

11 September, 2008
ASX Release



A SECOND IRON-OXIDE INTRUSIVE SYSTEM INTERSECTED AT DIAMANTINA

AusQuest Limited (ASX: AQD) advises that diamond drilling at the **Mulligan Prospect**, located approximately **120km west** of the diamond drill-hole at the Machattie Prospect which was reported to the ASX on the 14th August, has been completed. Both prospects occur within the Diamantina Project located approximately 450 km south of Mt Isa in western Queensland.

Drilling intersected a second **large Iron-Oxide intrusive system** from 900 metres to the end of the hole at 1,500 metres, which the Company believes is similar to the one intersected at the Machattie prospect. Increased alteration of the magnetite-pyroxenite host-rock, and an increase in the number of granitic dykes suggests a mixing of magma types at Mulligans, which has recently been postulated by some researchers to occur below Iron Oxide-Copper Gold (IOCG) deposits at Olympic Dam in South Australia and Ernest Henry in Queensland.

Drilling also intersected a zone (~3 metres) of disseminated sulphides (~10% by volume), including visible chalcopyrite mineralisation, at ~1478m depth, which is the first sign of base and precious metal mineralisation at the Mulligan Prospect.

Drill core has been systematically sampled and sent for analysis. Selected samples were collected for microscopic study. Results are expected within the next six to eight weeks.

The Mulligan drill-hole was drilled to establish whether other coincident gravity and magnetic anomalies occurring in the Diamantina area, could be caused by IOCG systems which can contain significant occurrences of copper and gold mineralisation.

Based on results to date, the Company believes there are at least eight gravity/magnetic targets of varying amplitude at Diamantina, that may represent IOCG exploration targets. Further exploration within the Diamantina Project area will be planned once all analytical results have been received and assessed.

Graeme Drew
Managing Director

COMPETENT PERSON'S STATEMENT

The details contained in this report that pertain to exploration results are based upon information compiled by Mr Graeme Drew, a full-time employee of AusQuest Limited. Mr Drew is a Fellow of the Australasian Institute of Mining and Metallurgy (AUSIMM) and has sufficient experience in the activity which he is undertaking to qualify as a Competent Person as defined in the December 2004 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (JORC Code). Mr Drew consents to the inclusion in the report of the matters based upon his information in the form and context in which it appears.