

24 February 2010

Jenny Cutri  
Assistant Manager, Issuers (Perth)  
ASX Markets Supervision Pty Ltd  
Exchange Plaza  
2 The Esplanade  
PERTH WA 6000

Fax: 08 9221 2020

Dear Jenny

Further to your letter dated 19 February 2010, please find our responses as follows:

- 1 ***"It is possible to conclude on the basis of the information provided that if the Company were to continue to expend cash at the rate for the quarter indicated by the Appendix 5B, the Company may not have sufficient cash to fund its activities. Is this the case, or are there other factors that should be taken into account in assessing the Company's position?"***

The Company is aware of its requirements for funding its ongoing activities and is presently in the process of evaluating a number of proposals in order to meet these requirements going forward.

- 2 ***"Does the Company expect that in the future it will have negative operating cash flows similar to that reported in the Appendix 5B for the quarter and, if so, what steps has it taken to ensure that it has sufficient funds in order to continue its operations at that rate?"***

The Company expects to have negative cash flows similar to that reported in Appendix 5B in quarters in the immediate future as it

- progresses the development of its primary asset the Balmoral South Iron Ore Project
- assesses potential strategic investors who may wish to invest in the project or Company and
- for further evaluation and development of its other non Iron ore assets.

The Board of the Company will ensure that it has sufficient working capital to fund these developments until positive cash flows are generated by these projects. The Company is confident of achieving its funding objectives in the short term to support the anticipated future negative cash flows.

- 3 ***"What steps has the Company taken, or what steps does it propose to take, to enable it to continue to meet its business objectives?"***

The Company continues to monitor its short term commitments, has no long or short term loans which require immediate repayment, and is confident of completing a funding agreement in order to meet its future ongoing expenditure requirements.

- 4 ***"Can the Company confirm that it is in compliance with the listing rules, and in particular, listing rule 3.1?"***

The Company confirms that it is in compliance with listing rule 3.1

- 5 ***"Please comment on the Company's compliance with listing rule 12.2, with reference to the matters discussed in the note to the rule"***

The Company confirms that it believes it is in compliance with Listing Rule 12.2 and that the Company's Balance Sheet and Profit and Loss appropriately reflect the present financial position of the Company and that its securities warrant to be continued to be quoted on the ASX.

Yours sincerely



Grant Ryan  
Company Secretary

**ASX**

AUSTRALIAN SECURITIES EXCHANGE

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19 February 2010

Mr Grant Ryan  
Company Secretary  
Australasian Resources Limited  
Level 4  
5 Mill Street  
PERTH WA 6000

Facsimile: 9324 2164

Dear Grant

**Australasian Resources Limited (the "Company")**

I refer to the Company's Quarterly Report in the form of Appendix 5B for the period ended 31 December 2009 released to ASX Limited ("ASX") on 29 January 2010 (the "Appendix 5B").

ASX notes that the Company has reported the following.

1. Receipts from product sales and debtors of \$0.
2. Net negative operating cash flows for the quarter of \$1,849,000.
3. Cash at end of quarter of \$2,272,000.

In light of the information contained in the Appendix 5B, please respond to each of the following questions.

1. It is possible to conclude on the basis of the information provided that if the Company were to continue to expend cash at the rate for the quarter indicated by the Appendix 5B, the Company may not have sufficient cash to fund its activities. Is this the case, or are there other factors that should be taken into account in assessing the Company's position?
2. Does the Company expect that in the future it will have negative operating cash flows similar to that reported in the Appendix 5B for the quarter and, if so, what steps has it taken to ensure that it has sufficient funds in order to continue its operations at that rate?
3. What steps has the Company taken, or what steps does it propose to take, to enable it to continue to meet its business objectives?
4. Can the Company confirm that it is in compliance with the listing rules, and in particular, listing rule 3.1?
5. Please comment on the Company's compliance with listing rule 12.2, with reference to the matters discussed in the note to the rule.

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**Listing rule 3.1**

Listing rule 3.1 requires an entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. The exceptions to this requirement are set out in the rule.

In responding to this letter you should consult listing rule 3.1 and the guidance note titled "Continuous disclosure: listing rule 3.1".

If the information requested by this letter is information required to be given to ASX under listing rule 3.1 your obligation is to disclose the information immediately.

Your responsibility under listing rule 3.1 is not confined to, or necessarily satisfied by, answering the questions set out in this letter.

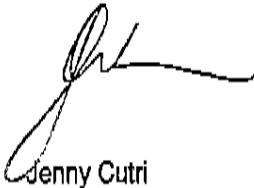
This letter and your response will be released to the market. If you have any concerns about your response being released, please contact me immediately. Your response should be sent to me on **facsimile number (08) 9221 2020**. It should not be sent to the Company Announcements Office.

Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event, not later than **5.00 p.m. W.S.T. on Wednesday 24 February 2010**.

If you are unable to respond by the time requested you should consider a request for a trading halt in the Company's securities.

If you have any queries, please do not hesitate to contact me on 9224 0003.

Yours sincerely



Jenny Cutri  
Assistant Manager, Issuers (Perth)