

ANGLO AUSTRALIAN RESOURCES NL
QUARTERLY REPORT
30 SEPTEMBER 2004

29 October 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 30th September 2004.

□ **EXPLORATION EXPENDITURE**

Exploration expenditure for the quarter amounted to \$216,883

□ **HIGHLIGHTS**

- Bonanza grade intersections are returned from the Mandilla palaeochannel deposit. Intersections include 3m @ 42.08g/t Au, 2m @ 56.88g/t Au, 2m @ 40.56g/t Au and 1m @ 79.03g/t Au.
- High grade bedrock intersections of 4m @ 8.14g/t Au and 1m @ 12.5g/t Au at the Helios anomaly beneath the palaeochannel indicate additional deeper RC bedrock drilling is warranted for this significant target. Drilling is planned for December quarter.
- Pre-development studies for the Mandilla deposit are advanced. Metallurgical tests prove positive indicating excellent recoveries are achievable using standard gravity concentration methods. An in-pit Probable Reserve of 32,000 tonnes @ 9.01g/t Au for 9,270 ounces gold is estimated by an independent consultant. Another independent consultant prepared a Mine Plan and Budget for the development of the Mandilla deposit and concluded that the rate of return would be sufficient to justify development of the deposit. Anglo Australia Resources will now undertake project optimisation studies to maximise the project return and to determine the optimal method of development prior to making any development decision

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.

The Company's activities are currently focused on the Mandilla gold deposit, which has been subject of extensive drilling in previous quarters. The Mandilla deposit is a gold mineralised palaeochannel overlain by approximately 20m of overburden. The mineralised portion of the palaeochannel defined at a 1g/t Au cut off is 5 -30m wide and is over 700m long.

Mineralization generally corresponds to the zones of higher quartz content.

1. Development Drilling

66 Air Core holes totalling 1995m were completed during September quarter to test possible southern and northern extensions of the Mandilla deposit, to in-fill the central portion of the deposit and to better define the deposit near the edges of a potential pit. Further bonanza grade intersections including **3m @ 42.08g/t Au, 2m @ 56.88g/t Au, 2m @ 40.56 and 1m @ 79.03g/t Au** were obtained. The results provide confidence that there is good continuity of high grade mineralisation along most of the palaeochannel. To date there are 49 intersections within the palaeochannel that exceed 5 g/t Au and 15 intersections that exceed 40 g/t Au. The drilling closed off the palaeochannel mineralisation to the north.

Although the September quarter drilling was primarily directed at the palaeochannel, several holes penetrated into the underlying Helios Bedrock Anomaly that had been detected by previous drilling. The new intersections included **4m @ 8.14g/t Au** and **1m @ 12.5g/t Au** confirming that testing with deeper RC holes is warranted. The Helios Bedrock Anomaly is interpreted to be the source of the gold in the palaeochannel. A program of RC drilling is planned to test the bedrock gold mineralisation during the December quarter.

2. Pre-Development Studies

Metallurgical testing, resource/reserve estimations, pit planning studies and preliminary economic evaluations were completed for the palaeochannel deposit.

(a) Metallurgical testing

Metallurgical test work conducted by Lakefield Orestest on the Mandilla mineralisation concluded that high grade zones contained a high coarse gold component. Recoveries of

up to 98% gold were achieved with the introduction of a gravity separation circuit and the use of a sufficiently fine grid size.

(b) Resource/Reserve Estimations

An independent consultant developed a resource model based on all drilling available to August 2004 that formed the basis for pit design studies and resource and reserve estimations.

A Probable Ore Reserve of 32,000 tonnes @ 9.01g/t Au for 9,270 ounces gold was estimated within a designed pit shell.

The estimate used Inverse Distance Squared interpolation methodology. The reserve is contained within a designed pit based on a gold price of \$550/oz . A top-cut of 60g/t Au was applied to the gold assays and the mineral resource was interpreted using a lower cut-off of 1.0g/t Au. A 0.25m dilution factor was applied. Mining costs applied were based on quotations of earth moving and haulage contractors that specialize in mining small pits. Milling costs were based on custom treatment of the ore mined using a 94% gold recovery. The Reserve within the 680m long designed pit is reported using a lower cut-off of 1.0g/t Au.

(c) Preliminary Economic Evaluation

An independent consultant has prepared a Mine Plan and Budget for the development of the Mandilla deposit. The consultant concluded that the rate of return would be sufficient to justify development of the deposit. Anglo Australia Resources will now undertake project optimisation studies to maximise the project return and to determine the optimal method of development prior to making any development decision.

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. The project has been subject to extensive exploration by Anglo Australian Resources during the last year.

A program of ground EM, testing reconnaissance EM anomalies, completed this quarter, defined a high quality bedrock conductor near the contact of an ultramafic unit and basalt at Anomaly A. This anomaly together with the previously defined Dead Dog Hill conductor presents the company with two strong nickel targets which require testing by RC drilling.

DENISON – TASMANIA
(*Anglo Australian Resources N.L. 90%*
Silverthorn Resources Pty. Ltd. 10%)
Exploration Licence 38/94

No exploration was conducted on the project during the quarter.

□ **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 south-west 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.

Anglo Australian Resources successfully trialled termite mound sampling last year 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 this quarter 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.

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

John L. C. Jones
CHAIRMAN

- 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 five years' experience in the field of activity reported herein;
- has consented in writing to the inclusion of this data.

Ore resource information has been compiled by Bill Makar an independent consultant, based on work by Peter Komyshan and pit design by Bill Holly of Holly Mining Ltd. Bill Makar and Bill Holly are Members of the Australasian Institute of Mining and Metallurgy and have 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

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

| Hole id | North | East | Depth | Dip | Bearing | From | To | M | Au (g/t) | Type |
|---------|-----------|---------|-------|-----|---------|------|----|---|----------|------|
| MNAC303 | 6,528,280 | 358,752 | 42 | -90 | 0 | 20 | 22 | 2 | 56.88 | P |
| | | | | | | 27 | 31 | 4 | 8.14 | B |
| MNAC304 | 6,528,280 | 358,763 | 39 | -90 | 0 | 19 | 21 | 2 | 1.95 | P |
| MNAC305 | 6,528,300 | 358,755 | 26 | -90 | 0 | 19 | 21 | 2 | 40.56 | P |
| MNAC325 | 6,528,220 | 358,784 | 26 | -90 | 0 | 25 | 26 | 1 | 1.5 | B |
| MNAC327 | 6,528,200 | 358,762 | 26 | -90 | 0 | 25 | 26 | 1 | 12.8 | B |
| MNAC331 | 6,528,080 | 358,789 | 26 | -90 | 0 | 20 | 21 | 1 | 1.25 | P |
| MNAC340 | 6,528,040 | 358,838 | 26 | -90 | 0 | 20 | 21 | 1 | 2.23 | P |
| MNAC345 | 6,528,000 | 358,795 | 26 | -90 | 0 | 19 | 20 | 1 | 11.45 | P |
| MNAC347 | 6,527,980 | 358,830 | 26 | -90 | 0 | 20 | 23 | 3 | 8.39 | P |
| MNAC349 | 6,527,960 | 358,793 | 26 | -90 | 0 | 17 | 20 | 3 | 42.08 | P |
| MNAC353 | 6,527,880 | 358,825 | 26 | -90 | 0 | 20 | 22 | 2 | 8.55 | P |
| MNAC356 | 6,527,840 | 358,855 | 26 | -90 | 0 | 21 | 22 | 1 | 1.15 | P |
| MNAC357 | 6,527,800 | 358,886 | 26 | -90 | 0 | 21 | 22 | 1 | 2.03 | P |
| MNAC358 | 6,527,760 | 358,904 | 26 | -90 | 0 | 21 | 22 | 1 | 79.03 | P |
| MNAC361 | 6,527,720 | 358,970 | 26 | -90 | 0 | 18 | 19 | 1 | 8.59 | P |
| MNAC362 | 6,527,700 | 358,970 | 30 | -90 | 0 | 19 | 21 | 2 | 32.79 | P |
| MNAC367 | 6,527,140 | 359,225 | 50 | -90 | 0 | 38 | 42 | 4 | 1.17 | B |

P = Palaeochannel intersection; B = Bedrock intersection

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

Anomalous samples within the palaeochannel were re-assayed by screen fire analysis (SF). Detection limits for both assay techniques is 0.01g/t