

AUSQUEST LIMITED

ABN 35 091 542 451

NOTICE OF GENERAL MEETING

AND

PROXY FORM

Date of Meeting

28 June 2006

Time of Meeting

11.00 am

Place of Meeting

South of Perth Yacht Club

Notice is hereby given that a General Meeting of AusQuest Limited (“Company”) will be held at 11.00am, 28 June 2006 at South of Perth Yacht Club (Heritage Room), Coffee Point, Canning Beach Road, Western Australian.

AGENDA

RESOLUTION 1 – GRANT OF OPTIONS TO GRAEME DREW

To consider and, if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

“That, pursuant to and in accordance with Listing Rule 10.11 of the Listing Rules of Australian Stock Exchange Limited and section 208 of the Corporations Act, the Company approve and authorise the grant of issue of up to 1,000,000 options for no consideration, each at an exercise price which exceeds the weighted average closing share price for the five trading days prior to the date of the general meeting by 30 cents , expiring 5 years from the date of grant, on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Meeting (including Annexure A to the Explanatory Memorandum) to Graeme Drew or his nominees.”

Voting exclusion statement

In relation to Resolution 1, pursuant of the Official Listing Rules of the Australian Stock Exchange, the Company will disregard any votes cast on this resolution by directors of the Company and their associates.

The company however need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the chairperson of the meeting as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form to vote as the proxy decides.

RESOLUTION 2 – GRANT OF OPTIONS TO JOHN ASHLEY

To consider and, if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

“That, pursuant to and in accordance with Listing Rule 10.11 of the Listing Rules of Australian Stock Exchange Limited and section 208 of the Corporations Act, the Company approve and authorise the grant of issue of up to 500,000 options for no consideration, each at an exercise price which exceeds the weighted average closing share price for the five trading days prior to the date of the general meeting by 30 cents , expiring 5 years from the date of grant, on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Meeting (including Annexure A to the Explanatory Memorandum) to John Ashley or his nominees.”

Voting exclusion statement

In relation to Resolution 2, pursuant of the Official Listing Rules of the Australian Stock Exchange, the Company will disregard any votes cast on this resolution by directors of the Company and their associates.

The company however need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the chairperson of the meeting as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form to vote as the proxy decides.

RESOLUTION 3 – GRANT OF OPTIONS TO GREG HANCOCK

To consider and, if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

“That, pursuant to and in accordance with Listing Rule 10.11 of the Listing Rules of Australian Stock Exchange Limited and section 208 of the Corporations Act, the Company approve and authorise the grant of issue of up to 300,000 options for no consideration, each at an exercise price which exceeds the weighted average closing share price for the five trading days prior to the date of the general meeting by 30 cents, expiring 5 years from the date of grant, on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Meeting (including Annexure A to the Explanatory Memorandum) to Greg Hancock or his nominees.”

Voting exclusion statement

In relation to Resolution 3, pursuant of the Official Listing Rules of the Australian Stock Exchange, the Company will disregard any votes cast on this resolution by directors of the Company and their associates.

The company however need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the chairperson of the meeting as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form to vote as the proxy decides.

RESOLUTION 4 – GRANT OF OPTIONS TO ADRIENNE MEAKINS

To consider and, if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

“That, pursuant to and in accordance with Listing Rule 7.1 of the Listing Rules of Australian Stock Exchange Limited, the Company approve and authorise the grant of issue of up to 500,000 options for no consideration, each at an exercise price which exceeds the weighted average closing share price for the five trading days prior to the date of the general meeting by 30 cents, expiring 5 years from the date of grant, on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Meeting (including Annexure A to the Explanatory Memorandum) to Adrienne Meakins or her nominees.”

Voting exclusion statement

In relation to Resolution 4, pursuant of the Official Listing Rules of the Australian Stock Exchange, the Company will disregard any votes cast on this resolution by Adrienne Meakins and her associates.

RESOLUTION 5 – GRANT OF OPTIONS TO MARTIN GOLE

To consider and, if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

“That, pursuant to and in accordance with Listing Rule 7.1 of the Listing Rules of Australian Stock Exchange Limited, the Company approve and authorise the grant of issue of up to 500,000 options for no consideration, each at an exercise price which exceeds the weighted average closing share price for the five trading days prior to the date of the general meeting by 30 cents, expiring 5 years from the date of grant, on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Meeting (including Annexure A to the Explanatory Memorandum) to Martin Gole or his nominees.”

Voting exclusion statement :

In relation to Resolution 5, pursuant of the Official Listing Rules of the Australian Stock Exchange, the Company will disregard any votes cast on this resolution by Martin Gole and his associates.

RESOLUTION 6 – GRANT OF OPTIONS TO JIM THORNETT

To consider and, if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

“That, pursuant to and in accordance with Listing Rule 7.1 of the Listing Rules of Australian Stock Exchange Limited, the Company approve and authorise the grant of issue of up to 500,000 options for no consideration, each at an exercise price which exceeds the weighted average closing share price for the five trading days prior to the date of the general meeting by 30 cents, expiring 5 years from the date of grant, on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Meeting (including Annexure A to the Explanatory Memorandum) to Jim Thornett or his nominees.”

Voting exclusion statement

In relation to Resolution 6, pursuant of the Official Listing Rules of the Australian Stock Exchange, the Company will disregard any votes cast on this resolution by Jim Thornett and his associates.

RESOLUTION 7 – GRANT OF OPTIONS TO SALLY LEE

To consider and, if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

“That, pursuant to and in accordance with Listing Rule 7.1 of the Listing Rules of Australian Stock Exchange Limited, the Company approve and authorise the grant of issue of up to 250,000 options for no consideration, each at an exercise price which exceeds the weighted average closing share price for the five trading days prior to the date of the general meeting by 30 cents, expiring 5 years from the date of grant, on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Meeting (including Annexure A to the Explanatory Memorandum) to Sally Lee or her nominee.”

Voting exclusion statement

In relation to Resolution 7, pursuant of the Official Listing Rules of the Australian Stock Exchange, the Company will disregard any votes cast on this resolution by Sally Lee and her associates.

RESOLUTION 8 – GRANT OF OPTIONS TO MICHAEL SHERINGTON

To consider and, if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

“That, pursuant to and in accordance with Listing Rule 7.1 of the Listing Rules of Australian Stock Exchange Limited, the Company approve and authorise the grant of issue of up to 150,000 options for no consideration, each at an exercise price which exceeds the weighted average closing share price for the five trading days prior to the date of the general meeting by 30 cents, expiring 5 years from the date of grant, on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Meeting (including Annexure A to the Explanatory Memorandum) to Michael Sherington or his nominees.”

Voting exclusion statement

In relation to Resolution 8, pursuant of the Official Listing Rules of the Australian Stock Exchange, the Company will disregard any votes cast on this resolution by Michael Sherington and his associates.

RESOLUTION 9 – AMENDMENT OF EXECUTIVE AND EMPLOYEE OPTION PLAN

To consider and, if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

“That, pursuant to and for all other purposes the shareholders of AusQuest Limited approve the amendment to the Executive and Employee Option Plan adopted by them on 17 September 2004 as detailed in the Explanatory Memorandum which accompanies and forms part of the Notice.”

Voting exclusion statement

In relation to Resolution 9, pursuant of the Official Listing Rules of the Australian Stock Exchange, the Company will disregard any votes cast on this resolution by directors of the Company.

The company however need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the chairperson of the meeting as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form to vote as the proxy decides.

RESOLUTION 10 - RATIFICATION OF PREVIOUS ISSUE OF SECURITIES

To consider and, if thought fit, pass with or without amendment, the following resolution as an ordinary resolution:

“That, for the purposes of Rule 7.4 of the Listing Rules of the Australian Stock Exchange and all other purposes, the Shareholders ratify and approve the issue of 5,150,000 fully paid ordinary shares and 5,000,000 options exercisable at 40 cents each expiring 1 May 2008.”

Voting Exclusion Statement: For the purposes of ASX Listing Rule 7.5, the Company will disregard any votes cast on resolution 10 by any person who may have participated in the proposed issue and any of their associates if the resolution is passed. However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by a person chairing the Meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

NOTES

Who may Vote

For the purposes of regulation 7.11.37 of the Corporations Regulations, the Company determines that members holding ordinary shares as at 11am on 26 June 2006 will be entitled to attend and vote at the General Meeting.

Proxies

1. A Shareholder of the Company entitled to attend and vote is entitled to appoint not more than two proxies. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the Shareholder's voting rights. If the Shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half of the votes. A proxy need not be a Shareholder of the Company.
2. To be valid, a proxy form must be received by the Company by 11.00am on 26 June 2006 ("Proxy Deadline"). Proxies may be submitted:-
 - a. By post addressed to AusQuest Limited, 6 Kearns Crescent, Ardross WA 6153; or
 - b. By facsimile at (08) 9364 4892

A proxy appointment must be signed by the Shareholder or the Shareholder's attorney. Where the appointment is signed by the appointer's attorney, a certified copy of the authority, or the authority itself, must be lodged with the Company in one of the above ways by the Proxy Deadline. If facsimile transmission is used, the authority must be certified.

BY ORDER OF THE BOARD



Lloyd Flint
Company Secretary

Dated 22 May 2006

EXPLANATORY MEMORANDUM

This Explanatory Memorandum has been prepared for the information of shareholders of AusQuest Limited (“AusQuest” or “Company”) in connection with the business to be conducted at the General Meeting of shareholders held at South of Perth Yacht Club on 28 June 2006 at 11.00am.

RESOLUTIONS 1-3 – GRANT OF OPTIONS TO DIRECTORS

Shareholder approval is being sought in Resolutions 1 to 3 to grant a total of 1,800,000 Options to Directors of the Company or their respective nominees.

The grant of Options is designed to reward recipients for prior service at below industry rates, to encourage them to have a greater involvement in the achievement of the Company’s objectives and to provide an incentive to strive to that end by participating in the growth and prosperity of the company through share ownership. The options may not be exercised within a 6 month period from date of grant.

Under the Company’s current circumstances the Directors consider that the incentives to the parties noted above, represented by the issue of these options, are a cost effective and efficient reward incentive for the Company, as apposed to alternative forms of incentive, such as the payment of cash compensation to the Directors.

Related Party Transactions Generally

Chapter 2 E of the Corporations Act prohibits a public company from giving a financial benefit to a related party of the public company unless either:

1. The giving of the financial benefit falls within one of the nominated exceptions to the provision; or
2. Prior shareholder approval is obtained to the giving of the financial benefit.

Current Holdings

Director	Direct holdings		Indirect holdings	
	Shares	Options	Shares	Options
Greg Hancock	300,000	175,000	320,000	1,100,000
Graeme Drew	916,156	1,107,545	1,675,700	1,167,645
John Ashley	854,281	1,007,616	2,560,063	1,055,212

Information Requirements

For the purposes of Chapter 2E, each of the Directors are considered to be related parties of the Company.

Resolutions 1 to 3 provide for the grant of Options to the Directors of the Company which is a financial benefit which requires shareholder approval.

For the purposes of Chapter 2E of the Corporations Act the following information is provided.

The related party to whom the proposed resolution would permit the financial benefit to be given:

Subject to shareholder approval the following maximum number of Options will be granted to the following related parties or their respective nominees:

Name of Related Party	Number of Options
Greg Hancock	300,000
Graeme Drew	1,000,000
John Ashley	500,000
Total	1,800,000

Each of the 1,800,000 Options to be granted to the Directors will have an exercise price of 30 cents above the weighted average closing share price on the ASX over the 5 trading days preceding the date of the Notice of Meeting.

Each of the Directors are related parties of the Company.

The Nature of the financial benefit

The proposed financial benefit to be given is the grant of Options for no consideration to the Directors as noted above. The terms and conditions of the Options to be granted to the Directors are set out in Annexure A to this Explanatory Memorandum.

Directors Recommendations

Each of John Innes, Greg Hancock and John Ashley recommend that shareholders vote in favour of Resolution 1. Graeme Drew declines to make a recommendation about Resolution 1 as he has a material personal interest in the outcome of that particular resolution as it relates to the proposed issue of Options to him individually.

Each of John Innes, Greg Hancock and Graeme Drew recommend that shareholders vote in favour of Resolution 2, John Ashley declines to make a recommendations about Resolution 2 as he as a material personal interest in the outcome of that particular resolution as it relates to the proposed issue of Options to him individually.

Each of John Innes, Graeme Drew and John Ashley recommend that shareholders vote in favour of Resolution 3, Greg Hancock declines to make a recommendations about Resolution 3 as he as a material personal interest in the outcome of that particular resolution as it relates to the proposed issue of Options to him individually.

Other information that is reasonably required by members to make a decision and that is known to the Company or any of its Directors.

The proposed ordinary Resolutions 1 to 3 would have the effect of giving power to the Directors to grant up to 1,800,000 Options on the terms and conditions as set out in Annexure A to this Explanatory Memorandum and as otherwise mentioned above. The Company presently has 75,663,714 issued ordinary shares, 22,633,150 listed options and 17,346,087 unlisted options.

If the Options granted, as proposed above, are exercised the effect would be to dilute the share holding of existing shareholders by 2.4% on an undiluted basis (1.6% on a diluted basis). The market price of the Company's shares during the period of the options will normally determine whether or not option holders exercise the options. At the time any options are exercised and shares are issued pursuant to the exercise of the options, the Company's ordinary shares may be trading at a price which is higher than the exercise price of the options.

The Director's base salaries and fees per annum (including superannuation) and the total financial benefit to be received by them in this current period as a result of the grant of Options the subject of Resolutions 1 to 3 are as follows:

Director	Description	(\$ p.a	Value of options \$	Total Financial Benefit (\$)
Graeme Drew	Salary	163,500	370,000	533,500
John Ashley	Min. consultancy	60,000	185,000	245,000
Greg Hancock	Non. Exec. Fees & consultancy	51,800	111,000	162,800

Trading history

The Company was listed on 25 November 2003. Over the last 12 months the shares have traded between 7.5 cents per share (lowest) and 85 cents per share (highest). The latest trading price available at the time of preparing this notice of meeting was 64 cents per share and 46 cents per listed option (AQDO).

Valuation of Options

The Company's advisers have valued the Options to be granted to the Directors using the Black-Scholes Option Pricing Model ("BSModel"), which is the most widely used and recognized model for pricing options. The acceptance of this model is due to its derivation being grounded in economic theory. The value of an option calculated by the BSModel is a function of a number of variables, their assessment of the value of the Options has been prepared using the following assumptions:

Variable	Input
Share Price	61 cents
Exercise price of Directors' Options	91 cents
Risk Free Interest Rate	5.71 %
Volatility	80.00%
Time (years) to expiry	5 years

For the share price, the advisers have assumed 61 cents, as this represents the most recent 5 day weighted average closing price of AusQuest Limited's shares and is considered by the advisers to be a fair value for AusQuest Limited Shares.

The exercise price of the options to be issued has been calculated using the 5 day weighted average closing price plus the 30 cent increment discussed above.

For the purposes of this valuation the Company's advisers have assumed 30 June 2006 as the issue date of the Options. The advisers have also assumed a volatility level of 80% given the industry in which the Company operates its financial position and the volatility of listed shares of other companies comparable to AusQuest. The value calculated has not been discounted. Based on the assumptions and advice from the Company's advisers, it is considered that the estimated value of Options to be issued to the Directors is 37 cents each, or \$ 666,000 in total.

Should the 5 day weighted average closing price vary from the share price used above (and hence the exercise price), the option values given a ten cent movement in share price are summarized as follows:

Share price (cents)	Excess over Share price (cents)	Exercise Price (cents)	Value per option (cents)	Total Value \$	Change \$
51	30	81	30	540,000	(126,000)
61	30	91	37	666,000	-
71	30	101	44	792,000	126,000

Listing Rule 10.11

Listing Rule 10.11 provides that a Company may not issue securities to a related party unless it has the approval of holders of ordinary securities. Approval given under Listing Rule 10.11 does not require approval to be given under Listing Rule 7.1.

Additional Information

For the purposes of Listing Rule 10.13, the following information is provided to shareholders:

- The Options will be granted to each of the Directors, as noted above;
- The maximum number of Options to be issued is 1,800,000;
- The Options will be granted on a date which will be no later than one month after the date of this General Meeting;
- The Options will be granted for no consideration;
- No funds will be raised by the grant of the options; and
- The terms and conditions of the options are set out in Annexure A to this Explanatory Memorandum. The options may not be exercised within the first 6 months of their term, unless a takeover bid is made for the Company or a scheme or arrangement is put to the shareholders or unless otherwise approved by shareholders.

RESOLUTIONS 4 - 8 – GRANT OF OPTIONS TO CONSULTANTS

The grant of Options is designed to reward recipients for prior service at below industry rates, to encourage them to have a greater involvement in the achievement of the Company's objectives and to provide an incentive to strive to that end by participating in the growth and prosperity of company through share ownership. The options may not be exercised within a 6 month period from the date of grant.

Under the Company's current circumstances the Directors consider that the incentives to the parties noted above, represented by the issue of these options, are a cost effective and efficient reward incentive for the Company, as apposed to alternative forms of incentive, such as the payment of cash compensation to the consultants.

Listing Rule 7.1

Listing Rule 7.1 broadly provides, subject to certain exceptions, that shareholder approval is required for any issue of securities where the securities proposed to be issued represent more than 15% of the Company's shares then on issue. Listing Rule 7.1.1 provides that for the purposes of Listing Rule 7.1, options are treated as if they were the shares into which they will, upon exercise, convert. However, the options to be issued do not represent more than 15% of the Company's shares then on issue. Listing Rule 7.1 approval is sought so that the 15% threshold is maintained and available for use by the Company in the future should the circumstances require it.

Additional Information

For the purposes of Listing Rule 7.3, the following information is provided to shareholders:

- The maximum number of Options pursuant to resolutions 4-8 to be issued is 1,900,000;
- The Options will be granted on a date which will be no later than three months after the date of this General Meeting;
- The Options will be granted for no consideration;
- The options will be issued and allotted as follows :

Allotee	Number of options
Adrienne Meakins	500,000
Martin Gole	500,000
Jim Thornett	500,000
Sally Lee	250,000
Michael Sherington	150,000
Total	1,900,000

- The terms and conditions of the options are set out in Annexure A to this Explanatory Memorandum. The options may not be exercised within the first 6 months of their term, unless a takeover bid is made for the Company or a scheme of arrangement is put to the shareholders or unless otherwise approved by shareholders; and
- No funds will be raised by the grant of the options.

RESOLUTION 9 – AMENDMENT OF EXECUTIVE AND EMPLOYEE OPTION PLAN

The Executive and Employee Option Plan (EEOP) adopted on 17 September 2004, pursuant to which options will be issued to eligible employees in order to provide them with an incentive to deliver growth and value to all shareholders has proven to be very narrowly defined in relation to part time employees and contractors who provide highly valued input into the Company. The Company uses contractors and consultants on an “as needs” basis, not only to save the limited cash resources of the Company but also to provide incentive to the consultants to remain loyal to the Company . A complete copy of the Executive and Employee Option Plan is available on request from the Company.

Shareholder approval is sought to amend the EEOP as follows :

“4.1.(9)Contractors means contractors who have worked for the Company for more than one year and who received 80% or more of their income in the preceding year from the Company”

TO :

“4.1.(9)Contractors means contractors and consultants who have worked for the Company for more than one year and (i) who received 80% or more of their income in the preceding year from the Company or (ii) qualify as contractors in the opinion of the Board of Directors”

Shareholder approval is sought for the issue of the Options to eligible employees of the Company for the purposes of Exception 9(b) of ASX Listing Rule 7.2. If approval is given, Options issued under the EEOP will be exempt from counting towards the 15% of the issued capital of the Company that can be issued in any 12 month period without Shareholding approval under Listing Rule 7.1.

As at the date of this Meeting, no securities will have been issued under the EEOP.

RESOLUTION 10 – RATIFICATION OF PREVIOUS ISSUE OF SECURITIES

On 15 February 2006 the Company issued 150,000 Shares to Panco Pty Ltd for the purchase of a tenement being E47/1206. No funds were raised.

On the 5 May 2006 the Company issued 5,000,000 ordinary fully paid shares at 20 cents each to raise \$1,000,000 and 5,000,000 options for no consideration exercisable at 40 cents each expiring 1 May 2008 to Hamersley Holdings Pty Ltd (which is a 100% owned subsidiary of Rio Tinto Ltd). At least 25% of the funds raised will be utilised for ongoing exploration at the Company's Nameless Iron Ore project in accordance with the Option, Farmin and Joint Venture agreement and 75% of the funds to be allocated to ongoing exploration of existing projects and for exploration of new projects. No more than 20% of the total amount raised will be applied to administration expenses.

Resolution 10 seeks approval under Listing Rule 7.4 to ratify the above issues for the purposes of Listing Rule 7.1, which provides generally that a company may not issue shares or options to subscribe for shares equal to more than 15% of the company's issued share capital in any 12 month period without subsequently obtaining shareholder approval. Neither Panco Pty Ltd or Hamersley Holdings Pty Ltd are related parties of the Company.

Although the issue of 10,150,000 securities does not exceed 15% of the share capital, approval is sought under the Listing Rules to allow the Company to issue a further 15% of its issued capital without further reference to the Share issue subject of ratification under this resolution. The above Shares were issued on the same terms as existing ordinary fully paid shares in the Company.

AUSQUEST LIMITED
ABN 35 091 542 451

ANNEXURE A

TERMS AND CONDITIONS OF 2011 SERIES UNLISTED OPTIONS

1. Each option shall entitle the holder the right to subscribe (in cash) for one (1) fully paid ordinary share in the capital of the Company.
2. The Options will expire at 5.00pm WST on 30 June 2011 ("**Expiry Date**"). Subject to Clause 6 hereof, the options may be exercised at any time after the first 6 months of their term and prior to the Expiry Date. The options may be exercised within the first 6 months if a takeover bid is made for the Company or a scheme of arrangement is put to the shareholders or unless otherwise approved by shareholders. Options not so exercised shall automatically expire on the Expiry Date.
3. Each ordinary share allotted as a result of the exercise of any option will, subject to the Constitution of the Company, rank in all respects *pari passu* with the existing ordinary fully paid shares in the capital of the Company on issue at the date of allotment.
4. A registered owner of an option ("**Option Holder**") will not be entitled to attend or vote at any meeting of the members of the Company unless they are, in addition to being an Option Holder, a member of the Company.
5. Options are transferable at any time prior to the Expiry Date.
6. Method of Exercise of Options
 - (a) The Company will provide to each Option Holder a notice that is to be completed when exercising the options ("**Notice of Exercise of Options**"). Options may be exercised by the Option Holder completing the Notice of Exercise of Options and forwarding the same to the Secretary of the Company to be received prior to the Expiry Date. The Notice of Exercise of Options must state the number of options exercised and the consequent number of ordinary shares in the capital of the Company to be allotted; which number of options must be a multiple of 10,000 if only part of the Option Holder's total options are exercised.
 - (b) The Notice of Exercise of Options by an Option Holder must be accompanied by payment in full for the relevant number of shares being subscribed for.
 - (c) Subject to Clause 6(a) hereof, the exercise of less than all of an Option Holder's options will not prevent the Option Holder from exercising the whole or any part of the balance of the Option Holder's entitlement under the Option Holder's remaining options.
 - (d) Within 9 days from the date the Option Holder properly exercises options held by the Option Holder, the Company shall issue and allot to the Option Holder that number of fully paid ordinary shares in the capital of the Company so subscribed for by the Option Holder.
 - (e) The Company will comply with the requirements of the Listing Rules in relation to the timetables imposed when quoted options are due to expire. Where there shall be any inconsistency between the timetables outlined herein regarding the expiry of the options and the timetable outlined in the Listing Rules of the ASX, the timetable outlined in the Listing Rules shall apply.
7. In the event of a reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company, all rights of the option holder will be changed to the extent necessary to comply with the Listing Rules applying to the reconstruction of capital, at the time of the reconstruction.
8. There are no participating rights or entitlements inherent in the options to participate in any new issues of capital which may be made or offered by the Company to its shareholders from time to time prior to the expiry date unless and until the options are exercised. The Company will ensure that during the exercise period, the record date for the purposes of determining entitlements to any new such issue, will be at least 9 business days after such new issues are announced (or such other date if required under the Listing Rules of the ASX) in order to afford the Option Holder an opportunity to exercise the options held by the Option Holder.
9. There are no rights to change the exercise price or the number of underlying ordinary shares if there is a pro-rata issue or bonus issue to the holders of ordinary shares.

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AUSQUEST LIMITED
ABN 35 091 542 451

Proxy Form

The Secretary
AusQuest Limited
6 Kearns Crescent
Ardross WA 6153

I/We _____

of _____

being a shareholder/(s) of AusQuest Limited (**Company**) hereby appoint as proxy to vote in accordance with the following directions (or if no directions have been given, as the proxy or Chairman sees fit) at the General Meeting to be held at the South Of Perth Yacht Club, Western Australia on 28 June 2006 at 11.00am (WST) (and at any adjournment thereof) (**Meeting**).

OR

the Chairman

Name of person you are appointing (if not the Chairman)

IF THE CHAIRMAN OF THE MEETING IS APPOINTED AS YOUR PROXY OR MAY BE APPOINTED BY DEFAULT AND YOU DO NOT WISH TO DIRECT YOUR PROXY HOW TO VOTE AS YOUR PROXY IN RESPECT OF A RESOLUTION, PLEASE PLACE A MARK IN THIS BOX *

➔

* By marking this box, you acknowledge that the Chairman may exercise your proxy even if he has an interest in the outcome of the resolution and votes cast by him other than as proxy holder will be disregarded because of that interest. **The Chairman intends to vote in favour of all resolutions if no directions are given. If you do not mark this box, and you have not directed your proxy how to vote, the Chair will not cast your votes on the resolutions and your votes will not be counted in calculating the required majority if a poll is called.**

Resolution

1. To approve the grant of options to Graeme Drew.
2. To approve the grant of options to John Ashley
3. To approve the grant of options to Gregory Hancock
4. To approve the grant of options to Adrienne Meakins
5. To approve the grant of options to Martin Gole
6. To approve the grant of options to Jim Thornett
7. To approve the grant of options to Sally Lee
8. To approve the grant of options to Michael Sherington
9. To amend the EEOP
10. To ratify the prior issue of securities

For	Against	Abstain**

**If you mark the abstain box for a particular item, you are directing your proxy not to vote on that item.

Appointing a Second Proxy (if applicable)

OR

 %

The number of Shares applicable to this proxy form

The percentage of your voting rights

Contact Telephone Number

Area Code Telephone Number

Signature(s)

Shareholder 1

Director

Shareholder 2

Director/Secretary

Shareholder 3

Sole Director and Secretary

Company Seal (if required)

Proxies may be lodged either by **facsimile on (08) 9364 4892**, or by mail or delivery to 6 Kearns Crescent, Ardross WA 6153. To be valid, a proxy form (and any authority under which the proxy form is signed or a certified copy of the authority) must be received by the Company not less than 48 hours before the time scheduled for commencement of the Meeting. For further instructions on voting, please refer to the rear of this form.

Instructions on Voting

1. How to Vote

Shareholders may vote by attending the Meeting in person, by proxy or authorised representative.

2. Voting in Person

To vote in person, attend the Meeting on the date and at the time and place specified in this Notice of General Meeting.

3. Voting by Proxy

Shareholders are entitled to appoint up to 2 individuals to act as proxies to attend the Meeting and vote on their behalf. Where more than one proxy is appointed each proxy may be appointed to represent a specific proportion of the shareholder's voting rights. If the appointment does not specify the proportion or number of votes each proxy may exercise, each proxy may exercise half of the votes.

The proxy form must be signed by the shareholder or his/her attorney duly authorised in writing or, if the shareholder is a corporation, in a manner permitted by the *Corporations Act 2001*. In the case of Shares jointly held by 2 or more persons, all joint holders must sign the proxy form.

Completion of a proxy form will not prevent individual shareholders from attending the Meeting in person if they wish. Where a shareholder completes and lodges a valid proxy form and attends the Meeting in person, then the proxy's authority to speak and vote for that shareholder is suspended while the shareholder is present at the Meeting.

The proxy may, but need not, be a shareholder of the Company.

4. Voting Entitlements

For the purposes of determining voting entitlements at the Meeting, Shares will be taken to be held by the persons who are registered as holding the Shares 48 hours before the time scheduled for commencement of the Meeting. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.