

REPORT FOR THE QUARTER ENDED 31ST DECEMBER 2006

HIGHLIGHTS

- Depth extensions of the Murninnie lode structure have been indicated by an induced polarization survey
- Murninnie gravity anomaly has been resolved as two separate features each worthy of drilling
- Murninnie Project attracts SA Government "PACE" drilling subsidy funding
- Encouraging results from drilling at Lucknow, NSW
- Consistent drilling results from Wetherstones, New Zealand
- Cash reserves 31st December 2006: \$1.8 million

REVIEW OF EXPLORATION

MURNINNIE, GAWLER CRATON COPPER GOLD URANIUM PROJECT (Australasia Gold – “AAO” - 45%)

Three distinct drilling targets have been identified within the Murninnie exploration licence. They are:

- the depth extensions into the sulphide zone of the Murninnie deposit itself;
- the source of the copper-gold geochemical anomaly which defines a mineralised structure extending more than four kilometers (overall) in the northerly and southerly strike extensions of Murninnie; and
- the source(s) of an untested gravity anomaly located in the south-west of the EL, away from the Murninnie mineralized system.

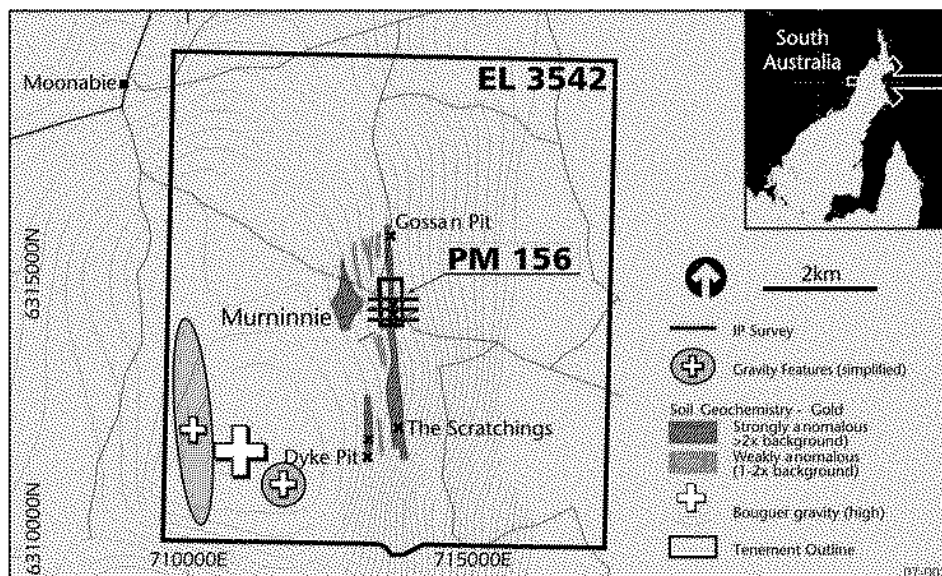


Figure 1: Locations of mineralization, gravity anomalies, geochemical anomalies and induced polarization survey traverses on the Murninnie tenements

Gravity surveys have been undertaken to define more precisely the targets for this drilling. The previously recorded gravity feature (pale contours in Figure 1) has been resolved by infill gravity survey (1500 x 200 metres – “m”) into two separate targets of contrasting character and different depths to source. Both features will be drilled.

At the Murninnie deposit, an induced polarization survey tested the central 300m strike length of the outcropping mineralized lode. The results clearly define on each of the three traverses the continuity and conductive character of the lode depth extension beyond the zone of oxidation and present a very specific target for drill-testing of the depth extensions of the Murninnie mineralisation, as shown in Figure 2. The anomaly is open in both directions.

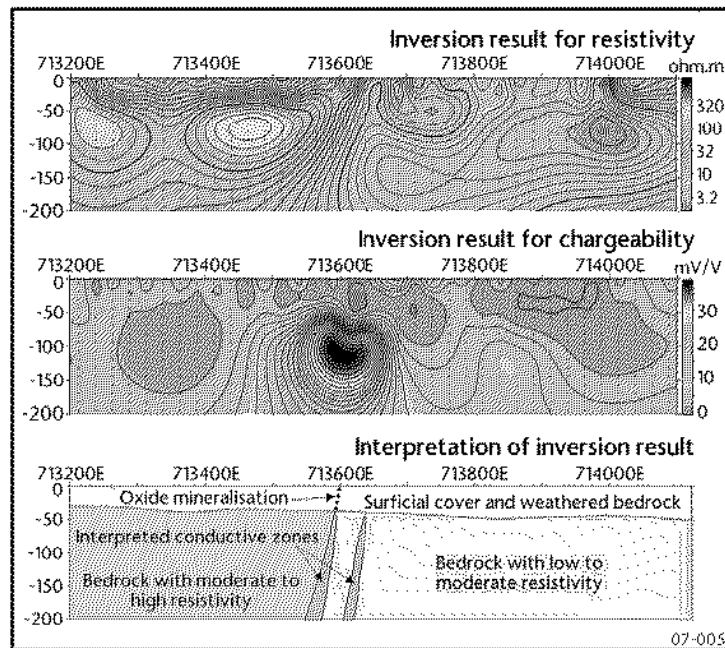


Figure 2: Interpretation of induced polarization traverse over the Murninnie lode.

Australasia Gold acquired its interest in the Murninnie mine and surrounding exploration licence (EL) during August 2006. The Purchase Agreement includes the right for the Company to acquire an additional 40% of the project. The deposit is of interest because of its grade and production history; its location within the Olympic Domain of the Gawler Craton; its association with a number of geological characteristics elsewhere associated with iron oxide copper gold uranium (IOCGU) mineralizing systems; the absence of barren cover rocks and the lack of any exploration or drilling for extensions of the deposit or of the surrounding area.

The number and variety of targets identified by the initial exploration of this geologically favorable environment is highly encouraging. Initial drilling of each of these targets is expected to commence within two months and to be completed before mid-year.

The Company's exploration and drilling proposals were successful in attracting the offer of \$59,000 subsidy for drilling expenses from the South Australian Government's "PACE" (Plan for Accelerating Exploration) initiative. The grant recognizes the prospectivity of the targets and the regional implications of exploration success in this locality.

LUCKNOW GOLD-COPPER PROJECT, NEW SOUTH WALES (AAO 100%)

A program of 71 percussion drillholes (2,858m) tested six magnetic anomalies selected after reprocessing and interpretation of regional magnetic data. All are covered by a blanket of younger basalt lavas and associated rocks which is of variable thickness mostly in the range 30-50m.

Each target was tested by one or two traverses of relatively widely-spaced vertical drillholes (40-60m apart). These were the first exploration drillholes into any of these targets. Results are detailed in Table 1 below.

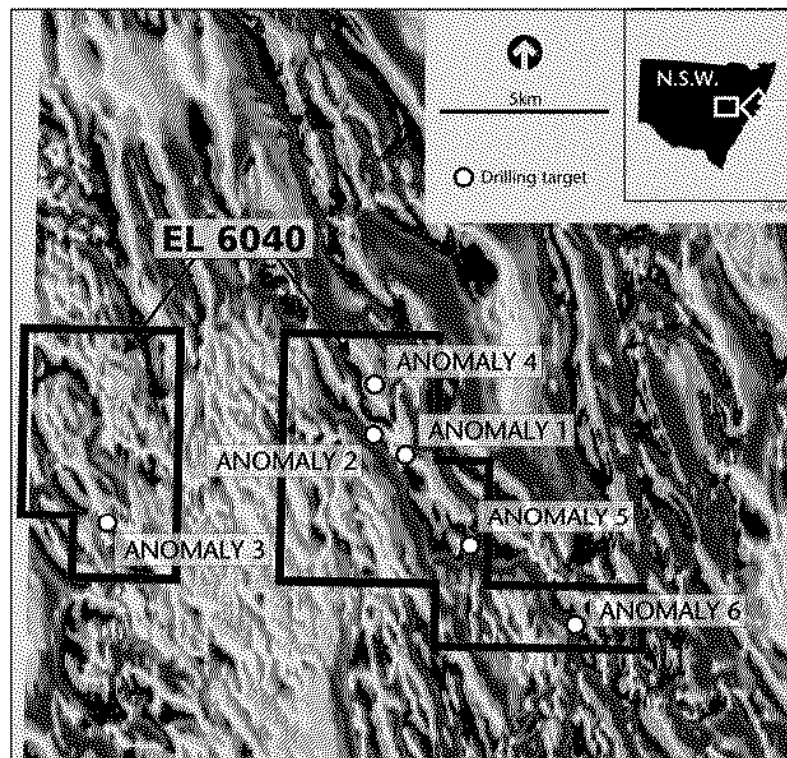


Figure 3:

Plan of EL 6040; airborne magnetic image and location of anomalies drilled

In summary, five of the six magnetic features yielded samples at the contact between basalt and metamorphic basement, or within basement itself which indicate potential for mineralization in the vicinity. The difficulty of the targeting (due to the blanketing younger basalt, concealing basement geology) and relatively wide drillhole spacing dictate that even quite subtle mineralization indicators justify follow up in this extensively mineralized environment.

Geological and geochemical results of greatest interest include pyrite veinlets with associated anomalous levels of gold and base metals in chloritised basic volcanics in proximity to a possible monzonite intrusion; gold-bearing gravels at the contact between cover basalt and basement rocks and anomalous values associated with gossanous material, at target sites 2, 6 & 3 respectively (Figure 2).

The Company is considering the most appropriate follow up program for each of these encouraging results, and the opportunity represented by a further selection of magnetic features which either were inaccessible at the time of drilling, or were excluded from the initial program. Additional drilling is contemplated later this year.

TABLE – Drilling results summary

Magnetic Anomaly Target	Hole Numbers	Traverse Co-ordinates	Significant Observations in percussion drill chips
1	LRC001-004 LRC007-012 LRC005-006 LRC013-019	702200E 6304250-770N 702400E 6304350-770N	Chloritic volcanogenic sediments.
2	LRB020-030	700557E 6304937N - 701050E 6304950N	Probable monzonite in one hole; basic volcanics in basement in neighbouring holes show chlorite-epidote alteration, pyrite veinlets & sporadic elevated copper, gold and arsenic values; elsewhere sericite-quartz alteration recognised.
3	LRB031-039	693400E 6301700N – 693390E-6302280N	Sporadic elevated copper (lead, zinc), gold and arsenic values in dark clay-rich weathered (altered?) basement rock, with ferruginous fragments. Several holes failed to penetrate basement.
4	LRB040-052	700890E 6306255N – 700880E 6306810N	Basement rock assemblage includes serpentinite (the Lucknow orebody was hosted in a serpentinite body).
5	LRB053-060	704000E 6301500N – 704012E 6301945N	Sporadic elevated copper values
6	LRB061-071	706923E 6299318N – 707550E 6299320N	Basement rock assemblage includes serpentinite. Extensive gold-bearing quartz gravel regolith on basement contact (3m x 0.3grams gold/tonne – “g/t” in two holes)

OTAGO REGION, NEW ZEALAND

Wetherstones

A program of 21 vertical reverse circulation percussion drillholes (numbers 59-79; totaling 1,094m) was completed around the Wetherstones prospect as shown in Figure 4. These tested the interpreted position of the channel prospective for high grade alluvial gold mineralization, and adjacent parts of the Wetherstones alluvial basin.

Results are summarized in Figure 4.

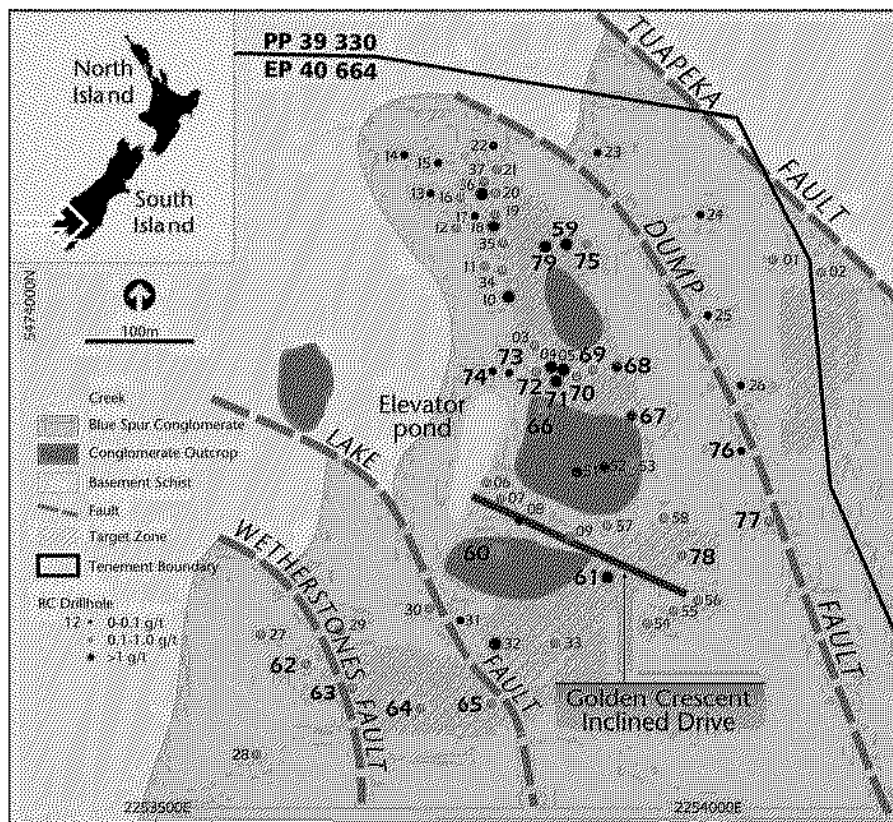


Figure 4: Geological map of Wetherstones gold deposit showing drilling locations and grades of mineralisation

Only three of the 21 holes reported less than 0.1 g/t gold. The drilling has therefore significantly extended the known occurrence of alluvial gold mineralization of 0.1 to 1.0 g/t tenor, at or around the base of the Blue Spur Conglomerate in the Wetherstones Basin. As in the drilling completed earlier in the year, peak values were in the range of 1m at 4 to 5 g/t gold, reported from two holes. Two metre cavities left by original underground mining were encountered in three of the northernmost holes, inferring that areas of high grade existed and may still remain within this widely distributed basal gold mineralization.

The Company is reviewing these results and future possibilities in regard to the Wetherstones project, including the possibility of farmout.

Otago Region

The focus of our future attention in the Otago Region will be the Company's three Prospecting Permits totalling 800 square kilometers in area. Surrounding major centres of alluvial production, these areas are thought to be prospective for basement-hosted primary lode gold deposits (sources of alluvial gold), concealed under alluvial mine tailings and valley sediments, and buried high grade alluvial gold concentrations.

GLENCOE GOLD DEPOSIT (AAO 100%) & PINE CREEK REGIONAL RECONNAISSANCE (AAO - 100%)

Glencoe

Field work is restricted during the northern rainy season. Ongoing economic studies have continued as well as planning/ permitting for diamond drilling commencing as soon as access and contractor availability allows. Drilling of the deposit itself will be designed to increase confidence in projected economic outcomes, including obtaining samples of primary mineralisation for metallurgical testing. At the same time, a complementary diamond drilling program will test targets in the strike and depth extensions of the Glencoe deposit which are identified by an IP survey proposed to be completed early in the dry season.

Pine Creek Regional

The interpretation of regional airborne magnetic survey data has identified preferred target areas for bedrock geochemical surveys within the Company's regional exploration tenements. Plans are being formulated for drill-based geochemical surveys to be undertaken once access is restored after the end of the rainy season.

NEW BUSINESS DEVELOPMENT

The Company continues to identify and examine numerous farmin and acquisition opportunities both within Australia & New Zealand, and internationally.

FINANCE

At 31st December 2006 the Company had cash reserves totalling \$1.8 million

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 and Metallurgy. Mr Ireland is an employee of Australasia Gold Ltd 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

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98

Name of entity

AUSTRALASIA GOLD LIMITED

ACN or ARBN

ACN 104 757 904

Quarter ended ("current quarter")

31 December 2006

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to Date (3 months) \$A'000
1.1 Receipts from product sales and related debtors	0	0
1.2 Payments for		
(a) exploration and evaluation	(420)	(503)
(b) development	0	0
(c) production	0	0
(d) administration	(91)	(230)
1.3 Dividends received	0	0
1.4 Interest and other items of a similar nature received	31	66
1.5 Interest and other costs of finance paid	0	0
1.6 Income taxes paid	0	0
1.7 Other	10	40
Net Operating Cash Flows	(470)	(627)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a)prospects	0	0
(b)equity investments		
(c) other fixed assets	(3)	(3)
1.9 Proceeds from sale of:		
(a)prospects	0	0
(b)equity investments	0	0
(c)other fixed assets		
1.10 Loans to other entities	0	0
1.11 Loans repaid by other entities	0	0
1.12 Other (provide details if material)	0	0
Net investing cash flows	(3)	(3)
1.13 Total operating and investing cash flows (carried forward)	(473)	(630)
1.13 Total operating and investing cash flows (brought forward)	(473)	(630)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	1	1
1.15	Proceeds from sale of forfeited shares	0	0
1.16	Proceeds from borrowings	0	0
1.17	Repayment of borrowings	0	0
1.18	Dividends paid	0	0
1.19	Other - prospectus issue costs (placement)	0	0
Net financing cash flows		1	1
Net increase (decrease) in cash held			(629)
1.20	Cash at beginning of quarter/year to date	2,242	2,399
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	1,770	1,770

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	63
1.24	Aggregate amount of loans to the parties included in item 1.10	0

1.25 Explanation necessary for an understanding of the transactions

Amount of \$62,925 at 1.23 comprises consulting fees paid to related corporations of directors – ie) M R Billing (\$5,800) and salary payments to T J Ireland (\$40,875) plus directors fees – J B Roberts (\$6,250) N Jackson (\$5,000), , M R Billing (\$5,000)

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

None

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	Nil	Nil
3.2 Credit standby arrangements	Nil	Nil

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	400
4.2 Development	
Total	400

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	148	49
5.2 Deposits at call	1,622	2,193
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	1,770	2,242

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	MCN 1313	Mineral Claim Northern Territory	100%	0%
	MCN 2588-2591	Mineral Claims Northern Territory	100%	0%
	MCN 3994, MCN 3995	Mineral Claims Northern Territory	100%	0%
6.2 Interests in mining tenements acquired or increased				

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

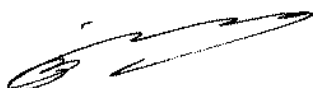
	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities <i>(description)</i>	Nil			
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	Nil			
7.3 +Ordinary securities	30,738,084	21,752,950	N/A	Fully Paid
7.4 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	592,372	592,372		
7.5 +Convertible debt securities <i>(description)</i>	Nil			
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	17,374,158 2,000,000 2,000,000 2,000,000	10,838,002 - - -	20 40 60 80	30 June 2008 25 August 2008 25 August 2009 25 August 2010
7.8 Issued during quarter	NIL	NIL		
7.9 Exercised during quarter				
7.10 Expired during quarter	Nil			
7.11 Debentures <i>(totals only)</i>	Nil			
7.12 Unsecured notes <i>(totals only)</i>	Nil			

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Law or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:



Print name: Michael R Billing
Director/Company Secretary

Date: 29 January 2007

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities.** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.