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ASX Release

AUSQUEST TO DRILL FOUR NICKEL PROJECTS

Following its recently announced \$3.0 million capital raising, the Board of AusQuest Limited (ASX: AQD) (“AusQuest”) advises that it intends to focus much of the Company’s exploration effort in 2007 on its portfolio of nickel projects in the Pilbara region of WA, with drilling scheduled to commence in early 2007.

Summary

The Company believes that drilling programmes scheduled for 2007 at its four Pilbara Nickel Projects (Beasley, Bellary, Table Hill and Sylvania) could lead to the discovery of a new nickel province(s).

The Company believes that exploration results to date within each of its four nickel projects are very encouraging with a total of 13 targets already proposed for drilling. These include high conductance EM targets located in favourable geological settings. Further targets are expected to be defined when evaluation of the recently acquired helicopter electromagnetic (VTEM) data over Bellary is completed.

The in-principle agreement with Perth-based stockbroking firm Hartleys to raise \$3.0 million through a placement, as reported to the ASX on the 3rd November 2006, will enable the Company to aggressively explore its nickel projects.

AusQuest recently regained 100% control of the Beasley and Table Hill Nickel Projects from Falconbridge (Australia) Pty Ltd (as reported to the ASX on the 5th October 2006) which provided the Company with a strategic opportunity to refocus exploration effort on its nickel projects, which are now reaching the drill-ready stage.

Beasley Nickel Project

At the Beasley Project, located 50km west of Tom Price, recent drilling intersected magmatic Ni-Cu-PGE sulphides with high metal tenor, up to 500m west of drill hole DDH07 which had previously intersected similar Ni-Cu-PGE sulphides as reported to the ASX in 2005. Ni-Cu-PGE assays which reflect the high metal tenor of the sulphides are considered to be geochemically anomalous and could be indicative of nearby massive mineralisation.

These results, combined with aeromagnetic data, have outlined a target zone approximately 500m wide and extending at least one kilometre north of the current drill hole locations. The Company plans to undertake drilling and down hole electromagnetic (DHEM) surveys in early 2007 to test this target zone for massive nickel sulphide mineralisation.

Bellary Nickel Project

At the Bellary Project, located 20km north west of Paraburdoo, a detailed helicopter electromagnetic survey (VTEM) identified approximately 30 targets for ground checking. The

Company is very encouraged by results of initial field reconnaissance which located outcropping gossan at the basal contact of the ultramafic close to one of the EM targets, and evidence for channels at the base of the ultramafic at a further two EM sites.

Drilling is already being planned at these locations in early 2007 and the Company plans to continue ground checking and evaluation of VTEM anomalies to prioritise additional targets for drilling in 2007.

Table Hill Nickel Project

The Table Hill Project, which is located 200km east of Newman, is targeting nickel sulphide mineralisation similar to that found at Noril'sk in Russia, which is one of the world's largest producers of nickel, copper and Platinum Group Metals.

GEOTEM surveying over approximately 50% of the project area, has outlined at least 8 EM targets that are interpreted to occur at or near the base of the magnetic gabbroic sills which are believed to be the prospective host rocks for nickel sulphide mineralisation in the area. The interpreted conductors are up to 2km in length and several hundred metres wide and occur within 300 metres of the surface.

No ground follow-up work has been undertaken over these anomalies. The Company plans to complete ground EM surveys early next year to optimise sites for drilling in mid 2007.

Sylvania Nickel Project

At the Sylvania Project, located 10km south of Newman, recent RAB drilling confirmed the presence of ultramafic rock types along strike from EM targets located by airborne and ground surveys. The ultramafics are believed to be stratigraphic equivalents to those found within the Beasley and Bellary nickel projects, 200km to the west.

Computer modelling confirmed the presence of high conductance EM targets in two areas, with depths to the targets of approximately 100m to 150m. These targets will be drilled as part of the Company's 2007 drilling campaign.

The Company is focused on the discovery of major new nickel resources in the Pilbara region, and looks forward to reporting the results of its 2007 nickel drilling campaign.



Graeme Drew
Managing Director