

*31 July 2006*

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

Dear Sir

**ANGLO AUSTRALIAN RESOURCES N L**  
**REPORT ON ACTIVITIES FOR THE QUARTER ENDED**  
**30 JUNE 2006**

**HIGHLIGHTS**

**MINE DEVELOPMENT**

- **Mining commenced at the Mandilla Project gold deposit near Kambalda, Western Australia. Preliminary site works and pre-mine development completed. Stripping of waste has commenced. Gold production is expected to commence during this next quarter.**

**MAJOR PROJECTS**

- **Exploration drilling at East Mandilla intersected very high grade zones of mineralisation including 4m @105.1g/t Au (including 1m @383.2g/t Au), 5m @ 8g/t Au, and 2m @13.8g/t Au**
- **Prefeasibility work at the Koongie Park base metal project has commenced and a program of approximately 2100m of RC and Diamond drilling has commenced.**
- **Over 6,000 sq km of tenements covering base metal prospective ground acquired in the Northern Territory**

**CORPORATE**

- **Exploration expenditure totalled \$120,988**
- **Mine Development Expenditure totalled \$80,141**
- **The Shareholder Share Purchase Plan successfully completed**

## MAJOR PROJECTS

### MANDILLA PROJECT-WA

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

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

The West Mandilla deposit is a gold mineralised palaeochannel overlain by approximately 20m of overburden. The main gold-mineralised part of the palaeochannel defined at a 1g/t Au cut off is 5-30m wide and is over 800m in length. In September 2005 Anglo Australian Resources NL announced that the deposit, based on extensive drilling to that date, was estimated using a top-cut of 100g/t Au to contain an in-pit Probable Ore Reserve of 70,100 tonnes @ 7.52g/t Au for 16,960 ounces gold.

Anglo Australian Resources N L have commenced development of the shallow, high-grade West Mandilla deposit. Preliminary site works and pre-mine development have been completed by mining contractor Carna Earth moving. Stripping of waste has commenced. Gold production is expected to commence early next quarter.

It is planned to mine the deposit over nine months with the first ore being delivered to a custom mill within the third month.

Directors consider the development to be a low risk project and anticipate the development will provide a minimum after tax operating profit of \$4 million with potential to achieve double that level.

A ten hole RC drilling program of 1051m, testing bedrock gold targets was completed during the June quarter. Targets included Selene and East Mandilla. At East Mandilla the drilling program tested the potential for a number of very shallow south dipping lodes, which are flat lying in cross section. This new model has been developed which has highlighted the potential for a target open pitable resource of 130,000t @ 6g/t Au for a total of 25,000 ounces (to 60m below surface).

The drilling intersected a number of high grade intersections including **4m @ 105.1g/t Au (including 1m @ 383.2g/t Au), 5m @ 8g/t Au, 2m @ 13.8g/t Au, 2m @ 6.79g/t Au and 12m @ 2.89g/t Au**. All assays are preliminary and subject to screen fire assays and repeat assaying. The drilling at East Mandilla appears to have confirmed the model and located a new very high grade zone 85m below surface. The new results will be incorporated into the model to assess the economic potential of East Mandilla. A positive economic overview could result in detailed resource drilling in the next quarter.

## **KOONGIE PARK PROJECT - WA**

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

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

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

Lachlan Resources NL estimated mineralisation at Sandiego as:-

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

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

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

These estimates were based on diamond and RC drill holes spaced at 40m x 40m. Careful cross sectional methodology was used by competent geologists. It is anticipated that following a careful review of the geological models and minor conformation drilling, these resources will be converted to JORC compliancy.

Anglo Australian Resources NL has commenced prefeasibility work at Koongie Park. A program of approximately 2100m of RC and Diamond drilling has commenced. This drilling is designed to provide sufficient samples of the representative ore types at both Onedin and Sandiego to enable definitive metallurgical testing to be carried out on the two prospects. In addition, potential strike extensions of mineralisation will be tested at Sandiego and testing of a new mineralised shoot will be undertaken at Onedin.

Geological consultants CSA Australia, a firm specializing in base metals, have been contracted to assist advance the Koongie Park Project. CSA has a 22 year history of exploration and development of base-metal projects both internationally and in Australia. It is envisaged that CSA would provide geological support to manage the drilling program, undertake a geological

reappraisal modelling of the deposits and undertake all the necessary due diligence required prior to undertaking a JORC compliant resource calculation

Due diligence of the previous exploration drilling has commenced and the new drilling program is expected to commence early in the next quarter.

## OTHER PROJECTS

### **FEYSVILLE PROJECT –WA**

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

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

Exploration in December quarter tested three ground EM anomalies with four RC holes totalling 492m. A copper rich zone (8m @2.87% Cu, 26.5g/t Au and 0.31g/t Au) was intersected at the Michelangelo Prospect (Anomaly J) while off hole conductors were recorded at Anomaly A and the Raphael Anomaly. Planning is in progress for a follow-up drilling program

### **VICTORIA DOWNS PROJECT - NT**

*Exploration Licence Applications 25420, 25422-5*

Five tenement applications totalling in excess of 6,000sq km have been submitted to the Northern Territory Geological Survey covering base metal prospective ground in the Victoria-Birrindudu Basin. The project, located 200 km east of Kununurra (WA) and 250 km southwest of Katherine (NT), cover a sequence of Proterozoic sediments dominated by dolomitic carbonates. The Victoria-Birrindudu Basin has strong affinities to the Macarthur and Nicholson Basins which host the Macarthur River and Century sedex style Zinc deposits. The project area contains a number of historical Lead and Zinc prospects. Previous dating indicates the Victoria-Birrindudu Basin rocks are the same age as all the Proterozoic basins which host Australia's largest base metal resources. Previous exploration in the area primarily

focused on diamond exploration located large areas of anomalous Lead and Zinc stream sediment geochemistry. Anglo Australian Resources is currently compiling previous exploration data.

### **CORPORATE**

The Company successfully completed a Capital Raising in April 2006 with a Shareholders' Share Purchase Plan raising a gross total of \$2,339,200 by issuing 93,568,000 fully paid shares of 2.5c each.

Yours faithfully

John L. C. Jones  
Chairman

---

### **Attribution**

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

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

Table 1 – East Mandilla and Selene – Significant RC intersections (1g/t Au cutoff)

Hole_id	Mga_North	Mga_East	EOHdepth	Dip	Mag_Azimuth	From	To	M	g/t Au	Prospect
MDRC016	6527650	359255	110	-60	270	36	38	2	1.5	East Mandilla
						41	42	1	1.63	
						46	47	1	4.57	
						51	52	1	5.8	
						54	56	2	3.17	
						59	60	1	2.17	
						100	101	1	6.12	
MDRC017	6527600	359270	116	-60	270	49	50	1	1.32	East Mandilla
						56	59	3	3.06	
						75	76	1	1.15	
						77	78	1	3.02	
						79	81	2	2.36	
						84	85	1	1.1	
						102	104	2	13.8	
						110	111	1	1.35	
MDRC018	6527550	359265	100	-60	270	44	45	1	1.33	East Mandilla
						51	53	2	2.06	
						61	64	3	2.54	
						80	82	2	6.79	
MDRC019	6527550	359285	110	-60	270	45	57	12	2.89	East Mandilla
					inc	48	49	1	7.65	
						61	63	2	4.35	
						64	66	2	1	
						67	68	1	2.17	
						74	75	1	1.56	
						85	86	1	1.51	
						99	102	3	2.39	
						103	107	4	105.1	
					inc	103	104	1	34.8	
					inc	105	106	1	383.2	
MDRC020	6527500	359305	123	-60	270	64	69	5	8	East Mandilla
						90	91	1	1.62	
						117	118	1	1.26	
						120	121	1	1.14	
MDRC021	6527450	359300	110	-60	270	52	55	3	2.55	East Mandilla
						91	92	1	2.29	
						96	97	1	1.75	
						106	107	1	1.58	
MDRC022	6527400	359175	90	-60	270	76	77	1	2.09	Selene

ANGLO AUSTRALIAN RESOURCES N.L.  
June 2006 Quarterly Report

---

MDRC023	6527360	359165	90	-60	270	19	21	2	6.21	Selene
						49	50	1	4.26	
MDRC024	6527660	359095	100	-60	270	50	51	1	1.12	Selene
						60	61	1	3.88	
						66	67	1	2.09	
						73	74	1	2.13	
						79	80	1	1.35	
						93	94	1	4.82	
MDRC025	6527660	359115	102	-60	270	48	49	1	1.94	Selene
						65	66	1	1	
						67	68	1	1.02	
						90	91	1	1.13	
						92	93	1	3	

All samples assayed by 50g Fire Assay methods. Results are preliminary as all anomalous samples >5g/t Au have been submitted for re-assay by screen fire assay methods. Detection limits for both assay techniques is 0.01g/t

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

ANGLO AUSTRALIAN RESOURCES NL

ABN

009 159 077

Quarter ended ("current quarter")

JUNE 2006

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (... 12 months) \$A'000
1.1 Receipts from product sales and related debtors		
1.2 Payments for (a) exploration and evaluation	(121)	(664)
(b) development	(80)	(80)
(c) production		
(d) administration	(141)	(352)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	30	50
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (provide details if material)	(6)	(26)
<b>Net Operating Cash Flows</b>	<b>(318)</b>	<b>(1,072)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a)prospects		
(b)equity investments		
(c) other fixed assets		
1.9 Proceeds from sale of: (a)prospects		
(b)equity investments		
(c)other fixed assets		
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Other (provide details if material)		
<b>Net investing cash flows</b>		
1.13 Total operating and investing cash flows (carried forward)	(318)	(1,072)

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(318)	(1,072)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	2,339	3,339
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (provide details if material)	(22)	(74)
	<b>Net financing cash flows</b>	2,317	3,265
	<b>Net increase (decrease) in cash held</b>	1,999	2,193
1.20	Cash at beginning of quarter/year to date	1,061	867
1.21	Exchange rate adjustments to item 1.20		
1.22	<b>Cash at end of quarter</b>	3,060	3,060

**Payments to directors of the entity and associates of the directors**

**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	62
1.24	Aggregate amount of loans to the parties included in item 1.10	
1.25	Explanation necessary for an understanding of the transactions	
	Accounting & Secretarial Fees	30
	Directors' Fees	32

**Non-cash financing and investing activities**

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

n/a

- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

NIL

+ See chapter 19 for defined terms.

### Financing facilities available

*Add notes as necessary for an understanding of the position.*

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities		
3.2 Credit standby arrangements		NIL

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	560
4.2 Development	1,200
<b>Total</b>	

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	3,060	1,061
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other (provide details)		
<b>Total: cash at end of quarter</b> (item 1.22)	3,060	1,061

### Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased			

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

**Issued and quoted securities at end of current quarter**

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference + securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	493,568,000	493,568,000		Fully Paid
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	93,568,000	93,568,000	2.5c	Fully Paid
7.5 <b>+Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> <i>(description and conversion factor)</i>	7,500,000		<i>Exercise price</i> 5c	<i>Expiry date</i> 11 December 2006
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 <b>Debentures</b> <i>(totals only)</i>				
7.12 <b>Unsecured notes</b> <i>(totals only)</i>				

+ See chapter 19 for defined terms.

## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act [or other standards acceptable to ASX \(see note 4\)](#).
  
- 2 This statement does /does not\* (*delete one*) give a true and fair view of the matters disclosed.

Sign here: ..... Date: 31 July 2006  
(Director/Company secretary)

Print name: A C PILMER

=====

---

+ See chapter 19 for defined terms.