

May 8, 2008
ASX Release



INCREASED FUNDS FOR EXPLORATION FOLLOWING EXERCISE OF RIO TINTO OPTIONS

Further to its release of 1 May 2008, AusQuest Limited (ASX: AQD) is pleased to welcome Hamersley Holdings Limited, a wholly-owned subsidiary of Rio Tinto Limited, as a substantial shareholder in the Company following the exercise of 5 million 2008 options exercisable at 40 cents.

The exercise of the options has realised **A\$2 million in additional funds**, further strengthening the Company's cash position and enabling it to further increase its exploration activities for manganese (Table Hill – WA), gold (Diamantina – QLD) and iron ore (Tom Price-Paraburdoo – WA).

As a result of the option exercise, Hamersley Holdings has increased its interest in AusQuest from 3.74% previously to 6.9%. The Company reported cash reserves of approximately \$8.0 million as at 31 March 2008.

Drilling Commencing on Several Fronts

Drilling at the Company's 100%-owned **Table Hill Manganese Project**, which is located 200km east of Newman in Western Australia, is due to commence in the second half of May 2008 following minor delays in drill rig availability. The Company has been advised that the drill rig should mobilise from Perth the week commencing 19th May, with drilling to start around the end of that week.

The drilling programme will comprise approximately 15 widely spaced drill-holes (~1,200m x 800m), and has been designed to test the grade, thickness and continuity of the high-grade manganese mineralisation (**3.9m @ 47.5% Mn**) intersected in November 2007. The original drill-hole (THD01) was sited to test a laterally extensive (18km²) electromagnetic target outlined by an airborne GEOTEM survey.

Drilling at AusQuest's **Diamantina iron-oxide copper-gold (IOCG) project**, which is located approximately 450km south of Mt Isa in west Queensland, is scheduled to commence in mid May 2008. It is estimated that the pre-collar (~800 to 1,000 metres) for the first drill-hole will take approximately 3 to 4 weeks to complete with diamond drilling of the target zone scheduled to start in the second half of June 2008.

Drilling is targeting strong coincident gravity/magnetic anomalies which the Company believes are consistent with large-scale IOCG systems known elsewhere in Australia to contain copper, gold and uranium mineralisation (eg, Olympic Dam and Ernest Henry).

In addition, exploration for **iron ore in the Tom Price-Paraburdoo region** of WA will be increased following a review by the Company's consultants. Drill programmes are planned for the second half of 2008 (pending drill rig availability) to test for iron ore associated with

buried Marra Mamba Iron Formation within the Company's Nameless Project and channel iron close to infrastructure at Tom Price and Paraburdoo.

Beneficiation test-work on drill core from the Rocklea channel iron prospect, located 40km west of Tom Price, has also provided encouragement for continued evaluation of this prospect. Results showed a calcined (ex LOI) product grading approximately 64.4% Fe, 4.1% SiO₂, and 2.1% Al₂O₃ can be produced by a combination of raw analysis, and wet tumbling and screening of the materials.

The Board of AusQuest is looking forward to the commencement of the 2008 drilling programme and reporting the results as they become available.



Graeme Drew
Managing Director

COMPETENT PERSON'S STATEMENT

The details contained in this report that pertain to exploration results are based upon information compiled by Mr Graeme Drew, a full-time employee of AusQuest Limited. Mr Drew is a Fellow of the Australasian Institute of Mining and Metallurgy (AUSIMM) and has sufficient experience in the activity which he is undertaking to qualify as a Competent Person as defined in the December 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 the report of the matters based upon his information in the form and context in which it appears.