

ASX Release
October 6th, 2014

AUSQUEST SECURES ADDITIONAL FUNDING TO PROGRESS FRASER RANGE NICKEL, PERU COPPER

\$750,000 funding provided by major shareholder underpins ongoing exploration and project development activities well into 2015

AusQuest Limited (ASX: AQD) is pleased to advise that it has secured funding of up to \$750,000 from its major shareholder, Christopher Ellis, by executing a Loan and Convertible Note Agreement. The additional funds, together with existing cash reserves, will enable AusQuest to continue to advance its prospective WA nickel projects and Peru copper projects.

The loan may be advanced in up to three advances of \$250,000 each. However, conversion of the loan to AusQuest shares is subject to shareholder approval at the Company's Annual General Meeting to be held on or about the 26th November 2014.

Under the terms of the Agreement, the conversion price for AusQuest shares has been set at a minimum price of 2 cents and the Loan is interest-free for a period of six months from the date of issue of each Note.

A summary of the terms for the Loan and Convertible Note Agreement is as follows:

- The loan facility of \$750,000 is available for draw-down in three advances of \$250,000 each, on 5 business days' notice.
- For each advance, the Company will provide a Conversion Note with the following key terms:
 - a. The conversion of the Notes to AusQuest shares is subject to shareholder approval, for the purposes of Listing Rule 10.11;
 - b. The conversion price has been set at the higher of 2 cents per share or, if AusQuest completes a capital raising ('Placement') at greater than 2 cents within 12 months of the execution of the Agreement, the conversion price will be 2 cents per share plus 50% of the difference between 2 cents and the issue price of the Placement shares;
 - c. The Loan matures 12 months after execution of the Agreement, and if the Notes have not been converted to shares by that date, the Loan must be repaid in cash. The Loan must also be repaid on 20 business days' notice in the case of an event of default by AusQuest including material breach and insolvency events;
 - d. Conversion of issued Notes will automatically occur in conjunction with any issue of shares under a future Placement by the Company. Prior to that date,

conversion to shares is solely at the election of AusQuest, provided shareholder approval has been received; and

- e. Interest on the Loan will be accrued at 10% per annum commencing six months after the date of an advance, if the Company has not converted the Notes to shares within six months of the date of issue of a Note. All interest accrued is payable in cash.

AusQuest's Managing Director, Mr Graeme Drew, said the funding arrangement represented a strong vote of confidence by the Company's major shareholder in the potential of its key projects, underpinning ongoing exploration efforts and avoiding the need to undertake a dilutive capital raising at a low point in the market.

"We are very pleased to have concluded this arrangement as it will facilitate ongoing nickel exploration in the Fraser Range of WA – where we have recently identified some exciting new prospects – well into 2015, as well as further development of AusQuest's copper projects in southern Peru, enabling us to add value ahead of a possible farm-out of these projects," Mr Drew said.



Graeme Drew
Managing Director

FORWARD LOOKING STATEMENT

This report contains forward looking statements concerning the projects owned by AusQuest Limited. Statements concerning mining reserves and resources may also be deemed to be forward looking statements in that they involve estimates based on specific assumptions. Forward-looking statements are not statements of historical fact and actual events and results may differ materially from those described in the forward looking statements as a result of a variety of risks, uncertainties and other factors. Forward looking statements are based on management's beliefs, opinions and estimates as of the dates the forward looking statements are made and no obligation is assumed to update forward looking statements if these beliefs, opinions and estimates should change or to reflect other future developments.