

CAPITAL RAISING TO ADVANCE EXPLORATION PROGRAMS

Highlights

- **AusQuest to raise up to approximately A\$2.4 million (before costs) to advance its 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.**
- **Capital Raising to consist of:**
 - a Placement to sophisticated and institutional investors to raise up to A\$0.5M; and
 - a 1-for-4 non-renounceable pro-rata Rights Offer to raise up to a further approximately A\$1.9M (before costs).
- **AusQuest's largest shareholder, Chrysalis Investments Pty Ltd, an entity controlled by AusQuest's non-executive Director Chris Ellis, which currently has a 22.7% holding in the Company, proposes to provide cornerstone support by taking up its full Entitlement under the Rights Offer.**
- **Drilling at the Company's Balladonia and Cerro de Fierro Projects to follow-up encouraging assay results from earlier drilling (ASX release 11 September 2019), is expected to commence in late November 2019.**

AusQuest Limited (ASX code : AQD) ("**AusQuest**" or the "**Company**") is pleased to announce that it has secured firm commitments to raise up to A\$0.5 million through a placement of up to approximately 35,714,286 fully paid ordinary shares ("**Shares**") at an issue price of A\$0.014 per Share to qualified sophisticated and professional investors, with each Share having a free attaching option (exercisable at \$0.025 on or before 30 November 2021) ("**New Options**") ("**Placement**").

The Company is also pleased to announce that it will undertake a 1 for 4 pro-rata rights offer to the Company's eligible shareholders on the same terms, including the same issue price of A\$0.014 per Share and with each new Share issued having attached a New Option, to raise approximately A\$1.9 million (before costs) ("**Rights Offer**"). Further details of the Placement and the Rights Offer are set out below.

AusQuest's Managing Director, Graeme Drew, commented that AusQuest welcomes the support demonstrated for this Placement by new investors to the Company and is very pleased to be able to offer existing eligible shareholders the same opportunity, at a time when the Company is about to embark on a busy period of exploration drilling at two of its more

advanced projects – Balladonia in the Fraser Range of WA and Cerro de Fierro in southern Peru.

‘The Capital Raising will position AusQuest in a strong financial position especially in light of our Strategic Alliance with South32, and provides our shareholders with the right to maintain their relative shareholding in AusQuest at this exciting time in the Company’s history’ he said.

Hartleys Limited is acting as Lead Manager to the Placement and Rights Offer.

Use of Proceeds

Funds raised by the Placement and Rights Offer together with existing cash reserves, will be used to carry out exploration programs on the Company’s 100% owned projects, 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, plus for working capital purposes.

Placement

The Company has secured firm commitments to raise up to A\$0.5 million under the Placement to qualified sophisticated and professional investors.

The Company will utilise its existing placement capacity under ASX Listing Rule 7.1 (up to 35,714,286 Shares and 35,714,286 New Options) for the Placement with Shares expected to be issued by 25 October 2019, which is 3 days post the Record Date for the Rights Offer.

Rights Offer

The Rights Offer issue price of A\$0.014 per Share is the same issue price as under the Placement, representing a discount of approximately 13% to the 5 day volume weighted average price (VWAP) of Shares for days in which trading occurred period to the date of this announcement. Each Share issued under the Rights Offer will have a free attaching New Option.

AusQuest’s largest shareholder, Chrysalis Investments Pty Ltd, an entity controlled by non-executive Director Mr Chris Ellis, which currently has a 22.7% holding in the Company, has indicated that it proposes to subscribe for its full entitlement under the Rights Offer (subject to the provisions of the Corporations Act).

The Rights Offer is being extended to all AusQuest shareholders who are registered holders of Shares at 5.00pm AWST on 22 October 2019 (“**Record Date**”) and have a registered address in Australia or New Zealand. The Rights Offer is not being extended to overseas AusQuest shareholders who, on the Record Date, have a registered address outside Australia or New Zealand.

The Rights Offer is expected to open on 25 October 2019 and close at 5.00pm AWST on 8 November 2019, subject to extension.

Shortfall Offer

Any Entitlement not taken up under the Rights Offer will be included as part of an offer for the shortfall under which eligible shareholders who take up their full entitlement, and other members of the public, can apply for additional Shares in the Company at the same price and on the same terms as for the Rights Offer (“**Shortfall Offer**”). There is no guarantee that applicants under the Shortfall Offer will receive all or any of the Shares that they apply for. Shares under the Shortfall Offer will be issued at the discretion of the Directors, in consultation with the Lead Manager.

Indicative Timetable

An indicative timetable for the Placement and Rights Offer is set out below.

Event	Target Date
Announcement of Offers and Placement and Appendix 3B lodged with ASX	16 October 2019
Prospectus lodged with ASIC	17 October 2019
Prospectus lodged with ASX	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 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.

The Company intends to lodge a prospectus with ASIC on or about 17 October 2019 and a copy will be mailed to eligible shareholders on or about 25 October 2019. The Prospectus will also include a personalised Entitlement and Acceptance Form, showing the entitlement for each shareholder and providing instructions on how to participate in the Rights Offer and the Shortfall Offer. Those shareholders who the Company determines to be ineligible to participate will be notified of that fact.

An Appendix 3B notice in respect of the Placement and Rights Offer accompanies this announcement.

The Directors of AusQuest encourage all eligible shareholders to consider this investment opportunity carefully in light of the Company's upcoming exploration drill programs, and thank you for your ongoing support.

This announcement is intended to release the Company from its trading halt.



Graeme Drew
Managing Director

COMPETENT PERSON'S STATEMENT

The details contained in this report that pertain to exploration results are based upon information compiled by Mr Graeme Drew, a full-time employee of AusQuest Limited. Mr Drew is a Fellow of the Australasian Institute of Mining and Metallurgy (AUSIMM) and has sufficient experience in the activity which he is undertaking to qualify as a Competent Person as defined in the December 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (JORC Code). Mr Drew consents to the inclusion in the report of the matters based upon his information in the form and context in which it appears.

FORWARD LOOKING STATEMENT

This report contains forward looking statements concerning the projects owned by AusQuest Limited. Statements concerning mining reserves and resources may also be deemed to be forward looking statements in that they involve estimates based on specific assumptions. Forward-looking statements are not statements of historical fact and actual events and results may differ materially from those described in the forward looking statements as a result of a variety of risks, uncertainties and other factors. Forward looking statements are based on management's beliefs, opinions and estimates as of the dates the forward looking statements are made and no obligation is assumed to update forward looking statements if these beliefs, opinions and estimates should change or to reflect other future developments.

Appendix 3B

New issue announcement, application for quotation of additional securities and agreement

Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.

Introduced 01/07/96 Origin: Appendix 5 Amended 01/07/98, 01/09/99, 01/07/00, 30/09/01, 11/03/02, 01/01/03, 24/10/05, 01/08/12, 04/03/13

Name of entity

AusQuest Limited ('Company')

ABN

35 091 542 451

We (the entity) give ASX the following information.

Part 1 - All issues

You must complete the relevant sections (attach sheets if there is not enough space).

- | | | |
|---|---|---|
| 1 | +Class of +securities issued or to be issued | 1. Fully paid ordinary shares
2. Fully paid ordinary shares
3. Listed options
4. Listed options |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued | Up to
1. 35,714,286 shares pursuant to a placement
2. 137,326,265 shares pursuant to a 1 for 4 non-renounceable rights issue
3. 35,714,286 free attaching options
4. 137,326,265 free attaching options

with the exact number to be issued subject to rounding, shareholder acceptances and the Company's ability to place any shortfall |

+ See chapter 19 for defined terms.

<p>3 Principal terms of the +securities (e.g. if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion)</p>	<ol style="list-style-type: none"> 1. Fully paid ordinary shares issued at \$0.014 each on the same terms as other ordinary shares currently on issue 2. Fully paid ordinary shares issued at \$0.014 each on the same terms as other ordinary shares currently on issue 3. Listed options exercisable at \$0.025 expiring on 30 November 2021 4. Listed options exercisable at \$0.025 expiring on 30 November 2021
<p>4 Do the +securities rank equally in all respects from the +issue date with an existing +class of quoted +securities?</p> <p>If the additional +securities do not rank equally, please state:</p> <ul style="list-style-type: none"> • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment 	<ol style="list-style-type: none"> 1. Yes, rank equally with existing fully paid ordinary shares 2. Yes, rank equally with existing fully paid ordinary shares 3. No, however on exercise of options, ordinary shares will rank equally with quoted fully paid ordinary shares 4. No, however on exercise of options, ordinary shares will rank equally with quoted fully paid ordinary shares
<p>5 Issue price or consideration</p>	<ol style="list-style-type: none"> 1. \$0.014 per ordinary share 2. \$0.014 per ordinary share 3. Nil (free-attaching) 4. Nil (free-attaching)
<p>6 Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)</p>	<p>The Company intends to apply the funds raised by the Placement and Rights Offer, together with existing cash reserves, to carry out exploration programs on the Company's 100% owned projects, 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, plus for working capital purposes</p>

6a	Is the entity an +eligible entity that has obtained security holder approval under rule 7.1A? If Yes, complete sections 6b – 6h in relation to the +securities the subject of this Appendix 3B, and comply with section 6i	Yes
6b	The date the security holder resolution under rule 7.1A was passed	21 November 2018
6c	Number of +securities issued without security holder approval under rule 7.1	Up to 71,428,572 (comprising 35,714,286 shares and 35,714,286 options)
6d	Number of +securities issued with security holder approval under rule 7.1A	Nil
6e	Number of +securities issued with security holder approval under rule 7.3, or another specific security holder approval (specify date of meeting)	Nil
6f	Number of +securities issued under an exception in rule 7.2	Up to 137,326,265 Fully paid ordinary shares Up to 137,326,265 Listed options
6g	If +securities issued under rule 7.1A, was issue price at least 75% of 15 day VWAP as calculated under rule 7.1A.3? Include the +issue date and both values. Include the source of the VWAP calculation.	Not applicable
6h	If +securities were issued under rule 7.1A for non-cash consideration, state date on which valuation of consideration was released to ASX Market Announcements	Not applicable
6i	Calculate the entity's remaining issue capacity under rule 7.1 and rule 7.1A – complete Annexure 1 and release to ASX Market Announcements	Refer to Annexure 1

+ See chapter 19 for defined terms.

7 ⁺Issue dates

Note: The issue date may be prescribed by ASX (refer to the definition of issue date in rule 19.12). For example, the issue date for a pro rata entitlement issue must comply with the applicable timetable in Appendix 7A.

Cross reference: item 33 of Appendix 3B.

1. 25 October 2019
2. 15 November 2019
3. 25 October 2019
4. 15 November 2019

8 Number and ⁺class of all ⁺securities quoted on ASX (including the ⁺securities in section 2 if applicable)

Number	⁺ Class
722,345,612	Fully paid ordinary shares, of which:
	500,000 fully paid ordinary shares are escrowed until the earlier of 30 May 2020 or until the Company issues a prospectus, cleansing statement or some other form of disclosure document
173,040,551	Listed options exercisable at \$0.025 each, expiring on 30 November 2021

9 Number and ⁺class of all ⁺securities not quoted on ASX (including the ⁺securities in section 2 if applicable)

Number	⁺ Class
39,500,000	Unlisted options exercisable at \$0.05 each, expiring on 30 November 2020

10 Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)

Currently no policy

Part 2 - Pro rata issue

11 Is security holder approval required?

No

12 Is the issue renounceable or non-renounceable?

Non-renounceable

13 Ratio in which the ⁺securities will be offered

1 new share for every 4 shares held with 1 free attaching option for every share issued

14	+Class of +securities to which the offer relates	Fully paid ordinary shares Listed options (new class)
15	+Record date to determine entitlements	22 October 2019
16	Will holdings on different registers (or sub registers) be aggregated for calculating entitlements?	No
17	Policy for deciding entitlements in relation to fractions	Rounded down to the nearest whole number
18	Names of countries in which the entity has security holders who will not be sent new offer documents <small>Note: Security holders must be told how their entitlements are to be dealt with. Cross reference: rule 7.7.</small>	All countries other than Australia and New Zealand where it is determined that it will be unlawful to make the offer, specifically including Laos, Thailand, United States of America, Singapore, Papua New Guinea, Malaysia, Ghana and the United Kingdom of Great Britain and Northern Ireland
19	Closing date for receipt of acceptances or renunciations	8 November 2019
20	Names of any underwriters	N/A
21	Amount of any underwriting fee or commission	Nil
22	Names of any brokers to the issue	Hartleys Limited
23	Fee or commission payable to the broker to the issue	6% on funds raised other than those raised from directors
24	Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of security holders	Not applicable
25	If the issue is contingent on security holders' approval, the date of the meeting	Not applicable
26	Date entitlement and acceptance form and offer documents will be sent to persons entitled	25 October 2019

+ See chapter 19 for defined terms.

27	If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders	17 October 2019
28	Date rights trading will begin (if applicable)	Not applicable
29	Date rights trading will end (if applicable)	Not applicable
30	How do security holders sell their entitlements <i>in full</i> through a broker?	Not applicable
31	How do security holders sell <i>part</i> of their entitlements through a broker and accept for the balance?	Not applicable
32	How do security holders dispose of their entitlements (except by sale through a broker)?	Not applicable
33	⁺ Issue date	15 November 2019

Part 3 - Quotation of securities

You need only complete this section if you are applying for quotation of securities

34 Type of ⁺securities
(tick one)

(a) ☒ ⁺Securities described in Part 1

(b) ☐ All other ⁺securities

Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

Entities that have ticked box 34(a)

Additional securities forming a new class of securities

Tick to indicate you are providing the information or documents (To be provided once available)

35 ☒ If the ⁺securities are ⁺equity securities, the names of the 20 largest holders of the additional ⁺securities, and the number and percentage of additional ⁺securities held by those holders

- 36 ☒ If the +securities are +equity securities, a distribution schedule of the additional +securities setting out the number of holders in the categories
- 1 - 1,000
1,001 - 5,000
5,001 - 10,000
10,001 - 100,000
100,001 and over
- 37 ☐ A copy of any trust deed for the additional +securities

Entities that have ticked box 34(b)

38	Number of +securities for which +quotation is sought	Not applicable	
39	+Class of +securities for which quotation is sought	Not applicable	
40	Do the +securities rank equally in all respects from the +issue date with an existing +class of quoted +securities? If the additional +securities do not rank equally, please state: <ul style="list-style-type: none"> the date from which they do the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment 	Not applicable	
41	Reason for request for quotation now Example: In the case of restricted securities, end of restriction period (if issued upon conversion of another +security, clearly identify that other +security)	Not applicable	
42	Number and +class of all +securities quoted on ASX (including the +securities in clause 38)	Number	+Class
		Not applicable	

+ See chapter 19 for defined terms.

Quotation agreement

- 1 ⁺Quotation of our additional ⁺securities is in ASX's absolute discretion. ASX may quote the ⁺securities on any conditions it decides.
- 2 We warrant the following to ASX.
 - The issue of the ⁺securities to be quoted complies with the law and is not for an illegal purpose.
 - There is no reason why those ⁺securities should not be granted ⁺quotation.
 - An offer of the ⁺securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.
Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty
 - Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any ⁺securities to be quoted and that no-one has any right to return any ⁺securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the ⁺securities be quoted.
 - If we are a trust, we warrant that no person has the right to return the ⁺securities to be quoted under section 1019B of the Corporations Act at the time that we request that the ⁺securities be quoted.
- 3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.
- 4 We give ASX the information and documents required by this form. If any information or document is not available now, we will give it to ASX before ⁺quotation of the ⁺securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.

Sign here: *[signed electronically]*
Print name: Henko Vos (Company Secretary)

Date: 16 October 2019

== == == == ==

Appendix 3B – Annexure 1

Calculation of placement capacity under rule 7.1 and rule 7.1A for eligible entities

Introduced 01/08/12 Amended 04/03/13

Part 1

Rule 7.1 – Issues exceeding 15% of capital	
Step 1: Calculate “A”, the base figure from which the placement capacity is calculated	
Insert number of fully paid +ordinary securities on issue 12 months before the +issue date or date of agreement to issue	526,565,756
Add the following: <ul style="list-style-type: none"> Number of fully paid +ordinary securities issued in that 12 month period under an exception in rule 7.2 Number of fully paid +ordinary securities issued in that 12 month period with shareholder approval Number of partly paid +ordinary securities that became fully paid in that 12 month period Note: <ul style="list-style-type: none"> Include only ordinary securities here – other classes of equity securities cannot be added Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed It may be useful to set out issues of securities on different dates as separate line items 	20,239,305 137,326,265
Subtract the number of fully paid +ordinary securities cancelled during that 12 month period	Nil
“A”	684,131,326

+ See chapter 19 for defined terms.

Step 2: Calculate 15% of “A”	
“B”	0.15 <i>[Note: this value cannot be changed]</i>
Multiply “A” by 0.15	102,619,698
Step 3: Calculate “C”, the amount of placement capacity under rule 7.1 that has already been used	
Insert number of +equity securities issued or agreed to be issued in that 12 month period <i>not counting</i> those issued: <ul style="list-style-type: none"> Under an exception in rule 7.2 Under rule 7.1A With security holder approval under rule 7.1 or rule 7.4 Note: <ul style="list-style-type: none"> <i>This applies to equity securities, unless specifically excluded – not just ordinary securities</i> <i>Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed</i> <i>It may be useful to set out issues of securities on different dates as separate line items</i> 	2,000,000 (22 Nov 2018) 500,000 (30 May 2019) 71,428,572 (25 October 2019)
“C”	73,928,572
Step 4: Subtract “C” from [“A” x “B”] to calculate remaining placement capacity under rule 7.1	
“A” x 0.15 <i>Note: number must be same as shown in Step 2</i>	102,619,698
Subtract “C” <i>Note: number must be same as shown in Step 3</i>	73,928,572
Total [“A” x 0.15] – “C”	28,691,126 <i>Note: this is the remaining placement capacity under rule 7.1</i>

Part 2

Rule 7.1A – Additional placement capacity for eligible entities	
Step 1: Calculate “A”, the base figure from which the placement capacity is calculated	
“A” <i>Note: number must be same as shown in Step 1 of Part 1</i>	684,131,326
Step 2: Calculate 10% of “A”	
“D”	0.10 <i>Note: this value cannot be changed</i>
Multiply “A” by 0.10	68,413,132
Step 3: Calculate “E”, the amount of placement capacity under rule 7.1A that has already been used	
Insert number of +equity securities issued or agreed to be issued in that 12 month period under rule 7.1A Notes: <ul style="list-style-type: none"> • This applies to equity securities – not just ordinary securities • Include here – if applicable – the securities the subject of the Appendix 3B to which this form is annexed • Do not include equity securities issued under rule 7.1 (they must be dealt with in Part 1), or for which specific security holder approval has been obtained • It may be useful to set out issues of securities on different dates as separate line items 	Nil
“E”	Nil

+ See chapter 19 for defined terms.

Step 4: Subtract “E” from [“A” x “D”] to calculate remaining placement capacity under rule 7.1A	
“A” x 0.10 <i>Note: number must be same as shown in Step 2</i>	68,413,132
Subtract “E” <i>Note: number must be same as shown in Step 3</i>	Nil
Total [“A” x 0.10] – “E”	68,413,132 <i>Note: this is the remaining placement capacity under rule 7.1A</i>