AUSQUEST AND SOUTH32 KICK-START EXPLORATION PROGRAM

Exploration programs for new nickel and copper projects in WA and Peru set to begin following receipt of initial funds (~A$2.0M) under global Strategic Alliance Agreement

AusQuest Limited (ASX: AQD) is pleased to advise that it is set to begin the first phase of generative exploration activities under its recently announced Strategic Alliance Agreement (SAA) with South32 (ASX, LSE, JSE: S32; ADR: SOUHY) after receiving initial funds of US$1.5 million (~A$2.0 million) from the diversified global miner.

Under the SAA (as outlined in the ASX release dated 20 February 2017), the two companies will work together to develop a pipeline of high potential exploration opportunities both in Australia and internationally.

Exploration programs for nickel in WA and copper in Peru have been agreed with South32 and are scheduled to commence over the coming weeks.

The proposed use of funds from the initial funding is as follows:

- US$0.5 million to identify drill targets at the Jimberlana, Balladonia, and Gibson Soak (Fraser Range) nickel projects in WA;
- US$0.5 million to identify drill targets at the Chololo and Los Otros porphyry copper projects in Peru; and
- US$0.5 million for ongoing project generation activities.

Additional funding will be provided by South32 for the Blue Billy Joint Venture once a drill program has been agreed.

The SAA establishes an innovative framework under which AusQuest will draw on its extensive expertise targeting new deposits and mineral provinces with major ore potential, to generate and secure prospective early-stage exploration opportunities to be offered exclusively to South32 over a three-year time frame.

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 with South32.

A summary of the key terms and conditions of the Strategic Alliance Agreement and the Blue Billy Joint Venture Agreement were outlined in the ASX release dated 20 February 2017.

AusQuest’s Managing Director, Mr Graeme Drew, said the receipt of initial funding from South32 marked the beginning of the strategic alliance aimed at generating significant new resource development opportunities.

“This is a significant milestone which allows us to get on with the job of generating and evaluating prospects, and advancing them rapidly to the drilling stage – which is where the real potential value uplift lies,” he said.

“The Strategic Alliance with South32 opens up an exciting opportunity for AusQuest, working alongside one of the world’s most successful diversified miners and leveraging our skills as an explorer targeting provincial-scale discoveries to increase the value of the Company.”

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.