

21st October, 2010
ASX Release



AUSQUEST AGREES TO SELL NON-CORE PILBARA IRON ORE ASSETS

AusQuest Limited (ASX: AQD) is pleased to advise that it has reached agreement with Dragon Energy (Dragon) to sell its two iron ore projects in the Pilbara region of WA.

Under the agreements, Dragon will acquire the combined assets for a total purchase price of \$7.5 million. This includes a payment of \$0.5 million for the Nameless Project (100% AQD) and \$7.0 million for the Rocklea Project (75% AQD) through its wholly owned subsidiary Fortescue Resources Pty Ltd.

Both AusQuest and its Joint Venture partners at Rocklea have agreed to the sale of their interest to Dragon. AusQuest's share of the Rocklea final payment will be 75%.

Completion of the Rocklea sale is conditional on Dragon securing finance before the 19th January 2011. Cash payments for Rocklea will be made in three instalments; \$4.5 million on completion (on or before 19th January 2011), \$1.5 million 12 months after completion and \$1.0 million 24 months after completion.

Should payment not be made, the tenement will revert back to AusQuest (via its 100% holding in Fortescue) and its Joint Venture partners.

All conditions for the sale of the Nameless Project have been satisfied and payment received.

The proceeds from the divestment of these non-core assets will be used to fast-track higher priority projects in West Africa and Australia.

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.