

Quarterly Report

for the three months ending **31 December 2011**

Anglo Australian Resources NL

ASX Code: **AAR**
ACN: 009 159 077

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Capital Structure

659.4 million shares
3 million unlisted options

Board Members

John Jones
Chairman

Angus Pilmer
Non-Executive Director

Peter Stern
Non-Executive Director

Graeme Smith
Company Secretary



Summary & Highlights for the Quarter

LEONORA

A five hole drilling program planned to test a strong 800m long bedrock Moving Loop EM conductor was delayed to the March quarter due to permitting issues. All required permits have now been approved. The conductor, which defines the Artful Prospect, represents an exciting and compelling drilling target for base metal mineralisation similar to Jaguar and Bentley base metal deposits located on strike 25km to the north.

CORPORATE

In November there were a number of changes to the board structure with the retirement of long serving directors Mr Chris Fyson and Dr Denis Clarke. Mr John Jones has been appointed as chairman and Mr Peter Stern has been appointed to the board.

CORPORATE – CHANGES TO THE BOARD

In November 2011, Anglo Australian Resources NL advised that following the AGM, Mr Chris Fyson and Dr Denis Clarke announced their retirement from the board. Mr John Jones assumed the role of Chairman.

Mr Fyson has been a director of the Company since 1985 and the Board thanked him for his long service to the company which included being Chairman for the past 12 months. Dr Clarke has been a director since 1999 and has acted as the Company's Technical Director during this period. Mr Jones thanked both Mr Fyson and Dr Clarke for their services to the Company.

The Company is pleased to advise that Mr Peter Stern has been appointed a Director. Mr Stern is a graduate of Monash University with a Bachelor of Science degree majoring in geology. After completing his degree, he worked for three years as a geologist for Delhi Petroleum. In 1987, Mr Stern joined Macquarie Bank where he worked for six years as a corporate finance executive. He subsequently held senior positions in corporate advisory for both UBS and Deutsche Bank, both three-year stints. In such roles, he was responsible for many substantial public company transactions in the resources sector. In 2000, Mr Stern established Metropolis Pty Ltd, a boutique corporate advisory firm that specializes in mergers & acquisitions and capital raisings, with a particular emphasis on the resources sector. Mr Stern is a Fellow of the Australian Institute of Company Directors.

KOONGIE COPPER – ZINC PROJECT – WA

Mining Leases 80/276, 80/277, Prospecting Licenses 80/1597 - 1611, Exploration Licences 80/3494, 80 4257; 80/4389: 80/4503

100% interest

No field work was conducted on this project this quarter.

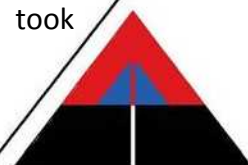
LEONORA PROJECT – WA

Exploration Leases 37/1047, 37/1056: 37/1114-5

100 % interest

The discovery of a large Moving Loop Electromagnetic (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.

Anglo Australian Resources NL is planning a 5 hole 1300m RC drilling program to test the significant bedrock conductor which has potential for massive copper zinc mineralisation at its Leonora Project in Western Australia. This drilling has now been delayed to the March Quarter. Unfortunately heritage clearances and environmental approval took longer to complete than expected. All required approvals are now in place.



The Leonora Project is located approximately 25 km south of Jabiru Metals Limited's Jaguar mine (Reserves: 3.23 Mt @ 1.8% Cu, 7.91%Zn, 99 g/t Ag, 0.4 g/t Au) and Bentley deposit (3.0 Mt @ 2.0% Cu, 9.8% Zn, 138 g/t Ag, 0.7 g/t Au) (see Figure 1& 2). 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 1 & 2) 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.

MLEM survey completed in May 2011 at the Leonora Project targeting potential massive copper-zinc mineralisation discovered a strong 800m long bedrock conductor. Interpretation of the MLEM anomaly by geophysical consultants, Southern Geoscience, suggests the source of the conductor, (potentially massive or disseminated sulphide), commences at the base of weathering approximately 150-170m below surface and dips steeply south west.

The only previous drilling in the vicinity of the MLEM anomaly consisted of a single traverse of vertical aircore hole which were assayed for copper, zinc and lead. The hole nearest to and on the strike trend of the conductor (see Figure 3) is highly anomalous in copper, as it contains a 9m interval assaying 600ppm Cu within weathered 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 VMS deposits ubiquitously have an alteration halo around the sulphide mineralisation.



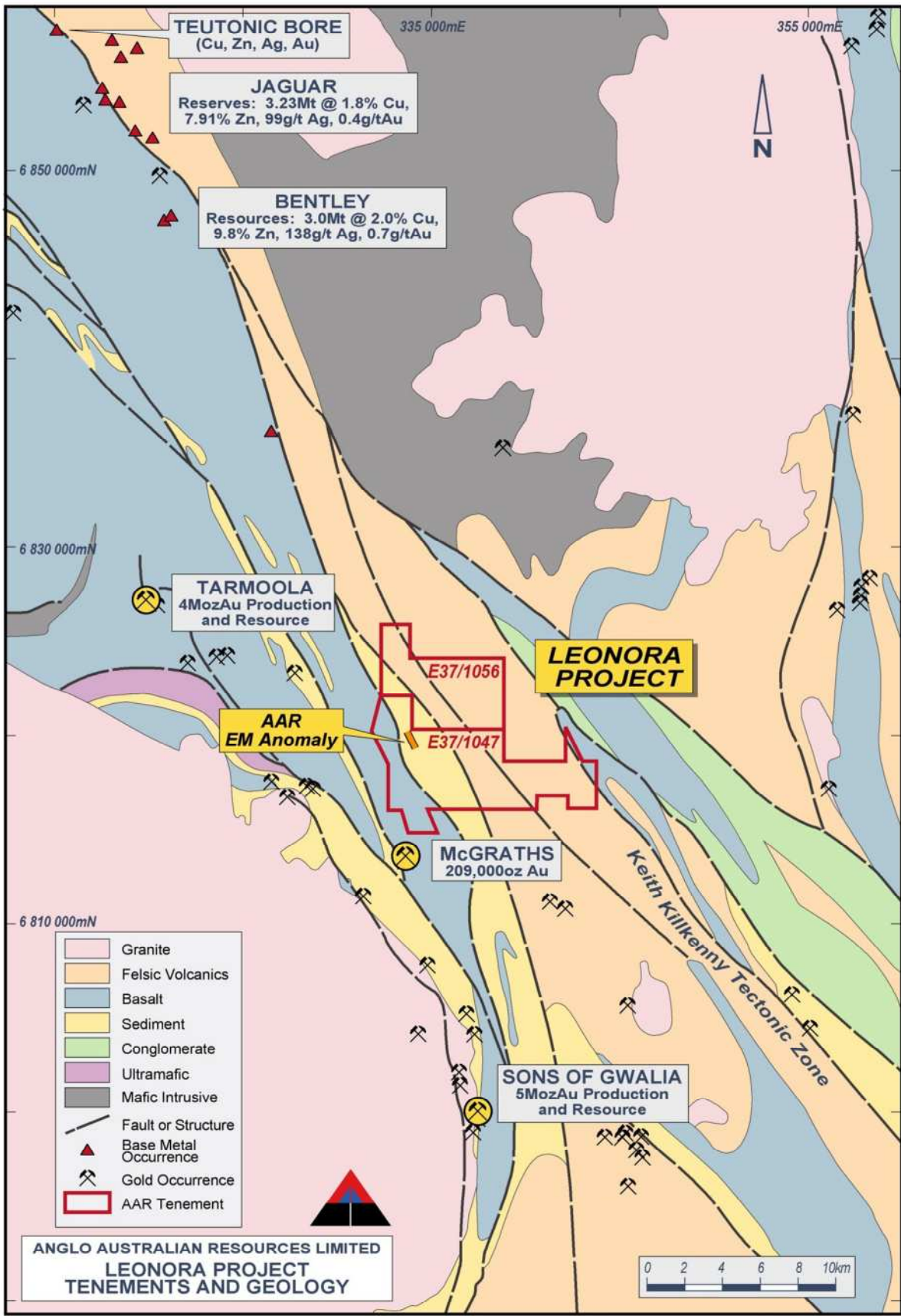


Figure 1. Leonora Geology and Project Location

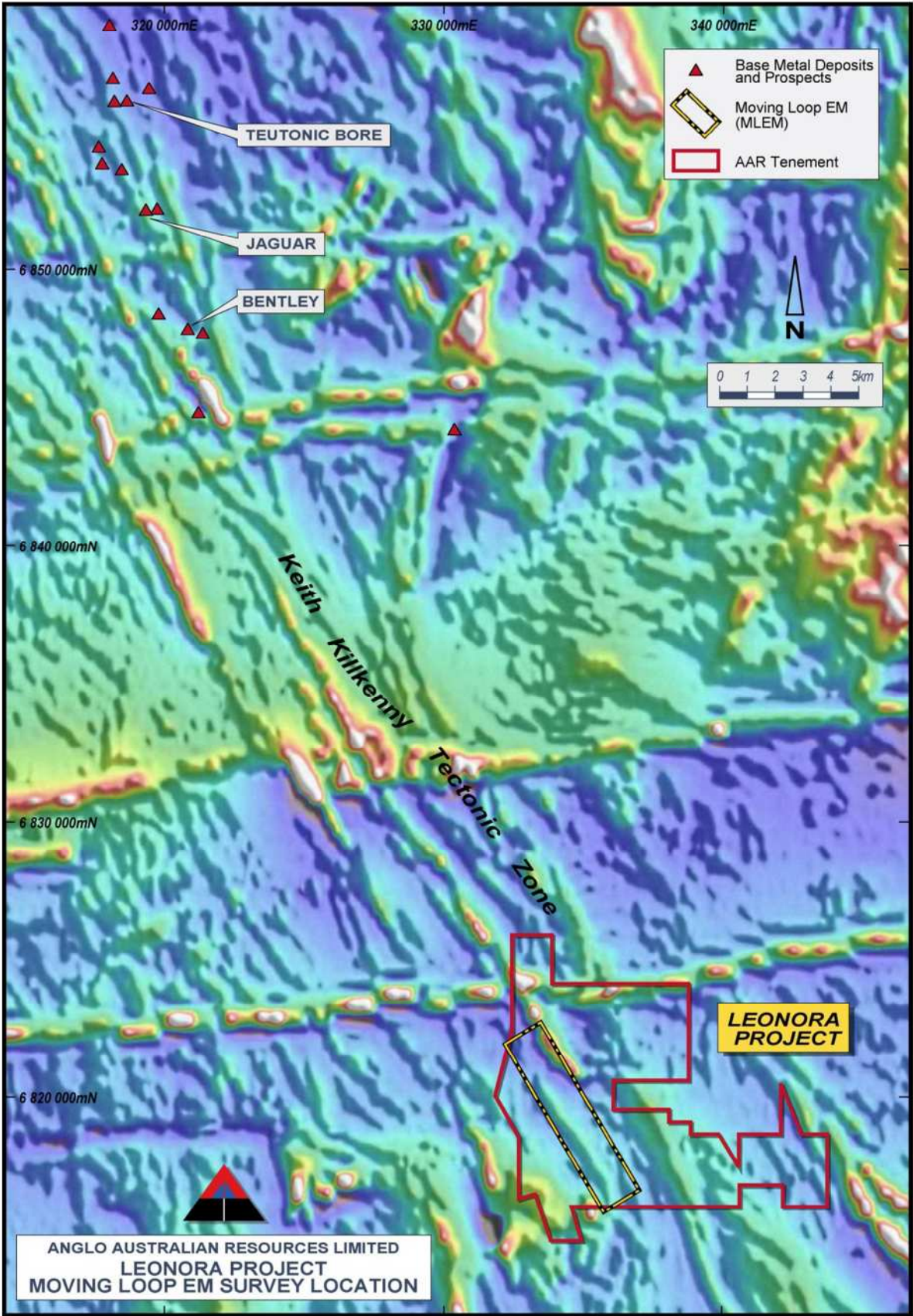


Figure 2. Leonora Project – Location of MLEM Survey



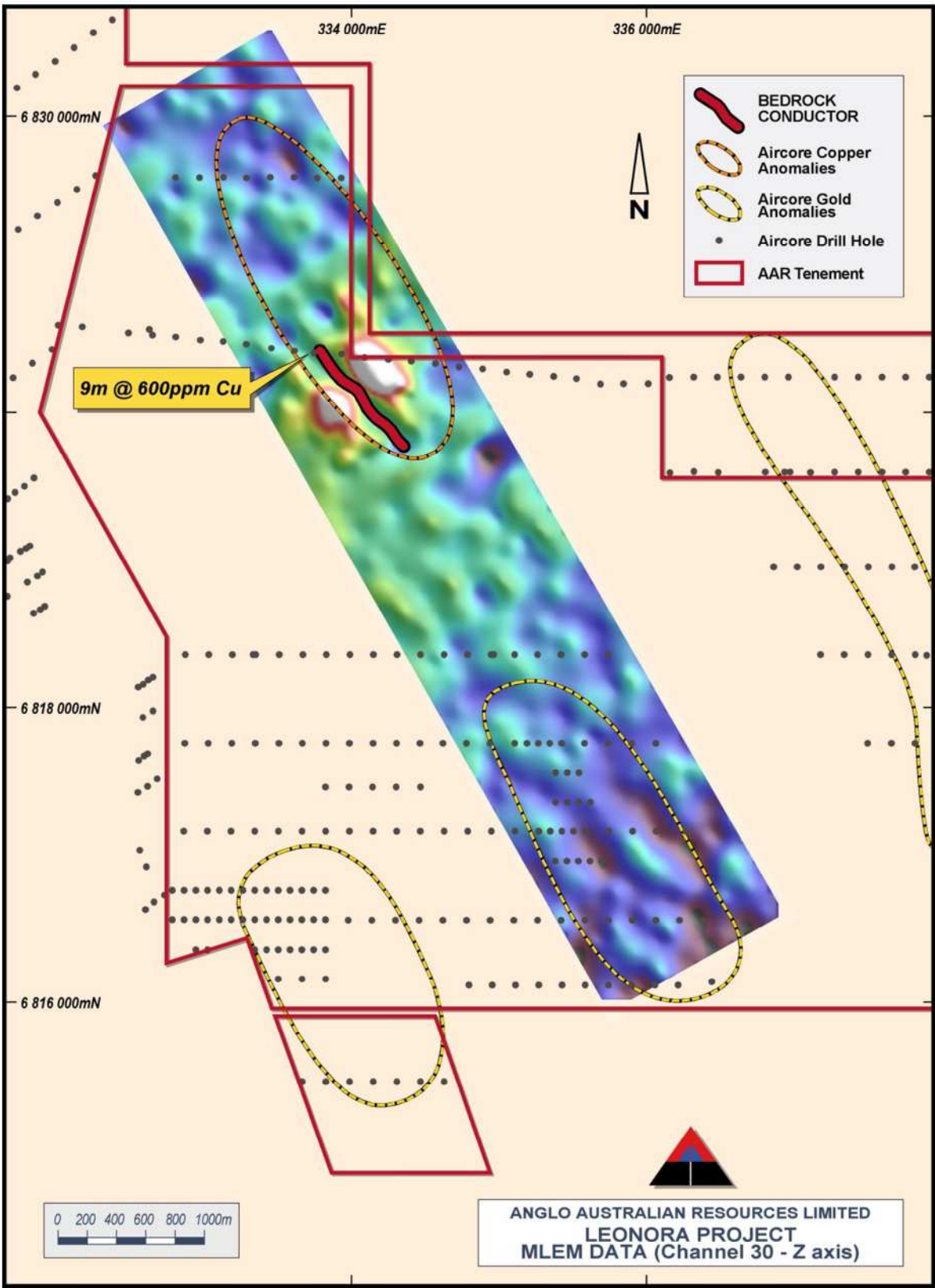


Figure 3. Leonora Project – MLEM Data (Channel 30 – Z axis)

LAVERTON PROJECT – WA

Exploration Leases 38/2392, Prospecting Licences P38/3890-2

100 % interest

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 km shear zone (see Figures 4 & 5). The company will focus on following up previous high grade intersections of 8m @ 11.01g/t Au, 8m @ 4.02 g/t Au, 2m @ 15.12 g/t Au, 2m @ 12.73 g/t Au and 1m @ 29.4 g/t Au.

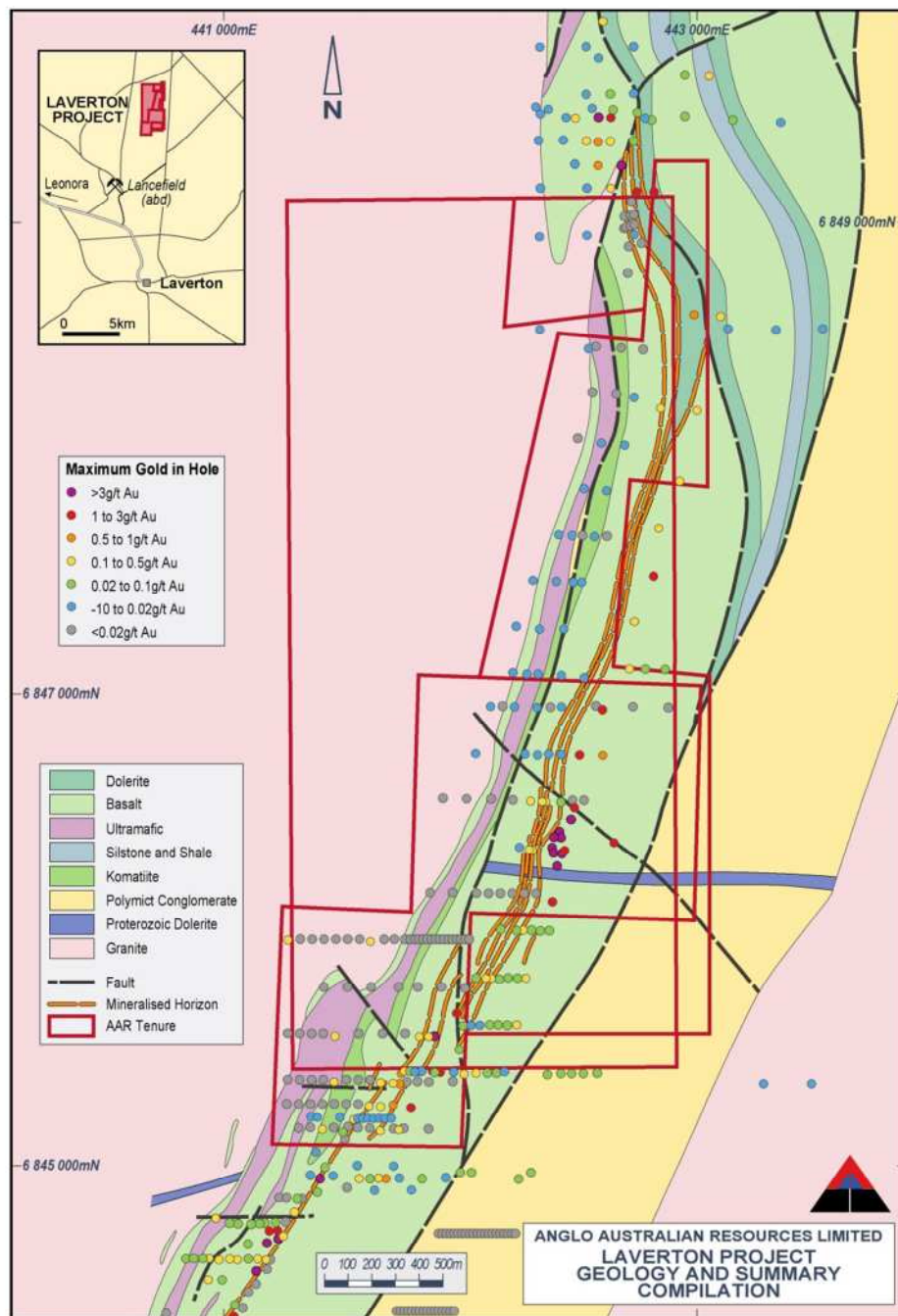


Figure 4 Laverton Project – Geology and Summary

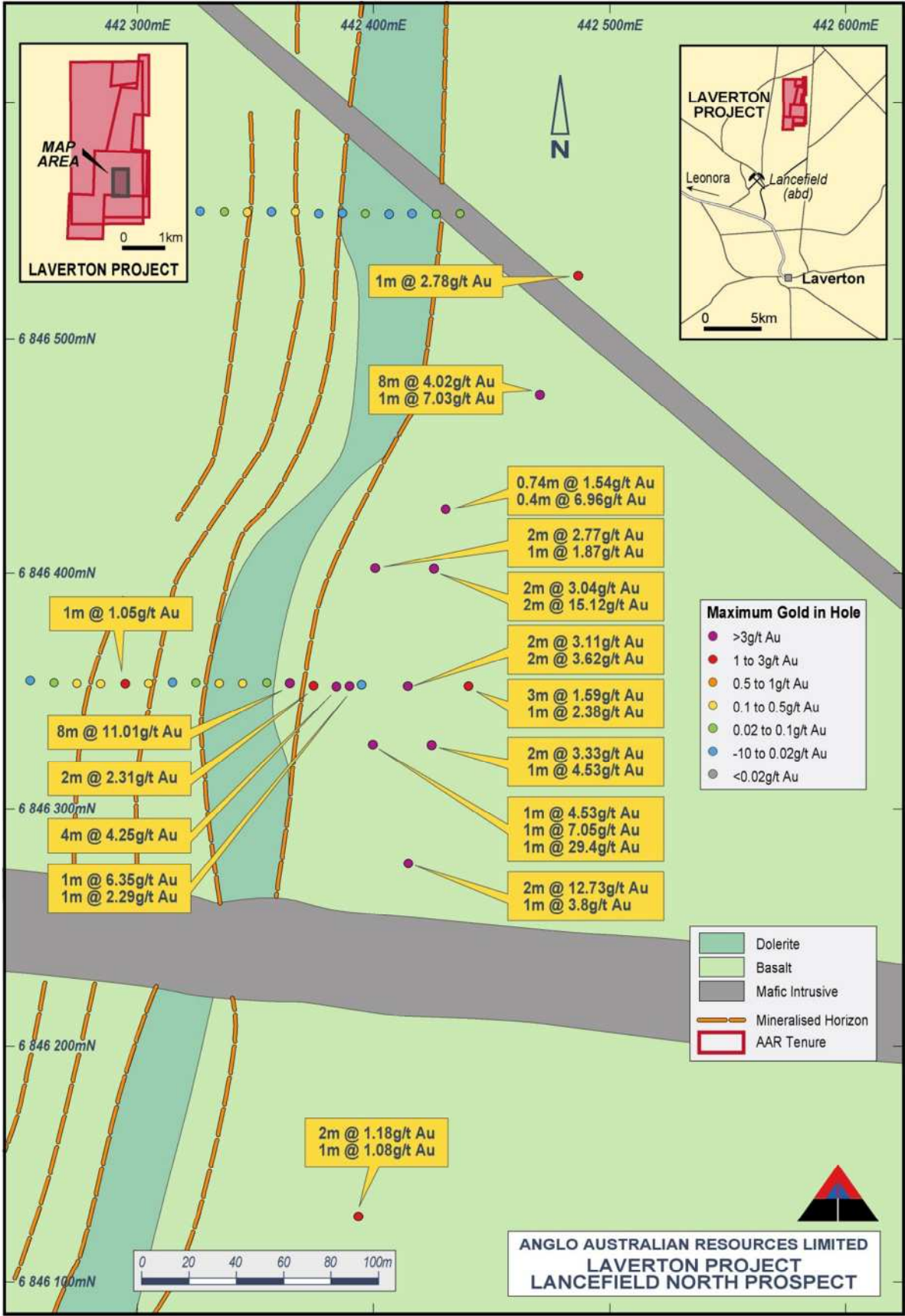


Figure 5. Laverton Project – Lancefield North Prospect Summary

FEYSVILLE – WA

*Mining Leases 26/290, 26/291, Prospecting Licences P26/3772-3776
100 % interest*

No field work was completed on this project during the quarter. The Company is investigating various options to maximize the value of this project where it has previously discovered substantial gold mineralisation. A number of discussions are underway with third parties.

MANDILLA PROJECT – WA

Mining Leases 16/96, 16/633

At East Mandilla gold mineralisation occurs in stacked quartz veins within hematite-altered porphyritic granite to the east of the West Mandilla Palaeochannel Deposit. The veins strike roughly east-west and dip very shallowly south. Strike length of veins is about 50m and the veins range from a few centimetres to 6m in thickness. Drilling has so far traced the veins down dip for 400m. BM Geological Services, an independent resource consultant, estimated a resource for the East Mandilla bedrock mineralisation as:

Indicated Resource 356,805 tonnes @ 3.04g/t Au for 34,873 ounces (25g/t cut)

A number of discussions are underway with third parties to best maximize the value of this project.

VICTORIA RIVER DOWNS PROJECT – NT

Exploration Licences, 25422-3, 25728, 27366, 27934, 28753 Exploration Licence Applications 25420, 25424, 25729, 25730, 26443, 26444, 27739, 27740, .

100% interest

No field work was conducted on this project this quarter.

For further information:

John L C Jones – Chairman

Telephone: (08) 9322 1788



Attribution

Information in this Report relating to geological data has been compiled by the Anglo Australian Resources NL General Manager Exploration, 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 of Exploration Results, Mineral Resources and Ore Reserves (JORC Code 2004 Edition)*;
- 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 BMGS geologists. Andrew Bewsher is a member of the Australian Institute of Geoscientists and has 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



Appendix 5B

Mining exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10

Name of entity

Anglo Australian Resources NL

ACN

009 159 077

Quarter ended ("current quarter")

31 December 2011

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (6 months) \$A'000
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration & evaluation	(243)	(531)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(191)	(397)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	1	1
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	-	-
Net Operating Cash Flows		(433)	(927)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	(1)	(1)
1.9	Proceeds from sale of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	17	17
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
Net investing cash flows		16	16
1.13	Total operating and investing cash flows (carried forward)	(417)	(911)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(417)	(911)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	350	1,094
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) Share issue transaction costs	-	-
	Net financing cash flows	350	1,094
	Net increase (decrease) in cash held	(67)	183
1.20	Cash at beginning of quarter/year to date	523	273
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	456	456

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	41
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, accounting and secretarial costs.

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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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	Nil	Nil
3.2 Credit standby arrangements	Nil	Nil

+ See chapter 19 for defined terms.

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	150
4.2 Development	-
4.3 Production	-
4.4 Administration	100
Total	250

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	189	257
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details) Deposits	267	266
Total: cash at end of quarter (item 1.22)	456	523

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	E80/3495		100%	-
6.2 Interests in mining tenements acquired or increased	ELA 28753 E37/1114 E37/1115		- - -	100% 100% 100%

+ 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.

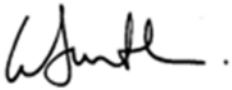
	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference +securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	659,434,667	659,434,667		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	29,166,667	29,166,667		
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>	3,000,000	-	<i>Exercise price</i> 3 cents	<i>Expiry date</i> 4 May 2012
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 5).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:


(Company secretary)

Date: 30 January 2012

Print name:

Graeme Smith

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 Accounting Standards ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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