ANGLO AUSTRALIAN RESOURCES NL

ACN 009 159 077

ANNUAL REPORT 30 JUNE 2006

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

REVIEW OF OPERATIONS

OVERVIEW

Anglo Australian Resources NL has been listed on the ASX as a junior explorer since 1986. The company has now in place a strategy in place to move the company from a junior exploration company to a mid tier miner. In the last three years we have advanced Mandilla from an exploration project to a producing mine. This mine, while lasting only nine months, will provide the company with cash flow to fund exploration and development work on the company's key project Koongie Park. If the current high demand for base metals is maintained, development of this project has the potential to provide substantial revenue for the company.

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.

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 (Figure 2). 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 NL 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.

In 2003 a detailed and independent study of the economics of mining at both deposits found them to be marginal. Copper and Zinc prices have nearly quadrupled since the conclusion of this study (see Figure 3). The current record commodity prices profoundly change the economics of the project and make the Koongie Park project one of the best undeveloped base metal projects in Australia.

Recognising the changed economic conditions for base metals, Anglo Australian Resources.NL commissioned Rupert Crowe of CSA Australia Pty Ltd to undertake a review of options available and to define parameters for the company to move the project forward. CSA has a 22 year history of exploration and development of base-metal projects both internationally and in Australia. CSA concluded that while there were a complex range of options available for the project, AAR needs to undertake a drilling program prior to commencement of a feasibility study. This program, which commenced in July and consisting of 8 diamond and RC drill holes, was 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 were tested at Sandiego and testing of a new mineralised shoot is planned at Onedin. CSA provided geological support to manage the drilling program and have undertaken reappraisal of the geological modelling of the deposits and commenced all the necessary due diligence required prior to undertaking a JORC compliant resource calculation.

All metallurgical test holes successfully intersected the target mineralisation. At Onedin, ORCD45 drilled down the plunge of the mineralisation (see Figure 4), intersected a semi-continuous zone of mineralisation over 335m. The upper 130m is extremely weathered, gossanous and contains occasional zones of malachite, chrycocolla and minor galena. Within the partially oxidised zone (to 189m down hole) semi-massive sphalerite and chalcocite were intersected. The remaining mineralised intersection contained sulphide mineralisation of up to 20% sphalerite and 15% chalcopyrite and 1% galena. Assay results are summarised below:

Hole No	From	To	Metre	Cu (%)	Pb(%	Zn(%	Co (ppm)	Ag g/	Au g/
ORCD4:	1.7	14.7	13	0.79	2.26	0.88	246	1	0.25
	41	51.9	10.9	3.84	3.24	0.49	53	246	1.15
	81	95.7	14.7	0.68	0.62	1.56	81	2	0.01
	116.7	120	3.30	2.60	0.86	0.45	8	249	0.05
	125	169	42	0.79	1.76	15.68	147	109	0.07
	178	191	13	1.93	1.81	13.46	143	146	0.07
	206	215	9	0.56	5.30	7.65	127	104	0.03
	245.9	286	40.1	1.31	1.11	4.89	154	85	0.14
	293	311	18	0.41	1.66	5.59	20	65	0.05

Summary intersections are based on minimum 2m width and 0.5% Cu and or 2% Zn equivalent cut-off

At Sandiego 3 holes were drilled for metallurgical purposes. Two holes SRCD21 and SRCD22 intersected up to 25% massive sulphides consisting of sphalerite, chalcopyrite, pyrite, pyrrhotite and galena. Assays from these holes were not available at the time of reporting.

Drilling of an exploration hole at Onedin is still in progress.

Ore resource calculation and metallurgical testing is expected to be completed before the end of the calendar year. Anglo Australian Resources NL will then have sufficient information with which to evaluate its development options.

VICTORIA DOWNS PROJECT NT
Anglo Australian Resources NL 100%

Five tenement applications totalling in excess of 6,000sq km (Figure 5) 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 galena occurrences. 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. Values of up to 9000ppm Pb, 740ppm Zn and 500ppm Cu have been recorded within the application areas. Anglo Australian Resources NL is currently compiling previous exploration data.

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.

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 NL 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 Earthmoving. Mining commenced in June 2006, and up to mid September approximately 480,000BCM of waste had been removed. Ore production has also commenced with approximately 7,000 tonnes delivered to the ROM pad. Grade control drilling has confirmed the earlier resource drilling, and ore tonnes and grade are expected to be at predicted levels. The ore will be carted 55km to Coolgardie where it will be processed at the Higginsville toll treatment facility operated by Barminco. Total life of mine is expected to be 8-9 months.

While most of our exploration effort has been focused on the palaeochannel, bedrock targets remain a high priority for the company. Bedrock exploration this year consisted of a ten hole RC drilling program of 1051m. 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 pittable 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** (see Table 1)**.** The drilling at East Mandilla appears to have confirmed the model and located a new, very high grade zone 85m below surface. A preliminary economic assessment of East Mandilla is positive and a 4,000m resource drilling program is planned for the prospect to bring the resources to reserve status.

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 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.

The Feysville geology is complex, with regional mapping identifying a double plunging northwest trending antiformal structure known as the Feysville Dome, which 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.

Previous exploration programs for nickel sulphides at Feysville defined three ground electromagnetic (“EM”) anomalies, interpreted to be located near the basal contact of the ultramafic unit with underlying basalt (see Figure7). Exploration this year tested these anomalies with four RC holes totalling 492m.

At the **Michelangelo Prospect (Anomaly J)** two holes tested an interpreted steeply south-dipping conductor. Both intersected a sulphidic silicified black shale unit which correlates well with the interpreted conductor. **A copper-rich zone in one hole intersected 8m @ 2.87%Cu, 26.5g/t Ag and 0.31g/t Au.** This intersection correlates with significant pyrite chalcopyrite alteration intersected in previous drilling which returned a best intersection of 3m @ 1.83%Cu, 13.4g/t Ag and 0.26g/t Au. The mineralised zone remains open along strike and at depth.

At **Anomaly A**, one hole tested a shallow west-dipping conductor interpreted to be located 80-100m below surface. The hole intersected unmineralised basalt throughout its entire length. Preliminary interpretation of the results of EM testing down the hole suggests that despite the drill hole reaching planned depth, the conductor was not intersected and is located off the end of the hole.

At the **Raphael Anomaly** one hole tested an intense south-dipping conductor. The hole, drilled entirely in basalt, contained a zone of elevated nickel (22m @ 0.15%Ni) at the end of the hole. No sulphides were visible. Interpretation of down-hole EM results suggests that, despite the drill hole exceeding planned depth, the target conductor was not intersected and is located off the end of the hole.

A follow-up RC program is planned.

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.

Reconnaissance RAB drilling failed to intersect significant gold values. Subsequently, the tenements were relinquished.

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 host the Cuddingwarra mineralisation and contain untested soil geochemical anomalies. Prospectors using metal detectors in the area of the geochemical anomalies have located small nuggets.

Exploration on the project this year consisted of a RAB drilling program which tested gold soil anomalies previously defined by Anglo Australian Resources NL. No significant intersections were obtained and the central tenement was relinquished. Two other tenements held by the company in the project area are still to be granted.

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. Most tenements were granted this year and exploration is expected to commence shortly. Project details are summarised below.

Barloweerie
This exploration licence of 98sq km, located 50km west of Meekatharra and 70km north northeast of Big Bell, covers approximately 33km of the extension of the Big Bell shear. Previous exploration has not targeted the main structural corridor.

Dalgaranga
This project, located 60km northwest of Mt Magnet and 60km southwest of Big Bell and consisting of three exploration licences and nine prospecting licences, covers 350 sq km of the Dalgaranga greenstone belt. The tenements 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 NL 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, located 20km east of Cue, consists of a 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 reached a joint venture agreement with recently listed company Alloy Resources Limited. Alloy can earn 60% of the tenement by exploration expenditure of $150,000 over a three year period.

PETER KOMYSHAN
General Manger – Exploration
29th September 2006

SCHEDULE OF MINING TENEMENTS
As at 30 September 2006

Project	Tenement	Interest	Title Holder
Western Australia			
Koongie Park	MLs 80/276, 277 MLAs 80,585, 586, 587 ELAs 80/3494, 3495	100%	Anglo Australian Resources NL
Austin	ELA 21/114, E 20/510	100%	Anglo Australian Resources NL
Barloweerie	ELA 51/1015	100%	Anglo Australian Resources NL
Dalgaranga	Ps 59/1625-1630, 1643-1645, E 59/1107, ELAs 59/1127, 1204	100%	Anglo Australian Resources NL
Pinnacles	ELA21/115, 20/599	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
	Es 15/789, 891	100%	Anglo Australian Resources NL
Northern Territory			
Victoria River Downs	ELAs 25420, 25422, 25423, 25424, 25425	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 2006 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 $528,500 (2005 $1,588,596).

4. DIVIDENDS

No dividends have been paid by the Company during the financial year ended 30 June 2006, 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 5.

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 $19,483,385 to $22,750,723 as a result of the issue of the following:

40,000,000 shares of 2.5 cents fully paid by placement at a cost of $62,596 in February 2006.
93,568,000 shares of 2.5 cents fully paid by placement at a cost of $9,266 in May 2006.

7. SUBSEQUENT EVENTS

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.

Events subsequent to balance date:

a) the Company commenced mining operations at its Mandilla Gold Mine project located 70km south of Kalgoorlie in Western Australia and this new activity is expected to contribute revenue and profits in the next financial year.

8. LIKELY DEVELOPMENTS

The Company intends to continue its mining operations and its exploration programs on 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 62)

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 – Chairman

Former directorships in last three years
None

Special responsibilities
Chairman of the Board
Exploration and Development Director

Clarke, Denis Edmund (Age 65)

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 37 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 Chairman
Beaconsfield Gold NL – Non Executive Chairman

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

Special responsibilities
Exploration and Development Director

Fyson, Christopher Hugh (Age 60)

Experience and expertise
Mr Fyson has been a director of the Company since December 1985 has 28 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.

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 63)

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
Biometrics Limited – resigned in September 2005

Special responsibilities
Company Secretary
Financial Director

10. REMUNERATION REPORT - AUDITED

10.1 Principles of remuneration:

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company, including Directors of the Company and other executives. Key management personnel includes specified Directors and specified executives for the Company.

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 account 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.

Fixed remuneration – Fixed remuneration consists of base remuneration and statutory superannuation entitlements. Remuneration levels are set by the Board based on individual performance and the performance of the Company.

Total remuneration for all non-executive directors during the year was $70,850. Non-executive directors do not receive bonuses, nor have they been issued options on securities. Directors' fees cover all Board activities.

10.2 Directors' and executive officers' remuneration

The following table discloses the remuneration of the key management personnel (as defined in AASB 124 Related Party Disclosures) of Anglo Australian Resources NL.

The key management personnel of Anglo Australian Resources NL includes the directors and the following executive officers, who are also the five highest paid executives of the Company:

2006: Director		**Post Employment**			**Equity**	**Other**	**Total**
	Salary, Fees & Commission	Superanuation Contributions	Cash Bonus	Non-Cash Benefits	Options		
	$	$	$	$	$	$	$
J L C Jones	20,000	1,800					21,800
D E Clarke	15,000	1,350					16,350
C H Fyson	15,000	1,350					16,350
A C Pilmer	15,000	1,350					16,350
	65,000	5,850					70,850
Exploration Manager							
P Komyshan	112,500	24,375					136,875

DIRECTORS' REPORT (Continued)

10. REMUNERATION REPORT (Continued)

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

Notes in relation to the table of directors and executive officers remuneration
Service agreements
Remuneration and other terms of employment for other key management personnel are formalized in service agreements.

11. DIRECTORS' INTERESTS

The relevant interest of each director in the share capital of the Company as notified by the Directors to the Australian Stock Exchange in accordance with Section 205 G (1) of the Corporations Act 2001 at the date of this report, is as follows:

	No of Shares	
	Directly	**Indirectly**
J.L.C. Jones	2,291,250	13,291,625
D.E. Clarke	825,000	2,885,000
C.H. Fyson	1,658,000	9,154,899
A.C. Pilmer	2,100,000	8,901,047
	6,874,250	34,232,571

12. 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	5
C.H. Fyson	5	5
A.C. Pilmer	5	5

13. 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.

DIRECTORS' REPORT (Continued)

14. DIRECTORS' AND OFFICERS' INSURANCE

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

15. 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 3.

A copy of the Auditors' Independence Declaration, as required under section 370C of the Corporations Act 2001, is set out on page 14.

16. 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.

Role of the Board

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 and Functions 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)

16. 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.

The Company's operations are subject to environmental regulations in relation to its exploration activities. The directors are not aware of any significant breaches during the period covered by this report.

Financial Reporting

The Chairman of the Board and the Company Secretary (who performs the Chief Executive Officer's and the Chief Financial Officers' function) have declared, in writing to the Board that the Company's financial reports are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board.

Convergence with Australian equivalents to International Financial Reporting Standards (AIFRS) is a key current financial reporting project, and the Board established resources to ensure a smooth transition to AIFRS reporting, beginning with the half-year ended 31 December 2005.

Details of the progress of the AIFRS implementation and the expected impact of transition to AIFRS on the financial report for the year ended 30 June 2006 are included in Note 17.

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.

DIRECTORS' REPORT (Continued)

16. CORPORATE GOVERNANCE STATEMENT (Continued)

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.

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.

Signed in accordance with a resolution of the Directors

A C PILMER
Director

Dated at Perth this day of September 2006.

__Lead Auditor's Independence Declaration under Section 307C of the Corporations 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 2006 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
29 September 2006

INCOME STATEMENT
For the Year Ended 30 June 2006

	Note	2006 $	2005 $
Revenue		-	-
Other income			
Rental income		3,750	7,250
Total income		3,750	7,250
Expenses			
Exploration expenditure written off		220,969	1,338,977
Directors' fees		65,000	55,000
Employee benefits expense		20,231	19,779
Rental expense		40,628	33,848
Depreciation		9,559	13,341
Other Expenses		224,299	159,906
Loss before financing costs		(576,936)	(1,613,601)
Financial income – interest		48,436	26,885
Financial expenses – interest		-	(1,880)
Net financing costs		48,436	25,005
Loss before tax		(528,500)	(1,588,596)
Income tax benefit	4	-	-
Loss for the year		(528,500)	(1,588,596)
Basic Loss Per Share	16	(0.14 cents)	(0.48 cents)

The above Income Statement is to be read in conjunction with the accompanying notes.

BALANCE SHEET
As at 30 June 2006

	Note	2006 $	2005 $
Current Assets			
Cash and equivalents		2,999,151	867,062
Receivables	5	124,761	8,469
Total Current Assets		3,123,912	875,531
Non-Current Assets			
Property, plant & equipment	6	1,202,728	48,744
Exploration and evaluation expenditure	7	1,287,125	1,653,880
Total Non-Current Assets		2,489,853	1,702,624
Total Assets		5,613,765	2,578,155
Current Liabilities			
Payables	8	390,984	94,212
Employee benefits	9	7,500	7,500
Total Current Liabilities		398,484	101,712
Total Liabilities		398,484	101,712
Net Assets		5,215,281	2,476,443
Equity			
Issued capital	10	22,750,723	19,483,385
Accumulated Losses		(17,535,442)	(17,006,942)
Total Equity		5,215,281	2,476,443

The above Balance Sheet is to be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY
For the Year Ended 30 June 2006

	Issued Capital $	Accumulated Losses $	Total Equity $
At 1 July 2004	18,282,531	(15,418,346)	2,864,185
Loss for the year	-	(1,588,596)	(1,588,596)
Issue of shares capital	1,280,000	-	1,280,000
Issue expenses	(79,146)	-	(79,146)
At 30 June 2005	19,483,385	(17,006,942)	2,476,443
At 1 July 2005	19,483,385	(17,006,942)	2,476,443
Loss for the year	-	(528,500)	(528,500)
Issue of share capital	3,339,200	-	3,339,200
Issue expenses	(71,862)	-	(71,862)
At 30 June 2006	22,750,723	(17,535,442)	5,215,281

The Statement of Changes in Equity is to be read in conjunction with the notes to the Financial Statements.

STATEMENT OF CASH FLOWS
For the Year Ended 30 June 2006

	Note	2006 $	2005 $
Cash Flows from Operating Activities			
Cash payments in the course of operations		(165,928)	(198,537)
Net cash used in operating activities	14	(165,928)	(198,537)
Cash Flows from Investing Activities			
Interest Received		48,436	26,885
Exploration expenditure		(672,954)	(898,377)
Mine Development expenditure		(340,062)	-
Payments for:			
plant & equipment		(4,239)	(14,493)
office furniture		(504)	-
Net cash used in investing activities		(969,321)	(885,985)
Cash Flows from Financing Activities			
Proceeds from issue of shares		3,267,338	1,200,854
Interest paid		-	(1,880)
Net cash provided by financing activities		3,267,338	1,198,974
Net Increase In Cash Held		2,132,089	114,452
Cash at the beginning of the financial year		867,062	752,610
Cash at the End of the Financial Year	14	2,999,151	867,062

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 2006

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Anglo Australian Resources NL (the "Company") is a company domiciled in Australia.

The financial report was authorised for issue by the directors on 29 September 2006

1.1 Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ("AASBs") adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001.

International Financial Reporting Standards ("IFRS") form the basis of Australian Accounting Standards adopted by the AASB, and for the purposes of this report are called Australian equivalents to IFRS ("AIFRS") to distinguish from previous Australian GAAP. The financial reports of the Company also comply with IFRSs and interpretations adopted by the International Accounting Standards Board.

This is the Company's first AIFRS consolidated financial report for the year covered by the first AIFRS annual financial report and AASB 1 *First time adoption of Australian equivalents to International Financial Reporting Standards*.

An explanation of how the transition to AIFRSs has affected the reported financial position, financial performance and cash flows of the company is provided in note 17.

1.2 Basis of Preparation

The financial report, which is presented in Australian dollars, has been prepared on the basis of historical costs except that derivative financial instruments and financial instruments classified as available for sale are stated at their fair value.

The entity has elected to early adopt the following accounting standards and amendments:

- AASB 119 *Employee Benefits* (December 2004)
- AASB 2004-3 *Amendments to Australian Accounting Standards* (December 2004) amending AASB 1 *First time Adoption of Australian Equivalents to International Financial Reporting Standards* (July 2004), AASB 101 *Presentation of Financial Statements* and AASB 124 *Related Party Disclosures*
- AASB 2005-1 *Amendments to Australian Accounting Standards* (May 2005) amending AASB 139 *Financial Instruments: Recognition and Measurement*
- AASB 2005-3 *Amendments to Australian Accounting Standards* (June 2005) amending AASB 119 *Employee Benefits* (either July or December 2004)
- AASB 2005-4 *Amendments to Australian Accounting Standards* (June 2005) amending AASB 139 *Financial Instruments: Recognition and Measurement,* AASB 132 *Financial Instruments: Disclosure and Presentation,* AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* (July 2004), AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts*
- AASB 2005-5 *Amendments to Australian Accounting Standards* (June 2005) amending AASB 1 *First time Adoption of Australian Equivalents to International Financial Reporting Standards* (July 2004), and AASB 139 *Financial Instruments: Recognition and Measurement*
- AASB 2005-6 *Amendments to Australian Accounting Standards* (June 2005) amending AASB 3 *Business Combinations*
- AASB 2006-1 *Amendments to Australian Accounting Standards* (January 2006) amending AASB 121 *The Effects of Changes in Foreign Exchange Rates* (July 2004)

NOTES TO AND FORMING PART OF THE ACCOUNTS
For the Year Ended 30 June 2006

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.2 Basis of Preparation (continued)

- UIG 4 *Determining whether an Arrangement contains a Lease*
- UIG 5 *Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*
- UIG 7 *Applying the Restatement Approach under AASB 129 Financial Reporting in Hyperinflationary Economies*
- UIG 8 *Scope of AASB 2.*

The following standards and amendments were available for early adoption but have not been applied by the Company in these financial statements:

- AASB 7 *Financial instruments: Disclosure* (August 2005) replacing the presentation requirements of financial instruments in AASB 132. AASB 7 is applicable for annual reporting periods beginning on or after 1 January 2007
- AASB 2005-9 *Amendments to Australian Accounting Standards* (September 2005) requires that liabilities arising from the issue of financial guarantee contracts are recognised in the balance sheet. AASB 2005-9 is applicable for annual reporting periods beginning on or after 1 January 2006
- AASB 2005-10 *Amendments to Australian Accounting Standards* (September 2005) makes consequential amendments to AASB 132 *Financial Instruments: Disclosures and Presentation*, AASB 101 *Presentation of Financial Statements*, AASB 114 *Segment Reporting*, AASB 117 *Leases*, AASB 133 *Earnings per Share*, AASB 139 *Financial Instruments: Recognition and Measurement*, AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*, AASB 4 *Insurance Contracts*, AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts*, arising from the release of AASB 7. AASB 2005-10 is applicable for annual reporting periods beginning on or after 1 January 2007.

The Company plans to adopt AASB 7, AASB 2005-9 and AASB 2005-10 in the 2007 financial year.

The initial application of AASB 7, AASB 2005-9 and AASB 2005-10 is not expected to have an impact on the financial results of the Company as the standard and the amendment are either only concerned with disclosures or are not applicable to the Company.

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Except for the change in accounting policy relating to the classification and measurement of financial instruments, the accounting policies set out below have been applied consistently to all periods presented in the consolidated financial report and in preparing an opening AIFRS balance sheet at 1 July 2004 for the purposes of the transition to Australian Accounting Standards – AIFRS.

NOTES TO AND FORMING PART OF THE ACCOUNTS
For the Year Ended 30 June 2006

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.3 Going Concern

The Company made a loss of $528,500 (2005:$1,588,596) during the year. 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 has net current assets of $2,725,428 (2005: $773,819) at 30 June 2006 which includes cash and cash equivalents of $2,999,151 (2005:$867,062). The Directors consider that there are reasonable grounds to believe that the Company will able to meet its expenditure commitments for the foreseeable future.

1.4 Other Income

Revenue from rental income is recognised over the period of the lease.

1.5 Net Financing Income

Financial Income

Interest income is recognised in the income statement as it accrues, using the effective interest method.

Financial expenses

Borrowing costs are expensed as incurred and included in net financing costs.

1.6 Taxation

Income tax on the income statement for the periods presented comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

1.7 Exploration and Evaluation Expenditure

Exploration and evaluation costs, including the costs of acquiring licences, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the consolidated entity has obtained the legal rights to explore an area are recognised in the income statement.

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

(i) the expenditures are expected to be recouped through successful development and exploitation of the area of interest; or

(ii) activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or other wise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

NOTES TO AND FORMING PART OF THE ACCOUNTS
For the Year Ended 30 June 2006

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.7 Exploration and Evaluation Expenditure (Continued)

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount (see impairment accounting policy (1.10)). For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from intangible assets to mining property assets within property, plant and equipment.

1.8 Property, Plant and Equipment

Items of property, plant and equipment are stated at their cost less accumulated depreciation (see below) and impairment losses (see accounting policy 1.10).

Acquisitions of assets

All assets acquired, including property, plant and equipment, are initially recorded at their cost of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition. When equity instruments are issued as consideration, their market price at the date of acquisition is used as fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity subject to the extent of proceeds received, otherwise expensed.

Mining property and development assets include costs transferred from exploration and evaluation assets once technical feasibility and commercial viability of an area of interest are demonstrable and subsequent costs to develop the mine to the production phase.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Subsequent costs

The Company recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the consolidated entity and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

Depreciation

With the exception of mining property, depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Mining property is depreciated on a units of production basis over the life of the economically recoverable reserves.

Depreciation rates and methods are reviewed annually for appropriateness. When changes are made, adjustments are reflected prospectively in current and future periods only. Depreciation is charged to the income statement.

The depreciation rates used for each class of asset are as follows:

	2006	**2005**
Plant and equipment	13% to 40%	13% to 40%
Office furniture and equipment	17%	17%
Motor Vehicle	22.5%	22.5%

NOTES TO AND FORMING PART OF THE ACCOUNTS
For the Year Ended 30 June 2006

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.9 Receivables

Current accounting policy

Receivables are stated at their amortised cost less impairment losses.

Comparative period policy

Trade and other recoverables are carried at invoice amounts. The collectibility of debts is assessed at reporting date and specific provision is made for any doubtful accounts. Bad debts are written off as incurred.

1.10 Impairment

Current accounting policy

The carrying amounts of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated (see below).

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement unless the asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the income statement.

(i) Calculation of recoverable amount

The recoverable amount of the Company's investments in receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment

Impairment losses are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount.

An impairment loss in respect of a receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

NOTES TO AND FORMING PART OF THE ACCOUNTS
For the Year Ended 30 June 2006

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.10 Impairment (Continued)

(iii) Derecognition of financial assets and liabilities

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party; or
- the Company has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit and loss.

Comparative period policy – financial instruments impairment and derecognition
The carrying amounts of non-current financial assets valued on the cost basis were reviewed to determine whether they are in excess of their recoverable amount at reporting date. If the carrying amount of a non-current financial asset exceeded its recoverable amount (i.e. was not considered probable of recovery), the financial asset was written down to the lower amount. The write-down was expensed in the reporting period in which it occurred.

Where a group of assets working together supported the generation of cash inflows, recoverable amount was assessed in relation to that group of assets.

In assessing recoverable amounts of non-current financial assets, the relevant cash flows were discounted to their present value.

Impairment losses were reversed through the profit and loss but only to extent of original cost.

An asset was derecognised when the contractual right to receive or exchange cash no longer existed. A liability was derecognised when the contractual obligation to deliver or exchange cash no longer existed

1.11 Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances, and call deposits.

1.12 Share Capital

Current accounting policy

Transaction costs

Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

Comparative period policy

Transaction costs

Transaction costs arising on the issue of equity instruments are recognised directly in equity subject to the extent of proceeds received, otherwise expensed.

NOTES TO AND FORMING PART OF THE ACCOUNTS
For the Year Ended 30 June 2006

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.13 Employee Benefits

Wages, Salaries, Annual Leave and Sick Leave
Liabilities for employee benefits for wages, salaries, annual leave and sick leave represent present obligations resulting from employees' services provided to reporting date, calculated at undiscounted amounts based on remuneration wage and salary rates that the consolidated entity expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax.

Long Service Leave
The provision for employee benefits to long service leave is the amount of future benefit that employees have earned in return for their services in the current and prior periods.

The provision is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates based on turnover history and is discounted using the rates attaching to Commonwealth government bonds at reporting date which most closely match the terms of maturity of the related liabilities.

Defined Contribution Superannuation Funds
The Company contributes to a defined contribution plan. Contributions are recognised as an expense in the income statement as incurred.

1.14 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

Restoration

Provisions are made for estimated costs relating to the remediation of soil, groundwater and untreated waste as soon as the need is identified.

Mine rehabilitation

Provisions are made for the estimated cost of rehabilitation relating to areas disturbed during the mine's operation up to reporting date but not yet rehabilitated. Provision has been made in full for all disturbed areas at the reporting date based on current estimates of costs to rehabilitate such areas, discounted to their present value based on expected future cashflows. The estimated cost of rehabilitation includes the current cost of recontouring, topsoiling and revegetation employing legislative requirements. Changes in estimates are dealt with on a prospective basis as they arise.

Significant uncertainty exists as to the amount of rehabilitation obligations which will be incurred due to the impact of changes in environmental legislation. The amount of the provision relating to rehabilitation of mine infrastructure and dismantling obligations is recognised at the commencement of the mining project and/or construction of the assets where a legal or constructive obligation exists at that time. The provision is recognised as a non-current liability with a corresponding asset included in mining property and development assets.

At each reporting date the rehabilitation liability is re-measured in line with changes in discount rates, and timing or amount of the costs to be incurred. Changes in the liability relating to rehabilitation of mine infrastructure and dismantling obligations are added to or deducted from the related asset, other than the unwinding of the discount which is recognised as a finance cost in the income statement as it occurs.

If the change in the liability results in a decrease in the liability that exceeds the carrying amount of the asset, the asset is written-down to nil and the excess is recognised immediately in the income statement. If the change in the liability results in an addition to the cost of the asset, the recoverability of the new carrying amount is considered. Where there is an indication that the new carrying amount is not fully recoverable, an impairment test is performed with the write-down recognised in the income statement in the period in which it occurs.

NOTES TO AND FORMING PART OF THE ACCOUNTS
For the Year Ended 30 June 2006

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.15 Trade and Other Payables

Current accounting policy

Trade and other payables are stated at their amortised cost. Trade payables are non-interest bearing and are normally settled on 60-day terms.

Comparative period policy

Trade and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the company.

1.16 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.

1.17 Loss Per Share

Basic loss per share ("EPS") is calculated by dividing the net loss attributable to members of the parent entity for the reporting period, by the weighted average number of ordinary shares of the Company, adjusted for any bonus issue.

1.18 Segment Reporting

A segment is a distinguishable component of the consolidated entity that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

		2006 $	2005 $
2. OTHER EXPENSES			
Depreciation	- plant & equipment	2,943	3,373
	- office furniture and fittings	-	1,433
	- motor vehicles	6,616	8,535
Provision for employee entitlements		-	3,000
Contribution to defined superannuation contribution funds		30,465	24,295
3. AUDITORS' REMUNERATION			
Auditor's remuneration – audit review of financial reports – KPMG		31,563	19,500

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

For the Year Ended 30 June 2006

	2006 $	2005 $
4. TAXATION		
Current tax expense	-	-
Deferred tax expense	-	-
(a) *Numerical reconciliation between tax benefit and pre tax loss*		
Loss before tax	(528,500)	(1,588,596)
(a) Income tax using the corporate tax rate of 30% (2005: 30%)	158,550	476,579
Timing differences and tax losses not brought to account as future income tax benefits	(158,550)	(476,579)
Income tax benefit on pre tax loss	-	-
(b) Unrecognised Deferred Tax Assets		
Tax losses	3,215,875	3,057,325

The tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the consolidated entity can use the benefits

	2006 $	2005 $
5. RECEIVABLES		
Current		
Other Debtors	124,761	8,469
	124,761	8,469
6. PROPERTY, PLANT & EQUIPMENT		
Mine property at cost	1,158,800	-
Less: Accumulated depreciation	-	-
	1,158,800	-
Plant & equipment at cost	75,182	70,943
Less: Accumulated depreciation	54,542	51,599
	20,640	19,344
Office furniture & fittings at cost	21,074	20,570
Less: Accumulated depreciation	20,570	20,570
	504	-
Motor Vehicle	44,459	44,459
Less: Accumulated amortisation	21,675	15,059
	22,784	29,400
Total property, plant & equipment	1,202,728	48,744

NOTES TO AND FORMING PART OF THE ACCOUNTS (Cont.)
For the Year Ended 30 June 2006

	2006 $	2005 $
6. PROPERTY, PLANT & EQUIPMENT (Continued)		
Reconciliations		
Mine property		
Balance at 1 July	-	-
Transferred from exploration and evaluation expenditure	818,740	-
Additions	340,060	-
Balance at 30 June	1,158,800	-
Plant & Equipment		
Balance at 1 July	19,344	8,224
Additions	4,239	14,493
Depreciation	(2,943)	(3,373)
Balance at 30 June	20,640	19,344
Office Furniture		
Balance at 1 July	-	1,433
Additions	504	-
Depreciation	-	(1,433)
Balance at 30 June	504	-
Motor Vehicle		
Balance at 1 July	29,400	37,935
Depreciation	(6,616)	(8,535)
Balance at 30 June	22,784	29,400
7. EXPLORATION AND EVALUATION EXPENDITURE		
Deferred exploration and acquisition expenditure		
Balance at 1 July	1,653,880	2,094,480
Add: Expenditure during the year	672,954	898,377
	2,326,834	2,992,857
Amounts written off during the year	220,969	1,338,977
Amounts transferred to Mine Property	818,740	-
Balance at 30 June	1,287,125	1,653,880

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.

NOTES TO AND FORMING PART OF THE ACCOUNTS (Cont.)
For the Year Ended 30 June 2006

	2006 $	2005 $
8. PAYABLES		
Current		
Trade creditors and accrued operating expenses	390,984	94,212
9. EMPLOYEE BENEFITS		
Current		
Annual leave	7,500	7,500
10. ISSUED CAPITAL		
Issued and Paid Up Capital		
493,568,000 ordinary shares fully paid (2005 – 360,000,000 ordinary shares fully paid)	22,750,723	19,483,385
Movements in Ordinary Share Capital		
Balance at beginning of financial year	19,483,385	18,282,531
40,000,000 shares issued for cash (i)	937,404	1,200,854
93,568,000 shares issued for cash (ii)	2,329,934	-
Balance at end of year	22,750,723	19,483,385

(i) The Company has issued ordinary shares as follows:
February 2006 - 40,000,000 shares were issued at 2.5 cents. Transaction costs of $62,596 were recognised as a reduction of the proceeds of issue.

(ii) May 2006 – 93,568,000 shares were issued at 2.5 cents. Transaction costs of $9,266 were recognised as a reduction of the proceeds of issue.

Share Options

There are 7,500,000 options which were issued on 10 December 2003 to St Ives Gold Mining Company Pty Ltd exercisable within 3 years from the date of issue 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.

11. 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 $531,040 (2005: $601,713). 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. 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 $3,754,160 (2005: $2,410,000) and for later than five years the total obligations are $NIL (2005: $NIL).

12. FINANCIAL REPORTING BY SEGMENT
The Company operates in Australia and in one industry classification being mineral exploration.

NOTES TO AND FORMING PART OF THE ACCOUNTS (Cont.)
For the Year Ended 30 June 2006

13. RELATED PARTIES

The following were key management personnel of the Company at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period:

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

Executive
Peter Komyshan – General Manager, Exploration

Key management personnel compensation

The key management personnel compensation included in 'employee benefits' and directors' fees (see income statement) are as follows:

	2006	**2005**
	$	**$**
Salary, fees and commissions	177,500	160,425
Superannuation contributions	20,225	22,575
	207,725	183,000

Out of the total compensation, an amount of $148,520 (2005: $144,941) was capitalized in mine property and exploration and evaluation expenditure.

Individual directors and executive compensation disclosures
Information regarding individual directors and executives compensation as permitted by the Corporations Regulations 2M.3.03 and 2M.6.04 is provided in the Remuneration Report Section of the Directors' report on pages 9 to 10. Apart from the details disclosed in this note, no director has entered into a material contract with the Company since the end of the previous financial year and there were no material contracts involving directors' interests existing at year end.

Other key management personnel transactions with Directors and Director-related entities
The following fees for the provision of storage, administrative accounting and secretarial services were paid on normal commercial terms and conditions to the following Director related entities: $2,450 (2005 – $8,389) 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 $127,415 (2005 - $87,378) was paid to A C Pilmer & Co, a firm of which Mr A C Pilmer is the Principal.

NOTES TO AND FORMING PART OF THE ACCOUNTS (Cont.)
For the Year Ended 30 June 2006

13. RELATED PARTIES (Continued)

Movement in shares

The movement during the reporting period in the number of ordinary shares in Anglo Australian resources NL held directly, indirectly or beneficially by each key management person, and including their related parties is as follows:

Fully paid ordinary shares issued in Anglo Australian Resources NL

2006

	Balance at 1.7.05 No.	Granted as Remuneration No.	Received on Exercise of Options No.	Net Other Change * No.	Balance at 30.6.06 No.	Balance Held Nominally No.
Directors						
J L C Jones	12,281,866	-	-	3,301,009	15,582,875	13,291,625
D E Clarke	1,185,000	-	-	2,525,000	3,710,000	2,885,000
C H Fyson	9,437,899	-	-	1,375,000	10,812,899	9,154,899
A C Pilmer	6,315,000	-	-	4,686,047	11,001,047	8,901,047

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

* includes shares 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 2006

14. 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:

	2006 $	2005 $
Cash	8,783	3,400
Short term deposits	2,896,932	815,972
Cash at Bank	97,836	47,690
	2,999,151	867,062

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

	2006 $	2005 $
Operating loss after income tax	(528,500)	(1,588,596)
Add/(less) items classified as Investing/financing activities and non-cash items:		
Interest received	(48,436)	(26,885)
Exploration expenditure written off	220,969	1,338,977
Depreciation	9,559	13,341
Interest paid	-	1,880
	(346,408)	(261,283)
Add/(less) change in assets and liabilities:		
Increase/(Decrease) in accounts payable	296,772	(28,562)
Increase in provisions	-	3,000
Decrease/(Increase) in receivables	(116,292)	88,308
Net Cash Used In Operating Activities	(165,928)	(198,537)

NOTES TO AND FORMING PART OF THE ACCOUNTS (Cont.)
For the Year Ended 30 June 2006

15. FINANCIAL INSTRUMENTS

Exposure to interest rate and credit risk arises in the normal course of the Company's business

a) Interest Rate Risk Exposure

	Weighted average interest rate	Floating interest rate $	Total $
2006			
Financial Assets			
Cash assets	4.25%	2,999,151	2,999,151
2005			
Financial Assets			
Cash assets	3.7%	867,062	867,062

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 allowance for doubtful debts.

c) Net Fair Values of Financial Assets and Liabilities

For receivables/payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value. The carrying values of financial investments approximate their net fair values.

	2006 $	2005 $
16. LOSS PER SHARE		
Loss for the year	(528,500)	(1,588,596)

	2006 Number of Shares	2005 Number of Shares
Weighted average number of ordinary shares		
Issued ordinary shares at 1 July	360,000,000	320,000,000
Effect of shares issued in February 2005	-	13,333,333
Effect of shares issued in February 2006	13,333,333	-
Effect of shares issued in May 2006	15,594,666	-
	388,927,999	333,333,333

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 2006

17. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (AIFRS)

As stated in note 1.1, these are the entity's first interim financial statements for part of the period covered by the first AIFRS annual financial statements prepared in accordance with Australian Accounting Standards – AIFRSs.

The accounting policies in note 1 have been applied in preparing the financial statements for the year ended 30 June 2006, the comparative for the year ended 30 June 2005 and the preparation of an opening AIFRS balance sheet at 1 July 2004 (the entity's date of transition).

The company has elected to apply the exemption under AASB 1 First time adoption of Australian Equivalents to International Financial Reporting Standards and to expense any options that were granted and vested prior to 1 January 2005.

In preparing its opening AIFRS balance sheet, comparative information for the year ended 30 June 2005, the entity has not had any adjustments to amounts reported previously in financial statements prepared in accordance with its old basis of accounting (previous GAAP). There was no effect of adoption of AIFRSs on the entity's financial position, financial performance and cash flows.

DIRECTORS' DECLARATION

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

a) The financial statements and notes (and the remuneration disclosures that are contained in section 10, "Remuneration Report" in the Directors' Report), set out on pages 15 to 34 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 Australian Accounting Standards and the Corporations Regulations 2001.

b) The remuneration disclosures that are contained in section 10, "Remuneration Report" in the Directors' Report comply with the Australian Accounting Standard AASB 124 *Related Party Disclosures.*

c) 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.

2. The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chairman and Company Secretary (who performs the Chief Executive Officer's and Chief Financial Officer's function) for the financial year ended 30 June 2006.

Signed in accordance with a resolution of directors:

A C PILMER
Director

Dated at Perth this 29th day of September 2006

KPMG

Independent audit report to members of Anglo Australian Resources NL

Scope

The financial report, remuneration disclosures and directors' responsibility

The financial report comprises the income statement, statement of changes in equity, balance sheet, 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 2006.

As permitted by the Corporations Regulations 2001, the Company has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), required by Australian Accounting Standard AASB 124 *Related Party Disclosures*, under the heading "Remuneration report" in section 10 of the directors' report and not in the financial report.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report and the Remuneration 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. The directors are also responsible for preparing the relevant reconciling information regarding the adjustments required under the Australian Accounting Standard AASB 1 *First-time Adoption of Australian equivalents to International Financial Reporting Standards.* The directors are also responsible for the remuneration disclosures contained in the directors' 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 and the remuneration disclosures comply with AASB 124. 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, Australian 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 and whether the remuneration disclosures comply with Australian Accounting Standard AASB 124.

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.

KPMG

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.

Audit opinion

In our opinion:

(1) 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 2006 and of their performance for the financial year ended on that date; and;

ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

b) other mandatory financial reporting requirements in Australia; and

(2) the remuneration disclosures that are contained in section 10 of the Remuneration report in the directors' report comply with Australian Accounting Standard AASB 124 *Related Party Disclosures.*

KPMG

KPMG

T R HART
Partner

Perth
29 September 2006