

July 18, 2008
ASX Release



EXPLORATION DRILLING UPDATE

TABLE HILL MANGANESE

- Assay results confirm high-grade nature of manganese mineralisation.
- Ground EM and down-hole logs completed and being processed.
- Additional drill sites cleared for further drilling.

Further to its release of 26 June, AusQuest Limited (ASX: AQD) advises that it has received initial assay results from the ongoing drilling program at its **MN1 manganese prospect at Table Hill**, located 200km east of Newman in Western Australia.

Analytical results have **confirmed the high-grade nature of the manganese mineralisation** intersected in drill-hole THD07, returning an intersection of **1.1 metres @ 54.8% Mn** from a depth of 326 metres.

A summary of results received to date from wide-spaced drilling is provided in the table below. Of the seven holes completed, two have intersected high-grade manganese, five have intersected clay alteration and two have been barren:

| Drill-hole | Easting (GDA94) | Northing (GDA94) | Inclination | Result |
|------------|-----------------|------------------|-----------------|----------------------------|
| THD01 | 340154 | 7367674 | Vertical | 3.9m @ 47.5% Mn (clay 28m) |
| THD04 | 340653 | 7368377 | Vertical | Clay alteration (6m) |
| THD05 | 340786 | 7369310 | Vertical | Clay alteration (32m) |
| THD06 | 339858 | 7367657 | Vertical | Clay alteration (30m) |
| THD07 | 339863 | 7367666 | 70 degrees east | 1.3m @ 47.7% Mn (clay 30m) |
| THD08 | 340828 | 7367809 | Vertical | Barren (east edge?) |
| THD09 | 340176 | 7367683 | 70 degrees east | Barren (faulted) |

Wide-spaced drilling is continuing over an area several square kilometres in size, focussed mainly at the southern end of the MN1 prospect, in order to gain an understanding of the distribution and controls on the manganese mineralisation before expanding the search across the wider prospect area.

Recent drilling (THD09) has encountered substantial faulting within the stratigraphic section which appears to affect the distribution of manganese mineralisation in the vicinity of THD01. Fault orientations and displacement directions are poorly constrained, making it difficult to predict possible continuations of the mineralisation at this early stage.

Ground electromagnetic (EM) surveys and down-hole logging of selected drill-holes using a conductivity probe have also been completed, and the results are being processed and

interpreted. Preliminary interpretation of the down-hole logs implies a direct association of clay alteration with the manganese mineralisation and indicates that both the clay zone and the manganese are conductive, suggesting that the stronger EM targets should be prioritised for drilling.

The ground EM data have provided improved definition of the more conductive areas within the clay alteration halo and these are currently being targeted for continuations of the manganese mineralisation. Additional drill sites have been cleared for the ongoing drill programme.

DIAMANTINA COPPER-GOLD PROJECT

- **Diamond drilling commences at the Machattie prospect.**

The company advises that diamond drilling of the target zone at the **Machattie Prospect at Diamantina**, located approximately 450km south of Mt Isa in western Queensland, has commenced.

Diamond drilling will start from the base of the pre-collar (960 metres) and is targeting a strong coincident gravity (32 milligals) and magnetic anomaly below the Eromanga Basin sediments which the Company believes is consistent with a large-scale Iron-Oxide Copper-Gold (IOCG) system known elsewhere in Australia to contain copper, gold and uranium mineralisation. Drilling is expected to take several weeks to complete.

The Board of AusQuest will continue to report results from the 2008 drilling programme 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.

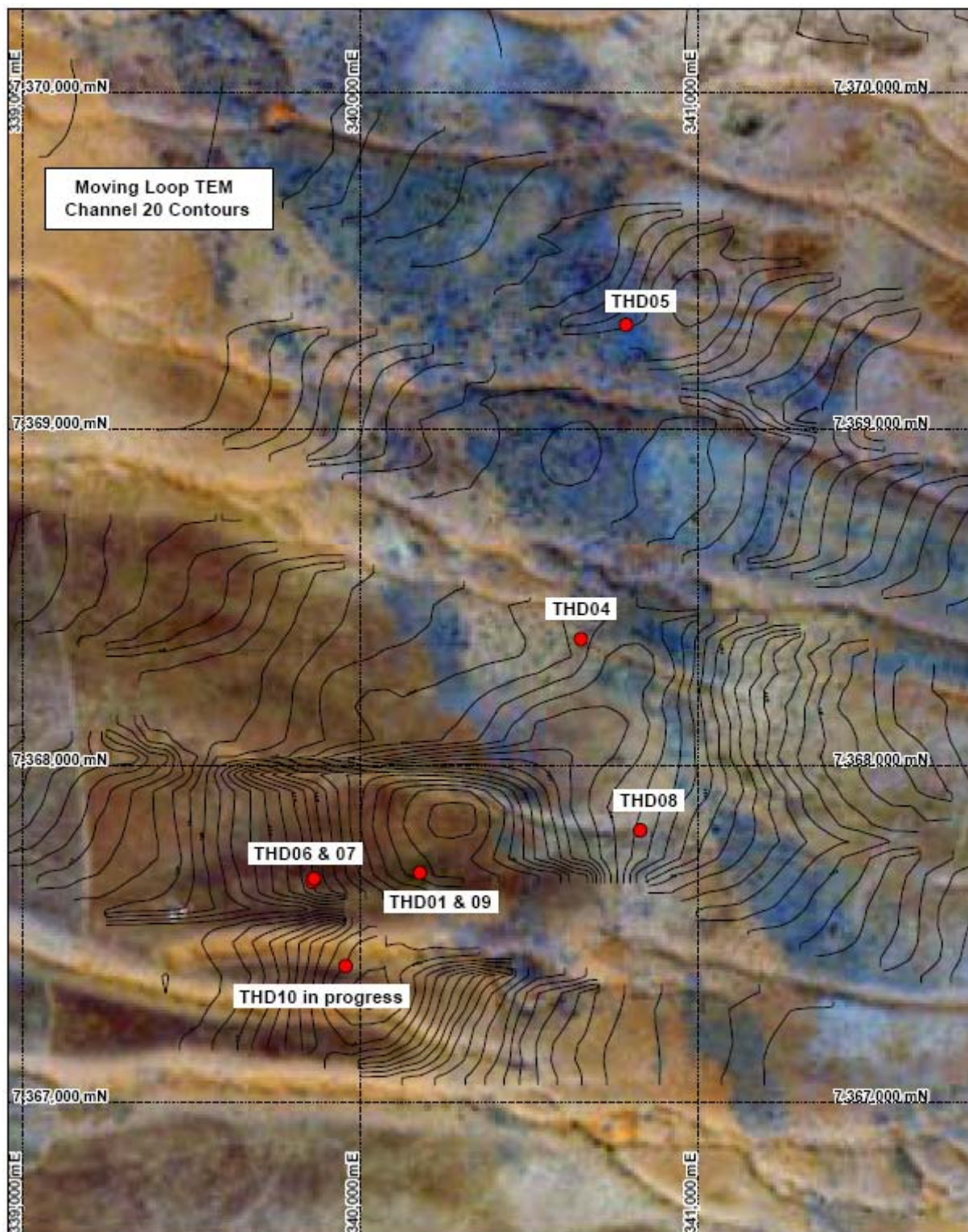


Table Hill Drill Hole Location Plan on Landsat Image