ANGLO AUSTRALIAN RESOURCES NL

ACN 009 159 077

ANNUAL REPORT
30 JUNE 2007

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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

Operations Office
Level 1
46 Ord Street
WEST PERTH WA 6005
Telephone (08) 9322 5811
Facsimile (08) 9322 5301

Registered Office
C/- A C Pilmer & Co
Ground Floor
150 Hay Street
Subiaco WA 6008
Telephone (08) 9388 9545
Facsimile (08) 9388 9546

Bankers
National Australia Bank Ltd
1232 Hay Street
WEST PERTH WA 6005

Auditors
KPMG
Level 31, Central Park
152-158 St George's Terrace
PERTH WA 6000

Home Stock Exchange
Australian Securities Exchange, Perth

Share Registry
Computershare Investor Services Pty Limited
Level 2
45 St George's Terrace
PERTH WA 6000
Telephone (08) 9323 2000
Facsimile (08) 9323 2033

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

REVIEW OF OPERATIONS

OVERVIEW

Anglo Australian Resources NL ("The Company") has been listed on the ASX as a junior explorer since 1986. This year the company profitably mined the Mandilla palaeochannel within a period of 10 months producing 12,434 ounces of gold this year. Additional revenue from 50,000 tonnes of stockpiled ore that is yet to be processed is anticipated when custom milling recommences. The company also advanced its key Koongie Park project to pre-feasibility stage with resource definition, metallurgical testwork and engineering scoping studies. 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 2 mining leases, 2 exploration licences and 15 prospecting licences 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 prospects include Atlantis, Gosford and Rockhole.

The $8 million that has been spent on exploration of the project area since 1972 has defined two significant copper-zinc-lead-silver deposits, Sandiego and Onedin. Anglo Australian Resources has been associated with the project since 1989 and it is now wholly owned. The Company believes record base metal prices have profoundly improved the development economics of the project making it one of the better undeveloped base metal projects in Australia. The Company is proceeding with a Pre-Feasibility Study to maximise the value of the project and to facilitate its early development.

Metallurgical testing is a key component of the Pre-Feasibility Study. An eight hole 2363m deep percussion/diamond drilling program primarily designed to provide representative samples of the various mineralisation types at both Onedin and Sandiego for definitive metallurgical testing was completed in late 2006. Four metallurgical holes and four exploration holes have been completed.

Drilling at the Sandiego Deposit

The Sandiego deposit is a steeply dipping tabular body that has a minimum strike length of 120m and width of 20-40m. Drilling consisted of three metallurgical test holes and one exploration hole.

Metallurgical test hole SRCD21 was drilled grid east at -58° on section 1080N to a depth of 366m. It intersected a 47m interval (285 – 332m down hole) of primary sulphide mineralisation (up to 35% sulphides) consisting of sphalerite, chalcopyrite, galena, pyrite and pyrrhotite hosted by talc- chlorite- magnetite altered tuff. Principal mineralised intervals are:

20.5m @ 5.3%Zn
9.3m @ 1.26%Cu, 1.3%Zn

Metallurgical test hole SRCD22 was drilled grid east at -58° on section 1080N to a depth of 440.7m. This hole was designed to intersect massive sulphide mineralisation for metallurgical testing. Additionally, this hole was designed to extend the mineralisation, as it is the deepest intersection on Section 1080N. The hole intersected massive sulphides over 43m (365 – 408m down hole) and 13.4m (410.6 -424m). The massive sulphides contain up to 10% chalcopyrite (copper-iron sulphide). Sphalerite, pyrite and pyrrhotite are also present within a chlorite-magnetite altered schist. Principal mineralised intervals are:

16m @ 3.3%Cu, including 9m @ 4.7%Cu

Metallurgical test hole SRCD24 was drilled grid east at -52° on section 1080N to a depth of 332.5. The hole was designed to intersect partially oxidised sulphide (transition zone) mineralisation. A 100m down hole interval of semi-massive to massive sulphide containing pyrite, magnetite, sphalerite and chalcopyrite was intersected. Principal mineralised intervals are:

6.2m @ 2.14% Cu, 462g/t Ag
41.6m @ 10.89% Zn
29m @ 0.6% Cu, 621g/t Co

All three drill holes intersected substantial copper mineralisation with unusually high values of cobalt. As cobalt is a high priced commodity (about US$36,000/tonne), potential exists for cobalt to be a valuable co-product to copper if metallurgical testing indicates cobalt is recoverable.

Exploration hole SRCD23 was drilled grid east at -60° on section 1200N to a depth of 294m. This hole was designed to test the projected northern strike extensions of the Sandiego mineralisation within fresh rock. The hole intersected a five metre interval (204-209m down hole) of moderately mineralised chlorite-talc altered volcanic containing up to 3% sphalerite and minor chalcopyrite. Principal mineralised intervals are:

4.45m @ 1.22%Cu, 4.39%Zn

This drilling indicated that the strike of the thicker main zinc lode is limited to 120m, however the copper rich eastern lode has strike continuity and remains open to the north.

Drilling at the Onedin Deposit

Drilling at Onedin consisted of one metallurgical hole and three exploration drill holes. One diamond drillhole (ORCD45) was completed primarily to obtain mineralised material for metallurgical testing.

Mineralisation is stratabound and folded with most mineralisation interpreted to be located within a synclinal fold axis plunging grid south. The deposit is, however, structurally complex.

Hole ORCD45 is an angled hole drilled grid south at -60° to a depth of 398m, essentially down the plunge of the mineralisation. Results are summarised in Table 1:

Drilling intersected:

1. The oxide zone from 0 to 120m down hole.
2. The partially oxidised (transition) zone from 120 to 215m down hole.
3. The primary zone from 215 to 398m down hole.

Within the oxide zone the hole intersected wide intervals with secondary copper minerals (malachite and chrysocolla) within weathered sediments. Zinc is substantially depleted. Mineralisation in ORCD45 is, however, generally higher in grade than mineralisation intersected in earlier exploration drillholes. In particular, the intersection of **10.9m @ 3.84% Cu, 3.24% Pb, 0.49% Zn 246g/t Ag, 1.15g/t Au (41-51.9m)** suggests potential exists for economic secondary copper mineralisation.

Within the partially oxidised zone (transition zone) the hole intersected wide intervals of disseminated to semi-massive to massive chalcocite, smithsonite and sphalerite within brecciated dolomite and talc-carbonate rock. High grade intervals of zinc mineralisation include:

42m @ 0.7% Cu, 1.76%Pb, 15.68%Zn, 146ppm Co, 109g/t Ag (125 - 169m)
13m @ 1.93% Cu, 1.81%Pb, 13.46%Zn 143ppm Co, 146g/t Ag (178 – 191m)
9m @ 0.56% Cu, 5.3%Pb, 7.65%Zn, 126ppm Co, 104g/t Ag (206-215m)

These intersections correlate well with intersections obtained in earlier exploration drillholes.

Within the primary zone the hole intersected two wide intervals of massive sulphide mineralisation consisting of sphalerite, chalcopyrite, minor galena and pyrrhotite hosted within carbonate altered rock before the hole deviated out of the mineralisation into silica-carbonate altered halo rocks. Intersections of primary mineralisation include:

40.1m @ 1.31%Cu, 1.31%Pb, 4.89%Zn, 154ppm Co, 85g/t Ag (245.9 – 286m)
18m @ 0.41%Cu, 1.66%Pb, 5.59%Zn, 20 ppm Co, 65g/t Ag (293-311m)

These intersections also correlate well with intersections obtained in earlier exploration drillholes.

In summary, hole ORCD45 was extremely successful in obtaining representative samples from various mineralisation types. This will enable thorough metallurgical characterisation. Additionally, it confirmed the excellent grade of the Onedin mineralisation.

ORCD45 is interpreted to have intersected only the upper edge of the mineralised shoot within fresh rock.

Exploration hole ORCD46 was drilled grid east at -60° on section 20160N to a depth of 192.5m. This hole was designed to test the projected down plunge extensions of an interpreted mineralised shoot located 150m to the north west of the main Onedin deposit. Previous drilling on this section had only intersected the target zone within the weathered zone. The hole intersected a twelve metre wide interval (138.3-150.3m down hole) of moderately to strongly oxidised altered felsic tuff which contains up to 30% pyrite, pyrrhotite and magnetite. Assays from this hole contained only low copper and zinc values.

Exploration hole ORCD47 was drilled grid east at -60° on section 20120N to a depth of 224.8m. This hole was designed to test the projected down plunge extensions of an interpreted mineralised shoot located 150m to the north west of the main Onedin deposit. Previous drilling on this section had only intersected the target zone within the weathered zone. The hole intersected a four metre wide interval (177.5-181.4m down hole) of a banded iron oxide rock followed by a 23m wide interval (181.4 – 204.5m down hole) of carbonate chlorite altered rhyolitic tuff containing up to 5% sulphides. Assays from this hole contained only low copper and zinc values indicating the potential for a new mineralised shoot in the area to be limited.

RESOURCE ESTIMATION

FinOre Mining Consultants (part of the CSA Australia Group) were commissioned to undertake geological modelling of the Sandiego and Onedin deposits and estimation of mineral resources to be reported in accordance with the JORC Code.

Sandiego Deposit

The Sandiego deposit is a steeply plunging tabular mineralised zone that has been drilled on 40m-spaced sections over a strike length of 120m to a depth of 500m, and remains open at depth. It consists of distinctly separate zinc and copper-rich zones. Metallurgical test hole SRCD24 confirmed the high tenor of the mineralisation within the middle of the deposit with intersections of **6.2m @ 2.14% Cu, 462g/t Ag, 41.6m @ 10.89% Zn and 29m @ 0.6% Cu, 621g/t Co.**

The Mineral Resource was estimated using ordinary kriging applied to designated wireframes which were created at cut-offs of > 3.0% Zn and > 0.8% Cu. The Mixed Domain occurs where an overlap exists which contains both high-grade zinc and copper. Virtually all the Mineral Resource is classified as an Indicated Resource.

Domain	**Indicated**					**Inferred**					**Total**				
	Tonnes (Mt)	Zn (%)	Cu (%)	Pb (%)	Ag (g/t)	Tonnes (Mt)	Zn (%)	Cu (%)	Pb (%)	Ag (g/t)	Tonnes (Mt)	Zn (%)	Cu (%)	Pb (%)	Ag (g/t)
Zinc Zone	1.14	8.1	0.4	0.7	30.3	-	-	-	-	-	1.14	8.1	0.4	0.7	30.3
Copper Zone	0.89	1.0	2.4	0.1	16.0	0.04	0.1	1.6	0.7	18.4	0.93	1.0	2.4	0.1	16.1
Mixed Zone	0.25	8.5	1.7	0.5	45.9	0.01	4.4	1.3	0.2	6.7	0.26	8.3	1.7	0.5	44.4
Total	**2.28**	**5.4**	**1.3**	**0.5**	**26.4**	**0.05**	**1.3**	**1.4**	**0.6**	**15.0**	**2.33**	**5.4**	**1.3**	**0.5**	**26.2**

Note differences may occur due to rounding errors

The Zinc Zone is open at depth. The Copper Zone is open at depth and possibly to the north.

Onedin Deposit

The Onedin deposit is mostly a rod-shaped plunging mineralised zone, but a high-grade horizontal component to the mineralisation is also recognised. Metallurgical test hole ORCD45 confirmed the geological model with outstanding intersections of **42m @ 0.7% Cu, 1.76%Pb, 15.68%Zn, 146ppm Co, 109g/t Ag (125 - 169m), 13m @ 1.93% Cu, 1.81%Pb, 13.46%Zn 143ppm Co, 146g/t Ag (178 – 191m) and 9m @ 0.56% Cu, 5.3%Pb, 7.65%Zn, 126ppm Co, 104g/t Ag (206-215m).**

The Mineral Resource was estimated using ordinary kriging applied to designated wireframes which were created at cut-offs of > 3.0% Zn and > 0.8% Cu. The Mixed Domain occurs where an overlap exists which contains both high-grade zinc and copper. The entire Mineral Resource is classified as an Indicated Resource.

Domain	**Indicated**				
	Tonnes	Zn	Cu	Pb	Ag
	(Mt)	(%)	(%)	(%)	(g/t)
Zinc Zone	1.10	5.9	0.4	0.7	23.5
Copper Zone	0.87	1.8	2.8	1.3	38.4
Mixed Zone	0.36	7.2	1.5	1.4	47.7
Total	**2.33**	**4.9**	**1.1**	**1**	**32.8**

The total of Indicated Resources for the Koongie Project now stands at 4.66 Mt @ 5.2% Zn, 1.2% Cu, 0.8% Pb, and 29.6g/t Ag.

Gold and cobalt mineralisation of potential interest occurs in both deposits. However, the Resource Estimation excluded consideration of gold and cobalt as many of the holes drilled in the early exploration phases were not assayed for these elements.

OTHER PRE-FEASIBILITY STUDY WORK

Metallurgical Testwork

The Koongie deposit mineralisation is of complex polymetallic (Cu-Pb-Zn) type. Generally polymetallic deposits of primary (unoxidised) sulphides respond well to conventional flotation techniques to enable production of separate concentrates of saleable quality.

“Primary” sulphide mineralisation at depth in both the Sandiego and Onedin deposits at Koongie consists of unoxidised sulphides that, subject to confirmation by on-going comprehensive metallurgical testing, are expected respond well to conventional flotation techniques.

In the shallower parts of both deposits weathering has variably oxidised the Primary mineralisation. The completely oxidised material is designated the “Oxide” zone and the underlying partially oxidised material is designated the “Transition” zone.

AMMTEC, under the supervision of metallurgical consultants Mineral Engineering Technical Services, conducted preliminary metallurgical testing on multiple mineralisation types from both the Sandiego and Onedin Deposits.

Composite samples for each of the following were submitted for testing:

1. Onedin Oxide mineralisation
2. Onedin Transition mineralisation
3. Onedin Primary mineralisation
4. Sandiego High Grade Transition mineralisation
5. Sandiego Low Grade Primary Copper and Zinc mineralisation
6. Sandiego Primary Zinc mineralisation

As expected, the preliminary phase testwork, which has principally investigated the bulk flotation responses of the variable mineralisation types, has given variable results. Testwork has now moved to a definitive comprehensive stage where selective flotation testing aimed at producing separate copper, lead and zinc concentrates is being undertaken. This stage of testing utilises the Controlled Potential Sulphidisation (“CPS”) method of flotation. Accordingly, the Company has engaged metallurgist Kwan Wong, the inventor and acknowledged expert in CPS, to conduct the testing. The CPS flotation methods are widely used in treatment of polymetallic mineralisation worldwide.

Initial metallurgical testwork has focused on the “Primary” sulphide mineralisation which consists of unoxidised sulphides located at depth in both the Sandiego and Onedin deposits. Rougher tests conducted to date on the primary mineralisation have produced excellent recoveries for Cu and Zn for both deposits. The Company anticipates that saleable copper and zinc concentrates can be achieved from the primary mineralisation and testwork on the primary mineralisation continues with the aim of optimising recoveries and the grade of the final concentrate(s). The primary mineralization currently, forms 60% of the resource tonnes at Sandiego and 29% of the resource tonnes at Onedin, but both deposits are open at depth and the Company is confident that primary resources can be increased at both deposits

In the shallower parts of both deposits weathering has variably oxidised the primary mineralisation. The completely oxidised material is designated the "Oxide" zone and the underlying partially oxidised material is designated the "Transition" zone. Preliminary metallurgical work on the transition material using conventional flotation techniques has proved to be challenging, though recent tests are showing some promise that the transition mineralisation may respond reasonably well to flotation.. Future testwork will involve Controlled Potential Sulphidisation Flotation methods. The economics of the project improve substantially with reasonable recoveries from transition zone material. Testwork on the completely oxidised material is currently not a priority, and is still at an early stage.

Engineering Assessment

As part of the on-going Pre-feasibility Study (PFS), Consultant mining engineers Holly Mining Pty Ltd (Holly) and Brian Speechly prepared a study into mining the Sandiego and Onedin Deposits. The study examined the feasibility of mining the deposits by open cut and/or underground methods and examined various options for processing.

Two potential operations have been modelled:

1. An operation based on underground mining of only the Primary mineralisation at both Sandiego and Onedin.

2. Additionally, an open pit operation based on the Oxide and Transition mineralisation at Onedin.

The study, and associated preliminary financial models, produced positive results indicating potential for both operations, subject to confirmation of metallurgical recoveries. Plant design requires the metallurgical testing to be finalised first. No major mining problems have been identified. In particular Holly recommended that a Feasibility Study should be undertaken to fully define the underground project.

Exploration Program

Work continues to seek extensions to the defined resources. A program of down-hole electromagnetic (EM) testing has been completed on the drillholes completed in 2006. Both in-hole and off- hole conductors of interest have been located.

A review of previous exploration result has highlighted several prospects at the Koongie Project other than Sandiego and Onedin that contain ore-grade intersections. At the Atlantis Prospect holes have intersected **10m @ 12.7%Zn** and **6m @ 14.4% Zn.**

Hole No.	From	To	Metres	Cu (%)	Pb (%)	Zn (%)	Co ppm	Ag g/t	Au g/t
SRCD21	282.5	303	**20.5**	0.05	0.15	**5.3**	185	5.7	0.04
	332	341.3	9.3	**1.26**		1.3	**527**	2.3	0.3
SRCD22	365.5	367.2	1.7	0.09	0.01	3.39	192	2.4	0.05
	380	385	5	0.79		0.07	**608**	2.46	0.15
	389	405	16	**3.3**		0.1	359	2.62	0.4
inc.	395	404	9	**4.7**		0.17	389	3.4	0.58
SRCD23	204.75	209.2	4.45	1.22	0.36	4.39	19	16	0.05
SRCD24	150.55	154.5	3.95	1.39	0.12	0.06	364	40	0.5
	157	163.2	6.2	**2.14**	0.31	0.3	106	**462**	0.19
	182	223.6	41.6	0.34	0.98	**10.89**	288	55	0.28
	229	258	29	0.59	0.02	1.65	**621**	7.7	0.28
	264	269	5	0.58	0.02	1.58	**633**	6	0.16
	272	278.45	6.45	0.29	1.53	3.47	139	4.29	0.07
ORCD45	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	3.3	2.6	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	**5.3**	**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

Table 1.
Summary Koongie Park Drilling

VICTORIA DOWNS PROJECT NT
Anglo Australian Resources NL 100%

The project area has been increased and now consists of eight exploration tenements totalling in excess of 8,000sq km covering base metal prospective ground in the Victoria-Birrindudu Basin. The Victoria-Birrindudu Basin has strong affinities to the Macarthur and Nicholson Basins which host the giant Macarthur River and Century sedex style Zinc deposits. The two most eastern of these tenements have now been granted. The project, located 200 km east of Kununurra (WA) and 250 km southwest of Katherine (NT), covers a sequence of Proterozoic sediments dominated by dolomitic carbonates and other fine grained sediments. The sequence is generally flat lying with an overall very shallow dip to the North East. A number of stratigraphic horizons have been identified as having potential to host sedex deposits. The project area also contains a number of galena occurrences. Lead isotope dating of these occurrences 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. Anglo Australian Resources initial focus will be on the Skull Creek formation and the Bynoe Formation within the Bullita Group which outcrop in the granted tenements and are associated with lead anomalies of up to 12x3km in dimension. Zinc was not assayed by previous explorers over large areas of the granted tenements. Anglo Australian resources completed in August an initial follow-up reconnaissance program of stream sediment and rock chip sampling focusing on zinc. Results from this program are expected in October. Data from a Geotem survey flown in 1998 by BHP is also being reviewed.

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 main gold-mineralised part of the palaeochannel was defined at 1g/t Au cut off is 5-30m wide and is over 800m in length. Based on extensive drilling West Mandilla 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.

Development of the shallow, high-grade West Mandilla deposit commenced in June 2006 and completed in June 2007. Mining contractors Carna Earthmoving and Barcon Logistics Pty Ltd removed over 900,000BCM to access approximately 85,000 tonne of ore at a stripping ratio of 19:1.

To date 33,053 tonnes of ore have been processed under a custom milling arrangement at the third party Higginsville processing plant in Coolgardie, where ore is processed on a campaign by campaign basis. 12,434 ounces of gold has been produced at an average recovered gold grade of 12.68g/t. Gold production has exceeded expectations of the Reserve Model by 50%. This excellent result reflects the success of the Company’s mining and grade control techniques that have enabled extraction of the thin ore horizon with less dilution than originally expected.

The company sold all 12,434 ounces of gold this financial year at an average price of $A821 / ounce. Gold sales for the year ended 30 June 2007 amount to $10,199,144. Approximately 36,000t of high grade, 5,500t of medium grade and 10,000t of low grade ore has been stockpiled at the processing plant awaiting processing. The high demand for custom milling services has delayed processing of this ore until the end of September 2007.

While most of our exploration effort has been focused on the palaeochannel, bedrock targets remain a high priority. Bedrock exploration this year consisted of a 61 hole RC drilling program of 5024m and a two hole diamond drilling program of 147m. Targets included Selene and East Mandilla. The drilling returned a number of high grade intersections including **6m @ 6.96g/t Au (including 1m @ 30.29g/t Au), 5m @ 7.73g/t Au, 3m @ 20.6g/t Au, 4m @ 6.07g/t Au, 1m @ 14.58g/t Au, and 3m @ 11.75g/t Au.**

At East Mandilla a new model has been developed following examination of diamond drill core and re-evaluation of cross sections and long sections. Allowing for weathering a case can be made for a number of very shallow south dipping lodes, which are flat lying in cross section. The width of these lodes is approximately 50m and appears to have a thickness of 3-6m within the centre of the lode. The average grade of these lodes is 5g/t Au. They appear to be located in a corridor bearing approximately 338 degrees and possibly thicker on the eastern side and tapering off to the west. Based on existing intersections there is 24,000 ounces in sight (to 60m below surface).

The drilling at East Mandilla has confirmed the model of shallow south dipping lodes and extended the strike of the mineralisation to the north, albeit at lower grades than to the south. The central core of the East Mandilla mineralisation contains high grade mineralisation which may be mineable by open pit methods. Drilling to date is currently based on 50m spaced sections, which are considered to be too widely spaced to estimate mineable reserves. Geological consultancy BMGS will review the new drilling data and undertake a pit optimisation to determine if infill resource drilling is justified.

Other gold bedrock anomalies and buried structural targets remain to be tested within the project.

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 that is bounded to the west by the Boulder Lefroy Fault and to the south by the Feysville Fault. The Feysville fault, located on the southern margin of the tenement, is interpreted to represent thrusting of underlying mafic/ultramafic volcanic and intrusive rocks over a younger felsic metasedimentary sequence to the south. Intermediate and felsic porphyries have extensively intruded the sequence.

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

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

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. Anglo Australian Resources tested these anomalies last year with four RC holes totalling 492m with mixed results. The best result was from the Michelangelo Prospect where a copper-rich zone in one hole intersected 8m @ 2.87%Cu, 26.5g/t Ag and 0.31g/t Au. Exploration this year tested three ground EM anomalies with four RC holes totalling 548m. All holes intersected the target conductor intersecting sulphidic shales. Assays for nickel and copper were not significant.

The nickel potential of the project now appears to be adequately tested. Exploration on this project will now return its focus to the gold potential.

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.

MURCHISON DISTRICT PROJECTS.
Anglo Australian Resources NL 100%

Austin
The project, located 12 km east and southeast of Cue in the Murchison District of Western Australia, covers granite and greenstone terrain between million ounce deposits Big Bell and Golden Crown. Eastern tenements cover strike extensions of stratigraphy which hosts the Cuddingwarra mineralisation and contain untested soil geochemical anomalies. Prospectors using metal detectors in the area of the geochemical anomalies have located small nuggets. Part of the project covering Lake Austin may have potential for uranium. A reconnaissance drilling program is planned for the following year.

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

An initial soil sampling program located moderate nickel and low order gold anomalies. A detailed follow up soil sampling program has confirmed these anomalies. A reconnaissance drilling program is planned for the following year.

Dalgaranga
The project, located 60 km northwest of Mt Magnet and 60 km southwest of Big Bell, covers 350 sq km of the Dalgaranga greenstone belt and portion of the adjacent Warda Warra greenstone belt. The northern and southern strike extensions of the structure that hosts the Gibleys (Dalgaranga) gold deposit are also covered. Discussions with native title claimants have been completed and two of the three exploration licences have now been granted.

The project conceptually has potential for calcrete hosted uranium similar in style to the Yeelirrie deposit. The project contains a paleodrainage system with large (80 square kilometre) calcrete accumulations which have drained favourable uranium-rich bedrocks. While near surface uranium is not evident, potential for buried accumulations is present. A follow-up drilling program to test this concept is planned.

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

The project is subject to 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.

Alloy Resources has reported that it delineated an EM anomaly, by 4 lines of moving loop EM and one seismic reflection transect. Two RC holes which tested this anomaly in the December quarter intersected barren sulphide minerals and highly altered basalt.

PETER KOMYSHAN
General Manger – Exploration

21 September 2007

SCHEDULE OF MINING TENEMENTS

As at 30 September 2007

Project	Tenement	Interest	Title Holder
Western Australia			
Koongie Park	M80/276, 277 E80/3494, 3495 P80/1597-1611	100%	Anglo Australian Resources NL
Austin	E21/114	100%	BJ Hull & JL Stockley
	E20/510	100%	JL Stockley & Katarina Corp P/L
Barloweerie	E51/1015	100%	Anglo Australian Resources NL
Dalgaranga	P59/1643-1645 E59/1107, 1204 ELA59/1127	100%	Anglo Australian Resources NL
Pinnacles	E21/115 E20/599	100%	Anglo Australian Resources NL
Feysville	M26/290-291	100%	Anglo Australian Resources NL
Carnilya	M26/47-49 M26/453	100% gold rights only	View Nickel Pty Ltd
Mandilla	M15/96	100% gold rights only	Australian Nickel Mines NL
	M15/633	100%	Anglo Australian Resources NL
	E15/789, 891	100%	Anglo Australian Resources NL
Northern Territory			
Victoria River Downs	ELA25420, 25424, 25425, 25728, 25729, 25730 EL25422, 25423	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 2007 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:

Name, qualifications and Independence status	Age	Experience, special responsibilities and other directorships
John Load Cecil Jones – Non-Executive Chairman	**63**	*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
Denis Edmund Clarke – Non-Executive Director	**66**	*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
Christopher Hugh Fyson – Non-Executive Director	**61**	*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 five years each. *Other current directorships* None *Former directorships in last three years* None *Special responsibilities*

	Kalgoorlie Board Director Strategy and Planning Director
Angus Claymore Pilmer – **64** Non-Executive Director	*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

2. COMPANY SECRETARY

Mr Angus Claymore Pilmer was appointed to the position of company secretary in September 1993. 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.

3. DIRECTORS' MEETINGS

The number of directors' meetings held and number of meetings attended by each of the directors of the Company during the financial year were:

Director	Number Held	Number Attended
J.L.C. Jones	4	4
D.E. Clarke	4	3
C.H. Fyson	4	4
A.C. Pilmer	4	4

D E Clarke has only attended three of the four directors' meetings held during the financial year due to interstate commitments.

4. CORPORATE GOVERNANCE STATEMENT

This statement outlines the main corporate governance practices in place throughout the financial year, which comply with the ASX Corporate Governance Council recommendations, unless otherwise stated.

4.1 BOARD OF DIRECTORS

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.

Independent Professional Advice and Access to Company Information
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.

Composition of the Board
The composition of the Board is determined in accordance with the following principles and guidelines:

- The Board shall comprise at least 3 Directors, increasing where additional expertise is considered desirable in certain areas.
- The Board shall comprise a majority of non executive Directors.
- Directors may bring characteristics which allow a mix of qualifications, skills and experience.

The Board will review its composition on an annual basis to ensure that the Board has the appropriate mix of expertise and experience. Where a vacancy exists, for whatever reason, or where it is considered that the Board would benefit from the services of a new Director with particular skills, the Board will select appropriate candidates with relevant qualifications, skills, and experience.

The performance of all Directors will be reviewed by the Chairman each year. Directors whose performance is unsatisfactory will be asked to retire.

4.2 REMUNERATION REPORT

4.2.1 Principles of compensation – audited

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. Remuneration levels are competitively set to attract qualified and experienced directors and senior executives.

Fixed Remuneration
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.

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

Cash Bonus
Each year the Board assesses if a cash bonus is to be paid to executives in line with market and industry conditions, and the Company's financial position.

Options
The Board annually assesses the granting of any options according to the prevailing industry and market practices.

Service Contracts
Service agreements
Remuneration and other terms of employment for other key management personnel are formalised in service agreements.

Non-executive Directors
Total remuneration for all non-executive directors during the year was $65,000. The maximum approved remuneration is $100,000 per annum. Non-executive directors do not receive bonuses, nor have they been issued options on securities. Directors' fees cover all Board activities.

4.2.2 Directors' and executive officers' remuneration (audited)

The following table discloses the remuneration of the key management personnel 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:

	Short-Term			**Post Employment**	**Share Based Payments**	**Total**	**S300(1)(e)(i) Proportion of remuneration performance related %**	**S300(1)(e)(vi) Value of options as proportion of remuneration %**
	Salary & Fees	* Cash Bonus	Non-Cash Benefits	Superannuation	Options			
2007:	$	$	$	$	$	$	-	-
Directors								
J L C Jones	20,000	-	-		-	20,000	-	-
D E Clarke	15,000	-	-		-	15,000	-	-
C H Fyson	15,000	-	-		-	15,000	-	-
A C Pilmer	15,000	-	-		-	15,000	-	-
	65,000	-	-		-	65,000	-	-
Executive								
P Komyshan	151,375	50,000	-	13,625	110,000	325,000	-	34%
Total	216,375	50,000		13,625	110,000	390,000		
2006:	$	$	$	$	$	$	-	-
Directors								
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	-	-
Executive								
P Komyshan	130,825	-	-	11,775	-	142,600	-	-
Total	195,825			17,625		213,450	-	-

* Cash bonus was granted on 4 May 2007.

4.2.3 Options and rights over equity instruments granted as compensation (audited)
Details on options over ordinary shares in the Company that were granted as compensation to each key management personnel during the reporting period and details on options that vested during the reporting period are as follows:

	Number of options granted during 2007	Grant date	Fair value per option at grant date ($)	Exercise price per option ($)	Expiry date
Executive					
P Komyshan	3,000,000	4 May 2007	0.037	0.06	4 May 2010

All options vested during 2007.

No options have been granted since the end of the financial year. The options were provided at no cost to the recipient and are immediately exercisable.

4.2.4 Analysis of options and rights over equity instruments granted as compensation (unaudited)
Details of vesting profiles of the options granted as remuneration to each director of the Company and each of the Company executives are detailed below:

	Options granted					Value yet to vest $	
	Number	Date	% vested in year	% forfeited in year	Financial years in which grant vests	Min	Max
Executive							
P Komyshan	3,000,000	4 May 2007	100%	-	1 July 2006	Nil	Nil

4.2.5 Analysis of movements in options – unaudited
The movement during the reporting period, by value, of options over ordinary shares in the Company held by each Company director and each of the Company's executives is detailed below:

	Granted in year (A) $	Exercised in year $	Lapsed in year $	Total option value in year $
Executive				
P Komyshan	$110,000	-	-	110,000

(A) The value of options granted in the year is the fair value of the options calculated at grant date using the Black Scholes model. The total value of the options granted is included in the table above. This amount is allocated to remuneration over the vesting period (current period).

4.3 RISK MANAGEMENT
Oversight of 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 Company Secretary (who performs the Chief Executive Officer's and the Chief Financial Officers' function) has 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.

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.

4.4 ETHICAL STANDARDS
The Board's policy for the Directors and management is to conduct themselves with the highest ethical standards. All Directors and employees are expected to act with integrity and objectivity, striving at all times to enhance the reputation and performance of the Company.

Conflict of Interest
Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. The board has developed procedures to assist director to disclose potential conflicts of interest.

Where the Board believes that a significant conflict exists for a director on a Board matter, the director concerned does not receive the relevant Board papers and is not present at the meeting whilst the item is considered. Details of the director related entity transactions with the Company are set out in note 21 to the financial statements.

4.5 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. The half-year reviewed financial report is lodged with the Australian Securities Commission and the Australian Securities Exchange. The financial report is 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 Securities Exchange Listing Rules and released to the Australian Securities Exchange. The quarterly reports are sent to any shareholder who requests them;
- proposed major changes in the Company which may impact on share ownership rights are submitted to a vote of shareholders; and
- all matters identified as having the ability to have a material effect on the price of the Company's securities are notified to the ASX.

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 permits 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.

5. PRINCIPAL ACTIVITIES

The principal activities of the Company during the financial year included a gold mining programme at West Mandilla and the continued exploration of minerals. There has been no change in the nature of these activities during the financial year.

6. OPERATING AND FINANCIAL REVIEW

Overview of the Company
During the current year, the Company mined 85,033 tonnes of ore. The Company processed 33,053 tonnes of this ore by 30 June 2007, resulting in revenues of $10,199,144 (2006: NIL).

Shareholder Returns
The net profit of the Company for the financial year, after provision for income tax was $5,582,690 (2006: loss $528,500) as a result of the above mining activity.

Review of Financial Position
Significant changes in the state of affairs of the Company that occurred during the financial year were:

- The paid up capital was increased from $22,750,723 to $23,125,723 as a result of the issue of 7,500,000 shares to St Ives Gold Company Pty Ltd as a result of exercise of options at 5c each.

Review of Principal Businesses
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 10.

7. DIVIDENDS

No dividends have been paid by the Company during the financial year ended 30 June 2007, nor have the Directors recommended that any dividends be paid.

8. EVENTS SUBSEQUENT TO REPORTING DATE

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 future financial years.

9. 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.

10. DIRECTORS' INTERESTS

The relevant interest of each director in the share capital of the Company as notified by the Directors to the Australian Securities 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	11,368,991
D.E. Clarke	825,000	2,885,000
C.H. Fyson	1,625,000	16,064,625
A.C. Pilmer	2,100,000	11,400,000
	6,841,250	41,718,616

11. SHARE OPTIONS

Options Granted to Directors and Officers of the Company

During the financial year 3,000,000 options were issued to an executive officer. For the details refer section 4.2.3 of this report. No options were granted since the end of the financial year.

Unissued Shares Under Options

At the date of this report unissued ordinary shares of the Company under options are:

Expiry Date	**Exercise Price**	**Number of Shares**
4 May 2010	$0.06	3,000,000

Further details are included in Section 4.2.3 of this report.

Shares Issued on Exercise of Options

During or since the end of the financial year, the Company issued ordinary shares as a result of the exercise of options as follows (there were no amounts unpaid on the shares issued):

Number of Shares	**Amount paid on each Share**
7,500,000	$0.05

12. INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

Indemnification

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 P 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.

Insurance Premiums

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

13. 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 17.

14. LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration is set out on page 20 and forms part of the directors' report for the financial year ended 30 June 2007.

Signed in accordance with a resolution of the Directors

C H FYSON
Director

Dated at Perth this 21st day of September 2007.

KPMG

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 2007 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

K Smout
Partner

Perth
21 September 2007

BALANCE SHEET
As at 30 June 2007

	Note	2007 $	2006 $
Assets			
Cash and cash equivalents	16(i)	3,478,069	2,999,151
Trade and other receivables	4	1,243,341	124,761
Inventory	5	4,297,842	-
Total Current Assets		9,019,252	3,123,912
Non-Current Assets			
Property, plant & equipment	6	39,743	1,202,728
Exploration and evaluation expenditure	7	3,255,313	1,287,125
Total Non-Current Assets		3,295,056	2,489,853
Total Assets		12,314,308	5,613,765
Liabilities			
Trade and other payables	8	958,837	390,984
Employee benefits	9	7,500	7,500
Rehabilitation provision	10	65,000	-
Total Current Liabilities		1,031,337	398,484
Total Liabilities		1,031,337	398,484
Net Assets		11,282,971	5,215,281
Equity			
Issued capital	11	23,125,723	22,750,723
Accumulated losses		(11,842,752)	(17,535,442)
Total Equity		11,282,971	5,215,281

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

INCOME STATEMENT
For the Year Ended 30 June 2007

	Note	2007 $	2006 $
Revenue from sale of gold		10,199,144	-
Other Income		134	3,750
Total income		10,199,278	3,750
Expenses			
Direct mining expenses		(3,346,912)	-
Royalty expense		(207,910)	-
Exploration expenditure written-off		(232,313)	(220,969)
Directors' fees		(65,000)	(65,000)
Depreciation and amortisation expenses		(326,019)	(9,559)
Employee benefits expense		(201,781)	(20,231)
Rental expense		(36,105)	(40,628)
Other expenses		(372,015)	(224,299)
Results from operating activities		5,411,223	(576,936)
Financial income – interest		171,467	48,436
Financial expenses – interest		-	-
Net financing income		171,462	48,436
Profit/(Loss) before tax		5,582,690	(528,500)
Income tax benefit/(expense)	14	-	-
Net Profit/(Loss) for the year attributable to equity holders of the Company		5,582,690	(528,500)
Earnings per share:			
Basic Earnings/(Loss) Per Share	15(i)	1.12 cents	(0.14 cents)
Diluted Earnings/(Loss) Per Share	15(ii)	1.12 cents	(0.14 cents)

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

STATEMENT OF CHANGES IN EQUITY
For the Year Ended 30 June 2007

	Issued Capital $	Accumulated Losses $	Total Equity $
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
At 1 July 2006	22,750,723	(17,535,442)	5,215,281
Profit for the year	-	5,582,690	5,582,690
Issue of share capital	375,000	-	375,000
Equity settled transactions (net of tax)	-	110,000	110,000
At 30 June 2007	23,125,723	(11,842,752)	11,282,971

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 2007

	Note	2007 $	2006 $
Cash Flows from Operating Activities			
Cash receipts from customers		10,199,144	-
Cash payments in the course of operations		(8,062,609)	(165,928)
Net cash provided by/(used in) operating activities	16(ii)	2,136,535	(165,928)
Cash Flows from Investing Activities			
Interest received		171,467	48,436
Exploration expenditure		(2,200,501)	(672,952)
Mine development expenditure		-	(340,062)
Payments for:			
plant & equipment		(3,583)	(4,239)
office furniture		-	(504)
Net cash used in investing activities		(2,032,617)	(969,321)
Cash Flows from Financing Activities			
Net proceeds from issue of shares		375,000	3,267,338
Net cash provided by financing activities		375,000	3,267,338
Net increase in cash and cash equivalents held		478,918	2,132,089
Cash and cash equivalents at the beginning of the financial year		2,999,151	867,062
Cash and cash equivalents at the end of the financial year	16(i)	3,478,069	2,999,151

The above Statement of Cash Flows is to be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2007

1. REPORTING ENTITY
Anglo Australian Resources NL (the "Company") is a company domiciled in Australia. The address of the Company's registered office is C/- A C Pilmer, Ground Floor, 150 Hay Street, Subiaco, Western Australia. The Company is involved in mining and exploration of mineral tenements.

2. BASIS OF PREPARATION

(a) Statement of compliance
The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The financial report also complies with the IFRSs and interpretations adopted by the International Accounting Standards Board.

The financial statements were approved by the Board of Directors on 21 September 2007.

(b) Basis of measurement
The financial statements have been prepared on the historical cost basis.

(c) Functional and presentation currency
These financial statements are presented in Australian dollars, which is the Company's functional currency.

(d) Use of estimates and judgements
The preparation of the financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this financial report, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty are as follows.

(i) Mine Rehabilitation Provision
The Company assesses its mine rehabilitation provision half-yearly. Significant judgement is required in determining the provision for mine rehabilitation as there are many transactions and other factors that will affect the ultimate liability payable to rehabilitate the mine site. Factors that will affect this liability include future development, changes in technology, price increases and changes in interest rates. When these factors change or become known in the future, such differences will impact the mine rehabilitation provision in the period in which they change or become known.

(ii) Measurement of Share Based Payments
The fair value of services received in return for options granted is based on the fair value of options granted, measured using a Black Scholes model incorporating volatilities in share price.

NOTES TO THE FINANCIAL STATEMENTS (Cont.)
For the Year Ended 30 June 2007

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Property, Plant and Equipment

(i) Recognition and measurement
Items of property, plant and equipment are measured at cost less accumulated depreciation and amortisation (see below), and impairment losses (see accounting policy f).

Cost includes expenditures that are directly attributable to the acquisition of the asset. 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.

Mine property 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.

(ii) 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 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.

(iii) Depreciation
With the exception of mine 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.

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:

	2007	**2006**
Plant and equipment	13% to 40%	13% to 40%
Office furniture and fittings	17%	17%
Motor vehicle	22.5%	22.5%

(iv) Amortisation
Amortisation is charged to the income statement, except to the extent that it is included in the carrying amount of another asset as an allocation of production overheads.

Mine property in production is amortised on a units of production basis over economically recoverable tones. Deferred stripping costs are amortised on a life of mine waste-to-ore ratio.

(v)Deferred stripping costs
Expenditure incurred to remove overburden or waste material during the production phase of a mining operation is deferred to the extent it gives rise to future economic benefits and charged to operating costs on a units of production basis using the estimated average stripping ratio for the area being mined. Changes in estimates of average stripping ratios are accounted for prospectively.

For the purpose of assessing impairment, deferred stripping costs are grouped with other assets of the relevant cash generating unit.

(b) 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.

NOTES TO THE FINANCIAL STATEMENTS (Cont.)
For the Year Ended 30 June 2007

(b) Exploration and Evaluation Expenditure (Cont.)
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.

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 f). 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 is never 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.

(c) Inventories
Inventories are stated at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of mining inventories is determined using a weighted average basis. Cost includes direct material, overburden material, mining, processing, labour, related transportation costs to the point of sale, mine rehabilitation costs incurred in the extraction process and other fixed and variable overhead costs directly related to mining activities.

(d) Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances, short term bills and call deposits.

(e) Trade and other Receivables

Trade and other receivables are stated at their amortised cost less impairment losses (see accounting policy f).

(f) Impairment

(i) Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

For the Year Ended 30 June 2007

(f) Impairment (Cont.)

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (group of units) on a *pro rata* basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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.

In respect of assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. 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.

(g) Share Capital

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

(h) Employee Benefits

(i) 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.

(ii) 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.

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

(iv) Share-based payment transactions
The grant date fair value of options granted to employees is recognised as an employee expenses, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to options. The amount recognised is adjusted to reflect the actual number of share options that vest, except for those that fail to vest due to market conditions not being met. The fair value is measured using the Black Scholes model, taking into account the terms and conditions upon which the options are granted.

NOTES TO THE FINANCIAL STATEMENTS (Cont.)
For the Year Ended 30 June 2007

(i) 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.

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

(ii) 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 mine property.

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.

(j) Trade and Other Payables

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

(k) Revenue

(i) Goods sold
Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due.

Revenues are recognised at fair value of the consideration received net of the amount of GST.

(l) Finance income

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues, using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

For the Year Ended 30 June 2007

(m) 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.

(n) 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 recognised 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 balance sheet.

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.

(o) Earnings Per Share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

(p) Segment Reporting

A segment is a distinguishable component of the Company 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.

NOTES TO THE FINANCIAL STATEMENTS (Cont.)
For the Year Ended 30 June 2007

(q) Adoption of New and Revised Accounting Standards
In the current year, the Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period.

At the date of authorisation of the financial report, the following Standards and Interpretations were in issue but not yet effective:

- AASB 101 Presentation of Financial Statements (October 2006).

- AASB 7 Financial Instruments: Disclosures (August 2005) replaces the presentation requirements of financial instruments in AASB 132. AASB 7 is applicable for annual reporting periods beginning on or after 1 January 2007, and will require extensive additional disclosures with respect to the Company's financial instruments and share capital.

- AASB 2005-10 Amendments to Australian Accounting Standards (September 2005) makes consequential amendments to AASB 132 Financial Instruments: Disclosure 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 and is expected to only impact disclosures contained within the financial report.

- AASB 8 Operating Segments replaces the presentation requirements of segment reporting in AASB 114 Segment Reporting. AASB 8 is applicable for annual reporting periods beginning on or after 1 January 2009 and is not expected to have an impact on the financial results of the Company as the standard is only concerned with disclosures.

- AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 makes amendments to AASB 5 Non-current Assets Held for Sale and Discontinued Operations, AASB 6 Exploration for and Evaluation of Mineral Resources, AASB 102 Inventories, AASB 107 Cash flow Statements, AASB 119 Employee Benefits, AASB 127 Consolidated and Separate Financial Statements, AASB 134 Interim Financial Reporting, AASB 136 Impairment of Assets, AASB 1023 General Insurance Contracts and AASB 1038 Life Insurance Contracts. AASB 2007-3 is applicable for annual reporting periods beginning on or after 1 January 2009 and must be adopted in conjunction with AASB 8 Operating Segments. This standard is only expected to impact disclosures contained within the financial report.

- Interpretation 10 Interim Financial Reporting and Impairment prohibits the reversal of an impairment loss recognised in a previous interim period in respect of goodwill, an investment in an equity instrument or a financial asset carried at cost. Interpretation 10 will become mandatory for the Company's 2008 financial statements, and will apply to goodwill, investments in equity instruments, and financial assets carried at cost prospectively from the date that the Company first applied the measurement criteria of AASB 136 and AASB 139 respectively. Interpretation 10 is not expected to have any impact on the financial report.

- AASB 2007-4 Amendments to Australian Accounting Standards, AASB 2007-6 Amendments to Australian Accounting Standards, AASB 2007-7 Amendments to Australian Accounting Standards. The potential effect of these Standards and the Interpretation on the Company's financial report has not yet been determined.

The initial application of all other standards and amendments is not expected to have an impact on the financial results of the Company as the standards and the amendments either do not apply or are concerned only with disclosures.

NOTES TO THE FINANCIAL STATEMENTS (Cont.)
For the Year Ended 30 June 2007

	2007 $	2006 $
4. TRADE & OTHER RECEIVABLES		
Current		
Security deposit – environmental bonds	294,551	-
Other debtors	948,790	124,761
	1,243,341	124,761
5. INVENTORY		
Ore stock pile – at cost	4,297,842	-
	4,297,842	-
6. PROPERTY, PLANT & EQUIPMENT		
Mine property – at cost	1,158,800	1,158,800
Less: Accumulated amortisation	(1,158,800)	-
	-	1,158,800
Plant & equipment – at cost	78,765	75,182
Less: Accumulated depreciation	57,183	54,542
	21,582	20,640
Office furniture & fittings – at cost	21,074	21,074
Less: Accumulated depreciation	20,570	20,570
	504	504
Motor vehicle – at cost	44,459	44,459
Less: Accumulated amortisation	26,802	21,675
	17,657	22,784
Total property, plant & equipment	39,743	1,202,728

NOTES TO THE FINANCIAL STATEMENTS (Cont.)
For the Year Ended 30 June 2007

	2007 $	2006 $
6. PROPERTY, PLANT & EQUIPMENT (Cont.)		
Reconciliations		
Mine property		
Balance at 1 July	1,158,800	-
Transferred from exploration and evaluation expenditure	-	818,740
Additions	-	340,060
Less: Amortisation of mine		
- income statement	(318,251)	-
- capitalized to inventory	(840,549)	-
Balance at 30 June	-	1,158,800
Plant & Equipment		
Balance at 1 July	20,640	19,344
Additions	3,583	4,239
Depreciation	(2,641)	(2,943)
Balance at 30 June	21,582	20,640
Office Furniture & Fittings		
Balance at 1 July	504	-
Additions	-	504
Balance at 30 June	504	504
Motor Vehicle		
Balance at 1 July	22,784	29,400
Additions	-	-
Depreciation	(5,127)	(6,616)
Balance at 30 June	17,657	22,784

7. EXPLORATION AND EVALUATION EXPENDITURE

	2007 $	2006 $
Deferred exploration and evaluation expenditure		
Balance at 1 July	1,287,125	1,653,880
Add:		
Expenditure during the year	2,200,501	672,954
	3,487,626	2,326,834
Less:		
Amounts written off during the year	232,313	220,969
Amounts transferred to Mine Property	-	818,740
Balance at 30 June	3,255,313	1,287,125

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 THE FINANCIAL STATEMENTS (Cont.)
For the Year Ended 30 June 2007

	2007 $	2006 $
8. TRADE AND OTHER PAYABLES		
Current		
Trade creditors and accrued operating expenses	958,837	390,984

9. EMPLOYEE BENEFITS		
Current		
Annual leave	7,500	7,500

10. REHABILITATION PROVISION

During the financial year a provision was made to cover costs of rehabilitating the Company's West Mandilla mine.

	2007 $	2006 $
Balance at 1 July 2006	-	-
Provision made during the period	65,000	-
Balance at 30 June 2007	65,000	-

11. ISSUED CAPITAL

Issued and Paid Up Capital		
501,068,000 ordinary shares fully paid (2006 – 493,568,000 ordinary shares fully paid)	23,125,723	22,750,723
Movements in Ordinary Share Capital		
Balance at beginning of financial year	22,750,723	19,483,385
40,000,000 shares issued for cash (net of expenses)	-	937,404
93,568,000 shares issued for cash (net of expenses)	-	2,329,934
Conversion of 7,500,000 options at 5 cents per share	375,000	-
Balance at end of financial year	23,125,723	22,750,723

Share Options

At the beginning of the current period there were 7,500,000 options on issue. These options 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 as a consequence of a contract to acquire the interest in certain mineral tenements. These options were exercised on 29 September 2006.

At period end there are 3,000,000 options on issue. The options were issued on 4 May 2007 to the Exploration Manager as part of his remuneration package and are exercisable within 3 years from date of issue date at 6c a share (refer to note 13).

12. EMPLOYEE BENEFITS EXPENSES

Employee benefits expense includes:		
Contributions to defined superannuation contribution funds (including amounts capitalized $11,123 (2006: $15,720))	13,904	17,865
Equity settled share-based payment transactions	110,000	-

NOTES TO THE FINANCIAL STATEMENTS (Cont.)
For the Year Ended 30 June 2007

13. SHARE BASED PAYMENTS

On 4 May 2007 the board of directors approved an issue of 3,000,000 options to the Company's Exploration Manager for services rendered to date. The options granted were unconditional and are exercisable within 3 years of grant date, being 4 May 2007, at an exercise price of 6c a share. No options were exercised prior to 30 June 2007.

The fair value of the options at grant date is determined using the Black-Scholes formula and is $0.037. The model inputs were: the share price of $0.64, the exercise price of $0.06, expected volatility of 80%, a term of 3 years and a risk-free interest rate of 6.00%.

14. TAXATION

		2007 $	2006 $
	Current tax expense	-	-
	Deferred tax expense	-	-
(a)	Numerical reconciliation between tax benefit and pre tax loss		
	Profit/(Loss) before tax	5,582,690	(528,500)
	Income tax using the corporate tax rate of 30% (2006: 30%)	1,674,807	158,550
	Timing differences and tax losses not brought to account as future income tax benefits	-	(158,550)
	Equity settled transactions	33,000	-
	Recognition of previously unrecognized tax losses	(1,707,807)	-
	Income tax expense	-	-
(b)	Recognised Deferred Tax Assets and Liabilities		
	Asset		
	Tax losses	976,594	386,138
	Liability		
	Exploration and evaluation expenditure	(976,594)	(386,138)
	Net	-	-
(c)	Unrecognised Deferred Tax Assets		
	Tax losses	2,922,584	4,630,391

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.

NOTES TO THE FINANCIAL STATEMENTS (Cont.)
For the Year Ended 30 June 2007

15. EARNINGS/(LOSS) PER SHARE

(i) Basic earnings/(loss) per share

Net Profit/(Loss) attributable to ordinary shareholders	5,582,690	(528,500)
	2007 Number of Shares	**2006 Number of Shares**
Weighted average number of ordinary shares		
Issued ordinary shares at 1 July	493,568,000	360,000,000
Effect of shares issued in February 2006	-	13,333,333
Effect of shares issued in May 2006	-	15,594,666
Effect of Options exercised 29 September 2006	5,630,137	-
	499,198,137	388,927,999

15. EARNINGS/(LOSS) PER SHARE (Cont.)

	2007	2006
Basic earnings/(loss) per share	1.12 cents	(0.14 cents)

(ii) Diluted earnings per share

Net Profit/(Loss) attributable to ordinary shareholders (diluted)	5,582,690	(528,500)
	2007 Number of Shares	**2006 Number of Shares**
Weighted average number ordinary shares (basic)	499,198,137	388,927,999
Effect of options	640,479	-
Weighted average number of ordinary shares (diluted) at 30 June	499,838,616	388,927,999
Diluted earnings/(loss) per share	1.12 cents	(0.14 cents)

16. NOTES TO THE STATEMENT OF CASH FLOWS

(i) Reconciliation of Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, cash and cash equivalents includes cash on hand and at bank and short term deposits. Cash and cash equivalents 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:

	2007 $	2006 $
Cash on hand	7,374	4,383
Short term deposits	3,176,630	2,896,932
Cash at bank	294,065	97,836
	3,478,069	2,999,151

NOTES TO THE FINANCIAL STATEMENTS (Cont.)
For the Year Ended 30 June 2007

16. NOTES TO THE STATEMENT OF CASH FLOWS (Cont.)

(ii) Reconciliation of cash flows from operating activities

	2007 $	2006 $
Profit/(Loss) for the period after income tax	5,582,690	(528,500)
Adjustments for:		
Depreciation	7,768	9,559
Amortisation of mine	318,251	-
Equity-settled share-based payments	110,000	-
Exploration expenditure written off	232,313	220,969
Interest received	(171,467)	(48,436)
Operating profit/(loss) before changes in working capital and provisions	6,079,555	(346,408)
Change in trade and other receivables	(1,118,580)	(116,292)
Change in trade and other payables	567,853	296,772
Change in provisions	65,000	-
Change in inventory	(3,457,293)	-
Net cash provided by/(used in) operating activities	2,136,535	(165,928)

17. AUDITOR'S REMUNERATION

	2007 $	2006 $
Auditor's remuneration – audit and review of financial reports – KPMG	50,410	31,563

18. 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 $612,497 (2006: $531,040). 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 $3,588,600 (2006: $3,754,160) and for later than five years the total obligations are $NIL (2006: $NIL).

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

NOTES TO THE FINANCIAL STATEMENTS (Cont.)
For the Year Ended 30 June 2007

20. 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 $	Fixed interest rate 6 months or less $	Total $
2007				
Financial Assets				
Cash and cash equivalents	4.75%	3,478,069	-	3,478,069
Security deposit – environmental bonds	6.15%	-	294,551	294,551
		3478,069	294,551	3,772,620
2006				
Financial Assets				
Cash and cash equivalents	4.75%	3,478,069	-	3,478,069

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. At the reporting date, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

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.

21. 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 are as follows:

	2007 $	2006 $
Salary and fees	216,375	195,825
Superannuation contributions	13,625	17,625
Bonus	50,000	-
Share based payment	110,000	-
	390,000	213,450

Out of the total compensation, an amount of $174,930 (2006: $148,520) was capitalised in mine property and exploration and evaluation expenditure.

NOTES TO THE FINANCIAL STATEMENTS (Cont.)
For the Year Ended 30 June 2007

21. RELATED PARTIES (Cont.)

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 14 to 15. 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
A number of key management persons, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

A number of these entities transacted with the Company or its subsidiaries in the reporting period.

The following fees were paid on normal commercial terms and conditions to the following Director related entities:

Related Parties	Transaction	Transactions value year ended 30 June 2007 $	2006 $	Balance outstanding as at 30 June 2007 $	2006 $
J L C Jones – Hampton Transport Services Pty Ltd	Freight and storage	5,318	2,450	800	275
D E Clarke – Mauncope Pty Ltd	Consulting	28,000	-	-	-
A C Pilmer – A C Pilmer & Co	Administration, accounting and secretarial	163,765	127,415	20,535	13,250
J L C Jones & D E Clarke – Troy Resources NL	Professional and mining services	79,125	-	58,419	-

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

2007

	Balance at 1.7.06 No.	Granted as Remuneration No.	Received on Exercise of Options No.	Net Other Change * No.	Balance at 30.6.07 No.
Directors					
J L C Jones	15,582,875	-	-	361,991	15,944,866
D E Clarke	3,710,000	-	-		3,710,000
C H Fyson	10,812,899	-	-	977,000	11,789,899
A C Pilmer	11,001,047	-	-	498,953	11,500,000
Executive					
P Komyshan	385,000	-	-		385,000

NOTES TO THE FINANCIAL STATEMENTS (Cont.)
For the Year Ended 30 June 2007

21. RELATED PARTIES (Cont.)

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.
Directors					
J L C Jones	12,281,866	-	-	3,301,009	15,582,875
D E Clarke	1,185,000	-	-	2,525,000	3,710,000
C H Fyson	9,437,899	-	-	1,375,000	10,812,899
A C Pilmer	6,315,000	-	-	4,686,047	11,001,047
Executive					
P Komyshan	185,000	-	-	200,000	385,000

* includes shares acquired on market transactions.

Options over equity instruments
The movement during the reporting period in the number of options over ordinary shares in the Company held, directly, indirectly or beneficially, by each key management personnel, including their related parties, is as follows:

2007	Held a July 2006 No.	Granted as compensation No.	Exercised No.	Held at 30 June 2007 No.	Vested during the year No.	Vested and exercisable at 30 June 2007 No.
Executive						
P Komyshan	-	3,000,000	-	3,000,000	3,000,000	3,000,000

There were no options on issue to key management personnel at 30 June 2006.

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 sections 4.2.1, 4.2.2 and 4.2.3 of the Remuneration Report in the Directors' Report, set out on pages 14 to 15 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 financial report complies with International Financial Reporting Standards.;

c) the remuneration disclosures that are contained in sections 4.2.1, 4.2.2 and 4.2.3 of the Remuneration Report in the Directors' Report comply with the Australian Accounting Standard AASB 124 *Related Party Disclosures*; and

d) 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 Company Secretary (who performs the Chief Executive Officer's and Chief Financial Officer's function) for the financial year ended 30 June 2007.

Signed in accordance with a resolution of directors:

C H FYSON
Director

Dated at Perth this 21st day of September 2007

KPMG

Independent auditor's report to the members of Anglo Australian Resources NL

Report on the financial report and AASB 124 remuneration disclosures contained in the directors' report

We have audited the accompanying financial report of Anglo Australian Resources NL (the Company), which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a description of significant accounting policies and other explanatory notes 1 to 21 and the directors' declaration.

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 sections 4.2.1, 4.2.2 and 4.2.3 of the directors' report and not in the financial report. We have audited these remuneration disclosures.

Directors' responsibility for the financial report and the AASB 124 remuneration disclosures contained in the directors' report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 2, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report of the Company complies with International Financial Reporting Standards.

The directors of the Company are also responsible for the remuneration disclosures contained in the directors' report.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement. Our responsibility is also to express an opinion on the remuneration disclosures contained in the directors' report based on our audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and the remuneration disclosures contained in the directors' report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report and the remuneration disclosures contained in the directors' report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report and the remuneration disclosures contained in the directors' report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report and the remuneration disclosures contained in the directors' report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's financial position and of its performance and whether the remuneration disclosures are in accordance with Australian Accounting Standard AASB 124.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's opinion on the financial report

In our opinion:

(a) the financial report of Anglo Australian Resources NL is in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the Company's financial position as at 30 June 2007 and of its performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards.

Auditor's opinion on AASB 124 remuneration disclosures contained in the directors' report

In our opinion the remuneration disclosures that are contained in sections 4.2.1, 4.2.2 and 4.2.3 of the directors' report comply with Australian Accounting Standard AASB 124 *Related Party Disclosures*.

KPMG

KPMG

K Sprout
Partner

Perth
21 September 2007