

29 October 2010

QUARTERLY REPORT FOR THE PERIOD ENDING 30 September 2010

HIGHLIGHTS

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

CORPORATE

- Dio Wang appointed Chief Executive Officer of Company effective from July 28.

BALMORAL SOUTH IRON ORE PROJECT

- A site visit with a Chinese State Owned Enterprise (SOE) was conducted during the quarter. They are currently evaluating technical and commercial information associated with the Company and the project.
- The Compliance Assessment Plan (CAP) as required by Ministerial Statement 823 was submitted to Mineralogy for review and subsequent submission to the Environmental Protection Authority (EPA) during the quarter. Submission of the CAP was delayed awaiting receipt of audit table information from EPA.
- Shadow Environment Minister Mark McGowan has requested an investigation into the relationship between Mr Clive Palmer and Minister Brendon Grylls during the Appeals consideration period for the Balmoral South project. ARH has been requested to provide copies of email correspondence to the Office of the Appeals Convenor under an official Freedom of Information (FOI) request. This information has been provided.

CORPORATE

HEALTH AND SAFETY

A single safety incident was reported and investigated during the quarter. During exploration activity at Sherlock Bay, a field vehicle became bogged in soft ground and the field crew were forced to remain with the vehicle overnight. ARH field procedures were followed and the crew recovered the following morning. An investigation has been completed and corrective and remedial actions taken.

During the quarter, all ARH Health, Safety, Environment and Community Standards and Procedures were reviewed and updated as per Systems requirements.

The Australasian HSEC Systems documentation was reviewed during August by Hays Mining prior to placement of personnel at Sherlock Bay. The HSEC Systems documentation was found to be comprehensive and suitable for managing the HSEC requirements of ARH.

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OTHER STRATEGIC INVESTORS AND/OR OFF-TAKE PARTNERS

The Company entered into a mandate with Sino Resources Capital Pty Ltd (Sino Resources), a specialist corporate advisory house which has extensive working experience with Chinese government and private enterprise. Sino Resources have introduced a major Chinese SOE to the Balmoral South Iron Ore Project. During the quarter this SOE was engaged in meetings with the Company and was also taken on a tour of the Balmoral South site. The SOE is now evaluating detailed information regarding the Project and the Company is awaiting confirmation that it wishes to proceed with a full due diligence process and commence commercial negotiations. The Company is confident that this particular Chinese party has both the capacity to finance and demand for offtake. The Company remains in discussion with both Sino Resources and its client to continue negotiations.

Discussions are also continuing with other parties that are showing interest in the Company and the Balmoral South Iron Ore Project.

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

FINANCES

During the quarter an additional \$1,000,000 was drawn against the working capital loan facility made available by Mineralogy Pty Ltd. The loan facility is for a total of \$3,000,000 of which as at September 30, \$1,500,000 has been utilised.

The Company is also in receipt of a Letter of Support from Mineralogy which in broad terms states that it will consider the provision of additional assistance to the Company if requested and that it will extend the termination date of the Loan Facility Agreement to a date no earlier than 12 months from the date of the directors declaration in the Company's annual accounts.

COMMERCIAL

The implications of the proposed Mining Resource Rent Tax (MRRT) on the Balmoral South Project have been investigated during the quarter.

ARH examined the Issues Paper circulated by the Policy Transition Group (PGT) for the MRRT and has submitted a response to the Issues Paper which identified numerous aspects of the MRRT which could erode the competitive position of intended magnetite projects.

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.

A fieldwork program of biogeochemical sampling was completed in August and September with 1351 samples were collected. Multi-element analysis of vegetation, in particular regional surveys of metals content in vegetation have been successfully used to establish baselines and identify anomalies.

Analysis of collected samples will be completed in coming months.

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.

A fieldwork program of biogeochemical sampling was completed in September with 120 samples collected. Multi-element analysis of vegetation, in particular regional surveys of metals content in vegetation have been successfully used to establish baselines and identify anomalies.

Analysis of collected samples will be completed in coming months.

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.

DMP approval has been received for additional drilling defined from the detailed modeling work.

On 23 August 2010 an Application for Relief from Compulsory Relinquishment was approved by the DMP, pursuant to Section 19 of the Mining Amendment Act 2004. The Company's intention is to retain tenure to the entire landholding, to enable establishment of infrastructure associated with a potential large scale magnetite mining and processing operation (should exploration in other areas be successful).

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.

Assays results for vegetation samples collected from E15/987 were received in June supporting the previous work undertaken. A further exploration plan for E15/1114 has been developed, involving the collection of two lines of vegetation samples running SW-NE across the tenement. The sampling was completed across structural lineaments visible in the satellite imagery, with a total of 142 samples spaced 50 metres

This fieldwork was completed in July, and sample analysis completed in September. A review of sample results in planned for Q4 2010, and will determine the scale and location of future exploration programs.

COPPER BORE WELL (URANIUM/COPPER/SILVER/GOLD)

No further exploration work was undertaken during the quarter.

An application for exemption on minimum expenditure for the 2009/2010 year was made to DMP in July 2010 on the basis that total expenditure on the tenement since grant exceeds minimum expenditure requirements. The application was refused by DMP, and a Program of Works will be submitted in October 2010 to ensure significant exploration activity continues.

SIGNIFICANT UPCOMING ACTIVITIES

Significant activities for the period October to December will include:

- Exploration activity planning and fieldwork on the Copper Bore Well project tenement.
- Advance negotiations with Sino Resources Capital Pty Ltd and its potential investor and continue to evaluate enquiries regarding the Balmoral South Iron Ore Project.

For and on behalf of Australasian Resources Limited



Dio Wang
Chief Executive Officer

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.