

August 17, 2009
ASX Release



68% INCREASE IN ROCKLEA IRON ORE RESOURCE

- **Inferred Resource for the Rocklea Project, 40km from Tom Price, increases to 63.1Mt grading 53.38% Fe (60.4% caFe).**
- **Updated resource includes a higher grade component of 28.2Mt grading 55.58% Fe (62.7%caFe), 6.04% SiO₂, 2.26% Al₂O₃, 0.03% P and 11.33% LOI.**
- **Additional Exploration Targets* of up to ~10.9Mt and ~3.9Mt established respectively for the lower and higher grade cases.**
- **Further resource potential exists to the south and east of the current Inferred Resource outline and in the north-east corner of the tenement.**

AusQuest Limited (ASX: **AQD** – “AusQuest”) is pleased to report a substantial increase in the resource estimate for its 75%-owned **Rocklea Channel Iron Project**, located 40km west of Tom Price in the Pilbara of Western Australia, following successful in-fill drilling last year.

The revised Inferred Resource estimate, which was prepared by Golder Associates Pty Ltd, comprises **63.1 million tonnes grading 53.38% Fe (60.4% calcined Fe)** compared with the August 2008 resource of 37.6 million tonnes grading 53.2% Fe (59.9% calcined Fe). The updated resource includes a higher grade component of **28.2 million tonnes grading 55.58% Fe (62.7% calcined Fe)**.

In addition, the Company is pleased to report additional Exploration Targets* of up to **10.9 million tonnes for the lower grade case and 3.9 million tonnes for the higher grade case at similar grades to the Inferred Resource** for the Rocklea Prospect.

Recent drilling has also confirmed that there is excellent potential to extend the resource to the south and east of the current resource boundary, where an additional ~1,000 metres of potential strike length has not been drill tested.

The revised resource estimate is based on data from RC drilling completed between 2005 and April 2009 as previously reported to the ASX. Drill holes spaced 100 metres along sections approximately 200 metres apart were used for the revised calculations. The updated resource estimate is summarised below using Fe cut-off grades of 50% and 54% Fe:

Category	COG (Fe)	M tonnes	Fe%	caFe%	SiO ₂ %	Al ₂ O ₃ %	P%	LOI1000%
Inferred	50%	63.1	53.38	60.37	7.69	2.54	0.03	11.59
Inferred	54%	28.2	55.58	62.68	6.04	2.26	0.03	11.33

Note: The resource was estimated in accordance with the guidelines of the Australasian Code for reporting Exploration Results, Mineral Resources and Ore reserves (JORC Code 2004) using a 50% and a 54% Fe lower cut-off grade (COG), and a specific gravity (SG) of 2.7. No mining parameters were applied to the model.

The Company also believes it may be possible to further upgrade iron grades by processing the channel iron materials to remove the fine fraction (106 micron) from the more clay-rich sections of the resource based on bench-scale metallurgical test-work for similar materials (as reported in the March and June 2008 Quarterly Reports).

As noted above, broad-spaced RC drilling outside the boundary of the current Inferred Resource supports the establishment of an Exploration Target of approximately 10.9 million tonnes of channel iron (for the 50% Fe COG) and 3.9 million tonnes (for the 54% Fe COG) at similar grades to the Inferred Resource.

Interpretation of drill results by the Company's internal consultants also suggests additional potential outside the drilled areas, as the Inferred Resource has not been closed off to the south and east of the current drilling and there is outcropping channel iron mineralisation exposed in the north-east corner of the tenement that has not been drill tested.

The Board of AusQuest is encouraged by these results and will now actively pursue options to realise the value of this resource for shareholders.



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). The information that relates to the Mineral Resources Estimate has been compiled by Mr Stephen Godfrey who is a Member of the Australasian Institute of Mining and Metallurgy and an employee of Golder Associates Pty Ltd. Mr Drew and Mr Godfrey consent to the inclusion in the report of the matters based upon their information in the form and context in which it appears.

*** JORC – EXPLORATION TARGETS**

It is common practice for a company to comment on and discuss its exploration in terms of target size and type. The information in this presentation relating to exploration targets should not be misunderstood or misconstrued as an estimate of Mineral Resources or Ore Reserves. Hence the terms Resource(s) or Reserve(s) have not been used in this context. The potential quantity and grade is conceptual in nature, since there has been insufficient work completed to define them beyond exploration targets and that it is uncertain if further exploration will result in the determination of a Mineral Resource.

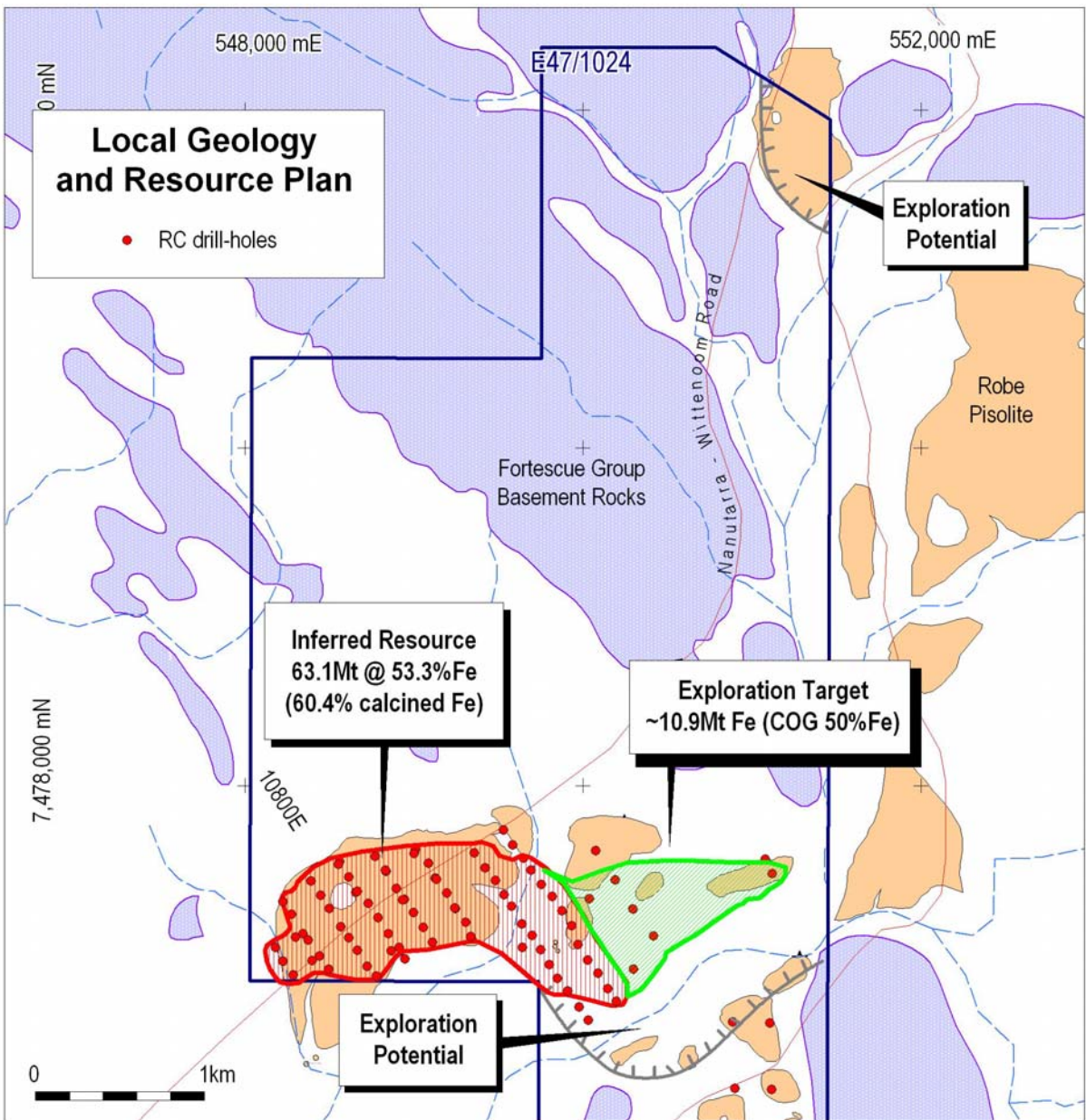


Figure 1: Rocklea Channel Iron Resource Drill-hole locations