

Tuesday, 23 December 2008

The Manager Companies  
Announcements Office  
Australian Stock Exchange  
20 Bridge Street  
SYDNEY NSW 2000

Dear Sir

### **Annual General Meeting – Chairman’s Address**

The following is the text of the Chairman’s address presented at today’s Annual General Meeting of Australasia Gold Limited:

*Ladies and Gentlemen,*

Before addressing the formal business of today’s meeting I would like to describe the changes to your Company that will occur following the successful completion of that business and the reasons leading to those changes.

In brief, the current, very difficult capital markets (resulting from the global financial crisis), are the underlying cause of the need to change the Company’s structure.

As I have previously described, our exploration strategy was to systematically explore a queue of quality exploration projects, with exploration aimed at reaching key decision points as technically and financially efficiently as possible. This strategy was diligently and efficiently pursued but requires, of course, significant capital.

As a result of the global financial crisis and resultant deteriorating capital markets our June 2008 attempt to raise exploration funds through a share rights issue was unsuccessful. Market conditions worsened as your Board actively sought capital through a number of possible strategies.

The one proposal that minimised current shareholder dilution and offered a significant capital injection was entered into as announced to the ASX on 15 December, 2008.

This transaction involves the placement of 50 million ordinary shares at an issue price of \$0.02 per share to a Consortium of sophisticated investors (“Consortium”).

The offer also provided:

- An immediate placement of 4 million shares at \$0.02 per share to raise \$80,000 – this placement has occurred and the funds received
- Assurance that none of the sophisticated investors participating in the placement will:
  - i. hold in excess of 19.9% of the voting power in Australasia Gold at the conclusion of the placement; or
  - ii. be related parties of Australasia Gold

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

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

- Due diligence to be conducted by the Consortium before this Annual General Meeting. The Consortium have advised, and the Company has confirmed in an announcement to shareholders and the ASX this morning, that the due diligence has been completed and that the Consortium's offer is now unconditional
- Approval of Australasia Gold shareholders for the issue of 50 million shares.

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 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.

The Company has withdrawn Resolutions 4 and 6 from today's agenda to facilitate the completion of the above transaction.

I am pleased to advise that the new Directors proposed to join the Australasia Gold Board have extensive experience in the commercial and management areas of the mining and exploration industries and collectively have many years of experience. It is anticipated that a share rights issue will offered to share holders in the near future.

Your Directors firmly believe that the transaction entered into provides a viable future for your company and strongly recommend your support.

Finally I must sincerely thank my fellow directors for their outstanding support during this difficult period and especially acknowledge the outstanding efforts of our Managing Director Trevor Ireland. Your continuing support is also gratefully acknowledged.

*John Roberts, Chairman*

For more information:

Trevor Ireland  
Managing Director

Phone: 08 8339 0580