw on its extensive expertise to generate and secure prospective early-stage exploration opportunities to be offered exclusively to South32 over a three-year time frame, expiring 31 December 2019.

Exploration programs for nickel and zinc in WA and copper in Peru have already been agreed with South32, and have commenced at several locations.

In **Peru**, mapping and sampling has commenced at the Los Otros Project and induced polarisation (IP) surveys are being extended at Chololo after the initial reconnaissance IP survey highlighted

increasing chargeability values at the northern end of the traverse.

In **Australia**, EM surveys at the Jimberlana, Gibson Soak and Balladonia Nickel projects have been contracted, with the Jimberlana survey commencing in April 2017 (see ASX release 11 April 2017).

Access preparations have commenced at the Blue Billy Joint Venture Project where drilling (~3000m) approved under the BBJVA is expected to commence in late June/early July 2017.

Project generation activities have also increased and will have a greater focus over the coming months to ensure further opportunities are provided for the Strategic Alliance to consider.

CORPORATE

During the Quarter, AusQuest announced that it had entered into a **Strategic Alliance Agreement** with South32. For further details of the agreement, refer to the Company's ASX announcements on 20 February and 20 March 2017.

Projects secured by AusQuest and offered exclusively to and accepted by South32 will undergo a staged evaluation process which will see projects classified as either Exploration Opportunities or Drill-Ready Opportunities. Funding provided by South32 will be used to either advance opportunities to the drilling stage, or drill-test defined targets under agreed joint venture terms and conditions.

South32 can earn a 70% share in each joint venture by completing expenditure of US\$4 million and can earn an 80% interest by completing a Pre-Feasibility Study. The Blue Billy Zinc Project in WA has already progressed to joint venture status, for which there is a separate joint venture agreement.

Initial funding of US\$1.5 million (~A\$2.0 million) has already been provided by South32 and will see exploration programs for nickel and zinc in WA and copper in Peru commence over selected projects during the June Quarter 2017.

The Company believes that the Strategic Alliance with South32 opens up an exciting new era for AusQuest, working alongside a large diversified miner and leveraging our skills as an explorer targeting provincial-scale discoveries to increase the value of the Company.

PERU COPPER-GOLD PROJECTS

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.

Strategic Alliance Projects:

Under the recently announced SAA, the Los Otros and Chololo porphyry copper projects have been selected as potential prospects of interest requiring further work to identify targets for drill testing.

During the Quarter, mapping and sampling at **Los Otros** was undertaken and, at the time of this report, only limited coverage had been possible. Unseasonal heavy rains in the area restricted access to large parts of this prospect. A total of 39 stream sediment samples and 37 rock-chip samples were collected with assay results pending.

At the **Chololo** prospect, a reconnaissance induced polarisation (IP) survey commenced to explore covered areas along the Chololo Fault where mapping and sampling inferred the presence of a buried porphyry copper target.

Although the chargeability data were noisy due to electrical storm activity in the region, indications of potential buried sulphide mineralisation were apparent at the southern and northern extremities of the IP section.

The southern anomaly appears to reflect sulphides associated with the nearby Ilo Este porphyry copper system, whereas the northern response is so far poorly defined and unexplained.

IP coverage is being extended to cover this northern sector of the project, where magnetics suggests a possible target under cover adjacent to the Chololo Fault. It is expected that this extension will be completed during the June Quarter.

AusQuest Projects

Limited field work was completed during the Quarter with unseasonal rains affecting access to some of the areas of interest.



Figure 2: Project Locations in southern Peru

Field mapping and sampling commenced over the La Grande tenements, located immediately south of the Puite prospect where earlier drilling results had suggested potential for nearby porphyry-style copper mineralisation south of the drilling. A total of ~150 soil samples were collected and sent for assay but very few rock exposures were found during the sampling program. Assays are pending.

Several small quartz veins containing chlorite-epidote and specularite mineralogy were located outside the sampling area, with all three samples returning anomalous copper (100-600ppm Cu) and molybdenum (5-24ppm Mo) values, suggesting that further work is required.

The proposed IP survey at the Cerro de Fierro Prospect was postponed while the strategic alliance with South32 was being finalised. The survey was planned to test the area where earlier mapping and sampling had identified potential for Iron-oxide copper-gold (IOCG) mineralisation. It is now

expected that this survey should commence in Q2 2017.

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

Jimberlana Ni-Cu Project (100% AQD subject to SAA)

The Jimberlana Project, which is located ~120km west of Norseman between the Lake Johnston and Forrestania Greenstone Belts, consists of one Exploration Licence (130km²) covering the western extension (~20km 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 trapsites 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.

During the Quarter, an electromagnetic (EM) survey commenced to identify potential nickel sulphide targets associated with the

Jimberlana Dyke. This marks the first exploration program to be undertaken in WA under the recently established Strategic Alliance with South32.

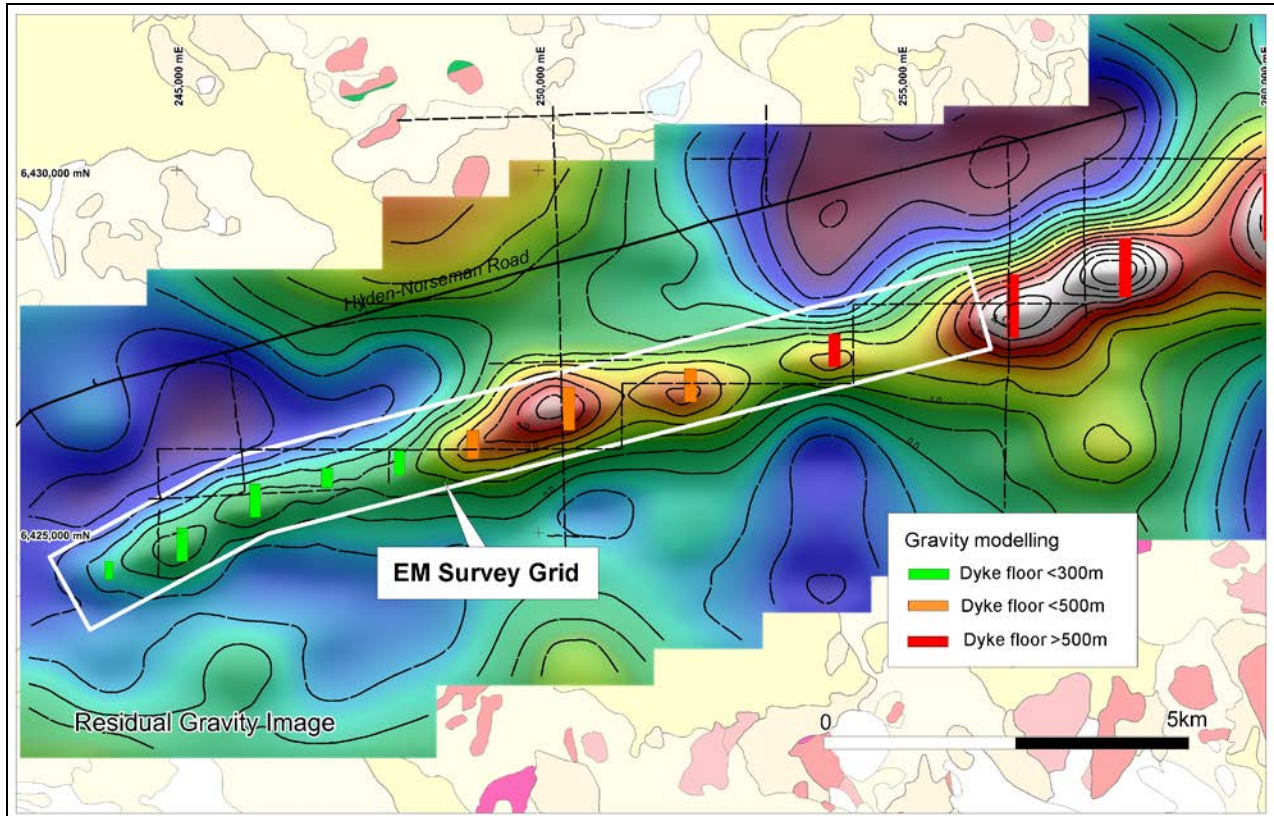


Figure 3: Jimberlana Nickel Prospect EM survey outline

The EM survey, which is being undertaken by Gem Geophysics, covers a 12km strike length at the western end of the Jimberlana Dyke, where gravity surveys indicate that the basal section or floor of the dyke is at relatively shallow depths (200m to 500m) – well within the exploration range of current day EM systems.

The EM survey will utilise 300m x 300m transmitter loops with the Squid sensor located outside the loop to minimise spurious loop effects. The initial survey will be centred over the dyke with traverses running parallel to the strike of the dyke to maximise coverage along the dyke.

Follow-up surveys will be required to confirm targets and optimise drill sites where conductors are indicated by this survey.

The survey is expected to be completed by the end of April with results available in May 2017.

Balladonia Ni-Cu Project (100% AQD subject to SAA)

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 have now been received to allow planned EM surveys to commence. Twelve mafic intrusions with similar magnetic expressions to known gabbroic intrusions within the Fraser Range area will

be targeted by the reconnaissance EM surveys.

The targeted intrusions are relatively strike extensive (ranging from 2 to 6km) and are associated with inferred regional NE and NW structures that cross-cut the area. The Company has contracted Gem Geophysics to undertake the EM surveys, which are expected to commence by early May 2017.

Gibson Soak Ni-Cu Project (100% AQD subject to SAA)

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 ~250km², 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.

The EM survey to be undertaken by GAP Geophysics was delayed due to exceptionally heavy rains across the State in February-March which caused major issues with crew availability. The survey is now expected to commence around the end of April 2017 with results available in May 2017.

The EM survey is planned to identify potential drill targets associated with mafic intrusions interpreted from magnetic data and confirmed by earlier aircore drilling.

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 farm-land and still require access approval from the landowner before field work can commence.

Blue Billy Zinc Project (100% AQD subject to BBJVA)

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, seismic data from a regional traverse undertaken by Geoscience Australia in conjunction with the Geological Survey of WA was reprocessed by HiSeis. ~35km of seismic section across the targeted sediments and structures within the Blue Billy prospect were re-processed to maximise information from the upper 1km of section where potential for sedimentary zinc mineralisation is thought to exist.

Results successfully outlined the vertical extent of the Blue Billy mudrock sequence, locating several faults that appear to affect the Blue Billy and lower sediments, but not the overlying stratigraphy – suggesting the possibility of growth faults in the area.

The Blue Billy Formation varies in thickness from ~550m to ~620m close to the Talga Fault, where the largest fault movements and thickness changes are inferred from seismic data. Seismic patterns reflecting possible alteration and/or poorly layered sediments were often associated with fault structures suggesting possible fluid activity marginal to these structures.

A diamond drilling program consisting of four holes (~3000m) is planned to test the target stratigraphy adjacent to the Talga Fault and provide potential vectors to ore. Access preparations and required approvals are now being sought to enable drilling to commence in June-July 2017.

A new tenement application was submitted in February to cover potential strike extensions of the target stratigraphy.

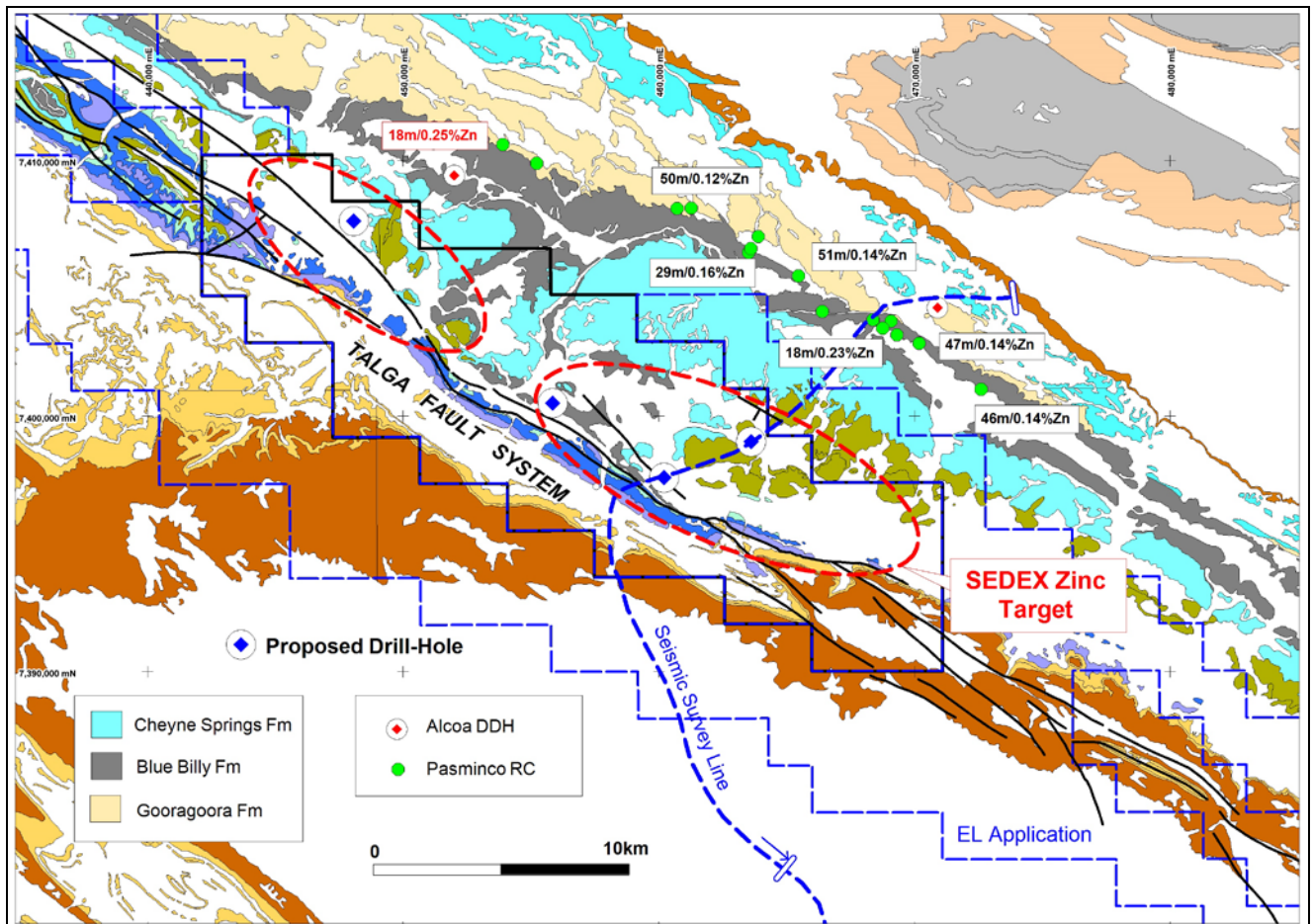


Figure 4: Blue Billy JV showing location of proposed drill-holes

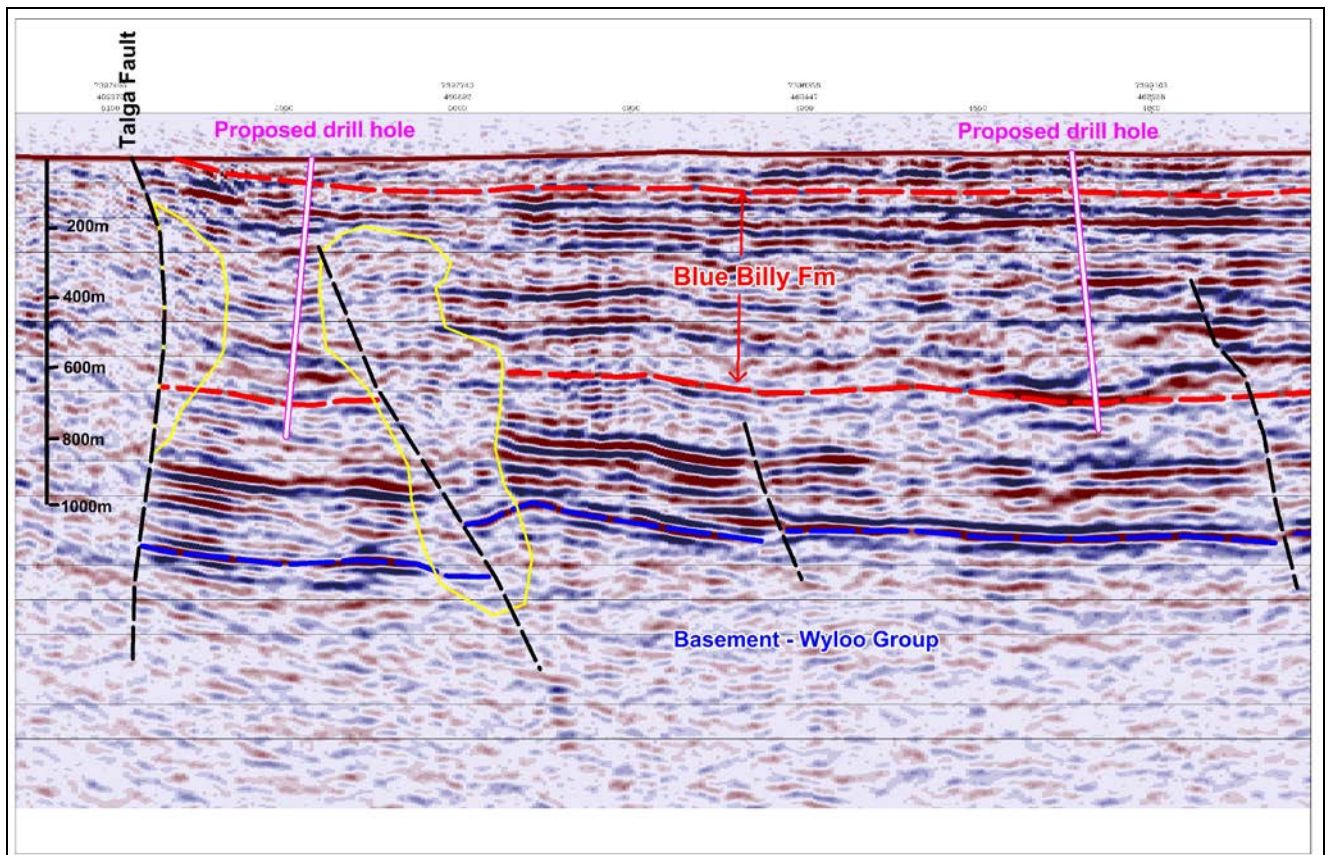


Figure 5: Blue Billy reprocessed seismic section showing proposed drill-holes

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.

No work was completed over this project during the Quarter. HPEM surveys are being considered to test this prospect for possible massive nickel and copper sulphides. A decision on these surveys will be made in the coming months.

GOLD – WEST AFRICA

Comoe Project (AQD 35%, Ressources Burkinor SARL 65%)

The Comoe Project is located near the town of Banfora in south-west Burkina Faso, West Africa, within an extensive greenstone belt. AusQuest title within the Belt is under a Farm-In and Joint Venture Agreement with Ressources Burkinor SARL, a wholly-owned subsidiary of TSX-listed SEMAFO Inc. Burkinor has earned a 65% interest in the titles.

Ressources Burkinor SARL has advised that tenement renewals for the original six Banfora joint venture tenements have been refused by Government, which is reportedly refusing all second extraordinary renewals for titles (titles >12 years old) throughout Burkina Faso. This effectively means only four small titles remain under the Banfora JV.

Following discussions with SEMAFO and an assessment of available data, both parties have agreed to terminate the joint venture with SEMAFO handling the shut-down of

operations and surrender of the remaining titles.

BUSINESS DEVELOPMENT

AusQuest will continue to assess opportunities both within Australia and offshore to determine if they meet requirements of the newly signed Strategic Alliance with South32 and could potentially become new opportunities or drill-ready targets under the SAA.

KEY ACTIVITIES – JUNE 2017 QUARTER

The following activities are planned for the June 2017 Quarter:

- Jimberlana (Ni-Cu) – Complete EM survey to identify drill targets;
- Balladonia (Ni-Cu) – EM surveys to identify drill targets;
- Gibson Soak (Ni-Cu) – Rescheduled EM surveys to identify drill targets;
- Blue Billy JV (Zn) – Access preparations/approvals for diamond drilling;
- Peru (Cu-Au) – Extend IP survey coverage over the Chololo prospect;
- Peru (Cu-Au) – Mapping & sampling at Los Otros porphyry copper prospect;
- Peru (Cu-Au) – IP survey at Cerro de Fierro to confirm and identify drill targets; and
- Peru (Cu-Au) – Mapping & sampling at the Puite South porphyry copper prospect.



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 March 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation	(239)	(799)
(b) development	-	-
(c) production	-	-
(d) staff costs	(35)	(71)
(e) administration and corporate costs	(108)	(364)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	4
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other : Funding received from South 32 under the Strategic Alliance Agreement	1,954	1,954
1.9 Net cash from / (used in) operating activities	1,573	724

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 (9 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
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

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	715	811
4.2 Net cash from / (used in) operating activities (item 1.9 above)	1,573	724
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
4.5 Effect of movement in exchange rates on cash held	6	9
4.6 Cash and cash equivalents at end of period	2,294	2,294

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	2,294	715
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)	2,294	715

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	36
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 director and consulting fees.

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	(850)
9.2 Development	-
9.3 Production	-
9.4 Staff costs	(40)
9.5 Administration and corporate costs	(110)
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	(1,000)

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	<u>Burkina Faso</u>	-		
	Komoe		35%	Nil
	Finkere		35%	Nil
	Kangounadeni		35%	Nil
	Kaouradeni		35%	Nil
	Tiefora		35%	Nil
	Tondoura		35%	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: 27 April 2017

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.