AustralasiaGold LIMITED

ANNUAL REPORT 2009

COMPANY PARTICULARS

Directors	John Terpu (Non-Executive Chairman) Trevor Ireland (Executive Director) Bruno Firriolo (Non-Executive Director)
Company Secretary	Bruno Firriolo
Registered Office	Suite 4, 213 Balcatta Road Balcatta WA 6021 Telephone: (08) 9240 4111 Facsimile: (08) 9240 4054
Solicitors	Steinepreis Paganin Level 4, Next Building 16 Milligan Street Perth WA 6000 Telephone: (08) 9321 4000 Facsimile: (08) 9321 4333
Auditors	HLB Mann Judd (S.A. Partnership) Chartered Accountants 82 Fullarton Road Norwood SA 5067 Telephone: (08) 8130 2000 Facsimile (08) 8363 1980
Bankers	National Australia Bank Limited
Website	**www.australasiagold.com.au**

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CHAIRMAN'S REPORT

2008-09 has been a year of significant change for the Company.

An active drilling program throughout the first part of the year confirmed the character of the Glencoe (Northern Territory) gold deposit and the potential for significant extensions to lie untested at depth. Sample was obtained for metallurgical testing proposed to be conducted early in the 2009-10 year. Definitive tests were completed at Ringwood and McKinlay prospects and reconnaissance geochemical sampling yielded encouraging results in the McKinlay EL, also in the northern Territory.

In the Gawler Craton (South Australia), wide intervals of trace copper mineralisation were intersected in each of two deep drill holes at Murninnie, without providing convincing indications of a substantial iron oxide copper gold mineralising system. A joint venture (JV) was concluded with UraniumSA Limited covering uranium which may be discovered within sedimentary cover rocks located in the eastern part of the EL. Shortly after the end of financial year Uranium SA announced encouraging drilling results from a target zone on their own tenements adjacent to the JV area, and the interpretation the extension of that prospective target zone for about six kms within the Australasia Gold JV area.

These matters are reported in greater detail in the Review of Exploration commencing on page 3 of this Annual Report.

To fund the Company's ongoing operations, additional working capital was secured through a placement of approximately $600,000 and rights issue which provided an additional $400,000.

A review of Company structure and priorities was undertaken in light of the rapidly evolving economic environment within which we find ourselves. Changes arising included the transfer of domicile of the Company from Adelaide to Perth, the resignations of Messrs Roberts, Jackson and Billing from the Board and the appointment of Messrs Terpu (Chairman) and Firriolo. The Company's corporate and administrative functions were relocated to Perth. The Company's Adelaide facility remains as its technical office.

Project activities and project generation initiatives were redirected away from greenfields towards more advanced opportunities. Among the consequences of this change of priorities are the termination of the Dundas (Western Australia) Acquisition Agreement embarked upon at the end of last financial year and our increased focus on the potential of the Glencoe gold deposit.

At the end of 2009 financial year the Company is poised with renewed focus and renewed funding to pursue its more advanced projects and to seek new investments in projects with resources and growth potential.

I wish to acknowledge the efforts of staff and fellow Board members, past & present, in facilitating the Company's recovery from the difficult financial situation encountered during the past financial year.

John Terpu
Chairman

29 September 2009

PINE CREEK REGION, NORTHERN TERRITORY

Gold occurs widely throughout the Proterozoic rocks of the Pine Creek Region. Australasia Gold's Pine Creek project encompasses the Glencoe gold deposit, historic mine sites and exploration licence (EL) areas, all located in the central part of the region, some 150 km south east of Darwin (Figure 1).

The principal target of exploration is gold mineralisation in the style of the Callie deposit, (Tanami region) situated at depth beneath exposed gold deposits, or in subcrop concealed beneath thin alluvial sediments comprising the broad river valley flood plains. This model has application both within the Company's tenements and elsewhere in the region.

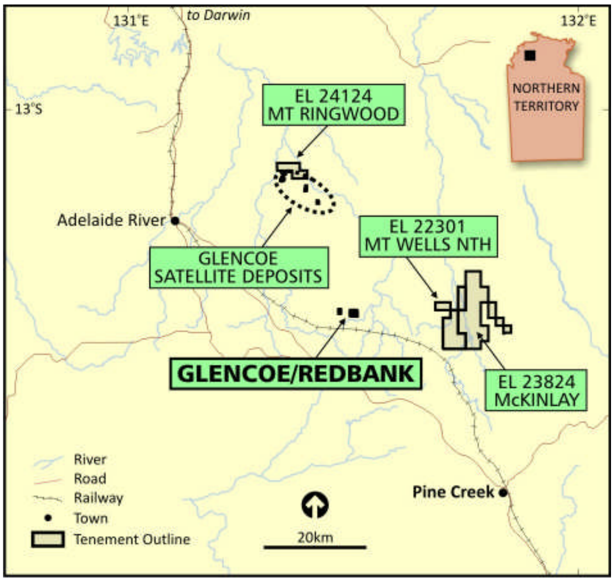


Figure 1: Locations of Australasia Gold Projects in the Pine Creek Region, Northern Territory

Glencoe Gold Deposit (Australasia Gold 100%)

The Glencoe gold deposit comprises four steeply dipping shoots of gold mineralisation, 100-250m in length, within an area of 600 x 300m (*Figure 2*). Each shoot apparently plunges to the south east, and is controlled by fracture zones associated with quartz veining, sulphides, graphite and chlorite alteration around the hinge zone of a major anticline. The intersection of these structures with the underlying strata is considered to be more prospective than the shallow and outcropping mineralisation, and is the focus of exploration for potential depth extensions.

The 2006 estimate of indicated and inferred resources totalled 43,000 contained ounces at shallow depth (Table 1 below and resource statement - 2006 Annual Report). The deposit remains open along strike and at depth – few of the 347 drill intersections included in the resource estimate exceed 60m below surface, and only one extends to more than 100m below surface.

	INDICATED		**INFERRED**		**TOTAL**		
	Tonnes	**Grade (g/t)**	**Tonnes**	**Grade (g/t)**	**Tonnes Grade**	**Grade (g/t)**	**Ounces of Contained Gold**
Oxidised	208,000	2.1	45,000	2.4	253,000	2.2	17,700
Primary	174,000	2.0	277,000	1.6	451,000	1.7	25,200
TOTAL	**382,000**	**2.1**	**322,000**	**1.7**	**704,000**	**1.9**	**42,900**

Table 1: Estimate of resources (2006) at 1.0 g/t Au block cutoff grade

Potential is seen for heap leaching the mineralised material or treatment at a third party process plant, subject to the metallurgical characteristics of the transitional and primary mineralisation. However, additional gold resources would obviously enhance the economic viability of the deposit. To this end, a detailed reinterpretation of the comprehensive drilling and geological database has been undertaken, an IP survey has been completed and a 17 hole program of diamond and reverse circulation (RC) drilling completed (see Figure 2).

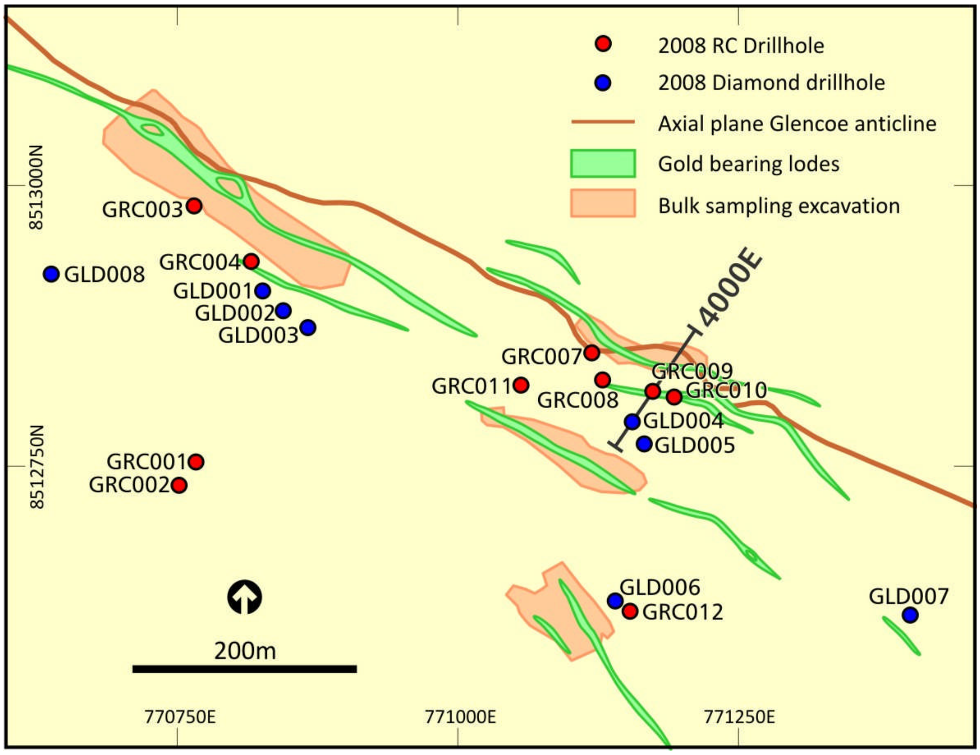


Figure 2: Glencoe surface plan showing the collar locations of 2008 drilling, shallow pit outlines and the interpreted surface projections of gold-bearing lodes

The drilling was designed to confirm previous intersections, to provide sample from the primary zone for metallurgical testing and to extend resources. Two holes targeted depth extensions of the mineralised zone having regard to the results of the IP survey. Intersections up to 9.0m averaging 3.76 grams/tonne (g/t) gold and 21.0m averaging 2.26 g/t were reported.

Overall the drilling confirmed the variable character of the mineralisation as indicated by the resource drilling (completed 20 years ago). The two deeper holes indicated the continuation of gold mineralisation from less than 100 metres (m) depth at its western end, to more than 200m, and its extension eastwards and down plunge by approximately 200m from the limit of the existing resource, without appreciable change in character (results see Table 2).

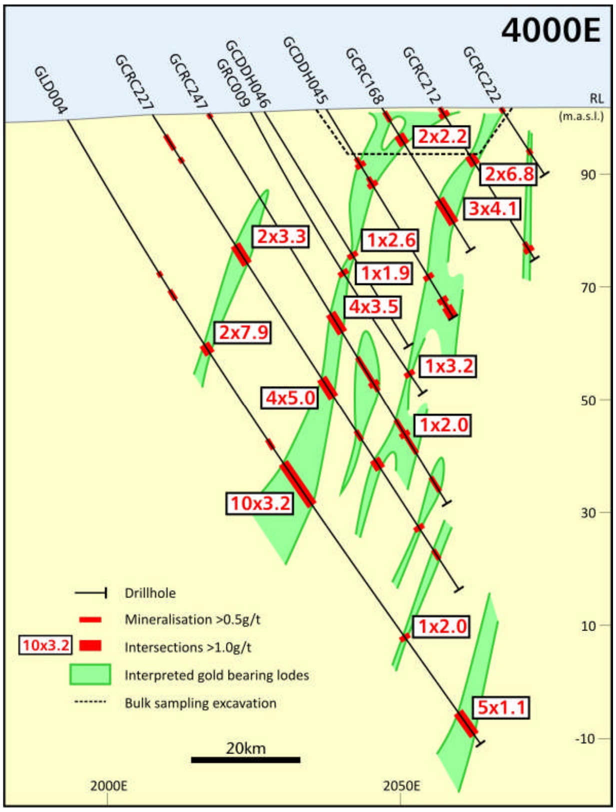


Figure 3: Assay Cross section: 4,000mE showing interpreted gold-bearing lodes

Hole No.	Collar	Intersection Width (m)	Downhole Length (m)^	Average Grade* (g/t gold)	Included Intercept
Target 1: Glencoe resource extension & sample for metallurgical testing					
GLD 001	3663E; 1905N	**77-91**	**14.0**	**1.0 g/t Au**	**5.0m @ 2.1 g/t**
GLD 002	3689E; 1900N	**64 – 71 m**	**7.0 m**	**1.45 g/t Au**	**2.0m @ 3.4 g/t**
GLD 003	3715E; 1900N	**78 – 83 m**	**5.0 m**	**1.20 g/t Au**	
GLD 004	4000E; 1995N	**70 – 80**	**10.0**	**3.22 g/t Au**	**4.0m @ 6.9 g/t**
GLD 005	4020E ; 1985N	**112 – 113 m**	**1.0 m**	**14.85 g/t Au**	
GLD 006	4078E; 1855N	**58 – 64 m**	**6.0 m**	**1.4 g/t Au**	
GRC 003	3570E; 1932N	**45 – 66 m**	**21.0 m**	**2.26 g/t Au**	**6.0m @ 5.3 g/t**
GRC 004	3640E; 1920N	**57 – 65 m**	**8.0 m**	**<1 g/t Au**u	**1.0m @ 1.9 g/t**
GRC 007	3936E; 2025N	**45 – 50 m**	**5.0 m**	**1.22 g/t Au**	**1.0m @ 4.4 g/t**
GRC 008	3958E ; 2010N	**28 – 36 m**	**8.0 m**	**2.87 g/t Au**	**5.0m @ 4.2 g/t**
GRC 009	4000E; 2027N	**53 – 56 m**	**3.0 m**	**1.46 g/t Au**	**1.0m @ 3.2 g/t**
GRC 010	4020E; 2035N	**39 – 41 m**	**2.0 m**	**1.49 g/t Au**	
GRC 012	4095E; 1855N	No significant assays			
Target 2: Glencoe subsurface					
GLD 008	3500E; 1810N	**220 – 224 m**	**4.0 m**	**4.03 g/t Au**	
Target 3: IP anomaly (potential easterly extension down plunge					
GLD 007	4302E; 1994N	**133 - 138 m**	**5.0 m**	**2.90 g/t Au**	

Table 2: Drilling Results Glencoe Gold Deposit

* Intersection cut-off grade: 0.5 g/t Au; Maximum internal dilution: 2.0m ; top-cut: 20 g/t Au (no values >20g/t)
^ True widths are not precisely estimable for these intersections, but are likely to lie in the range 50-90% of the Downhole Length

Regional Exploration Prospects

The Company holds EL 24142 Mt Ringwood (AAO 100%) and through joint venture agreements, a 100% beneficial interest in gold deposit(s) which it may discover within EL's 23824 and 22301 (See Figure 1). Each of these areas contains outcropping gold mineralisation and is prospective for gold mineralisation concealed beneath the shallow alluvial plains of the Margaret and McKinlay Rivers and their tributaries.

Reconnaissance geochemical surveys have indicated untested mineralisation in each of these tenements. The first of these to be systematically tested – the Mt Ringwood anomaly – confirmed the discovery of a previously unknown auriferous lode zone; however no mineralisation of economic interest was intersected. The validation of the model (existence of concealed lodes) and the exploration methods being applied warrants the continuation of the program elsewhere in the tenements

A program of vertical air core drill holes has been completed in a broadly spaced reconnaissance geochemical survey of the basement under the flood plains of the McKinlay River, an area concealed which is considered prospective for gold mineralisation. Assays indicate widespread low order geochemical anomalies in arsenic and lead. More detailed assessment has defined areas warranting more closely spaced follow up sampling.

The Company's Option to Purchase the Mineral leases covering the McKinlay gold deposit was allowed to lapse after a 10-hole program confirmed the extension to 50m depth of the outcropping mineralisation at widths and grades which were judged to be subeconomic.

GAWLER CRATON, SOUTH AUSTRALIA

The Company completed its initial phase of exploration of Gawler Craton basement rocks in the Whyalla area in the early part of the year. Results were included in the 2008 Annual Report.

Murninnie Project (EL 3542: 90%)

Exploration focussed on the Murninnie gravity anomaly complex which had been interpreted as potentially the expression of an iron oxide copper gold (Olympic Dam style) deposit at depth

Two deep diamond drill holes were completed. Both holes intersected wide intervals of granite gneiss of sedimentary and igneous origin, with lesser meta-basic rocks. None of these exhibited the density contrast necessary to fully explain the gravity feature.

Mineralised intervals were intersected in each hole. Diffuse hematite alteration is widespread and trace copper sulphide (mostly chalcopyrite) occurs over significant intervals, yielding assay values up to 0.1% copper (Cu). Intervals of trace copper mineralisation are detailed in the Table 3 below.

The project is ready for comprehensive review integrating the geological, petrological and petrophysical data derived from drill core, with geophysical data to determine the next stage of exploration.

The Company's farmin agreement over the adjoining EL 3767 was terminated after review of the Murninnie diamond drilling results.

Table 3: Anomalous copper in Murninnie diamond drill holes

Hole No	Copper sulphide-bearing intervals	Range of assays* (ppm Cu)
MDD 001	454-488m (34m) 638-656m (18m) 705-740m (35m)	<20-1155 <20-582 <20-188
MDD 002	585-765m (180m)	<20-833

* Samples are in part 1m half core; in part 5m composite chip

Uranium in EL 3542

A major north-south fault zone passes through the centre of EL 3542. East of this zone the basement rocks are at lower level, covered by approximately 100m thickness of flat-lying sediments of much younger age.

UraniumSA Limited has announced the discovery of roll-front style sediment-hosted uranium within these "Pirie Basin" sediments at Mullaquana, a few km north east of EL 3542. The Company and UraniumSA have concluded a joint venture whereby UraniumSA will explore at its own cost the Pirie Basin sediments occurring within the eastern half of EL 3542, to earn a 70% interest in uranium within the sediments. Should UraniumSA discover sufficient uranium mineralisation within the JV area to publish an inferred resource, it will perfect its 70% interest, and AAO may elect to contribute to maintain its 30% interest, or dilute its interest as UraniumSA continues exploration and evaluation of the area.

UraniumSA has carried out an airborne electro-magnetic survey over the joint venture area and has used this data in conjunction with other geological information to interpret a target zone extending from its Mullaquana tenement for more than six kms into EL 3542. UraniumSA has reported successful results from its initial drilling of this target zone, to the north east of EL 3542 (see Figure 4) and proposes, subject to drillrig availability, to conduct initial drill-testing of this target within EL 3542 in the last quarter of calendar 2009.

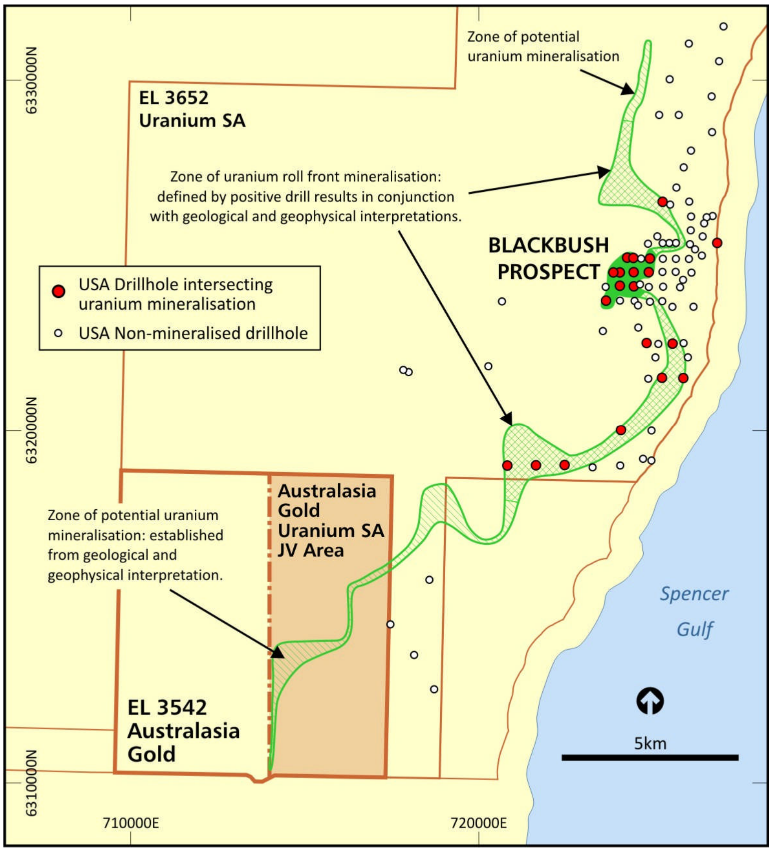


Figure 4: Target zone interpreted by UraniumSA (based on illustration provided courtesy of UraniumSA)

REVIEW OF OPERATIONS

OTAGO REGION (New Zealand) GOLD PROJECT (100%)

The JV between Australasia and Glass Earth (New Zealand) Pty Ltd (GENZ) continued over the Company's Prospecting and Exploration Permit areas. The Company's permit areas cover the sites of major historic alluvial gold mining operations (St Bathens and Naseby) will enjoy greater priority with GENZ in the the year ahead following that Company's increased focus on alluvial mining developments in the Otago Region.

The divestment was completed of the Company's permit areas surrounding the Wetherstones gold occurrence

NEW BUSINESS DEVELOPMENT

The Company is actively seeking to identify new projects in which to invest. It is targeting projects containing potentially economic mineralisation of gold and associated metals,

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Trevor Ireland who is a Fellow of the Australasian Institute of Mining & Metallurgy. Mr Ireland is an employee of Australasia Gold Limited and has sufficient experience to the styles of mineralisation under consideration and to the subject matter of the report to qualify as a Competent Person as defined in the 2004 edition of the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code). Mr Ireland consents to the inclusion in the report of the matters based on his information in the form and context in which they occur.

Your Directors present their report on the financial statements of the Company and its consolidated entities for the year ended 30 June 2009.

Review of Operations

During the year, the Company carried out exploration on its tenements with the objective of identifying economic deposits of gold and other metals.

Principal Activities

The principal continuing activity of the Consolidated entity is the exploration for and development of economic deposits of gold and other minerals.

Results

The net result of operations for the year was a loss after income tax of $3,111,956 (2008: $890,554).

Dividends

No dividends were declared since the start of the financial year and the directors do not recommend the payment of a dividend in respect of the financial year.

Changes in State of Affairs

Significant changes in the state of affairs of the Company during the financial year were as follows:

- The Company's Option to Purchase the Mineral leases covering the McKinlay gold deposit was allowed to lapse after a 10-hole program confirmed the extension to 50m depth of the outcropping mineralisation at widths and grades which were judged to be subeconomic.

- Termination by mutual agreement of the Dundas (Western Australia) Acquisition Agreement.

- The completion of a placement of 32,000,000 shares to raise $640,000.

- The completion of a Non Renounceable Rights Issue to raise $396,093.

Matters Subsequent to Balance Date

No matters or circumstances have arisen since the end of the financial year that have significantly affected, or may significantly affect:

i. The operations of the Consolidated entity or the results of those operations
ii. The state of affairs of the Consolidated entity

in the financial years subsequent to 30 June 2009.

Future Developments

Disclosure of information regarding likely developments in the operations of the Consolidated entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Consolidated entity. Accordingly, this information has not been disclosed in this report.

Environment

The Consolidated entity recognises the importance of sound environmental practice. It encourages environmental awareness by all of its employees and contractors with the objective of achieving standards of management, which, as a minimum, comply with existing Government legislation and regulations.

Directors

Directors of Australasia Gold Limited in office at any time during, or since the end of, the year:

John Terpu MAICD – Non-Executive Chairman
(Appointed Director 24 March 2009; Appointed Chairman 27 May 2009)

Mr Terpu has over 15 years of commercial and management expertise gained in a broad range of business and investment activities. He has been involved in the mining and exploration industry through the acquisition and investment in a number of strategic exploration and mining projects. Mr Terpu has a wide range of contacts in the exploration and mining investment community. Mr Terpu is a director of Conquest Mining Limited (since June 1999) which is listed on the ASX.

Trevor Ireland MSc, FAusIMM, GAICD - Executive Director
(Appointed 16 May 2003)

Trevor Ireland holds an Honours Degree in Economic Geology (Adelaide University), a Masters Degree in Exploration and Mining Geology (Leicester University) and a Diploma of the Australian Institute of Company Directors. In a career spanning 40 years Mr Ireland has been associated with numerous mineral discoveries, economic evaluations, and mine developments in the Northern Territory, Western Australia, and West Africa. During the past 13 years he has served on the Boards of a number of public companies including Normandy NFM Limited from 1995-99.

Bruno Firriolo CPA, B.Bus (Acctg) – Non-Executive Director and Company Secretary
(Appointed 24 March 2009)

Mr Firriolo is a Certified Practising Accountant who has held the office of Company Secretary with Australasia Gold Limited since March 2009 and was appointed Non-Executive Director at the same time. He has been a partner with the accounting firm Cleaver & Associates since April 1991 dealing with all aspects of accounting and taxation. For many years Mr Firriolo offered specialised taxation consulting services to other accounting firms as well as major corporate clients. Mr Firriolo's experience in financial and corporate matters is supplemented by a period of co-ownership in a national wholesale business. Mr Firriolo is a director of Conquest Mining Limited (since November 2003) which is listed on the ASX.

John Roberts BSc, FAusIMM – Non-Executive Chairman
(Appointed 28 October 2004)
(Resigned 27 May 2009)

John Roberts is a geologist with 51 years experience in the mineral exploration and mining industries in Australia and the USA. During that time he has been involved in a number of new mine developments and re-developments. John was responsible for Homestake Gold of Australia Limited's activities from 1977 to 1993 and served as Managing Director from 1987 following the Company's public listing. The latest advice to the Company by Mr Roberts stated he was chairman of directors of publicly listed Mithril Resources Limited, an Adelaide based nickel exploration Company, and Rum Jungle Uranium Limited, and was a director of unlisted Canopus Resources Limited.

Norton Jackson AM, FTSE, ME - Non-Executive Director
(Appointed 16 May 2003)
(Resigned 25 March 2009)

Norton Jackson has worked in mining, milling, and minerals separation and applied research for 25 years. Mr Jackson has served as director of mining companies and academic research organisations for 20 years. The latest advice to the Company by Mr Jackson stated he was a non-executive director of Energy Exploration Ltd.

Mick Billing BBus, ASA - Non-Executive Director / Company Secretary
(Appointed 26 April 2005)
(Resigned 25 March 2009)

Mick is an accountant with in excess of 30 years of mining industry experience in Company secretarial, senior commercial, and chief financial officer roles including lengthy periods with Bougainville Copper Ltd and WMC Resources Ltd. He has had experience with corporate governance issues, debt and equity raising, and project evaluation and feasibility studies in Australia and overseas, and consults to a number of companies in these fields. The latest advice to the Company by Mr Billing stated he was chairman of Western Desert Resources Limited and Thor Mining PLC and a director of Southern Gold Limited.

Directors' Shareholdings

The following table sets out each director's relevant interest in shares in the Company as at the date of this report.

Director	Ordinary Shares		Options	
	Direct	Indirect	Direct	Indirect
J. Terpu	0	16,250,000	0	0
T. Ireland	1,040,202	134,273	0	0
B. Firriolo	0	0	0	0

Remuneration Report – Audited

This report describes the remuneration arrangements in place for directors and executives of Australasia Gold Limited

Principles of compensation – audited

The remuneration policy is designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration package to non executive directors and time based remuneration to executive directors. The Board of Australasia Gold believes the policy to be appropriate and effective in attracting and retaining the best directors and executives to manage and direct the consolidated entity.

All remuneration paid to directors and executives is valued at the cost to the economic entity and expensed. Share options issued to directors as part of remuneration packages have been valued and charged against profit/loss.

The Board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to the non-executive directors and reviews their remuneration annually, based upon market practice, duties, and, accountability. Independent external advice is sought when required. The maximum aggregate of fees that can be paid to non-executive directors is subject to approval by shareholders (currently $200,000). Fees for non-executive directors are not linked to the performance of the Consolidated entity.

The Consolidated entity currently has no performance based remuneration component built into director and executive remuneration packages.

Remuneration packages contain the following key elements:

a) Primary benefits – salary/fees;

b) Post employment benefits – superannuation

Directors and executive officers remuneration – audited

Details of the nature and amount of each major element of remuneration of each Director of the Company and executive officers for whom disclosure of remuneration is required are:

2009	Salary & Fees $	Post Employment $	Total $
J. Terpu	0	3,333	3,333
T. Ireland	56,078	11,723	67,801
B. Firriolo	0	3,333	3,333
J. Roberts	6,250	0	6,250
N. Jackson	5,000	0	5,000
M. Billing	4,400	600	5,000
Total	71,728	18,989	90,717

2008	Salary & Fees $	Post Employment $	Total $
J. Roberts	25,000	-	25,000
T. Ireland	198,916	17,407	216,324
N. Jackson	20,000	-	20,000
M. Billing	32,100	2,400	34,500
Total	276,016	19,807	295,824

Equity instruments – audited

During or since the end of the financial year, the Company did not issue options over unissued ordinary shares in Australasia Gold Limited to Directors of the Company as part of their remuneration.

Options issued to Directors at any time and exercised during or since the end of the year were: Nil

There were no options vested or expired during the year or options unexercised at balance date granted as remuneration to Directors of the Company.

Service agreements – audited

Agreements currently in place are as follows:

T. Ireland – informal agreement in place reflecting basic compensation of $5,500 per 8-day month with provision for additional services to be paid at rate of $800 per day.

Conquest Mining Limited - a Company of which J. Terpu and B. Firriolo are executive directors, is paid $4,250 per month pursuant to an administration and office services agreement with an unspecified term which agreement may be terminated by either party giving one month's notice.

Other transactions

Where Directors had other transactions with the Company, particulars of those transactions, which do not form part of this Remuneration Report, are shown at Note 19 to the Financial Statements.

MEETINGS OF DIRECTORS

The number of meetings of the Company's Board of Directors attended by each Director during the year ended 30 June 2009 were:

	Number of Board Meetings Held	Number of Board Meetings Attended
J. Terpu	4	4
T. Ireland	8	8
B. Firriolo	4	4
J. Roberts	7	5
N. Jackson	5	5
M. Billing	5	5

OPTIONS

Refer to Note 13 for details of unissued ordinary shares of Australasia Gold Limited under option.

	2009 $	2008 $
AUDITOR'S REMUNERATION		
Auditors of the Company		
- HLB Mann Judd (SA Partnership)		
Audit services	28,325	24,300
Other services	1,650	-
	29,975	24,300

This report is made in accordance with a resolution of the Directors.

Trevor Ireland
Director
Perth, Western Australia

29 September 2009

AUSTRALASIA GOLD LIMITED
ACN 104 757 904

AUDITORS' INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF AUSTRALASIA GOLD LIMITED

As lead auditor for the audit of Australasia Gold Limited for the year ended 30 June 2009, I declare that, to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

HLB Mann Judd

HLB MANN JUDD
Chartered Accountants

PHIL PLUMMER
PARTNER

Adelaide, 23 September 2009

CORPORATE GOVERNANCE STATEMENT

The Company is committed to implementing the ASX Corporate Governance Council's (Council) second edition *Corporate Governance Principles and Recommendations*. Where the Company's corporate governance practices do not correlate with the practices recommended by the Council, the Company does not consider it practicable or necessary to implement these principles due to the size and stage of development of its operations and the Board's reasoning for any departure is explained.

Set out below are the fundamental corporate governance practices of the Company.

The Board Lays Solid Foundations for Management and Oversight

Role of the Board

The Board's role is to govern the Company and it has thereby established the functions reserved to the Board. The Board delegates to executive directors and senior executives the day-to-day management of the operations of the Company's business. In governing the Company, the Directors must act in the best interests of the Company as a whole. Each member of the Board is committed to spending sufficient time to enable them to carry out their duties as a director of the Company.

Responsibilities of the Board

In general, the Board is ultimately responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. It is required to do all things that may be necessary to be done in order to carry out the objectives of the Company. The Board delegates authority to executive directors, senior executives and management to carry out delegated duties in support of the objectives of the Company.

The Board has established the following committees to assist it in discharging its functions:

- Risk Management Committee.

The Board's functions and the functions delegated to Executive Directors and Senior Executives are set out in the Board Charter which is available on the Company's website (www.australasiagold.com.au) under "Corporate Governance".

The Board holds regular meetings and is expected to meet periodically throughout the year. Directors' attendance at meetings this year is set out on page 12 of this annual report.

The Board appoints person(s) to perform the functions of a Chief Executive with responsibility for the management of the Company in accordance with the directions and delegations of the Board. Senior Executives may also be appointed to conduct these activities.

It is the role of those appointed in management roles to manage the Company in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.

Performance Review/Evaluation

The process for reviewing the performance of senior executives is undertaken by the relevant executive director appointed by the Board to perform the functions of a Chief Executive. The performance of Senior Executives is assessed by way of informal discussion. The performance of Executive Directors is reviewed annually by the Board as a whole (see below). The Board considers that this process is appropriate given that it meets on a regular basis.

The Board is Structured to Add Value

The Board currently comprises three directors of whom one, Mr Bruno Firriolo, is an independent Non-Executive Director. The Company's only Executive Director is Mr Trevor Ireland. Although not an independent Director, Mr John Terpu's role as Non-Executive Chairman of the Board is separate from any director appointed to perform the functions of a Chief Executive, who is responsible for the day-to-day management of the Company. Further details about the Directors including their skills, experience and terms in office at the date of this statement are set out on page 9 of this annual report.

The Company recognises the importance of Non-Executive and independent Directors and the external perspective and advice that they can offer. The Board is committed to recruiting such Directors when warranted by the scale and advancement of its operations. In this regard, the activities normally the responsibility of a nomination committee are undertaken by the Board as a whole. Determination of independence is made with reference to factors set out in the Board Charter (available on the Company's website under "Corporate Governance".

Independent Professional Advice and Access to Information

Each Director has the right of access to all Company information and to Australasia Gold's executives. Further, each Director and the Board collectively, subject to informing the Chairman, has the right to seek independent professional advice from a suitably qualified advisor, at the Company's expense, with the approval of the Chairman, to assist them to carry out their responsibilities. Where appropriate, a copy of this advice is to be made available to all other members of the Board.

Performance Review/Evaluation

The Board undertakes annually, a formal, collective self-assessment and review discussion to review the performance of the Board, its Committee(s) and individual Directors.

The Board Promotes Ethical and Responsible Decision Making

Code of Conduct

As part of its commitment to recognising its legal obligations, the legitimate expectations of stakeholders and promoting practices necessary to maintain confidence in the Company's integrity, the Company has established a Code of Conduct. The Code aims to provide guidance to Directors, Senior Executives, management and employees on the standards of personal and corporate behaviour and the responsibility and accountability required of the Company's personnel for reporting and investigating unethical practices.

A copy of the Code of Conduct is available on the Company's website under "Corporate Governance".

Trading in Australasia Gold Shares

The Company has adopted a securities trading policy for the Directors, Senior Executives, employees, consultants and contractors of the Company which is appropriate for a Company whose shares are admitted to trading on the ASX.

A copy of the securities trading policy is available on the Company's website under "Corporate Governance".

The Board Safeguards Integrity in Financial Reporting

Australasia Gold has not established an Audit Committee. Those activities, normally the responsibility of an Audit Committee, are undertaken by the Board as a whole. To give assistance to the Board, at least one member of the Board should be a person with appropriate educational qualifications and competence in accounting matters. Presently, this person is Mr Bruno Firriolo.

Given that the Board undertakes the functions of an Audit Committee, the Chairman of the Board has a responsibility to oversee the review of functions normally undertaken by an Audit Committee.

The Board continually reviews the performance of the external audit partner. Additionally the Company has an engagement arrangement with the external auditors which requires that the external audit partner is rotated every 5 years.

The Board Makes Timely and Balanced Disclosure

The Board has designated the Company secretary as the person responsible for overseeing and co-ordinating disclosure of information to the ASX as well as communicating with the ASX.

The Board has established a written policy for ensuring compliance with ASX listing rule disclosure requirements and accountability at senior executive level for that compliance. A copy of the continuous disclosure policy is available on the Company's website under "Corporate Governance".

The Board Respects the Rights of Shareholders

The Company respects the rights of its shareholders and to facilitate the effective exercise of those rights, by promoting effective communication with shareholders and encouraging shareholder participation at annual general meetings, the Company has established a communications strategy which is available on the Company's website under "Corporate Governance".

The Board Recognises and Manages Risk

The Company is committed to the identification, monitoring and management of material business risks of its activities via its risk management framework. The Board has been in the process of developing a policy for the oversight and management of material business risks for a period of time and has formally established this policy. A copy of the risk management policy is available on the Company's website under "Corporate Governance".

The Board assumes ultimate responsibility for the oversight and management of material business risks and satisfies itself annually, or more frequently as required, that management has developed and implemented a sound system of risk management and internal control to manage the Company's material business risks. The Board delegates the detailed work of this task to the Risk Management Committee (established subsequent to the end of the financial year) and the Board periodically reviews this work. A key element in the risk management framework will be the reporting by management on the Company's key risks. The Risk Management Committee will oversee the adequacy and content of risk reporting from management. Based on reports compiled throughout the year, the Risk Management Committee will prepare an annual summary report to the Board to indicate the effectiveness of the Company's management of its material business risks.

Except for assurances from the Chief Financial Officer and the person(s) appointed to perform the functions of a Chief Executive in relation to financial reporting risks, the Board has not received a report from the Risk Management Committee on whether the Company's material business risks are being managed effectively because the Company is in the process of reviewing its risk management framework given the Company's stage of development and future direction. However, as the risk management framework review is completed, the aim is to implement risk management reporting on a periodic basis, by or for the risk management committee to ensure that it designs and implements an appropriate risk management system, and then be in a position to report as to the effectiveness of the Company's management of material business risks. Refer to Note 25 of Notes to the Accounts for a summary of financial risks.

<u>Attestations by Person(s) Performing a Chief Executive Function and Chief Financial Officer</u>

In accordance with recommendation 7.3 of the *ASX Corporate Governance Principles and Recommendations*, the person(s) appointed to perform a chief executive function and Chief Financial Officer have stated in writing to the Board that:

- The statement given in accordance with section 295A of the Corporations Act, is founded on a sound system of risk management and internal control which implements the policies adopted by the Board; and;

- The Company's risk management and internal control system is operating efficiently and effectively in all material respects in relation to financial reporting risks.

The Board Remunerates Fairly and Responsibly

Australasia Gold has not established a Remuneration Committee. Those activities, normally the responsibility of a Remuneration Committee, are undertaken by the Board as a whole.

Remuneration Report and Remuneration Policies

The Board has established a policy to ensure that it remunerates fairly and responsibly. The remuneration philosophy of the Board is designed to ensure that the level and composition of remuneration is competitive, reasonable and appropriate for the results delivered and to attract and maintain talented and motivated directors and employees.

Non-Executive Directors' fees are determined within an aggregate Directors' fee pool limit, which will be periodically approved by shareholders in general meeting. Non-Executive Directors of the Company are entitled to participate in any equity plan of the Company where it is considered an appropriate element of remuneration in situations when the Non-Executive's skills and experiences are recognised as important to the Company's future development. Non-Executive Directors of the Company do not receive retirement benefits, other than statutory superannuation entitlements.

Further details on the structure of Executive Directors, Non-Executive Directors and Senior Executives' remuneration are set out in the remuneration report on pages 10 and 11 of this annual report.

Personnel of the Company are not permitted to enter into transactions with securities (or any derivative thereof) which limit the economic risk of any unvested entitlements awarded under any equity-based remuneration scheme, or otherwise awarded, or which will be offered by the Company in the future.

DIRECTORS' DECLARATION

In the opinion of the Directors of Australasia Gold Limited (the "Company"):

(a) the financial statements and notes (and the remuneration disclosures that are contained in the Remuneration Report section of the Directors' Report are in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the financial position of the Company as at 30 June 2009 and of its performance for the financial year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

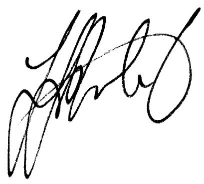
(b) the remuneration disclosures that are contained in the Remuneration Report section of the Directors' Report comply with Australian Accounting Standard AASB 124 *Related Party Disclosures,* the Corporations Act 2001 and the Corporations Regulations 2001; and

(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declaration by the Chief Financial Officer and the persons performing a Chief Executive function, as required by section 295A of the Corporations Act 2001 for the financial year ended 30 June 2009.

Signed in accordance with a resolution of the Directors made pursuant to section 295(5) of the Corporations Act 2001.

On behalf of the Board



Trevor Ireland
Director
Perth, Western Australia

29 September 2009

INCOME STATEMENTS
For the year ended 30 June 2009

	Notes	Consolidated		Parent entity	
		2009	**2008**	**2009**	**2008**
		$	**$**	**$**	**$**
Revenues	2	58,420	303,098	58,420	303,098
Expenses					
- Exploration expenses written off		2,870,695	521,461	150,529	521,461
- Impairment of investment in subsidiaries		-	-	2,720,164	-
- Administration expenses		294,000	624,030	294,000	604,030
- Interest expense		196	-	196	-
- Share based remuneration	14	-	41,602	-	41,602
- Depreciation		4,901	3,798	4,901	3,798
- Loss on scrapping of fixed assets		584	-	584	-
- Foreign exchange loss		-	2,761	-	2,761
Total expenses		3,170,376	1,193,652	3,170,374	1,173,652
Net profit (loss) before income tax expense		(3,111,956)	(890,554)	(3,111,954)	(870,554)
Income tax expense	3	-	-	-	-
Net profit (loss) for the year		(3,111,956)	(890,554)	(3,111,954)	(870,554)
Basic profit/(loss) per share (cents/share)	22	(5.03)	(1.95)		

Diluted profits/(losses) per share are not shown as they are not materially different to basic profits/(losses) per share.

The income statements should be read in conjunction with the accompanying notes.

BALANCE SHEETS
As at 30 June 2009

	Notes	Consolidated		Parent entity	
		2009	2008	2009	2008
		$	$	$	$
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	4	834,548	1,188,955	834,546	1,168,818
Trade and other receivables	5	3,871	24,092	3,871	24,092
Other current assets	6	5,431	6,232	5,431	6,232
Total Current Assets		843,850	1,219.279	843,848	1,199,142
NON-CURRENT ASSETS					
Receivables	7	47,454	124,041	28,054	104,641
Other financial assets	8	-	-	2,174,024	3,723,528
Plant and equipment	9	9,143	12,767	9,143	12,767
Exploration & evaluation expenditure	10	2,404,201	4,080,626	190,579	337,633
Total Non-Current Assets		2,460,798	4,217,434	2,401,800	4,178,569
TOTAL ASSETS		3,304,648	5,436,714	3,245,648	5,377,711
CURRENT LIABILITIES					
Trade and other payables	11	45,466	111,499	45,466	111,499
Provision for employee entitlements	12	-	32,167	-	32,167
Total Current Liabilities		45,466	143,666	45,466	143,666
NON-CURRENT LIABILITIES					
Provision for employee entitlements	12	-	5,183	-	5,183
Unearned Income		59,000	59,000	-	-
Total Non-Current Liabilities		59,000	64,183	-	5,183
TOTAL LIABILITIES		104,466	207,849	45,466	148,849
NET ASSETS		3,200,182	5,228,864	3,200,182	5,228,862
EQUITY					
Issued capital	13	9,031,787	7,948,513	9,031,787	7,948,513
Reserves	14	52,028	65,513	52,028	65,513
Accumulated losses		(5,883,633)	(2,785,162)	(5,883,633)	(2,785,164)
TOTAL EQUITY		3,200,182	5,228,864	3,200,182	5,228,862

The balance sheets should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS
For the year ended 30 June 2009

	Notes	Consolidated		Parent entity	
		2009	2008	2009	2008
		$	$	$	$
CASH FLOWS FROM OPERATING ACTIVITIES					
Payments to suppliers and employees		(334,781)	(710,443)	(334,781)	(998,361)
Other revenue		26,761	-	26,761	-
Interest received		30,458	168,994	30,458	168,994
Interest paid		(196)	-	(196)	-
Net cash used in operating activities (Note a)		(277,758)	(541,449)	(277,758)	(829,367)
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for property, plant and equipment		(1,861)	(5,127)	(1,861)	(5,127)
Payments for exploration & project evaluation		(1,091,368)	(1,822,739)	(3,475)	(159,328)
Exploration tenement guarantees recouped		76,587	-	76,587	-
Sale of tenement		-	150,000	-	-
State government grant received		-	59,000	-	-
Funding of investment in controlled entities		-	-	(1,067,758)	(1,168,596)
Net cash used in investing activities		(1,016,642)	(1,618,866)	(996,507)	(1,333,051)
CASH FLOWS FROM FINANCING ACTIVITIES					
Issue of shares		1,036,093	181,500	1,036,093	181,500
Capital Raising costs		(96,100)	(27,751)	(96,100)	(27,751)
Net cash provided from financing activities		939,993	153,749	939,993	153,749
Net increase/(decrease) in cash held		(354,407)	(2,006,566)	(334,272)	(2,008,669)
Cash at beginning of year		1,188,955	3,195,521	1,168,818	3,177,487
Cash at end of year	4	834,548	1,188,955	834,546	1,168,818

Note (a): Reconciliation of operating loss after income tax to net cash used in operating activities

Operating profit/(loss) after income tax	(3,111,956)	(890,554)	(3,111,954)	(870,554)
Add: Non-cash items				
Depreciation	4,901	3,798	4,901	3,798
Write-off of obsolete fixed assets	584	-	584	-
Asset write downs	2,870,695	371,463	2,870,693	168,036
Share based payments	-	41,602	-	41,602
Change in assets and liabilities				
(Increase)/Decrease in other current assets	801	(104,843)	801	(802)
(Increase)/Decrease in receivables	20,221	37,572	20,221	37,572
Increase/(Decrease) in payables	(25,654)	(1,835)	(25,654)	(210,367)
Increase/(Decrease) in provisions	(37,350)	1,349	(37,350)	1,349
Net cash used in operating activities	(277,758)	(541,448)	(277,758)	(829,366)

Note (b): Non-cash financing and investing activities

During the year, 2,600,000 fully paid ordinary shares were issued in lieu of cash for exploration acquisition costs of $100,000 and drilling expenses of $30,000. 1,100,000 fully paid ordinary shares were issued in lieu of cash for exploration acquisition costs of $181,500 in the previous financial year.

The statements of cash flows should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGE IN EQUITY
For the year ended 30 June 2009

	Consolidated Entity				Parent Entity			
	Share Capital $	Accumulated Losses $	Reserve	Total $	Share Capital $	Accumulated Losses $	Reserve	Total $
Balance at 1 July 2007	7,785,605	(1,894,607)	23,911	5,914,909	7,785,605	(1,914,609)	23,911	5,894,907
Profit/(loss) for the year	-	(890,554)	-	(890,554)	-	(870,554)	-	(870,554)
Movement in reserve	-	-	41,602	41,602	-	-	41,602	41,602
Issue of Share Capital	162,908	-	-	162,908	162,908	-	-	162,908
Balance at 30 June 2008	7,948,513	(2,785,162)	65,513	5,228,864	7,948,513	(2,785,164)	65,513	5,228,862

	Consolidated Entity				Parent Entity			
	Share Capital $	Accumulated Losses $	Reserve $	Total $	Share Capital $	Accumulated Losses $	Reserve $	Total $
Balance at 1 July 2008	7,948,513	(2,785,162)	65,513	5,228,864	7,948,513	(2,785,164)	65,513	5,228,862
Profit/(loss) for the year	-	(3,111,956)	-	(3,111,956)	-	(3,111,954)	-	(3,111,954)
Movement in reserve	-	13,485	(13,485)	-	-	13,485	(13,485)	-
Issue of Share Capital	1,083,274	-	-	1,083,274	1,083,274	-	-	1,083,274
Balance at 30 June 2009	9,031,787	(5,883,633)	52,028	3,200,182	9,031,787	(5,883,633)	52,028	3,200,182

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.
The financial report is presented in Australian dollars.

Statement of Compliance

The financial report was authorised for issue on the date the directors' report and declaration was signed. The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

The financial report covers the consolidated group of Australasia Gold Limited and controlled entities, and Australasia Gold Limited as an individual parent entity. Australasia Gold Limited is a listed public Company, incorporated and domiciled in Australia.

The following is a summary of the material accounting policies adopted by the consolidated group in the preparation of the financial report.

The accounting policies set out below have been consistently applied to all years presented.

Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Critical Accounting Estimates and judgements

In the application of the Group's accounting policies, which are described below, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

a) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and bank deposits.

b) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably. Liabilities recognised in respect of employee benefits are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Contributions to accumulated benefit superannuation benefit plans are expensed when incurred.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)
Critical Accounting Estimates and judgements (continued)

c) Exploration and Evaluation Expenditure

Exploration and evaluation expenditures in relation to each separate area of interest, are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

i) the rights to tenure of the area of interest are current; and
ii) at least one of the following conditions is also met:

- the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale: or

- exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploration drilling, trenching and sampling and associated activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances (as defined in AASB 6 "Exploration for and Evaluation of Mineral Resources") suggest that the carrying amount of exploration and evaluation assets may exceed its recoverable amount. The recoverable amount of the exploration and evaluation assets (or the cash-generating unit(s) to which it has been allocated, being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision is made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment, reclassified to development properties, and then amortised over the life of the reserves associated with the area of interest once mining operations have commenced.

d) Financial assets

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the time frame established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit and loss which are initially measured at fair value.

Other financial assets are classified into the following specified categories; 'held to maturity' investments, 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

<u>Effective interest method</u>

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest rate basis for debt instruments other than those financial assets 'at fair value through profit and loss'.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Critical Accounting Estimates and judgements (continued)

d) Financial assets (continued)

Held-to-maturity investments

Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates where the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis.

Available-for-sale financial assets

Certain shares and redeemable notes held by the Group are classified as being available-for-sale and are stated at fair value. Fair value is determined based on quoted market prices. Gains and losses arising from changes in fair value are recognised directly in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets which are recognised directly on the profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is included in profit or loss for the period.

Dividends on available-for-sale equity instruments are recognised in profit and loss when the Group's right to receive payment is established.

Loans and Receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment.

Interest is recognised by applying the effective interest rate.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit and loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date of impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised directly in equity.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Critical Accounting Estimates and judgements (continued)

e) Goods and service tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense or;

ii) for receivables and payables which are recognised inclusive of GST, the net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

f) Impairment of assets (other than exploration and evaluation)

At each reporting date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior periods. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

g) Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the year of the consolidated Australian income tax group. It is calculated using tax rates and tax laws that have been enacted or substantially enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Critical Accounting Estimates and judgements (continued)

g) Income tax (continued)

Deferred tax (continued)

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacting by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company/consolidated entity intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess of net assets.

h) Joint ventures

Interests in jointly controlled assets and operations are reported in the financial statements by including the consolidated entity's share of assets employed in the joint ventures, the share of liabilities incurred in relation to the joint ventures and the share of any expenses incurred in relation to the joint ventures in their respective classification categories.

i) Payables

Trade payables and other accounts payable are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services.

j) Plant and Equipment

Plant and equipment are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on plant and equipment. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of deprecation:

- Plant and equipment – at cost 3-5 years

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Critical Accounting Estimates and judgements (continued)

k) Principles of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) (referred to as 'the Group' in these financial statements). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.
Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

l) Share-based payments

Equity-settled share-based payments granted after 7 November 2002 that vest on or after 1 January 2005, are measured at fair value at the date of grant. Fair value is measured by use of the Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the consolidated entity's estimate of shares that will eventually vest.

m) Government grants

Government grants are assistance by government in the form of transfers of resources to the consolidated entity in return for past or future compliance with certain conditions relating to the operating activities of the entity.

Government grants are not recognised until there is reasonable assurance that the consolidated entity will comply with the conditions attached to them and the grant will be received. Government grants whose primary condition is to assist with exploration activities are recognised as deferred income in the balance sheet and recognised as income on a systematic basis when the related exploration and evaluation is written off.

Other government grants are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate on a systematic basis. Government grants receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the consolidated entity with no future related costs are recognised as income in the period in which it becomes receivable.

n) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3 'Business Combinations' are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations', which are recognised and measured at fair value less costs to sell.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Critical Accounting Estimates and judgements (continued)

n) Business combinations (continued)

Goodwill arising from acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

o) New standards and interpretations not yet adopted

The consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2008. The consolidated entity has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting period beginning on or after 1 July 2008. It has been determined by the consolidated entity that there is no impact, material or otherwise, of the new or revised Standards and Interpretations on its business and, therefore, no change to the consolidated accounting policy.

2. REVENUE

	Consolidated		Parent entity	
Operating Activities	2009 $	2008 $	2009 $	2008 $
Interest Received	31,659	153,000	31,659	153,000
Sale of Tenement	-	150,000	-	150,000
Other Revenue	26,761	98	26,761	98
	58,420	303,098	58,420	303,098

3. INCOME TAX BENEFIT

(a) Recognised in the income statement

Current income tax expense	-	-	-	-
Deferred tax expense relating to the origination and reversal of temporary differences	-	-	-	-
Total income tax expense	-	-	-	-

(b) Reconciliation between income tax expense and pre-tax profit/(loss)

Profit/(loss) before tax	(3,111,956)	(890,554)	(3,111,954)	(870,554)
Income tax using the domestic corporation tax rate of 30% (2008: 30%)	(933,586)	(267,166)	(933,586)	(261,166)
Tax effect of:				
Prior year adjustments	183,993	-	183,993	-
Non-deductible expenses	715	12,481	715	12,481
Unused tax losses and temporary differences not recognised as deferred tax assets	748,878	254,685	748,878	248,685
Income tax expense on pre-tax profit/(loss)	-	-	-	-

(c) Unrecognised deferred tax balances

Deferred tax assets and (liabilities) calculated at 30% (2008: 30%) have not been recognised in respect of the following:				
Income tax losses	2,059,401	1,755,439	2,059,401	1,755,439
Temporary differences	(643,463)	(1,173,264)	(643,463)	(1,173,264)
	1,415,938	582,175	1,415,938	582,175

Deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets (and deferred tax liabilities relating to capitalised exploration expenditure for which immediate tax write-off is available) have not been recognised in the financial statements.

(d) Movement in temporary differences during the year

	30 June 2009 $	Movements 2009 $	30 June 2008 $	Movements 2008 $	1 July 2007 $
Temporary differences					
(a) Recognised in income					
Exploration expenditure	(721,260)	547,928	(1,269,188)	(377,828)	(896,365)
Other payables and provisions	4,800	4,800	-	-	-
Other items	1,269	1,269	-	-	-
(b) Recognised in equity					
Capital raising expenses	71,728	(24,196)	95,924	(46,936)	142,860
Totals	(643,463)	529,801	(1,173,264)	(419,759)	(753,505)

	Consolidated 2009 $	Consolidated 2008 $	Parent entity 2009 $	Parent entity 2008 $
4. CASH ASSETS				
Cash on hand and at bank	834,548	1,188,958	834,546	1,168,818
	834,548	1,188,955	834,546	1,168,818
5. RECEIVABLES – CURRENT				
Other receivables	3,871	24,092	3,871	24,092
	3,871	24,092	3,871	24,092
6. OTHER CURRENT ASSETS				
Prepaid insurance expenses	5,431	6,232	5,431	6,232
	5,431	6,232	5,431	6,232
7. RECEIVABLES – NON CURRENT				
Exploration tenement guarantees	47,454	124,041	28,054	104,641
	47,454	124,041	28,054	104,641
8. OTHER FINANCIAL ASSETS – NON CURRENT				
Unlisted investments at fair value – controlled entities	-	-	2,174,024	3,723,528
	-	-	2,174,024	3,723,528
9. PLANT AND EQUIPMENT				
Plant and equipment at cost	19,916	19,393	19,916	19,393
Less: Accumulated depreciation	(10,773)	(6,626)	(10,773)	(6,626)
	9,143	12,767	9,143	12,767
Movement schedule for plant and equipment				
Opening written down value	12,767	11,437	12,767	11,437
Additions	1,863	5,127	1,863	5,127
Scrapped	(586)	-	(586)	-
Depreciation	(4,901)	(3,797)	(4,901)	(3,797)
Closing written down value	9,143	12,767	9,143	12,767
10. EXPLORATION & EVALUATION EXPENDITURE				
Cost brought forward in respect of areas of interest in the exploration and evaluation stage	4,080,626	2,987,882	337,633	346,341
Expenditure incurred during the year	1,194,270	1,614,205	3,475	159,328
Leases sold	-	(150,000)	-	-
Expenditure written off during the year	(2,870,695)	(371,461)	(150,529)	(168,036)
Cost carried forward	2,404,201	4,080,626	190,579	337,633
11. PAYABLES				
Trade and other receivables	45,466	111,499	45,466	111,499
	45,466	111,499	45,466	111,499

12. EMPLOYEE PROVISIONS

	Consolidated 2009 $	Consolidated 2008 $	Parent entity 2009 $	Parent entity 2008 $
The aggregate employee entitlement liability recognised in and included in the financial statements is as follows:				
Provision for employee entitlements				
Current – annual leave	-	32,167	-	32,167
Non-current – long service leave	-	5,183	-	5,183
	-	37,350	-	37,350

13. ISSUED CAPITAL

	Consolidated	Parent entity 2009 $	Parent entity 2008 $
Contributed equity comprises 100,204,401 fully paid ordinary shares (2008: 45,799,637)		9,031,787	7,948,513

Movement in issued shares for the year	2009 No.	2009 $	2008 No.	2008 $
Balance at beginning of financial year	45,799,637	7,948,513	44,699,637	7,785,605
Issued for exploration acquisition costs	2,000,000	100,000	1,100,000	181,500
Issued for drilling expenses	600,000	30,000	-	-
Issued for cash	51,804,764	1,036,093	-	-
Costs associated with the issue of shares	-	(82,819)	-	(18,592)
Balance at end of financial year	100,204,401	9,031,787	45,799,637	7,948,513

Options over ordinary shares

	2009	2008
Options on issue at beginning of period	6,570,000	23,544,158
Options issued during the year	-	400,000
Options exercised during the year	-	-
Options expired during the year	(2,075,000)	(17,374,158)
Options on issue at end of period	4,495,000	6,570,000

Grant Date	Date of Expiry	Exercise Price	Number under Option
25 Aug 05	25 Aug 09	$ 0.60	2,000,000
25 Aug 05	25 Aug 10	$ 0.80	2,000,000
30 Nov 06	30 Nov 11	$ 0.13	170,000
13 Mar 07	13 Mar 12	$ 0.19	100,000
7 Nov 07	31 Oct 12	$ 0.12	75,000
28 Apr 08	31 Dec 12	$ 0.11	150,000
			4,495,000

14. RESERVES

		Consolidated		Company	
		2009 $	2008 $	2009 $	2008 $
	Employee equity-settled benefits	52,028	65,513	52,028	65,513
		52,028	65,513	52,028	65,513
(a)	Employee equity-settled benefits reserve				
	Balance at beginning of the financial year	65,513	23,910	65,513	23,910
	Share based payment	-	41,602	-	41,602
	Less: effect of lapsed/expired options	(13,485)	-	(13,485)	-
	Balance at end of the financial year	52,028	65,513	52,028	65,513

The employee equity-settled benefits reserve arises on the grant of share options to executives under the executive share option plan. Amounts are transferred out of the reserve when the options are exercised, lapse or expire. Management's preference and practice is to direct those transfers in all circumstances to accumulated losses. Further information about share based payments to employees is made in note 15 to the financial statements.

15. SHARE OPTION PLAN

The consolidated entity has an ownership-based compensation plan for employees. In accordance with the provisions of the Employee Share Option Plan, as approved by shareholders at an Annual General Meeting, directors may issue options to purchase shares in the Company to employees at an issue price determined by the market price of ordinary shares at the time the option is granted. No directors participate in the Employee Share Option Plan.

In accordance with the terms of the Employee Share Option Plan, options vest at grant date and may be exercised at any time from the date of their issue to the date of their expiry.

Share options are not listed, carry no rights to dividends and no voting rights.

The following share based payment arrangements were in existence during the period:

Options – Series	No.	Grant Date	Expiry Date	Exercise Price	Fair value at grant date
Employee Share Option Plan					
December 2006	170,000	30/11/2006	30/11/2011	$0.13	$0.0993
July 2007	100,000	13/03/2007	13/03/2012	$0.19	$0.1219
November 2007	75,000	7/11/2007	31/10/2012	$0.12	$0.1337
April 2008	150,000	28/04/2008	31/12/2012	$0.11	$0.0862
April 2008 (lapsed 2009)	75,000	28/04/2008	31/12/2012	$0.11	$0.0862

The weighted average of fair value of options granted during the year is Nil per option (2008: $0.1040). Options were valued using the Black-Scholes model using the following inputs:

	Option Series		
	July 2007	November 2007	April 2008
Grant date share price	$0.165	$0.16	$0.10
Exercise price	$0.19	$0.12	$0.11
Calculated volatility	99%	108%	130%
Option expiry	31 March 2012	31 October 2012	31 December 2012
Risk free interest rate	6.27%	6.73%	7.63%

15. SHARE OPTION PLAN (continued)

The following reconciles the outstanding share options granted under the Plan at the beginning and end of the financial year:

Share Option Plan	2009		2008	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Balance at beginning of financial year	570,000	$0.1313	170,000	$0.13
Granted during the financial year	-		400,000	$0.1319
Exercised during the financial year (i)	-		-	-
Lapsed during the financial year	(75,000)	$0.0862	-	-
Balance at end of the financial year (ii)	495,000	$0.1345	570,000	$0.1313

(i) Options exercised

No share options granted under the scheme were exercised during the financial year:

(ii) Options outstanding at end of the financial year

The share options outstanding at the end of the financial year had an average exercise price of $0.1345 (2008: $0.1313) and a weighted average remaining contractual life of 1,063 days (2008: 1,470 days)

16. COMMITMENTS FOR EXPENDITURE, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

(a) Exploration Expenditure Commitments

The Consolidated entity has certain obligations to perform exploration work and expend minimum amounts of money on such works on mineral exploration tenements.

These obligations will vary from time to time, subject to statutory approval. The terms of current and future joint ventures, the grant or relinquishment of licences, and changes to licence areas at renewal or expiry, will alter the expenditure commitments of the Consolidated entity.

Total expenditure commitments at balance date in respect of minimum expenditure requirements not provided for in the financial statements, where the status of the tenements is to remain unchanged, and excluding commitments where a joint venture party has agreed to meet the Consolidated entity's obligations, are approximately:

	2009 $	2008 $
Not later than one year	126,000	200,000
Later than one year but not later than five years	710,000	1,600,000
	836,000	1,800,000

(b) Native Title

Native title claims have been made with respect to areas which include tenements in which Australasia Gold Limited has interests. The Consolidated entity is unable to determine the prospects for success or otherwise of the claims and, in any event, whether or not and to what extent the claims may significantly affect the Consolidated entity or its projects.

(c) Contingent Liabilities

Other than as disclosed above the Consolidated entity has no contingent liabilities at 30 June 2009.

17. REMUNERATION OF DIRECTORS AND EXECUTIVES

The Consolidated entity has applied the exemption under Corporations Amendments Regulations 2005 which exempts listed companies from providing remuneration disclosures in relation to their specified Directors and specified Executives in their annual financial reports by Accounting Standard AASB 1046 Director and Executive Disclosures by Disclosing Entities. These remuneration disclosures are provided in the "Remuneration Report" of the Director's Report and designated as "Audited".

18. REMUNERATION OF AUDITOR

	2009 $	2008 $
Audit and review of financial reports	28,325	24,300
Other Services	1,650	-

19. RELATED PARTY DISCLOSURES

a) Equity Interests in related parties

Equity Interests in controlled entities

Details of the percentage of ordinary shares held in controlled entities are disclosed in Note 24 to the financial statements.

Equity Interests in joint ventures

Details of interests in joint ventures are disclosed in Note 20 to the financial statements.

b) Transactions within wholly owned group

The wholly owned group includes:

- The ultimate parent entity in the wholly-owned group and;
- The wholly-owned controlled entities

The ultimate parent entity in the wholly-owned group is Australasia Gold Limited.

Amounts receivable from controlled entities are classified as investments and are disclosed in Note 8 to the financial statements.

During the financial year Australasia Gold Limited provided accounting and administrative services at no cost to the controlled entities and the advancement of interest free loans.

c) Transactions with directors

The following comprises payments made to entities in which directors have an interest.

	Consolidated entity		Parent Entity	
Directors	**2009** **$**	**2008** **$**	**2009** **$**	**2008** **$**
T. Ireland (Ireland Resource Management Pty Ltd)	4,500	5,500	4,500	5,500
M. Billing (MBB Trading Pty Ltd)	-	14,500	-	14,500
J. Terpu and B. Firriolo (as Directors of Conquest Mining Limited for administration services)	11,900	-	11,900	-
J. Terpu (Nextstar Pty Ltd for underwriting fees)	51,522	-	51,522	-

19. RELATED PARTY DISCLOSURES (continued)

d) Movements in directors' share and option holdings

Options – 2,046,192 options held directly and indirectly by directors at 30 June 2008 expired during the year.
Shares – directly and indirectly held as below:

	Fully Paid Ordinary Shares				
	Opening Balance 1/7/2008	Commencing as Director	Bought / (Sold)	Ceasing as Director	Closing Balance 30/06/2009
J. Terpu		13,000,000	3,250,000		16,250,000
T. Ireland	939,579		234,896		1,174,475
B. Firriolo		-	-		-
J. Roberts	259,139		64,785	323,924	
N. Jackson	303,889		(33,000)	270,889	
M. Billing	134,111		52,000	186,111	

20. JOINT VENTURES

The Consolidated entity had interests in unincorporated joint ventures at 30 June 2009 as follows:

		Percentage Interest 2009	Percentage Interest 2008
a)	Murninnie Joint Venture – Base metals and uranium	90%	90%
b)	Otago Joint Venture – gold	100%	100%
c)	Uranium SA Joint Venture – see note below		

Notes:

(a) In July 2007 Australasia Gold (SA) Pty Ltd (AAO) exercised its right under the terms of the agreement with the Murninnie Mining Syndicate to increase its interest under the joint venture to 90%.

(b) Under the terms of a May 2007 agreement between the Company & Glass Earth (New Zealand) Ltd ("GENZL"), GENZL has the right to acquire a 70% interest in tenements P39266 and PP39329 in the Otago area of New Zealand upon spending NZ$150,000 in exploration activities. At 30 June 2009 GENZL had not achieved that spending target.

(c) In accordance with a June 2009 Joint Venture Agreement signed with Uranium SA, there was an up-front assignment to our JV partner of our interests in the relevant ground. The arrangement as a whole reflects a conditional assignment of 70% interest to our JV partner and accordingly we retain a minimum 30% interest.

21. EARNINGS PER SHARE

	Consolidated	
	2009 Cents per share	**2008 Cents per share**
Basic profit/(loss) per share	(5.03)	(1.95)
Weighted average number of ordinary shares used in calculation of earnings per share	61,924,593	45,709,473

21. EARNINGS PER SHARE (continued)

Basic earnings per share ('EPS') is calculated by dividing the net profit/(loss) after income tax attributable to members of the Company by the weighted average number of ordinary shares of the Company outstanding during the financial year.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares. Diluted profits/(losses) per share are not disclosed as they are not materially different to basic profits/(losses) per share.

22. SEGMENT INFORMATION

The Consolidated entity operates predominantly in the mining industry, in Australia and New Zealand.

23. EVENTS AFTER BALANCE DATE

No matters or circumstances have arisen since the end of the financial year that have significantly affected, or may significantly affect;

i. The operations of the Consolidated entity or the results of those operations
ii. The state of affairs of the Consolidated entity

in the financial years subsequent to 30 June 2009.

24. CONTROLLED ENTITIES

Name of Entity	Country of Incorporation	Ownership Interest 2009 %	2008 %
Parent Entity			
Australasia Gold Limited	Australia		
Controlled Entities			
The Australian Land Company Limited	Australia	100	100
Australasia Gold (SA) Pty Ltd	Australia	100	100
Otago Gold Limited (NZ de-registration process commenced)	New Zealand	100	100

25. FINANCIAL RISK MANAGEMENT

Overview

This note presents information about the Company's exposure to credit, liquidity and market risks, its objectives, policies and processes for measuring and managing risk, and the management of capital.

The Company does not use any form of derivatives as it is not at a level of exposure that requires the use of derivatives to hedge its exposure. Exposure limits are reviewed by management on a continuous basis. The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the Company through regular reviews of the risks.

25. FINANCIAL RISK MANAGEMENT (continued)

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities. At the balance sheet date there were no significant concentrations of credit risk.

Cash and cash equivalents

The Company limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have an acceptable credit rating.

Trade and other receivables

As the Company operates primarily in exploration activities, it does not have trade receivables and therefore is not exposed to credit risk in relation to trade receivables.

The Company where necessary establishes an allowance for impairment that represents its estimate of incurred losses in respect of other receivables and investments. The management does not expect any counterparty to fail to meet its obligations.

Exposure to credit risk

The carrying amount of the Company's financial assets represents the maximum credit exposure. The Company's maximum exposure to credit risk at the reporting date was:

		Company Carrying amount	
	Note	**2009**	**2008**
Cash and cash equivalents	4	834,548	1,188,955
Loans and receivables	5 & 7	51,325	148,133

Impairment Losses

None of the Company's other receivables are past due (2008: nil).

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company manages liquidity risk by maintaining adequate cash reserves from funds raised in the market and by continuously monitoring forecast and actual cash flows. The Company does not have any external borrowings.

The Company may need to raise additional capital in the next 12 months to meet forecast operational and exploration activities and new opportunities which may arise. The decision on how the Company will raise any necessary future capital will depend on market conditions existing at that time.

The following are the Company's contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

25. FINANCIAL RISK MANAGEMENT (continued)
Liquidity Risk (continued)

30 June 2009

	Carrying amount	Contractual cash flows	6 mths or less	6-12 mths	1-2 years	2-5 years
Trade and other payables	45,466	45,466	45,466			

30 June 2008

	Carrying amount	Contractual cash flows	6 mths or less	6-12 mths	1-2 years	2-5 years
Trade and other payables	111,499	111,499	111,499			

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency Risk

The Company is not exposed to currency risk and at balance sheet date the Company holds no financial assets or liabilities which are exposed to foreign currency risk.

Interest Rate Risk

The Company is exposed to interest rate risk (primarily on its cash and cash equivalents), which is the risk that a financial instrument's value will fluctuate as a result of changes in the market interest rates on interest-bearing financial instruments. The Company does not use derivatives to mitigate these exposures.

The Company adopts a policy of ensuring that as far as possible it maintains excess cash and cash equivalents in short terms deposit at interest rates maturing over 90 day rolling periods.

Profile

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments was:

	Carrying amount	
	2009	2008
Fixed rate instruments		
Financial assets – cash and cash equivalents	-	-
Variable rate instruments		
Financial assets – cash and cash equivalents	834,548	1,188,955

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss or through equity, therefore a change in interest rates at the reporting date would not affect profit or loss or equity.

25. FINANCIAL RISK MANAGEMENT (continued)

Interest Rate Risk (continued)
Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2008.

Company

	Profit or loss		Equity	
	100bp increase	100bp decrease	100bp increase	100bp decrease
30 June 2009				
Variable rate instruments	7,859	7,772	7,859	5,774
30 June 2008				
Variable rate instruments	10, 220	10,220	10,220	10,220

Fair Values

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

Company	30 June 2009		30 June 2008	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	834,548	834,548	1,118,955	1,118,955
Loans and receivables	51,325	51,325	148,133	148,133
Trade and other payables	(45,466)	(45,466)	(111,499)	(111,499)
	840,407	840,407	1,155,589	1,155,589

Commodity Price Risk

The Company operates primarily in the exploration and evaluation phase and accordingly the Company's financial assets and liabilities are subject to minimal commodity price risk.

Capital Management

Capital is defined as the equity of the Company.

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so as to maintain a strong capital base sufficient to maintain future exploration and development of its projects. In order to maintain or adjust the capital structure, the Company may return capital to shareholders, issue new shares or sell assets to reduce debt. The Company's focus has been to raise sufficient funds through equity to fund exploration and evaluation activities. The Company monitors capital on the basis of the gearing ratio, however there are no external borrowings as at balance date.

The Company encourages employees to be shareholders through Share Option Plans.

There were no changes in the Company's approach to capital management during the year. Risk management policies and procedures are established with regular monitoring and reporting.

The Company is not subject to externally imposed capital requirements.

HLB Mann Judd

Chartered Accountants

AUSTRALASIA GOLD LIMITED
ACN 104 757 904
INDEPENDENT AUDITOR'S REPORT

To the members of Australasia Gold Limited:

Report on the Financial Report

We have audited the accompanying financial report of Australasia Gold Limited ("the company"), which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration for both the company and the Australasia Gold Limited Group ("the consolidated entity"). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Australasia Gold Limited on 23 September 2009, would be in the same terms if provided to the directors as at the time of this auditor's report.

Auditor's Opinion

In our opinion:

(a) the financial report of Australasia Gold Limited is in accordance with the Corporations Act 2001, including:
   (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and
   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in page 5 of the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Australasia Gold Limited for the year ended 30 June 2009 complies with section 300A of the *Corporations Act 2001*.

HLB Mann Judd.

HLB MANN JUDD
Chartered Accountants
Adelaide, 29 September 2009

PHIL PLUMMER
Partner

HLB Mann Judd (SA Partnership) ABN: 22 640 925 071

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Additional information as required by the Australian Stock Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below.

1. Shareholder Information

1.1 As at 24 September 2009 the Company had 786 holders of Ordinary Fully Paid Shares.

Voting Rights

Subject to any rights or restrictions for the time being attached to any class or classes (at present there are none) at general meetings of shareholders or classes of shareholders:

(a) each shareholder entitled to vote, may vote in person or by proxy, attorney or representative;

(b) on a show of hands, every person present who is a shareholder or a proxy, attorney or representative of a shareholder has one vote; and

(c) on a poll, every person present who is a shareholder or a proxy, attorney or representative of a shareholder shall, in respect of each Fully Paid Share held, or in respect of which he/she has appointed a proxy, attorney or representative, have one vote for the share, but in respect of partly paid Shares shall have a fraction of a vote equivalent to the proportion which the amount paid up bears to the total issue price for the Share.

1.2 Distribution of Shares (as at 24 September 2009)

No.	Fully Paid Shares	Number of Holders
1-1,000	6,603	44
1,001-5,000	359,211	111
5,001-10,000	1,059,070	119
10,001-100,000	14,982,971	399
100,001-over	83,796,546	113
	100,204,401	786

The number of shareholders holding less than a marketable parcel is 169.

1.3 Substantial Shareholders

The following shareholders are recorded as substantial shareholders:

Name	Fully Paid Shares Number
Valleybrook Investments Pty Ltd <Terpu A/C>	16,250,000
George Papamihail & Phung Tran Do <The 257 Adelaide Terrace A/C	15,000,000
Danny TT Chan	15,554,424
South Cove	7,642,333
Total	**54,446,757**

1.4 Holders of Unquoted Equity Securities (as at 24 September 2009)

	Employee Related Issues (Non-KMP) Various Expiry Dates Unlisted Options
V Draganuta	100,000
A Morrison	75,000
B Sando	300,000
S Humphries	20,000
South Cove Ltd	2,000,000
Total	**2,495,000**

1.5 Twenty Largest Shareholders (as at 24 September 2009)

Ordinary Shareholders	Fully Paid Ordinary Number	Percentage
Valleybrook Investments Pty Ltd <Terpu A/C>	16,250,000	16.22
G Papamihail & P Tran Do <The 257 Adelaide Terrace A/C>	15,000,000	14.97
Citycorp Nominees Pty Limited	10,854,294	10.83
South Cove Ltd	7,642,333	7.63
HSBC Custody Nominees (Australia) Limited – A/C 2	4,750,000	4.74
St Super Pty Ltd <Samuel Tusa Super Fund A/C>	2,125,000	2.12
J & MA Croft <Croft Family Super Fund A/C>	1,300,000	1.30
TJ Ireland	1,040,202	1.04
Fortis Clearing Nominees P/L <Settlement A/C>	1,009,090	1.01
Australian Investors Pty Ltd	823,000	.82
PR Harris <Harris Family A/C>	550,000	.55
BP Henson <Henson Family S/F A/C>	541,519	.54
Summit Twenty-Five Pty Ltd <Megalina Super Fund A/C>	528,750	.53
Commodity Traders (NZ) Ltd	528,750	.53
GF Leiblich	523,888	.52
Brucar Pty Ltd <Spangler Family A/C>	519,000	.52
Sheoak Runner Pty Ltd	500,000	.50
F & O Gangemi <The F & O Gangemi Family A/C>	475,000	.47
IV Steed	450,000	.45
J Donald	400,000	.40
CM Leiblich	396,110	.40
Total	**66,206,936**	**66.07**

1.6 Share Buy-Backs

There is no current on-market buy-back scheme.

2. Other Information

Australasia Gold Limited, incorporated and domiciled in Australia, is a public listed Company limited by Shares.

3. Tenement Schedule

Tenement No.	Registered Holder	Australasia Gold Equity	Area (ha/sq km)	Application/Grant date	Expiry date
Northern Territory					
Glencoe		100%			
MCN 3578	The Australian Land Company Ltd		40 ha	7 Aug 1990	5 Oct 2012
MCN 4248	The Australian Land Company Ltd		39.69 ha	13 Mar 1992	31 Dec 2011
MCN 20	The Australian Land Company Ltd		20 ha	16 May 1983	5 Oct 2010
MCN 21	The Australian Land Company Ltd		20 ha	16 May 1983	5 Oct 2010
MCN 22	The Australian Land Company Ltd		20 ha	16 May 1983	5 Oct 2010
MCN 23	The Australian Land Company Ltd		20 ha	16 May 1983	5 Oct 2010
MCN 24	The Australian Land Company Ltd		20 ha	16 May 1983	5 Oct 2010
MCN 25	Magnum Mining and Exploration Limited*		20 ha	16 May 1983	5 Oct 2010
Redbank		100%			
MCN 4254	The Australian Land Company Ltd		39.6 ha	13 Mar 1992	31 Dec 2011
Star of the North		100%			
MLN 875	Australasia Gold Limited		7.9 ha	13 Mar 1980	31 Dec 2020
MLN 876	Australasia Gold Limited		7.9 ha	13 Mar 1980	31 Dec 2020
MLN 877	Australasia Gold Limited		7.9 ha	13 Mar 1980	31 Dec 2020
MLN 883	Australasia Gold Limited		7.9 ha	13 Mar 1980	31 Dec 2020
Great Northern		100%			
MLN 878	Australasia Gold Limited		7.8 ha	13 Mar 1980	31 Dec 2020
MLN 879	Australasia Gold Limited		7.8 ha	13 Mar 1980	31 Dec 2020

3. Tenement Schedule (continued)

Tenement No.	Registered Holder	Australasia Gold Equity	Area (ha/sq km)	Application/Grant date	Expiry date
Northern Territory (continued)					
Great Western		100%			
MLN 880	Australasia Gold Limited		7.96 ha	13 Mar 1980	31 Dec 2020
MLN 881	Australasia Gold Limited		7.78 ha	13 Mar 1980	31 Dec 2020
MLN 882	Australasia Gold Limited		7.78 ha	13 Mar 1980	31 Dec 2020
Johns Hill		100%			
MLN 872	Australasia Gold Limited		7.8 ha	13 Mar 1980	31 Dec 2020
MLN 873	Australasia Gold Limited		8 ha	13 Mar 1980	31 Dec 2020
MLN 874	Australasia Gold Limited		8 ha	13 Mar 1980	31 Dec 2020
Mt Ringwood		100%			
EL 24142	Australasia Gold Limited		17 sub blocks	4 Oct 2004	3 Oct 2010
Porters		100%			
MLN 816	Australasia Gold Limited		8.09 ha	22 Apr 1976	31 Dec 2019
Good Shepherd		100%			
MLN 898	Australasia Gold Limited		8 ha	10 Oct 1980	31 Dec 2020
Mt Wells North		100% ^			
EL 22301	Softwood Plantations Pty Ltd (now a subsidiary of Outback Metals Ltd:		16 sub blocks	14 Apr 2003	13 Apr 2011
McKinlay		100% ^			
EL 23824	Softwood Plantations Pty Ltd 49% / Territory Resources Limited 51%		31 sub blocks	9 Feb 2004	8 Feb 2010
Rock's Ridge		100% ^^			
MCN (A) 5115	Softwood Plantations Pty Ltd		30 ha	20 Sep 1996	N/A

* Transferable to The Australian Land Company at its discretion
^ Joint venture grants to Australasia Gold 100% interest in gold deposits discovered
^^ Transferable to Australasia Gold Limited at its discretion on grant

Tenement No.	Registered Holder	Australasia Gold Equity	Area (ha/sq km)	Application/Grant date	Expiry date
South Australia					
Murninnie		90% ^^^			
PM 156	JT Lunnay *et. al.*		32.48 ha	1927	N/A
EL 3542	JT Lunnay *et. al.*		67 sq km	19 May 2006	18 Apr 2011

^^^ Purchase and sale agreement concluded between Australasia Gold and title holder
Joint venture grants to Uranium SA the right to a 70% interest in uranium discovered in a part EL 3542

Tenement No.	Registered Holder	Australasia Gold Equity	Area (ha/sq km)	Application/Grant date	Expiry date
Otago – New Zealand					
Buster-Naseby		100% ^^^^			
EP 50852	Australasia Gold Limited		1591 ha	14 Nov 2008	13 Nov 2013
St Bathans		100% ^^^^			
PP 39 264	Australasia Gold Limited		250 sq km	26 Sep 2006	21 Sep 2010

^^^^ Joint venture grants to Glass Earth NZ the right to a 70% interest in these permits on completion of $140,000 expenditure