AUSQUEST LIMITED
ABN 35 091 542 451

26 February 2021

Dear Shareholder

General Meeting – Notice and Proxy Form

Notice is hereby given that a General Meeting (**Meeting**) of Shareholders of AusQuest Limited (**AusQues**t or the **Company**)(ASX: AQD) will be held at the Heritage Room, South of Perth Yacht Club, Applecross, Western Australia on Wednesday 31 March 2021 at 10:00am (WST).

The Board has made the decision that it will hold an in-person meeting with the appropriate social gathering and physical distancing measures in place to comply with the Federal Government's and State Government's restrictions for in-person gatherings at that time. As permitted under the Federal Government's temporary relief measures introduced as a result of the coronavirus crisis, the Company will not be dispatching physical copies of the Notice of Meeting (**NOM**). Instead, a copy of the NOM is available for viewing or downloading at http://ausquest.com.au/ as well as on the ASX announcement platform.

As you have not elected to receive notices from the Company by email, a copy of your Proxy Form for the Meeting is enclosed for your convenience. Shareholders are encouraged to complete their Proxy Forms and return them by:

> Post or in person to AusQuest Limited, 8 Kearns Crescent, Ardross WA 6153 or
> Email to proxy@ausquest.com.au

Your Proxy Form must be received by 10:00am (AWST) on 29 March 2021, being not less than 48 hours before the commencement of the Meeting. Any proxy voting instructions received after that time will not be valid for the Meeting.

Circumstances relating to COVID-19 can change rapidly. The Company will update shareholders by way of announcement on ASX if changing circumstances will impact planning or the arrangements for the Meeting and the details will also be made available on our website at http://ausquest.com.au/.

The NOM is important and should be read in its entirety. If you are in doubt as to the course of action you should follow, you should consult your financial adviser, lawyer, accountant or other professional adviser. If you have any difficulties viewing or downloading a copy of the Notice of Meeting please contact the Company on +61 (08) 9364 3866 or the Company Secretary on +61 (08) 9463 2463.

For and on behalf of the Board

Henko Vos
Company Secretary

AUSQUEST LIMITED

ABN 35 091 542 451

NOTICE OF GENERAL MEETING

EXPLANATORY STATEMENT AND

PROXY FORM

TIME: 10.00 am (WST)

DATE: 31 March 2021

PLACE: Heritage Room,
South of Perth Yacht Club,
Applecross, Western Australia

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on (+61 8) 9463 2463.

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TIME AND PLACE OF MEETING AND HOW TO VOTE

VENUE

The General Meeting of the Shareholders to which this Notice of Meeting relates will be held at 10.00 am (WST) on 31 March 2021 at:

Heritage Room,
South of Perth Yacht Club,
Applecross, Western Australia

YOUR VOTE IS IMPORTANT

The business of the General Meeting affects your shareholding and your vote is important.

VOTING IN PERSON

To vote in person, attend the General Meeting on the date and at the place set out above.

VOTING BY PROXY

To vote by proxy, please complete and sign the enclosed Proxy Form and return by:

(a) post or in person to AusQuest Limited, 8 Kearns Crescent, Ardross WA 6153; or

(b) facsimile to the Company on facsimile number +61 8 9364 4892: or

(c) email to the Company at proxy@ausquest.com.au

so that it is received not later than 10.00 am (WST) on Monday, 29 March 2021.

Proxy Forms received later than this time will be invalid.

NOTICE OF GENERAL MEETING

Notice is given that the General Meeting of Shareholders will be held at 10.00 am (WST) on 31 March 2021 at The Heritage Room, South of Perth Yacht Club, Applecross, Western Australia.

The Explanatory Statement to this Notice of Meeting provides additional information on matters to be considered at the General Meeting. The Explanatory Statement and the Proxy Form are part of this Notice of Meeting.

The directors have determined pursuant to Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the General Meeting are those who are registered Shareholders of the Company at 5.00 pm (WST) on 29 March 2021. Terms and abbreviations used in this Notice of Meeting and Explanatory Statement are defined in the Glossary.

AGENDA

Resolution 1A - Ratification of prior issue of Equity Securities under Listing Rule 7.1 in the Tranche One Placement

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That, for the purpose of Listing Rule 7.4 and for all other purposes, Shareholders ratify the prior issue from the placement capacity under Listing Rule 7.1 of 45,647,518 Placement Shares and 55,952,384 Placement Options under the Tranche One Placement on the terms and conditions set out in the Explanatory Memorandum."

Voting Exclusion Statement: The Company will disregard any votes cast in favour of Resolution 1A by or on behalf of a person who participated in the issue the subject of Resolution 1A or any Associate of those persons. However, this does not apply to a vote cast in favour of Resolution 1A by:

(a) a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or

(b) the chair of the meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the chair to vote on the resolution as the chair decides; or

(c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met: (1) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an Associate of a person excluded from voting, on the Resolution; and (2) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Resolution 1B - Ratification of prior issue of Equity Securities under Listing Rule 7.1A in the Tranche One Placement

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That, for the purpose of Listing Rule 7.4 and for all other purposes, Shareholders ratify the prior issue from the placement capacity under Listing Rule 7.1A of 66,257,250 Placement Shares under the Tranche One Placement on the terms and conditions set out in the Explanatory Memorandum."

Voting Exclusion Statement: The Company will disregard any votes cast in favour of Resolution 1B by or on behalf of a person who participated in the issue the subject of Resolution 1B or any Associate of those persons. However, this does not apply to a vote cast in favour of Resolution 1B by:

(a) a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or

(b) the chair of the meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the chair to vote on the resolution as the chair decides; or

(c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met: (1) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and (2) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Resolution 2 - Approval of issue of Equity Securities in the Tranche Two Placement (excluding to Participating Directors)

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That, for the purpose of Listing Rule 7.1 and for all other purposes, Shareholders approve the issue and allotment of 9,523,810 Placement Shares and 4,761,905 Placement Options as part of the Tranche Two Placements on the terms and conditions set out in the Explanatory Memorandum."

Voting Exclusion Statement: The Company will disregard any votes cast in favour of Resolution 2 by or on behalf of a person who is expected to participate in, or who will obtain a material benefit as a result of the proposed issue the subject of Resolution 2 (except a benefit solely by reason of being a holder of ordinary securities in the Company), or an Associate of those persons. However, this does not apply to a vote cast in favour of Resolution 2 by:

(a) a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or

(b) the chair of the meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the chair to vote on the resolution as the chair decides; or

(c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met: (1) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting on the Resolution; and (2) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Resolution 3 - Approval of issue of Equity Securities in the Tranche Two Placement to Participating Director, Mr Christopher Ellis

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"Subject to the passing of Resolution 2, that for the purpose of Listing Rule 10.11 and for all other purposes, Shareholders approve the issue and allotment of 19,047,620 Placement Shares and 9,523,810 Placement Options to substantial Shareholder and Non-Executive Director Mr Christopher Ellis, or his nominee, on the terms and conditions set out in the Explanatory Memorandum."

Voting Exclusion Statement: The Company will disregard any votes cast in favour of Resolution 3 by or on behalf of Mr Christopher Ellis and any other person who will obtain a material benefit as a result of the proposed issue the subject of Resolution 3 (except a benefit solely by reason of being a holder of ordinary securities in the Company), or any Associate of those persons. However, this does not apply to a vote cast in favour of Resolution 3 by:

(a) a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or

(b) the chair of the meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the chair to vote on the resolution as the chair decides; or

(c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met: (1) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting on the Resolution; and (2) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Resolution 4 - Approval of issue of Equity Securities in the Tranche Two Placement to Participating Director, Mr Graeme Drew

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"Subject to the passing of Resolution 2, that for the purposes of Listing Rule 10.11 and for all other purposes, Shareholders approve the issue of 2,380,952 Placement Shares and 1,190,476 Placement Options to Managing Director Mr Graeme Drew, or his nominee, on the terms and conditions set out in the Explanatory Memorandum."

Voting Exclusion Statement: The Company will disregard any votes cast in favour of Resolution 4 by or on behalf of Mr Graeme Drew and any other person who will obtain a material benefit as a result of the proposed issue the subject of Resolution 4 (except a benefit solely by reason of being a holder of ordinary securities in the Company), or any Associate of those persons. However, this does not apply to a vote cast in favour of Resolution 4 by:

(a) a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or

(b) the chair of the meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the chair to vote on the resolution as the chair decides; or

(c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met: (1) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting on the Resolution; and (2) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Resolution 5 - Approval of issue of Broker Options

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That, for the purpose of Listing Rule 7.1 and for all other purposes, Shareholders approve the issue of 5,000,000 Broker Options, having the same terms of issue as the Placement Options, to Euroz Hartleys Limited, the Lead Manager to the Placement, (or its nominee(s)) on the terms and conditions set out in the Explanatory Memorandum."

Voting Exclusion Statement: The Company will disregard any votes cast in favour of Resolution 5 by or on behalf of Euroz Hartleys Limited and any other person who will obtain a material benefit as a result of the proposed issue the subject of Resolution 5 (except a benefit solely by reason of being a holder of ordinary securities in the Company), or any Associate of those persons. However, this does not apply to a vote cast in favour of Resolution 5 by:

(a) a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or

(b) the chair of the meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the chair to vote on the resolution as the chair decides; or

(c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met: (1) the beneficiary provides written

confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting on the Resolution; and (2) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

DATED: 25 FEBRUARY 2021

BY ORDER OF THE BOARD

HENKO VOS
COMPANY SECRETARY
AUSQUEST LIMITED

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of the Shareholders in connection with the business to be conducted at the General Meeting to be held at 10.00 am (WST) on 31 March 2021 at The Heritage Room, South of Perth Yacht Club, Applecross Western Australia.

The purpose of this Explanatory Statement is to provide information which the directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions in the Notice of Meeting.

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1. Background to the Placement

On 19 February 2021 the Company announced that it proposed to raise approximately $3,000,000 (before costs) through an issue of a total of 142,857,150 Shares at an issue price of $0.021 each (**Placement Shares**) with one free unlisted option for every two Shares subscribed exercisable at $0.04 per Share and expiring on 1 March 2023 (**Placement Options**) (together the **Placement**). The issue price of $0.021 per Share represented a 13.5% discount to the 5-day VWAP of $0.243 immediately prior to the announcement of the Placement.

The Placement will take place in two tranches:

- 111,904,768 Placement Shares and 55,952,384 attaching Placement Options are expected to be issued to sophisticated, institutional and professional investors on or about 1 March 2021 (**Tranche One Placement**), to raise approximately $2,350,000 (before costs). These securities are issued using the Company's placement capacity under Listing Rules 7.1 and 7.1A, and

- the remaining 30,952,382 Placement Shares and 15,476,191 attaching Placement Options (**Tranche Two Placement**), to raise approximately $650,000 (before costs). The issue of these securities is subject to shareholder approval which is sought at this Meeting.

The Tranche Two Placement includes participation by entities associated with the Participating Directors, Non-Executive Director and the Company's majority shareholder Mr Christopher Ellis and the Managing Director Mr Graeme Drew. As part of the Tranche Two Placement, Mr Ellis has agreed to subscribe for 19,047,620 Placement Shares, with attaching Placement Options, to raise a total of $400,000. Mr Drew, has agreed to subscribe for 2,380,952 Placement Shares, with attaching Placement Options, to raise a total of $50,000.

Funds raised from the Placement, together with the Company's existing cash reserves, will be applied towards identifying and advancing new acquisition and/or exploration opportunities both in Australia and Peru that might be of interest to the Company's strategic alliance partner (a wholly owned subsidiary of South32 Ltd), or retained as 100% owned Company projects.

In Western Australia, this will include increased exploration over the Moora and Morrisey Well Nickel-Copper Projects which are targeting magnetic signatures similar to the Julimar Ni-CuPGE discovery north of Perth (Chalice Mining Ltd), and further exploration over the Company's Paterson Cu-Au projects which are targeting magnetic anomalies close to major structures which have a similar expression to those associated with the Winu (Rio Tinto) and Havieron (Newcrest) discoveries further north. Exploration activities over new copper projects in Peru will also be increased in order to advance them to a stage where they might be of interest to the Company's strategic alliance partner or be compelling drill targets for the Company. In particular this will include work within the Chololo - Ventura region close to Ilo, where the Company recently consolidated its title position over areas where historic work has identified potential for copper deposits.

Funds raised will also be used to finance the Company's ongoing working capital requirements and general administrative overheads.

Euroz Hartleys Limited have acted as Lead Manager to the Placement.

2. Resolutions 1A and 1B – Ratification of prior issue of Equity Securities in the Tranche One Placement

2.1 General

It is anticipated that on or around 1 March 2021, being after the date of this Notice of Meeting, the Company will issue:

(a) 45,647,518 Placement Shares and 55,952,384 Placement Options using the Company's placement capacity under Listing Rule 7.1; and

(b) 66,257,250 Placement Shares using the Company's placement capacity under Listing Rule 7.1A,

to raise a total of $2,350,000 (before costs).

Resolution 1A seeks Shareholder approval under Listing Rule 7.1 for the issue of the Placement Shares and Placement Options referred to in paragraph (a) above as part of the Tranche One Placement.

Resolution 1B seeks Shareholder approval under Listing Rule 7.1A for the issue of the Placement Shares referred to in paragraph (b) above being the balance of the Tranche One Placement.

2.2 Listing Rules 7.1, 7.1A and 7.4

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of Equity Securities that a listed company can issue without the approval of its shareholders over any 12 month period to an aggregate 15% of the fully paid ordinary shares it had on issue at the start of that period. Under Listing Rule 7.1A, an eligible entity can seek approval from its shareholders at its annual general meeting to increase that 15% limit by an extra 10%, to 25%. The Company obtained this approval at its annual general meeting on 26 November 2020.

Listing Rule 7.4 permits the ratification of previous issues of securities made without prior shareholder approval provided the issue did not breach the 15% threshold set by Listing Rule 7.1 or the 10% threshold set by Listing Rule 7.1A (as the case may be). The purpose and effect of that ratification is to restore the Company's discretionary power to issue in the relevant period further shares up to 15% of the issued capital of the Company under Listing Rule 7.1 and up to a further 10% of the issued capital of the Company under Listing Rule 7.1A (as the case may be) without requiring Shareholder approval.

Resolutions 1A and 1B seek Shareholder ratification pursuant to Listing Rule 7.4 for the issue of the 111,904,768 Placement Shares and 55,952,384 Placement Options under the Tranche One Placement. The Tranche One Placement is anticipated to be issued on or around 1 March 2021.

If Resolutions 1A and 1B are passed, the Company will retain the flexibility to issue Equity Securities in the future up to the 15% threshold set out in Listing Rule 7.1 and the additional 10% threshold set out in Listing Rule 7.1A (for the remaining period that the Listing Rule 7.1A approval is valid) without the requirement to obtain prior Shareholder approval. The Company confirms that the issue of the Tranche One Placement Shares and Placement Options did not breach Listing Rule 7.1 or Listing Rule 7.1A.

In the event that Resolution 1A and/or Resolution 1B is not passed, the Placement Shares and Placement Options the subject of that Resolution(s) will be included in calculating the Company's 15% and/or 10% threshold afforded under Listing Rules 7.1 and 7.1A respectively, which will decrease the Company's capacity to issue further securities without shareholder approval under these rules in the relevant period, unless an exception in Listing Rule 7.2 applies.

2.3 Information required by Listing Rule 7.4

Pursuant to and in accordance with Listing Rule 7.5, the following information is provided in relation to the Placement Shares and Placement Options the subject of Resolution 1A and the Placement Shares the subject of Resolution 1B:

(a) The Placement Shares and Placement Options were issued to sophisticated, institutional and professional investors introduced by the Company's brokers Euroz Hartleys Limited. None of the participants in the Tranche One Placement under Resolutions 1A and 1B are Related Parties of the Company, or members of its key management personnel, or existing substantial shareholders of or advisers to the Company, or Associates of any such persons.

(b) Under Resolution 1A, the Company agreed to issue 45,647,518 Placement Shares and 55,952,384 Placement Options. Under Resolution 1B, the Company agreed to issue 66,257,250 Placement Shares.

(c) The Placement Shares are fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as, and ranking equally (from the date of their issue) with, the Company's existing Shares. The Placement Options are unlisted options exercisable at $0.04 per Share and expiring on 1 March 2023. The full terms of the Placement Options are set out in Annexure A to this Notice of Meeting.

(d) The Shares are expected to be issued on or around 1 March 2021, which is after the date of this Notice of Meeting. The Company will advise Shareholders, via an ASX announcement, when the issue has completed.

(e) The price of each Placement Share issued was $0.021 which included one free attaching Placement Option for every two Placement Shares subscribed for.

(f) The purpose of the issue and the use of funds raised is as set out in section 1.

(g) A voting exclusion statement is included in the Notice of Meeting in relation to each of Resolutions 1A and 1B.

2.4 Directors' Recommendation

The Board unanimously recommends that Shareholders vote in favour of each of Resolution 1A and Resolution 1B. Any undirected proxies held by the Chairman will be voted in favour of these Resolutions.

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3. Resolution 2 – Approval of issue of Equity Securities in the Tranche Two Placement (excluding to Participating Directors)

3.1 General

Resolution 2 seeks Shareholder approval for the issue of part of the Tranche Two Placement, comprising up to 9,523,810 Placement Shares and 4,761,905 Placement Options. Approval for the issue to the Participating Directors of the balance of the Tranche Two Placement is the subject of Resolutions 3 and 4.

3.2 Listing Rule 7.1

A summary of Listing Rule 7.1 is set out in Section 2.2.

The issue of the 9,523,810 Placement Shares and 4,761,905 Placement Options under the Tranche Two Placement does not fall within any of the exceptions to Listing Rule 7.1 and exceeds the 15% limit in that Listing Rule. It therefore requires the approval of Shareholders which is sought under Resolution 2 for the purpose of that Listing Rule.

If Resolution 2 is passed, the 9,523,810 Placement Shares and 4,761,905 Placement Options will be excluded from the calculation of the number of Equity Securities that the Company can issue under Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

If Resolution 2 is not passed, the Company will not proceed with the issue of the Tranche Two Placement and will need to examine alternative sources of funding (including an issue of Shares utilising the Company's 15% Capacity). The Company might also be required to revise its exploration plans as set out in section 1.

3.3 Information required by Listing Rule 7.1

Pursuant to and in accordance with Listing Rule 7.3, the following information is provided to Shareholders:

(a) The Placement Shares and attaching Placement Options under this Resolution will be issued to sophisticated, institutional and professional investors introduced by the Company's brokers Euroz Hartleys Limited. None of the participants in the Tranche Two Placement to be issued under this Resolution 2 are Related Parties of the Company or members of its key management personnel, or existing substantial shareholders of or advisers to the Company, or Associates of any such persons.

(b) The maximum number of Placement Shares to be issued under this Resolution is 9,523,810 and the maximum number of Placement Options to be issued under this Resolution is 4,761,905.

(c) The Placement Shares are fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as, and ranking equally (from the date of their issue) with, the Company's existing Shares. The Placement Options are unlisted options exercisable at $0.04 per share and expiring on 1 March 2023. The full terms of the Placement Options are set out in Annexure A to this Notice.

(d) The Placement Shares and Placement Options will be issued as soon practical after the meeting, but in any event, no later than three months after the date of this General Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules) and it is intended that issue will occur on the one date.

(e) Each Placement Share will be issued for $0.021 which will include one free attaching Placement Option for every two Placement Shares subscribed for.

(f) The purpose of the issue and the use of funds raised is as set out in section 1.

(g) A voting exclusion statement is included in the Notice in relation to Resolution 2.

3.4 Directors' Recommendation

The Board unanimously recommends that Shareholders vote in favour of Resolution 2. Any undirected proxies held by the Chairman will be voted in favour of this Resolution.

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4. Resolution 3 and Resolution 4 – Approval of Issue of Equity Securities in the Tranche Two Placement to Participating Directors

4.1 General

Resolutions 3 and 4 seek Shareholder approval in accordance with Listing Rule 10.11 to allow the Participating Directors to participate in the Tranche Two Placement (on the same terms as all other placees). Shareholder approval is sought for the issue:

(a) under Resolution 3, of up to 19,047,620 Placement Shares and 9,523,810 Placement Options to Mr Christopher Ellis (or his nominee Chrysalis Investments Pty Ltd); and

(b) under Resolution 4, of up to 2,380,952 Placement Shares and 1,190,476 Placement Options to Mr Graeme Drew (or his nominee, Graeme Drew and Barbara Drew as trustee for the Drew Family Superannuation Fund).

Resolutions 3 and 4 will only be voted upon if Resolution 2 is approved by Shareholders.

4.2 Listing Rule 10.11

Listing Rule 10.11 provides that unless one of the exceptions in Listing Rule 10.12 applies, a listed entity must not issue or agree to issue Equity Securities to any of the following persons without the approval of its shareholders:

10.11.1 A related party.

10.11.2 A person who is, or was at any time in the 6 months before the issue or agreement, a substantial (30%+) holder in the entity.

10.11.3 A person who is, or was at any time in the 6 months before the issue or agreement, a substantial (10%+) holder in the entity and who has nominated a director to the board of the entity (in the case of a trust, to the board of the responsible entity of the trust) pursuant to a relevant agreement which gives them a right or expectation to do so.

10.11.4 An associate of a person referred to in rules 10.11.1 to 10.11.3 above.

10.11.5 A person whose relationship with the entity or a person referred to in rules 10.11.1 to 10.11.4 above is such that, in ASX's opinion, the issue or agreement should be approved by security holders,

(as terms used as defined terms in the above are defined in the Listing Rules).

Resolutions 3 and 4 propose that Placement Shares and Placement Options be issued to the Participating Directors or their nominee companies. The Participating Directors are related parties of the Company and fall within Listing Rule 10.11.1 and their nominee companies are their Associates and fall within Listing Rule 10.11.4. Mr Ellis' nominee company Chrysalis Investments Pty Ltd, is also a substantial (10%+) Shareholder of the Company and falls within Listing Rule 10.11.3.

The proposed issues under Resolutions 3 and 4 therefore fall within Listing Rule 10.11 and they do not fall within any of the exceptions in Listing Rule 10.12. Accordingly, approval for the issue of the above Placement Shares and Placement Options to the Participating Directors under these Resolutions is required pursuant to Listing Rule 10.11.

Approval pursuant to Listing Rule 7.1 is not required in respect of the Placement Shares and Placement Options the subject of Resolutions 3 and 4 because approval is being sought under Listing Rule 10.11 (and where approval is given under Listing Rule 10.11, it is not separately required under Listing Rule 7.1). Shareholders should note that the issue of the Placement Shares and Placement Options the subject of Resolutions 3 and 4 will not be included in the 15% calculation for the purposes of Listing Rule 7.1.

If Resolution 3 or Resolution 4 is not passed, the Company will not proceed with the issue of the Placement Shares and Placement Options to Messrs Ellis or Drew, respectively, and will need to examine alternative sources of funding (including an issue of Shares utilising the Company's 15% capacity afforded under Listing Rule 7.1).

4.3 Information required by Listing Rule 10.11

Pursuant to and in accordance with Listing Rule 10.13, the following information is provided to Shareholders in relation to Resolutions 3 and 4:

(a) The allottee under:

(i) Resolution 3 will be Mr Christopher Ellis (or his nominee Chrysalis Investments Pty Ltd);

(ii) Resolution 4 will be Mr Graeme Drew (or his nominee Graeme Drew and Barbara Drew as trustee for the Drew Family Superannuation Fund).

(b) Mr Ellis falls within the category in Listing Rule 10.11.1 and his nominee referred to in section 4.3(a)(i) above falls within the categories in Listing Rules 10.11.3 and 10.11.4 as he is a Director of the Company and his nominee is his Associate and a substantial Shareholder (with a holding of approximately 23% prior to the announcement of the proposed Placement on 19 February 2021). Mr Drew falls within the

category in Listing Rule 10.11.1 and his nominee referred to in section 4.3(a)(ii) above falls within the category in Listing Rule 10.11.4 as he is the Managing Director of the Company and his nominee is his Associate.

(c) The total number of Placement Shares and Placement Options to be issued by the Company pursuant to:

(i) Resolution 3 is 9,523,810 Placement Shares and 4,761,905 Placement Options;

(ii) Resolution 4 is 2,380,952 Placement Shares and 1,190,476 Placement Options;

(d) The Placement Shares are fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as, and ranking equally (from the date of their issue) with, the Company's existing Shares. The Placement Options are unlisted options exercisable at $0.04 per share and expiring on 1 March 2023. The full terms of the Placement Options are set out in Annexure A to this Notice.

(e) The Placement Shares and Placement Options will be issued as soon practical after the meeting, but in any event, no later than one month after the date of this General Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules) and it is intended that issue will occur on the one date;

(f) Each Placement Share will be issued for $0.021 which will include one free attaching Placement Option for every two Placement Shares subscribed for. This is the same price at which the other Placement Shares are issued under the Tranche Two Placement.

(g) The purpose of the issue and the use of funds raised is as set out in section 1.

(h) The Placement Shares and Placement Options are not issued with the intension to remunerate or incentivise Mr Ellis or Mr Drew. They are issued on the same terms and conditions as issued to all other placees who participated in the Placement.

(i) A voting exclusion statement is included in the Notice in relation to each of Resolutions 3 and 4.

4.4 Corporations Act issues

Section 606 prohibition

Section 606 of the Corporations Act prohibits a person acquiring a relevant interest in issued voting shares in a listed company if, as a result of the acquisition that person's or someone else's voting power in the company increases from 20% or below to more than 20%, or from a starting point that is above 20% and below 90%. A person's voting power is described in section 610 of the Corporations Act.

There are various exceptions to the prohibition in section 606 of the Corporations Act. Section 611 of the Corporations Act contains a table setting out circumstances in which acquisitions of relevant interests are exempt from the prohibition. Item 9 of the table in section 611 of the Corporations Act provides an exemption for acquisitions of no more than 3% in every 6 months, provided that throughout the 6 months before the acquisition that person has had voting power in the company of at least 19% (**3% Creep Exemption**).

Mr Ellis, through his control of Chrysalis Investments Pty Ltd, has a relevant interest in 155,868,673 Shares in the Company at the date of this Notice of Meeting being a percentage holding and voting power of 23.01%. This percentage has remained unchanged in the last six months and in fact from 23 January 2020, the last date the Company issued Shares. Under the 3% Creep Exemption Mr Ellis' shareholding can increase by no more than 3% from this percentage, being up to a maximum total of 26.01%, provided his holding remains above no less than 19% throughout the period of six months prior to the proposed issue.

Following the issue of 111,904,768 Placement Shares in the Tranche One Placement, which is scheduled to occur on or around 1 March 2021, a date subsequent to the date of this Notice of Meeting, Mr Ellis's voting

power will decrease from 23.01% to 19.75% (calculated as 155,868,673 Shares currently held divided by the total number of Shares on issue by the Company post the Tranche One Placement of 789,237,449).

If Shareholder approval is obtained pursuant to Resolutions 2 to 4, inclusive, the Company will issue, as soon as practical after the Meeting, a total of an additional 30,952,382 Placement Shares under the Tranche Two Placement, including the 19,047,620 Placement Shares to Mr Ellis. This issue will increase Mr Ellis's shareholding from the then 19.75% to 21.33%, calculated as 174,916,293 (being 155,868,673 plus 19,047,620) divided by the then total number of shares on issue of 820,189,831 (being 789,237,449 plus 30,952,382), and assuming no other Shares are issued before that date.

If Shareholder approval is not obtained pursuant to Resolutions 2 to 4, inclusive, for the Tranche Two Placement, the Company will not issue any of the Shares the subject of those Resolutions. In that event, Mr Ellis' shareholding will remain at 19.75%, as noted above.

If Shareholder approval is obtained for Resolution 2 (the issue of 9,523,810 Placement Shares and 4,761,905 Placement Options under the Tranche Two Placement) but not Resolutions 3 and 4, Mr Ellis's voting power will decrease to 19.51%, calculated as his current holding of 155,868,673 divided by the then total number of shares on issue of 798,761,259 (being 789,237,449 plus 9,523,810), and assuming no other Shares are issued before that date.

Chapter 2E

Chapter 2E of the Corporations Act provides that for a public company, or an entity that the public company controls, to give a financial benefit to a Related Party of a public company, the public company or entity must:

(a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and

(b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The participation by the Participating Directors in the Tranche Two Placement will constitute the giving of a financial benefit to Related Parties of the Company.

The Directors (other than the Participating Directors Mr Christopher Ellis and Mr Graeme Drew who have a material interest in Resolutions 3 and 4 respectively) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the participation by the Participating Directors in the Tranche Two Placement because the Placement Shares and Placement Options will be issued to them on exactly the same terms as the Placement Shares and Placement Options were and will be issued to non related participants in the Placement and accordingly, the giving of the financial benefit to the Participating Directors is on arm's length terms.

4.5 Directors' Recommendation

The Board, with Mr Ellis and Drew abstaining, recommend that Shareholders vote in favour of Resolutions 3 and 4. Any undirected proxies held by the Chairman will be voted in favour of these Resolutions.

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5. Resolution 5 – Approval of Issue of Broker Options

5.1 General

As stated above, Euroz Hartleys Limited has acted as Lead Manager to the Placement. In addition to a management fee of 6% of the gross amount received by the Company under the Placement (excluding subscription monies raised from the Participating Directors), the Company has agreed to issue the Broker

Options to the Lead Manager. The Broker Options are unlisted Options exercisable at $0.04 per Share on or before 1 March 2023, and are issued on the same terms as the Placement Options

Resolution 5 seeks Shareholder approval for the issue of 5,000,000 Broker Options to the Lead Manager for the purpose of Listing Rule 7.1.

5.2 Listing Rule 7.1

A summary of Listing Rule 7.1 is set out in Section 2.2.

The issue of the Broker Options does not fall within any of the exceptions to Listing Rule 7.1 and, if all of those Options are issued, will along with the Tranche One Placement Equity Securities, exceed the 15% limit in that Listing Rule. It therefore requires the approval of Shareholders which is sought under Resolution 5 for the purpose of that Listing Rule.

If Resolution 5 is passed, the Broker Options will be excluded from the calculation of the number of Equity Securities that the Company can issue under Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

If Resolution 5 is not passed, the Company will not be able to proceed with the issue of the Broker Options to Euroz Hartleys Limited.

5.3 Information required by Listing Rule 7.1

Pursuant to and in accordance with Listing Rule 7.3, the following information is provided to Shareholders:

(a) The Broker Options will be issued to the Company's brokers, Euroz Hartleys Limited (or their nominee(s)).

(b) The Company will issue 5,000,000 Broker Options exercisable at $0.04 per Share, expiring on 1 March 2023 (being on the same terms as the other Placement Options).

(c) The Broker Options are unlisted Options exercisable at $0.04 per Share and expiring on 1 March 2023. The full terms of the Options are set out in Annexure A to this Notice.

(d) The Broker Options will be issued as soon practical after the meeting, but in any event, no later than three months after the date of this General Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules) and it is intended that issue will occur on the one date.

(e) The Broker Options are issued as part of the consideration for services performed by the Lead Manager in management of the Placement.

(f) The Broker Options are issued under the terms of the agreement entered into with the Lead Manager who undertook to raise up to $3,000,000 in funds from sophisticated, institutional and professional investors for the Placement. The terms of the agreement with the Lead Manager is consistent with the terms of similar types of agreements. Under that agreement, the Company agreed to the issue to the Lead Manager of 5,000,000 Broker Options on the same terms and conditions as for other Placement Option recipients, and the payment of a management fee of 6% of the gross amount received by the Company under the Placement (excluding subscription monies raised from the Participating Directors).

(g) A voting exclusion statement is included in the Notice in relation to Resolution 5.

5.4 Directors' Recommendation

The Board unanimously recommends that Shareholders vote in favour of Resolution 5 as it will enable the Company to compensate Euroz Hartleys Limited in full for their services in relation to the Placement. Any undirected proxies held by the Chairman will be voted in favour of that Resolution.

GLOSSARY

$ means Australian dollars.

ASIC means the Australian Securities and Investments Commission.

Associate has the same meaning as in the ASX Listing Rules.

ASX means ASX Limited ABN 98 008 624 691, and where the context permits, the Australian Securities Exchange operated by ASX Limited.

Board means the current board of Directors of the Company.

Broker Options means the 5,000,000 Options agreed to be issued to the Lead Manager having the same terms of issue as the Placement Options.

Business Day means 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.

Company means AusQuest Limited (ABN 35 091 542 451).

Constitution means the Company's Constitution, as amended from time to time.

Corporations Act means the *Corporations Act 2001* (Cth).

Directors means the current Directors of the Company.

Equity Securities has the same meaning as in the Listing Rules.

Explanatory Statement means the explanatory statement accompanying the Notice of Meeting.

Listing Rules means the Listing Rules of ASX.

Lead Manager means Euroz Hartleys Limited Australian Financial Services Number 230052 ABN 33104 195 057 as lead manager to the Placement.

Meeting or General Meeting means the meeting convened by the Notice of Meeting.

Notice of Meeting or **Notice of General Meeting** means this notice of general meeting including the explanatory statement.

Option means an option to acquire a Share in the Company.

Participating Directors means the Directors of the Company who have elected to participate in the Placement, namely Mr Graeme Drew and Mr Christopher Ellis.

Placement means the placement announced by the Company on ASX on 19 February 2021 and described in section 1 of the Explanatory Statement and comprising the Tranche One Placement and the Tranche Two Placement.

Placement Share means a Share to be issued under the Placement.

Placement Option means an Option to be issued under the Placement on the basis of one Placement Option for every 2 Placement Shares applied for and issued.

Related Party is defined in section 228 of the Corporations Act.

Resolution means a resolution set out in the Notice of Meeting.

Tranche One Placement has the meaning given in section 1 of this Notice of Meeting.

Tranche Two Placement has the meaning given in section 1 of this Notice of Meeting.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of a Share.

VWAP means the volume weighted average price of Shares trading on ASX.

WST means Western Standard Time as observed in Perth, Western Australia.

ANNEXURE A: TERMS AND CONDITIONS OF OPTIONS TO BE GRANTED UNDER RESOLUTIONS 1 TO 5

The key terms of the Placement Options and Broker Options (together referred to below as **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 $0.04 (Exercise Price).

(c) **Expiry Date:** Each New Option will expire at is 5.00pm AWST on 1 March 2023 (**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 not seek quotation for of the New Options.

(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 5 Business Days after the Exercise Date, the Company will 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.

(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.

AUSQUEST LIMITED **ABN 35 091 542 451** **PROXY FORM**

The Company Secretary
AusQuest Limited
8 Kearns Crescent
Ardross WA 6153

Ph (+61 8) 9364 3866/Fax (+61 8) 9364 4892

GENERAL MEETING

I/We _____

of (address) _____

being a member(s) of AusQuest Limited and entitled to attend and vote at the General Meeting, hereby

Appoint _____

Name of Proxy

OR ☐ Mark this box if you wish to appoint the Chair of the General Meeting as your proxy

or failing the person/body corporate so named or, if no person/body corporate is named, the Chair of the General Meeting, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, as the proxy sees fit, at the General Meeting of the Company to be held at 10.00 am (WST), on 31 March 2021 at The Heritage Room, South of Perth Yacht Club, Applecross, Western Australia, and at any adjournment thereof.

If you appoint a proxy, the Company encourages you to direct your proxy how to vote on each item of business.

The Chair of the Meeting intends to vote all undirected proxies, which the Chairman is entitled to vote, in favour of each item of business.

Voting on Business of the General Meeting

RESOLUTION	FOR	AGAINST	ABSTAIN
Resolution 1A - Ratification of the prior issue of Equity Securities under Listing Rule 7.1 in the Tranche One Placement	☐	☐	☐
Resolution 1B - Ratification of the prior issue of Equity Securities under Listing Rule 7.1A in the Tranche One Placement	☐	☐	☐
Resolution 2 - Approval of issue of Equity Securities in the Tranche Two Placement (excluding to Participating Directors	☐	☐	☐
Resolution 3 - Approval of issue of Equity Securities in the Tranche Two Placement to Participating Director, Mr Christopher Ellis	☐	☐	☐
Resolution 4 - Approval of issue of Equity Securities in the Tranche Two Placement to Participating Director, Mr Graeme Drew	☐	☐	☐
Resolution 5 - Approval of issue of Broker Options to Euroz Hartleys Limited	☐	☐	☐

If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not to be counted in computing the required majority on a poll.

If two proxies are being appointed, the proportion of voting rights this proxy represents is _____%

Signed this day of 2021

By: Individuals and joint holders Companies (affix common seal if appropriate)

Signature	Director
Signature	Director/Company Secretary
Signature	Sole Director and Sole Company Secretary

INSTRUCTIONS FOR COMPLETING PROXY FORM

1. A member entitled to attend and vote at an General Meeting is entitled to appoint not more than two proxies to attend and vote on a poll on their behalf. The appointment of a second proxy must be done on a separate copy of the Proxy Form. Where more than one proxy is appointed, such proxy must be allocated a proportion of the member's voting rights. If a member appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes. A duly appointed proxy need not be a shareholder of the Company.

2. If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting, please write the full name of that individual or body corporate in the space provided. If you leave both the box and this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a security holder of the Company. A proxy may be an individual or a body corporate.

   If your appointment of a proxy specifies the way the proxy is to vote on a particular resolution and your appointed proxy is not the Chairman of the meeting and at the meeting a poll is duly demanded on the question that the resolution be passed, then if either your proxy is not recorded as attending the meeting (if a record of attendance is made) or your proxy does not vote on the resolution, the Chairman is taken, before voting on the resolution closes, to have been appointed as your proxy for the purposes of voting on the resolution at that meeting.

3. You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction, unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of securities you wish to vote in the appropriate place. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

   If you direct your proxy how to vote on a particular resolution, the proxy need not vote on a show of hands but if the proxy does so, the proxy must vote as directed. If the proxy has 2 or more appointments that specify different ways to vote on the resolution, the proxy must not vote on a show of hands. If the proxy is the Chairman, the proxy must vote on a poll, and must vote as directed and if the proxy is not the Chairman, the proxy need not vote on the poll, but if the proxy does so, the proxy must vote as directed.

4. Where a member's holding is in one name the holder must sign. Where the holding is in more than one name, all members should sign.

5. Where a Proxy Form of a corporate representative is lodged and is executed under a power of attorney, the power of attorney must be lodged in like manner as this Proxy Form.

6. Corporate members should comply with the execution requirements set out on the Proxy Form or otherwise with the provisions of Section 127 of the Corporations Act. Section 127 of the Corporations Act provides that a company may execute a document without using its common seal if the document is signed by:

   - 2 directors of the company;
   - a director and a company secretary of the company; or
   - for a proprietary company that has a sole director who is also the sole company secretary – that director.

   For the Company to rely on the assumptions set out in Section 129(5) and (6) of the Corporations Act, a document must appear to have been executed in accordance with Section 127(1) or (2). This effectively means that the status of the persons signing the document or witnessing the affixing of the seal must be set out and conform to the requirements of Section 127(1) or (2) as applicable. In particular, a person who witnesses the affixing of a common seal and who is the sole director and sole company secretary of the company must state that next to his or her signature.

7. Completion of a Proxy Form will not prevent individual members from attending the General Meeting in person if they wish. Where a member completes and lodges a valid Proxy Form and attends the General Meeting in person, then the proxy's authority to speak and vote for that member is suspended while the member is present at the General Meeting.

8. To vote by proxy, please complete and sign the enclosed Proxy Form and return by:

   (a) Post or in person to AusQuest Limited, 8 Kearns Crescent, Ardross WA 6153; or
   (b) facsimile to the Company on facsimile number +61 8 9364 4892; or
   (c) email to the Company at proxy@ausquest.com.au

   so that it is received not later than 10.00 am (WST) on Monday 29 March 2021.

   Proxy forms received later than this time will be invalid.