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ASX Release

AUSQUEST LIMITED
ABN 35 091 542 451

AUSQUEST SECURES COPPER-GOLD JOINT VENTURES WORTH UP TO A$34 MILLION

Landmark agreements with Peruvian copper majors could see them sole fund up to 70,000m of drilling targeting Tier 1 porphyry copper-gold deposits

Key Points:

- **Three separate joint venture agreements** completed with leading South American copper companies, **Zahena SAC** and **Southern Peru Copper Corporation**.
- Agreements cover **four large porphyry copper-gold targets** identified by AusQuest in southern Peru.
- Zahena and Southern Copper can **earn up to 70% in all projects for a structured series of cash option payments to AusQuest totalling ~US$10M** and **sole funding 70,000m of drilling worth an estimated US$16.5M**: total estimated value of agreements – **US$26.5M (~A$34M)**.
- The agreements give AusQuest **free-carried exposure to a major copper exploration drilling program** in one of the world's most prospective copper regions, representing a **potentially transformational development** for the Company.
- AusQuest has additional tenements on which it continues to develop **high-quality porphyry and IOCG copper-gold exploration targets in southern Peru.** Further joint ventures may be sought as drill targets are defined.

AusQuest Limited (ASX: AQD) is pleased to announce that it has signed two landmark joint venture agreements covering three of its large-scale porphyry copper-gold targets in southern Peru and finalised terms for a third agreement which is now awaiting signature. The combined value of the agreements is up to US$26.5 million (~A$34 million) in cash option payments to AusQuest (totalling ~A$12.8 million) and in-ground exploration expenditure (an estimated A$21.2 million).

Through its wholly-owned subsidiary in Peru, Questdor SAC (Questdor), AusQuest has signed two agreements with Compania Minera Zahena SAC ("Zahena") and finalised terms for a third agreement with Southern Peru Copper Corporation Sucurs del Peru ("Southern") to drill four of the Company's extensive portfolio of porphyry copper-gold targets (*Figure 1*).

Southern and Zahena are leading companies in the copper industry in Peru, with Southern producing over 300,000 tonnes a year of copper (~US$2.0 billion a year revenue) from its Toquepala and Cuajone mines in southern Peru and Zahena, a major explorer in the region with strong technical expertise in porphyry copper exploration and a number of active exploration joint ventures.

The new joint venture arrangements give AusQuest free-carried exposure to one of the more significant copper exploration programs for a junior explorer to be undertaken in Latin America, while at the same time securing a strong partnership with major companies in the region, with the financial and technical expertise to advance any discovery through to development and production.

AusQuest through its wholly owned subsidiary Questdor, has been active in Peru for over three years, assembling an extensive portfolio of high quality targets for porphyry and IOCG-style mineralisation utilising its proprietary airborne geophysical data sets. The targets are all located in the southern coastal belt of Peru close to infrastructure and major world-class deposits.

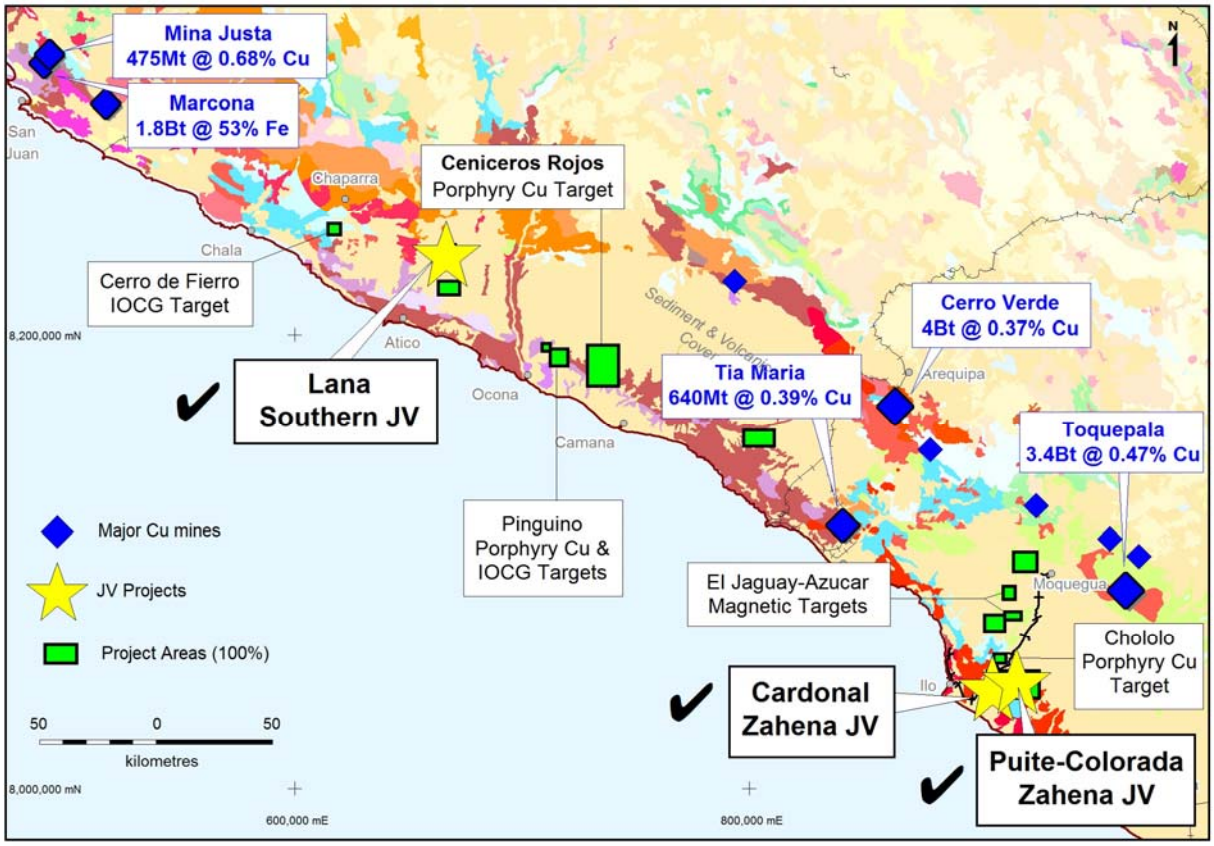


Figure 1: Peru Projects showing JV Locations

Projects subject to the new joint ventures have been permitted. First stage drilling of all four prospects is due to be completed within the next 12 to 18 months, with Lana expected to be the first target drilled.

The agreements are structured to include both staged option payments to Questdor and expenditure towards drilling. A summary of the commercial terms for Zahena and Southern to earn a 70% interest in the projects is attached to this announcement.

AusQuest's Managing Director, Graeme Drew, said the agreements with Southern Copper and Zahena represented a potential game-changing development for the Company.

"We went into Peru with a long term view and – after more than three years of patient, hard work (including flying an extensive aeromagnetic survey in 2011) to establish and identify a series of quality copper-gold targets in the covered regions of southern Peru – we are now

delighted to have secured joint venture agreements with two of the Peruvian copper industry's key players, who will be drilling our large-scale porphyry copper-gold targets for the very first time" he said.

"We believe these targets are capable of delivering discoveries of major significance for our Company," Mr Drew said. "Southern Peru is home to several large-scale, world-class copper mines and is a highly sought-after destination for all the major copper producers of the world."

"These agreements provide our Company and our shareholders with at least four opportunities to make a major copper discovery over the next 12 to 18 months."

The new joint venture agreements are consistent with the Company's strategy of securing quality joint venture partners to progress its large scale offshore mineral projects. In 2014 the Company secured a joint venture with a subsidiary of SEMAFO to explore its West African gold project which will see it free-carried to up to US$7.5 million worth of exploration expenditure (see ASX release 23rd February).

In Australia the Company plans to continue progressing its nickel-copper interests in the Fraser Range of Western Australia where recent announcements by Mt Ridley Mines and Sirius Resources has improved the prospectivity of the Company's land holdings at both Balladonia and Gibson Soak.



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.

ATTACHMENT

Summary of the Commercial Terms for Compania Minera Zahena SAC (Zahena) and Southern Peru Copper Corporation Sucurs del Peru (Southern) Agreements

Lana – Agreement with Southern to earn a 70% interest in Lana

1. *Minimum Program*: **5,000m** drilling (RC and/or Diamond) or expenditure of **US$1.0M** within 12 months of commencement (*commitment*).
2. *Elective Program*: plus **15,000m** drilling (RC and/or Diamond) over a further three year period – estimated value approximately **US$4.0M** (*at Southern's election*).
3. *Option Payment Schedule*:
    - US$70,000 at the commencement of the agreement
    - US$150,000 by the first anniversary of commencement
    - US$200,000 by the second anniversary of commencement
    - US$350,000 by the third anniversary of commencement
    - US$2,225,000 by the fourth anniversary of commencement.

    (*TOTAL Option Payments*: **US$2.995M**)

Cardonal Project – Agreement with Zahena to earn a 70% interest in Cardonal

1. *Minimum Program*: **5,000m** drilling (RC and/or Diamond) or expenditure of **US$1.0M** within 18 months of commencement (*commitment*).
2. *Elective Program*: plus **15,000m** drilling (RC and/or Diamond) over a further three year period – estimated value approximately **US$4.0M** (*at Zahena's election*).
3. *Option Payment Schedule*:
    - US$70,000 within 6 months of commencement - (*effective date*)
    - US$150,000 by the first anniversary of effective date
    - US$200,000 by the second anniversary of effective date
    - US$350,000 by the third anniversary of effective date
    - US$2,225,000 by the fourth anniversary of effective date.

    (*TOTAL Option Payments*: **US$2.995M**)

Puite-Colorada – Agreement with Zahena to earn a 70% interest in Puite-Colorada

1. *Minimum Program*: **10,000m** drilling (RC and/or Diamond) or expenditure of **US$1.5M** within 20 months of commencement (*commitment*).
2. *Elective Program*: plus **20,000m** drilling (RC and/or Diamond) over a further three year period – estimated value approximately **US$5.0M** (*at Zahena's election*).
3. *Option Payment Schedule*:
    - US$70,000 within 8 months of commencement - (*effective date*)
    - US$150,000 by the first anniversary of effective date
    - US$200,000 by the second anniversary of effective date
    - US$350,000 by the third anniversary of effective date
    - US$3,225,000 by the fourth anniversary of effective date.

    (*TOTAL Option Payments*: **US$3.995M**)

General Terms

- The commencement date is the date on which the agreements are placed on the public register in Peru – estimated at ~1 month after signing.

- When Zahena or Southern complete all agreed drilling and make all agreed payments as shown above, they will have earned a 70% interest in the project and a new Peruvian company will be formed (NewCo) into which the tenements will be transferred, with the initial shareholding in NewCo being Questdor 30% and Zahena 70%.

- If either Zahena or Southern elect to withdraw from an agreement before completing all agreed drilling and making all agreed payments, the titles for that project will remain 100% Questdor and Zahena or Southern will have no residual equity in the project.

- Both Zahena and Southern have the right to earn a further 10% equity in their respective projects by completing a Bankable Feasibility Study (BFS) within an additional four- year period. If either party fails to complete the BFS within the four year period their equity in NewCo will remain at 70%.

- Once NewCo is formed the parties must contribute to ongoing expenditure proportional to their shareholding or dilute their shareholding through standard formulae as provided in the Peruvian Company Act.

- If Questdor's interest in NewCo falls below 10%, its equity in the company will be converted to a 2% Net Smelter Royalty (NSR) on all production from the properties.

- Zahena and/or Southern will have control and accountability for all work programmes from the commencement of the agreements and during the earn-in/option stages and will control the Board and management of NewCo after it is formed.

- If NewCo elects to surrender tenements that form part of a project area they must first be offered to Questdor who can elect to have the titles transferred to Questdor (at Questdor's expense) before they are surrendered.

- All parties can assign their rights and interests under this agreement with the prior written consent of the other party.