

22 December 2008

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

Dear Sir

Dundas (WA) Agreement; McKinlay (NT) Option Agreement

The directors of Australasia Gold Limited (ASX: AAO) advise that the vendors of the Dundas project in Western Australia have lodged a Notice of Termination of the agreement for Australasia Gold's subsidiary to acquire the Dundas tenements on the ground that a condition subsequent (obtaining Shareholder approval) had not been obtained within the requisite time. In addition, the consortium which has agreed to make the previously advised placement of 50 million shares has given notice that accepting the Notice of Termination is a pre condition for the placement.

Australasia Gold Limited has secured legal advice that the Dundas agreement Notice of Termination is most likely ineffective and may successfully be contested, however in the interests of completing the 50 million share placement, the directors have agreed to accept the Notice of Termination conditional upon the 50 million share placement proceeding and being completed.

Consequently the directors have elected to withdraw Resolution 4 from consideration at the annual general meeting of shareholders on Tuesday 23rd December 2008. This resolution was to secure approval for the issue of securities to the Dundas project vendors,

In a separate development Australasia Gold Limited has elected to terminate its option to purchase the leases covering the McKinlay gold deposit in the Northern Territory.

For further information, contact

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