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14 October 2008

The Manager
Company Announcements Office
Australian Stock Exchange

By Electronic Lodgement

Dear Sir

NOTICE OF ANNUAL GENERAL MEETING

Please find attached the Notice of Annual General Meeting and Proxy Form which have been dispatched to shareholders today.

Yours faithfully

Darren Crawte
Company Secretary

**THIS IS AN IMPORTANT DOCUMENT
AND REQUIRES YOUR IMMEDIATE ATTENTION**

**NOTICE OF ANNUAL
GENERAL MEETING AND
EXPLANATORY
MEMORANDUM
&
PROXY APPOINTMENT
FORM**

AUSQUEST LIMITED
ABN 35 091 542 451

**DIRECTORS RECOMMEND YOU VOTE IN FAVOUR
OF ALL THE RESOLUTIONS**

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CHAIRMAN'S LETTER

AusQuest Limited

ABN 35 091 542 451

14 October 2008

Dear Shareholders,

ANNUAL GENERAL MEETING – STRATEGIC ALLIANCE WITH CLEVELAND-CLIFFS

Further to my earlier letter and attachment of 15 September regarding AusQuest's Strategic Alliance with major mining company Cleveland-Cliffs Inc. through its wholly-owned subsidiary Cliffs Australia Holdings Pty Ltd, please find enclosed a Notice of Meeting and Explanatory Memorandum, including a Proxy Appointment Form, for the Annual General Meeting of AusQuest shareholders to be held in Perth on 18 November 2008.

I encourage you to read these documents carefully. They provide important details and background on the proposed transaction with Cleveland-Cliffs, including an outline of the benefits for your Company. Also included is an Independent Expert's Report, prepared by BDO Kendalls, which concludes that the proposed transaction is, on balance, **fair and reasonable to the non-associated shareholders of AusQuest**.

At the AGM you will be asked to vote on six resolutions regarding the proposed transaction with Cleveland Cliffs. They relate to the issue of options and shares to Cliffs Australia Holdings Pty Ltd. Having carefully considered all aspects of the transaction and the Independent Expert's Report, **all Directors recommend that you vote in favour of these resolutions** and intend to also vote in favour with respect to their own shares.

Under the proposed transaction, Cleveland-Cliffs proposes, subject to shareholder approval and FIRB approval, to subscribe for 68,308,791 fully paid ordinary shares and an additional 26,470,857 options. This is in addition to the 21,590,000 options which have already been issued to Cleveland-Cliffs on 12 September 2008.

The issue price of all the shares and the exercise price of all of the options is \$0.40 each – a 110% premium to the trading price of AusQuest shares prior to the announcement and a 167% premium to the closing price on 10 October, the latest practicable date prior to the dispatch of the Notice of Meeting and Explanatory Memorandum.

The resolutions, if approved, will result in a significant increase in AusQuest's cash position, providing an **injection of approximately \$26 million** (net of costs) to be directed towards ongoing exploration. Cleveland-Cliffs – a major international mining company with a market capitalisation of approximately US\$4 billion – will emerge as a significant strategic shareholder in AusQuest with a fully diluted interest of approximately 30%.

Funds from this transaction will enable the Company to implement a very significant exploration campaign over the next three years, in particular at our Table Hill Manganese Project in the Pilbara region and the potential Iron-Oxide Copper-Gold prospect at Diamantina in Queensland. As part of the Strategic Alliance, Cleveland-Cliffs will nominate a representative to join the AusQuest Board and will also provide the Company with strategic, corporate and technical assistance.

In the current environment of significant volatility and uncertainty in global financial and equity markets, a capital raising of this magnitude for a junior exploration company – achieved at a substantial premium to our current share price – represents a significant achievement. It also secures the ongoing involvement in the Company of a major strategic shareholder well able to offer

financial, technical and corporate assistance. In these uncertain times, we believe that this is a very positive outcome.

If you are not able to attend the meeting in person, please fill in the Proxy Form and send it to the AusQuest office prior to 10.30 am (Perth time) on Sunday, 16 November 2008. I look forward to the opportunity of meeting you in person at the AGM.

Yours sincerely

John Innes

A handwritten signature in black ink, appearing to read 'John Innes', written in a cursive style.

**Chairman
AusQuest Limited**

ABN 35 091 542 451

IMPORTANT NOTICES

The Explanatory Memorandum contains important information

The Notice of Annual General Meeting, the Explanatory Memorandum and the accompanying Proxy Appointment Form should be read in their entirety before you decide whether or not to vote in favour of the Items in the Notice of Annual General Meeting.

The Explanatory Memorandum does not take into account the individual investment objectives, financial situation and particular needs of individual Shareholders. If you are in any doubt as to what you should do, you should consult your legal, financial or other professional advisor prior to voting.

Independent Expert's Report

The Independent Expert's Report prepared by BDO Kendalls sets out a detailed examination of the Proposed Transaction to enable non-associated Shareholders to assess the merits of, and decide whether to approve, the Proposed Transaction.

To the extent that it is appropriate, the Independent Expert's Report sets out further information in respect of the Proposed Transaction and concludes that **the Proposed Transaction is fair and reasonable to non-associated Shareholders**.

Shareholders are urged to read carefully the Independent Expert's Report to understand the scope of the report, the methodology of the assessment, the sources of information and the assumptions made.

Responsibility for information

The information concerning the Company contained in this Explanatory Memorandum, including financial information and information as to the views and recommendations of the Directors, has been provided by the Company and is the responsibility of the Company.

The information concerning Cliffs Australia Holdings Pty Ltd (**Cliffs Australia**) and Cleveland-Cliffs Inc., which is planned to be renamed Cliffs Natural Resources in mid-October (**Cleveland-Cliffs**) in the Explanatory Memorandum, including financial information, information relating to their board nominee and information as to their intentions, has been provided by Cliffs Australia. Neither the Company nor its advisors assume any responsibility for the accuracy or completeness of that information.

BDO Kendalls has prepared the Independent Expert's Report in relation to the Proposed Transaction (contained in the Appendix) and takes responsibility for that report.

Forward looking statements

Certain statements in the Explanatory Memorandum relate to the future. Such statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the Company to be materially different from future results, performance or achievements expressed or implied by such statements. These statements reflect views only as of the date of the Explanatory Memorandum. Neither the Company, Cliffs Australia, Cleveland-Cliffs nor any other person gives any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward looking statements in the Explanatory Memorandum will actually occur and you are cautioned not to place undue reliance on such forward looking statements.

Definitions and glossary

Capitalised terms used in the Notice of Annual General Meeting and the Explanatory Memorandum are defined in the Glossary.

AusQuest Limited
ABN 35 091 542 451

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS GIVEN that an annual general meeting of **AusQuest Limited (AusQuest or Company)** will be held at The Heritage Room, South of Perth Yacht Club, Applecross WA on Tuesday, 18 November 2008 at 10.30 am (Perth time).

1. ANNUAL REPORT

To receive and consider the financial report of the Company together with the reports of the directors and the auditor for the financial year ended 30 June 2008.

2. ADOPTION OF THE REMUNERATION REPORT

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

"That for the purposes of section 250R(2) of the Corporations Act 2001 (Cth) and for all other purposes, the remuneration report for the financial year ended 30 June 2008 be adopted."

The vote on this resolution is advisory only and does not bind the directors of the Company.

3. RE-ELECTION OF GREG HANCOCK AS DIRECTOR

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

"That Mr Greg Hancock, a director of the Company who retires in accordance with Rule 7.3 of the Company's constitution and, being eligible, offers himself for re-election, be re-elected as a director of the Company."

4. ISSUE OF OPTIONS UNDER THE AUSQUEST LIMITED EXECUTIVE AND EMPLOYEE OPTION PLAN

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

"That, for the purposes of item 9 to Listing Rule 7.2 of the Listing Rules of the Australian Securities Exchange (operated by ASX Limited), approval is given to the issue of options under the AusQuest Limited Executive and Employee Option Plan as detailed in the Explanatory Memorandum accompanying this Notice."

5. INCREASE IN NON-EXECUTIVE DIRECTORS REMUNERATION

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

"That for the purposes of Rule 7.5(a) of the Company's constitution, Listing Rule 10.17 of the Listing Rules of the Australian Securities Exchange (operated by ASX Limited) and for all other purposes, the maximum aggregate amount that may be paid to the non-executive directors of the Company as remuneration for their services in each financial year be increased from \$200,000 to \$300,000 which may be divided among those directors in the manner to be determined by the board of directors of the Company from time to time."

6. ADOPTION OF PROPOSED CONSTITUTION

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

"That, the Company adopt the proposed constitution tabled at the Meeting (and signed by the Chairman for the purposes of identification) as its constitution in substitution for, and to the exclusion of, both the existing constitution and the replaceable rules set out in the Corporations Act 2001 (Cth), with effect from the close of the Meeting."

7. APPROVAL OF PREVIOUS OPTION ISSUE

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

"That, for the purposes of Listing Rule 7.4 of the Listing Rules of the Australian Securities Exchange (operated by ASX Limited) and for all other purposes, the previous issue to Cliffs Australia Holdings Pty Ltd of 21,590,000 unlisted options to acquire fully paid ordinary shares in the capital of the Company at an exercise price of \$0.40 per share on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice be ratified and approved."

8. APPROVAL OF EXERCISE OF PREVIOUSLY ISSUED OPTIONS

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

*"That, for the purposes of item 7 of section 611 of the Corporations Act 2001 (Cth) and for all other purposes, the acquisition by Cliffs Australia Holdings Pty Ltd (**Cliffs Australia**) of fully paid ordinary shares in the capital of the Company upon exercise by Cliffs Australia of the 21,590,000 options previously issued to it on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice be approved and authorised."*

9. APPROVAL OF PROPOSED SHARE ISSUE

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

"That, for the purposes of item 7 of section 611 of the Corporations Act 2001 (Cth), Listing Rule 7.1 of the Listing Rules of the Australian Securities Exchange (operated by ASX Limited) and for all other purposes, the issue to and acquisition by Cliffs Australia Holdings Pty Ltd of 68,308,791 fully paid ordinary shares in the capital of the Company at an issue price of \$0.40 per share and otherwise on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice be approved and authorised."

10. APPROVAL OF PROPOSED OPTION ISSUE

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

"That, for the purposes of Listing Rule 7.1 of the Listing Rules of the Australian Securities Exchange (operated by ASX Limited) and for all other purposes, the issue to Cliffs Australia Holdings Pty Ltd of 26,470,857 unlisted options to acquire fully paid ordinary shares in the capital of the Company at an exercise price of \$0.40 per share on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice be approved and authorised."

11. APPROVAL OF EXERCISE OF PROPOSED OPTIONS

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

*"That, for the purposes of item 7 of section 611 of the Corporations Act 2001 (Cth) and for all other purposes, and conditional on the passing of Item 10, the acquisition by Cliffs Australia Holdings Pty Ltd (**Cliffs Australia**) of fully paid ordinary shares in the capital of the Company upon exercise by Cliffs Australia of 26,470,857 unlisted options (referred to in Item 10) on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice be approved and authorised."*

12. APPROVAL OF THE COMPANY'S RELEVANT INTEREST IN SHARES HELD BY CLIFFS AUSTRALIA HOLDINGS PTY LTD AND ITS ASSOCIATES

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

"That, for the purposes of item 7 of section 611 of the Corporations Act 2001 (Cth) and for all other purposes, by virtue of the Company entering into the Strategic Alliance Agreement as described in the Explanatory Memorandum, the acquisition by the Company and its associates of a relevant interest (within the meaning of the Corporations Act 2001 (Cth)) in the 68,308,791 ordinary shares in the capital of the Company (referred to in Item 9) and in any ordinary shares issued upon exercise of 21,590,000 unlisted options and 26,470,857 unlisted options (referred to in Items 8 and 11 respectively) which are held by Cliffs Australia Holdings Pty Ltd and its associates be approved and authorised."

VOTING EXCLUSIONS

The *Corporations Act 2001* (Cth) and the Listing Rules of the Australian Securities Exchange (operated by ASX Limited) requires that some shareholders be excluded from voting on the Items.

(A) IN RESPECT OF ITEMS 8, 9, 11 and 12

No votes may be cast by Cliffs Australia Holdings Pty Ltd and its associates on Items 8, 9, 11 and 12.

(B) IN RESPECT OF ITEMS 4, 5, 7, 9 AND 10

In addition, the Company will disregard any votes cast:

(a) in the case of Items 4 and 5, by the directors of the Company and any associate of the directors of the Company;

(b) in the case of Item 7, a person who participated in the issue and any associate of such person.

(c) in the case of each of Items 9 and 10, by any person who may participate in the issue and any person who might obtain a benefit if the Item is passed (except a benefit solely in the capacity of a holder of ordinary securities) and any associate of those persons; and

The Company, however, need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Appointment Form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Appointment Form to vote as the proxy decides.

ROLE OF ASIC AND ASX

A copy of this Notice of Annual General Meeting and Explanatory Memorandum has been lodged with ASIC and ASX. Neither ASIC nor ASX nor any of their respective officers takes any responsibility for the contents of the Notice of Annual General Meeting and Explanatory Memorandum.

By Order of the Board

14 October 2008

A handwritten signature in black ink, appearing to read 'Darren Crawte', is written over a faint, circular embossed seal. The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Darren Crawte

Company Secretary

NOTES

These notes form part of the Notice of Annual General Meeting

Venue

The Annual General Meeting will be held at The Heritage Room, South of Perth Yacht Club, Applecross WA commencing 10.30 am (Perth time) on Tuesday, 18 November 2008

How to Vote

You may vote by attending the meeting in person, by proxy or by authorised representative.

Voting in Person

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

Voting by Proxy

Each member entitled to vote at the Annual General Meeting may appoint a proxy to attend and vote at the meeting. A proxy need not be a member of the Company and can be an individual or a body corporate.

A body corporate appointed as a member's proxy may appoint a representative to exercise any of the powers the body may exercise as a proxy at the meeting. The representative should bring to the meeting evidence of his or her appointment, including any authority under which the appointment is signed, unless it has previously been given to the Company.

To vote by proxy, please complete and sign the Proxy Appointment Form enclosed with this Notice of Annual General Meeting as soon as possible. Proxy Appointment Forms and proxy appointment authorities, for example, the original or a certified copy of the power of attorney (if the Proxy Appointment Form is signed by an attorney) must be received:

- at 6 Kearns Crescent, Ardross WA 6153; or
- by fax, on fax number +61 8 9364 4892,

not later than 10.30 am (Perth time) on Sunday, 16 November 2008.

Documents received after that time will not be valid for the scheduled meeting.

A member entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise.

Bodies Corporate

A body corporate may appoint an individual as its authorised corporate representative to exercise any of the powers the body may exercise at meetings of a company's shareholders. The appointment may be a standing one. Unless the appointment states otherwise, the representative may exercise all of the powers that the appointing body could exercise at a meeting or in voting on a resolution. The representative should bring to the meeting evidence of his or her appointment, including any authority under which the appointment is signed, unless it has previously been given to the Company.

Powers of Attorney

A person attending the meeting under a Power of Attorney for a Shareholder should send a properly executed original (or certified copy) of an appropriate Power of Attorney to the Company:

- at 6 Kearns Crescent, Ardross WA 6153 ; or
- by fax, on fax number +61 8 9364 4892,

not later than 10.30 am (Perth time) on Sunday, 16 November 2008.

Previously lodged Powers of Attorney will be disregarded by the Company.

Voting Entitlement

In accordance with section 1074E(2)(g)(i) of the Corporations Act and regulation 7.11.37 of the Corporations Regulations, the Company has determined that for the purposes of the Annual General Meeting all shares in the Company will be taken to be held by the persons who held them as registered shareholders at 5.00 pm (Perth time) on Sunday, 16 November 2008 (**Voting Entitlement Time**). Subject to the voting exclusions set out in the Notice of Annual General Meeting, all holders of shares in the Company as at the Voting Entitlement Time will be entitled to vote at the Annual General Meeting.

EXPLANATORY MEMORANDUM

This Explanatory Memorandum is provided to the shareholders of the Company pursuant to and in satisfaction of the Corporations Act and the ASX Listing Rules. This Explanatory Memorandum is intended to be read in conjunction with the Notice of Annual General Meeting.

(A) MATTERS NOT RELATED TO THE PROPOSED TRANSACTION WITH CLIFFS AUSTRALIA (ITEMS 1 TO 6)

1. ITEM 1 – ANNUAL REPORT

Section 317 of the Corporations Act requires the Directors to lay before the annual general meeting the financial report, the directors' report (including the remuneration report) and the auditor's report for the last financial year that ended before the annual general meeting.

The Company's 2008 annual report (**Annual Report**) is available at <http://www.ausquest.com.au/financial.html>. Those holders that elected to receive a printed copy of the annual report will have received a copy with this Notice of Annual General Meeting.

In accordance with sections 250S and 250SA of the Corporations Act, shareholders will be provided with a reasonable opportunity to ask questions or make comments in relation to the management of the Company and the remuneration report but no formal resolution to adopt the reports will be put to Shareholders at the Annual General Meeting (save for Item 2 regarding the adoption of the remuneration report of the Company for the financial year ended 30 June 2008 (**Remuneration Report**)).

In accordance with section 250T of the Corporations Act, the chairman of the Meeting will allow a reasonable opportunity for the members as a whole to ask the auditor questions at the Meeting about:

- (a) the conduct of the audit;
- (b) the preparation and content of the auditor's report;
- (c) the accounting policies adopted by the Company in relation to the preparation of the financial statements; and
- (d) the independence of the auditor in relation to the conduct of the audit.

2. ITEM 2 – ADOPTION OF REMUNERATION REPORT

Section 300A of the Corporations Act sets out the information that should be included in the Remuneration Report. Section 250R(2) of the Corporations Act requires that a resolution that the Remuneration Report be adopted be put to a vote of Shareholders at the Company's annual general meeting. The vote on this Item is only advisory to the Company and does not bind the Board.

The Remuneration Report is contained on pages 23 to 25 of the Annual Report. The Remuneration Report:

- (a) explains the Board's policy for determining the nature and amount of remuneration of Executive Directors and senior executives of the Company; and
- (b) discusses the relationship between such policy and the Company's performance; and

-
- (c) sets out remuneration details of each Director.

Under section 250SA of the Corporations Act, Shareholders will be given a reasonable opportunity to ask questions about, or make comments on, the Remuneration Report.

The Directors consider that the remuneration policies adopted by the Company are appropriately structured to provide rewards that are commensurate with the performance of the Company and the individual. On this basis, the Directors unanimously recommend that members vote in favour of this advisory resolution.

Whilst there is no legal requirement to abstain from voting, the Company expects Directors and the senior executives whose remuneration details are disclosed in the report not to vote on this Item.

3. ITEM 3 – RE-ELECTION OF GREG HANCOCK AS DIRECTOR

Under Rule 7.3 of the Constitution, one third of the Directors (rounded down to the nearest whole number) must retire at each annual general meeting but a Director who retires under that Rule is eligible for re-election at that meeting. Re-election is by way of an ordinary resolution of Shareholders.

Mr Greg Hancock was appointed to the Board on 16 September 2003 and, for the purpose of Rule 7.3(c) of the Constitution, is required under that Rule to retire at the meeting but is eligible for re-election.

Mr Hancock BA Econs, BEd Hons., F.Fin has over 20 years' experience in capital markets practising in the area of corporate finance. He maintains close links with the stockbroking and investment banking community on behalf of the Company. Mr Hancock is a past member of the Corporations and Markets Advisory Committee (CAMAC) of the Federal Government.

The Directors (other than Mr Hancock) unanimously recommend that Shareholders vote in favour of Mr Hancock's re-election.

4. ITEM 4 – ISSUE OF OPTIONS UNDER THE AUSQUEST LIMITED EXECUTIVE AND EMPLOYEE OPTION PLAN (EEOP)

The purpose of the EEOP is to provide employees, executives, consultants and contractors with an opportunity to acquire a financial interest in the Company in the event certain targets are met, which will align their interests more closely with Shareholders and provide greater incentive for them to focus on the Company's long-term goals.

The Company intends to issue options under the EEOP. ASX Listing Rule 7.1 broadly provides that a company must not issue or agree to issue equity securities in any 12 month period which amounts to more than 15 per cent. of the company's issued share capital without obtaining Shareholder approval, unless an exception applies. Pursuant to exception 9 to ASX Listing Rule 7.2, an issue of securities under an employee incentive scheme is an exception to ASX Listing Rule 7.1 if, within 3 years before the date of issue, shareholders approved the issue of securities under the scheme as an exception to ASX Listing Rule 7.1.

Accordingly, Shareholder approval for the issue of options under the EEOP is being sought for the purpose of exception 9 of Listing Rule 7.2.

For the purpose of exception 9 of Listing Rule 7.2:

- (a) no options have previously been issued under the EEOP since the date of the adoption of the EEOP (with Shareholders' approval) on 17 September 2004; and

-
- (b) a summary of the key terms of the EEOP is set out in schedule 2 to the Explanatory Memorandum.

A copy of the EEOP will be sent to any Shareholder upon request and will also be available for inspection both at the Company's registered office during normal business hours prior to the Meeting and at the Meeting venue during the Meeting.

The Directors unanimously recommend that Shareholders vote in favour of this Item.

5. ITEM 5 – INCREASE IN NON-EXECUTIVE DIRECTORS REMUNERATION

ASX Listing Rule 10.17 and Rule 7.5(a) of the Constitution requires Shareholder approval by ordinary resolution for an increase in the total amount of fees paid to Directors (not including any salary paid to Executive Directors).

The Company is seeking approval to increase the maximum total remuneration payable to Non-Executive Directors from \$200,000 to \$300,000, to ensure that the Company is able to attract and retain the services of suitably qualified and experienced Non-Executive Directors.

Please note that it is not intended to pay all of the increased amount to Non-Executive Directors, if approved, in the current year. The unused proportion will enable the Company to appoint additional Directors in the future, if needed, and to increase fees in the future in line with changing market conditions.

The Directors (other than the Non-Executive Directors) unanimously recommend that Shareholders vote in favour of this Item.

6. ITEM 6 – ADOPTION OF PROPOSED CONSTITUTION

Under section 136 of the Corporations Act, the Company may repeal its Constitution and by special resolution adopt a new one.

The Company's Constitution was adopted in 2002, to coincide with the Company's admission to the official list of the ASX in 2003.

The Proposed Constitution:

- (a) takes account of recent amendments to the Corporations Act, the ASX Listing Rules and changes in Australian corporate governance practices; and
- (b) strikes an appropriate balance for corporate governance between flexibility and regulation; and
- (c) clarifies and simplifies certain provisions in the Constitution.

The Board considers it preferable to replace the Constitution with the Proposed Constitution rather than to modify the Constitution. A summary of the principal substantive differences between the Constitution and the Proposed Constitution is contained in schedule 1 to the Explanatory Memorandum.

A copy of the Proposed Constitution will be sent to any Shareholder upon request and will also be available for inspection both at the Company's registered office during normal business hours prior to the Meeting and at the Meeting venue during the Meeting.

The Directors unanimously recommend that Shareholders vote in favour of this Item.

**(B) MATTERS RELATED TO THE PROPOSED TRANSACTION WITH CLIFFS AUSTRALIA
(ITEMS 7 TO 12)**

1. THE PROPOSED TRANSACTION

On 11 September 2008, Cliffs Australia Holdings Pty Ltd ABN 53 123 528 227 (**Cliffs Australia**) entered into a subscription and option agreement with the Company (**Subscription and Option Agreement**) to subscribe for Shares and Options in two tranches. The agreement contains other standard terms and conditions and the Tranche 2 Placement (described below) is conditional on, *inter alia*, the approval of Shareholders in accordance with item 7 of section 611 of the Corporations Act and ASX Listing Rule 7.1.

The subscriptions of Shares and Options by Cliffs Australia under the Subscription and Option Agreement will occur in the following two tranches:

- (a) **Tranche 1 Placement:** the issue of 21,590,000 options to acquire Shares at an exercise price of \$0.40 per Share (further details of which are set out in schedule 4 to the Explanatory Memorandum) (**Tranche 1 Options**). The issue of the Tranche 1 Options took place on 12 September 2008.
- (b) **Tranche 2 Placement:** subject to the satisfaction of the Conditions Precedent:
 - (i) the issue of 68,308,791 Shares at an issue price of \$0.40 per Share (**Tranche 2 Shares**), such shares being ordinary, fully paid shares to be issued on the same terms and conditions as the Shares currently on issue;
 - (ii) the issue of 26,470,857 options to acquire Shares at an exercise price of \$0.40 per Share (further details of which are set out in schedule 4 to the Explanatory Memorandum) (**Tranche 2 Options**).

A summary of the key terms of the Subscription and Option Agreement is set out in schedule 3 to the Explanatory Memorandum.

Simultaneously with the execution of the Subscription and Option Agreement, the Company and Cliffs Australia entered into a strategic alliance agreement (**Strategic Alliance Agreement**) to govern the relationship between the Company and Cliffs Australia. A summary of the key terms of the Strategic Alliance Agreement is set out in schedule 5 to the Explanatory Memorandum.

The proposed ratification of the issue of the Tranche 1 Options is the subject of Item 7.

The proposed issue and allotment of the Tranche 2 Shares is the subject of Item 9.

The proposed issue of the Tranche 2 Options is the subject of Item 10.

The proposed approval of the acquisition of Shares by Cliffs Australia on exercise of the Tranche 1 Options and the Tranche 2 Options is the subject of Items 8 and 11 respectively.

The purpose of Item 12 is to seek shareholder approval for the Company's deemed relevant interest in certain Shares held by Cliffs Australia should Items 7 to 11 be passed and the Tranche 2 Placement be completed.

Details as to the reasons Shareholder approval is required for the Items referred to above are set out in sections 4 to 6 below.

2. WHO ARE THE PARTIES TO THE PROPOSED TRANSACTION?

- (a) Cliffs Australia Holdings Pty Ltd ABN 53 123 528 227

Cliffs Australia Holdings Pty Ltd is a wholly-owned indirect subsidiary of Cleveland-Cliffs Inc.

- (b) The Company

3. INFORMATION ABOUT CLEVELAND-CLIFFS

Headquartered in Cleveland, Ohio, Cleveland-Cliffs Inc. (the holding company of Cliffs Australia) is a successful international mining company and is the largest producer of iron ore pellets in North America and a major supplier of metallurgical coal to the global steel-making industry. Cleveland-Cliffs Inc. is listed on the New York Stock Exchange and has a market capitalisation of approximately US\$4 billion.

4. WHY IS SHAREHOLDER APPROVAL REQUIRED IN RESPECT OF ITEM 7?

ASX Listing Rule 7.1 provides that (subject to certain exceptions) prior approval of shareholders is required for an issue of securities if the securities will, when aggregated with the securities issued by the Company during the previous 12 months without shareholder approval, exceed 15 per cent. of the number of shares on issue at the commencement of that 12 month period.

Although the issue of the Tranche 1 Options did not require prior shareholder approval at their time of issue as such issue fell below the 15 per cent. limit in ASX Listing Rule 7.1, the effect of that issue is to reduce the Company's capacity to issue additional securities in the future without prior shareholder approval under ASX Listing Rule 7.1. Item 7 seeks shareholder ratification and approval of, for the purposes of ASX Listing Rule 7.4, the issue of the Tranche 1 Options in order to renew the Company's capacity to issue securities in the future up to the 15 per cent. limit in ASX Listing Rule 7.1.

5. WHY IS SHAREHOLDER APPROVAL REQUIRED IN RESPECT OF ITEMS 8 TO 11?

Corporations Act

The Proposed Transaction, if implemented, has the effect that Cliffs Australia will increase its voting power in the Company beyond 20 per cent. as a result of the issue of the Tranche 2 Shares.

Because the Tranche 1 Options and the Tranche 2 Options are in respect of unissued shares (which do not carry a vote until each option is exercised and a voting share is issued), Cliffs Australia is not prohibited by the Corporations Act from acquiring them. However, Cliffs Australia will be subject to applicable Corporations Act restrictions if, and when, it chooses to exercise those options. Should Cliffs Australia acquire Shares upon exercise of any of the Tranche 1 or Tranche 2 Options after the completion of the Tranche 2 Placement, this will have the effect of increasing its voting power in the Company from a starting point that is above 20 per cent. and below 90 per cent.

This means that the Proposed Transaction needs to fall within a relevant exemption from the prohibition against exceeding the 20 per cent. limit and from the prohibition against increasing voting power from a starting point that is above 20 per cent. and below 90 per cent. One such exemption is where shareholder approval is obtained. Item 7 of section 611 of the Corporations Act explains the requirements needed to be satisfied to fall within the exemption as follows:

"Approval by resolution of target"

An acquisition approved previously by a resolution passed at a general meeting of the company in which the acquisition is made, if:

- (a) no votes are cast in favour of the resolution by:
 - (i) the person proposing to make the acquisition and their associates; or
 - (ii) the persons (if any) from whom the acquisition is to be made and their associates; and
- (b) the members of the company were given all information known to the person proposing to make the acquisition or their associates, or known to the company, that was material to the decision on how to vote on the resolution, including:
 - (i) the identity of the person proposing to make the acquisition and their associates; and
 - (ii) the maximum extent of the increase in that person's voting power in the company that would result from the acquisition; and
 - (iii) the voting power that person would have as a result of the acquisition; and
 - (iv) the maximum extent of the increase in the voting power of each of that person's associates that would result from the acquisition; and
 - (v) the voting power that each of that person's associates would have as a result of the acquisition."

ASIC Policy Statement

ASIC policy statement 74 also sets out other information which ASIC expects to be provided in order for shareholders to make a fully informed decision. A copy of this policy statement can be found at <http://www.cpd.com.au/asic/ps/ps074.pdf>.

ASX Listing Rules

ASX Listing Rule 7.1 provides that (subject to certain exceptions, none of which are relevant for the purposes of Items 9 and 10) prior approval of shareholders is required for an issue of securities if the securities will, when aggregated with the securities issued by the Company during the previous 12 months without shareholder approval, exceed 15 per cent. of the number of shares on issue at the commencement of that 12 month period.

The Company has already reached the 15 per cent. limit for the purpose of issuing the Tranche 1 Options. Accordingly, the proposed issue of additional securities contemplated by the Tranche 2 Placement will require shareholder approval.

6. WHY WILL THE COMPANY HAVE A RELEVANT INTEREST IN SHARES HELD BY CLIFFS AUSTRALIA (ITEM 12)?

By virtue of the Strategic Alliance Agreement between Cliffs Australia and the Company, which provides the Company a measure of control over the disposal by Cliffs Australia of the Tranche 2 Shares, the Tranche 1 Options and Tranche 2 Options and Shares issued upon exercise of those Options (as summarised in section 10 of schedule 5 to the Explanatory Memorandum), the Corporations Act will deem the Company to have a relevant interest in Cliffs Australia's holding of Shares (including those Shares issued upon exercise of the Tranche 1 and Tranche 2 Options).

As mentioned in section 5 above, the Proposed Transaction, if implemented, has the effect that Cliffs Australia (i) will increase its voting power in the Company beyond 20 per cent. as a result of the issue of the Tranche 2 Shares and (ii) will increase its voting power in the Company from a starting point that is above 20 per cent. and below 90 per cent. should it exercise any of the Tranche 1 and Tranche 2 Options after the completion of the Tranche 2 Placement. This means that the Proposed Transaction needs to fall within a relevant exemption from the prohibition against exceeding the 20 per cent. limit and from the prohibition against increasing voting power from a starting point that is above 20 per cent. and below 90 per cent. One such exemption is where shareholder approval is obtained.

The purpose of Item 12 is to seek shareholder approval for the Company's deemed relevant interest in the Shares held by Cliffs Australia (including those Shares issued upon exercise of the Tranche 1 or Tranche 2 Options) should Items 7 to 11 be passed and the Tranche 2 Placement be completed.

7. WHAT MAJORITY OF VOTES IS REQUIRED FOR THE PROPOSED TRANSACTION TO BE APPROVED?

Each of Items 7 to 12 require an ordinary resolution which is a simple majority of those Shareholders present and voting either in person or by proxy at the meeting, either on a show of hands or on a poll if one is called in accordance with applicable requirements.

Those Shareholders who are excluded from voting on Items 7 to 12 are referred to in the section entitled "Voting Exclusions" in the Notice of Annual General Meeting.

8. FINANCIAL EFFECT OF THE PROPOSED TRANSACTION ON THE COMPANY?

The Company's current net cash position is approximately \$5 million.

Assuming the Proposed Transaction completes, the principal effect will be to increase the Company's cash reserves by approximately \$26 million (after estimated costs of the Proposed Transaction are deducted from the gross proceeds of approximately \$27 million raised by the issue of the Tranche 2 Shares).

The issue of the Tranche 1 Options and the Tranche 2 Options will raise no immediate cash funds as these options are issued for free. If all those Options were to be exercised, the Company will raise additional funds of approximately \$19 million.

The funds raised from the issue of the Tranche 2 Shares (and any exercise of the Tranche 1 Options and the Tranche 2 Options) will provide the Company with substantial funding to implement a very significant exploration campaign over the next three years, in particular at its Table Hill Project (Pilbara, Western Australia) and its Diamantina Project (Queensland) and to accelerate activity in its other key exploration assets.

9. EFFECT OF THE PROPOSED TRANSACTION ON THE COMPANY'S CAPITAL STRUCTURE AND VOTING POWER OF CLIFFS AUSTRALIA

The Company's securities on issue on 10 October 2008 (being the latest practicable date prior to the dispatch of the Explanatory Memorandum) are as follows:

	Quoted on ASX	Not Quoted on ASX	Total
Shares	159,387,179	-	159,387,179
Listed options	104,816,999	-	104,816,999
Unlisted options (various classes)	-	28,915,000	28,915,000
Total	264,204,178	28,915,000	293,119,178

As at 10 October 2008, Cliffs Australia held no Shares and 21,590,000 Tranche 1 Options, and accordingly had no voting power in AusQuest. Although Cliffs Australia does not intend to exercise the Tranche 1 Options at any time prior to the Company's Annual General Meeting on 18 November 2008, should Cliffs Australia elect to do so in full, it would hold 21,590,000 Shares representing (assuming the other Options on issue are not exercised) 11.93 per cent. of AusQuest's expanded issued share capital (equivalent to having 11.93 per cent. voting power in AusQuest). Cliffs Australia has the ability to (and may, if it chooses) increase its shareholding to 14.99 per cent. without obtaining FIRB Approval or shareholder approval.

If Item 9 is approved by Shareholders and the issue and allotment of the Tranche 2 Shares is completed, Cliffs Australia will be issued with 68,308,791 Shares and AusQuest's issued share capital will increase by approximately 43 per cent. to 227,695,970 Shares on issue. Following completion of the issue and allotment of the Tranche 2 Shares, Cliffs Australia's total holding of 68,308,791 Shares will represent 30 per cent. of AusQuest's expanded issued share capital (equivalent to having 30 per cent. voting power in AusQuest).

If Item 10 is approved by Shareholders, on completion of the Tranche 2 Placement, Cliffs Australia will be granted 26,470,857 options. Such options, together with the Tranche 1 Options and the Tranche 2 Shares, will provide Cliffs Australia a 30 per cent. Fully Diluted Interest in the share capital of the Company.

If Items 8 and 11 are approved by Shareholders, the Tranche 2 Placement is completed and Cliffs Australia elects to exercise the Tranche 2 Options and the Tranche 1 Options in full, Cliffs Australia's total holding of Shares will be increased to 116,369,648, which, assuming the other Options on issue are not exercised, would represent 42.20 per cent. of AusQuest's expanded issued share capital (equivalent to having 42.20 per cent. voting power in AusQuest).

Cliffs Australia's associates do not have a relevant interest in Shares other than that arising from securities held by Cliffs Australia itself.

10. EFFECT OF THE PROPOSED TRANSACTION ON BOARD COMPOSITION

As part of the Proposed Transaction, Cliffs Australia will be entitled to appoint one director to the AusQuest Board of Directors from the completion of the Tranche 2 Placement until the termination of the Strategic Alliance Agreement.

If the Proposed Transaction is completed, Cliffs Australia intends to appoint Richard Mehan as its first nominee to the AusQuest Board.

Mr Mehan (55) has 28 years experience in the resources industry with the vast majority being in the traded iron ore industry. He is the President and Chief Executive Officer of Cliffs Asia Pacific Pty Ltd. (a wholly-owned subsidiary of Cleveland-Cliffs Inc.). He has also worked for Portman Limited for the past eight years and held the roles of General Manager- Iron Ore, General Manager Marketing and Chief Operating Officer prior to his current appointment as Managing Director. Mr Mehan holds a Bachelor of Economics degree from Monash University.

11. WHAT ARE THE INTENTIONS OF CLIFFS AUSTRALIA?

Cliffs Australia's current intentions in relation to the Company are:

- (a) to be a strategic shareholder in the Company and to use its expertise to assist the future development of the Company's business;
- (b) not to change the business of the Company;

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- (c) to give consideration to injecting further capital into the Company, by exercising the Tranche 1 Options or Tranche 2 Options as permitted under the Corporations Act, or by way of subscribing for new securities on terms and conditions to be agreed with the Company;
 - (d) not to change the employment of any present employee of the Company;
 - (e) not to redeploy any fixed assets of the Company or to change significantly the Company's existing policies in relation to financial matters or dividends; and
 - (f) not to transfer to or acquire from the Company any property other than shares (save under the asset pre-emption provisions described in sections 8 and 9 of schedule 5 to the Explanatory Memorandum).

12. INTEREST OF THE DIRECTORS IN THE PROPOSED TRANSACTION

None of the Directors has any interest in the Proposed Transaction.

13. HOW DID THE DIRECTORS VOTE IN RELATION TO PUTTING THE PROPOSED TRANSACTION TO SHAREHOLDERS FOR APPROVAL AND IN RELATION TO THE CONTENTS OF THIS DOCUMENT?

Each of the Directors voted in favour of putting the Proposed Transaction to Shareholders for approval and commissioning BDO Kendalls to prepare the Independent Expert's Report. Each of the Directors also approved the contents of this document.

14. DO THE DIRECTORS RECOMMEND THE APPROVAL OF THE PROPOSED TRANSACTION?

Yes. The Directors recommend that Shareholders vote in favour of the Proposed Transaction (and each of Items 7 to 12).

After carefully considering all the aspects of the Proposed Transaction and the Independent Expert's Report, the Directors are of the view that the Proposed Transaction is in the best interests of the Company because, in their view, the advantages of the Proposed Transaction (set out in section 15) outweigh the potential disadvantages of the Proposed Transaction (set out in section 16).

15. WHAT ARE THE POTENTIAL ADVANTAGES IN APPROVING THE PROPOSED TRANSACTION

(a) Significant premium to market price of AusQuest shares

The issue price of \$0.40 per Tranche 2 Share issued is at a significant premium of 110 per cent. to the Company's closing Share price on 28 August 2008 (the last day of trading in the Shares prior to announcement of the Proposed Transaction) and a 167 per cent. premium to the Company's closing Share price on 10 October 2008 (the latest practicable date prior to dispatch of this Explanatory Memorandum).

(b) Fair value of \$0.40 issue price

The Directors believe that the \$0.40 issue price represents fair value. In forming this view, the Directors have taken into account various factors, including the trading price of the Shares, premiums in comparable transactions in Australia, the likely price at which the Company could undertake placements in the near future if the Tranche 2 Placement does not proceed and general market conditions in relation to the ability of the Company to raise capital of the scale and at the issue price contemplated by the Tranche 2 Placement.

(c) *Significant addition to AusQuest's cash position*

The \$27 million gross funds raised upon completion of the Tranche 2 Share issue will significantly increase the Company's current cash and liquid asset position of approximately \$5 million. The subscription proceeds (along with any proceeds received upon exercise of the Tranche 1 and Tranche 2 Options) will provide the Company with substantial funding to implement a very significant exploration campaign over the next three years, in particular at its Table Hill Project (Pilbara, Western Australia) and its Diamantina Project (Queensland) and to accelerate activity in its other key exploration assets.

(d) *Beneficial strategic investor*

Cliffs Australia has significant experience in the industry and has significant capital backing and, as a substantial shareholder in the Company, is a well positioned investor to provide strategic, corporate and technical assistance to the Company.

(e) *BDO Kendalls has concluded that the Proposed Transaction is fair and reasonable to non-associated Shareholders*

BDO Kendalls has concluded that the Proposed Transaction is fair and reasonable to non-associated Shareholders. The Independent Expert's Report accompanies the Notice of Annual General Meeting and Explanatory Memorandum.

(f) *No alternative proposal has emerged*

Since being announced on 11 September 2008, no alternative proposal has emerged. Further, the Directors have taken into account that no other formal expressions of interest in the ownership of the Company have been received in recent years that have resulted in any proposal that the Directors believed should be put to Shareholders.

16. WHAT ARE THE POTENTIAL DISADVANTAGES IN APPROVING THE PROPOSED TRANSACTION

(a) *You might not agree with BDO Kendalls or the Directors*

BDO Kendalls has concluded that the Proposed Transaction is fair and reasonable to non-associated Shareholders. The Directors recommend Shareholders vote in favour of Items 7 to 12 for the reasons set out in section 15. Shareholders may disagree with these opinions.

(b) *Dilution of your voting power in AusQuest*

The Tranche 2 Placement will dilute the voting power of current (non-associated) Shareholders. See section 9 for information about the effect of the Tranche 1 Placement and Tranche 2 Placement, and the exercise of the Tranche 1 Options and Tranche 2 Options on the Company's capital structure.

(c) *Non-associated Shareholders do not directly participate in the Proposed Transaction*

Cliffs Australia has not made a bid to acquire the Shares of Shareholders. Accordingly, the Proposed Transaction does not allow non-associated Shareholders to directly participate in the premium. However, all Shareholders will indirectly benefit from the premium pricing of the issue of the Tranche 2 Shares by virtue of a lower level of dilution of voting power than would be the case if Shares were issued for a lower premium and the significant improvement in the Company's cash position.

(d) *Potential significant influence on AusQuest*

Cliffs Australia will acquire approximately 30 per cent. of voting power in the Company on completion of the Tranche 2 Placement. Cliffs Australia may acquire a significant degree of influence in relation to the Company as a result of its shareholding. Cliffs Australia's intentions in relation to AusQuest are set out in section 11.

Under the terms of the Subscription and Option Agreement, Cliffs Australia also has the right to subscribe for Shares in the Company in certain circumstances to the extent necessary to maintain its percentage shareholding in AusQuest. Details of such arrangements are set out in section 4 of schedule 5 to the Explanatory Memorandum.

(e) *Proposed Transaction will reduce the likelihood of a takeover offer being received*

Following completion of the Tranche 2 Placement, Cliffs Australia will hold 68,308,791 Shares (representing 30 per cent. of AusQuest's expanded issued share capital) and 48,060,857 Options (in aggregate, representing a 30 per cent. Fully Diluted Interest in the share capital of the Company).

In addition, the Company has also entered into certain exclusivity provisions with Cliffs Australia which will prevent the Company soliciting proposals from third parties in relation to a takeover offer for the Company (further details of the exclusivity provisions are summarised in section 7 of schedule 5 to the Explanatory Memorandum).

Accordingly, the prospect of non-associated Shareholders receiving a takeover offer from a party other than Cliffs Australia following completion of the Proposed Transaction will be significantly reduced.

17. ARE THERE ANY OTHER CONTRACTS OR ARRANGEMENTS THAT ARE CONNECTED WITH THE PROPOSED TRANSACTION?

Other than the Subscription and Option Agreement and the Strategic Alliance Agreement:

- (a) there is no other contract or proposed contract between the Company and Cliffs Australia or any of their respective associates which is conditional upon, or directly or indirectly dependent on, shareholders agreement to the Proposed Transaction; and
- (b) there is no proposal whereby any property will be transferred between the Company and Cliffs Australia or any person associated with any of them.

18. WHEN WILL THE TRANCHE 2 PLACEMENT BE COMPLETED?

The Subscription and Option Agreement requires completion of the Tranche 2 Placement (and the allotment and issue of the Tranche 2 Shares and Tranche 2 Options) to take place within 5 Business Days after the Proposed Transaction is approved by shareholders and FIRB Approval is obtained. The application for FIRB Approval was submitted by Cliffs Australia on 22 September 2008 and it is expected that the Treasurer (or his delegate) will provide written advice, with or without conditions, as to whether there are any objections under Australia's foreign investment policy to the Tranche 2 Placement by 3 November 2008.

Cliffs Australia and the Company have agreed that should shareholder approval of the Proposed Transaction and FIRB Approval not be obtained by 9 February 2009, the Tranche 2 Placement will not be completed. In any event, the date by which the Company will issue and allot the Tranche 2 Shares and Tranche 2 Options (assuming shareholder

approval of the Proposed Transaction and FIRB Approval is obtained) will not be later than 3 months after the date of this Annual General Meeting.

If it is likely that FIRB Approval will be delayed beyond three months after the date of this Annual General Meeting, and assuming the Proposed Transaction is approved by Shareholders, the Company will apply for a waiver from ASX to issue the Tranche 2 Placement securities outside this three month period. However, there can be no guarantee that such waiver will be granted.

19. WHAT HAPPENS IF SHAREHOLDERS DO NOT APPROVE THE PROPOSED TRANSACTION?

If the Proposed Transaction does not proceed, AusQuest will not receive approximately \$26 million of cash proceeds (net of expenses) related to the subscription for the Tranche 2 Shares.

As a result, the Company's forecast cash position at the end of December 2008 would be approximately \$4 million. This level of cash would result in a slower exploration programme and would restrict the pursuit of new opportunities by the Company. It is likely that there would also be a corresponding need to raise further capital within the next 12 months or seek suitable joint venture partners. Such alternative capital raising may also lead to a dilution of voting power of Shareholders and may also be at a less advantageous price.

Irrespective of whether the Proposed Transaction proceeds, Cliffs Australia will continue to hold the Tranche 1 Options which, if the Tranche 2 Placement is not approved, expire on 12 March 2011.

SCHEDULE 1 TO THE EXPLANATORY MEMORANDUM – ADOPTION OF THE PROPOSED CONSTITUTION

PRINCIPAL SUBSTANTIVE DIFFERENCES BETWEEN CONSTITUTION AND PROPOSED CONSTITUTION

SUBJECT	CONSTITUTION	PROPOSED CONSTITUTION
Changes in terminology	A number of the definitions used in the Constitution are outdated (e.g., the SCH Business Rules have been replaced by the ASTC Settlement Rules).	Definitions are updated in the Proposed Constitution to reflect the changes in the Corporations Act, Listing Rules and the ASTC Settlement Rules.
Number of Directors	The Company must have at least 3 Directors and a maximum of 10 Directors.	The Company must have at least 3 Directors with no maximum set. The Board may determine the number of Directors.
Eligible candidates for Director	The Company must accept nominations from members for election of Directors at least 30 business days before a member requisitioned meeting and 35 business days before any other general meeting.	ASX Listing Rule 14.3 has been amended since the date the Current Constitution was adopted. This Listing Rule previously required the Company to accept nominations for election of Directors received at least 35 business days before the date of the general meeting (and 30 business days in the case of a member requisitioned meeting). The Listing Rule now allows a company's constitution to specify a longer period. Accordingly, it is proposed that the time period in which the Company must accept nominations for election of Directors be amended to 45 business days before the general meeting, unless the Board recommends the appointment or the Director is retiring by rotation. The period of 45 business days has been proposed as it balances the need of the Company to have sufficient time to prepare notices of meeting, while not being too long so as to deny members a reasonable opportunity to nominate a person for election as a Director.
Retirement of Directors	One third of the Directors (other than the Managing Director) are required to retire by rotation each year. This rule has the practical effect that, from time to time, Directors may be required to retire by rotation more frequently than every 3 years.	Requires a Director (other than any executive director) to retire at the third annual general meeting after the Director was elected or last re-elected, which is consistent with ASX Listing Rule 14.4. A Director who retires will be eligible to stand for re-election. To provide flexibility to the sequence of 3 year terms, Directors are also permitted to

SUBJECT	CONSTITUTION	PROPOSED CONSTITUTION
		voluntarily retire and seek re-election before the end of their three year term.
Removal of Directors	A Director may be removed from office by the Company by ordinary resolution.	A Director may be removed from office by the Company by ordinary resolution or by members holding a majority of the issued shares of the Company giving written notice to the Company.
Cessation of Director's Appointment	The office of Director automatically becomes vacant if the Director fails to attend Board meetings for a continuous period of six months (without the consent of the Board).	A Director's office becomes vacant if the Director fails to attend 3 consecutive Board meetings (not including Board committee meetings) without leave of absence from the Board. It is considered that this amended rule better reflects the expectation that Directors should attend Board meetings (unless they have the leave of the Board) as and when the meetings are scheduled.
Managing Director	Remuneration of Executive Directors must not be a commission on or percentage of operating revenue.	Remuneration of Executive Directors must not be a commission on or percentage of profits or operating revenue.
Board Meetings	Where there is an equality of votes, the chair of the meeting has a casting vote.	If an equal number of votes are cast for and against a resolution, where the chairman is not entitled to vote or there are only two directors entitled to vote, the matter is decided in the negative.
Sale of main undertaking	The Company may not sell its main undertaking without members' approval.	The prohibition on the Company selling its main undertaking without members' approval is removed as there is a similar restriction in ASX Listing Rule 11.2. Such a sale will now be permitted if permitted by the ASX Listing Rules or the Corporations Act.
Officers' Indemnity	The Company must (to the extent permitted by law) indemnify its officers against a liability of that person and the legal costs of that person.	Following amendments to the Corporations Act and the <i>Trade Practices Act 1974</i> (Trade Practices Act) (since the Constitution was adopted in 2002), the Proposed Constitution takes into account various recent legislative amendments affecting a company's ability to grant indemnities to its officers. Restrictions on the ability of companies to indemnify their officers are now contained in Part 2D.2 of the Corporations Act, as well as the Trade Practices Act.
Company Secretary	The Secretary's removal from office is subject to the terms of any contract	A person automatically ceases to be the Secretary under certain circumstances.

SUBJECT	CONSTITUTION	PROPOSED CONSTITUTION
	between the Company and the Secretary.	
Meetings of members	The Company may pass a resolution without a general meeting being held if all members entitled to vote sign a document containing a statement that they are in favour of the resolution. Where the Board postpones or cancels a meeting, the postponement or cancellation must be notified to each member, director, alternate director and the auditor. Where there is an equality of votes (whether on a show of hands or on a poll) the chair of the meeting has a casting vote. No equivalent provision	No equivalent provision. Circulating written resolutions of members are practically unworkable in the context of listed companies. The Company will be able to postpone or cancel a meeting or change the venue for a general meeting by giving written notice to ASX. This allows the Company to do so at short notice and for minimal cost compared to sending a notice to every member. If an equal number of votes are cast for and against a resolution, where the chairman is not entitled to vote, the matter is decided in the negative and otherwise the chairman has a casting vote regardless of whether the chairman is a member. The Proposed Constitution clarifies that on a show of hands a member who is present and entitled to vote has only one vote, even if that member is also a proxy, attorney or a representative of other members, unless permitted under the ASX Listing Rules or under the terms of issue of the shares.
Share Transfers	No equivalent provision	The Board may refuse to register a transfer of shares where the registration of the transfer would create a new holding of an unmarketable parcel of shares.
Share Plans	No equivalent provision	The Board will be allowed to introduce share plans without member approval. It is noted, however, that under the ASX Listing Rules, any issue of shares to Directors under an employee incentive plan would still require member approval. This change would give the Board more flexibility to adopt a plan that issues securities of the Company for the benefit of employees or Directors.
Dividend	No equivalent provision	Different members may receive the same dividend payment but from different sources of reserves or profits.
Reduction of capital	No equivalent provision.	Where the Company reduces its capital in accordance with the Corporations Act and where it distributes specific assets to members, the Board may fix the value of

SUBJECT	CONSTITUTION	PROPOSED CONSTITUTION
		assets distributed, make cash payments to adjust members' rights as between themselves or vest assets in trustees.
Preference shares	Preference shares can be issued at times and on terms and conditions as the Directors see fit.	Preference shares may be issued on the terms and conditions contained in the schedule to the Proposed Constitution unless other rights have been approved by special resolution of the Company.

SCHEDULE 2 TO THE EXPLANATORY MEMORANDUM – SUMMARY OF THE EEOP

1. INVITATION

- 1.1 The Board may offer an Eligible Person to participate in the EEOP and apply for options to subscribe for Shares (**EEOP Options**). An Eligible Person means a person who is a:
- (a) a full-time or part-time employee of the Company or a related body corporate;
 - (b) a director of the Company or a related body corporate;
 - (c) an officer of the Company; or
 - (d) contractors and consultants who have worked for the Company for more than one year and (i) who received 80 per cent. or more of their income in the preceding year from the Company or (ii) qualify as contractors in the opinion of the Board.
- 1.2 Upon receipt by an Eligible Employee of an offer, the Eligible Employee must, if he wishes to participate in the EEOP, apply for EEOP Options under the EEOP.

2. TERMS OF THE OFFER OF EEOP OPTIONS

- 2.1 No monies will be payable for the issue of the EEOP Options.
- 2.2 The EEOP Options will expire on the earlier of:
- (a) five years from their date of issue; and
 - (b) (subject as provided below) the date on which the option holder ceases to be an Eligible Person,
- (Expiry Date).**
- 2.3 Each EEOP Option shall carry the right to subscribe for one Share.
- 2.4 The exercise price of the EEOP Option shall be the weighted average price of the Company's Shares on the ASX over the five trading days prior to the date of offer of the EEOP Options (but, shall not be less than \$0.20).
- 2.5 The Board may, in its absolute discretion, impose performance hurdles on the exercise of the EEOP Options.

3. EXERCISE OF EEOP OPTIONS

- 3.1 Subject to section 5 below, the EEOP Options are only exercisable if at the time of exercise, the option holder is an Eligible Person.
- 3.2 The EEOP Options are exercisable prior to the Expiry Date.
- 3.3 The EEOP Options will not be quoted on ASX.
- 3.4 The EEOP Options are not transferable in the first year after their date of issue. Subsequently, the EEOP Options are transferable provided that the proposed new holder enters into a covenant with the Company pursuant to which the proposed new holder acknowledges and agrees to be bound by the provisions of the EEOP.
- 3.5 All Shares issued upon the exercise of the EEOP Options will rank pari passu in all respects with the Company's then issued Shares. The Company will apply for the Shares issued upon the exercise of the EEOP Options to be listed on ASX.

4. ISSUES AND RECONSTRUCTIONS

- 4.1 Option holders will not be entitled to participate in new issues or pro rata issues of securities offered to Shareholders unless the EEOP Options are first exercised.
- 4.2 If there is a pro rata issue (except a bonus issue) to Shareholders, the exercise price of an EEOP Option will be reduced according to the formula set out in ASX Listing Rule 6.22.
- 4.3 If there is a bonus issue to Shareholders, the number of Shares over which an EEOP Option is exercisable will be increased by the number of Shares which the holder of the EEOP Option would have received if the EEOP Option had been exercised before the record date for the bonus issue.
- 4.4 In the event of any reorganisation (including consolidation, subdivisions, reduction or return) of the issued capital of the Company, all rights of the option holder shall be reorganised (as appropriate) in accordance with the ASX Listing Rules.

5. TERMINATION OF RIGHT TO EXERCISE EEOP OPTION

- 5.1 The EEOP Options shall lapse on the earlier of:
- (a) the Expiry Date;
 - (b) a determination by the Board that the option holder has, in the Board's opinion:
 - (i) been dismissed or removed from office for a reason which entitles a group company to dismiss the option holder without notice or committed any act of fraud, defalcation or gross misconduct in relation to the affairs of that company; or
 - (ii) done any act which brings the group or any company in the group into disrepute; and
 - (c) unless otherwise determined by the Board, where:
 - (i) the employment of an Eligible Person by the Company or a related body corporate ceases; or
 - (ii) the directorship of that Eligible Person (who is not an employee of the Company or a related body corporate) ceases.
- 5.2 The exercise of the EEOP Options shall be effective if an option holder ceases to be Eligible Person by virtue of his death or ill health, or an accident resulting in permanent disability and (in the case of a Director) by reason of retirement under the constitution of the Company or the Corporations Act.

6. ALTERATIONS TO THE EEOP

The EEOP may be amended by the Board subject to the requirements of the Corporations Act and the ASX Listing Rules. Such amendments shall not adversely affect the rights of existing option holders unless such amendments are consented to, or required by the Corporations Act or the ASX Listing Rules.

7. TERMINATION OF THE EEOP

The EEOP may be terminated by the Board, but without prejudice to the rights of existing option holders.

SCHEDULE 3 TO THE EXPLANATORY MEMORANDUM – KEY TERMS OF SUBSCRIPTION AND OPTION AGREEMENT

1. Cliffs Australia and the Company entered into the Subscription and Option Agreement on 11 September 2008. The key terms of that agreement are set out below.
2. Cliffs Australia has agreed to subscribe for, and the Company has agreed to issue and allot, fully paid up ordinary shares in the capital of the Company (**Shares**) at an issue price of \$0.40 per Share and options to subscribe for Shares (**Options**) with an exercise price of \$0.40 per Share.
3. The subscriptions of the Shares and Options by Cliffs Australia will occur in two tranches:
 - (a) **Tranche 1 Placement:** the issue of 21,590,000 options to acquire Shares at an exercise price of \$0.40 per share (**Tranche 1 Options**). The issue of the Tranche 1 Options took place on 12 September 2008.
 - (b) **Tranche 2 Placement:** subject to the satisfaction of the Conditions Precedent:
 - (i) the issue of 68,308,791 Shares at an issue price of \$0.40 per Share (**Tranche 2 Shares**) and realising aggregate proceeds for the Company of approximately \$27 million;
 - (ii) the issue of 26,470,857 options (**Tranche 2 Options**), which (together with the Tranche 1 Options and the Tranche 2 Shares) will provide Cliffs Australia with a Fully Diluted Interest of 30 per cent. in the share capital of AusQuest.
4. The conditions precedent to completion of the Tranche 2 Placement (**Conditions Precedent**) are:
 - (a) Shareholders approving the Tranche 2 Placement for the purposes of item 7 of section 611 of the Corporations Act and the ASX Listing Rules;
 - (b) Shareholders approving the exercise of the Tranche 2 Options for the purposes of item 7 of section 611 of the Corporations Act and the ASX Listing Rules;
 - (c) FIRB Approval;
 - (d) no insolvency event occurring in respect of the Company and no material breach by the Company of any representation or warranty given in the agreement.

Cliffs Australia may waive the Conditions Precedent referred to in sections 4(b) and 4(d) above.

Without prejudice to the Tranche 1 Options which have already been issued, the agreement will terminate if the Conditions Precedent are not satisfied or (if relevant) waived on or before 9 February 2009.
5. The Company has provided customary warranties (as at the date of the agreement and on completion of the Tranche 2 Placement) including as to (i) its capacity, authority and solvency (ii) the Shares and Options to be issued to Cliffs Australia (iii) its compliance with its continuous disclosure obligations under ASX Listing Rule 3.1 (iv) the accuracy of certain information provided to Cliffs Australia and (v) its mining tenements.
6. The warranties provided by the Company are supported by an indemnity in favour of Cliffs Australia.

-
7. The Company has agreed that it would convene a general meeting of Shareholders to seek their approvals in accordance with the ASX Listing Rules and item 7 of section 611 of the Corporations Act (as applicable) for:
- (a) the exercise of the Tranche 1 Options;
 - (b) the grant of the Tranche 2 Options;
 - (c) the issue of the Tranche 2 Shares; and
 - (d) the exercise of the Tranche 2 Options.
8. The AusQuest Board must unanimously, in the absence of a superior proposal:
- (a) recommend that Shareholders vote to approve the resolutions described in sections 7(a) to 7(d) above; and
 - (b) maintain its recommendation at all times before or during the general meeting convened to consider the resolutions.

SCHEDULE 4 TO THE EXPLANATORY MEMORANDUM – KEY TERMS OF TRANCHE 1 AND TRANCHE 2 OPTIONS

1. The Tranche 1 Options and the Tranche 2 Options (**CC Options**) have or will be issued for no cash consideration.
2. Each CC Option entitles the holder on exercise to one Share.
3. Each of the Tranche 1 Options and the Tranche 2 Options may be exercised at any time prior to 5:00pm (Perth, Western Australia time) on the later of:
 - (i) 12 March 2011; and
 - (ii) 30 months after the issue of the Tranche 2 Options (**Expiry Date**),in whole or in part, upon payment of the exercise price.
4. The exercise price of each of the CC Options is \$0.40.
5. The CC Options will not be quoted
6. The CC Options are transferable.
7. All Shares issued upon the exercise of the CC Options will rank pari passu in all respects with the Shares then in issue.
8. There are no participating rights or entitlements inherent in the CC Options and option holders will not be entitled to participate in new issues or pro rata issues of securities offered to Shareholders unless the CC Options are first exercised.
9. If there is a pro rata issue (except a bonus issue) to Shareholders, the exercise price of a CC Option will be reduced according to the formula set out in ASX Listing Rule 6.22.2.
10. If there is a bonus issue to Shareholders, the number of Shares over which a CC Option is exercisable will be increased by the number of Shares which the holder of the CC Option would have received if the CC Option had been exercised before the record date for the bonus issue.
11. In the event of any reorganisation (including consolidation, subdivisions, reduction or return) of the issued capital of the Company, all rights of the option holder shall be reorganised (as appropriate) in accordance with the ASX Listing Rules.

SCHEDULE 5 TO THE EXPLANATORY MEMORANDUM – KEY TERMS OF STRATEGIC ALLIANCE AGREEMENT

1. Cliffs Australia and the Company entered into the Strategic Alliance Agreement on 11 September 2008. The key terms of that agreement are set out below.

2. *Board representation*

Cliffs Australia will be entitled to have one nominee on the Board of Directors with effect from completion of the Tranche 2 Placement (until the termination of the agreement - see section 12 below).

3. *Shareholder meetings*

Cliffs Australia has agreed not to:

- (a) requisition a meeting of Shareholders to change the composition of the AusQuest Board; or
- (b) vote against the re-election of the existing directors of AusQuest and any independent director appointed prior to 31 December 2008 with Cliffs Australia's consent (such consent not to be unreasonably withheld or delayed) (**Designated Directors**); or
- (c) requisition a meeting of Shareholders to approve resolutions which are inconsistent with the agreement,

for the period from 11 September 2008 until the earlier of 30 November 2010 and the date on which the 2010 Annual General Meeting of the Company is held (**Relevant Period**).

4. *Cliffs Australia Standstill*

- (a) Cliffs Australia has agreed not to acquire any securities in the Company (other than as set out in sub-section (b) below) during the Relevant Period.
- (b) Acquisitions will be permitted in the following circumstances:
 - (i) acquisitions of Shares and Options by Cliffs Australia under the terms of the Subscription and Option Agreement (including upon exercise of the Tranche 1 Options and the Tranche 2 Options);
 - (ii) where the Company proposes to proceed with or to recommend a Third Party Proposal for the Shares;
 - (iii) where the Company has granted due diligence access to a third party to facilitate a Third Party Proposal;
 - (iv) acquisitions of securities under a pro rata rights or other entitlement issue that Cliffs Australia is eligible to participate in;
 - (v) acquisitions of securities under a placement or other issue where Cliffs Australia will be entitled to participate in such placement or other issue at a level that will maintain its shareholding on a fully diluted basis (or optionholding, if it is an issue of options) at its level at the time such placement or issue is made;
 - (vi) acquisitions of securities where Cliffs Australia acts as underwriter to any pro rata rights issue conducted by the Company;

-
- (vii) acquisitions of securities consented to by the Company; or
 - (viii) if a third party acquires a relevant interest in more than a 10 per cent. interest (assuming for this purpose, that all Options on issue on the relevant date are exercised and the resultant Shares form part of AusQuest's then issued share capital) (**Fully Diluted Interest**) in the issued capital of AusQuest.

5. *Restriction on AusQuest issuing securities*

- (a) The Company has agreed not to, for so long as Cliffs Australia holds a Fully Diluted Interest of 20 per cent. or more in the Company, to issue any securities other than:
 - (i) Shares and Options to Cliffs Australia under the terms of the Subscription and Option Agreement (including upon exercise of the Tranche 1 Options and the Tranche 2 Options);
 - (ii) under the existing AusQuest Limited Executive and Employee Option Plan (or as amended, if consented to by Cliffs Australia);
 - (iii) on the exercise of any existing Options on issue at the date of execution of the Strategic Alliance Agreement;
 - (iv) under a pro rata rights issue or other entitlement issue that Cliffs Australia is eligible to participate in;
 - (v) under a placement or other issue where Cliffs Australia is entitled to participate in such placement or other issue at a level that will maintain its shareholding on a fully diluted basis (or optionholding, if it is an issue of options) at its level at the time such placement or issue is made; or
 - (vi) with the consent of Cliffs Australia.
- (b) Cliffs Australia will have a right of first refusal to act as underwriter to any pro rata rights issue, placement or other issue to be conducted by the Company.

6. *Change of AusQuest Board*

If three or more of the Designated Directors are removed or resign from office, then the Cliffs Australia standstill described in section 4 above and the restrictions imposed on Cliffs Australia described in section 3 above will both cease to apply.

7. *Exclusivity*

- (a) During the Relevant Period, the Company has agreed not to, except with the prior consent of Cliffs Australia:
 - (i) solicit, encourage or invite any enquiries, discussions or proposals in relation to, or which may reasonably be expected to lead to, a Third Party Proposal for the Company;
 - (ii) initiate any discussions or negotiations in relation to, or which may reasonably be expected to lead to, a Third Party Proposal for the Company; or
 - (iii) communicate to any person an intention to do any of the things referred to above.

-
- (b) During the Relevant Period, the Company has agreed not to participate, except with the prior consent of Cliffs Australia, in any discussions or negotiations, provide any information or take any other action to induce or facilitate any third party making or pursuing a Third Party Proposal unless the Board of Directors has determined in good faith, acting reasonably, after receiving legal advice in writing from a senior lawyer, independent of the Company and all of the Board of Directors and with experience in corporate law, that failing to take such action would be reasonably likely to constitute a breach of its fiduciary or statutory obligations.
 - (c) A **Third Party Proposal** includes any proposal or transaction that if completed would result in a third party acquiring: (i) an interest of more than 10 per cent. of one or more classes of the Company's securities; (ii) voting power of more than 10 per cent. in the Company; (iii) a material asset of the Company (unless Cliffs Australia's pre-emptive rights referred to in sections 8 and 9 below are complied with); or (iv) a third party merging with the Company including by way of reverse takeover bid or reverse scheme of arrangement.

8. *Right of pre-emption with respect to Major Assets*

- (a) For so long as Cliffs Australia has a Fully Diluted Interest of 20 per cent. or more in the Company, Cliffs Australia will have a right of pre-emption over any Major Assets in the event that the Company wishes to dispose of, or enter into a joint venture or similar arrangement in relation to, any of those Major Assets.
- (b) The Company will be required to make an offer to Cliffs Australia on substantially similar terms as those offered by a third party.
- (c) If Cliffs Australia does not wish to enter into an appropriate agreement with the Company on those terms then AusQuest will be free for the next six months to dispose of, or enter into a joint venture or similar arrangement in relation to, those Major Assets on no less favourable terms than were offered to Cliffs Australia.
- (d) For this purpose, **Major Assets** means the Diamantina Project, the Table Hill Project, the Savory Project and the Skillion Hill Project and includes any other mining tenements or any other interests in mining tenements held by the Company where the value of the offer that Cliffs Australia has a right to pre-empt or match is not less than \$20 million.

9. *Right of Cliffs Australia with respect to Minor Assets*

- (a) For so long as Cliffs Australia has a Fully Diluted Interest of 20 per cent. or more in the Company, if the Company wishes to dispose of, or enter into a joint venture or similar arrangement in relation to, any Minor Assets, then it will advise Cliffs Australia of the terms upon which it would like to do so.
- (b) If Cliffs Australia does not wish to enter into an appropriate agreement with the Company on those terms then the Company will be free for the next six months to dispose of, or enter into a joint venture or similar arrangement in relation to, those Minor Assets on no less favourable terms than were offered to Cliffs Australia.
- (c) For this purpose, **Minor Assets** means any mining tenement or interest in a mining tenement (including interests held under joint ventures) which is not a Major Asset.

10. *Sale by Cliffs Australia*

During the Relevant Period, Cliffs Australia may sell all of the Tranche 1 Options, the Tranche 2 Shares, the Tranche 2 Options and any Shares issued upon exercise of its Tranche 1 or 2 Options but will not sell part only of such holdings.

11. *Suspension of drilling*

The Company has agreed to suspend its drilling programme at the Table Hill Project and the Diamantina Project for the period from the date of this agreement to the date of the Company's general meeting on 18 November 2008.

12. *Termination*

The Strategic Alliance Agreement will terminate immediately if the Subscription and Option Agreement is terminated (see section 4 of schedule 3 to the Explanatory Memorandum). Cliffs Australia has the right to terminate the agreement if Shareholders do not approve of the exercise of the Tranche 2 Options (Item 11).

Either party may terminate the Strategic Alliance Agreement:

- (a) at any time after completion of the Tranche 2 Placement if Cliffs Australia holds a Fully Diluted Interest in AusQuest of less than 20 per cent.; or
- (b) the other party is subject to an insolvency event; or
- (c) the other party commits a breach of this agreement and: (i) the breach is material and not capable of being cured, or (ii) the breach is capable of being cured and the defaulting party fails to cure the breach within 14 business days of being notified of the breach by the non-defaulting party.

GLOSSARY

Annual Report means the annual report of the Company for the financial year ended 30 June 2008.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited (ABN 98 008 624 691).

ASX Listing Rules means the listing rules of the ASX.

AusQuest or Company means AusQuest Limited ABN 35 091 542 451.

BDO Kendalls means BDO Kendalls Corporate Finance (WA) Pty Ltd ABN 27 124 031 045.

Board or Board of Directors means the board of directors of the Company.

CC Options means the Tranche 1 Options and Tranche 2 Options.

Cliffs Australia means Cliffs Australia Holdings Pty Ltd ABN 53 123 528 227 (a wholly-owned subsidiary of Cleveland-Cliffs Inc.).

Conditions Precedent means the conditions precedent to the completion of the Tranche 2 Placement described in section 4 of schedule 3 to the Explanatory Memorandum.

Constitution means the existing constitution of the Company dated 23 April 2002.

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

Designated Directors has the meaning in section 3(b) of schedule 5 to the Explanatory Memorandum.

Directors means the directors of the Company.

Dollars or \$ means the lawful currency of Australia.

EEOP means the AusQuest Limited Executive and Employee Option Plan adopted by the Company on 17 September 2004 (and amended on 28 June 2006).

EEOP Option means an Option granted under the EEOP.

Executive Directors means the executive directors of the Company.

Explanatory Memorandum means the explanatory memorandum accompanying this Notice of Annual General Meeting.

FIRB Approval means approval under the *Foreign Acquisitions and Takeovers Act 1975* (Cth).

Fully Diluted Interest means the interest in the issued share capital of AusQuest held by a person, assuming for this purpose, that all Options on issue on the relevant date are exercised and the resultant Shares form part of the Company's then issued share capital.

Independent Expert means BDO Kendalls.

Independent Expert's Report means the report of the Independent Expert prepared for the purposes of obtaining Shareholder approval under item 7 of section 611 Corporations Act to Items 7 to 12 contained in the Appendix.

Item means an agenda item or a resolution referred to in the Notice of Annual General Meeting.

Major Assets has the meaning in section 8(d) of schedule 5 to the Explanatory Memorandum.

Minor Assets has the meaning in section 9(c) of schedule 5 to the Explanatory Memorandum.

Options means options to subscribe for Shares.

Non-Executive Directors means the non-executive directors of the Company.

Notice or **Notice of Annual General Meeting** means this notice of annual general meeting.

Proposed Constitution means the constitution proposed to be adopted by the Company under Item 6 of the Notice of Annual General Meeting.

Proposed Transaction means the transactions envisaged by the Subscription and Option Agreement and the Strategic Alliance Agreement, including among other things, the Tranche 2 Placement and Items 7 to 12.

Relevant Period means the period from 11 September 2008 until the earlier of 30 November 2010 or the date on which the 2010 Annual General Meeting of the Company is held.

Remuneration Report means the remuneration report of the Company for the financial year ended 30 June 2008.

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

Shareholder means a holder of Shares.

Strategic Alliance Agreement means the strategic alliance agreement dated 11 September 2008 between the Company and Cliffs Australia (further details of which are set out in schedule 5 to the Explanatory Memorandum).

Subscription and Option Agreement means the share and option subscription agreement dated 11 September 2008 between the Company and Cliffs Australia (further details of which are set out in schedule 3 to the Explanatory Memorandum).

Third Party Proposal has the meaning in section 7(d) of schedule 5 to the Explanatory Memorandum.

Tranche 1 Options means 21,590,000 unlisted options to subscribe for Shares, further details of the terms of which are set out in schedule 4 to the Explanatory Memorandum.

Tranche 2 Options means 26,470,857 unlisted options to subscribe for Shares, further details of the terms of which are set out in schedule 4 to the Explanatory Memorandum.

Tranche 1 Placement means the issue of the Tranche 1 Options to Cliffs Australia on 12 September 2008.

Tranche 2 Placement means the placement of the Tranche 2 Shares and the Tranche 2 Options with Cliffs Australia conditional upon the satisfaction (or waiver) of the Conditions Precedent.

Tranche 2 Shares means 68,308,791 new Shares.

**FINANCIAL SERVICES GUIDE
AND
INDEPENDENT EXPERT'S
REPORT
AUSQUEST LIMITED
8 October 2008**



BDO Kendalls



BDO Kendalls

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www.bdo.com.au

Financial Services Guide

ABN 27 124 031 045
AFS Licence No. 316158

8 October 2008

BDO Kendalls Corporate Finance (WA) Pty Ltd ABN 27 124 031 045 ("**BDO Kendalls**" or "**we**" or "**us**" or "**ours**" as appropriate) has been engaged by AusQuest Limited ("**AusQuest**" or "**the Company**") to provide an independent expert's report on the proposed transaction, in which Cliffs Australia Holdings Pty Ltd ("**Cliffs Australia**") proposes to subscribe for 68,308,791 fully paid ordinary shares in the capital of the Company and an additional 26,470,857 options. This is in addition to the 21,590,000 options which have already been issued to Cliffs Australia on 12 September 2008. The issue price of all of the shares and the exercise price of all of the options is \$0.40 each. You will be provided with a copy of our report as a retail client because you are a shareholder of AusQuest.

Financial Services Guide

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide ("**FSG**"). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- ◆ Who we are and how we can be contacted;
- ◆ The services we are authorised to provide under our **Australian Financial Services Licence, Licence No. 316158**;
- ◆ Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- ◆ Any relevant associations or relationships we have; and
- ◆ Our internal and external complaints handling procedures and how you may access them.

Information about us

BDO Kendalls Corporate Finance (WA) Pty Ltd is a member firm of the BDO Kendalls network in Australia, a national association of separate partnerships and entities. The financial product advice in our report is provided by BDO Kendalls Corporate Finance (WA) Pty Ltd and not by BDO Kendalls or its related entities. BDO Kendalls and its related entities provide services primarily in the areas of audit, tax, consulting and financial advisory services.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should note that we and BDO Kendalls (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business.

Financial services we are licensed to provide

We hold an Australian Financial Services Licence that authorises us to provide general financial product advice for securities to retail and wholesale clients.

When we provide the authorised financial services we are engaged to provide expert reports in connection with the financial product of another person. Our reports indicate who has engaged us and the nature of the report we have been engaged to provide. When we provide the authorised services we are not acting for you.

General Financial Product Advice

We only provide general financial product advice, not personal financial product advice. Our report does not take into account your personal objectives, financial situation or needs.

You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice



BDO Kendalls

Financial Services Guide

Page 2

Fees, Commissions and Other Benefits that we may receive

We charge fees for providing reports, including this report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees are agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. The fee for this engagement is approximately \$22,000.

Except for the fees referred to above, neither BDO Kendalls, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

Remuneration or other benefits received by our employees

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report.

We have received a fee from AusQuest for our professional services in providing this report. That fee is not linked in any way with our opinion as expressed in this report.

Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Complaints resolution

Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing addressed to The Complaints Officer, BDO Kendalls Corporate Finance (WA) Pty Ltd, PO Box 7426 Cloisters Square, Perth WA 6850.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than **45 days** after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service ("FOS"). FOS is an independent organisation that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial service industry. FOS will be able to advise you as to whether or not they can be of assistance in this matter. Our FOS Membership Number is 12561.

Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly via the details set out below.

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001
Toll free: 1300 78 08 08
Facsimile: (03) 9613 6399
Email: info@fos.org.au

Contact details

You may contact us using the details set out at the top of our letterhead on page 1 of this FSG.

AUSQUEST LIMITED
INDEPENDENT EXPERT'S REPORT
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8 October 2008

The Directors
AusQuest Limited
6 Kearns Crescent
Ardross WA 6153

Dear Sirs

INDEPENDENT EXPERT'S REPORT – AUSQUEST LIMITED

1. INTRODUCTION

BDO Kendalls Corporate Finance (WA) Pty Ltd ("**BDO Kendalls**") has been engaged by AusQuest Limited ("**AusQuest**") to prepare an Independent Expert's Report ("**our Report**") to express an opinion as to whether or not the subscription of shares and options by Cliffs Australia Holdings Pty Ltd ("**Cliffs Australia**") ("**the Transaction**") is fair and reasonable to non-associated shareholders ("**Shareholders**") of AusQuest.

Our Report is to be included in the Explanatory Memorandum for AusQuest to be sent to all Shareholders to assist them in deciding whether to accept or reject the Transaction.

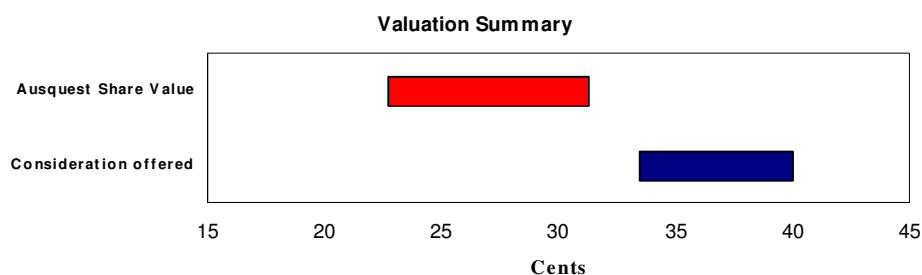
2. SUMMARY AND OPINION

FAIR AND REASONABLE

- 2.1** We have considered the terms of the Transaction as outlined in the body of this report and have concluded that the Transaction is fair and reasonable to Shareholders.
- 2.2** We believe that the Directors would be justified in recommending that Shareholders vote in favour of the Transaction
- 2.3** In Section 8 we determined that the Transaction consideration compares to the value of AusQuest, as detailed hereunder.

	Ref	Value per Share	
		Cents	
		Low	High
Value of AusQuest Shares	8.1.3	22.7	31.3
Consideration Offered	9	34.2	40.0

The above valuation ranges are graphically presented as follows:



The above pricing indicates that the Transaction is fair for Shareholders.

2.4 Reasonableness

We have considered the analysis in Sections 12 and 13 of this report, in terms of both

- advantages and disadvantages of the Transaction; and
- alternatives, including the position of Shareholders if the Transaction does not proceed.

In our opinion, the position of Shareholders if the Transaction proceeds is more advantageous than the position if the Transaction does not proceed. Accordingly, we believe that the Transaction is reasonable for Shareholders.

The respective advantages and disadvantages considered are summarised below:

ADVANTAGES AND DISADVANTAGES			
Section	Advantages	Section	Disadvantages
13.1.1	The Transaction is fair	13.2.1	Dilution of existing shareholders
13.1.2	Increase in working capital	13.2.2	Significant interest held by Cliffs Australia
13.1.3	Beneficial strategic investor	13.2.3	Reduces the possibility of a takeover

3. OUTLINE OF OFFER

On 11 September 2008 AusQuest announced that they had reached an agreement on a Strategic Alliance with Cliffs Australia.

Under the proposed transaction, Cliffs Australia proposes to subscribe for 68,308,791 fully paid ordinary shares in the capital of the Company and an additional 26,470,857 options. This is in addition to the 21,590,000 options which have already been issued to Cliffs Australia on 12 September 2008. The issue price of all of the shares and the exercise price of all of the options is \$0.40 each.

The Transaction is subject to Shareholder and FIRB approval as set out in the applicable resolution in the accompanying Notice of Meeting.

The effect on the voting interests of shareholders is shown below:

	Pre Transaction		Post Transaction			
	No. of Shares million	%	No. of Shares million	%	Fully Diluted million	%
Non Associated Shareholders	159.4	100	159.4	70	271.2	70
Cliffs Australia			68.3	30	116.4	30
TOTAL	159.4	100	227.7	100	387.6	100

3.1 Cliffs Australia is a wholly-owned subsidiary of Cleveland-Cliffs Inc (“**Cleveland-Cliffs**”).

Cleveland Iron Company was created in 1847 by three individuals with the view of exploring for minerals in the remote wilderness of Michigan’s Upper Peninsula. Cleveland Iron Company’s first mine was opened in 1850. In the mid-1980s the company was reborn as Cleveland-Cliffs Inc. In 2002, Cleveland-Cliffs underwent a restructure from which the company emerged as an international merchant mining company and the largest producer of iron ore pellets in North America. Following the restructure, Cleveland-Cliff’s business focus has been to expand domestic capacity and to seek opportunities in international markets with the view of enhancing existing business strengths and supporting the company’s profitability and overall health.

Cleveland-Cliffs is organised into three primary business units comprising of North America, Asia Pacific and Latin America. It has a market capitalisation on the New York Stock Exchange of approximately US\$4 billion (as at 6 October 2008) and approximately 5,300 employees worldwide and is the largest producer of iron ore pellets in North America and supplies much of the metallurgical coal used in the global steel – making industry.

The company’s North American operations comprise of six iron ore mines in Michigan, Minnesota and Eastern Canada, and three coking coal mines in West Virginia and Alabama. The Asia Pacific operations comprise of the company’s 85 per cent ownership of Australian mining company Portman Limited, which sells direct – shipping fines and lump ore to Japanese and Chinese steel makers, and a 45 per cent interest in the privately owned Sonoma Project in Queensland. In addition, Cleveland-Cliffs has a 30 per cent interest in the Brazilian based Amapa iron ore project.

Cleveland-Cliffs have aligned with Japanese company Kobe Steel to utilise its ITmk3 process in a commercial scale reduced iron plant. The ITmk3 technology, which stands for Iron making Technology Mark Three, produces iron nuggets that are easy to handle, store and transport. Given the nugget’s high storage density and very low contaminant levels it is also a premium product for end users who are primarily electric arc furnace steel makers.

4. REPORT REQUIREMENTS

- 4.1** Cliffs Australia (and their associates), following the Transaction, will together own up to 30% of the shares in AusQuest, on a fully diluted basis. Section 606 of the Corporations Act 2001 (Cth) (“**the Act**”) expressly prohibits the acquisition of more than 20% of the issued shares of a public company unless a full takeover offer is made to all shareholders.

- 4.2** Section 611 permits an acquisition of shares in a listed entity by a person who will acquire greater than 20% if the shareholders of that entity have agreed to the issue of such shares. This agreement must be by resolution passed at a general meeting at which no votes are cast in favour of the resolution by any party who is associated with the party acquiring the shares, or by the party acquiring the shares. Section 611 states that shareholders of the company must be given all information that is material to the decision on how to vote at the meeting.

5. BASIS OF EVALUATION

5.1 Regulatory Guidance

In determining whether the Transaction is fair and reasonable, we have had regard to the views expressed by the ASIC in Regulatory Guide 111: Content of Expert Reports. This Regulatory Guide suggests that an opinion as to whether transactions are fair and reasonable should focus on the purpose and outcome of the transaction, that is, the substance of the transaction rather than the legal mechanism to effect the transaction.

In our opinion the Transaction is a control transaction as defined by RG 111 and we have therefore assessed the Transaction to consider whether in our opinion it is fair and reasonable to Shareholders.

5.2 Adopted Basis of Evaluation

Having regard to the Regulatory Guide above, BDO Kendalls has completed this comparison in two parts:

- a comparison between the value of a Company Share prior to the Transaction and the consideration being paid by Cliffs Australia for each Company Share (fairness – see Section 10 “Is the Transaction Fair?”); and
- an investigation into other significant factors to which Shareholders might give consideration, prior to approving the resolution, after reference to the value derived above (reasonableness – see Section 12 “Is the Transaction Reasonable?”).

- 5.3** The Transaction could be considered “reasonable” if there are sufficient reasons to approve the Transaction, notwithstanding that it may not be regarded as “fair” to Shareholders.

6. PROFILE OF AUSQUEST LIMITED

6.1 History

AusQuest was incorporated in February 2000. In November 2003 AusQuest became listed on the Australian Securities Exchange. AusQuest’s primary objective is the discovery of major new base, precious metal and bulk commodity deposits. They have numerous tenement holdings in areas that could potentially host deposits of a number of different types of minerals.

AusQuest's current projects include:

Location	Project	Target Minerals
Western Australia	Beasley	Ni-Cu-PGE
	Bellary	Fe, Ni-Cu-PGE
	Nameless	Fe
	Rocklea	Fe
	Darling fault Projects	Mn, U
	Dundas	Ni-Cu-PGE, Au
	Stanley	Mn
	Sylvania	Fe, Ni-Cu-PGE, Au, U
	Table Hill	Mn, Ni-Cu-PGE
	Wolfe	Mn, Pb-Zn-Cu-Ag
Northern Territory	Mount Dobbie	Cu-Au, phosphate
	Plenty river	Diamond
	Wave Hill	Gemstones
Queensland	Diamantina	Iron-oxide copper gold

Source: AusQuest Limited Independent Valuation of Mineral Assets, Golder Associates

6.2 Capital Structure

The share structure of AusQuest as at 24 September 2008 was as follows:

Ordinary Shares	
Total Shares on Issue	159,387,179
Top Twenty Shareholders	81,404,769
Top Twenty Shareholders - % of Shares on Issue	51.07%

Source: AusQuest Share Registry

The range of AusQuest shareholders as at 24 September 2008 was as follows:

Range of Shares Held	No. of Shareholders	No. of Shares
1-1,000	220	29,075
1,001-5,000	385	1,105,612
5,001-10,000	290	2,358,198
10,001-100,000	860	29,465,401
100,001 – and over	191	126,428,893
TOTAL	1,946	159,387,179

Source: AusQuest Share Registry

The number of shares held by the most substantial shareholders as at 24 September 2008 are detailed below:

Shareholders	Shares	% Shares Held
Passport Materials Master Fund, LP	15,512,888	9.733%
Chrysalis Investments Pty Ltd	10,668,656	6.694%
Hamersley Holdings Limited	10,500,000	6.588%
National Nominees Limited	8,763,684	5.498%

Source: AusQuest Share Registry

The listed option structure of AusQuest as at 24 September 2008 was as follows:

Listed Options	
Total listed Options on Issue	104,816,999
Top Twenty Optionholders	48,519,917
Top Twenty Optionholders - % of Options on Issue	46.29%

Source: AusQuest Share Registry

The range of AusQuest listed optionholders as at 24 September 2008 was as follows:

Range of Listed Options Held	No. of Optionholders	No. of Options
1-1,000	30	14,417
1,001-5,000	179	536,213
5,001-10,000	261	2,078,678
10,001-100,000	484	17,502,393
100,001 – and over	158	84,685,298
TOTAL	1,112	104,816,999

Source: AusQuest Share Registry

The number of listed options held by the most substantial optionholders as at 24 September 2008 are detailed below:

Listed Optionholders	Options	% Options Held
National Nominees Limited	7,135,490	6.808%
Mr Ross Jeremy Taylor	6,850,000	6.535%
Chrysalis Investments Pty Ltd	6,601,487	6.298%
Hamersley Holdings Limited	3,750,000	3.578%
Oxiana Limited	3,611,928	3.446%

Source: AusQuest Share Registry

Unlisted options issued as at 24 September 2008 are detailed below:

Number of Unlisted Option	Options
Options expiring 31 August 2009, exercisable at \$0.30	1,875,000
Options expiring 30 June 2011, exercisable at \$0.54	3,700,000
Options expiring 31 January 2012, exercisable at \$0.30	500,000
Options expiring 31 December 2012, exercisable at \$0.35	1,250,000
Options expiring 12 May 2011, exercisable at \$0.40	21,590,000
Total Unlisted Options on Issue	28,915,000

Source: AusQuest Share Registry

6.3 Historical Balance Sheet

Balance Sheet	As at	
	30-Jun-08	30-Jun-07
	\$	\$
CURRENT ASSETS		
Cash and cash equivalents	7,357,701	6,258,157
Trade and Other Receivables	380,434	273,411
TOTAL CURRENT ASSETS	7,738,135	6,531,568
NON-CURRENT ASSETS		
Property, plant & equipment	164,262	73,562
Exploration and evaluation expenditure	12,909,740	8,486,991
TOTAL NON-CURRENT ASSETS	13,074,002	8,560,553
TOTAL ASSETS	20,812,137	15,092,121
CURRENT LIABILITIES		
Trade and other payables	403,845	102,737
Provisions	34,814	-
TOTAL CURRENT LIABILITIES	438,659	102,737
TOTAL LIABILITIES	438,659	102,737
NET ASSETS	20,373,478	14,989,384
EQUITY		
Issued Capital	25,379,173	17,106,288
Reserves	915,367	591,596
Accumulated losses	(5,921,062)	(2,708,500)
TOTAL EQUITY	20,373,478	14,989,384

Source: AusQuest Annual report for the financial year ended 30 June 2008

AusQuest increased their share capital in late 2007 through the issue of 20.5 million shares, raising \$5.75 million and through the exercise of options raising \$2.87 million.

Exploration expenditure assets increased as the Company conducted exploration programmes on a number of projects. Trade payables also increased due to the increased exploration activity.

6.4 Historical Income Statements

Income Statement	As at	
	30-Jun-08	30-Jun-07
	\$	\$
Revenue	495,290	413,042
Consultants & employee benefits expense	(493,435)	(583,208)
Occupancy expenses	(66,708)	(66,889)
Administration expenses	(644,082)	(460,952)
Exploration expenditure written off	(2,503,627)	-
Loss before income tax expense	(3,212,562)	(698,007)
Income tax expense	-	-
Net loss attributable to members	(3,212,562)	(698,007)

Source: AusQuest Annual report for the financial year ended 30 June 2008

Expenses increased with an increased level of activity being undertaken by the Company in relation to their exploration program. In accordance with the Company's accounting policies \$2.5 million of exploration expenditure was written off in the 2008 financial year as costs are only carried forward where the costs are expected to be recouped or where a determination is yet to be made as to the existence of economically recoverable reserves.

7. VALUATION METHODOLOGIES

7.1 Methodologies commonly used for valuing assets and businesses are as follows:

7.1.1 Capitalisation of future maintainable earnings ("FME")

This method places a value on the business by estimating the likely FME, capitalised at an appropriate rate which reflects business outlook, business risk, investor expectations, future growth prospects and other entity specific factors. This approach relies on the availability and analysis of comparable market data.

The FME approach is the most commonly applied valuation technique and is particularly applicable to profitable businesses with relatively steady growth histories and forecasts, regular capital expenditure requirements and non-finite lives.

The FME used in the valuation can be based on net profit after tax or alternatives to this such as earnings before interest and tax ("EBIT") or earnings before interest, tax, depreciation and amortisation ("EBITDA"). The capitalisation rate or "earnings multiple" is adjusted to reflect which base is being used for FME.

7.1.2 Discounted future cash flows ("DCF")

The DCF methodology is based on the generally accepted theory that the value of an asset or business depends on its future net cash flows, discounted to their present value at an appropriate discount rate (often called the weighted average cost of capital). This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks.

A terminal value for the asset or business is calculated at the end of the future cash flow period and this is also discounted to its present value using the appropriate discount rate.

DCF valuations are particularly applicable to businesses with limited lives, experiencing growth, that are in a start up phase, or experience irregular cash flows.

7.1.3 Net tangible asset value on a going concern basis (“NTA”)

Asset based methods estimate the market value of an entity's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- Orderly realisation of assets method
- Liquidation of assets method
- Net assets on a going concern method

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to entity holders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the entity is wound up in an orderly manner.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the entity may not be contemplated, these methods in their strictest form may not be appropriate. The net assets on a going concern method estimates the market values of the net assets of an entity but does not take into account any realisation costs.

Net assets on a going concern basis are usually appropriate where the majority of assets consist of cash, passive investments or projects with a limited life. All assets and liabilities of the entity are valued at market value under this alternative and this combined market value forms the basis for the entity's valuation.

Often the FME and DCF methodologies are used in valuing assets forming part of the overall net assets on a going concern basis. This is particularly so for exploration and mining companies where investments are in finite life producing assets or prospective exploration areas.

These asset based methods ignore the possibility that the entity's value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and goodwill. Asset based methods are appropriate when entities are not profitable, a significant proportion of the entity's assets are liquid or for asset holding companies.

7.1.4 Future Maintainable Dividends (“FMD”)

The FMD methodology applies particularly to minority holdings in private and unlisted public companies.

FMD is similar in methodology to the FME and requires an estimation of the future maintainable dividends, a required rate of return and expected rate of dividend growth.

While the use of benchmark methods is unwise in isolation, they can be helpful in providing a comparison or supporting valuation to the primary valuation methodology used.

7.1.5 Multiple of Exploration Expenditure (“MEE”)

The Past Expenditure method is a method of valuing exploration assets in the resources industry. It is applicable for areas which are at too early a stage of prospectivity to justify the use of alternative valuation methods such as DCF. The Past Expenditure method is often referred to as the Multiple of Exploration Expenditure method.

Past Expenditure, or the amount spent on exploration of a tenement, is commonly used as a guide in determining value. The assumption is that well directed exploration adds value to a property. This is not always the case and exploration can also downgrade a property. The Prospectivity Enhancement Multiplier (“PEM”) which is applied to the effective expenditure therefore commonly ranges from 0.5 to 3.0. The PEM generally falls within the following ranges:

- 0.5 to 1.0 where work to date or historic data justifies the next stage of exploration;
- to 2.0 where strong indications of potential for economic mineralisation have been identified; and
- to 3.0 where ore grade intersections or exposures indicative of economic resources are present.

7.1.6 Quoted Market Price Basis

Another alternative valuation approach that can be used in conjunction with (or as a replacement for) any of the above methods is the quoted market price of listed securities. Where there is a ready market for securities such as the ASX, through which shares are traded, recent prices at which shares are bought and sold can be taken as the market value per share. Such market value includes all factors and influences that impact upon the ASX. The use of ASX pricing is more relevant where a security displays regular high volume trading, creating a “deep” market in that security.

7.1.7 Black Scholes Model

In accordance with ASIC Policy Statements, unlisted options should be valued at the date that they are granted using an option pricing model that takes into account all of the following factors:-

- ◆ Exercise price of the option;
- ◆ Life of the option;
- ◆ Current share price;
- ◆ Expected volatility of the share price;
- ◆ Expected dividends; and
- ◆ Risk-free interest rate

The Black Scholes & Binomial option pricing models takes these factors into consideration where appropriate and as such we have determined that these are the most appropriate methodology to utilise in performing this valuation.

7.2 Valuation Approach Adopted

The valuation approach that we consider to be most appropriate in valuing AusQuest is the Net Assets on a Going Concern valuation approach using a specialist valuation report for exploration assets. DCF and FME approaches are not appropriate as there are no reliable forecast cash flows available and there is no operating profit history that could be expected in the future.

As AusQuest is an ASX listed company the Quoted Market Price Basis is also an appropriate approach as a secondary valuation method. The Black Scholes method has been used to value the options.

7.3 Valuation of exploration assets of AusQuest

Golder Associates Pty Ltd ("**Golder**") has prepared an independent specialist's valuation of the exploration assets of AusQuest. We have relied upon this valuation in assessing the value of the exploration assets of AusQuest. Golder's independent specialist valuation report is attached in Appendix 2.

8. VALUATION OF AUSQUEST PRIOR TO THE TRANSACTION

8.1 Net Tangible Asset Valuation of AusQuest

8.1.1 AusQuest has historically traded above its net asset backing. This is evidenced by a 60 day weighted average market price at 28 August 2008 (prior to announcement of the Transaction) equal to a premium of 110.94% to Net Assets at 28 August 2008.

8.1.2 We have replaced the book value of the exploration and evaluation expenditure which is stated at cost and replaced it with the high and low values of AusQuest's beneficial interests of mineral assets which has been provided to us in the Independent Specialist Valuation of Mineral Assets prepared by Golder Associates Pty Ltd, see Appendix 2.

	As at 30-Jun-08	Value High	Value Low
	\$	\$	\$
CURRENT ASSETS			
Cash and cash equivalents	7,357,701	7,357,701	7,357,701
Trade and Other Receivables	380,434	380,434	380,434
TOTAL CURRENT ASSETS	7,738,135	7,738,135	7,738,135
NON-CURRENT ASSETS			
Property, plant & equipment	164,262	164,262	164,262
Exploration and evaluation expenditure	12,909,740	42,380,000	28,780,000
TOTAL NON-CURRENT ASSETS	13,074,002	42,544,262	28,944,262
TOTAL ASSETS	20,812,137	50,282,397	36,682,397
CURRENT LIABILITIES			
Trade and other payables	403,845	403,845	403,845
Provisions	34,814	34,814	34,814
TOTAL CURRENT LIABILITIES	438,659	438,659	438,659
TOTAL LIABILITIES	438,659	438,659	438,659
NET ASSETS	20,373,478	49,843,738	36,243,738
No. of shares on issue	159,387,179	159,387,179	159,387,179
Net Tangible Assets per Share \$	0.128	0.313	0.227

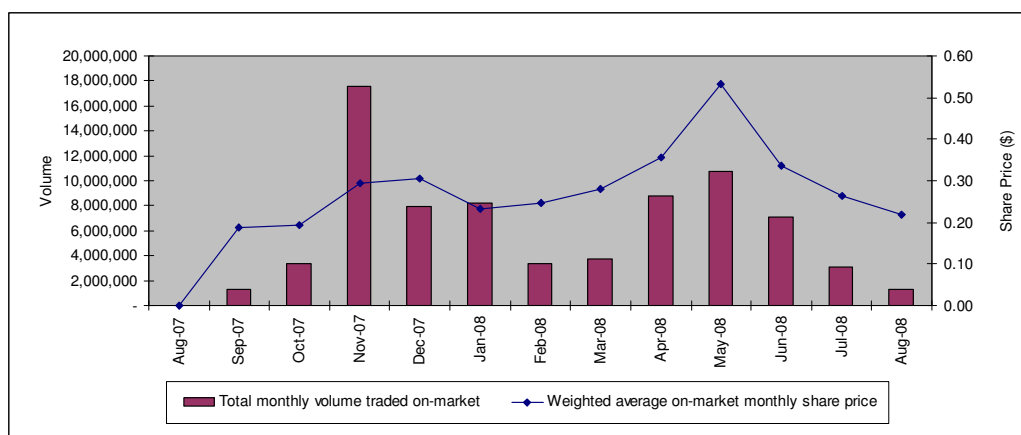
Source: AusQuest Annual report for the financial year ended 30 June 2008 and BDO analysis.

8.1.3 Based on 159 million shares in AusQuest on issue at the date of this report, the value per AusQuest share equates to a range of **\$0.227 to \$0.313**.

8.2 Quoted Market Prices for AusQuest Securities

8.2.1 To provide a comparison to the valuation of AusQuest in Section 8.1.3, we have also assessed the market price for AusQuest shares.

8.2.2 The following chart provides a summary of the share price movement over the past year.



Source: Bloomberg

8.2.3 The daily price of AusQuest shares from 11 September 2007 to 28 August 2008 (the last trading day prior to announcement of the Transaction) has ranged from a high of \$0.64 on 28 May 2008 to a low of \$0.15 on 23 January 2008.

8.2.4 To provide further analysis of the market prices for AusQuest shares, we have also considered the weighted average market price for 10, 30, 60 and 90 day periods to 28 August 2008.

AusQuest per share \$	28 Aug 08	10 Days	30 Days	60 Days	90 Days
Closing Price	0.190				
Weighted Average		0.200	0.240	0.270	0.414

8.2.5 The above weighted average prices are prior to the date of the announcement of the Transaction, to avoid the influence of any increase in price of AusQuest shares that has occurred since the offer was announced. The closing price on 11 September 2008 of \$0.285 demonstrates the post announcement increase.

8.2.6 An analysis of the volume of trading in AusQuest shares for the twelve months to 28 August 2008 is set out below:

	Share price low \$	Share price high \$	Cumulative Volume traded	As a % of Issued capital
1 Trading Day	\$ 0.1900	\$ 0.1900	33,098	0.02%
10 Trading Days	\$ 0.1750	\$ 0.2250	247,931	0.16%
30 Trading Days	\$ 0.1750	\$ 0.2900	2,576,023	1.66%
60 Trading Days	\$ 0.1750	\$ 0.3700	7,685,522	4.94%
90 Trading Days	\$ 0.1750	\$ 0.6200	23,000,065	14.78%
180 Trading Days	\$ 0.1500	\$ 0.6200	47,562,131	30.56%
1 Year	\$ 0.1500	\$ 0.6200	76,550,422	49.19%

This table indicates that AusQuest shares display a sufficient level of liquidity, with 49.19% of the Company's current issued capital being traded in a twelve

month period. However, we note that there has been a decrease in liquidity over the last three months and accordingly we consider quoted market prices as a secondary valuation method.

- 8.2.7** Our assessment is that a range of values for AusQuest shares based on market pricing, after disregarding for post announcement pricing from 28 August 2008, is between \$0.19 and \$0.24.

8.3 Assessment of AusQuest Value

- 8.3.1** The results of the valuations performed are summarised in the table below:

Valuation	Value per AusQuest Share \$'s	
	Low	High
Net tangible assets (Section 8.1)	0.227	0.313
ASX market prices (Section 8.2)	0.190	0.240

Based on the results above, the value of AusQuest shares is considered to be between \$0.227 and \$0.313.

In assessing the above valuation range which is primarily based on the NTA multiple valuation methodology we have considered the NTA multiple valuations range reflects the DCF and FME valuation methodologies used in the Independent Specialist Valuation of Mineral Assets prepared by Golder Associates Pty Ltd (see Appendix 2), which are recognised as the preferred valuation methodologies.

9. VALUE OF THE CONSIDERATION PAID

Under the Transaction, AusQuest will issue Cliffs Australia 68,308,791 ordinary fully paid shares representing a 30% interest in the ordinary shares of AusQuest (after their issue) for a cash consideration of \$0.40 per share. In addition 26,470,857 options with an exercise price of \$0.40 are to be issued. This is in addition to the 21,590,000 options which were issued to Cliffs Australia on 12 September 2008.

Accordingly, we have compared the cash consideration to the value of an AusQuest share on the basis that the options issued to Cliffs Australia are exercised and the value of the consideration for each share is 40 cents in cash received for the share subscription and for the exercise of the options.

We have also calculated the value of the free attaching options using Black Scholes and deducted this from the cash consideration paid for the shares. The binomial model has been used as a cross check of the Black Scholes model.

We have used the following inputs into the Black Scholes model

Item	Input
Exercise Price	\$0.40
Share price (prior to announcement)	\$0.19
Volatility calculated via Bloomberg data	100%
Risk free rate (RBA)	5.03%
Resulting value	\$0.0826

For each share subscribed for, Cliffs Australia will receive 0.706 options (48 million options divided by 68 million shares.) When multiplied by the value per option above of 8.26 cents this results in Cliffs Australia receiving a value of 5.8 cents per share subscribed for. Deducting this value from the share subscription price results in net consideration of 34.2 cents per share.

Valuation of Consideration Summary	Value per AusQuest share \$'s	
	Low	High
Value of share subscription consideration	0.400	0.400
Share subscription amount less Black Scholes value of options granted	0.342	0.342

We have assessed that the consideration provided by Cliffs Australia to be in the range of 34.2 cents to 40 cents.

10. IS THE TRANSACTION FAIR?

Valuation	Value per AusQuest share \$'s	
	Low	High
Value of AusQuest shares	0.227	0.313
Consideration offered	0.342	0.40

The consideration to be paid by Cliffs Australia is greater than the range of the assessed value of AusQuest shares.

As such in our opinion the Transaction is fair to non associated Shareholders.

11. OTHER CONSIDERATIONS

11.1 Alternative Proposal

We are unaware of any alternative proposal that might offer the non-associated shareholders of AusQuest a premium over the value ascribed to that resulting from the Transaction.

11.2 Implications of the Transaction not being approved

Should the Transaction be rejected, AusQuest will not receive the cash consideration. Therefore, for AusQuest to continue with their objectives to mine for mineral assets they will need to identify alternative forms of funding.

12. IS THE TRANSACTION OFFER REASONABLE?

We have considered the position of Shareholders if the Transaction is approved and have taken into account the following advantages and disadvantages in this assessment.

We have assessed that in all cases the advantages and disadvantages of rejecting the Transaction are the inverse of accepting the Transaction. Thus for simplicity of evaluation of the Transaction we have set out the significant factors only in the context of accepting the Transaction.

13. POSITION IF TRANSACTION IS ACCEPTED

In accordance with our basis of evaluation (Section 5.2) we have investigated other significant factors to which AusQuest shareholders might give consideration prior to approving the Transaction. The matters we have considered are outlined below.

13.1 Advantages

13.1.1 The Transaction is fair

As noted in Section 9 the consideration offered per AusQuest share to be acquired exceeds the value of AusQuest shares, as such the Transaction is fair.

13.1.2 Increase in working capital

AusQuest has stated that the cash consideration to be received from the Transaction will enable the Company to continue with the exploration campaign already underway in their various projects in Western Australia and the Diamantina project in Queensland. The Transaction provides the funding to enable this to occur. Should the Transaction be rejected, the exploration program would be slowed. The Company may also need to seek additional funding to pursue their objectives.

13.1.3 Beneficial strategic investor

Cleveland Cliffs has significant experience in the industry in addition to significant capital backing and could provide potential strategic and funding support in the future. Refer to section 3.1.

13.2 Disadvantages

13.2.1 Dilution of existing shareholders

The consideration to be paid involves the issue of 68,308,791 shares and 26,470,857 options. This is in addition to the 21,590,000 options which have already been issued to Cliffs Australia on 12 September 2008.

As a result, this would dilute the existing Shareholders' interests from 100% down to 70% on a fully diluted basis.

13.2.2 Significant interest held by the Cliffs Australia

If the Transaction is approved, Cliffs Australia will be increasing their interest up to 30% interest in the issued shares of AusQuest. This would enable Cliffs Australia to have significant interest in the Company. This means that Cliffs Australia would have the ability to significantly influence the operations of the Company.

13.2.3 Reduces the possibility of a takeover

The Transaction will reduce the possibility of a takeover offer being received in the future, which may deprive the non-associated shareholders from receiving a takeover premium.

14. CONCLUSION

We have considered the terms of the Transaction as outlined in the body of this report and have concluded that the Transaction is fair and reasonable to the non-associated shareholders.

15. SOURCES OF INFORMATION

This report has been based on the following information:

- Draft Notice of General Meeting and Explanatory Statement on or about the date of this report;
- Audited financial statements of AusQuest for the years ended 30 June 2007 and 30 June 2008;
- AusQuest Limited Independent Specialist Valuation of Mineral Assets, Golder Associates;
- Share registry information;
- Information in the public domain; and
- Discussions with Directors and Management of AusQuest.

16. INDEPENDENCE

BDO Kendalls Corporate Finance (WA) Pty Ltd is entitled to receive a fee of up to \$22,000 (excluding GST and reimbursement of out of pocket expenses). Except for this fee, BDO Kendalls Corporate Finance (WA) Pty Ltd has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this report.

BDO Kendalls Corporate Finance (WA) Pty Ltd has been indemnified by AusQuest in respect of any claim arising from BDO Kendalls Corporate Finance (WA) Pty Ltd's reliance on information provided by the AusQuest, including the non provision of material information, in relation to the preparation of this report.

BDO Kendalls Corporate Finance (WA) Pty Ltd is wholly owned by BDO, a member of BDO International. Prior to accepting this engagement BDO Kendalls Corporate Finance (WA) Pty Ltd considered its independence with respect to AusQuest and any of their respective associates with reference to ASIC Regulatory Guide 112 "Independence of Experts". In BDO Kendalls Corporate Finance (WA) Pty Ltd's opinion it is independent of AusQuest and their associates and Cliffs Australia and their associates.

Neither the two signatories to this report nor BDO Kendalls Corporate Finance (WA) Pty Ltd, have had within the past two years any professional relationship with AusQuest, or their associates or Cliffs Australia or their associates, other than in connection with the preparation of this report.

A draft of this report was provided to AusQuest and its advisors for confirmation of the factual accuracy of its contents. No significant changes were made to this report as a result of this review.

17. QUALIFICATIONS

BDO Kendalls Corporate Finance (WA) Pty Ltd has extensive experience in the provision of corporate finance advice, particularly in respect of takeovers, mergers and acquisitions.

BDO Kendalls Corporate Finance (WA) Pty Ltd holds an Australian Financial Services Licence issued by the Australian Securities and Investment Commission for giving expert reports pursuant to the Listing rules of the ASX and the Corporations Act.

The persons specifically involved in preparing and reviewing this report were Sherif Andrawes, Peter Toll, Adam Myers and Eleanor Penny of BDO Kendalls Corporate Finance (WA) Pty Ltd. They have significant experience in the preparation of independent expert reports, valuations and mergers and acquisitions advice across a wide range of industries in Australia.

Sherif Andrawes is a Fellow of the Institute of Chartered Accountants in England & Wales, a Member of the Institute of Chartered Accountants in Australia and a registered company auditor. He has over twenty years experience working in the audit and corporate finance fields with BDO Kendalls and its predecessor firms in London and Perth. He has been responsible for over 70 public company independent expert's reports under the Corporations Act or ASX Listing Rules. These experts' reports cover a wide range of industries in Australia.

Peter Toll is a member of the Institute of Chartered Accountants in Australia and a Senior Associate of Financial Services Institute of Australia and a registered company auditor. Peter's career spans over 10 years in the audit and assurance and corporate finance areas.

18. DISCLAIMERS AND CONSENTS

This report has been prepared at the request of AusQuest for inclusion in the Explanatory Memorandum which will be sent to all AusQuest Shareholders. AusQuest engaged BDO Kendalls Corporate Finance (WA) Pty Ltd to prepare an independent expert's report to consider the proposed transaction, in which Cliffs Australia proposes to subscribe for 68,308,791 fully paid ordinary shares in the capital of the Company and 26,470,857 options. This is in addition to the 21,590,000 options which have already been issued to Cliffs Australia on 12 September 2008. The issue price of all of the shares and the exercise price of all of the options is \$0.40 each.

BDO Kendalls Corporate Finance (WA) Pty Ltd hereby consents to this report accompanying the above Explanatory Memorandum. Apart from such use, neither the whole nor any part of this report, nor any reference thereto may be included in or with, or attached to any document, circular resolution, statement or letter without the prior written consent of BDO Kendalls Corporate Finance (WA) Pty Ltd.

BDO Kendalls Corporate Finance (WA) Pty Ltd takes no responsibility for the contents of the Explanatory Memorandum other than this report.

BDO Kendalls Corporate Finance (WA) Pty Ltd has not independently verified the information and explanations supplied to us, nor has it conducted anything in the nature of an audit of AusQuest. However, we have no reason to believe that any of the information or explanations so supplied are false or that material information has been withheld.

With respect to taxation implications it is recommended that individual Shareholders obtain their own taxation advice, in respect of the Transaction, tailored to their own particular circumstances. Furthermore, the advice provided in this report does not constitute legal or taxation advice to the Shareholders of AusQuest, or any other party.

The taxation implications addressed are based on the Income Tax Assessment Act 1997 (Cth) (as amended), the Income Tax Assessment Act 1936 (Cth) (as amended), and the established interpretations of those Acts at the date of this report.

The statements and opinions included in this report are given in good faith and in the belief that they are not false, misleading or incomplete.

The terms of this engagement are such that BDO Kendalls Corporate Finance (WA) Pty Ltd has no obligation to update this report for events occurring subsequent to the date of this report.

Yours faithfully

BDO KENDALLS CORPORATE FINANCE (WA) PTY LTD



Sherif Andrawes
Director



Peter Toll
Director

Appendix 1 – Glossary of Terms

Reference	Definition
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
AusQuest	AusQuest Limited
BDO Kendalls	BDO Kendalls Corporate Finance (WA) Pty Ltd
Cliffs Australia	Cliffs Australia Holdings Pty Ltd
Cleveland-Cliffs	Cleveland-Cliffs Inc.
DCF	Discounted Future Cash Flows
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
FIRB	Foreign Investment Review Board
FMD	Future Maintainable Dividends
FME	Future Maintainable Earnings
NTA	Net Tangible Assets
Our Report	This Independent Expert's Report prepared by BDO Kendalls
ROC	Return of Capital
Shareholders	Shareholders of AusQuest not associated with Cliffs Australia
The Act	The Corporations Act 2001 (Cth)
The Company	AusQuest Limited
The Transaction	The proposal to issue 68,308,791 fully paid ordinary shares in the capital of the AusQuest and up to an additional 26,470,857 options.
VWAP	Volume Weighted Average Price

Appendix 2 – AusQuest Limited Independent Valuation of Mineral Assets



October 2008

AUSQUEST LIMITED

Independent Valuation of Mineral Assets

Submitted to:
AusQuest Limited
6 Kearns Crescent
ARDROSS WA 6153

REPORT



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Report Number: 087641419 001 R Rev0





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APPENDICES

APPENDIX A

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1.0 INTRODUCTION

1.1 Purpose and Scope of Work

AusQuest Limited entered into a Strategic Alliance Agreement and a Subscription and Option Agreement with Cliffs Australia Holdings Pty Ltd ("Cliffs Australia"), a wholly-owned subsidiary of Cleveland-Cliffs Incorporated, on the 11 September 2008.

Under the proposed transactions, Cliffs Australia proposes to subscribe for approximately 68 000 000 new fully paid ordinary shares in the capital of AusQuest and approximately 26 000 000 new options. This is in addition to the 21 590 000 options which were issued to Cliffs Australia on 12 September 2008. The issue price of all of the shares and the exercise price of all of the options is \$0.40 each.

The capital structure of the company prior to the Cliffs transactions was 159 387 179 ordinary shares and 104 816 999 options.

The Strategic Alliance will see Cliffs Australia with a 30% fully diluted equity in AusQuest, with conditions that allow them to maintain this position but not increase their equity for a period of approximately two years, except under certain circumstances.

Other conditions which apply include:

- One Board member;
- Pre-emptive right for disposal of Major assets (Table Hill, Skillion Hill (Wolfe), Diamantina and any asset disposed for more than \$20,000,000);
- First Right of Refusal for disposal of Minor Assets (less than \$20,000,000); and
- The Strategic Alliance remains in force whilst Cliffs Australia retains a minimum of 20% equity in AusQuest.

Shareholder and FIRB approvals are required before the proposed transactions can take place.

Shareholder approval is required under Section 6.11, Item 7 of the Corporations Act and an Independent Expert's Report prepared by BDO Kendalls Corporate Finance (WA) Pty Ltd ("BDO Kendalls") will be circulated to shareholders.

Graeme Drew, Managing Director of AusQuest Limited ("AusQuest"), commissioned Golder Associates Pty Ltd ("Golder") to prepare an Independent Specialist Valuation of AusQuest's mineral assets in Australia. The valuation will be included in an Expert Report being prepared by BDO Kendalls.

1.2 Inspection

The review and Specialist Valuation of the project was carried out by Peter Onley who visited the key tenements, specifically for the purposes of this Specialist Valuation prior to authorising the release of this report.

Mineral Resources and Ore Reserves for the project, where quoted, are stated in accordance with the Guidelines to the Australasian Code for Reporting Identified Mineral Resources and Ore Reserves (the "JORC Code") prepared by the Joint Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia (December 2004). References to resource statements by others on tenements not the subject of this valuation may be quoted more informally as Golder is not in a position to verify those statements.

This Specialist Valuation report complies with the Valmin Code issued by the Australasian Institute of Mining and Metallurgy (April 2005).



1.3 Association and Independence

Golder has prepared this Independent Specialist Valuation Report on the basis of its regular schedule of fees. Payment of such fees is not contingent on the conclusions of the Report.

Golder has previously undertaken work of a technical nature for AusQuest; such work did not include strategic or corporate advice and specifically did not include any advice relating to any potential transaction. The value of technical work undertaken for AusQuest is not material to Golder's business activities. Except in respect of the fees, Golder, its directors, associates and employees have no material interest in the properties, AusQuest or their associates. Employees of Golder may have non-material holdings in listed companies either directly or indirectly.

1.4 Statement of Competence

Peter Onley MBA, MSc, BSc (Hons) FAusIMM, CP., a geologist with more than 35 years post-graduate experience, is the principal author of this report. He holds the degrees of BSc (Hons) Geology from the University of Exeter, MSc (Engineering Geology and Geotechnics) from the University of Leeds and MBA (Master of Business Administration) from the University of Western Australia. He is a Fellow ("FAusIMM") and Chartered Professional ("CP") of the Australasian Institute of Mining and Metallurgy.

Peter Onley has prepared numerous independent valuation reports. He has extensive experience in mineral exploration and project evaluation and in 2001 was appointed by the Board of AusIMM as a member of the three-man Taskforce commissioned to review the workings of the Valmin Code. He has previously served on the boards of two exploration and mining companies listed on the Australian Stock Exchange and is a member of the Liaison Committee of the Geological Survey of Western Australia ("GSWA") providing review and feedback to the GSWA.

Peter Onley has relied on work by other employees of Golder who are appropriately qualified professionals in the fields of mining engineering, geological resource estimation and geostatistics, in assessing the value of the mineral assets.

2.0 VALUATION METHODOLOGY

2.1 Effective Date for Valuation

The effective date of valuation of these assets is 30 September 2008. All values are expressed in Australian Dollars unless otherwise specified in the text.

2.2 Fair Market Valuation Criteria

The criterion that Golder has used in establishing fair market value of a property is the amount a willing buyer would pay a willing seller in an arms-length transaction at a particular point in time, wherein each party acted knowledgeably, prudently and without compulsion.

2.3 Standards and Procedures

This Specialist Valuation has been prepared in compliance with the Valmin Code (2005).

Golder has also considered whether any special circumstances which relate in particular to mining projects or tenements can have a significant impact on value and modify valuations which might otherwise apply. In particular, Golder has considered:

- *environmental risks* - which can result in a project being subject to extensive opposition, delays and possibly refusal of development approvals;
- *Native Title* issues - projects in areas of significance to the indigenous population or subject to Native Title claims could experience prolonged delays, extended negotiations or veto; and



- *technical issues* peculiar to an area or orebody such as geotechnical or hydrological conditions, or metallurgical difficulties could affect a project's economics.

2.4 Verification of Tenements and Ownership

Golder is not expert in mineral tenure and has not undertaken any independent verification of the status of the tenements. We have instead relied on tenement searches and reporting by Brian Crowder.

The property has been valued on the basis that all tenements are held unencumbered except for such encumbrances described in the "Tenements and Ownership" section of the project description. Notwithstanding the report by Brian Crowder, any third party relying on this report should make his own enquiry regarding the current status of the tenements at the time of such reliance, as tenement status and ownership can change at any time.

2.5 Valuation Methods

This Specialist Valuation report is restricted to the value of the mineral potential of the tenements. We have not considered any other assets or liabilities of the company.

There are several recognised methods for valuing mineral tenements which may be classified into Income Based Methods, Cost Based Methods and Market Methods:

2.5.1 Income Based Methods

Income based methods use actual or potential revenues that may flow from the project and generally rely on a discounted cash flow analysis ("DCF") to derive a net present value ("NPV") for the project. More recently, options valuation methods have been adapted for use with analysing project valuations. DCF techniques can only be applied to projects at an advanced stage of development, however, real options techniques can be used at any stage of development and are particularly useful when employed in conjunction with DCF analysis to capture the exploration value of the exploration that is not recognised in the DCF.

2.5.1.1 Discounted Cash Flow Analysis

A DCF analysis is used to determine the NPV of a project by using its estimated future cash flows. Forecast free cash flows comprising operating profit plus depreciation plus amortisation of goodwill, capital expenditures, cash taxes and change in working capital are discounted to a present value to reflect both the time value of money and risk.

At its simplest, a single discount rate is selected for the life of the operation. This may be chosen on the basis of a particular market sector, or more appropriately chosen to reflect the company's weighted average costs of capital.

2.5.1.2 Real Options Valuation

Traditional methods such as DCF analysis may fail to capture the full economic value of mineral assets in an environment of highly volatile commodity prices.

Real options capture the value of managerial flexibility to adapt decisions in response to unexpected market developments. For example, a traditional DCF analysis does not take into account the fact that management will close non-profitable stopes or pits when prices fall and develop new operations when prices rise. Thus while a particular part of an orebody may not contribute to the NPV if average prices are applied in a DCF, the value of that part may be captured during a short period of high prices which may prevail for perhaps as little as 5% of the operating life of the mine.

While options valuation has a substantial history in valuing market derivatives, it is relatively new and not widely used in real property valuations.



2.5.2 Cost Based Methods

Cost based methods use previous expenditure on the property, plus a discount or premium depending on current market conditions, to derive a value for the property. This is most applicable to properties at exploration or early development stage.

2.5.2.1 Past Expenditure

This method, which is often referred to as the Multiple of Exploration Expenditure method, is one of the most commonly used valuation techniques for exploration properties (Onley, 1994, Lawrence, 1994). Past expenditure, or the amount spent on exploration of a tenement, is commonly used as a guide in determining value and “deemed expenditure” is frequently the basis of joint venture agreements. The assumption is that well directed exploration has added value to the property. This is not always the case and exploration can also downgrade a property and therefore a “prospectivity enhancement multiplier” (“PEM”), which commonly ranges from 0.5 to 3.0, is applied to the effective expenditure. The selection of the appropriate multiplier is a matter of experience and judgement. Previous writers have suggested that the enhancement multiplier should broadly conform with the following limits:

- 0.5 to 1.0 – work to date or historic data justifies the next stage of exploration.
- 1.0 to 2.0 – strong indications of potential for economic mineralisation identified.
- 2.0 to 3.0 – “ore grade” intersections or exposures indicative of economic resources present.

Values greater than 3.0 are generally not considered appropriate as there should be alternative methods of valuation available for more advanced projects.

Further assessment of an appropriate multiplier may be influenced by the explorer’s commitment to further expenditure which may be reasonably presumed to reflect the company’s view of the relative prospectivity of the tenement within its portfolio of exploration properties.

2.5.2.2 Prospectivity Rating Systems

The Geoscience Rating System of valuation is a cost based system that attempts to derive an absolute value per unit area for a tenement based on the cost of application and maintenance of a tenement. The method is only applicable to exploration tenements. Geoscience rating systems were originally proposed as a method of quantifying relative prospectivity in North America where it is more commonly used than in Australia. The method was set out in Goulevitch and Eupene (1994) and will not be described here.

2.5.3 Market Based Methods

Market based methods include analysis of recent comparable sales in the market, the use of alternative offers or joint venture transactions, rules of thumb or yardstick measures to compare values of metal in the ground. Market based methods can be applied to projects at all stages of development.

2.5.3.1 Comparable Transactions

The price paid in recent comparable transactions is relevant to the valuation of projects and tenements. The difficulty is that rarely are two transactions sufficiently similar to make such value comparison. There can also be substantial change in value over quite short periods of time (Grant, 1994, Lawrence, 1994). However, the method has the advantage of applying real market transactions with theoretical valuations.

2.5.3.2 Alternative Offers and Joint Venture Terms

Joint venture or farm-in terms, where one party pays to acquire an interest in a project or spends exploration funds in order to earn an interest, provide an indication of value. Arms-length offers or recent transactions on the property under consideration are highly significant (Appleyard, 1994, Sorentino, 2002).



Appleyard (1994) argued that in the simplest case where party A agrees to spend \$E to earn an interest of I% in the property, then the value \$V of the property at the time of the deal would be calculated as follows:

$$\$V = \$E(100-I)/I$$

Sorentino (2002) argues that the formula for calculation of the participating interest is:

$$(NPV_B) = (NPV_A/I_A) - NPV_A$$

Where A is the farminee and B is the farminor

Golder uses the two methods as the lower and higher ends of the value range respectively when applying this method.

2.5.3.3 Rules of Thumb or Yardstick Methods

Certain industry ratios are commonly applied to mining and exploration projects to derive an approximate indication of value. The most commonly used ratios are dollars per tonne of metal in resources, or, for more advanced properties or operations, dollars per tonne of metal in reserves, and dollars per tonne of annual production. The ratios used cover a substantial range which is generally attributed to the “quality” of the contained metal in question. Low cost metal is clearly worth more than high cost metal. Where a project has substantial future potential not yet reflected in the quoted resources or reserves, a ratio towards the high end of the range may be justified.

2.6 Selection and Application of Valuation Method

There is no single method of valuation which is appropriate for all situations and it is preferable to derive valuations using at least two of the three valuations classes where possible. An overview of the techniques employed in this valuation is presented below.

Where exploration properties are adjacent to an existing mining operation, this is likely to add significantly to the value of any ore that may be defined on the property.

In purchasing a mining property, a willing and knowledgeable buyer would be mindful of the potential of exploration to provide additional ore feed to a project and would pay a higher price where this potential was considered high. In these circumstances, in Golder’s view, it is appropriate to add a premium to the value as described, as this is essentially the process followed by a willing and knowledgeable buyer.

Where some or all tenements for a project remain at the application stage, values must be discounted for the probability that an application will not be successful. It should be noted that some valuers argue that no value should be attributed to tenements at the application stage because until a tenement is granted a company has no rights to the tenement. However, Golder has taken the view that as the application provides the applicant with an opportunity to acquire that tenement ahead of other applicants, it is appropriate to value the tenement as if it were granted and then, if necessary, discount that value for both the time value of money and the probability of the tenement being granted. In Golder’s experience, the latter position better represents the market view of the value of an application.

2.7 Valuation Procedures Specific to This Report

Golder was advised by AusQuest that there are no previous recent independent valuations for the current properties under consideration.

3.0 AUSQUEST’S MINERAL ASSETS

AusQuest holds tenements and tenement applications in Western Australia, Northern Territory, and Queensland as shown in Table 1 and Figure 3-1.

Peter Onley has included descriptions of the geology, history and exploration activity on the projects prepared by AusQuest.



AUSQUEST VALUATION OF MINERAL ASSETS

Table 1: AusQuest Projects

Location	Project	Target Minerals
Western Australia	Beasley	Ni-Cu-PGE
	Bellary	Fe, Ni-Cu-PGE
	Nameless	Fe
	Rocklea	Fe
	Darling Fault Projects	Mn, U
	Dundas	Ni-Cu-PGE, Au
	Stanley	Mn
	Sylvania	Fe, Ni-Cu-PGE, Au, U
	Table Hill	Mn, Ni-Cu-PGE
	Wolfe	Mn, Pb-Zn-Cu-Ag
Northern Territory	Mount Dobbie	Cu-Au, phosphate
	Plenty River	Cu-Au, diamond
	Wave Hill	Gemstones
Queensland	Diamantina	Cu-Au



Figure 3-1: AusQuest Project Locality Plan



4.0 ROCKLEA IRON PROJECT, WA

AusQuest 100% owned Granted Tenement: E47/1024-I

Current Expenditure Commitment: \$52,500

4.1 Tenements and Ownership

AusQuest's Rocklea Iron Project comprises one Exploration Licence, E47/1024-I, in which AusQuest holds a 75% interest. E47/1024-I comprises three separate land parcels with an aggregate area of 58 km², retained from an originally larger tenement, registered in the name of Fortescue Resources Pty Ltd ("Fortescue"). Fortescue is a 100% owned subsidiary of AusQuest (Figure 4-1).

Together with several other tenements in the Bellary Project, E47/1024-I was the subject of a joint venture signed in March 2004 between AusQuest and M Creasy and P Harrison, the original shareholders of Fortescue. Under the agreement, AusQuest acquired 100% ownership of Fortescue and a 75% interest in all of that company's tenements. In consideration, Creasy and Harrison were issued with a total of one million shares in AusQuest and retain a combined 25% free carried interest to completion of a bankable feasibility study ("BFS"). Upon completion of the BFS, Creasy and Harrison may individually elect to contribute or to dilute according to a standard formula to a minimum of 5.0% after which their individual interest will convert to a 2.5% Net Profit Royalty.

The tenement is covered by the Innawonga-Bunjima Native Title Claim (WC96-061) and agreement was reached 9 August, 2004, to allow exploration to proceed subject to appropriate ethnographic and archaeological approvals.

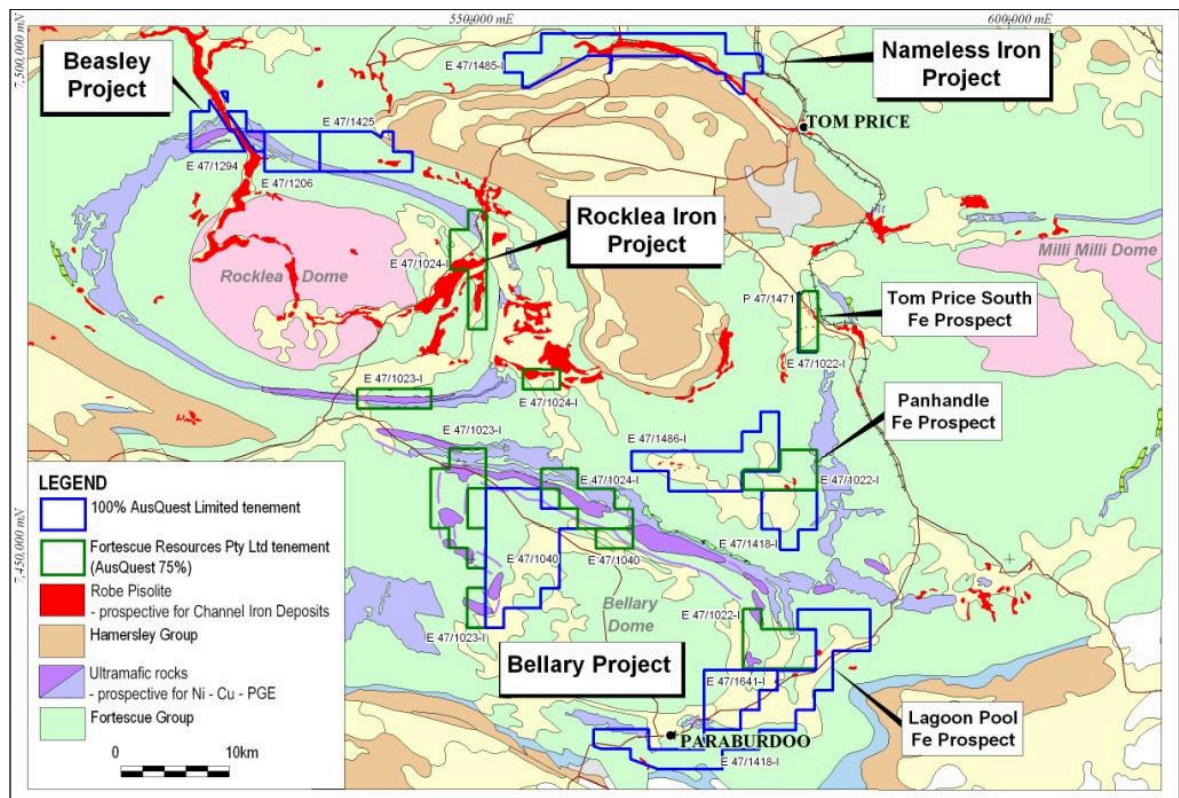


Figure 4-1: Beasley, Nameless, Rocklea and Bellary Projects



4.2 Location and Access

The Rocklea Iron Project is located within the northernmost block of E47/1024-I, approximately 30 km west southwest of Tom Price in the Pilbara region of Western Australia (Figure 4-1). The area falls wholly within the Rocklea Pastoral Lease and is easily accessed by the gravel-formed Nanutarra to Wittenoom road.

4.3 Geology and Mineralisation

The Rocklea Project is located on the eastern side of the Rocklea dome where Archaean age Fortescue Group Hardey, Boongal and Pyradie Formations dip to the east and are overlain by Tertiary age Channel Iron Deposits ("CID") and other Cainozoic deposits of sand and gravels. The central and southern parts of the tenement cover areas of mainly Fortescue Group Boongal and Pyradie Formations overlain by Cainozoic deposits.

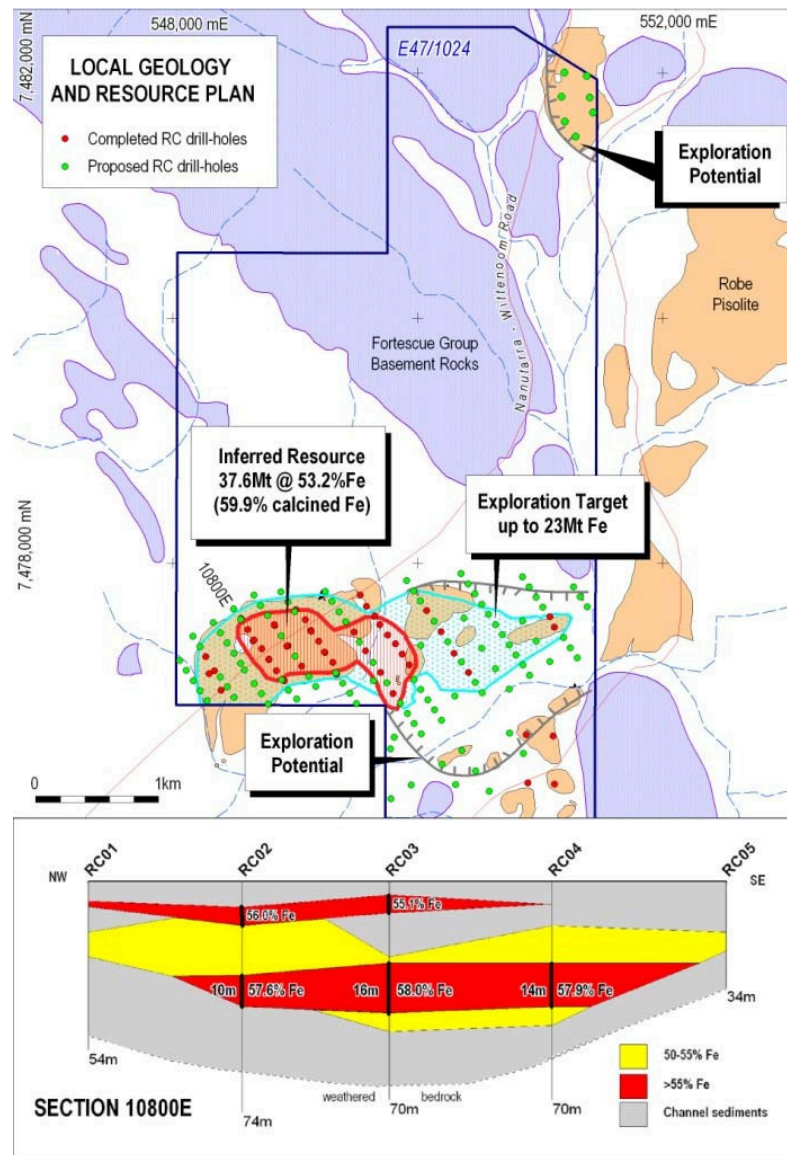


Figure 4-2: Rocklea Iron Project Showing Inferred Resources and Exploration Target with Cross Section 10800E



The Rocklea CID comprises goethitic and haematitic detrital deposits of the Tertiary Robe Pisolite Formation. This formation is host to numerous CID throughout the Pilbara including the major iron ore deposits at Robe River and Yandicoogina. Aspects of the local geology are shown in Figure 4-2.

4.4 Exploration History

A review of Western Australian Department of Mines Open File Reports ("Open File") found that Hamersley Iron Pty Limited ("HI") had drilled 12 reverse circulation percussion ("RC") drill holes on three lines across what were described as the "Rocklea Limonites" in 1979 and reported a potential CID resource (non-JORC compliant) of approximately 32.1 Mt at 53.3% Fe, 11.4% LOI, 8.3% SiO₂, 2.1% Al₂O₃, 0.030% P and 0.13% MnO. This was considered at the time to be a possible blending material for other bedrock iron deposits in the Tom Price area due to its low levels of phosphorous. Hamersley Iron subsequently withdrew from the area in the early 1980s.

4.5 Current Exploration

Since starting work on the project in 2004, AusQuest has spent a total of approximately \$706,000 with work comprising geological mapping, ground geophysical surveys, two programs of RC drilling (2005 and 2006), one program of diamond ("DD") drilling (2007) and preliminary metallurgical testwork.

Detailed mapping confirmed the presence of extensive CID over a strike length of at least 3 km and an average channel width of approximately 800 m. AusQuest carried out RC drilling in 2005 and 2006 to define the potential resource better and to look for extensions of the CID. Drilling in 2005 comprised 18 holes totalling 904 m, followed in 2006 by 22 RC holes totalling 794 m.

Diamond drilling carried out in 2007 comprised two HQ triple tube diamond core holes (for 109 m of drilling), which twinned two RC holes drilled in 2006. The holes were drilled primarily for metallurgical testwork.

In summary, the testwork demonstrated that reasonable grade may be generated from the "pisolite" samples, which have good Fe grades and acceptable SiO₂ and Al₂O₃ levels. Hard cap and siliceous pisolite material will require beneficiation to produce a suitable product. Moderate amounts of silica and alumina were removed from the more clay-rich portions of the CID by wet tumbling and screening the fine fraction (106 micron) which reduced clay levels in the end product. Results also indicated that some of the "Mixed Clay" and pisolite samples would be acceptable as Direct Shipping Ore ("DSO").

4.6 Mineral Resources and Ore Reserves

In 2008, a mineral resource estimation was carried out by Golder using the RC drilling data.

Golder constructed a block model using a parent block size of 50 m by 50 m by 2 m vertically and a sub-block size of 10 m by 10 m by 2 m. Ordinary Kriging was used to estimate the grade using a spherical scheme model variogram. Golder estimated a JORC compliant Inferred Resource of 37.6 Mt at 53.19% Fe, 8.56% SiO₂, 2.77% Al₂O₃, 0.04% P and 11.24% LOI (Kalla and Onley, 2008) using a 50% Fe lower cut-off grade and an SG of 2.7 (Table 2).

Table 2: Rocklea Mineral Resource Estimates at ≥50% and ≥ 52% Fe Cut-Off

Category	Cut-off Grade	Tonnes (Mt)	Fe %	SiO ₂ %	Al ₂ O ₃ %	P %	LOI %
Inferred Resource	Fe ≥ 50%	37.6	53.19	8.56	2.77	0.04	11.25
Inferred Resource	Fe ≥ 52%	28.5	54.03	7.95	2.42	0.04	11.20

In addition to the mineral resources, Golder reported an Exploration Target based on existing drill data of between 14.7 Mt and 23.4 Mt at a 52% Fe and 50% Fe cut-off respectively. Exploration Targets are



AUSQUEST VALUATION OF MINERAL ASSETS

conceptual in nature as there has been insufficient exploration at this stage to define a Mineral Resource. It is also uncertain that further exploration will result in the determination of a Mineral Resource.

Future exploration will include infill RC drilling to an approximate 200 m by 100 m grid to define the limits of the potentially economic mineralisation plus diamond coring in selected areas to provide density and mineralogical information and confirmation of grades especially below the water table.

It is expected that the 2008/2009 drilling program will expand the area of mineralisation, increasing the potential resource base and allowing higher cut-off grades to be applied to the data once sufficient drill density has been achieved.

A revised resource estimate is planned once infill drilling is complete together with the commencement of a scoping study pending results of the drilling. Estimated expenditure for the proposed 2008/2009 program is approximately \$1.8 M.

4.7 Valuation

4.7.1 Cost Based Methods

AusQuest has spent in excess of \$700,000 and has planned a further \$1.8 M for 2009 on exploring and evaluating mineralisation at Rocklea. Work to date has demonstrated the presence of economic CID mineralisation at Rocklea.

Using previous expenditure methods to value the project and applying a Prospectivity Enhancement Multiplier of 3.0 to previous and planned expenditure of \$2.5 M, indicates a value for the tenements at \$7.5 M. This valuation method can only provide a minimum value for a tenement at this stage of development for which a resource has been demonstrated and reported and other valuation methods are considered to provide a more appropriate value.

4.7.2 Market Based Methods

Comparable transaction valuation provides a benchmark of recent market based transactions. Again, the approach has its flaws. Its usefulness is limited by the fact that each property is unique, and it is unlikely that a directly comparable asset will be found. Such factors as: the strategic importance of the assets, existing infrastructure or lack thereof, stripping ratios, ore consistency and quality capital and operating costs are all excluded from the analysis.

Table 3 below contains a list of iron ore asset transactions which have taken place within the last two years. Golder has considered only those projects which are in advanced exploration or development stage and has not used transactions involving operating mines.



AUSQUEST VALUATION OF MINERAL ASSETS

Table 3: Comparable Transactions (in US\$)

Project	Valued (US\$)	ROM (Mt)	Grade Fe	Cont Fe (Mt)	US\$/t Contained Fe
Cape Lambert	455	1556	31.2%	485	\$0.94
Balmoral	200	1116	31.4%	350	\$0.57
Sino Balmoral	415	2000	31.4%	628	\$0.66
Bahia Mineracao	600	1960	32.2%	631	\$0.95
Australasian	283	480	32.8%	157	\$1.80
Aztec	159	53	64.6%	34	\$4.64
London Mining	809	1059	38.0%	402	\$2.01
MMX Amapa Mine	443	178	66.8%	119	\$3.73
MMX Minas Rio	1347	524	68.5%	359	\$3.75

The results from Table 3 are also presented in Figure 4-3.

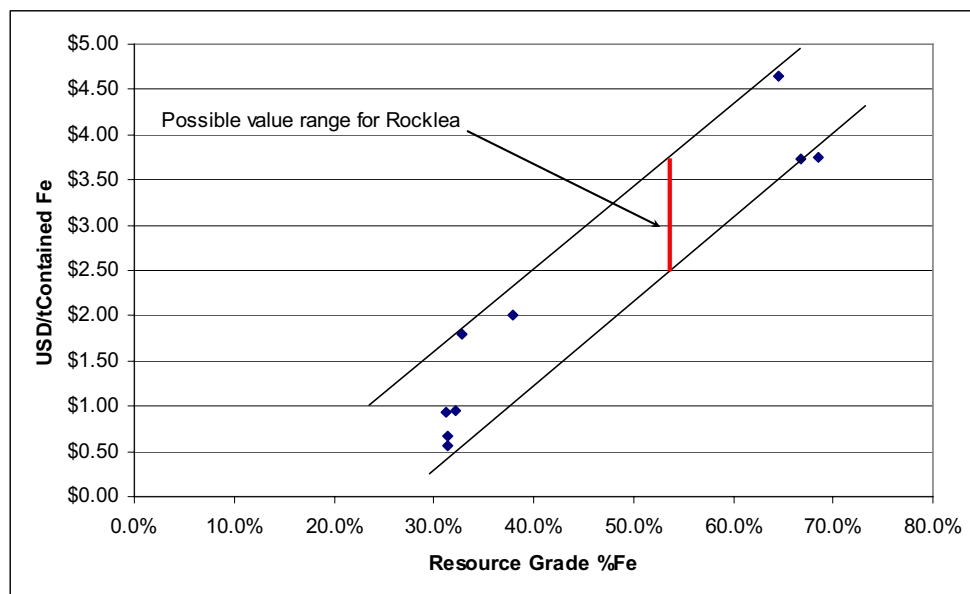


Figure 4-3: Recent Market Transactions and Potential Rocklea Value

This graph indicates that the value of contained iron in a project is largely driven by the grade of the resource. The category of resource, the location of the resources (Brazil or Australia) and even the size of the resource appears to make little difference to the price paid.

Direct shipping grade ore, in effect hematite ore, appears to be valued in the market between US\$3.70 and US\$4.65/t of contained Fe while ore requiring beneficiation (magnetite and itabirite ores) appears to be worth between US\$0.60 and US\$2.00/t of contained Fe.

We have no CID deposits for direct comparison in the table and CID deposits differ from both the magnetite ores and hematite ores.



CID deposits are hematite deposits that are detrital in origin and may contain other deleterious detrital materials. In particular, high clay content may result in high alumina content within the ore. The market for CID ore is similar to that for other direct shipping hematite ores and saleable product currently must meet a minimum grade of 56% Fe with acceptable silica, alumina and phosphorus content. It differs from direct shipping hematite ores, in that in order to meet those minimum saleable product specification it may require some low-grade beneficiation.

In the case of the Rocklea deposit, grade-tonnage curves developed during the resource estimation work undertaken by Golder indicated that the Rocklea deposit contains 8.66 Mt of material at a grade of 56.04% Fe that may have a marketable value. This resource would contain 4.9 Mt of iron. Plotting this on the graph of comparable transactions indicates a value in the range of US\$2.50 to US\$3.75/t of contained iron. This indicates a value for 100% of the Rocklea project in the range of US\$12.3 M to US\$18.4 M (\$15 M to \$23 M).

As the exploration potential at Rocklea has not been included in the valuation, in our opinion the most likely value for 100% of the project would lie toward the upper end of the range at \$20 M.

4.8 Valuation Statement

In our opinion, the fair value for AusQuest's 75% interest in the Rocklea Project lies in the range of \$11 M to \$17 M with a preferred value of \$15 M.

5.0 NAMELESS IRON PROJECT, WA

Tenement: E47/1485 (endorsed for Iron Ore) (AusQuest 100%)

Current Expenditure Commitment: \$27,000

5.1 Tenements and Ownership

AusQuest's 100%-owned Nameless Iron Project comprises one granted Exploration Licence (E47/1485) encompassing an area of 87 km² (Figure 4-1).

Licence E47/1485 straddles portions of both the Hamersley and Rocklea Pastoral Leases as well as a small area of Vacant Crown Land. The tenement is covered by the Eastern Guruma Native Title Claim (WC97-089). On 27 July, 2005, agreement was reached by AusQuest and the Native Title Claimants to allow exploration to proceed subject to appropriate ethnographic and archaeological approvals.

In 2006-2007, the Nameless Project was subject to an Option, Farm-In and Joint Venture Agreement and a Subscription Agreement between AusQuest and Hamersley Holdings Pty Ltd (HI), a wholly owned subsidiary of Rio Tinto Inc. However, HI withdrew from the JV Agreement in October, 2006.

5.2 Location and Access

The tenement is located within the Nameless Valley, 5 km east of Tom Price, an iron ore mining town in the Pilbara Region of Western Australia. The tenement is readily accessed from the Nameless Valley Road.

5.3 Geology and Mineralisation

The Nameless Project is located on the south-dipping northern limb of the Mt Turner Syncline within the South Pilbara Basin of the Hamersley Basin, Western Australia. Local lithologies comprise volcano-sedimentary rocks from the Mt Bruce Supergroup, and include the Marra Mamba Iron Formation which elsewhere in the Pilbara is host to significant supergene iron ore deposits (Figure 5-1).

Cainozoic cover sequences within E47/1485 include goethitic and haematitic detrital deposits of the Tertiary Robe Pisolite Formation. This Formation is host to numerous CIDs throughout the Pilbara including the major iron ore deposits at Robe River and Yandicoogina. Immediately to the south of the Nameless Project Area, younger mineralised "detrital iron" deposits (e.g. the "Powerline Detritals") have also been identified by the



AUSQUEST VALUATION OF MINERAL ASSETS

Rio Tinto Group. However, there are no published grade and tonnage data for these deposits in the public domain.

AusQuest's exploration targets at Nameless are CIDs within the Robe Pisolite Formation, scree-like "iron-detrital" deposits and Marra Mamba bedrock iron mineralisation.

5.4 Exploration History

A review of Open File data found no historic exploration of relevance to the present investigations within E47/1485.

5.5 Current Exploration

Since starting work on the project in March, 2006, AusQuest's aggregate expenditure has been approximately \$510,000. Work to date has comprised detailed mapping, rock chip sampling, a first-pass RC drilling program, one diamond core hole and limited metallurgical testwork.

The detailed mapping identified a 200 m to 600 m wide CID channel, the axis of which extended over a distance of more than 17 km. In conjunction with the mapping, 65 rock chip samples were collected. Of these, 54 CID samples returned encouraging assay results with a mean value of 55% Fe.

RC drilling in 2006 with holes spaced about 100 m apart over 13 sections confirmed the presence of mineralised CID on all sections; channel boundaries were similar to those predicted from mapping. A maximum CID thickness of 24 m was found to be preserved within the channel.

Relative to the original rock chip assays, the drilled CID iron grades were depressed and silica and alumina contaminant levels were elevated. Aggregate iron assays using a 50% Fe cut-off grade generally ranged between 50% and 54% Fe. Despite the very broad section and drill hole spacing, relatively good continuity of higher grades and thicknesses was evident in CIDs towards the eastern end of the Prospect. However elsewhere, continuity was not as clear.

Iron detrital materials intersected by the RC program were also mineralised with several intersections in excess of 55% Fe. This may indicate potential for small Fe-Detritals occurrences within the Project Area.



AUSQUEST VALUATION OF MINERAL ASSETS

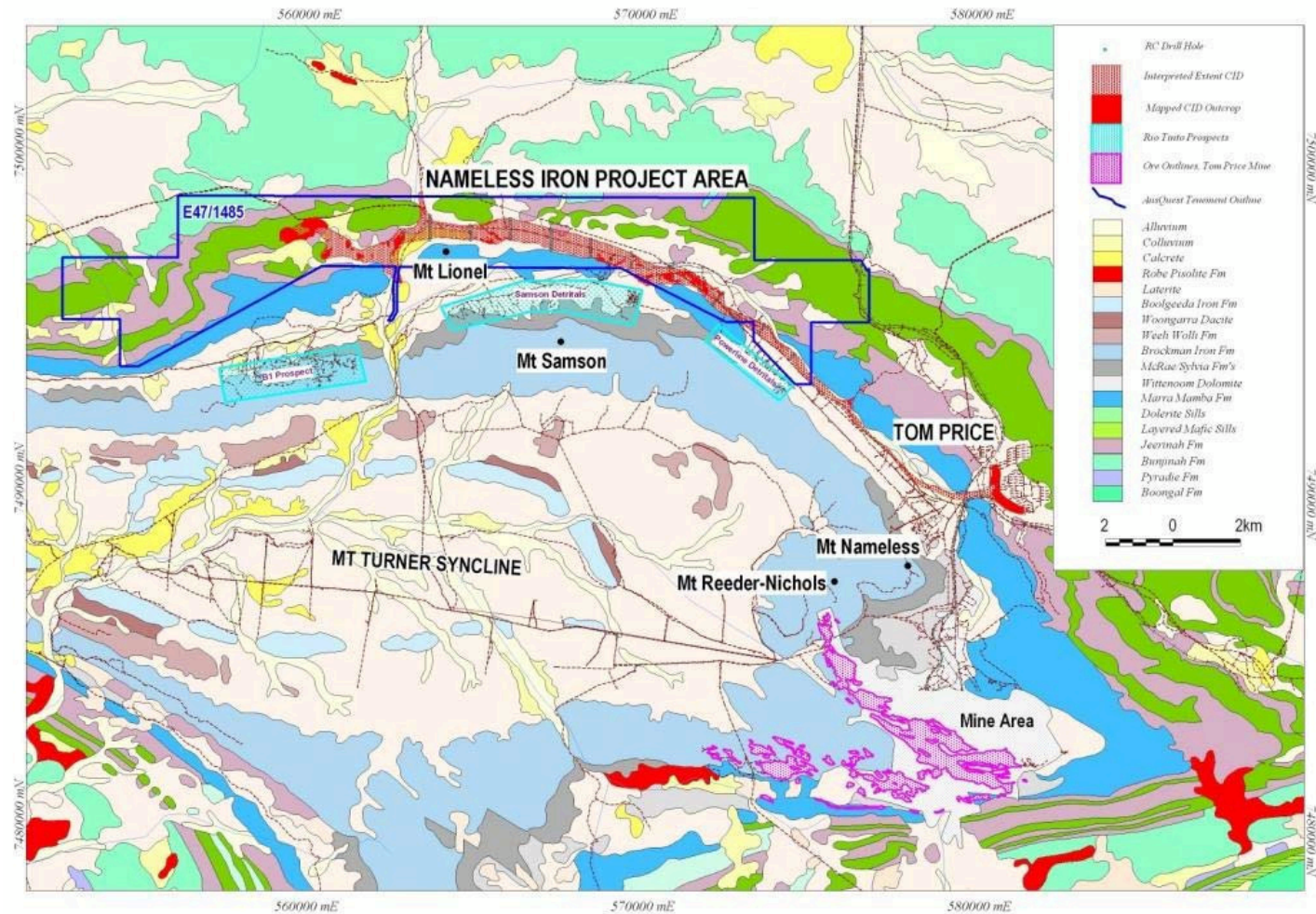


Figure 5-1: Geology of the Nameless Iron Project in Relation to Iron Ore Deposits in the Tom Price Region



AUSQUEST VALUATION OF MINERAL ASSETS

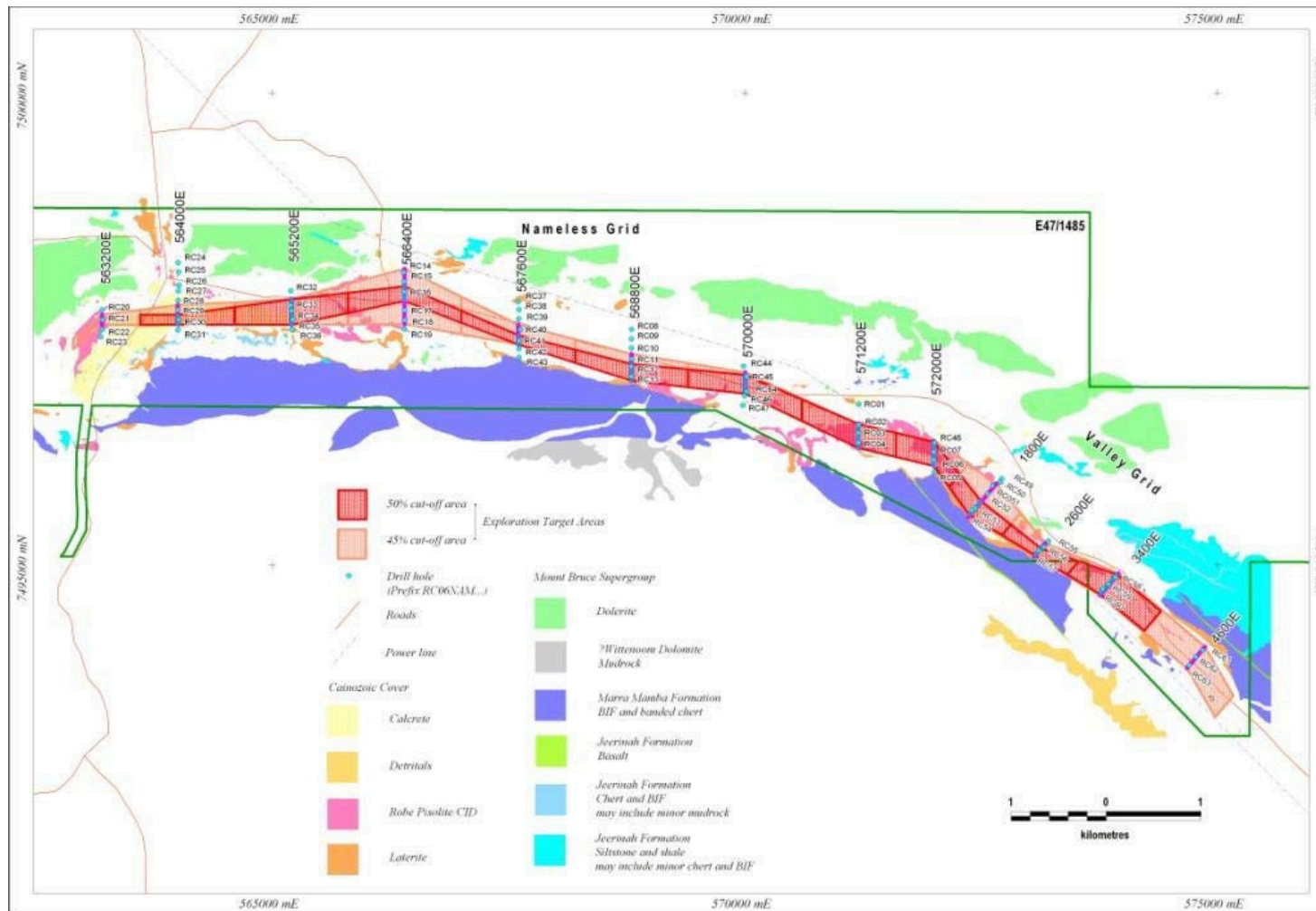


Figure 5-2: Nameless Exploration Target block outlines



AUSQUEST VALUATION OF MINERAL ASSETS

Table 4: Nameless CID and Fe-Detrital Deposits - Intersections >50% Fe

SECTION	HOLE	From (m)	To (m)	Interval (m)	Fe%	SiO ₂ %	Al ₂ O ₃ %	CaO%	P%	LOI% Total
3400E	058	8	12	4	51.4	6.8	7.4	0.1	0.03	11.1
3400E	059	10	24	14	50.7	7.6	8.2	0.1	0.04	10.2
3400E	060	14	18	4	52.4	5.8	6.4	0.1	0.05	11.7
2600E	057	10	22	12	52.4	7.5	6.2	0.1	0.04	10.2
1800E	053	6	28	22	51.2	8.0	6.5	0.1	0.04	10.9
1800E	054	8	20	12	53.8	5.6	5.8	0.1	0.05	10.4
572 000E	048	4	8	4	51.1	7.6	6.4	0.5	0.03	11.2
572 000E	007	0	20	20	53.2	6.4	5.4	0.1	0.03	11.0
572 000E	006	0	24	24	53.4	6.1	5.8	0.1	0.04	10.4
571 200E	002	2	6	4	52.4	7.5	6.8	0.2	0.03	9.5
571 200E	003	0	20	20	54.5	5.6	5.4	0.3	0.04	9.6
571 200E	004	0	6	6	50.5	7.7	6.4	2.4	0.03	10.2
570 000E	045	6	10	4	50.3	7.7	7.2	0.1	0.03	11.7
570 000E	064	4	12	8	50.1	7.1	8.2	0.2	0.05	11.7
568 800E	012	6	16	10	49.8	8.5	7.5	0.1	0.03	11.1
568 800E	013	4	8	4	50.2	9.2	7.5	0.3	0.03	9.9
567 600E	041	6	14	8	49.7	8.2	8.0	0.1	0.03	11.4
566 400E	016	8	12	4	50.5	7.4	6.9	0.2	0.03	12.1
565 200E	033	4	10	6	50.7	7.4	6.8	0.2	0.03	11.4
565 200E	034	6	22	16	53.5	6.0	5.3	0.2	0.03	10.9
565 200E	035	10	18	8	53.7	4.9	5.7	0.3	0.04	11.2
564 000E	030	10	18	8	47.6	9.5	9.0	0.3	0.03	11.1

Includes all intersections (except in bedrock) ≥4 m in width at a 50% Fe cut-off grade with up to 4 m internal dilution with a min. grade of 40% Fe.

Table 5: Nameless Marra Mamba - Intersections >50% Fe

SECTION	HOLE	From (m)	To (m)	Interval (m)	Fe%	SiO ₂ %	Al ₂ O ₃ %	CaO%	P%	LOI% Total
571 200E	004	14	18	4	55.1	4.7	4.4	0.06	0.07	11.2
2600E	057	28	42	14	56.2	4.5	3.1	0.08	0.07	11.1
4600E	063	14	16	2	50.4	14.9	3.1	0.04	0.06	9.3



5.6 Mineral Resources and Ore Reserves

There are currently no defined Mineral Resources, however, RC drilling results suggest an exploration target in the order of approximately 50 Mt at 51% Fe, 7% SiO₂, 7% Al₂O₃, 0.04% P and LOI of 11% at a cut-off grade of 50% Fe. At 45% Fe cut-off this target could increase to approximately 100 Mt at 49% Fe, 8.5% SiO₂, 7.5% Al₂O₃, 0.03% P and 11% LOI. The exploration targets are shown in Figure 5-2.

While the target may contain significant tonnages, Nameless is of sub-marginal grade because of its high clay content. Metallurgical testwork on selected RC drill chips involving crushing, washing and screening was carried out by Ammtec to see if the material could be beneficiated, but results showed only marginal improvement in Fe grades.

In August, 2007, one HQ diamond hole was drilled to a total depth of 24.5 m in order to twin the original RC hole RC06NAM003 and provide core for further metallurgical testing.

Three composite samples were provided to SGS Laboratories. Results confirmed that crushing, washing and screening could not remove sufficient alumina or silica to bring the CID within currently marketable product specifications for a stand-alone operation.

In the short term, the Nameless CID is considered sub-economic. However, if the apparent easing of pisolitic iron ore specifications continues, then its considerable tonnage potential and its close proximity to existing iron ore infrastructure suggest that this deposit could be viewed as a possible future resource.

Proposed future exploration work will concentrate on testing the potential for bedrock iron mineralisation within the Marra Mamba Iron Formation. Reconnaissance RC drilling is planned at an estimated cost of about \$350,000. Total estimated exploration expenditure within 2009 is estimated at \$400,000.

5.7 Valuation

5.7.1 Cost Based Methods

AusQuest has spent \$510,000 on exploration on the Nameless tenement and has outlined a CID resource target of up to 100 Mt. It is recognised that the mineralisation is currently sub-economic because of its relatively low-grade and high alumina by Australian iron ore standards. However, Chinese steel makers accept far lower grade domestic ore and it is reasonable to assume that with gradual reduction in the specifications for marketable ore, this mineralisation has the potential to be re-classified as economic in the future.

Using the previous exploration expenditure method, Golder considers it reasonable to apply a Prospectivity Enhancement Multiplier of 2.5 to 3.0 to the previous and committed future expenditure of \$950,000, placing a value of \$2.4 M to \$2.8 M on AusQuest's interest in the tenement.

5.8 Valuation Statement

In our opinion, the fair value of the Nameless tenement lies in the range of \$2.4 M to \$2.8 M with a preferred value of \$2.5 M.

6.0 BELLARY PROJECT, WA

AusQuest 100% owned Granted Tenements: E47/1418-I, and E471486-I and E4/1641-I

AusQuest 75% owned Granted Tenements: E47/1022-I, E47/1023-I and E47/1040

AusQuest 100% owned Tenement Application: P47/1471

Current Expenditure Commitment: \$236,500

6.1 Tenements and Ownership

AusQuest's Bellary Project comprises three 100% owned Exploration Licences (E47/1418-I, E471486-I and E4/1641-I), one 100% owned Prospecting Licence Application and three Exploration Licences (E47/1022-I,



E47/1023-I, and E47/1040) in which AusQuest holds a 75% interest. The latter three titles are held in the name of Fortescue Resources Pty Ltd (Fortescue), a 100% owned subsidiary of AusQuest. The three titles are the subject of a joint venture signed in March 2004 between AusQuest and M Creasy and P Harrison, the original shareholders of Fortescue (see section 4.1).

The three 100% owned Exploration Licences in the Bellary Project (together with those comprising the Beasley Project) were previously subject to a Farm-In agreement with Falconbridge Australia Pty Ltd (Falconbridge) who withdrew from the agreement in September 2006 with no equity after spending approximately \$20,000.

The Bellary Project covers an aggregate area of 389km² comprising several separate parcels of tenure. All tenement blocks fall within the Rocklea Pastoral Lease.

6.2 Location and Access

The tenements are located between Tom Price and Paraburdoo in the Pilbara region of Western Australia. Primary access to the Project area is by either the Tom Price - Paraburdoo or the Paraburdoo - Nanutarra Road with secondary access by relatively sparse station tracks.

Two Native Title Claims cover the project area - Innawonga (WC 98/069) and Innawonga Bunjima Niapaili (WC 96/061). AusQuest has entered into several Heritage Agreements with the Native Title Claimants in order to allow exploration to proceed subject to appropriate ethnographic and archaeological approvals.

6.3 Geology and Mineralisation

The Bellary Project falls within the Southern Hamersley Basin, towards the southern margin of the Pilbara Craton, Western Australia. Local bedrock comprises Archaean granites and greenstones (present within the Bellary and Rocklea Domes – Figure 4-1) and unconformably overlying supracrustal strata of the Mt Bruce Supergroup. Only the lowermost succession of the Mt Bruce Supergroup, the Late Archaean Fortescue Group, is well represented within the Project Area. The Fortescue Group comprises a thick sequence of mafic volcanic and to a much lesser extent, felsic volcanic and ultramafic volcanic and volcanoclastic rocks with a relatively minor terrigenous sedimentary component. The Group is intruded by numerous mafic sills which are probably sub-volcanic components of the mafic extrusive event. It is overlain with apparent conformity by Palaeo-Proterozoic fine grained clastic and chemical sedimentary rocks of the Hamersley Group. Banded iron formations (“BIF”) from the Hamersley Group are host to most of the major Pilbara supergene iron deposits.

Whilst most of the Bellary Project Area is characterised by relatively good outcrop, in some areas bedrock is obscured by Cainozoic cover sequences including goethitic and haematitic detrital deposits of the Tertiary Robe Pisolite Formation. This Formation is host to numerous CIDs throughout the Pilbara including the major iron ore deposits at Robe River and Yandicoogina.

6.4 Exploration History

There is no relevant exploration by others prior to that undertaken by parties currently holding interest in the tenements.

6.5 Current Exploration

AusQuest's exploration programs within the Bellary Project have focussed on the potential for nickel, copper and platinum group elements (“PGE”) within mafic-ultramafic rocks of the Fortescue Group and the potential for CIDs in the Robe Pisolite Formation. Total expenditure within the Project Area, including JV expenditure, has been approximately \$1.6 M. These programs are discussed separately below.

6.5.1 Exploration for Channel Iron Deposits

To date, three separate prospects have been identified as prospective for CID style iron ore. These include the Tom Price South, the Panhandle and the Lagoon Pool Prospects (Figure 4-1). No reports of any historic iron ore exploration over the prospects have been found.



6.5.1.1 Tom Price South Prospect

This prospect is located approximately 8 km south of the Tom Price mine area within the northernmost retained portion of E47/1022-I. It also encompasses the adjacent application P47/1471.

AusQuest's work to date has included geological mapping, and rock chip sampling results of which are shown in Figure 6-1. These programs identified significant CID outcrops in the northern part of the project area and of 28 rock chip samples collected, 27 returned assay results >50% Fe with a maximum of 60.75% Fe. Total expenditure to date at Tom Price South is estimated at \$35,000. A first pass RC drilling program comprising 35 holes for approximately 2000 m is planned at an estimated cost of \$200,000.

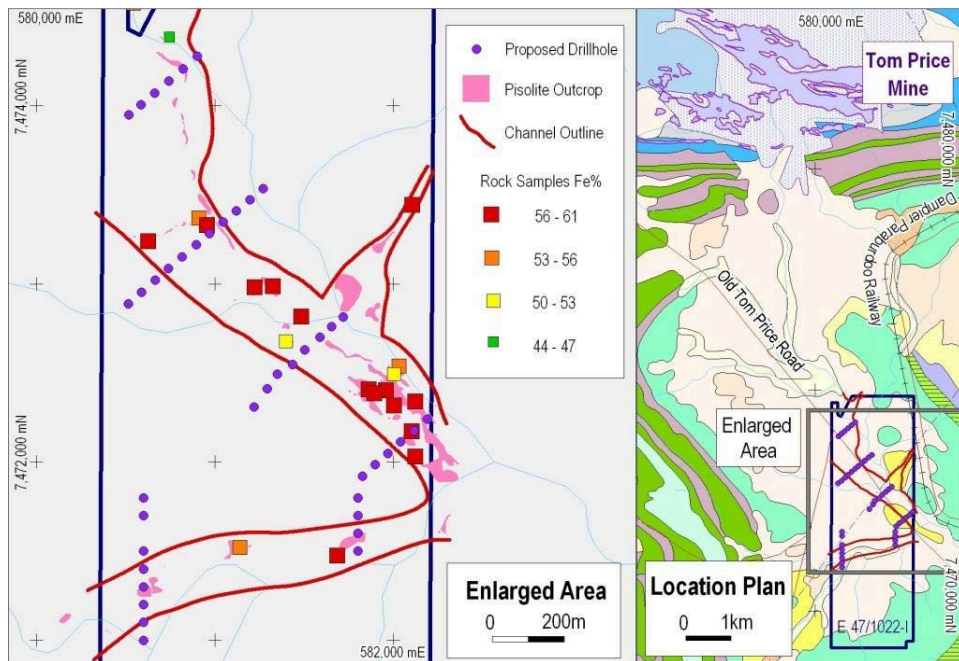


Figure 6-1: Tom Price South Iron Project Showing CID, Rock Chip Samples and Proposed Drilling

6.5.1.2 Lagoon Pool Prospect

The Lagoon Pool Prospect encompasses parts of E47/1418-I and E47/1641 and is located approximately 15 km east northeast of Paraburdoo (Figure 4-1). AusQuest's expenditure to date on the Prospect has been approximately \$30,000. Local geology comprises a few scattered low mesas of CID which are interpreted as thin erosional remnants of pisolite deposits, no more than a few metres thick. In each case, the mesas are surrounded by volcanic rocks of the Fortescue Group and have no significant tonnage potential. The Bellary Creek floodplain runs through the prospect area, and comprises a 500 m to 800 m wide zone of alluvial cover which extends in an east northeast direction just to the east of the larger pisolite mesas. AusQuest proposes to investigate the potential for preservation of CID under the floodplain with a first pass RC drilling program of 12 holes for approximately 500 m at an estimated cost of approximately \$50,000.

6.5.1.3 Panhandle Prospect

The Panhandle Prospect is located approximately 30 km south of Tom Price and encompasses parts of E47/1022 and E47/1486-I. Field reconnaissance to date has cost approximately \$25,000 and has identified Robe Pisolite in two areas. Eight rock chip samples have been collected with the highest iron value to date of 55.12% Fe. Additional field reconnaissance is required to define the pisolite occurrences better before drilling can be planned.



6.5.2 Exploration for Magmatic Ni-Cu-PGE Sulfide Deposits

AusQuest's targets in the Bellary Ni-Cu-PGE exploration program comprise analogues of the Canadian Raglan-style Ni-Cu-PGE sulfide deposits.

Around the Rocklea and Bellary Domes, there are three main igneous rock associations within the Fortescue Group that have the potential to host magmatic nickel copper sulfide mineralisation. These are:

- High MgO, olivine-rich channel-facies rocks which occur as a facies component within pyroxene-dominated basaltic komatiite flows of the Pyradie Formation.
- Fractionated ultramafic-mafic sill (named Suite 16) identified by AusQuest mapping during 2006 and 2007 and comprising a lower ultramafic zone and an upper fractionated mafic zone.
- Layered mafic and ultramafic-mafic sills within the Hardey and Pyradie Formations which consist of a basal pyroxenitic zone ranging upwards into an upper zone of gabbro or dolerite or both.

Since starting work in 2005, AusQuest has completed detailed geological mapping and sampling over a large part of the ultramafic stratigraphy, completed VTEM surveys (1212 line km) and diamond drilled eight VTEM targets (1340.8 m) focussed on the high MgO, channel facies, komatiite flow rocks. No significant intersections of nickel sulfide mineralisation have been made so far, although one intersection at the Hardey prospect returned anomalous levels of PGEs (1.0 g/t) over a two metre interval, together with anomalous levels of nickel (0.35% Ni) and copper (660 ppm Cu). Aspects of work to date are summarised in Figure 6-2.

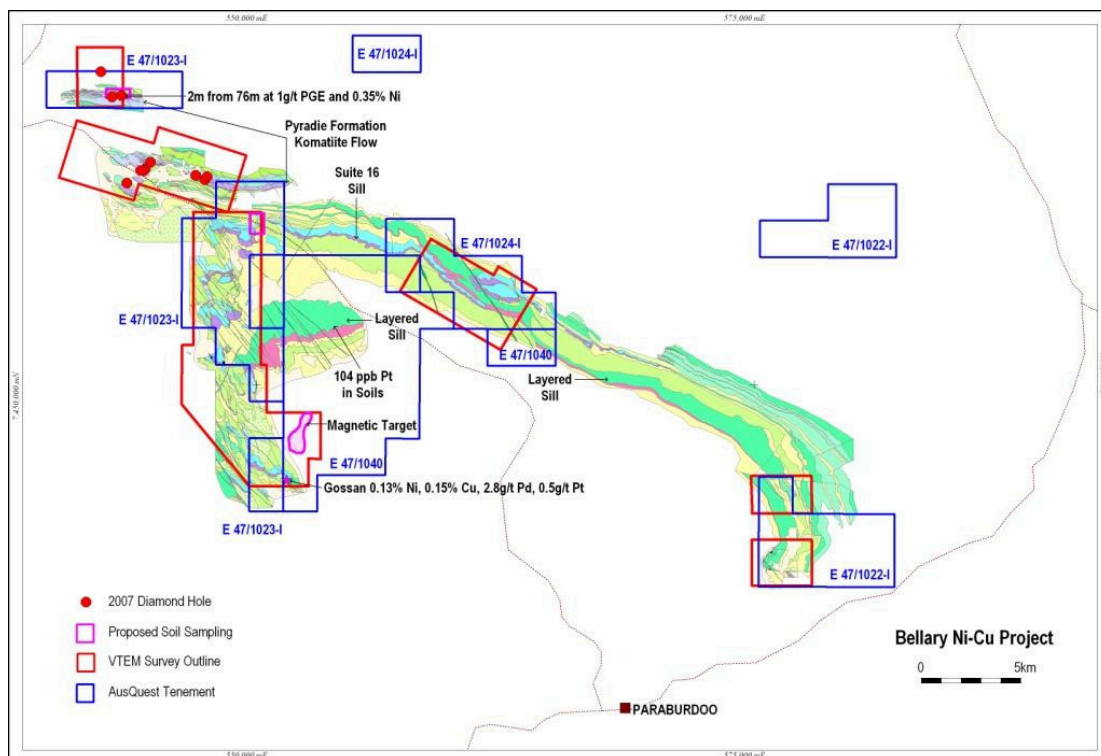


Figure 6-2: Bellary Ni-Cu-PGE Targets



Elsewhere there remain a number of VTEM and gossan targets that have not been tested by drilling which will be the subject of future exploration.

Aggregate exploration expenditure for nickel over the life of the Bellary Project has been approximately \$1.5M.

6.6 Valuation

6.6.1 Cost Based Methods

AusQuest spent approximately \$200 000 (1 000 000 AusQuest shares) in acquisition costs on tenements E47/1022-I, E47/1023-I and E47/1040.

Subsequent exploration expenditure on the tenements included \$20 000 by Falconbridge as part of an exploration joint venture agreement which has now expired and a sole-funded \$1.58 M by AusQuest for a total exploration expenditure of approximately \$1.6 M.

Golder believes that the exploration undertaken by Falconbridge and AusQuest has identified potential nickel-bearing channels within the ultramafic units and geochemistry indicative of known types of nickel and platinum group element mineralisation.

Using the Previous Expenditure method of valuation, Golder considers it reasonable to apply a multiple of 1.5 to 2.0 to the previous expenditure to recognise the value that has been added to the project. This places an expected value for 100% interest in the project in the ranges from \$2.4 M to \$3.2 M with a preferred value of \$2.8 M. We estimate AusQuest's beneficial interest in the project to range from \$2.2 M to \$2.9 M with a preferred value of \$2.5 M.

6.7 Valuation Statement

In our opinion, the fair value of AusQuest's beneficial interest in the project lies in the range of \$2.2 M to \$2.9 M with a preferred value of \$2.5 M.

7.0 BEASLEY PROJECT, WA

Granted Tenements: E47/1206, 1294 and 1425 (AusQuest 100%)

Current Expenditure Commitment: \$70,000

7.1 Tenements and Ownership

AusQuest's Beasley Project comprises three Exploration Licences, E47/1206, 1294 and 1425 with an aggregate area of 60km². The Exploration Licences were granted over a two-year timeframe between June 2002 and June 2004. E47/1294 and 1425 were originally pegged by AusQuest and E47/1206 was purchased in 2004 from Panco Pty Ltd (Panco) and R. Bellotti for an up-front cost of \$25,000 and the issue of 150,000 fully paid ordinary shares in AusQuest (Figure 4-1).

Overlapping Native Title Claims by the Puutu Kunti Kurrama and Pinikura (WC 01/005 and WC 05/004), the Innawonga (WC 98/069), the Innawonga Bunjima Niapaili (WC 96/061) and the Eastern Guruma (WC 97/089) cover various parts of the tenements. Both AusQuest and the original applicants for E47/1206, Panco and Bellotti, have entered into several separate Heritage Agreements with Native Title Claimants in order to allow exploration to proceed subject to appropriate ethnographic and archaeological approvals. All of the ground disturbing activity to date has been within the WC 01/005 claim.

The Beasley tenements were previously subject to a Farm-In agreement with Falconbridge Australia Pty Ltd (Falconbridge). After expenditure of \$360,000 (of which approximately \$340,000 had been spent on the Beasley tenement block), Falconbridge withdrew from the JV without equity in September, 2006.



7.2 Location and Access

The tenements are located approximately 55 km west of Tom Price in the Pilbara region of Western Australia. It falls totally within the Rocklea Pastoral Lease. Beasley is most readily accessed via the White Quartz Road leading to Pilbara Iron's Brockman 4 Deposit, located approximately 14 km to the north of the Project Area.

7.3 Geology and Mineralisation

The Project Area covers the Pyradie Formation of the Fortescue Group on the northern side of the Rocklea Dome. Within the Pyradie, igneous rock types include high-MgO parented basalts, differentiated dolerite to gabbroic sills, and importantly a laterally restricted ultramafic komatiite flow. Pyroxene spinifex is common in many of the flows and sills, and occurs throughout some units and forms the A zones of many of the flows. The age of the Pyradie Formation is approximately 2715 Ma.

7.4 Exploration History

Previous exploration recorded in the WAMEX records over the Beasley Ni tenement consists of exploration for nickel conducted by CRA Exploration/Beckmont JV in 1992-1993 and Outokumpu Exploration Australia (OMA)/ St Francis Mining JV in 1995. Both these exploration programs were conducted over the Rocklea and Bellary Domes and include the area of E47/1294.

The CRAE/Beckmont Pty Ltd program involved locating the most magnesium-rich rocks using Thematic Mapper satellite imagery and extensive stream and soil sampling. The OMA/St Francis exploration involved detailed mapping and extensive rock chip sampling. Assay data from the CRAE and OMA exploration programs have been collated digitally by AusQuest.

7.5 Current Exploration

Exploration by AusQuest of the ultramafic unit located a number of Ni-Cu-PGE gossans on the basal ultramafic contact during follow-up of anomalous results from previous explorers' stream sediment and rock chip sampling. Subsequent exploration has involved mapping, stream sediment, soil and rock chip sampling, helicopter-borne EM surveying together with ground and down-hole EM surveys, drilling of 10 RC holes and 19 diamond holes. Several diamond holes drilled into a highly magnetic, high MgO zone, interpreted as a channel, intersected trace to minor low-grade magmatic sulfides over 2 m to 14 m intervals. The style of mineralisation intersected by these holes and the geochemistry of the host rocks indicate a comparison with the Raglan nickel-copper deposit in Canada is the most appropriate geological model. The sulfides intersected at Beasley are high tenor and would contain up to 14% Ni, 5% Cu, 0.6% Co, 9 g/t Pd and 2 g/t Pt if the rock was 100% sulfides.

Interpretation of the geophysical data (magnetics) indicates there are still targets to be tested including the northerly extension of the sulfide bearing channel tested by previous drilling (Figure 7-1).

Since starting exploration work in the area AusQuest has spent approximately \$1.74 M on the project. A further \$340,000 was spent by joint venture partners.

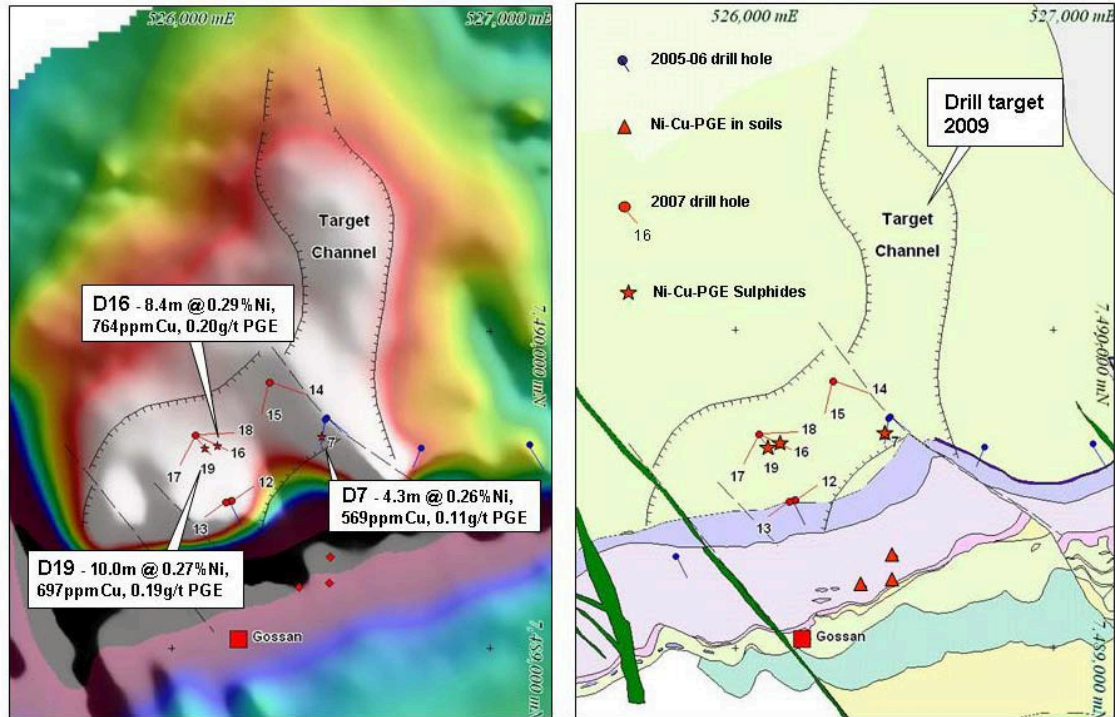


Figure 7-1: Target Flow Channels and Intersections

7.6 Valuation

7.6.1 Past Expenditure Method

AusQuest spent approximately \$55 000 (\$25 000 in cash and 150 000 AusQuest shares) in acquisition costs on tenement E47/1206 in 2004.

Subsequent exploration expenditure on the tenements included approximately \$340,000 by Falconbridge as part of an exploration joint venture agreement which has now expired, and a sole-funded \$1.74 M by AusQuest for a total exploration expenditure of approximately \$2.1 M.

Golder believes that the exploration undertaken by Falconbridge and AusQuest have identified potential nickel-bearing channels within the ultramafic units and geochemistry indicative of known types of nickel and platinum group element mineralisation.

Using the Previous Expenditure Method of valuation, Golder considers it reasonable to apply a multiple of 1.0 to 1.5 to the previous expenditure to recognise the value that has been added to the project. This places an expected value for AusQuest's 100% interest in the project in the range \$2.1 M to \$3.0 M with a preferred value of \$2.5 M.

7.7 Valuation Statement

In our opinion, the fair value of AusQuest's interest in the project lies in the \$2.1 M to \$3.0 M with a preferred value of \$2.5 M.



8.0 SYLVANIA PROJECT, WA

Granted Tenements: E52/1777-I, E52/1778-I, E52/1922, E52/1923, E52/1924, E52/1933-I, E52/1979, E52/1980, E52/2018, E52/2019 (AusQuest 100%)

Current Expenditure Commitment: \$537,500

8.1 Tenements and Ownership

AusQuest's 100% owned Sylvania Project (Figure 8-1) comprises ten Exploration Licences which were granted over a two-year timeframe (E52/1777-I, E52/1778-I, E52/1922, E52/1923, E52/1924, E52/1933-I, E52/1979, E52/1980, E52/2018 and E52/2019). Of these, E52/1777, 1778 and E52/1933 have been endorsed for iron ore. The tenements have an aggregate area of 1626 km²

Overlapping Native Title Claims by the Niyiyaparli (WC 99/004 and WC 05/006) and the Ngarlawangga (WC 05/003) cover various parts of the tenements. AusQuest has entered into several separate Heritage Agreements with Native Title Claimants in order to allow exploration to proceed subject to appropriate ethnographic and archaeological approvals.

8.2 Location and Access

The tenements are located approximately 50 km south of the Newman townsite in the southeast of the Pilbara region of Western Australia. They straddle parts of the Ethel Creek, Prairie Downs, Sylvania and Weelarrana pastoral leases. Access to the Project Area is afforded by the Great Northern Highway, the Prairie Downs and Weelarrana – Ethel Creek roads and by station tracks.

8.3 Geology and Mineralisation

The Project Area straddles western and central portions of the Archaean Sylvania Inlier and adjacent parts of the Hamersley Basin. Patchily exposed bedrock includes multiphase granitoids and greenstone remnants within the Archaean Sylvania Inlier and overlying volcanogenic and sedimentary strata of the late Archaean Fortescue Group and Early Proterozoic Hamersley Group. The headwaters of the Fortescue River system transect the tenement area and extensive alluvial and flood plain deposits as well as laterite overlie much of the bedrock.

8.4 Exploration History

AusQuest reported that a review of Open File data failed to find any historical exploration for iron ore or nickel sulfides within the company's Sylvania Project tenements. Previous uranium exploration programs were predominantly focussed on younger Proterozoic basinal sediments to the southwest of the Project Area. However, some of these programs covered older sequences and rock-chip values of up to 0.5% U₃O₈ were found within Fortescue Group calcreted chlorite-sericite schist at the Jillary West Uranium Prospect, located 6 km south of AusQuest's titles.



AUSQUEST VALUATION OF MINERAL ASSETS

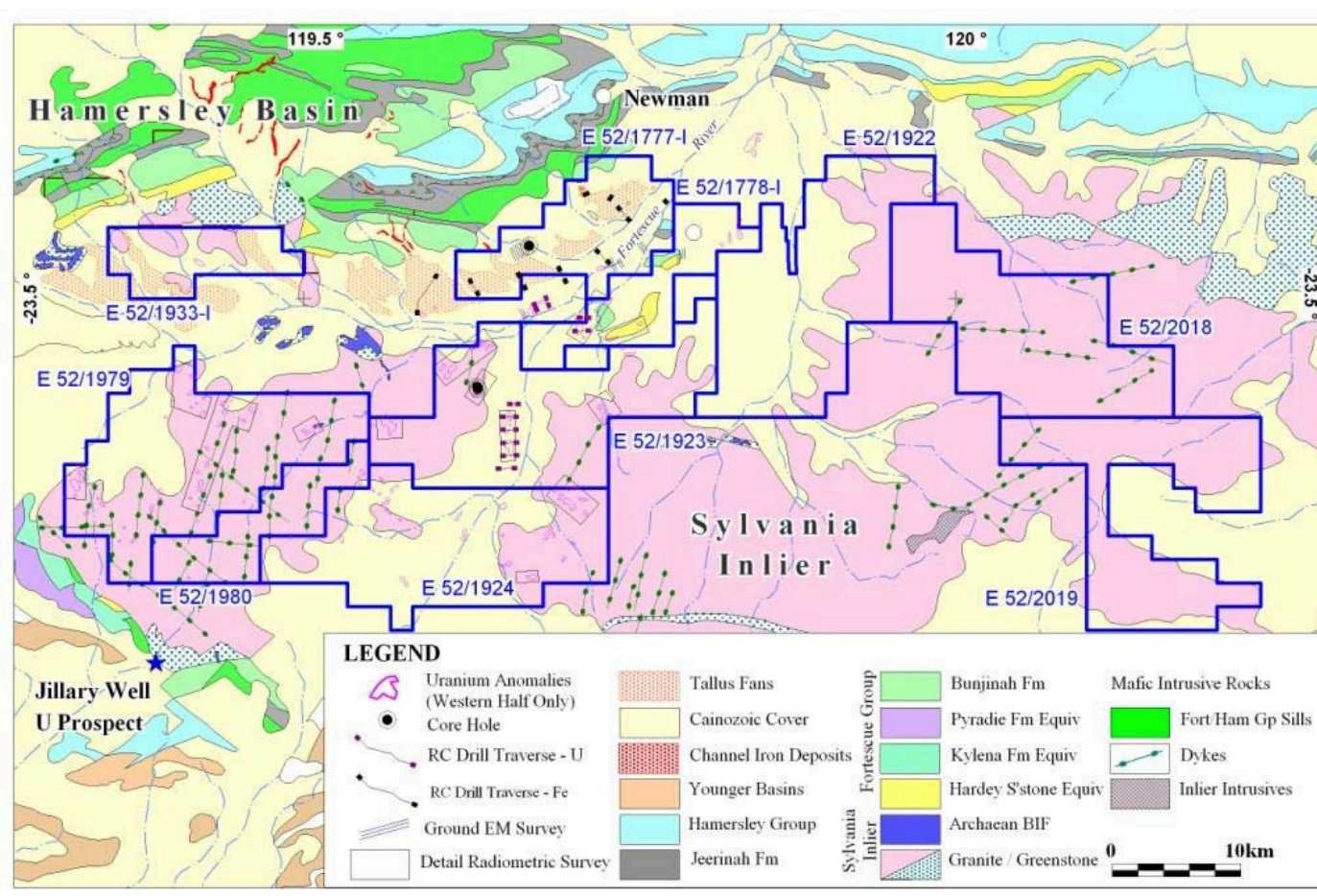


Figure 8-1: Overview of the Sylvania Project Area



8.5 Current Exploration

Since starting work in 2005, AusQuest has spent approximately \$1.14 M with exploration focussed on CIDs, Ni-Cu-PGEs and uranium.

Iron (CID) exploration: Initial reconnaissance confirmed the presence of *in situ* remnants of CIDs immediately outside of the Project Area and located reworked CID detritus along the margins of recent high-level piedmont fans within E52/1777. Encouraging mean assay results from six samples were 57.01% Fe, 5.77% SiO₂, 4.39% Al₂O₃, 0.10% CaO, 0.04% P, 7.23%, 7.23% LOI.

A GEOTEM survey revealed the presence of a possible 25 km long palaeochannel largely concealed for the main part under talus fans. However, subsequent RAB drilling (over eight sections) was unsuccessful in locating *in situ* CID. The potential for *in situ* CID under alluvium in present-day tributaries remains to be investigated.

Nickel Exploration: Litho-stratigraphic similarities between the Sylvania Project and AusQuest's Beasley and Bellary Ni-Cu-PGE Projects in other parts of the Hamersley Basin suggested that Sylvania may also hold potential for magmatic sulfides in channel facies komatiitic basalt of the Pyradie Formation and possibly in fractionated and layered mafic ultra-mafic sills lower within the Fortescue Group. Subsequent interpretation of aeromagnetic data identified a number of linear magnetic anomalies which suggested that serpentinised channel facies horizons may be present under locally extensive cover sediments. GEOTEM and ground EM surveys highlighted a number of strong, late-time conductors, spatially associated with some of the magnetic targets. Only one of four targets was drilled, intersecting chlorite schists, meta-basalts and sulfidic graphitic shales but no nickel sulfide mineralisation was detected. Other EM anomalies thought to emanate from Fortescue Group strata remain untested.

Uranium Exploration: To date, AusQuest's interpretation of airborne radiometric data has been confined to western portions of the Sylvania Project. Numerous uranium channel anomalies were highlighted and detailed low-level helicopter-borne radiometrics were subsequently flown over 13 priority target areas. Both drainage and bedrock related targets were identified.

Drainage uranium anomalies occurred over calcrete and silcrete outcrops along the axes of present and palaeo-drainage systems. Limited rock chip sampling over selected anomalies returned up to 93 ppm U. However subsequent RC drilling at 200 m hole spacing on 1 km spaced sections failed to upgrade results. Other calcrete-style uranium targets within the Sylvania Project Area remain to be tested.

Bedrock uranium anomalies were mostly associated within goethitic ironstones developed within and adjacent to deeply weathered, chlorite-altered dolerite dykes of the Sylvania Inlier, especially in the vicinity of warps and/or mylonite-dyke intersections. Anomalous assay values up to 348 ppm U₃O₈, 1643 ppm Pb, 0.99% Ce and 1737 ppm La were returned from 85 rock chip samples. Whilst groundwater processes were almost certainly contributing to the surficial uranium enrichments, it was also possible that the anomalies derived in part from primary mineralisation in bedrock. Subsequent diamond drilling of one target returned a best result of 24 ppm U from surface but failed to find continuity of uraniferous iron-rich lithologies at depth. Whilst only one anomaly was tested, these results suggest that the uraniferous ironstones may be effectively "rootless" surficial deposits with limited bedrock potential.

Future exploration at Sylvania will be focussed on reconnaissance drilling of inferred CID locations, evaluation of the Marra Mamba iron potential which has not been considered to date and further follow-up of radiometric uranium anomalies. AusQuest advised that it considered a minimum expenditure for the coming year of \$600,000 would be required on the tenements.



8.6 Valuation

8.6.1 Cost Based Methods

AusQuest has spent \$1.14 M on relevant exploration on the tenements, mainly focussed on CIDs, Ni-Cu-PGEs and uranium and the tenements have an expenditure commitment of \$537,500 for the coming year.

In our opinion, the fact that AusQuest has entered into agreements with Native Title holders and has undertaken exploration to date giving encouraging results, has added value to the tenements. It is considered likely that the company would attract a joint venture on the tenements that will recognise the value of that expenditure.

Using the Previous Expenditure as a guide to valuation, Golder considers it is reasonable to apply a Prospectivity Enhancement Multiplier to that previous expenditure in the range of 1.0 to 1.5 giving an expected attributable value to 100% of the tenements in the range of \$1.1 M to \$1.7 M with a preferred value of \$1.5 M.

8.7 Valuation Statement

In Golder's opinion the value attributable to AusQuest's interest in the tenements, using the various valuation methods outlined above, lies in the range of \$1.1 M to \$1.7 M with a preferred value of \$1.5 M.

9.0 TABLE HILL PROJECT, WA

AusQuest 100% owned Granted Tenements:

E69/1773, E69/1776, E69/1777, E69/1780, E69/1781, E69/1782, E69/1783, E69/1784, E69/1785, E69/1949, E69/1950, E69/1952, E69/2301 Current Expenditure Commitment: \$897,000

AusQuest 100% owned Tenement Applications:

E69/2464, E69/2465, E69/2466, E69/2467, E69/2468, E69/2469, E69/2470, E69/2471, E69/2472, E69/2543, E69/2544, E69/2545, E69/2546, E45/3248, E45/3249, E69/2548, E69/2549, E69/2550, E69/2551, E69/2552, E69/2553, E69/2554, E69/2555, E45/2924, E45/3200, E45/3201

9.1 Tenements and Ownership

AusQuest's Table Hill Project (Figure 9-1) comprises 13 granted Exploration Licenses and 26 Exploration License Applications all 100% owned by AusQuest. However, since its inception in 2002, the Table Hill Project has been the subject of joint venture agreements with Sipa Exploration NL (Sipa), who withdrew with no equity from the agreement in November 2004 after spending approximately \$847,000 and Falconbridge Australia Pty Ltd (Falconbridge) who withdrew with no equity from the agreement in September 2006 after spending approximately \$440,000.

9.2 Location and Access

The Table Hill tenements have an aggregate area of 16 876 km² and are centred approximately 175 km east southeast of Newman in the Little Sandy Desert region of Western Australia (Figure 9-1). They straddle parts of the Martu and Birriliburu Native Title Determined areas as well as small portions of the Niyaparli Title Claim (WC 05/006). The project also covers portions of the Walagunya and Balfour Downs Pastoral Leases. Access to the Project is afforded by the Great Northern Highway, the Weelarrana and Jigalong access roads, station tracks and the Talawana, Savory Creek and Boondawarri tracks.

AusQuest has entered into separate Heritage Agreements with the Martu and the Birriliburu Native Title Owners in order to allow exploration to proceed subject to appropriate ethnographic and archaeological approvals.

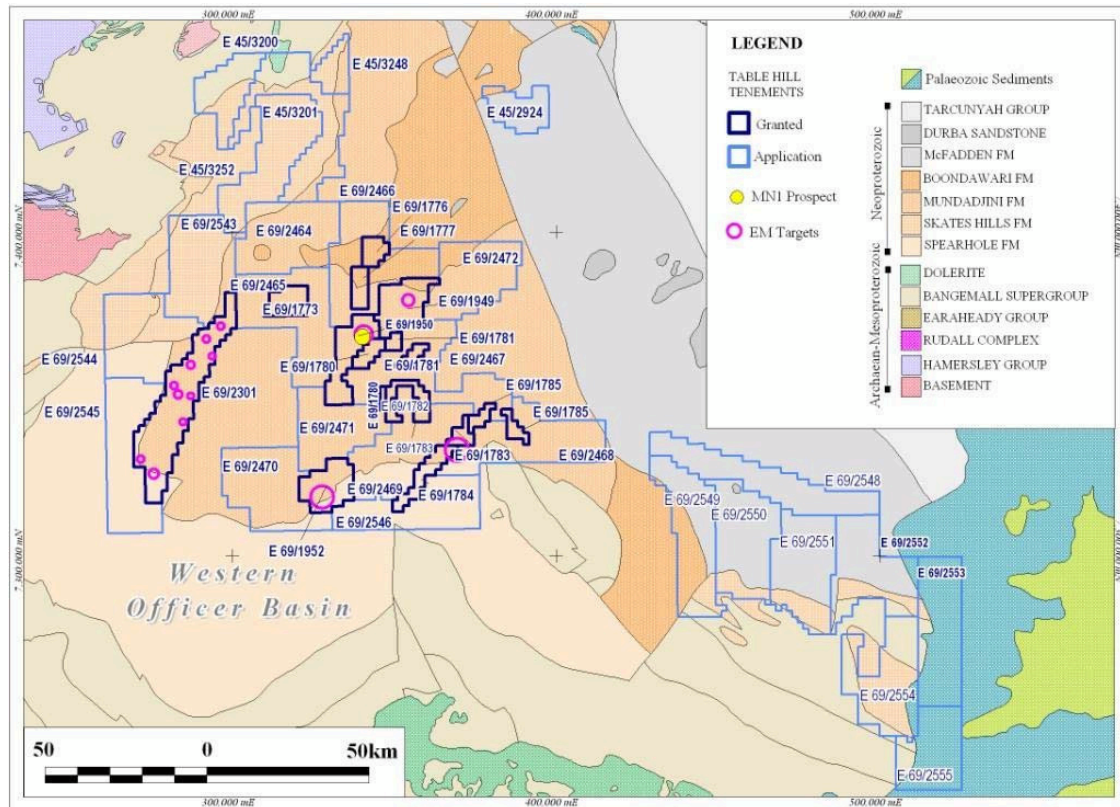


Figure 9-1: Regional Geology of the Table Hill Project Showing MN1 Prospect and Other EM Target Areas

9.3 Geology and Mineralisation

The Table Hill Project encompasses a large part of the western portion (formerly known as the Savory Sub-Basin) of the Neoproterozoic–Palaeozoic Officer Basin (Figure 9-2). Outcrop is generally poor with most rocks obscured by aeolian sand cover. In the vicinity of Table Hill, the Basin comprises an intermittently outcropping succession dominated by sandstone with subordinate mudrock intervals and minor coarser grained clastic rocks, carbonate and evaporites, all of which are considered to be of Neoproterozoic age. These rocks are intruded by a number of patchily outcropping mafic sills, the regional extent of which is interpreted from aeromagnetic data. The gabbroic sills are Cambrian in age and interpreted as an inferred feeder system to the geochronologically and chemically similar Table Hill continental flood basalt (CFB) lavas which crop out to the east of the Project Area.

9.4 Exploration History

Review of Open File data shows that parts of the Table Hill Project Area have been previously explored for diamonds, base metals, gold and nickel. However, most of these programs were very restricted in nature and extent and are of little relevance to AusQuest's current exploration. Several dry petroleum exploration drilled in the area by Amadeus Petroleum NL in late 1997 have provided AusQuest with useful stratigraphic information.

9.5 Current Exploration

Starting in 2002, AusQuest's original exploration at Table Hill targeted Norilsk-style magmatic Ni-Cu-PGE sulphides in the mafic sills based on strong geochemical evidence for sulphide separation within the sills due to widespread assimilation of host evaporitic mudrocks. In late 2007, one of the drill holes targeting the



Norilsk Ni-Cu PGE model encountered massive manganese (Mn) of potentially economic grade (3.9 m at 46.4% Mn) in part of the mudrock sequence. Whilst this unexpected occurrence led to renewed exploration effort targeting stratabound-style Mn, the validity of the original magmatic Ni-Cu PGE model has not been negated.

Project expenditure to date (including previous JV contributions) has been approximately \$6.5 M. Work completed includes:

- Acquisition, compilation and interpretation of airborne magnetic data, regional GEOTEM data (8055 line km) and VTEM survey data (1323 line km) over selected tenements and targets.
- Surveying and modelling of fixed loop ground TEM (FLTEM) and moving loop TEM (MLTEM).
- RC, HQ and NQ diamond drilling at three targets for a total of 17 holes and 5974 m.
- Down-hole geophysical surveys in selected holes.

Drilling to date has not located magmatic Ni-Cu PGE sulphides in the target sills. However, several high grade manganese intersections have been returned from the MN1 Prospect as outlined in Table 6.

Table 6: Table Hill MN1 Prospect - Significant Manganese Intersections

Hole No	From	To	Interval	Mn%	Fe%	SiO ₂ %	Al ₂ O ₃ %	P%	LOI%
07THD001B	286.8	290.7	3.9	46.4	0.68	15.4	1.54	0.043	12.1
08THD007	326.1	327.4	1.3	47.7	1.70	13.3	1.65	0.171	11.1
08THD010	325.6	330.1	4.5	13.3	6.80	48.5	10.6	0.055	7.4

At the MN1 prospect (Figure 9-2) the drilling has identified several structural and stratigraphic controls on the manganese mineralisation and established a relationship between the TEM response and the manganese mineralisation. Based on recent drilling and the moving MLTEM data the potential exploration target at the southern end of the MN1 Prospect may be in the order of several million tonnes in a body that is gently dipping to the west, approximately 1 km to 2 km long and 100 m to 300 m wide and about 300m deep.



AUSQUEST VALUATION OF MINERAL ASSETS

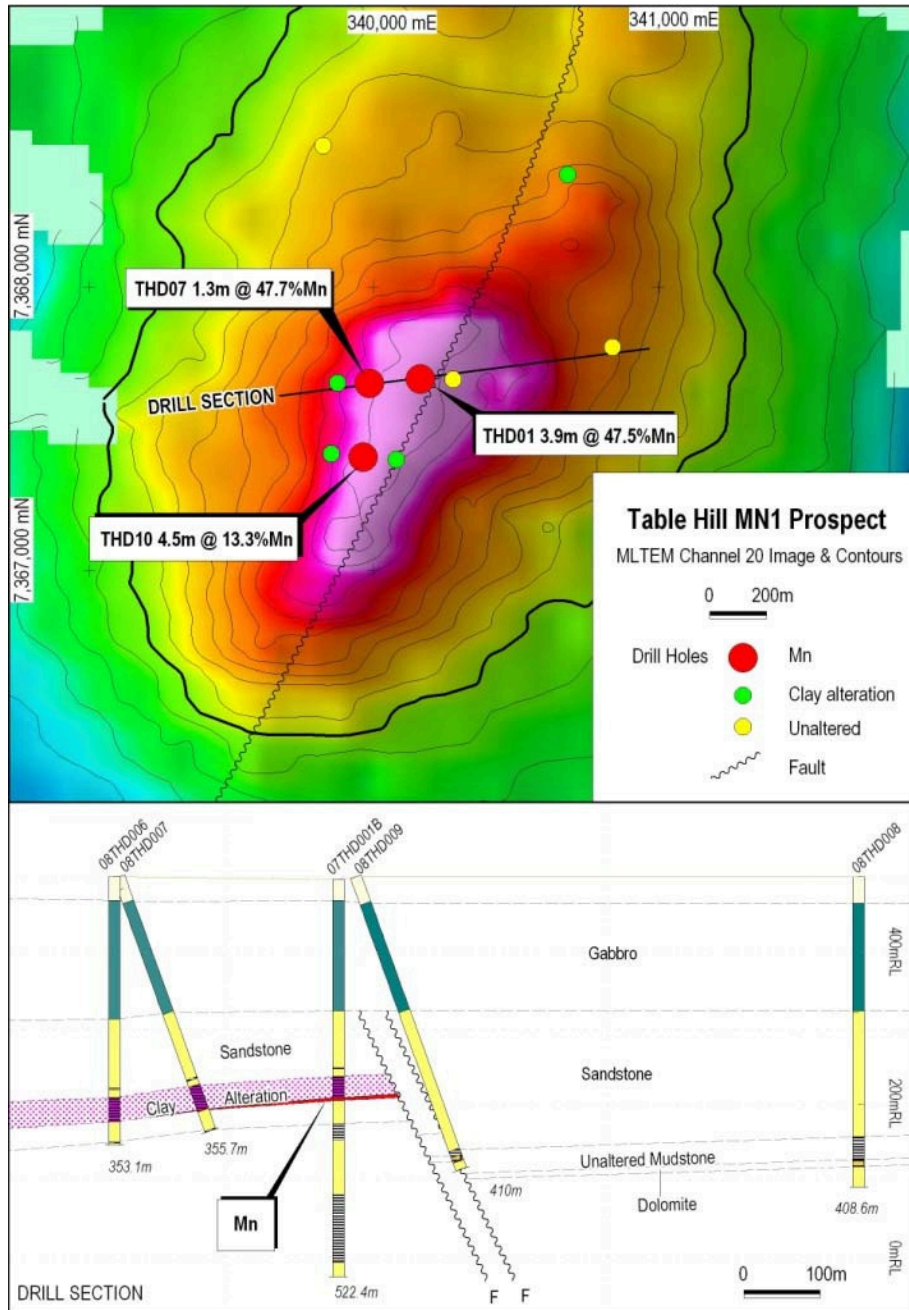


Figure 9-2: MN1 Prospect Showing Drill Holes, MLTEM Contours and Drill Section

The airborne GEOTEM anomaly at MN1, initially thought to be entirely due to the manganese mineralisation is now known to be due to a combination of a manganese mineralisation and clay alteration based on down-hole geophysical logs and DHEM surveys. The DHEM surveys also indicate potential for a deeper EM target beneath the current level of drilling.



AUSQUEST VALUATION OF MINERAL ASSETS

AusQuest's future exploration programme at Table Hill will focus on identifying and testing regional targets within the Company's large tenement holdings, that have potential to represent both Mn and in some areas Ni-Cu-PGE targets. Priority will be given to Mn targets that occur at shallow depths. Targeting for Mn will be based on defining EM targets (clay+/-Mn) within the preferred stratigraphic sequence (Mundadjini Formation) that are also proximal to structures with the potential to localise hydrothermal activity. Targeting for nickel sulfides will focus on proximity to potential feeder structures to the extensive mafic sills that occur in the region.

Upwards of 10 TEM targets have been highlighted for ground follow-up including drilling where justified (Figure 9-3) and further EM anomalies are expected to be identified once full airborne EM coverage is obtained. Approximately \$4.5 M is proposed in expenditure at Table Hill in 2009. The work programme includes:

- Completing airborne EM coverage of the prospective stratigraphy.
- Ground TEM surveys over targets generated by this survey including the 13 targets already identified.
- Geological mapping and sampling over the TEM targets.
- Drill testing 5 to 10 targets defined by EM and geology.

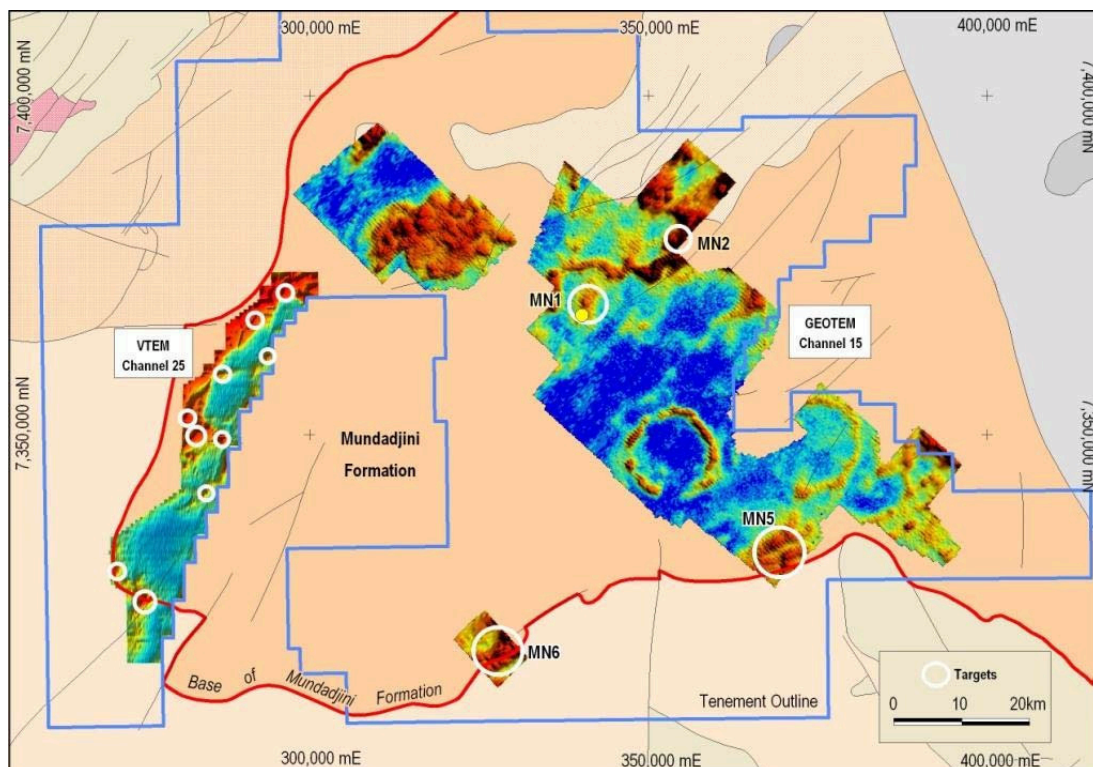


Figure 9-3: Table Hill EM Target Summary Plan



9.6 Valuation

9.6.1 Previous Expenditure Method

Previous relevant expenditure on the tenements totals \$6.45 M and AusQuest plans to spend a further \$4.5 M on the tenements in the next 12 months.

In our opinion, the fact that AusQuest has entered into agreements with Native Title holders and has undertaken exploration to date giving encouraging results, has added value to the tenements. It is considered likely that the company would attract a joint venture on the tenements that will recognise the value of that expenditure.

Using the Previous Expenditure as a guide to valuation, Golder considers it is reasonable to apply a Prospectivity Enhancement Multiplier to that previous expenditure in the range of 1.0 to 1.5 giving an expected attributable value to 100% of the tenements in the range of \$6.5 M to \$10 M with a preferred value of \$7.5 M.

9.7 Valuation Statement

In our opinion, the fair value of AusQuest's interest in the Table Hill Project lies in the range of \$6.5 M to \$10 M with a preferred value of \$7.5 M.

10.0 DIAMANTINA PROJECT, QLD

AusQuest 100% owned Granted Tenements: EPM15470, EPM15472, EPM15781, EPM15782, EPM15783, EPM15785, EPM15787, EPM15789, EPM15791

AusQuest 100% owned Tenement Applications: EPM16750, EPM16752, EPM16756, EPM16757, EPM16764, EPM16766

Current Expenditure Commitment: \$272,000

10.1 Tenements and Ownership

AusQuest's 100% owned Diamantina Project (Figure 10-1) comprises nine granted exploration permits and six exploration permit applications with an aggregate area of 3443 km². The area is covered by Native Title Claims Mithaka (QC 02/035) and Wangkangurru/Yarluyandi (SC97/003). AusQuest entered into a Heritage Agreement with the Mithaka on tenements EPM15781, EPM15782, EPM15783, EPM15785, EPM15787, EPM15791 on July 27, 2007 and is currently negotiating an agreement with the Wangkangurru/Yarluyandi claimant group. Site clearance work was undertaken with both parties ahead of drilling in 2008.

10.2 Location and Access

The project is located approximately 450 km south of Mt Isa and 60 km southeast of Bedourie in western Queensland. The tenements cover parts of the Adria Downs, Cluny and Glengyle Pastoral Leases. Access to the area is via the Bedourie to Birdsville Road and numerous station tracks.

10.3 Geology and Mineralisation

At a continental scale, the Diamantina Project occurs within a major arcuate structural zone forming the south eastern corner of the North Australian Craton. Interpreted basement domains within this area have traditionally been assigned to either the Neoproterozoic to Palaeozoic Irindina Province (which extends east-southeast from Harts Range in the Northern Territory) or, more frequently, to the Proterozoic Mount Isa Block. The latter is widely known as host to numerous major base and precious metal deposits, most of which occur in northern, relatively well exposed parts of the terrain around Mt Isa. In the Diamantina area, basement rocks are buried under significant thicknesses (+/- 1km) of poorly exposed relatively flat-lying Palaeozoic sediments of the Eromanga Basin.

Release of new Queensland Government Survey (QGS) regional aeromagnetic and gravity data in 2007 highlighted several coincident strong gravity and magnetic anomalies within the Diamantina Project area

which were spatially associated with major structures (Figure 10-1). The coincident nature, size (>20 km²) and amplitudes of the gravity and magnetic anomalies (up to 32 milligals and +20 000 x 10⁻⁵ SI units respectively) were consistent with the geophysical signatures of several large-scale Iron Oxide-Copper-Gold (IOCG) systems found elsewhere in Australia which are host to major copper and gold ore deposits (e.g. Olympic Dam and Prominent Hill on the eastern margin of the Gawler Craton in South Australia and Ernest Henry hosted within the Mt Isa Block).

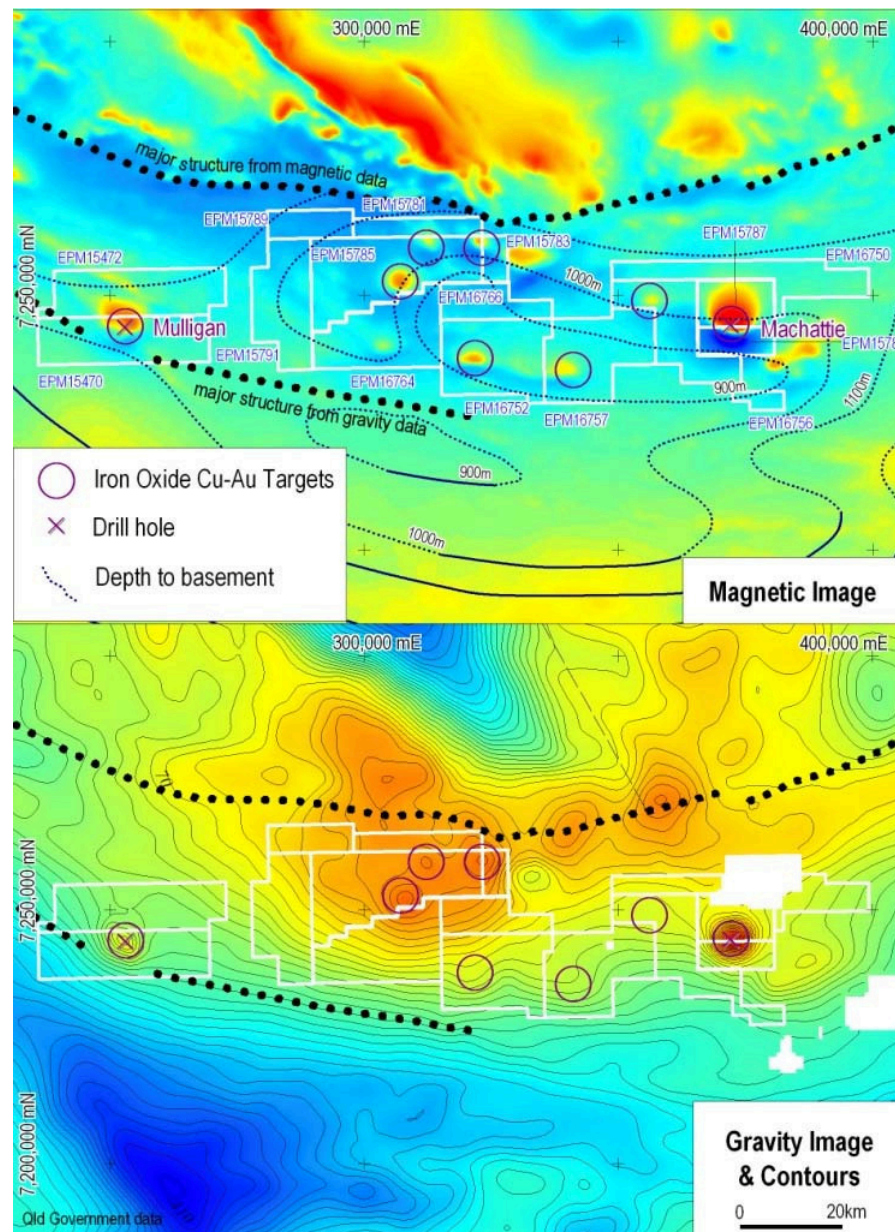


Figure 10-1: Overview of the Diamantina Project showing Machattie and Mulligan Prospects and other IOCG Targets



10.4 Exploration History

Prior to AusQuest's work in the Diamantina Project, no previous exploration for IOCG systems had been undertaken in the area and a review of Open File data failed to find any relevant historic exploration data. Limited petroleum exploration undertaken within Eromanga Basin sediments to the south of the area provided some stratigraphic control.

10.5 Current Exploration

Since starting work in 2007, AusQuest's aggregate expenditure has been approximately \$2.5 M. Exploration to date has included desktop interpretation and modelling of gravity and magnetic data, detailed helicopter gravity surveying over four targets, field reconnaissance to determine access and logistics, and drilling of two deep diamond drill-holes (LMDDH001 and MULDDH001) to test targets at the Machattie and Mulligan Prospects respectively (Figure 10-1). At the time of writing no assay data has been returned from either drill hole.

LMDDH001 was drilled vertically to a depth of 1788 m at the Machattie Prospect in the centre of a circular 32 mgal gravity anomaly. The entire 829 m of basement rocks drilled consisted of magnetite pyroxenite except for numerous mainly mafic (with some possible lamprophyric) dykes. The exceptionally iron-rich magnetite pyroxenite also contains calcite and pyrite in both interstices and vein stockworks signifying a very high CO₂-SO₂ fluid content in the crystallising magma.

MULDDH001 was collared vertically near the centre of a slightly east-west elongate 14 mgal gravity anomaly at the Mulligan Prospect, about 120 km to the west of LMDDH001. The hole was cored from 901 m to 1500 m within basement rocks of amphibole-rich magnetite pyroxenite and metasomatic amphibole rock, cut by abundant granitoid dykes with subordinate intermediate and mafic dykes. The pyroxenite contains interstitial blebs of calcite-pyrite but not the stockwork of LMDDH001.

The magnetite pyroxenite rocks intersected in both drill holes, along with the prolific dykes which intrude them, are believed to be similar to rocks reported in association with IOCG mineralisation. From the evidence of these drill holes and the regional geophysical data, the belt of basement rocks at Diamantina is thought to host at least eight potential IOCG-style intrusive/hydrothermal systems.

Any one or part of the Diamantina anomalies could host Cu-Au mineralisation and evaluation of these targets will form the basis of the Company's 2009 exploration programme. The programme will include deep penetrating ground geophysical surveys (magneto-tellurics, IP) as well as diamond drilling of selected targets. In total the programme is estimated to cost approximately \$3.0 M.

10.6 Valuation

10.6.1 Previous Expenditure Method

Previous relevant expenditure on the tenements by AusQuest totals \$2.5 M.

Significant exploration undertaken to date has highlighted a number of geophysical targets within the tenements and in our opinion, the exploration undertaken has added value to the tenements.

Using the Previous Expenditure as a guide to valuation, Golder considers it is reasonable to apply a Prospectivity Enhancement Multiplier to that previous expenditure in the range of 1.0 to 1.5 giving an expected attributable value to AusQuest's 100% interest in the tenements in the range of \$2.5 M to \$3.75 M with a preferred value of \$3.0 M.

10.7 Valuation Statement

In our opinion, the fair value of AusQuest's interest in the Diamantina Project lies in the range of \$2.5 M to \$3.75 M with a preferred value of \$3.0 M.



11.0 PLENTY RIVER PROJECT, NT

*AusQuest 100% owned Granted Tenements: EL 22824, EL 23566, EL 23792, EL 25007;
AusQuest 100% owned Tenements Application: EL 26709 (Note EL26709 replaces an earlier
tenement EL25008 which was subject to excision by the Traditional Owners).
Current Expenditure Commitment: \$137,240*

AusQuest's Plenty River Project incorporates four granted Exploration Licenses (EL22824, EL23566, EL23792 and EL25007) as well as one Exploration License Application, EL26709, which replaces an earlier tenement, EL25008 that was the subject of a moratorium by the Native Title Owners.

11.1 Tenements and Ownership

The Project is currently 100% owned by AusQuest. However it was previously subject to an Option and Farm-In Agreement with Rio Tinto Exploration Pty Ltd (Rio Tinto), which withdrew with no interest from the agreement in May 2007 after spending approximately \$460,000.

11.2 Location and Access

The Project has an aggregate area of 2883 km² and is located approximately 230 km due east of Alice Springs on the northwest margin of the Simpson Desert. It falls wholly within aboriginal freehold land belonging to the Atnetye Aboriginal Land Trust. Access is gained by travelling east along the Plenty Highway for approximately 280 km from Alice Springs, then southeast for 20 km along the Atula road.

AusQuest has entered into several Heritage Agreements with the Central Land Council as representative for the Traditional Owners at Plenty River to allow exploration to proceed subject to appropriate heritage clearances.

11.3 Geology and Mineralisation

At the continental scale, the Plenty River Project is located towards the eastern end of the southern margin of the North Australian Craton (NAC). In a regional context, it occurs along the northern margin of the of the Eromanga Basin where Cretaceous sediments overlie medium to high grade metamorphosed sedimentary and volcanogenic rocks of the Palaeoproterozoic Aileron and Neoproterozoic Irindina Provinces at the eastern end of the Arunta orogenic domain (Figure 11-1). Outcrop throughout the tenements area is minimal due to extensive Cainozoic aeolian sand and alluvial cover. Total thickness of the Mesozoic and Cainozoic cover rocks are in the order of 200 m.

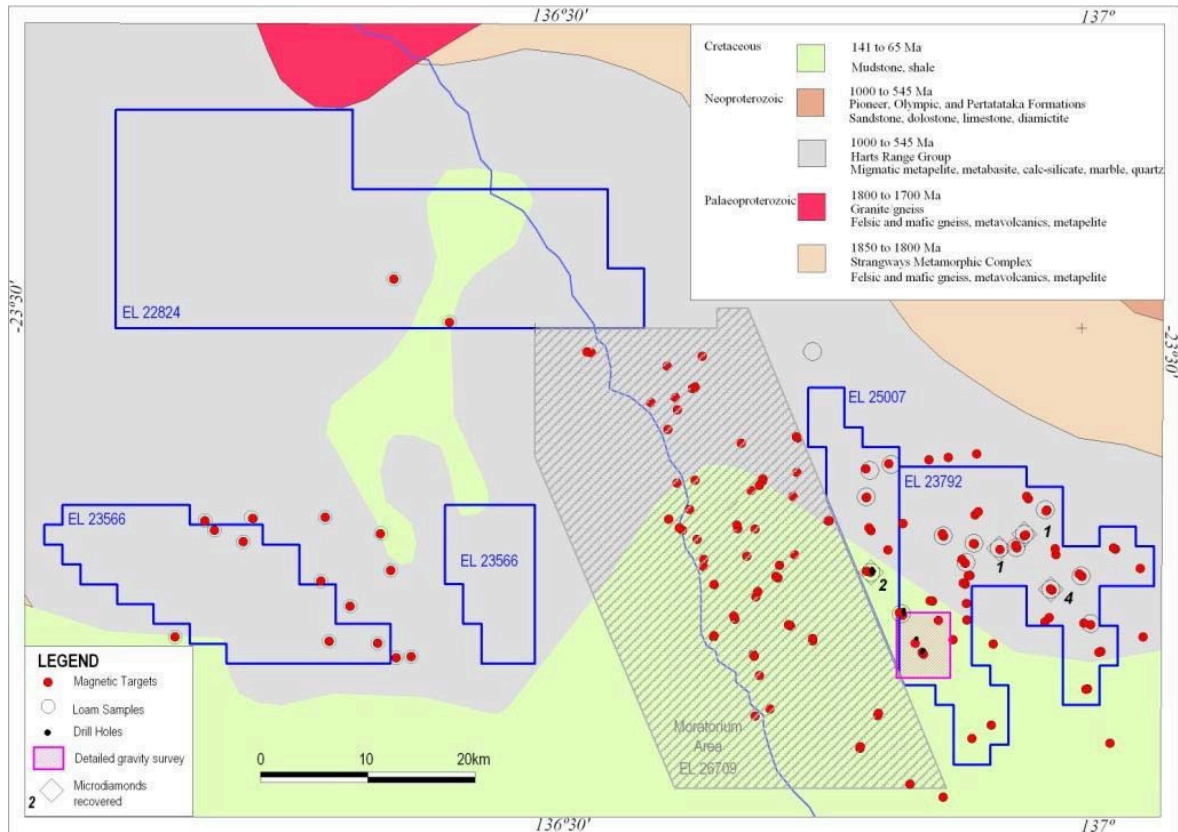


Figure 11-1: Plenty River Project showing Geology, Magnetic Targets, Micro-Diamonds, Drill Holes and Detailed Gravity Surveying

11.4 Exploration History

The Plenty River Project was initiated after the 2001 release of NTGS aeromagnetic data that revealed numerous dipole magnetic anomalies in the Plenty River area that were considered to reflect potential kimberlite targets. The character and distribution of the magnetic dipoles within a break along a prominent regional linear gravity ridge, together with the Project's cratonic margin setting suggested similarities between Plenty River and the Ellendale diamond field some 1300 km to the west northwest. Aspects of the local magnetics and gravity also suggested the Project Area may have potential for Iron Oxide-Copper-Gold (IOCG) deposits.

A search of Open file data showed that only minimal historical exploration work had been undertaken within the Project Area. Regional diamond exploration was undertaken by BHP, Geopeko and CRA in the 1980s but reported work covering areas outside the Plenty River Project. No diamonds or indicator minerals were reported and no kimberlitic rocks were intersected in drilling.

11.5 Current Exploration

Aggregate expenditure on the Plenty River Project has been approximately \$750,000 (including previous JV contributions) with work focussed on the numerous magnetic targets selected in EL23792 and EL25007. To date a large number of targets within EL26709 have not been accessible due to a moratorium on exploration because of heritage restraints.



To the east of the Plenty River, loam sampling and limited ground magnetic surveying was conducted over 16 targets. A total of eight -0.3 mm to 0.2 mm micro-diamonds were recovered from four of the 16 targets tested. However, no kimberlite indicator mineral grains were recovered to support the recovered micro-diamonds.

Subsequent RC drilling was carried out on three separate magnetic targets, only one of which had associated micro-diamonds, and failed to indicate the presence of kimberlite or lamproite lithologies. It was thought the likely cause of the magnetic anomalies had been intersected and was due to magnetic lateritised sandstone within the Cretaceous sequence. The source of the micro-diamonds however, remains unexplained.

In 2007 a helicopter-based gravity survey was carried out over the southernmost magnetic target, as one possible interpretation of the magnetic response suggested a base metal or potential IOCG target in Proterozoic basement. The survey located a distinct 3 to 4 milligal gravity anomaly offset from the magnetic source.

In 2009 drill testing is planned over the combined magnetic/gravity IOCG target. Further exploration of the numerous potential kimberlite targets is planned to include low level aeromagnetics (100 m line spacing) and check loam sampling in an attempt to confirm previous micro-diamond results. A budget of \$250,000 is estimated.

11.6 Valuation

11.6.1 Previous Expenditure Method

Previous relevant expenditure on the Plenty River Project totals \$750,000 and AusQuest plans to spend a further \$250,000 on the tenements in the next 12 months.

Exploration has identified a number of aeromagnetic kimberlite targets which merit drill testing. Exploration expenditure has generally added to the value of the tenements.

Using the Previous Expenditure as a guide to valuation, Golder considers it is reasonable to apply a Prospectivity Enhancement Multiplier to that previous expenditure in the range of 1.0 to 1.25 giving an expected attributable value to 100% of the tenements in the range of \$0.75 M to \$0.94 M with a preferred value of \$0.85 M.

11.7 Valuation Statement

In our opinion, the fair value of AusQuest's interest in the Plenty River Project lies in the range of \$0.75 M to \$0.95 M with a preferred value of \$0.85 M.

12.0 MOUNT DOBBIE PROJECT, NT

AusQuest 100% owned Granted Tenements: EL25508, EL25505

AusQuest 100% owned Tenement Applications: EL25498, 26767

Expenditure Commitment (granted title): \$67,240

12.1 Tenements and Ownership

AusQuest's 100% owned Mount Dobbie Project comprises two granted Exploration Licences and two Exploration Licence applications (Figure 12-1). The non-contiguous tenements have an aggregate area of 2477 km². Application E25498 falls within aboriginal freehold land belonging to the Atnetye Aboriginal Lands Trust and the other tenements cover parts of the Jervois, Marqua and Tarlton Downs Pastoral Leases.

To date no formal Heritage Agreements have been signed with the Traditional Owners. However, AusQuest received approval to undertake helicopter based gravity surveys in late 2007.



AUSQUEST VALUATION OF MINERAL ASSETS

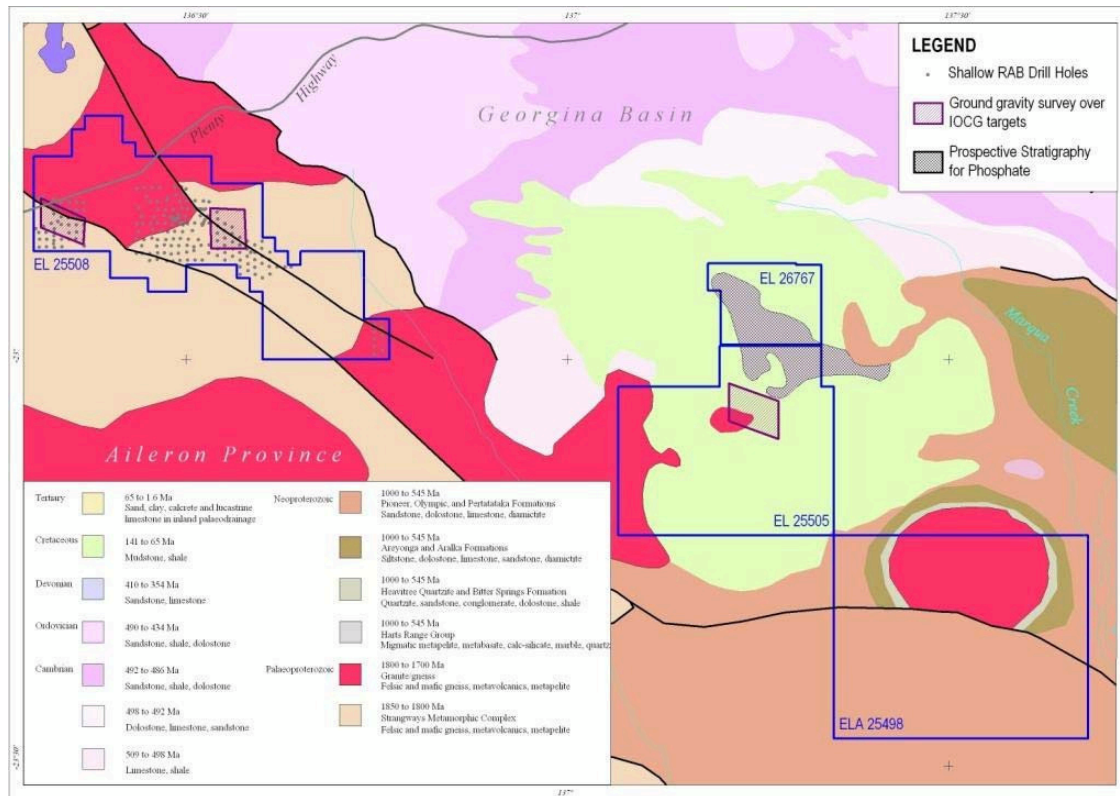


Figure 12-1: Mt Dobbie Project Showing Regional Geology and Prospective IOCG and Phosphate Targets

12.2 Location and Access

The project is located approximately 325 km east-northeast of Alice Springs and access is via the Plenty River Highway and station tracks.

12.3 Geology and Mineralisation

The geology of the area is complex (Figure 12-1). The tenements lie marginal to the Irindina Crustal Province within variably deformed and metamorphosed Palaeoproterozoic to Neoproterozoic rocks and/or within younger, relatively undeformed sedimentary strata along the southern margin of the Georgina Basin.

12.4 Exploration History

Release of regional Northern Territory Geological Survey gravity data in 2006 revealed several discrete gravity anomalies interpreted to represent potential IOCG targets and prompted AusQuest's initial title acquisitions in the area. Data modelling suggested that the gravity/magnetic anomalies were sourced from within Late Palaeoproterozoic granitoid plutons intruding the Strangways Metamorphic Complex. More recently the EL26767 application was submitted to explore for bedded phosphate (phosphorite) deposits within the Georgina Basin following announcements by Uramet Minerals Ltd reporting high phosphate grades (up to 39.4% P_2O_5) in tenements to the east.

A review of Open File data found that exploration (over EL25508 and 25498) was undertaken in 1984 by BHP/Jones Mining who completed aeromagnetic and gravity surveys but did not test the coincident anomalies that were defined. Exploration by Geopeko, Poseidon and Normandy over EL25505 during the 1980s and 1990s included shallow RAB drilling which located several weakly elevated Zn values (to



140ppm Zn) and very subtle gold anomalies (9 and 13 ppb) in bedrock close to the southern margin of the gravity response.

12.5 Current Exploration

To date AusQuest's aggregate expenditure on the Mt Dobbie Project has been approximately \$90,000. Exploration work has included detailed helicopter based gravity surveys within EL25508 and EL 25505 to define anomalies originally located by the regional NTGS gravity coverage. Three weak but discrete gravity responses were defined (Figure 12-1).

Work targeting phosphate in the Georgina Basin has been confined to desk top studies examining available satellite imagery. This work has identified possible occurrences of potentially favourable phosphate host rocks within the tenements (Figure 12-1).

Future work planned for the Mt Dobbie Project includes field reconnaissance and sampling over the gravity targets and first pass reconnaissance work to determine the areas with phosphate potential. This program is estimated to cost \$85,000.

12.6 Valuation Statement

There is no significant previous expenditure on these recently granted tenements and AusQuest plans to undertake an initial program during the coming year with a budget of \$80,000. The tenements carry a minimum commitment of \$67,240.

In our opinion, the fair value of the tenements lies in the range of \$50,000 to \$100,000 with a most likely value of \$75,000.

13.0 OTHER PROJECTS

13.1 Wolfe Project, WA

AusQuest 100% owned Tenement Application: E80/4113

AusQuest 0% owned (earning 100%) Tenement Application: E80/4103

The Wolfe Project comprises two Exploration Licence Applications of 749 km² located approximately 50 km east of Halls Creek in the Kimberley region of Western Australia. Exploration Licence Application, E80/4113, is held 100% by AusQuest and an adjacent Exploration Licence Application, E80/4103, is currently held by a privately owned company, Waygood Pty Ltd (Waygood). On April 16, 2008, AusQuest reached agreement with Waygood that AusQuest could acquire a 100% interest in the tenement on granting for \$10,000 cash and the issue of 250 000 AusQuest shares. AusQuest will reimburse Waygood for any direct costs associated with the grant of E80/4103.

The tenement includes portions of the Ruby Plains and Elvire Pastoral Leases and land package CR28538, set aside for regeneration of eroded areas in the Ord River Dam Catchment Area. Tenements are partially covered by the Koongie-Elvire Native Title Claim (WC99/040). Heritage Protection Agreements have been reached between the Kimberley Land Council on behalf of the claimants and AusQuest (No. 6-00-1038 signed on January 29, 2008 in relation to E80/4113) and Waygood (No. 6-00-1076 signed on May 19, 2008 in relation to E80/4103).

The Project straddles the contact between highly deformed and variably metamorphosed igneous and volcano-sedimentary rocks of the Palaeoproterozoic Halls Creek Orogen to the West and younger Proterozoic sedimentary strata of the Wolfe Basin to the east. In the first instance, AusQuest will target Wolfe Basin sandstones, siltstones and limestones of the Ruby Plains Group for stratabound-style manganese mineralisation.

In our opinion, the fair value of the Wolfe Project tenement applications is \$10,000.



13.2 Stanley Project, WA

AusQuest 100% owned Tenement Applications: E 69/2501-2504, E 69/2557, E 53/1402-1403, E 38/2164-2168

AusQuest's 100%-owned Stanley Project comprises 12 Exploration Licence Applications E69/2501-2504, E69/2557, E53/1402-1403 and E38/2164-2168 covering 4,329km² located approximately 210 km east northeast of Wiluna, WA. The tenements are covered by the Wiluna Native Title Claim (WC99-024). To date, no heritage agreements have been sought by AusQuest from the Native Title Claimants.

The Project is situated towards the eastern end of the Earaheedy Basin, a Palaeoproterozoic succession dominated by shallow marine to coastal clastic and chemical sedimentary rocks with minor mafic intrusives.

Regional mapping by the Geological Survey of Western Australia (GSWA) located stratiform iron-and manganese-oxide bands within the Wongawol Formation (ranging between 3% and 9% Mn) from within AusQuest's area, as well as iron and manganese-oxide rich quartz veins (ranging between 8% and 39% Mn) associated with structures cutting the Chiall Formation (approximately 35 km to the northwest of the Project).

AusQuest's exploration at Stanley will target stratabound manganese in prospective carbonate-rich horizons or highly oxidised horizons. Hydrothermal processes are believed to be an important contributor for accumulating and transporting manganiferous fluids into these environments so proximity to suitable structures/fluid pathways and/or permeable horizons such as proximal sandstones may be important. Once the tenements are granted, proposed exploration programme will include reconnaissance field work and airborne EM.

The tenements are only in application stage and until they are granted they are considered to have only a nominal value assessed at \$5,000 per tenement application.

In our opinion, the fair value of the Stanley Project tenement applications is \$60,000.

13.3 Dundas Project, WA

AusQuest 100% owned Tenements Applications: E63/1000, E63/1001, E63/1002, E63/1003 and E63/1004

AusQuest's 100%-owned Dundas Project comprises five, contiguous Exploration Licence Applications (E63/1000-1004) of 1,125 km² located approximately 100 km east-southeast of Norseman, WA. The tenements are covered by the Narnoobinya (WC 97/040) and Ngadju (WC 99/002) Native Title Claims. On March 26, 2008, a Heritage Agreement was signed with the Ngadju Native Title Claimants and a draft agreement has been received from the Narnoobinya Group.

The Dundas Project is located towards the southern end of a major collision zone between the Proterozoic Albany-Fraser Province and the Kurnalpi Terrane of the Archaean Yilgarn. To the north this zone is host to some significant new gold discoveries. These include the AngloGold Ashanti/Independence Group Joint Venture's Tropicana gold deposit (approximately 4 Moz at 2.0 g/t Au hosted by shallowly dipping intensely altered pyritic and sericitic metamorphic rocks) and Beachcomber Prospect (with a best intersection of 3 m at 65.8 g/t Au).

AusQuest will focus on potential for Tropicana-style gold mineralisation.

The tenements at Dundas are only in application stage and until they are granted they are considered to have only a nominal value assessed at \$5,000 per tenement application. In our opinion, the fair value of AusQuest 100% interest in these tenement applications is valued at \$25,000.



13.4 Yilgarn Dykes Project, WA

AusQuest 100% owned Tenement Applications: E38/2145, E38/2146, E38/2147, E38/2148, E38/2149 and E38/2150

AusQuest's 100% owned Yilgarn Dykes Project comprises six Exploration Licence applications (E38/2145-2150) of 1,117 km² located approximately about 60 km east northeast of Laverton, in Western Australia. The Project encompasses an area of over three separate blocks, covered by the Wongatha (WC 99/001) Native Title Claim. On 26 May 2008, AusQuest signed a Heritage Agreement with the Goldfields Land and Sea Council acting on behalf of the claimants.

Access is via the Laverton-Yamarna Road and by local station tracks.

Interpretation of regional aeromagnetic data indicates that the Yilgarn Dyke Project straddles a major EW trending magnetic dyke system.

Tenement applications were submitted following the release by the BHP/Western Areas Mt Alexander Joint Venture which reported intersections of massive nickel sulphides (up to 4 m at 4.9% Ni, 1.7% Cu and 3.9g/t combined PGE) at their Cathedral Prospect which appeared to be related to a major east-west mafic dyke suite. The Yilgarn Dyke project is located approximately 230 km west of the Cathedral prospect, along the same dyke trend and Ausquest will target similar mineralisation.

The tenements at the Yilgarn Dyke Project are only in application stage and until they are granted they are considered to have only a nominal value assessed at \$5,000 per tenement application. In our opinion, the fair value of AusQuest 100% interest in these tenement applications is valued at \$30,000.

13.5 Wave hill GemsTone venture, NT

AusQuest 0% Owned Granted Tenement: ML25205

AusQuest has retained a one third net profit interest in a proposed gemstone mining venture within Mining Lease ML25205, owned by Crystal Universe Pty Ltd, at Wave Hill, a few kilometres south of Kalkaringi, in the Victoria River District of the Northern Territory.

In September 2004, AusQuest and Crystal Universe entered into a Deed of Option Agreement to allow Crystal Universe to evaluate and, at their election develop, a gemstone operation within E23440. The Option was exercised by Crystal Universe in June 2006 at which time a payment of \$20,000 was made to AusQuest and the tenement was transferred to Crystal Universe.

The Wave Hill area is a well-known fossicking area prospective for geodes and vughs of prehnite, agate, chalcedony, quartz and calcite derived from weathered basalt flows of the Cambrian Antrim Plateau Volcanics. No significant testwork has been completed by Crystal Universe and the project is still in the evaluation stage.

AusQuest has retained only a net profit royalty on this tenement. At this stage it is impossible to value that royalty as there is no indication that an operation will be developed. We have assigned a nominal value of \$10,000.

13.6 Darling Fault Project, WA

AusQuest 100% owned Tenement Applications: E70/3262 - 3265, E70/3356 and 3357, and E09/1505 and 1506

AusQuest's 100% owned Darling Fault Project comprises eight predominantly non-contiguous Exploration Licence applications (E70/3262 - 3265, E70/3356 and 3357, E09/1505 and 1506) of 1,281 km² which are spread over a distance of approximately 400 km along the Darling Scarp between Moora and Byro, Western Australia. E70/3262 - 3264, E70/3356 and 3357 cover mostly private freehold land and have been submitted for sub-surface rights only. Seven separate Native Title Claims cover the tenements: Mullewa Wadjari



AUSQUEST VALUATION OF MINERAL ASSETS

(WC 96/093); Naaguja (WC 97/073); Amangu (WC 04/002); Yued (WC 93/071); Wajarri Yamatji (WC 04/010); Hutt River (WC 00/001); Nanda (WC 00/013). To date no Heritage Agreements have been signed between AusQuest and the claimant parties.

The tenement packages are located along or around the Darling Fault, a major structure which separates the deformed and variably metamorphosed granite-greenstone-gneiss terrain of the Archaean Yilgarn Craton to the east from relatively flat lying sediments of the Palaeozoic Perth Basin to the west. Several isolated Pre-Cambrian Pinjarra Orogen Inliers are exposed within the Perth Basin succession. The northern tenements E09/1505, 1506 and E70/3265 partially cover rocks of the Badgeradda Group which are preserved in an isolated basinal remnant immediately to the east of the Darling Fault. The poorly understood Badgeradda Group is dominated by sandstones and siltstones. It has tentatively been described as a possible outlier associated with the Mesoproterozoic Bangemall Basin.

Tenements comprising the Darling Fault Project were selected for stratabound manganese and roll-front-style uranium potential.

The tenements at the Darling Fault project are only in application stage and until they are granted they are considered to have only a nominal value assessed at \$5,000 per tenement application. In our opinion, the fair value of AusQuest 100% interest in these tenement applications is valued at \$45,000.

14.0 VALUATION SUMMARY

Golder's assessment of the value attributable to AusQuest's interests in the various exploration tenements is shown in Table 7.

Table 7: Valuation Summary

Project	AusQuest Interest	Value of AusQuest's Beneficial Interest		
		Low	High	Preferred
Rocklea	75%	\$11,000,000	\$17,000,000	\$15,000,000
Nameless	100%	\$2,400,000	\$2,800,000	\$2,500,000
Bellary	100%/75%	\$2,200,000	\$2,900,000	\$2,500,000
Beasley	100%	\$2,100,000	\$3,000,000	\$2,500,000
Sylvania	100%	\$1,100,000	\$1,700,000	\$1,500,000
Table Hill	100%	\$6,500,000	\$10,000,000	\$7,500,000
Diamantina	100%	\$2,500,000	\$3,750,000	\$3,000,000
Plenty River	100%	\$750,000	\$950,000	\$850,000
Mt Dobbie	100%	\$50,000	\$100,000	\$75,000
Wolfe	100%	\$10,000	\$10,000	\$10,000
Stanley	100%	\$60,000	\$60,000	\$60,000
Dundas	100%	\$25,000	\$25,000	\$25,000
Yilgarn Dykes	100%	\$30,000	\$30,000	\$30,000
Wave Hill	100%	\$10,000	\$10,000	\$10,000
Darling Fault	100%	\$45,000	\$45,000	\$45,000
TOTAL		\$28,780,000	\$42,380,000	\$35,605,000



AUSQUEST VALUATION OF MINERAL ASSETS

We conclude that the fair market value of AusQuest's interests in the mining tenements ranges from \$29 M to \$42 M with a most likely value of \$35 M.

GOLDER ASSOCIATES PTY LTD

Peter Onley
Principal

PGO/RGB/po

A.B.N. 64 006 107 857

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Project Specific References

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APPENDIX A

Tenement Schedule

10 September 2008

Brian R Crowder
34 A Marchamley Street
Carlisle WA 6101

The Directors
Ausquest Limited
6 Kearns Crescent
Ardross WA 6153

Dear Sirs,

AUSQUEST TENEMENTS

In my capacity as Tenement Manager for AusQuest Limited who hold tenements in W.A., QLD and N.T. I have compiled the following schedules :

1. Current tenements including applications held or applied for by AusQuest as at 10 September 2008.
2. Current Heritage Agreements in which AusQuest are a party.

Yours faithfully



Brian R Crowder

AUSQUEST TENEMENTS

17 September 2008

State	Tenement	Owner	Share	Status	Sub-blocks	Area (km ²)	Grant Date	Expiry Date	Current Commitment (\$)	Heritage Agreement Number
PLENTY RIVER										
NT	EL 22824	AusQuest	100%	granted	247	790	19/12/2005	18/12/2011	50,000	15
NT	EL 23566	AusQuest	100%	granted	120	384	19/12/2005	18/12/2011	40,000	17
NT	EL 23792	AusQuest	100%	granted	115	368	1/11/2005	31/10/2011	65,000	16
NT	EL 25007	AusQuest	100%	granted	41	131	1/11/2005	31/10/2011	30,000	
NT	EL 26709	AusQuest	100%	application	378	1210				
					901	2883			185,000	
MT DOBBIE										
NT	EL 25505	AusQuest	100%	granted	211	665	15/03/2007	14/03/2013	30,000	
NT	EL 25498	AusQuest	100%	application	300	945				
NT	EL 23508	AusQuest	100%	granted	224	709	13/07/2007	12/07/2013	37,240	
NT	EL 26767	AusQuest	100%	application	50	158				
					785	2477			67,240	
DIAMANTINA										
QLD	EPM 15470	AusQuest	100%	granted	100	320	9/03/2007	8/03/2012	56,000	
QLD	EPM 15472	AusQuest	100%	granted	100	320	9/03/2007	8/03/2012	56,000	
QLD	EPM 15781	AusQuest	100%	granted	30	96	10/10/2007	9/10/2012	20,000	10
QLD	EPM 15782	AusQuest	100%	granted	27	86	10/10/2007	9/10/2012	20,000	10
QLD	EPM 15783	AusQuest	100%	granted	15	48	29/08/2007	28/08/2012	10,000	10
QLD	EPM 15785	AusQuest	100%	granted	136	435	10/10/2007	9/10/2012	40,000	10
QLD	EPM 15787	AusQuest	100%	granted	45	144	10/10/2007	9/10/2012	20,000	10
QLD	EPM 15789	AusQuest	100%	granted	30	96	10/10/2007	9/10/2012	20,000	10
QLD	EPM 15791	AusQuest	100%	granted	83	266	10/10/2007	9/10/2012	30,000	10
QLD	EPM 16750	AusQuest	100%	application	79	253				
QLD	EPM 16752	AusQuest	100%	application	100	320				
QLD	EPM 16756	AusQuest	100%	application	90	288				
QLD	EPM 16757	AusQuest	100%	application	100	320				
QLD	EPM 16764	AusQuest	100%	application	99	317				
QLD	EPM 16766	AusQuest	100%	application	42	134				
					1076	3443			272,000	
TABLE HILL / HORSETRACK / SAVORY / MIRRAGUNYA										
WA	E 69/1773	AusQuest	100%	granted	35	112	30/05/2002	29/05/2009	70,000	28 & 30
WA	E 69/1776	AusQuest	100%	granted	21	67	30/05/2002	29/05/2009	50,000	28 & 30
WA	E 69/1777	AusQuest	100%	granted	21	67	30/05/2002	29/05/2009	50,000	28 & 30
WA	E 69/1780	AusQuest	100%	granted	22	70	30/05/2002	29/05/2009	50,000	28 & 30
WA	E 69/1781	AusQuest	100%	granted	20	64	30/05/2002	29/05/2009	50,000	28 & 30
WA	E 69/1782	AusQuest	100%	granted	25	80	30/05/2002	29/05/2009	50,000	29 & 30
WA	E 69/1783	AusQuest	100%	granted	20	64	30/05/2002	29/05/2009	50,000	29 & 30
WA	E 69/1784	AusQuest	100%	granted	35	112	30/05/2002	29/05/2009	70,000	29 & 30
WA	E 69/1785	AusQuest	100%	granted	25	80	30/05/2002	29/05/2009	50,000	29 & 30
WA	E 69/1949	AusQuest	100%	granted	70	225	22/02/2007	21/02/2012	70,000	31 & 32
WA	E 69/1950	AusQuest	100%	granted	70	225	22/02/2007	21/02/2012	70,000	31 & 32
WA	E 69/1952	AusQuest	100%	granted	67	201	2/05/2006	1/05/2011	67,000	33
WA	E 69/2464	AusQuest	100%	application	199	636				
WA	E 69/2465	AusQuest	100%	application	196	627				
WA	E 69/2466	AusQuest	100%	application	198	633				
WA	E 69/2467	AusQuest	100%	application	195	624				
WA	E 69/2468	AusQuest	100%	application	200	640				
WA	E 69/2469	AusQuest	100%	application	200	640				
WA	E 69/2470	AusQuest	100%	application	198	633				
WA	E 69/2471	AusQuest	100%	application	153	489				
WA	E 69/2472	AusQuest	100%	application	171	547				
WA	E 69/2543	AusQuest	100%	application	200	640				
WA	E 69/2544	AusQuest	100%	application	200	640				
WA	E 69/2545	AusQuest	100%	application	200	640				
WA	E 69/2546	AusQuest	100%	application	171	547				
WA	E 45/3248	AusQuest	100%	application	45	144				
WA	E 45/3249	AusQuest	100%	application	200	640				
WA	E 69/2548	AusQuest	100%	application	200	640				
WA	E 69/2549	AusQuest	100%	application	200	640				
WA	E 69/2550	AusQuest	100%	application	200	640				
WA	E 69/2551	AusQuest	100%	application	200	640				
WA	E 69/2552	AusQuest	100%	application	200	640				
WA	E 69/2553	AusQuest	100%	application	200	640				
WA	E 69/2554	AusQuest	100%	application	200	640				
WA	E 69/2555	AusQuest	100%	application	147	470				
WA	E 45/2924	AusQuest	100%	application	70	225				
WA	E 69/2301	AusQuest	100%	granted	200	642	7/08/2008	6/08/2013	200,000	18
WA	E 45/3200	AusQuest	100%	application	103	330				
WA	E 45/3201	AusQuest	100%	application	200	642				
					5277	16876			897,000	
BEASLEY RIVER										
WA	E 47/1294	AusQuest	100%	granted	8	25	30/03/2004	29/03/2009	30,000	5
WA	E 47/1206	AusQuest	100%	granted	6	19	23/01/2006	22/01/2011	20,000	1, 2, 3, 4, 6 & 7
WA	E 47/1425	AusQuest	100%	granted	5	16	25/05/2005	24/05/2010	20,000	3, 4, 6 & 7
					19	60			70,000	

State	Tenement	Owner	Share	Status	Sub-blocks	Area (km ²)	Grant Date	Expiry Date	Current Commitment (\$)	Heritage Agreement Number
BELLARY										
WA	E 47/1418-I	AusQuest	100%	granted	35	112	25/05/2005	24/05/2010	52,500	6 & 7
WA	E 47/1486-I	AusQuest	100%	granted	15	48	18/08/2006	17/08/2011	20,000	8
WA	E 47/1641-I	AusQuest	100%	granted	9	28	5/03/2007	4/03/2012	20,000	9
WA	E 47/1022-I	Fortescue Resources	75%	granted	18	58	6/10/2004	5/10/2009	52,500	12, 13 & 14
WA	E 47/1023-I	Fortescue Resources	75%	granted	18	58	6/10/2004	5/10/2009	52,500	12, 13 & 14
WA	E 47/1040	Fortescue Resources	75%	granted	26	83	29/06/2005	28/06/2010	39,000	14
WA	P 47/1471	AusQuest	100%	application		1				
					121	389			236,500	
ROCKLEA IRON										
WA	E 47/1024-I	Fortescue Resources	75%	granted	18	58	6/10/2004	5/10/2009	52,500	12, 13 & 14
					18	58			52,500	
SYLVANIA										
WA	E 52/1777-I	AusQuest	100%	granted	35	112	2/03/2005	1/03/2010	52,500	21
WA	E 52/1778-I	AusQuest	100%	granted	26	83	2/03/2005	1/03/2010	39,000	21
WA	E 52/1922	AusQuest	100%	granted	70	225	24/07/2006	23/07/2011	70,000	22
WA	E 52/1923	AusQuest	100%	granted	70	225	24/07/2006	23/07/2011	70,000	22 & 23
WA	E 52/1924	AusQuest	100%	granted	70	225	24/07/2006	23/07/2011	70,000	22 & 23
WA	E 52/1933-I	AusQuest	100%	granted	20	64	12/11/2006	11/11/2011	20,000	24
WA	E 52/1979	AusQuest	100%	granted	70	225	25/05/2007	24/05/2012	70,000	25 & 26
WA	E 52/1980	AusQuest	100%	granted	23	73	25/05/2007	24/05/2012	23,000	26
WA	E 52/2018	AusQuest	100%	granted	66	211	24/09/2007	23/09/2012	66,000	27
WA	E 52/2019	AusQuest	100%	granted	57	182	27/07/2007	26/07/2012	57,000	27
					507	1626			537,500	
TOM PRICE										
WA	E 47/1485-I	AusQuest	100%	granted	27	87	20/03/2006	19/03/2011	27,000	34
					27	87			27,000	
DUNDAS										
WA	E 63/1000	AusQuest	100%	application	70	225				11
WA	E 63/1001	AusQuest	100%	application	70	225				11
WA	E 63/1002	AusQuest	100%	application	70	225				11
WA	E 63/1003	AusQuest	100%	application	70	225				11
WA	E 63/1004	AusQuest	100%	application	70	225				11
					350	1125			0	
DARLING FAULT										
WA	E 70/3262	AusQuest	100%	application	200	642				
WA	E 70/3263	AusQuest	100%	application	87	279				
WA	E 70/3264	AusQuest	100%	application	51	163				
WA	E 70/3265	AusQuest	100%	application	143	459				
WA	E 09/1505	AusQuest	100%	application	200	642				
WA	E 09/1506	AusQuest	100%	application	200	642				
WA	E 70/3356	AusQuest	100%	application	200	642				
WA	E 70/3357	AusQuest	100%	application	200	642				
					1281	4111			0	
WOLFE										
WA	E 80/4113	AusQuest	100%	application	161	524				19
WA	E 80/4103	Waygood	0%	application	70	225				20
					231	749			0	
STANLEY										
WA	E 69/2501	AusQuest	100%	application	70	225				
WA	E 69/2502	AusQuest	100%	application	197	632				
WA	E 69/2503	AusQuest	100%	application	199	638				
WA	E 69/2504	AusQuest	100%	application	200	642				
WA	E 69/2557	AusQuest	100%	application	126	403				
WA	E 53/1402	AusQuest	100%	application	70	225				
WA	E 53/1403	AusQuest	100%	application	65	208				
WA	E 38/2164	AusQuest	100%	application	70	225				
WA	E 38/2165	AusQuest	100%	application	67	214				
WA	E 38/2166	AusQuest	100%	application	29	92				
WA	E 38/2167	AusQuest	100%	application	110	352				
WA	E 38/2168	AusQuest	100%	application	200	642				
					1403	4498			0	
YILGARN DYKES										
WA	E 38/2145	AusQuest	100%	application	60	192				35
WA	E 38/2146	AusQuest	100%	application	45	144				35
WA	E 38/2147	AusQuest	100%	application	70	225				35
WA	E 38/2148	AusQuest	100%	application	70	225				35
WA	E 38/2149	AusQuest	100%	application	70	225				
WA	E 38/2150	AusQuest	100%	application	33	106				
					348	1117			0	



APPENDIX B

Heritage Agreements

HERITAGE AGREEMENTS

AGREEMENT NUMBER	TENEMENT	AGREEMENT DATE	PARTIES TO AGREEMENT
1	E 47/1206	July 2005	Panco Pty Ltd, Rodney Laurence Bellotti and Yamatji Marlpa Barna Baba Maaja Aboriginal Corporation on behalf of the Puutu Kunti Kurrama & Pinikura Claim Group (WC 01/005)
2	E 47/1206	23.05.06	AusQuest Limited, Falconbridge (Australia), Panco Pty Ltd, Rodney Laurence Bellotti and Yamatji Marlpa Barna Baba Maaja Aboriginal Corporation on behalf of the Puutu Kunti Kurrama & Pinikura Claim Group (WC 01/005)
3	E 47/1206 E 47/1425	14.11.05	AusQuest Limited, Panco Pty Ltd, Rodney Laurence Bellotti and Peter Stevens of Eastern Guruma Native Title Claimants (WC 97/089)
4	E 47/1206 E 47/1425	25.04.06	AusQuest Limited, Falconbridge (Australia), Panco Pty Ltd, Rodney Laurence Bellotti and Eva Connors for and on behalf of the Eastern Guruma People (WC 97/089)
5	E 47/1294	29.10.03	AusQuest Limited and Puutu Kunti Kurrama & Pinikura (WC 01/005), the Innawaonga Bunjima Niapaili Native Title Applicants (WC 96/061)
6	E 47/1206 E 47/1425 E 47/1418	08.12.05	AusQuest Limited and Yamatji Marlpa Barna Baba Maaja Aboriginal Corporation on behalf of the Innawonga Claim Group (WC 98/069)
7	E 47/1206 E 47/1425 E 47/1418	23.05.06	AusQuest Limited, Falconbridge Pty Ltd and Yamatji Marlpa Barna Baba Maaja Aboriginal Corporation on behalf of the Innawonga Claim Group (WC 98/069)
8	E 47/1486-I	16.09.05	AusQuest Limited and Innawonga Bunjima Niapaili Native Title Applicants (WC 96/061)
9	E 47/1641-I	10.03.06	AusQuest Limited and Innawonga Bunjima Niapaili Native Title Applicants (WC 96/061)
10	EPM 15781 EPM 15782 EPM 15783 EPM 15785 EPM 15787 EPM 15791	27.07.07	AusQuest Limited and The Mithaka People (QC 02/035)
11	E 63/1000 E 63/1001 E 63/1002 E 63/1003 E 63/1004	26.03.08	AusQuest Limited and Goldfields Land and Sea Council on behalf of the Ngadju People Native Title Claim Group (WC 99/002)
12	E 47/1022-I E 47/1023-I E 47/1024-I	May 2004	Fortescue Resources and Eastern Guruma People (WC 97/089)
13	E 47/1022-I E 47/1023-I E 47/1024-I	11.08.04	Fortescue Resources, The State of Western Australia, The Minister for State Development and Eastern Guruma People (WC 97/089)
14	E 47/1022-I E 47/1023-I E 47/1024-I E 47/1040	09.08.04	AusQuest Limited, Fortescue Resources and Innawonga Bunjima Niapaili Native Title Applicants (WC 96/061)

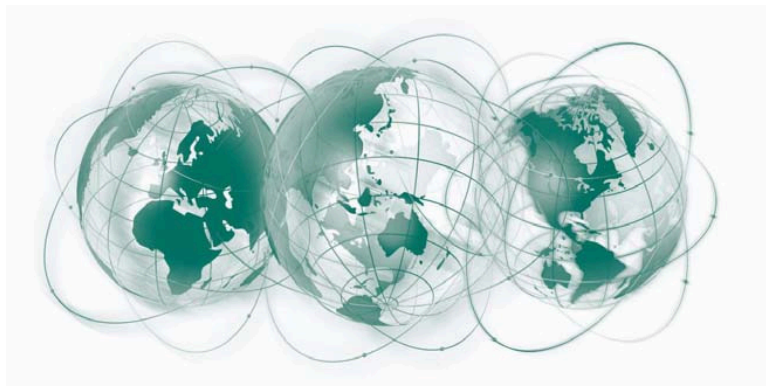
AGREEMENT NUMBER	TENEMENT	AGREEMENT DATE	PARTIES TO AGREEMENT
15	EL 22824	24.06.05	AusQuest Limited and Central Land Council
16	EL 23792	27.07.05	AusQuest Limited and Central Land Council
17	EL 23566	27.07.05	AusQuest Limited and Central Land Council
18	E 69/2301	25.10.07	AusQuest Limited and Western Desert Lands Aboriginal Corporation (Jamukurnu-Yapalikunu) on behalf of Martu Native Title Claimants (WC 96/078)
19	E 80/4113	29.01.08	AusQuest Limited and Kimberley Land Council Aboriginal Corporation on behalf of the Koongie-Elvire Native Title Claimants (WC 99/040)
20	E 80/4103	19.05.08	Waygood Pty Ltd and Kimberley Land Council Aboriginal Corporation on behalf of the Koongie-Elvire Native Title Claimants (WC 99/040)
21	E 52/1777-I E 52/1778-I	08.09.04	AusQuest Limited and Yamatji Marlpa Barna Baba Maaja Aboriginal Corporation on behalf of Nyiyaparli Claim Group (WC 99/004)
22	E 52/1922 E 52/1923 E 52/1924	06.02.06	AusQuest Limited and Yamatji Marlpa Barna Baba Maaja Aboriginal Corporation on behalf of Nyiyaparli Claim Group (WC 99/004)
23	E 52/1923 E 52/1924	17.07.06	AusQuest Limited and Yamatji Marlpa Barna Baba Maaja Aboriginal Corporation on behalf of Ngarlawangga Claim Group (WC 05/003)
24	E 52/1933-I	10.03.06	AusQuest Limited and Yamatji Marlpa Barna Baba Maaja Aboriginal Corporation on behalf of Nyiyaparli Claim Group (WC 05/006)
25	E 52/1979	12.10.06	AusQuest Limited and Yamatji Marlpa Barna Baba Maaja Aboriginal Corporation on behalf of Nyiyaparli Claim Group (WC 05/006)
26	E 52/1979 E 52/1980	12.10.06	AusQuest Limited and Yamatji Marlpa Barna Baba Maaja Aboriginal Corporation on behalf of Ngarlawangga Claim Group (WC 05/003)
27	E 52/2018 E 52/2019	31.01.07	AusQuest Limited and Yamatji Marlpa Barna Baba Maaja Aboriginal Corporation on behalf of Nyiyaparli Claim Group (WC 05/006)
28	E 69/1773 E 69/1776 E 69/1777 E 69/1780 E 69/1781 E 69/1982 E 69/1785	26.04.02	AusQuest Limited and Ngaanyatjarra Council on behalf of Martu Native Title Claimants (WC 96/078)
29	E 69/1782 E 69/1783 E 69/1784 E 69/1785	26.04.02	AusQuest Limited and Ngaanyatjarra Council on behalf of Birriliburu Native Title Claimants (WC 98/068)
30	E 69/1773 E 69/1776 E 69/1777 E 69/1780 E 69/1781 E 69/1782 E 69/1783 E 69/1784 E 69/1785	21.03.06	AusQuest Limited, Falconbridge (Australia), Ngaanyatjarra Council Aboriginal Corporation on behalf of Birriliburu Native Title Claimants (WC 98/068) and Western Desert Lands Aboriginal Corporation (Jamukurnu-Yapalikunu) on behalf of Martu Native Title Claimants (WC 96/078)

AGREEMENT NUMBER	TENEMENT	AGREEMENT DATE	PARTIES TO AGREEMENT
31	E 69/1949 E 69/1950	22.06.06	Sipa Exploration NL and Western Desert Lands Aboriginal Corporation (Jamukurnu-Yapalikunu) on behalf of Martu Native Title Claimants (WC 96/078)
32	E 69/1949 E 69/1950	22.06.06	AusQuest Limited, Falconbridge (Australia), Sipu Exploration NL and Western Desert Lands Aboriginal Corporation (Jamukurnu-Yapalikunu) on behalf of Martu Native Title Claimants (WC 96/078)
33	E 69/1952	03.10.05	Sipa Exploration NL and Ngaanyatjarra Land Council on behalf of the Applicants in the Birriliburu Native Title Determination Application (WC 98/068)
34	E 47/1485-I	27.07.05	AusQuest Limited and Eva Connors of Eastern Guruma Native Title Claimants (WC 97/089)
35	E 38/2145 E 38/2146 E 38/2147 E 38/2148	26.05.08	AusQuest Limited and Goldfields Land and Sea Council

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