

August 31, 2007
ASX Release



EXPLORATION DRILLING UPDATE

NICKEL

AusQuest Limited (ASX: AQD) advises that drilling has now been completed at the Beasley Nickel Project in Western Australia and is currently underway at the Sylvania Project south of Newman where electromagnetic (EM) targets within interpreted strike extensions of the Beasley-Bellary ultramafic sequence are being targeted.

Drilling at the Table Hill Project south-east of Newman, which is targeting Noril'sk-style mineralisation, is scheduled to commence in the first half of September 2007.

At **Beasley** a total of 8 holes (2305 metres) were completed providing drill coverage at 50 to 150 metre spacings along two sections ~300 metres apart, to test the interpreted position of the ultramafic channel where disseminated sulphides had previously been intersected.

Disseminated sulphides (trace to 2%) were again intersected in each hole with thicknesses varying from 7 to 30 metres. Narrow sections (1 to 5 metres) of increased sulphide content (visual estimates to 5%) were recorded in two holes.

To date assays have been received from 5 of the 8 holes drilled, with the best result from hole DDH16 being 25 metres @ 0.24% Ni, 456ppm Cu, 117ppb Pd and 29ppb Pt including 1.1 metres @ 0.47% Ni, 0.18%Cu, 0.39ppm Pd and 0.09ppm Pt.

The sulphides intersected have high metal content (Ni-Cu-PGE) and are similar in nature to disseminated mineralisation reported from Raglan in Canada, where higher grade mineralisation is juxtaposed. DHEM surveys to search for off-hole mineralisation are scheduled for September 2007 when a geophysical crew becomes available.

GOLD

The Company is pleased to advise that its application for funding assistance under the Queensland Government's Collaborative Drilling Initiative (CDI) for drilling at its **Drummond Gold Project** in central Queensland has been successful.

Under the CDI, the Queensland Government will fund 50% of the direct drilling costs (up to a maximum of \$150,000) for deep (1,000 metre) diamond drilling at the Pocket Dam prospect where sediment hosted gold mineralisation similar to that found at Carlin in the USA is being targeted.

The drill hole is sited over a deep (800 metre) magnetic anomaly along the Beresford Ridge that the Company's consultants believe represents an igneous intrusion within the lower sediments of the Drummond Basin which could be central to the formation of gold mineralisation if suitable reactive sediments are present in the sequence.

Drilling is scheduled to commence in September 2007 and will take several weeks to complete with assay results expected 6 to 8 weeks after the completion of drilling.

A handwritten signature in black ink, appearing to read 'G Drew', with a stylized, cursive script.

Graeme Drew
Managing Director