AUSQUEST
LIMITED
ABN 35 091 542 451

19 April, 2006
ASX Release

RIO TINTO AND AUSQUEST SIGN AGREEMENTS ON PILBARA IRON ORE PROJECT

The Board of AusQuest Limited (ASX: AQD) ("AusQuest") is pleased to announce that formal agreements (an Option, Farm-In and Joint Venture Agreement and a Subscription Agreement) have been signed with Hamersley Iron Pty Ltd, a member of the Rio Tinto Group ("Rio Tinto"), to progress AusQuest's Nameless iron ore exploration project, located 5 kilometres from the town of Tom Price in the Pilbara region of WA.

The agreements follow the signing of a Letter of Intent with Rio Tinto on 25 November 2005 and the granting of the Exploration Licence 47/1485 containing the Nameless Prospect on 20 March 2006. The signing of the agreements represents a further significant milestone in AusQuest's objective to fast-track the advancement of its iron ore interests in Western Australia.

The Nameless Prospect is part of AusQuest's portfolio of iron- and nickel-prospective tenements in the Pilbara region of WA and encompasses a pisolitic iron ore target identified in 2005, located in close proximity to Rio Tinto's existing mining operations in the Tom Price area.

Channel-fill pisolitic iron mineralisation has been identified by AusQuest over a strike length of approximately 15km with widths varying from 200 metres to 700 metres and with promising iron grades of 55-58% Fe, returned over the full strike length of the mapped channel.

Under the agreements announced today, Rio Tinto will take up an equity position in AusQuest through a $1.0 million placement at 20 cents per share (with an attaching 40 cent free option exercisable within 24 months). A proportion of the funds (at least $250,000) will be applied towards an Initial Exploration Program at the Nameless Prospect with the remainder to be used at AusQuest's discretion.

The Initial Exploration Program, which will be managed by AusQuest, will have a maximum term of 12 months and be designed to ascertain the iron-ore potential of the Nameless Prospect, with drilling scheduled to commence during April 2006, weather permitting.

At the completion of the Initial Exploration Program, Rio Tinto may exercise its right to earn and take an initial 60% interest in EL47/1485, subject to the completion by Rio Tinto of an Order of Magnitude Study ("OMS") within a 2-year period (which will be managed by Rio Tinto), as well as the payment of $7.5 million in cash to AusQuest within 3 years of completing the OMS at a minimum rate of $2.0 million per annum.

Rio Tinto may elect to take up further equity in AusQuest by way of two further placements of shares at a price premium to market (with attaching free options) for a payment of $500,000 for each subscription.

AusQuest will retain the right to participate in the project at a 40% level and will also be able to 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 Board of AusQuest is very encouraged by Rio Tinto's participation in the Nameless Iron Project, as it provides a realistic opportunity to advance the project should the initial test program provide the encouragement to proceed.

Graeme Drew
Managing Director