ANGLO AUSTRALIAN RESOURCES NL

2008 ANNUAL REPORT

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COMPANY DIRECTORY

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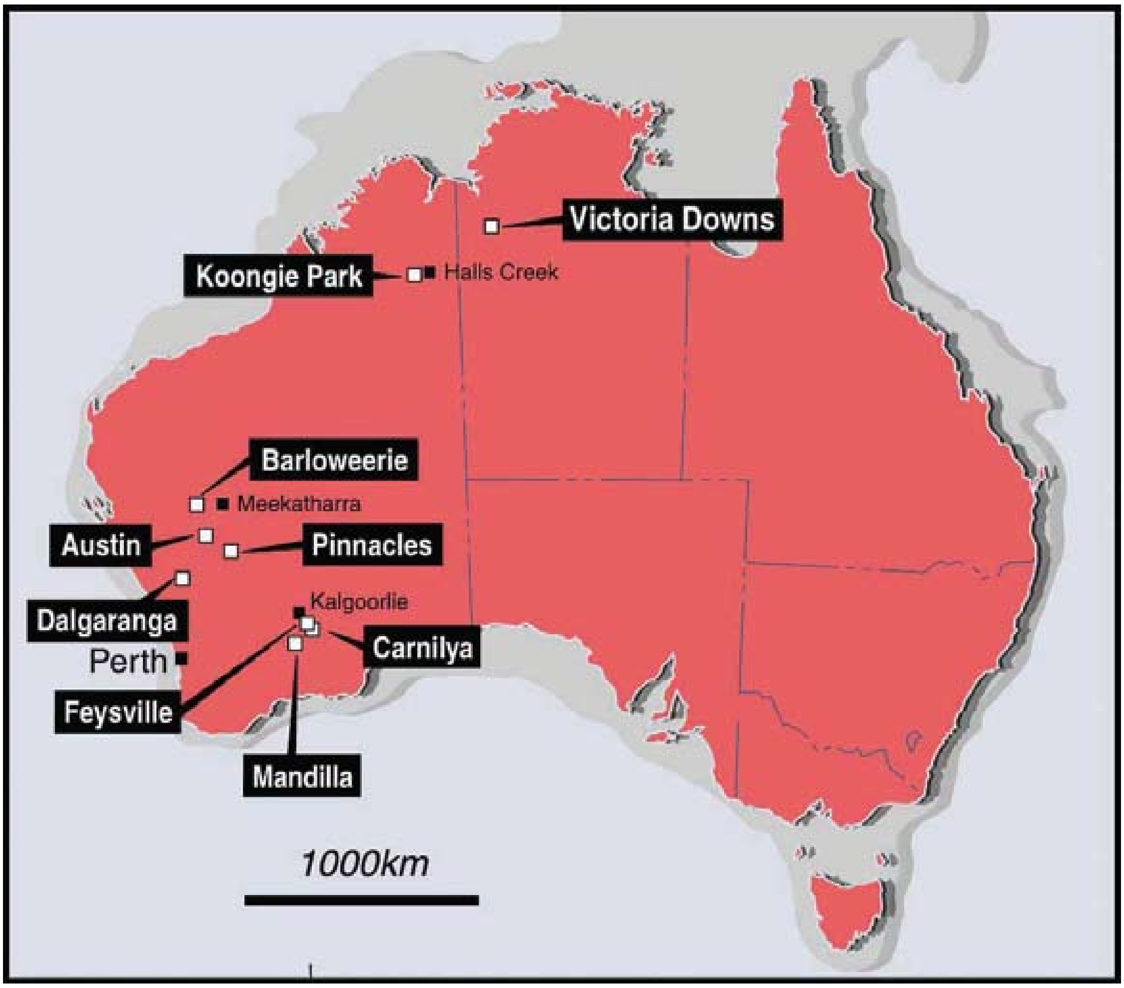
Other Information
The Company is a listed company limited by shares, incorporated and domiciled in Australia.



Project Locations

OVERVIEW

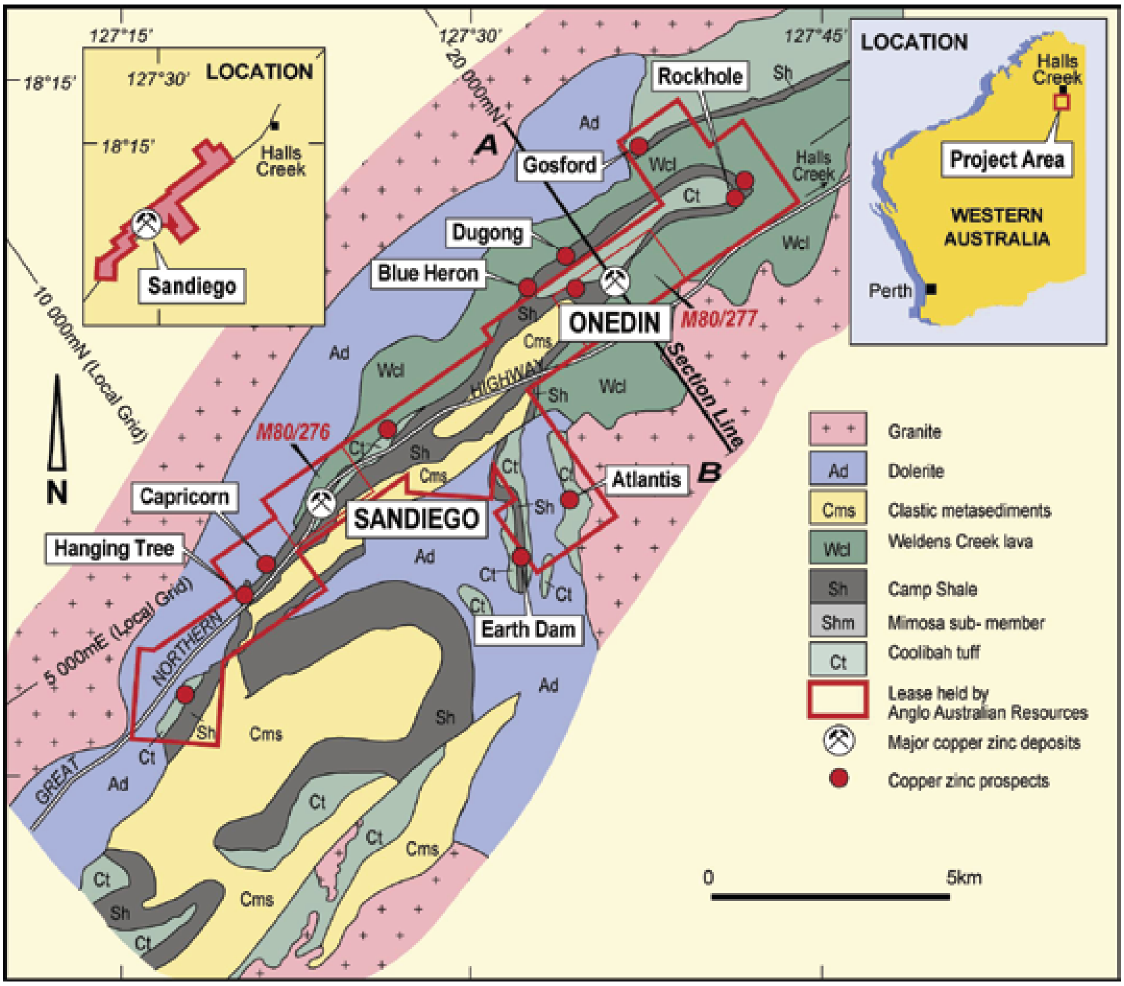
Anglo Australian Resources NL has been listed on the ASX as a junior explorer since 1986. During 2006 and 2007 the company produced over 20,000oz of Au from its Mandilla project. Cash flow generated from this mining project is providing funds to further develop the company's key Koongie copper zinc project, one of the identified undeveloped base metal projects in Australia. Despite the current zinc price, the company is proceeding with a pre-feasibility study and a resource extension drilling programme in order to better define the potential of this project.

BASE METAL PROJECTS

KOONGIE COPPER - ZINC 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. The Sandiego deposit contains indicated resources of 2.28mt @ 5.4% Zn, 1.3% Cu and 26g/t Ag located within separate copper and zinc lodes. The Onedin deposit contains indicated resources of 3.7mt @ 3.7% Zn, 0.9% Cu and 26g/t Ag. Both deposits contain high grade cores of zinc and copper mineralisation. Other known identified prospects include Atlantis, Gosford and Rockhole.



PRE-FEASIBILITY STUDY

Initial scoping studies on mining the Sandiego and Onedin deposits examined the feasibility of mining the deposits by open cut and/or underground methods, and examined various options for processing. This work, based on conceptual metal recoveries and associated economic evaluations, suggested that, at copper and zinc prices of the day, development could potentially be profitable. The company has extended this work to a Pre- Feasibility Study (PFS) under the stewardship of Holly Mining Pty Ltd.

The key to development of the Koongie project and the key component of the PFS has been achieving good metallurgical recovery. All massive sulphide deposits have complex metallurgy and are unique metallurgically. The basic flotation methodologies employed on all sulphide ores are similar. However, the details of crushing methodology, grind size, added chemicals and residence times are very sensitive to variations in the ore type. The Koongie project has at least eight different ore types within the two key deposits. Therefore, optimisation of the metallurgy has required a large number of tests to achieve optimal recovery.

The tests on the different ore types have progressed at different rates. In the case of Sandiego sulphide and transition ore types saleable copper and zinc concentrate grades at acceptably high recoveries have been produced, although in these cases further tests are being completed to improve performance further and to optimise reagent consumptions and flotation times. In other cases the testwork has reached the stage where only a realistic indication of expected performance is possible.

Extensive metallurgical testwork to date confirmed that marketable copper and zinc concentrates at high recoveries can be produced from Sandiego enabling work to proceed towards detailed mine planning. The Pre-Feasibility Study (PFS) therefore will focus on the evaluation of underground mining of both sulphide and transition mineralisation at Sandiego based on current published resources. The basic parameters will include decline access to the deposit and the construction of a 500,000 tpa concentrator (using conventional flotation technologies) exporting zinc and copper concentrates through the port of Wyndham operating over a life of 4-5 years.

The Sandiego PFS is expected demonstrate the practicability of the project and the conditions under which it will be viable, together with recommendations for continued development of the project through further resource expansion and feasibility work. However, construction of the project might not be justified at the current depressed price of zinc. Notwithstanding, copper and zinc prices in recent years have reached levels which could justify development of the project.

Viability of the project can be improved through increases in high grade copper and zinc resources, improvements in metallurgical recoveries and use of alternate plant options such as toll milling or recycled plants. The company has recognised that there is immediate potential to increase resources at Sandiego and has embarked on an extensive drilling program to achieve this aim as well as collecting additional samples for metallurgical testwork. The program described below has already intersected mineralisation outside of current resource models at Sandiego. A revised resource will be calculated at the completion of this program.

Whilst the PFS will focus on the Sandiego orebody and the production of concentrate or export, the Onedin ore body also has significant synergies and other advantages which could lead to the simultaneous development of both ore bodies and the extension of mine life for the project. Onedin has a high proportion of copper in the upper levels of the deposit and could be exploited by open pit mining methods. Metallurgically the oxide zones at Onedin are not amenable to treatment by flotation producing saleable concentrates. Metallurgy of the Onedin transition zone has proved to be challenging and flotation testwork is still inconclusive. The possibility exists for the Onedin oxide and transition zones to be treated by traditional hydrometallurgical approaches. Significant tonnages present at shallow levels at Onedin could add mine life or improve the scale of economics of the Sandiego development.

The fresh sulphide ore at Onedin, ideally amenable to treatment by flotation, could also extend project life. However, better definition of the sulphide zone and an increase in resources through additional drilling is required and will be partially addressed by the current drilling program.

RESOURCE DEFINITION AND EXTENSION DRILLING PROGRAM

In March 2008 the Company commenced an extensive drilling program consisting of approximately 7000m of RC and 4000m of diamond drilling. The program is designed to enhance and advance the feasibility work currently in progress by:

- targeting resource extensions at Sandiego
- definition drilling of Onedin sulphide extensions
- exploration drilling at the Atlantis and Neptune prospects
- drilling for metallurgical purposes at Onedin and Sandiego
- water bore drilling
- geotechnical drilling

The Phase One program is now complete with forty nine RC holes completed for a total of 7,214m. Most of these holes will act as precollars to the diamond drilling program which is now in progress.

Drilling at the Sandiego Deposit

Drilling at Sandiego has consisted of 12 RC exploration holes and 17 RC precollars for metallurgical and deep exploration holes. Six diamond holes totalling 1,260m have been completed. The drill core has been cut, sampled and submitted for assay. However, no results have been received to date.

Potential to extend Sandiego resource potential at depth was confirmed by an intersection of massive and disseminated copper and zinc sulphides in SRCD042.

Figure 1: Drill Contractor Drillwest diamond drilling at Sandiego

Drill hole SRCD042 targeting depth extensions of the Sandiego deposit intersected copper and zinc sulphides 150m below and 40m to the north of previous drilling. The mineralised intersection which begins 591.4m down hole consists of 6m wide massive sphalerite (up to 30%) hosted within a carbonate rich breccia followed by disseminated to semi-massive pyrrhotite and chalcopyrite (varying from 0.5 – 10%), hosted within a talc, chlorite, actinolite, magnetite schist over 43m. A high grade chalcopyrite (copper rich) zone was intersected over 5.4 m towards the end of this interval. Drill core has been cut and submitted to the assay laboratory for analysis. This intersection is located outside of the current copper and zinc lode resource models. This drill hole in conjunction with other planned holes is targeting an increase of 0.5 – 1.0mt to the current published resource.

Figure 2: Massive Sphalerite in SRCD042

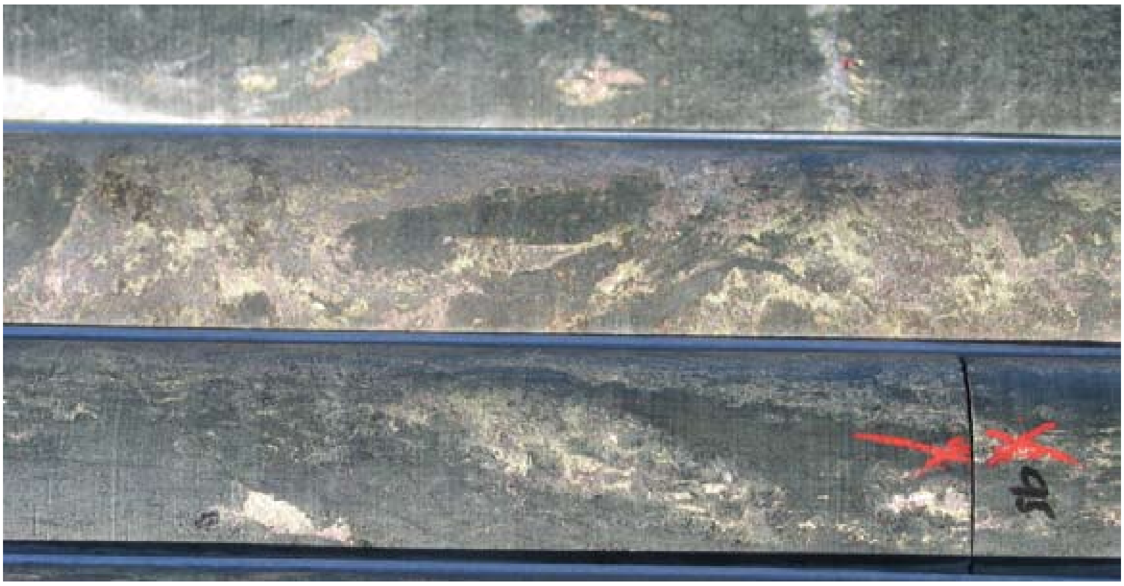


Figure 3: Semi- massive chalcopyrite and pyrrhotite in SRCD042

Three metallurgical holes completed to date have intersected very significant copper and zinc mineralisation within the transition zone.

Two wide zones of high grade copper and zinc sulphides intersected in SRCD031.

A zone of substantial copper and zinc mineralisation consisting of chalcocite and sphalerite was intersected over 42m from 100m down hole. Visual estimates confirmed by portable XRF assays indicate high grade zones within this interval of 11m at greater than 10% Cu (100 – 111) and greater than 10% Zn over 14m (121 – 135m). A second high grade chalcopyrite rich zone was intersected over 14m from 149m.

Two zones of massive sulphide intersected in SRCD027A at shallow levels within a 58m zone of massive and disseminated sulphide.

Hole SRCD027A designed to collect metallurgical sample within the transition zone intersected weathered interbedded felsic tuff and tuffaceous exhalite containing disseminated to massive pyrrhotite, sphalerite and chalcopyrite over a 58m interval. Strong carbonate, magnetite and chlorite alteration is evident through out. Drill core has been cut and submitted to the assay laboratory for analysis.

Massive and disseminated zone of zinc mineralisation intersected over 77m at shallow levels in SRCD029A

A zone of highly chlorite altered exhalites, carbonates and chlorite schist containing disseminated to massive pyrite, pyrrhotite, sphalerite, magnetite and minor galena was intersected initially in the transition zone but extended into fresh rock.

Diamond drill hole SRCD025, targeting the southern extensions of Sandiego, was subject to substantial deviation. With no prospect of intersecting the planned target the hole was terminated. No significant mineralisation was intersected. An alternate hole is planned to test Sandiego's southern extensions.

Drilling on the northern end of Sandiego intersected 5m @ 9.15% Zn, 0.46% Cu and 17g/t Ag within SRC035 and highlighting the potential of Sandiego's Northern extensions

Results from exploration hole SRC035 produced high zinc grades (5m @ 9.15% Zn, 0.46% Cu and 17g/t Ag from 105m) within highly weathered clays. This hole was drilled below SRC020 which had intersected 20m @ 1.6% Cu and prior to this drilling program was the most northern effective hole at Sandiego. Drill hole SRCD054 drilled beneath SRC035 also intersected zinc mineralisation within an amphibolite. We await assays for this hole. It has been demonstrated that mineralisation extends outside the current resource model at the northern end of Sandiego. This is supported by at least two other precollars in the northern area that also intersected low grade zinc mineralisation.

Drilling at the Onedin Deposit

Drilling at Onedin consisted of six RC precollars comprising of four metallurgical holes and two exploration drill holes. It is proposed to complete these holes later this year by diamond drilling.

Mineralisation at Onedin 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 and a high-grade horizontal component to the mineralisation (due to supergene redistribution) is also recognised. In recognition of this complexity the four metallurgical holes have been drilled grid north at -60° at right angles to the plunge of the mineralisation. Two of these holes have intersected high grade mineralisation at much shallower depths than expected.

Both ORCD49 and ORCD50, holes designed to collect oxide and transition material for further metallurgical testwork, intersected significant mineralisation at shallower levels than expected **(23m @ 1.6% Cu, 2.5% Pb, 1.5% Zn, 190g/t Ag 0.7g/t Au and 12m @ 1.6% Cu, 4.1%Pb, 8.8% Zn, 51g/t Ag** respectively). Mineralisation is expected to continue in both these holes when diamond drilling commences. These intersections also confirm the potential to increase the Onedin copper oxide resources. Other drill holes ORCD51, ORCD53 and ORCD54, precollars to deeper sulphide targets, also intersected moderate grade zinc mineralisation (4m @ 6.6% Zn, 8m @ 4.9% Zn, 3m @ 7.0% Zn respectively) within the oxide zone.

On completion the drilling is expected to increase all resources types and provide additional representative metallurgical samples of all ore types at Onedin as well as improving the understanding of the geology of the sulphide mineralisation.

Drilling at Atlantis

Four RC holes were drilled in the Atlantis and Neptune areas.

13m @ 0.5% Cu, 10.7% Zn, 3g/t Ag intersected at the Atlantis prospect

Drill hole ARC10 intersected a 13m wide zone of massive sulphide (including sphalerite and chalcopyrite) from 51m down hole. The drill hole was sited in the same area as previous shallow intersections such as 12m @ 10.9% Zn from 26m (KPP36), 6m @ 20.1% Zn from 44m (KPP37) and 10m @ 12.06% Zn from 32m (KPP38). Outcrop in this area is poor, and preliminary interpretation from drill cuttings suggests the geology is structurally complex requiring careful geological interpretation to determine the potential plunge directions of the mineralisation. Further exploration will seek down plunge extensions to the known mineralisation.

ONEDIN RESOURCE STUDIES

CSA Global was commissioned to undertake geological remodelling of the Onedin Deposit and estimation of Mineral Resources to be reported in accordance with the JORC Code in light of the potential to develop this deposit as an open pit and the recognition that a number of near surface low to moderate grade copper intersections were not included in an earlier model.

The Mineral Resource was estimated using ordinary kriging applied to designated wireframes updated from the model created in January 2007. The new wireframes were created at cut-offs of > 3.0% Zn and > 0.4% Cu (compared to 0.8% Cu used in the earlier model). The lower cut-off grade was applied to reflect cut off grades that may be applicable to an open pit operation treating oxide and transition ore by traditional hydrometallurgical methodologies. 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.

The revised resource estimation has increased overall resource tonnes by 60% and the total copper metal content by 30%. Total zinc content of the resource remains unchanged.

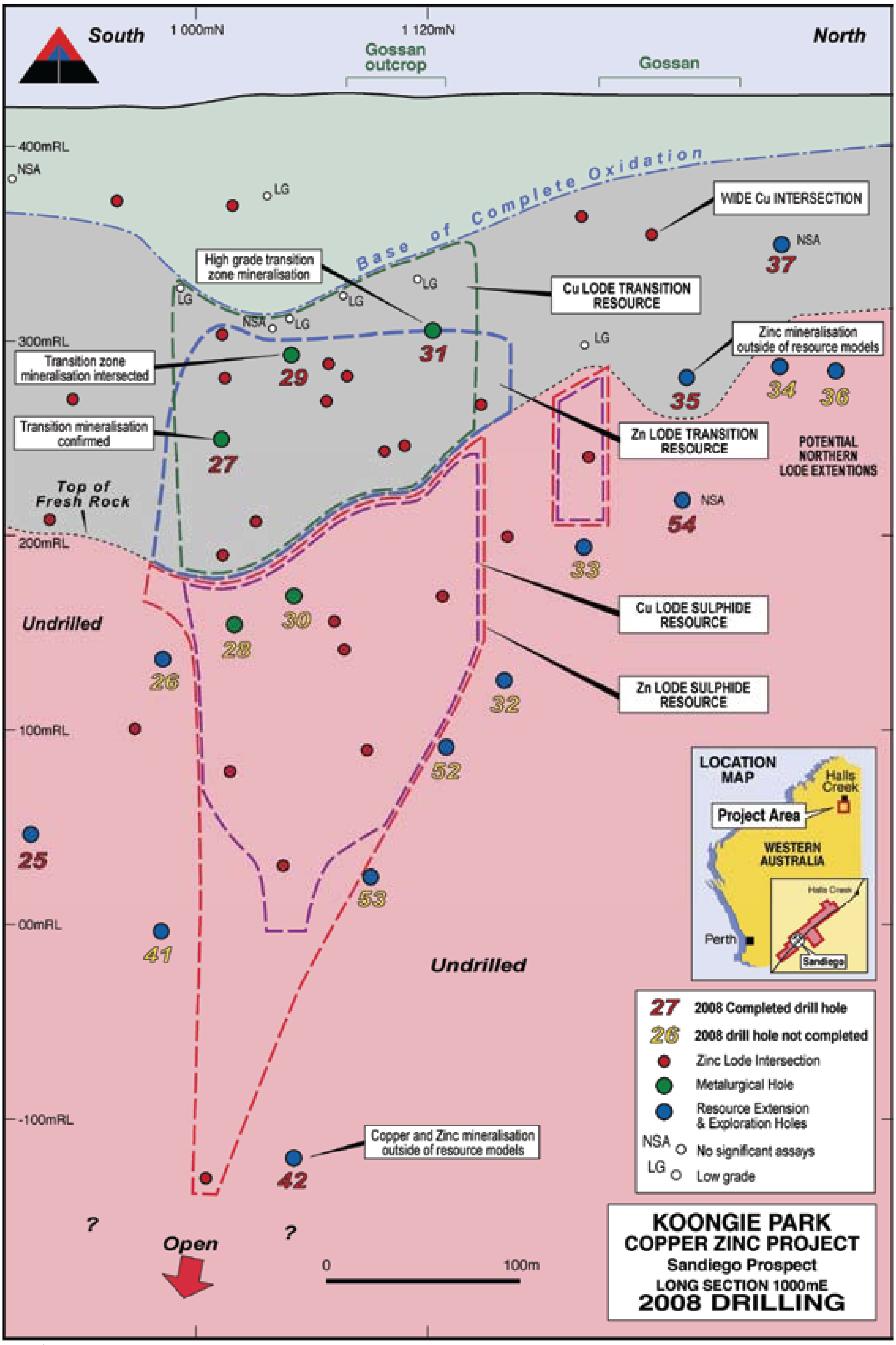
The increased resources located in the upper levels of the deposit improves the outlook for a potential open pit at Onedin.

CLASSIFICATION	SUB TYPE	LODE	Tonnes	Zn (%)	Cu (%)	Pb (%)	Ag (g/t)	Au (g/t)
INDICATED	OXIDE	Zinc Zone	20,000	5	0.3	0.8	18.6	0.1
		Copper Zone	940,000	0.8	0.9	1.2	18.1	0.2
		Mixed Zone	270,000	3.7	1.0	1.3	24.9	0.1
		Total	1, 240,000	1.5	0.9	1.2	19.4	0.2
	TRANSITION	Zinc Zone	460,000	6.7	0.2	0.9	22.2	0.1
		Copper Zone	860,000	1.4	1.2	1.2	29.8	0.2
		Mixed Zone	450,000	5.6	1.4	1.4	38.9	0.2
		Total	1,770,000	3.8	1.0	1.2	30.1	0.2
	PRIMARY SULPHIDE	Zinc Zone	500,000	5.0	0.3	0.4	25.8	0.1
		Copper Zone	130,000	2.6	1.9	0.5	27.2	0.1
		Mixed Zone	70,000	5.3	1.9	0.6	47.9	0.1
		Total	700,000	4.6	0.7	0.4	26.1	0.1
	TOTAL		**3,710,000**	**3.2**	**0.9**	**1.1**	**25.9**	**0.1**

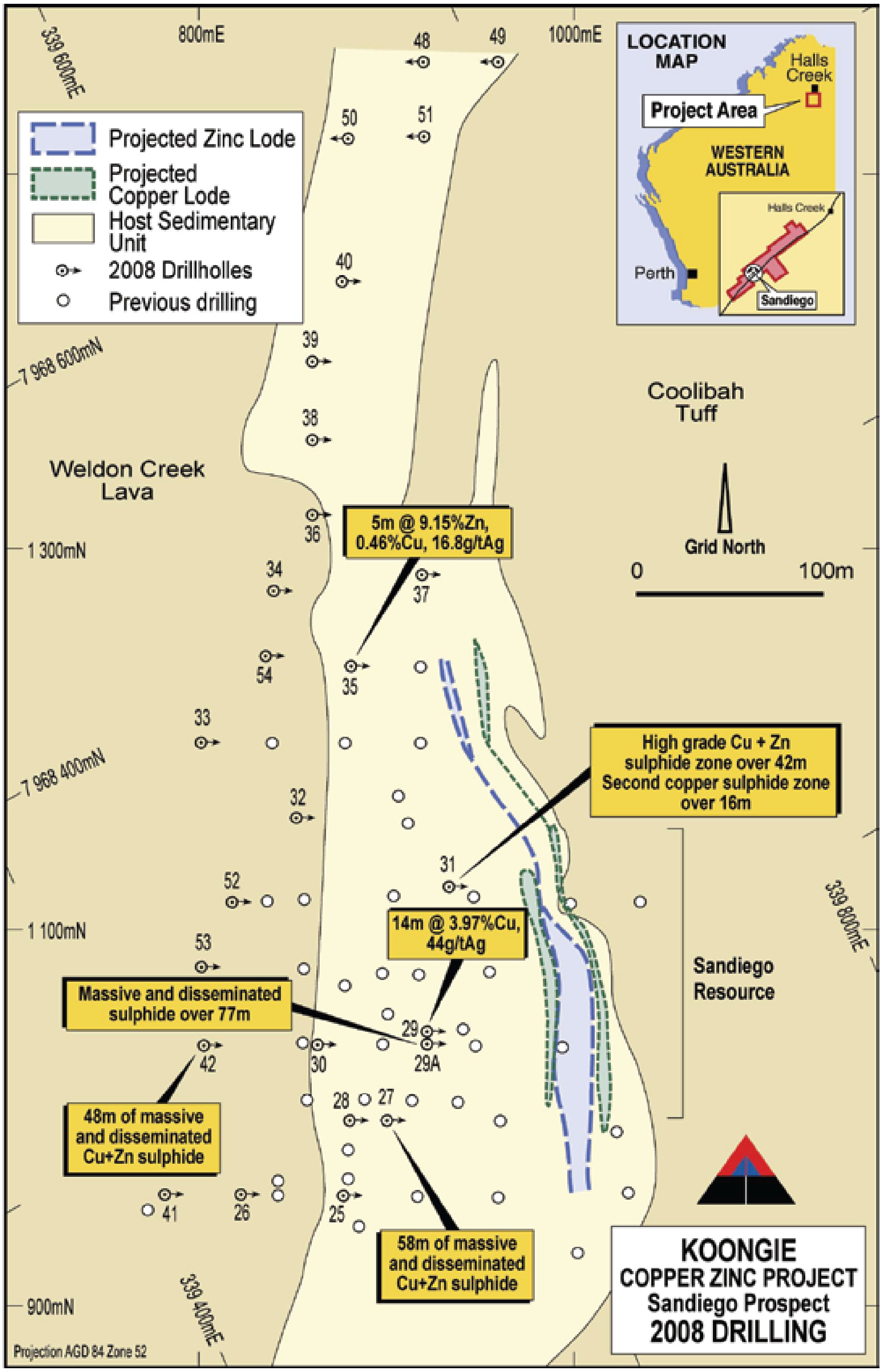
Note: The CSA Mineral Resource was estimated within constraining wireframes based upon lower cut-off grade of > 3.0% Zn, > 0.8% Cu (Primary Zone) and >0.4% Cu (Oxide and Transitional Zones). The Mixed Zone occurs where an overlap exists which contains both high grade zinc and copper. Difference may occur due to rounding errors.
Reporting cut – off grades were as follows:
Oxide and Transitional: Copper Zone, Mixed Zone Cu>0.4; Zinc Zone, Zn>3
Primary Sulphide Zone: Copper Zone, Cu > 0.8; Mixed Zone, Zinc Zone, Zn>3

Hole_id	AMG_East	AMG_North	Max Depth	Dip	Azimuth UTM	From	To	M	Assay	Comments
ARC007	344791	7968760	163.0	-60	150				NSA	Completed
ARC008	344830	7968670	139.0	-60	180				NSA	Completed
ARC009	344791	7968760	150.0	-60	90				NSA	Completed
ARC010	344830	7968670	169.0	-60	90	51	64	13	0.5% Cu, 10.7%Zn, 3g/t Ag	Completed
NRC001	343670	7968860	133.0	-60	140				NSA	Completed
NRC002	343610	7969140	121.0	-60	120				Elevated Zn Assays	Completed
NRC003	343670	7968860	139.0	-60	90				NSA	Completed
ORC049	345499	7973276	79.0	-60	47	32	44	12	1.2% Zn	Precollar Met.Hole
						56	79	23	1.6% Cu, 190g/t Ag 0.7g/t Au	
					including	74	79	5	4.8% Cu, 277g/t Ag 0.5 g/t Au	
ORC050	345472	7973254	90.0	-60	47	78	90	12	1.6% Cu, 4.1%Pb, 8.8% Zn, 51g/t Ag	Precollar Met.Hole
ORC051	345426	7973215	181.0	-60	47	113	117	4	6.6% Zn	Precollar Met.Hole
ORC052	345326	7973132	301.0	-60	47				Hole Incomplete	Precollar Met.Hole
ORC053	345439	7973356	199.0	-60	137	131	139	8	4.9% Zn, 24g/t Ag	Precollar Expl.Hole
ORC054	345438	7973420	205.0	-60	137	166	169	3	7% Zn, 15g/t Ag	Precollar Expl.Hole
SRCD025	339497	7968136	450.6	-60	110				Completed	Hole deviated
SRC026	339443	7968160	265.0	-60	110				Hole Incomplete	Precollar Expl.Hole
SRC0D27A	339513	7968173	312.9	-60	110				Awaiting Assays	Completed
SRC028	339531	7968165	204.0	-60	110				Hole Incomplete	Precollar Met.Hole
SRC029	339566	7968193	144.0	-60	110	114	128	14	3.97%Cu, 44g/t Ag	
					including	117	123	6	7.5%Cu, 82.7g/t Ag	
SRC029A	339566	7968194	252.8	-60	110				Awaiting Assays	Completed
SRC030	339514	7968216	204.0	-60	110				Hole Incomplete	Precollar Met.Hole
SRC031	339612	7968264	214.0	-60	110				Awaiting Assays	Completed
SRC032	339551	7968331	234.0	-60	110				Hole Incomplete	Precollar Expl.Hole
SRC033	339521	7968388	252.0	-60	110				Hole Incomplete	Precollar Expl.Hole
SRC034	339590	7968445	178.0	-60	110				Hole Incomplete	Precollar Expl.Hole
SRC035	339610	7968392	227.0	-60	110	105	110	5	9.15% Zn, 0.46% Cu, 16.8g/t Ag	Completed
SRC036	339624	7968474	138.0	-60	110	128	132	4	1.1% Zn	Precollar Expl.Hole
SRC037	339666	7968421	120.0	-60	110				NSA	Completed
SRC038	339640	7968510	102.0	-60	110	148	152	4	1.1% Zn, 3ppm Ag	Precollar Expl.Hole
SRC039	339656	7968547	216.0	-60	110				Hole Incomplete	Precollar Expl.Hole
SRC040	339689	7968580	95.0	-60	110				Hole Incomplete	Precollar Expl.Hole
SRC041	339406	7968176	301.0	-60	110				Hole Incomplete	Precollar Expl.Hole
SRCD042	339457	7968241	649.5	-65	110				Awaiting Assays	Completed
SRC043	339808	7968743	103.0	-60	280				NSA	Completed
SRC044	339844	7968727	103.0	-60	280				NSA	Completed
SRC045	339880	7968711	103.0	-60	280				NSA	Completed
SRC046	339791	7968706	103.0	-60	280				NSA	Completed
SRC047	339828	7968690	103.0	-60	280				NSA	Completed
SRC048	339775	7968670	103.0	-60	280				NSA	Completed
SRC049	339812	7968654	103.0	-60	280				NSA	Completed
SRC050	339723	7968649	103.0	-60	280				NSA	Completed
SRC051	339759	7968633	103.0	-60	280				NSA	Completed
SRC052	339503	7968308	169.0	-60	110				Hole Incomplete	Precollar Expl.Hole
SRC053	339473	7968278	169.0	-60	110				Hole Incomplete	Precollar Expl.Hole
SRC054	339571	7968415	264.5	-60	110				NSA	Completed

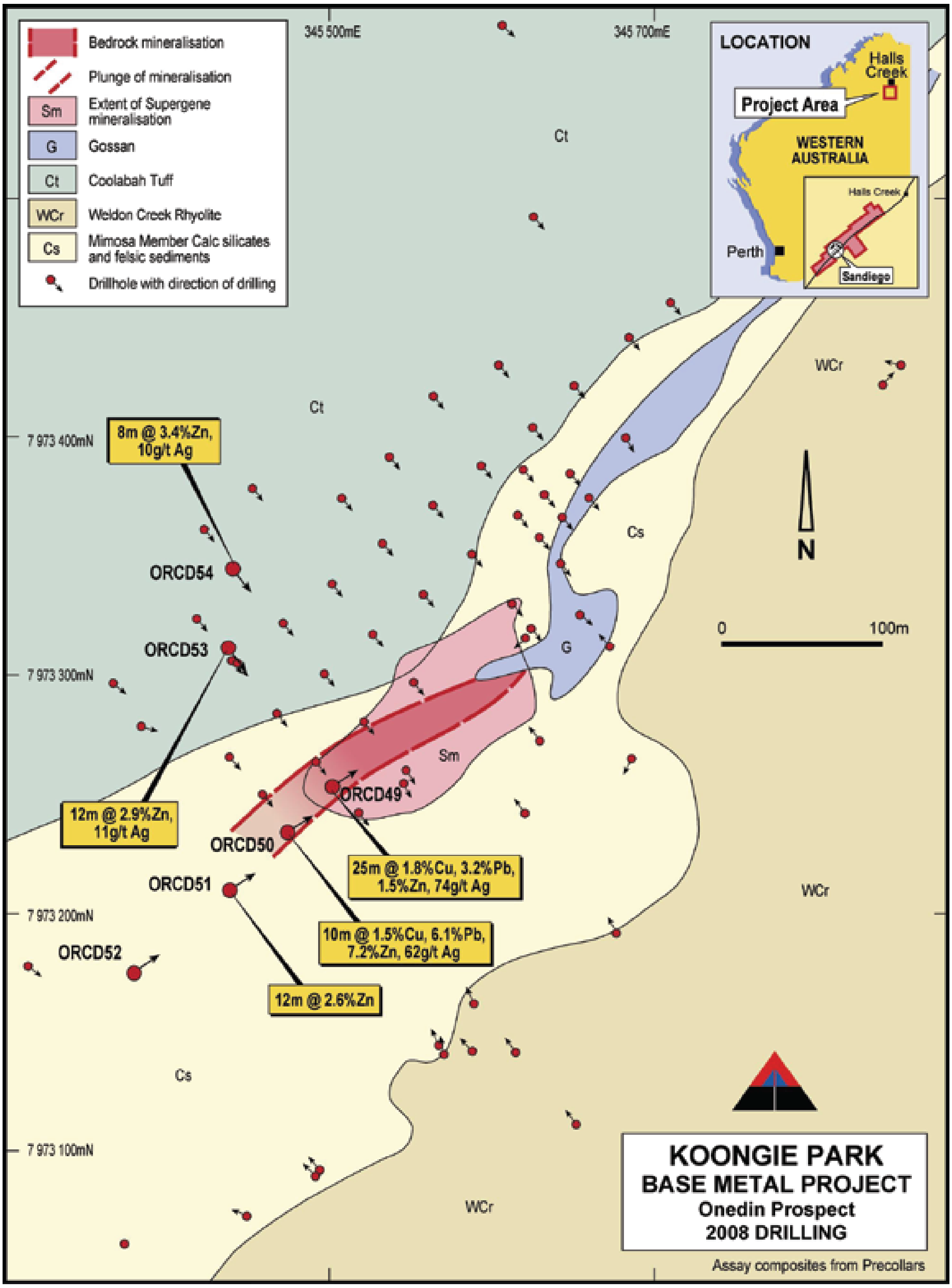
Table : Summary of Koongie 2008 Drilling program



Sandiego Prospect Long Section



Sandiego Drill Hole Location



Onedin Drillhole Location

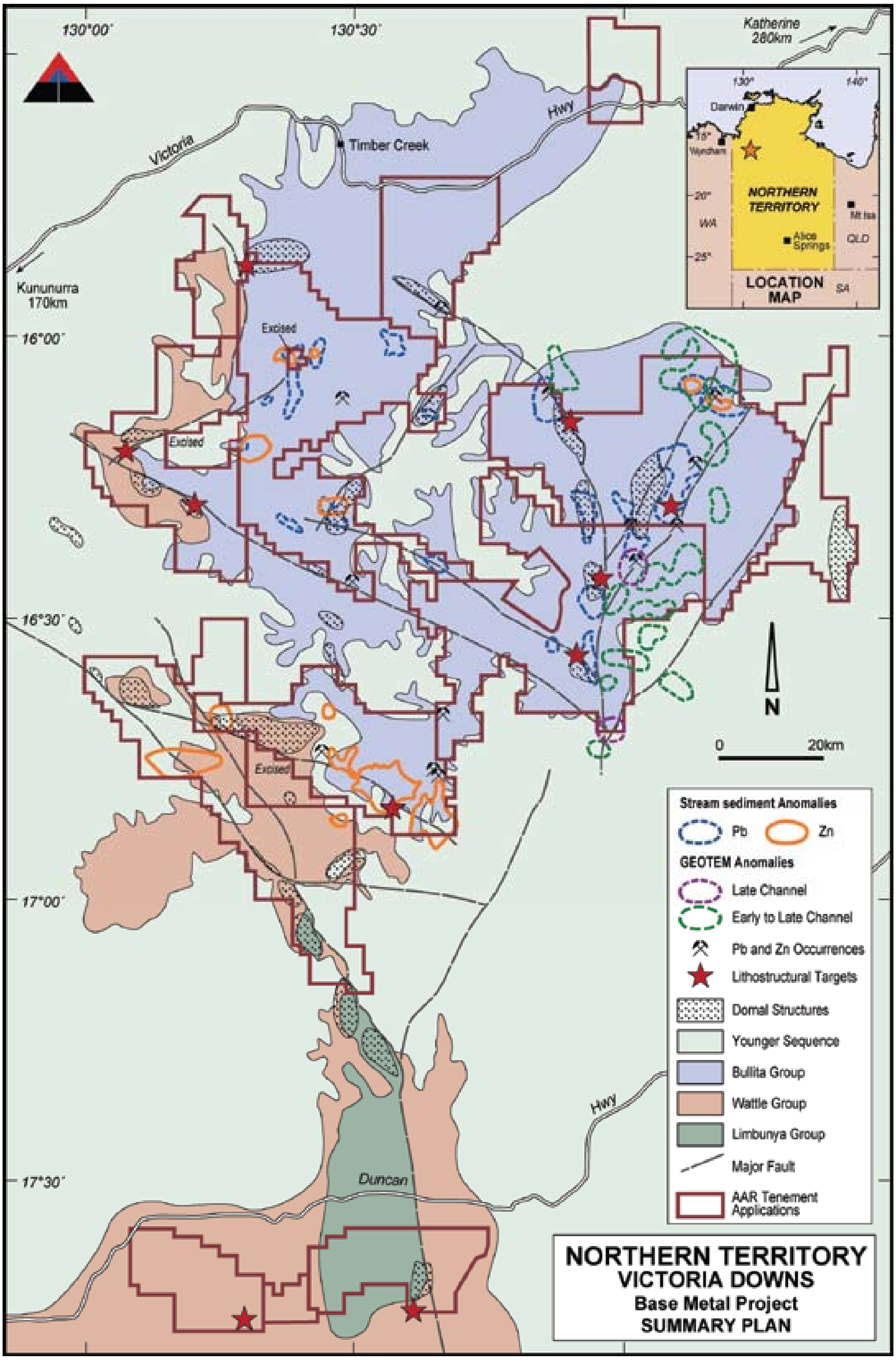
VICTORIA DOWNS PROJECT NT

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 five 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 located large areas of anomalous lead and zinc stream sediment geochemistry. Values of up to 9,000ppm Pb, 740ppm Zn and 500ppm Cu have been recorded. Anglo Australian Resources completed its first reconnaissance program this year on the granted tenements consisting of geological prospecting, stream sediment, rock chip and reconnaissance soil sampling. Stream sediment sampling confirmed previous lead anomalism with assays up to 5,700ppm Pb and 130ppm Zn associated with the Skull Creek Formation and the Bynoe Formation within the Bullita Group. Highly anomalous levels of lead (up to 3300ppm Pb) and zinc (up to 1100ppm Zn) were returned from rock chips of dolomitic sediments. Anomalous levels (up to 500ppm) of lead were also returned from wide-spaced reconnaissance soil traverses. The values and the extent of anomalism (up to 12 x 3km in dimension) are encouraging, as the deposit models guiding the exploration suggest lead anomalism may be the surface expression of an alteration halo of a base metal mineralised system at depth.

Reinterpretation of data from a Geotem survey flown in 1998 by BHP has highlighted a number of anomalies that require ground follow up. Imaging of Geotem data and gravity and magnetic data sets has also enabled identification of major structural lineaments, a key component of the ore deposit models being followed. So far 30 target areas have been identified for further exploration. Five with coincident base metal anomalism supported by geophysical features are considered priority litho-structural targets.



Victoria Downs Summary Plan

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).

Anglo Australian Resources NL defined a resource of palaeochannel gold mineralisation at West Mandilla and a number of zones of supergene gold anomalism located at the granite sediment contact.

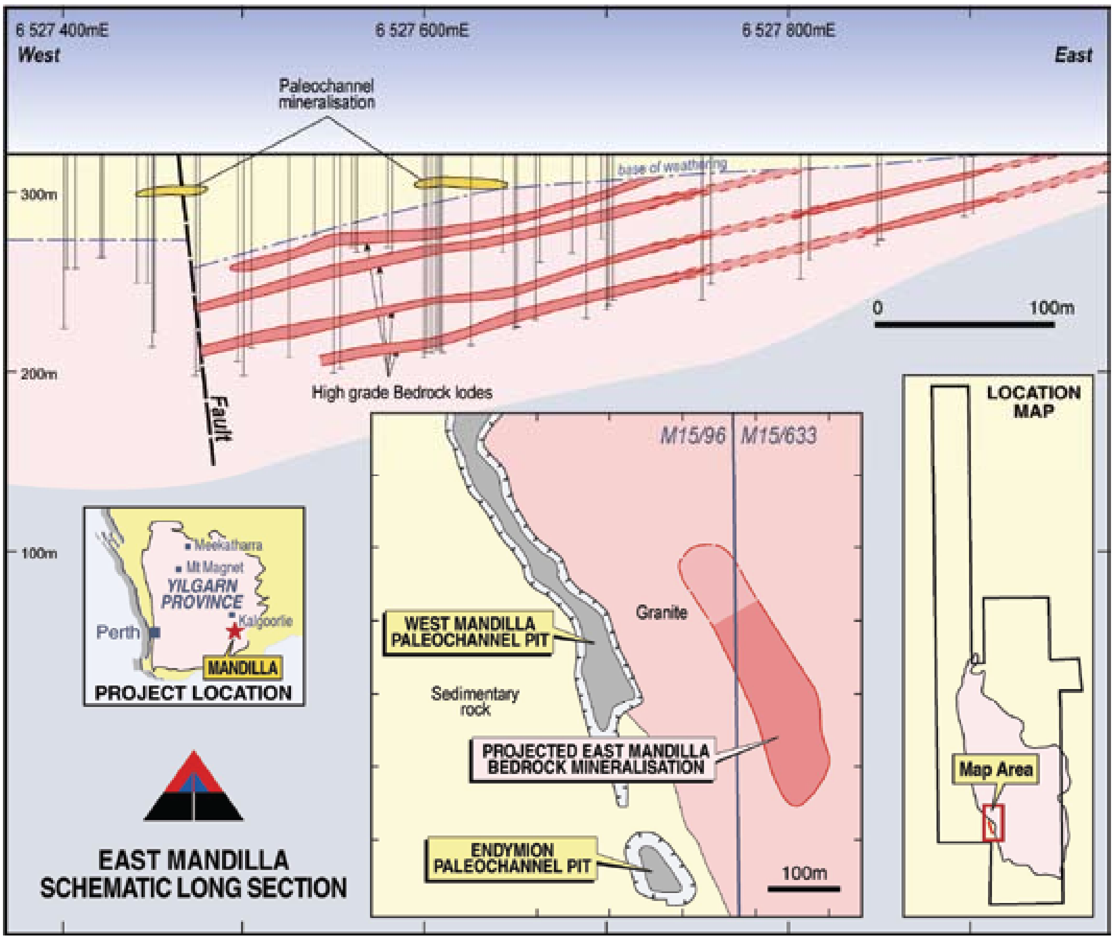
The West Mandilla deposit is a gold mineralised palaeochannel overlain by approximately 20m of overburden. The main gold-mineralised part of the palaeochannel defined at a 1g/t Au cut off is 5 -30m wide and is over 800m in length. Based on extensive drilling West Mandilla was estimated, using a top-cut 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 was completed in April 2007. A total of 12,434 ounces of gold was produced in the 2007 financial year. Stockpiled ore continued to be processed in October 2007 with a total of 48,000 dry tonnes of ore processed at a calculated head grade of 5.22 g/t Au and a recovery of 95.7%, producing 7,701.29 oz for this final campaign.

The total production of gold from West Mandilla was **20,619 ounces of gold**, which compared favourably to the original reserve calculation of 16,960 oz.

At East Mandilla, bedrock mineralisation, located 20 - 40m below surface, is associated with 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 6g/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 an approximate drill density of 50 x 20m BMGS updated the resource model to an inferred resource of 357,000t @ 3.3g/t Au for a total contained 38,000oz Au. Preliminary open pit optimisation work was completed at East Mandilla using a basic pit (to a depth of 60m below surface) that was applied to the inferred resource. The best optimization of the East Mandilla deposit indicates that it will generate a positive cashflow on a resource of 162,000t @ 4.54g/t Au (23,000 contained oz Au). The current drill spacing is insufficient to calculate a mineable reserve

Anglo Australian Resources NL completed an aircore drilling program this year consisting of 83 holes for 1,632m, vertically drilled to refusal, designed to search for new bedrock gold targets south east of the West Mandilla Palaeochannel and the East Mandilla bedrock mineralisation below alluvial sediment cover. This program has defined a 900m long gold bedrock anomaly at the Diana Prospect, 2km south east of previously defined mineralisation, which corresponds to a prominent linear structure and demagnetisation zone evident on the magnetic image. The structural setting and geological characteristics are similar to the East Mandilla and Selene mineralised zones which consist of multiple, thin, high-grade, quartz veins in granite bedrock just east of the mined palaeochannel deposit. Best results from this program include 1m @ 6.91g/t Au and 1m @ 3.76g/t Au.



East Mandilla Bedrock Model

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. A review of the gold potential of the project has highlighted a number of bedrock targets worthy of followup.

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.

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. Until recently, Gibleys was successfully mined by the Equigold NL / WRF Securities Ltd joint venture. Discussions with native title claimants have been completed and two of the three exploration licences have now been granted.

Recently the company has been informed that the government plans to convert the Dalgaranga pastoral lease to a conservation park. This park would encompass most of the tenements held by the company in this area. The company is investigating how this may impact on our ability to conduct exploration.

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 bedrock. While near surface uranium is not evident, potential for buried accumulations is present. Grant of the key tenement is awaited.

Pinnacles

The exploration licence application located 20km east of Cue consists of small area of 4 sub-blocks immediately east of the Pinnacle workings. Exploration on the project has been conducted by joint venture partner Alloy Resources Limited who were earning 60% of the tenement by exploration expenditure of $150,000 over a three year period.

Alloy Resources informed Anglo Australian Resources in the June quarter that it was withdrawing from the joint venture after spending $110,000. Alloy Resources had delineated an EM anomaly, through 4 lines of moving loop EM and one seismic reflection transect and followed this up with RC drilling consisting of two deep holes. The holes intersected massive sulphide minerals and highly altered basalt. However assaying of the sulphide mineralisation and alteration contained no economic levels of gold mineralisation.

PETER KOMYSHAN

General Manger – Exploration

25th September 2008

SCHEDULE OF MINING TENEMENTS

As at 30 June 2008

Project	Tenement	Company Interest	Title Registered to
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	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
	M15/96	100% gold rights only	* Australian Nickel Mines NL
Mandilla	M15/633	100%	Anglo Australian Resources NL
	E15/789	100%	Anglo Australian Resources NL
Northern Territory			
Victoria River Downs	EL25422, 25423, EL25728, 26442 EL26445, 26447 EL26458 *Pending:* *ELA25420, 25424, 25425 ,* *25729, 25730,* *26443,26444,26446,*	100%	Anglo Australian Resources NL

* The Company's interest protected by legal agreement

The Directors present their report together with the financial report of Anglo Australian Resources NL ("the Company") for the year ended 30 June 2008 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	Experience, special responsibilities and other directorships
John Load Cecil Jones Non-Executive Chairman	*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 – Non-Executive Chairman *Former directorships in last three years* None *Special responsibilities* Chairman of the Board Exploration and Development Director
Denis Edmund Clarke Non-Executive Director	*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* None *Special responsibilities* Exploration and Development Director
Christopher Hugh Fyson Non-Executive Director	*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
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
None

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	3
A.C. Pilmer	4	4

D E Clarke and C H Fyson have only attended three of the four directors' meetings held during the financial year due to interstate and overseas 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 three non executive Directors and one executive Director 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 - AUDITED

4.2.1 Principles of compensation

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 $50,000. 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

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			
2008:	$	$	$	$	$	$	%	%
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	124,820	-	-	63,000	-	187,820	-	-
Total	189,820	-	-	68,850	-	258,670	-	-
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	-	34%

4.2.3 Options and rights over equity instruments granted as compensation

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 2008	Grant date	Fair value per option at grant date ($)	Exercise price per option ($)	Expiry date	Number of options vested during 2008
–*	–	–	–	–	–	–

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

* No options have been granted in the 2008 financial year.

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

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

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

(A) The value of options is the fair value of the options calculated at grant date using the Black Scholes model. The total value of the options is included in the table above. This amount is allocated to remuneration over the vesting 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 Officer's 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 4,415 (2007: 85,033) tonnes of ore. The Company processed 56,395 (2007: 33,053) tonnes of this ore by 30 June 2008, resulting in revenues of $6,789,336 (2007: $10,199,144).

Shareholder Returns

The net profit of the Company for the financial year, after provision for income tax was $35,097 (2007: $5,582,690) as a result of the above mining activity.

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 18.

7. DIVIDENDS

No dividends have been paid by the Company during the financial year ended 30 June 2008, 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	11,255,491
D.E. Clarke	825,000	2,885,000
C.H. Fyson	1,635,000	17,064,899
A.C. Pilmer	2,700,000	12,000,000
	7,451,250	43,205,390

11. SHARE OPTIONS

Options Granted to Directors and Officers of the Company

During the financial year no options have been issued to a Director or officer of the Company. 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.

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 SERVICES

During the financial year, the Auditor was engaged to assist with preparation and review of taxation returns. 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 28 and forms part of the directors' report for the financial year ended 30 June 2008.

Signed in accordance with a resolution of the Directors

A C PILMER
Director

Dated at Perth this 25th day of September 2008.

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 2008 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 Smart
Partner

Perth
25 September 2008

As at 30 June 2008

	Note	2008 $	2007 $
Assets			
Cash and cash equivalents	16(i)	6,073,888	3,478,069
Other receivables	4	528,130	1,243,341
Inventory	5	–	4,297,842
Total Current Assets		6,602,018	9,019,252
Non-Current Assets			
Property, plant & equipment	6	35,744	39,743
Exploration and evaluation assets	7	5,557,209	3,255,313
Total Non-Current Assets		5,592,953	3,295,056
Total Assets		12,194,971	12,314,308
Liabilities			
Trade and other payables	8	784,403	958,837
Employee benefits	9	7,500	7,500
Rehabilitation provision	10	85,000	65,000
Total Current Liabilities		876,903	1,031,337
Total Liabilities		876,903	1,031,337
Net Assets		11,318,068	11,282,971
Equity			
Issued capital	11	23,125,723	23,125,723
Accumulated losses		(11,807,655)	(11,842,752)
Total equity attributable to the equity holders of the Company		11,318,068	11,282,971

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

For the Year Ended 30 June 2008

	Note	2008 $	2007 $
Revenue from sale of gold		6,789,336	10,199,144
Other Income		33,561	134
Total income		6,822,897	10,199,278
Expenses			
Direct mining expenses		(5,426,019)	(3,346,912)
Royalty expense		(5,926,508)	(207,910)
Impairment of exploration and evaluation assets		(569,431)	(232,313)
Directors' fees		(70,850)	(65,000)
Depreciation and amortisation expenses		(6,578)	(326,019)
Employee benefits expense		(247,286)	(201,781)
Rental expense		(43,854)	(36,105)
Other expenses		(230,368)	(372,015)
Results from operating activities		(381,424)	5,411,223
Financial income – interest income		416,521	171,467
Profit before tax		35,097	5,582,690
Income tax expense	14	–	–
Profit for the year attributable to equity holders of the Company		35,097	5,582,690
Earnings per share:			
Basic Earnings Per Share	15(i)	0.01 cents	1.12 cents
Diluted Earnings Per Share	15(ii)	0.01 cents	1.12 cents

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

For the Year Ended 30 June 2008

	Issued Capital $	Accumulated Losses $	Total Equity* $
At 1 July 2006	22,750,723	(17,535,442)	5,215,281
Profit for the year	–	5,582,690	5,582,690
Total income and expense 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
At 1 July 2007	23,125,723	(11,842,752)	11,282,971
Profit/(loss) for the year		35,097	35,097
Total income and expense for the year	–	35,097	35,097
Issue of share capital	–	–	–
Equity settled transactions (net of tax)	–	–	–
At 30 June 2008	23,125,723	(11,807,655)	11,318,068

* Attributable to the equity holders of the Company.

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

For the Year Ended 30 June 2008

	Note	2008 $	2007 $
Cash Flows from Operating Activities			
Cash generated from operations		7,085,986	10,199,144
Cash payments to suppliers and employees		(2,033,051)	(8,062,609)
Net cash provided by/(used in) operating activities	16(ii)	5,052,935	2,136,535
Cash Flows from Investing Activities			
Interest received		416,521	171,467
Exploration and evaluation expenditure incurred		(2,871,327)	(2,200,501)
Payments for:			
plant & equipment		(1,845)	(3,583)
office furniture and fittings		(465)	–
Net cash used in investing activities		(2,457,116)	(2,032,617)
Cash Flows from Financing Activities			
Net proceeds from issue of shares		–	375,000
Net cash provided by financing activities		–	375,000
Net increase in cash and cash equivalents held		2,595,819	478,918
Cash and cash equivalents at the beginning of the financial year		3,478,069	2,999,151
Cash and cash equivalents at the end of the financial year	16(i)	6,073,888	3,478,069

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

For the Year Ended 30 June 2008

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 25 September 2008.

(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.

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, including deferred stripping costs, to develop the mine to the production phase. Mine property assets are recognised as intangible assets.

(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 and any residual values 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:

	2008	**2007**
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 tonnes. Deferred stripping costs are amortised on a life of mine waste-to-ore ratio and are allocated to inventory on this basis as the costs are directly attributable to the cost of producing inventory. Remaining mine property amortisation costs are expensed.

(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. Deferred stripping cost is recognised as an intangible asset and is amortised on a life of mine waste to ore ratio.

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. The entity subcontracts equipment on an as required basis and as a result all exploration and evaluation costs incurred are of an intangible nature. Costs incurred before the consolidated entity has obtained the legal rights to explore an area are recognised in the income statement.

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

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

(ii) activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise 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. Intangible assets are reclassified to mining property assets within property, plant and equipment.

(c) Inventories

Inventories are measured 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, amortised deferred stripping costs, 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, based on normal operating capacity.

(d) Cash and Cash Equivalents

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

(e) Other Receivables

Other receivables are subsequently measured 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.

(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.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

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 inflows 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

Qualifying transaction costs of an equity transaction, which are incremental and directly attributable to the issue of ordinary shares, 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.

(h) Employee Benefits (cont.)

(iv) Share-based payment transactions

The grant date fair value of options granted to employees is recognised as an employee expense, 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.

(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 when the disturbance or contamination occurs.

(ii) Mine rehabilitation

Provisions are made for the estimated cost of rehabilitation relating to areas disturbed during the mine's development 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 subsequently measured 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, recovery of the consideration is probable, the associated costs can be estimated reliably, there is no continuing management involved with the goods and the amount of revenue can be measured reliably.

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.

(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.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset if income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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. The Company only has one segment.

(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:

- Revised AASB 101 Presentation of Financial Statements (September 2007) introduces as a financial statement (formerly "primary" statement) the "statement of comprehensive income". The revised standard does not change the recognition, measurement or disclosure of transactions and events that are required by other AASBs. The revised AASB 101 will become mandatory for the Company's June 2010 financial statements. The Company has not yet determined the potential effect of the revised standard on the Group's disclosures.
- 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 2008-1 Amendments to Australian Accounting Standard – Share-based Payment: Vesting Conditions and Cancellations changes the measurement of share-based payments that contain non-vesting conditions. AASB 2008-1 becomes mandatory for the Company's 30 June 2010 financial statements. The Company has not yet determined the potential effect of the amending standard on the Company's financial report.

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.

	2008 $	2007 $
4. OTHER RECEIVABLES		
Current		
Security deposit – environmental bonds	349,000	294,551
Other receivables	179,130	948,790
	528,130	1,243,341
5. INVENTORY		
Ore stock pile – at cost	–	4,297,842
	–	4,297,842

6. PROPERTY, PLANT & EQUIPMENT (cont.)

	2008 $	2007 $
Mine property – at cost	–	1,158,800
Less: Accumulated amortisation	–	(1,158,800)
	–	–
Plant & equipment – at cost	80,610	78,765
Less: Accumulated depreciation	59,612	57,183
	20,998	21,582
Office furniture & fittings – at cost	21,808	21,074
Less: Accumulated depreciation	20,746	20,570
	1,062	504
Motor vehicle – at cost	44,459	44,459
Less: Accumulated depreciation	30,775	26,802
	13,684	17,657
Total property, plant & equipment	35,744	39,743

Reconciliations

	2008 $	2007 $
Mine property		
Balance at 1 July	–	1,158,800
Transferred from exploration and evaluation expenditure	–	–
Additions	–	–
Less: Amortisation of mine property		
- income statement	–	(318,251)
- capitalized to inventory	–	(840,549)
Balance at 30 June	–	–
Plant & Equipment		
Balance at 1 July	21,582	20,640
Additions	1,845	3,583
Depreciation	(2,429)	(2,641)
Balance at 30 June	20,998	21,582
Office Furniture & Fittings		
Balance at 1 July	504	504
Additions	734	–
Depreciation	(176)	
Balance at 30 June	1,062	504

6. PROPERTY, PLANT & EQUIPMENT (cont.)

	2008 $	2007 $
Motor Vehicle		
Balance at 1 July	17,657	22,784
Additions	–	–
Depreciation	(3,973)	(5,127)
Balance at 30 June	13,684	17,657

7. EXPLORATION AND EVALUATION ASSETS

	2008 $	2007 $
Deferred exploration and evaluation assets		
Balance at 1 July	3,255,313	1,287,125
Add:		
Expenditure during the year	2,871,327	2,200,501
	6,126,640	3,487,626
Less:		
Amounts impaired during the year	569,431	232,313
Amounts transferred to Mine Property	–	–
Balance at 30 June	5,557,209	3,255,313

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.

8. TRADE AND OTHER PAYABLES

	2008 $	2007 $
Current		
Trade payables and accrued operating expenses	784,403	958,837

9. EMPLOYEE BENEFITS

	2008 $	2007 $
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.

	2008 $	2007 $
Balance at 1 July 2007	65,000	–
Provision made during the period	20,000	65,000
Balance at 30 June 2008	85,000	65,000

11. ISSUED CAPITAL

	2008 $	2007 $
Issued and Paid Up Capital		
501,068,000 ordinary shares fully paid		
(2007 – 501,068,000 ordinary shares fully paid)	23,125,723	23,125,723
Movements in Ordinary Share Capital		
Balance at beginning of financial year	23,125,723	22,750,723
Conversion of 7,500,000 options at 5 cents per share	–	375,000
Balance at end of financial year	23,125,723	23,125,723

Share Options

At the beginning of the prior 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

	2008 $	2007 $
Employee benefits expense includes:		
Contributions to defined superannuation contribution funds		
(including amounts capitalised $65,408 (2007: $11,123))	68,850	13,904
Equity settled share-based payment transactions	–	110,000

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, vested immediately and are exercisable within 3 years of grant date, being 4 May 2007, at an exercise price of 6c a share.

No options were issued during the current financial year. No options were exercised prior to 30 June 2008.

14. TAXATION

	2008 $	2007 $
Current tax expense	–	–
Deferred tax expense	–	–
(a) Numerical reconciliation between tax expense and pre tax accounting profit		
Profit before tax	35,097	5,582,690
Income tax using the corporate tax rate of 30% (2007: 30%)	10,529	1,674,807
Timing differences and tax losses not brought to account as future income tax benefits	–	–
Equity settled transactions	–	33,000
Recognition of previously unrecognised tax losses	(10,529)	(1,707,807)
Income tax expense	–	–

14. TAXATION (cont.)

	2008 $	2007 $
(b) Recognised Deferred Tax Assets and Liabilities		
Asset		
Tax losses	1,667,163	976,594
Liability		
Exploration and evaluation expenditure	(1,667,163)	(976,594)
Net	–	–
(c) Unrecognised Deferred Tax Assets		
Tax losses	2,887,487	2,922,584

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.

15. EARNINGS/(LOSS) PER SHARE

(i) Basic earnings/(loss) per share

Net Profit attributable to ordinary shareholders	35,097	5,582,690

	2008 Number of Shares	2007 Number of Shares
Weighted average number of ordinary shares		
Issued ordinary shares at 1 July	501,068,000	493,568,000
Effect of Options exercised 29 September 2006	–	5,630,137
	501,068,000	499,198,137
Basic earnings per share	0.01 cents	1.12 cents
(ii) Diluted earnings per share		
Net Profit attributable to ordinary shareholders (diluted)	35,097	5,582,690
Weighted average number ordinary shares (basic)	501,068,000	499,198,137
Effect of options	–	640,479
Weighted average number of ordinary shares (diluted) at 30 June	501,068,000	499,838,616
Diluted earnings per share	0.01 cents	1.12 cents

16. NOTES TO THE STATEMENT OF CASH FLOWS

	2008 $	2007 $
(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:

	2008 $	2007 $
Cash on hand	200	7,374
Short term deposits	6,104,105	3,176,630
Cash at bank	(30,417)	294,065
	6,073,888	3,478,069
(ii) Reconciliation of cash flows from operating activities		
Profit/(Loss) for the period after income tax	35,097	5,582,690
Adjustments for:		
Depreciation	6,578	7,768
Amortisation of mine	–	318,251
Equity-settled share-based payments	–	110,000
Exploration expenditure written off	569,431	232,313
Interest received	(416,521)	(171,467)
Operating profit/(loss) before changes in working capital and provisions	194,585	6,079,555
Change in trade and other receivables	715,211	(1,118,580)
Change in trade and other payables	(174,703)	567,853
Change in provisions	20,000	65,000
Change in inventory	4,297,842	(3,457,293)
Net cash provided by/(used in) operating activities	5,052,935	2,136,535

17. AUDITOR'S REMUNERATION

	2008 $	2007 $
Auditor's services		
Audit and review of financial reports (KPMG Australia)	73,225	50,410
Other services		
Taxation compliance services (KPMG Australia)	34,500	–

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 $915,240 (2007: $612,497). 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, then for one year or later and not more that five years the total obligations are approximately $2,749,100 (2007: $3,588,600) and for later than five years the total obligations are NIL (2007: $NIL).

19. FINANCIAL REPORTING BY SEGMENT

The Company operates in Australia and in one industry classification being mineral exploration and mining.

20. FINANCIAL RISK MANAGEMENT

Overview

The Company have exposure to the following risks from their use of financial instruments:

- credit risk
- liquidity risk
- market risk
- This note presents information about the Company's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the company through regular reviews of the risks.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities.

Investments

The Company limits its exposure to credit risk by only investing in deposit instruments of major Australian banking institutions.

Other receivables

The Company has established an allowance for impairment that represents their estimate of incurred losses in respect of other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures. The management does not expect any counterparty to fail to meet its obligations.

Presently, the Company undertakes exploration and evaluation activities exclusively in Australia. At the balance sheet date there were no significant concentrations of credit risk.

Exposure to credit risk

The carrying amount of the Company's financial assets represents the maximum credit exposure. The Company's maximum exposure to credit risk at the balance sheet date was:

		Carrying amount	
In thousands of AUD	***Note***	**2008**	**2007**
Other Receivables	*4*	528,130	1,243,341
Cash and cash equivalents	*16(i)*	6,073,888	3,478,069

Impairment losses

None of the Company's other receivables are past due (2007: nil).

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

20. FINANCIAL RISK MANAGEMENT (cont.)

The Company manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows.

The Company does not anticipate the need to raise additional capital in the next 12 months as the Company has sufficient cash reserves on hand to fund its forecasted operational activities.

Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

30 June 2008 *In thousands of AUD*	Carrying amount	Contractual cash flows	6 mths or less	6-12 mths	1-2 years	2-5 years	More than 5 years
Trade and other payables	784,403	784,403	784,403	–	–	–	–

30 June 2007 *In thousands of AUD*	Carrying amount	Contractual cash flows	6 mths or less	6-12 mths	1-2 years	2-5 years	More than 5 years
Trade and other payables	958,837	958,837	958,837	–	–	–	–

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Company is at present not exposed to currency risk as it has no operations, investments or payments due in any currency other than those denominated in the Company's functional currency, Australian dollar (AUD).

Interest rate risk

The Company is exposed to interest rate risk.

The Company adopts a policy of placing all of its cash not required for immediate cash flow in its operations in a high interest bearing cash management accounts exposed to variable interest rates.

	Weighted average interest rate	Floating interest rate $	Fixed interest rate 6 months or less $	Total $
2008				
Financial Assets				
Cash and cash equivalents	5.85%	6,073,888	–	6,073,888
Security deposit – environmental bonds	7.00%	–	349,000	349,000
		6,073,888	349,000	6,422,888
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
		3,478,069	294,551	3,772,620

20. FINANCIAL RISK MANAGEMENT (cont.)

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below.

	Profit or loss		Equity	
Effect in thousands of AUD	100bp increase	100bp decrease	100bp increase	100bp decrease
30 June 2008				
Variable rate instruments	60,739	(60,739)	–	–
Cash flow sensitivity (net)	60,739	(60,739)	–	–
30 June 2007				
Variable rate instruments	34,781	(34,781)	–	–
Cash flow sensitivity (net)	34,781	(34,781)	–	–

Fair values

Fair values versus carrying amounts

The fair values of financial assets and liabilities with a remaining life of less than one year, the notional amount is deemed to reflect the fair value. At present the Company has no financial assets or liabilities with a remaining life of greater than one year.

Capital Management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Company defines as net operating income divided by total shareholders' equity, excluding non-redeemable preference shares and minority interests. The Board of Directors also monitors the level of dividends to ordinary shareholders.

	2008	2007
Million AUD		
Equity attributable to shareholders of the Company	11,318,068	11,282,971
Total assets	12,194,971	12,314,308
Equity ratio in %	92.81%	91.62%
Average equity	11,300,519	8,249,126
Net Profit	35,097	5,582,690
Return on Equity in %	0.31%	67.67%

There were no changes in the Group's approach to capital management during the year.

The Company is not subject to externally imposed capital requirements.

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:

	2008	2007
	$	$
Short-term employee benefits	189,820	266,375
Other long term benefits	68,850	13,625
Share based payment	–	110,000
	258,670	390,000

Out of the total compensation, an amount of $219,000 (2007: $174,930) was capitalised to exploration and evaluation assets.

Individual directors and executive compensation disclosures

Information regarding individual directors and executives compensation is required by the Corporations Regulations 2M.3.03 and 2M.6.04 to be provided in the Remuneration Report Section of the Directors' report on pages 21 to 23. 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.

21. RELATED PARTIES (cont.)

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 2008 $	Transactions value year ended 30 June 2007 $	Balance outstanding as at 30 June 2008 $	Balance outstanding as at 30 June 2007 $
J L C Jones – Westbury Management Services Pty Ltd, Vernon Pty Ltd	Storage and rent	9,856	5,318	–	800
D E Clarke – Mauncope Pty Ltd	Consulting	–	28,000	–	–
A C Pilmer – A C Pilmer & Co	Administration, accounting and secretarial	158,989	163,765	16,786	20,535
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

	Balance at 1.7.07 No.	Granted as Remuneration No.	Received on Exercise of Options No.	Net Other Change * No.	Balance at 30.6.08 No.
2008					
Directors					
J L C Jones	15,944,866	–	–	(2,398,125)	13,546,741
D E Clarke	3,710,000	–	–	–	3,710,000
C H Fyson	11,789,899	–	–	6,910,000	18,699,899
A C Pilmer	11,500,000	–	–	3,200,000	14,700,000
Executive					
P Komyshan	385,000	–	–	–	385,000

21. RELATED PARTIES (cont.)

	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.
2007					
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

* 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:

2008	Held at July 2007 No.	Granted as compensation No.	Exercised No.	Held at 30 June 2008 No.	Vested during the year No.	Vested and exercisable at 30 June 2008 No.
Executive						
P Komyshan	3,000,000	–	–	3,000,000	–	3,000,000

2007	Held at 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

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, 4.2.3, 4.2.4 and 4.2.5 of the Remuneration Report in the Directors' Report, set out on pages 21 to 23 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, 4.2.3, 4.2.4 and 4.2.5 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 2008.

Signed in accordance with a resolution of directors:

A C PILMER
Director

Dated at Perth this 25th day of September 2008

KPMG

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

Report on the financial report

We have audited the accompanying financial report of Anglo Australian Resources NL (the Company), which comprises the balance sheet as at 30 June 2008, 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.

Directors' responsibility for the financial 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, comprising the financial statements and notes, complies with International Financial Reporting Standards.

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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial 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 control. 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.

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.

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

KPMG

Auditor's opinion

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 2008 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 as disclosed in note 2.

Report on the remuneration report

We have audited the Remuneration Report included in pages 21 to 23 of the directors' report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Anglo Australian Resources NL for the year ended 30 June 2008, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

K Smout
Partner

Perth
25 September 2008

AS AT 26 SEPTEMBER 2008

1. SHAREHOLDING

(a) Voting Rights

Each member is entitled to one vote on a show of hands and one vote for each share held on a poll.

(b) Distribution of Shareholders

Size of Holding	Number of Holders Shares	%
1 - 1,000	55	1.83
1,001 - 5,000	178	5.91
5,001 - 10,000	346	11.49
10,001 - 100,000	1,597	53.02
100,000 and over	836	27.75
	3,012	100.00

(c) Marketable Parcel

There are 823 shareholders who hold less than a marketable parcel.

(d) Top 20 Shareholders

	Number of Shares	% of Issued Capital
Mrs Anne Elizabeth Neate	15,000,000	2.99
National Nominees Limited	12,111,750	2.42
Claymore Estate Pty Ltd	10,000,000	2.00
Pegmont Mines Limited	10,000,000	2.00
Professional Tutors Pty Ltd	10,000,000	2.00
Vier Pty Ltd	8,891,274	1.77
Amalfi Pty Ltd	6,000,000	1.20
Lachlan Resources NL	4,750,000	0.95
Hampton Transport Services Pty Ltd	4,549,000	0.91
Surewing Industrial (Australia) Pty Ltd	4,060,885	0.81
Vernon Pty Ltd	3,885,000	0.78
Bencarra Pty Ltd	3,413,625	0.68
Mr Angus Claymore Pilmer	3,200,000	0.64
Citicorp Nominees Pty Limited	3,055,335	0.61
G Santalucia Investment Pty Ltd	3,000,000	0.60
Lindglade Enterprises Pty Ltd	2,885,000	0.58
Big Brown Trout Pty Ltd	2,837,522	0.57
K & M Adams Pty Ltd	2,673,000	0.53
R F & C P Johnson Pty Ltd	2,550,000	0.51
Mr David Harvey Peek	2,475,625	0.49
	115,338,016	23.02

(e) On Market Buy-Back

There is no current On Market Buy-Back.

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