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21 November 2008

The Manager
Company Announcements Office
Australian Stock Exchange

By Electronic Lodgement

Dear Sir/ Madam

PROSPECTUS

Please find attached a copy of the prospectus lodged with ASIC today. The prospectus relates to the placement of shares and options to Cliffs Australia Holdings Pty Ltd only

Your faithfully

Darren Crawte
Company Secretary
AusQuest Limited

AUSQUEST LIMITED

ABN 35 091 542 451

PROSPECTUS

In connection with a placement by AusQuest Limited to Cliffs Australia Holdings Pty Ltd of New Shares at \$0.40 per New Share and Options to raise approximately \$27 million

21 November 2008

This is an important document and requires your immediate attention. It should be read in its entirety. If you are in doubt about what to do, you should consult your professional adviser without delay.

The New Shares and Options are being placed to Cliffs Australia Holdings Pty Ltd only under the terms of the Subscription and Option Agreement.

IMPORTANT NOTICE

This Prospectus is dated 21 November 2008 and was lodged with ASIC on that date. Neither ASIC nor ASX takes any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

No New Shares or New Options will be issued on the basis of this Prospectus after 24 November 2008.

AusQuest Limited (**AusQuest** or **Company**) will apply for admission of the New Shares to quotation by ASX within five days after the date of this Prospectus.

Important document

It is important that you carefully read this Prospectus in its entirety before deciding to invest in AusQuest and, in particular, that you consider the assumptions underlying the prospective financial information and the risk factors that could affect the financial performance of AusQuest. You should carefully consider these factors in light of your personal circumstances (including financial and taxation issues) and seek professional advice from your accountant, stockbroker, lawyer or other professional adviser before deciding whether to invest.

Participation

The New Shares and New Options are being placed to Cliffs Australia Holdings Pty Ltd only under the terms of the Subscription and Option Agreement. Further information on the Subscription and Option Agreement is set out in section 6.3.

Disclaimer

No person is authorised to give any information or to make any representation in connection with the Placement that is not contained in this Prospectus. Any information or representation not contained in this Prospectus may not be relied on as having been authorised by AusQuest in connection with the Placement. Neither AusQuest nor any other person warrants the future performance of AusQuest or any return on any investment made under this Prospectus, except as required by law and then, only to the extent so required.

Restrictions on the distribution of this Prospectus

This Prospectus does not constitute an offer of New Shares or New Options in any place in which, or to any person to whom, it would not be lawful to do so. The distribution of this Prospectus in jurisdictions outside Australia and New Zealand may be restricted by law and any person into whose possession this Prospectus comes (including nominees, trustees or custodians) should seek advice on, and observe, those restrictions. The New Shares and New Options have not been, and will not be, registered under the US Securities Act 1933 (as amended) and may not be offered in the United States or to, or for the account of or benefit of, US Persons. Accordingly this Prospectus may not be sent to investors in the United States or otherwise distributed in the United States.

Defined terms and abbreviations

Terms and abbreviations used in this Prospectus are defined in the Glossary (see section 7).

Application for New Shares and New Options

Applications for New Shares and New Options can only be made by Cliffs Australia.

SUMMARY OF THE PLACEMENT

Key investment aspects

New Share issue price	\$0.40 per New Share
New Option issue price / exercise price	\$nil / \$0.40 per Share
Number of New Shares to be issued under the Placement	68,308,791
Number of Tranche 1 Options issued on 12 September 2008 under the Placement	21,590,000
Number of New Options to be issued under the Placement	26,470,857
Amount to be raised under the Placement (if New Options and Tranche 1 Options not exercised)	approx. \$27 million
Amount to be raised under the Placement (if New Options exercised in full)	approx. \$38 million
Amount to be raised under the Placement (if New Options and Tranche 1 Options exercised in full)	approx. \$46 million

Key dates⁽¹⁾

Prospectus lodged	21 November 2008
Opening Date	21 November 2008
Closing Date	24 November 2008
Issue of New Shares	By 24 November 2008
Issue of New Options	By 24 November 2008
Holding statements for New Shares mailed	By 24 November 2008
Options certificates for New Options mailed	By 24 November 2008

⁽¹⁾ These dates are subject to change and are indicative only. AusQuest reserves the right to amend this indicative timetable. In particular, AusQuest reserves the right, subject to the Corporations Act and the ASX Listing Rules, to extend the Closing Date. Any extension of the Closing Date will have a consequential effect on the date for the issue of New Shares and New Options.

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1. DETAILS OF THE PLACEMENT

1.1 The Placement

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:

- (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 section 6.1) (**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 certain conditions precedent, the last of which was satisfied on 18 November 2008:
 - (i) the issue of 68,308,791 Shares at an issue price of \$0.40 per Share (**New Shares**); and
 - (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 section 6.1) (**New Options**).

A summary of the key terms of the Subscription and Option Agreement is set out in section 6.3.

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 their relationship. A summary of the key terms of the Strategic Alliance Agreement is set out in section 6.4.

The issue of the New Shares will raise gross proceeds of approximately \$27 million. Neither the issue of the New Options nor the Tranche 1 Options will raise any immediate cash funds as these options will be and have been (respectively) issued for free. If the New Options were to be exercised in full, the Company will raise additional funds of approximately \$11 million. If the New Options and Tranche 1 Options were to be exercised in full, the Company will raise additional funds of approximately \$19 million.

The Placement will provide AusQuest with funding to implement a substantial exploration campaign, 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.

This Prospectus is being issued under the Corporations Act in connection with the offer of New Shares and Options to Cliffs Australia under the Placement.

The Placement is **not** underwritten.

1.2 Oversubscription

There are no oversubscriptions.

1.3 Who may participate in the Placement

The Placement is being made only to Cliffs Australia.

1.4 Closing Date

The Closing Date is 24 November 2008 or such other time as the Directors decide subject to the Subscription and Option Agreement and the requirements of the ASX Listing Rules.

1.5 Withdrawal of Placement

Subject to the Subscription and Option Agreement, AusQuest reserves the right, in its absolute discretion, not to proceed with the Placement at any time before the issue of the New Shares and New Options to Cliffs Australia. If the Placement does not proceed, all money received under this Prospectus will be refunded (without interest) within 21 days of withdrawal of the Placement.

1.6 Acceptance of the Placement and payment

Subject to the Subscription and Option Agreement, payment for the New Shares cannot be withdrawn.

Payment must be made in immediately available funds in accordance with the Subscription and Option Agreement.

No brokerage or stamp duty is payable on the issue of New Shares or New Options.

1.7 Application of money held in trust

Subject to the Subscription and Option Agreement, all money received for New Shares and New Options offered by this Prospectus will be held in trust in a bank account maintained for the purpose of depositing money received under this Prospectus until the New Shares and New Options are issued. All money will be returned (without interest) if the Placement does not complete.

1.8 Issue of New Shares and New Options

AusQuest expects to issue the New Shares and the New Options on or before 24 November 2008. Holding statements in relation to those New Shares are expected to be dispatched by 24 November 2008. Options certificates in relation to those New Options are expected to be dispatched by 24 November 2008.

1.9 Rights and liabilities attaching to New Shares and New Options

The New Shares will, from their date of issue, rank equally with all other Shares then on issue. A summary of the rights and liabilities attaching to Shares is set out in section 6.2.

The Shares to be issued on exercise of the New Options will rank equally in all respects with the then existing Shares from their date of issue. A summary of the rights and liabilities attaching to the New Options is set out in section 6.1.

1.10 ASX quotation

AusQuest will apply for admission of the New Shares to quotation by ASX within five days after the date of this Prospectus. If the New Shares are not admitted to quotation within three months after the date of this Prospectus (or any longer period permitted by ASIC) any issue of New Shares is void and AusQuest will repay, as soon as practicable (without interest), all money received under this Prospectus.

Subject to approval being granted by ASX, it is expected that the quotation and trading of New Shares issued under the Placement will commence on ASX on a normal basis on or before 24 November 2008.

Any person who sells New Shares or New Options before they receive their holding statements and option certificates respectively will do so at their own risk. AusQuest disclaims all liability, in tort (including negligence), statute or otherwise, to persons who trade New Shares or New Options before receiving their holding statements and option certificates respectively.

1.11 Risk factors

In addition to the general risks applicable to all investments in listed companies, there are specific risks associated with an investment in AusQuest, which are set out in section 5.

1.12 Taxation implications

The Directors consider that it is not appropriate to give advice regarding the taxation consequences of subscribing for New Shares, New Options or Tranche 1 Options. AusQuest, its advisers and its officers do not accept any responsibility or liability for any taxation consequences. As a result, you should consult your own professional tax advisers in connection with subscribing for New Shares, New Options and Tranche 1 Options and any exercise of the New Options or Tranche 1 Options.

1.13 Market prices of existing Shares on ASX

The highest and lowest closing market sale prices of AusQuest's existing Shares on ASX during the three months immediately prior to the date of lodgement of this Prospectus with ASIC and the last market price on the last day of trading before the lodgement date of this Prospectus is set out below:

Three month high Share price	Three month low Share price	Last market sale Share price
\$0.28 on 19 September 2008	\$0.12 on 18 November 2008	\$0.12 on 20 November 2008

1.14 Enquiries

Enquiries relating to this Prospectus should be directed to AusQuest by telephone on (08) 9364 3866 or facsimile on (08) 9364 4892.

1.15 Overseas investors

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. The distribution of this Prospectus in jurisdictions outside Australia and New Zealand may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

No action has been taken to register or qualify the Placement or otherwise to permit a public offering of the company's securities in any jurisdiction outside Australia.

2. OVERVIEW OF RECENT DEVELOPMENTS

The following is a brief overview of recent developments at AusQuest.

Detailed information about AusQuest is available from its website, www.ausquest.com.au and on ASX's website, www.asx.com.au.

2.1 Project Information

Manganese – Western Australia

Table Hill and Savory Projects (100% AusQuest)

The Table Hill and Savory Projects are located approximately 200km east of Newman in Western Australia, within the western Officer Basin sediments. The manganese potential of the area was highlighted by exploration drilling in the latter part of 2007 which intersected 3.9m @ 47.5% Mn in drill-hole THD01.

Diamond drilling in 2008 returned additional manganese intersections including 1.3 metres @ 47.7% Mn and 4.5 metres grading 13.3% Mn. The manganese mineralisation remains open along strike with a possible strike length interpreted from ground EM data of up to 2km and widths up to 300 metres. The depth of the mineralisation varies from 287 metres to 321 metres. Numerous targets in the project area remain to be tested.

Skillion Hill Project (100% AusQuest)

The Skillion Hill Project is located approximately 50km east of Halls Creek in the Kimberley region of Western Australia. A search of Open File data found that surface rock chip sampling in the area had reported numerous high-grade manganese assays in excess of 20% Mn and up to a maximum of 55.8% Mn.

The Company plans to commence ground exploration in the area when the tenement is granted.

Iron-Oxide Copper-Gold – Queensland

Diamantina Project (100% AusQuest)

The Diamantina Project is located approximately 450km south of Mt Isa along the southern margin of the Mt Isa Block. During 2008, diamond drilling of the Machattie and Mulligan magnetic/gravity targets intersected potential Iron-Oxide Copper-Gold (IOCG) intrusive systems below the Eromanga Basin sediments, from depths of 960 and 900 metres respectively. The drill core is dominated by magnetite-rich pyroxenite rocks and is cut by various dykes.

A number of additional magnetic/gravity targets occur in the area and represent further exploration targets for potential IOCG systems.

Iron Ore – Pilbara Region, Western Australia

Rocklea Project (75% AusQuest)

During 2008, an Inferred Resource of 37.6 million tonnes grading 53.2% Fe (59.9% calcined Fe) was estimated by Golder Associates Pty Ltd for the Rocklea channel iron prospect, which is located 40km west of the iron ore mining centre of Tom Price in the Pilbara region of Western Australia. In addition, an Exploration Target of up to 23 million tonnes at similar iron grades was identified by broad-spaced RC drilling at the prospect.

Nameless Project (100% AusQuest)

The Nameless Project is located 5km north-west of Tom Price in the Pilbara region of Western Australia. The channel iron potential was drill tested in 2006 and found to contain high levels of alumina (~6% Al₂O₃). In 2008, geological mapping and sampling over the Marra Mamba Iron Formation (MMIF) at the eastern end of the project identified potential for mineralised MMIF beneath shallow cover.

Tom Price South (75% AusQuest)

The Tom Price South prospect is located approximately 7km south of the Tom Price open cut iron ore operation in the Pilbara region of Western Australia. High-grade channel iron samples ranging from 54-60% Fe were collected from the area, outlining an exploration target approximately 4 to 5km in length and 300 to 500 metres wide.

Nickel

Savory Project (100% AusQuest)

The Savory Nickel Project is located 150km south east of Newman in Western Australia. During 2008, a detailed helicopter VTEM survey was completed, outlining four priority EM targets which are interpreted to reflect possible massive nickel sulphide mineralisation.

Table Hill Project (100% AusQuest)

The Table Hill Project covers an extensive and untested suite of mafic intrusive rocks located 200km east-southeast of Newman in Western Australia. Exploration in this region has been targeting nickel sulphide mineralisation associated with the Table Hill Volcanics.

Competent Person's Statement

The information contained in this section 2.1 is a summary of, and should be read in conjunction with, the Exploration Report contained in the annual report of AusQuest for the financial year ended 30 June 2008 released to ASX on 14 October 2008 (a copy of which is available in accordance with section 6.8).

The information in this section 2.1 that relates to exploration results are based upon information compiled by Mr Graeme Drew, a full time employee of AusQuest. Mr Drew is a Fellow of the Australasian Institute of Mining and Metallurgy (AUSIMM) and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code)". Mr Drew consents to the inclusion in this section 2.1 of the matters based upon his information in the form and context in which it appears.

2.2 New Business Opportunities

Project generation work has continued to be undertaken during the financial year ended 30 June 2008 and in the current financial year. A number of potential opportunities have been evaluated and new tenement applications have been submitted. Offshore opportunities have also been considered.

AusQuest continues to review business opportunities as they come to hand.

3. USE OF PROCEEDS OF THE PLACEMENT

The issue of the New Shares under the Placement will raise approximately \$26 million (net of the costs of the Placement). Neither the issue of the New Options nor the Tranche 1 Options will raise any immediate cash funds as these options will be and have been (respectively) issued for free. If the New Options were to be exercised in full, the Company will raise additional funds of approximately \$11 million. If the New Options and Tranche 1 Options were to be exercised in full, the Company will raise additional funds of approximately \$19 million.

The funds raised from the issue of the New Shares (and any exercise of the Tranche 1 Options and the New Options) will provide AusQuest with funding to implement a substantial exploration campaign, 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.

4. EFFECT OF THE PLACEMENT ON AUSQUEST

4.1 Capital structure

Under the Placement, 21,590,000 Tranche 1 Options were issued on 12 September 2008, and 68,308,791 New Shares and 26,470,857 New Options will be issued on or before 24 November 2008.

The following table shows the current capital structure of AusQuest (at the date of lodgement of this Prospectus) and the capital structure of AusQuest on completion of the Placement (assuming that none of the Options are exercised prior to completion of the Placement).

	Shares	Options
Securities on issue at the date of lodgement of this Prospectus	159,387,179	133,731,999 ⁽¹⁾
Tranche 2 Placement	68,308,791	26,470,857
Revised capital structure	227,695,970	160,202,856

⁽¹⁾ Of the 133,731,999 Options on issue, 21,590,000 are Tranche 1 Options issued to Cliffs Australia on 12 September 2008.

At the date of this Prospectus, AusQuest had the following Options on issue (all of which were unlisted unless indicated otherwise):

Exercise price	Expiry Date	Number
\$0.30	31 August 2009	1,875,000
\$0.20	30 November 2009	104,816,999 ⁽¹⁾
\$0.54	30 June 2011	3,700,000
\$0.40	As determined under the Subscription and Option Agreement ⁽²⁾	21,590,000
\$0.30	31 January 2012	500,000
\$0.35	31 December 2012	1,250,000
Total		133,731,999

⁽¹⁾ Listed Options

⁽²⁾ These Options are the Tranche 1 Options issued to Cliffs Australia on 12 September 2008. Their expiry date is the later of: (i) 12 March 2011; and (ii) 30 months from the date of issue of the New Options.

4.2 Effect of the Placement

Assuming the Placement completes, the principal effects of the Placement will be:

- (a) to increase Company cash reserves by approximately \$26 million (after estimated costs of the Placement are deducted from the gross proceeds of approximately \$27 million raised by the Placement); and
- (b) to increase the number of Shares on issue from 159,387,179 at the date of this Prospectus to 227,695,970; and
- (c) to increase the number of Options on issue from 133,731,999 at the date of this Prospectus to 160,202,856.

4.3 Pro-forma consolidated balance sheet

Set out below is a pro-forma consolidated balance sheet of AusQuest and its controlled entities taking into account the Placement. It is based on the audited consolidated balance sheet for AusQuest and its controlled entities as at 30 June 2008. The pro-forma consolidated balance sheet illustrates:

- (a) the effect of the Placement as if the Placement had occurred on 30 June 2008; and
- (b) makes adjustments for any significant transactions since 30 June 2008.

PRO-FORMA BALANCE SHEET AS AT 30 JUNE 2008

	Audited Accounts at 30 June 2008 \$000 (Note 1)	Adjustments - 3 months trading to 30 September 2008 (unaudited) \$000 (Note 2)	Unaudited Pro Forma at 30 June 2008 (3 months trading to 30 September 2008, Tranche 1 Placement completed) \$000	Adjustments Tranche 2 Placement \$000 (Note 3)	Unaudited Pro Forma at 30 June 2008 (3 months trading to 30 September 2008, Tranche 1 Placement and Tranche 2 Placement completed) \$000
CURRENT ASSETS					
Cash and cash equivalents	7,358	(2,576)	4,781	26,123	30,905
Trade and other receivables	380	(80)	301		301
TOTAL CURRENT ASSETS	7,738	(2,656)	5,082	26,123	31,205
NON CURRENT ASSETS					
Property, plant and equipment	164	67	231		231
Exploration and evaluation expenditure	12,910	2,870	15,780		15,780
TOTAL NON CURRENT ASSETS	13,074	2,937	16,011	0	16,011
TOTAL ASSETS	20,812	281	21,093	26,123	47,216
CURRENT LIABILITIES					
Trade and other payables	404	(243)	161		161
Provisions	35	0	35		35
TOTAL CURRENT LIABILITIES	439	(243)	196	0	196
TOTAL LIABILITIES	439	(243)	196	0	196
NET ASSETS	20,373	523	20,897	26,123	47,020
EQUITY					
Issued capital	25,379	854	26,233	26,123	52,356
Reserves	915	0	915		915
Accumulated losses	(5,921)	(331)	(6,252)		(6,252)
NET EQUITY	20,373	523	20,897	26,123	47,020

The balance sheet is to be read in conjunction with the notes to the annual report for the financial year ended 30 June 2008 released to ASX on 14 October 2008, set out on pages 31 to 52 of that report.

Notes:

1. Extracted from the Company's annual report for the financial year ended 30 June 2008 released to ASX on 14 October 2008
2. Extracted from the Company's accounting records for the 3 month period ended 30 September 2008
3. Assumes the issue of 68,308,791 Shares under the Tranche 2 Placement at \$0.40 per Share raising \$26.123 million net of estimated costs of the Placement of approximately \$1,200,000

4.4 Dividends

The New Shares will rank equally in all respects (including dividend and bonus issues) with all existing Shares from the date of issue. The Shares to be issued on exercise of the New Options and Tranche 1 Options will rank equally in all respects with the then existing Shares from their date of issue. AusQuest has no stated dividend policy at present. AusQuest does not expect to pay any dividends in the near future.

5. RISK FACTORS

An investment in the New Shares, the New Options and the Tranche 1 Options (including any Shares issued on exercise of the New Options or Tranche 1 Options) should be considered speculative.

There are a number of factors, both specific to AusQuest and of a general nature, which may affect the future operating and financial performance of AusQuest and the value of an investment in AusQuest.

Some of these factors can be mitigated by the use of safeguards and appropriate commercial action. However, many are outside the control of AusQuest and cannot be mitigated.

This section describes certain risks associated with an investment in AusQuest. Prior to making an investment decision, investors should carefully consider the following risk factors, as well as the other information contained in this Prospectus.

5.1 Resources Exploration

The mining tenements in which the Company has an interest are at the exploration stage only. There can be no assurance that exploration of those tenements, or any other tenements in which the Company may acquire an interest in the future, will result in the discovery of economically recoverable reserves. Even if any apparently viable deposit is identified, there is no guarantee that it can be profitably exploited.

Whether income will result from projects undergoing exploration programs depends on the successful establishment of mining operations. Factors including costs, actual mineralisation, consistency, quality and reliability of ore grades and commodity prices affect successful project development. The design and construction of efficient processing facilities, the existence of competent operational management and prudent financial administration, as well as the availability and reliability of appropriately skilled and experienced consultants also can affect successful project development.

Further, any mineable resources may, over the course of time, become depleted resulting in a reduction of the value of those tenements and a diminution in the cash flow and cash reserves of the Company as well as possible relinquishment of the mining tenements.

5.2 Title risks

Interests in tenements in Australia are governed by the respective State legislation and are evidenced by the granting of licences or leases. Each licence or lease is for a specific term and the Company could lose title to or its interest in tenements if such licence or lease is not renewed. The Company has a number of exploration licences which are due to expire in the next twelve months (nine exploration licences at the Table Hill Project are due to expire on 29 May 2009, two exploration licences at the Bellary Project are due to expire on 5 October 2009, an exploration licence at the Rocklea Project is due to expire on 5 October 2009 and an exploration licence at the Beasley Project is due to expire on 29 March 2009). Whilst the Company will pursue all appropriate avenues to ensure that current and future

renewals of term will succeed, there is no guarantee that such renewals will be granted or granted on a timely basis.

Each licence or lease carries with it annual expenditure and reporting commitments, as well as other conditions requiring compliance. Consequently, the Company could lose title to or its interest in tenements if licence conditions are not met or if insufficient funds are available to meet expenditure commitments.

The Company has 70 tenement applications outstanding at the date of this Prospectus. Whilst the Company will pursue all appropriate avenues to ensure that current and future tenement applications will succeed, there is no guarantee that licences or leases will be granted.

5.3 Regulatory risks

The current and any proposed operations of the Company require government approvals in the form of the grant of mining leases, miscellaneous licences and environmental approvals. There is a risk that onerous conditions may be attached to the approvals or that the approvals may not be granted or their grant could be delayed.

It is also possible that new specific laws will be introduced in Australia and/or overseas which may have a material adverse effect on AusQuest's current and future business. For example, laws may be established to address concerns relating to the use, mining and transport of mineral resources, the production of carbon dioxide, the remediation of mines or tax and environmental conservation laws may change.

5.4 Operational risks

AusQuest could be adversely affected by disruptions to its exploration activities, any proposed mine development or future operations caused by adverse climatic, geological, geotechnical, seismic and mining conditions, breakdown of equipment, industrial accidents, labour disputes, transport accidents and management, occupational safety and health issues and transportation delays. The Company will seek to minimise the potential damage flowing from the occurrence of some of these risks by obtaining suitable indemnities from potential suppliers and contractors in the event that equipment or services do not provide the performance that was expected.

The occurrence of operating risks can result in increased production costs for AusQuest once it commences operations and may materially impact on the Company's competitive position, profitability, financial position and performance and prospects. Resources processing costs and yields may be negatively impacted by any unforeseen deterioration in the quality or quantity of mineral resources mined and any unbudgeted increase in operating costs.

5.5 Limited Performance History

AusQuest is at an early stage of developing its business and has, to date, made losses reflecting the start up and early growth status of its activities which are focussed on exploration, and it is likely that it will continue to make further losses in the foreseeable future as it continues its exploration activities. An investor in the Company must consider the risks and difficulties frequently encountered by businesses with limited operating histories. There can be no assurance that AusQuest will generate any future revenue or profits.

5.6 Ability to Manage Growth

Future operating results depend to a large extent on management's ability to successfully manage expansion and growth, which necessarily requires rapid expansion of all aspects of the business operations, such as the establishment of mining operations, revenue

forecasting, success of mineral resources marketing strategy, addressing new markets, controlling expenses, implementing infrastructure and systems and managing its assets and contractors. Inability to control the costs and organisational impacts of business growth or an unpredicted decline in the growth rate of revenues without a corresponding and timely reduction in expense growth or a failure to manage other issues arising from growth could materially adversely affect AusQuest's operating results.

5.7 Key contractors

AusQuest's business relationships, operations and financial performance could be materially and adversely affected if any of AusQuest's current and proposed contractors do not perform their obligations under their contracts. The Company can provide no guarantee that the contractors will be able to or will fulfil their obligations under their contracts.

5.8 On-going capital requirements for AusQuest

AusQuest may be adversely affected in a material way if, for any reason, access to ongoing capital is not available to fund its development and exploration objectives. There can be no assurance that additional funds will be available or will be available on economically viable terms. If additional funds should be raised by issuing equity securities, this may result in dilution to the then existing Shareholders.

5.9 Native title and Aboriginal heritage

In relation to tenements in which the Company has an interest or will in the future acquire such an interest, there may be areas over which legitimate common law native title rights of Aboriginal Australians exist. If native title rights do exist, the ability of the Company to gain access to tenements (through obtaining consent of any relevant landowner), or to progress from the exploration phase to the development and mining phases of operations may be affected.

The effect of the present laws in respect of native title that apply in Australia is that mining tenement applications and existing tenements may be affected by native title claims or procedures. This may preclude or delay the granting of exploration and mining tenements and considerable expenses may be incurred negotiating and resolving issues.

The Company monitors the potential effect of native title claims and the presence of Aboriginal heritage sites involving tenements in which the Company has or may have an interest.

5.10 Environmental risks

Mineral resources exploration and production can be environmentally sensitive and can give rise to substantial costs for environmental rehabilitation, damage control and losses. Further, there are a number of environmental conditions that are attached to AusQuest's mining tenements or may be attached to any future tenements in which the Company may acquire an interest. Failure to meet such conditions could lead to forfeiture of these tenements. In common with other mineral resources companies, future legislative and regulatory changes may be introduced. Such changes could have an adverse impact on AusQuest's profitability, financial position and performance and prospects

5.11 Insurance risks

Although insurance is proposed to be maintained for the construction and operation of its projects within ranges of coverage consistent with industry practice, no assurance can be given that such insurance will be available in the future on commercially reasonable terms or that any cover will be adequate and available to cover any or all claims. If AusQuest

incurs uninsured losses or liabilities, its assets, profitability, financial position and performance and prospects may be adversely affected.

5.12 Loss of and reliance on key personnel

AusQuest may also face risks from the loss of key personnel from time-to-time, as it may be difficult to secure replacements with appropriate experience and expertise.

A number of key management and technical personnel are important to the attainment of the business goals of AusQuest. Some of these key personnel have significant direct or indirect shareholdings in AusQuest. AusQuest has an employee share option plan in order to provide incentive and to promote retention of key personnel. Despite these, one or more of the key employees could leave their employment with AusQuest, and this may adversely affect the ability of AusQuest to conduct its business and, accordingly, affect the profitability, financial position and performance and prospects of AusQuest.

5.13 Ability to attract personnel

AusQuest's success depends, in part, on its ability to identify, attract, accommodate, motivate and retain additional suitably qualified personnel. Competition for qualified staff in the resources industry is strong. The inability to access and retain the services of a sufficient number of qualified staff could be disruptive to AusQuest's development efforts or business development and could materially adversely affect its profitability, financial position and performance and prospects.

5.14 Economic risk and external market factors

Factors, such as, but not limited to, political movements, stock market trends, changing customer preferences, interest rates, inflation levels, commodity prices, industrial disruption, environmental impacts, international competition, taxation changes and legislative or regulatory changes, may all have an adverse impact on AusQuest's operating costs, profit margins and share price. These factors are beyond the control of AusQuest and AusQuest cannot, to any degree of certainty, predict how they will impact on AusQuest.

5.15 Stock market fluctuations

There are risks associated with any investment in a company listed on ASX. The value of Shares may rise above or below the current share price depending on the financial and operating performance of AusQuest and external factors over which the Company and the Directors have no control. These external factors include:

- (a) economic conditions in Australia and overseas which may have a negative impact on equity capital markets and the availability of funding;
- (b) changing investor sentiment in the local and international stock markets specifically relating to the mining sector or resources sector stocks;
- (c) changes in domestic or international fiscal, monetary, regulatory and other government policies;
- (d) political instability, war or terrorist attacks anywhere in the world resulting in a decline in economic conditions worldwide or in a particular region; and
- (e) developments and general conditions in the resources markets in which AusQuest proposes to operate and which may impact on the future value and pricing of shares in mining companies.

5.16 Mineral resources demand and price movements

Mineral resources demand and prices have varied significantly over recent years and are currently at, or near, historical highs. This is, to a large extent, attributed to strong demand from countries such as China. Competitor behaviour or the behaviour of new entrants attracted by current price increases may also influence mineral resources demand and price negotiation outcomes. Accordingly, it is difficult to predict accurately the future demand and price movements and such movements may adversely impact on AusQuest's profitability, financial position and performance, prospects, future development and any future production.

6. ADDITIONAL INFORMATION

6.1 New Options and Tranche 1 Options

The terms and conditions of the New Options and Tranche 1 Options (together, **CC Options**) issued or to be issued (as the case may be) under the Subscription and Option Agreement are described below:

- (a) Each CC Option entitles the holder to subscribe for one Share at a subscription price of \$0.40 per Share.
- (b) The CC Options may be exercised at any time on or prior to 5.00pm (Perth, Western Australia time) on the later of (i) 12 March 2011 and (ii) the date which is 30 months from the date of issue of the New Options (**Option Expiry Date**). The CC Options are exercisable by completing an option exercise form and delivering it to the Company's registered office together with payment in immediately available funds for the number of Shares in respect of which the options are exercised. Any CC Option not exercised on or before the Option Expiry Date will lapse.
- (c) All Shares issued upon exercise of the CC Options will rank equally in all respects with the Company's then existing Shares. The Company will apply to ASX for the Shares issued upon exercise of the options to be admitted to quotation.
- (d) The CC Options are transferable.
- (e) There are no participating rights or entitlements inherent in the CC Options. Holders of CC Options may only participate in new issues of securities to holders of Shares if an option has been exercised before the record date for determining entitlements to the new issue. In accordance with the ASX Listing Rules, the Company must give holders of options notice at least 6 business days before the record date for any new issue for determining entitlements to that issue.
- (f) If, prior to the Option Expiry Date, there is a reorganisation (including consolidation, sub-division, reduction or return) of the issued capital of the Company, the rights of holders of the CC Options will be changed to the extent necessary to comply with the ASX Listing Rules applying to a reorganisation of capital at the time of the reorganisation.
- (g) 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.
- (h) 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 would have received if the CC Option had been exercised before the record date of the bonus issue.

6.2 New Shares

The Shares to be issued on exercise of the CC Options will rank equally in all respects with existing Shares from their date of issue.

New Shares will, once issued, rank equally with existing Shares. The rights and liabilities attached to Shares are:

- (i) set out in AusQuest's constitution which may be examined free of charge by appointment between 9.00 am and 5.00 pm on normal business days at the registered office of AusQuest at Level 2, 47 Colin Street, West Perth WA 6005; and
- (ii) in certain circumstances, regulated by the Corporations Act, the ASX Listing Rules and the general law.

The following is a broad summary of the rights, privileges and restrictions attaching to all Shares. The summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of shareholders that can involve complex questions of law. To obtain a definitive assessment of the rights and liabilities that attach to the Shares, investors should seek their own advice.

(a) General meeting and notices

Each member is entitled to receive notice of, and to attend and vote at, general meetings of the Company and to receive all notices, accounts and other documents required to be sent to members under the Company's constitution, the Corporations Act or the ASX Listing Rules.

(b) Voting rights

Subject to any rights or restrictions for the time being attached to any class or classes of shares, at a general meeting of the Company every holder of fully paid ordinary shares present in person or by an attorney, representative or proxy has one vote on a show of hands (unless a member has appointed more than one proxy) and one vote per share on a poll.

A person who holds a share, which is not fully paid, is entitled, on a poll, to a fraction of a vote equal to the proportion which the amount paid bears to the total issue price of the share.

Where there are 2 or more joint holders of a share and more than one of them is present at a meeting and tenders a vote in respect of the share, the Company will count only the vote cast by the most senior joint holder who tenders the vote. Seniority depends on the order on which names of joint holders appear on the register.

A holder of shares which are the subject of a restriction agreement within the meaning of the ASX Listing Rules and who is in breach of that agreement ceases to have any voting rights in respect of those shares while the breach continues.

(c) Issue of further shares

The Directors may, on behalf of the Company, issue, grant options over, or otherwise dispose of unissued shares to any person on the terms, with the rights, and at the times that the Directors decide. However, the Directors must act in accordance with the restrictions imposed by the Company's constitution, the ASX Listing Rules, the Corporations Act and any rights for the time being attached to the shares in any special class of those shares.

The Company may also issue preference shares (including preference shares that are likely to be redeemed).

(d) **Variation of rights**

If the Company issues different classes of shares, or divides issued shares into different classes, the rights attached to shares in any class (unless otherwise provided by the terms of issue of the shares of that class) may (subject to the Corporations Act and the ASX Listing Rules) be varied or cancelled only with the written consent of the holders of at least 75 per cent. of the issued shares of the affected class, or by special resolution passed at a separate meeting of the holders of the issued shares of the affected class.

(e) **Transfer of shares**

Subject to the Company's constitution, the Corporations Act, the ASX Listing Rules, the ASTC Settlement Rules and any escrow restrictions, ordinary shares are freely transferable.

Shares may be transferred by a proper transfer effected in accordance with any computerised or electronic system established or recognised by the ASX Listing Rules, the Corporations Act or the ASTC Settlement Rules for the purpose of facilitating dealings in shares, by a written instrument of transfer which complies with the Company's constitution or by any other method permitted by the Corporations Act, the ASX Listing Rules or the ASTC Settlement Rules.

(f) **Partly paid shares**

The Directors may, subject to compliance with the Company's constitution, the Corporations Act and the ASX Listing Rules, issue partly paid shares upon which there are outstanding amounts payable.

(g) **Dividends**

The Directors may from time to time determine dividends to be distributed to members. The Directors may fix the time for distribution and the methods of distribution.

Subject to the rights of holders of preference shares and the rights of holders of shares with special arrangements as to dividends, a dividend will be payable to all members in accordance with section 254W of the Corporations Act.

A holder of shares which are the subject of a restriction agreement within the meaning of the ASX Listing Rules and who is in breach of that agreement ceases to have any dividend rights in respect of those shares while the breach continues.

(h) **Winding up**

Subject to the rights of holders of shares with special rights in a winding-up, if the Company is wound up, members will be entitled to participate in any surplus assets of the Company in proportion to the paid up capital held by them when the winding up begins.

If the Company is wound up, the liquidator may, with the sanction of a special resolution: divide the assets of the Company in kind; for that purpose fix the value of assets and decide how the division is to be carried out as between members and different classes of members; and vest assets of the Company in trustees on any trusts for the benefit of members as the liquidator thinks appropriate.

6.3 Subscription and Option Agreement

- (a) Cliffs Australia and the Company entered into the Subscription and Option Agreement on 11 September 2008.
- (b) Under the terms of the Subscription and Option Agreement, Cliffs Australia has agreed to subscribe for, and the Company has agreed to issue and allot, Shares at an issue price of \$0.40 per Share and Options with an exercise price of \$0.40 per Share.
- (c) The subscriptions of the Shares and Options by Cliffs Australia will occur in two tranches (as described in section 1.1). Assuming the Placement completes, the Tranche 1 Options, New Shares and New Options will provide Cliffs Australia with a Fully Diluted Interest of 30 per cent. in the share capital of AusQuest.
- (d) The conditions precedent to completion of the Tranche 2 Placement (**Conditions Precedent**) are:
 - (i) Shareholders approving the Tranche 2 Placement for the purposes of item 7 of section 611 of the Corporations Act and the ASX Listing Rules;
 - (ii) Shareholders approving the exercise of the New Options for the purposes of item 7 of section 611 of the Corporations Act and the ASX Listing Rules;
 - (iii) approval under the Foreign Acquisitions and Takeovers Act 1975;
 - (iv) 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.

The Conditions Precedent referred to in sub-sections (i) to (iii) above have been satisfied and completion of the issue of the New Shares and New Options must occur within 5 business days of the satisfaction of such Conditions Precedent (subject to the Condition Precedent referred to in sub-section (iv) above being satisfied or waived on the date of completion).

- (e) 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.
- (f) The warranties provided by the Company are supported by an indemnity in favour of Cliffs Australia.

6.4 Strategic Alliance Agreement

- (a) Cliffs Australia and the Company entered into the Strategic Alliance Agreement on 11 September 2008.
- (b) *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 6.4(l) below).
- (c) *Shareholder meetings*

Cliffs Australia has agreed not to:

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- (i) requisition a meeting of Shareholders to change the composition of the Board; or
 - (ii) 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
 - (iii) 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**).

(d) *Cliffs Australia Standstill*

- (i) Cliffs Australia has agreed not to acquire any securities in the Company (other than as set out in sub-section (ii) below) during the Relevant Period.
- (ii) Acquisitions will be permitted in the following circumstances:
 - (A) 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 New Options);
 - (B) where the Company proposes to proceed with or to recommend a Third Party Proposal for the Shares;
 - (C) where the Company has granted due diligence access to a third party to facilitate a Third Party Proposal;
 - (D) acquisitions of securities under a pro rata rights or other entitlement issue that Cliffs Australia is eligible to participate in;
 - (E) 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;
 - (F) acquisitions of securities where Cliffs Australia acts as underwriter to any pro-rata rights issue conducted by the Company;
 - (G) acquisitions of securities consented to by the Company; or
 - (H) 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.

(e) *Restriction on AusQuest issuing securities*

- (i) 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:

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- (A) 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 New Options);
 - (B) under the existing AusQuest Limited Executive and Employee Option Plan (or as amended, if consented to by Cliffs Australia);
 - (C) on the exercise of any existing Options on issue at the date of execution of the Strategic Alliance Agreement;
 - (D) under a pro rata rights issue or other entitlement issue that Cliffs Australia is eligible to participate in;
 - (E) 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
 - (F) with the consent of Cliffs Australia.
- (ii) 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.
- (f) *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 6.4(d) above and the restrictions imposed on Cliffs Australia described in section 6.4(c) above will both cease to apply.

- (g) *Exclusivity*

- (i) During the Relevant Period, the Company has agreed not to, except with the prior consent of Cliffs Australia:
 - (A) 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;
 - (B) 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
 - (C) communicate to any person an intention to do any of the things referred to above.
- (ii) 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 members 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.

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- (iii) 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 6.4(h) and (i) 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.
- (h) *Right of pre-emption with respect to Major Assets*
- (i) 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.
- (ii) The Company will be required to make an offer to Cliffs Australia on substantially similar terms as those offered by a third party.
- (iii) 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.
- (iv) 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.
- (i) *Right of Cliffs Australia with respect to Minor Assets*
- (i) 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.
- (ii) 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.
- (iii) 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.
- (j) *Sale by Cliffs Australia*
- During the Relevant Period, Cliffs Australia may sell all of the Tranche 1 Options, the New Shares, the New Options and any Shares issued upon exercise of its Tranche 1 or 2 Options but will not sell part only of such holdings.
- (k) *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 annual general meeting on 18 November 2008.

(l) *Termination*

The Strategic Alliance Agreement will terminate immediately if the Subscription and Option Agreement is terminated.

Either party may terminate the Strategic Alliance Agreement:

- (i) 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
- (ii) the other party is subject to an insolvency event; or
- (iii) the other party commits a breach of this agreement and: (A) the breach is material and not capable of being cured, or (B) 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.

6.5 Litigation

The Company and its subsidiaries are not involved in any material legal or arbitration proceedings, nor, so far as the Directors are aware, are any such proceedings pending or threatened against the Company or its subsidiaries.

6.6 Nature of this Prospectus

This Prospectus is issued under the special prospectus content rules for continuously quoted securities (and options to acquire such securities) in section 713 of the Corporations Act.

The information in this Prospectus principally concerns the terms and conditions of the Placement and the information necessary to make an informed assessment of:

- (a) the effect of the Placement on AusQuest; and
- (b) the rights and liabilities attaching to the New Shares and the New Options.

As AusQuest has been listed on ASX since 25 November 2003, a substantial amount of information concerning AusQuest has previously been notified to ASX and is therefore publicly available.

The Prospectus is intended to be read in conjunction with the publicly available information in relation to AusQuest which has been notified to ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Shareholders should therefore also have regard to the other publicly available information in relation to AusQuest before making a decision whether or not to invest in the New Shares and New Options.

6.7 Regular reporting and disclosure obligations

AusQuest is a disclosing entity for the purposes of the Corporations Act and as such is subject to regular reporting and disclosure obligations under the Corporations Act and the ASX Listing Rules.

These obligations require AusQuest to notify ASX of information about specified events and matters as they arise for the purposes of ASX making that information available to the stock market conducted by ASX. In particular, AusQuest has an obligation under the ASX

Listing Rules (subject to certain limited exceptions) to notify ASX immediately of any information of which it becomes aware concerning AusQuest which a reasonable person would expect to have a material effect on the price or value of securities in AusQuest.

AusQuest is also required to prepare and lodge with ASIC both yearly and half yearly financial statements accompanied by a Directors' statement and report and an auditor's report.

6.8 Your right to obtain copies of AusQuest's documents

Copies of any documents in relation to AusQuest which are lodged with ASIC may be obtained from or inspected at, an ASIC office. ASX maintains a file of all announcements lodged with it by AusQuest. Copies of most documents lodged by AusQuest with ASX can be found on the ASX website, www.asx.com.au.

During the period from the date of this Prospectus until the completion of the Placement, AusQuest will provide copies of the following to any person on request, free of charge:

- (a) AusQuest's annual financial report for the year ended 30 June 2008 being the last annual financial report that has been lodged with ASIC before lodgement of this Prospectus; and
- (b) any continuous disclosure notices used to notify ASX of information relating to AusQuest between 25 September 2008 (being the date of lodgement of the financial report referred to in paragraph (a) with ASIC) and the date of lodgement of this Prospectus. The documents set out in the Appendix to this Prospectus were lodged by AusQuest with ASX during this period.

6.9 Documents available for inspection

The following documents are available for inspection during normal business hours at the registered office of AusQuest:

- (a) this Prospectus; and
- (b) the constitution of AusQuest.

6.10 CHESS and issuer sponsorship

AusQuest participates in CHESS. All trading on ASX in Shares is, and in New Shares will be, settled through CHESS. ASTC, a wholly-owned subsidiary of ASX, operates CHESS in accordance with the ASX Listing Rules and the ASTC Settlement Rules. Advanced Share Registry Services Pty Ltd operates an electronic issuer-sponsored sub-register and an electronic CHESS sub-register. Both these sub-registers constitute AusQuest's principal register of shareholders.

Holders of New Shares will not receive a certificate but will receive a statement of their holding. If you are sponsored by a broker or other participant in CHESS, you will receive a CHESS statement which will set out the number of New Shares issued to you under this Prospectus, provide details of your HIN (holder identification number), and provide the participant identification number of the sponsor.

If you are registered on the issuer-sponsored sub-register, your holding statement will contain the number of New Shares issued to you and your SRN (security holder reference number).

A CHESS statement or issuer-sponsored statement will be sent to Shareholders at the end of any calendar month during which the balance of their shareholding changes.

Shareholders may request a statement at any other time, however, a charge may be made for additional statements.

6.11 Directors' interests and benefits

- (a) Other than as set out below or elsewhere in this Prospectus, no Director or proposed Director of AusQuest, and no firm in which a Director or proposed Director of AusQuest is a partner, holds, or held at any time during the last two years before the date of this Prospectus, any interest in:
- (i) the formation or promotion of AusQuest;
 - (ii) any property acquired or proposed to be acquired by AusQuest in connection with its formation or promotion or in connection with the Placement; or
 - (iii) the Placement,
- and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any Director or proposed director of AusQuest:
- (i) to induce them to become, or to qualify them as, a Director; or
 - (ii) for services rendered by them in connection with the formation or promotion of AusQuest or in connection with the Placement.
- (b) Under the terms of the Strategic Alliance Agreement, Cliffs Australia will be entitled to elect one director to (and remove such director from) the AusQuest Board of Directors from the completion of the Tranche 2 Placement until the termination of the Strategic Alliance Agreement (**Cliffs Nominee**). The first Cliffs Nominee will be Richard Mehan.
- (c) Directors are not required under AusQuest's constitution to hold any shares in AusQuest.
- (d) The table below shows the interest of each Director (whether held directly or indirectly) in securities of AusQuest as at the date of this Prospectus:

Director	Shares	Options
John Innes	3,903,158	2,435,595
Graeme Drew	4,747,241	3,546,467
John Ashley	6,005,630	3,775,942
Greg Hancock	1,058,000	1,110,000
Chris Ellis	10,668,058	6,601,488

Directors may hold the relevant interests in Shares and Options shown above directly, or through holdings by companies, trusts or other persons with whom they are associated.

6.12 Directors' remuneration

- (a) The non-executive Directors are paid for their services the remuneration, not exceeding in aggregate a maximum sum which is fixed by a general meeting. The

current maximum aggregate sum which Shareholders have fixed to be paid as fees to the non-executive Directors is \$300,000 per annum. This amount was fixed by Shareholders at the 2008 annual general meeting.

The Chairman is paid an annual base fee of \$59,950 inclusive of superannuation. Other non-executive Directors are each paid annual base fees of \$43,600 inclusive of superannuation. The Company will not pay the Cliffs Nominee any directors fees.

Remuneration payable by AusQuest to non-executive Directors is not to be by commission on, or percentage of, profits or operating revenue.

- (b) The remuneration of the executive Directors is fixed by the Board and may consist of salary, bonuses or any other elements, but must not be a commission on, or percentage of, profits or operating revenue. Graeme Drew is remunerated as the managing director at the rate of \$204,375 per annum, including superannuation. John Ashley is remunerated as an executive director at the rate of \$800 per day (for a minimum of 75 days per year).
- (c) Corporate advisory services are provided by Hancock Corporate Investments Pty Ltd, an entity associated with Greg Hancock, on a consultancy basis. Fees for such services provided during the financial year ended 30 June 2008 totalled \$37,500 and are expected to be about \$45,000 for the current financial year.

6.13 Officers' indemnities

AusQuest, to the extent permitted by law, indemnifies every officer of AusQuest (and may indemnify any auditor of AusQuest) against any liability incurred by the person, in the relevant capacity, to another person unless the liability arises out of conduct involving lack of good faith.

AusQuest may also make a payment in relation to legal costs incurred by these persons in defending an action for a liability, or resisting or responding to actions taken by a government agency or a liquidator.

The Company may also pay the premiums on directors' and officers' liability insurance.

6.14 Interests of other persons

Other than as set out below or elsewhere in this Prospectus, no person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus, and no promoter of AusQuest holds, or held at any time during the last two years before the date of this Prospectus, any interest in:

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

and no amounts have been paid or agreed to be paid and no benefit has been given or agreed to be given to any of these persons for services rendered by them in connection with the formation or promotion of AusQuest or in connection with the Placement.

Blake Dawson has provided various legal services and has or will receive professional fees of approximately \$135,000 (exclusive of GST) for legal work undertaken by them in connection with the Placement.

Hartleys Limited will receive a corporate advisory fee of \$1,017,131 (exclusive of GST).

6.15 Costs of the Placement

The total costs of the Placement payable by AusQuest are estimated at \$1,200,000 and include legal services expenses, corporate advisory fees, ASX and ASIC fees and other miscellaneous expenses.

6.16 Consents

Each of the parties referred to in this section:

- (a) has not authorised or caused the issue of this Prospectus;
- (b) has not made, or purported to make, any statement in this Prospectus other than as specified in this section;
- (c) has not made any statement on which a statement in this Prospectus is based, other than as specified in this section; and
- (d) to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation regarding, and takes no responsibility for, any part of this Prospectus other than the reference to its name and the statement (if any) included in this Prospectus with the consent of that party as specified in this section.

Blake Dawson has given and, at the time of lodgement of this Prospectus, has not withdrawn its written consent to being named in this Prospectus as solicitors to AusQuest in the form and context in which it is named.

Hartleys Limited has given and, at the time of lodgement of this Prospectus, has not withdrawn its written consent to being named in this Prospectus as corporate advisor to AusQuest in the form and context in which it is named.

HLB Mann Judd has given and, at the time of lodgement of this Prospectus, has not withdrawn its written consent to being named in this Prospectus as auditor of AusQuest and to the inclusion of and references to the audited consolidated balance sheet of AusQuest as at 30 June 2008 in section 4.3 in the form and context in which those statements appear.

Golder Associates Pty Ltd has given and, at the time of lodgement of this Prospectus, has not withdrawn its written consent to being named in this Prospectus in the form and context in which it is named.

Graeme Drew has given and, at the time of lodgement of this Prospectus, has not withdrawn his written consent to being named in this Prospectus as the Competent Person named in section 2.1 in the form and context in which he is named.

6.17 Directors' Consent

The Directors have consented to the lodgement and issue of this Prospectus.

7. GLOSSARY OF TERMS

\$	Australian dollars
Application	An application for New Shares and New Options under this Prospectus
ASIC	Australian Securities and Investments Commission
ASTC	ASX Settlement and Transfer Corporation Pty Ltd ABN 49 008 504 532
ASTC Settlement Rules	The operating rules of ASTC
ASX	Australian Securities Exchange or ASX Limited ABN 98 008 624 691, as the context requires
ASX Listing Rules	The official listing rules of ASX
AusQuest or Company	AusQuest Limited ABN 35 091 542 451
Board or Board of Directors	The board of Directors of AusQuest
Business Day	Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day and any other day that ASX declares is not a business day
CC Options	The Tranche 1 Options and the New Options
CHESS	Clearing House Electronic Subregister System
Cliffs Australia	Cliffs Australia Holdings Pty Ltd ABN 53 123 528 227 (a wholly-owned subsidiary of Cliffs Natural Resources Inc. (previously, Cleveland-Cliffs Inc.))
Closing Date	5.00pm WST on 24 November 2008 (or as determined under section 1.4)
Corporations Act	<i>Corporations Act 2001</i> (Cth)
Directors	The directors of AusQuest
Fully Diluted Interest	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
New Options	The Options to be issued under the Tranche 2 Placement
New Shares	The Shares to be issued under the Tranche 2 Placement
Opening Date	21 November 2008
Option	an option to purchase one Share
Placement	The Tranche 1 Placement and Tranche 2 Placement

	announced on 11 September 2008
Prospectus	This Prospectus dated 21 November 2008 as modified or varied by any supplementary or replacement Prospectus which has been made by AusQuest and lodged with ASIC from time to time
Relevant Period	has the meaning in section 6.4(c)
Shareholder	A holder of a Share
Share	A fully-paid ordinary share in the capital of AusQuest
Third Party Proposal	has the meaning in section 6.4(g)
Tranche 1 Placement	The placement of the Tranche 1 Options to Cliffs Australia
Tranche 2 Placement	The placement of the New Shares and the New Options to Cliffs Australia
Tranche 1 Options	21,590,000 unlisted options to subscribe for Shares with an exercise price of \$0.40 per Share issued by the Company on 12 September 2008 under the terms of the Subscription and Option Agreement
US Persons	The meaning given to that term by regulations made under the US Securities Act 1933 (as amended)

CORPORATE DIRECTORY

ABN 35 091 542 451

Directors

John Innes (Non Executive Chairman)
Graeme Drew (Managing Director)
John Ashley (Executive Director)
Greg Hancock (Non Executive Director)
Chris Ellis (Non Executive Director)

Company Secretary

Darren Crawte

Registered Office

Level 2, 47 Colin Street
West Perth WA 6005
Tel: +(61 8) 9364 3866
Fax: +(61 8) 9364 4892

Corporate Advisor

Hartleys Limited (ACN 104 195 057)
Level 6
141 St Georges Terrace
Perth WA 6000

Solicitors

Blake Dawson
Level 32, Exchange Plaza
2 The Esplanade
Perth WA 6000

Auditors

HLB Mann Judd
15 Rheola Street
West Perth WA 6005

Internet Address

www.ausquest.com.au

ASX Code

AQD
AQDOA

**APPENDIX - CONTINUOUS DISCLOSURE NOTICES LODGED WITH ASX SINCE
AUSQUEST'S LAST ANNUAL FINANCIAL REPORT**

Date	Announcement
21/11/2008	Competent Person Statement re AGM Presentation
19/11/2008	Shareholders Approve Placement and Alliance-Media Release
19/11/2008	Shareholders Approve Placement and Alliance
18/11/2008	Results of Meeting
18/11/2008	AGM Presentation
31/10/2008	Change in substantial holding
27/10/2008	FIRB Approval for Strategic Alliance
24/10/2008	First Quarter Activities and Cashflow Report
14/10/2008	Notice of Annual General Meeting/Proxy Form
14/10/2008	Annual Report to shareholders