

Friday, 6 March 2009

Mr J. Nelson  
Manager, Issuers (Adelaide)  
Australian Securities Exchange

By email: [Justin.Nelson@asx.com.au](mailto:Justin.Nelson@asx.com.au)

Dear Justin,

## QUERY RE AUSTRALASIA GOLD LTD - 5<sup>TH</sup> MARCH 2009

In regard to yours of yesterday's date, addressed to Mick Billing, we provide the following information:

The company confirms the points listed in your preamble, and notes in addition the receipt of a placement of \$260,000 leading to the issue and listing of an additional 13 million shares, as notified to ASX by way of forms 3B and 603 on 28<sup>th</sup> January 2009. Nothing in the terminated Placement Agreement contemplates the return of those funds in the event that the whole proposed placement is not successfully completed.

In response to the questions raised, we note the following:

1. Concerning the future solvency of the Company:  
We note that the termination of the formal arrangement has not brought to a conclusion the consortium's efforts to complete the placement, but has released the Company from its obligations of exclusivity provided by its agreement with the consortium. It remains possible that the party to the agreement may fulfil its original undertakings. In addition, the termination has enabled Directors to respond to three (3) other parties which had expressed an interest in participating in the placement. Discussions are continuing on all three accounts. Accordingly the Company remains confident that it will successfully raise additional funds by completing the placement before the expiry on 22<sup>nd</sup> March 2009 of the term of the shareholders' approval.
2. Concerning the level of future negative cash flows  
Directors note that the December quarter expenditures include the completion of a period of intensive drilling activity, the results of which are included in the December Quarterly Activities Report.

The Company has advised the market of its withdrawal in recent months from a number of agreements which conferred spending obligations on the Company. It has also indicated in its Form 5B for December 2008 quarter its intention to substantially reduce operating expenditures in the immediate future.

We confirm that arrangements have been made and others are in train to reduce administrative and personnel costs compared with the December quarter and ensure solvency over the coming 12 months, independent of the completion of the placement approved by share holders.

3. Concerning the immediate business plan  
The same parties which would participate in the completion of the placement have business proposals which would enable the Company to continue or amend its business planning. In the absence of successful completion of the placement, the Company plans (and retains sufficient funds) to renew its efforts (which culminated in the signature in December last year of the Placement Agreement) to identify additional sources of replacement working capital or alternative corporate arrangements which would allow the continuation of the Company's business.
4. Concerning compliance with listing rule 3.1 (continuous disclosure)  
Directors confirm that while they are in discussion with several parties as outlined above, and are confident that those discussions will lead to successful completion of the placement or other funds-raising initiative, those discussions are currently confidential and nothing is in place of sufficient materiality to justify further disclosure to the market.
5. Concerning compliance with listing rule 12.2 (adequate financial condition)  
Given the funds currently in hand and discussions in process with third parties, directors are confident that the Company has adequate funds and will identify suitable sources of supplementary working capital to meet its needs through the short and medium term.

Please contact me if you require any additional information

Yours Faithfully

A handwritten signature in black ink, appearing to read 'Trevor Ireland', with a large, stylized flourish at the end.

Trevor Ireland  
Managing Director



5 March 2009

Mick Billing  
Company Secretary  
Australasia Gold Limited  
Suite 12, Stirling Tiers  
49 Mt Barker Road  
Stirling SA 5152

ASX Markets Supervision Pty Ltd  
ABN 26 087 780 489  
91 King William Street  
Adelaide SA 5000

GPO Box 547  
Adelaide SA 5001

Telephone 61 8 8216 5000  
Facsimile 61 8 8216 5099  
www.asx.com.au

By email: [mbbt@senet.com.au](mailto:mbbt@senet.com.au)

Dear Mick

**Australasia Gold Limited (the "Company")**

I refer to the Company's Mining Exploration Entity Quarterly Report in the form of Appendix 5B for the period ended 31 December 2008, released to ASX Limited ("ASX") on 30 January 2009 (the "Appendix 5B").

ASX notes that the Company has reported the following.

1. Receipts from product sales and related debtors of \$0.
2. Net negative operating cash flows for the quarter of \$767,000.
3. Cash at end of quarter of \$152,000.
4. Estimated cash outflows on exploration for the next quarter of \$50,000.

We also note that expenditure on administration (as part of operating cashflows) during the December quarter was \$129,000.

In light of the information contained in the Appendix 5B and with reference to the announcement made by the Company on 25 February 2009 advising of the termination of a share placement agreement following failure to receive funds of \$740,000 please respond to each of the following questions.

1. It is possible to conclude on the basis of the information provided that if the Company were to continue to expend cash at the rate for the quarter indicated by the Appendix 5B, taking into account future administration costs, the Company may not have sufficient cash to fund its activities. Is this the case, or are there other factors that should be taken into account in assessing the Company's position.
2. Does the Company expect that in the future it will have negative operating cash flows similar to that reported in the Appendix 5B for the quarter and, if so, what steps has it taken to ensure that it has sufficient funds in order to continue its operations at that rate?
3. What steps has the Company taken, or what steps does it propose to take, to enable it to continue to meet its business objectives?

4. Can the Company confirm that it is in compliance with the listing rules, and in particular, listing rule 3.1?
5. Please comment on the Company's compliance with listing rule 12.2, with reference to the matters discussed in the note to the rule.

### **Listing rule 3.1**

Listing rule 3.1 requires an entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. The exceptions to this requirement are set out in the rule.

In responding to this letter you should consult listing rule 3.1 and the guidance note titled "Continuous disclosure: listing rule 3.1".

If the information requested by this letter is information required to be given to ASX under listing rule 3.1 your obligation is to disclose the information immediately.

Your responsibility under listing rule 3.1 is not confined to, or necessarily satisfied by, answering the questions set out in this letter.

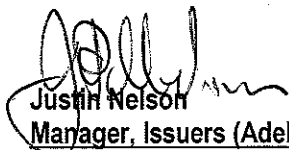
This letter and your response may be released to the market. If you have any concerns about your response being released, please contact me immediately. Your response should be sent to me on **facsimile number (08) 8216 5099**. It should not be sent to the Company Announcements Office.

Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event, not later than **5:00 p.m. E.D.S.T. on Friday 6 March 2009**.

If you are unable to respond by the time requested you should consider a request for a trading halt in the Company's securities.

If you have any queries, please do not hesitate to contact me on (08) 8216 5026.

Yours sincerely,

  
**Justin Nelson**  
**Manager, Issuers (Adelaide)**

Direct Line: (08) 8216 5034