

18 October 2019



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Dear Shareholder,

### Notice to Eligible Shareholders of Non-Renounceable Pro-Rata Rights Issue

We refer to the announcement by AusQuest Limited (**Company**) dated 16 October 2019 ('Capital Raising to Advance Exploration Programs') regarding a Placement to certain sophisticated investors to raise approximately \$500,000 (before costs) (**Placement**) and a proposed non-renounceable pro-rata rights issue to raise approximately \$1.9 million (before costs) (**Rights Offer**).

We are writing to you as a shareholder of the Company to notify you that on 16 October 2019, the Company lodged a prospectus (**Prospectus**) for the Rights Offer with the Australian Securities & Investments Commission and the Australian Securities Exchange (**ASX**). The Prospectus is available on the ASX website ([www.asx.com.au](http://www.asx.com.au)) using the Company's ASX code 'AQD', as well as the Company's website ([www.ausquest.com.au](http://www.ausquest.com.au)).

The purpose of this letter is to provide you with key information about the Rights Offer before the Prospectus for the Offer is sent to eligible shareholders, in accordance with the requirements of ASX. Shareholder approval is not required for the Rights Offer.

#### Rights Offer

The Rights Offer is a non-renounceable pro-rata offer to be made under the Prospectus on the basis of one (1) fully paid ordinary share in the Company (**New Share**) for every four (4) fully paid ordinary shares (**Share**) held by Eligible Shareholders (described below), at an issue price of \$0.014 each, together with 1 free attaching **New Option** for every 1 New Share subscribed for and issued (exercisable at \$0.025 per option and expiring on 30 November 2021). Fractional entitlements will be rounded down to the nearest whole New Share. All New Shares will rank equally in all respects with other Shares then on issue. Any entitlements not taken up under the Rights Offer will form part of an offer for the shortfall (**Shortfall Offer**, as described below). The Rights Offer and the Shortfall Offer are referred to in the Prospectus and this letter as the **Offers**. The Rights Offer is not underwritten. The Company has engaged Hartleys Limited as Lead Manager to the Offers and the Placement, who will be paid a 6% fee on funds raised under the Placement and Offers, other than entitlements taken up by Directors of the Company.

#### Use of Proceeds

It is proposed that the net proceeds of the Offers, together with funds to be raised under the Placement and the Company's existing cash reserves, will be used to carry out exploration programs on the Company's 100% owned properties, and to identify and investigate new acquisition and/or exploration opportunities both in Australia and Peru, that might be of further interest to the Company's strategic alliance partner South32, or to be retained as 100% owned AusQuest projects.

#### Eligibility

The record date for determining eligibility to participate in the Rights Offer (**Record Date**) is **5:00pm (AWST) on 22 October 2019**. All shareholders with an address in Australian or New Zealand who are registered as the holders of Shares on this date will be eligible to participate in the Rights Offer (**Eligible Shareholders**).

#### No Rights Trading

Eligible Shareholders may not trade their entitlement under the Rights Offer as those rights are non-transferrable. Entitlements of Eligible Shareholders who do not elect to participate in the Rights Offer will lapse.

## Shortfall Offer

The Company is making a separate offer to Eligible Shareholders and the general public under the Prospectus for any New Shares for which valid applications are not received by the closing date of the Rights Offer, at the same issue price as the Rights Offer (**Shortfall Offer**).

Eligible Shareholders may apply for additional Shares under the Shortfall Offer by specifying the total number of Shares they wish to apply for on their entitlement and acceptance form (to be provided). Additional Shares will only be allocated to the extent that there is a shortfall. The directors of the Company have reserved their right to determine who is to receive any additional Shares under the Shortfall Offer.

## Effect on Capital Structure

An estimated maximum of 35,714,286 Shares will be issued under the proposed Placement and a further estimated maximum of 137,326,265 New Shares will be issued under the Offers. This number excludes any Shares which may be issued on exercise of options before the Record Date. This number is also subject to a final reconciliation and rounding of Eligible Shareholder entitlements. After completion of the Placement and closing of the Offers, assuming that they are fully subscribed, it is estimated that 722,345,612 Shares will be on issue, all of which will be quoted on ASX. As part of the Offers, shareholders will receive one free attaching New Option for each New Share subscribed for. The New Options will be exercisable at \$0.025 each on or before 30 November 2021.

## Dividends

The Company does not have a dividend policy. Payment of future dividends will depend upon future profitability and the financial position of the Company.

## Indicative Timetable

The table below sets out the indicative timetable of key events in relation to the Rights Offer. The dates may change subject to the ASX Listing Rules.

| Event   | Target Date      |
|---|------------------|
| Announcement of Offers and Placement and Appendix 3B lodged with ASX (pre market) | 16 October 2019  |
| Prospectus lodged with ASIC   | 16 October 2019  |
| Prospectus lodged with ASX (pre market)   | 17 October 2019  |
| Notice of Rights Offer sent to Option Holders                                     | 17 October 2019  |
| Notice of Rights Offer sent to Shareholders                                       | 18 October 2019  |
| Ex-date   | 21 October 2019  |
| Record Date for determining Entitlements  | 22 October 2019  |
| Prospectus and Entitlement and Acceptance Form sent to Eligible Shareholders      | 25 October 2019  |
| Opening Date  | 25 October 2019  |
| Placement Issue Date  | 25 October 2019  |
| Last day to extend the Closing Date   | 5 November 2019  |
| Closing Date (if not extended)  | 8 November 2019  |
| Securities quoted on a deferred settlement basis                                  | 11 November 2019 |
| Notice to ASX of Shortfall  | 13 November 2019 |
| Issue date of New Shares and New Options under the Rights Offer                   | 15 November 2019 |
| Normal trading commences  | 18 November 2019 |
| Despatch of holding statements  | 19 November 2019 |

The Directors are pleased to present this opportunity to Eligible Shareholders. For further information, please contact the Company Secretary, Henko Vos, on +61 (08) 9463 2463 or [henko.vos@nexasperth.com.au](mailto:henko.vos@nexasperth.com.au).

Yours sincerely



Greg Hancock  
Non executive Chairman  
AusQuest Limited