

18 May 2007

The Manager
Company Announcements Office
Australian Stock Exchange Limited
4th Floor, 20 Bridge Street
SYDNEY NSW 2000

Market update

- **ARH visits Shougang's operations in China**
- **Shougang representatives appointed to Board of International Minerals**
- **FIRB approval for second \$28 million placement**
- **Feasibility Study well underway**

It has been a very active period for the Company following its landmark agreement with the Shougang Entities, one of China's largest steelmakers. The Company provides the following update of its recent activities.

BALMORAL SOUTH IRON ORE PROJECT

SHOUGANG SITE VISIT

Australasian Resources' Executive Management Team recently returned from a trip to China, hosted by Shougang, visiting mining, processing, pelletising and steelworks, along with meeting Shougang's design institutes and key staff that are relocating to Perth to work with the Australasian team on the Feasibility Study.

The trip was extremely beneficial and confirmed Shougang's impressive capabilities in the areas of iron ore mining and transport, processing, pelletising and steelmaking and, in particular, the mining of magnetite as a key process towards feeding their steel works. The team witnessed the construction work at their \$10 billion steel plant which is scheduled for completion in 2010 in which the Balmoral South iron ore is proposed as a feed stock.

During discussions between the respective parties it was clearly evident that the project is important for both companies' future plans and the structure is now in place to deliver a successful outcome for both entities.

FIRB APPROVAL FOR SECOND \$28M PLACEMENT

The Foreign Investment Review Board (FIRB) has given approval for the second \$28M placement to ARH to be completed which is the last hurdle prior to shareholders voting on the transaction at the meeting scheduled for 1 June 2007.

APPOINTMENT TO THE BOARD OF INTERNATIONAL MINERALS

Australasian Resources welcomes Shougang's two representatives that have been appointed to the board of our subsidiary company, International Minerals. The two representatives are:

MR CAO	<i>Assistant President Chairman Vice Chairman, General Manager Managing Director Chairman Chairman Vice Chairman, General Manager</i>	<i>Shougang Corporation China Shougang Int'l Trade & Eng. Corp Shougang Holding (Hong Kong) Ltd Shougang Concord Int'l Enterprises Co Ltd Shougang Concord Technology Holdings Ltd Shougang Concord Century Holdings Ltd Shougang Concord Grand (Group) Ltd</i>
MR CHEN	<i>Director, Deputy General Manager Deputy Managing Director</i>	<i>Shougang Holding (Hong Kong) Ltd Shougang Concord Int'l Enterprises co Ltd</i>

In addition to the board appointments, the joint operating committee is now established and up to 10 Shougang representatives will be arriving shortly in Perth to work with the Australasian Resources team on the Feasibility Study.

FEASIBILITY STUDY PROGRESS

The Feasibility Study is in full swing with two drill rigs on site and two more scheduled for commencement in the coming month and water drilling underway. The engineering team has been established and detailed site surveys, budgets and project schedules have been completed. Environmental approval is progressing well and the target date for the completion of the study is March 2008.

SHERLOCK BAY NICKEL PROJECT

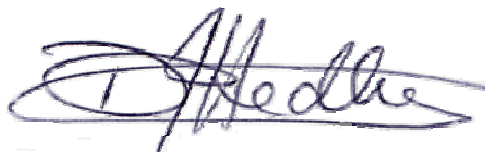
Budgets and schedules are being developed for the metallurgical testwork and heap leach trial to support final process design and engineering. A Project Director and technical staff have been appointed and work has commenced on the project. The engineering team has been shortlisted and is expected to be appointed in the coming weeks.

The environmental approval process has recommenced, from when it was halted last year pending acid testwork results, and an environmental consultancy group re-engaged to finalise the approvals.

EXPLORATION PROGRAM

The Company's exploration program has been ramped up across all tenements with expenditure of \$2M budgeted over the next 15 months.

With the recent granting of Copper Bore Well (copper, silver, uranium) and Mt Salt (uranium), the next stage of exploration can commence. Similarly, exploration programs for Cat Camp (nickel sulphide and laterite), Andover (base metals) and Sherlock Bay Extended (base metals, 70% ownership with Metals Australia Ltd) and Sherlock Bay leases have been completed for implementation in 2007.



Darren Hedley
Managing Director

For more information please contact:

Darren Hedley
Ph: +61 8 9322 2288