Australasia Gold Limited

(ACN 104 757 904)

FINANCIAL REPORT

For the Half-Year Ended

31 December 2008

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Directors Report

The names of the directors of the Company during the half-year and as at the date of this report are:

John Barry Roberts Non-executive Chairman	BSc, FAusIMM
Trevor John Ireland Managing director	BSc (Hons Ec Geol), MSc, FAusIMM, CP, MMICA, GAICD
Norton Jackson Non executive director	AM, FTSE, ME
Michael Robert Billing Non-executive Director	BBus, ASA

The net result of operations for the half-year was a loss of $1,831,152 (2007 $428,820).

Review of Operations

During the six months ended 31st December 2008 the Company conducted exploration to the point of significant decision-making on several projects in the Pine Creek Region, Northern Territory and in the Gawler Craton, South Australia. A new project was acquired in Western Australia and towards the end of the period, activities were focussed on the raising of additional working capital.

In the Pine Creek Region, drilling at the McKinlay gold deposit demonstrated the continuity to depth of the outcropping mineralisation, at reasonable grade but narrow width. Overall the mineralised body outlined failed to meet economic criteria, so the option to purchase the tenements was allowed to lapse.

Drilling at the Glencoe gold deposit confirmed the characteristics of mineralisation indicated by previous owners and demonstrated extensions in strike length and continuation to significantly greater depth than previous drilling. Samples have been retained for metallurgical testing of mineralisation from the primary zone.

Drilling downgraded the Ringwood geochemical anomaly, discovered beneath alluvial sediments in the previous half, while reconnaissance drilling in the Mt Wells-McKinlay area revealed areas of anomalous interest.

At Murninnie, analytical results and rock density measurements confirmed that drilling undertaken during the previous quarter to deepen each of two pre-existing drill holes had not intersected significant iron oxide copper-gold mineralisation, nor significantly dense rocks to explain the cause of the gravity anomalies on which the holes were targeted. The company has withdrawn from its Moonabie joint venture with Peninsula Exploration on neighbouring exploration licence EL 3767.

The Company acquired the rights to purchase four areas collectively known as 'Dundas' which are currently held as exploration licence applications, and effectively are unexplored for gold, in the newly prospective Albany-Fraser Tectonic Zone. Prior to the end of the period, the Dundas group gave notice of termination of this agreement, however the directors, on legal advice, believe that the agreement remains valid.

The need for the replacement of working capital depleted by these activities coincided with the downturn in the investment markets. After the evaluation of numerous opportunities, an agreement was signed at the end of the year with a consortium of investors to take a placement of 50 million shares to raise one million dollars ('Nextstar Placement'). At the Company's AGM, share holders approved an issue of 50 million shares, on similar terms to those contained in the agreement. A condition precedent for the placement included the withdrawal by the company from the Dundas agreement. Directors agreed to this subject to the full receipt of placement monies.

The major component of the Company's loss for the half year (approximately $1.8 million) arises from the write-off of approximately $1.65 million of exploration expenditure. This amount includes elements of project completion (McKinlay, Mt Ringwood, Murninnie, Moonabie and Dundas) and reduction in asset valuations (Pine Creek 'satellite' projects acquired in the Company's IPO transactions).

Subsequent Events

At the date of these accounts, the agreed placement has been only partially subscribed, and directors are evaluating alternative possibilities to raise additional funds.

The short term financial liability of $85,000 reported at the end of the half-year, representing a short term unsecured loan provided by the directors, was repaid to the amount of $59,839 with the remainder outstanding being forgiven as approved by the directors on the termination of the loan agreement.

In consideration of apparent funding constraints, directors also agreed to the termination of the Dundas Acquisition Agreement.

Other than is described elsewhere in this report, no other matters of circumstance have arisen since the end of the half year which significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Auditors Independence Declaration

The auditor's independence declaration under section 307C of the Corporations Act 2001 is attached.

Dated at Adelaide this 13th day of March 2009 and signed in accordance with a resolution of the directors.

T J Ireland
Director

M R Billing
Director

Consolidated condensed income statement for the half-year ended 31 December 2008

	Half-Year Ended 31/12/08 $	Half-Year Ended 31/12/07 $
Revenue from ordinary activities	25,183	80,278
Exploration expenditure written-off	(1,651,469)	(213,431)
Administration expenses	(58,260)	(41,916)
Audit and accounting fees	(11,550)	(5,250)
Corporate consulting expenses	(36,952)	(14,118)
Salaries wages and benefits	(27,993)	(100,354)
Non executive directors fees	(15,650)	(32,500)
Shareholder relations	(47,689)	(62,762)
Insurance	(8,661)	(16,550)
Foreign exchange gain (loss)	1,889	-
Share based remuneration	-	(22,217)
Loss before income tax expense	**(1,831,152)**	**(428,820)**
Income tax expense	-	-
Net loss for the period	**(1,831,152)**	**(428,820)**
Earnings Per Share – Basic (Cents per share) - Loss	(3.85)	(0.939)

The above consolidated condensed income statement should be read in conjunction with the accompanying notes.

Consolidated condensed balance sheet as at 31 December 2008

	Note	31 December 2008 $	30 June 2008 $
CURRENT ASSETS			
Cash and cash equivalents		154,484	1,188,955
Trade and other receivables		4,587	24,092
Other financial assets		-	6,232
TOTAL CURRENT ASSETS		159,071	1,219,279
NON CURRENT ASSETS			
Receivables		47,286	124,041
Plant & equipment		11,613	12,767
Exploration & evaluation expenditure	3	3,573,769	4,080,626
TOTAL NON CURRENT ASSETS		3,632,668	4,217,434
TOTAL ASSETS		3,791,739	5,436,714
CURRENT LIABILITIES			
Trade and other payables		28,318	111,499
Short term financial liabilities	7	85,000	-
Short term provisions		7,559	32,167
TOTAL CURRENT LIABILITIES		120,877	143,666
NON-CURRENT LIABILITIES			
Long term provisions		4,150	5,183
Deferred income		59,000	59,000
TOTAL NON-CURRENT LIABILITIES		63,150	64,183
TOTAL LIABILITIES		184,027	207,849
NET ASSETS		3,607,712	5,228,864
EQUITY			
Contributed equity	5	8,158,513	7,948,513
Reserves		65,513	65,513
Accumulated losses		(4,616,314)	(2,785,162)
TOTAL EQUITY		3,607,712	5,228,864

The above consolidated condensed balance sheet should be read in conjunction with the accompanying notes.

Consolidated condensed cash flow statement for the half year ended 31 December 2008

	Half-Year Ended 31/12/08 Inflows (Outflows) $	Half-Year Ended 31/12/07 Inflows (Outflows) $
Cash flows related to operating activities		
Interest received	29,374	100,614
Payments to suppliers and employees	(187,413)	(523,700)
Net operating cash flows	(158,039)	(423,086)
Cash flows related to investing activities		
Payments for property, plant and equipment	(1,277)	-
Payments for mining tenements, exploration and evaluation expenditure	(1,040,155)	(651,947)
Net investing cash flows	(1,041,432)	(651,947)
Cash flows related to financing activities		
Proceeds from share issues	80,000	181,500
Payment for share issue costs	-	(2,156)
Proceeds from director loan	85,000	-
Net financing cash flows	165,000	179,344
Net increase/(decrease) in cash and cash equivalents	(1,034,471)	(895,689)
Cash and cash equivalents at beginning of financial period	1,188,955	3,195,521
Cash and cash equivalents at end of financial period	154,484	2,299,832

The above consolidated condensed cash flow statement should be read in conjunction with the accompanying notes.

Consolidated statement of change in equity for the half year ended 31 December 2008

	Share Capital $	Accumulated Losses $	Reserve $	Total $
Balance at 1 July 2007	7,785,605	(1,894,607)	23,911	5,914,909
Loss attributable to members of the parent entity	-	(428,820)	-	(428,820)
Share based payments	-	-	22,217	22,217
Issue of Share Capital	179,344	-	-	179,344
Balance at 31 December 2007	7,964,949	(2,323,427)	46,128	5,687,650
Balance at 1 July 2008	7,948,513	(2,785,162)	65,513	5,228,864
Loss attributable to members of the parent entity	-	(1,831,152)	-	(1,831,152)
Share based payments	130,000	-	-	130,000
Issue of Share Capital	80,000	-	-	80,000
Balance at 31 December 2008	8,158,513	(4,616,314)	65,513	(3,607,712)

Notes to and forming part of the financial report
Half-Year Ended 31 December 2008

1. **BASIS OF PREPARATION OF ACCOUNTS**

This half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 "Interim Financial Reporting". Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 "Interim Financial Reporting". The half-year financial report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

The accounting policies adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the 2008 annual financial report. In the half-year ended 31 December 2008, the company 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 periods beginning on or after 1 July 2008. It has been determined by the company that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to company's accounting policies.

2. **GOING CONCERN**

The consolidated group's operations are dependent upon external equity funding. Directors have recognised that in the latter part of the reporting period, the current economic situation both domestically and internationally deteriorated sharply to limit the Company's access to equity funding.

In order to conserve funds the Company during the second quarter terminated all employment contracts, waived Directors' fees and salaries, reduced discretionary corporate and administrative costs, and suspended exploration activities upon the completion of scheduled drilling programs.

On 12th December 2008 the Company entered into an agreement with the Nextstar Pty Ltd to privately place 50 million shares at 2.0 cents per share to a consortium of sophisticated investors, to raise $1.0 million. On 15th December the Company accepted a placement of $80,000 (4.0 million shares at 2.0 cents/share), which was additional to the 50 million share arrangement. On 23rd December shareholders at the Company AGM approved the issue of the additional 50 million shares at not less than 80% of VWAP (Volume Weighted Average Price).

By March 10th this placement had been only partially completed however Nextstar was continuing its attempts to complete the placement in accord with the agreement and approval. Independently the Company was evaluating alternative sources of funding for the incomplete part of the approved placement. Cash in hand at the reporting date totalled $154,484, while the amount at 28th February was $316,596.

The Company's expenditure commitments summarised in the annual report have largely been met by exploration activities completed during the reporting period, or averted by withdrawal from relevant agreements with title holders (Moonabie, McKinlay, Dundas)

Based on the directors' assessment of management plans, administrative arrangements, and anticipated costs, these funds and the Company's cost-saving measures put in place late in the reporting period are sufficient to enable the Company to continue as a going concern and meet its spending obligations in regard to tenements retained throughout the remainder of the calendar year 2009, independent of the receipt of additional funding within the terms of the current placement or otherwise.

Directors propose to continue their efforts to secure additional funds and to position the Company more securely for a resumption of more aggressive project acquisition and evaluation activities.

3. EXPLORATION EXPENDITURE WRITTEN OFF

Accumulated exploration/ acquisition expenditures have been fully written off in the following areas: McKinlay gold deposit (N.T.)(option to purchase terminated); Moonabie EL 3767 (S.A.) (joint venture terminated); Dundas (W.A.)(Acquisition Agreement terminated)

Accumulated exploration/ acquisition expenditures have been partially written off in the following areas: Mt Ringwood EL 24142, McKinlay EL 23824 & Mt Wells EL 22301 (all N.T.)(projects partially downgraded; exploration incomplete); : Pine Creek (N.T.) 'satellite' lease blocks (diminished recoverable value); Murninnie (S.A.) (project partially downgraded; exploration incomplete).

4. SEGMENT INFORMATION

The consolidated entity operates in the mining and exploration industry in Australia and New Zealand.

5. CONTRIBUTED EQUITY

Movement in issued shares	No.	$
Balance at 1 July 2008	45,799,637	7,948,513
Issued for Dundas tenements	2,000,000	100,000
Issued as part payment for drilling	600,000	30,000
Issued to Nextstar consortium	4,000,000	80,000
Balance at 31 December 2008	52,399,637	8,158,513

The non-renounceable one for two rights issue with one free attaching option dated 12 June 2008 was cancelled on 11 September 2008 as the ASX determined that there was insufficient subscriptions to allow for the allotment of the required number of holders of the new class options with a marketable parcel and hence declined to list these new options for trading. Consequently the issue could not comply with the requirements under the Corporations Act 2001. The Company therefore refunded all subscription monies received and cancelled securities allotted from those subscriptions.

6. CONTINGENT LIABILITIES

Other than as disclosed elsewhere in this report, there are no contingent liabilities or contingent assets at 31 December 2008.

7. SUBSEQUENT EVENTS

At the date of these accounts, the agreed placement has been only partially subscribed, and directors are evaluating alternative possibilities to raise additional funds.

The short term financial liability of $85,000 reported at the end of the half-year, representing a short term unsecured loan provided by the directors, was repaid to the amount of $59,839 with the remainder outstanding being forgiven as approved by the directors on the termination of the loan agreement.

In consideration of apparent funding constraints, directors also agreed to the termination of the Dundas Acquisition Agreement.

Other than as described above, no other matters or circumstances have arisen since the end of the half year which significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations or state of affairs of the consolidated entity in future financial years.

8. INCOME TAX

Deferred Tax Asset

Significant movements since 30 June 2008 in the deferred tax asset not brought to account at balance date are as follows:

	Opening balance @ 30 June 2008	Movements to 31 December 2008	Closing balance @ 31 December 2008
Temporary differences			
Employee benefits	11,205	(7,692)	3,513
Tax Loss			
Operating losses	254,685	549,346	804,031
Loss on exploration expenditure	1,269,188	(152,057)	1,117,131
Loss on capital raising expenses	220,361	-	220,361
	1,755,439	389,597	2,145,036

Directors' Declaration

Director's Declaration for the six months ended 31 December 2008

The directors declare that:

(a) The attached financial statements and notes thereto comply with Accounting Standard AASB134: "Interim Financial Reporting";

(b) The attached financial statements and notes thereto give a true and fair view of the financial position and performance of the consolidated entity;

(c) In the directors' opinion, the financial statements and notes thereto are in accordance with the Corporations Act 2001; and

(d) In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors made pursuant to Section 303(5) of the Corporations Act 2001

On behalf of the directors

T J Ireland
Director

M R Billing
Director

Adelaide, South Australia
13 March 2009

HLB Mann Judd

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of Australasia Gold Limited

As lead auditor for the review of the financial report of Australasia Gold Limited for the half year ended 31 December 2008, 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 review; and

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

HLB Mann Judd -

HLB MANN JUDD
Chartered Accountants

PHIL PLUMMER
Partner

Adelaide,
12 March 2009

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Partners: Trevor Hirth, Phil Plummer
Senior Managers: Thomas Wong, Corey McGowan

INDEPENDENT AUDITOR'S REVIEW REPORT
To the members of Australasia Gold Limited:

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Australasia Gold Limited consolidated entity, which comprises the consolidated condensed balance sheet as at 31 December 2008, and the consolidated condensed income statement, consolidated condensed statement of change in equity and consolidated condensed cash flow statement for the half-year ended on that date, a statement of accounting policies and other explanatory notes 1 to 8 and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the half-year 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.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Australasia Gold Limited consolidated entity, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, 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 12 March 2009, would be in the same terms if provided to the directors as at the date of this auditor's review report.

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Partners: Trevor Hirth, Phil Plummer
Senior Managers: Thomas Wong, Corey McGowan

INDEPENDENT AUDITOR'S REVIEW REPORT (Cont. /-)
To the members of Australasia Gold Limited:

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Australasia Gold Limited consolidated entity is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
(b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our opinion, we draw attention to Note 2 which states that the consolidated entity's operations are dependent upon external equity funding. The directors of the company have recognised that in the latter part of the reporting period, the current economic situation both domestically and internationally deteriorated sharply to limit the company's access to equity funding. To conserve funds the company has during the second quarter of the year terminated all employment contracts, waived Directors' fees and salaries, reduced discretionary corporate and administrative costs and suspended exploration activities upon the completion of scheduled drilling programs. The company had on 12 December 2008 entered into an agreement with Nextstar Pty Ltd for the private placement of 50,000,000 shares at 2 cents per share to raise $1,000,000. This placement is only partially complete to date. Another private placement on 15 December 2008 of 4,000,000 shares at 2 cents per share had also raised $80,000. The company has been evaluating alternative sources of funding. The company's expenditure commitments have largely been met by exploration activities completed during the half year or averted by withdrawal from relevant agreements. From the directors' assessment of management plans involving cost saving and other measures in place, the existing funds are sufficient to enable the company to continue as a going concern and meet its spending obligations in regard to tenements retained throughout the remainder of the calendar year 2009, independent of the receipt of additional funding within the terms of the current placement or otherwise. Directors propose to continue in their effort to secure additional funding. Appropriate audit evidence that may provide assurance of the existence of available funding in the form of equity, borrowing or other forms of finance beyond this period are unavailable. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the company's and the consolidated entity's ability to be able to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial report which has been prepared on the going concern basis does not include appropriate adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the entity not continue as a going concern.

HLB Mann Judd.

HLB MANN JUDD
Chartered Accountants
Adelaide,
13 March 2009

PHIL PLUMMER
Partner