

**ANGLO AUSTRALIAN RESOURCES NL
QUARTERLY REPORT
31 DECEMBER 2004**

30 January 2004

Companies Officer
Australian Stock Exchange
2 The Esplanade
PERTH WA 6000

Dear Sir

The Directors of Anglo Australian Resources N.L. have pleasure in submitting the Quarterly Report for the period ended 31st December 2004.

□ **CORPORATE**

SHAREHOLDERS SHARE PURCHASE PLAN

The Company introduced a Shareholders Share Purchase Plan on 22 January 2004 that will provide eligible shareholders the opportunity to acquire additional shares in the Company.

The Share Purchase Plan entitles all shareholders to subscribe for up to \$4,995 worth of fully paid ordinary shares at 2.7 cents a share, being a 15% discount to the closing market price on 22 January 2004.

The closing date has been set at Monday 16 February 2004.

Funds raised from the Share Purchase Plan will be used as working capital to advance the Company's exploration programmes, particularly at the Mandilla Gold Project.

The details of the Share Purchase Plan were despatched to shareholders on 23 January 2004.

□ **EXPLORATION HIGHLIGHTS**

- High grade gold values confirmed in shallow paleochannels at Mandilla which have potential early development. Immediate follow up drilling is planned.

□ **EXPLORATION EXPENDITURE**

Exploration expenditure for the quarter amounted to \$160,010.

□ EXPLORATION – GOLD PROJECTS

MANDILLA –WA

(Anglo Australian Resources N.L. 100%)
Mining Leases 15/96, 15/633

The **Mandilla Project** consists of all gold rights attached to two mining leases, M15/633 and M15/96, located 70km south of Kalgoorlie and 20km south west of Kambalda (Fig1).

During this quarter AAR completed a 97 hole vertical aircore drilling program (3063m), principally targeting an interpreted shallow gold-mineralised paleochannel (old buried stream channel) in unconsolidated sediments. A paleochannel containing high grade gold was confirmed over a length of 600m and remains open to the north. Most holes were drilled outside of the limits of the relatively narrow paleochannel and contain no gold, but good mineralisation was intersected in most holes that intersected the paleochannel (Table 1).

Highlights of the drilling include include **1m @ 29.58 g/t Au, 2m @ 19.19g/t Au and 1m @ 8.89g/t Au** from the West Mandilla prospect, following up earlier intersections (drilled by WMC Resources) of **1m @ 16.9g/t Au, 1m @ 46g/t Au, 1m @ 62g/t Au and 4m @ 76.88g/t Au**.

Gold is concentrated in quartz-rich gravel near the base of the paleochannel, typically over a width of 10 to 20 metres and a thickness of one to two metres. The mineralisation is shallow, as the base of the paleochannel lies 18 to 23 metres below surface shallowing towards the north.

Screen fire assaying and leach well tests indicate that there is a considerable coarse gold component to the mineralisation, a feature typical of paleochannel style gold deposits.

Supergene and bedrock gold mineralisation (a possible source of the paleochannel mineralisation) was intersected on all drill sections towards the northern end of the paleochannel over a strike of 300m. Although bedrock intersections obtained to date are low grade (maximum 1.7g/t Au), the drilling, which primarily focused on the shallow paleochannel, was far too shallow to test the bedrock mineralisation. Anglo Australian considers the bedrock mineralisation represents a compelling target for future drilling.

Anglo Australian recently acquired the project from St Ives Gold Mining Company Pty Ltd, a wholly owned subsidiary of Gold Fields Australia Pty Ltd, the Australian mining arm of Gold Fields Limited of South Africa.

The results from our first round of drilling are excellent and confirm the potential of the project.

In addition to the primary near surface palaeochannel target, which has excellent potential for early development, we will also be testing deeper, high-grade bedrock lodes. Strong geochemical anomalies just north of the paleochannel may indicate the source of the gold in the palaeochannel, but remain substantially untested..

The objective of Anglo Australian is to obtain a cash flow from mining the paleochannel mineralisation and custom milling the ore at nearby plants. Now that the palaeochannel mineralisation has been confirmed, closer spaced drilling will be undertaken to define the full extent of the mineralised zone and to better define its average grade. A close-spaced resource delineation drilling program will follow. Additionally, a program of deeper drilling is also planned to test the geochemical anomalies and bedrock mineralisation.

AAR plans an immediate followup 3500m air core drilling program testing paleochannel and geochemical targets at West Mandilla.

FEYSVILLE –WA

(Anglo Australian Resources N.L. 100%)

Mining Leases 26/290, 26/291

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, correlatable with the ultramafic horizon that hosts nickel sulphide deposits at Kambalda 30km to the south.

During the quarter AAR completed a 52 hole 1542m reconnaissance RAB drilling program testing gold and nickel targets. Wide spaced drilling in the vicinity of broadly defined EM anomalies confirmed the presence of ultramafic lithologies beneath shallow cover sequences but failed to define significant nickel geochemical anomalies.

A single drill traverse at Ethereal West located a new wide zone (12m @ 0.3g/tAu to EOH) of supergene gold anomalism 600m along strike from the Ethereal prospect. Additional drilling is required to ascertain the significance of this intersection.

DENISON – TASMANIA

(Anglo Australian Resources N.L. 90%

Silverthorn Resources Pty. Ltd. 10%)

Exploration Licence 38/94

The project was reduced in size this quarter from 66sqkm to 12 sqkm focusing on the prospective East Denison area.

Exploration work on the project during the quarter consisted of rehabilitation of tracks and drill sites.

□ EXPLORATION – BASE METAL PROJECTS

KOONGIE PARK JOINT VENTURE - WA

(Anglo Australian Resources N.L. 100%)

Mining Leases 80/276, 80/277, 80/278, 80/371, 80/372, 80/373,

The Koongie Park Project, an advanced base metals project, is located 25km southwest of Halls Creek in the Kimberley region of Western Australia. The project area covers several base metal prospects that 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 identified prospects include Atlantis, Gosford and Rockhole.

The Koongie Park project is has been predominantly explored for base metals with little systematic exploration for gold. Some of the drill holes at base metal prospects Sandiego and Onedin were assayed for gold with best intersections of 9m @ 9.49g/t Au from Onedin and 5m @ 8.13g/t Au from Sandiego. The presence of gold mineralisation is also well documented in the district with numerous alluvial workings and more recent bedrock mining at Palm Springs and Nicolsons' Find. In addition Striker recently discovered gold in younger sediments to the north west with evidence of a hydrothermal system. The Koongie Park project is ideally situated to host hydrothermal gold mineralisation. Located in the Halls Creek Mobile belt the project is transected by a number of crustal structures. Carbonate rich stratigraphy (potential host material) is intensely folded and truncated against these faults. Magnetite alteration as evidenced by magnetic anomalies appears to be associated with known mineralisation highlights potential hydrothermal activity in the project area.

To test these concepts AAR has commenced a termite mound geochemical sampling program testing interpreted gold structural and base metal geophysical targets. Initial results from the Sandiego area have highlighted significant base metal anomalies in an undrilled area to the north of Santiago. Sampling will recommence in the area at the conclusion of the wet season.

Signed on behalf of the Board of Anglo Australian Resources N.L.

John L. C. Jones
CHAIRMAN

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

- is a full-time employee of Anglo Australian Resources NL;
- is a Member of the Australasian Institute of Mining and Metallurgy
- is a Member of the Australian Institute of Geoscientists and has had more than five years' experience in the field of activity reported herein;
- has consented in writing to the inclusion of this data.

Table 1

Mandilla Drill Summary (Intersections > 1g/t Au)

Hole No	Mga_North	Mga_East	Azimuth	Dip	From	To	Metres	Au g/t	
MNAC02	6527904	358825	0	-90	21	22	1	29.58	
MNAC03	6527906	358846	0	-90	1	2	1	1.14*	
MNAC09	6527935	358808	0	-90	19	21	2	3.45	inc 1m @ 5.09g/t
MNAC11	6527976	358800	0	-90	17	18	1	1.2	
MNAC21	6528015	358826	0	-90	21	22	1	1.13	
MNAC27	6528060	358819	0	-90	20	22	2	4.16	
MNAC30	6528057	358879	0	-90	33	34	1	1.2	
MNAC40	6528138	358779	0	-90	18	19	1	2.49	
MNAC42	6528135	358819	0	-90	28	29	1	1.78*	
MNAC47	6528177	358805	0	-90	24	25	1	1*	
MNAC53	6528260	358761	0	-90	20	22	2	4.23*	inc 1m @ 7.37g/t
MNAC53	6528260	358761	0	-90	31	32	1	1.51*	
MNAC63	6527822	358880	0	-90	21	22	1	1.14	
MNAC71	6527741	358942	0	-90	22	24	2	19.19	inc 1m @ 37.20g/t
MNAC77	6527580	359262	0	-90	32	33	1	3.49*	
MNAC78	6527579	359241	0	-90	33	34	1	3.13*	
MNAC78	6527579	359241	0	-90	38	39	1	3.68*	
MNAC78	6527579	359241	0	-90	40	41	1	2.85*	
MNAC93	6527857	358848	0	-90	20	22	2	6.23	
MNAC94	6527854	358858	0	-90	20	21	1	8.89	
MNAC95	6527778	358899	0	-90	21	23	2	1	

Samples were derived from riffle splitting of air core drill chips at 1m intervals then assayed by 50g fire assay(denoted *)

Anomalous samples within the paleochannel were re-assayed by 400 g leach well analysis. Detection limits for both assay techniques is 0.01g/t