

18 October 2019



ABN 35 091 542 451  
8 Kearns Crescent, Ardross WA 6153  
Telephone: 08 9364 3866  
Facsimile: 08 9364 4892  
Web: [www.ausquest.com.au](http://www.ausquest.com.au)

Dear Shareholder,

### **Notice to Ineligible 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 inform you about the Rights Offer and to explain why you will not be able to subscribe for securities under the offer. This letter is not an offer to issue shares or other securities to you, nor an invitation for you to apply for any shares or other securities. **You are not required to do anything in response to this letter but there may be financial implications for you as a result of the Rights Offer that you should be aware of.**

#### **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.

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 Rights Offer, 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**). The Rights Offer is not extended to the Company's security holders who do not meet this criteria.

## **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 and form part of the Shortfall Offer.

## **Shortfall Offer**

The Company will make 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 Rights Offer. This number excludes New 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.

## **Ineligible shareholders**

Only Eligible Shareholders, as described above, are eligible to participate in the Rights Offer.

The restrictions upon eligibility to participate in the Rights Offer arise because of the legal and regulatory requirements in countries other than Australia and New Zealand, and the potential costs to the Company of complying with these legal and regulatory requirements when compared with the relatively small number of shareholders with a registered address in those countries, the relatively small number of existing Shares they hold and the relatively low value of New Shares and New Options to which they would otherwise be entitled.

The Company has determined, pursuant to ASX Listing Rule 7.7.1(a) and section 9A(3)(a) of the Corporations Act, that it would be unreasonable to make or extend the Rights Offer to shareholders with a registered address in certain countries outside of Australia and New Zealand.

Unfortunately, according to our records, you do not satisfy the eligibility criteria for the Rights Offer stated above. Accordingly, the Company wishes to advise you that you are not an Eligible Shareholder and it will not be extending the Rights Offer to you and you will not be able to subscribe for New Shares under the Prospectus. For that reason, you will not be sent a copy of the Prospectus or other documents relating to the Rights Offer.

## **Further Information**

For further information, please contact the Company Secretary, Henko Vos, on +61 (08) 9463 2463 or [henko.vos@nexiaperth.com.au](mailto:henko.vos@nexiaperth.com.au).

On behalf of the Company, we thank you for your continued support of the Company.

Yours sincerely



Greg Hancock  
Non executive Chairman  
AusQuest Limited