

15 December 2008

Company Announcements Office
ASX Securities Limited
20 Bridge Street
SYDNEY NSW 2000

Dear Sir

Re: \$80,000 placement, \$1 million capital raising, and board changes

The directors of Australasia Gold Limited (ASX: AAO) are pleased to advise the signing of a binding letter of offer (Offer) in connection with a placement of 50 million ordinary shares at an issue cost of \$0.02 per share to a consortium of sophisticated investors (Consortium).

The Offer also provides:

- An immediate placement of 4 million shares at \$0.02 per share to raise \$80,000.
- Assurance that none of the sophisticated investors participating in the placement will (i) have in excess of 19.9% of the voting power in AAO at the conclusion of the placement; or (ii) be related parties of AAO.

Directors note that the immediate \$80,000 placement will relieve the severe funding pressures to which the Company is currently exposed, while the magnitude of the subsequent \$1 million placement provides sustainable working capital and the opportunity to consider acquisition of new projects in the current market environment.

Following completion of the \$1 million placement, 2 directors nominated by the Consortium will be invited to join the board of AAO, while Mr Norton Jackson and Mr Michael Billing will stand down.

The completion of the \$1 million placement is dependent upon:

- due diligence to be conducted by the Consortium before AAO's Annual General Meeting (23rd December 2008), and
- approval by AAO share holders for the issue of 50 million shares at \$0.02 per share.

In the event that the offered price (\$0.02 per share) does not meet the criteria of the issue approved at the Annual General Meeting (Resolution 5 - shares are approved to be issued at a price of not less than 80% of the calculated volume weighted average price over the preceding five trading days), an extraordinary general meeting of the Company will be required to approve the placement at the price contained in the Offer.

AAO will withdraw Resolution 6 of the agenda of the Annual General Meeting of shareholders on 23rd December 2008 which proposes to issue securities to the directors of AAO in lieu of remuneration foregone to 31 December 2008.

For further information, contact
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Managing Director
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