

Potential Company Making Drilling Imminent
Brief Update Note

Stock:	AusQuest Limited (AQD \$0.48)
Market Cap (Full. Dil.):	\$73.5m (\$131.1m)
Issued Capital (Full. Dil.):	153.1m shares (273.2m)
Cash (as at 8 May 2008):	~\$10m
Date:	9 May 2008
Resources Analyst:	Andrew Muir



Source: Iress

Detail:

Table Hill Manganese Drilling Soon – AusQuest Limited (“AusQuest”, “AQD”, “Company”) is scheduled to commence a 15 hole drilling program on the MN1 Anomaly at its Table Hill manganese project in late May. The program is following up on the initial intersection of 3.9m @ 47.5% Mn in November 2007 that was designed to test an 18km² GEOTEM anomaly. The new program will test the grade, thickness and continuity of the mineralisation, as well as its extents.

Additional Large Manganese Targets Identified – The Company has identified an additional 5 manganese target areas from the GEOTEM survey, which it has labelled MN2 through to MN6. AusQuest has plans to drill these targets in 2H CY2008. Some of the targets appear to be extensions of the MN1 anomaly, with the anomalies modelled at less than 150m depth.

New Skillion Hill Project – AusQuest has also added to its manganese exploration portfolio by applying for ~575km² of ground in the Kimberley region of WA. Some of the tenements covered by the application have high grade manganese on the surface at up to 55.8% Mn. The tenements are likely to be granted in 2H CY2008. AusQuest anticipates drilling on this new project will commence in CY2009, given the initial focus on its Table Hill project.

Manganese Background – Manganese is mined by both open cut and underground methods at depths of over 300m. Steelmaking accounts for 85%-90% of manganese demand. It is essential for steel production due to its sulfur-fixing, deoxidizing, and alloying properties. Manganese is not openly traded, with production usually covered by long term offtake agreements with prices negotiated quarterly. A recent BHP Billiton report highlighted that high grade manganese contract prices have increased, reaching US\$11.20/dmtu. Using the 47.5% Mn grade from the AQD intersection, this equates to the ore at MN1 being worth ~US\$532/dmt. Manganese prices have increased by over 400% between January 2007 and March 2008.

Diamantina IOCG Drilling Soon – The Company is also planning to commence drilling at its Diamantina iron oxide-copper gold (“IOCG”) prospect in mid May. The project is located ~450km south of Mt Isa in Queensland. The program will involve drilling two +1,500m deep hole to test coincident gravity and magnetic anomalies. Typically such large coincident anomalies are caused by major accumulations of iron, which have the potential to host a suite of metals such as the IOCG at Olympic Dam. The Company estimates that the 800–1000m pre-collars will take 3-4 weeks to complete. The pre-collars will then be followed by diamond tails which, should start in the second half of June.

Rio Tinto Becomes Substantial, Adds Cash – Rio Tinto Limited (“RIO”), has become a substantial shareholder in AusQuest following the conversion of 5m options, exercised at 40cps, raising A\$2m. As a result of the option conversion, RIO has increased its interest in AusQuest from 3.7% to 6.9%.

Impact:

AusQuest is about to start drilling on a number of fronts, all of which have the potential to be Company making projects. At Table Hill, we estimate that if the mineralisation maintains its 4m thickness over only 6km² of the anomaly, with a grade of 45% Mn and using a specific gravity of 2.4, the deposit could potentially host +25Mt of manganese metal. By way of comparison, Consolidated Minerals Limited had a resource of 6.4Mt of manganese metal as at 30 June 2007.

At Diamantina, if the targeted anomaly contains economic grades of copper, gold or uranium, the size of the deposit is likely to be on a world scale. In addition, AQD is planning to drill potential Marra Mamba iron ore targets near Tom Price-Paraburdoo in the Pilbara in 2H CY2008. With a busy drilling schedule ahead, RIO’s vote of confidence via the option exercise, and the cash with which to explore, we continue to rate **AusQuest Limited** as a **Speculative Buy**.

Hartleys Corporate Directory

Research

Nikki Ermongkonchai	Industrial Analyst	+61 8 9268 2837
Andrew Muir	Resources Analyst	+61 8 9268 3045
David Wall	Resources Analyst	+61 8 9268 2826

Corporate Finance

Richard Simpson	Managing Director & Head of Corporate Finance	+61 8 9268 2824
Grey Egerton-Warburton	Lead Director-Corporate Finance	+61 8 9268 2851
Martin Pyle	Director-Corporate Finance	+61 8 9268 2821
Paul Fryer	Assoc Director-Corp Finance	+61 8 9268 2819
Dale Bryan	Senior Manager - Corporate Finance	+61 8 9268 2829
Ben Wale	Corporate Finance Executive	+61 8 9268 3055

Registered Office

Level 6, 141 St Georges Tce
Perth WA 6000
Australia

Postal Address
GPO Box 2777
Perth WA 6001
Australia

Contact Details
Telephone: +61 8 9268 2888
Facsimile: +61 8 9268 2800
Website: www.hartleys.com.au
Email: info@hartleys.com.au

Note: personal email addresses of company employees are structured in the following manner:
firstname_lastname@hartleys.com.au

Hartleys Recommendation Categories

Strong Buy	Significant share price appreciation anticipated
Buy	Share price appreciation anticipated
Speculative Buy	Share price appreciation anticipated but is considered high risk
Accumulate	Buy in periods of weakness
Hold	Take no action
Reduce	Sell in periods of strength
Sell	Significant price depreciation anticipated

Disclaimer/Disclosure

The author of this publication, Hartleys Limited ABN 33 104 195 057 ("Hartleys"), its Directors and their Associates from time to time may hold shares in the security/securities mentioned in this Research document and therefore may benefit from any increase in the price of those securities. Hartleys and its Advisers may earn brokerage, fees, commissions, other benefits or advantages as a result of a transaction arising from any advice mentioned in publications to clients.

Hartleys has completed a capital raising in the last 12 months for AusQuest Limited ("AusQuest") for which it received fees. Hartleys has also provided corporate advice within the past 12 months and continues to provide corporate advice to AusQuest, for which it received fees and continues to receive fees.

Any financial product advice contained in this document is unsolicited general information only. Do not act on this advice without first consulting your investment adviser to determine whether the advice is appropriate for your investment objectives, financial situation and particular needs. Hartleys believes that any information or advice (including any financial product advice) contained in this document is accurate when issued. Hartleys however, does not warrant its accuracy or reliability. Hartleys, its officers, agents and employees exclude all liability whatsoever, in negligence or otherwise, for any loss or damage relating to this document to the full extent permitted by law.

Institutional Sales

Carrick Ryan	+61 8 9268 2864
Darren Reed	+61 8 9268 3053
Davide Bosio	+61 8 9268 3042
Simon Van Den Berg	+61 8 9268 2867

Wealth Management

Nicola Bond	+61 8 9268 2840
Bradley Booth	+61 8 9268 2873
Nathan Bray	+61 8 9268 2874
Sven Burrell	+61 8 9268 2847
Simon Casey	+61 8 9268 2875
Tony Chien	+61 8 9268 2850
Travis Clark	+61 8 9268 2876
David Cross	+61 8 9268 2860
Nicholas Draper	+61 8 9268 2883
John Featherby	+61 8 9268 2811
Ben Fleay	+61 8 9268 2844
Robin Forbes	+61 8 9268 2813
John Georgiades	+61 8 9268 2887
John Goodlad	+61 8 9268 2890
Andrew Gribble	+61 8 9268 2842
Neil Inglis	+61 8 9268 2894
Murray Jacob	+61 8 9268 2892
Gavin Lehmann	+61 8 9268 2895
Shane Lehmann	+61 8 9268 2897
Steven Loxley	+61 8 9268 2857
Andrew Macnaughtan	+61 8 9268 2898
Christian Marriott	+61 8 9268 2828
Scott Metcalf	+61 8 9268 2807
David Michael	+61 8 9268 2835
Nicole Morcombe	+61 8 9268 2896
Jamie Moulain	+61 8 9268 2856
Chris Munro	+61 8 9268 2858
Michael Munro	+61 8 9268 2820
Ian Parker	+61 8 9268 2810
Margaret Radici	+61 8 9268 3051
Charlie Ransom	+61 8 9268 2868
James Robinson	+61 8 9268 2859
Conlie Salvemini	+61 8 9268 2833
Darryl Smalley	+61 8 9268 2808
David Smyth	+61 8 9268 2839
Greg Soudure	+61 8 9268 2834
Sonya Soudure	+61 8 9268 2865
Dirk Vanderstruyf	+61 8 9268 2855
Marlene White	+61 8 9268 2806