

28 April 2006

Companies Officer
Australian Stock Exchange
2 The Esplanade
PERTH WA 6000

Dear Sir

ANGLO AUSTRALIAN RESOURCES N L
REPORT ON ACTIVITIES FOR THE QUARTER ENDED
31 MARCH 2006

HIGHLIGHTS

MAJOR PROJECTS

- **Mandilla** gold project - mining will commence at the project near Kambalda, Western Australia during the June quarter. Record gold prices ensure excellent profitability. Development funding is in place following recent successful capital raisings.
- **Koongie Park** copper-zinc deposit – Copper and Zinc prices rise 50% since the release of the last Quarterly Report in January. Prices have quadrupled since 2003. Record prices push the development economics of the wholly owned Koongie Park deposit near Halls Creek in the Kimberley District of Western Australia to previously inconceivably positive heights. A review of development options has been completed and drilling to collect critical geotechnical and metallurgical data is to commence as soon as possible.

CORPORATE

- Exploration expenditure totalled \$209,093.
- Share Placement to raise \$1 million completed.

CORPORATE

The Company, in February 2006, completed a placement of 40,000,000 shares at 2.5c each fully paid to clients of Bell Potter Securities Limited, pursuant to shareholders' approval given at the November 2005 AGM, which raised \$1,000,000 (subject to costs of \$52,500).

The Company, in March 2006, issued an invitation to shareholders to participate in a Shareholders' Share Purchase Plan at 2.5c a share fully paid.

MAJOR PROJECTS

MANDILLA PROJECT-WA

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

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

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

The Company has made a Decision to Mine the Mandilla deposit. Development finance has recently been put in place via successful capital raisings. Mr Greg Robinson has been appointed as mine manager to oversee the project. Mining and milling contracts have now been finalised and major contractors appointed. Site surveys have now been completed and mining is anticipated to commence during the June quarter. The deposit will be mined over nine months with the first ore being delivered to a custom mill in the third month.

The current exceptionally high gold price ensures robust economics for the development.

An 1000m RC drilling program is planned for the June quarter to test bedrock gold targets adjacent to the palaeochannel deposit. Targets include the previously discovered Selene and East Mandilla mineralised zones described in earlier Quarterly Reports. At East Mandilla a new model has been developed which has highlighted the potential for an open pittable deposit. The model, based on an examination of diamond drill core and re-evaluation of drilling cross sections and long sections, indicates potential for several very shallow south-dipping lodes. These form an initial target of about 130,000t @ 6g/t Au for a total of 25,000 ounces (to 60m below surface). Preliminary studies indicate that a deposit of this type would be highly profitable at the current gold price, if mined by a shallow open pit.

KOONGIE PARK PROJECT - WA

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

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

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

Lachlan Resources NL estimated mineralisation at **Sandiego** as:-

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

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

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

These estimates were based on diamond and RC drill holes spaced at 40 x 40m. Careful cross sectional methodology was used by competent geologists. It is anticipated that following a careful review of the geological models and minor confirmation drilling, these estimates will be converted to Inferred Resources of similar magnitude. **Potential exists to extend the zones of mineralisation as shown on long sections of Sandiego (Figure 1) and Onedin (Figure 2).**

In its December 2005 Quarterly Report Anglo Australian Resources first highlighted the high potential value of the Koongie Park asset by reference to a pre-feasibility type study completed in 2003. The phenomenal rise in commodity prices since then is illustrated in the table below:

	Price (US\$/t) 2003	Price (US\$/t) 27/1/2006	Price (US\$/t) 27/4/2006
Copper	1,725	4,877	7,461
Zinc	850	2,250	3,385

Prices for both copper and zinc have quadrupled since 2003. Prices have risen 50% since the release of the last Quarterly Report.

As modelled in the 2003 pre-feasibility study, capital and operating costs totalled A\$175 million and projected revenue at then existing commodity prices was only A\$155 million. At current prices, using the same model, revenues would be approximately A\$600 indicating the profound change in the development economics and the substantial increase in value of the asset.

During March quarter Anglo Australian Resources N L commissioned Rupert Crowe of CSA Australia Pty Ltd to undertake a review of options available for moving the project forward rapidly. CSA has a 22 year history of exploration and development of base-metal projects both internationally and in Australia. CSA concluded that there were multiple options available for progressing development of the project. A key recommendation was that the Company undertake a drilling program prior to commencement of a feasibility study. The diamond drilling would (1) Confirm the geological models for both deposits (2) Provide material for metallurgical testwork (3) Provide geotechnical information, and (4) refine resource estimates.

Subject to drill availability, the drilling programme will commence as soon as possible.

The Company believes that the potential value of the Koongie Park asset is largely unrecognised by investors, given the current market capitalisation of the Company.

OTHER PROJECTS

FEYSVILLE PROJECT –WA

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

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

Exploration in December quarter tested three ground EM anomalies with four RC holes totalling 492m. A copper rich zone (8m @2.87% Cu, 26.5g/t Au and 0.31g/t Au) was intersected at the Michelangelo Prospect (Anomaly J) while off hole conductors were recorded at Anomaly A and the Raphael Anomaly. A final report of the down hole EM is awaited from contractor Southern Geoscience prior to follow-up drilling.

BARLOWEERIE - WA

Exploration Licence 51/1015

100% interest

This exploration licence of 98sq km, located 50km west of Meekatharra and 70km north northeast of Big Bell, covers approximately 33 km of the extension of the Big Bell Shear. Discussions with native title claimants have been completed and the tenement has now been granted. A program of geological mapping and soil geochemistry is planned for the June Quarter.

DALGARANGA PROJECT - WA

Exploration Licence Applications 59/1107, 59/1127, 59/1204

Prospecting Licences P59/1625-30, P59/1643-5

The project, located 60 km northwest of Mt Magnet and 60 km southwest of Big Bell, covers 350 sq km of the Dalgaranga greenstone belt and portion of the adjacent Warda Warra greenstone belt. The northern and southern strike extensions of the structure that hosts the Gibleys (Dalgaranga) gold deposit are also covered. Until recently, Gibleys was successfully mined by the Equigold NL / WRF Securities Ltd joint venture. Discussions with native title claimants have been completed and two of the three exploration licences have now been granted.

Yours faithfully

John L. C. Jones
Chairman

Attribution

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

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

Ore resource information in relation to the Mandilla Project has been compiled by Andrew Bewsher an independent consultant from BM Geological Services, based on work by Peter Komyshan and a pit design by Bill Holly of Holly Mining Ltd. Andrew Bewsher is a member of the Australian Institute of Geoscientists and Bill Holly is a Member of the Australasian Institute of Mining and Metallurgy and both have more than five years relevant experience in relation to the mineralisation being reported on as to qualify as a Competent Persons as defined by the *Australasian Code for Reporting Identified Mineral Resources and Ore Reserves*

Figure 1 - San Diego Long Section (1000E)

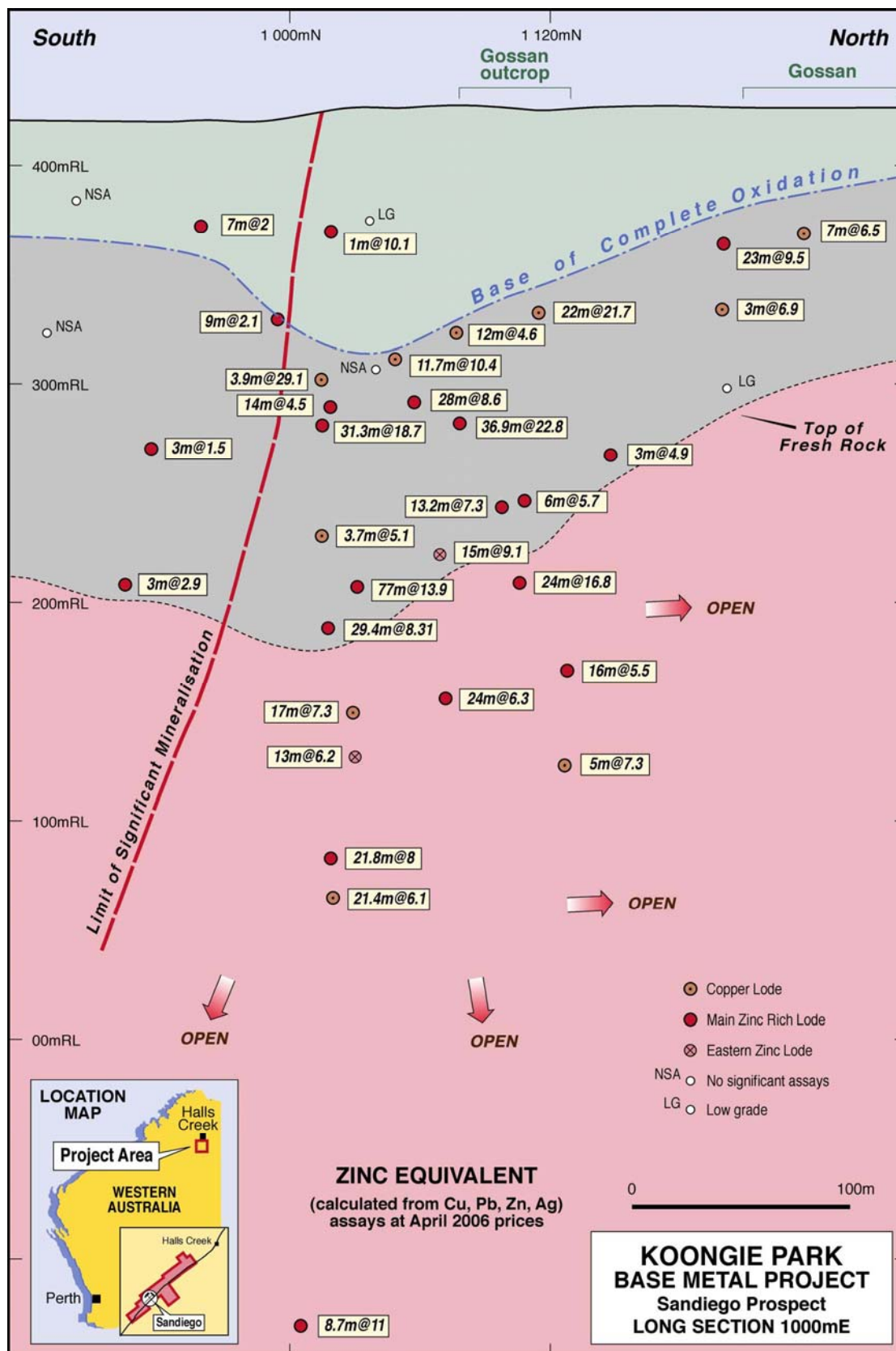
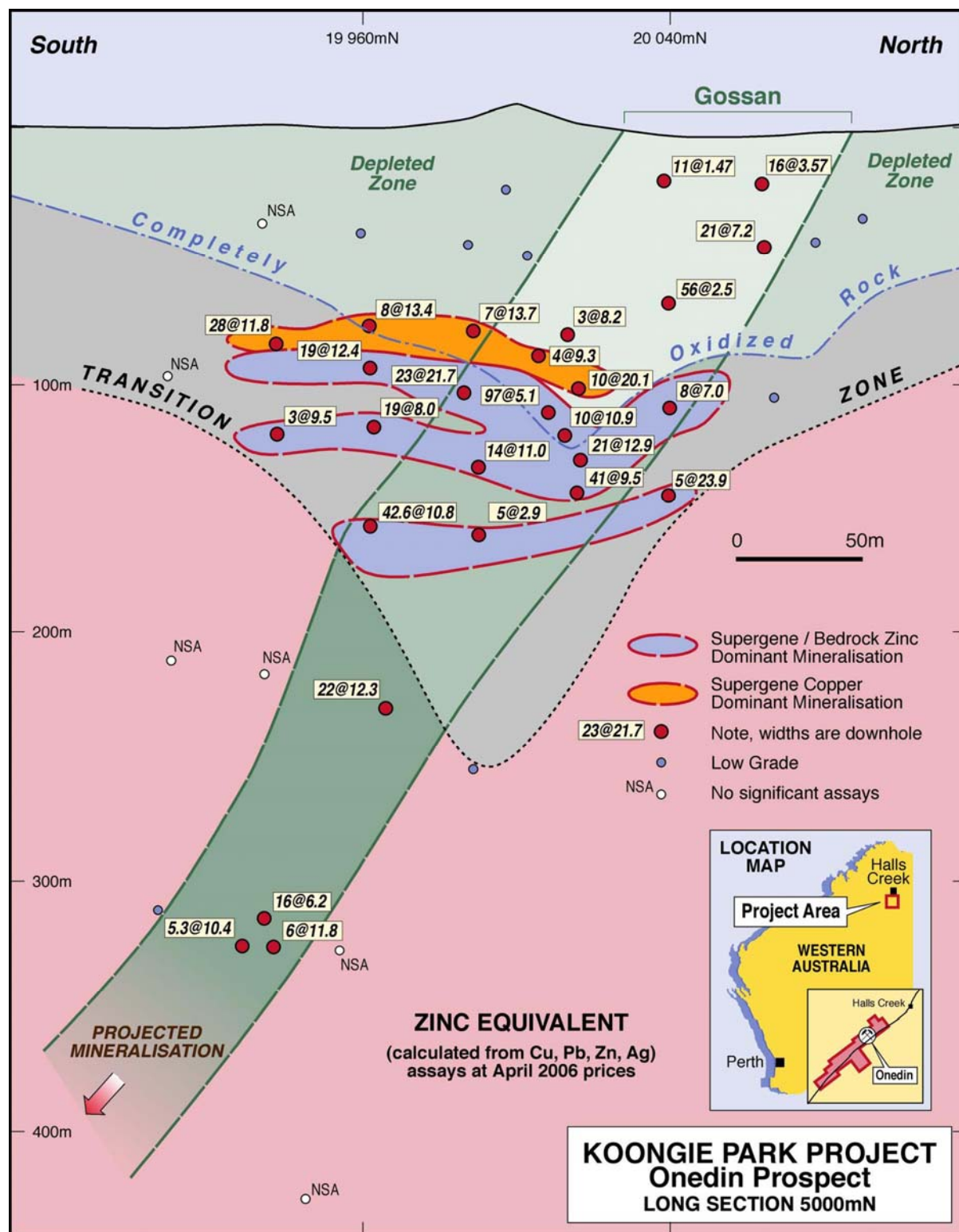


Figure 2 – Onedin Long Section (5000E)



Appendix 5B

Mining exploration entity quarterly report

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

Name of entity

ANGLO AUSTRALIAN RESOURCES NL

ABN

009 159 077

Quarter ended ("current quarter")

31 MARCH 2006

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (...9 months) \$A'000
1.1	Receipts from product sales and related debtors		
1.2	Payments for (a) exploration and evaluation	(209)	(543)
	(b) development		
	(c) production		
	(d) administration	(65)	(211)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	6	20
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Other (provide details if material)	(17)	(20)
Net Operating Cash Flows		(285)	(754)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a)prospects		
	(b)equity investments		
	(c) other fixed assets		
1.9	Proceeds from sale of: (a)prospects		
	(b)equity investments		
	(c)other fixed assets		
1.10	Loans to other entities		
1.11	Loans repaid by other entities		
1.12	Other (provide details if material)		
Net investing cash flows			
1.13	Total operating and investing cash flows (carried forward)	(285)	(754)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(285)	(754)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	1,000	1,000
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (provide details if material)	(52)	(52)
	Net financing cash flows	948	948
	Net increase (decrease) in cash held	663	194
1.20	Cash at beginning of quarter/year to date	398	867
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	1,061	1,061

Payments to directors of the entity and associates of the directors

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

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	34
1.24	Aggregate amount of loans to the parties included in item 1.10	
1.25	Explanation necessary for an understanding of the transactions	
	Admin, Accountancy and Secretarial Fees 34	

Non-cash financing and investing activities

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

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

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+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities		
3.2 Credit standby arrangements	100	

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	570
4.2 Development	1,370
Total	1,940

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	1,061	398
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	1,061	398

Changes in interests in mining tenements

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

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

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

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	400,000,000	400,00,000		Fully Paid
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	40,000,000	40,000,000	2.5c	Fully Paid
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	7,500,000		<i>Exercise price</i> 5c	<i>Expiry date</i> 11 December 2006
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act [or other standards acceptable to ASX \(see note 4\)](#).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: Date: 28 APRIL 2006
(Director/Company secretary)

Print name: A C PILMER

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