E.L. 22301

MT WELLS NORTH

ANNUAL REPORT

YEAR 2  14 April 2004 - 13 April 2005

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INTRODUCTION

Australasia Gold Ltd (Australasia) entered into joint venture with the tenement holder Softwood Plantations Pty Ltd (Softwood), by agreement (JV) dated 22nd April 2004. The JV was negotiated and work commenced by Australasia pursuant to a Heads of Agreement dated 1st July 2003.

In essence the JV conveys to Australasia 100% rights to gold deposits discovered within the EL, while Softwood retains 100% rights to other commodities which may be identified. AAG is operator of the JV and coordinates exploration which may be conducted for commodities other than gold. It is the principal obligation of AAG to maintain the tenement in good standing by conducting exploration for gold.

Australasia is a public company which at the time of reporting is preparing to raise funds by public offering (IPO).
TENEMENT

EL 22301 covering an area of 32 subblocks (106.5 sq km) was granted on 14 April 2003 for a period of 6 years. It is situated approximately 40km north northwest of Pine Creek township, and includes the Mt Wells tinfield and battery inside its southern boundary.

Covenanted expenditure during the second year was $13,200

Figure 1: Tenement – EL 22301

EXPLORATION MODELS & ECONOMIC TARGETS

The tenement has been acquired for its prospectivity for both gold and tin mineralisation of the styles characteristic of the Pine Creek Inlier.

WORK COMPLETED

Australasia has continued field reconnaissance in parts of the EL with reasonable outcrop, in preparation for a systematic program of geochemical reconnaissance which would be focussed on areas beneath blacksoil plain and other transported alluvial cover.

Desktop regional studies have been continued.

The titleholder (Softwood Plantations) has continued to be involved in review of the potential of the EL for tin and other commodities (apart from gold), and has held discussions with potential investors.
RESULTS

Reconnaissance mapping of an area of subcropping metasediments typical of the lower Burrell Creek Formation (oxidised micaceous meta-siltstone-greywacke) identified a previously unknown area of abundant quartz veining.

A series of rock chip and lag samples was collected. Assays are awaited.

Regional studies confirm the premise that prospective stratigraphy of the Finniss River Group (Lower Burrell Creek Formation) and South Alligator Group (Mt Bonnie Formation, Gerowie Tuff and Koolpin Formation) are likely to be widely distributed in subcrop below transported alluvium, and at relatively shallow depth throughout much of the EL. Proximity of granitoid intrusions of the Cullen suite, and structures evident in adjacent outcropping areas to the west and east of the EL 22301 provide further general encouragement as to the overall prospectivity of the EL area.

Figure 2: Sketch Geological Map & Sample Location
EXPENDITURE

Expenditure has been incurred in technical research and the field reconnaissance reported above.

Geological reconnaissance & geochemical sampling $4,500
Sample processing & geochemical analysis $1,000
Portion of regional geological evaluation $3,000
Data review and interpretation of results $3,500

General overheads & tenement management
(both Australasia Gold & Softwood Plantations) $1,500

TOTAL $14,000

PROGRAM 2005-06

The success of detailed field prospecting in outcropping parts of EL 22301 warrants its extension to more southerly parts of the EL, both to elucidate geological setting in greater detail than is currently known, and to identify potential outcropping mineralisation.

The justification for the program proposed but incomplete at the end of year 2 has been enhanced by those results which were achieved, and it is therefore proposed to implement an expanded version of that program in the year ahead.

It comprises:
- a more detailed compilation of that information both from the EL area itself, and from surrounding areas
- in the parts of the EL concealed by blacksoil alluvial cover, bedrock geochemical surveys initially targeted on prospective zones identified by the interpretation of geological features and the regional geophysical dataset.

The ability of the JV to implement this program continues to be influenced by the timing and success of Australasia’s fund-raising, proposed to be completed during 2005, however it is expected that a significant part of the program can be undertaken independent of the completion of fund-raising – in particular those parts relying on the physical inputs of the Company’s technical management and staff.
A minimum program will include:

Continued data compilation and interpretation encompassing geological and geophysical datasets and exploration reports $5,000

A systematic field reconnaissance, involving geochemical rock chip sampling and mapping. $10,000

Based on the results of these surveys, a detailed geochemical reconnaissance survey will be designed. $2,000

Administrative & management support (20%) $3,400

**Minimum Program Total** $20,400

If funds and time permit, this minimum program will be accelerated and expanded.
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Thursday, March 10, 2005

Principal Registrar,
Titles Division,
Minerals & Energy
N.T. Department of Business, Industry & Resource Development

Ref correspondence received
From Mr A Holland dated 2nd February 2005

Dear Sir,

EL 22301 Mt Wells North

I write in respect of EL 22301 for which anniversary No 2 occurs on April 14 2005, and for which notification of blocks to be retained is now required. Australasia Gold as manager of the joint venture with titleholder Softwood Plantations Pty Ltd, has fulfilled and slightly exceeded the expenditure commitment for this year on El 22301 ($13,000), without successfully completing the extent of work contemplated 12 months ago. Our preliminary work during the two years has not enabled us to reach a point of decision as to which parts of the EL should most appropriately be relinquished.

On behalf of the titleholder, we therefore request that you exercise your discretion and waive our obligation to reduce the area of this small EL at this time.

Our lack of progress on this EL has occurred for reasons foreshadowed in our 2004 annual report ("timing and success of ..... fund-raising") despite our continuous efforts since entering into the joint venture with Softwoods, to position ourselves for active exploration of this EL.

You may be aware that Australasia Gold is a junior exploration company with well credentialed directors, experienced in successful gold exploration in the Northern Territory¹. Australasia Gold is attempting to raise funds and list on the Australian stock exchange. Market conditions have been difficult for exploration IPO's during most of the year past, but have improved recently. We now believe that the successful launch of the Company is imminent, and are confident that the 2005-6 covenant will be able to be met in full.

Pending the achievement of this milestone Australasia Gold has survived on limited resources of seed capital which have in part been deployed on preliminary reconnaissance excursions to EL 22301 in each of the first two tenement years.

¹ Chairman John Roberts, formerly Exploration Manager Homestake Gold Ltd, discoverer of the modern Cosmo Howley mine; and Managing Director Trevor Ireland, formerly Exploration Manager North Flinders Mines Ltd, pioneer of gold exploration in the Tanami Region 1982 onwards
The minimum program we propose for EL 22301 during the next two years is:

- the completion of that proposed for the year just completed, viz:
  - compilation of historic exploration data $5,000
  - reconnaissance of outcropping parts of the EL $4,000
  - bedrock geochemical survey $10,000
  - admin & management support (20%) $3,800

  **TOTAL** $22,800

In the event that encouraging results are achieved by the above reconnaissance-scale activities, follow up would warrant a substantial acceleration of this expenditure, during the two-year period under discussion.

We have undertaken the joint venture and management of this tenement in good faith with the earnest intention of exploring it aggressively as soon as circumstances permit. In the context of your current initiative of encouraging willing and able explorers to come to the Territory, we ask that you exercise your favorable consideration towards our request for waiver of our immediate relinquishment obligations. Meanwhile in order to retain EL 22301 in good standing I enclose a cheque for $704 for the annual rental of the 32 blocks pending your determination.

Yours faithfully

Trevor J Ireland
Managing Director

Cc Mr Graham Chrisp
Director, Softwoods Plantations Pty Ltd