August 20, 2019
ASX Release

BASE METAL TARGET IDENTIFIED AT BALLADONIA – FRASER RANGE PROVINCE, WA

AusQuest Limited (ASX: AQD) is pleased to advise that it has identified a base metal drill target measuring ~500m by 300m in size from recent air-core drilling at the **Telegraph Prospect** at its Balladonia Project in the Fraser Range area of Western Australia. This project is subject to the Strategic Alliance Agreement (SAA) with South32.

The air-core program, comprising 39 holes for 1,097m returned highly anomalous copper (300 to 5,500ppm Cu), silver (1 to 51g/t Ag), lead (150 to 1,800ppm Pb) and zinc (400 to 2,900ppm Zn) values within the saprolite (alteration) zone (*Figure 1*).

Coupled with variably anomalous pathfinder elements (Sn, As, Se, Mo, Tl and Bi) and anomalous light rare earths (Ce, La) the results suggest the potential for a base metal source (possibly volcanogenic massive sulphides or VMS) beneath the current level of drilling.

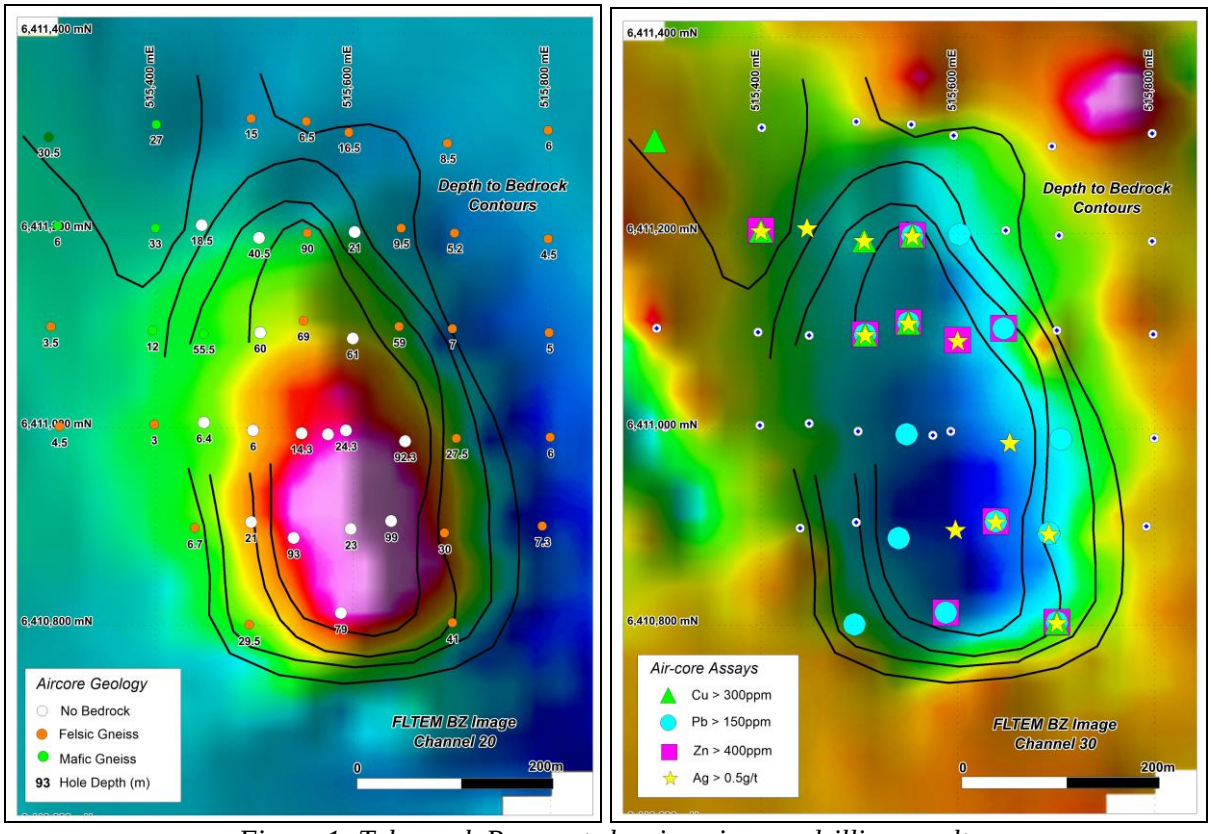

Figure 1: Telegraph Prospect showing air-core drilling results

Drill-hole depths were highly variable, ranging from ~5m over the unaltered basement gneisses, up to a maximum of 99m within the target area, where relatively sudden, deep weathering (possibly alteration) of the basement rocks was encountered.

Many drill-holes within the main target area failed to reach bedrock as they either ended in hard, siliceous layers within the saprolitic clays (weathered bedrock) or the depth of weathering/alteration was too deep for the air-core system to penetrate (*Figure 1*).

Highly variable geochemistry was reported from the drilling with numerous metal-enriched zones scattered throughout the target area, as well as some thick sections with strong leaching of metals due to the intense alteration of bedrock found in this area.

Compilation of the drilling results with geophysical (EM) survey data infers an alteration footprint approximately 500m x 300m in size, suggesting the possibility of a sizeable target at depth.

A program of Reverse Circulation (RC) drilling is being planned to test for base metal sulphides beneath the alteration. This program will be submitted to South32 for their consideration under the SAA. It is envisaged that drilling could start within a month or two of receiving approval from South32.

AusQuest Managing Director Graeme Drew said the Telegraph Prospect represented a compelling base metal drill target.

"Based on the strength of the results returned from the air-core drilling program, combined with the presence of other pathfinder elements and geological indicators, we are excited about drill testing this target as soon as we can," he said. "We are now in discussions with South32 to expedite the start of drilling, which we think could begin within the next couple of months".

"As previously reported, drilling at our Hamilton prospect in Queensland has now started and we remain committed to commencing a second phase of drilling at the Cerro de Fierro copper-gold prospect in southern Peru during the last Quarter of this year, providing an active end to 2019," he said.



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.

JORC Code, 2012 Edition – Table 1 report, AirCore Drilling at Balladonia WA - Section 1 Sampling Techniques and Data

(Criteria in this section apply to all succeeding sections.)

Criteria	JORC Code explanation	Commentary
Sampling techniques	• *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.*	• All aircore drill samples were collected using a hand held scoop. • A full and level scoop was consistently collected for each sample. Samples were composited by sampling the individual 1 metre sample spoils and combining 4 for each composite sample. • A bottom hole sample of the freshest material (from 1m to 4m thick) was also collected. • All of the hole was sampled including overburden.
Drilling techniques	• *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).*	• The aircore drilling was conducted by Wallis Drilling using a 92mm blade bit to blade refusal • No down hole surveys were undertaken • All AC drill holes were inclined at -90°
Drill sample recovery	• *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.*	• Sample recoveries were not measured but sample spoils appeared adequate. • The sampling cyclone and buckets were cleaned regularly.
Logging	• *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.*	• Aircore drill chips were geologically logged. • Qualitative descriptions of colour, grain size, texture and lithology are recorded for each sample. • Drill holes are geologically logged in their entirety.
Sub-sampling techniques and	• *If core, whether cut or sawn and whether quarter, half or all core taken.* • *If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet*	• Not applicable. • Aircore samples were not riffle split.

Criteria	JORC Code explanation	Commentary
sample preparation	*or dry.* • *For all sample types, the nature, quality and appropriateness of the sample preparation technique.* • *Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.* • *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.* • *Whether sample sizes are appropriate to the grain size of the material being sampled.*	• Samples consisted of 4 metre composites. Submitted sample weights vary from 1 to 2 kg. Samples were collected using a scoop from each of the sample spoils.

Quality of assay data and laboratory tests	• *The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.*
	• *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.*
	• *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.*
		• Aircore drilling sample analysis was completed by Intertek Genalysis Pty Ltd of Perth W.A.
		  • The samples are sorted and dried. The whole sample is crushed then split by riffle splitter to obtain a representative sub-sample which is then pulverized in a vibrating pulveriser.
		  • A portion of the pulverized sample is then digested and refluxed using a four acid digest (Hydrofluoric, Nitric, Hydrochloric and Perchloric) which approximates a total digest for most elements. Some refractory minerals are not completely dissolved.
		  • Inductively Coupled Plasma Mass Spectroscopy (ICP-MS) is used to measure Ag, Al, As, Ba, Be, Bi, Ca, Cd, Ce, Co, Cr, Cs, Cu, Fe, Ga, Ge, Hf, In, La, Li, Mg, Mn, Mo, Na, Nb, Ni, P, Pb, Rb, Re, S, Sb, Sc, Se, Sn, Sr, Ta, Te, Th, Ti, Tl, U, V, W, Y, Zn, and Zr.
		• No company standards were included in sample batches given reconnaissance nature of program. QAQC reliance was placed on laboratory procedures and laboratory batch standards
		• Analytical data is transferred to the company via email.

Verification of sampling and assaying	• *The verification of significant intersections by either independent or alternative company personnel.* • *The use of twinned holes.* • *Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.* • *Discuss any adjustment to assay data.*	• Not applicable at this early stage of exploration • Not applicable at this early stage of exploration • Sampling data is collected in the field and data entry and validation is completed in the office by experienced database personnel assisted by geological staff. • No adjustments are made to assay data.
Location of data points	• *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.* • *Specification of the grid system used.* • *Quality and adequacy of topographic control.*	• Drill collar positions were recorded with handheld GPS system with expected accuracy of +/- 5m horizontal. This is considered acceptable for broad spaced ground activities. • The grid system for the Balladonia Project is GDA94, MGA Zone 51

Criteria	JORC Code explanation	Commentary
		• Topographic control has not been applied.
Data spacing and distribution	• *Data spacing for reporting of Exploration Results.* • *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.* • *Whether sample compositing has been applied.*	• Aircore drill section spacings were 100 metres with drill holes at 50 metre to 100 metre intervals along lines. • Not applicable. • Composite sampling has been applied to the aircore drilling with 4 metre composite samples collected.
Orientation of data in relation to geological structure	• *Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.* • *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.*	• The orientation of the aircore traverses was considered adequate to provide an initial test of the targets given it is an early stage of exploration • Not applicable
Sample security	• *The measures taken to ensure sample security.*	• Samples are collected into securely tied calico bags and placed into tied poly weave bags for transport to the laboratory. Each sample batch has a sample submission sheet that lists the sample numbers and the work required to be done on each sample. • Samples were transported to the laboratory by Toll Ipec. • Sample pulps (after assay) are held by the laboratory and returned to the company after 90 days.
Audits or reviews	• *The results of any audits or reviews of sampling techniques and data.*	• No reviews or audits of the sampling techniques or data have been carried out to date.

Drill-Hole location details

Hole No	Easting	Northing	Projection	Inclination	Depth (m)
19BAC027	515799	6411097	GDA94 Z51	90	5
19BAC028	515647	6411103	GDA94 Z51	90	59
19BAC029	515550	6411109	GDA94 Z51	90	69
19BAC030	515449	6411096	GDA94 Z51	90	55.5
19BAC031	515397	6411099	GDA94 Z51	90	12
19BAC032	515294	6411103	GDA94 Z51	90	3.5
19BAC033	515798	6411192	GDA94 Z51	90	4.5
19BAC034	515703	6411198	GDA94 Z51	90	5.2
19BAC035	515649	6411203	GDA94 Z51	90	9.5
19BAC036	515602	6411199	GDA94 Z51	90	21

19BAC037	515554	6411198	GDA94 Z51	90	90
19BAC038	515505	6411193	GDA94 Z51	90	40.5
19BAC039	515447	6411206	GDA94 Z51	90	18.5
19BAC040	515400	6411203	GDA94 Z51	90	33
19BAC041	515301	6411205	GDA94 Z51	90	6
19BAC042	515798	6411302	GDA94 Z51	90	6
19BAC043	515696	6411289	GDA94 Z51	90	8.5
19BAC044	515596	6411300	GDA94 Z51	90	16.5
19BAC045	515553	6411311	GDA94 Z51	90	6.5
19BAC046	515497	6411314	GDA94 Z51	90	15
19BAC047	515401	6411308	GDA94 Z51	90	27
19BAC048	515292	6411295	GDA94 Z51	90	30.5
19BAC049	515800	6410991	GDA94 Z51	90	6
19BAC050	515705	6410990	GDA94 Z51	90	27.5
19BAC051	515653	6410987	GDA94 Z51	90	92.3
19BAC052	515593	6410998	GDA94 Z51	90	24.3
19BAC053	515548	6410995	GDA94 Z51	90	14.3
19BAC054	515499	6410998	GDA94 Z51	90	6
19BAC055	515449	6411006	GDA94 Z51	90	6.4
19BAC056	515399	6411004	GDA94 Z51	90	3
19BAC057	515303	6411002	GDA94 Z51	90	4.5
19BAC058	515792	6410901	GDA94 Z51	90	7.3
19BAC059	515639	6410906	GDA94 Z51	90	99
19BAC060	515540	6410889	GDA94 Z51	90	93
19BAC061	515440	6410899	GDA94 Z51	90	6.7
19BAC062	515701	6410803	GDA94 Z51	90	41
19BAC063	515588	6410813	GDA94 Z51	90	79
19BAC064	515495	6410801	GDA94 Z51	90	29.5
19BAC065	515575	6410994	GDA94 Z51	90	15

Section 2 Reporting of Exploration Results

(Criteria listed in the preceding section also apply to this section.)

Criteria	JORC Code explanation	Commentary
Mineral tenement and land tenure status	• *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.* • *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.*	• The Balladonia tenements are located approximately 140km ESE of Norseman in the Fraser Range Belt of Western Australia. • The Balladonia Project comprises three granted exploration licenses (E69/3246, 3317, 3588) and two applications (E69/3394, 3559). • The tenements are held 100% by AusQuest Limited. • The tenement falls within the Dundas Nature Reserve for which the company has an accepted Conservation Management Plan with DPaW • Aboriginal heritage and flora surveys are routinely completed ahead of ground disturbing activities
Exploration done by other parties	• *Acknowledgment and appraisal of exploration by other parties.*	• Previous exploration in the area has included minor mineral sands and bauxite exploration
Geology	• *Deposit type, geological setting and style of mineralisation.*	• The exploration model is based upon copper and nickel sulphides hosted in mafic rocks or base metal VMS deposits within the Albany Fraser Orogen

Drill hole Information	• *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:*
	  ○ *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.*
		• All relevant drill hole data are either tabulated above or provided in the ASX release.

Data aggregation methods	• *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*	• No data aggregation of intercepts has been undertaken • Assays quoted are all uncut.

Criteria	JORC Code explanation	Commentary
	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.*	
Relationship between mineralisation widths and intercept lengths	• *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').*	• No assay intervals have been reported.
Diagrams	• *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.*	• Drill holes are shown on appropriate plans and included in the ASX release.
Balanced reporting	• *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.*	• Significant assay results are reported.
Other substantive exploration data	• *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.*	• The relationship between current drill results and previously reported exploration data is discussed in the report.
Further work	• *The nature and scale of planned further work (eg tests for lateral extensions or depth extensions or large-scale step-out drilling).* • *Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.*	• The locations for future drilling are still to be determined and await a detailed review of the current results.