

ANGLO AUSTRALIAN
RESOURCES NL
ACN 009 159 077

ANNUAL REPORT
30 JUNE 2011

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COMPANY DIRECTORY

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Bankers

National Australia Bank Ltd
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Auditors

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PERTH WA 6000

Home Stock Exchange

Australian Securities Exchange, Perth

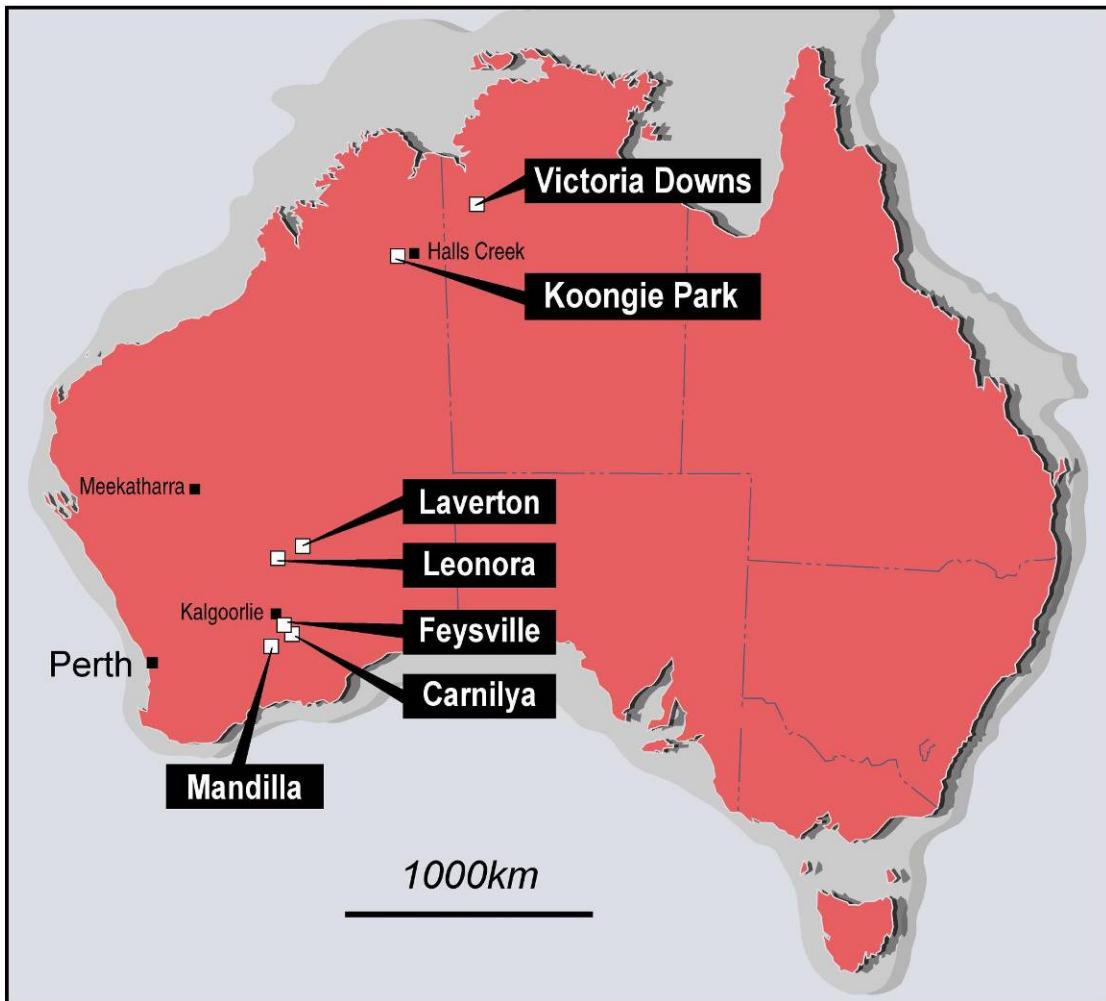
Share Registry

Computershare Investor Services Pty Limited
Level 2
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PERTH WA 6000
Telephone (08) 9323 2000
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Other Information

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

REVIEW OF OPERATIONS



Project Locations

OVERVIEW

During 2011 the company continued its focus on advancing the copper potential of the company's key Koongie copper zinc project with an upgrade in the copper resource and a positive scoping study which incorporates an initial open pit into a mining plan. Exploration drilling at Koongie testing new targets intersected very extensive alteration associated with the principal prospective horizon but with only low grade assay values. The company is also very excited about the potential of its Leonora project where a very significant EM anomaly has been discovered within a sequence prospective for VMS style base metal deposits. The anomaly presents a compelling drilling target. Drill targets have also been developed on the Victoria River Downs Project which has attracted co-funding from the Northern Territory government.

The potential to develop two gold resources at Feysville and Mandilla as short term mining operations continues to improve with the increasing gold price.

BASE METAL PROJECTS

KOONGIE COPPER - ZINC PROJECT WA

Anglo Australian Resources NL 100%

BACKGROUND

The Koongie Copper Zinc Project is located 25 km SW of Halls Creek in the North East Kimberley region of Western Australia, straddling the Great Northern Highway. The port of Wyndham is located 400km to the north of the project.

REVIEW OF OPERATIONS (Cont.)

(Figure 3) Anglo Australian Resources NL obtained an interest in the project in 1990 and moved to 100% ownership in 2002. Between 2006 and 2010 it completed extensive diamond drilling programs for resource delineation and metallurgical testing.

A Pre Feasibility Study (“PFS”) on the Sandiego Deposit based on the **underground extraction** of deeper zinc-copper mineralisation was completed in 2008. This Study concluded that, based on median metal prices that prevailed over the period of 2006 -2008 (Zn US\$3136/t and Cu US\$7840/t), the project generated an Operating Surplus of \$100m. Subsequently, copper prices in US\$ terms have risen, and zinc prices have decreased significantly. The PFS focused on the extraction of zinc mineralisation.

In 2010 the development economics of the project were potentially improved with the discovery and definition by drilling of a cap of high value, high grade supergene copper mineralisation at relatively shallow depth above the deeper mineralisation that formed the basis of the 2008 PFS. Importantly, the shallow position of the new mineralisation suggested the possibility of developing Sandiego by **open pit extraction**. All previous economic assessments had been based only on underground extraction. The Company, therefore, commissioned Nigel Spicer of Minesure to undertake a Scoping Study incorporating an open pit optimisation study. The results of this Scoping Study are summarised below.

GEOLOGY

The Koongie Copper Zinc deposits are located within the Koongie Park Formation, within the Halls Creek Orogen. (Figure 4) The mineralisation has been traditionally classified as a volcanogenic massive sulphide and is stratabound with separate sub-parallel copper and zinc lodes. Tight folding and some faulting provide local structural controls to the mineralisation. The sulphide minerals in the Zinc lodes consist of sphalerite, pyrrhotite, galena and pyrite. The mineralogy of the Copper lodes consists of chalcopyrite, pyrite, chalcocite, covellite and marcasite.

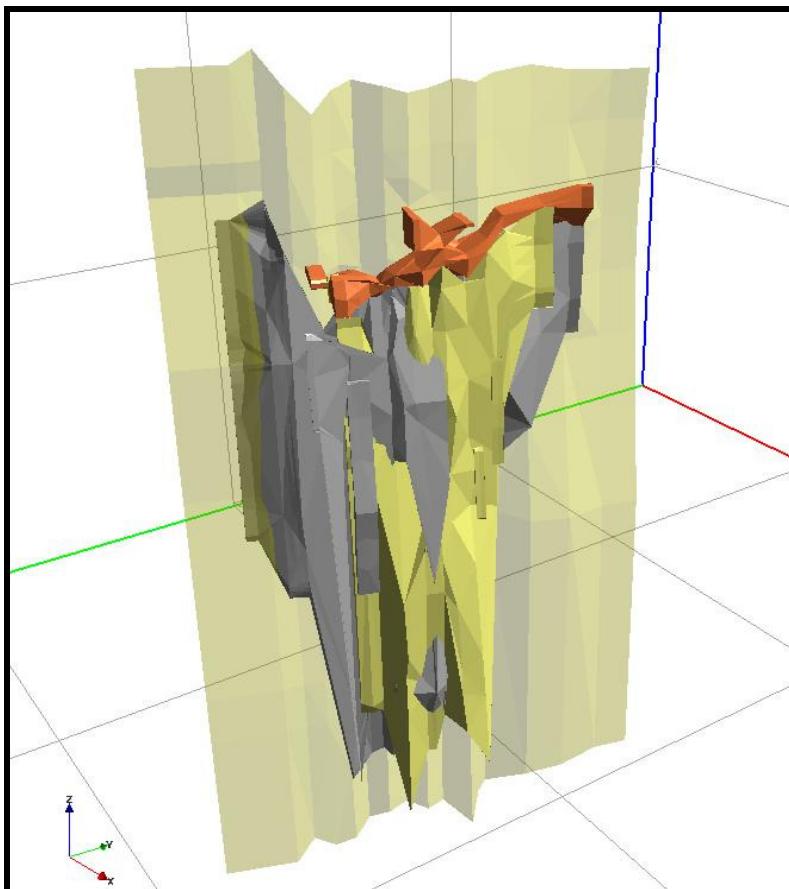


Figure 2. Sandiego Resource Wireframe Model – showing yellow copper lodes, grey zinc lodes and orange supergene copper lodes

REVIEW OF OPERATIONS (Cont.)

The Sandiego Deposit occurs as a massive conformable wedge-shaped lens 200m in length with a maximum thickness of 75m. The nearby Onedin Deposit, which has not been included in the Scoping Study, is more complex in shape due to tight folding of the host stratigraphy. It is best described as mostly a rod-shaped plunging mineralised zone, but a high-grade horizontal component to the mineralisation is also recognised. Deep weathering profiles have been developed over both deposits. Metal depletion in the oxide zone and metal enrichment in the transition zone occurs at both deposits.

RESOURCES

The Sandiego resource model, updated by Coffey Mining in October 2010 following the 2010 drilling program, was used as the basis of the Scoping Study.

Table 1: Sandiego Mineral Resource October 2010

Classification	Tonnes (Mt)	Cu %	Zn %	Au g/t	Ag g/t	Cu (Kt)	Zn (Kt)	Au (K Oz)	Ag (K Oz)
Supergene Mineralisation (0.8% Cu lower cutoff)									
Indicated	0.37	4	2.7	0.29	48	15	10	4	577
Inferred	0.01	1	0.1	0.05	3	0	0	0	1
Cu dominant Transitional/Primary (0.8% Cu lower cutoff)									
Indicated	1.14	2.8	1.5	0.43	12	32	17	16	427
Inferred	0.44	1.8	2	0.25	5	8	9	4	75
Zn dominant Transitional/Primary (3.0% Zn lower cutoff)									
Indicated	1.22	0.2	7	0.16	26	3	85	6	1042
Inferred	0.35	0.1	6.2	0.14	9	1	21	1	95

Note resource figures are based on lower cut off grades of 0.8% Cu and 3% Zn for respective lodes

Resources at Onedin were not incorporated into this study.

Table 2: Onedin Mineral Resource October 2009

INDICATED RESOURCE						
Lode	TONNES	Zn %	Cu %	Pb %	Ag g/t	Au g/t
Zn	1,326,000	5.4	0.15	0.62	24.87	0.25
Cu	2,481,000	0.85	1.08	0.94	21.01	0.33
Zn+Cu	650,000	7.98	1.11	1.43	47.13	0.37
Grand Total	4,458,000	3.24	0.81	0.92	25.97	0.31

MINING

The 2008 Preliminary Feasibility Study primarily focused on the development of an underground mine and concentrator at Sandiego producing high grade copper and zinc ore concentrate. Revenue was based primarily on the zinc-rich domains. The 2010 Scoping Study has incorporated a two stage scenario, with an initial open pit followed by underground mining accessed 20m above the pit floor. The open pit mining operations would consist of conventional diesel hydraulic excavator with truck haulage. The underground mining method would be long hole stopping with partial cement back fill.

OPEN PIT OPTIMISATION

Open pit optimisation used Whittle software. Metallurgical recovery factors used were determined by earlier extensive metallurgical testwork. A copper price of \$US 7500 (at an exchange rate of \$US 0.9: \$A1.00) was selected for optimisation purposes. Slope parameters used in the optimisation were determined from geological logging of drill core and subsequent analysis by the company's geotechnical consultants (Dempers and Seymour).

The optimum pit is a 170m deep open pit which would provide 906kt of feed at grades of 2.15% Cu, 4.94% Zn, 0.3g/t Au and 35.8g/t Ag mostly from the supergene copper-rich zone. The strip ratio is 19.1:1.

REVIEW OF OPERATIONS (Contd.)

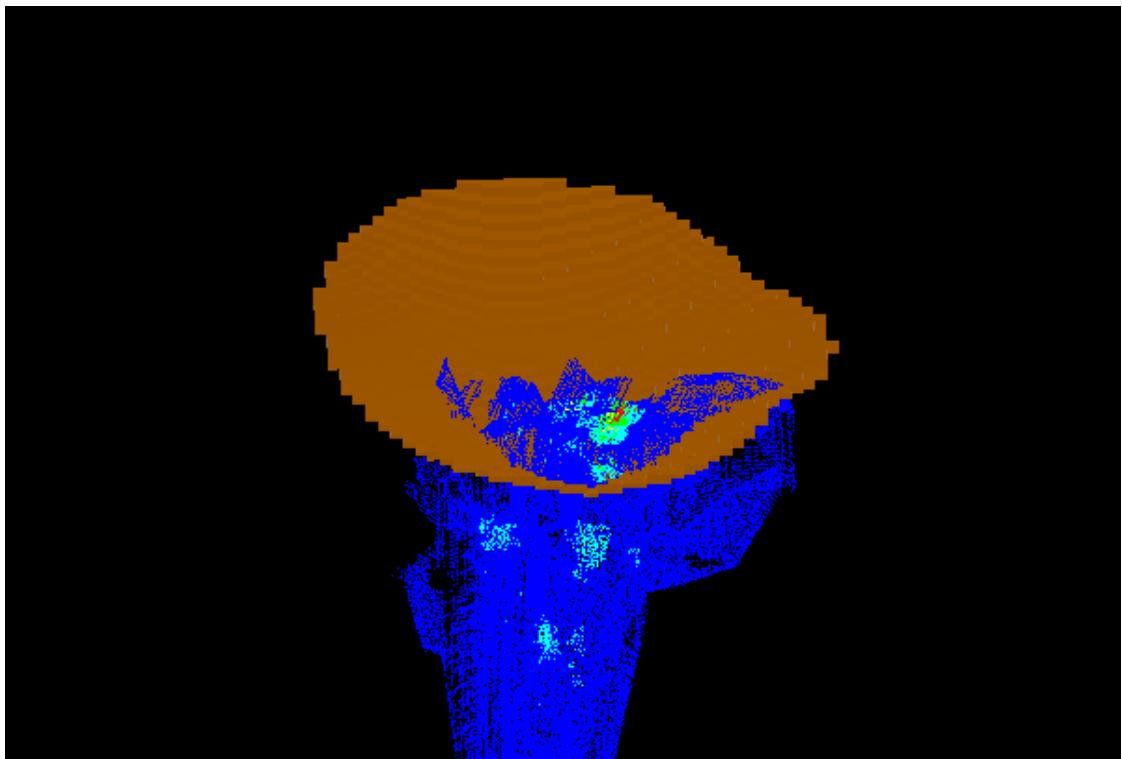


Figure 3. Sandiego Deposit – Optimum pit shell to 170m below surface

UNDERGROUND MINING

The Scoping Study also incorporated development of portion of the deeper mineralised zone beneath the optimised pit. Potential underground production is restricted by the available tonnes per vertical metre, which averages 5300 for Sandiego. Based on several earlier studies of underground mining at Sandiego, a vertical decent rate of 80m per year was selected. This equates to an annual production rate of 420, 000 tonnes per year.

The Scoping Study envisages underground production of 1.13Mt @ 2.11% Cu, 1.99% Zn, 0.34g/t Au and 13.77g/t Ag.

METALLURGICAL FACTORS

Since 2006 Anglo Australian Resources has undertaken very extensive metallurgical testwork programs on the Sandiego Deposit. These have demonstrated that:

- Saleable grade copper concentrate (>25% Cu) with high silver and gold credits can be produced from the following:
 - a) Sandiego high grade supergene copper ore through flotation
 - b) Sandiego transitional copper ore through sulphidation and flotation
 - c) Sandiego polymetallic sulphide ore by flotation of the copper
- Saleable grade zinc concentrate (48% – 52% Zn) can be produced from the following:
 - a) Sandiego transitional zinc ore through sulphidation and flotation
 - b) Sandiego polymetallic sulphide ore by flotation of the zinc
- All concentrate grades will be of high quality with no significant impurities and some silver and gold credits.

The process flow sheet incorporates a three stage crushing circuit and single ball mill. Concentrates would be transported by road to the port of Wyndham for delivery by ship to custom smelters.

REVIEW OF OPERATIONS (Cont.)

INITIAL CAPITAL COSTS ESTIMATES

Capital cost for plant and onsite infrastructure costs (including the concentrate plant, site infrastructure, services, power station, water supply, access and site roads, mining development and camp facilities) is estimated at \$58.9M including a contingency.

Capital is anticipated to be paid back within 2 years.

OPERATING COSTS

Open pit mining costs have been estimated from first principles assuming that equipment would be dry hired. Underground mining, processing, trucking and shipping costs were derived from the 2008 PFS. Owners Costs were estimated based on a nominal staffing level. Grade control costs for open pit were based on drilling reverse circulation (RC) drill holes on a nominal 12m x 6m pattern and are estimated to be \$0.88/t of mill feed. Royalties were applied in accordance with the West Australian state government standards.

REVENUE

Based on metal prices and Foreign Exchange rates current in January 2011 (Cu US\$9400/t and Zn US\$2400/t; \$US 1: \$A1) the Project generates an Operating Surplus of \$60m which equates to a net present value (NPV) of \$36M at a discount rate of 8% from net revenue of \$413m. The cashflow has an internal rate of return (IRR) of 31%. The Project is very sensitive to metal price and foreign exchange rates and less so to operating and capital costs.

PERMITTING

The two key deposits are located on granted mining leases.

EXPLORATION DRILLING

A 13 hole RC drilling program (2601m) was completed in May 2011 and tested 6 magnetic and EM targets. Most drill holes successfully intersected the targets and confirmed the very extensive alteration associated with the principal prospective horizon. Assays returned weakly to moderately anomalous base metal values, although no economic grade intervals were intersected. Maximum values over 1m intervals of 0.3%Cu and 1% Zn were received. Holes were cased for a future down hole EM survey to test if there is any massive sulphide proximal to the drill holes. Numerous other targets remain to be tested over the extensive 40km strike of the prospective horizon.

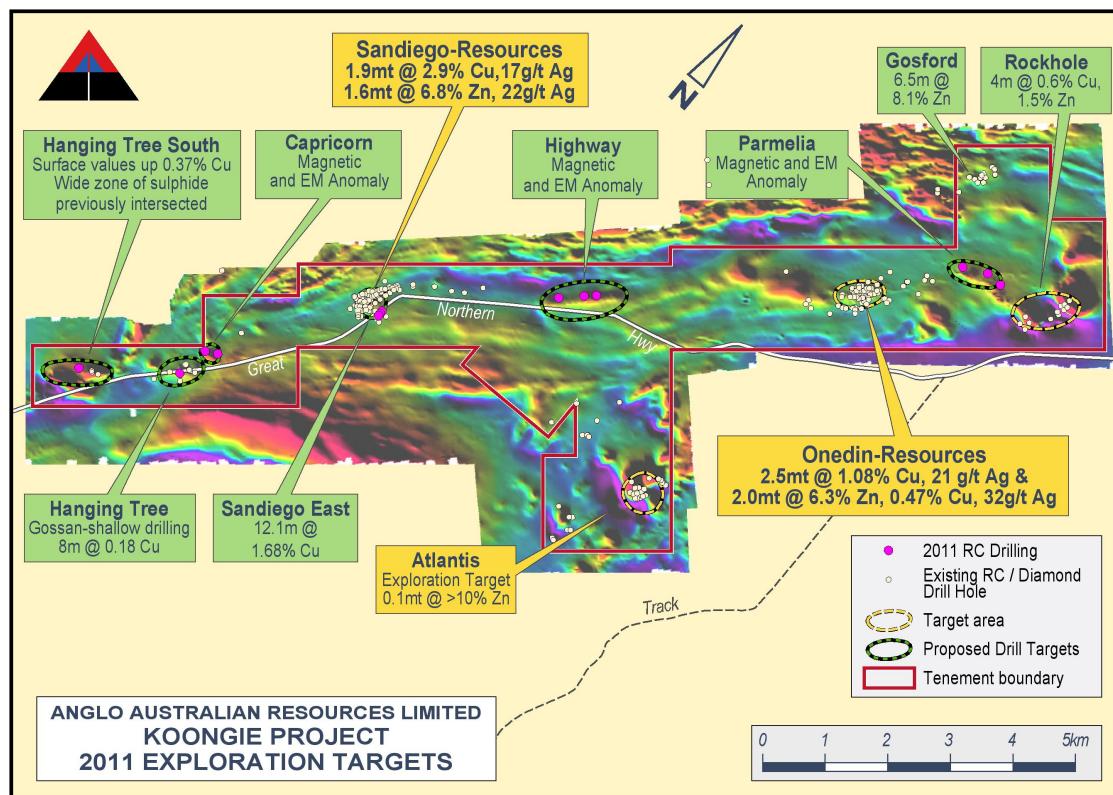


Figure 4. Koongie Project – Exploration Targets

REVIEW OF OPERATIONS (Cont.)

ALTERNATIVE TREATMENT OPTIONS

The Company continues to investigate alternative treatment options for all Koongie ore types. This evaluation includes the substantial Onedin mineralisation (see Table 2) which has not been included within previous scoping and prefeasibility studies. To assist with this evaluation the Company engaged independent metallurgical consultant Ken Baxter of Chaparell Pty Ltd. Ken investigated and confirmed the potential technical viability of treating Onedin oxide and transition copper-zinc mineralisation by heap leaching methods. However the company concludes that the substantial higher capital costs required for these alternative processes are outside the company's financial capacity.

VICTORIA DOWNS PROJECT NT

Anglo Australian Resources NL 100%

Anglo Australian Resources NL has successfully applied for co-funding of a drilling program at its Victoria River Downs Project in the Northern Territory. Under the Geophysics and Drilling Collaboration program the Northern Territory Government provides 50% of costs - up to \$100 000 - to assist companies with the costs of exploration geophysics or drilling in remote areas.

Anglo Australian Resources NL is targeting sedex style base metal deposits in the Victoria River 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 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.

Major regional structures transecting the basin have been recognized and interpreted to be growth structures that could have been feeder structures to base metal rich fluids. The Company has conducted extensive geological and geophysical surveys over the last few years. The gravity data, geophysical and geological interpretation has highlighted the Mt Sanford area as having potential to host sedex Pb – Zn mineralisation within flat lying shale dominant sediment, buried below overlying younger Proterozoic sediments and Cambrian volcanics – specifically within an interpreted basin adjacent to the Pear Tree Fault. (See Figure 5) A two hole drilling program has been planned to test if prospective horizons are present at acceptable depths in the vicinity of designated gravity targets.

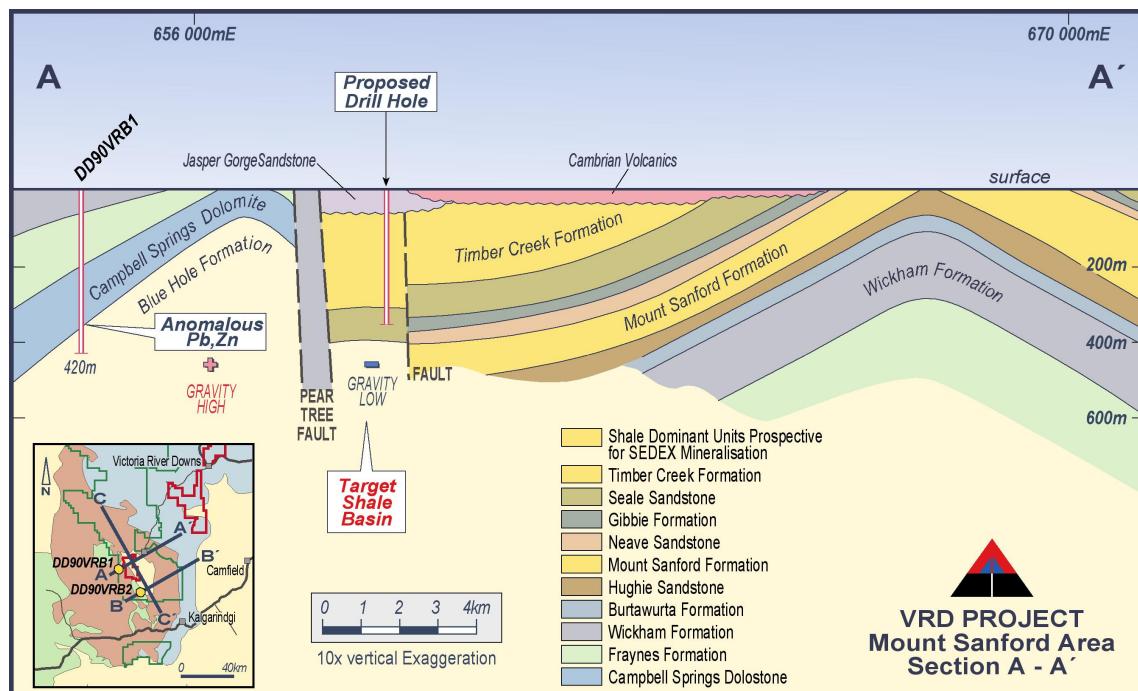


Figure 5. Schematic Cross –Section Mt Sanford area

REVIEW OF OPERATIONS (Cont.)

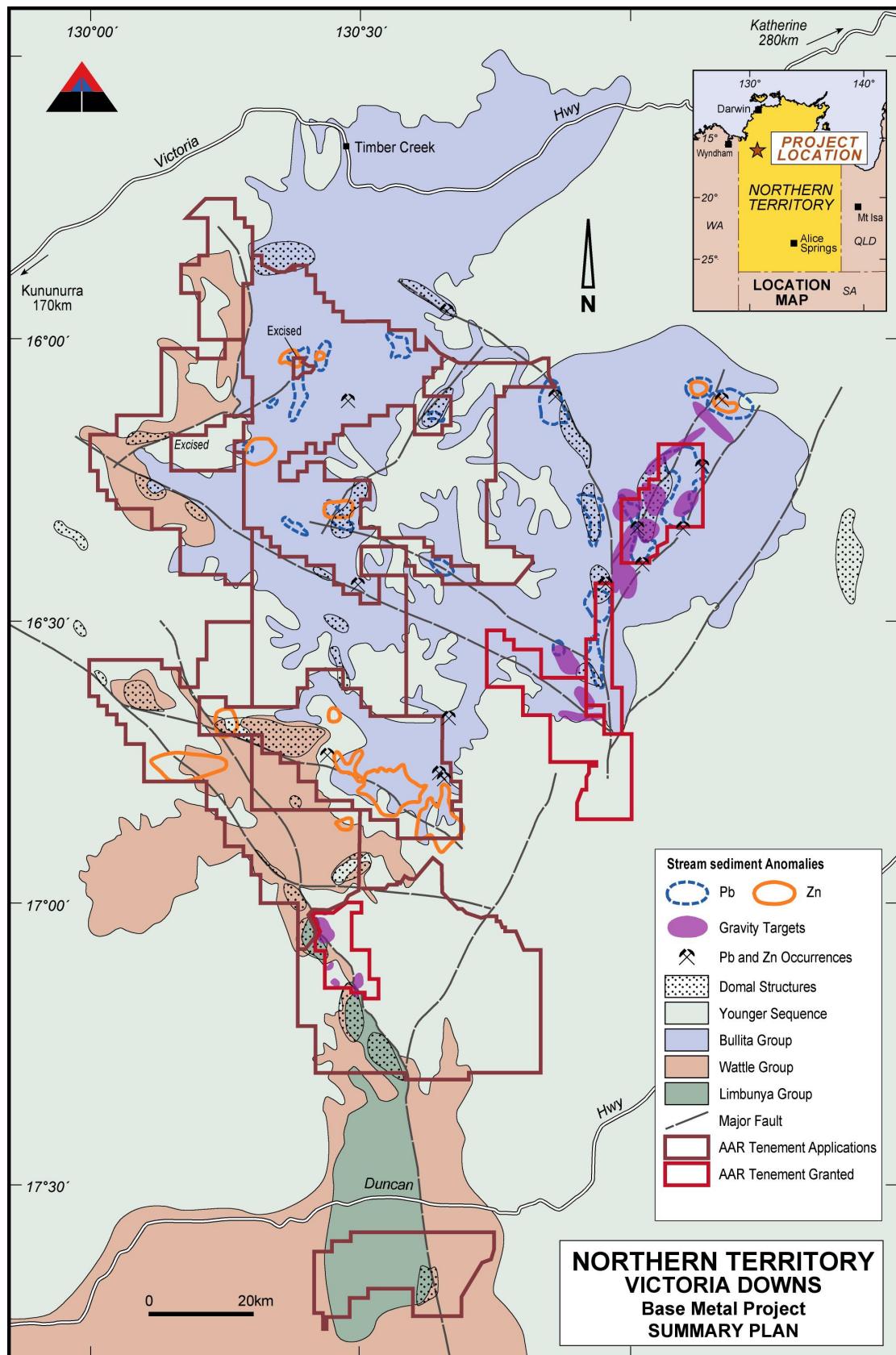


Figure 6. Victoria Downs Summary Plan

REVIEW OF OPERATIONS (Cont.)

GOLD PROJECTS

FEYSVILLE

Anglo Australian Resources NL 100%

Anglo Australian Resources NL completed a RC drilling program of consisting of 1,435m at the Feysville Project in December. Drilling targeted the Rogan Josh supergene deposit and extensions to the intersection of **6m @ 9.08g/t Au** at the Dalray prospect. Significant results, as listed in Table 3, extend the extent of mineralisation at both prospects.

Table 3. Significant Intersections Rogan Josh and Dalray Prospects >1g/t Au

Hole	North(MGA)	East(MGA)	Depth	Dip	Azimuth	From	To	M	g/t Au
FEC783	6577620	367039	48	-60	270				nsa
FEC784	6577620	367060	54	-60	270				nsa
FEC785	6577620	367080	60	-60	270				lg
FEC786	6577660	367020	54	-60	270				lg
FEC787	6577820	366880	64	-60	270	38	39	1	3.36
						41	42	1	2.61
FEC788	6577820	366900	60	-60	270	17	18	1	1.15
						44	53	9	2.14
				inc		44	46	2	5.8
				inc		50	53	3	1.93
FEC789	6577820	366920	60	-60	270	12	16	4	1.65
						29	30	1	2.89
FEC790	6577820	366940	48	-60	270				lg
FEC791	6577900	366798	60	-60	270	35	36	1	3.07
FEC792	6577902	366805	59	-60	90	39	40	1	2.74
FEC793	6577980	366669	60	-60	270				lg
FEC794	6577980	366690	54	-60	270	22	23	1	2.21
FEC795	6577980	366709	46	-60	270				lg
FEC796	6577980	366729	54	-60	270				lg
FEC797	6577980	366750	60	-60	270				lg
FEC798	6576600	368015	66	-60	270				lg
FEC799	6576600	368075	60	-60	270				nsa
FEC800	6576480	368100	64	-60	270				nsa
FEC801	6576480	368120	64	-60	270				nsa
FEC802	6576440	368135	60	-60	270				nsa
FEC803	6576361	368185	60	-60	270	34	35	1	1.42
						51	52	1	1.22
FEC804	6576320	368210	65	-60	270	38	41	3	1.95
FEC805	6576320	368230	65	-60	270	37	38	1	3.19
FEC806	6576200	368230	90	-60	270	40	41	1	1.67

Samples were derived from riffle splitting of RC drill chips at 1m intervals then assayed by 50g fire assay. Detection limits for this assay technique is 0.01g/t; nsa – no significant assay; lg – low grade intersections (0.5 -1.0g/t Au)

Rogan Josh Deposit

The Rogan Josh deposit is hosted within a sequence of volcanioclastic sediments intruded by porphyries. It has strong geological affinities to the Hannans South deposit, which is largely a supergene gold deposit occurring within the Hannans South Shear Zone. Previous drilling by Anglo Australian Resources and Western Mining returned intersections such as **8m @ 3.3g/t Au; 2m @ 8.8g/t Au; 4m @ 5.39g/t Au; 3m @ 3.68g/t Au and 2m @ 14.34g/t Au** from a sub-horizontal zone of supergene mineralisation. The zone, as defined by the 1g/t Au limit, is more than 700m long and 2-8m thick. The majority of the economic grades occur as supergene style, about 10 - 30m below the surface,

REVIEW OF OPERATIONS (Cont.)

beneath a zone of depletion. Moderate grade bedrock gold mineralisation within carbonate-sericite altered quartz feldspar porphyry has also been intersected (e.g. **4m @ 5.42g/t Au and 6m @ 8.24g/t Au**).

Fourteen drillholes in the latest program addressed the drill density issue at Rogan Josh and tested potential southern extensions. Drilling within the central part of Rogan Josh intersected wide zones of sericite- carbonate altered quartz feldspar porphyry. However significant intersections generally correspond to the interface between weathered and unweathered rocks confirming supergene enhancement. The best intersection of **9m @ 2.14g/t Au inc. 2m @ 5.8g/t Au**, which includes bedrock and supergene mineralisation sits within a high grade portion of the deposit. Other results are of the same order of previous drill campaigns e.g. **4m @ 1.65g/t Au; 1m @ 3.36g/t Au, and 1m @ 3.07g/t Au**. The drilling has confirmed the continuity of mineralisation in sparsely drilled areas of the deposit. Drilling appears to have closed off the Rogan Josh mineralised zone to the south.

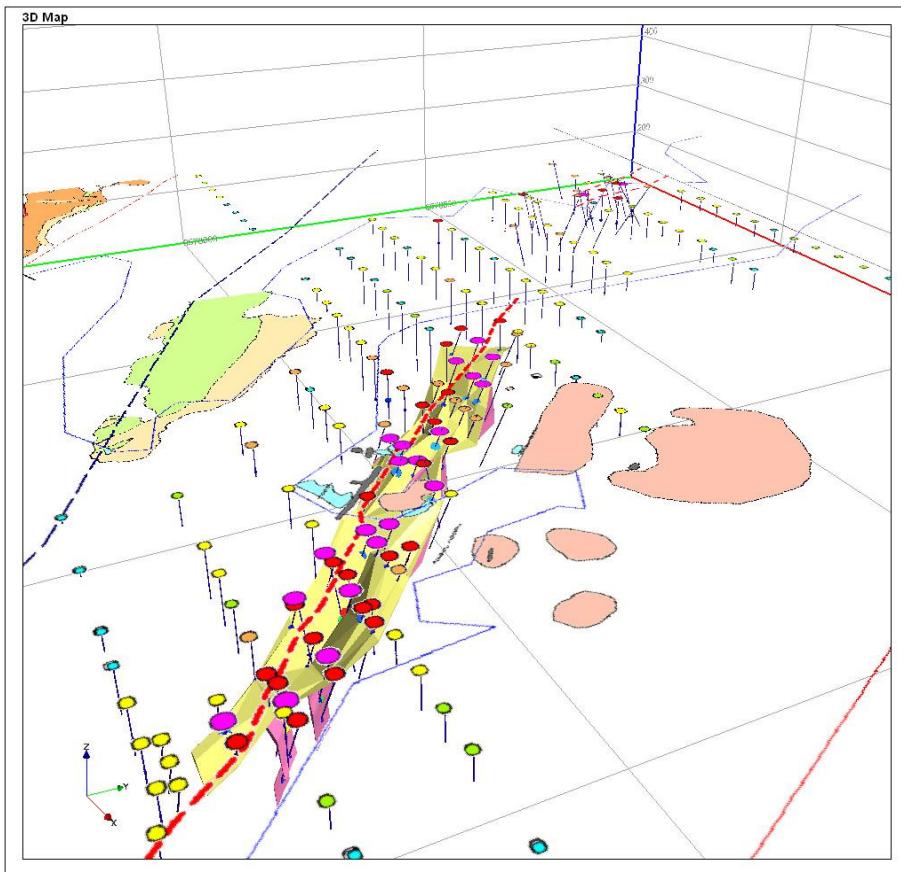


Figure 7. 3D Visualisation of the Rogan Josh deposit

Rogan Josh appears to be similar to the Hannans South deposit where gold grades are enhanced in the weathering profile as a sub-horizontal blanket overlying broad zones of generally low grade mineralisation in the underlying bedrock shear zone.

BM Geological Services in conjunction with Minecomp completed a revision of an earlier scoping study and concluded that the deposit contains an unclassified resource of 310,000 -320,000t @ 2.2g/t Au (23,000oz Au), as the effective drill spacing of 60 x 20m was still of insufficient density to warrant a JORC code resource classification. Open pit optimisation showed that mining this deposit could be viable, although capital costs would be high.

Dalray Deposit

The Dalray deposit is a zone of bedrock mineralisation that occurs beneath transported cover 1.7km to the south east of Rogan Josh. It was discovered by the Company in November 2009 when one hole intersected **6m @ 10.03g/t Au**. Previous follow up programs intersected additional mineralisation including **6m @ 2.03g/t Au and 2m @ 3.53g/t Au**. Nine RC holes were drilled north and south of the discovery intersection testing interpreted strike of the bedrock and supergene mineralisation. Additional intersections were obtained up to 200m south of the discovery hole with best

REVIEW OF OPERATIONS (Cont.)

values of **3m @ 1.95g/t Au and 1m @ 3.19g/t Au**. The trend of the mineralisation remains uncertain and the recent drilling is not a definitive test of the Dalray Prospect

The mineralisation at Dalray remains open and additional drilling will be required to fully evaluate its potential.

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 mined and processed the shallow, high-grade West Mandilla palaeochannel deposit from June 2006 to October 2007 producing 20,619 ounces of gold. Mine site rehabilitation work on the project is well under way.

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. Based on an approximate drill density of 50 x 20m BMGS estimated the resource model to an inferred resource of 357,000t @ 3.3g/t Au for a total contained 38,000oz Au. Optimisation studies in 2008, based on a gold price of A\$1100, indicated that mining this deposit was moderately profitable. In light of the current increased gold price the company will re-examine the economic potential of this deposit.

LEONORA

Anglo Australian Resources NL 100%

A Moving Loop Electromagnetic (MLEM) survey completed in May 2011 at the Leonora Project targeting potential massive copper-zinc mineralisation has discovered a strong 800m long bedrock conductor. The conductor, which defines the Artful Prospect, represents an exciting and compelling drilling target

The Leonora Project is located 25 kilometres south of the Jaguar mine of Jabiru Metals Limited (Reserves: 3.23 Mt @ 1.8% Cu, 7.91%Zn, 99 g/t Ag, 0.4 g/t Au) and Jabiru's Bentley deposit (3.0 Mt @ 2.0% Cu, 9.8% Zn, 138 g/t Ag, 0.7 g/t Au) (see Figures 8 & 9). Both these deposits were discovered by drill testing bedrock electromagnetic conductors. These two volcanogenic massive sulphide (VMS) style deposits occur near the boundary between mafic and felsic units. The Leonora Project consists of two Exploration Licenses, located 10 km north of Leonora, which cover a 10 km long zone of felsic volcanics and sediments (see Figures 8 & 9) broadly analogous to the geology at Jaguar and Bentley. Based on interpretation of previous aircore drilling and of aeromagnetic data, Anglo Australian Resources considers 7km of this zone is highly prospective for VMS-style mineralisation. As bedrock in the zone is mostly covered by younger transported sediments, the Company has used a MLEM survey as its primary exploration tool to search for VMS deposits that are generally highly conductive and amenable to location by such geophysical methods.

Preliminary interpretation of the newly discovered MLEM anomaly by geophysical consultants, Southern Geoscience, suggests the source of the conductor, (potentially massive or disseminated sulphide), commences approximately 200m below surface and dips steeply south west.

Most previous exploration of the Leonora Project has focused on the gold potential and aircore drilling defined two gold-anomalous zones. Holes in only two of the multiple traverses of aircore drilling were assayed for copper, zinc and lead. The hole nearest to and on the strike trend of the conductor (see Figure 10) is highly anomalous in copper, as it contains a 9m interval assaying 600ppm Cu within weathered and altered basalt compared to background values of 40 – 60 ppm Cu. The company is also very encouraged by the extensive alteration seen in remnant chips from this and adjacent holes. All

REVIEW OF OPERATIONS (Cont.)

VMS deposits ubiquitously have an alteration halo around the sulphide mineralisation.

The discovery of the large MLEM anomaly is an exciting development that has greatly enhanced the potential of the Leonora Project to host VMS-style massive copper-zinc deposits similar to the Jaguar and Bentley deposits.

The anomaly will be drill tested as soon as possible following completion of regulatory requirements.

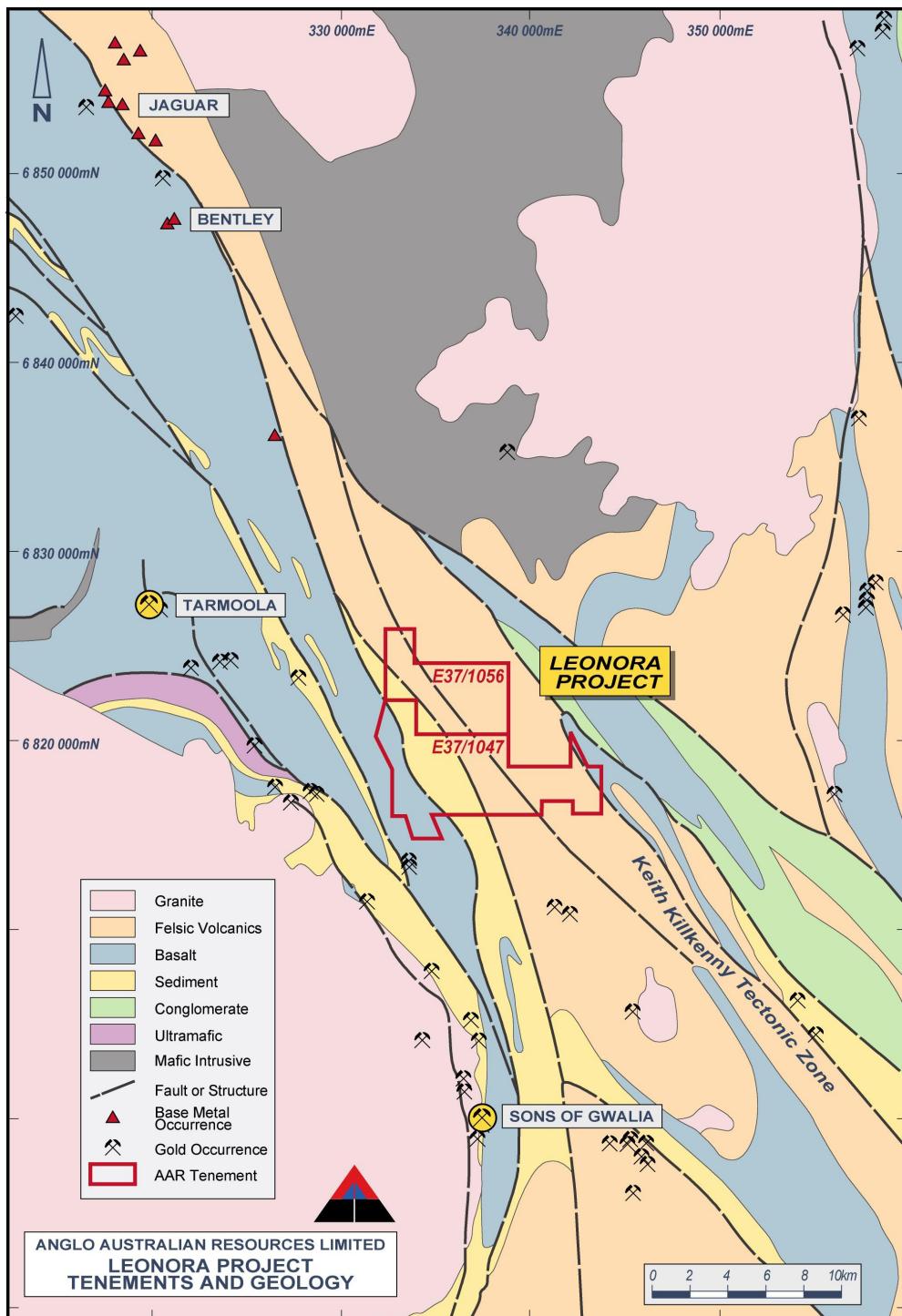


Figure 8. Leonora Geology and Project Location

REVIEW OF OPERATIONS (Cont.)

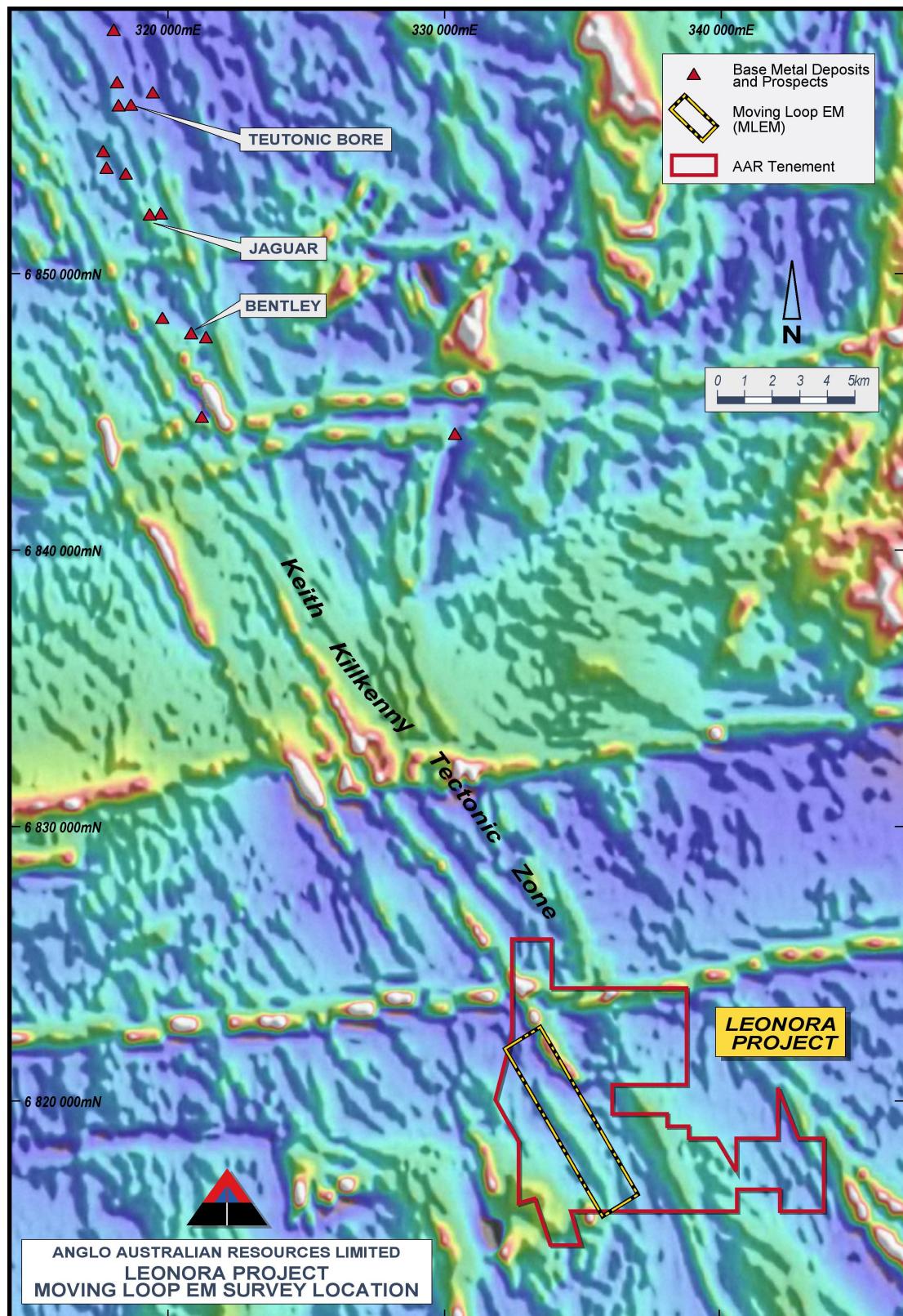


Figure 9. Leonora Project – Location of MLEM Survey

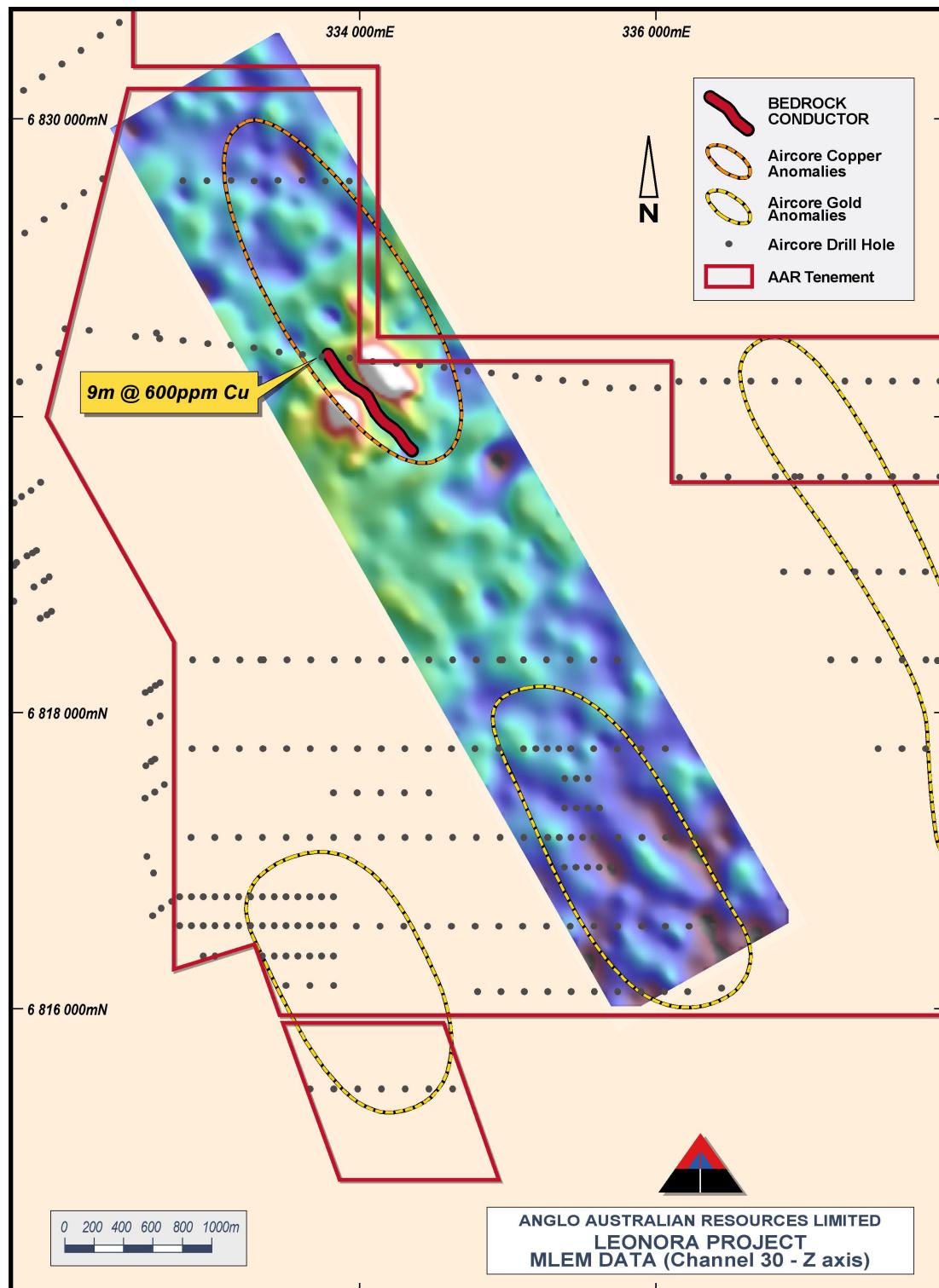


Figure 10. Leonora Project – MLEM Data (Channel 30 – Z axis)

REVIEW OF OPERATIONS (Cont.)

LAVERTON

Anglo Australian Resources NL 100%

This project, which is a new field for the Company, is located north east of the 1 million ounce Lancefield deposit. A review of historical data has highlighted two zones of mineralisation over a three kilometre shear zone. The company will focus on following up previous intersections of 14m @ 7.55g/t Au, 8m @ 4.02 g/t Au, 2m @ 15.12 g/t Au, 2m @ 12.72 g/t Au and 1m @ 29.4 g/t Au.

PETER KOMYSHAN
General Manager – Exploration

1st September 2011

SCHEDULE OF MINING TENEMENTS

As at 30 June 2011

Project	Tenement	Company Interest	Title Registered to
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Western Australia

Koongie Park	M80/276, 277 E80/3494, 3495 E80/4257, 4389 <i>ELA80/4503</i> P80/1597-1611	100%	Anglo Australian Resources NL
Feysville	M26/290-291 P26/3772-3776	100%	Anglo Australian Resources NL
Carnilya	M26/47-49 M26/453	100% gold rights only	* View Nickel Pty Ltd
Mandilla	M15/96 M15/633	100% gold rights only 100% gold rights only	* Australian Nickel Mines NL Anglo Australian Resources NL
Laverton	P38/3890-3892 E38/2485	100%	Anglo Australian Resources NL
Leonora	E37/1047, 1056 <i>ELA37/1114-5</i>	100%	Anglo Australian Resources NL

Northern Territory

Victoria River Downs	EL25422, EL25423, EL25728, EL27366, EL27934 <i>Pending:</i> <i>ELA25420, 25424,</i> <i>25729, 25730,</i> <i>26443, 26444, 27739,</i> <i>27740, 28753</i>	100%	Anglo Australian Resources NL
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* The Company's interest protected by legal agreement.

DIRECTORS' REPORT

The Directors present their report together with the financial report of Anglo Australian Resources NL ("the Company") for the year ended 30 June 2011 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
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Christopher Hugh Fyson – Non-Executive Chairman

Experience and expertise

Mr Fyson has been a director of the Company since December 1985 has 29 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 was State and National Director of the Professionals Real Estate Group for over 20 years and Chaired both Boards for five years each.

Other current directorships

None

Former directorships in last three years

None

Special responsibilities

Chairman of the Board

Kalgoorlie Board Director

Strategy and Planning 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 38 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

Cullen Resources Limited – Non-Executive Chairman

Hill End Gold NL – Non-Executive Chairman

Former directorships in last three years

Troy Resources Limited

BCD Resources NL

BCD Resources (Operations) NL

Special responsibilities

Exploration and Development Director

John Load Cecil Jones – Non-Executive Director

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 Kalgoorlie Mines NL and was a founding director of Jones Mining Limited.

Other current directorships

Troy Resources NL – Non-Executive Director

Former directorships in last three years

None

Special responsibilities

Exploration and Development Director

DIRECTORS' REPORT (Cont.)

Angus Claymore Pilmer – *Experience and expertise*
Executive Director 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	6	6
D.E. Clarke	6	6
C.H. Fyson	6	6
A.C. Pilmer	6	6

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.

DIRECTORS' REPORT (Cont.)

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

For the purpose of this report Key Management Personnel ("KPM") are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly, including any direct (whether executive or otherwise) of the Company, and included up to five executives receiving the highest remuneration. An Executive is a person who makes, or participates in making decisions that affect the whole, or a substantial part, of the business of the Company, or has the capacity to affect significantly the Company's financial standing.

Based on these definitions, the officers listed under Key Management Personnel below will be included in the report. The report will also provide an explanation of the Company's remuneration policy and structure, details of remuneration paid to Key Management, (including directors), an analysis of the relationship between company performance and executive remuneration payments, and the key terms of executive employment contracts.

2011 Key Management Personnel:

Non Executive

Christopher Hugh Fyson	Chairman
Denis Edmund Clarke	Non-executive director
John Load Cecil Jones	Non-executive director
Executive	
Angus Claymore Pilmer	Company Secretary, Executive Director
Peter Komyshan	General Manager - Exploration

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.

DIRECTORS' REPORT (Cont.)

Options

The Board annually assesses the granting of any options to employees and executive directors based on performance and according to the prevailing industry and market practices. No options were granted during the year.

Non-executive Directors

Total remuneration for all non-executive directors during the year was \$50,000. The maximum shareholder approved remuneration is \$200,000 per annum. Non-executive directors do not receive bonuses, nor have they been issued options on securities. Directors' fees cover all Board activities.

Relationship between Company performance and remuneration

The objective of the Company's remuneration structure is to reward and incentivize the directors and executives so as to ensure alignment with the interests of shareholders. The remuneration structure also seeks to reward directors and executives for their contribution in a manner that is appropriate for a company at this stage of its development. As outlined elsewhere in this Report, the remuneration structure incorporates fixed component and options.

The key drivers of value for the Company: the acquisition and progression of exploration properties to the point of commercial development or realization.

At this stage of the development of the Company, successful execution of the above drivers is the mechanism through which shareholder wealth will be created.

The only relevant financial measure at this point in the Company's development is share price for which history is presented below:

	2011	2010	2009	2008
Closing share price at 30 June	0.015	0.043	0.026	0.035

DIRECTORS' REPORT (Cont.)

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:

	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 \$	\$	%	%
2011								
Directors								
J L C Jones	17,500	-	-	-	-	17,500	-	-
D E Clarke	15,000	-	-	-	-	15,000	-	-
C H Fyson	17,500	-	-	-	-	17,500	-	-
A C Pilmer	15,000	-	-	-	-	15,000	-	-
	65,000	-	-	-	-	65,000	-	-
Executive								
P Komyshan General Manager- Exploration	152,756	-	-	49,940	-	202,696	-	-
Total	217,756	-	-	49,940		267,696	-	-
2010:								
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 General Manager - Exploration	145,080	-	-	49,800		194,880	-	-
Total	210,080	-	-	49,800		194,880	-	-

4.2.3 Options and rights over equity instruments granted as compensation

No options have been granted during the year ended 30 June 2011 and since the end of the financial year.

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					Financial years in which grant vests	Value yet to vest \$	
	Number	Date	% vested in year	% forfeited in year			Min	Max
Executive P Komyshan	3,000,000	13 Mar 2009	-	-		2008/09	Nil	Nil

DIRECTORS' REPORT (Cont.)

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 23 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

DIRECTORS' REPORT (Cont.)

- 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 consisted of the continued exploration of gold projects in the Eastern Goldfields Region of Western Australia and the continued exploration and evaluation of base metal projects in the Kimberley Region of Western Australia. 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 did not mine any and the Company did not process any ore. There was no revenue for this year however the Company continued with the business activities of exploration and evaluation of gold and base metals projects.

Shareholder Returns

The net loss of the Company for the financial year, after provision for income tax was \$710,953 (2010 net loss: \$775,571) as a result of the above activities.

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 16.

7. DIVIDENDS

No dividends have been paid by the Company during the financial year ended 30 June 2011, nor have the Directors recommended that any dividends be paid.

8. EVENTS SUBSEQUENT TO REPORTING DATE

In September 2011, the Company raised \$744,000, less costs of \$30,000, from issue of 62,000,000 shares at \$0.012 per share through a Shareholders Share Purchase Plan.

9. LIKELY DEVELOPMENTS

The Company intends to continue its exploration and evaluation programs on existing tenements and to acquire further suitable tenements for exploration.

DIRECTORS' REPORT (Cont.)

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	6,000,000	17,000,000
	<hr/>	<hr/>
	10,751,250	48,205,390
	<hr/>	<hr/>

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. 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
13 March 2012	\$0.03	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 report the Company does not have insurance in relation to Directors' and Officers' indemnity.

13. NON-AUDIT SERVICES

Details of amounts payable to the Auditor for non-audit services and audit services paid during the year are set out in Note 19.

14. LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration is set out on page 26 and forms part of the directors' report for the financial year ended 30 June 2011.

Signed in accordance with a resolution of the Directors.



C H FYSON FAICD
Chairman

Dated at Perth this 29th day of September 2011.



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 2011 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

B + St

Brent Steedman

Partner

Perth

29 September 2011

KPMG, an Australian partnership and a member firm of the KPMG network
of independent member firms affiliated with KPMG International, a Swiss cooperative.

STATEMENT OF FINANCIAL POSITION
As at 30 June 2011

	Note	2011 \$	2010 \$
Assets			
Cash and cash equivalents	17(i)	6,962	56,782
Other receivables	7	347,311	521,925
Total Current Assets		<u>354,273</u>	<u>578,707</u>
Property, plant & equipment	8	39,735	64,900
Exploration and evaluation assets	9	11,508,307	9,951,571
Total Non-Current Assets		<u>11,548,042</u>	<u>10,016,471</u>
Total Assets		<u>11,902,315</u>	<u>10,595,178</u>
Liabilities			
Trade and other payables	10	546,234	809,548
Employee benefits	11	7,500	7,500
Rehabilitation provision	12	24,403	25,832
Total Current Liabilities		<u>578,137</u>	<u>842,880</u>
Total Liabilities		<u>578,137</u>	<u>842,880</u>
Net Assets		<u>11,324,178</u>	<u>9,752,298</u>
Equity			
Issued capital	13	25,408,556	23,125,723
Accumulated losses		(14,084,378)	(13,373,425)
Total equity attributable to the equity holders of the Company		<u>11,324,178</u>	<u>9,752,298</u>

The above Statement of Financial Position is to be read in conjunction with the accompanying notes.

STATEMENT OF COMPREHENSIVE INCOME
For the Year Ended 30 June 2011

	Note	2011 \$	2010 \$
Other income		8,605	265,308
Exploration expenditure written off	9	(100,877)	(446,361)
Directors' fees		(65,000)	(65,000)
Depreciation and amortisation expenses	8	(30,114)	(32,020)
Employee benefits expense		(257,688)	(254,203)
Rental expense		(90,423)	(80,296)
Other expenses		(500,287)	(482,687)
Exploration allocation		291,450	271,647
Results from operating activities		(744,334)	(823,612)
Finance income - interest		33,381	48,041
Loss before tax		(710,953)	(775,571)
Income tax expense	15	-	-
Loss for the year		(710,953)	(775,571)
Total comprehensive loss for the year attributable to equity holders of the Company		(710,953)	(775,571)
(Loss)/Earnings per share:			
Basic (loss)/earnings per share	16(i)	(0.13 cents)	(0.15 cents)
Diluted (loss)/earnings per share	16(ii)	(0.13 cents)	(0.15 cents)

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

STATEMENT OF CHANGES IN EQUITY
For the Year Ended 30 June 2011

	Issued Capital \$	Accumulated losses \$	Total Equity \$
Opening Balance at 1 July 2009	23,125,723	(12,597,854)	10,527,869
Total comprehensive loss for the period			
Loss for the period	-	(775,571)	(775,571)
Total other comprehensive loss	-	-	-
Total comprehensive loss for the period	-	(775,571)	(775,571)
Transactions with owners, recorded directly in equity			
Contributions by and distributions to owners			
Share-based payments (net of tax)	-	-	-
Total contributions by and distributions to owners	-	-	-
Total transactions with owners	-	-	-
Closing balance at 30 June 2010	23,125,723	(13,373,425)	9,752,298
Opening Balance at 1 July 2010	23,125,723	(13,373,425)	9,752,298
Total comprehensive loss for the period			
Loss for the period	-	(710,953)	(710,953)
Total other comprehensive loss	-	-	-
Total comprehensive loss for the period	-	(710,953)	(710,953)
Transactions with owners, recorded directly in equity			
Issue of ordinary shares	2,282,833	-	2,282,833
Total contributions by and distributions to owners	2,282,833	-	2,282,833
Closing balance at 30 June 2011	25,408,556	(14,084,378)	11,324,178

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

STATEMENT OF CASH FLOWS
For the Year Ended 30 June 2011

	Note	2011	2010
		\$	\$
Cash Flows from Operating Activities			
Cash payments to suppliers and employees		(1,110,616)	(489,770)
GST refund		7,299	2,218
Environmental bond received		117,000	-
Net cash (used in)/from operating activities	17(ii)	(986,317)	(487,552)
Cash Flows from Investing Activities			
Interest received		33,381	48,041
Exploration and evaluation expenditure incurred		(1,374,767)	(1,878,096)
Payments for property plant & equipment		(4,950)	(16,366)
Net cash used in investing activities		(1,346,336)	(1,846,421)
Cash Flows from Financing Activities			
Proceeds from Issue of Shares (net of costs)		2,282,833	-
Net cash from financing activities		2,282,833	-
Net (decrease)/increase in cash and cash equivalent		(49,820)	(2,333,973)
Cash and cash equivalents at 1 July		56,782	2,390,755
Cash and cash equivalents at 30 June	17(i)	6,692	56,782

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2011

1. REPORTING ENTITY

Anglo Australian Resources NL (the “Company”) is a company domiciled in Australia. The address of the Company’s registered office is Ground Floor, 63 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) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The financial report also complies with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB).

The financial reports were approved by the Board of Directors on 29 September 2011.

(b) Basis of measurement

The financial reports have been prepared on the historical cost basis, except for share based payments measured at fair value.

(c) Functional and presentation currency

These financial reports are presented in Australian dollars, which is the Company’s functional currency.

(d) Use of estimates and judgements

The preparation of financial reports in conformity with AASBs 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 expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions in accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

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.

(iii) Impairment of exploration and evaluation assets

The ultimate recouping of the value of exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale, of the underlying mineral exploration properties. The Company undertakes at least on an annual basis, a comprehensive review for indicators of impairment of these assets. There is significant estimation and judgement in determining the inputs and assumptions used in determining the recoverable amounts.

The key areas of estimation and judgement that are considered in this include:

- recent drilling results and reserves
- environmental issues that may impact the underlying tenements
- the estimated market value of assets at the review date
- independent valuations of underlying assets that may be available
- fundamental economic factors such as gold price, exchange rates and current and anticipated operating costs in the industry
- the Company’s market capitalisation compared to its net assets

Information used in the review process is rigorously tested to externally available information as appropriate.

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

For the Year Ended 30 June 2011

(iv) Going concern

A key assumption underlying the preparation of the financial statements is that the Company will continue as a going concern.

A Company is a going concern when it is considered to be able to pay its debts as and when they are due, and to continue in operation without any intention or necessity to liquidate or otherwise wind up its operations. A significant amount of judgment has been required in assessing whether the entity is a going concern as set out in Note 3.

3. GOING CONCERN

The financial report has been prepared on the going concern basis that contemplates the continuity of normal business activities and the realisation and extinguishment of liabilities in the ordinary course of business. For the year ended 30 June 2011 the Company incurred a loss of \$710,953 and a net working capital deficit of \$223,864.

The Company has completed capital raisings of \$744,000 less costs of \$30,000, on 22 September 2011 to continue the evaluation of its current projects and to provide interim working capital.

The Company will require further funding in order to meet day-to-day obligations as they fall due and to progress its exploration and evaluation projects as budgeted. The Company has a history of successful capital raisings to fund exploration. The Board of Directors is aware, having prepared a cash flow budget, of the Company's working capital requirements and the need to access additional funding. As at the date of signing this financial report, the Company's cash balance totalled approximately \$200,000 necessitating a new capital raising within the next 2 to 3 months. The ability of the Company to continue funding its exploration activities is dependent on the Company securing further working capital by the issue of additional equity. The Directors are currently reviewing the Company's funding needs with the intention to raise further equity; however no firm commitments exist at this time.

The Board of Directors have reviewed the business outlook and is of the opinion that the use of the going concern basis of accounting is appropriate as they believe the Company will achieve the matters set out above. Should the Company be unsuccessful in raising equity, there is material uncertainty which may cast significant doubt as to whether the Company will continue as a going concern and therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

4. 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 e).

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. The carrying amount of the replaced part is derecognised. All other costs are recognised in the statement of comprehensive income 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.

NOTES TO THE FINANCIAL STATEMENTS (Cont.)
For the Year Ended 30 June 2011

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 statement of comprehensive income.

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

	2011	2010
Plant and equipment	13% to 40%	13% to 40%
Office furniture and fittings	20%	20%
Motor vehicle	22.5%	22.5%

(iv) Amortisation

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

(b) Exploration and Evaluation Expenditure

Exploration and evaluation costs, including the costs of acquiring licences and directors and managements time 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 Company 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 e). 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) Cash and Cash Equivalents

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

(d) Other Receivables

Other receivables are subsequently measured at their amortised cost less impairment losses (see accounting policy e).

NOTES TO THE FINANCIAL STATEMENTS (Cont.)
For the Year Ended 30 June 2011

(e) 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.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial 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. For the purpose of impairment testing, assets that cannot be tested individually 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"). Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (group of units) on a *pro rata* basis.

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

(f) 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.

(g) 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.

NOTES TO THE FINANCIAL STATEMENTS (Cont.)
For the Year Ended 30 June 2011

(g) Employee Benefits (Cont.)

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 statement of comprehensive income as incurred.

(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.

(h) 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 provision results in a decrease in the provision that exceeds the carrying amount of the asset, the asset is written-down to nil and the excess is recognised immediately in the statement of comprehensive income. If the change in the provision 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 statement of comprehensive income in the period in which it occurs.

(i) Trade and Other Payables

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

NOTES TO THE FINANCIAL STATEMENTS (Cont.)
For the Year Ended 30 June 2011

(j) Finance income

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

(k) Taxation

Income tax on the statement of comprehensive income 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.

(l) 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.

(m) 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.

(n) Determination and presentation of operating segments

The Company determines and presents operating segments based on the information that internally is provided to the CEO, who is the Company's chief operating decision maker.

NOTES TO THE FINANCIAL STATEMENTS (Cont.)
For the Year Ended 30 June 2011

(n) Determination and presentation of operating segments (Cont.)

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses. An operating segment's operating results are reviewed regularly by the CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated at a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

(o) New standards and Interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2011, but have not been applied in preparing this financial report.

- AASB 9 *Financial Instruments* includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 *Financial Instruments: Recognition and Measurement*.

AASB 9 will become mandatory for the Company's 30 June 2014 financial statements. Retrospective application is generally required, although there are exceptions, particularly if the entity adopts the standard for the year ended 30 June 2012 or earlier. The Company has not yet determined the potential effect of the standard.

- AASB 124 *Related Party Disclosures* (revised December 2009) simplifies and clarifies the intended meaning of the definition of a related party and provides a partial exemption from the disclosure requirements for government-related entities. The amendments, which will become mandatory for Company's 30 June 2012 financial statements, are not expected to have any impact on the financial statements.
- AASB 2009-5 *Further amendments to Australian Accounting Standards arising from the Annual Improvements Process* affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the Company's 30 June 2012 financial statements, are not expected to have a significant impact on the financial statements.

5. DETERMINATION OF FAIR VALUES

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and /or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Other receivables

The fair value of other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS (Cont.) **For the Year Ended 30 June 2011**

6. 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. Further quantitative disclosures are included throughout this financial report.

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.

Other receivables

The Company has established an allowance for impairment that represents their estimate of incurred losses in respect of other receivables. 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.

Cash

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

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.

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

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 Directors acknowledge that due to a delay in raising capital as at 30 June 2011 the policy of having significant funds on hand was not met until receipt of equity funds of \$744,000 on 27 September 2011.

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, commodity prices 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 on cash balances.

NOTES TO THE FINANCIAL STATEMENTS (Cont.)
For the Year Ended 30 June 2011

6. FINANCIAL RISK MANAGEMENT (Cont.)

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.

Capital Management

Management controls the capital of the Company in order to ensure that it can fund its operations and continue as a going concern in conjunction with the continual assessment as to the underlying market value of its exploration and development projects. The Company has no external debt other than disclosed in the financial statements and there are no externally imposed capital requirements.

Management effectively manages the Company's capital by assessing its financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include share issues. There have been no changes in the strategy adopted by management since the prior year.

	2011	2010
	\$	\$
7. OTHER RECEIVABLES		
Current		
Security deposit – environmental bonds	232,000	324,000
Security deposit – leased premises	34,645	25,000
Other receivables	80,666	172,925
	<hr/>	<hr/>
	347,311	521,925
	<hr/>	<hr/>

8. PROPERTY, PLANT & EQUIPMENT

Plant & equipment – at cost	143,017	143,017
Accumulated depreciation	(119,094)	(91,769)
	<hr/>	<hr/>
	23,923	51,248
	<hr/>	<hr/>
Office furniture & fittings – at cost	32,875	27,925
Accumulated depreciation	(23,433)	(22,493)
	<hr/>	<hr/>
	9,442	5,432
	<hr/>	<hr/>
Motor vehicle – at cost	44,459	44,459
Accumulated depreciation	(38,089)	(36,240)
	<hr/>	<hr/>
	6,370	8,219
	<hr/>	<hr/>
Total property, plant & equipment	39,735	64,900
	<hr/>	<hr/>

Reconciliations

Plant & Equipment		
Balance at 1 July	51,248	63,972
Additions	-	16,360
Depreciation	(27,325)	(29,084)
	<hr/>	<hr/>
Balance at 30 June	23,923	51,248
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS (Cont.)
For the Year Ended 30 June 2010

8. PROPERTY, PLANT & EQUIPMENT (Cont.)

Office Furniture & Fittings		
Balance at 1 July	5,432	6,608
Additions	4,950	-
Depreciation	(940)	(1,176)
<hr/>	<hr/>	<hr/>
Balance at 30 June	9,442	5,432
<hr/>	<hr/>	<hr/>

	2011	2010
	\$	\$
Motor Vehicle		
Balance at 1 July	8,219	10,605
Additions	-	-
Depreciation	(1,849)	(2,386)
<hr/>	<hr/>	<hr/>
Balance at 30 June	6,370	8,219
<hr/>	<hr/>	<hr/>

9. EXPLORATION AND EVALUATION ASSETS

Deferred exploration and evaluation assets		
Balance at 1 July	9,951,571	8,245,186
Add:		
Expenditure during the year	1,657,613	2,152,746
<hr/>	<hr/>	<hr/>
	11,609,184	10,397,932
<hr/>	<hr/>	<hr/>
Amounts impaired during the year	(100,877)	(446,361)
<hr/>	<hr/>	<hr/>
Balance at 30 June	11,508,307	9,951,571
<hr/>	<hr/>	<hr/>

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.

10. TRADE AND OTHER PAYABLES

Current		
Trade payables and accrued operating expenses	546,234	809,548
<hr/>	<hr/>	<hr/>

11. EMPLOYEE BENEFITS

Current		
Annual leave	7,500	7,500
<hr/>	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS (Cont.)
For the Year Ended 30 June 2011

12. REHABILITATION PROVISION

A provision has been made to cover costs of rehabilitating the Company's West Mandilla mine. The rehabilitation work is expected to be completed during the 2012 financial year.

	2011 \$	2010 \$
Balance at 1 July	25,832	85,000
Provisions made during the year	-	-
Provisions used during the year	(1,429)	(59,168)
	<hr/>	<hr/>
Balance at 30 June 2010	24,403	25,832
	<hr/>	<hr/>

13. ISSUED CAPITAL

Issued and Paid Up Capital

568,268,000 ordinary shares fully paid	25,408,556	23,125,723
(2010 – 501,068,000 ordinary shares fully paid)	<hr/>	<hr/>

Share movements during the year	<i>Issue Price</i>	2011	2010
At beginning of year		501,068,000	501,068,000
Placement - 5 July 2010	\$0.04	17,500,000	-
Placement - 15 September 2010	\$0.035	43,700,000	-
Placements - 8 October 2010	\$0.035	6,000,000	-
		<hr/>	<hr/>
At the end of the year		568,268,000	501,068,000

The Company does not have authorized capital or par value in respect of its issued shares.

14. SHARE BASED PAYMENTS

Unlisted Options

Options over ordinary shares of the Company have been issued for nil consideration. The options cannot be transferred and will not be quoted on the ASX. Therefore no voting rights are attached to the options unless converted into ordinary shares. All options are granted at the discretion of the directors.

NOTES TO THE FINANCIAL STATEMENTS (Cont.)
For the Year Ended 30 June 2011

14. SHARE BASED PAYMENTS (Cont.)

The terms and conditions of the grants are as follows:

Grant date	Vesting date	Number of instruments	Vesting conditions	Contractual life of options
13 March 2009	13 March 2009	3,000,000	Immediately	3 years

The number and weighted average exercise prices of share options are as follows:

	Weighted average exercise price 2011	Number of options 2011	Weighted average exercise price 2010	Number of options 2010
Outstanding at 1 July	3 cents	3,000,000	4.5 cents	6,000,000
Forfeited during period	-	-	6 cents	3,000,000
Exercised during period	-	-	-	-
Granted during the period	-	-	-	-
Outstanding at 30 June	3 cents	<u>3,000,000</u>	3 cents	<u>3,000,000</u>
Exercisable at 30 June	3 cents	<u>3,000,000</u>	3 cents	<u>3,000,000</u>

The options outstanding at 30 June 2011 have an exercise price of 3 cents. The remaining contractual life of these options is 1 year.

The value of options is recognised as employee expenses immediately on grant date. All outstanding options remain unexercised at 30 June 2011.

15. TAXATION

	2011	2010
	\$	\$
Current tax expense	-	-
Deferred tax expense	-	-
(a) Numerical reconciliation between tax expense and pre tax accounting profit		
(Loss)/profit before tax	(710,953)	(775,571)
Income tax using the corporate tax rate of 30% (2010: 30%)	(213,286)	(232,671)
Equity settled transactions	-	-
Current year losses for which no deferred tax asset was recognised	213,286	232,671
Income tax expense	-	-

NOTES TO THE FINANCIAL STATEMENTS (Cont.)
For the Year Ended 30 June 2011

15. TAXATION (Cont.)

(b) Unrecognised Deferred Tax Assets

Tax losses	5,168,677	4,955,391
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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.

16. LOSS PER SHARE

(i) Basic loss per share

Net loss attributable to ordinary shareholders	(\$710,953)	(\$775,571)
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2011	2010
Number of Shares	Number of Shares

Weighted average number of ordinary shares

Issued ordinary shares at 1 July	501,068,000	501,068,000
----------------------------------	-------------	-------------

Weighted average number of shares issued during the period	56,097,534	-
Total weighted average number of shares	557,165,534	501,068,000

Basic (loss)/earnings per share	(0.13 cents)	(0.15 cents)
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(ii) Diluted earnings per share

Net (loss)/profit attributable to ordinary shareholders (diluted)	(\$710,953)	(\$775,571)
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Weighted average number ordinary shares (basic)	557,165,534	501,068,000
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Effect of options	-	-
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Weighted average number of ordinary shares (diluted) at 30 June	557,165,534	501,068,000
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Diluted (loss)/earnings per share	(0.13 cents)	(0.15 cents)
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NOTES TO THE FINANCIAL STATEMENTS (Cont.)
For the Year Ended 30 June 2011

17. NOTES TO THE STATEMENT OF CASH FLOWS

(i) Reconciliation of Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, cash and cash equivalents includes cash on hand and at bank and short term deposits. Cash and cash equivalents as at the end of the financial year, as shown in the Statement of Cash Flows is reconciled to the related items in the balance sheet as follows:

	2011 \$	2010 \$
Cash on hand	200	200
Short term deposits	1,101	21,078
Cash at bank	5,661	35,505
	<hr/>	<hr/>
	6,962	56,783
	<hr/>	<hr/>

(ii) Reconciliation of cash flows from operating activities

(Loss)/Profit for the period after income tax	(710,953)	(775,571)
Adjustments for:		
Depreciation	30,115	32,020
Equity-settled share-based payments	-	-
Exploration expenditure written off	100,877	446,361
Interest received	(33,381)	(48,041)
Exploration allocation	(291,450)	(271,649)
Other income	8,605	(263,090)
	<hr/>	<hr/>
Operating profit/(loss) before changes in working capital and provisions	(896,187)	(879,970)
	<hr/>	<hr/>
Change in other receivables	174,613	(106,333)
Change in trade and other payables	(263,314)	557,918
Change in provisions	(1,429)	(59,168)
	<hr/>	<hr/>
Net cash provided by/(used in) operating activities	(986,317)	(487,553)
	<hr/>	<hr/>

18. AUDITOR'S REMUNERATION

	2011 \$	2010 \$
Auditor's services		
Audit and review of financial reports (KPMG Australia)	57,900	51,100
	<hr/>	<hr/>
Other services		
Accounting assistance	17,000	17,000
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS (Cont.)
For the Year Ended 30 June 2011

19. 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 \$783,760 (2010: \$677,320). 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 than five years the total obligations are approximately \$3,135,040 (2010: \$2,709,280) and for later than five years the total obligations are NIL (2010: \$NIL).

Operating Leases

Non-cancellable operating lease rentals are payable as follows:

	2011	2010
Less than one year	32,465	79,973
Between one and five years	-	20,262
More than five years	-	-
	<hr/> <hr/> 32,465	<hr/> <hr/> 100,235

The Company leases business office premises under non-cancellable operating leases, expiring in the 2012 financial year.

20. FINANCIAL REPORTING BY SEGMENT

The Company has identified its operating segments based on the internal reports that are reviewed by the Board in assessing performance and determining the allocation of resources. The Company has also had regard to the qualitative thresholds for the determination of operating segments.

For management purposes the Company is organised into one operating segment, which involves mining exploration and mining throughout Australia. The Company's principal activities are interrelated, and the Company has no revenue from operations. Furthermore the Company has no assets or liabilities arising from operations based outside of Australia.

All significant operation decisions are based upon analysis of the Company as one segment. The financial results from this segment are equivalent to the financial statements of the Company as a whole.

The accounting policies applied for internal reporting purposes are consistent with those applied in preparation of the financial statements.

21. FINANCIAL INSTRUMENTS

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		
	Note	2011	2010
Other Receivables	7	347,311	521,925
Cash and cash equivalents	17(i)	<hr/> 6,692	<hr/> 56,782
		<hr/> 354,003	<hr/> 578,707

NOTES TO THE FINANCIAL STATEMENTS (Cont.)
For the Year Ended 30 June 2011

21. FINANCIAL INSTRUMENTS (Cont.)

None of the Company's other receivables are past due (2010: nil).

Liquidity Risk

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

<i>30 June 2011</i> <i>Non-derivative financial liabilities</i>	Carrying amount	Contractual cash flows	6 mths or less
Trade and other payables	546,234	546,234	546,234
<hr/>			
<i>30 June 2010</i> <i>Non-derivative financial liabilities</i>	Carrying amount	Contractual cash flows	6 mths or less
Trade and other payables	809,548	809,548	809,548

Currency risk

The Company is not exposed to foreign currency risk.

Interest rate risk

At the reporting date the interest rate profile of the Company's interest bearing financial instruments was:

	Weighted average interest rate	Floating interest rate	Fixed interest rate 6 months or less	Total
2011				
Financial Assets				
Cash and cash equivalents	0.10%	6,962	-	6,962
Security deposit – environmental bonds	6.00%	-	184,000	184,000
		6,962	184,000	190,962
2010				
Financial Assets				
Cash and cash equivalents	1.78%	56,783	-	56,783
Security deposit – environmental bonds	6.00%	-	349,000	349,000
		56,783	349,000	405,783

Fair values

The fair values of financial assets and liabilities of the Company at the balance date approximate the carrying amounts in the financial statements, except where specifically stated.

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.

NOTES TO THE FINANCIAL STATEMENTS (Cont.)
For the Year Ended 30 June 2011

21. FINANCIAL INSTRUMENTS (Cont.)

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. This analysis assumes that all other variables.

	Profit or loss		Equity	
	100bp increase	100bp decrease	100bp increase	100bp decrease
30 June 2011				
Variable rate instruments	70	(70)	70	(70)
Cash flow sensitivity (net)	70	(70)	70	70
30 June 2010				
Variable rate instruments	568	(568)	568	(568)
Cash flow sensitivity (net)	568	(568)	568	(568)

Fair values

Fair values versus carrying amounts

The fair values of financial assets and liabilities are the same as the carrying value.

22. 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

Christopher Hugh Fyson – Chairman
Denis Edmund Clarke
John Load Cecil Jones

Executive directors

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:

	2011	2010
	\$	\$
Short-term employee benefits	217,756	210,080
Post employment benefits	49,940	55,650
Share based payment	-	-
	267,696	265,730

Out of the total compensation, an amount of \$241,000 (2010: \$223,000) was capitalised to exploration and evaluation assets.

NOTES TO THE FINANCIAL STATEMENTS (Cont.)
For the Year Ended 30 June 2011

22. RELATED PARTIES (Contd.)

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 19 to 21. Apart from the details disclosed in this note, no director has entered into a material contract with the Company since the end of the previous financial year and there were no material contracts involving directors' interests existing at year end.

Other key management personnel transactions with Directors and Director-related entities

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

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

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

Related Parties	Transaction	Transactions value year ended 30 June		Balance outstanding as at 30 June	
		2011 \$	2010 \$	2011 \$	2010 \$
J L C Jones – Westbury					
Management Services Pty Ltd	Storage	2,716	4,493	255	209
A C Pilmer – A C Pilmer & Co	Administration, accounting and secretarial services and provision of administration offices	164,075	132,760	46,781	13,125

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

2011

	Balance at 1.7.10	Granted as Remuneration	Received on Exercise of Options	Net Other Change *	Balance at 30.6.11
	No.	No.	No.	No.	No.
<i>Directors</i>					
J L C Jones	13,546,741	-	-	-	13,546,741
D E Clarke	3,710,000	-	-	-	3,710,000
C H Fyson	18,699,899	-	-	-	18,699,899
A C Pilmer	23,000,000	-	-	-	23,000,000
<i>Executive</i>					
P Komyshan	1,385,000	-	-	-	1,385,000

NOTES TO THE FINANCIAL STATEMENTS (Cont.)
For the Year Ended 30 June 2011

22. RELATED PARTIES (Contd.)

2010

	Balance at 1.7.09	Granted as Remuneration	Received on Exercise of Options	Net Other Change *	Balance at 30.6.10
	No.	No.	No.	No.	No.
<i>Directors</i>					
J L C Jones	13,546,741	-	-	-	13,546,741
D E Clarke	3,710,000	-	-	-	3,710,000
C H Fyson	18,699,899	-	-	-	18,699,899
A C Pilmer	23,000,000	-	-	-	23,000,000
<i>Executive</i>					
P Komyshan	1,385,000	-	-	-	1,385,000

* 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:

	Held at July 2010 No.	Granted as compensation No.	Expired	Held at 30 June 2011 No.	Vested during the year No.	Vested and exercisable at 30 June 2011 No.
<i>Executive</i>						
P Komyshan	3,000,000	-	-	3,000,000	-	3,000,000
<i>Executive</i>						
P Komyshan	6,000,000	-	(3,000,000)	3,000,000	-	3,000,000

23. SUBSEQUENT EVENTS

In September 2011, the Company raised \$744,000, less costs of \$30,000, through an allotment of 62,000,000 shares at \$0.012 per share, through a Shareholders Share Purchase Plan.

DIRECTORS' DECLARATION

1. In the opinion of the directors of Anglo Australian Resources NL
 - a) The financial statements and notes, and the Remuneration Report in the Directors' Report, set out on pages 21 to 22 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 directors draw attention to Note 2(a) to the financial statements, which includes a statement of compliance with International Reporting Standards;
 - c) as set out in Note 3, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Company Secretary (who performs the Chief Executive Officer's and Chief Financial Officer's function) for the financial year ended 30 June 2011.

Signed in accordance with a resolution of directors:



C H FYSON FAICD
Chairman

Dated at Perth this 29th day of September 2011



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 statement of financial position as at 30 June 2011, and statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and accompanying notes, comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Company.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Company comply 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 of the financial report that gives a true and fair view 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, a true and fair 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.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.



Auditor's opinion

In our opinion:

(a) the financial report of the Company 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 2011 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a).

Material uncertainty regarding continuation as a going concern

Without qualifying our opinion, we draw attention to note 3 in the financial statements which describes a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

Report on the remuneration report

We have audited the remuneration report included in section 4.2. of the directors' report for the year ended 30 June 2011. 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 2011, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

B + St

Brent Steedman
Partner

Perth

29 September 2011