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30 April 2010

# QUARTERLY REPORT FOR THE PERIOD ENDING 31 March 2010

## HIGHLIGHTS

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

### CORPORATE

- Australasian Resources Ltd has secured a $3 million working capital loan facility from Mineralogy Pty Ltd (a company controlled by Professor Clive Palmer). The funds from this facility will allow Australasian to continue to progress discussions with the various parties that have shown interest in investing in the Company's Balmoral South Iron Ore Project. The facility in the final stages of execution.

### BALMORAL SOUTH IRON ORE PROJECT

- Appeals against Ministerial Statement Conditions have been upheld in favour of the Project.
- Amended Ministerial Statement released on 9 March 2010.
- Environmental Protection Act (Part IV) assessment complete.

## 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.

### OTHER STRATEGIC INVESTORS AND/OR OFF-TAKE PARTNERS

Technical and commercial discussions have continued with parties who have expressed an interest in Australasian Resources and its Balmoral South Iron Ore Project. Discussions have largely been centred on large steel producers from China, however there has been an increased interest of late from India and Korea. One Chinese party plans to send a high level delegation to Australia in early May to conduct a site visit on Balmoral South Iron Ore Project in the lead up to potentially conducting due diligence.

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

**FINANCES**

Australasian Resources Ltd has secured a $3 million working capital loan facility from Mineralogy Pty Ltd (a company controlled by Professor Clive Palmer).

The funds from this facility will allow Australasian to continue to progress discussions with the various parties that have shown interest in investing in the Company's Balmoral South Iron Ore Project. These parties include end users eager to secure long term iron ore supply and with access to attractive funding options. Australasian will continue to evaluate the potential strategic investors whilst also using the funds to further increase the value of its projects during this process.

The loan facility is repayable within 12 months, is secured by a fixed and floating charge over Australasian's assets and bears interest at the bank bill swap bid rate plus 2%. The loan documentation is in the final stages of execution to enable an initial drawdown. In the event that Australasian receives proceeds from a capital raising or disposal of assets, such proceeds must be applied to the repayment of the facility.

## BALMORAL SOUTH IRON ORE PROJECT

**ENVIRONMENT AND COMMUNITY**

*Environmental Approvals*

An appeal against the Conditions contained within Ministerial Statement 823 was lodged on 6 January 2010. Statement 823, which was released on 22 December 2009 contained a number of inconsistencies, typographic errors and conditions that had been included following the completion of the previous Appeals period, and as such had not been available for review and comment.

Three specific appeal grounds were lodged, being:

1. Condition 8-4 was excessively restrictive, as it would have delayed construction work pending the finalisation of mangrove monitoring. Disturbance of mangroves is not planned within the first 2 years of the project commencement.
2. Condition 9-8 contained typographic errors within references to other associated conditions.
3. Conditions 10-2(A), (B), 10-3 and 10-4 all restricted project impact on areas otherwise approved by the EPA.

Due to this appeal being in objection to Ministerial conditions, an appeal committee was required to be appointed pursuant to section 106(2)(b) of the Environmental Protection Act 1986 (the EP Act).

Following three months of review and consultation by the Appeals Committee, convened by the Minister, the grounds of appeal were upheld, and the Conditions modified in favour of the Project.

By section 109(3)(a) of the EP Act, the Minister noted that she is required to determine the appeal in accordance with the recommendations of the committee. As such, the Minister allowed the appeal to the extent recommended by the appeals committee.

Consistent with this appeal determination, the Minister executed an amendment to Ministerial Statement No. 823 which is in accordance with the committee's recommendations.

These changes take effect from 9 March 2010 and are not open to appeal. This completes the EP Act Part IV environmental assessment of the Project.

*Government Consultation*

Consultation has focussed on resolving issues during the appeal period against the Conditions of the Ministerial Statement and also accelerating the release of the amendment to the Ministerial Statement.

*Other Approvals*

Work has continued on Part V Works Approvals and the development of the Project Proposal in line with requirements/recommendations from the Department of Environment and Conservation (DEC) recommendations and the Department of State Development respectively.

### GEOLOGY AND MINING

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

### INFRASTRUCTURE

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

## EXPLORATION

### SHERLOCK BAY NICKEL AND SHERLOCK EXTENDED PROJECT (BASE METALS)

The Company's Sherlock Bay Nickel Project (100% Australasian) hosts a nickel resource (reported under JORC guidelines*) of 25.4 Mt, grading 0.40% Ni for 101,300t of contained metal* and 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, received at the end of the previous quarter, have been assessed. A clear target area has been identified, which includes the area of seventeen historic holes discussed in the previous quarterly report.

Figure 1 shows biogeochemical sample results assessed during the quarter and Figure 2 shows the identified mineralised target zone in greater detail.

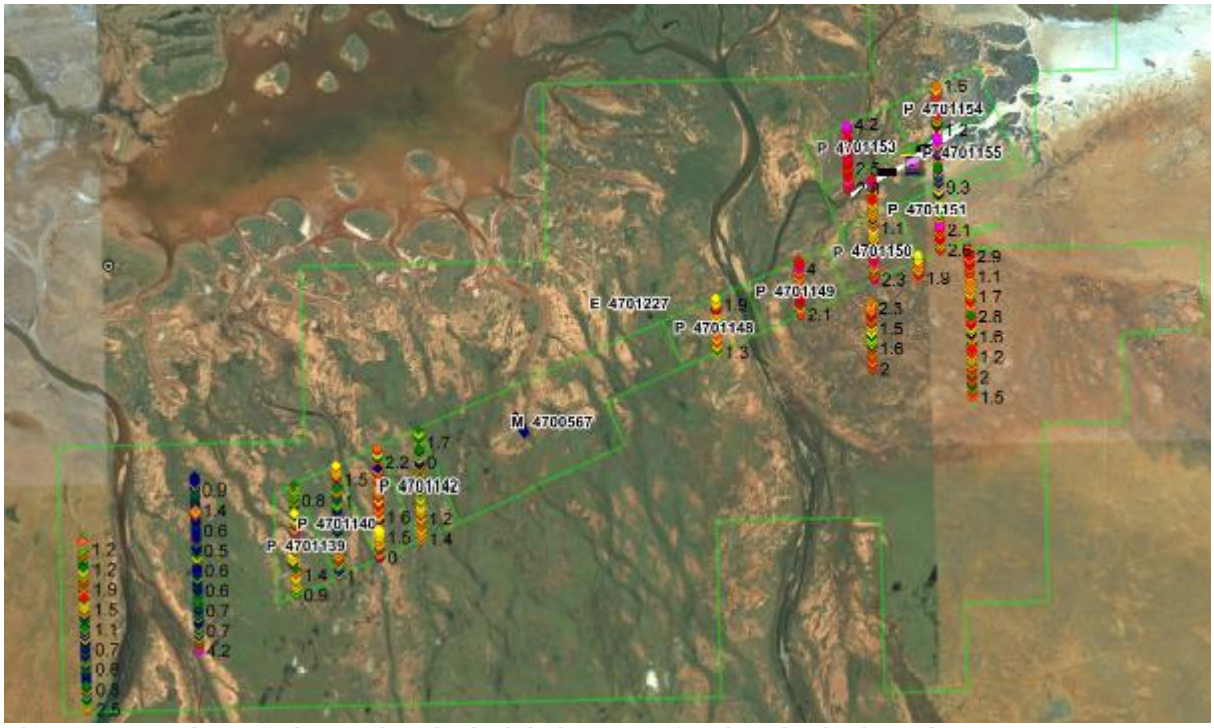


**Figure 1 Overview of Biogeochemical Nickel Assays for the Sherlock Projects**

* Complete details of the resource estimate were reported to the ASX in the *First Quarter Activities and Cashflow Report* announced to ASX on 31/10/05.

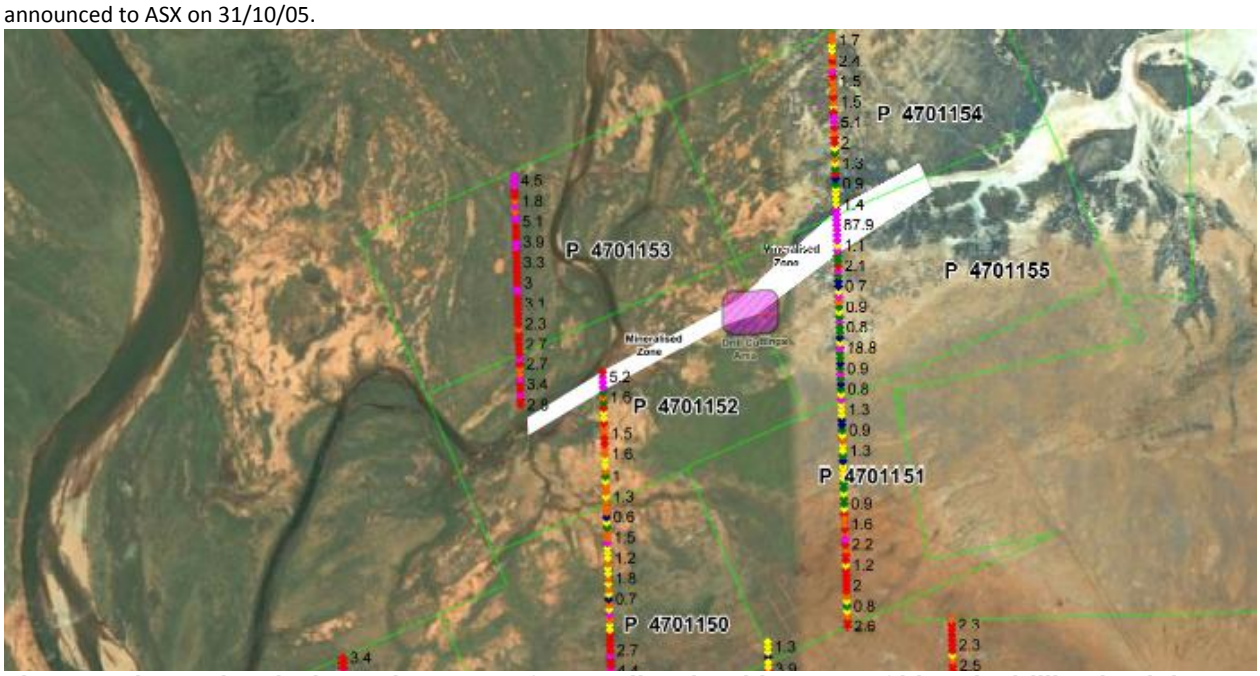


**Figure 2 Biogeochemical Results: Zone of anomalism in white, area of historic drilling in pink. Biogeochemical Nickel assays coloured by percentile, with pink representing the top 5% (highest grade).**

Assessment of both biogeochemical sample and historic drill cutting sample results identified one significant area that shows anomalous assay results and warrants follow up. This area is shown in Figure 2, with a zone of anomalous nickel results following the Sholl Shear trend. This target zone is supported by both biogeochemical results and drill cutting assays making it compelling of following up.

Other areas of apparent anomalism can also be seen in the data collected, and should not be discounted, with further follow up to be considered when planning future fieldwork.

**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.

No further work was undertaken during the quarter.

**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.

The geophysical survey, undertaken in the previous quarter, was divided into three areas for the purpose of interpretation and modelling. Modelling has been completed for two of those areas, with the third area (which includes the Fortescue River mouth) currently on hold. Drill targets have been identified from the modelling work, with a resultant drilling programme approved by the DMP. Heritage site avoidance surveys are partially complete.

The geophysical survey suggests all magnetic bodies, on the tenement, are under varying amounts of cover, with planned drill holes to be vertical and 200 to 300 metres in depth. Until drilling is complete, actual depth of cover is difficult to estimate and is not reported.

The geophysical modelling has also identified two types of magnetic body, one that is predominant throughout both modelled areas and is thought to represent Banded Iron Formation (BIF) and a second located in the southern part of the tenement, which was intersected by drill hole MSRC003, thought to be a magnetite bearing intrusive.

Mineralogical test work, completed by ALS Mineralogy (ALS), using their Mineral Liberation Analyser (MLA) was reported in the quarter. Four samples were submitted for analysis to determine the mineral abundances with a focus on the presence of iron-oxides and their associations with other minerals in the sample. Results support the field interpretation of magnetite rich zones within hole MSRC003. Mineral group abundances, as reported by ALS are shown here in Table 1, review of the data in relation to petrology has not been undertaken. It is important to note the Magnetite (Wt%) values shown in table 1 are not Davis Tube Recovery results and do not represent magnetically recoverable product, they do however provide an indication of total magnetite content present within the mineralised zones, intersected within hole MSRC003 (a vertical RC hole located at 395,351E 7,659,620N (MGA94 Zone50)).

**Table 1 Mineral Abundances Grouped (Wt%)**

| Mineral | MSRC125 | MSRC134 | MSRC172 | MSRC181 |
|---|---|---|---|---|
| Native_Fe | 0 | 0.01 | 0 | 0 |
| Magnetite | 26.55 | 14.27 | 10.52 | 18.7 |
| FeCrMnTiAlZr_Oxides | 1.07 | 0.72 | 0.25 | 0.22 |
| Fe_Sulphides | 0.00* | 1.48 | 0.00 | 0.01 |
| Other_Sulphides | 0 | 0 | 0.02 | 0 |
| Sulphates_Phosphates | 0.19 | 0.43 | 0.33 | 0.32 |
| Carbonates | 12.96 | 9.15 | 14.25 | 8.37 |
| Silicates | 59.22 | 73.94 | 74.63 | 72.38 |
| Total | 100.00 | 100.00 | 100.00 | 100.00 |

*0.00Wt% indicates <0.01 Wt% detected

While magnetite is the dominant iron mineral within all samples, varying amounts of iron silicates and iron carbonates were also present, with iron sulphide present within one sample. Figure 3 shows proportion of iron mineral groups for each sample.

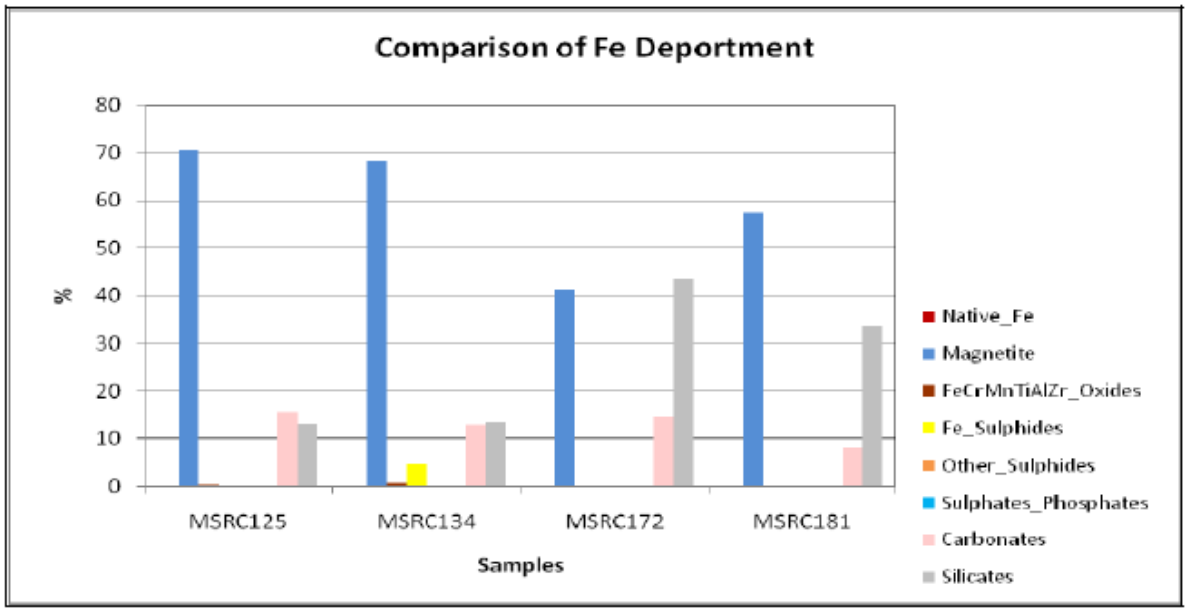


Figure 3 Elemental Distribution of Iron (%)

The samples selected for analysis by ALS, shown on Figure 4, were based on selecting one 'low' iron sample and one 'high' iron sample from each of the two magnetite rich zones. XRF analysis was used to determine low and high iron and field logging was used to delineate magnetite rich zones.

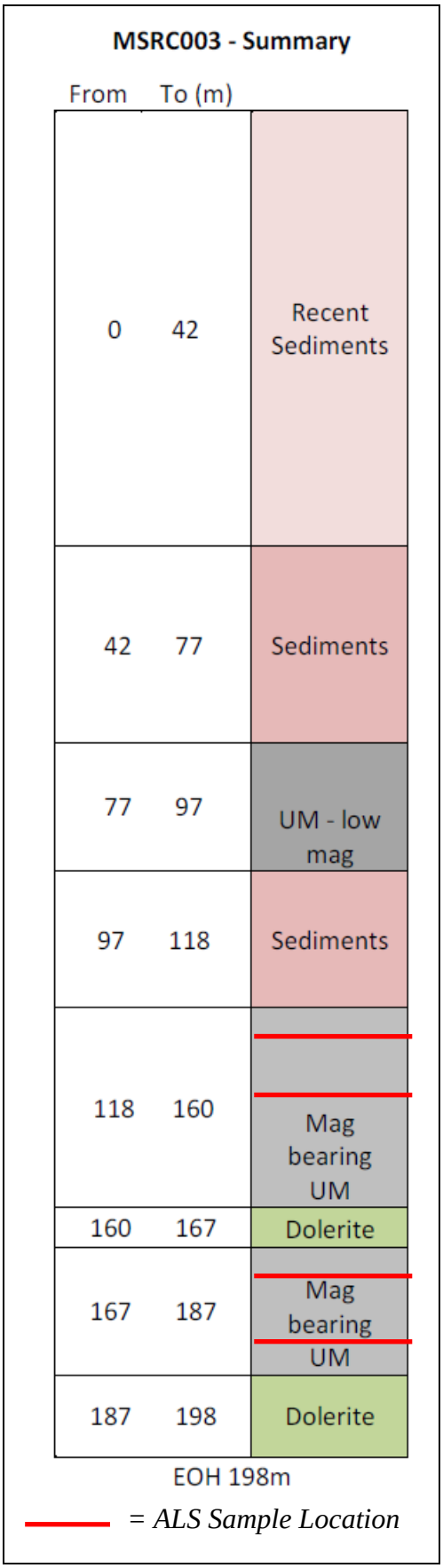


Figure 4

In addition to the mineral abundances, ALS looked at particle size and found the samples all to contain magnetite of a highly disseminated nature and variable particle size. Magnetite was relatively coarse grained in samples MSRC172 and MSRC181, with eighty per cent passing values of 72 and 127 microns respectively.

Samples MSRC125 and MSRC134 were comparatively finer grained, with eighty per cent passing values of 45 and 30 microns respectively. Table 2, taken from the ALS report, shows particle size distribution in more detail.

**Table 2 Percentage Passing Data for Magnetite**

| P-value | MSRC125 | MSRC134 | MSRC172 | MSRC181 |
|---|---|---|---|---|
| P10 | 6.2 | 7.0 | 6.5 | 6.7 |
| P20 | 9.0 | 9.5 | 9.5 | 10.7 |
| P50 | 20.3 | 17.3 | 24.7 | 32.4 |
| P80 | 44.7 | 30.0 | 72.0 | 126.7 |
| P90 | 79.0 | 38.8 | 142.7 | 285.3 |

Aboriginal Heritage avoidance survey was completed with the KM Native title group in January 2010. This survey identified areas of possible heritage that should be avoided when conducting proposed exploration drilling at Mt Salt.

Results of the survey show that a limited number of potential sites occur within the area of the proposed drilling, and that the program can be undertaken without impact on these sites.

**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 program continued during the quarter, with a further 375 samples collected and submitted to Genalysis for analysis.

The most recent sampling program focused on collecting samples on lines spaced approximately one kilometre apart, running approximately SW-NE, to infill on the previously interpreted mineralised structural corridor. Figure 5 shows the approximate location of the mineralised corridor, which was the area of focus for the recent fieldwork.

During the reporting period thought was given to the diffuse magnetic high SE of the known buried lateritic nickel mineralisation and a conceptual target developed. This area has previously been drill tested to determine lithology below cover, with results indicating granitic rocks and quartz porphyry. These rock types do not correlate well with the observed magnetic high, suggesting they may be overlying a unit with a high magnetic signature. A situation found at Western Areas Spotted Quoll Deposit, where high grade nickel sulphides exist below a granitic 'cap'.

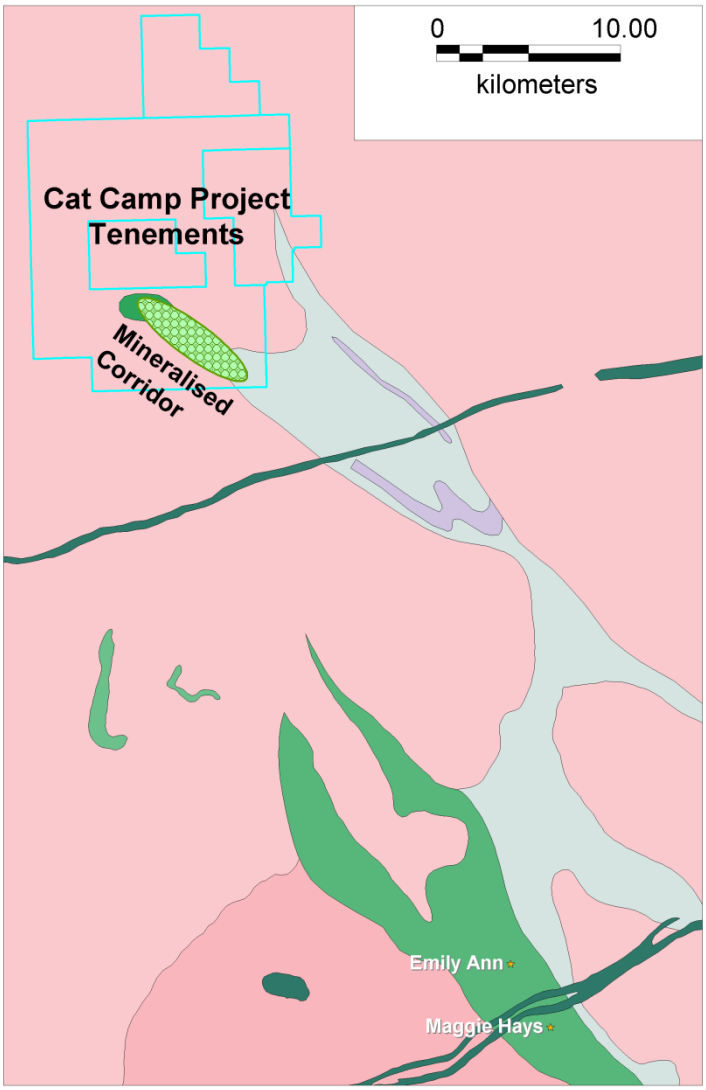


Figure 5 – Mineralised Corridor

**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 engaged as a consultant to 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.

The information in this report that relates to Mineral Resources (August 2005 Mineral Resource estimate) at the Sherlock Bay Project is based on information compiled by Mr Paul Payne, who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Payne is a full-time employee of Runge Limited and has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Payne and Runge Limited consent to the inclusion in this 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 April - June will include:

- Finalisation of Loan Facility with Mineralogy to provide working capital within the Company.
- Advance negotiations with potential strategic investors/partners including conducting site visits and potential due diligence.
- Continue with Part V Works Approvals and the development of the Project Proposal in line with requirements/recommendations from the Department of Environment and Conservation (DEC) recommendations and the Department of State Development respectively.

For and on behalf of Australasian Resources Limited

Andrew Caruso
Managing Director