ANGLO AUSTRALIAN RESOURCES NL
ACN 009 159 077

INTERIM FINANCIAL REPORT
31 DECEMBER 2007

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ANGLO AUSTRALIAN RESOURCES NL
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Denis Edmund Clarke
Christopher Hugh Fyson
Angus Claymore Pilmer

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The directors present their report together with the financial report for the half-year ended 31 December 2007 and the review report thereon.

DIRECTORS

The directors of the Company during or since the end of the half-year are:

Name	**Period of Directorship**
Jones, John Load Cecil	Director and Chairman since 1990
Clarke, Denis Edmund	Director since 1999
Fyson, Christopher Hugh	Director since 1985
Pilmer, Angus Claymore	Director since 1985

RESULT OF OPERATIONS

The net profit of the Company for the half-year ended 31 December 2007, amounted to $675,311 (31 December 2006 net profit $1,700,009).

REVIEW OF OPERATIONS

The principal activities of the Company during the period were the profitable conclusion of gold mining activities in Western Australia and the continuation of exploration activities in relation to its gold and base metal interests in Western Australia and the Northern Territory of Australia.

MAJOR PROJECTS

Mandilla Project - Gold
Mining Leases 15/96, 15/633
100% interest

The Mandilla Project consists of all gold rights attached to two mining leases located 70 km south of Kalgoorlie in Western Australia.

Mandilla Gold Mine

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

Extensive exploration by Anglo Australian Resources over several years resulted in the discovery of the West Mandilla Palaeochannel Deposit. Subsequently, the Company mined this deposit between June 2006 and April 2007. The ore was processed under a custom milling arrangement at the third party Higginsville processing plant in Coolgardie where ore was processed on a campaign by campaign basis.

The third milling campaign of the Mandilla ore has been completed, with a total of 48,000 dry tonnes of ore processed at a calculated head grade of 5.22 g/t Au and a recovery of 95.7%, producing 7,701.29 oz for this final campaign.

The total gold produced was sold by 19 November 2007 for a gross revenue of $6.8 million at an average price of $882 per oz.

The total production of gold was 20,619 oz, which compared favourably to the announced reserve estimate of 16,960 oz.

Mandilla Exploration

The East Mandilla and Selene mineralised zones consist of multiple, thin, high-grade, quartz veins in granite bedrock just east of the mined palaeochannel deposit. Potentially the zones are manifestations of a more extensive bedrock mineralised system that may have been the source for the gold in the palaeochannel. The bedrock gold mineralisation is associated with pervasive hematitic alteration (destruction of magnetite) in the granite adjacent to the veins. By reference to the magnetic intensity image of the Mandilla area, the mineralised zones occupy an area of demagnetisation or relatively low magnetic intensity within the Mandilla Granite. As thick transported sediments cover and obscure the granite, identification of structures depends largely on interpretation of magnetic features. Importantly, a prominent linear structure exists on the magnetic image extending south-easterly for two kilometres from the known mineralised zones. Broadly, the known palaeochannel and bedrock mineralisation occurs where this structure intersects the sheared western edge of the Mandilla Granite, suggesting it may possibly be a key controlling structure. Areas of demagnetisation along and adjacent to this structure to the southeast of the East Mandilla mineralised zone are currently untested and represent compelling targets for exploration.

An exploration program consisting of 4000m aircore drilling commenced in February 2008 to test these and other structural/geochemical targets.

Koongie Park Project – Base Metals
Mining Leases 80/276, 80/277, Exploration Licence Applications 80/3494, 80/3495, Prospecting Licence Applications 80/1577-1611
100% interest

The $8.3 million that has been spent on exploration of the project area since 1972 has defined two significant copper-zinc-lead-silver deposits, Sandiego and Onedin. Both deposits consist of separate zinc dominant and copper dominant lodes with some minor areas of overlap of the two lodes. Based on current prices the in-ground metal value is equally distributed between the copper and the zinc. The Company believes the substantial increases in base metal prices in recent years have profoundly improved the development economics of the project. The long term outlook of reducing global supply of base metals, particularly in terms of zinc, also supports sustained base metal prices in the time frame of potential development and production of both copper and zinc at Koongie.

Consequently, the Company is proceeding with a Pre-Feasibility Study (PFS) to maximise the value of the project and to facilitate its development.

Resource work by CSA Australia has identified (see table 1) copper-rich, zinc-rich and mixed copper-zinc zones.

	Tonnes (Mt)	**Zn %**	**Cu%**	**Pb%**	**Ag (g/t)**
Zinc Zones	2.24	7.0	0.4	0.7	27.0
Copper Zones	1.76	1.4	2.6	0.7	27.1
Mixed Zones	0.61	7.7	1.6	1.0	47.0

Table 1: Indicated Resource Estimate by ore type

Current work on the project is principally focusing on determination of the metallurgical characteristics of the two deposits.

METALLURGICAL TESTWORK

Flotation testwork is being completed at Optimet Laboratories in Adelaide under the direction of Kwan Wong and consultant metallurgist Peter Lewis. One hundred and fifty five tests have been completed so far on composite samples representing four ore types from the Sandiego deposit and three ore types from the Onedin deposit. Significant advances have been made on all ore types, and the results obtained on the sulphide ore types using conventional flotation techniques are particularly encouraging**.**

The tests on the different ore types are at different stages of development. In some cases saleable concentrate grades at acceptably high recoveries have already been produced, although in these cases further tests are being completed in an attempt to improve performance further and to optimise reagent consumptions and flotation times. In other cases the testwork has reached the stage where only a realistic indication of expected performance is possible.

Metallurgical testwork of sulphide ore types at Sandiego and Onedin has produced saleable concentrates at good recoveries.

Progress on the sulphide ore types can be summarized as follows:

- On the Sandiego Copper Sulphide zone composite (1.27%Cu) saleable copper concentrates with a grade of 25%Cu can be produced at a copper recovery of 93%.
- Results to date on the Sandiego Low Grade Zinc composite (5.15%Zn) show that it should be possible to produce a saleable zinc concentrates (≥50%Zn) at a zinc recovery ≥ (80%).
- On the higher grade Sandiego Copper-Zinc Sulphide zone composite (0.22%Cu, 11.6%Zn) saleable zinc concentrates with grades of 50-52%Zn grade at zinc recoveries of 88-90% can be produced. Attempts at producing a saleable copper concentrate from the very low copper head grade were not successful.
- Sequential flotation tests on the Onedin Primary Zone composite (1.04%Cu, 1.16%Pb & 4.74% Zn) aimed at producing three separate concentrates have produced very good results. Saleable copper concentrates at 25-27%Cu grades at a copper recovery of 94% have been produced, and a saleable lead concentrate at 60%Pb has been produced at 82% lead recovery. Only zinc rougher flotation tests have been completed to date, but these have achieved a very good rougher concentrate grade of 37%Zn at 89% zinc recovery. Cleaner tests are expected to produce a saleable zinc concentrate grades at a high zinc recovery.

Metallurgical testwork of transitional zone at Sandiego deposit confirms prospects of recoverable, saleable zinc concentrates.

Both the Onedin and Sandiego extend to the surface and are subject to weathering. Partially weathered sulphide mineralisation (termed transition ore) is more complex in metallurgical terms and consists of sulphide minerals as well as various minerals derived from oxidation of the sulphides. The transition mineralisation is a significant component of the two deposits. The testwork on the transition ore types is employing both conventional sulphide flotation and Controlled Potential Sulphidisation (CPS) flotation on the oxidised mineral components. Progress on the transition and oxide ore types can be summarised as follows:

- Rougher flotation testwork on the Sandiego Transition Zone composite (0.46%Cu, 1.76%Pb & 10.7%Zn) has produced a 37%Zn grade concentrate at 91% zinc recovery. With the inclusion of cleaner flotation, it is expected that concentrate grades in excess of 50%Zn with zinc recoveries above 80% will be achieved. Attempts at producing separate copper and lead concentrates were not successful during the early stage of the testwork. Therefore, given that zinc represents the highest economic component of this ore type, the testwork objective was modified to target only the production of a saleable zinc concentrate.

- The Onedin transition zone has been separated into an upper zone, which is sulphide deficient (zinc carbonate dominant), and a lower zone that contains a mixture of oxide and sulphide mineralization. Testwork on the Onedin Upper Transition zone composite (1.00%Cu, 1.76%Pb & 14.9%Zn) has also shown that it will not be possible to produce saleable copper and lead concentrates, and the emphasis is now on producing a saleable zinc concentrate. Although results to date are encouraging, it is too early to provide any realistic predictions. Testwork on the Lower Transition zone composite (0.92%Cu, 2.25%Pb & 8.0%Zn) will proceed once suitable flotation conditions have been established for the Upper Transition zone.

Metallurgical testwork of the oxide zone at Onedin indicates the potential for production of copper by acid leaching.

Flotation testwork on the Onedin Oxide Zone composite (1.61%Cu, 1.24%Pb & 0.77%Zn) failed to produce saleable concentrates and has now been terminated. However, testwork by AMMTEC Laboratories, which is now subject to further consideration, has previously shown that 70-75% of the copper is extractable by acid leaching, and heap leaching of the oxide mineralization for copper recovery could be a viable option.

Metallurgical testwork continues to provide critical information impacting on plant design, production costs and quality of product.

The majority of the flotation testwork undertaken to date has been completed at a grind size of 80% passing 75 microns indicating good mineral liberation characteristics. This grind size, and the low grinding work indices, previously determined by Ammtec, on each of the ore types, indicate that grinding costs will be relatively low.

The testwork has shown that some of the Sandiego and Onedin ore types will need to be treated separately on a batch basis in order to achieve optimum metallurgical performance. Therefore, blending of all ore types, as practised at other mining operations, will not be possible.

Detailed analyses have been completed on samples of saleable grade copper and zinc concentrates produced from the San Diego Primary Copper and Primary Zinc composites. These showed that both concentrates could be considered to be "clean" and that, where some deleterious elements were present, the amounts were only slightly above the levels at which penalties might be imposed by smelters.

PRE-FEASIBILITY STUDY

The Consulting Mining Engineer, Holly Mining Pty Ltd continues to manage the Pre-Feasibility Study work.

Initial scoping studies and pre-feasibility studies on mining the Sandiego and Onedin deposits examined the feasibility of mining the deposits by open cut and/or underground methods, and examined various options for processing. This work based on conceptual metal recoveries, and associated economic evaluations, suggested that at current base metal prices an operation could potentially be very profitable.

The principal focus for the progress of the Pre-Feasibility Study is now the evaluation of the underground mining of Sandiego targeting both the sulphide and transition ore types. The basic parameters include decline access to the deposit and the construction of a 500,000tpa processing plant.

It has been evident from an early stage that the nature of the mining operation would ultimately be determined by the metallurgical characteristics of the various ore types, as the deposits of both Sandiego and Onedin consist of sulphide, transition and oxide mineralisation.

Potentially, the transition and oxide mineralisation at Onedin is capable of being mined from a shallow open pit. However, developing flotation techniques to successfully treat the transition mineralisation has been challenging and time consuming, and although good progress has been made, further metallurgical testwork is required before any progress can be made to the Open Pit Option. Alternatively, leaching techniques, particularly for copper oxide mineralisation may be applicable to an Open pit option. In conjuction with CSA Australia the company is re-evaluating the potential of an open pit initially in the oxide zone and heap leaching of copper ore. This work has identified significant zones of low grade oxide copper mineralisation not yet included in resource calculations.

Major resource and exploration drilling program planned.

A major drilling program consisting of 7,500m of RC and 4,400m of diamond drilling is planned to commence at the end of March 2008. This program will complete additional holes for metallurgy at Onedin and Sandiego, target potential resource extensions for Sandiego at depth and to the north, target the sulphide zone at Onedin and drill exploration holes at Atlantis and Atlantis North.

A recent review of the drilling data from Sandiego has highlighted a substantial shallow intersection of 21m @ 1.67% Cu on the most northern effective drill section. The discovery of any additional mineralised extensions to this intersection at depth and to the north from this program has potential to increase the deposit resource.

Victoria Downs Project – Base Metals
Exploration Licence Applications 25420, 25422-5, 25728-25730
100% interest

This project, located 250 km south east of Kununurra (WA) and 250 km southwest of Katherine (NT), covers Proterozoic dolomitic carbonates and associated sediments of the Victoria-Birrindudu Basin. This large Basin has strong similarities to the Macarthur and Nicholson Basins, which host the Macarthur River and Century sedex-style zinc deposits. Age dating indicates the rocks of the Victoria-Birrindudu Basin are the same age as all the Proterozoic basins that host Australia's largest base metal resources.

The project area contains several historical lead and zinc occurrences. Anglo Australian Resources believes this region possibly represents an unrecognised zinc-lead province which warrants careful, step-by-step exploration to determine its full potential. The Company is initially targeting deposits of 50-100 Mt at greater than 10% zinc equivalent grade.

Compilation of previous work and interpretation of existing data on the project has been completed, highlighting a number of high priority exploration targets. The company will seek a joint venture partner to advance the project.

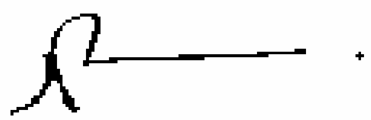
EXPLORATION WRITE OFFS

As a result of a review of the Exploration Expenditure values carried in the Balance Sheet as at 31 December 2007, and in compliance with the accounting policy adopted by the Board in respect of Exploration Expenditure, write downs totalling $8,886 were applied to exploration properties in Western Australia as well as for Project Generation.

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

The lead auditor's independence declaration is set out on page 8 and forms part of the Directors' Report for the half-year ended 31 December 2007.

Signed at Perth, Western Australia, this 13th of March 2008 in accordance with a resolution of the Directors.



A C PILMER
Director

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 review for the half-year ended 31 December 2007 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and

(ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Kevin Smout
Partner

Perth

13 March 2008

ANGLO AUSTRALIAN RESOURCES NL
INTERIM INCOME STATEMENT
For the Half-Year Ended 31 December 2007

	Note	Half-year ended 31 December 2007 $	Half-year ended 31 December 2006 $
Revenue from sale of gold		6,789,336	3,685,448
Other income		32,071	134
Total income		6,821,407	3,685,582
Expenses			
Mining costs		(5,899,721)	(1,415,577)
Royalty expense		(109,446)	(45,057)
Exploration expenditure written off		(8,886)	(232,313)
Directors' fees		(32,500)	(32,500)
Depreciation and amortisation expenses		(3,020)	(119,203)
Property expenses		(24,764)	(18,918)
Accounting charges		(17,675)	(19,677)
Secretarial fees		(16,500)	(16,767)
Other expenses		(175,363)	(145,497)
Total expenses		(6,287,875)	(2,045,509)
Results from operating activities		533,532	1,640,073
Financial income – interest		141,779	59,936
Profit before tax		675,311	1,700,009
Income tax expense	6	-	-
Profit for the period attributable to equity holders of the Company		675,311	1,700,009
Basic earnings per share		0.13 cents	0.34 cents
Diluted earnings per share		0.13 cents	0.34 cents

The Interim Income Statement is to be read in conjunction with the notes to the interim financial statements.

ANGLO AUSTRALIAN RESOURCES NL
INTERIM BALANCE SHEET
As at 31 December 2007

	Note	31 December 2007 $	30 June 2007 $
Current Assets			
Cash and cash equivalents		8,371,040	3,478,069
Inventory		-	4,297,842
Trade and other receivables		492,329	1,243,341
Total Current Assets		8,863,369	9,019,252
Non-Current Assets			
Property, plant and equipment		39,033	39,743
Exploration and evaluation expenditure		3,883,016	3,255,313
Total Non-Current Assets		3,922,049	3,295,056
Total Assets		12,785,418	12,314,308
Current Liabilities			
Trade and other payables		754,636	958,837
Employee benefits		7,500	7,500
Rehabilitation provision		65,000	65,000
Total Current Liabilities		827,136	1,031,337
Total Liabilities		827,136	1,031,337
Net Assets		11,958,282	11,282,971
Equity			
Issued capital	7	23,125,723	23,125,723
Accumulated losses		(11,167,441)	(11,842,752)
Total Equity		11,958,282	11,282,971

The Interim Balance Sheet is to be read in conjunction with the notes to the interim financial statements.

INTERIM STATEMENT OF CHANGES IN EQUITY

For the Half-Year ended 31 December 2007

	Issued Capital $	Accumulated losses $	Total Equity $
Opening Balance at 1 July 2006	22,750,723	(17,535,442)	5,215,281
Exercise of options	375,000	-	375,000
Profit for the period	-	1,700,009	1,700,009
Closing balance at 31 December 2006	23,125,723	(15,835,433)	7,290,290
Opening Balance at 1 July 2007	23,125,723	(11,842,752)	11,282,971
Profit for the period	-	675,311	675,311
Closing balance at 31 December 2007	23,125,723	(11,167,441)	11,958,282

The Interim Statement of Changes in Equity is to be read in conjunction with the notes to the interim financial statements.

ANGLO AUSTRALIAN RESOURCES NL
INTERIM STATEMENT OF CASH FLOWS
For the Half-Year ended 31 December 2007

	31 December 2007 $	31 December 2006 $
CASHFLOWS FROM OPERATING ACTIVITIES		
Cash receipts in the course of operations	7,581,626	3,685,582
Cash payments in the course of operations	(2,185,828)	(2,653,081)
Interest received	136,072	59,936
NET CASH FROM OPERATING ACTIVITIES	5,531,870	1,092,437
CASHFLOWS FROM INVESTING ACTIVITIES		
Payments for exploration	(636,589)	(1,542,634)
Payments for plant and equipment	(2,310)	(3,712)
Payments for mine development	-	(1,146,319)
NET CASH USED IN INVESTING ACTIVITIES	(638,899)	(2,692,665)
CASHFLOWS FROM FINANCING ACTIVITIES		
Exercise of options	-	375,000
NET CASH FROM FINANCING ACTIVITIES	-	375,000
Net increase/(decrease) in cash and cash equivalents	4,892,971	(1,225,228)
Cash and cash equivalents at beginning of period	3,478,069	2,999,151
Cash and cash equivalents at end of period	8,371,040	1,773,923

The Interim Statement of Cash Flows should be read in conjunction with the notes to the interim financial statements.

1. Reporting Entity

Anglo Australian Resources NL (the "Company") is a company domiciled in Australia. The interim financial report of the Company is for the six months ended 31 December 2007.

The annual financial report of the Company as at and for the year ended 30 June 2007 is available upon request from the Company's registered office at Ground Floor, 150 Hay Street, Subiaco.

2. Statement of Compliance

The interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134: Interim Financial Reporting and the Corporations Act 2001.

The interim financial report does not include all of the information required for a full annual financial report of the Company and should be read in conjunction with the annual financial report of the Company as at and for the year ended 30 June 2007.

The interim financial report was approved by the Board of Directors on 13 March 2008.

3. Significant Accounting Policies

The accounting policies applied by the Company in this interim financial report are the same as those applied by the Company in its financial report as at and for the year ended 30 June 2007.

4. Estimates

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

In preparing this interim financial report, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those applied to the financial report as at and for the year ended 30 June 2007.

5. Segment Reporting

The Company operates predominately in one business segment, being gold and base metal exploration and mining, and one geographical segment being Australia.

6. Income Tax Expense

The Company had no tax expense in the current period and previous period due to the utilisation of previously unrecognised tax losses.

7. Issued Capital

	31 Dec 2007 $	30 June 2007 $
Issued and paid-up capital 501,068,000 ordinary shares fully paid (June 2007: 501,068,000)	23,125,723	23,125,723

ANGLO AUSTRALIAN RESOURCES NL
DIRECTORS' DECLARATION

In the opinion of the directors of the Company:

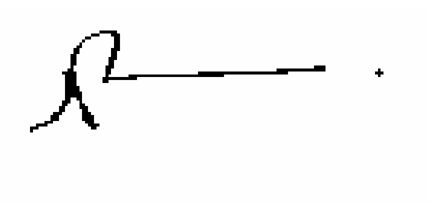
1. the financial statements and notes, as set out on pages 9 to 13 are in accordance with the Corporations Act 2001 including:

    (a) giving a true and fair view of the Company's financial position as at 31 December 2007 and of its performance as represented by the results of its operations and cash flows for the half year ended on that date; and

    (b) complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.

2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors.



A C PILMER
Director

Dated at Perth, Western Australia this 13th day of March 2008

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

Report on the financial report

We have reviewed the accompanying interim financial report of Anglo Australian Resources NL, which comprises the interim balance sheet as at 31 December 2007, income statement, statement of changes in equity and cash flow statement for the interim period ended on that date, a description of accounting policies and other explanatory notes 1 to 7 and the directors' declaration of the Company.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the interim financial report in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the interim financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity,* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Company's financial position as at 31 December 2007 and its performance for the interim period ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Anglo Australian Resources NL, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Anglo Australian Resources NL is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Company's financial position as at 31 December 2007 and of its performance for the interim period ended on that date; and

(b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001.

KPMG

KPMG

Kevin Smout
Partner

Perth

13 March 2008