

**ARH secures major Chinese Government steel group to proceed with Pilbara Iron Ore Project..... Sets up structure that enables interest free funding for 100% of Project Development (circa US\$2Bn) and 100% sales of premium iron ore products to China**

In conjunction with a major capital raising announced today, whereby Australasian (ARH) will bank \$56M of Chinese steel giant Shougang entities money and a likely additional \$42M at a 30% premium to Australasian's last closing share price, chapter two of the strategic alliance unfolds with a simultaneous signing of a Project Agreement between the two groups.

The Project Agreement formalises the game plan, and details the rules of engagement for the respective parties. Shougang and Australasian will establish an operating committee with equal representation from both parties that will finalise the outstanding studies to enable Shougang to finance the project. Assuming results from these studies are as expected then the real good news for Australasian shareholders kicks in.

Shougang can earn a 50% interest in the project through providing an interest free loan for the project's construction, including all related infrastructure. No repayment of this interest free loan is required until the plant has been commissioned and operating to 95% of its design capacity for a period of three months. Only at this point will set percentages of the free cash flow have to be set aside to repay the loan principal, with Shougang bearing all interest costs separate and external to the joint venture. The good news continues with Shougang offering to utilise their proven in-house expertise of their construction arms to build all the plant and infrastructure and finally, to top it off, guarantee to take all the premium iron ore product produced by the plant for the full 25 years of the Project's life.

Australasian Resources Managing Director was clearly delighted with the outcome "Australasian Resources has secured a large piece of what is reputedly the largest undeveloped magnetite project in the world, and has the proven capabilities on board to construct and operate large scale mining projects in Australia. Shougang are clear leaders in their field of iron ore and steel production based in China, have the proven technical, construction and operating track record, and access to the necessary funding at very attractive terms. In addition, they secure 25 years supply of quality iron ore products which underpins their existing and new steel mill developments and expansion plans well into the future".

Shougang Corporation is a major Chinese steelmaker that is based in Beijing and is 100% owned by the Chinese government. Shougang Entities currently import over 20 million tonnes of iron ore into China for use in their steelmaking facilities and are in the process of developing a substantial new integrated steelmaking facility on a large site at Tangshan, on the northern coast of China. Construction at Tangshan has commenced and will produce close to 10 million tonnes of steel a year commencing in 2010.

ARH's Board and management believe the relationship with Shougang and the agreements now in place underpin a very bright future for the Company and look forward to working closely with Shougang and their people well into the future.

***Further Information***

Further information can be obtained from the ASX Announcement made today and our website [www.austresources.com.au](http://www.austresources.com.au).

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