ASX ANNOUNCEMENT

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VTEM SURVEY IDENTIFIES FOUR LARGE, CONDUCTIVE TARGETS AT MT DAVIS PROJECT IN WA

- ***VTEM survey defines four large conductive targets below the Frere Iron Formation, highlighting potential for SEDEX base metal deposits within the Earaheedy Basin.***

AusQuest Limited (ASX: AQD) is pleased to advise that at least four large conductive targets have been outlined by the recent VTEM survey over the Mt Davis Base Metal Project, located ~180km NNE of Wiluna, Western Australia, along the northern margin of the Earaheedy Basin.

The electromagnetic (EM) targets appear to be located stratigraphically below the Frere Iron Formation in a similar stratigraphic position to the lead-zinc-copper mineralisation discovered by Rumble Resources at the Chinook Prospect on the southern side of the Basin (Figure 1).

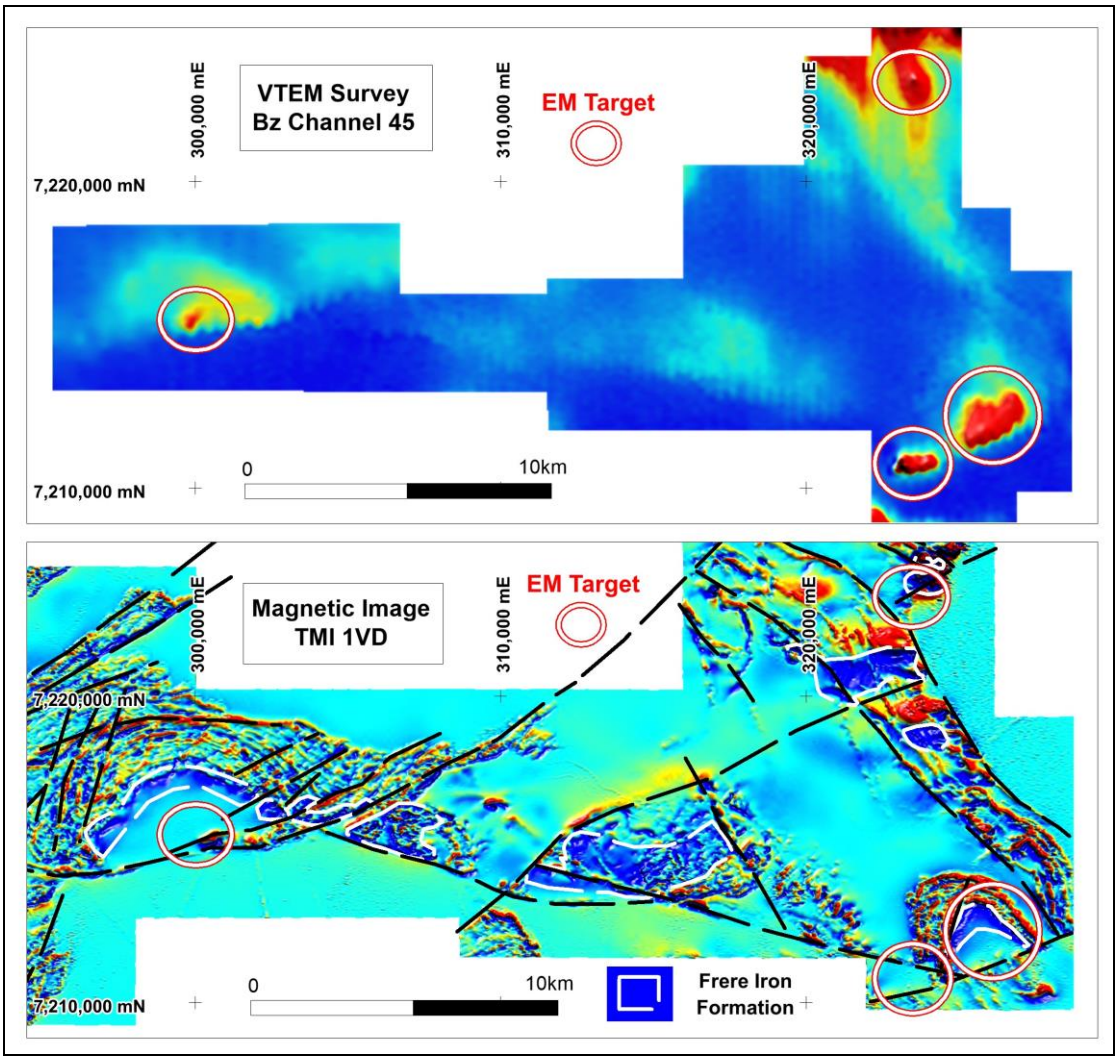

Figure 1: Late time VTEM image (top) and Magnetic 1VD image (bottom) showing VTEM targets stratigraphically below the inferred Frere Iron Formation and structures

A total of 1,060 line kilometres of VTEM Max survey was completed along north-south flight lines, at 200m line spacings, to identify potential base metal targets. The survey was partly funded (50%) by the WA Government's "Co-Funded Geophysics Program".

Computer modelling suggests the VTEM responses are caused by relatively large, shallow dipping (10° to 15°) bodies with low to moderate conductivities that reflect higher sulphide and/or carbonaceous content within stratigraphic conductors located below the iron formation.

Detailed aeromagnetic data previously acquired by the Company shows structural complexities within the area and the interpreted location of gently folded Frere Iron Formation, which is considered to be a key marker horizon for base metals (with the Formation lying above the base metal mineralisation) within the Earaheedy Basin sequence.

The Mt Davis Project is thought to reflect a structural window (an upthrust block) into the deeper parts of the Earaheedy Basin where the potential for SEDEX Cu-Pb-Zn deposits associated with a basin-wide mineralising event is considered most likely to occur.

Ground follow-up of the key target areas, including surface and rock-chip sampling where possible (there is extensive sand cover in the area) is planned, ahead of possible ground EM surveys and drilling.

The Mt Davis Project was originally acquired following the discovery of extensive zinc, lead (+/- copper) mineralisation by Rumble Resources at its Chinook Prospect on the southern side of the Basin, where mineralisation was found to occur stratigraphically below the Frere Iron Formation.

AusQuest's Managing Director, Graeme Drew, said the Company was pleased with the results of the VTEM survey, which have provided further encouragement and direction for ongoing exploration activities in the area.

"The VTEM survey has provided significant support for our theory about the potential presence of SEDEX Cu-Pb-Zn deposits within the Earaheedy Basin, suggesting the presence of suitable host rocks (conductive black carbonaceous mud-rocks) on the northern side of the basin.

"This has significantly upgraded the prospectivity of the Mt Davis Project and we look forward to following up key targets with further field work programs in the near future," he said.

Graeme Drew
Managing Director

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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, Mt Davis VTEM Survey 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.*	• A helicopter-borne Versatile Transient Electromagnetic survey (VTEM Max) using a base frequency of 25Hz was completed by UTS Geophysics along N-S flight lines spaced 200m apart with an EM sensor height of ~35m • The VTEM Max system uses a transmitter loop diameter of 35m, a peak dipole moment of 700K NIA, a transmitter pulse width of 7ms and a three component receiver coils.
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).*	• Not applicable
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.*	• Not applicable
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.*	• Not applicable
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*	• Not applicable

Criteria	JORC Code explanation	Commentary
	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.*	
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.*	• Not applicable
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
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.*	• VTEM survey data were located using a Novatel GPS receiver which records the helicopter location in three dimensions to a resolution of 2 to 3 metres. • All location data are recorded in GDA94 datum, UTM zone 51.
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.*	• Flight lines were flown north south at a nominal 200 metre spacing which was deemed appropriate for the targets being sought. • Data points are acquired every 2 to 4 metres along the survey line.
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 VTEM survey lines were oriented approximately perpendicular to geological strike.
Sample security	• *The measures taken to ensure sample security.*	• All data produced by the survey was transmitted electronically from the contractor to the Company's

Criteria	JORC Code explanation	Commentary
		consultant.
Audits or reviews	• *The results of any audits or reviews of sampling techniques and data.*	• Data quality was reviewed on an ongoing basis by the Company's consultant.

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 Mt Davis Project is centered at 7218000N and 316700E (GDA94 Zone 51), approximately 180 km NE of Wiluna in Western Australia. • Tenement holdings include one granted Exploration License's (E69/3896). • Aboriginal heritage surveys are routinely completed ahead of ground disturbing activities.
Exploration done by other parties	• *Acknowledgment and appraisal of exploration by other parties.*	• Numerous diamond and several uranium explorers have worked in the general area of the Mt Davis Project but generated very little data relevant to the current base metal project. • A total of 4 RC drill-holes targeting Ni and Cu within mafic intrusions are located within the project area. • The tenements have been covered by regional government geophysical and geological surveys.
Geology	• *Deposit type, geological setting and style of mineralisation.*	• Exploration within the Mt Davis Project is targeting sediment hosted Cu-Pb-Zn mineralization within Earaheedy Basin sediments. Interpretation of geophysical data suggests prospective sediments, as found on the southern side of the basin below the Frere Iron Formation, could be present at Mt Davis.

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*
		• Not applicable

Criteria	JORC Code explanation	Commentary
	○ *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.*	
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.*	• Not applicable
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').*	• Not applicable
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.*	• Relevant EM data 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 the EM 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.*	• Further exploration programs will depend on the full assessment and compilation of the VTEM and other results