

June 17, 2008
ASX Release



DRILLING UPDATE – TABLE HILL AND DIAMANTINA

Further to its recent releases, AusQuest Limited (ASX: AQD) advises that drilling is continuing at the **MN1 manganese prospect** at Table Hill, ~200km east of Newman despite some delays arising from the current unseasonal wet weather in the East Pilbara region and drill-rig maintenance issues.

The current focus of drilling is in the vicinity of the 2007 intersection in drill-hole THD01 (~3.9m @ 47.5% Mn). Hole THD06, the third hole in the current program, has now been completed approximately 300 metres west of THD01 at the western end of the section.

This hole has provided encouragement, intersecting a significant thickness of clay alteration (~30m) and narrow zones (up to 0.1m) of manganese mineralisation **with grades ranging from approximately 1.0% to 34% Mn** based on results obtained using a Niton portable XRF analyser (*see disclaimer below*).

Core loss (0.8m) was encountered at the base of the clay zone where the manganese mineralisation is expected to occur. Wallis Drilling has engaged a mud technician to help improve core recovery within the clay zone.

Numerous manganese veins/fractures were also encountered within the sandstone unit below the main target horizon. Niton readings on these veins ranged from **1% to 54% Mn over narrow intervals**. A more comprehensive interpretation of the drill results will be made once drilling of this section is completed within the next few weeks. Samples have been despatched for analysis.

Down Hole Electromagnetic (DHEM) surveys have been completed in the first two drill-holes of the current programme as well as in the 2007 drill-hole (THD01). The results suggest that both the manganese mineralisation and the clay alteration are conductive and are likely to be contributing to the airborne electromagnetic response being targeted by the drilling. Modelling of DHEM results is ongoing.

A more complete picture will be reported to shareholders once further drilling (3 to 4 holes) along the THD01 section is completed in the coming weeks.

Diamantina Iron Oxide Copper-Gold (IOCG) Project

The Company advises that drilling of the pre-collar at the **Machattie Prospect** at its 100%-owned **Diamantina Project**, located approximately 450km south of Mt Isa in western Queensland, has been completed at 960 metres depth. It is anticipated that diamond drilling into the target will commence in early July.

Pre-collar drilling at the **Mulligan Prospect**, located 120km west of Machattie is due to commence in mid June 2008 with diamond drilling of this target scheduled to commence immediately following the completion of the Machattie programme, in late July.

Both drill holes are targeting strong coincident gravity and magnetic anomalies which the Company believes may be consistent with large-scale IOCG systems known elsewhere in Australia to contain copper, gold and uranium mineralisation (eg Olympic Dam in South Australia).

The Company is also pleased to advise that its application for funding assistance under the Queensland Government's Collaborative Drilling Initiative (CDI) for drilling at Diamantina has been successful. Under the CDI, the Queensland Government will fund 50% of the direct drilling costs to a maximum of \$150,000 at each of the prospects.



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.

DISCLAIMER

The estimates of manganese grade referred to in this release are based on readings along the core using a Niton XL3t portable XRF analyser. While AusQuest believes the Niton estimate is indicative of the grade of the intersection, the Company makes it clear that the Niton grades are not based on formal assays and are an estimate only.