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**AUSQUEST LIMITED**

**35 091 542 451**

**NOTICE OF GENERAL MEETING**

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**TIME:** 10.30 am

**DATE:** 11 DECEMBER 2006

**PLACE:** South of Perth Yacht Club

*This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.*

*Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on (08) 9364 3866.*

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**TIME AND PLACE OF MEETING AND HOW TO VOTE**

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**VENUE**

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The General Meeting of the Shareholders of AusQuest Limited which this Notice of Meeting relates to will be held at 10.30 am on 11 December 2006 at:

South of Perth Yacht Club

**YOUR VOTE IS IMPORTANT**

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The business of the General Meeting affects your shareholding and your vote is important.

**VOTING IN PERSON**

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To vote in person, attend the General Meeting on the date and at the place set out above.

**VOTING BY PROXY**

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To vote by proxy, please complete and sign the proxy form enclosed and send the proxy form:

(a) by post to AusQuest Limited, 6 Kearns Crescent, Ardross, Western Australia 6153;  
or

(b) by facsimile to the Company on facsimile number (08) 9364 4892,

so that it is received not later than 10.30am WST on 9 December 2006.

**Proxy forms received later than this time will be invalid.**



ABN 35 091 542 451

8 November , 2006

6 Kearns Crescent, Ardross WA 6153  
Telephone: 08 9364 3866  
Facsimile: 08 9364 4892  
Email: [graeme@ausquest.com.au](mailto:graeme@ausquest.com.au)  
Web: [www.ausquest.com.au](http://www.ausquest.com.au)

Dear Shareholder,

***AusQuest Limited – General Meeting, 11<sup>th</sup> December 2006***

The Board of Directors invite you to attend a General Meeting of AusQuest Limited to be held at the South of Perth Yacht Club on the 11<sup>th</sup> December 2006 at 10.30 am.

The purpose of the meeting is to obtain shareholder approval for the placement of 15 million shares and 10 million options in the company to raise \$3,000,000 to enable the company to undertake an aggressive exploration programme on its four nickel projects in the Pilbara region of Western Australia and to test its gold and uranium prospects.

A Notice of General Meeting and Explanatory Statement covering resolutions to be considered at the meeting are included for your information. A proxy form is attached if you are unable to attend and wish to vote on the resolutions.

We look forward to seeing you at the meeting and for your continued support.

*Yours faithfully*

A handwritten signature in blue ink, appearing to read 'G Drew'.

*Graeme Drew  
for the Board of Directors.*

## NOTICE OF GENERAL MEETING

Notice is given that a General Meeting of Shareholders of AusQuest Limited will be held at South of Perth Yacht Club at 10.30 am WST on Monday, 11 December 2006.

The Explanatory Statement to this Notice of Meeting provides additional information on matters to be considered at the General Meeting. The Explanatory Statement and the proxy form are part of this Notice of Meeting.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the General Meeting are those who are registered Shareholders of the Company on 9 December 2006 at 5.00 pm.

Terms and abbreviations used in this Notice of Meeting and Explanatory Statement are defined in the Glossary.

## AGENDA

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### 1. RESOLUTION 1 – RATIFICATION OF PLACEMENT OF SECURITIES

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

*“That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 5,500,000 shares in the capital of the Company (**Shares**) at an issue price of \$0.20 per Share and grant of 5,500,000 options on the terms and conditions set out in the Explanatory Statement.”*

**Short Explanation:** The Company seeks Shareholder ratification of the issue of Shares and grant of options under ASX Listing Rule 7.4 in order to retain the Company’s capacity to issue up to 15% of its issued ordinary capital, if required, in the next 12 months without Shareholder approval. Please refer to the Explanatory Statement for further details.

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by a person who participated in the issue and any associates of those persons.

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### 2. RESOLUTION 2 – PLACEMENT OF SECURITIES

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

*“That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to allot and issue up to 4,500,000 Shares at an issue price of \$0.20 per Share, together with 4,500,000 free attaching Options on a one-for-one basis, to raise up to \$900,000, on the terms set out in the Explanatory Statement.”*

**Short Explanation:** Under Listing Rule 7.1, the Company may issue up to 15% of its ordinary share capital in any 12 month rolling period without Shareholder approval. By obtaining the prior approval of Shareholders for the issue of securities proposed under this Resolution, the Company retains the flexibility to make future issues of securities up to that threshold. Please refer to the Explanatory Statement for details.

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who may obtain a benefit, except a benefit solely in the capacity of a security holder, if the Resolution is passed and any associates of those persons.

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**3. RESOLUTION 3 – PLACEMENT OF SHARES TO A DIRECTOR**

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

*“That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to allot and issue 5,000,000 Shares at an issue price of \$0.20 per Share to Mr Christopher Ellis (or his nominee) to raise \$1,000,000 on the terms and conditions set out in the Explanatory Statement.”*

**Short Explanation:** Under the ASX Listing Rules, an issue of securities to a director requires prior shareholder approval. For the purposes of ASX Listing Rule 10.11, Shareholder approval is being sought to allow the Company to issue Shares to Mr Christopher Ellis.

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by Mr Ellis and any associate of Mr Ellis.

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**DATED: 8 NOVEMBER 2006**

**BY ORDER OF THE BOARD**

**MR GRAEME DREW  
MANAGING DIRECTOR  
AUSQUEST LIMITED**

**Voting Exclusion Note:**

Where a voting exclusion applies, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

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## EXPLANATORY STATEMENT

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This Explanatory Statement has been prepared for the information of the Shareholders of the Company in connection with the business to be conducted at the General Meeting to be held at South of Perth Yacht Club on 11 December at 10.30am (WST).

The purpose of this Explanatory Statement is to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions in the Notice of Meeting.

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### 1. GENERAL INFORMATION ON THE PLACEMENT

As announced to ASX on 3 November 2006, the Company has reached an in-principle agreement with Hartleys Limited to raise \$3 million through the placement of 15 million Shares.

Pursuant to the agreement, ten million Shares will be issued predominately to institutional clients and sophisticated investors of Hartleys Limited at 20 cents per Share, each with a free attaching option exercisable at 20 cents on or before 30 November 2009 (**Option**).

The 10 million Share placement consists of two tranches. Tranche 1 of 5.5 million Shares and 5.5 million free attaching Options will be issued on or about 16 November 2006 within the Company's 15% capacity under ASX Listing Rule 7.1 (**Tranche 1 Placement**). Shareholder ratification of the Tranche 1 Placement is being sought pursuant to Resolution 1.

Tranche 2 consists of 4.5 million Shares and 4.5 million free attaching Options (**Tranche 2 Placement**). Shareholder approval for the Tranche 2 Placement is being sought pursuant to Resolution 2.

Mr Chris Ellis, who was appointed to the Company's Board on 3 November 2006, will subscribe for the remaining 5 million Shares at an issue price of \$0.20 per Share. Shareholder approval for the issue of Shares to Mr Ellis is being sought pursuant to Resolution 3.

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### 2. RESOLUTION 1 – RATIFICATION OF PLACEMENT OF SECURITIES

#### 2.1 General

As set out in Section 1 of this Explanatory Statement, the Company plans to issue 5,500,000 Shares at an issue price of \$0.20 per Share, together with 5,500,000 free attaching Options on the basis of one Option for every Share subscribed for and allotted pursuant to the Tranche 1 Placement on or about 16 November 2006, to raise \$1,100,000. Accordingly, it is proposed that the Tranche 1 Placement will have occurred prior to 16 November 2006.

Resolution 1 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of those securities (**Ratification**). By obtaining the Ratification, the Company will retain the flexibility to issue equity securities in the future up to the 15% threshold set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

#### 2.2 Technical information required by ASX Listing Rule 7.5

The following information is provided in relation to the Ratification pursuant to and in accordance with ASX Listing Rule 7.5:

- (a) 5,500,000 Shares and 5,500,000 Options will be allotted and issued to either institutional clients or sophisticated investors of Hartleys Limited (**Allottees**). The identity of those allottees has not yet been determined;
- (b) the Shares are to be issued at an issue price of \$0.20 per Share and the Options are to be issued free on the basis of one (1) Option for every Share subscribed for and allotted pursuant to the Tranche 1 Placement;
- (c) the Shares and Options will be allotted and issued on or about 16 November 2006;
- (d) the Shares issued will be fully paid ordinary shares in the capital of the Company and rank equally with the Company's current issued Shares;
- (e) the terms and conditions of the Options are set out in the Schedule to this Explanatory Statement;
- (f) none of the Allottees will be related parties of the Company; and
- (g) the Company intends to use the funds raised from the Tranche 1 Placement to:
  - (i) undertake an aggressive exploration programme on the Company's four nickel projects in the Pilbara region of Western Australia; and
  - (ii) test the Company's gold and uranium prospects.

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### **3. RESOLUTION 2 – PLACEMENT OF SECURITIES**

#### **3.1 Background**

ASX Listing Rule 7.1 requires a listed company to obtain shareholder approval prior to the issue of shares, or securities convertible into shares, representing more than 15% of the issued capital of that company in any rolling 12 month period.

Resolution 2 seeks Shareholder approval for the allotment and issue of up to 4,500,000 Shares at an issue price of \$0.20 per Share to raise up to \$900,000, together with 4,500,000 free attaching Options, pursuant to the Tranche 2 Placement.

The effect of Resolution 2 will be to allow the Directors to issue the securities during the period of 3 months after the General Meeting (or a longer period, if allowed by ASX), without using the Company's annual 15% placement capacity.

#### **3.2 Technical Information Required by ASX Listing Rule 7.3**

The following information is provided in relation to the Tranche 2 Placement pursuant to and in accordance with ASX Listing Rule 7.3:

- (a) the maximum number of securities to be issued is 4,500,000 Shares and 4,500,000 Options;
- (b) the Shares will be issued at an issue price of \$0.20 per Share and the Options will be issued free on the basis of one (1) Option for every Share subscribed for and allotted pursuant to the Tranche 2 Placement;
- (c) the securities will be issued no later than three (3) months after the date of the General Meeting (or such later date to the extent permitted by

any ASX waiver or modification of the Listing Rules) and it is intended that allotment will occur on the same date;

- (d) the securities will be issued to institutional clients and sophisticated investors of Hartleys Limited and those persons will not be related parties of the Company;
- (e) the Shares are fully paid ordinary shares in the capital of the Company and will rank equally with the Company's current issued Shares;
- (f) the terms and conditions of the Options are set out in the Schedule to this Explanatory Statement; and
- (g) the Company intends to use the funds raised from the Tranche 2 Placement for the purposes set out in Section 2.2(g) of this Explanatory Statement.

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## **4. RESOLUTION 3 – PLACEMENT OF SHARES TO DIRECTOR**

### **4.1 Background**

Resolution 3 seeks Shareholder approval for the placement of 5,000,000 Shares at an issue price of \$0.20 per Share to Mr Christopher Ellis (or his nominee), to raise \$1,000,000.

Shareholder approval for the placement of the Shares to Mr Ellis is required pursuant to ASX Listing Rule 10.11.

The Directors have determined not to seek Shareholder approval for the placement of Shares to Mr Ellis pursuant to Chapter 2E of the Corporations Act, as they consider that the "arm's length terms" exception in Section 210 of the Act applies to the placement. This is because Mr Ellis will subscribe for Shares at an issue price of \$0.20 per Share, which is above the price of the Tranche 1 Placement and the Tranche 2 Placement (on the basis that Mr Ellis will not receive any free attaching options) and the trading price of Shares on ASX as at the date of this Notice of \$0.22 per Share.

### **4.2 ASX Listing Rule 10.11**

ASX Listing Rule 10.11 requires a listed company to obtain shareholder approval by ordinary resolution prior to the issue of securities to a related party of the company (which includes a director).

Mr Ellis was appointed to the Board on 3 November 2006 and will seek election pursuant to clause 7.2 of the Constitution of the Company at the Company's annual general meeting, to be held on 29 November 2006 (**AGM**).

Accordingly, if Mr Ellis is elected as Director at the AGM, Shareholder approval will be required for the placement of Shares to Mr Ellis pursuant to ASX Listing Rule 10.11. If Mr Ellis is not elected as a Director at the AGM, Resolution 3 will not be put forward at the Meeting.

Separate approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Shares to Mr Ellis as approval is being obtained under ASX Listing Rule 10.11. Shareholders should note that the issue of securities to Mr Ellis will not be included in the 15% calculation for the purposes of ASX Listing Rule 7.1.

#### 4.3 Technical Information Required by ASX Listing Rule 10.13

ASX Listing Rule 10.13 sets out a number of matters which must be included in a notice of meeting proposing an approval under ASX Listing Rule 10.11. For the purposes of ASX Listing Rule 10.13, the following information is provided in relation to Resolution 3:

- (a) the maximum number of securities to be issued by the Company is 5,000,000 Shares to Mr Christopher Ellis or his nominee;
- (b) the Shares will be issued at an issue price of \$0.20 per Share;
- (c) the Shares will be issued no later than one (1) month after the date of the General Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated that allotment will occur on the same date;
- (d) the Shares issued will rank equally with the Company's current issued Shares;
- (e) the Company intends to use the funds raised from the issue of Shares to Mr Ellis for the purposes set out in Section 2.2(g) of this Explanatory Statement.

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## GLOSSARY

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**ASX** means Australian Stock Exchange Limited (ABN 98 008 624 691).

**ASX Listing Rules** or **Listing Rules** means the listing rules of ASX.

**Board** means the board of directors of the Company.

**Company** means AusQuest Limited (ABN 35 091 542 451).

**Corporations Act** means the Corporations Act 2001 (Cth).

**Directors** means the current directors of the Company.

**Explanatory Statement** means the explanatory statement accompanying the Notice.

**General Meeting** or **Meeting** means the meeting convened by the Notice.

**Notice** means the notice of meeting accompanying this Explanatory Statement.

**Option** means an option to acquire a Share on the terms and conditions set out in Schedule 2 of the Explanatory Statement.

**Resolution** means a resolution contained in the Notice.

**Share** means a fully paid ordinary share in the capital of the Company.

**Shareholder** means a holder of Shares.

**WST** means Western Standard Time

**\$** means Australian dollars.

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## SCHEDULE – TERMS OF OPTIONS

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The following is a summary of the terms of the Options to be issued pursuant to Resolutions 1 and 2:

- (a) each Option entitles the holder, when exercised, to one Share;
- (b) the Options expire 30 November 2009 (**Expiry Date**);
- (c) the exercise price of each Option is 20 cents each;
- (d) an Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the Option can be exercised if there is a pro-rata issue or bonus issue to the holders of ordinary shares;
- (e) the Company will apply for quotation of the Options on ASX;
- (f) all Shares issued upon exercise of the Options will rank pari passu in all respects with the Company's then issued Shares. The Company will apply for official quotation by ASX of all Shares issued upon exercise of the Options;
- (g) there are no participating rights or entitlements inherent in the Options and optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of the proposed issue notice of the new issue will be given to optionholders at least five (5) business days before the record date. This will give optionholders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue; and
- (h) in the event of any reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company prior to the Expiry Date, all rights of the optionholders will be varied in accordance with the ASX Listing Rules applying to the reconstruction of capital at the time of the reconstruction.

# PROXY FORM

APPOINTMENT OF PROXY  
AUSQUEST LIMITED  
ABN 35 091 542 451

## GENERAL MEETING

I/We

being a Member of Ausquest Limited entitled to attend and vote at the Meeting, hereby

Appoint

Name of proxy

OR

Mark this box if you wish to appoint the Chairman of the Meeting as your proxy

or failing the person so named or, if no person is named, the Chairman of the Meeting or the Chairman's nominee, to vote in accordance with the following directions or, if no directions have been given, as the proxy sees fit at the General Meeting to be held at the South of Perth Yacht Club, on 11<sup>th</sup> December at 10.30am (WST) and at any adjournment thereof.

### Voting on Business of the General Meeting

		FOR	AGAINST	ABSTAIN
Resolution 1	Ratification of placement of securities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Placement of securities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Placement of Shares to a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**OR**

In relation to Resolutions, if the Chairman is to be your proxy and you do **not** wish to direct your proxy how to vote on these Resolutions, please place a mark in this box

By marking this box, you acknowledge that the Chairman of the meeting 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. If you do not mark this box, and you have not directed your proxy how to vote, the Chairman of the meeting will not cast your votes on the Resolutions and your votes will not be counted in computing the required majority if a poll is called on the Resolutions. The Chairman intends to vote in favour of the Resolutions.

**IF THE CHAIRMAN IS TO BE YOUR PROXY IN RELATION TO THE RESOLUTIONS YOU MUST EITHER MARK THE BOXES DIRECTING YOUR PROXY HOW TO VOTE OR MARK THE BOX INDICATING THAT YOU DO NOT WISH TO DIRECT YOUR PROXY HOW TO VOTE, OTHERWISE THIS APPOINTMENT OF PROXY IN RELATION TO THE RESOLUTIONS WILL BE DISREGARDED.**

If you mark the abstain box for a particular item, you are directing your proxy not to vote on that item on a show of hands or on a poll and that your shares are not to be counted in computing the required majority on a poll.

If two proxies are being appointed, the proportion of voting rights this proxy represents is \_\_\_\_\_%

Signed this

day of

2006

\_\_\_\_\_

**By:**

#### Individuals and joint holders

Signature

Signature

Signature

#### Companies (affix common seal if appropriate)

Director

Director/Company Secretary

Sole Director and Sole Company Secretary

**AUSQUEST LIMITED**  
**ABN 35 091 542 451**

**Instructions for Completing 'Appointment of Proxy' Form**

1. A member entitled to attend and vote at a Meeting is entitled to appoint not more than two proxies to attend and vote on their behalf. Where more than one proxy is appointed, such proxy must be allocated a proportion of the member's voting rights. If the shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes.
2. A duly appointed proxy need not be a member of the Company. In the case of joint holders, all must sign.
3. Corporate shareholders should comply with the execution requirements set out on the Proxy Form or otherwise with the provisions of Section 127 of the Corporations Act. Section 127 of the Corporations Act provides that a company may execute a document without using its common seal if the document is signed by:
  - 2 directors of the company;
  - a director and a company secretary of the company; or
  - for a proprietary company that has a sole director who is also the sole company secretary – that director.

For the Company to rely on the assumptions set out in Section 129(5) and (6) of the Corporations Act, a document must appear to have been executed in accordance with Section 127(1) or (2). This effectively means that the status of the persons signing the document or witnessing the affixing of the seal must be set out and conform to the requirements of Section 127(1) or (2) as applicable. In particular, a person who witnesses the affixing of a common seal and who is the sole director and sole company secretary of the company must state that next to his or her signature.

4. 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.
5. Where a Proxy Form or form of appointment of corporate representative is lodged and is executed under power of attorney, the power of attorney must be lodged in like manner as this proxy.