

ANGLO AUSTRALIAN RESOURCES NL
QUARTERLY REPORT
30 September 2005

22 October 2005

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 2005.

□ **EXPLORATION EXPENDITURE**

Exploration expenditure for the quarter amounted to \$_____.

□ **HIGHLIGHTS**

- **AAR announces a 42% increase in reserves** for the shallow Mandilla Palaeochannel deposit at West Mandilla.
- The Probable Ore Reserve within a redesigned West Mandilla pit now stands at **70,100 tonnes @ 7.52g/t Au for 16,960 ounces** gold
- Drilling during this quarter better defined the southern limit of the West Mandilla Palaeochannel mineralisation. **High grade intersections including 1m @ 9.83g/t Au were returned**
- Anglo Australian Resources has submitted and received approval for a Project Management Plan, a Notice of Intent and an Application for Clearing from regulatory authorities.

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. It is wholly owned by Anglo Australian Resources NL (“AAR”).

The Mandilla deposit is a gold mineralised palaeochannel overlain with approximately 20m of overburden. The main gold mineralised part of the palaeochannel defined at a 1g/t Au cut off is 5 -30m wide and is over 800m in length. Mineralization generally corresponds to the zones of higher quartz content.

In June 2005 Anglo Australian Resources NL announced that the deposit, based on drilling to that date, was estimated using a top-cut of 100g/t Au to contain an in-pit Probable Ore Reserve of 60,000 tonnes @ 6.19g/t Au for 11,930 ounces gold

Recent Drilling Results

A small 50 hole aircore drill program of 50 holes (1406m) was completed in July 2005. The holes were designed to better define the southern end of the West Mandilla Pit targeting possible southern extensions of the shallow gold-mineralised West Mandilla Palaeochannel

- Drilling during this quarter better defined the southern limit of the West Mandilla Palaeochannel mineralisation and enabled planning of a final pit design. **High grade intersections including 1m @ 9.83g/t Au were returned.** Table 2 shows a summary of intersections.
- Drilling could not confirm a continuation of the West Mandilla Palaeochannel with the Endymion high grade zone.

The West Mandilla Palaeochannel is now considered to be sufficiently well drilled and no further drilling is planned on the main resource area. The Palaeochannel mineralisation remains open to the south east.

New Resource/Reserve Estimates

Subsequent to the June 2005 resource calculation, additional drilling has identified strike extensions as well as confirming the high-grade mineralisation at Endymion south of the West Mandilla pit. Independent mining consultant, Holly Mining Ltd., has redesigned the West Mandilla pit and designed a pit for Endymion. BM Geological Services, an independent resource consultant, has estimated the Ore Reserve contained within the pits.

Indicated Resource 53,000 tonnes @ 10.22g/t Au for 17,410

Probable Ore Reserve 70,100 tonnes @ 7.52g/t Au for 16,960 ounces gold

The Resource is inclusive of the Reserve. The estimates are based on the reverse circulation and air-core drilling data available to 31 July 2005. Details of the estimation methodology are contained in Table 1. This September 2005 Reserve Estimate is 42% greater than the June 2005 Reserve Estimate.

Examination of the statistical distribution of assays within the resource suggests that a 100g/t Au top-cut is appropriate. The deposits are characterised by the frequent occurrence of very high-grade intersections.

Development Activities

Anglo Australian Resources N L's primary objective is the development of the shallow, high-grade West Mandilla deposit. 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. As part of statutory requirements for development, the Company has submitted and received approval for a Project Management Plan, a Notice of Intent and an Application for Clearing from regulatory authorities. Contracts for mining and milling are being finalised.

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.

No exploration was conducted on the project during the quarter. A number of companies have expressed interest in joint venturing the project

MAYNARDS DAM – WA

(Anglo Australian Resources N.L. 100%)

Exploration Licences 15/776, 15/835

The project is located 35km south east of St Ives and 4km north east of the Paris gold workings. Geologically the project is located 5km east of the Boulder Lefroy Fault Zone and contains a sequence of gabbros and basalts, faulted against a volcano-sedimentary sequence. Late northeast trending faults, which control some of the mineralisation in the St Ives area are interpreted to crosscut the stratigraphy. Both tenements have now been granted and compilation of previous exploration activity is in progress.

A reconnaissance RAB program testing regional structural targets was completed at the end of the June quarter. No significant results were recieved.

PINNACLES - WA

(Anglo Australian Resources N.L. 100%)

Exploration Licence 21/115,

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. AAR has reached a joint venture agreement with private company Alloy Resources Limited. Alloy can earn 60% of the tenement by exploration expenditure of \$150,000 over a three year period.

AUSTIN - WA

(Anglo Australian Resources N.L. 100%)

Exploration Licence 21/102,
Exploration Licence Applications 20/510, 21/114

No field exploration work was conducted on this project this 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.

No field exploration work was conducted on this project this quarter. AAR is seeking a joint venture partner for the project.

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 Komyshan, who:

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

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

TABLE 1
Resource Estimation Methodology

Estimation methodology	Ordinary Kriging
Pit Design Gold Price	A\$550/oz gold
Top Cut	100g/t Au
Bottom Cut	1g/t Au
Dilution Factor	0.2m
Metallurgical Recovery	94%

Table 2

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

Hole_id	Mga_North	Mga_East	EOH depth	From	To	M	Grade (g/t)	Type
MNAC708	6527659.90	358969.88	321.90	26	19	20	1	9.83
MNAC710	6527639.79	358964.95	321.90	26	20	21	1	1.61
MNAC718	6527479.98	358990.34	320.79	40	36	37	1	2.00
MNAC731	6527460.05	358964.58	320.96	29	16	18	2	2.52
MNAC744	6527419.74	359020.28	320.29	31	30	31	1	4.05

All original samples assayed by 50g Fire Assay methods. Anomalous samples >5g/t Au were re-assayed by screen fire assay. Detection limits for both assay techniques is 0.01g/t. P indicates Palaeochannel intersection; B indicates bedrock intersection.

Figure 1

