

*31 January 2006*

Companies Officer  
Australian Stock Exchange  
2 The Esplanade  
**PERTH WA 6000**

Dear Sir

**ANGLO AUSTRALIAN RESOURCES N L  
REPORT ON ACTIVITIES FOR THE QUARTER ENDED  
31 DECEMBER 2005**

**HIGHLIGHTS**

**MAJOR PROJECTS**

- **The Mandilla Project gold deposit near Kambalda, Western Australia is readied for development. Record gold prices ensure excellent profitability.**
- **Record commodity prices add substantial value to the wholly owned Koongie Park copper-zinc project asset. The effect of the record copper and zinc prices on the project's development economics is profound. It is potentially one of the better currently undeveloped copper-zinc deposits in Australia. Development options for the project, located near Halls Creek in the Kimberley District of Western Australia, are being investigated as a high priority.**

**OTHER PROJECTS**

- **Drilling at the Michelangelo Prospect at the Feysville Project intersects 8m @ 2.87%Cu, 26.5g/t Ag and 0.31g/t Au.**

**CORPORATE**

- **Exploration expenditure totalled \$ 142,972**

## MAJOR PROJECTS

### MANDILLA PROJECT-WA

*Mining Leases 15/96, 15/633  
100% interest*

The **Mandilla Project** consists of all gold rights attached to two mining leases located 70km south of Kalgoorlie and 20km south west of Kambalda.

The Mandilla deposit is a gold mineralised palaeochannel overlain by approximately 20m of overburden. The main gold-mineralised part of the palaeochannel defined at a 1g/t Au cut off is 5 -30m wide and is over 800m in length.

In September 2005 Anglo Australian Resources NL announced that the deposit, based on extensive drilling to that date, was estimated using a top-cut of 100g/t Au to contain an in-pit Probable Ore Reserve of 70,100 tonnes @ 7.52g/t Au for 16,960 ounces gold

Anglo Australian Resources N L's priority objective is the early development of the shallow, high-grade West Mandilla deposit. **The record gold price currently prevailing ensures robust economics for the development and directors have authorised management to take all necessary steps preparatory to a formal decision to commence mining as soon as possible.** That decision is expected in late February, as all preparations are well advanced. Mining is to commence immediately thereafter. It is planned to mine the deposit over nine months with first ore being delivered to a custom mill within the third month. The Company has submitted and received approval for a Project Management Plan, a Notice of Intent and an Application for Clearing from regulatory authorities. All relevant contracts are in an advanced stage of negotiation and preparation.

### KOONGIE PARK PROJECT - WA

*Mining Leases 80/276, 80/277, Mining Lease Applications 80/585, 80/586, 80/587,  
Exploration Licence Applications 80/3494, 80/3495  
100% interest*

The Koongie Park Project is located 25km south-west of Halls Creek in the Kimberley region of Western Australia. The area has been explored since 1972, and two significant copper-zinc-lead-silver deposits, **Sandiego and Onedin**, have been extensively drill tested. Upwards of \$7 million has been spent by explorers on the project. **Anglo Australian Resources has been associated with the property since 1989 and it is now wholly owned.** In 1996-1997 Lachlan Resources N L, in joint venture with the Company, carried out extensive resource-definition type drilling and developed excellent geological and structural interpretations for both deposits.

The **Sandiego** deposit is a steeply plunging tabular mineralised zone that has been drilled on 40m sections over a strike length of 120m to a depth of 500m, and remains open at depth. Its substantial potential is illustrated by the 1996 drillhole SRCD 7 roughly in the middle of the deposit which intersected **77m @ 1.65% Cu, 1.48% Pb, 9.7% Zn, 60.7 g/t Ag and 0.54 g/t Au (200-277m) and 20m @ 3.2% Cu, 0.05% Pb, 0.14% Zn, 16 g/t Ag and 0.31 g/t Au (292-312m).**

Lachlan Resources NL estimated mineralisation at Sandiego as:-

**Zinc Zone - 1.3 Mt @ 0.6% Cu, 1.3% Pb, 9.1% Zn, 72 g/t Ag and 0.34 g/t Au .  
Copper Zone - 0.92Mt @ 2.9% Cu**

Lachlan Resources N L estimated potentially open pittable mineralisation at Onedin as:-

**Zinc Zone - 1.14 Mt @ 0.70% Cu, 1.2% Pb, 7.0% Zn and 40 g/t Ag  
Copper Zone - 2.22Mt @ 1.2% Cu, 1.7% Pb, 2.7% Zn and 38 g/t Ag**

These estimates, while based on careful cross sectional methodology, are not JORC-compliant.

**The value of the Koongie Project has changed radically in recent times because of the major increase in copper and zinc prices over the last three years.**

The change can be well illustrated by re-examination of earlier studies into development of the project.

In 2003 detailed evaluation of the economics of underground mining of both Sandiego and Onedin, with treatment through the then existing Pillara mill (allowing suitable capital expenditure for modifications to that mill) was completed. The model, which used then current prices (**copper US\$1,725/t, zinc US\$850/t**, exchange rate 0.66), had **projected revenue of A\$155 million**. As the modelled capital and operating costs totalled about A\$175 million, cash flow was negative and the project was sub-economic.

In mid-December 2005 the model was updated for then current commodity prices alone (**copper US\$4500/t, zinc US\$1,770/t**, exchange rate 0.75). The **projected revenue essentially doubles and exceeds A\$300 million** and the projected cash flow is obviously strongly positive.

Since December copper and zinc prices have risen again to **US\$4,877/t for copper and US\$2,250/t for zinc** on January 27, 2006 and at those prices modelled **projected revenue would be well above A\$300 million**.

The radically changed economics reflects the record levels to which copper and zinc prices have recently risen and the profound effect of the price increases on projected revenue.

The above figures are for illustration purposes, as any development today would be undertaken in a somewhat different manner, the precise manner being determined by a feasibility study. Additionally, capital and operating costs would have risen, but not to the same extent as prices and projected revenue.

**Copper and zinc prices have nearly trebled since 2003** and, although it might be argued that it is overly optimistic to use current record prices in valuations or for development decisions, price could decrease greatly from current levels before the overall very positive conclusions on the potential development economics would change.

**Although the above figures should be considered as indicative only, it is very clear that Koongie Park is currently an extremely valuable asset. It is potentially one of the better currently undeveloped base metal projects in Australia.**

**Australian Resources N L believes that there is high potential for a profitable mining operation to be established at Koongie Park, and is investigating various options to maximise the project's value and for early development.**

A Feasibility Study, initially involving further drilling and metallurgical testwork, is required as the next step in pursuing development of one or more of the Koongie Park deposits.

A recent review by Anglo Australian Resources N L concludes that the mineralisation at Sandiego remains open to the north and possibly to the south. Consequently, drill testing of the possible extensions is a priority.

## OTHER PROJECTS

### FEYSVILLE PROJECT –WA

*Mining Leases 26/290, 26/291  
100 % interest*

The **Feysville Project** consists of all mineral rights attached to two mining leases located 16km SSE of Kalgoorlie. The project is situated in the geological / structural corridor, bounded by the Boulder Lefroy Fault that hosts the world class deposits of Kalgoorlie and St Ives as well as other substantial deposits in the New Celebration, Kambalda and Hannans South areas. The project also contains an extensive strike length of an ultramafic unit which may correlate with the ultramafic horizon that hosts nickel sulphide deposits at Kambalda 30km to the south.

Previous exploration programs for nickel sulphides at Feysville defined three ground electromagnetic (“EM”) anomalies, interpreted to be located near the basal contact of the ultramafic unit with underlying basalt. (see Figure1). Exploration in December quarter tested these anomalies with four RC holes totalling 492m.

At the **Michelangelo Prospect (Anomaly J)** two holes tested an interpreted steeply south-dipping conductor. Both intersected a sulphidic silicified black shale unit which correlates well with the interpreted conductor. **A copper-rich zone in one hole intersected 8m @ 2.87%Cu, 26.5g/t Ag and 0.31g/t Au.** This intersection correlates well significant pyrite chalcopyrite alteration intersected in previous drilling which returned a best intersection of 3m @ 1.83%Cu, 13.4g/t Ag and 0.26g/t Au.

At **Anomaly A** one hole tested a shallow west- dipping conductor interpreted to be located 80-100m below surface. The hole intersected unmineralised basalt throughout its entire length. Preliminary interpretation of the results of EM testing down the hole suggests that despite the drill hole reaching planned depth, the conductor was not intersected and is located off the end of the hole.

At the **Raphael Anomaly** one hole tested an intense south-dipping conductor. The hole, drilled entirely in basalt, contained a zone of elevated nickel (22m @ 0.15%Ni) at the end of the hole. No sulphides were visible. Preliminary interpretation of down-hole EM results suggests that, despite the drill hole exceeding planned depth, the target conductor was not intersected and is located off the end of the hole.

A follow-up RC program is planned.

### **AUSTIN PROJECT - WA**

*Exploration Licence 21/102,  
Exploration Licence Applications 20/510, 21/114  
100% interest*

The Austin Project, located 12 km east and southeast of Cue in the Murchison District of Western Australia, covers granite and greenstone terrain between million ounce deposits Big Bell and Golden Crown. Eastern tenements cover strike extensions of stratigraphy which hosts the Cuddingwarra mineralisation and contains soil geochemical anomalies defined by Anglo Australian Resources. Prospectors using metal detectors in the area of the geochemical anomalies have located small nuggets.

A small reconnaissance RAB drilling program (20 holes for 263m) testing the gold-in- soil anomalous area was completed in December quarter. Drilling intersected sheared unaltered basalt, minor chlorite schist and quartz porphyry intrusives. Most of the holes intersected fresh bedrock from the surface. All gold and arsenic assay values were low with a best intersection of 4m @ 0.1g/t Au.

### **BARLOWEERIE - WA**

*Exploration Licence 51/1015  
100% interest*

This exploration licence of 98sq km, located 50km west of Meekatharra and 70km north northeast of Big Bell, covers approximately 33 km of the extension of the Big Bell Shear. Discussions with native title claimants have been completed and the tenement has now been granted.

### **DALGARANGA PROJECT - WA**

*Exploration Licence Applications 59/1107, 59/1127, 59/1204  
Prospecting Licences P59/1625-30, P59/1643-5*

The project, located 60 km northwest of Mt Magnet and 60 km southwest of Big Bell, covers 350 sq km of the Dalgaranga greenstone belt and portion of the adjacent Warda Warra greenstone belt. The northern and southern strike extensions of the structure that hosts the Gibleys (Dalgaranga) gold deposit are also covered. Until recently, Gibleys was successfully mined by the Equigold NL / WRF Securities Ltd joint venture.

Previous exploration by Hunter Resources and Equigold defined a lag anomaly over 150x100m containing a maximum of 1g/t Au. RAB drilling produced best results of 4m @ 5g/t Au and 2m @ 0.83g/t Au at shallow depth. Rock chips of a quartz vein produced values of up to 3.1g/t Au. The project also contains a scheelite prospect at Duffy Bore.

A small soil sampling program was completed in December quarter on part of the Warda Warda greenstone belt. Anomalous gold assays (up to 132ppbAu) suggest there are at least two gold anomalous trends corresponding to lithological contacts. Follow-up is warranted.

Yours faithfully

John L. C. Jones  
Chairman

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### Attribution

Information in this Report relating to geological data has been compiled by the Anglo Australian Resources NL Exploration Manager, Peter Komyshan, who:

- is a full-time employee of Anglo Australian Resources NL;
- has relevant experience in relation to the mineralisation being reported on as to qualify as a Competent Person as defined by the *Australasian Code for Reporting Identified Mineral Resources and Ore Reserves*.
- is a Member of the Australasian Institute of Mining and Metallurgy and is a Member of the Australian Institute of Geoscientists and has had more than twenty years' experience in the field of activity reported herein;
- has consented in writing to the inclusion of this data.

Ore resource information in relation to the Mandilla Project has been compiled by Andrew Bewsher an independent consultant from BM Geological Services, based on work by Peter Komyshan and a pit design by Bill Holly of Holly Mining Ltd. Andrew Bewsher is a member of the Australian Institute of Geoscientists and Bill Holly is a Member of the Australasian Institute of Mining and Metallurgy and both have more than five years relevant experience in relation to the mineralisation being reported on as to qualify as a Competent Persons as defined by the *Australasian Code for Reporting Identified Mineral Resources and Ore Reserves*

**TABLE 1**  
**Summary of Feysville drilling**

Prospect	Hole_ID	North	East	Azimuth	Dip	Depth	Interval	M	Assay
Anomaly J	FEC738	6575820	365850	360	-60	120			NSV
Anomaly J	FEC739	6575830	366050	360	-60	120	60 - 68m	8	<b>2.87% Cu, 26.5g/t Ag and 0.31g/t Au</b>
Raphael	FEC740	6576007	366510	64	-64	132	110 -132m	22	0.15% Ni
Anomaly A	FEC741	6579050	362350	90	-70	120			NSV

Note samples from FEC739 were collected at 1m intervals and assayed by AAS methods. Samples from FEC740 were composited at 4m intervals and also assayed by AAS methods. NSV = No significant values

Figure 1

