



AUSQUEST LIMITED

ACN 091 542 451

PROSPECTUS

Non-Renounceable Pro-Rata Rights Issue

For a non-renounceable pro-rata rights offer of 1 New Share for every 4 Shares held by Eligible Shareholders at the Record Date, at an issue Price of \$0.014 per New Share to raise approximately \$1.9 million (before costs), together with 1 free attaching New Option for every 1 New Share subscribed for and issued (**Rights Offer**).

The Prospectus includes a separate offer to the public (including Eligible Shareholders) to subscribe for any Shortfall to the Rights Offer (**Shortfall Offer**).

The Prospectus also facilitates, pursuant to section 708A(11) of the Corporations Act, the secondary trading of a total of up to 35,714,286 New Shares and 35,714,286 New Options to be issued by the Company under a placement to sophisticated investors.

The Rights Offer closes at 5.00pm (AWST) on Friday 8 November 2019 (unless extended).

Important Notice

This Prospectus is a transaction specific prospectus issued in accordance with section 713 of the Corporations Act 2001 (Cth). This document is important and should be read in its entirety. If you have any questions about the Offers or the securities being offered under this Prospectus you should consult your professional advisors.

The Securities offered by this Prospectus should be considered speculative.

Table of Contents

Corporate Directory2

Important Information.....3

Chairman’s letter5

1. Key Offer Information6

2. Details of the Offers7

3. Applications for New Shares11

4. Purpose and effect of the Offers and the Placement15

5. Details of New Shares and New Options20

6. Risk Factors23

7. Additional Information.....27

8. Directors’ Statement32

9. Glossary of Terms.....33

Corporate Directory

Directors

Greg Hancock
Non-Executive Chairman

Graeme Drew
Managing Director

Chris Ellis
Non-Executive Director

Company Secretary

Henko Vos

Registered Office

C/-Nexia Perth
Level 3, 88 William Street
Perth, WA 6000

T: +61 8 9463 2463
W: www.nexia.com.au

Principal Office

8 Kearns Crescent
Ardross WA 6153

T: +61 8 9364 3866
W: www.ausquest.com.au

Share Registry*

Advanced Share Registry Ltd
110 Stirling Highway
Nedlands, WA 6009

T: +61 8 9389 8033
W: www.advancedshare.com.au

ASX Code

Current (Shares): AQD

Auditors

HLB Mann Judd
Level 4, 130 Stirling Street
Perth, WA 6000

Lead Manager

Hartleys Limited
Westralia Square
Level 6, 141 St Georges Terrace
Perth WA 6000

* This entity is included for information purposes only. It has not been involved in the preparation of this Prospectus and has not consented to being named in this Prospectus.

General Enquiries

Any enquires relating to the Offers or this Prospectus should be made to the Company as follows:

Attention: Henko Vos - Company Secretary
By post: 8 Kearns Crescent, Ardross WA 6153
By telephone: +61 (0)8 9463 2463
By email: henko.vos@nexasperth.com.au

Important Information

General

This Prospectus is dated 16 October 2019 and was lodged with ASIC on the same date. Neither ASIC, ASX nor any of their respective officers take any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

This Prospectus is a transaction specific prospectus for an offer of continuously quoted securities (as defined in the Corporations Act) and options over continuously quoted securities and has been prepared in accordance with section 713 of the Corporations Act. It does not contain the same level of disclosure that would be included in a prospectus for an initial public offering of securities in a company which is not already listed on ASX. In preparing this Prospectus, regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and that certain matters may reasonably be expected to be known to investors and their professional advisers.

No securities will be issued on the basis of this Prospectus later than 13 months after the Prospectus Date.

Risk factors

Potential investors should be aware that subscribing for Securities offered by this Prospectus involves a number of risks. The key risk factors are set out in Section 6. These risks, together with other general risks applicable to all investments in quoted securities which are not specifically referred to, may affect the value of the Securities in the future. An investment in the Company should be considered speculative. Investors should consider these risk factors in light of personal circumstances and should consider consulting their professional advisers before deciding whether to apply for Securities pursuant to this Prospectus.

Publicly available information

Information about the Company is publicly available and can be obtained from ASIC and ASX (including the ASX website at www.asx.com.au). The contents of any website or filing with ASIC or ASX by the Company are not incorporated into this Prospectus and do not constitute part of an Offer unless otherwise expressly stated. This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest in the Company or subscribe for New Shares.

The Company has not authorised any person to give any information or make any representation in connection with this Prospectus which is not contained in this Prospectus. Any such information or representation which is not so contained, may not be relied upon as having been authorised by the Company in connection with this Prospectus.

Forward-looking statements

This Prospectus includes forward-looking statements that have been based on current expectations about future acts, events and circumstances, which are identified by words such as 'intends', 'may', 'could', 'believes', 'estimates', 'targets' or 'expects' or similar words that involve risks and uncertainties.

These forward-looking statements are subject to known or unknown risks, uncertainties and assumptions that could cause the Company's results ultimately achieved to differ materially from the expectations described in such forward-looking statements.

Accordingly, the Company cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur and investors should be aware of the risks of placing undue reliance upon these forward-looking statements. Further, except during the Offer Period or otherwise as required by law, the Company does not intend to update or revise any forward-looking statement if events subsequently occur or information subsequently becomes available that affects the original forward-looking statement.

Overseas Shareholders

This Prospectus does not make any offer to Shareholders with a registered address outside of Australia or New Zealand. Please refer to Sections 2.5 and 2.6 for further information.

Accepting your Entitlement or applying for Shortfall

Applications for Securities offered by this Prospectus can only be made by an original Entitlement and Acceptance Form. The Entitlement and Acceptance Form sets out the entitlement of an Eligible Shareholder to participate in the Rights Offer and to apply for Securities under the Shortfall Offer.

Potential Applicants should read the instructions in this Prospectus and on the accompanying Entitlement and Acceptance Form regarding the acceptance of their Entitlement or participation in the Shortfall Offer.

By returning an Entitlement and Acceptance Form or otherwise arranging for payment for New Shares in accordance with the instructions on the Form, an Applicant acknowledges that the Applicant has received and read this Prospectus, has acted in accordance with the terms of the Offers detailed in this Prospectus, and agrees to all of the terms and conditions as detailed in this Prospectus.

Meaning of terms and time

Capitalised terms and certain other terms used in this Prospectus are defined in the Glossary in Section 9. References to “\$”, or “dollar” are references to Australian currency, unless otherwise stated.

References to time relate to AWST, the time in Perth, Western Australia, unless otherwise stated.

Chairman's letter

Dear Shareholder

As a valued Shareholder of AusQuest Limited (**AusQuest or the Company**), I am pleased to invite you to participate in the recently announced 1 for 4 non-renounceable pro-rata rights issue for new AusQuest ordinary shares (**New Shares**) at an Issue Price of \$0.014 per New Share with each New Share having a free attached option (**New Options**) to raise approximately \$1.9 million before the costs of the issue (**Rights Offer**). This Issue Price represents an approximate 13% discount to the Company's volume weighted average price of Shares in the 5 day trading period prior to announcement of the Offers on ASX. The New Options have an exercise price of \$0.025 and an expiry date of 30 November 2021.

This comes in addition to a \$500,000 placement to sophisticated investor clients of Hartleys Limited announced at the same time as the Rights Offer and made on the same terms as the Rights Offer. This will put the Company in a strong position to implement its exploration strategy.

It is proposed that the net proceeds of the Rights Offer and Placement, together with 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 be retained as 100% owned AusQuest projects.

Under the Rights Offer, Eligible Shareholders who take up their full Entitlement may also apply for additional New Shares, with free attaching New Options, in excess of their Entitlement, at the same Issue Price (**Shortfall Offer**). The Shortfall Offer is also made to the public. Additional New Shares will only be available under the Shortfall Offer to the extent that there is a shortfall in Entitlements taken up by Eligible Shareholders under the Rights Offer.

AusQuest's major shareholder Chrysalis Investments Pty Ltd, an entity controlled by non-executive Director Chris Ellis, has indicated that it proposes to take up its full Entitlement under the Rights Offer (of approximately \$436,000 worth of New Shares).

Hartleys Limited is the Lead Manager to the Offers and the Placement.

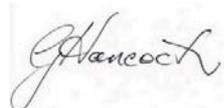
The Rights Offer is non-renounceable and therefore your Entitlements will not be tradeable on the ASX or otherwise transferable.

A personalised Entitlement and Acceptance Form which details your Entitlement accompanies this Prospectus and should be completed in accordance with the instructions on the form. Please read in full the details on how to submit your Application, which are set out in this Prospectus in Section 3. If you require further assistance, please do not hesitate to contact the Company direct. If you are uncertain about taking up your Entitlement, you should also consult your stockbroker, accountant, financial adviser, solicitor or other professional adviser.

The Rights Offer closes at 5.00pm (AWST) on 8 November 2019.

On behalf of the Directors, I encourage you to consider this investment opportunity and thank you for your ongoing support of AusQuest.

Yours sincerely



Greg Hancock
Non-Executive Chairman
AusQuest Limited

1. Key Offer Information

Indicative Timetable

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

Note: The above Timetable is indicative only. Subject to the ASX Listing Rules and the Corporations Act, the dates may change. The Directors may extend the Closing Date by giving at least three Business Days' notice to ASX prior to the Closing Date.

Key Offer and Placement Details

Key information	Amount
Number of New Shares to be offered under the Rights Offer	137,326,265*
Number of free attaching New Options offered under the Rights Offer	137,326,265
Issue Price per New Share	\$0.014
Number of New Shares to be offered under the Placement	35,714,286
Number of New Options to be offered under the Placement	35,714,286
Maximum proceeds of the Offers (before costs)	\$1,922,567
Proceeds of the Placement (before costs)	\$500,000

*Excludes any New Shares which may be issued if any Existing Options are exercised prior to the Record Date.

2. Details of the Offers

2.1 Rights Offer

(a) Offer

This Prospectus invites Eligible Shareholders to participate in the non-renounceable pro-rata offer of 1 New Share for every 4 Shares held at the Record Date, at an Issue Price of \$0.014 per New Share (together with 1 free attaching New Option for every 1 New Share subscribed for and issued) to raise approximately \$1.9 million (before costs) (**Rights Offer**).

The Issue Price represents a discount of approximately 13% to the volume weighted average price of Shares in the 5 day trading period up to and including 11 October 2019, being the last trading day for Shares prior to announcement of the Offers on ASX.

As at the Prospectus Date, the Company has 39,500,000 Existing Options on issue, all of which are capable of being exercised prior to the Record Date in order to participate in the Offers. These are unlisted options which have been issued under the Company's Long Term Incentive Plan with an expiry date of 30 November 2020 and an exercise price of \$0.05 per Option.

The Rights Offer is non-renounceable. Eligible Shareholders may not sell or transfer their Entitlements under the Offers and Entitlements will not trade on ASX.

All New Shares issued pursuant to the Rights Offer will be issued as fully paid and will rank equally in all respects with the Shares on issue on the Prospectus Date.

The terms of issue of the New Options are set out in Section 5. All Shares issued on conversion of the New Options will rank equally in all respects with the Shares on issue on the Prospectus Date.

(b) Entitlement and eligibility

The Rights Offer is made to Eligible Shareholders only. An Eligible Shareholders is a Shareholder who:

- is registered as the holder of Shares on the Record Date;
- has a registered address in Australia or New Zealand as shown in the share register;
- is not in the United States and is not a person (including a nominee or custodian) acting for the account of or benefit of a person in the United States; and
- is eligible under all applicable securities laws to receive an offer under the Rights Offer without any requirement for the lodging or registration of a disclosure document, except as contemplated in this document.

The Rights Offer is not extended to Shareholders who do not meet this criteria. Please refer to Section 2.6 for further information in that regard.

The number of Securities for which Eligible Shareholders are entitled to apply is shown on each Eligible Shareholder's Entitlement and Acceptance Form accompanying this Prospectus. Fractional Entitlements for New Shares will be rounded down to the

nearest whole New Share. Please refer to Section 3 for details on how to accept your Entitlement and apply for Securities under the Rights Offer.

An Eligible Shareholder's Right to participate in the Rights Offer will lapse if not accepted by the Closing Date. Any Securities not applied for will form part of the Shortfall.

The Company reserves the right (in its sole discretion) to:

- reject any Application that it believes comes from a person who is not an Eligible Shareholder; and
- reduce the number of New Shares allocated to Eligible Shareholders, or persons claiming to be Eligible Shareholders, if their claim to be entitled to participate in the Rights Offer proves to be false or unsubstantiated.

The Company reserves the right to withdraw the Rights Offer at any time before New Shares are issued pursuant to it. In that event, relevant Application Moneys will be refunded without interest in accordance with the Corporations Act.

(c) **Minimum subscription**

The Rights Offer is not subject to any minimum subscription condition or requirement.

2.2 **Shortfall Offer**

Any Entitlement not taken up under the Rights Offer will form part of the Shortfall Offer.

This Prospectus invites Eligible Shareholders, and other persons, to participate in the offer of the New Shares which comprise the Shortfall, at an issue price of \$0.014 per New Share together with 1 free attaching New Option for every 1 New Share subscribed for and issued (**Shortfall Offer**). The Shortfall Offer is a separate offer made under this Prospectus.

Persons who are Associates of the Company under the ASX Listing Rules (e.g. Directors or entities controlled by Directors) are not entitled to participate in the Shortfall Offer without shareholder approval.

The Issue Price under the Shortfall Offer is the same as under the Rights Offer and the Securities will be issued under the Shortfall Offer on the same terms as under the Rights Offer. The Shortfall Offer opens on the Opening Date and will remain open for up to three months from the Closing Date.

The ability of the Directors to issue Securities under the Shortfall Offer is dependant upon the extent of the Shortfall. Securities will be issued under the Shortfall Offer at the discretion of the Directors, in consultation with the Lead Manager. There is no guarantee that any Securities applied for under the Shortfall Offer will be issued to Eligible Shareholders and the Directors do not propose to prioritise Applications by Eligible Shareholders. The Company reserves the right to reject any Application or to allocate any Applicant fewer New Shares under the Shortfall Offer than the number applied for. Further, the Company reserves the right to withdraw the Shortfall Offer at any time before New Shares and New Options are issued pursuant to it.

The Directors will not allocate Securities under the Shortfall Offer or this Prospectus to the extent that the issue of the Securities would be in breach of the takeover prohibitions in the Corporations Act. Shareholders should take their own legal advice as to their ability to participate in the Shortfall Offer without putting themselves or the Company in breach of those takeover prohibitions.

If an Applicant does not receive any or all of the Securities subscribed for under the Shortfall Offer, the excess Application Moneys will be returned to them without interest. Any Shortfall will be issued within three months after the Closing Date of the Rights Offer.

Please refer to Section 3 for details on how to apply for Securities under the Shortfall Offer.

The Shortfall Offer is not underwritten.

2.3 **Underwriting**

The Offers are not underwritten.

2.4 **Placement**

On the same day as it announced the Offers, the Company also announced a Placement pursuant to its available ASX Listing Rule 7.1 capacity to raise up to \$500,000 by the issue of up to 35,714,286 New Shares and 35,714,286 free attaching New Options. The Placement Securities will be issued on the same terms as the Securities to be issued under the Offers and the New Shares issued under the Placement will be issued at the same Issue Price of \$0.014 per New Share.

The Placement Securities will be issued after the Record Date and will not entitle the holders to participate in the Rights Offer.

One purpose of the Prospectus is to comply with section 708A(11) of the Corporations Act to remove any restrictions on the trading in the Placement Securities if the allottees wish to sell those Placement Securities within 12 months of issue. The issue of the Placement Securities is not undertaken by the Company for the purpose of the allottees immediately on-selling those securities. However, the Company considers that the allottees should be able to on sell their Placement Securities within 12 months of issue if they so wish.

2.5 **New Zealand resident Shareholders**

The Securities are not being offered under the Offers to the public within New Zealand other than to such existing Shareholders with registered addresses in New Zealand to whom the offer of the Securities is made in reliance on the *Financial Markets Conduct Act 2013* and the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016.

This Prospectus has been prepared under Australian law and has not been registered, filed with or approved by any New Zealand regulatory authority. This Prospectus is not a product disclosure statement under New Zealand law and is not required to, and may not, contain all the information that a product disclosure statement under New Zealand law is required to contain.

2.6 **Other overseas Shareholders**

The Offers are not made to Shareholders who, on the Record Date, have a registered address outside Australia or New Zealand.

The Company has decided that it is unreasonable to make the Offers to Shareholders with registered addresses outside Australia and New Zealand having regard to the number of Shareholders in those places, the number and value of Securities that would be offered to those Shareholders and the cost of complying with the legal requirements and requirements of regulatory authorities in those places. Accordingly, the Offers are not extended to and no Securities will be issued to Shareholders having registered addresses outside Australia and New Zealand.

The Rights Offer is only made to all Eligible Shareholders. The Company is not required to determine whether or not any registered Eligible Shareholder holds Shares on behalf of persons who are resident outside Australia or New Zealand (including nominees, custodians and trustees) or the identity or residence of any beneficial owners of Shares.

The distribution of this Prospectus and accompanying Entitlement and Acceptance Form (including electronic copies) outside Australia or New Zealand may be restricted by law and therefore persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. In particular, this document may not be released or distributed in the United States and this Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. This document does not, and is not intended to, constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation or to issue this Prospectus.

If you are resident outside of Australia and New Zealand (or in the case of the Shortfall Offer, an Applicant who is resident in New Zealand and is not an Eligible Shareholder), it is your responsibility to ensure compliance with all laws and obtain all approvals necessary for the issue of the Securities to you under this Prospectus. Return of a completed Entitlement and Acceptance Form will constitute a representation and warranty by you that there has not been any breach of such laws and all relevant approvals have been obtained.

Any Eligible Shareholders who hold Shares on behalf of persons who are resident outside Australia and New Zealand are responsible for ensuring that any dealings with Securities issued under the Offers do not breach the laws and regulations in the relevant overseas jurisdiction, and should seek independent professional advice and observe any applicable restrictions relating to the taking up of Entitlements or the distribution of this Prospectus or the Entitlement and Acceptance Form. Return of a completed Entitlement and Acceptance Form will constitute a representation and warranty that there has not been any breach of such laws and restrictions.

3. Applications for New Shares

3.1 Acceptances

(a) **What you may do**

The number of Securities to which each Eligible Shareholder is entitled under the Rights Offer, your Entitlement, is shown on the personalised Entitlement and Acceptance Form accompanying this Prospectus. If you are an Eligible Shareholder, you may:

- accept your Entitlement in full or in part (refer to Section 3.1(b));
- accept your Entitlement in full and apply for additional Securities under the Shortfall Offer (refer to Section 3.1(c)); or
- do nothing in which case your Entitlement will lapse (refer to Section 3.1(d)).

(b) **Accepting Entitlement in full or in part**

If you wish to accept your Entitlement in full or in part you may either:

- complete the Entitlement and Acceptance Form for the number of New Shares that you wish to apply for in accordance with the instructions on the form, and return the completed form together with a cheque for the Application Moneys to the Company – see Section 3.2; or
- make a payment through the **BPAY**[®] facility for the number of New Shares that you wish to apply for in accordance with the instructions on the Entitlement and Acceptance Form – see Section 3.3.

(c) **Accepting Entitlement in full and applying for additional Securities under the Shortfall Offer**

If you wish to accept your Entitlement in full under the Rights Offer and apply for additional Securities under the Shortfall Offer you may either:

- complete the Entitlement and Acceptance Form for all of your Entitlement **and** specify on that form the number of additional Securities that you wish to apply for under the Shortfall Offer in accordance with the instructions on the form, and return the completed form together with a cheque for the Application Moneys to the Company – see Section 3.2); or
- make a payment through the **BPAY**[®] facility for all of your Entitlement and the number of additional Securities that you wish to apply for in accordance with the instructions on the Entitlement and Acceptance Form – see Section 3.3.

The allocation and issue of New Shares under the Shortfall Offer will be determined by the Directors in their discretion in accordance with the allocation policy set out in Section 2.2.

(d) **Allowing Entitlement to lapse**

If you do not wish to accept any of your Entitlement you are not required to take any action. In that case, your Entitlement will lapse and the Securities that are not subscribed for will form part of the Shortfall. Your existing percentage shareholding in the Company will be diluted.

3.2 Payment by cheque

Unless payment is made using **BPAY**[®] as outlined below, an Entitlement and Acceptance Form must be accompanied by a personal cheque, payable in Australian dollars, for an amount equal to the number of New Shares for which you wish to apply, multiplied by the Issue Price (i.e. \$0.014 per New Share).

Cheques must be drawn on an Australian bank made payable to “AusQuest Limited” and should be marked “Not Negotiable”.

Your completed Entitlement and Acceptance Form and accompanying cheques must be received by the Company before **5.00pm (AWST) on the Closing Date** at the following address:

Post

AusQuest Limited Offers

c/- Advanced Share Registry Limited
PO Box 1156, Nedlands
Western Australia 6909

Your Entitlement and Acceptance Form does not need to be signed to be a binding acceptance of New Shares. If the Entitlement and Acceptance Form is not completed correctly it may still be treated as valid. The Company’s decision as to whether to treat a form as valid and how to construe, amend or complete the form is final.

3.3 Payment using Bpay[®]

If you wish to accept your Entitlement, or accept your Entitlement and apply for additional Securities under the Shortfall Offer, using **BPAY**[®], please follow the instructions on the Entitlement and Acceptance Form. You can only make payment using **BPAY**[®] if you have an account with an Australian financial institution that supports such transactions.

If **BPAY**[®] is used, you do not need to submit an Entitlement and Acceptance Form but you will be taken to have made the declarations on the Entitlement and Acceptance Form.

If paying by **BPAY**[®], you must use the specific ‘Biller Code’ and ‘Customer Reference Number’ on your individual Entitlement and Acceptance Form. A form may not be accepted if these details are incorrect. The ‘Customer Reference Number’ is used to identify your holding.

If you have more than one holding of Shares you will receive multiple ‘Customer Reference Numbers’ and must apply separately using the ‘Customer Reference Number’ unique to each of those shareholdings for which you wish to accept your Entitlement

Payments must be made in Australian dollars for an amount equal to the number of New Shares for which you wish to apply, multiplied by the Issue Price (i.e. \$0.014 per New Share).

If payment is not received for your full Entitlement, you will be deemed to have taken up your Entitlement in respect of such whole number of New Shares that is covered by the Application Moneys paid. If the value of your **BPAY**[®] payment is greater than your Entitlement, the remainder of the **BPAY**[®] amount will be automatically placed under the Shortfall Offer.

BPAY[®] payments of Application Moneys must be received before **5.00pm (AWST) on the Closing Date**. You should take into account that your individual financial institutions may implement earlier cut-off times for **BPAY**[®] payments. It is your responsibility to ensure that your Application Moneys are received before the Closing Date.

3.4 **Application Moneys and issue of Securities**

Pending the issue of Securities, or payment of refunds pursuant to this Prospectus, Application Moneys will be held by the Company on trust in a separate bank account in accordance with the requirements of the Corporations Act. The Company is entitled to retain any interest earned on Application Moneys in that bank account, including in the event of any refund of Application Moneys, and each Applicant waives the right to claim interest.

If the number of Securities issued to an Applicant is less than the number applied for, the surplus Application Moneys will be refunded without interest to the Applicant as soon as possible after the Closing Date or the issue of Securities under the Shortfall Offer, as applicable.

Securities issued under the Rights Offer are expected to be issued, and holding statements despatched, as soon as practicable after the Closing Date, in accordance with the ASX Listing Rules and the indicative timetable set out in Section 1 of this Prospectus. Securities issued under the Shortfall Offer will be issued within 3 months of the Closing Date.

3.5 **ASX Quotation**

Application for official quotation on ASX of the Securities offered pursuant to this Prospectus will be made in accordance with the ASX Listing Rules and the indicative timetable set out in Section 1 of this Prospectus.

If official quotation of the Securities to be issued pursuant to this Prospectus is not granted within 3 months after the Prospectus Date, or such period as varied by ASIC, the Company will not allot or issue any Securities and will repay all Application Moneys received pursuant to the Prospectus without interest as soon as practicable and within the time period prescribed under the Corporations Act.

ASX does not take any responsibility for the contents of this Prospectus. The fact that ASX may agree to grant official quotation of the Securities is not to be taken in any way as an indication of the merits of the Company or the Securities now offered.

3.6 **No brokerage**

Brokerage or transfer/stamp duty is not payable in relation to the issue of Securities under the Offers.

3.7 **CHESS**

The Company participates in the Clearing House Electronic Sub-register System (**CHESS**), operated by ASX Settlement (a wholly owned subsidiary of ASX), in accordance with the ASX Listing Rules and ASX Settlement Rules. The Company operates an electronic issuer-sponsored sub-register and an electronic CHESS sub-register. The two sub-registers together make up the Company's principal register of securities.

Under CHESS, you will not receive a certificate but will receive a holding statement (similar to a bank account statement). The CHESS statement will set out the number of Securities allotted to you under this Prospectus and details of your Holder Identification Number (**HIN**).

If you do not wish to participate through CHESS, you will be issuer sponsored by the Company and will be registered on the electronic issuer-sponsored sub-register. Your statement will be issued by the Share Registry and will set out the number of Securities allotted to you under this Prospectus and details of your Security Holder Reference Number (**SRN**).

A statement will be routinely sent to holders at the end of any calendar month during which their holding changes. A holder may request a statement at any other time, however a charge may be incurred for additional statements.

3.8 **Privacy Act**

If you complete an Entitlement and Acceptance Form, you will be providing personal information to the Company. The Company collects, holds and will use that information for the purpose of processing your Applications, to service your needs as a Shareholder, to facilitate distribution payments and communications from the Company to you as a Shareholder and for administration purposes. The Company and the Share Registry may disclose your personal information for purposes related to your Application and holding to their agents and service providers including but not limited to those listed below or as otherwise authorised under the *Privacy Act 1988* (Cth) (**Privacy Act**):

- the Share Registry for ongoing administration of the Company's register;
- the Lead Manager for the purposes of managing the Offers; and
- the printers and the mailing house for the purposes of preparation and distribution of holding statements and for the handling of mail.

Your personal information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of a takeover and regulatory bodies, including the Australian Taxation Office.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act, the Corporations Act and certain rules such as the ASX Settlement Rules. By submitting an Entitlement and Acceptance Form, you agree that the Company may use the information in the form for the purposes set out in this privacy disclosure statement. If you do not provide the information required on the Entitlement and Acceptance Form, the Company may not be able to accept or process your Application.

Under the Privacy Act, you may access, correct and update the personal information that we hold about you. You may do so by contacting the Company through the Share Registry.

3.9 **Taxation implications**

The taxation obligations and the effects of participating in an Offer can vary depending on the circumstances of each individual Applicant. Applicants who are in doubt as to their taxation position should seek professional advice. It is the sole responsibility of Applicants to inform themselves of their taxation position resulting from participation in an Offer.

The Directors do not consider that it is appropriate to give potential Applicants advice regarding the taxation consequences of applying for Securities, as it is not possible to provide a comprehensive summary of the possible taxation positions of potential Applicants.

Neither the Company nor any of its officers, employees or advisers accept any responsibility or liability for any taxation consequences to Applicants in relation to an Offer.

4. Purpose and effect of the Offers and the Placement

4.1 Purpose of the Offers

The purpose of the Offers is to raise approximately \$1.9 million (before costs).

The Company plans to use the funds raised from the Offers, together with the \$500,000 (before costs) to be raised under the Placement, in accordance with the table below which sets out the indicative use of funds if the Offers are fully subscribed:

Use of funds	Amount
Exploration and evaluation activities (1)	\$1,750,000
General working capital	\$503,500
Costs of the Offers and Placement (2)	\$169,067
Total	\$2,422,567

Notes:

1. Exploration programs over selected projects in Australia and Peru to advance them as potential new opportunities under the South32 Strategic Alliance Agreement or as 100% owned AusQuest prospects comprising:
 - Exploration programs (magnetics/EM) at the Runton, Madley and Gunanya Projects within the Paterson Province of Western Australia
 - Geochemical and geophysical surveys over prospects (Pampa Camarones, Ventura, Cerro Ardines, Pinguino, Azucar West) identified in southern Peru as having potential for buried IOCG and/or porphyry copper mineralisation
 - Identification of new exploration opportunities.
2. Refer to Section 7.9 of this Prospectus for further details relating to the estimated expenses of the Offers and Placement.

The information set out in the above table is a statement of present intention as at the Prospectus Date. As with any budget, the exact amount of funds spent by the Company and how the funds are ultimately applied, may change depending on intervening events and new circumstances which cannot be ascertained as at the Prospectus Date, including market conditions, the development of new opportunities and a number of other factors. There is no guarantee that the funds raised will be sufficient to enable the Company to achieve its stated objectives. The Company and the Directors reserve the right to alter the way and the amount in which the funds raised will be applied, particularly if the Offers are not fully subscribed.

Details of the Company's current activities are set out in the announcements made to ASX and are available on the ASX website, www.asx.com.au, using the Company's ASX code 'AQD', or on the Company's website at www.ausquest.com.au.

4.2 Effect of the Offers and Placement

The effect of the Offers, taking into account completion of the Placement and assuming the Offers close fully subscribed, and assuming no Existing Options are exercised prior to the Record Date, will be to:

- (a) increase the number of Shares on issue from 549,305,061 Shares as at the Record Date, to 722,345,612 Shares, by the issue of 137,326,265 New Shares under the Offers and 35,714,286 New Shares under the Placement;

- (b) issue 137,326,265 New Options under the Offers and 35,714,286 New Options under the Placement; and
- (c) increase cash reserves by up to \$500,000 on completion of the Placement and by a further \$1.9m immediately after closing of the Offers, before deducting the estimated expenses.

4.3 Effect on capital structure

The table below sets out the anticipated effect of the Offers and the Placement on the Company's capital structure, assuming the Offers are fully subscribed and the Placement is completed in full and that no other Shares are issued (including on the exercise of Existing Options) prior to the close of the Offers.

Security type	Number	Percentage of total
Shares		
Shares on issue immediately prior to Offers	549,305,061	76.04%
New Shares to be issued under Placement	35,714,286	4.94%
New Shares to be issued under Offers	137,326,265	19.01%
Total Shares on issue on completion of Offers and Placement [1]	722,345,612	100.00%
Options		
Unquoted Existing Options on issue prior to Offers	39,500,000	18.58%
New Options offered under Placement [2]	35,714,286	16.80%
New Options offered under Offers [2]	137,326,265	64.61%
Total Options on issue on completion of Offers and Placement	212,540,551	100.00%

Notes:

1. If all Existing Options were exercised prior to the Record Date and no other Shares issued following close of the Offers, the Company's Shares on issue, would increase to 732,220,612 Shares.
2. Refer to Section 5.2 for the terms and conditions of the New Options.

4.4 Potential effect of Placement and Offers on control and dilution

As set out in Section 2.4, the Placement was also announced on the same day as the announcement of the Offers, with New Shares to be issued under the Placement at the same Issue Price as under the Rights Offer. It is proposed that up to 35,714,286 New Shares with attaching New Options will be allotted and issued to certain sophisticated investors, as introduced by the Lead Manager, after the Record Date. If none of the Existing Options are exercised prior to the Record Date, then upon completion of the Placement, the percentage interests of Shareholders who do not participate in the Placement will be diluted and their voting power will decrease by approximately 6%.

If following completion of the Placement, all Eligible Shareholders take up their Entitlements under the Rights Offer, the Offers are fully subscribed and none of the Existing Options are exercised prior to the Record Date, there will be no additional change in the voting power of

all Eligible Shareholders. Accordingly, in those circumstances, and subject to the allocation policy of the Directors set out in Section 4.5, there will be no effect of the Offers and the Placement on the control of the Company.

Eligible Shareholders who do not take up their Entitlements will have their percentage interest in the Company diluted and Shareholders who are not Eligible Shareholders, and hence are not able to participate in the Rights Offer, may also have their interests diluted. This is likely to be by approximately 24% (as compared to their holdings and total number of Shares on issue as at the Record Date) if all the Securities offered under this Prospectus are issued and the Placement is made in full, but not taking into account any exercise of New Options.

Examples of how the dilution may impact Shareholders are set out in the table below:

Scenario	Holdings as at Record Date	% at Record Date [1]	Entitlement under the Rights Offer	% post Placement and Rights Offer if Entitlement not taken up [2]
Shareholder 1	50,000,000	9.10%	12,500,000	6.92%
Shareholder 2	15,000,000	2.73%	3,750,000	2.08%
Shareholder 3	5,000,000	0.91%	1,250,000	0.69%
Shareholder 4	500,000	0.09%	125,000	0.07%
Shareholder 5	100,000	0.02%	25,000	0.01%

Notes:

- 1 Based on a share capital of 549,305,061 Shares at the Prospectus Date, with no changes before the Record Date.
- 2 The dilutionary effect is the maximum percentage on the assumption that the Placement has completed and the Offers subscribed in full.

The final percentage interest of Shareholders is dependant upon whether they are Eligible Shareholders and the extent to which Eligible Shareholders take up their Entitlements however the Company expects that the potential effect of the Rights Offer on the control of the Company will be minimal (subject to the matters set out in section 4.5). The Directors reserve the right to place any Shortfall arising from the Rights Offer at their sole discretion, in consultation with the Lead Manager, subject to the provisions of the Corporations Act and the ASX Listing Rules.

4.5 Substantial Shareholders

The table below lists those Shareholders who hold more than 5% of the Shares on issue on the Prospectus Date, based on publicly available information:

Name [1]	Shares	% [2]
Chrysalis Investments Pty Ltd [3]	124,694,939	22.7%
TOTAL	124,694,939	22.7%

Notes:

1. The table above does not include interests pursuant to Options held, nor the potential holdings if Shares are issued on the exercise of Options.
2. Additional investors to the person named above may obtain a substantial holding following close of the Offers.
3. Chrysalis Investments Pty Ltd is an Associate of Non-Executive Director Chris Ellis.

Chrysalis Investments Pty Ltd has indicated that it proposes to take up its Entitlement in full but will not be participating in the Placement. In that case, assuming that all Entitlements are accepted by Shareholders, there will be no change to its percentage interest as a result of the Offers but its interest will be diluted as a result of the Placement to approximately 21.6%. The Directors will not allocate Securities under this Prospectus to the extent that the issue of the Securities would be in breach of the takeover prohibitions in the Corporations Act.

4.6 Pro forma statement of financial position

Set out below is:

- the audited consolidated statement of financial position of the Company for the year ended 30 June 2019; and
- the unaudited pro forma consolidated statement of financial position of the Company for the year ended 30 June 2019, incorporating the effect of the Offers and the Placement.

The unaudited pro-forma balance sheet is prepared on the basis that all Entitlements are accepted, that no Existing Options are exercised prior to the Record Date, that the Placement is completed in full and after deducting expenses of the Offers and Placement. The statement of financial position has been prepared to provide potential Applicants with information on the assets and liabilities of the Company and pro forma assets and liabilities of the Company as noted below. The historical and pro forma financial information is presented in an abbreviated form, insofar as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements.

The consolidated statement of financial position below is to be read in conjunction with the notes to the financial statements as published in the Company's Financial Report for the year ended 30 June 2019 available on the Company's website, www.ausquest.com.au, and on the ASX announcements platform, www.asx.com.au, using the Company's ASX code 'AQD'.

Consolidated Statement of Financial Position	Audited 30 June 2019	Subsequent adjustments	Placement and Offers adjustments	Unaudited Pro-Forma 30 June 2019 (fully subscribed)
	\$	\$	\$	\$
CURRENT ASSETS				
Cash and cash equivalents	1,816,388	934,550	2,253,500	5,004,538
Trade and other receivables	362,413	-	-	362,413
Other assets	203,743	-	-	203,743
TOTAL CURRENT ASSETS	2,382,544	934,550	2,253,500	5,570,594
NON CURRENT ASSETS				
Property, plant and equipment	52,992	-	-	52,992
Exploration and evaluation	4,765,916	-	-	4,765,916
TOTAL NON CURRENT ASSETS	4,818,908	-	-	4,818,908
TOTAL ASSETS	7,201,452	934,550	2,253,500	10,389,502

Consolidated Statement of Financial Position	Audited 30 June 2019	Subsequent adjustments	Placement and Offers adjustments	Unaudited Pro-Forma 30 June 2019 (fully subscribed)
	\$	\$	\$	\$
CURRENT LIABILITIES				
Trade and other payables	374,879	-	-	374,879
Provisions	120,160	-	-	120,160
Unexpended funding	997,888	934,550	-	1,932,438
TOTAL CURRENT LIABILITIES	1,492,927	934,550	-	2,427,477
TOTAL LIABILITIES	1,492,927	934,550	-	2,427,477
NET ASSETS	5,708,525	-	2,253,500	7,962,025
EQUITY				
Issued capital	57,731,440	-	2,253,500	59,984,940
Reserves	4,258,978	-	-	4,258,978
Accumulated losses	(56,281,893)	-	-	(56,281,893)
TOTAL EQUITY	5,708,525	-	2,253,500	7,962,025

The unaudited pro forma consolidated statement of financial position represents the Company's consolidated statement of financial position as at 30 June 2019, adjusted on the basis that there has not been any material movement in the assets and liabilities of the Company between that date and the Closing Date save for:

- funding received for committed exploration expenditure in accordance with South32's obligations under the South32 Strategic Alliance Agreement and in the ordinary course of the Company's business;
- raising \$500,000 under the Placement;
- raising \$1.9m on full subscription under the Offers; and
- incurring \$169,067 in relation to the costs of undertaking the Offers and Placement.

5. Details of New Shares and New Options

5.1 Rights and Liabilities attaching to New Shares

The New Shares offered under this Prospectus will be fully paid ordinary shares in the capital of the Company and will rank equally with the existing Shares then on issue.

Full details of the rights and liabilities attaching to the New Shares are contained in the Constitution and, in certain circumstances, are regulated by the Corporations Act, the ASX Listing Rules, the ASX Settlement Rules and the common law. The Constitution is available for inspection at the Company's registered office during normal business hours or on the ASX announcements platform, www.asx.com.au, using the Company's ASX code 'AQD'.

The following is a broad summary (though not necessarily an exhaustive or definitive statement) of the rights and liabilities attaching to Shares offered under this Prospectus:

- (a) **Voting rights:** Subject to the Constitution of the Company and any rights or restrictions at the time being attached to a class of Shares, at a general meeting of the Company every Shareholder present in person, or by proxy, attorney or representative has one vote on a show of hands, and upon a poll, one vote for each Share held by the Shareholder. In the case of an equality of votes, the chairperson has a casting vote.
- (b) **Dividend rights:** Subject to the Corporations Act, the ASX Listing Rules and any rights or restrictions attached to a class of Shares, the Company may pay dividends as the Directors resolve but only out of profits of the Company. The Directors may determine the method and time for payment of the dividend.
- (c) **Winding-up:** Subject to the Corporations Act, the ASX Listing Rules and any rights or restrictions attached to a class of Shares, on a winding up of the Company any surplus must be divided among the shareholders of the Company.
- (d) **Transfer of Shares:** Generally, Shares are freely transferable, subject to satisfying the requirements of the ASX Listing Rules and the Corporations Act. The Directors may decline to register any transfer of Shares but only where permitted to do so by the Corporations Act, the ASX Listing Rules, or under the Company's Constitution.
- (e) **Further increases in capital:** Subject to the Corporations Act, the ASX Listing Rules, and any rights attached to a class of shares, the Company (under the control of the Directors) may allot and issue shares and grant options over shares, on any terms, at any time and for any consideration, as the Directors resolve.
- (f) **Variation of rights attaching to Shares:** Subject to the Corporations Act, the ASX Listing Rules, and the terms of issue of shares in a particular class, the Company may vary or cancel rights attached to shares in that class by either special resolution passed at a general meeting of the holders of the shares in that class, or with the written consent of the holders of at least 75% of the votes in that class.
- (g) **General meetings:** Each Shareholder will be entitled to receive notice of, and to attend and vote at, general meetings of the Company and to receive notices, accounts and other documents required to be furnished to Shareholders under the Company's Constitution, the Corporations Act and the ASX Listing Rules.

5.2 Terms of New Options

The key terms of the New Options are as follows:

- (a) **Entitlement:** Each New Option entitles the holder to subscribe for one Share upon exercise of the Option.
- (b) **Exercise Price:** The amount payable upon exercise of each New Option will be \$0.025 (**Exercise Price**).
- (c) **Expiry Date:** Each New Option will expire at is 5.00pm AWST on 30 November 2021 (**Expiry Date**). The New Options may be exercised at any time on or prior to the Expiry Date (**Exercise Period**) upon payment of the Exercise Price per Option. New Options not exercised on or before the Expiry Date will expire and cease to carry any rights or benefits.
- (d) **Transferable:** The New Options are transferable subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws.
- (e) **Quotation of New Options:** The Company will seek to have the New Options quoted by ASX.
- (f) **Notice of Exercise:** The Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified by the Company (**Notice of Exercise**) and payment of the Exercise Price for each New Option being exercised in Australian currency by cheque or electronic funds transfer or other means of payment acceptable to the Company.

The New Options may be exercised in whole or in part. If exercised in part, multiples of 50,000 must be exercised on each occasion, unless the holder holds a smaller number of New Options and exercises all of those New Options at the same time.

- (g) **Exercise Date:** A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each New Option being exercised in cleared funds (**Exercise Date**).
- (h) **Timing and issue of Shares on exercise:** Within 15 Business Days of the Exercise Date, the Company will:
 - (i) issue the Shares pursuant to the exercise of the New Options as specified in the Notice of Exercise in accordance with these terms and conditions; and
 - (ii) apply for official quotation on ASX of Shares issued pursuant to the exercise of the New Options, if the Shares are admitted to the official list of ASX at the time.
- (i) **Shares issued on exercise:** Shares issued on exercise of New Options rank equally with the then issued Shares of the Company.
- (j) **Participation rights:** There are no participation rights or entitlements inherent in the New Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the New Options without exercising the New Options. The Company must give the holder of New Options notice of the proposed terms of issue or offer in accordance with the ASX Listing Rules.

- (k) **Change in exercise price:** A New Option does not confer a right to a change in the Exercise Price of the New Option or a change to the number of Shares over which the New Option can be exercised.
- (l) **Reconstruction:** If there is any reconstruction (including a consolidation, subdivision, reduction or return) of the issued share capital of the Company prior to the Expiry Date, the rights of the New Option holders will be changed in a manner determined by the Board to the extent necessary to comply with the provisions of the ASX Listing Rules and the Corporations Act applying to a reconstruction of capital at the time of the reconstruction.
- (m) **Voting:** A New Option does not confer on the holder the right to vote at general meetings of the Company.

6. Risk Factors

6.1 Introduction

Activities in the Company and its controlled entities, as in any business, are subject to risks which may impact on the Company's future performance. There cannot be any guarantee that the Company will achieve its stated objectives.

Prior to deciding whether to subscribe for New Shares, Applicants should read the entire Prospectus and review announcements made by the Company to ASX (at www.asx.com.au under the code 'AQD') in order to gain an appreciation of the Company, its activities, operations, financial position and prospects.

An investment in New Shares should be considered speculative. New Shares do not carry any guarantee with respect to the payment of any dividends, returns of capital or the market value of those New Shares.

Applicants should also consider the risk factors set out below which the Directors believe represent some of the general and specific risks that Applicants should be aware of when evaluating the Company and deciding whether to subscribe for New Shares. The following risk factors are not intended to be an exhaustive list of all of the risk factors to which the Company is exposed.

6.2 Company specific risks

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

(a) Funding

Substantial expenditure will be incurred by the Company's exploration efforts in Australia and in Peru without any guarantee that the funds raised will achieve the objectives of the Company's exploration strategy. Once the net funds of the Offers and Placement are exhausted together with the Company's existing available cash, the Company will require either more equity or debt capital to further its exploration objectives and there is no guarantee that the funds will be made available to the Company on acceptable terms or at all. Any additional equity funds raised may be dilutive to Shareholders and any debt funds raised may restrict the Company's activities and autonomy in carrying out its strategies.

The South32 Strategic Alliance Agreement, under which South32 has agreed to fund certain approved exploration and evaluation work, is due to expire on 31 December 2019, unless extended by agreement of the parties. The Company proposes to commence negotiations with South32 shortly for renewal of the arrangement, either on the same terms or varied terms. Depending on the outcome of those negotiations, the level of funding which the Company has available for future exploration work could be affected. Funding for current exploration projects which are being pursued by the parties under the alliance will continue pursuant to the terms of the agreement.

(b) Economic Risks

General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's exploration, development and future production activities, as well as on its ability to fund those activities.

(c) **Market conditions**

The market price of securities in the Company can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities and in particular, resources stocks. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

(d) **Investments in Securities**

Applicants should be aware that there are risks associated with any Securities investment. Securities listed on securities exchanges, and in particular the securities of exploration companies, have experienced extreme price and volume fluctuations that have often been unrelated to the operating performances of such companies. These factors may materially affect the market price of the Shares and the Options regardless of the Company's performance. Mineral exploration and mining are speculative operations that may be hampered by circumstances beyond the control of the Company. Profitability depends on successful exploration and/or acquisition of reserves, design and construction of efficient processing facilities, competent operation and management and proficient financial management. Exploration in itself is a speculative endeavour, while mining operations can be hampered by force majeure circumstances and cost overruns for unforeseen events.

(e) **International Operations Risk**

The Company's activities in Peru are subject to risks often described as sovereign risk which in this context includes changes to legislation affecting the conditions of grant of tenure, transfer of ownership of tenure, renewal and continuity of tenure, changes to royalty and state ownership arrangements, changes to government policy and practice, and the general ability to enforce tenure rights and contractual rights; changes to taxation legislation affecting the economic viability of the Company's activities, and changes to other legislation within the country affecting the stability and continuity of the Company's operations. These risks may adversely affect the Company and the value of its securities. Due to the geographical distance involved between Peru and Australia, and due to the different legal systems operating in the respective countries, it may be more difficult and more expensive to enforce contractual rights under Peruvian tenure legislation and at law generally compared to enforcing the Company's rights within Western Australia.

6.3 **Industry specific risks**

Mineral exploration, development and mining activities are high-risk undertakings and there cannot be any assurance that any exploration or development activity in regard to the Company's current properties, or any properties that may be acquired in the future, will result in the discovery or exploitation of an economic resource.

Mineral exploration, development and mining may be hampered by circumstances beyond the control of the Company and are speculative operations which by their nature are subject to a number of inherent risks, including the following:

(a) **Exploration and Evaluation Risks**

The success of the Company depends on the delineation of economically minable reserves and resources, access to required development capital, movement in the price of commodities, securing and maintaining title to the Company's exploration and mining tenements and obtaining all consents and approvals necessary for the conduct

of its exploration activities. Exploration on the Company's existing exploration and mining tenements may be unsuccessful, resulting in a reduction of the value of those tenements, diminution in the cash reserves of the Company and possible relinquishment of the exploration and mining tenements.

(b) **Commodity Price and Exchange Rate Risks**

To the extent the Company is involved in mineral production in the future the revenue derived through the sale of commodities may expose the potential income of the Company to commodity price and exchange rate risks. Commodity prices fluctuate and are affected by many factors beyond the control of the Company. Such factors include supply and demand fluctuations for precious and base metals, technological advancements, forward selling activities and other macro-economic factors. Furthermore, international prices of various commodities are denominated in United States dollars, whereas the income and expenditure of the Company are and will be taken into account in Australian and United States dollar currencies, exposing the Company to the fluctuations and volatility of the rate of exchange between the United States dollar and the Australian dollar as determined in international markets.

(c) **Environmental Risks**

The operations and proposed activities of the Company are subject to State and Federal laws and regulation concerning the environment in Australia and in Peru. As with most exploration projects and any future mining operations, the Company's activities are expected to have an impact on the environment, particularly if advanced exploration or mine development proceeds. The Company attempts to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws in whatever jurisdiction it is working.

(d) **Native Title and Title Risks**

Interests in tenements in Australia are governed by the respective State legislation and are evidenced by the granting of licences or leases. Each licence or lease is for a specific term and carries with it annual expenditure and reporting commitments, as well as other conditions requiring compliance. Consequently, the Company could lose title to or its interest in tenements if licence conditions are not met or if insufficient funds are available to meet expenditure commitments. Interests in tenements in Peru are governed by Government legislation and are evidenced by the granting of mineral concessions. Retention of concessions is dependent on the annual payment of rents. Consequently, the Company could lose title to or its interest in tenements if the annual rental is not paid before the due date.

It is also possible that, in relation to tenements which the Company has an interest in or will in the future acquire such an interest; there may be areas over which legitimate common law native title rights of indigenous people in Australia and Peru exist. If native title rights do exist, the ability of the Company to gain access to tenements (through obtaining consent of any relevant landowner), or to progress from the exploration phase to the development and mining phases of operations may be affected. The Directors closely monitor the potential effect of native title claims involving tenements in which the Company has or may have an interest.

Some prospects may occur within private property for which the surface rights belong to the landowner. The ability of the Company to gain access to tenements (through obtaining consent of any relevant landowner), or to progress from the exploration

phase to the development and mining phases of operations may be affected by these rights.

(e) **Joint Venture Parties, Agents and Contractors**

The Directors are unable to predict the risk of financial failure or default by a participant in any joint venture to which the Company is or may become a party, or the insolvency or managerial failure by any of the contractors used by the Company in any of its activities, or the insolvency or other managerial failure by any of the other service providers used by the Company for any activity.

(f) **Resource Estimations**

Resource estimates are expressions of judgment based on knowledge, experience and resource modelling. As such, resource estimates are inherently imprecise and rely to some extent on interpretations made. Despite employing qualified professionals to prepare resource estimates, such estimates may nevertheless prove to be inaccurate. Furthermore, resource estimates may change over time as new information becomes available. Should the company encounter mineralisation or geological formations different from those predicted by past drilling, sampling and interpretations, any resource estimates may need to be altered in a way that could adversely affect the Company's operations.

(g) **Reliance on Key Personnel**

The Company's success depends largely on the core competencies of its directors and management, and their familiarisation with, and ability to operate, in the exploration and mining industry, and the Company's ability to retain its key executives.

(h) **Taxation**

An investment in the Company and disposal of those investments are associated with taxation consequences under Australian law. Investors are responsible for seeking independent taxation and financial advice as to the consequences of a proposed investment in the Company's Securities.

(i) **Timing**

The commencement and completion times for the Company's planned exploration programmes including drilling can be significantly affected by external factors including Governmental regulatory processes, local access approvals, native title approvals, access to appropriate contractors, and weather conditions. Expenditure approvals under the South32 Strategic Alliance Agreement are not under the control of the Company and may cause delays to the timing of exploration programs.

7. Additional Information

7.1 Continuous Disclosing Obligations

This Prospectus is a “transaction specific prospectus” for the offer of continuously quoted securities (as defined in the Corporations Act) of the Company to which the special content rules under section 713 of the Corporations Act apply. Accordingly, this Prospectus does not contain the same level of disclosure as an initial public offering prospectus.

The Company is a “disclosing entity”, as defined in section 111AC of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. As a listed company, the Company is required under the ASX Listing Rules to continuously disclose to ASX any information it has concerning the Company which a reasonable person would expect to have a material effect on the price or value of the Company’s securities, subject to certain exceptions.

Having taken such precautions and having made such enquiries as are reasonable, the Company believes that it has complied with the requirements of ASX as applicable from time to time throughout the 3 months before the issue of this Prospectus which required the Company to notify ASX of information about specified matters or events as they arise for the purpose of making that information available to the stock market conducted by ASX.

The Company, as a disclosing entity under the Corporations Act, states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with ASIC in relation to the Company (other than any document referred to in section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, an ASIC office;
- (c) it will provide a copy of the following documents, free of charge, to any person who asks for it during the period from the Prospectus Date to the Closing Date:
 - (i) the annual financial report most recently lodged with ASIC by the Company;
 - (ii) any half-year financial report lodged with ASIC by the Company after the lodgement of that annual financial report and before the lodgement of this Prospectus with ASIC; and
 - (iii) any continuous disclosure notices given by the Company to ASX in accordance with the ASX Listing Rules as referred to in section 675(1) of the Corporations Act after the lodgement of that annual financial report and before the lodgement of the copy of this Prospectus with ASIC

The Company states that there is no Information which has been excluded from a continuous disclosure notice in accordance with the ASX Listing Rules that investors and their professional advisers would reasonably require for the purpose of making an informed assessment of:

- (a) the assets and liabilities, financial position and performance, profits and losses and prospects of the Company; and
- (b) the rights and liabilities attaching to the securities being offered under this Prospectus,

and would reasonably expect to find in the Prospectus.

Copies of all documents lodged with ASIC in relation to the Company can be inspected at the registered office of the Company during normal office hours.

Copies of documents lodged with ASX in relation to the Company, including the Company's corporate governance policies, may be obtained from the Company's website at www.ausquest.com.au or at ASX's website at www.asx.com.au using the Company's ASX code 'AQD'.

The Company has lodged the following announcements with ASX since the lodgement of the Company's annual audited financial statements for the financial year ended 30 June 2019, which occurred on 24 September 2019:

Date	Description of ASX Announcements
24 September 2019	Appendix 4G and Corporate Governance Statement
27 September 2019	Large Copper Anomaly Identified at Parcoy in Peru
30 September 2019	Hamilton Drilling Update
30 September 2019	MD Presentation – Resource Stocks
14 October 2019	Trading Halt
16 October 2019	Capital Raising to Advance Exploration Programs
16 October 2019	Appendix 3B

7.2 Market prices of Shares on ASX

Information about the closing market price of Shares quoted on ASX during the 3 month period before the Prospectus Date is set out in the table below.

Information	Latest	Lowest	Highest
Price (A\$)	\$0.018	\$0.012	\$0.021
Date(s)	11 October 2019	10 September 2019	1 October 2019

7.3 Material contract - Mandate with Hartleys Limited

The Company and Hartleys Limited entered into a mandate agreement on 12 August 2009 (as subsequently extended and amended) (**Mandate**). The Mandate terms provide for the engagement of Hartleys Limited to provide corporate advisory and capital raising services to the Company in consideration of the payment of customary fees.

Under the terms of the Mandate, the Company will pay a 6% fee on funds raised under the Placement and Offers, other than Entitlements taken up by Directors of the Company. All other terms of the Mandate are considered standard for an agreement of this nature.

7.4 Directors interests and emoluments

Other than as set out below or elsewhere in this Prospectus, no Director holds or has held within the two years preceding lodgement of this Prospectus with ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offers; or
- (c) the Offers,

and no amounts have been paid or agreed to be paid (whether in cash, securities or otherwise), and no other benefit has been given or agreed to be given to a Director:

- (d) as an inducement to become, or to qualify as, a Director; or
- (e) for services provided in connection with the formation or promotion of the Company or the Offers.

7.5 Existing security holdings of Directors

The table below sets out the relevant interest of each Director (directly and indirectly held) in the securities of the Company at the Prospectus Date.

Director	Shares	Options
Greg Hancock	4,586,415	4,000,000
Graeme Drew	13,553,966	10,000,000
Chris Ellis	124,694,939	4,000,000

Directors or their Associates who are registered as Shareholders on the Record Date may participate in the Rights Offer on the same basis and terms as all other Eligible Shareholders, but may not participate in the Shortfall Offer or the Placement without shareholder approval.

7.6 Remuneration of Directors

The Company's Constitution provides that the Directors may be paid for their services as Directors.

The Constitution also provides that Non-Executive Directors may collectively be paid as remuneration for their services an aggregate maximum of \$300,000 or such other maximum amount set by Shareholders in general meeting. As at the Prospectus Date, the aggregate maximum remains set at \$300,000.

A Director may be paid fees or other amounts as the Directors determine, where a Director performs duties or provides services outside the scope of their normal duties. A Director may also be reimbursed for out of pocket expenses incurred as a result of their directorship or any special duties.

The table below sets out the remuneration of each Director for the last two financial years and the proposed remuneration for the current financial year.

Director	2017/2018 financial year	2018/2019 financial year	2019/2020 financial year (proposed)
Greg Hancock	\$24,996	\$48,000	\$48,000
Graeme Drew	\$157,991 plus superannuation	\$200,000 plus superannuation	\$200,000 plus superannuation
Chris Ellis	Nil	Nil	Nil

Note: Fees paid to Mr Hancock are for corporate consulting services rendered to the Company.

7.7 Interests of experts and advisers

Other than as set out below or elsewhere in this Prospectus, no person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus, or any promoter of the Company, or an underwriter to the Offers or a financial services licensee named in the Prospectus as a financial services licensee involved in the Offers, holds or has held within the two years preceding lodgement of this Prospectus with ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offers; or
- (c) the Offers,

and no amounts have been paid or agreed to be paid, and no other benefit has been given or agreed to be given to any of those persons: for services provided in connection with the formation or promotion of the Company or the Offers.

Nexia Perth Pty Ltd, which provides accounting, taxation and corporate services to the Company, will be paid approximately \$12,500 (excluding GST) for services related to this Prospectus and the Offers. Nexia Perth Pty Ltd has been paid approximately \$385,436 (including GST) for the provision of accounting, taxation and other professional services to the Company in the period of 2 years prior to the Prospectus Date, including the amount provided for above.

Hartleys Limited, corporate advisors to the Company, will be paid approximately \$116,322 (excluding GST) for services related to acting as Lead Manager for the Offers and the Placement (on the basis of the Placement and Rights Offer being fully subscribed). Hartleys Limited has been paid approximately \$196,704 (including GST) for the provision of corporate advisory services to the Company in the period of 2 years prior to the Prospectus Date, including the amount provided for above.

HLB Mann Judd, the Company's auditor, has been paid or is entitled to be paid audit fees of \$74,546 (including GST) in the period of 2 years prior to the Prospectus Date.

7.8 Consents and liability statements

The following parties have given their written consent to be named in the Prospectus in the form and context in which they are named and have not withdrawn that consent prior to the date of lodging the Prospectus with ASIC:

Nexia Perth Pty Ltd has given its consent to be named in this Prospectus as providing accounting, taxation and corporate services to the Company in the form and context in which it is named.

Hartleys Limited has given its consent to be named in this Prospectus as the Lead Manager to the Offers and the Placement in the form and context in which it is named.

HLB Mann Judd has given its consent to be named in this Prospectus as the auditor to the Company (consenting to the Company placing reliance on the 30 June 2019 audited financial statements in Section 4.6) in the form and context in which it is named.

Each of the parties named above as providing their consent, and any parties providing share registry and legal services to the Company:

- did not authorise or cause the issue of this Prospectus;

- does not make, or purport to make, any statement in this Prospectus nor is any statement in this Prospectus based on any statement by any of those parties other than as specified in Sections 7.7 and 7.8; and
- to the maximum extent permitted by law, expressly disclaims any responsibility or liability for any part of this Prospectus other than a reference to its name and a statement contained in this Prospectus with the consent of that party as specified in Sections 7.7 and 7.8.

7.9 Expenses of the Offers

In the event that all Entitlements are accepted, the expenses of the Offers and Placement are expected to comprise the following estimated costs, exclusive of any GST payable by the Company.

Expense	\$
ASIC fees	\$3,206
ASX fees	\$10,108
Lead Manager fee [1]	\$116,322
Legal and corporate fees	\$25,000
Promotion, printing, distribution and Share Registry expenses	\$14,431
TOTAL	\$169,067

Note:

1. Hartleys Limited will be paid a commission of 6% (exclusive of GST) of amounts subscribed under the Placement through its Australian Financial Services (AFS) licence and under the Offers, excluding those amounts taken up by the Company's Directors.

7.10 Litigation

As at the Prospectus Date, the Company is not involved in any material legal proceedings and the Directors are not aware of any material legal proceedings pending or threatened against the Company.

7.11 Electronic Prospectus

An electronic copy of this Prospectus is available at www.ausquest.com.au. The Offers included in the Prospectus are only available to persons receiving the document in Australia and New Zealand.

The Entitlement and Acceptance Form may only be distributed together with a complete and unaltered copy of the Prospectus. If you are concerned that you have received an incomplete or altered version of the Prospectus, you should contact the Company on +61 8 9364 3866 and the Company will send you a hard copy or a further electronic copy of the Prospectus free of charge. The Company will not accept an Entitlement and Acceptance Form for Securities if it has reason to believe that an investor has, or may have, received an electronic Prospectus that is incomplete, or that the electronic Prospectus Entitlement and Acceptance Form has been altered or tampered with.

A paper copy of the Prospectus and the Entitlement and Acceptance Form may be obtained free of charge on request during the Offer Period by contacting the Company. The information on the Company's website does not form part of this Prospectus.

8. Directors' Statement

The Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with ASIC and has not withdrawn that consent.

This Prospectus is signed for and on behalf of the Company pursuant to a resolution of the Board by:

A handwritten signature in black ink that reads "G Hancock". The signature is written in a cursive style with a large initial "G".

Greg Hancock

Director

Date: 16 October 2019

9. Glossary of Terms

Applicant	An Eligible Shareholder who subscribes for Securities pursuant to their Entitlement under the Rights Offer or an Eligible Shareholder or other investor who subscribes for Securities under the Shortfall Offer.
Application	A valid application for Securities offered under this Prospectus.
Application Moneys	The moneys payable by Applicants to the Offers.
ASIC	The Australian Securities and Investments Commission.
Associate	Has the meaning set out in the Corporations Act.
ASX	ASX Limited (ACN 008 624 691) trading as the 'Australian Securities Exchange'.
ASX Listing Rules	The listing rules of ASX.
ASX Settlement Rules	The ASX Settlement operating rules of ASX Settlement.
AWST	Australian Western Standard Time, being the time in Perth, Western Australia.
Board	The Company's Board of Directors.
Business Day	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
Closing Date	The closing date of the Rights Offer specified in the indicative timetable set out in Section 1 of this Prospectus, unless extended.
Company	AusQuest Limited (ACN 091 542 451).
Constitution	The constitution of the Company as at the Prospectus Date.
Corporations Act	<i>Corporations Act 2001</i> (Cth).
Director	A director of the Company as at the Prospectus Date.
Eligible Shareholder	Has the meaning given in Section 2.1(b) of this Prospectus.
Entitlement	The entitlement of an Eligible Shareholder to participate in the Rights Offer.
Entitlement and Acceptance Form	The entitlement and acceptance form accompanying this Prospectus.
Existing Options	The unlisted Options previously issued under the Company's Long Term Incentive Plan with an expiry date of 30 November 2020 and an exercise price of \$0.05 per Option.

GST	Goods and services tax levied under the <i>A New Tax System (Goods and Services Tax) Act 1999</i> (Cth).
New Shares	The Shares proposed to be issued under this Prospectus pursuant to an Offer or the Shares proposed to be issued under the Placement.
New Options	The Options proposed to be issued under this Prospectus pursuant to an Offer or the Options proposed to be issued under the Placement.
Offer Period	The period commencing on the Opening Date and ending on the Closing Date.
Issue Price	The subscription price for a New Share to be issued under an Offer, being \$0.014 per New Share.
Offers	The Rights Offer and the Shortfall Offer, or either one of those offers as the case may be.
Opening Date	The opening date of the Rights Offer.
Option	An option to acquire a Share.
Placement	The proposed placement to professional and sophisticated investors of up to 35,714,286 New Shares (and up to 35,714,286 free attaching New Options) at the Placement Issue Price which will occur on or about the time stated in the indicative timetable set out in Section 1 of this Prospectus.
Placement Issue Price	The same price as the Issue Price for the New Shares to be issued under the Offers being \$0.014 per New Share.
Placement Securities	The New Shares and the New Options to be issued under the Placement.
Prospectus	This prospectus, including any electronic or online version of this prospectus.
Prospectus Date	The date this Prospectus was lodged with ASIC, being 16 October 2019.
Record Date	5.00pm (AWST) on 22 October 2019 or such other date as may be determined by the Directors, subject to the ASX Listing Rules.
Rights Offer	The non-renounceable pro-rata offer of Securities under this Prospectus to Eligible Shareholders as described in Section 2.1.
Section	A section of this Prospectus.
Securities	The New Shares and/or New Options offered under this Prospectus.
Share	A fully paid ordinary share in the capital of the Company.
Share Registry	The Company's share registry, Advanced Share Registry Ltd (ABN 14 127 175 946).

Shareholder	A registered holder of a Share.
Shortfall	The Securities offered under the Rights Offer for which valid Applications are not received from Eligible Shareholders on or before the Closing Date.
Shortfall Offer	The offer under this Prospectus to subscribe for the Shortfall as described in Section 2.2.
South32 Strategic Alliance Agreement	The agreement with South32 Group Operations Pty Ltd ABN 74 601 343 202 (South32) announced to ASX on 20 February 2017.