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ASX Release

**RIO TINTO TO EARN EQUITY IN AUSQUEST'S PLENTY RIVER
DIAMOND PROJECT, NORTHERN TERRITORY**

AusQuest (ASX: AQD) is pleased to advise that, following the completion of the initial exploration programme carried out by Rio Tinto Exploration Pty Ltd ("Rio Tinto") at its **Plenty River Diamond Project**, Rio Tinto has elected to commence earning equity in the project by continuing to sole fund further exploration in the area.

Under the Plenty River Option and Farm-in Agreement, Rio Tinto can earn a 70% interest in the project by spending a total of \$7.0 million, following completion of the Initial Exploration Programme.

The Plenty River Diamond Project is located 230km east of Alice Springs near the northern margin of the Simpson Desert within the Northern Territory. Detailed aeromagnetic coverage of the area provided by the Northern Territory Government in 2002 identified a suite of discrete magnetic anomalies which are being evaluated by Rio Tinto for their potential to reflect kimberlite or lamproite pipes; the main host rock for diamonds around the world. More than 50 potential targets have been interpreted from the aeromagnetic data.

The Initial Exploration Programme, which tested 16 targets, included surface loam sampling and ground magnetic surveys. Rio Tinto has advised that a total of 8 colourless microdiamonds were recovered from 4 of the 16 magnetic targets that were sampled. All microdiamonds were found by processing the fine fraction (0.2 - 0.3mm) of loam samples that were collected over the targets. No kimberlitic indicator minerals were reported from these samples or from the coarser fractions.

While AusQuest believes these results are very encouraging, there is no guarantee that any of the targets tested represent diamond pipes as there is a widespread occurrence of microdiamonds across northern Australia; the colourless nature of the Plenty River microdiamonds is, however, considered a positive result.

Rio Tinto's decision to commence earning equity in the Plenty River Project is viewed as a positive development for this regional diamond exploration project.

Graeme Drew
Managing Director