ANCHOR RESOURCES Limited

ACN 122 751 419

ASX Code: AHR

Half-Year Financial Report

31 DECEMBER 2010

Corporate Directory

Board of Directors

John Anderson	Non-Executive Chairman
Trevor Woolfe	Managing Director
Grant Craighead	Executive Director
Gary Fallon	Non-Executive Director

Company Secretary

Ross Moller

Registered Office

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Facsimile: +61 2 9279 2727
Website: www.anchorresources.com.au
E-mail: info@anchorresources.com.au

Share Registry

Registries Limited
PO Box R67
Royal Exchange, NSW 1223
Telephone: 02 9290 9600
Facsimile: 02 9279 0664

Auditors

Barnes Dowell James
Level 13, 122 Arthur Street, North Sydney
PO Box 1664, North Sydney, NSW 2059

Bankers

Westpac Banking Corporation

Stock Exchange Listing

Listed on Australian Stock Exchange Limited
ASX Code: AHR

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Directors' Report

Your directors submit their report for the half-year ended 31 December 2010.

Directors

The names of the Company's directors in office during the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

John Anderson (Non-Executive Chairman)

Trevor Woolfe (Managing Director)

Grant Craighead (Executive Director)

Gary Fallon (Non-Executive Director)

Review and Results of Operations

The net result of operations after applicable income tax expense for the half-year was a loss of $439,046 (2009 – $345,756).

The 2010 calendar year provided a number of challenges for resource companies. The fallout from the Global Financial Crisis led to a shortage of funds for speculative investments early, but showed signs of improvement towards the middle of the year. Just as a recovery was gathering momentum, the spectre of additional taxes targeted at the Australian resource sector, through the federal Government's proposed MRRT, cut a swathe temporarily through market valuations within the sector.

In the case of Anchor, its shares traded strongly in the first quarter of 2010, reaching a record of 28 cents per share however, under the cloud of uncertainty of the MRRT, the Anchor share price dipped to just 12 cents per share as the 2011 financial year began. In the final months of 2010, interest returned to the junior resource sector and this momentum has accelerated in the early part of 2011.

Despite mixed sentiment about the resource sector, 2010 was another successful year for Anchor. After the Company completed its second round of drilling at the emerging Bielsdown antimony project (NSW) in early 2010, the JORC compliant resource for the Wild Cattle Creek deposit was expanded, and with approximately 60% of the antimony inventory upgraded to the Indicated category[1]. In addition, the Company was able to quantify the tungsten and gold credits associated with the antimony resource. While Anchor experienced significant delays from its consultants, a scoping study assessing the project metallurgy and economics was nearing completion by year end.

The Bielsdown project remains the major focus for Anchor, providing the most likely pathway to development, considering the recognised potential to significantly increase the resource base. The Wild Cattle Creek deposit remains open down plunge, while a new high grade antimony/tungsten zone was encountered just 40m to the north of the main zone late in the 2010 drilling. Historical reports and Anchor's own reconnaissance sampling in 2010 indicate that much of the Bielsdown exploration licence is also prospective for antimony, with regional exploration to be continued this year.

While Anchor has been promoting the importance of the antimony sector for some years, as the antimony price doubled in the past year to around U$13,000/tonne, many others are now beginning to appreciate its investment value. The world's largest producing nation - China - has now placed export quotas on antimony, along with many other strategic commodities (such as rare earths and tungsten). Increased safety and environmental regulation in China, leading to numerous mine closures, has also affected global supply. In addition, the European Commission has highlighted antimony as one of the top 14 critical raw materials, based on risks to supply.

[1] *See ASX Announcement dated 9 December 2010*

Given this backdrop, it is not surprising that Anchor became the target of an unsolicited takeover proposal from a Chinese diversified mining group at the end of 2010, particularly as it was lodged during our strongly oversubscribed, discounted rights issue. The Chinese group will shortly mail out a Bidder's Statement, after which Anchor and its shareholders will have the opportunity to evaluate the details of its proposal. Anchor will subsequently provide a recommendation to shareholders in its Target's Statement.

Financial

At the Company's Annual General Meeting (on 12 November 2010), the Company's shareholders approved the allocation of 850,000 options to the Company's directors under the terms of the Employee Share Option Plan. The options were issued at nil value; they will expire on 27 September 2014 and are exercisable at 25 cents each. The fair value of each option is estimated on the grant date using a Binomial option-pricing model and valued at 13.19 cents each. These fair values of the options are recognised as expenses in the financial statements and are expensed.

Also on 12 November 2010, Anchor announced details of a non-renounceable rights and shortfall offer of one (1) ordinary share for every four (4) ordinary shares, at an issue price of sixteen (16) cents per share, to raise approximately $1.6 million primarily to advance the emerging Bielsdown antimony project. Two resource sector investing entities displayed confidence in Anchor's management and project development potential by providing partial underwriting of the rights offer.

The Board of Directors of Anchor was delighted with the level of support from shareholders with the Company receiving applications for more than $3 million, (a 91% oversubscription). A scale back of oversubscriptions was undertaken in accordance with the terms outlined in the Offer Letter.

The issue resulted in the allocation of almost 10 million new shares, taking the total outstanding issued capital (ordinary shares) in Anchor to 50,105,296 as at 31 January 2011.

The cash balance as at 31 December 2010 was $1,721,373.

Subsequent Events

Since the end of the financial half-year the company has engaged legal and corporate advisory consultants to provide advice in relation to the unsolicited takeover proposal from a Chinese diversified mining group. A Bidders Statement was issued on 28 January 2011. The consultants' services will be provided under normal commercial terms and conditions.

The directors are not aware of any other significant changes in the state of affairs of the Company occurring since the end of the half-year.

Auditor's Independence Declaration

The independence declaration of our auditor is on page 14 and forms part of this report.

Signed at Sydney this 14th day of February 2011 in accordance with a resolution of the directors.

JOHN ANDERSON
Chairman

Consolidated Statement of Comprehensive Income

Half-year ended 31 December 2010

	Note	31 Dec 10	31 Dec 09
		$	$
REVENUE FROM ORDINARY ACTIVITIES	2	**15,007**	16,514
Administration Expenses		**(50,337)**	(18,774)
Corporate Expenses		**(71,244)**	(182,988)
Depreciation		**(3,847)**	-
Employment Expenses		**(288,651)**	(129,585)
Investor and Public Relations Expenses		**(20,845)**	(12,068)
Occupancy expenses		**(19,129)**	(13,367)
Other expenses from ordinary activities		**-**	(5,488)
(LOSS) BEFORE INCOME TAX EXPENSE		**(439,046)**	(345,756)
INCOME TAX EXPENSE		**-**	-
(LOSS) AFTER INCOME TAX EXPENSE		**(439,046)**	(345,756)
OTHER COMPREHENSIVE INCOME AFTER INCOME TAX:			
Exchange differences on translating foreign controlled entities		**(5,418)**	(2,866)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, BEFORE TAX		**(5,418)**	(2,866)
Income tax (expense) benefit		**-**	-
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**(5,418)**	(2,866)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY		**(444,464)**	(348,622)
Basic loss per share (cents per share)		**(1.12)**	(1.12)
Diluted loss per share (cents per share)		**(1.07)**	(0.40)

Consolidated Statement of Financial Position

as at 31 December 2010

	Note	31 Dec 10	30 Jun 10
		$	$
CURRENT ASSETS			
Cash and cash equivalents		**1,721,373**	626,559
Receivables		**21,332**	75,041
Other current assets		**27,878**	14,926
TOTAL CURRENT ASSETS		**1,770,583**	716,526
NON-CURRENT ASSETS			
Tenement security deposits		**90,000**	100,000
Property, plant and equipment		**15,291**	18,716
Deferred exploration and evaluation expenditure	3	**3,845,094**	3,477,207
Intangible Assets		**2,000**	2,000
TOTAL NON-CURRENT ASSETS		**3,952,385**	3,597,923
TOTAL ASSETS		**5,722,968**	4,314,449
CURRENT LIABILITIES			
Payables		**134,075**	98,052
TOTAL CURRENT LIABILITIES		**134,075**	98,052
TOTAL LIABILITIES		**134,075**	98,052
NET ASSETS		**5,588,893**	4,216,397
EQUITY			
Issued capital	4	**7,126,924**	5,378,158
Accumulated losses		**(1,782,521)**	(1,343,475)
Reserves		**244,490**	181,714
TOTAL EQUITY		**5,588,893**	4,216,397

Consolidated Statement of Cash Flows

Half-year ended 31 December 2010

	31 Dec 10	31 Dec 09
	$	$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payment to suppliers and employees	(200,104)	(317,715)
Interest received	15,007	12,857
Miscellaneous income	-	3,657
NET CASH FLOWS (USED IN) OPERATING ACTIVITIES	(185,097)	(301,201)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of plant and equipment	(422)	0
Expenditure on mining interests (exploration)	(370,493)	(572,190)
Tenement security deposits refunded (paid)	10,000	(100)
NET CASH FLOWS (USED IN) INVESTING ACTIVITIES	(360,915)	(572,290)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	1,680,870	1,020,478
Equity raising expenses	(40,044)	(11,521)
NET CASH FLOWS FROM FINANCING ACTIVITIES	1,640,826	1,008,957
NET INCREASE (DECREASE) IN CASH HELD	1,094,814	135,466
Add opening cash brought forward	626,559	1,218,572
CLOSING CASH CARRIED FORWARD	1,721,373	1,354,038

Consolidated Statement of Changes in Equity

Half-year ended 31 December 2010

	Attributable to the shareholders of Anchor Resources Ltd			
	Issued Capital	Accumulated Losses	Reserves	Total Equity
	$	$	$	$
AT 1 JULY 2009	3,962,599	(839,985)	120,585	3,243,199
Issue of share capital, net of transaction costs	1,023,957	-	-	1,023,957
Share based payments reserve	-	-	114,143	114,143
Loss for the period	-	(345,756)	-	(345,756)
AT 31 DECEMBER 2009	**$4,986,556**	**($1,185,741)**	**$234,728**	**$4,035,543**
AT 1 JANUARY 2010	$4,986,556	($1,185,741)	$234,728	$4,035,543
Issue of share capital, net of transaction costs	391,602	-	-	391,602
Share based payments reserve	-	-	(50,148)	(50,148)
Loss for the period	-	(157,734)	-	(157,734)
Other comprehensive income for the period	-	-	(2,866)	(2,866)
AT 30 JUNE 2010	5,378,158	(1,343,475)	181,714	**4,216,397**
AT 1 JULY 2010	5,378,158	(1,343,475)	181,714	**4,216,397**
Issue of share capital, net of transaction costs	1,640,826	-	-	1,640,826
Share based payments reserve	107,940	-	68,194	176,134
Loss for the period	-	(439,046)	-	(439,046)
Other comprehensive income for the period	-	-	(5,418)	(5,418)
AT 31 DECEMBER 2010	**7,126,924**	**(1,782,521)**	**244,490**	**5,588,893**

Notes to the Half-Year Financial Statements

31 December 2010

1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

Basis of preparation

These general purpose financial statements for the interim half-year reporting period ended 31 December 2010 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: Interim Financial Reporting.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Anchor Resources Limited and its controlled entities (the Group). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2010, together with any public announcements made during the half-year.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

2. REVENUE FROM ORDINARY ACTIVITIES

	31 Dec 10	31 Dec 09
	$	$
Interest received – other persons/corporations	**15,007**	12,857
Other income	**-**	3,657
Total Revenue	**15,007**	16,514

3. NON-CURRENT ASSETS

Deferred exploration and evaluation expenditure

	31 Dec 10	30 Jun 10
	$	$
Costs brought forward	**3,477,207**	2,659,028
Costs incurred during the half-year	**375,802**	826,428
Expenditure written off during the half-year	**(2,606)**	(8,249)
Exchange variations on opening balance	**(5,309)**	-
Costs carried forward	**3,845,094**	3,477,207

4. ISSUED CAPITAL

Share capital	**31 Dec 10**	31 Dec 09
39,2589,237 ordinary shares fully paid as at 01 July	5,730,655	5,171,698
Options issued	**-**	153,047
Rights issue	**1,599,369**	-
Options exercised	**81,500**	-
Amounts transferred from Share Based Payments Reserve on exercise of options	**107,940**	-
	7,519,464	5,324,745
Issue costs	**(392,540)**	(338,189)
50,105,296 ordinary shares fully paid as at 31 December	**7,126,924**	4,986,556

5. OPTIONS

850,000 options were issued to the Company's directors on 13 November 2010 following approval by shareholders at the Company's Annual General Meeting. They are exercisable at 25 cents each and expire on 13 September 2014.

550,000 options were issued to the Company's employees and consultants on 11 October 2010 exercisable at 25 cents each and expiring on 13 September 2014.

850,000 options were exercised during the period.

6. CONTINGENT ASSETS AND LIABILITIES

Since the last annual reporting date, there has been no change of any contingent liabilities or contingent assets.

7. FINANCIAL REPORTING BY SEGMENTS

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The group is managed primarily on the basis of exploration in Australia. Operating segments are therefore determined on the same basis.

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors, being the chief decision makers with respect to operating segments, are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

Inter-segment transactions

An internally determined transfer price is set for all inter-segment sales. This price is reset quarterly and is based on what would be realised in the event the sale was made to an external party at arm's length. All such transactions are eliminated on consolidation of the Group's financial statements.

Corporate charges are allocated to reporting segments based on the segments' overall proportion of revenue generation within the Group. The Board of Directors believes this is representative of likely consumption of head office expenditure that should be used in assessing segment performance and cost recoveries.

Inter-segment loans payable and receivable are initially recognised at the consideration received/to be received net of transaction costs. If inter-segment loans receivable and payable are not on commercial terms, these are not adjusted to fair value based on market interest rates. This policy represents a departure from that applied to the statutory financial statements.

Segment assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives majority economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

Segment liabilities

Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

7. FINANCIAL REPORTING BY SEGMENTS (CONTINUED)

Unallocated items

The following items of revenue, expenses, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- impairment of assets and other non-recurring items of revenue or expense;
- income tax expense;
- deferred tax assets and liabilities;
- current tax liabilities;
- other financial liabilities;
- intangible assets;

Six months ended 31 December 2010	**Exploration Australia $**	**Total $**
Segment performance		
Interest received	15,007	15,007
Total revenue from continuing operations	15,007	15,007
Segment net profit from continuing operations before tax	(363,955)	(363,955)
Reconciliation of segment result to group net profit/loss before tax:		
Amounts not included in segment result but reviewed by the Board:		
— corporate charges		(71,244)
— depreciation and amortisation		(3,847)
Net profit before tax from continuing operations		(439,046)
Segment Assets		
Opening balance 30 June 2010	4,314,449	4,314,449
Additions	1,408,519	1,408,519
Disposals	-	-
Closing balance 31 December 2010	5,722,968	5,722,968

Notes to the Half-Year Financial Statements

31 December 2010

7. FINANCIAL REPORTING BY SEGMENTS (CONTINUED)

Six months ended 31-December 2009	**Exploration Australia** $	**Total** $
Segment performance		
Interest received	16,514	16,514
Total revenue from continuing operations	16,514	16,514
Segment net profit from continuing operations before tax	(162,768)	(162,768)
Reconciliation of segment result to group net profit/loss before tax:		
Amounts not included in segment result but reviewed by the Board:		
— corporate charges		(182,988)
— depreciation and amortisation		-
Net profit before tax from continuing operations		(345,756)
Segment Assets		
Opening balance 30 June 2009	3,410,405	3,410,405
Additions	686,640	686,640
Disposals	-	-
Closing balance 31 December 2009	4,097,045	4,097,045

8. SUBSEQUENT EVENTS

Since the end of the financial half-year the company has engaged legal and corporate advisory consultants to provide advice in relation to the unsolicited takeover proposal from a Chinese diversified mining group. A Bidders Statement was issued on 28 January 2011. The consultants' services will be provided under normal commercial terms and conditions.

No other event has occurred subsequent to 31 December 2010 requiring disclosure in, or amendment to, these financial statements.

Directors' Declaration

In accordance with a resolution of the directors of Anchor Resources Ltd, I state that:

In the opinion of the directors:

a) the financial statements and notes of the Company are in accordance with the *Corporations Act 2001*, including:

   i) complying with Accounting Standard AASB 134: Interim Financial Reporting; and

   ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date.

b) In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

JOHN ANDERSON
Chairman

Sydney, 14th February 2011

B A R N E S   D O W E L L   J A M E S

CHARTERED ACCOUNTANTS

Partners

C H Barnes FCA

A J Dowell CA

B Kolevski (Affiliate ICAA)

M Galouzis CA

Associate

M A Nakkan CA

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Anchor Resources Limited.

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Anchor Resources Limited, which comprises the consolidated statement of financial position as at 31 December 2010, and the consolidated statement of comprehensive income, statement of changes in equity and consolidated cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations* Act *2001*. This responsibility includes designing. Implementing maintaining internal controls relevant to the preparation and fair presentation of the half-year 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.

Auditors' Responsibility

Our responsibility is to express a conclusion on the half-year 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 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, 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134.

Independent Auditor's Review Report

Interim Financial Reporting and the Corporations Regulations 2001.

As the auditor of Anchor Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year 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.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001,* provided to the directors of Anchor Resources Limited on 4 February, 2011, would be in the same terms if provided to the directors as at the date of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Anchor Resources Limited 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, 2010 and of its performance for the half-year ended on that date; and
b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

BARNES DOWELL JAMES

Charted Accounts

…………………………………
Anthony J Dowell 14 February, 2011

Partner

Auditor's Independence Declaration

BARNES DOWELL JAMES

CHARTERED ACCOUNTANTS

Partners
C H Barnes FCA
A J Dowell CA
B Kolevski (Affiliate ICAA)
M Galouzis CA

Associate
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AJD:ZM

4 February, 2011

The Board of Directors
Anchor Resources Limited
Level 5
35 Lime Street
SYDNEY NSW 2000

Dear Board of Directors,

ANCHOR RESOURCES LIMITED

We declare that to the best of our knowledge and belief, during the half year ended 31 December 2010 there have been:

i. No contraventions of 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.

Yours faithfully,
BARNES DOWELL JAMES

....
Anthony Dowell
Partner

ANCHOR RESOURCES LTD

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