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30 October 2009

Quarterly Activities Report

For the Period Ending 30 September 2009

Key Points

- **Challenger project mine development JV option agreement with AusCan Gold Ltd advanced**
- **Independent review of MMI soil survey at Longwood project, NZ, confirms priority target area**
- **Bullendale Extended Exploration Permit, NZ, granted during the period**
- **Miclere project sale process continues**
- **East Sepik project available for joint venture**

Exploration Overview

During the September quarter Tasman Goldfields Ltd (ASX: TGX) (Tasman, the Company) achieved significant progress towards achieving first production from its Challenger Gold project, and the sign-off on an attractive cash sale option over of its Miclere alluvial project.

Challenger & Mt Adrah Gold Projects.

On 13 July 2009, after 8 months of exhaustive marketing, Tasman announced in an ASX release that it had granted an option to Auscan Gold Pty Ltd to enter into a development joint venture with Auscan Gold Pty Ltd (Auscan) on the Challenger and Mt Adrah gold projects in New South Wales. Under the terms of the joint venture funding agreement, Auscan will provide up to \$25 million cash to fund development of the Challenger and Mt Adrah gold projects to production.

Further, Tasman issued to Auscan 2.5 million shares at an issue price of 8 cents per share to raise \$200,000 cash to meet general operating expenses of Tasman. On receipt of the Auscan cash, the \$95,000 due to Golden Cross Resources Ltd (ASX: GCR) under Tranche 2b of the Adelong Agreement (refer ASX announcement dated 13 July 2009) was paid. The Tranche 3 terms were amended, by mutual agreement between Golden Cross Resources Ltd and Tasman, so that Tasman was partially relieved of its obligation in regards to the share payment portion due under that tranche. Under the new terms, Tasman will only be required to issue shares to GCR such that it does not take GCR over a 19.9% equity interest in Tasman.

Tasman anticipates that the Challenger project funding will enable work to commence towards the objective of gold production by end of 2010.

In addition to the \$200,000 raised under the share issue, Tasman will receive from Auscan a further \$200,000 cash, payable to Tasman in November 2009, following exercise of the option which is due to occur by 31 October 2009.

Upon exercise of the option and upon the entering into of a formal joint venture agreement, Auscan will provide Tasman with \$14 million in funding in the following increments: \$500,000 for pre-development work; \$3.5 million to commence initial development works; and, \$10 million to complete development and commence mining operations. On completion of these funding milestones, Auscan will have earned a 70% interest in the Challenger project, diluting to 60% upon repayment of development capital. Following commencement of production Auscan will have the right to purchase Tasman's interest in the project for \$5 million cash and a 1.5% production royalty.

In relation to the Mt Adrah project, Auscan will meet all minimum expenditure commitments for at least 2 years or until such time as a decision to development project is made, at which point Auscan will be obliged to provide up to \$11 million in development funding to bring Mt Adrah into production.

The directors consider that the Auscan agreement represents an outstanding result given that it was negotiated and finalised during the global financial crises from which markets are only now returning to normal conditions. Successful development of the Challenger project is expected to provide significant cashflow to Tasman either through the exercise of the cash –purchase/royalty option or from production over a three-year period from commencement, thus removing the requirement of the company to seek further funding from shareholders during that time. A successful development of the Mt Adrah project, could add further significant cashflow funding to the company, extending the period of time during which the company might have all of its exploration commitments met from internal cashflow.

Miclere Gold Project.

For some time the directors have been pursuing a sale of the non-core Miclere project. As an underground alluvial project Miclere represents an unusual development proposition for the market to understand. It is almost certain that a development of the Miclere project would need to occur without first having an established a conventional JORC resource. This is because of the sampling issues in regards to the nugget effect of the gold and its varying distribution within the paleochannels in which it exists.

With the foregoing in mind, the directors entered into an option agreement with Casimir Capital AP Pty Ltd (Casimir) to sell the Miclere project for \$835,000 cash, plus repayment of \$85,000 in security bonds. A total of \$920,000 cash, which was to be payable over a 7 month period.

Following the end of the quarter, Casimir advised that it would not be exercising the option to purchase the Miclere project on the terms agreed in the option agreement. Casimir offered alternative terms which were not attractive to Tasman.

Tasman directors continue to discuss a sale of the Miclere project with two other parties who have since expressed an interest in acquiring it.

Longwood.

Results from a recent MMI soil survey over the East Longwood Goldfield confirmed a coincident copper-cobalt anomaly with low order gold anomalies nearby. This area is on the flank of an ovate, zoned magnetic anomaly interpreted to be intrusive stock approximately 0.25km² in area, and defines a potential gold-copper near surface target. Follow up work is planned for the December quarter.

Recently received aeromagnetic interpretation has also identified a further target area in the Merrivale prospect area. A conventional C-horizon soil sampling program was carried out during the quarter, and assays are expected in the December quarter.

Bullendale Extended.

An Exploration Permit (EL 50884) surrounding Tasman's existing Bullendale permit (EL 40794, Otago, NZ) was granted during the period. This tenement covers the known strike extent of the Bullendale Reef, which has a strike extent of approximately 4km. A surface geochemical programme is planned for the coming summer (March 2010 quarter).

East Sepik.

The introduction of a joint venture partner to Tasman's East Sepik project (EL 1444) remains a priority. Responses are being received from interested parties and these will be reviewed in the December quarter.

Corporate.

Since the onset of the global financial crisis, the directors have been fully aware that a recapitalisation of the company was required in order to supply additional funds to pursue ongoing corporate and exploration activities of the company. In that regard, commencing at the start of the quarter, directors minimised all expenditure, and suspended all director fees and salary payments to themselves in order that any share issuance could be best done at a time that both maximised the amount of funding obtained whilst at the same time minimised the cost (in brokerage and other fees) of obtaining those funds. It is a strategy that has required directors and shareholders to be patient until financial markets had regained as near to a normal footing as possible. During the quarter the directors observed that opportunities to raise funds became both easier and less costly, thus the strategy undertaken by the directors has served the company well.

Over the course of the quarter several offers (both unsolicited and invited) to provide cash to the company by various brokers and private investors were received and reviewed by the directors. Following careful consideration of 3 written offers the directors resolved to accept an offer from Alpha Securities Pty Ltd.

Having considered ALL of the aspects of each written proposal, the Alpha proposal was determined to be the superior proposal. Importantly it was less dilutionary on existing shareholders than other competing offers. While the terms of the placement were agreed upon several weeks earlier, the placement itself was delayed due to the necessity of the company to seek legal advice on the ability of the company to continue with the placement whilst subject to a notice of meeting lodged by one particular shareholder (Tanner Investments Pty Ltd). Following legal advice, confirming that the placement could complete, the directors finalised completion in order that the company could continue to remain solvent.

Throughout the process the directors have sought to ensure that any recapitalisation should, at a minimum, allow current shareholders to participate on terms equivalent to those accepted in any share placement, and that remains the intention of the directors.

Over the next 4 months, Tasman will require approximately \$1.3 million of cash funding, additional to what it has currently, to meet its corporate and tenement obligations during that period. Thus further funding will be required from shareholders during that time.

ENDS

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About Tasman Goldfields

Tasman Goldfields is a Pacific Rim-focused gold exploration company listed on the ASX.

Tasman Goldfields has gold projects in Queensland and New South Wales, in Australia, New Zealand and Papua New Guinea.

Tasman's portfolio of gold projects includes 2 early development projects, 3 advanced exploration projects and two grass-roots projects. The early development projects include inferred resources of 239,000oz at the Mount Adrah project (6.6mt @ 1.13 g/t Au) in New South Wales and 134,000oz at the Challenger project (1.9mt @ 2.2 g/t Au), also in NSW.

The Company's objective is to conduct exploration activities at its existing cornerstone properties and to generate new gold exploration opportunities in the Western Pacific Rim.

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Peter Nicolson, who is a Member of the Australasian Institute of Mining and Metallurgy and a Member of the Australian Institute of Geoscientists, is a full-time employee of Tasman Goldfields Ltd, and who has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity referred to herein, to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Minerals Resources and Ore Reserves". Mr Nicolson consents to the inclusion in this report of the matters based on his information in the form and context in which they appear.