

Thursday, 29 January 2009

Company Announcements Office
Australian Stock Exchange Limited
20 Bridge St
SYDNEY NSW 2000

AUSTRALASIA GOLD – QUARTERLY ACTIVITIES REPORT TO 31ST DECEMBER 2008

Directors are pleased to advise the results achieved during the December quarter 2008-09.

HIGHLIGHTS

- ❖ The Company agreed with a consortium of sophisticated investors on the terms for a placement of 50 million shares at an issue price of \$0.02/share to raise \$1 million of new capital. Share holders approved the issue at the Company's Annual General Meeting.

- ❖ Review of the Company's exploration projects has commenced in light of results received during the past half-year and changed economic circumstances affecting the mineral exploration industry. Decisions have been made in relation to the Moonabie (SA) joint venture and the McKinlay (NT) option to purchase and the Wetherstones (New Zealand) exploration permit. It is intended to continue the review process.

- ❖ Results were received from the reverse circulation (RC) drilling program completed at the McKinlay gold deposit, Northern Territory.

Gold mineralisation was intersected in 8 of 10 drill holes. Although the continuity of mineralisation is strong over more than 200 metres (m) of strike length, the economic potential of the lode outlined was considered insufficient to warrant extension of the Company's option to purchase the leases concerned.

- ❖ Available cash at 31st December 2008: \$152,000

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 relevant 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.

For further information please contact Trevor Ireland on 08 8339 0580; tireland@australasiagold.com.au

CORPORATE

SUCCESSFUL CAPITAL RAISING

Agreement was entered into with a consortium of sophisticated investors for a placement of 50 million shares priced at \$0.02 per share to inject \$1.0 million of new capital into the Company. These funds will secure the Company for the immediate future. It is agreed that when the shares have been placed, two nominees of the consortium will be invited to join the Board and incumbent directors Norton Jackson and Michael Billing will stand down. Upon completion of due diligence the offer to invest was declared unconditional.

In association with the Offer, a placement of 4 million shares priced at \$0.02 per share raised \$80,000 in new funds to maintain Company operations pending completion of the above placement.

Additional detail of the Placement Offer is contained in the Company's announcement to ASX dated 15th December 2008 and the Chairman's Address to the AGM released to the market on 23rd December 2008

PROJECTS

Overview

The Company has in the past six months reached significant decision points in relation to several of its projects. Results are being reviewed in light of current economic circumstances leading to some rationalisation of the exploration portfolio. This process is expected to continue in coming months with the additional contribution of the new directors.

PINE CREEK PROJECT (NORTHERN TERRITORY)

McKinlay Gold Deposit (Option to purchase 100%)

The program of RC drilling of the McKinlay gold deposit (figure 1) comprised 10 holes angled at 55° below horizontal and sited ~50m apart, testing the depth extensions of the outcropping vein/lode system.

As expected in all the circumstances, grade is variable. Better intersections include:

- MKRC04: 6.0m @ 3.4g/t gold including 1m@12.9g/t, from 33.0m;
- MKRC05: 4.0m @ 4.8g/t gold, from 33.0m;
- MKRC06: 8.0m @ 2.5g/t gold including 2.0m @ 5.3g/t, from 40m; and
- MKRC08: 2.0m @ 7.6g/t gold including 1m@13.9g/t from 26.0m.

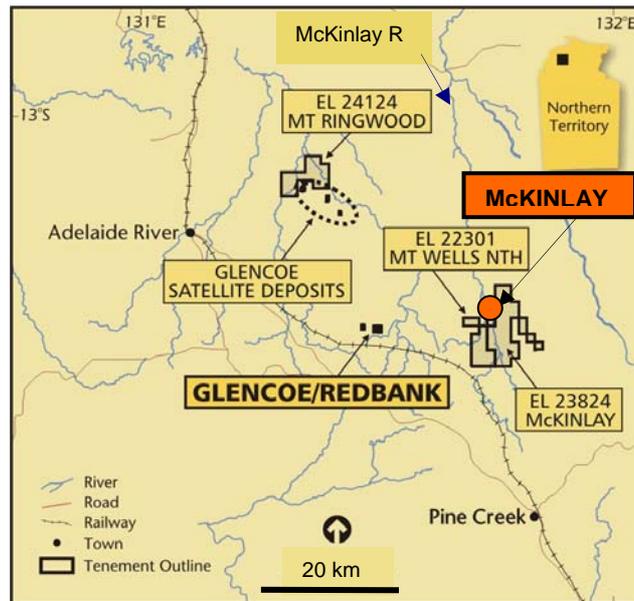


Figure 1: Locations of project activities, Pine Creek region

Mineralisation of greater than 1m @ 1g/t gold was intersected in 8 of the 10 holes, showing greater than expected hole-to-hole continuity but narrower than expected widths of mineralisation. When the results were compiled it became apparent that the mineralisation overall falls short of that required to indicate potential for an economic open cut-mineable gold deposit. The option to purchase the Mineral Leases containing the deposit has accordingly been allowed to lapse.

The detailed assay results of all drill holes are summarised in Table 1; figure 2 shows the drill hole locations relative to the prior sampling and drilling. More details of the drilling and the results are contained in the report lodged with ASX dated 24th November 2008.

ALBANY FRASER GOLD BELT PROJECT (WESTERN AUSTRALIA)

Dundas (Agreement to Acquire 100%)

The vendors of the Dundas project in Western Australia lodged a Notice of Termination of the agreement for Australasia Gold's subsidiary to acquire the Dundas tenements, on the ground that a condition subsequent (obtaining Shareholder approval) had not been obtained within the requisite time. While the Company obtained legal advice that the Notice of Termination is most likely ineffective and may successfully be contested, the consortium which has agreed to make the placement of 50 million shares has advised that accepting the Notice of Termination is a pre condition for the placement.

The Company has accordingly advised the Dundas vendors of its acceptance of the Notice of Termination, subject to completion of the placement.

GAWLER CRATON PROJECT (SOUTH AUSTRALIA)

Moonabie (Farmin and Joint Venture)

After review of exploration results the Company has withdrawn from its joint venture with Peninsula Exploration Pty Ltd over EL 3767 Moonabie.

OTAGO GOLD PROJECT (NEW ZEALAND)

Wetherstones (100%)

After review of exploration results the Company has decided to discontinue its exploration of the Wetherstones and Waikerikeri alluvial gold prospects. The tenements have been transferred to a nominee of South Cove Limited under the terms of a 2005 agreement. The Company retains an entitlement to a 2% profit royalty in respect of any future gold production from these tenements.

CASH

The Company had available cash as at 31st December of \$152,000.

Table 1: RC Drilling results – McKinlay gold deposit

Hole ID	Collar Coordinates	Depth Interval	Intersection Width (down-hole)	Average Grade (g/t gold)
MKRC001	796560E 8516800N	35 – 38m	3.0m	0.7
MKRC002	796550E 8516850N	16 – 17m & 43 – 45m	1.0m & 2.0m	10.2 1.7
MKRC003	796540E 8516900N	31 – 34m	3.0m	2.4
MKRC004	796535E 8516950N	33 – 39m including 36-37m	6.0m 1.0m	3.4 12.9
MKRC005	796530E 8517000N	33 – 37m	4.0m	4.8
MKRC006	796510E 8517050N	40 – 48m Including 44-46m & 47-48m	8.0m 2.0m 1.0m	2.5 5.3 6.9
MKRC007	796500E 8517100N	29 – 31m & 39 – 40m	2.0m & 1.0m	1.2 1.2
MKRC008	796490E 8517150N	26 – 28m Including 26-27m	2.0m 1.0m	7.6 13.9
MKRC009	796460E 8517200N	36 – 38m Including 36-37m	2.0m 1.0m	3.2 5.1
MKRC010	796460E 8517250N	23 – 26m	3.0m	No significant assays

*: 1m samples; gold by fire assay; cutoff grade 0.5 g/t; maximum internal dilution 2.0m

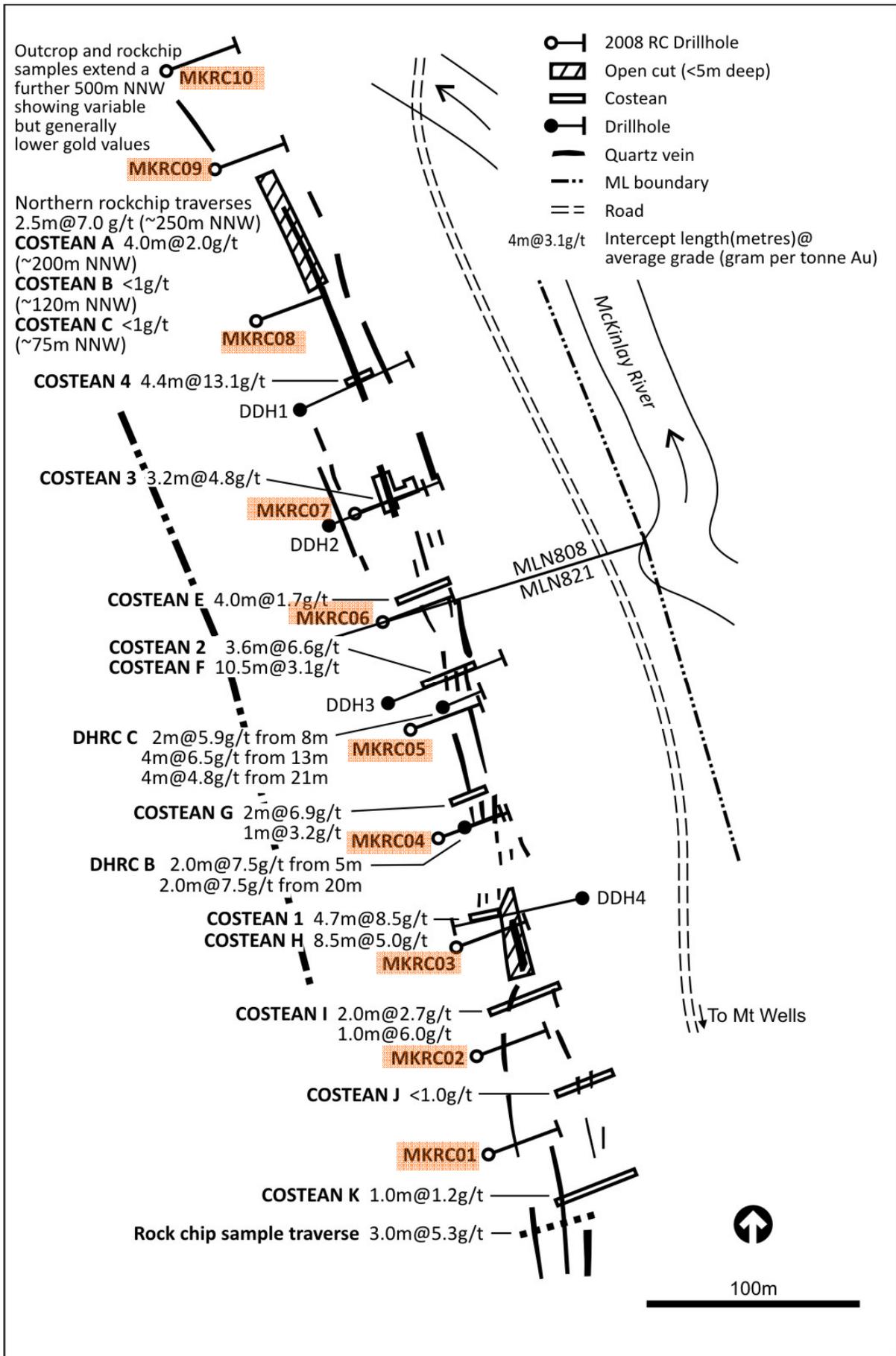


Figure 2: Location of Drill holes – McKinlay gold deposit