CONTENTS

COMPANY DIRECTORY

Directors
John Load Cecil Jones (Chairman)
Denis Edmund Clarke
Christopher Hugh Fyson
Angus Claymore Pilmer
Robert Scott Wynd

General Manager – Operations
Dennis Kruger

Company Secretary
Angus Claymore Pilmer

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National Australia Bank Ltd
1232 Hay Street
WEST PERTH WA 6005

Auditors
KPMG
Level 31, Central Park
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PERTH WA 6000

Home Stock Exchange
Australian Stock Exchange Limited
Perth

CHAIRMAN'S REPORT

The Company raised $264,000 from the placement of 12,000,000 new shares during the year and expended $195,546 on exploration, mainly in progressing the tenement status of the new West Musgrave Joint Venture interests.

I am pleased to report that we now have nine of the exploration licences granted as a result of having successfully negotiated a Deed of Agreement with the Ngaanyatjarra Land Council and others which will allow the company to proceed with an initial programme in this coming year.

Whilst the directors are keen for the company to embark on the exploration programmes on these Joint Venture licences in this high profile and competitive area, they have nevertheless during the year reviewed a number of new exploration projects for the company with the view to expanding the exploration portfolio of the company. With the Gold price now sustained above US$250 an oz. the search for appropriate and highly prospective Gold projects has been a priority.

The directors have confirmed their decision to cease looking for a non-exploration business opportunity for the company and instead concentrate on increasing the company's involvement in exploration opportunities.

In order to maintain the company's level of activity it has been necessary to complete a small capital raising of $220,500 since the end of the year and further capital raising will be necessary to carry on the exploration activities as planned and also to enable the company to pursue new projects.

J L C JONES
Chairman

REVIEW OF OPERATIONS

WEST MUSGRAVE JOINT VENTURE – WA
Anglo 50%, PayLODE 50%

The remote Musgrave Range province that straddles the Western Australian, South Australian and Northern Territory borders is currently the focus of much exploration and investor interest. This follows the announcement of drilling results by WMC Limited that suggests the area has potential for world class nickel-copper-platinum group element deposits.

Anglo Australian moved very early to establish a strategic position in this high profile, intensively competitive area. In July 2000 in joint venture with PayLODE Pty Ltd it jointly applied for 10 Exploration Licences in the West Musgrave area in Western Australia. Additionally, it entered into a joint venture on two Exploration Licence Applications held by PayLODE. In all, the tenements cover 1,715 square kilometres. Each joint venture party has a 50% interest in the tenements and Anglo Australian, which is the Operator, is to sole fund initial exploration expenditure on each licence. PayLODE's parent, ReLODE Limited, recently completed a $4 million initial public offering on these and other tenements it has in the area.

The Joint Venture's licences were selected on the basis of a geological and geophysical interpretation by PayLODE. This interpretation suggested that the West Musgrave geology was similar to that which hosts the WMC Limited mineralisation further to the east. The licences cover a series of magnetic anomalies associated with the flank of a positive gravity anomaly. PayLODE believes that magnetic and gravity data indicate the licences cover portion of the western extension of the Giles Complex rocks beneath sedimentary cover. The Middle Proterozoic Giles Complex, a suite of mafic to ultramafic intrusives, is considered to have potential to host significant magmatic nickel-copper-platinum group element deposits. The WMC Limited mineralisation is hosted by the Giles Complex and is believed to be of magmatic nickel-copper sulphide style. A key target type for exploration purposes in the Musgrave Province is the Voisey Bay deposit-type. In 1994 the very large Voisey Bay nickel-copper sulphide deposit was found in Labrador, Canada in a geological environment in many ways similar to that of the Giles Complex. Its discovery provided geologists with new criteria to apply in exploration worldwide. The current "rush" to the Musgrave Province in part arises from the recognition that it, and in particular the Giles Complex, has geological similarities to the Nain Plutonic Suite that hosts the Voisey Bay deposit.

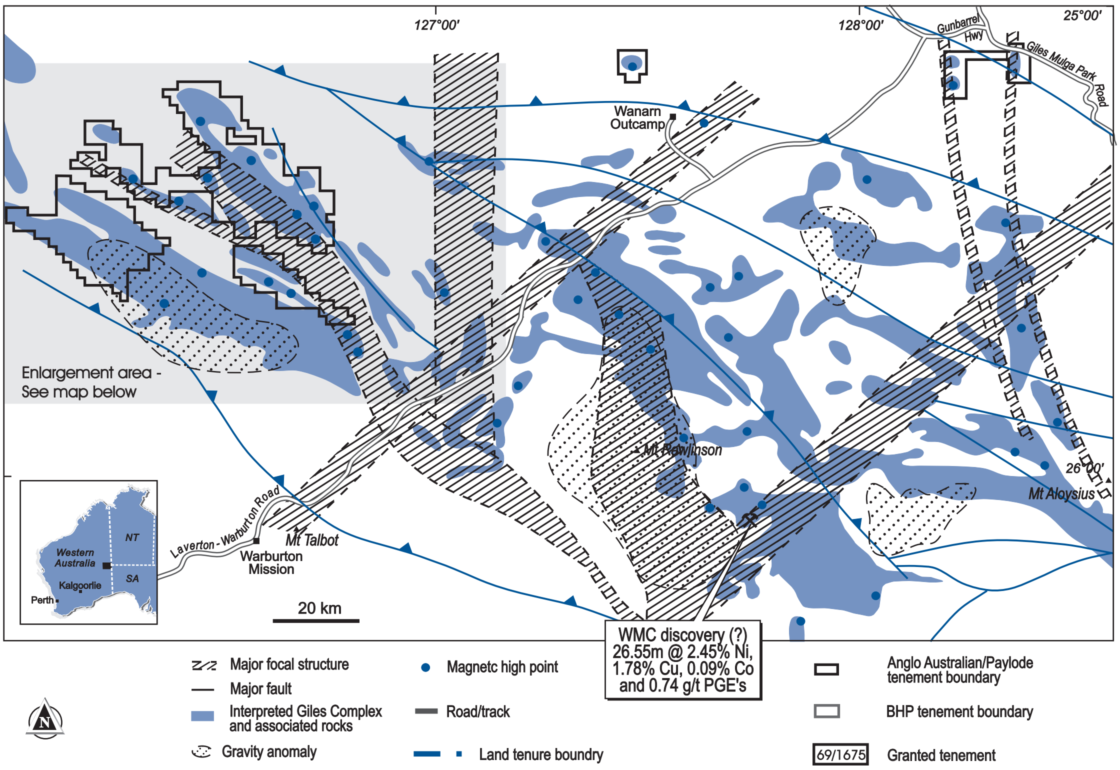
As the target mineralisation in the Joint Venture's West Musgrave property is expected to contain both disseminated and massive sulphides, the opportunity exists to explore using airborne electromagnetic and magnetic surveys to define conductors possibly associated with massive nickel-copper sulphides. Conductors would provide the necessary focus for drilling.

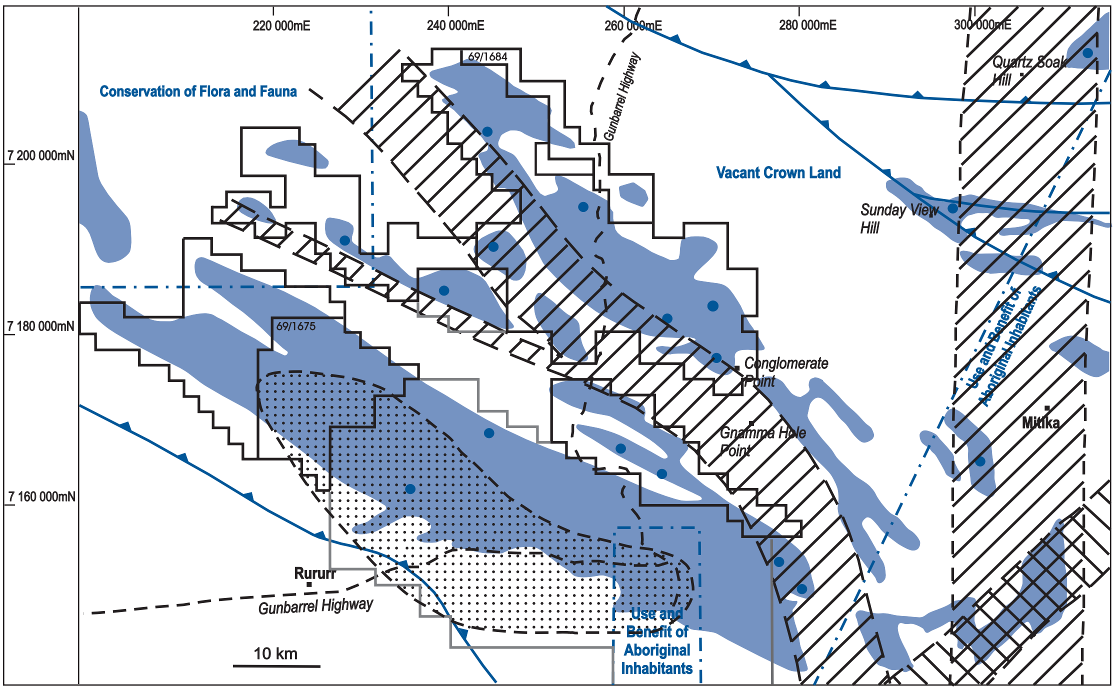
Four exploration licences were granted to the Joint Venture in April 2001. A pre-requisite to the granting of the remaining eight Exploration Licence Applications centred on the completion of an Access Agreement with the native title claimants. Negotiations with the Ngaanyatjarra Land Council in relation to the Access Agreement continued during the year. A representative of Anglo Australian met with representatives of the council and native title claimants during June to progress the documentation and agreement in principle was reached. Further negotiations culminated in the signing of the agreement in mid-September.

Exploration throughout the whole Musgrave Province should accelerate as access agreements are finalised, as WMC Limited continues its aggressive program and as other parties complete capital raisings prior to commencement of their exploration activities. This should create a momentum that will make the Musgrave Province a major focus of exploration for many years.

The Joint Venture is fortunate to already have some priority targets (magnetic spot highs) that warrant investigation initially by airborne electromagnetic surveys and Anglo Australian anticipates that it will play a substantial role in the exploration of this new exciting mineral province.

WEST MUSGRAVE COMPLEX
BLACKSTONE REGION, WA
Interpreted Synopsis

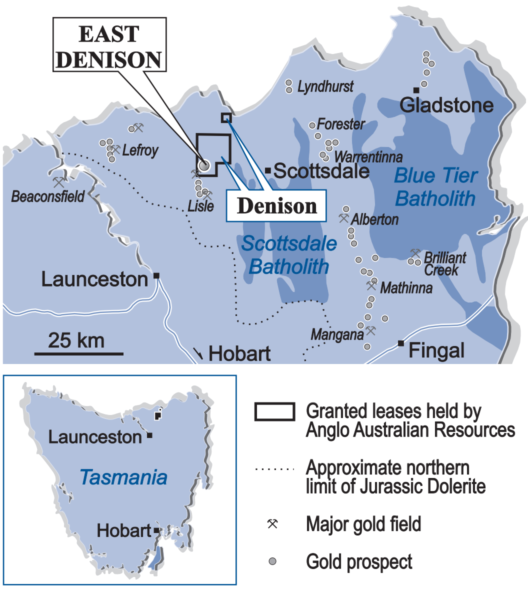




EAST DENISON - TASMANIA

Anglo 90%, Silverthorn Resources Pty Ltd 10%

The Denison lease is located approximately 40km north-northeast of Launceston in northeastern Tasmania covering an area of 108 square kilometres which includes the historic Denison Goldfield where epigenetic gold mineralisation in quartz sulphide reef structures were last mined in the 1930's.



TASMANIA
Project Location

The **East Denison Prospect** was discovered as a result of Anglo Australian Resources' effective regional exploration programme conducted over the past four years. Although located in the old Denison Goldfield, the prospect is a true discovery as the mineralisation was missed by previous prospectors and explorers.

In 1996 soil sampling gave first indications of the mineralised zone. Trenching subsequently returned wide intervals of mineralisation including 24m @ 2.54g/t Au and 35m @ 1.2g/t Au. Auger geochemical sampling was then used to extend and better define geochemical anomalies located by the initial soil sampling surveys. In 1998, a small, first pass drilling program of 14 reverse circulation holes was completed. The best result was 20m @ 1.0g/t Au including 7m @ 2.38g/t Au.

Late in 1998 a geological consultant interpreted gold mineralisation to occur in a well defined, continuous, fault controlled, NNE-SSW trending zone dipping shallowly at 15° - 20° easterly which is traceable by geochemistry for 1.25 kilometres. Only 400m of this zone was partially tested by the small, first pass RC drilling program carried out earlier in the year. Mineralisation is associated with quartz vein stockworks and silicification in sandstones and siltstones of the Mathina Group.

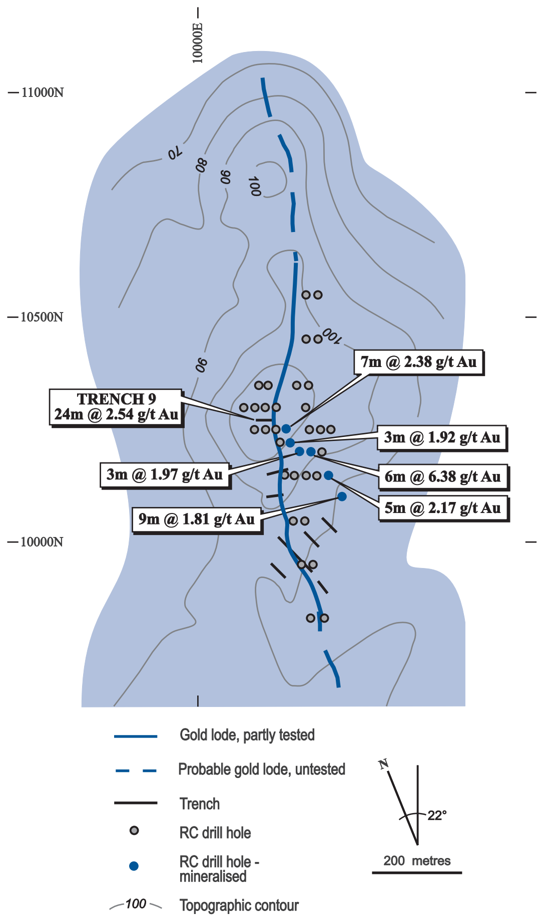
During the first quarter of 2000 a reverse circulation drilling program of twelve holes for 596m was carried out to further test the strike and depth extensions of this 1,250m mineralised zone. The mineralised intervals encountered in EDRC16, 17 and 18, drilled as down dip extensions to the east of previously drilled EDRC12 (20m @ 1.0g/t, including 7m @ 2.4g/t Au), confirmed continuation of the shallow dipping mineralised structure. The most significant intersection of 6m @ 6.38g/t Au was recorded in EDRC15, located 50m to the south and 60m to the east of EDRC12.

During February, 2001 a program of 12 drillholes successfully extended the zone of gold mineralisation. The program consisted of 12 reverse circulation drillholes totalling 584m. Six holes (EDRC 27-32 inclusive) tested for extensions in the vicinity of earlier drillhole EDRC 15 which was the most south-easterly of the earlier drillholes. Five holes returned mineralised intersections which indicate the zone extends well beyond EDRC 15. In particular, hole EDRC 28, 65m south-east of EDRC 15, returned 5m @ 2.17 g/t Au, and EDRC 27, a further 60m south-east, returned 9m @ 1.81 g/t Au. The latter hole is the most south-easterly hole drilled to date and the zone remains open to the south, south-east and east. Best results were:

Hole No.North	East	Interval (m)	Assay (g/t Au)
EDRC27 10100	10320	12-20	9m @ 1.81
EDRC28 10150	10240	10-15	5m @ 2.17
EDRC29 10150	10265	12-13	1m @1.07
		14-15	1m @ 2.13
EDRC30 10150	10290	15-16	1m @ 1.80
EDRC32 10200	10275	8-11	3m @ 1.97

Footnotes:
1. All holes are reverse circulation holes drilled on azimuth 268 degrees at –60 degrees.
2. Assays are fire assays with detection limit of 0.01g/t Au.
3. Intervals have been determined by applying a 0.5g/t Au cut-off to constituent 1m samples.

The other six holes drilled about 150m north-east of EDRC 15 did not intersect ore grade mineralisation as they were collared in the footwall of the zone. As



EAST DENISON
Topographic Plan Showing Interpreted Gold Lode and Drill Hole Locations

such, the negative results of these holes do not detract from the promising results of the holes south-east of EDRC 15.

A program of stepout drilling from EDRC 27 has been recommended.

BULGA DOWNS JOINT VENTURE - WA

Anglo Australian Resources N.L. 40.7%
Sipa Exploration N.L. 59.3%

The Bulga Downs Gold Project area is located approximately 150km northwest of Menzies and lies within the Archaean Maynard Hills greenstone belt. Soil geochemistry, rock chip sampling and limited drilling has identified a number of gold anomalies with significant drilling intercepts from the Bulga Downs North, Macaw, Macaw North, Paradise Bore and Toucan prospects. Mineralisation is hosted in gossanous iron formation and mafic lithologies. An indicated resource of 120,000 tonnes @ 5.3g/t Au at the Paradise Bore prospect has been reported by Sipa Resources International NL.

Aeromagnetic data acquisition and interpretation carried out by Anglo during 1998 identified a zone of major magnetic deformation/alteration within untested remnant sediments/mafics along strike north of the Paradise Bore mineralisation previously outlined by Sipa. Drill testing of these geophysical structural targets was held up for most of 1999 by the Native Title objection process to the granting of the exploration licence application covering the area. The licence was eventually granted in late 1999.

A RAB/Aircore drilling program of 23 holes for 694m carried out in early 2000 partially tested three of the five sand covered targets within the zone of magnetic deformation. Banded Iron Formation, chert and mafic and untramafic rocks below Quaternary sands and alluvium (up to 16m thick) were intersected. Although the first pass drilling assisted in the interpretation of the aeromagnetic feature, no gold analysis of significance were recorded.

The three year period during which AAR had the right to earn a 60% interest in both the Bulga Downs North and Bulga Downs South Agreements expired during February 2001. As the required expenditures in respect of both Agreements were not met, Sipa Exploration NL now holds an unemcumbered 100% interest in the Bulga Downs North tenements. AAR retains its pre-agreement position of 40.7% in EL's 29/117 & 29/279 and MLA29/258 in respect of the Bulga Downs South Agreement. Management of the project was handed back to Sipa Exploration NL in February 2001.

During the June 2001 quarter, a program entailing acquisition of detailed orthophotography and digital elevation data was approved by the joint venture partners. The orthophotography will cover the Bulga Downs North and Macaw gold prospects. Additionally a review of all previous exploration in selected portions of the property is planned to identify new targets. The review and associated field studies will investigate the complex relationship of regolith and geochemical responses to assist in better interpreting the large existing geochemical database.

KOONGIE PARK JOINT VENTURE – WA Anglo 44.52%, Lachlan Resources NL 54.32%

The Koongie Park Project, an advanced base metals project, is located 25km south-west of Halls Creek in the Kimberley region of Western Australia.

The project area covers several base metal prospects which occur along a 15km contact of a volcano-sedimentary sequence. The area has been explored since 1972, with the discovery of several zinc-copper-lead-silver deposits, the main prospects being Sandiego and Onedin. Other known identified prospects include Atlantis, Gosford and Rockhole.

No field work has been reported by joint venture manager Lachlan Resources during the reporting period.

Dilution resulting from Anglo's non-contribution to joint venture expenditure has reduced Anglo's interest to approximately 44.52%.

DENNIS KRUGER
General Manager – Exploration

SCHEDULE OF MINING TENEMENTS

As at 25 September 2001

Project	Tenement	Interest	Title Holder	Joint Venturer
		Western Australia		
Koongie Park	ML's 80/276, 277, 278, 371, 372, 373	44.52%	Anglo Australian Resources NL / Lachlan Resources NL	Lachlan Resources NL
Bulga Downs	EL's 29/117 & 279	40.7%	Anglo Australian Resources NL / Sipa Perenjori NL	Sipa Perenjori NL
West Musgrave	ELA's 69/1672 & 1673	50%	PayLODE Pty Ltd	PayLODE Pty Ltd
	EL's 69/1675 & 69/1682 – 1684 (inclusive) ELA's 69/1674, 69/1676 – 1678 (incl), 69/1684 & 69/1685		Anglo Australian Resources NL / PayLODE Pty Ltd	PayLODE Pty Ltd
		Tasmania		
Denison	EL 38/94	90%	Anglo Australian Resources NL	Silverthorn Resources Pty Ltd

The Directors present their report together with the financial report of Anglo Australian Resources NL ("the Company") and the accounts of the Company for the year ended 30 June 2001 and the auditors' report thereon.

1. DIRECTORS

The Directors of the Company at any time during or since the financial year are:

John Load Cecil Jones

Denis Edmund Clarke

Christopher Hugh Fyson

Angus Claymore Pilmer

Robert Scott Wynd

2. PRINCIPAL ACTIVITIES

The principal activities of the Company during the financial year were the acquisition and investigation of mineral tenements and mineral exploration. There has been no change in the nature of these activities during the financial year.

3. RESULTS

The net loss of the Company for the financial year after abnormal items, after provision for income tax was $366,754 (2000 $825,579).

4. DIVIDENDS

No dividends have been paid by the Company during the financial year ended 30 June 2001, nor have the Directors recommended that any dividends be paid.

5. REVIEW OF OPERATIONS

A review of the operations for the financial year, together with future prospects which form part of this report are set out on pages 2 to 4.

6. CHANGE IN STATE OF AFFAIRS

Significant changes in the state of affairs of the Company that occurred during the financial year were:

(a) The paid up capital was increased from $14,204,037 to $14,445,162 as a result of the issue of the following:

12,000,000 shares of 2.2 cents fully paid by placement at a cost of $22,875.

7. SUBSEQUENT EVENTS

The Company issued a prospectus on 7 September 2001 for 10,500,000 shares at 2.1 cents each in order to raise $220,500 and pursuant to section 7.1 of the Australian Stock Exchange Listing Rules.

There has not been any matter or circumstance that has arisen since the end of the financial year that the Directors are aware of, that has significantly affected, or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in financial years after the financial year.

8. LIKELY DEVELOPMENTS

The Company intends to continue its exploration program on its existing tenements and to acquire further suitable tenements for exploration.

9. PARTICULARS OF DIRECTORS

During the year there were 4 Directors' meetings held. The particulars of the qualifications and experience of the Directors and the number of meetings attended by each Director during the year are detailed below:

Jones, John Load Cecil (Chairman)

(Appointed 9 February 1990)

Mr Jones has extensive experience in the mining industry and is a director of a number of public companies. He is presently the Chairman of Troy Resources NL and has been a Director and Chairman of the Company since 1990.

Mr Jones has an interest in 9,596,866 shares.

Mr Jones attended 4 Directors' meetings.

Clarke, Denis Edmund
(Appointed 31 March 1999)

Dr Clarke is an experienced Company Director widely known in the mining and investing communities. Over sixteen years in various senior positions he contributed significantly to the outstanding success of Plutonic Resources Limited which rapidly developed from a small explorer/non-producer into one of Australia's largest gold producers operating five mines.

Dr Clarke has an interest in 1,000,000 shares.

Dr Clarke attended 3 Directors' meeting.

Fyson, Christopher Hugh
(Appointed 10 December 1985)

Mr Fyson has 26 years experience in real estate and development in the Goldfields Region of Western Australia and is a past president of the Kalgoorlie Boulder Chamber of Commerce. Mr Fyson initiated the Goldfields Mining Expo of which he was Chairman for its first three years. He is a State and National Director of the Professionals Real Estate Group and has Chaired both Boards for four years each. He has been a Director of heCompany since 1985.

Mr Fyson has an interest in 7,252,899 shares.

Mr Fyson attended 4 Directors' meetings.

Pilmer, Angus Claymore
(Appointed 10 December 1985)

Mr Pilmer is a Management Accountant. He is experienced in corporate management and is a director of a number of private companies. He has been a Director of the Company since 1985.

Mr Pilmer has an interest in 3,853,750 shares.

Mr Pilmer attended 4 Directors' meetings.

Wynd, Robert Scott
(Appointed 19 October 1990)

Mr Wynd is a Fellow of the Securities Institute of Australia and has 33 years experience as a stockbroker. He has been a Director of the Company since 1990.

Mr Wynd has an interest in 1,342,625 shares.

Mr Wynd attended 1 Directors' meeting.

10. DIRECTORS' AND EXECUTIVE REMUNERATION

The following table discloses the remuneration of the directors and executives.

Name	$
Directors	
J.L.C. Jones (Directors fees)	15,000
D.E. Clarke (Directors fees)	10,000
C.H. Fyson (Directors fees)	10,000
A.C. Pilmer (Directors fees)	10,000
R.S. Wynd (Directors fees)	10,000
Executive	
D. Kruger (Salary)	95,000
D. Kruger (Superannuation)	7,122
	157,122

11. DIRECTORS' INTERESTS

The aggregate number of ordinary shares in the Company held directly, indirectly or beneficially by directors or their director-related entities at the date of this report are:

	No of Shares	
	Directly	**Indirectly**
J.L.C. Jones	156,250	9,440,616
D.E. Clarke		1,000,000
C.H. Fyson	3,000	7,249,899
A.C. Pilmer	103,750	3,750,000
R.S. Wynd		1,342,625
	263,000	22,783,140

Signed in accordance with a resolution of the Directors

J L C JONES
Director

A C PILMER
Director

Dated at Perth this 3rd day of October 2001.

For the year ended 30 June 2001

This statement outlines the main Corporate Governance practices that were in place throughout the financial year, unless otherwise stated. These practices are dealt with under the following headings: Composition of the Board, Independent Professional Advice, Remuneration, Business Risk and Ethical Standards.

The Board of Directors of Anglo Australian Resources NL is responsible for the corporate governance of the Company. The Board monitors the business and affairs of Anglo Australian Resources NL on behalf of the shareholders by whom they are elected and to whom they are accountable.

At the date of this report no separate committees of the Board of Directors exist. There being only five non executive Directors of the Company, all matters to be dealt with by a committee are dealt with by the Board of Directors.

The following outlines the main corporate governance practices established to ensure the board is equipped to discharge its responsibilities.

Composition of the Board

The composition of the Board is determined in accordance with the following principles and guidelines:

- The Board shall comprise at least 3 Directors, increasing where additional expertise is considered desirable in certain areas.
- The Board shall comprise a majority of non executive Directors.
- Directors may bring characteristics which allow a mix of qualifications, skills and experience.

The Board will review its composition on an annual basis to ensure that the Board has the appropriate mix of expertise and experience. Where a vacancy exists, for whatever reason, or where it is considered that the Board would benefit from the services of a new Director with particular skills, the Board will select appropriate candidates with relevant qualifications, skills, and experience.

The performance of all Directors will be reviewed by the Chairman each year. Directors whose performance is unsatisfactory will be asked to retire.

Independent Professional Advice

Each Director will have the right to seek independent professional advice at the Company's expense. However, prior approval by the Chairman will be required, which will not be unreasonably withheld.

Remuneration

The Board will review the remuneration packages and policies applicable to senior executives and non-executive Directors on an annual basis. Remuneration levels will be competitively set to attract qualified, experienced Directors and senior executives. Where necessary the Board will obtain independent advice on the appropriateness of remuneration packages.

Business Risk

The Board will monitor and receive advice on areas of operational and financial risk and consider strategies for appropriate risk management arrangements.

Specific areas of risk which are identified will be regularly considered at Board Meetings including foreign currency and commodities price fluctuations, tenement management, human resources, the environment and continuous disclosure obligations.

Ethical Standards

The Board's policy for the Directors and management is to conduct themselves with the highest ethical standards. All Directors and employees will be expected to act with integrity and objectivity, striving at all times to enhance the reputation and performance of the Company.

Environmental Regulations

The Company is committed to a high standard of environmental performance and during the year has not received any fines or prosecutions under any environmental laws or regulations. The Company did not incur any environmental incidents during the year.

STATEMENT OF FINANCIAL PERFORMANCE

For the Year Ended 30 June 2001

	Note	2001 $	2000 $
Other revenues from ordinary activities	2	5,668	6,525
Total revenue		5,668	6,525
Expenses from ordinary activities			
Exploration and development expenditure written off			
– current year	3	51,303	98,022
– previously capitalised	3	100,000	459,055
Administration expenses		82,058	86,381
Other expenses from ordinary activities		136,441	185,060
Borrowing costs	3	2,620	3,586
Total expenses		372,422	832,104
Loss from ordinary activities before related income tax		(366,754)	(825,579)
Income tax benefit relating to ordinary activities	5	–	–
Net Loss from ordinary activities after related income tax	12	(366,754)	(825,579)

The above Statement of Financial Performance is to be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION

As at 30 June 2001

	Note	2001 $	2000 $
Current Assets			
Cash assets		12,965	163,225
Receivables	5	24,983	–
Total Current Assets		37,948	163,225
Non-Current Assets			
Property, plant & equipment	6	39,440	43,288
Exploration expenditure	7	811,322	767,079
Total Non-Current Assets		850,762	810,367
Total Assets		888,710	973,592
Current Liabilities			
Payables	8	111,393	84,069
Interest-bearing liabilities	9	34,637	29,253
Provisions	10	7,260	6,057
Total Current Liabilities		153,290	119,379
Non-Current Liabilities			
Payables	8	127,500	113,750
Interest-bearing liabilities	9	19,595	28,509
Total Non-Current Liabilities		147,095	142,259
Total Liabilities		300,385	261,638
Net Assets		588,325	713,954
Shareholders' Equity			
Contributed Equity	11	14,445,162	14,204,037
(Accumulated Losses)	12	(13,856,837)	(13,490,083)
Total Shareholders' Equity		588,325	713,954

The above Statement of Financial Position is to be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS

As at 30 June 2001

	Note	2001 $	2000 $
Cash Flows from Operating Activities			
Cash payments in the course of operations		(204,777)	(218,716)
Net cash used in operating activities	18 (ii)	(204,777)	(218,716)
Cash Flows from Investing Activities			
Interest Received		2,678	6,525
Exploration expenditure		(195,546)	(152,548)
Payments for property, plant & Equipment		(3,338)	(1,055)
Net cash used investing activities		(196,206)	(147,078)
Cash Flows from Financing Activities			
Proceeds from issue of shares		241,125	471,806
Term Loans from Directors		13,750	16,250
Cash payment hire purchase loan		(7,965)	(7,964)
Interest paid		(568)	(527)
Net cash provided by financing activities		246,342	479,565
Net Increase/(Decrease) In Cash Held		(154,641)	113,771
Cash at the beginning of the financial year		139,884	26,113
Cash at the End of the Financial Year	18 (i)	(14,757)	139,884

The above Statement of Cash Flows is to be read in conjunction with the accompanying notes.

NOTES TO AND FORMING PART OF THE ACCOUNTS
For the Year Ended 30 June 2001

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

1.1 Basis of Preparation

The financial report is a general purpose financial report which has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Law.

It has been prepared on the basis of historical costs and, except where stated, does not take into account changing money values or current valuations of non-current assets.

These accounting policies have been consistently applied by the Company and, except where there is a change in accounting policy, are consistent with those of the previous year.

1.2 Reclassification of Financial Information

Some line items and sub-totals reported in the previous financial year have been reclassified and repositioned in the financial statements as a result of the first time application on 1 July 2000 of the revised standards AASB 1018 Statement of Financial Performance, AASB 1034 Financial Report Presentation and Disclosures and the new AASB 1040 Statement of Financial Position.

Adoption of these standards has resulted in the transfer of the reconciliation of opening and closing accumulated losses from the face of the statement of financial position to Note 11.

1.3 On Going Funding

The financial statements have been prepared on the basis of going concern, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The Company does not have a source of income but is reliant on equity capital for its ongoing funding requirements. The Directors consider that there are reasonable grounds to believe that the Company will continue to obtain investors' support to meet its funding requirements for the foreseeable future.

The Company issued a prospectus on 7 September 2001 for 10,500,000 shares at 2.1 cents each in order to raise $220,500 and pursuant to section 7.1 of the Australian Stock Exchange Listing Rules.

It is the intention of the directors to call a general meeting of shareholders prior to the Annual General Meeting and seek approval from the shareholders for the two previous placements of shares made pursuant to section 7.1 of the Australian Stock Exchange Listing Rules and in addition seek their approval for the issue of up to 20,000,000 shares at not less than 80% of market value in order to raise sufficient funds to meet the ongoing operational expenditure and to satisfy any creditors. The directors have made initial contact with stockbrokers and other parties to facilitate this capital raising and are confident sufficient funds will be raised to enable the Company to continue to operate.

1.4 Income Tax

The Company adopts the liability method of tax effect accounting.

1.5 Exploration, Evaluation and Development Expenditure

Exploration and evaluation costs are accumulated in respect of each separate area of interest and carried forward in the balance sheet where:

(a) rights to tenure of the area of interest are current; and

(b) one of the following conditions is met:

1. **STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES** *(cont.)*

(i) such costs are expected to be recouped through successful development and exploitation of the area of interest or alternatively, by its sale; or

(ii) exploration and/or evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the areas are continuing.

However, each area of interest is reviewed annually and accumulated expenditure is written off to the extent that it will not be recoverable in the future.

Accumulated expenditure on areas which have been abandoned, or are considered to be of no value is written off in the year in which such a decision is made. Each area of interest is also reviewed at the end of each accounting period and accumulated costs written off to the extent that they will not be recoverable in future.

1.6 Recoverable amount of non-current assets valued on cost basis

The carrying amounts of non-current assets valued on the cost basis, other than exploration and evaluation expenditure carried forward, are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of a non-current asset exceeds its recoverable amount, the asset is written down to the lower amount. The write-down is recognised as an expense in the net profit or loss in the reporting period in which it occurs. In assessing recoverable amounts of non-current assets the relevant cash flows have not been discounted to their present value, except where specifically stated.

1.7 Revenue Recognition

Interest Income

Interest income is recognised as it accrues.

1.8 Asset Sales

The gross proceeds of asset sales are included as revenue of the Company. The profit or loss on disposal of assets is brought to account at the date an unconditional contract of sale is signed.

1.9 Depreciation

Items of property, plant and equipment are initially recorded at cost and depreciated as outlined below. All plant and equipment is depreciated over its estimated useful life using either the straight line or reducing balance methods commencing from the date the asset is held ready for use.

The depreciation rates used for each class of asset are as follows:

Plant and equipment	13% to 40%
Office furniture and equipment	17%
Motor vehicles	22.5%

Depreciation rates and methods are renewed annually for appropriateness

Hire Purchase

Hire purchase contracts are capitalised. An asset and a liability equal to the present value of the minimum hire purchase payments are recorded at the inception of the contract. Interest is written off as an expense of the accounting period in which it is incurred. Assets under hire purchase are depreciated on a reducing balance method over their estimated useful lives.

1.10 Joint Venture Operations

The Company's interest in joint venture operations are brought to account by including its proportionate share of the joint venture's assets, liabilities and expenses and the Company's revenue from sale of its share of output on a line to line basis from the date control commences to the date control ceases.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *(cont.)*

1.11 Employee Benefits

The provision for employee entitlements to annual leave represents the amount which the Company has a present obligation to pay resulting from employees' services provided up to the balance date. The provision has been calculated at nominal amounts based on current wage and salary rates and includes related on costs.

1.12 Foreign Currency

All foreign currency transactions during the year are brought to account using the exchange rate in effect at the date of the transaction. Amounts receivable and payable in foreign currencies at balance date are translated at the exchange rate ruling at that date.

1.13 Receivables

Security Deposits

Security deposits are carried on the balance sheet as receivables.

1.14 Payables

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Company. Trade accounts payable are normally settled within 60 days.

1.15 Goods and Services Tax (GST)

Revenues, expenses and assets are recognized net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognized as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

	2001 $	2000 $
2. REVENUE FROM ORDINARY ACTIVITIES		
Revenue from operating activities		
Interest received – other parties	2,678	6,525
Revenue from outside operating activities		
Other	2,990	–
	5,668	6,525

		2001 $	2000 $
3.	**LOSS FROM ORDINARY ACTIVITIES BEFORE INCOME TAX**		
	Loss from ordinary activities before income tax expense has been arrived at after charging/(crediting) the following:		
	Depreciation - plant & equipment	2,300	3,297
	- office furniture	1,105	1,524
	- motor vehicles	6,773	8,741
	Exploration expenditure written off	151,303	557,077
	Interest paid – other persons	568	527
	Interest paid – hire purchase	2,052	3,059
	Loss on sale and disposal of fixed assets	–	3,649
	Provision for employee entitlements	1,203	4,168
	Operating lease rental expense	17,053	17,561
4.	**AUDITORS' REMUNERATION**		
	Auditor's remuneration - auditing services - KPMG	10,000	13,000
5.	**TAXATION**		
	(a) Prima facie income tax benefit calculated at 34% (2000: 36%) of loss from ordinary activities	124,696	297,209
	Add/(less) tax effect of		
	Non-deductible items	(5,566)	(20,305)
	Exploration expenditure written off	(51,443)	(200,548)
	Timing differences and tax losses not brought to account as future income tax benefits	(69,687)	(76,356)
	Income tax expense or benefit attributable to the operating loss	–	–

(b) Future income tax benefits

Estimated future income tax benefits attributable to allowable expenditure and exploration expenditure carried forward amounting to approximately $7,115,649 (2000: $7,008,000) have not been brought to account at 30 June 2001 because the Directors do not regard realisation of the future income tax benefits as virtually certain. These benefits will only be obtained if:

(i) the Company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the loss to be realised, in accordance with the Income Tax Assessment Act;

(ii) the Company continues to comply with the conditions for deductibility imposed by law; and

(iii) no changes in tax legislation adversely affect the Company in realising the benefit from the deductions for the loss.

	2001 $	2000 $
5. RECEIVABLES		
Other Debtors	24,983	–
	24,983	–
6. PROPERTY PLANT & EQUIPMENT		
Plant & equipment at cost	53,252	49,912
Less: Accumulated depreciation	40,328	38,152
	12,924	11,760
Office furniture & fittings at cost	20,570	34,994
Less: Accumulated depreciation	17,385	33,570
	3,185	1,424
Motor vehicles at cost	43,499	43,499
Less: Accumulated depreciation	20,168	13,395
	23,331	30,104
Total property plant & equipment	39,440	43,288
Reconciliations		
Plant & Equipment		
Carrying amount at beginning of year	11,760	16,725
Additions 3464	1,054	
Depreciation	(2,300)	(3,298)
Carrying amount at end of year	12,924	11,760
Office Furniture		
Carrying amount at beginning of year	1,424	3,876
Restatement of depreciation	2,866	
Disposals -	(928)	
Depreciation	(1,105)	(1,524)
Carrying amount at end of year	3,185	1,424
Motor Vehicle		
Carrying amount at beginning of year	30,104	38,844
Deprecation	(6,773)	(8,740)
Carrying amount at end of year	23,331	30,104

	Note	2001 $	2000 $
7. EXPLORATION EXPENDITURE			
Deferred exploration and acquisition expenditure			
Balance at beginning of year		767,079	1,171,608
Add: Expenditure during the year		195,546	152,548
		962,625	1,324,156
Amounts written off during the year		151,303	557,077
Balance at end of year		811,322	767,079

The ultimate recoupment of such expenditure is dependent upon successful development and commercial exploitation, or alternatively sale of the respective areas.

The Company's exploration properties may be subjected to claim(s) under native title, or contain sacred sites, or sites of significance to Aboriginal people. As a result, exploration properties or areas within the tenements may be subject to exploration restrictions, mining restrictions and/or claims for compensation. At this time it is not possible to determine whether such claims exist or the quantum of such claims, if any.

	Note	2001 $	2000 $
8. PAYABLES			
Current			
Trade creditors and accruals		111,393	84,069
Non-current			
Amounts due to directors (i)		127,500	113,750

(i) Amounts due to directors are interest free, unsecured with no fixed repayment date. Directors have agreed to withhold any demand for payments until after 30 September 2002.

	Note	2001 $	2000 $
9. INTEREST BEARING LIABILITIES			
Current			
Bank overdraft – secured (i)	18 (i)	27,722	23,341
Hire purchase loan – secured (ii)	13	6,915	5,912
		34,637	29,253
Non-Current			
Hire purchase loan – secured (ii)	13	19,595	28,509

(i) The bank overdraft of the company is secured by a Registered Charge over the company assets.

(ii) Hire Purchase Loans secured by the asset on hire purchase

	2001 $	2000 $
10. PROVISIONS		
Employee entitlements	7,260	6,057
Number of Employees	1	1
11. CONTRIBUTED EQUITY		
Issued and Paid Up Capital		
162,114,700 ordinary shares fully paid (2000 – 150,114,700 ordinary shares fully paid)	14,445,162	14,204,037
Movements in Ordinary Share Capital		
Balance at beginning of financial year	14,204,037	13,732,231
12,000,000 shares issued for cash (i)	241,125	471,806
Balance of share premium reserve (ii)	–	–
Balance of share option reserve	–	–
Balance at end of year	14,445,162	14,204,037

(i) The Company has issued ordinary shares as follows:

February 2001 12,000,000 shares were issued at 2.2 cents.Transaction costs of $22,875 were recognised as a reduction of the proceeds of issue.

In the prior year 20,000,000 ordinary shares were issued in December 1999 at 2.2 cents each.

	2001 $	2000 $
12. ACCUMULATED LOSSES		
Accumulated Losses at the beginning of the year	13,490,083	12,664,504
Net Loss from ordinary activities after related income tax	366,754	825,579
	13,856,837	13,490,083

13. COMMITMENTS

Mineral Tenement Leases

The Company has minimum expenditure obligations in pursuance of the terms and conditions of tenement licences in the forthcoming year of approximately $267,800 (2000 - $208,000). Whilst the aforementioned obligations are capable of being varied from time to time, in order to maintain current rights of tenure to mining tenement licences, the Company will be required to outlay approximately $17,400 in respect of tenement rentals. These are expected to be fulfilled in the normal course of operations of the Company.

	2001 $	2000 $
13. COMMITMENTS (Cont.)		
Hire Purchase Commitments		
Payable		
Within 1 year	6,915	7,964
One year or later and no later than five years	19,595	24,457
	26,510	32,421

14. FINANCIAL REPORTING BY SEGMENT

The Company operates in Australia and in one industry classification being mineral exploration.

15. REMUNERATION OF DIRECTORS

	2001	2000
(i) Total income paid or payable, or otherwise made available to all Directors of the Company or any related party.	55,000	57,500
	Number	**Number**
(ii) The number of Directors of the Company whose income from the Company or any related party falls within the following bands:		
$ 10,000 - $ 19,999	5	5

16. REMUNERATION OF EXECUTIVE

	2001	2000
(i) Total income paid or payable, or otherwise made available to the Executive of the Company or any related party.	$102,122	$101,524
	Number	**Number**
(ii) The number of Executives of the Company whose income from the Company or any related party falls within the following bands:		
$ 100,000 - $ 100,999	1	1

17. RELATED PARTIES

Directors

The names of persons who were Directors of the Company at any time during the financial year are as follows: J L C Jones; Dr D E Clarke; C H Fyson; A C Pilmer; and R S Wynd.

The following fees for the provision of rent and consulting, administrative and accounting services were paid on normal commercial terms and conditions to the following Director related entities: $17,388 (2000 – $18,573) was paid to Vernon Pty Ltd, a company of which Mr J L C Jones is a director; $6,048 (2000 – nil) was paid to Westbury Management Services Pty Ltd, a company of which Mr J L C Jones is a director; $8,360 (2000 – 20,718) paid to Emeritus E.Commerce Systems Pty Ltd, a company which Mr E C C Jones (the son of Mr J L C Jones) is a director; and $71,300 (2000 - $72,482) was paid to A C Pilmer & Co, a firm of which Mr A C Pilmer is the Principal.

	2001 $	2000 $

17. RELATED PARTIES *(cont.)*

Other information relating to remuneration of Directors is set out in Note 14.

Interests in the Company held by the Directors at balance date are as follow:

	Number of Shares Held Directly and Indirectly
Mr J L C Jones	9,596,866
Dr D E Clarke	1,000,000
Mr C H Fyson	7,252,899
Mr A C Pilmer	2,853,750
Mr R S Wynd	1,342,625

During the year ended 30 June 2001 no ordinary shares were disposed of and 1,050,000 ordinary shares (to 30 June 2000: 4,111,991) were acquired by the Directors on the same terms and conditions available to other shareholders.

18. NOTES TO THE STATEMENT OF CASH FLOWS

(i) Reconciliation of Cash

For the purposes of the Statement of Cash Flows, cash includes cash on hand and at bank and short term deposits, net of outstanding bank overdrafts. Cash as at the end of the financial year, as shown in the Statement of Cash Flows is reconciled to the related items in the balance sheet as follows:

	2001 $	2000 $
Cash	200	200
Short term deposits	12,765	163,025
Overdraft	(27,722)	(23,341)
	(14,757)	139,884

(ii) Reconciliation of operating loss after income tax to net cash used in operating activities

	2001 $	2000 $
Operating loss after income tax	(366,754)	(825,579)
Add/(less) items classified as		
Investing/financing activities and non-cash items:		
Loss (profit) on disposal of fixed assets	–	3,649
Interest received	(2,678)	(6,525)
Other Income Received	(2,989)	–
Exploration expenditure written off	151,303	557,077
Depreciation	10,178	13,562
Interest paid bank	568	527
Hire purchase charges	2,052	3,059
	(208,320)	(254,230)
Add/(less) change in assets and liabilities:		
Increase/(Decrease) in accounts payable	27,324	23,348
Increase/(Decrease) in provisions	1,203	4,168
Decrease/(Increase) in receivables	(24,983)	7,998
Net Cash Used In Operating Activities	(204,777)	(218,716)

	2001 $	2000 $

19. INTERESTS IN JOINT VENTURE OPERATIONS

The Company has interests in unincorporated joint ventures as follows. The principal activity of all joint venture operations is mineral exploration.

		Percentage Interest 2001 %	Percentage Interest 2000 %	Exploration Expenditure 2001 $	Exploration Expenditure 2000 $
Western Musgrave WA	Earning	50	–	90,081	-
Denison Goldfield TAS	Diluted	90	90	53,486	54,527
Bulga Downs WA		40.7	60	20,112	61,009
Koongie Park WA	Diluting	44.52	45.09	–	–
Wongan Hills	Earning	60	60	23,749	23,749

The above amounts are included in Deferred Exploration and Acquisition Expenditure in Note 7.

20. ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURE

a) Interest Rate Risk Exposure

	Note	Weighted average interest rate	Floating interest rate	1 year or less	1 to 5 years	Non-interest bearing	Total
2001							
Financial Assets							
Cash assets		3.7%	12,965	–	–	–	12,965
Receivables	5	–	–	–	–	24,983	24,983
			12,965	–	–	24,983	37,948
Financial Liabilities							
Payables	8	–	–	–	–	111,393	111,393
Bank overdrafts & loans	9	9.8%	27,722	–	–	–	27,722
Hire purchase commitments	9	7.4%	–	6,915	19,595	–	26,510
Employee entitlements	10	–	–	–	–	7,260	7,260
			27,722	6,915	19,595	118,653	172,885

20. ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURE *(cont.)*

a) Interest Rate Risk Exposure

2000							
Financial Assets							
Cash assets		4.5%	163,225	–	–	–	163,225
			163,225	–	–	–	163,225
Financial Liabilities							
Payables 8	–	–	–	–	84,069	84,069	
Bank overdrafts & loans	9	10.2%	23,341	–	–	–	23,341
Hire Purchase commitments	9	7.4%	–	7,964	24,457	–	32,421
Employee entitlements	10	–	–	–	–	6,057	6,057
			23,341	7,964	24,457	90,126	145,888

b) Credit Risk Exposure

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

The credit risk on financial assets, excluding investments, of the Company which have been recognised on the balance sheet is the carrying amount, net of any provision for doubtful debts.

c) Net Fair Values of Financial Assets and Liabilities

Net fair values of financial assets and liabilities, which have been recognised on the balance sheets, is the relevant contractual cash flows due from customers or suppliers. The relevant contractual cash flows have not been discounted to their present value.

	2001 $	2000 $
21. EARNINGS PER SHARE		
Basic loss per share (cents)	(0.24)	(0.59)
(a) The weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	155,114,700	140,114,700

22. SUPERANNUATION COMMITMENTS

The Company does not sponsor a superannuation plan for employees, however, it contributes 8% of gross salary to approved superannuation plans for the benefit of employees and the Directors.

23. SUBSEQUENT EVENTS

The Company issued a prospectus on 7 September 2001 for 10,500,000 shares at 2.1 cents each in order to raise $220,500 and pursuant to section 7.1 of the Australian Stock Exchange Listing Rules.

DIRECTORS' DECLARATION

1. In the opinion of the directors of Anglo Australian Resources NL

   a) The financial statements and notes, set out on pages 9 to 21, are in accordance with the Corporations Act 2001, including:

      (i) giving a true and fair view of the financial position of the Company and of its performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and
      (ii) complying with Accounting Standards and the Corporations Regulations 2001; and

   b) for the reasons set out in note 1.3, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable

Signed in accordance with a resolution of directors:

J L C JONES
Director

A C PILMER
Director

Dated at Perth this 3rd day of October 2001

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF ANGLO AUSTRALIAN RESOURCES NL

Scope

We have audited the financial report of Anglo Australian Resources NL for the financial year ended 30 June 2001 consisting of the statement of financial performance, statement of financial position, statement of cash flows, accompanying notes, and the directors' declaration set out on pages .. to ... The Company's directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on them to the members of the Company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements and statutory requirements so as to present a view which is consistent with our understanding of the Company's financial position, and performance as represented by the results of its operations and cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the financial report of Anglo Australian Resources NL is in accordance with:

(a) the Corporations Act 2001, including:

(i) giving a true and fair view of the Company's financial position as at 30 June 2001 and of its performance for the year ended on that date; and

(ii) complying with Accounting Standards and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements.

Inherent uncertainty regarding continuation as a going concern

Without qualification to the opinion expressed above, attention is drawn to the following matter. As a result of the matters described in Note 1.3, there is significant uncertainty whether the entity will be able to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

KPMG

T R HART
PARTNER

Perth, Western Australia
3 October 2001

AS AT 29 SEPTEMBER 2001

1. SHAREHOLDING

(a) Audit Committee

An Audit Committee comprised of A C Pilmer and C H Fyson was appointed in August 1997.

(b) Substantial Shareholder

Name	Held directly	Held indirectly	Total	%
John L C Jones	156,250	9,440,616	9,196,866	6.13

(c) Voting Rights

Each member is entitled to one vote on a show of hands and one vote for each share held on a poll.

(d) Distribution of Shareholders

	Number of Holders	
Size of Holding	**Shares**	**%**
1 - 1,000	25	0.01
1,001 - 5,000	193	0.42
5,001 - 10,000	189	1.15
10,001 - 100,000	672	22.69
100,000 and over	263	75.73
	1,342	100.00

(e) Marketable Parcel

There are 641 shareholders who hold less than a marketable parcel.

(f) Top 20 Shareholders

	Number of Shares	% of Issued Capital
National Nominees Limited	10,801,625	6.66
Commonwealth Custodial	7,000,000	4.32
Lachlan Resources NL	4,750,000	2.93
Vier Pty Ltd	4,221,274	2.60
Hampton Transport Services Pty Ltd	4,164,000	2.57
Vernon Pty Ltd	3,500,000	2.16
Claymore Estate Pty Ltd	3,410,000	2.10
Bencarra Pty Ltd	3,028,625	1.87
Westpac Custodian Nominees	1,886,095	1.16
Mr Thomas Robert Gerard Sutherland	1,675,000	1.03
Troy Resources NL	1,570,000	0.97
Domo Nominees Pty Ltd	1,499,700	0.93
Karels Consolidated	1,420,000	0.88
Mr Ted Marchese	1,212,500	0.75
Mr Wayne Lonergan	1,152,500	0.71
Damon JR Wells	1,138,000	0.70
Mr Frank Bardenhagen	1,000,000	0.62
Mr Robert John Stephen Boyd & Mrs Patricia Boyd	1,000,000	0.62
Carstock Nominees Pty Ltd	1,000,000	0.62
D F M Securities Pty Ltd	1,000,000	0.62
	56,429,319	34.82

(g) On Market Buy-Back

There is no current On Market Buy-Back