

ASX Release
October 5th, 2016



AUSQUEST SECURES ADDITIONAL FUNDING TO PROGRESS PROJECTS IN WA AND PERU

\$750,000 funding provided by major shareholder underpins ongoing exploration and project development activities well into 2017

AusQuest Limited (ASX: AQD) is pleased to advise that it has secured funding of \$750,000 from its major shareholder, Christopher Ellis, by executing a Loan and Convertible Note Agreement. The additional funds, together with existing cash reserves, will enable AusQuest to advance several of its prospective WA nickel and Peru copper projects to the drilling stage.

Under the terms of the Agreement, the conversion price for AusQuest shares has been set at the lower of 2 cents or the 5-day VWAP immediately prior to conversion. The Loan is interest-free for a period of six months from the date of issue. The key terms for the Loan and Convertible Note Agreement are provided below:

- The loan facility of \$750,000 is available for draw-down on five business days' notice;
- The Company will provide a Conversion Note with the following key terms:
 - a. The conversion of the Notes to AusQuest shares is subject to shareholder approval, for the purposes of Listing Rule 10.11;
 - b. The conversion price has been set at the lower of 2 cents per share or the 5-day Value Weighted Average Price (VWAP) immediately prior to the conversion;
 - c. The Loan matures 18 months after execution of the Agreement, and if the Note has not been converted to shares by that date, the Loan must be repaid in cash. The Loan must also be repaid on 20 business days' notice in the case of an event of default by AusQuest including material breach and insolvency events;
 - d. Conversion to shares is solely at the election of AusQuest, provided shareholder approval has been received; and
 - e. Interest on the Loan will be accrued at 10% per annum commencing six months after the date of the advance, if the Company has not converted the Note to shares within six months of the date of issue. All interest accrued is payable in cash.

AusQuest's Managing Director, Mr Graeme Drew, said the funding arrangement represented a strong vote of confidence by the Company's major shareholder in the potential of its key projects, underpinning ongoing exploration efforts and avoiding the need to undertake a dilutive capital raising.

“We are very pleased to have concluded this arrangement as it will facilitate drill targeting at our Jimberlana and Balladonia nickel projects in WA, where we have identified some exciting new prospects, as well as optimising drill targets at our porphyry copper projects in southern Peru ahead of possible joint ventures and further drilling,” Mr Drew said.



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.