January 28, 2014
ASX Release

AUSQUEST LIMITED
ABN 35 091 542 451

FRASER RANGE DRILLING UPDATE

AusQuest Limited (ASX: AQD) advises that drilling of the four previously identified EM targets at its 100%-owned **Dundas Nickel-Copper Project**, located ~80km south of the Nova and Bollinger nickel-copper deposits in the Fraser Range belt of Western Australia, has now been completed. Assay results are expected by mid-February 2014.

A total of six diamond drill-holes for 1,546 metres were completed at the Alpha, Beta, Lambda and Omega prospects as detailed in the table below:

Hole No	Prospect	Easting	Northing	Azimuth	Dip	Total Depth
13DSDD034	Omega	466123	6387646	90	-70	397.2
13DSDD035	Lambda	467452	6388744	180	-75	343.2
13DSDD036	Alpha	465402	6388995	270	-60	205.0
13DSDD037	Lambda	467452	6388952	180	-75	402.9
14DSRC040	Beta	471462	6384756		-90	78.0
14DSRC041	Beta	471410	6384751	60	-55	120.0

At the **Lambda** prospect (*Figure 1*), both drill holes intersected narrow zones of coarse grained massive and/or matrix sulphides (pyrrhotite, pyrite) associated with siliceous alteration within a felsic gneiss sequence.

The sulphide intersections closely correlate with the interpreted position of the upper EM conductor, as determined by modelling of the ground-based fixed loop EM data, but no cause of the lower conductor was identified. The sulphide unit is relatively flat-lying, as predicted by modelling, and cross cuts the gneissic foliation suggesting a structural association.

Down-hole EM (DHEM) surveys confirmed a strong in-hole response associated with the sulphide mineralisation but no response near the lower conductor position. No obvious base metal mineralisation was visible in the core. Assay results are pending.

Drilling at the **Alpha** and **Beta** prospects (*Figure 2*) located sulphide mineralisation associated with steeply-dipping graphitic schists within both felsic and mafic gneisses, reflecting probable fault zones within the sequence. Drilling at the Beta prospect intersected a larger thickness of mafic rocks, which may explain the nickel-copper anomaly located by the soil sampling program over this conductor.

DHEM surveys at both sites confirmed the EM target zone had been intersected by the drilling.

All samples from the drilling program have been sent to the Ultra Trace laboratory in Perth for assay with final results for all holes expected by mid-February 2014.

The Company will evaluate the Dundas Project's nickel-copper prospectivity once all assay results have been received.

A significant strike length of possible mafic host rocks remains to be tested within the Company's tenement package, providing significant opportunities for potential future exploration targets, especially given the high nickel-copper prospectivity of the Fraser Range region as evidenced by the Nova discovery.

These opportunities will be assessed in parallel with preparations for the Company's upcoming drilling programs at its porphyry copper-gold projects in Peru.

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.

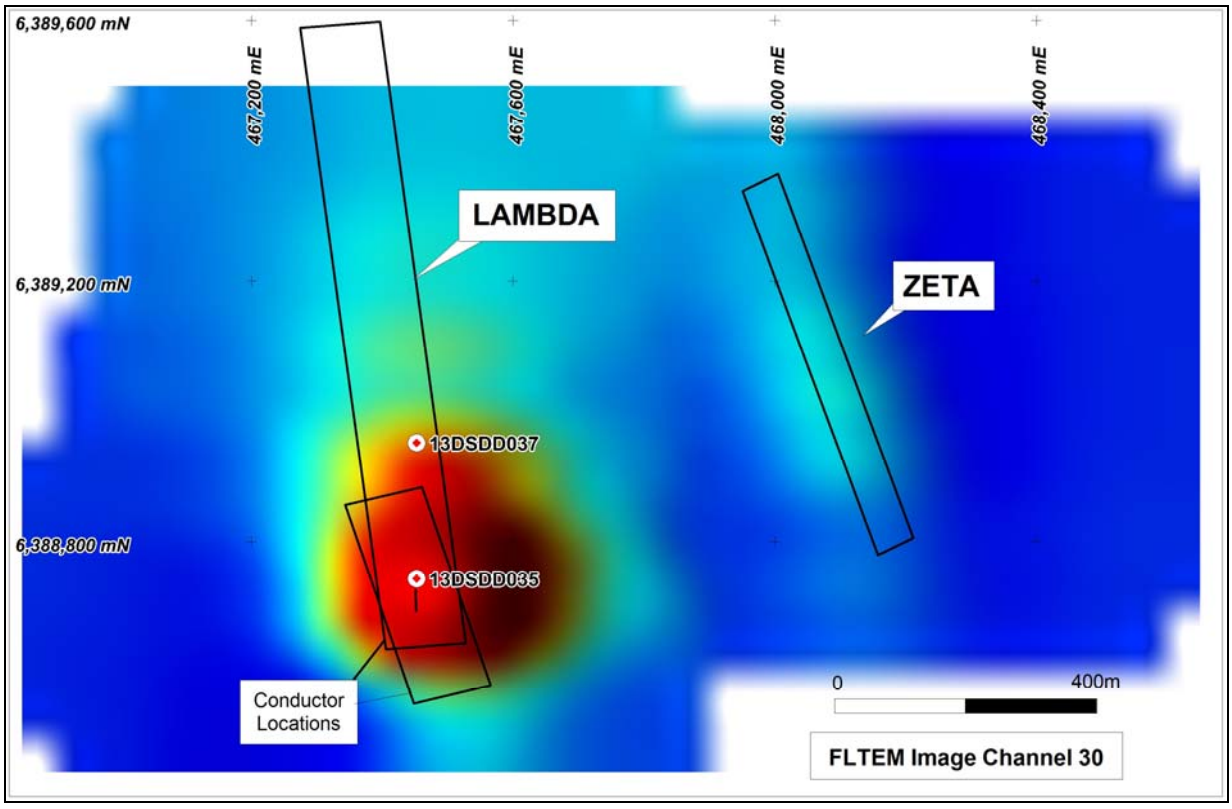

Figure 1: FLTEM Target – Lambda showing drill hole locations

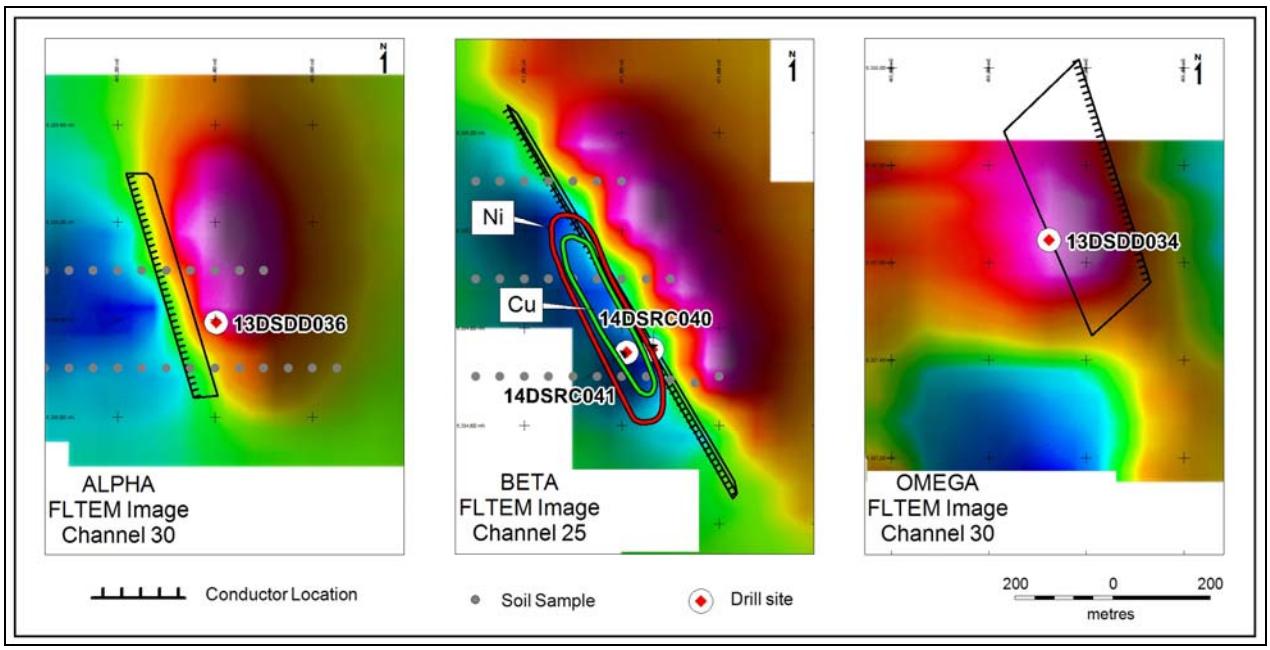

Figure 2: FLTEM Targets – Alpha, Beta, and Omega prospects showing drill hole locations

JORC Code, 2012 Edition – Table 1 report, AusQuest Diamond Drilling Results

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.*	• Where there is visible mineralization, half core is sampled at 1m intervals up to geological boundaries or mineralization zones are selectively sampled by the on-site geologist to ensure sample representivity. • Where there is no visible mineralization a 20cm half core sample is collected at ~5m intervals. • Core is cut in half with half sent for analysis and half retained for geological and quality control purposes • Sample intervals are measured by tape from depth intervals shown on core blocks labeled by the drillers, as per standard industry practice. • For the RC pre-collars, samples are composited at 4m intervals, by pushing a sampling scoop into the side of each sample pile to provide a representative composite sample for assay.
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).*	• Diamond Drilling with an RC pre-collar. • NQ2 drill rods used to produce 50mm diameter core. The RC pre-collar is drilled with a face sampling bit and is ~132mm in diameter. • Down-hole surveys are read at ~ 30m intervals. • Drill core from angled holes is "oriented" using a Reflex orientation tool to identify the underside of the hole.
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.*	• Core recovery is determined by comparing core lengths measured against drilled intervals shown on core blocks and recorded on the logs. • Experienced diamond drillers are engaged to ensure maximum core recovery. • Sample recovery is high negating any sample bias due to recovery.

Criteria	JORC Code explanation	Commentary
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.*	• Drill core and sample chips are logged by experienced geologists to identify key rock types and mineralisation styles. • Core logging is qualitative with visual estimates of mineralisation made for later comparison with assay results. • All core is photographed. • All core is logged.
Sub-sampling techniques and sample preparation	• *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 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 are collected by sawing the core in half along its length and using the sample interval determined by the geologist. In sections where core cannot be cut, representative core chips are collected for assay. • For the RC pre-collars, samples are composited at 4m intervals, by pushing a sampling scoop into the side of each sample pile to provide a representative composite sample for assay. • No duplicate core samples or company standards have been used at this stage. • The sample sizes are appropriate for the geological materials sampled.
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.*	• N/A for this report – Sample analysis has not yet been completed by assay laboratory.
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.*	• N/A for this report – Assay results are still pending.
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*	• Drill hole collars are located by hand held GPS to an accuracy of approximately 5m.

Criteria	JORC Code explanation	Commentary
	estimation. • *Specification of the grid system used.* • *Quality and adequacy of topographic control.*	• Down hole surveys on angled holes are carried out every 30m down hole, and at the end of the hole. • All surface location data are in GDA94 datum, UTM zone 51. At this stage drill collar elevations are derived from DTM data.
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.*	• Diamond and RC drill-holes were positioned to intersect EM targets. No systematic drilling of targets has been done
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.*	• Bias due to the orientation of the drilling is unknown at this early stage of exploration.
Sample security	• *The measures taken to ensure sample security.*	• Samples are collected into securely tied bags and placed into cable-tied plastic 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. • Reputable freight companies are used to transport samples to the laboratory. • 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.

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	• *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 Dundas Project is centered at 122 degrees 40 minutes East and 32 degrees 36 minutes South, approximately 100 km ESE of Norseman, Western Australia.

Criteria	JORC Code explanation	Commentary
status	• *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.*	• Tenement holdings include 5 granted exploration licences (E63/1000, 1001, 1002, 1003, 1004) and three exploration licence applications (E63/1680, 1681 and E69/3246). • All tenements are held 100% by AusQuest Limited. • The majority of the tenement area 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.*	• Very limited open file data were found over the company's area of interest.
Geology	• *Deposit type, geological setting and style of mineralisation.*	• The exploration model is based upon copper and nickel sulphides hosted in mafic rocks of 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:* o *easting and northing of the drill hole collar* o *elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar* o *dip and azimuth of the hole* o *down hole length and interception depth* o *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 tabulated in the ASX release. • No RL data have been collected at this stage.
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 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.*	• N/A for this report – Assay results are still pending.
Relationship between mineralisation widths and	• *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*	• All intervals reported are down-hole lengths. True widths are unknown at this stage.

Criteria	JORC Code explanation	Commentary
intercept lengths	*statement to this effect (eg 'down hole length, true width not known').*	
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.*	• All 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.*	• All significant 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 with particular reference to EM data used to site the drill holes.
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.*	• Drilling of EM targets reported in previous ASX releases is continuing. • Exact drill hole locations for future work are still to be determined and await detailed review of the current results.