

29 January 2010

QUARTERLY REPORT FOR THE PERIOD ENDING 31 December 2009

HIGHLIGHTS

Major events and achievements for Australasian Resources Ltd (“Australasian” or “Company”) (**ASX: ARH**) during the quarter were as follows:

CORPORATE

- Australasian progressed discussions with a number of parties in the Middle East and Asia, most notably China, including a number of new parties that expressed an interest in the Balmoral South Iron Ore Project (“BSIOP” or “Project”).
- The Office of State Revenue has declared that the acquisition of International Minerals Pty Ltd by ARH does not trigger the land rich provisions of the act and as such has stated that there is no duty payable

BALMORAL SOUTH IRON ORE PROJECT

- Following the release of a positive Environmental Protection Agency (EPA) Report during Quarter 3, the draft Ministerial Statement for Balmoral South Iron Ore Project was released on 23 December 2009. State government environmental approval is a critical milestone towards the development of the Project. Release of the Draft Ministerial Statement confirms that the impact assessment process is complete with the Project deemed to be environmentally acceptable. An appeal was lodged by Mineralogy which seeks to amend proposed conditions to remove duplication, clarify requirements and correct typographic errors within the Statement. The appeal will only result in a minor delay to the release of the Final Ministerial Statement which is expected in February 2010.
- Project optimisation is ongoing to seek to enhance the economic returns.
- Construction of the causeway is well advanced by Sino Iron Project as part of the Cape Preston Port development which includes an allowance for the Balmoral South Iron Ore Project.

CORPORATE

HEALTH AND SAFETY

No safety incidents were reported during the quarter.

Work continues on the preparation of corporate Health, Safety, Environment and Community (HSEC) Standards.

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OTHER STRATEGIC INVESTORS AND/OR OFF-TAKE PARTNERS

Australasian progressed discussions with a number of parties in the Middle East and Asia, most notably China, including a number of new parties that expressed an interest in the Project. The Company is working towards concluding negotiations in the first half of 2010 to secure strategic investors and funding to commence Project development in 2010.

The Company remains confident about the viability of the Project and the strong long term outlook for the world iron ore market.

STAMP DUTY

The Office of State Revenue completed its assessment of the acquisition of International Minerals Pty Ltd by ARH and was satisfied that the transaction did not trigger the land rich provisions of the act and as such has stated that there is no duty payable.

Whilst management always contended that no duty was payable, a conservative approach was taken within the ARH accounts and on advice from ARH's Auditors, an amount of \$8,800,000 was provided for. This amount will now be reversed as the matter has now been finalised and no further action is required.

BALMORAL SOUTH IRON ORE PROJECT**ENVIRONMENT AND COMMUNITY**Environmental Approvals

In response to the appeal against Environmental Protection Authority (EPA) report 1340 lodged by Mineralogy, the Minister has released the appeal decision following review of the Appeals Convenor report. Department of Mines and Petroleum (DMP) advised the Appeal Convenor that a performance bond in respect to rehabilitation and mine closure can be applied to the proposal under the terms of the Mining Act 1978. The Minister has allowed Mineralogy's appeal to the extent that the performance bond should be considered under Mining Act, consistent with relevant policy and addressing the risks identified by the EPA.

The conditions recommended by the EPA have been modified to reflect the Minister's appeal determination. The Draft Ministerial Statement for Balmoral South Iron Ore Project was released on 23 December 2009. State government environmental approval is a critical milestone towards the development of the Project. Release of the Draft Ministerial Statement confirms that the impact assessment process is complete with the Project deemed to be environmentally acceptable.

Subject to the statutory appeals process defined within Section 100(3) of the *Environmental Protection Act 1986*, The appeal period is two weeks, during which Mineralogy as the Project Proponent, can appeal against any conditions imposed. The appeal period closed on 7 January 2010.

Mineralogy confirmed that an appeal against Implementation Conditions contained within Ministerial Statement 823 has been lodged. The appeal seeks to amend proposed conditions to remove duplication, clarify requirements and correct typographic errors within the Statement. Appeal of the Implementation Conditions will only result in a minor delay to the release of the Final Ministerial Statement which is expected in February 2010.

Government Consultation

Consultation has focussed on resolving issues during the appeal period against EPA report 1340 and also accelerating the progress of Ministerial assessment to release the draft Ministerial Statement.

Other Approvals

The federal Department of Environment, Water, Heritage and the Arts (DEWHA) released the Federal Government approval on 17 November 2009 allowing for the implementation of the Balmoral South Iron Ore Project. This is another major milestone for the Project.

Work on Part V Works Approvals has been discussed with the Department of Environment and Conservation (DEC) who have reviewed the submitted scoping document for BSIOP. DEC has also indicated that the initial scoping consultation process has been fulfilled and they are ready to move into the impact assessment process upon receipt of application.

Work has continued on the development of the Project Proposal, as required under the State Agreement Act. The Department of State Development (DSD) has reviewed the draft Project Proposal and provided comments to assist in finalising the proposal before formal submission.

GEOLOGY AND MINING

No further exploration work occurred on the Project area during the quarter.

SERVICES, UTILITIES AND INFRASTRUCTURE

Australasian continues to liaise with Mineralogy and Citic Pacific Mining Management (CPMM) on the shared infrastructure corridor to the port, including aspects of energy supply and power distribution.

Port

Construction of the causeway is well advanced by Sino Iron Project as part of the Cape Preston Port which includes allowance for the Balmoral South Iron Ore Project and Australasian's deepwater Port Development Plan; pursuant to Australasian access rights.

Energy Supply

Australasian is continuing negotiations with major gas suppliers to meet the forecast demand requirements for Balmoral South Iron Ore Project; and is well placed to gain from the proposed Gorgon and Devil Creek gas developments.

OPTIMISATION WORK

Optimisation of project feasibility is progressing, based on the original feasibility study completed in June 2008 and subsequent review undertaken by Beijing Shougang International Engineering Technology (BSIET). A number of cases have been developed to align with potential customer needs and seek to optimise economic returns, with a focus on:

- Flowsheet optimisation;
- Process and equipment optimisation with major original equipment manufacturers (OEM's);
- Process plant throughput review;
- Operating Cost Model review; and
- Water supply options.

PRE-IMPLEMENTATION PLANNING

Alternative project implementation plans are continuing to be progressed, to assist final investment decision (FID) processes with potential new investors.

Discussions are progressing with the Original Equipment Manufacturers (OEM's). Meetings were held during November/December with a focus on:

- Long lead delivery times;
- Price movements; and
- Implementation/contracting strategies.

EXPLORATION

SHERLOCK BAY NICKEL AND SHERLOCK EXTENDED PROJECT (BASE METALS)

The Company's Sherlock Bay Nickel Project (100% Australasian) hosts the Sherlock Bay Nickel deposit which is located east of Karratha in the Pilbara region of Western Australia. The Sherlock Extended Project (70% Australasian) surrounds the main Sherlock Bay nickel deposit.

The Sherlock Extended Project is a joint venture between Australasian and Metals Australia Ltd (30% interest). Australasian are the managers of the project, with Metals Australia being 'free-carried' through to the completion of a bankable feasibility study and the decision to commence commercial mining.

Assay results from the vegetation sampling program undertaken on 13 of the 15 tenements currently held in the area, were received at the end of the quarter. These have been the subject of initial review with more detailed processing and interpretation of results to be completed in early 2010.

Assays have been received for drill cuttings collected from the remnants of seventeen historical holes, of unknown origin, that were found during field mapping in August 2009. These holes, located on P47/1152 and P47/1155, are interpreted to be the result of a previous bedrock testing program due to the relatively small single pile of rock cuttings located offset from the hole collars. Assays highlight an area of significant nickel anomalism associated with an area of magnetite bearing ultramafic sub-crop. Figure 1 shows the nickel grades associated with these holes which indicates grades increasing to the west and shows mineralisation is open. These grades are significant when compared to the Sherlock Bay Deposit (SBD) mineralisation. The SBD contains assay grades between 0.15% and 1.3%, and is known to generally be depleted closer to surface due to bacterial oxidation of nickel sulphides to more soluble, and easily transportable, nickel sulphates. The newly recognised mineralisation is ~9.5 km from the SBD as shown in Figure 2

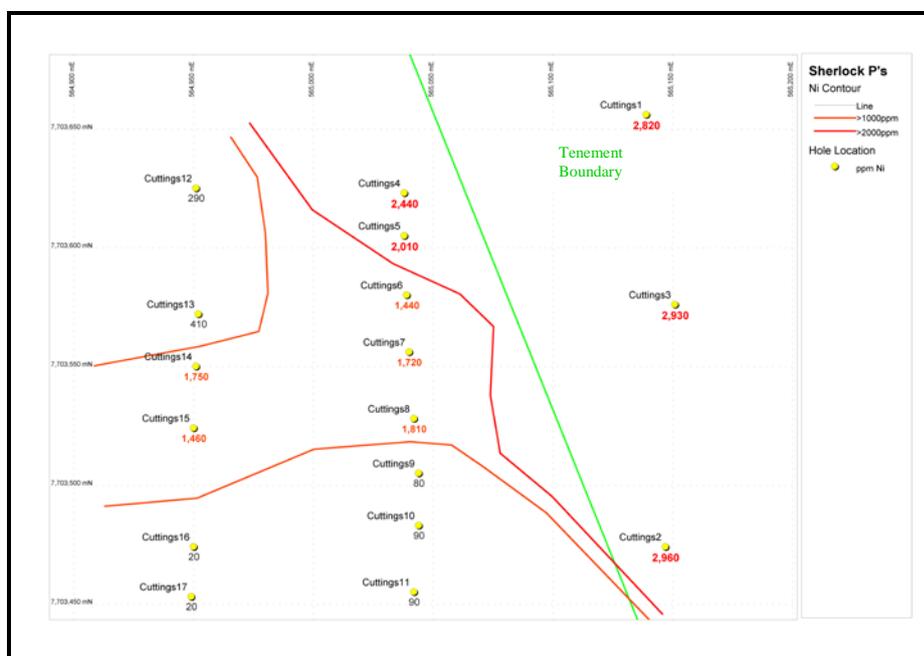


Figure 1

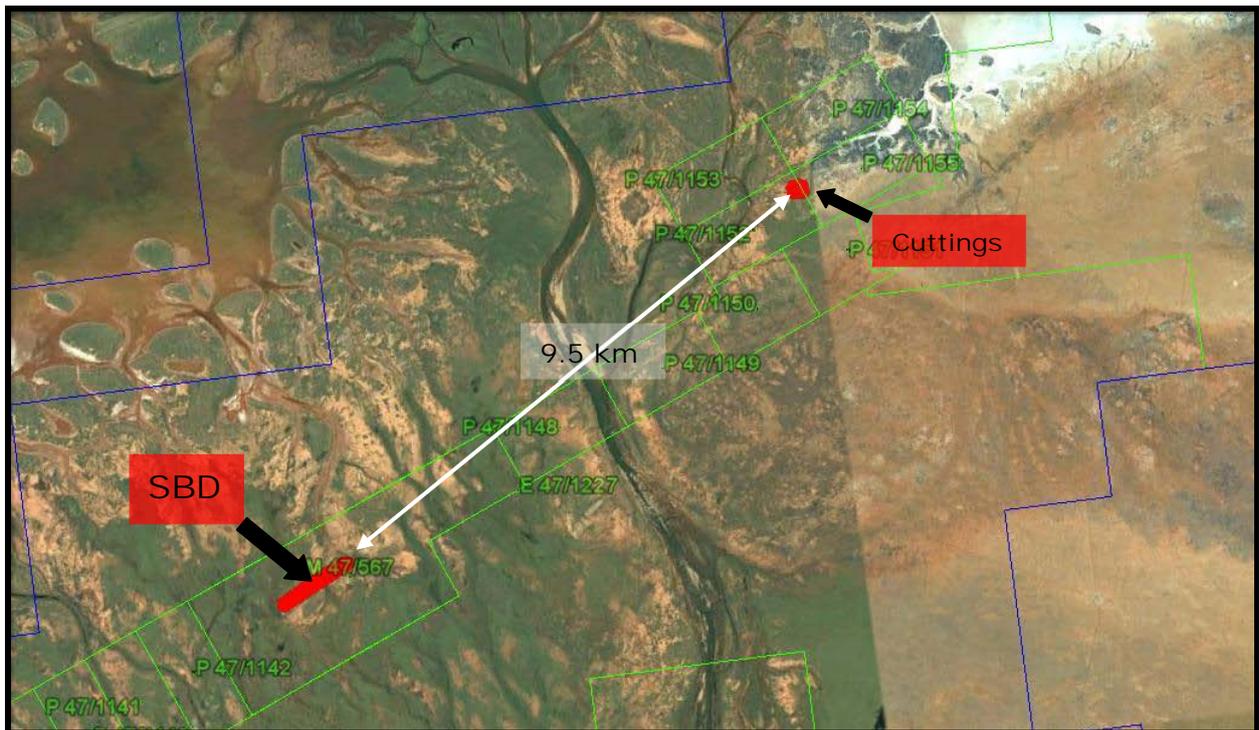


Figure 2

ANDOVER (BASE METALS)

Andover is located near the Sherlock Bay Nickel Project and the tenement covers a magnetic feature which is interpreted as being the feeder channel for the Andover layered mafic – ultra mafic intrusive complex.

During the quarter, final results from follow up vegetation sampling were received. These results were reviewed with Professor Colin Dunn, a Scientist with over twenty years experience in Biogeochemistry, and work going forward is expected to include an expansion of the sampling programme combined with drilling.

MT SALT (IRON ORE/URANIUM)

The Mt Salt prospect is located near the Pilbara coast, immediately to the west of the Balmoral South Iron Ore Project area.

Two vertical drill holes were successfully drilled to approximately 200 metres, one in the north-east (MSRC001) of the tenement and one in the south (MSRC003), as shown in Figure 3. MSRC001 intersected dolerite, while MSRC003 intersected a magnetite bearing rock interpreted in the field to be an intrusive. Samples of this magnetite bearing rock have been submitted to for mineralogical analysis. Results are expected in late January and will allow determination of a suitable Davis Tube Recovery testing protocol, which in turn will allow determination of recoverable iron and potential value as an ore.

A detailed airborne geophysical survey was undertaken, collecting magnetic and radiometric data for the areas shown below in Figure 4. A geophysical consultant has been engaged to interpret the data and develop models of the magnetic bodies. Models will allow estimation of the potential volumes of identified magnetite bearing targets, along with detailed targeting of future drilling to test grade and ore quality. Results of the modelling work are expected in late January and future drilling will be planned at that stage.

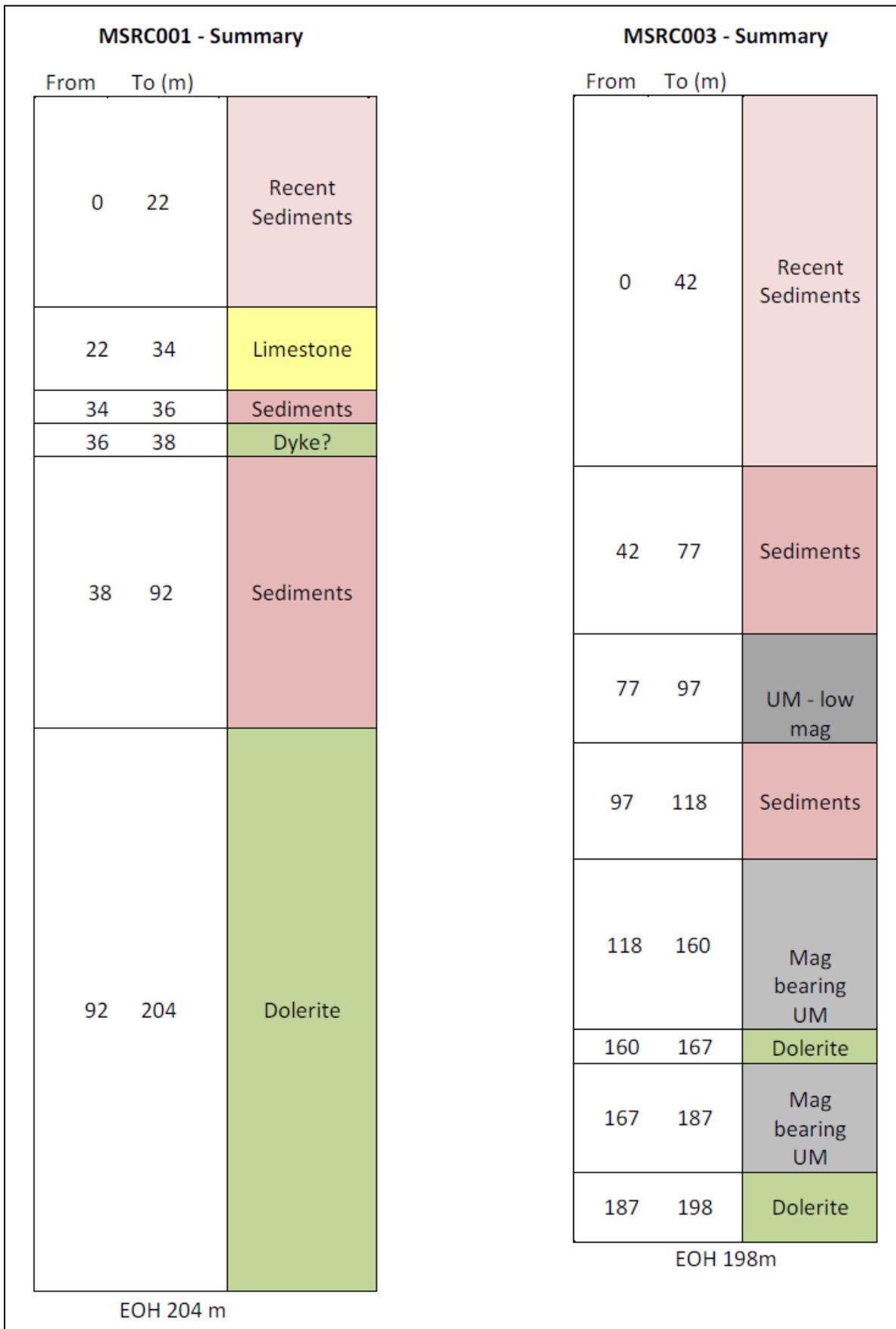


Figure 3

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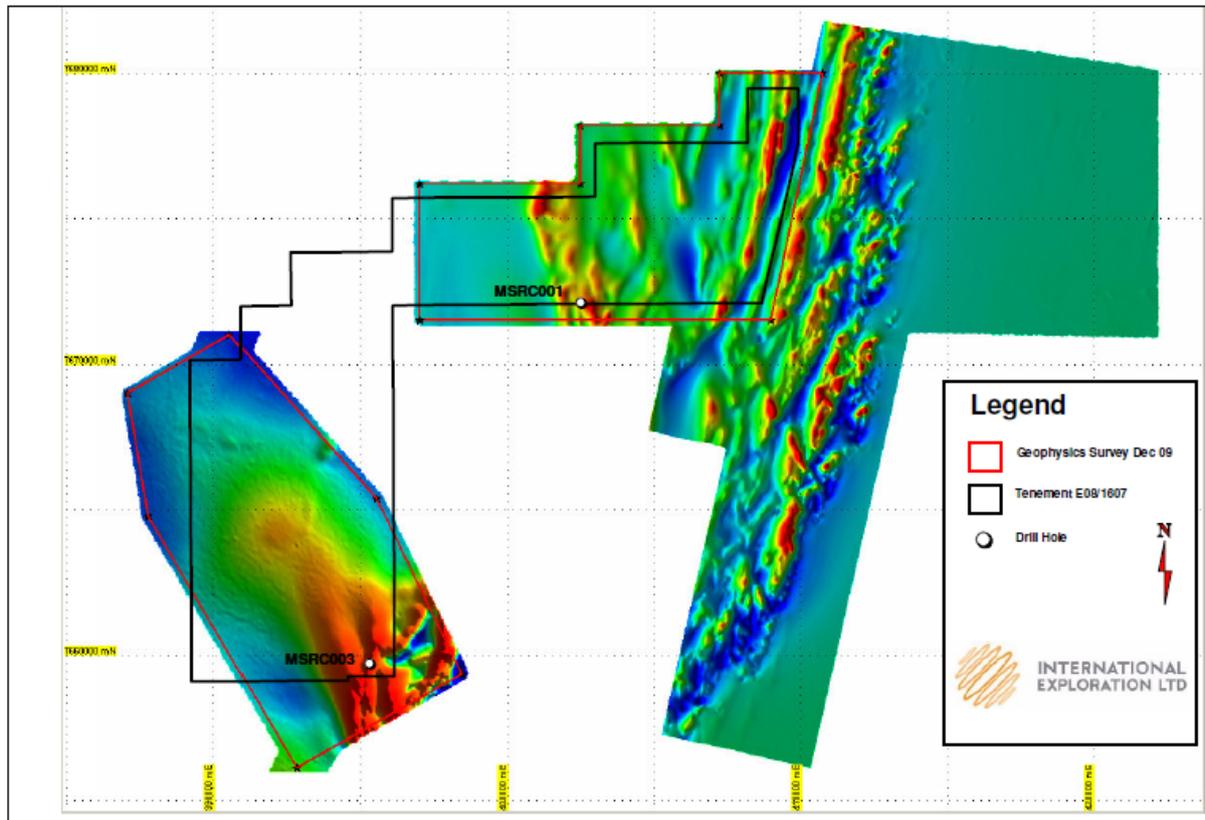


Figure 4

CAT CAMP (BASE METALS)

The Cat Camp prospect, lies within the Lake Johnston Greenstone Belt and is located approximately 170km south west of Kalgoorlie. It contains lithologies that are consistent with the nickel sulphide deposits that have been mined at the nearby Emily Ann and Maggie Hays operations.

Previous Aircore and Reverse Circulation (RC) drilling by the company have identified an area of lateritic nickel mineralisation overlying ultra mafics. In recent times a vegetation sampling program was undertaken to confirm this biogeochemical technique was a viable means of identifying nickel anomalies.

Results from the analysis of vegetation samples have been received and interpreted; showing the technique successfully identified the previously drilled mineralisation and also identified anomalies up to seven kilometres away.

An ongoing regional scale vegetation sampling programme continued during the quarter, with results received and interpreted for 137 samples, and a further 114 samples collected.

Results show a continuation of anomalous nickel along identified structural trends to the North West of known mineralisation. This expands the zone of anomalism to over ten kilometres and warrants infill sampling to better define drill targets.

COPPER BORE WELL (BASE METALS/URANIUM)

No further exploration work was undertaken during the quarter.

Attribution

The information in this report that relates to Exploration Results is based on information compiled by Todd Axford, who is a member of the Australasian Institute of Mining and Metallurgy. Todd Axford is a full time employee of the company, and has sufficient experience relevant to the styles of mineralisation and type of deposit under consideration and to the activity he is undertaking, to qualify as a Competent Person as defined in the December 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Todd Axford consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

SIGNIFICANT UPCOMING ACTIVITIES

Significant activities for the period January - March will include:

- Continue to work with the government and Mineralogy to finalise Part IV Environmental Ministerial and progress Part V Approvals.
- Advance with a view to concluding negotiations with potential strategic investors/partners in an effort to secure the necessary funding to support the commencement of Project development in 2010.
- Continue optimisation of the project to enhance the economic returns.
- Continue development of Health, Safety, Environmental and Community Standards.

For and on behalf of Australasian Resources Limited



Andrew Caruso
Managing Director