24 November 2008

AUSQUEST LIMITED
ABN 35 091 542 451

6 Kearns Crescent, Ardross WA 6153
Telephone: 08 9364 3866
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The Manager
Company Announcements Office
Australian Securities Exchange

By Electronic Lodgement

NOTICE OF INITIAL SUBSTANTIAL HOLDER

Please find attached an ASIC Form 603 (Notice of initial substantial holder) filed by AusQuest Limited (**AusQuest**) in respect of ordinary shares in AusQuest (**Shares**) held by Cliffs Australia Holdings Pty Ltd (**Cliffs Australia**).

As noted in the Explanatory Memorandum accompanying the Notice of Annual General Meeting dated 14 October 2008 (page 17), by virtue of the Strategic Alliance Agreement dated 11 September 2008 between Cliffs Australia and AusQuest (attached as Annexure A to the Form 603) which provides AusQuest a measure of control over the disposal by Cliffs Australia of Shares held by it, the *Corporations Act 2001* (Cth) deems AusQuest to have a relevant interest in Cliffs Australia's holding of Shares."

Yours sincerely
AUSQUEST LIMITED

Darren Crawte
Company Secretary

Form 603

Corporations Act 2001
Section 671B

Notice of initial substantial holder

To Company Name/Scheme: AusQuest Limited

ACN/ARSN: 091 542 451

1. Details of substantial holder (1)

Name: AusQuest Limited

ACN/ARSN (if applicable): 091 542 451

The holder became a substantial holder on 21/11/2008

2. Details of voting power

The total number of votes attached to all the voting shares in the company or voting interests in the scheme that the substantial holder or an associate (2) had a relevant interest (3) in on the date the substantial holder became a substantial holder are as follows:

Class of securities (4)	Number of securities	Person's votes (5)	Voting power (6)
Ordinary Shares	68,308,791	68,308,791	30.00%

3. Details of relevant interests

The nature of the relevant interest the substantial holder or an associate had in the following voting securities on the date the substantial holder became a substantial holder are as follows:

Holder of relevant interest	Nature of relevant interest (7)	Class and number of securities
AusQuest Limited	Power to control the exercise of a power to dispose of securities held by Cliffs Australia Holdings Pty Ltd pursuant to the Strategic Alliance Agreement of 27 pages dated 11 September 2008, a copy of which accompanies this notice and is marked **A**	Ordinary Shares 68,308,791

4. Details of present registered holders

The persons registered as holders of the securities referred to in paragraph 3 above are as follows:

Holder of relevant interest	Registered holder of securities	Person entitled to be registered as holder (8)	Class and number of securities
AusQuest Limited	Cliffs Australia Holdings Pty Ltd	Cliffs Australia Holdings Pty Ltd	Ordinary Shares 68,308,791

5. Consideration

The consideration paid for each relevant interest referred to in paragraph 3 above, and acquired in the four months prior to the day that the substantial holder became a substantial holder is as follows:

Holder of relevant interest	Date of acquisition	Consideration (9)		Class and number of securities
		Cash	Non-cash	
AusQuest Limited	21 November 2008	Nil		Ordinary Shares 68,308,791

6. Associates

The reasons the persons named in paragraph 3 above are associates of the substantial holder are as follows:

Name and ACN/ARSN (if applicable)	Nature of association
N/A	N/A

7. Addresses

The addresses of persons named in this form are as follows:

Name	Address
AusQuest Limited	Level 2, 47 Colin Street, West Perth WA 6005
Cliffs Australia Holdings Pty Ltd	Level 18, 109 St Georges Terrace, Perth WA 6000

Signature

print name	Darren Crawte	capacity	Company Secretary
sign here		date	24/11/2008

DIRECTIONS

(1) If there are a number of substantial holders with similar or related relevant interests (eg. a corporation and its related corporations, or the manager and trustee of an equity trust), the names could be included in an annexure to the form. If the relevant interests of a group of persons are essentially similar, they may be referred to throughout the form as a specifically named group if the membership of each group, with the names and addresses of members is clearly set out in paragraph 7 of the form.

(2) See the definition of "associate" in section 9 of the Corporations Act 2001.

(3) See the definition of "relevant interest" in sections 608 and 671B(7) of the Corporations Act 2001.

(4) The voting shares of a company constitute one class unless divided into separate classes.

(5) The total number of votes attached to all the voting shares in the company or voting interests in the scheme (if any) that the person or an associate has a relevant interest in.

(6) The person's votes divided by the total votes in the body corporate or scheme multiplied by 100.

(7) Include details of:

(a) any relevant agreement or other circumstances by which the relevant interest was acquired. If subsection 671B(4) applies, a copy of any document setting out the terms of any relevant agreement, and a statement by the person giving full and accurate details of any contract, scheme or arrangement, must accompany this form, together with a written statement certifying this contract, scheme or arrangement; and

(b) any qualification of the power of a person to exercise, control the exercise of, or influence the exercise of, the voting powers or disposal of the securities to which the relevant interest relates (indicating clearly the particular securities to which the qualification applies).

See the definition of "relevant agreement" in section 9 of the Corporations Act 2001.

(8) If the substantial holder is unable to determine the identity of the person (eg. if the relevant interest arises because of an option) write "unknown.'"

(9) Details of the consideration must include any and all benefits, moneys and other, that any person from whom a relevant interest was acquired has, or may, become entitled to receive in relation to that acquisition. Details must be included even if the benefit is conditional on the happening or not of a contingency. Details must be included of any benefit paid on behalf of the substantial holder or its associate in relation to the acquisitions, even if they are not paid directly to the person from whom the relevant interest was acquired.

MALLESONS STEPHEN JAQUES

Strategic Alliance Agreement

Dated 11 September 2008

Cliffs Australia Holdings Pty Ltd ABN 53 123 528 227 ("Cliffs")
AusQuest Limited ABN 35 091 542 451 ("AusQuest")

Mallesons Stephen Jaques
Level 10
Central Park
152 St Georges Terrace
Perth WA 6000
Australia
T +61 8 9269 7000
F +61 8 9269 7999
DX 210 Perth
www.mallesons.com
SWP:GJR:09-5501-1043

Strategic Alliance Agreement

Strategic Alliance Agreement

Details

Parties	**Cliffs** and **AusQuest**	
Cliffs	Name	**Cliffs Australia Holdings Pty Ltd**
	ABN	53 123 528 227
	Incorporated in	Commonwealth of Australia
	Address	Level 18, 109 St Georges Terrace, Perth 6000
	Telephone	+61 8 9422 3400
	Fax	+61 8 9422 3444
	Attention	Managing Director
AusQuest	Name	**AusQuest Limited**
	ABN	35 091 542 451
	Incorporated in	Commonwealth of Australia
	Address	Level 2, 47 Colin Street, West Perth 6005
	Telephone	+61 8 9364 3866
	Fax	+61 8 9364 4892
	Attention	Managing Director
Recital	**A**	The parties intend entering into the Subscription and Option Agreement on the date of this agreement.
	B	The purpose of this agreement is to set down the broader framework within which the parties intend to cooperate following their entry into the Subscription and Option Agreement.
Governing law	Western Australia	
Date of agreement	See signing page	

Strategic Alliance Agreement

General terms

1 Interpretation

1.1 Definitions

These meanings apply unless the contrary intention appears:

Acceptance Notice means a notice given by Cliffs in accordance with clause 8.3(b) or 9.2(b) (as applicable).

Acceptance Period means, subject to clause 8.4, the period of 30 days after AusQuest gives a Pre-Empt Offer or ROFR Offer (as applicable).

ASIC means the Australian Securities and Investments Commission.

Associate has the meaning given in section 12 of the Corporations Act.

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

ASX Listing Rules means the listing rules of ASX.

AusQuest Board means the board of directors of AusQuest.

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

AusQuest Shareholder means a person registered in the register of members of AusQuest as the holder of Shares.

AusQuest's June 2008 Quarterly means the Quarterly Report for the period ending 30 June 2008 as lodged by AusQuest with ASX.

Authorised Officer means a director or secretary of a party or any other person appointed by a party to act as an Authorised Officer for the purposes of this agreement.

Business Day means a day other than a Saturday, Sunday or public holiday in Perth (Western Australia).

Confidential Information means all Information exchanged between the parties before, on or after the date of this agreement including:

(a) information which, either orally or in writing is designated or indicated as being the proprietary or confidential information of a party or any of its Related Bodies Corporate;

(b) information derived or produced partly or wholly from the Information including any calculation, conclusion, summary or computer modelling;

(c) trade secrets or information which is capable of protection at law or equity as confidential information,

whether the Information was disclosed:

(a) orally, in writing or in electronic or machine readable form;

(b) before, on or after the date of this agreement;

(c) as a result of discussions between the parties concerning or arising out of the transactions contemplated by this agreement; or

(d) by a party or any of its Representatives, any of its Related Bodies Corporate or by any third person.

Controller has the meaning it has in the Corporations Act.

Court means a court of competent jurisdiction under the Corporations Act.

Corporations Act means the Corporations Act 2001 (Cwlth).

Designated Directors means the following persons:

(a) Graeme Drew;

(b) John Ashley;

(c) Greg Hancock;

(d) Chris Ellis; and

(e) any independent director who is appointed to the AusQuest Board on or before 31 December 2008 with the prior written consent of Cliffs, such consent not to be unreasonably withheld or delayed.

Details means the section of this agreement headed "Details".

Diamantina Project means the project located approximately 450 km south of Mt Isa in Queensland and referred to as the "Diamantina Project" in AusQuest's June 2008 Quarterly and includes:

(a) all and any mining tenements and interests of whatever nature in mining tenements (including interests held under joint venture arrangements) held by AusQuest in relation to such project from time to time;

(b) any information held by AusQuest in relation to such project, mining tenements and interests in mining tenements; and

(c) any mining tenements, interests in mining tenements, mineral deposits, resources or reserves in which AusQuest has an interest and which are adjacent to the project area for such project or constitute an extension to an anomaly, deposit, resource or reserve the subject of the project area for such project or are reasonably likely, taking into account relevant economic factors, to form part of the project area for such project.

Excluded Information means Confidential Information which:

(d) is in or becomes part of the public domain other than through breach of this agreement or an obligation of confidence owed to a party or any Related Body Corporate of a party;

(e) the party receiving the Confidential Information can prove by contemporaneous written documentation was already known to it at the time of disclosure by a party or its Related Bodies Corporate or Representatives (unless such knowledge arose from disclosure of information in breach of an obligation of confidentiality); or

(f) the party receiving the Confidential Information acquires from a source other than the party disclosing the Confidential Information or any Related Body Corporate or Representative of that party where such source is entitled to disclose it.

Exclusivity Period means the period from and including the date of this agreement to and including the earlier of 30 November 2010 or the date on which the 2010 Annual General Meeting of AusQuest is held.

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 AusQuest's then issued share capital).

Government Agency means any government, governmental, semi-governmental, administrative, fiscal, judicial or quasi judicial body, department, commission, authority, tribunal, agency or entity.

Independent Expert means the person appointed as expert jointly by AusQuest and Cliffs or if they do not agree on the person to be appointed within seven days of one party requesting appointment, the accountant appointed by the President of the Australian Institute of Chartered Accountants at the request of either party.

Information means all information, regardless of its material form, relating to or developed in connection with:

(a) the business, technology or other affairs of a party or any Related Body Corporate of a party; or

(b) any systems, technology, ideas, concepts, know-how, techniques, designs, specifications, blueprints, tracings, diagrams, models, functions, capabilities and designs (including computer software, manufacturing processes or other information embodied in drawings or specifications), intellectual property or any other information which is marked "confidential" or is otherwise indicated to be subject to an obligation of confidence owned or used by or licensed to a party or a Related Body Corporate of a party.

A person is **Insolvent** if:

(a) it is (or states that it is) an insolvent under administration or insolvent (each as defined in the Corporations Act); or

(b) is in liquidation, in provisional liquidation, under administration or wound up or has had a Controller appointed to its property; or

(c) it is subject to any arrangement, assignment, moratorium or composition, protected from creditors under any statute or dissolved (in each case, other than to carry out a reconstruction or amalgamation while solvent on terms approved by the other parties to this agreement); or

(d) an application or order has been made (and in the case of an application, it is not stayed, withdrawn or dismissed within 30 days), resolution passed, proposal put forward, or any other action taken, in each case in connection with that person, which is preparatory to or could result in any of (a), (b) or (c) above; or

(e) it is taken (under section 459F(1) of the Corporations Act) to have failed to comply with a statutory demand; or

(f) it is the subject of an event described in section 459C(2)(b) or section 585 of the Corporations Act (or it makes a statement from which another party to this agreement reasonably deduces it is so subject); or

(g) it is otherwise unable to pay its debts when they fall due; or

(h) something having a substantially similar effect to (a) to (g) happens in connection with that person under the law of any jurisdiction.

Major Asset means each of:

(a) the Diamantina Project;

(b) the Table Hill Project;

(c) the Savory Project;

(d) the Skillion Hill Project; and

(e) any other mining tenements and interests of whatever nature in mining tenements (including interests held under joint venture arrangements) held by AusQuest, where the value of the consideration the subject of a Third Party Offer for such mining tenements or interests in mining tenements is not less than A$20 Million.

Minor Asset means any mining tenement or interest of whatever nature in a mining tenement (including interests held under joint venture arrangements) held by AusQuest which is not a Major Asset.

Option means an option to subscribe for Shares.

Related Body Corporate has the meaning it has in the Corporations Act.

Related Entity has the meaning given to it in the Corporations Act.

Relevant Interest has the meaning given in sections 608 and 609 of the Corporations Act.

Representative of a party includes an employee, agent, officer, director, auditor or adviser of that party or of a Related Body Corporate of that party.

Savory Project means the project located approximately 150 km south-east of Newman in Western Australia and referred to as the "Savory Project" in AusQuest's June 2008 Quarterly and includes:

(a) all and any mining tenements and interests of whatever nature in mining tenements (including interests held under joint venture arrangements) held by AusQuest in relation to such project from time to time;

(b) any information held by AusQuest in relation to such project, mining tenements and interests in mining tenements; and

(c) any mining tenements, interests in mining tenements, mineral deposits, resources or reserves in which AusQuest has an interest and which are adjacent to the project area for such project or constitute an extension to an anomaly, deposit, resource or reserve the subject of the project area for such project or are reasonably likely, taking into account relevant economic factors, to form part of the project area for such project.

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

Skillion Hill Project means the project located approximately 50 km east of Halls Creek in Western Australia and referred to as the "Skillion Hill Project" in AusQuest's June 2008 Quarterly and includes:

(a) all and any mining tenements and interests of whatever nature in mining tenements (including interests held under joint venture arrangements) held by AusQuest in relation to such project from time to time;

(b) any information held by AusQuest in relation to such project, mining tenements and interests in mining tenements; and

(c) any mining tenements, interests in mining tenements, mineral deposits, resources or reserves in which AusQuest has an interest and which are adjacent to the project area for such project or constitute an extension to an anomaly, deposit, resource or reserve the subject of the project area for such project or are reasonably likely, taking into account relevant economic factors, to form part of the project area for such project.

Subscription and Option Agreement means the agreement of that name entered into by Cliffs and AusQuest on the same date as this agreement.

Table Hill Project means the project located approximately 200 km east of Newman in Western Australia and referred to as the "Table Hill Project" in AusQuest's June 2008 Quarterly and includes:

(a) all and any mining tenements and interests of whatever nature in mining tenements (including interests held under joint venture arrangements) held by AusQuest in relation to such project from time to time;

(b) any information held by AusQuest in relation to such project, mining tenements and interests in mining tenements; and

(c) any mining tenements, interests in mining tenements, mineral deposits, resources or reserves in which AusQuest has an interest and which are adjacent to the project area for such project or constitute an extension to an anomaly, deposit, resource or reserve the subject of the project area for such project or are reasonably likely, taking into account relevant economic factors, to form part of the project area for such project.

Third Party Proposal means, in relation to AusQuest, any expression of interest, proposal or offer in relation to a bid, scheme, joint venture, shareholder approved acquisition or disposal, capital reduction, share buy-back, reverse takeover, spin off, recapitalisation, purchase of a main undertaking, share issue, in specie distribution or other similar reorganisation by any person (other than Cliffs or any of its Related Entities) under which:

(a) a person (together with the person's Associates) may acquire a Relevant Interest in more than 10% of one or more classes of securities of AusQuest;

(b) a person may acquire voting power (as defined in Chapter 6 of the Corporations Act) of more than 10% in AusQuest;

(c) a person may acquire, directly or indirectly, including by way of a spin-off, any interest (including legal, equitable or economic) in a material asset of AusQuest unless clauses 8 and 9 (as relevant) are complied with; or

(d) a person may otherwise merge or amalgamate with AusQuest.

Third Party Offer means an offer received from an independent third party which complies with the requirements set out in clause 8.2.

Transfer means assign, transfer or otherwise dispose of any legal or equitable interest (either in whole or part), whether by sale, lease, declaration or creation of a trust or otherwise.

1.2 References to certain general terms

Unless the contrary intention appears, a reference in this agreement to:

(a) **(variations or replacement)** a document (including this agreement) includes any variation or replacement of it;

(b) **(clauses, annexures and schedules)** a clause, annexure or schedule is a reference to a clause in or annexure or schedule to this agreement;

(c) **(reference to statutes)** except in the definition of "Related Body Corporate", a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them;

(d) **(law)** law means common law, principles of equity, and laws made by parliament (and laws made by parliament include State, Territory and Commonwealth laws and regulations and other instruments under them, and consolidations, amendments, re-enactments or replacements of any of them);

(e) **(singular includes plural)** the singular includes the plural and vice versa;

(f) **(person)** the word "person" includes an individual, a firm, a body corporate, a partnership, joint venture, an unincorporated body or association or any Government Agency;

(g) **(executors, administrators, successors)** a particular person includes a reference to the person's executors, administrators, successors, substitutes (including persons taking by novation) and assigns;

(h) **(calculation of time)** a period of time dating from a given day or the day of an act or event, is to be calculated exclusive of that day;

(i) **(reference to a day)** a day is to be interpreted as the period of time commencing at midnight and ending 24 hours later;

(j) **(reference to a group of persons)** a group of persons or things is a reference to any two or more of them jointly and to each of them individually;

(k) **(meaning not limited)** the words "include", "including", "for example" or "such as" when introducing an example, do not limit the meaning of the words to which the example relates to that example or examples of a similar kind.

(l) **(time of day)** to time is a reference to Perth (Western Australia) time;

(m) **(dollars)** Australian dollars, dollars, $, A$ or AUD is a reference to the lawful currency of Australia.

1.3 Incorporation of Subscription and Option Agreement definitions

Capitalised terms used in this agreement have the meanings given in the Subscription and Option Agreement unless otherwise defined in clause 1.1.

1.4 Next day

If an act under this agreement to be done by a party on or by a given day is done after 5.30pm on that day, it is taken to be done on the next day.

1.5 Next Business Day

If an event must occur on a stipulated day which is not a Business Day then the stipulated day will be taken to be the next Business Day.

1.6 Headings

Headings (including those in brackets at the beginning of paragraphs) are for convenience only and do not affect the interpretation of this agreement.

2 Board representation and shareholder meetings

2.1 Board representation

With effect from Completion and until the termination of this agreement, Cliffs has the right to appoint a nominee (the **Cliffs Nominee**) to the AusQuest Board. The initial nominee (if there is one) will be either Richard Mehan or Peter Ravenscroft.

2.2 Exercise of right

The right to appoint a nominee set out in clause 2.1 above may be exercised by Cliffs:

(a) if the proposed nominee is a person other than Richard Mehan or Peter Ravenscroft, after reasonable consultation with the AusQuest Board; and

(b) after such consultation (where applicable), by giving written notice to AusQuest setting out the name of the Cliffs Nominee and attaching his or her consent to the appointment. Upon receipt of a notice under this clause, AusQuest must use its best endeavours to procure that the Cliffs Nominee is appointed to the AusQuest Board within 5 days.

Cliffs must procure that the Cliffs Nominee and any alternate of the Cliffs Nominee provides AusQuest with the information required by ASX Listing Rule 3.19A and any provision of the Corporations Act that requires AusQuest to disclose information about directors, their assets or affairs, in sufficient time to enable AusQuest to comply with the relevant obligation.

2.3 Alternate nominee

AusQuest agrees that if the Cliffs Nominee resigns, is removed, or is not re-elected, Cliffs will have the right to appoint an alternate nominee, and clause 2.2 above will apply with the appropriate modifications.

2.4 Shareholder meetings

Cliffs agrees that it will not:

(a) requisition a meeting of AusQuest Shareholders to change the composition of the AusQuest Board;

(b) vote against the re-election of any of the Designated Directors at a meeting of AusQuest Shareholders; or

(c) requisition a meeting of AusQuest Shareholders to approve resolutions which are inconsistent with this agreement,

for the period set out in clause 2.5.

2.5 Relevant time

Subject to clause 4, the restrictions in clause 2.4 apply from the date of this agreement until the earlier of 30 November 2010 or the date on which the 2010 Annual General Meeting of AusQuest is held.

3 Standstill

3.1 No offer by Cliffs to acquire shares in AusQuest

Subject to clause 3.2, Cliffs must not and must procure that Cliff's Associates, alone or along with others, must not, in any manner acquire, or offer or agree to acquire, a Relevant Interest in any Shares or other securities in AusQuest or any of its Related Bodies Corporate for the period set out in clause 3.3.

3.2 Exceptions

The prohibition in clause 3.1 does not apply:

(a) to an acquisition of Shares or Options under the terms of the Subscription and Option Agreement including upon the exercise of the Tranche 1 Options of the Tranche 2 Options;

(b) where AusQuest proposes to proceed with or proposes to recommend a Third Party Proposal;

(c) where Ausquest has granted due diligence access to its premises, tenements, operations, books, records or information (including confidential information) to a third party to facilitate that third party making or pursuing, or assessing the merits of making or pursuing, a Third Party Proposal;

(d) to an acquisition of securities under a pro rata rights issue or other entitlement issue that Cliffs is eligible to participate in;

(e) to an acquisition of securities under a placement or other issue that Cliffs is entitled to participate in at a level such that its shareholding (if it is an issue of Shares) or option holding (if it is an issue of Options) on a fully diluted basis will not be diluted by the issue if it participates to the full extent it is entitled to;

(f) to an acquisition of securities by Cliffs as underwriter to any pro rata rights issue or other entitlement issue conducted by AusQuest;

(g) to an acquisition of securities consented to in writing by AusQuest; or

(h) if a third party (together with that third party's Associates) acquires a Relevant Interest in more than a Fully Diluted Interest of 10% in the share capital of AusQuest.

3.3 Relevant time

Subject to clause 4, the prohibitions in clause 3.1 apply from the date of this agreement until the earlier of 30 November 2010 or the date on which the 2010 Annual General Meeting of AusQuest is held.

4 Change of AusQuest Board

The restrictions on Cliffs in clauses 2.4 and 3.1 terminate immediately if three or more of the Designated Directors cease to be directors of AusQuest (whether through resignation, removal, failure to be re-elected or otherwise) unless such cessation arises as a result of a breach of this agreement by Cliffs.

5 New issues

5.1 No new issues

Subject to clause 5.2, AusQuest must not increase its Share capital or grant or issue any Options or other securities for the period set out in clause 5.3.

5.2 Exceptions

The prohibition in clause 5.1 does not apply:

(a) to an issue or grant of Shares or Options under the terms of the Subscription and Option Agreement including upon the exercise of the Tranche 1 Options of the Tranche 2 Options;

(b) to an issue or grant of Shares or Options under the terms of the AusQuest EEOP as at the date of this agreement, or under the terms of the AusQuest EEOP as amended with the prior written consent of Cliffs;

(c) to an issue of Shares on the exercise of any Options which are on issue as at the date of this agreement and which are listed in schedule 1 or pursuant to the August 2008 Options;

(d) to an issue of securities under a pro rata rights issue or other entitlement issue that Cliffs is eligible to participate in;

(e) to an issue of securities under a placement or other issue that Cliffs is entitled to participate in at a level such that its shareholding (if it is an issue of Shares) or option holding (if it is an issue of Options) on a fully diluted basis will not be diluted by the issue if it participates to the full extent it is entitled to; or

(f) to an issue of securities consented to by Cliffs.

5.3 Relevant time

The prohibition in clause 5.1 applies from the date of this agreement and continues for so long as Cliffs holds a Fully Diluted Interest of 20% or more of the issued share capital of AusQuest.

5.4 Right of first refusal to underwrite

(a) AusQuest must not make, agree to make, or announce an underwritten pro rata rights issue, placement or other issue unless it has first offered the opportunity to underwrite that issue to Cliffs (setting out the terms of the proposed underwriting).

(b) If Cliffs declines or fails to accept the offer referred to in clause 5.4(a) within 14 days of receipt of that offer, AusQuest may engage a third party to underwrite the issue provided that the underwriting is on terms no more favourable to the underwriter than those offered to Cliffs.

6 Exclusivity

6.1 No shop

During the Exclusivity Period, AusQuest must not, and must ensure that its Representatives do not, except with the prior written consent of Cliffs:

(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 AusQuest;

(b) initiate any discussions or negotiations in relation to, or which may reasonably be expected to lead to, a Third Party Proposal for AusQuest; or

(c) communicate to any person an intention to do any of the things referred to in clauses (a) and (b) above.

6.2 No talk

During the Exclusivity Period, AusQuest must not, and must ensure that its Representatives do not, except with the prior written consent of Cliffs, participate 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 AusQuest Board has determined in good faith, acting reasonably, after receiving legal advice from a senior lawyer, independent of AusQuest and all of the members of the AusQuest Board and with suitable experience in corporate law, that failing to take such action would be reasonably likely to constitute a breach of its fiduciary or statutory obligations.

6.3 Requirement to notify

During the Exclusivity Period, and unless the AusQuest Board has determined in good faith, acting reasonably, after receiving legal advice from a senior lawyer, independent of AusQuest and all of the members of the AusQuest Board and with suitable experience in corporate law, that taking such action would be reasonably likely to constitute a breach of its fiduciary or statutory obligations, AusQuest must notify Cliffs as soon as reasonably practicable (but in any event within 1 Business Day) if it becomes aware of:

(a) any Third Party Proposal for AusQuest;

(b) any approach, enquiry or proposal made to, and any attempt or any intention on the part of any person to initiate or continue any negotiations or discussions with, AusQuest or any of its Representatives with respect to, or that could reasonably be expected to lead to, any Third Party Proposal for AusQuest, whether unsolicited or otherwise;

(c) any request for information (or any attempt or intention on the part of any person to request information) relating to AusQuest or any of its businesses or operations or any request for access to the books or records of AusQuest, which AusQuest has reasonable grounds to suspect may relate to a current or future Third Party Proposal for AusQuest;

(d) any breach of this clause 6.3; and

(e) any provision by AusQuest or any of its Representatives of any information relating to AusQuest or any of its businesses or operations to any person in connection with or for the purposes of a current or future Third Party Proposal for AusQuest.

6.4 Contents of notice

A notice given under clause 6.3 must be accompanied by all relevant details of the relevant event, including the identity of the person or persons taking any action referred to in clause 6.3(b) or 6.3(c) above, and the terms and conditions of any Third Party Proposal or any proposed Third Party Proposal (to the extent known).

6.5 Reasonableness

(a) AusQuest acknowledges that:

(i) the subscriptions for Shares (including by virtue of the exercise of Options) by Cliffs pursuant to the Subscription and Option Agreement are conditional on the simultaneous execution of this agreement by the parties;

(ii) significant benefits will flow to AusQuest from receipt of the proceeds of the subscriptions referred to in sub-paragraph (i) above and the undertakings given by Cliffs under this agreement (including under clause 3); and

(iii) the provisions of this clause 6 and clause 15.2 are reasonable in the context of the transactions contemplated by the Subscription and Option Agreement and this agreement considered as a whole.

(b) Cliffs confirms that AusQuest's agreement to the provisions of this clause 6 and clause 15.2 are necessary to induce Cliffs to enter into the subscriptions contemplated by the Subscription and Option Agreement and give the various undertakings under this agreement.

7 Compliance with law

7.1 Release from obligations

Subject to clause 7.5, if a Court or the Takeovers Panel determines that any part of the agreement under clause 6:

(a) constitutes, or would if performed constitute:

(i) a breach of the fiduciary or statutory duties of AusQuest's Board; or

(ii) unacceptable circumstances within the meaning of the Corporations Act; or

(b) is, or would if performed be, unlawful for any reason,

then, provided AusQuest has complied with its obligations under clause 6 prior to the determination by the Court or the Takeovers Panel, AusQuest will not be obliged to comply with that part of clause 6 (but will be obliged to comply with all other parts of that clause).

7.2 Undertaking

Subject to clause 7.5, if the Takeovers Panel indicates to AusQuest or Cliffs that, in the absence of a written undertaking pursuant to section 201A of the

Australian Securities and Investments Commission Act 2001, it will make a declaration of unacceptable circumstances, each of AusQuest and Cliffs (as the case may be) may give that undertaking on their own behalf and must give reasonable consideration to giving that undertaking if requested by the other party. Where such undertakings are given, clause 6 will operate in a manner consistent with the terms of such undertakings.

7.3 No court or similar application

Subject to clause 7.5, AusQuest may not make, nor may it cause or permit to be made, any application to a court, arbitral tribunal or the Takeovers Panel for or in relation to a determination referred to in clause 7.1.

7.4 Third party application

If any third party makes any application to a court, arbitral tribunal or the Takeovers Panel for, or in relation to, a determination referred to in clause 7.1, each party must make submissions in the course of those proceedings supporting to the fullest extent reasonably practicable the position that no such determination should be made.

7.5 Appeal or review proceedings

Nothing in this clause 7 precludes either party from bringing, or requires either party to bring, appeal or review proceedings in relation to any determination referred to in clause 7.1. If either party brings such proceedings:

(a) the other must make submissions in the course of those proceedings supporting to the fullest extent reasonably practicable the review application made by the first party; and

(b) for the purposes of this clause 7, the determination the subject of the appeal or review proceeding shall be deemed not to have been made and clauses 7.1 and 7.2 shall have effect only in relation to any determination made in the appeal or review proceedings.

Nothing in this clause 7 shall preclude either party from complying with any interim orders of any court of competent jurisdiction or of the Takeover Panel.

8 Right of pre-emption - Major Assets

8.1 No disposal or entry into joint venture without consent

Except as permitted in this clause 8, AusQuest must not, without the prior written consent of Cliffs, Transfer, or enter into a joint venture or similar arrangement in relation to a Major Asset for the period set out in clause 9.3.

8.2 Third Party Offer

For the purposes of clause 8.3, a Third Party Offer must be:

(a) a bona fide arm's length offer; and

(b) solely for the third party offeror's account.

8.3 Pre-emptive rights - Transfer to third party

If AusQuest receives a Third Party Offer which it wishes to accept in relation to the Transfer of, or entry into a joint venture or similar arrangement in relation to, a Major Asset:

(a) AusQuest must, prior to accepting the Third Party Offer, give a notice to Cliffs which sets out:

(i) the terms of the Third Party Offer;

(ii) where the terms of the Third Party Offer include consideration which is non cash consideration, then AusQuest must designate a reasonable cash equivalent (**Cash Equivalent**) which AusQuest will accept in substitution for the non cash consideration, provided that to the extent that the Third Party Offer contemplates or provides for AusQuest being or becoming at some stage free carried in relation to the Major Asset or receiving a royalty or similar payment from production from the Major Asset or receiving other valuable rights in relation to their interest in the Major Asset, then those particular aspects of the Third Party Offer will not require a Cash Equivalent; and

(iii) offers to enter into a transaction with Cliffs on the same (or substantially similar) terms as the Third Party Offer subject to this clause 8.3 (**Pre-empt Offer**);

(b) the Pre-empt Offer must remain open for acceptance during the Acceptance Period and, while the Pre-empt Offer remains open, it may be accepted by Cliffs providing an Acceptance Notice to AusQuest;

(c) the Pre-empt Offer will be taken to be rejected if Cliffs gives AusQuest notice rejecting the offer or if Cliffs fails to give an Acceptance Notice to AusQuest before the end of the Acceptance Period; and

(d) if the Pre-empt Offer is rejected in accordance with clause 8.3(c), then AusQuest may enter into the transaction set out in the Pre-empt Offer (on terms no more favourable to the counterparty to the transaction than those set out in the Pre-empt Offer) provided it does so within six months after the rejection under clause 8.3(c).

8.4 Dispute as to value of Cash equivalent

If within 7 days of receiving the Pre-empt Offer, Cliffs disputes that the Cash Equivalent is a reasonable substitution for the non cash consideration, then Cliffs may refer the matter to the Independent Expert for determination and the Independents Expert's determination, in the absence of manifest error, will be binding on the Parties. The Independent Expert will determine what is a reasonable amount for the Cash Equivalent as soon as practical after receiving any submissions from the parties. Those submissions must be made in writing within 30 days (or such other time as may be agreed) after the Independent Expert is appointed. A copy must be made available to each party.

Once the amount of the Cash Equivalent is determined by the Independent Expert, Cliffs will have 30 days from the Independent Expert's determination in which to accept the Pre-empt Offer (as varied by the Independent Expert's determination) and the Acceptance Period will be extended accordingly. As soon as Cliffs disputes the value of the Cash Equivalent then the time period in clause 8.3 will be suspended until such time as the Independent Expert has made a decision and communicated it to the parties in writing and time will begin to run for the purposes of each of those clauses once the Independent Expert has made a decision and communicated it to the parties in writing.

The parties agree to each pay one half of the Independent Expert's costs and expenses in connection with any reference under this clause. The Independent Expert will be appointed as an expert and not as an arbitrator. The procedures for determination are to be decided by the Independent Expert in its discretion.

9 Right of first refusal - Minor Assets

9.1 No disposal or entry into joint venture without consent

Except as permitted in this clause 9, AusQuest must not, without the prior written consent of Cliffs, Transfer, or enter into a joint venture or similar arrangement in relation to a Minor Asset.

9.2 Right of first refusal

If AusQuest wishes to Transfer, or enter into a joint venture or similar arrangement in relation to, a Minor Asset:

(a) AusQuest must give a notice to Cliffs which:

(i) sets out the terms (which must be either for cash consideration or consideration which provides for AusQuest being or becoming at some stage free carried in relation to the Minor Asset or receiving a royalty or similar payment from production from the Minor Asset, or a combination of any of the above) on which it wishes to Transfer, or enter into a joint venture or similar arrangement in relation to, a Minor Asset; and

(ii) offers to enter into a transaction with Cliffs on those terms **(ROFR Offer)**;

(b) the ROFR Offer must remain open for acceptance during the Acceptance Period and, while the ROFR Offer remains open, it may be accepted by Cliffs providing an Acceptance Notice to AusQuest;

(c) the ROFR Offer will be taken to be rejected if Cliffs gives AusQuest notice rejecting the offer or if Cliffs fails to give an Acceptance Notice to AusQuest before the end of the Acceptance Period; and

(d) if the ROFR Offer is rejected in accordance with clause 9.2(c), then AusQuest may enter into the transaction set out in the ROFR Offer with a third party (on terms no more favourable to the counterparty to the transaction than those set out in the ROFR Offer) provided it does so within six months after the rejection under clause 9.2(c).

9.3 Relevant time

The restrictions in clauses 8.1 and 9.1 apply from the date of this agreement and continue for so long as Cliffs holds a Fully Diluted Interest of 20% or more of the issued share capital of AusQuest.

10 Termination

10.1 Automatic termination

This agreement will terminate immediately if the Subscription and Option Agreement terminates in accordance with clause 3.4 therein.

10.2 Cliffs' rights to terminate

Cliffs has the right to terminate this agreement by notice in writing to AusQuest if:

(a) at any time after Completion, Cliffs holds a Fully Diluted Interest in AusQuest of less than 20% of the issued share capital of AusQuest;

(b) if AusQuest Shareholders do not approve the exercise of the Tranche 2 Options;

(c) AusQuest becomes Insolvent;

(d) AusQuest 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 AusQuest fails to cure the breach within 14 Business Days of being notified in writing of the breach by Cliffs.

10.3 AusQuest's rights to terminate

AusQuest has the right to terminate this agreement by notice in writing to Cliffs if:

(a) at any time after Completion, Cliffs holds a Fully Diluted Interest in AusQuest of less than 20% of the issued share capital of AusQuest;

(b) Cliffs becomes Insolvent;

(c) Cliffs 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 Cliffs fails to cure the breach within 14 Business Days of being notified in writing of the breach by AusQuest.

10.4 Notice

A notice given under clause 10.2 or 10.3 must specify the event or events in relation to which the notice is given.

10.5 Effect of termination

If this agreement is terminated under this clause 10 then, in addition to any other rights, powers or remedies provided by law:

(a) each party is released from its obligations under this agreement other than in relation to clauses 11 to 14, 15.3 to 15.15, 16 and 17; and

(b) each party retains the rights it has against the other party in connection with any breach or claim that has arisen before termination.

11 Confidentiality

11.1 Disclosure of Confidential Information

All Confidential Information exchanged between the parties under this agreement or during the negotiations preceding this agreement is confidential to them and may not be disclosed to any person except:

(a) employees, legal advisers, auditors and other consultants of the party or its Related Bodies Corporate requiring the information for the purposes of this agreement;

(b) with the consent of the party who supplied the information;

(c) if a party is required to do so by law, a stock exchange or any regulatory authority, whether or not the requirement arises independently or as a result of any action taken by the party (or any of its Related Bodies Corporate) before or after the date of this agreement; or

(d) if a party is required to do so in connection with legal proceedings relating to this agreement.

11.2 Use of Confidential Information

A party must not use any Confidential Information, except for the purpose of performing its obligations under this agreement or as otherwise required by operation of law.

11.3 Excluded Information

Clauses 11.1 and 11.2 do not apply to the Excluded Information.

12 Announcements

12.1 Public announcements

Subject to clause 12.2, neither party may make or send a public announcement, communication or circular concerning the transactions referred to in this agreement unless it has first obtained the written consent of the other party, which consent is not to be unreasonably withheld or delayed.

12.2 Public announcements required by law

Clause 12.1 does not apply to a public announcement, communication or circular required by law or a regulation of a stock exchange, if the party required to make or send it has, to the extent practicable:

(a) provided the other party with sufficient notice to enable it to seek a protective order or other remedy; and

(b) provided all assistance and co-operation that the other party considers necessary to prevent or minimise that disclosure.

13 Costs and stamp duty

13.1 Costs and expenses

AusQuest and Cliffs agree to pay their own legal and other costs and expenses in connection with the negotiation, preparation and execution of this agreement, except for stamp duty.

13.2 Stamp duty

Cliffs agrees to pay all stamp duty (including fines and penalties) chargeable, payable or assessed in relation to this agreement.

14 Notices and other communications

14.1 Form - all communications

Unless expressly stated otherwise in this agreement, all notices, certificates, consents, approvals, waivers and other communications in connection with this agreement (**Notices**) must be:

(a) in writing;

(b) signed by the sender (if an individual) or an Authorised Officer of the sender; and

(c) marked for the attention of the person identified in the Details or, if the recipient has notified otherwise, then marked for attention in the way last notified.

14.2 Delivery

Notices must be:

(a) left at the address set out or referred to in the Details; or

(b) sent by prepaid ordinary post (airmail if appropriate) to the address set out or referred to in the Details; or

(c) sent by fax to the fax number set out or referred to in the Details.

However, if the intended recipient has notified a changed address or fax number, then communications must be to that address or fax number.

14.3 When effective

Notices take effect from the time they are received or taken to be received under clause 14.4 (whichever happens first) unless a later time is specified.

14.4 When taken to be received

Notices are taken to be received:

(a) if sent by post, three days after posting (or seven days after posting if sent from one country to another); or

(b) if sent by fax, at the time shown in the transmission report as the time that the whole fax was sent.

14.5 Receipt outside business hours

Despite clauses 14.3 and 14.4, if Notices are received or taken to be received under clause 14.4 after 5.00pm in the place of receipt or on a non-Business Day, they are taken to be received at 9.00am on the next Business Day and take effect from that time unless a later time is specified.

14.6 Survival of termination

This clause 14 will survive termination of this agreement.

15 Miscellaneous

15.1 Disposals by Cliffs

(a) Subject to clause 15.1(b), during the Exclusivity Period, Cliffs may sell all of the Tranche 1 Options, Tranche 2 Shares, Tranche 2 Options and any Shares it receives on exercise of the Tranche 1 Options or Tranche 2 Options, but may not sell part only of such holdings.

(b) Clause 15.1(a) shall have no legal effect until shareholder approval is obtained under part 7 of section 611 of the Corporations Act.

15.2 Suspension of drilling

AusQuest agrees 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 general meeting of AusQuest Shareholders under clause 2.2 of the Subscription and Option Agreement.

15.3 No partnership

Nothing contained or implied in this agreement constitutes a party the partner, agent, or legal representative of another party for any purpose or creates any partnership, agency or trust, and no party has any authority to bind another party in any way.

15.4 Discretion in exercising rights

A party may exercise a right or remedy or give or refuse its consent in any way it considers appropriate (including by imposing conditions), unless this agreement expressly states otherwise.

15.5 Partial exercising of rights

If a party does not exercise a right or remedy fully or at a given time, the party may still exercise it later.

15.6 Dealing with interests

The rights and obligations of the parties under this agreement are personal and may not be assigned or otherwise dealt with by them.

15.7 No liability for loss

A party is not liable for loss caused by the exercise or attempted exercise of, failure to exercise, or delay in exercising a right or remedy under this agreement.

15.8 Approvals and consents

By giving its approval or consent a party does not make or give any warranty or representation as to any circumstance relating to the subject matter of the consent or approval.

15.9 Conflict of interest

The parties' rights and remedies under this agreement may be exercised even if it involves a conflict of duty or a party has a personal interest in their exercise.

15.10 Remedies cumulative

The rights and remedies provided in this agreement are in addition to other rights and remedies given by law independently of this agreement.

15.11 Variation and waiver

A provision of this agreement or a right created under it, may not be waived or varied except in writing, signed by the party or parties to be bound.

15.12 Giving effect to this document

Each party must do anything (including execute any document) and must ensure that its employees and agents do anything (including execute any document), that the other party may reasonably require to give full effect to this document.

15.13 Assignment

Unless to a Related Body Corporate, no party may assign its rights or obligations under this document without the written consent of the other party. Any assignment to a Related Body Corporate shall not be absolute but shall be expressed to have effect only for so long as the assignee remains a Related Body Corporate of the party concerned.

15.14 Operation of this document

(a) This document (and the Subscription and Option Agreement) contains the entire agreement between the parties about their subject matter. Any previous understanding, agreement, representation or warranty relating to that subject matter is replaced by this document (and the Subscription and Option Agreement) and has no further effect.

(b) Any right that a person may have under this document is in addition to, and does not replace or limit, any other right that the person may have.

(c) Any provision of this document which is unenforceable or partly unenforceable is, where possible, to be severed to the extent necessary to make this document enforceable, unless this would materially change the intended effect of this document.

15.15 Construction

No rule of construction applies to the disadvantage of a party because that party was responsible for the preparation of, or seeks to rely on, this agreement or any part of it.

16 Governing law and jurisdiction

This agreement is governed by the law in force in the place specified in the Details. Each party submits to the non-exclusive jurisdiction of the courts of that place.

17 Counterparts

This agreement may be executed in counterparts. All counterparts when taken together are to be taken to constitute one instrument.

EXECUTED as an agreement

Schedule 1 - Options on issue

Class of Option	Number
August 2009 AusQuest Options	1,875,000
November 2009 AusQuest Options[1]	104,816,999
June 2011 AusQuest Options	3,700,000
January 2012 AusQuest Options	500,000
December 2012 AusQuest Options	1,250,000
Total =	**112,141,999**

[1] Listed on ASX

Strategic Alliance **Agreement**

Signing page

DATED: 11 September 2008

EXECUTED by **CLIFFS AUSTRALIA HOLDINGS PTY LTD** in accordance with section 127(1) of the Corporations Act 2001 (Cwlth) by authority of its directors:

....
Signature of director

RICHARD MEHAN
....
Name of director (block letters)

....
Signature of ~~director~~/company secretary*
*delete whichever is not applicable

CHRISTOPHER HUNT
....
Name of ~~director~~/company secretary*
(block letters)
*delete whichever is not applicable

EXECUTED by **AUSQUEST LIMITED** in accordance with section 127(1) of the Corporations Act 2001 (Cwlth) by authority of its directors:

....
Signature of director

JOHN ASHLEY
....
Name of director (block letters)

....
Signature of ~~director/company secretary*~~
*delete whichever is not applicable

GREG HANCOCK
....
Name of director/~~company secretary*~~
(block letters)
*delete whichever is not applicable