



AUSQUEST LIMITED

ABN 35 091 542 451

NOTICE OF ANNUAL GENERAL MEETING EXPLANATORY STATEMENT AND PROXY FORM

TIME: 10.30 am (WST)

DATE: 21 November 2018

PLACE: Heritage Room,
South of Perth Yacht Club,
Applecross, Western Australia

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 (+61 8) 9463 2463.

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TIME AND PLACE OF MEETING AND HOW TO VOTE

VENUE

The Annual General Meeting of the Shareholders to which this Notice of Meeting relates will be held at 10.30 am (WST) on 21 November 2018 at:

Heritage Room,
South of Perth Yacht Club,
Applecross, Western Australia

YOUR VOTE IS IMPORTANT

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

VOTING IN PERSON

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

VOTING BY PROXY

To vote by proxy, please complete and sign the enclosed Proxy Form and return by:

- (a) post to AusQuest Limited, 8 Kearns Crescent, Ardross WA 6153; or
- (b) facsimile to the Company on facsimile number +61 8 9364 4892: or
- (c) email to the Company at proxy@ausquest.com.au

so that it is received not later than 10.30 am (WST) on 19 November 2018.

Proxy Forms received later than this time will be invalid.

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Annual General Meeting of Shareholders will be held at 10.30 am (WST) on 21 November 2018 at The Heritage Room, South of Perth Yacht Club, Applecross, Western Australia.

The Explanatory Statement to this Notice of Meeting provides additional information on matters to be considered at the Annual 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 Annual General Meeting are those who are registered Shareholders of the Company at 5.00 pm (WST) on 19 November 2018.

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

AGENDA

1. ANNUAL REPORT

To receive and consider the financial report of the Company together with the reports of the directors and the auditor for the financial year ended 30 June 2018.

2. RESOLUTION 1 – ADOPTION OF THE REMUNERATION REPORT

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

“That, for the purposes of section 250R(2) of the Corporations Act and for all other purposes, the remuneration report for the financial year ended 30 June 2018 be adopted”.

Short Explanation: The Remuneration Report is in the Directors' Report section of the Company's Annual Report. Listed companies are required to put the Remuneration Report to the vote for adoption at the Company's Annual General Meeting. The vote on this resolution is advisory only and does not bind the Directors or the Company.

Voting Exclusion Statement: A vote on this resolution must not be cast (in any capacity) by or on behalf of either of the following persons:

- (a) a member of the key management personnel, details of whose remuneration are included in the Remuneration Report;
- (b) a closely related party of such a member.

However any of those persons may cast a vote on the resolution if:

- (a) the person does so as a proxy appointed in writing that specifies how the proxy is to vote on the proposed resolution; and
- (b) the vote is not cast on behalf of a person described in paragraphs (a) or (b) above.

If you appoint the Chairman of the Meeting as your proxy, the Company encourages you to direct the Chairman how to vote on this advisory Resolution. The Chairman, as one of the Key Management Personnel of the Company, is not permitted to cast any votes in respect of this advisory Resolution that arise from undirected proxies held unless the proxy expressly authorises the Chairman to do so.

3. RESOLUTION 2 – RE-ELECTION OF MR GREG HANCOCK AS A DIRECTOR

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

“That, Mr Greg Hancock a director of the Company who retires in accordance with clause 3.6 of the Constitution and ASX Listing Rule 14.4, and being eligible, offers himself for re-election, be re-elected as a director of the Company”.

4. RESOLUTION 3 – APPROVAL FOR THE ISSUE OF SHARES TO MR CHRISTOPHER ELLIS FOR CONVERSION, IN PART OR FULL, OF REMAINING CONVERTIBLE NOTE BALANCE

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

“That, to the extent permitted by item 9 of section 611 of the Corporations Act 2001 (Cth), for the purposes of ASX Listing Rule 10.11 and for all other purposes, Shareholders approve the issue of up to 20,705,205 Shares to Chrysalis Investments Pty Ltd, a company controlled by Mr Christopher Ellis, a Director of the Company, in further conversion, in part or full, of a convertible note having an initial face value of \$750,000 and a remaining balance outstanding of \$404,786, including interest owing, on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion Statement: The Company will disregard any votes cast in favour of this Resolution by or on behalf of a person who is to receive securities in relation to the Company, namely Mr Christopher Ellis, and his associates. 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.

5. RESOLUTION 4 – APPROVAL OF 10% PLACEMENT FACILITY

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

“That, pursuant to and in accordance with Listing Rule 7.1A and for all other purposes, Shareholders approve the issue of Equity Securities up to 10% of the issued capital of the Company (at the time of the issue) calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions in the Explanatory Memorandum.”

Voting Exclusion: The Company will disregard any votes cast in favour of this Resolution by a person (and any associates of such a person) who is expected to participate in, or who will obtain a material benefit as a result of the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in the Company).

However, the Company will not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- (b) it is cast by the Chairman 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.

DATED: 15 OCTOBER 2018

**BY ORDER OF THE BOARD
HENKO VOS
COMPANY SECRETARY**

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of the Shareholders in connection with the business to be conducted at the Annual General Meeting to be held at 10:30 am (WST) on 21 November 2018 at The Heritage Room, South of Perth Yacht Club, Applecross Western Australia.

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.

1. ANNUAL REPORT

Section 317 of the Corporations Act requires the reports of the directors and of the auditors and the Annual Report, including the financial statements to be put before the Annual General Meeting and the Constitution provides for those reports and statements to be received and considered at the Annual General Meeting. Neither the Corporations Act nor the Constitution requires a vote of Shareholders at the Annual General Meeting on the reports or statements. However, Shareholders will be given the opportunity to raise questions on the reports and the statements at the Annual General Meeting.

The Company's 2018 Annual Report is available at www.ausquest.com.au. Those shareholders that elected to receive a printed copy of the Annual Report will have received a copy with this Notice of Annual General Meeting.

2. RESOLUTION 1 – ADOPTION OF THE REMUNERATION REPORT

The Remuneration Report is in the Directors Report section of the Company's Annual Report.

By way of summary, the Remuneration Report:

- (a) explains the Company's remuneration policy and the process for determining the remuneration of its Directors and executive officers;
- (b) addresses the relationship between the Company's remuneration policy and the Company's performance; and
- (c) sets out remuneration details for each Director and each of the Company's executives named in the Remuneration Report for the financial year ended 30 June 2018.

Section 250R(2) of the Corporations Act requires companies to put a resolution to their members that the Remuneration Report be adopted. The vote on this resolution is advisory only, however, and does not bind the Board or the Company. The Board will consider the outcome of the vote and comments made by Shareholders on the Remuneration Report at the meeting when reviewing the Company's remuneration policies.

The Chairman will give Shareholders a reasonable opportunity to ask questions about or to make comments on the Remuneration Report.

Under the Corporations Act, if 25% or more of votes that are cast are voted against the adoption of the Remuneration Report at two consecutive AGMs, Shareholders will be required to vote at the second of those AGMs on a resolution that a further meeting is held at which all of the Company's Directors (other than the Managing Director) must stand for re-election. Voting on this resolution will be determined by a poll at the meeting rather than a show of hands. Shareholders voted in favour of the Remuneration Report at the 2017 AGM.

Undirected proxies

The Chairman intends to exercise all undirected proxies in favour of Resolution 1. If the Chairman of the Meeting is appointed as your proxy and you have not specified the way the Chairman is to vote on Resolution 1, by signing and returning the Proxy Form, the Shareholder is considered to have provided the Chairman with an express authorisation to vote the proxy in accordance with the Chairman's intention.

Any undirected proxies held by any other key management personnel or any of their closely related parties will not be voted on this resolution.

Key management personnel of the Company has the same meaning as set out in the accounting standards and includes the Directors of the Company and those other persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. The Remuneration Report identifies the Company's key management personnel for the financial year to 30 June 2018. Their closely related parties are defined in the Corporations Act, and include certain members of their family, dependents and companies they control.

3. RESOLUTION 2 – RE-ELECTION OF MR GREG HANCOCK AS A DIRECTOR

ASX Listing Rule 14.4 and Clause 3.6 of the Constitution provide that a re-election of Directors must be held at each annual general meeting. The Directors to retire are to be those who have been in office for 3 years since their appointment or last re-appointment or who have been longest in office since their appointment or last re-appointment or, if the Directors have been in office for an equal length of time, by agreement. Mr Hancock retires from office in accordance with these requirements and being eligible, offers himself for re-election by shareholders as a director of the Company, with effect from the end of the meeting.

Greg has had over 25 years' experience in capital markets practicing in the area of corporate finance. He maintains close links with the stockbroking and investment banking community on behalf of the Company. Mr Hancock is the Company's non-executive Chairman and has been a director of the Company since 16 September 2003.

The Board unanimously recommends that shareholders vote in favour of the re-election of Mr Hancock as a director.

4. RESOLUTION 3 – APPROVAL FOR THE ISSUE OF SHARES TO MR CHRISTOPHER ELLIS FOR CONVERSION, IN PART OF FULL, OF HIS REMAINING CONVERTIBLE NOTE BALANCE

4.1 General

Pursuant to a Loan and Convertible Note Agreement dated 5 October 2016, as amended, between the Company and the Lender (**Loan and Convertible Note Agreement**), the Lender advanced to the Company a loan of \$750,000 and the Company issued to the Lender a Convertible Note with a face value of that amount.

The Lender is Chrysalis Investments Pty Ltd ACN 064 046 224, a company controlled by Mr Chris Ellis who is a Director and, through his control of the Lender, a substantial shareholder of the Company. At the date of this Notice, Mr Ellis has a relevant interest in 19.84% (rounded down to the nearest two decimals) of the Shares in the Company.

The key terms of the Convertible Note under the Loan and Convertible Note Agreement are as follows:

- (a) the conversion of the Convertible Note to Shares is subject to Shareholder approval, for the purposes of Listing Rule 10.11;
- (b) the conversion price of the Convertible Note is the lower of:
 - (i) 2 cents per Share; and
 - (ii) the volume weighted average market price for Shares calculated over the 5 days on which sales in the Shares were recorded immediately prior to the day on which the issue of the Conversion Shares is made (**5 day VWAP**);
- (c) if the Convertible Note has not been converted by the maturity date which is 18 months after the date of the Loan and Convertible Note Agreement (subsequently extended by agreement of the parties to 30 November 2018), the loan must be repaid in cash;

- (d) the loan must also be repaid in cash on 20 Business Days' notice on the occurrence of an event of default (as described in the Loan and Convertible Note Agreement) prior to the maturity date. Events of default include an insolvency event for the Company, cessation of ASX listing of the Company, and failure to remedy a material default by the Company under the Loan and Convertible Note Agreement within 20 Business Days of a request to do so.
- (e) conversion of the Convertible Note to Shares is solely at the election of the Company, provided shareholder approval has been received, and may be done in part in tranches of no less than \$200,000 in value;
- (f) interest on the loan funds advanced is accrued at the rate of 10% per annum if the Company has not converted the Convertible Note to shares within six months of the date of issue (but is only accrued on the period following expiry of that 6 month period). All interest accrued is payable on the maturity date or the conversion date and is payable in cash or, as subsequently agreed by the parties, in shares at the election of the Company and subject to any relevant shareholder approvals; and
- (g) the Convertible Note is unsecured and non transferable.

Pursuant to the approval of shareholders granted at the Company's annual general meeting held on 22 November 2017, the Company issued 21,642,048 Shares to the Lender on 23 November 2017 at \$0.02 per Share to partly convert \$432,841 of the Convertible Note, including accrued interest of \$49,212 calculated at 10% per annum from 5 April 2017 (being six month after the date of issue of the Convertible Note) to the date of conversion.

The remaining balance of the Convertible Note payable at the date of the Annual General Meeting (21 November 2018) is \$404,786 which includes accrued interest of \$38,415 calculated at 10% per annum from 23 November 2017 to the date of the Meeting.

Resolution 3 seeks Shareholder approval pursuant to ASX Listing Rule 10.11 for the issue of Conversion Shares to the Lender in part or full conversion of the remaining balance of the Convertible Note, to the extent permitted by item 9 of section 611 of the Corporations Act (see section 4.2 below). If Shareholders approve the issue of the Conversion Shares under Listing Rule 10.11, approval is not required under Listing Rule 7.1 in relation to the 15% restriction in Listing Rule 7.1. This means that the Company's flexibility to issue Equity Securities in the future up to the 15% annual placement capacity set out in Listing Rule 7.1 is not affected.

If Shareholders do not approve the issue of the Conversion Shares pursuant to Listing Rule 10.11 on this or any subsequent occasion at which shareholder approval may be sought, then the Convertible Note will not be capable of conversion to Shares at the election of the Company. It will then be necessary for the Company to repay the full outstanding balance of \$404,786 (including interest to 21 November 2018) in cash on or before the maturity date under the Loan and Convertible Note Agreement, being 30 November 2018.

4.2 Corporations Act issues

Section 606 prohibition

Section 606 of the Corporations Act prohibits a person acquiring a relevant interest in issued voting shares in a listed company if, as a result of the acquisition that person's or someone else's voting power in the company increases from 20% or below to more than 20%, or from a starting point that is above 20% and below 90%. A person's **voting power** is described in section 610 of the Corporations Act.

There are various exceptions to the prohibition in section 606 of the Corporations Act. Section 611 of the Corporations Act contains a table setting out circumstances in which acquisitions of relevant interests are exempt from the prohibition. Item 9 of the table in section 611 of the Corporations Act provides an exemption for acquisitions of no more than 3% in every 6 months, provided that throughout the 6 months before the acquisition that person has had voting power in the company of at least 19% (**3% Creep Exemption**).

Mr Ellis, through his control of the Lender, has a relevant interest in 104,455,634 Shares in the Company at the date of this Notice being a percentage holding and voting power of 19.84%. Throughout the 6 months prior to the date of this Notice, Mr Ellis had voting power of at least 19% (and the Company does not propose to issue Shares between the date of this Notice and the date of issue of the Conversion Shares such that Mr Ellis' voting power would fall below 19%). The percentage holding and voting power of Mr Ellis 6 months prior to the scheduled date of the Annual General Meeting, and from that date up until the issue of other Shares by the Company on 11 September 2018, was 19.87% (rounded down to the nearest two decimals). Under the 3% Creep Exemption Mr Ellis' shareholding can increase by no more than 3% from this percentage.

If Shareholder approval is obtained pursuant to Resolution 3, the Company proposes to issue the Conversion Shares to the Lender on the same day as the Meeting. In that case, the Lender may be issued that number of Conversion Shares such that Mr Ellis' voting power will increase from 19.87%, his voting power 6 months prior to that date, up to 22.87%, being the maximum voting power he can achieve under the 3% Creep Exemption.

Chapter 2E

For the purposes of Chapter 2E of the Corporations Act the Directors, excluding Mr Ellis, have resolved that although the issue of the Conversion Shares to the Lender under the Loan and Convertible Note Agreement constitutes the giving of a financial benefit to a related party of the Company, no shareholder approval is required under Chapter 2E because the terms of the Loan and Convertible Note Agreement are less favourable to the related party Mr Ellis than would be reasonable if the Company and Mr Ellis were dealing at arm's length.

4.3 Conversion Price and number of Conversion Shares

The Company will only convert that part of the Convertible Note which will result in the issue under the terms of the Loan and Convertible Note Agreement of that number of Conversion Shares which will increase Mr Ellis' voting power to no more than 22.87% at the date of issue (being, for the purpose of the calculation of this percentage, the date of the Meeting, as described in Section 4.2 above). Based on the current total of 526,565,756 Shares on issue, and assuming no further Shares are issued in the interim, the maximum number of Conversion Shares that may be issued by the Company under Resolution 3 is 20,705,205 Shares. This will increase Mr Ellis' current voting power of 19.84%, based on 104,455,634 Shares of the current total of 526,565,756 Shares on issue in the Company, to a voting power of 22.87%, based on 125,160,838 Shares of the then total 547,270,960 Shares on issue in the Company. The increase of 3.03% (being from the current shareholding of 19.84% to the then shareholding of 22.87%) is allowed under the 3% Creep Exemption as the overall movement in shareholding is no more than 3% higher than Mr Ellis's voting power of 19.87% six months before.

If the Company's 5-day VWAP is above \$0.02 on the date the Company issues Conversion Shares to Mr Ellis, conversion will occur at \$0.02 each under the terms of the Loan and Convertible Note Agreement. In this case, the Company will issue 20,239,305 Conversion Shares (being the outstanding balance plus interest of \$404,786 of the Convertible Note divided by \$0.02) which will reduce the outstanding balance and the face value of the Convertible Note to nil.

In this case, Mr Ellis' voting power will increase from 19.84% to 22.80%. This is below the maximum shareholding allowed of 22.87%, as described above.

If the Company's 5-day VWAP is below \$0.02 on the date the Company issues Conversion Shares to Mr Ellis, conversion will occur at that lower 5-day VWAP price. The issue of the maximum number of Conversion Shares of 20,705,205 in this instance would reduce the outstanding balance and the face value of the Convertible Note by a lesser amount than if issued at \$0.02, with the actual reduction to be calculated as 20,705,205 Shares multiplied by the 5-day VWAP.

In this case, Mr Ellis' total shareholding will increase from 19.84% to 22.87%. The Company will not issue any Conversion Shares to the Lender under Resolution 3 if to do so would result in a contravention of section 606 of the Corporations Act and accordingly the number of Conversion Shares will be limited to the extent that the Lender can rely on the 3% Creep Exemption. Mr Ellis's resulting voting power (increased as a result of the issue of Conversion Shares contemplated under Resolution 3) will dilute, in the same way that other Shareholders'

holdings will be diluted, as a result of any future capital raisings undertaken by the Company in which Mr Ellis and those other Shareholders do not participate.

As an working example, if the Company were to issue the Conversion Shares at the date of this Notice of Meeting, conversion would occur at \$0.02 per Share (being the lower of \$0.02 per Share and the volume weighted average market price of the Company's Shares calculated over the 5 days on which sales in the Shares were recorded immediately prior to issue, calculated as \$0.026). In this instance the Company would issue 20,239,305 Conversion Shares and Mr Ellis' interest would increase from 19.84% to 22.80%.

4.4 ASX Listing Rule 10.11

Listing Rule 10.11 provides that a company must not issue Equity Securities to a related party of a company, such as a director, without the company obtaining the approval by ordinary resolution of its shareholders. Accordingly the Company is seeking the approval of the Shareholders under Listing Rule 10.11 to allow the Company to issue the Conversion Shares to the Lender, a company controlled by Director Mr Chris Ellis.

Pursuant to and in accordance with Listing Rule 10.13, the following information is provided to Shareholders to allow them to assess the proposed issue of the Conversion Shares under Resolution 3:

- (a) the Conversion Shares will be issued to Chrysalis Investments Pty Ltd ACN 064 046 224, a company controlled by Mr Christopher Ellis, a Director and substantial shareholder of the Company;
- (b) the maximum number of Shares that will be issued by the Company under Resolution 3 is 20,705,205 Shares.
- (c) the Conversion Shares will be issued within 1 month after the date of the Meeting, if approved, and are proposed to be issued on the day of and following the Meeting;
- (d) the issue price of the Conversion Shares is set at the lower of:
 - (i) 2 cents per Share; and
 - (ii) the volume weighted average market price for Shares calculated over the 5 days on which sales in the Shares were recorded immediately prior to the day on which the issue of the Conversion Shares is made;

The Conversion Shares will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as, and ranking equally (from the date of their issue) with, the Company's existing Shares, the terms of which are in the public domain;

- (e) the Company raised \$750,000 on 5 October 2016 from the issue and conversion of the Convertible Note pursuant to the Loan and Convertible Note Agreement. These funds were used to advance several of the Company's prospective WA nickel and Peru copper projects to the drilling stage and for other working capital purposes; and
- (f) a voting exclusion statement is included in the Notice of Meeting.

4.5 ASX waiver

ASX has granted a waiver from Listing Rule 10.13.5 to allow this Notice not to contain an exact issue price for the Conversion Shares but for the issue price to be based on the formula in Section 4.4(d) above which includes a future share price.

The Directors, excluding Mr Christopher Ellis, recommend that Shareholders vote in favour of this Resolution to preserve the cash flow position of the Company pending a potential capital raising in the next 12 month period. The Chairman intends to vote undirected proxies in favour of this Resolution.

5. RESOLUTION 4 – APPROVAL OF 10% PLACEMENT FACILITY

5.1 General

Listing Rule 7.1A enables eligible entities to issue Equity Securities up to 10% of its issued share capital through placements over a 12 month period after the annual general meeting (**10% Placement Facility**). The 10% Placement Facility is in addition to the Company's 15% placement capacity under Listing Rule 7.1.

An eligible entity for the purposes of Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less. The Company is an eligible entity. The Company is now seeking shareholder approval by way of a special resolution to have the ability to issue Equity Securities under the 10% Placement Facility.

The exact number of Equity Securities to be issued under the 10% Placement Facility will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to Section 5.2(c) below).

The Directors of the Company believe that Resolution 4 is in the best interests of the Company because if exploration success is encountered at its Australian or Peruvian projects in particular, over the next 12 months, this resolution provides the ability for the Company to raise additional funds quickly. The Directors unanimously recommend that Shareholders vote in favour of this Resolution.

5.2 Description of Listing Rule 7.1A

(a) Shareholder approval

The ability to issue Equity Securities under the 10% Placement Facility is subject to shareholder approval by way of a special resolution at an annual general meeting.

(b) Equity Securities

Any Equity Securities issued under the 10% Placement Facility must be in the same class as an existing quoted class of Equity Securities of the Company.

The Company, as at the date of the Notice, has on issue two classes of Equity Securities, namely quoted Shares and unquoted Options.

(c) Formula for calculating 10% Placement Facility

Listing Rule 7.1A.2 provides that eligible entities which have obtained shareholder approval at an annual general meeting may issue or agree to issue, during the 12 month period after the date of the annual general meeting, a number of Equity Securities calculated in accordance with the following formula:

$$(A \times D) - E$$

A is the number of fully paid shares on issue 12 months before the date of issue or agreement:

- (a) plus the number of fully paid shares issued in the 12 months under an exception in Listing Rule 7.2;
- (b) plus the number of partly paid shares that became fully paid in the 12 months;
- (c) plus the number of fully paid shares issued in the 12 months with approval of holders of shares under Listing Rules 7.1 and 7.4. This does not include an issue of fully paid shares under the entity's 15% placement capacity without shareholder approval;
- (d) less the number of fully paid shares cancelled in the 12 months.

Note that A has the same meaning in Listing Rule 7.1 when calculating an entity's 15% placement capacity.

D is 10%

E is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with the approval of shareholders under Listing Rule 7.1 or 7.4.

(d) Listing Rule 7.1 and Listing Rule 7.1A

The ability of an entity to issue Equity Securities under Listing Rule 7.1A is in addition to the entity's 15% placement capacity under Listing Rule 7.1. At the date of this Notice, the Company has on issue 526,565,756 Shares, meaning the Company has the capacity to issue:

- (i) 78,984,863 Equity Securities under Listing Rule 7.1; and
- (ii) 52,656,575 Equity Securities under Listing Rule 7.1A.

The actual number of Equity Securities that the Company will have capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the Equity Securities in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to Section 5.2(c) above).

(e) Minimum Issue Price

The issue price of Equity Securities issued under Listing Rule 7.1A must be not less than 75% of the VWAP of Equity Securities in the same class calculated over the 15 Trading Days on which trades in that class were recorded immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) if the Equity Securities are not issued within 5 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued.

(f) 10% Placement Period

Shareholder approval of the 10% Placement Facility under Listing Rule 7.1A is valid from the date of the annual general meeting at which the approval is obtained and expires on the earlier to occur of:

- (a) the date that is 12 months after the date of the annual general meeting at which the approval is obtained; or
- (ii) the date of the approval by shareholders of a transaction under Listing Rules 11.1 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking),

or such longer period if allowed by ASX (**10% Placement Period**).

5.3 Listing Rule 7.1A

The effect of Resolution 4 will be to allow the Directors to issue the Equity Securities under Listing Rule 7.1A during the 10% Placement Period without using the Company's 15% placement capacity under Listing Rule 7.1.

Resolution 4 is a special resolution and therefore requires approval of 75% of the votes cast by shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

5.4 Specific information required by Listing Rule 7.3A

Pursuant to and in accordance with Listing Rule 7.3A, information is provided in relation to the approval of the 10% Placement Facility as follows:

(a) Minimum Issue Price

The Equity Securities will be issued at an issue price of not less than 75% of the VWAP for the Company's Equity Securities over the 15 Trading Days on which trades in that class were recorded immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) if the Equity Securities are not issued within 5 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued.

(b) Risk of economic and voting dilution

If Resolution 4 is approved by Shareholders and the Company issues Equity Securities under the 10% Placement Facility, the existing Shareholders' voting power in the Company will be diluted as shown in the below table (in the case of Unlisted Options, only if the Unlisted Options are exercised). There is a risk that:

- (i) the market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date of the Meeting; and
- (ii) the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date or the Equity Securities are issued as part of consideration for the acquisition of a new asset,

which may have an effect on the amount of funds raised by the issue of the Equity Securities.

The below table shows the dilution of existing Shareholders on the basis of the current market price of Shares and the current number of ordinary securities for variable "A" calculated in accordance with the formula in Listing Rule 7.1A(2) as at the date of this Notice.

The table also shows:

- (i) two examples where variable "A" has increased, by 50% and 100%. Variable "A" is based on the number of ordinary securities the Company has on issue. The number of ordinary securities on issue may increase as a result of issues of ordinary securities that do not require Shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover offer) or future specific placements under Listing Rule 7.1 that are approved at a future Shareholders' meeting; and
- (ii) two examples of where the issue price of ordinary securities has decreased by 50% and increased by 50% as against the current market price.

Variable 'A' in Listing Rule 7.1A.2		Dilution		
		\$0.012 50% decrease in Issue Price	\$0.024 Issue Price	\$0.036 50% increase in Issue Price
Current Variable A 526,565,756 Shares	10% Voting Dilution Funds raised	52,656,576 shares \$631,879	52,656,576 shares \$1,263,758	52,656,576 shares \$1,895,637
50% increase in current Variable A 789,848,634 Shares	10% Voting Dilution Funds raised	78,984,863 shares \$947,818	78,984,863 shares \$1,895,637	78,984,863 shares \$2,843,455
100% increase in current Variable A 1,053,131,512 Shares	10% Voting Dilution Funds raised	105,313,151 shares \$1,263,758	105,313,151 shares \$2,527,516	105,313,151 shares \$3,791,273

The table has been prepared on the following assumptions:

- (i) The Company issues the maximum number of Equity Securities available under the 10% Placement Facility.
- (ii) No unlisted Options are exercised into Shares before the date of the issue of the Equity Securities.
- (iii) The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
- (iv) The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Facility, based on that Shareholder's holding at the date of the Meeting.
- (v) The table shows only the effect of issues of Equity Securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1.
- (vi) The issue of Equity Securities under the 10% Placement Facility consists only of Shares. If the issue of Equity Securities includes Unlisted Options, it is assumed that those Unlisted Options are exercised into Shares for the purpose of calculating the voting dilution effect on existing Shareholders.
- (vii) The issue price is \$0.024, being the closing price of the Shares on ASX on 12 October 2018.

(c) Period within which the 10% Placement Facility can be implemented

The Company will only issue the Equity Securities during the 10% Placement Period. The approval under Resolution 4 for the issue of the Equity Securities will cease to be valid in the event that Shareholders approve a transaction under Listing Rule 11.1 (a significant change to the nature or scale of activities) or Listing Rule 11.2 (disposal of main undertaking).

(d) Purpose for which the 10% Placement Facility may be implemented

The Company may seek to issue the Equity Securities for the following purposes:

- (i) non-cash consideration for the acquisition of new resources assets and investments. In such circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3; or
- (ii) cash consideration. In such circumstances, the Company intends to use the funds raised towards an acquisition of new resource assets or investments (including expenses associated

with such acquisition), continued exploration and feasibility study expenditure on the Company's current assets and/or general working capital.

The Company will comply with the disclosure obligations under Listing Rules 7.1A(4) and 3.10.5A upon issue of any Equity Securities.

(e) Allocation policy when the 10% Placement Facility may be implemented

The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Facility. The identity of the allottees of Equity Securities will be determined on a case-by-case basis having regard to the factors including but not limited to the following:

- (i) the methods of raising funds that are available to the Company, including but not limited to, rights issue or other issue in which existing security holders can participate;
- (ii) the effect of the issue of the Equity Securities on the control of the Company;
- (iii) the financial situation and solvency of the Company; and
- (iv) advice from corporate, financial and broking advisers (if applicable).

The allottees under the 10% Placement Facility have not been determined as at the date of this Notice. However, the recipients of Equity Securities could consist of current Shareholders and/or new Shareholders (or both), none of whom will be related parties or associates of a related party of the Company.

Further, if the Company is successful in acquiring new resources assets or investments, it is likely that the allottees under the 10% Placement Facility will be the vendors of the new resources assets or investments.

(f) Voting Exclusions

A voting exclusion statement is included in the Notice. At the date of the Notice, the Company has not approached any particular existing Shareholder or security holder or an identifiable class of existing security holder to participate in the issue of the Equity Securities utilising this 10% Placement Facility following the 2018 Annual General Meeting. No existing Shareholder's votes will therefore be excluded under the voting.

(g) Prior Approvals under Listing Rule 7.1A

The Company has previously obtained Shareholder approval under ASX listing Rule 7.1A at its annual general meeting held on 22 November 2017. In accordance with Listing Rule 7.3 A.6 the total number of Equity Securities issued in the 12 months preceding the date of this meeting is 35,168,364 representing 5.8% of the Equity Securities on issue at the commencement of the 12 month period.

The Company has issued the following Equity Securities in the 12 months preceding the date of this meeting:

Date of Issue	23 Nov 2017	18 Dec 2017	11 Jan 2018	3 May 2018	11 Sep 2018
Number of Securities	21,642,048	9,500,000	3,000,000	26,316	1,000,000
Class	Fully paid ordinary shares	Unlisted options	Fully paid ordinary shares	Fully paid ordinary shares	Fully paid ordinary shares
Terms of Class / Issue	Same as existing fully paid ordinary shares previously issued by the Company	Exercise price \$0.05 Expiry date 30 Nov 2020 (this is an existing class)	Same as existing fully paid ordinary shares previously issued by the Company	Same as existing fully paid ordinary shares previously issued by the Company	Same as existing fully paid ordinary shares previously issued by the Company
Issue Price	\$0.02 per share (deemed)	Nil	\$0.011 per share (deemed)	\$0.035 per share	\$0.011 per share (deemed)
Discount to Market Price at date of issue	The share price on the date of issue was \$0.018, which was below the conversion price of \$0.02, thus issued at a premium to the market price on the date of issue.	N/A	The share price on the date of issue was \$0.018, being a deemed discount of \$0.007. This represents a discount of 38.9% to the market price on the date of issue.	The share price on the date of issue was \$0.024, which was below the conversion price of \$0.035, thus issued at a premium to the market price on the date of issue.	The share price on the date of issue was \$0.017, being a deemed discount of \$0.006. This represents a discount of 35.3% to the market price on the date of issue.
Total cash consideration	Nil	Nil	Nil	\$921.06	Nil
Use of cash consideration	N/A	N/A	N/A	Working capital purposes	N/A
Date of Issue	23 Nov 2017	18 Dec 2017	11 Jan 2018	3 May 2018	11 Sep 2018
Total non cash consideration paid and current value	Shares issued as approved by shareholders at the Company's AGM on 22 November 2018. 21,642,048 ordinary shares at \$0.02 per share to partly convert \$432,841 of the Lender's Convertible Note.	N/A – Options were issued as an incentive to employees and consultants of the Company. Value = \$81,330 ⁽ⁱ⁾	Issued in lieu of a cash payment for geological consulting services (total deemed value at date of issue of \$33,000 with a current value at the date of this Notice of \$72,000 given a share price of \$0.024 per share).	N/A	Issued in lieu of a cash payment for geological consulting services (total deemed value at date of issue of \$11,000 with a current value at the date of this Notice of \$24,000 given a share price of \$0.024 per share).
Allottees of Equity Securities issued or Basis of Issue	Chrysalis Investments Pty Ltd, a company associated with Christopher Ellis (a director of the Company)	Employees and Consultants of the Company	Michael Sherington (Issued pursuant to service consultancy agreement)	Shares issued to a non-related shareholder upon a request to convert listed options held	Martin Gole (Issued pursuant to service consultancy agreement)

(i) The fair value of the Options is measured using the Black & Scholes option pricing model. Measurement inputs include the share price on the measurement date, the exercise price, the term of the Option, the expected volatility of the underlying Share, the expected dividend yield and the risk free interest rate for the term of the Option. No account is taken of any performance conditions included in the terms of the Option other than market based performance conditions (i.e. conditions linked to the price of Shares).

GLOSSARY

\$ means Australian dollars.

3% Creep Exemption has the meaning set out in Section 4.2 of this Notice.

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

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited.

ASX Listing Rules means the Listing Rules of ASX.

Board means the current board of Directors of the Company.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

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

Constitution means the Company's Constitution.

Conversion Shares means the Shares to be issued to the Lender under Resolution 3 on part or full conversion of the Convertible Note.

Convertible Note means a convertible note the subject of the Loan and Convertible Note Agreement.

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

Loan and Convertible Note Agreement means the loan and convertible note agreement between the Lender and the Company) dated 3 October 2016 for the issue of up to one convertible note with a total face value of up to \$750,000 with terms described in Section 4.1 of the Explanatory Statement, as amended.

Directors means the current Directors of the Company.

Equity Securities has the same meaning as in the Listing Rules.

Explanatory Statement means the explanatory statement accompanying the Notice of Meeting.

Lender means Chrysalis Investments Pty Ltd ACN 064 046 224, a company controlled by Director Mr Chris Ellis.

Notice of Meeting or **Notice of Annual General Meeting** means this notice of annual general meeting including the explanatory statement.

Option means an option to acquire a Share in the Company.

Related Party is defined in section 228 of the Corporations Act

Remuneration Report means the remuneration report in the Directors' Report section of the Company's Annual Report.

Resolutions means the resolutions set out in the Notice of Meeting, or any one of them, as the context requires.

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

Shareholder means a holder of a Share.

WST means Western Standard Time as observed in Perth, Western Australia.