MEDIA RELEASE	25 NOVEMBER 2005

AUSQUEST AND RIO TINTO SIGN LETTER OF INTENT ON PILBARA IRON ORE PROJECT

Diversified exploration company AusQuest (ASX: **AQD**) is set to fast-track its iron ore interests in the Pilbara after signing a Letter of Intent (LOI) with mining giant Rio Tinto to negotiate a formal and binding agreement aimed at progressing a large pisolitic iron ore target identified earlier this year at its **Nameless Prospect**, located 5km from the Tom Price mining centre in Western Australia.

The LOI contemplates that AusQuest would retain a 40% interest in the project with a realistic opportunity of having the Nameless Prospect advanced towards development in alliance with one of the world's leading iron ore producers.

The LOI includes two distinct phases – an initial work program (mainly drilling) to ascertain the potential of the Nameless Prospect, and a Stage 1 farm-in. Subject to fulfillment of conditions precedent, Rio Tinto would make a $1.0 million placement in AusQuest comprising 5 million shares at 20 cents per share (together with an attaching 40 cent option exercisable within 24 months) to fund the initial work program (mainly wide spaced drilling) with a budget of $250,000. The balance of the funds raised can be used at AusQuest's discretion.

At the completion of this initial work program, Rio Tinto must either elect to commence earning an interest in the Nameless Prospect (by progressing to the Stage 1 farm-in phase) or withdraw with no project equity. As part of the Stage 1 farm-in phase, it is contemplated that Rio Tinto would:

- make a second, $0.5 million placement in AusQuest at a premium to market (together with the same number of free attaching options);
- fund all work necessary to complete an 'Order of Magnitude Study' ("OMS") over the Prospect within two years; and
- make a total non-refundable cash payment of $7.5 million to AusQuest within three years of completing the OMS at a minimum annual rate of $2.0 million.

Under the LOI AusQuest would retain the right to participate in the project at a 40% level and can also elect to sell down or dilute its equity to a minimum of 20%, at which time it must either contribute to ongoing funding for the project or convert its equity to a 1.25% Gross Revenue Royalty.

The tenement encompassing the Nameless Prospect was secured by AusQuest earlier this year, adding to its existing portfolio of iron- and nickel-prospective tenements in the Tom Price-Paraburdoo region, where it controls up to 50km of drainage with the potential to contain pisolitic iron mineralisation.

The Company confirmed the Nameless Prospect as its priority focus for drilling after reconnaissance mapping and sampling revealed the presence of pisolitic iron mineralisation with geological characteristics typical of channel-fill iron ore deposits. Mineralisation extends over a strike length of approximately 15km, with chemical analysis of 15 surface samples collected along the entire strike length returning very promising iron grades of 55-58% Fe.

The channel varies in width from 200 metres in the east where it cuts through the Marra Mamba Iron Formation to 500 metres over the majority of its strike length, **highlighting its potential to host significant tonnages of iron mineralisation.**

AusQuest's Managing Director, Mr Graeme Drew, commented: "AusQuest believes this will be a win-win situation for Rio Tinto and AusQuest and a unique opportunity for genuine cooperation between a junior explorer and one of the industry leaders. We view the signing of the LOI by Rio Tinto as a demonstration of faith in both the project and AusQuest's technical ability to identify and secure projects which could be of interest to them.

"The arrangement envisaged with Rio Tinto should provide a realistic opportunity to advance the Nameless Project towards possible development in the foreseeable future, provided results from the initial test program are sufficiently encouraging" Mr Drew added. "The companies have now agreed to move forward towards a formal and binding agreement based on the LOI to enable drilling at Nameless to commence as soon as possible."

A Heritage Agreement covering the Nameless Prospect has been signed with the Native Title claimants to facilitate the grant of the tenement, which is expected to occur in early 2006. Drilling will commence as soon as possible after title is granted which is expected to be in the first quarter of 2006.

- ENDS -

Released by:
Jan Hope / Nicholas Read
Jan Hope & Partners
Telephone: (+61-8) 9388 1474

On behalf of:
Mr Graeme Drew
Managing Director
AusQuest Limited
Telephone: (+61-8) 9364-3866

Background

AusQuest was founded five years ago by a team of experienced explorationists – including several ex-CRA/Rio Tinto executives – whose joint careers attest to a substantial breadth of technical and managerial expertise. The Company, which listed on the ASX in 2003, brings an innovative and scientifically rigorous approach to exploration targeting the discovery of major deposits and new mineral provinces.