

Thursday, 31 January 2008

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

REPORT FOR THE QUARTER ENDED 31ST DECEMBER 2007

HIGHLIGHTS

- New gold-arsenic geochemical anomaly at Mt Ringwood, Northern Territory
 - 800 x 200 metres(m) dimensions
 - discovered beneath 5-10m of alluvial sediments
- Option secured to purchase McKinlay Gold deposit
 - zone at least 975 x 40m in area containing outcropping gold-bearing quartz veins
 - trench samples up to 4.4m averaging 13.1 grams gold/tonne (g/t Au) and 5.3 m averaging 7.4 g/t Au
 - very limited drilling (6 short holes)
 - 12 month exclusive option to conduct sampling and 1,000m of drilling
- Drilling commenced at Glencoe gold deposit
 - visible gold in the first hole
- Gravity survey commenced at Murninnie
- Agreement to joint venture into Gawler Craton tenement adjacent to Murninnie
- Cash available at the end of the period: \$2.3 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 & 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

REVIEW OF EXPLORATION

PINE CREEK RECONNAISSANCE (AAO - 100%)

Pine Creek Regional

Previously unknown gold mineralisation was identified beneath black soil plains fringing the Margaret River on the Mt Ringwood exploration licence (EL) 24142 located approximately 90km south east of Darwin. The discovery was made in the course of an air core drilling – geochemical survey (Figures 1 & 2). The more northerly of two targets identified by the interpretation of airborne magnetic data, showed an anomalous zone of elevated gold and/or arsenic values approximately 200m wide, on each of two lines, 800m apart. Drill holes are 50m apart along each of the lines. The anomaly remains open to both the north and the south.

Peak values in bedrock (samples representing 4m drillhole advance) are 125 parts per billion gold and 206 parts per million arsenic. Results have been presented in more detail in a separate report to ASX (18 December 2006).

More detailed follow up drilling is planned as soon as access is possible after the end of the rainy season – probably towards mid-year 2008.

The anomaly occurs close to the tenement boundary. Adjacent land is currently reserved from the operation for the Mining Act. The Company has made application towards securing exploration rights over this land.



Figure 1: Air core drill rig on black soil plain

As well as discovering this new mineralised prospect, the results confirm the Company's exploration concepts and the effectiveness of the exploration methods it is using in the Pine Creek region.

The second air core drilling geochemical program to test black soil plains targets on EL's 22301 and 23824 some tens of kilometres to the south-east, was postponed due to early monsoonal rain and will be undertaken as soon as access is again available, expected to be in the second quarter 2008.

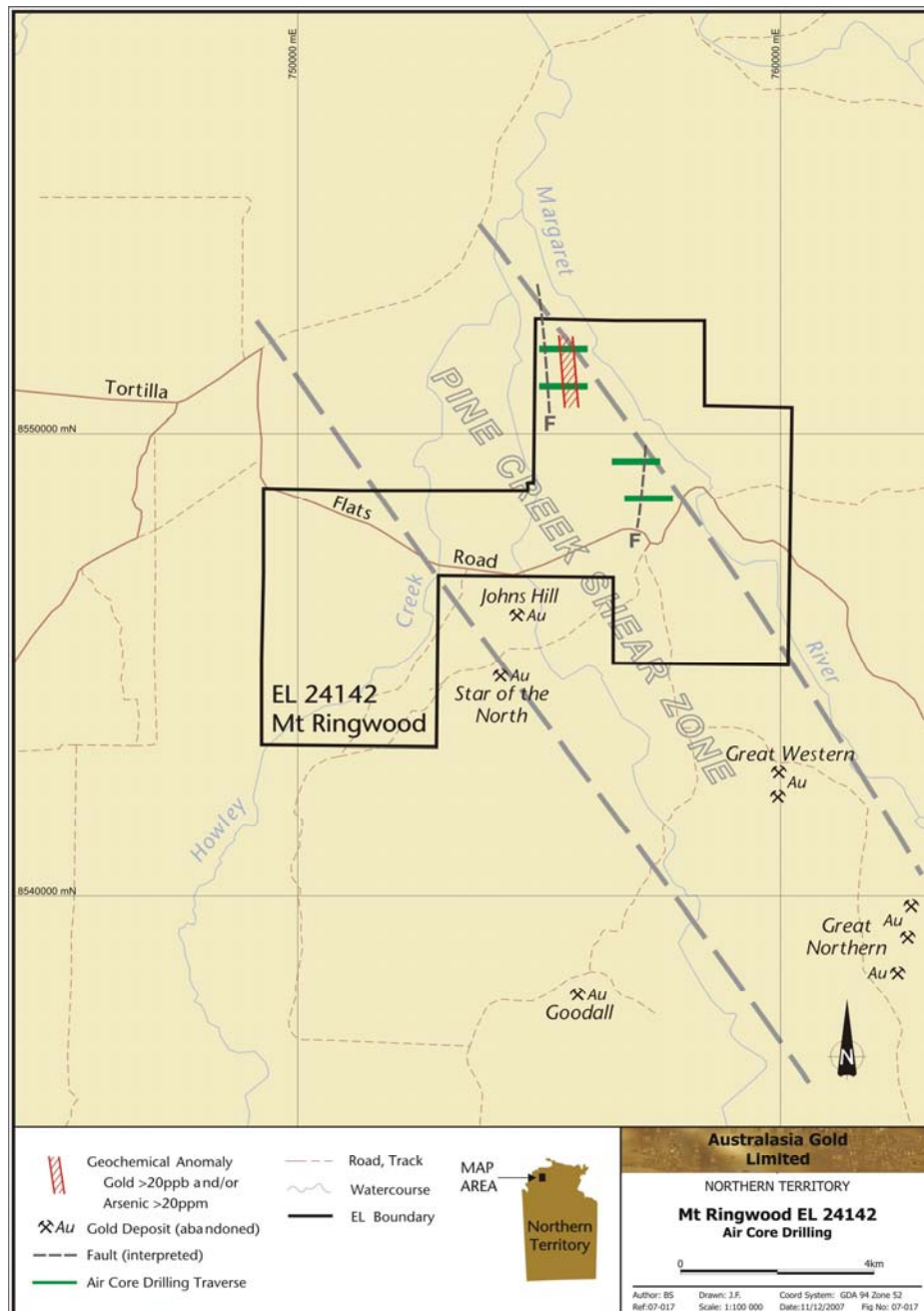


Figure 2: Mt Ringwood gold anomaly- Location and Results

McKinlay Gold Deposit – Option to Purchase

Australasia Gold has secured an option to purchase a 100% interest in Northern Territory Mineral Leases MLN 808, 821 & 869 covering the McKinlay gold deposit. The deposit is situated 25km east of Glencoe and 150km south east of Darwin (Figure 3).

Main Terms of Option Agreement – McKinlay Gold Deposit

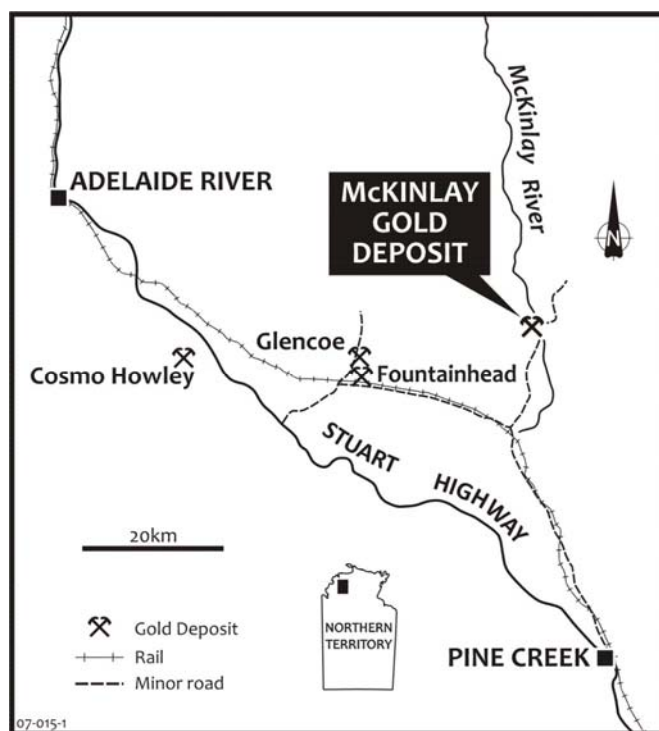
Australasia Gold has paid \$60,000 for the option and undertaken to complete at least 1,000m of drilling. The option is extendible to two years by the payment of a further \$100,000 in cash and shares.

If Australasia Gold elects to purchase the tenements, the consideration will be \$950,000 in cash and shares, plus one million options to purchase shares at the then-current price.

The vendors will also be entitled to receive a 2% Net Smelter Royalty on the value of production from the tenements

The details of the transaction and the mineralisation are more fully described in a separate report to ASX (January 29, 2008)

Figure 3: Location, McKinlay gold deposit



Outcrop of quartz veins, ferruginous lodes and weathered, altered shale at McKinlay

Geology and Mineralisation

Gold occurs in a steeply dipping zone which measures more than 975m in length and 40m in width. Occurring within this zone are multiple gold-bearing quartz veins and sulphidic alteration zones. Conspicuously high gold grades have been reported from the sampling of the outcropping mineralisation (figure 4 and Table 1).

The mineralised structure extends beyond the Mineral Lease boundaries at least one kilometre both to the north and to the south within exploration licences 22301 and 23824. Australasia has JV rights to a 100% interest in gold which it may discover in these EL's

The McKinlay mineralisation has been tested by sampling numerous trenches; small scale mining during the late 1930's and the mid-1990's, and drilling in 1974 and 1997 (totalling six effective holes, all intersecting the lode zone at less than 30 metres depth). Mineralisation is locally high in grade however the distribution of gold appears to be irregular, with poor sampling repeatability apparent in both trenches and drill holes and variations between intercepts in adjacent trenches. Reconciliations between drill holes and adjacent trench results are erratic. (Figure 4, Tables 1 and 2). Better trench intercepts include 4.4m @ 13.1 g/t gold, 5.3m @ 7.4 g/t and 3.0m @ 6.0 g/t and drill intersections include 4.0m @ 6.5 g/t gold and 4.0m @ 4.8 g/t gold.

Potential

The McKinlay gold deposit and surrounding areas are prospective for gold mineralisation in several geological settings including quartz vein, sheeted vein (Callie style), stockworks, and stratabound (saddle reef or replacement) styles. Gold orebodies of all these styles have been mined throughout the gold rich Pine Creek region.

Assay results from earlier sampling show high but variable gold grades in the outcropping lodes. Subsurface testing of the mineralisation has been inconclusive. Gold grades encountered in trenches and drilling may have been influenced by supergene (i.e. near-surface) enrichment or depletion, features which are widely recognised throughout the Pine Creek region. Thus the magnitude and grade of the deposit is uncertain, however the dimensions of the mineralised zone (975 x 40m) are clearly sufficient to host a gold deposit of economic interest.

Importantly, additional mineralisation may occur where the mineralised quartz vein structure intersects favourable geological horizons considered likely to exist at moderate depth.

Exploration Program

Drilling to test the depth extensions of the outcropping mineralisation, and a geochemical survey of the surrounding black soil plains are both scheduled for mid-2008.

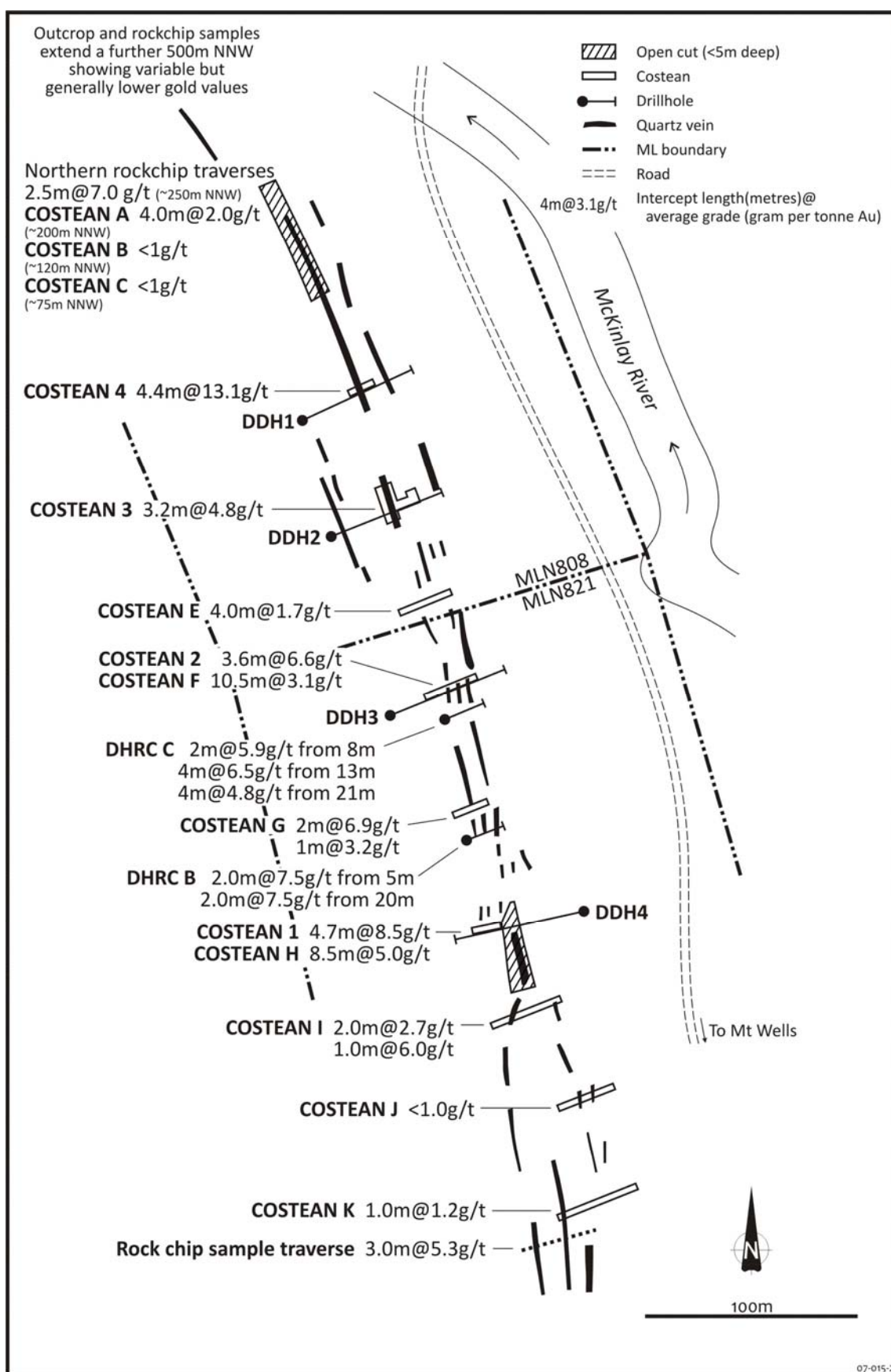


Figure 4: Geology and mineralisation, McKinlay gold deposit

GLENCOE GOLD DEPOSIT (Australasia Gold – “AAO” - 100%)

Glencoe

Drilling commenced at Glencoe late in the reporting period. A 20 hole, 2000m program of reverse circulation and diamond drilling has been designed to provide geotechnical information and samples for metallurgical testing, and to explore depth extensions of the deposit and mineralised structure. Several holes target new anomalies which may represent additional near-surface mineralisation, having been identified by an induced polarisation geophysical survey conducted late last year.

One diamond hole was completed, intersecting the mineralised zone approximately 50m below surface. Scattered quartz veins, some with sulphide aggregates, and at one point containing a cluster of visible gold grains were intersected over a down-hole interval of approximately 14 metres. Assays are expected in March, after processing of the core is completed.

Drilling is expected to resume during the first quarter 2008.



Specks of visible gold (inside circles) with arsenopyrite in quartz vein, Glencoe drill hole GLD001: 86.4m



Pyrite-arsenopyrite aggregate in quartz vein GLD001: 68.1m

MURNINNIE, GAWLER CRATON COPPER GOLD URANIUM PROJECT (AAO – 90%)

An infill gravity survey has been commenced to better define the gravity anomalies in the south-west corner of the exploration licence (Figure 5). Based on the results of this survey, diamond drilling is planned to be undertaken during the first half 2008.

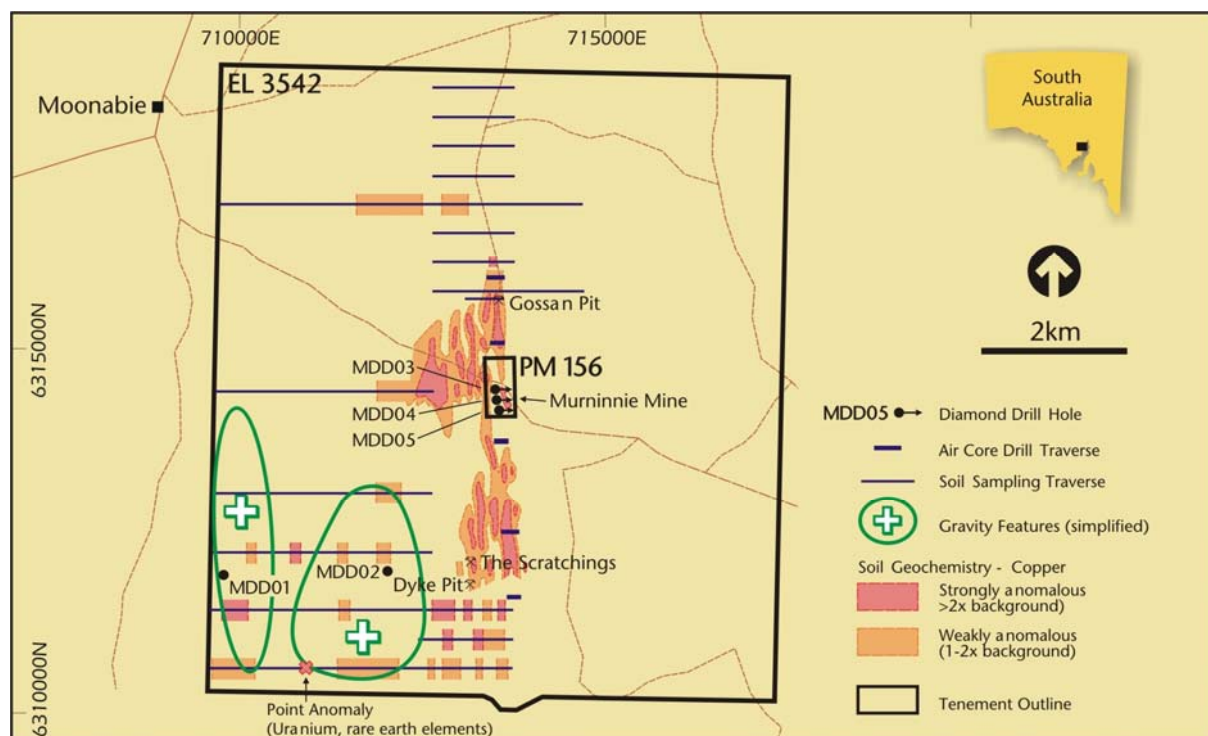


Figure 5: Summary exploration results, Murninnie

Agreement has been reached with Peninsula Exploration Pty Ltd, the holder of EL 3767 on the key terms for a joint venture (JV). EL 3767 adjoins Murninnie EL 3542 to the west (figure 6). Once detailed negotiations are completed, the joint venture will enable Australasia to explore the strike extensions of the anomalous gravity ridge in the south-west corner of EL 3542 (Figure 5), and other gravity features within the EL.

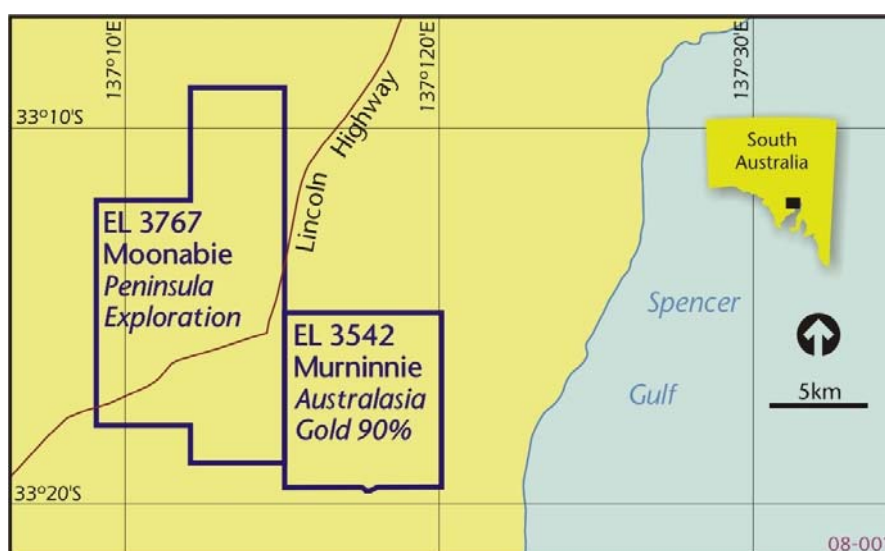


Figure 6:
Location of EL 3767, subject of JV negotiations between AAO and Peninsula Exploration

OTAGO REGION, NEW ZEALAND (AAO 100%; Glass Earth (NZ) Pty Ltd earning 70%)

The results of an airborne geophysical survey became available at the end of the reporting period. Interpretation is proceeding

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

The divestment of the Lucknow EL 6040 near Orange, New South Wales was near completion at the end of the reporting period.

NEW BUSINESS DEVELOPMENT

The Company continued an aggressive program of project evaluation throughout the period.

FINANCE

At 31st December 2006 the Company had available cash totalling \$2.3 million

Table 1: McKinlay Gold Deposit

**Trench Intersections above 0.5 g/t cut off grade
(Horizontal width @ average g/t gold)**

Trench <i>(Locations – see Figure 2)</i>	Hossfeld 1939-40	Newton 1974 (Resampling)	Owner 1994-97	Comment
1	0.9m @ 2.1 g/t 5.3m @ 7.4 g/t 0.4m @ 8.1 g/t	2.0m @ 1.2 g/t 4.0m @ 4.2 g/t	8.5m @ 5.0 g/t	Owners, trench H is adjacent DDH 4 angled beneath
2	6.2m @ 2.3 g/t 7.6m @ 5.9 g/t	5.0m @ 0.5 g/t 3.0m @ 0.3 g/t <i>Interval partly sampled</i>	5.5m @ 2.7 g/t 3.0m @ 6.0 g/t 1.0m @ 2.1 g/t	Owners trench F is adjacent DHRC C & DDH 3 angled beneath
3	1.6m @ 5.9 g/t 1.7m @ 3.1 g/t	Not sampled	<i>No record of sampling</i>	DDH 2 angled beneath
4	4.4m @ 13.1 g/t	Values <0.5 g/t	<i>No record of sampling</i>	DDH 1 angled beneath
A			2.0m @ 4.8 g/t 4.0m @ 2.0 g/t	
B			<0.5 g/t	
C			<0.5 g/t	
D			No record	
E			4.0m @ 1.7 g/t	
F			5.5m @ 2.7 g/t 3.0m @ 6.0 g/t 1.0m @ 2.1 g/t	Corresponds to Hossfeld Trench 2. DHRC C & DDH 3 angled beneath
G			6.0m @ 1.5 g/t Inc 2.0 @ 6.9 g/t 1.0m x 3.2 g/t	DHRC B angled beneath
H			8.5m @ 5.0 g/t	Corresponds to Hossfeld Trench 1
I			2.0m @ 3.4 g/t Inc 1.0 @ 6.0 g/t 3.0m @ 1.3 g/t 2.0m @ 2.7 g/t	
J			<0.5 g/t	
K			1.0m @ 1.2 g/t	Nearby rock chip line: outcrop and 'float rock': 3.0m @ 5.3 g/t

Table 2: McKinlay Gold Deposit**Drilling Intersections (Down-hole intercept @ average g/t gold)**

Drill Hole** <i>Locations – see Figure 2</i>	From (m)	To (m)	Intercept (downhole width) (m)	Grade (g/t gold)	Comments
					McKA & D failed to intersect the lode zone
McKB	5 20	7 22	2 2	7.5 g/t 7.5 g/t	Below trench G
McKC	5 13 21	7 17 25	2 4 4	5.9 g/t 6.5 g/t 4.8 g/t	Below trench 2
DDH1	43 66.9	44.5 69.3	1.5 2.4	0.4 g/t <0.2 g/t	Below trench 4; Quartz veins in graphitic slate and at amphibolite-slate contact
DDH2	46.2 51.2 50.3	47.2 53.6 59.4	1.0 (core, quartz veins) 2.4 (core, quartz veins) 9.1 (drilling sludge)	<0.2 g/t <0.2 g/t 0.4 g/t	Below trench 3 Quartz veins correlate well Australasia Gold chip samples from residual core indicate higher gold values than reported (8.4 g/t, 2.6 g/t Au)
DDH3	28 <i>Includes:</i> 30.5	60 36.6	32 (13 split core samples, quartz veins) 6.1 (drilling sludge)	<0.2 g/t 0.5 g/t	Below McKC & trenches 2 & F, good correlation of quartz veins. Host rock: chloritic and pyritic slate.
DDH4	30	50	20 (13 split core samples, quartz veins)	<0.2 g/t	Below trench 1 Australasia Gold chip samples from residual core: <0.1, <0.1, 1.5 g/t Host rock: fractured, altered, pyritic schist with quartz veins

****:** McK holes are reverse circulation, DDH holes are diamond core.