

August 16th, 2017
ASX Release

DIAMOND DRILLING COMMENCES AT BLUE BILLY ZINC PROSPECT, WA

Significant milestone for AusQuest with first drilling program to be commissioned under Strategic Alliance with South32 now underway

AusQuest Limited (ASX: AQD) is pleased to advise that diamond drilling has commenced at the Blue Billy Zinc Joint Venture Project, located ~100km south-west of Paraburdoo within the Edmund Basin in Western Australia. This is the first drilling program to be commissioned under the Company's Strategic Alliance with South32.

The Blue Billy Zinc Project is subject to a joint venture agreement with South32 whereby South32 can earn a 70% interest in the project by spending US\$4.0 million, and has the right to earn an additional 10% interest by completing a Pre-Feasibility Study. AusQuest is the initial operator of the joint venture and will manage the initial drilling programs (see ASX release dated February 20, 2017 for details).

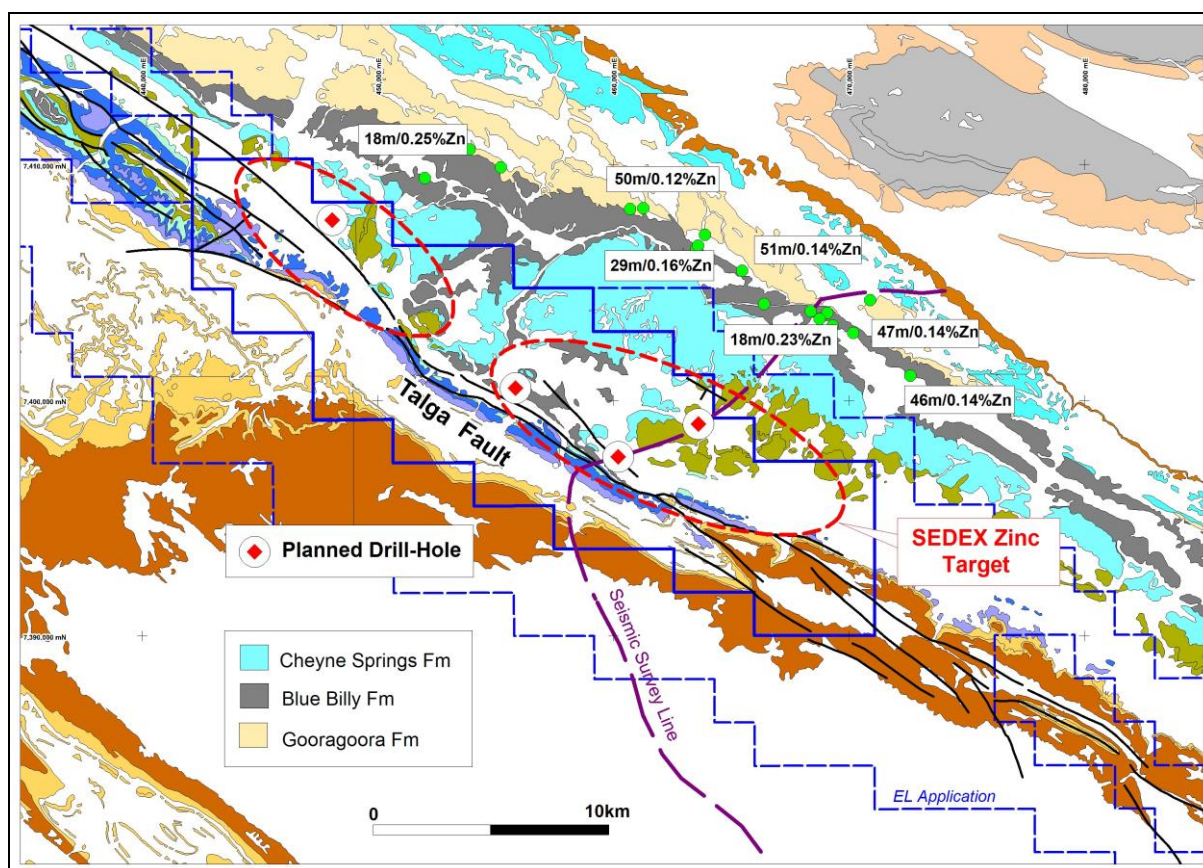


Figure 1: Blue Billy JV Geology showing drill-hole locations

The initial drilling program (4 holes/3,100m) is designed to test down-dip from anomalous zinc values (up to 0.5% Zn) intersected by historical shallow drilling, where the target stratigraphy (Blue Billy Formation – pyritic black shales) is in close proximity to the Talga

Fault, reflecting a priority site for sediment-hosted zinc deposits similar to those found in NW Queensland (see Figure 1).

The diamond drill holes are broadly spaced (~4km to 10km apart) and will provide an initial test of the stratigraphy close to the Talga Fault in order to identify potential vectors to mineralisation. The drilling programme is expected to take approximately six weeks to complete.

The Blue Billy Formation is relatively thick in the area to be targeted by drilling (~600m), suggesting the presence of nearby growth faults which could have been active during the time of sedimentation and also acted as possible conduits for mineralising (zinc-rich) fluids.

AusQuest's Managing Director Graeme Drew said the commencement of this inaugural drilling program under the Strategic Alliance with South32 represented an important milestone for the Company – with hopefully more to follow.

“We are also working hard to progress our other projects under the Alliance to drill-ready status,” he said.

The Company looks forward to reporting on the Blue Billy drilling results when they become available.



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.