



17 October 2019

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Dear Option Holder,

NON-RENOUNCEABLE PRO-RATA RIGHTS ISSUE

We refer to the announcement by AusQuest Limited (**Company**) dated 16 October 2019 ('Capital Raising to Advance Exploration Programs') regarding a Placement to certain sophisticated investors to raise approximately \$500,000 (before costs) (**Placement**) and a proposed non-renounceable pro-rata rights issue to raise approximately \$1.9 million (before costs) (**Rights Offer**). Any entitlements not taken up under the Rights Offer will form part of an offer for the shortfall (**Shortfall Offer**).

We are writing to you as the holder of options granted by the Company (**Options**) to notify you that on 16 October 2019, the Company lodged a prospectus (**Prospectus**) for the Rights Offer and Shortfall Offer with the Australian Securities & Investments Commission and the Australian Securities Exchange (**ASX**). The Prospectus is available on the ASX website (www.asx.com.au) using the Company's ASX code 'AQD', as well as the Company's website (www.ausquest.com.au). The Rights Offer and the Shortfall Offer are referred to in the Prospectus and this letter as the **Offers**.

The purpose of this letter is to provide you with key information about the Rights Offer before the Prospectus is sent to eligible shareholders, in accordance with the requirements of ASX. Shareholder approval is not required for the Offers.

The Company has engaged Hartleys Limited as Lead Manager to the Offers and the Placement.

Rights Offer

The Rights Offer is a non-renounceable pro-rata offer to be made under the Prospectus on the basis of one (1) fully paid ordinary share in the Company (**New Share**) for every four (4) fully paid ordinary shares (**Share**) held by eligible shareholders (described below), at an issue price of \$0.014 each, together with 1 free attaching **New Option** for every 1 New Share subscribed for and issued (exercisable at \$0.025 per option and expiring on 30 November 2021). Fractional entitlements will be rounded down to the nearest whole New Share.

Under the Shortfall Offer, eligible shareholders and other members of the public may participate in an offer of the New Shares with attaching New Options which comprise the shortfall at an issue price of \$0.014 each, together with 1 free attaching New Option for every 1 New Share subscribed for and issued.

All New Shares issued under the Offers will rank equally in all respects with other Shares then on issue.

Full details of the Rights Offer and the Shortfall Offer are contained in the Prospectus.

Use of Proceeds

It is proposed that the net proceeds of the Offers, together with funds to be raised under the Placement and the Company's existing cash reserves, will be used to carry out exploration programs on the Company's 100% owned properties, and to identify and investigate new acquisition and/or exploration opportunities both in Australia and Peru, that might be of further interest to the Company's strategic alliance partner South32, or to be retained as 100% owned AusQuest projects.

Eligibility

The Rights Offer will be made to shareholders of the Company who are registered at 5:00pm AWST on 22 October 2019 (**Record Date**) with a registered address in Australia or New Zealand. As an optionholder of the Company, you are not entitled to participate in the Rights Offer unless you exercise your Options in time for new Shares to be issued and to be entered on the Company's register of members prior to the Record Date.

To exercise some or all of your Options you will need to give notice in writing to the Company in accordance with the terms and conditions pursuant to which your Options were granted (**Option Terms**), together with payment of the exercise price for each Option that you exercise. Please contact the Company's share registry, Advanced Share Registry Limited on (08) 9389 8033 or email admin@advancedshare.com.au for a copy of the option exercise form. To ensure that Shares are allotted to you on exercise of your Options prior to the Record Date, the above will need to be received by Advanced Share Registry no later than 5:00pm AWST on 22 October 2019.

If you do not wish to exercise your Options and participate in the Rights Offer (in respect of Shares issued on exercise of your Options) you do not need to take any action.

Indicative Timetable

An indicative timetable of key events in relation to the Rights Offer is included in the Prospectus. The dates may change subject to the ASX Listing Rules. Key dates which you should note are as follows:

Event	Target Date
Ex-date	21 October 2019
Record Date for determining Entitlements	22 October 2019
Prospectus and Entitlement and Acceptance Form sent to Eligible Shareholders	25 October 2019
Opening Date	25 October 2019
Closing Date (if not extended)	8 November 2019
Issue date of New Shares and New Options under the Rights Offer	15 November 2019

Before deciding whether to exercise all or any of your Options, you should read the Prospectus in its entirety. You are encouraged to consult with your stockbroker or other professional adviser before exercising any of your Options.

For further information, please refer to the Company's website, the ASX announcements platform, or contact the Company Secretary, Henko Vos, on +61 (0)8 9463 2463 or henko.vos@nexasperth.com.au.

Yours sincerely



Greg Hancock
Non-executive Chairman
AusQuest Limited