ANGLO AUSTRALIAN RESOURCES NL

A.C.N. 009 159 077

ANNUAL REPORT

30 JUNE 2005

CONTENTS

COMPANY DIRECTORY

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

General Manager – Exploration
Peter Komyshan

Company Secretary
Angus Claymore Pilmer

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Share Registry
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Other Information
The Company is a listed company limited
by shares, incorporated and domiciled in Australia.

REVIEW OF OPERATIONS

GOLD PROJECTS

EASTERN GOLDFIELDS

MANDILLA

Anglo Australian Resources NL 100% gold rights

The Mandilla project consists of 100% interest gold rights attached to two mining leases located 70km south of Kalgoorlie and 20km south east of Kambalda. The project is located on the contact of a sequence dominated by mafics and ultramafics with a sequence of felsic volcanoclastics and metasediments of the Mandilla Formation. The sedimentary sequence is intruded by the Emu Rocks Granite (a high level stock of porphyritic monzogranite). The western contact of the granite is faulted by an interpreted southern extension of a splay fault off the Zuleika Shear Zone, which hosts 1 million ounce deposits at Raleigh (Kundana) and Mt Marion (Ghost Crab).

Previous exploration by WMC Resources Limited and Anglo Australian Resources NL had defined a resource of palaeochannel gold mineralisation at West Mandilla and a number of zones of supergene gold anomalism located at the granite sediment contact.

At West Mandilla, where gold is concentrated in quartz-rich gravel near the base of the palaeochannel, typically over a width of 10 to 20 metres and a thickness of one to two metres, drilling last year produced a number of bonanza grade intersections eg **5m @ 171.88g/t Au** (including **1m @ 823g/t**) and **1m @ 109.54g/t Au, 4m @ 30.61** (including **1m @ 103g/t Au**) and **1m @ 79.03g/t Au**.

Anglo Australian Resources main exploration activity focused on resource and reserve delineation at West Mandilla with 450 aircore holes totalling 13,081m and 5 RC holes totalling 450m completed during the year. This exploration defined the West Mandilla deposit over a strike length of 800m drilling and located a new zone of mineralisation over 100m of strike

at Endymion 200m to the south of West Mandilla. Drilling again produced a number of bonanza grade intersections eg.**3m @ 250.07g/t Au** (including **1m @ 739.76g/t Au**), **3m @ 226.22g/t Au** (including **1m @ 668.09g/t Au**) and **3m @ 71.82g/t Au** (including **1m @ 191.75g/t Au**). The palaeochannel mineralisation remains open to the South.

This exploration work enabled an Identified Mineral Resource to be classified by Independent resource consultant BM Geological Services as an Indicated Mineral Resource of 53,000 tonnes @ 10.22g/t Au for 17,410 ounces gold. Within pit shells, designed by Independent mining consultant, Holly Mining Ltd., the resource was directly converted to a **Probable Ore Reserve of 70,100 tonnes @ 7.52g/t Au for 16,960 ounces** gold. Statistical distribution of assays within the resource suggests that the 100g/t Au top-cut is the most appropriate for this orebody.

A Feasibility Study, which envisages a development plan involving custom treatment of the West Mandilla mineralisation at a nearby mill, has been completed with positive recommendations. The plan envisages mining over a period of 9 months with first delivery of ore within the third month. The cash operating cost per ounce is expected to be in the range of A$330-A$370. Statutory approvals for development are now in place and contracts for mining and milling are being finalised.

While most of our exploration effort has been focused on the palaeochannel bedrock targets remain a high priority for the company. Five bedrock anomalies (Helios, Selene, East Mandilla, Anomaly 2 and the Northern soil anomaly) have been defined by current aircore drilling and previous drilling. A summary of significant aircore drilling results is presented in Table 2 and RC drilling results in Table 3. The mineralisation is associated with broad zones of hematite and chlorite alteration and quartz veining within porphyritic granite. These intersections confirm the bedrock potential for high grade mineralisation at the Helios and East Mandilla prospects and complement other high grade intersections from previous explorers. However, additional drilling is required to establish continuity of the mineralisation.

FEYSVILLE

Anglo Australian Resources NL 100%

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 plus million ounce deposits of Mt Charlotte, Fimiston, New Celebration, Victory-Defiance, Junction, Argo and Revenge / Belleisle. and St Ives as well as other substantial deposits such as Hannans South (located

3km north of the project). The project is strategically located between a number of under-utilised gold processing plants, providing low cost development options for any resources discovered at Feysville.

The Feysville geology is complex with regional mapping identifying a double plunging northwest trending antiformal structure known as the Feysville Dome that is bounded to the west by the Boulder Lefroy Fault and to the south by the Feysville Fault. The Feysville fault, located on the southern margin of the tenement, is interpreted to represent thrusting of underlying mafic/ultramafic volcanic and intrusive rocks over a younger felsic metasedimentary sequence to the south. Intermediate and felsic porphyries have extensively intruded the sequence.

There are a number of historical gold workings on the project and drilling has identified strong alteration associated with primary gold mineralisation. Gold mineralisation is typically located at the sheared contacts of intrusive porphyry units, within pyrite sericite altered porphyries and also associated with chalcopyrite magnetite / epidote altered breccia zones within ultramafic units.

Previous exploration by WMC Resources Limited targeted gold and nickel with initial focus on the ultramafic unit for nickel sulphides, with best results of 2m @ 1% Ni and 4m @ 0.65%Ni. Exploration has consisted of a comprehensive soil survey, reconnaissance ground EM surveying, 264 RAB / Aircore holes, 444 RC holes and 5 diamond holes. The soil survey defined an area of extensive gold anomalism clustered in the SE corner of the project area. Follow- up drilling confirmed the gold potential of the area with intersections such as 7m @ 2.47g/t Au at Empire Rose, 10m @ 9.1g/t Au at Ethereal, 8m @ 2.08g/t at Kamperman and 8m @ 3.26g/t Au at Rogan Josh. Most prospects are at early stages with mineralisation open along strike and at depth. Much of the drilling elsewhere has been to shallow depths. However the substantial secondary gold mineralisation defined by these shallower holes provides targets for deeper drilling. Last year Anglo Australian Resources NL completed a 20 hole 2063m RC drilling program, on the project partially testing 6 prospects. Highlights include **6m @ 2.78 g/t Au** from the Ethereal prospect, **3m @ 3.2g/t Au** and **5m @ 3.71g/t Au** (including **2m @ 7.96 g/t Au)** from the Kamperman prospect.

A recent review of the ground EM data has highlighted a number of highly rated undrilled reconnaissance EM anomalies located in settings prospective for nickel mineralisation. Follow up of these anomalies was conducted by reconnaissance drilling and detailed ground EM. Wide spaced shallow RAB drilling in the vicinity of the broadly defined EM anomalies confirmed the presence of ultramafic lithologies beneath shallow cover sequences and defined moderate to low order nickel geochemical anomalies. The detailed ground EM data has confirmed three significant bedrock conductors. Modelling of the data has defined three significant bedrock drilling targets.

CARNILYA

Anglo Australian Resources NL 100% gold rights

The **Carnilya** project consists of the gold mining rights only attached to four mining leases located 45km southeast of Kalgoorlie. The geology is dominated by two east-west trending ultramafic units which host known occurrences of nickel sulphide mineralisation (Carnilya Hill, Zone 29, and Dunlop). The ultramafic unit, interbedded with sediments, overlies tholeitic basalt and forms a south dipping recumbent fold. The gold potential of the project has been poorly tested as a result of past exploration focusing on the nickel potential. Only 10% of all holes drilled on the project were assayed for gold. Gold exploration targets include two partially tested gold in soil anomalies (SUB and Laterite Hill). Drilling incidental to the SUB soil anomaly, targeting nickel sulphides, obtained values up to 4m @ 2.14g/t Au. No field work has been conducted on this project this year.

MAYNARDS DAM

Anglo Australian Resources NL 100%

The project is located 35km southeast of St Ives and 4km northeast of the Paris gold workings. Geologically the project is located 5km east of the Boulder Lefroy Fault Zone and contains a sequence of gabbro and basalt, faulted against a volcano-sedimentary sequence. Late northeastly trending faults, which control some of the gold mineralisation in the St Ives area, are interpreted to crosscut the stratigraphy. The project is predominately alluvium covered.

1058m of reconnaissance RAB drilling was completed on three drill traverses testing structural targets. No significant values were intersected.

AUSTIN PROJECT WA

Anglo Australian Resources NL 100%

The 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 contain untested soil geochemical anomalies. Prospectors using metal detectors in the area of the geochemical anomalies have located small nuggets.

A heritage survey has now been completed and a small program of RAB drilling designed to follow up gold soil anomalies defined by Anglo Australian Resources NL will commence early in the next year.

MURCHISON DISTRICT PROJECTS.

Anglo Australian Resources NL 100%

Anglo Australian Resources considers the Murchison District, which contains five plus one million ounce gold deposits, to be an under-explored and highly prospective part of the Yilgarn province. This belief in its prospectivity, backed up by in-house research, has resulted in the submission of tenement applications for three separate areas in the Murchison District during June quarter 2002. Two of these areas are located on the highly prospective Big Bell Shear which hosts the plus one million ounce Big Bell deposit. Negotiations with native title land claimants represented by the Yamatji Land Council have been completed and a regional heritage agreement has been signed. Tenements are expected to be granted this year. Project details are summarised below.

Barloweerie
This application for one 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. Previous exploration has not targeted the main structural corridor.

Dalgaranga
Applications have been lodged for three exploration licences and nine prospecting licences covering 350 sq km of the Dalgaranga greenstone belt. This project is located 60 km northwest of Mt Magnet and 60 km southwest of Big Bell. The applications also cover the northern and southern strike extensions of the structure that hosts the Gibleys (Dalgaranga) gold deposit. Until recently, Gibleys (Dalgaranga) was successfully mined by the Equigold NL / WRF Securities Ltd joint venture.

Within the application area extensive exploration by Hunter Resources and Equigold defined a lag anomaly over 150x100m containing a maximum of 1g/t Au. Follow up RAB drilling produced best results of 4m @ 5g/t Au and 2m @ 0.83g/t Au at shallow depths. Rock chips of a quartz vein produced anomalous values of up to 3.1g/t Au. Anglo Australian Resources plans to compile the previous exploration data with a view of defining drill targets.

The project also contains a scheelite prospect at Duffy Bore where rock chip values of values up to 110ppm tungsten have been recorded.

Pinnacles
The exploration licence application located 20km east of Cue consists of small area of 4 sub-blocks immediately east of the Pinnacle workings.

The project area is interpreted to contain the fault bounded felsic unit which hosts most of the mineralisation at Tuckabianna. A magnetic anomaly within this felsic unit could reflect magnetite alteration (often associated with gold mineralisation within this rock type c.f. Carosue Dam) or a BIF unit.

AAR has been approached by a third party to joint venture the project. Negotiations are in progress

BASE METAL PROJECTS

KOONGIE PARK PROJECT WA

Anglo Australian Resources NL 100%

The Koongie Park project, an advanced base metals project consisting of 6 mining leases, 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.
At Sandiego, Lachlan Resources NL defined a Zn and Cu resource of :

a) 1.3 Mt @ 0.6% Cu, 1.3% Pb, 9.1%Zn, 72 g/t Ag and 0.34 g/t Au .
b) 0.92Mt @ 2.9% Cu

At Onedin, Lachlan calculated a Zn and open pittable Cu resource of:

a) 1.14 Mt @ 0.70%Cu, 1.2% Pb, 7.0% Zn and 40 g/t Ag

b) **2.22Mt @ 1.2% Cu, 1.7% Pb, 2.7% Zn, and 38 g/t Ag**

Note these resource calculations, while based on careful cross sectional methodology, are not JORC compliant.

Both deposits have high grade cores with grades in excess of 20% zinc. Preliminary studies of development options including processing at a nearby plant, conducted last year, concluded that at the reigning commodity prices the deposits were sub-economic. While rising base metal prices this year have improved the potential economics of the project, discovery of additional resources is still desirable to achieve economies of scale.

Anglo Australian Resources successfully trialled termite mound sampling over both Onedin and Sandiego deposits. Termites collect weathered bedrock material from considerable depths effectively producing a homogenous bulk sample reflecting the underlying bedrock. This trial survey showed strong geochemical anomalies in Cu, Pb and Zn and weak anomalies in Au over both deposits and proved this technique could be effectively applied in this terrain to highlight base metal targets. Subsequently the survey was extended to cover other prospects and conceptual targets. A total of 1815 samples have been collected to date. The survey highlights undrilled stratigraphy anomalous in Cu, Pb and Zn south of Onedin and north of Sandiego.

A review and compilation of the all the geophysical data, collected on the project was conducted by consultants Southern Geoscience. This review highlighted a number of untested EM and IP anomalies near Onedin and Sandiego. Anglo Australian Resources is seeking a joint venture partner to drill test the geophysical and geochemical targets generated by the company's exploration.

PETER KOMYSHAN
General Manger – Exploration

30 September 2005

Table 1 West Mandilla - Significant Palaeochannel intersections

Hole_id	Mga_North	Mga_East	EOHdepth	Dip	Bearing	From	To	M	Au (g/t)
MNAC459	6527362	359068	24	-90	0	19	22	3	250.07
MNAC459			inc	-90	0	19	20	1	739.76
MNAC529	6527379	359062	24	-90	0	20	23	3	226.22
MNAC529			inc	-90	0	20	21	1	668.09
MNAC660	6527440	359015	26	-90	0	20	21	1	128.78
MNAC534			inc	-90	0	16	17	1	75.05
MNAC532	6527379	359047	35	-90	0	20	23	3	71.82
MNAC532			inc	-90	0	20	21	1	191.75
MNAC383	6527680	358979	26	-90	0	19	22	3	70.59
MNAC383			inc.	-90	0	19	20	1	199.79
MNAC693	6527320	359175	26	-90	0	16	18	2	45.4
MNAC652	6527460	358995	26	-90	0	20	21	1	40.17
MNAC534	6527340	359055	24	-90	0	16	18	2	38.94
MNAC537	6527340	359070	24	-90	0	15	16	1	34.76
MNAC599	6527882	358825	26	-90	0	19	21	2	34.12
MNAC523	6527378	359119	26	-90	0	16	17	1	29.04
MNAC694	6527300	359185	26	-90	0	16	18	2	26.84
MNAC473	6527643	358990	26	-90	0	15	19	4	18.63
MNAC603	6527882	358845	26	-90	0	21	22	1	15.18
MNAC563	6527299	359051	37	-90	0	14	16	2	14.86
MNAC386	6527653	359004	26	-90	0	16	17	1	14.22
MNAC451	6527358	359131	24	-90	0	16	17	1	13.20
MNAC648	6527460	358960	26	-90	0	16	19	3	12.94
MNAC541	6527340	359090	24	-90	0	18	19	1	12.68
MNAC600	6527882	358830	26	-90	0	20	22	2	12.26
MANC615	6527680	358968	26	-90	0	19	20	1	11.67
MNAC460	6527364	359062	24	-90	0	18	19	1	10.17
MNAC708	6527660	358970	26	-90	0	19	20	1	9.83
MNAC551	6527322	359171	26	-90	0	16	17	1	8.81
MNAC392	6527642	359015	26	-90	0	16	17	1	7.32
MNAC468	6527340	359159	41	-90	0	16	17	1	6.72
MNAC471	6527657	358986	26	-90	0	16	20	4	6.48
MNAC607	6528242	358772	26	-90	0	17	19	2	5.92
MNAC620	6527640	358970	26	-90	0	16	17	1	5.71
MNAC609	6527960	358785	26	-90	0	16	17	1	5.33
MNAC406	6527604	359020	26	-90	0	16	18	2	5.31
MNAC395	6527642	359000	26	-90	0	17	18	1	5.27
MNAC405	6527605	359025	26	-90	0	18	19	1	5.03
MNAC552	6527318	359161	35	-90	0	16	17	1	4.48
MNAC458	6527364	359075	24	-90	0	11	12	1	4.37
MNAC385	6527660	358991	26	-90	0	16	17	1	4.29
MNAC461	6527360	359057	24	-90	0	16	17	1	2.94
MNAC504	6527454	359006	26	-90	0	19	20	1	2.77
MNAC731	6527460	358965	29	-90	0	16	18	2	2.52
MNAC472	6527643	358995	26	-90	0	19	20	1	2.33
MNAC481	6527582	359030	46	-90	0	21	22	1	2.21
MNAC382	6527679	358974	26	-90	0	20	21	1	2.05
MNAC649	6527460	358970	26	-90	0	17	20	3	2.04

Table 2 Mandilla - Summary of Bedrock Aircore Intersections (1g/t Au cut off)

hole_id	Mga_North	Mga_East	EOHdepth	Dip	Bearing	From	To	M	Au (g/t)
MNAC446	6527380	359130	42	-90	0	41	42	1	26.33
MNAC466	6527339	359140	41	-90	0	39	40	1	11.12
MNAC498	6527460	359073	44	-90	0	41	42	1	7.09
MNAC481	6527582	359030		-90	0	45	46	1	6.28
MNAC402	6527600	359051	32	-90	0	28	29	1	4.41
MNAC744	6527420	359020	31	-90	0	30	31	1	4.05
MNAC528	6527379	359067	35	-90	0	34	35	1	3.96
MNAC496	6527463	359094	47	-90	0	45	47	2	3.13
MNAC421	6527502	359070	46	-90	0	45	46	1	2.93
MNAC718	6527480	358990	40	-90	0	36	37	1	2
MNAC413	6527560	359080	34	-90	0	25	26	1	1.69
MNAC415	6527560	359071	39	-90	0	26	28	2	1.63
MNAC426	6527500	359110	42	-90	0	38	40	2	1.36
MNAC415	6527560	359071	39	-90	0	29	30	1	1.04
MNAC417	6527559	359061	41	-90	0	39	40	1	1.04
MNAC421	6527502	359070	46	-90	0	41	42	1	1.04

Table 3 Mandilla -Significant RC Intersections

RC Hole	**North**	**East**	**Depth**	**Dip**	**Azimuth**	**Prospect**		**1m Fire Assay**
MDRC011	6528260	358735	86	-60	90	Helios	51- 52m	1m @ 1.0g/t Au
MDRC014	6528100	358840	96	-60	90	Helios	37 - 39m	2m @ 2.16g/t
							58 - 60m	2m @ 3.76g/t
							80- 81m	1m @1.16g/t
MDRC015	6527700	359015	88	-60	90	Selene	47 - 48m	1m @ 2.1 g/t Au
							55 - 56m	1m @ 1.91g/t Au
							59 - 61m	2m @ 2.47g/t Au
							63 - 64m	1m @ 1.1g/t Au
							71 - 72m	1m @ 3.38g/t Au

SCHEDULE OF MINING TENEMENTS
As at 30 September 2005

Project	Tenement	Interest	Title Holder	Joint Venturer
Western Australia				
Koongie Park	MLs 80/276, 277 MLAs 80,585, 586, 587 ELAs 80/3494, 3495	100%	Anglo Australian Resources NL	
Austin	ELs 21/102, 20/114, ELA 20/510	100%	Anglo Australian Resources NL	
Barloweerie	ELA 51/1015	100%	Anglo Australian Resources NL	
Dalgaranga	Ps 59/1625-1630, 1643-5, ELAs 59/1107, 1127, 1204	100%	Anglo Australian Resources NL	
Pinnacles	ELA21/115, 20/599	100%	Anglo Australian Resources NL	
Maynards Dam	E 15/776, 835	100%	Anglo Australian Resources NL	
Feysville	MLs 26/290,291	100%	Anglo Australian Resources NL	
Carnilya	MLs 26/47-49, 26/453	100% (gold rights)	Carey Mining (2002) Pty Ltd	
Mandilla	M15/96	100% (gold rights)	Australian Nickel Mines NL	
	ML15/633	100%	Anglo Australian Resources NL	
	ELAs 15/789, 891	100%	Anglo Australian Resources NL	

DIRECTORS' REPORT

The Directors present their report together with the financial report of Anglo Australian Resources NL ("the Company") for the year ended 30 June 2005 and the auditors' report thereon.

1. DIRECTORS
The Directors of the Company at any time during or since the end of the financial year are:

John Load Cecil Jones – Chairman
Denis Edmund Clarke – Non-Executive Director
Christopher Hugh Fyson – Non-Executive Director
Angus Claymore Pilmer – Non-Executive Director

COMPANY SECRETARY
Angus Claymore Pilmer – Company Secretary

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 provision for income tax was $1,588,596 (2004 $343,693).

4. DIVIDENDS
No dividends have been paid by the Company during the financial year ended 30 June 2005, 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 8.

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 $18,282,531 to $19,483,385 as a result of the issue of the following:

40,000,000 shares of 3.2 cents fully paid by placement at a cost of $79,146 in February 2005.

7. SUBSEQUENT EVENTS

For reporting periods starting on or after 1 July 2005, the Company must comply with the Australian Equivalents to International Financial Reporting Standards (AIFRS) as issued by the Australian Accounting Standards Board. The implementation plan and potential impacts of adopting AIFRS are detailed in note 22 to the Financial Statements.

Other than the matter discussed above, there has not arisen in the interval between the end of the financial year and that date of this report any items, transaction or event of a material and unnatural nature likely, in the opinion of the Directors of the Company, to 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.

DIRECTORS' REPORT (Continued)

9. PARTICULARS OF DIRECTORS

The particulars of the qualifications and experience of the Directors are detailed below:

Jones, John Load Cecil (Age 61)

Experience and expertise
Mr Jones has been a director of the Company since February 1990 is a Kalgoorlie pastoralist and businessman formerly associated with North Kalgurli Mines NL and was a founding director of Jones Mining Limited.

Other current directorships
Troy Resources NL – Executive Chairman

Former directorships in last three years
None

Special responsibilities
Chairman of the Board
Exploration and Development Director

Clarke, Denis Edmund (Age 64)

Experience and expertise
Dr Clarke has been a director of the Company since March 1999 and has a PhD in geology from Stanford University (California) and has more than 36 years' experience in exploration and mining, principally in Australia and North America, including 15 years with Plutonic Resources Limited, which rapidly developed from a small explorer/non-producer into one of Australia's largest gold producers operating five mines.

Other current directorships
Troy Resources NL – Non-Executive Director
Cullen Resources Limited – Non-Executive Director
Beaconsfield Gold NL – Non Executive Director

Former directorships in last three years
BeMaX Resources NL – Resigned November 2003

Special responsibilities
Exploration and Development Director

Fyson, Christopher Hugh (Age 59)

Experience and expertise
Mr Fyson has been a director of the Company since December 1985 has 27 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.

Mr Fyson attended 5 Directors' meetings.

Other current directorships
None

Former directorships in last three years
None

Special responsibilities
Kalgoorlie Board Director
Strategy and Planning Director

DIRECTORS' REPORT (Continued)

9. PARTICULARS OF DIRECTORS (Continued)

Pilmer, Angus Claymore (Age 61)

Experience and expertise
Mr Pilmer has been a director of the company since December 1985 and was engaged in public practice as a chartered accountant from 1971 until 1992 in Perth, Western Australia and Hong Kong. He is experienced in corporate management and financial control

Other current directorships
None

Former directorships in last three years
Precious Metals Australia Limited – resigned in March 2004

Special responsibilities
Company Secretary
Financial Director

10. REMUNERATION REPORT

A) Principles used to determine the nature and amount of remuneration:

The board is responsible for determining and reviewing the remuneration for Directors and Executive management. The Board assesses the appropriateness of the nature and amount of emoluments of such Directors and Officers on an annual basis by reference to market and industry conditions. The Board takes into acount the Company's financial and operational performance and status in determining the nature and amount of emoluments.

Due to the nature of the Company's operations, ie. mineral exploration, Directors and Executive remuneration do not include performance-based incentives.

Directors' fees are determined by the Board within an aggregate directors' fee limit approved by shareholders. The maximum currently stands at $100,000 per annum.

B) Details of Remuneration

The remuneration for each director and executive officer of the Company during the year was as follows:

2005: Director		**Post Employment**			**Equity**	**Other**	**Total**
	Salary, Fees & Commission	Superanuation Contributions	Cash Bonus	Non-Cash Benefits	Options		
	$	$	$	$	$	$	$
J L C Jones	17,500	-	-	-	-	-	17,500
D E Clarke	12,500	-	-	-	-	-	12,500
C H Fyson	12,500	-	-	-	-	-	12,500
A C Pilmer	12,500	-	-	-	-	-	12,500
	55,000	-	-	-	-	-	55,000

Exploration Manager							
P Komyshan	105,425	22,575	-	-	-	-	128,000

DIRECTORS' REPORT (Continued)

10. REMUNERATION REPORT (Continued)

2004: Director		**Post Employment**			**Equity**	**Other**	**Total**
	Salary, Fees & Commission	Superanuation Contributions	Cash Bonus	Non-Cash Benefits	Options		
	$	$	$	$	$	$	$
J L C Jones	15,000	-	-	-	-	-	15,000
D E Clarke	10,000	-	-	-	-	-	10,000
C H Fyson	10,000	-	-	-	-	-	10,000
A C Pilmer	10,000	-	-	-	-	-	10,000
	45,000	-		-	-	-	45,000

Exploration Manager							
P Komyshan	101,425	12,607	-	-	-	-	114,032

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	2,091,250	10,190,616
D.E. Clarke	625,000	1,185,000
C.H. Fyson	1,435,000	7,999,899
A.C. Pilmer	1,900,000	4,415,000
	6,051,250	23,790,515

MEETING OF DIRECTORS

During the year there were 5 Directors' meetings held and the number of meetings attended by each Director are detailed below:

	Number Held	**Number Attended**
J.L.C. Jones	5	5
D.E. Clarke	5	4
C.H. Fyson	5	4
A.C. Pilmer	5	5

12. INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

The Company has agreed to indemnify the following current directors of the Company, J L C Jones, D E Clarke, C H Fyson and A C Pilmer and the General Manager Exploration Mr Peter Komyshan against all liabilities to another person (other than the Company or related body corporate) that may arise from their position as officers of the Company, except where the liability arises out of conduct involving lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

The Company has not entered into an agreement with their current auditors, KPMG, indemnifying them against any claims by third parties arising from their report on the annual financial report.

13. DIRECTORS' AND OFFICERS' INSURANCE

As at the date of this repot the Company does not have insurance in relation to Directors' and Officers' indemnity.

DIRECTORS' REPORT (Continued)

14. NON-AUDIT SERVIVCES

During the financial year, the Auditor was not engaged on any non-audit services.
Details of amounts payable to the Auditor for audit services paid during the year are set out in Note 4

A copy of the Auditors' Independence Declaration, as required under section 370C of the Corporations Act 2001, is set out on page 16.

15. CORPORATE GOVERNANCE STATEMENT

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, Risk Management 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 four 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.

Where necessary the Board will obtain independent advice on the appropriateness of remuneration packages for directors and senior executives.

DIRECTORS' REPORT (Continued)

15. CORPORATE GOVERNANCE STATEMENT (Continued)

Remuneration

The Board reviews the remuneration packages and policies applicable to senior executives and non-executive Directors on an annual basis. Remuneration levels are competitively set to attract qualified and experienced directors and senior executives.

Risk Management

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 commodity price fluctuations, tenement management, human resources, the environment and continuous disclosure obligations.

Financial Reporting

Communication with Shareholders

The Board of Directors aims to ensure that the shareholders are informed of all major developments affecting the Company's state of affairs. Information is communicated to shareholders as follows:-

- the annual report is distributed to all shareholders (unless a shareholder has specifically requested not to receive the document). The Board ensures that the annual report includes relevant information about the operations of the Company during the year, changes in the state of affairs of the Company and details of future developments, in addition to the other disclosures required by the Corporations Act 2001;

- the half-yearly report contains summarised financial information and a review of the operations of the Company during the period. Half-year financial statements prepared in accordance with the requirements of Accounting Standards and the Corporations Act 2001 are lodged with the Australian Securities Commission and the Australian Stock Exchange. The financial statements are sent to any shareholder who requests them;

- quarterly reports contain a review of the operations of the Company and the report of cash flows for the quarter prepared in accordance with the requirements of the Australian Stock Exchange Listing Rules and released to the Australian Stock Exchange. The quarterly reports are sent to any shareholder who requests them and;

- proposed major changes in the Company which may impact on share ownership rights are submitted to a vote of shareholders.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Company's strategy and goals. Important issues are presented to the shareholders as single resolutions.

The auditor is invited to attend the Annual General Meeting of shareholders. The Chairman will permit shareholders to ask questions about the conduct of the audit, and the preparation and content of the audit report.

The shareholders are responsible for voting on the appointment of directors.

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.

DIRECTORS' REPORT (Continued)

15. CORPORATE GOVERNANCE STATEMENT (Continued)

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.

Auditors Rotation

The engagement partner of the company's external auditor is rotated at intervals of no more than seven years. The auditor is next due to be rotated in 2006.

Signed in accordance with a resolution of the Directors

A C PILMER
Director

Dated at Perth this 30th day of September 2005.

STATEMENT OF FINANCIAL PERFORMANCE
For the Year Ended 30 June 2005

	Note	2005 $	2004 $
Other revenues from ordinary activities	2	34,135	122,898
Total revenue		34,135	122,898
Expenses from ordinary activities			
Exploration expenditure written off			
- current year	3	315,173	224,028
- previously capitalised	3	1,023,804	-
Administration expenses		281,874	242,563
Borrowing costs	3	1,880	-
Total expenses		1,622,731	466,591
Loss from ordinary activities before related income tax		(1,588,596)	(343,693)
Income tax benefit relating to ordinary activities	5	-	-
Net Loss from ordinary activities after related income tax	12	$ (1,588,596)	$ (343,693)
Basic Loss Per Share	21	(0.48 cents)	(0.13 cents)

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

Lead Auditor's Independence Declaration under Section 307C of the Corporation Act 2001

To: the directors of Anglo Australian Resources NL

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2005 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

T R HART
Partner

Perth
30 September 2005

STATEMENT OF FINANCIAL POSITION
As at 30 June 2005

	Note	2005 $	2004 $
Current Assets			
Cash assets		867,062	752,610
Receivables	6	8,469	96,777
Total Current Assets		875,531	849,387
Non-Current Assets			
Plant & equipment	7	48,744	47,592
Exploration expenditure	8	1,653,880	2,094,480
Total Non-Current Assets		1,702,624	2,142,072
Total Assets		2,578,155	2,991,459
Current Liabilities			
Payables	9	94,212	122,774
Provisions	10	7,500	4,500
Total Current Liabilities		101,712	127,274
Total Liabilities		101,712	127,274
Net Assets		$ 2,476,443	$ 2,864,185
Shareholders' Equity			
Contributed Equity	11	19,483,385	18,282,531
Accumulated Losses	12	(17,006,942)	(15,418,346)
Total Shareholders' Equity		$ 2,476,443	$ 2,864,185

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

STATEMENT OF CASH FLOWS
For the Year Ended 30 June 2005

	Note	2005 $	2004 $
Cash Flows from Operating Activities			
Cash payments in the course of operations		(198,537)	(255,349)
Net cash used in operating activities	18 (ii)	(198,537)	(255,349)
Cash Flows from Investing Activities			
Interest Received		26,885	20,990
Exploration expenditure		(898,377)	(791,730)
Payments for:			
plant & equipment		(14,493)	(44,459)
cash for interest in mineral tenements		-	(50,000)
Net cash used investing activities		(885,985)	(865,199)
Cash Flows from Financing Activities			
Proceeds from sale of plant and equipment		-	12,965
Proceeds from issue of shares		1,200,854	1,723,854
Interest paid		(1,880)	-
Net cash provided by financing activities		1,198,974	1,736,819
Net Increase In Cash Held		114,452	616,271
Cash at the beginning of the financial year		752,610	136,339
Cash at the End of the Financial Year	18 (i)	867,062	752,610

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 2005

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 Act 2001.

It has been prepared on the basis of historical costs and, except where stated, does not take into account changing money values or fair values 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 Going Concern
The financial statements have been prepared on a going concern basis, 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.

1.3 Income Tax
The Company adopts the income statement liability method of tax effect accounting. Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits relating to tax losses are only brought to account when their realisation is virtually certain.

1.4 Exploration, Evaluation and Development Expenditure
Exploration and evaluation costs are accumulated in respect of each separate area of interest and carried forward in the statement of financial position where:

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

(b) one of the following conditions is met:

  (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.

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.

1.5 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.

1.6 Revenue Recognition

Interest Income
Interest income is recognised as it accrues.
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.

NOTES TO AND FORMING PART OF THE ACCOUNTS (Cont.)

For the Year Ended 30 June 2005

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

1.7 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:

	2005	**2004**
Plant and equipment	13% to 40%	13% to 40%
Office furniture and equipment	17%	17%
Motor Vehicle	22.5%	22.5%

Depreciation rates and methods are reviewed annually for appropriateness.

1.8 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.

1.9 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.

1.10 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.

1.11 Goods and Services Tax (GST)

Revenues, expenses and assets are recognised 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.

1.12 Earnings Per Share

Basic earnings per share ("EPS") is calculated by dividing the net profit attributable to members of the parent entity for the reporting period, after excluding any costs of servicing equity (other than ordinary shares and converting preference shares classified as ordinary shares for EPS calculation purposes), by the weighted average number of ordinary shares of the Company, adjusted for any bonus issue.

Diluted EPS is calculated by dividing the basic EPS earnings, adjusted by the after tax effect of financing costs associated with dilutive potential ordinary shares and the effect on revenues and expenses of conversion to ordinary shares associated with dilutive potential ordinary shares, by the weighted average number of ordinary shares and dilutive potential ordinary shares adjusted for any bonus issue.

NOTES TO AND FORMING PART OF THE ACCOUNTS (Cont.)
For the Year Ended 30 June 2005

	2005 $	2004 $
2. REVENUE FROM ORDINARY ACTIVITIES		
Revenue from operating activities	7,250	8,943
Interest received – other parties	26,885	20,990
Proceeds from sale of assets	-	12,965
Proceeds from sale of tenements	-	80,000
	34,135	122,898

3. LOSS FROM ORDINARY ACTIVITIES BEFORE INCOME TAX

Loss from ordinary activities before income tax expense has been arrived at after charging the following:

	2005 $	2004 $
Depreciation - plant & equipment	3,373	2,213
- office furniture and fittings	1,433	294
- motor vehicles	8,535	7,575
Exploration expenditure written off	1,338,977	144,028
Interest paid – other persons	1,880	-
Provision for employee entitlements	3,000	-
Rental expense	33,848	14,068

4. AUDITORS' REMUNERATION

	2005 $	2004 $
Auditor's remuneration – audit review of financial reports – KPMG	19,500	15,750

5. TAXATION

	2005 $	2004 $
(a) Prima facie income tax benefit calculated at 30% (2004: 30%) of loss from ordinary activities	476,579	103,108
Add/(less) tax effect of		
Non-deductible items	-	-
Timing differences and tax losses not brought to account as future income tax benefits	(476,579)	(103,108)
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 $3,057,325 (2004: $2,580,746) have not been brought to account at 30 June 2005 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.

6. RECEIVABLES

	2005 $	2004 $
Other Debtors	8,469	96,777
	8,469	96,777

NOTES TO AND FORMING PART OF THE ACCOUNTS (Cont.)
For the Year Ended 30 June 2005

7. PLANT & EQUIPMENT

Plant & equipment at cost	70,943	56,450
Less: Accumulated depreciation	51,599	48,226
	19,344	8,224
Office furniture & fittings at cost	20,570	20,570
Less: Accumulated depreciation	20,570	19,137
	-	1,433
Motor Vehicle	44,459	44,459
Less: Accumulated amortisation	15,059	6,524
	29,400	37,935
Total plant & equipment	48,744	47,592
Reconciliations		
Plant & Equipment		
Carrying amount at beginning of year	8,224	10,437
Additions	14,493	-
Depreciation	(3,373)	(2,213)
Carrying amount at end of year	19,344	8,224
Office Furniture		
Carrying amount at beginning of year	1,433	1,727
Depreciation	(1,433)	(294)
Carrying amount at end of year	-	1,433
Motor Vehicle		
Carrying amount at beginning of year	37,935	14,013
Disposals	-	(12,962)
Additions	-	44,459
Depreciation	(8,535)	(7,575)
Carrying amount at end of year	29,400	37,935

NOTES TO AND FORMING PART OF THE ACCOUNTS (Cont.)
For the Year Ended 30 June 2005

	2005 $	2004 $
8. EXPLORATION EXPENDITURE		
Deferred exploration and acquisition expenditure		
Balance at beginning of year	2,094,480	666,781
Acquisitions	-	860,000
Add: Expenditure during the year	898,377	791,727
	2,992,857	2,318,508
Amounts written off during the year	1,338,977	224,028
Balance at end of year	1,653,880	2,094,480

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.

9. PAYABLES

	2005 $	2004 $
Current		
Trade creditors and accruals	94,212	122,774

10. PROVISIONS

	2005 $	2004 $
Employee entitlements	7,500	4,500
Number of Employees	1	1

11. CONTRIBUTED EQUITY

	2005 $	2004 $
Issued and Paid Up Capital		
360,000,000 ordinary shares fully paid (2004 – 320,000,000 ordinary shares fully paid)	19,483,385	18,282,531
Movements in Ordinary Share Capital		
Balance at beginning of financial year	18,282,531	15,748,677
40,000,000 shares issued for cash (i)	1,200,854	-
68,610,300 shares issued for cash	-	1,740,013
32,500,000 shares issued to satisfy tenement acquisitions	-	793,841
Balance at end of year	19,483,385	18,282,531

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

February 2005 - 40,000,000 shares were issued at 3.2 cents. Transaction costs of $79,146 were recognised as a reduction of the proceeds of issue.

Share Options

There are 7,500,000 options which were issued during the year ended 30 June 2004 over ordinary shares exercisable within 3 years from the date of issue being 10 December 2003 at 5c a share. These options were issued as a consequence of a contract to acquire the interest in certain mineral tenements and have an exercise price of 5c a share.

NOTES TO AND FORMING PART OF THE ACCOUNTS (Cont.)

For the Year Ended 30 June 2005

	2005 $	2004 $
12. ACCUMULATED LOSSES		
Accumulated losses at the beginning of the year	15,418,346	15,074,653
Net loss from ordinary activities after related income tax	1,588,596	343,693
	17,006,942	15,418,346

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 $601,713 (2004: $713,301). The aforementioned expenditure obligations can be subject to variation to a lesser amount as a result of: reduction in tenement areas; relinquishment of tenements; and/or farm out of project areas to third party joint venture partners who assume responsibility for the expenditure obligations. However, in order to maintain the existing rights of tenure to mining tenement licences, the company will be required to outlay approximately $145,000 in respect of tenement rentals. These obligations are expected to be fulfilled in the normal course of operations of the company. If the current status of the tenements is maintained, which in the nature of exploration progress is unlikely, then for one year or later and not more that five years the total obligations are approximately $2,410,000 (2004: $2,630,000) and for later than five years the total obligations are $NIL (2004: $NIL).

14. FINANCIAL REPORTING BY SEGMENT

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

15. REMUNERATION OF DIRECTORS

2005: Director				**Post Employment**	**Equity**	**Other**	**Total**
	Salary, Fees & Commission $	Cash Bonus $	Non-Cash Benefits $	Superanuation $	Options $	$	$
J L C Jones	17,500	-	-	-	-	-	17,500
D E Clarke	12,500	-	-	-	-	-	12,500
C H Fyson	12,500	-	-	-	-	-	12,500
A C Pilmer	12,500	-	-	-	-	-	12,500
	55,000	-	-	-	-	-	55,000

2004: Director				**Post Employment**	**Equity**	**Other**	**Total**
	Salary, Fees & Commission $	Cash Bonus $	Non-Cash Benefits $	Superanuation $	Options $	$	$
J L C Jones	15,000	-	-	-	-	-	15,000
D E Clarke	10,000	-	-	-	-	-	10,000
C H Fyson	10,000	-	-	-	-	-	10,000
A C Pilmer	10,000	-	-	-	-	-	10,000
	45,000		-	-	-	-	45,000

Remuneration Practice

The board is responsible for determining and reviewing the remuneration for Directors and Executive management. The Board assesses the appropriateness of the nature and amount of emoluments of such Directors and Officers on an annual basis by reference to market and industry conditions. The Board takes into acount the Company’s financial and operational performance and status in determining the nature and amount of emoluments.

NOTES TO AND FORMING PART OF THE ACCOUNTS (Cont.)
For the Year Ended 30 June 2005

16. REMUNERATION OF EXECUTIVE

2005

	Salary Remuneration	Superannuation	TOTAL
Peter Komyshan	105,425	22,575	128,000

2004

	Salary Remuneration	Superannuation	TOTAL
Peter Komyshan	101,425	12,607	114,032

The remuneration package paid to this executive is determined by agreement of the directors.

17. RELATED PARTY DISCLOSURES

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; and A C Pilmer.

Transactions with Directors and Director-related entities
The following fees for the provision of rent, storage, administrative accounting and secretarial services were paid on normal commercial terms and conditions to the following Director related entities: $8,389 (2004 – $14,521) was paid to companies which Mr J L C Jones is a director of for the rent of offices and storage of drill core samples; and $87,378 (2004 - $72,994) was paid to A C Pilmer & Co, a firm of which Mr A C Pilmer is the Principal.

Other information relating to remuneration of Directors is set out in Note 15.

DIRECTORS' INTERESTS
Aggregate numbers of fully paid and partly paid shares in the Company held directly, indirectly or beneficially by Directors and their related entities at balance date is:

Fully paid ordinary shares issued in Anglo Australian Resources NL

2005

	Balance at 1.7.04 No.	Granted as Remuneration No.	Received on Exercise of Options No.	Net Other Change No.	Balance at 30.6.05 No.	Balance Held Nominally No.
Directors						
J L C Jones	12,281,866	-	-	-	12,281,866	10,190,616
D E Clarke	1,185,000	-	-	-	1,185,000	1,185,000
C H Fyson	9,437,899	-	-	-	9,437,899	7,999,899
A C Pilmer	6,315,000	-	-	-	6,315,000	4,415,000

2004

	Balance at 1.7.03 No.	Granted as Remuneration No.	Received on Exercise of Options No.	Net Other Change * No.	Balance at 30.6.04 No.	Balance Held Nominally No.
Directors						
J L C Jones	12,096,866	-	-	185,000	12,281,666	10,190,616
D E Clarke	1,625,000	-	-	185,000	1,810,000	1,185,000
C H Fyson	9,252,899	-	-	185,000	9,437,899	7,999,899
A C Pilmer	5,504,750	-	-	810,250	6,315,000	4,415,000

* Acquired on market transactions and by entitlement to Shareholders' Share Purchase Plan

NOTES TO AND FORMING PART OF THE ACCOUNTS (Cont.)
For the Year Ended 30 June 2005

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:

	2005 $	**2004 $**
Cash	200	200
Short term deposits	815,972	744,510
Cash at Bank	50,890	7,900
	867,062	752,610

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

	2005 $	**2004 $**
Operating loss after income tax	(1,588,596)	(343,693)
Add/(less) items classified as		
Investing/financing activities and non-cash items:		
Interest received	(26,885)	(20,990)
Exploration expenditure written off	1,338,977	224,028
Depreciation	13,341	10,082
Interest paid	1,880	-
	(261,283)	(130,573)
Add/(less) change in assets and liabilities:		
(Decrease) in accounts payable	(28,562)	(30,034)
Increase in provisions	3,000	-
Decrease/(Increase) in receivables	88,308	(94,742)
	91,308	(94,742)
Net Cash Used In Operating Activities	(198,537)	(255,349)

NOTES TO AND FORMING PART OF THE ACCOUNTS (Cont.)
For the Year Ended 30 June 2005

19. 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
2005							
Financial Assets							
Cash assets		3.7%	867,062	-	-	-	867,062
Receivables	6	-	-	-	-	8,469	8,469
			867,062	-	-	8,469	875,531
Financial Liabilities							
Payables	9	-	-	-	-	94,212	94,212
Provisions	10	-	-	-	-	7,500	7,500
			-	-	-	101,712	101,712
2004							
Financial Assets							
Cash assets		2.1%	752,610	-	-	-	752,610
Receivables	6	-	-	-	-	96,777	96,777
			752,610	-	-	96,777	849,387
Financial Liabilities							
Payables	9	-	-	-	-	122,774	122,774
Provisions	10	-	-	-	-	4,500	4,500
			-	-	-	127,274	127,274

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 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 in the statement of financial position, is the relevant contractual cash flows due from customers or suppliers. The relevant contractual cash flows have not been discounted to their present value. The carrying values of financial investments approximate their net fair values.

20. EARNINGS PER SHARE

	2005 $	2004 $
Basic loss per share (cents)	(0.48) cents	(0.13) cents
(a) The weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	333,333,333	260,419,775

The Company has no potential ordinary shares which are dilutive.

NOTES TO AND FORMING PART OF THE ACCOUNTS (Cont.)
For the Year Ended 30 June 2005

21. IMPACT OF ADOPTING AIFRS

The Australian Accounting Standards Board (AASB) is adopting International Financial Reporting Standards (IFRS) for application to reporting periods beginning on or after 1 January 2005. The AASB has issued Australian equivalents to IFRS, and the Urgent Issues Group has issued interpretations corresponding to IASB interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee. These Australian equivalents to IFRS are referred to hereafter as AIFRS. The adoption of AIFRS will be first reflected in the company's first fully AIFRS compliant report for the year ending 30 June 2006.

Entities complying with AIFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the application of AIFRS to that comparative period. Most adjustments required on transition to AIFRS will be made retrospectively, against opening retained earnings as at 1 July 2004.

Set out below are the key areas where accounting policies are expected to change on adoption of AIFRS and the Company's best estimate of the known or reliably estimated impact of the changes on the financial statements as at the date of transition and 30 June 2005.

The figures disclosed are management's best estimates of the quantitative impact of the changes as at the date of preparing the 30 June 2005 financial report. The actual effects of the transition to AIFRS may differ from the estimates disclosed due to (a) ongoing work being undertaken by the Company, (b) potential amendments to AIFRS's and Interpretations thereof being issued by the standard-setters and IFRIC, and (c) emerging and accepting practice in the interpretation and application of AIFRS and UIG Interpretations.

In some cases choices of accounting policies are available, including elective exemptions under Accounting Standard AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*. These choices have been analysed to determine the most appropriate accounting policy for the company.

The key potential implications of the conversion to AIFRS on the company are as follows:

(i) *Income tax*

Under the AASB 112 "Income Taxes", the Company will be required to use a balance sheet liability method, which focuses on the tax effects of transactions and other events that affect amounts recognised in either the Statement of Financial Position or a tax-based balance sheet. After assessing the major changes relating to the transition of AIFRS, the Company is now in the process of assessing the differences, however, it is not expected that there will be any further material impact as a result of adoption of this standard due to the Company's unutilised available tax losses and the uncertainty over whether they will be realised in the future.

(ii) *Provisions, Contingent Liabilities and Contingent Assets*

Under the AASB 137 Provisions, Contingent Liabilities and Contingent Assets, mining restoration and rehabilitation provisions will be required to be discounted to present value. The provision is recognised as a non-current liability with a corresponding asset recognised in relation to the minesite. No make good provisions are expected for the Company as the development operations have not yet commenced.

(iii) *Equity-based compensation benefits*

Under AASB 2 "Share-based Payments", the Company will be required to determine the fair value of options issued to employees as remuneration at grant date and recognise an expense in the Statement of Financial Performance over the vesting period. This standard is not limited to options and also extends to other forms of equity-based remuneration. AASB 2 applies to all share-based payments issued after 7 November 2002 which have not vested as at 1 January 2005. A portion of the options on issue were granted before 1 January 2005 (with immediate vesting), therefore the Company has elected to apply the exemption under AASB 1 First Time Adoption of International Financial Reporting Standards not to expense these options.

NOTES TO AND FORMING PART OF THE ACCOUNTS (Cont.)
For the Year Ended 30 June 2005

21. IMPACT OF ADOPTING AIFRS (Continued)

(iv) *Financial instruments*

AASB 139 "Financial Instruments Recognition and Measurement" will require financial instruments to be classified into one of the following categories which in turn determines the accounting treatment for the item. The classifications are:

- Financial assets held for trading – which are to be measured at fair value and fair value changes applied through the Statement of Financial Performance;
- Financial assets held to maturity – which are to be measured at amortised costs;
- Loans and receivables – which are measured at amortised cost;
- Available for sale financial assets – which are measured at fair value with fair value changes taken to equity;
- Non-trading financial liabilities – which are measured at amortised cost.

The Company has decided to apply the exemption provided in AASB 1 "First Time Adoption of Australian Equivalents to International Financial Reporting Standards" which permits entities not to apply the requirements of AASB 132 "Financial Instruments": Presentation and Disclosures and AASB 139 "Financial Instruments": Recognition and Measurement for the financial year ended 30 June 2005. As a result there is no impact on the Company's financial statements at transition date and for the year ended 30 June 2005.

(v) *Impairment of assets*

Under AASB 136 "Impairment of Assets", the recoverable amount of an asset is determined as the higher of net selling price and value in use. This will result in a change in the Company's current accounting policy which determines the recoverable amount of an asset on the basis of undiscounted cash flows. Under the new policy impairment of assets may be recognised sooner and that the amount of writedowns may be greater. The Company assessed the impairment triggers under AASB 136 and the facts and circumstances under AASB 6 relevant to the Company at transition date and 30 June 2005 and concluded that the assets have not been impaired.

(vi) *Exploration and evaluation expenditure*

AASB 6 "Exploration for and Evaluation of Mineral Resources" will require the Company to apply "area of interest" accounting to its exploration and evaluation expenditures, effectively grandfathering the treatment currently used by the Company under AASB 1022 "Accounting for Extractive Industries". Under AASB 6, if facts and circumstances suggest that the carrying amount of any recognised exploration and evaluation assets may be impaired, the Company must perform impairment tests on those assets in accordance with AASB 136 "Impairment of Assets". Impairment of exploration and evaluation assets is to be assessed at a cash generating unit or group of cash generating unit's level provided this is no larger than an area of interest. Any impairment loss is to be recognised as an expense in accordance with AASB 136. The Company has analysed its deferred exploration and evaluation expenditure and is satisfied that no expenses were deferred which were incurred before title to tenements was deemed to have been granted. As a result of this analysis there is no impact from adopting AASB 6.

22. SUPERANNUATION COMMITMENTS

The Company does not sponsor a superannuation plan for employees, however, it contributes 10% and 9% of gross salary to approved superannuation plans for the benefit of an employee and the Directors respectively.

DIRECTORS' DECLARATION

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

   a) The financial statements and notes, set out on pages 16 to 30 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 its operations and its cash flows, for the year ended on that date; and

      (ii) complying with Accounting Standards in Australia 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.

   c) The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chairman (who performs the Chief Executive Officer's function) and Company Secretary (who performs the Chief Financial Officer's function) for the financial year ended 30 June 2005.

Signed in accordance with a resolution of directors:

A C PILMER
Director

Dated at Perth this 30th day of September 2005

Independent audit report to members of Anglo Australian Resources NL

Scope

The financial report and directors' responsibility
The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Anglo Australian Resources NL (the "Company"), for the year ended 30 June 2005.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach
We conducted an independent audit in order to express an opinion to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Independence
In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

KPMG

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 2005 and of its performance for the financial year ended on that date; and

   ii complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

b) other mandatory professional reporting requirements in Australia.

KPMG

KPMG

T R HART
Partner

Perth
30 September 2005