

ANOORAQ RESOURCES CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED JUNE 30, 2005

(Expressed in Canadian Dollars, unless otherwise stated)

ANOORAQ RESOURCES CORPORATION

Consolidated Balance Sheets

(Expressed in Canadian Dollars unless otherwise stated)

	June 30	December 31
	2005	2004
	<i>(unaudited)</i>	
Assets		
Current assets		
Cash and equivalents	\$ 7,390,759	\$ 14,945,355
Amounts receivable (notes 4)	742,746	605,732
Due from related parties (note 8)	101,285	62,911
Prepaid expenses	115,947	138,642
	<u>8,350,737</u>	<u>15,752,640</u>
Equipment (note 5)	179,193	197,995
Mineral property interests (note 6)	10,075,000	10,075,000
	<u>\$ 18,604,930</u>	<u>\$ 26,025,635</u>
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 1,466,439	\$ 1,573,733
	<u>1,385,255</u>	<u>1,385,255</u>
Future income taxes (note 9)	1,385,255	1,385,255
Shareholders' equity		
Share capital (note 7)	50,018,663	49,974,357
Contributed surplus (note 7(c))	5,251,376	2,363,950
Deficit	(39,516,803)	(29,271,660)
	<u>15,753,236</u>	<u>23,066,647</u>
Nature of operations (note 1)		
Commitments (note 6)		
	<u>\$ 18,604,930</u>	<u>\$ 26,025,635</u>

See accompanying notes to consolidated financial statements

Approved by the Board of Directors

/s/ Tumelo M. Motsisi

Tumelo M. Motsisi
Director

/s/ Ronald W. Thiessen

Ronald W. Thiessen
Director

ANOORAQ RESOURCES CORPORATION

Consolidated Statements of Operations

(Expressed in Canadian Dollars unless otherwise stated)

	Three months ended June 30	Three months ended July 31	Six months ended June 30	Six months ended July 31
	2005	2004	2005	2004
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Expenses				
Accounting, audit and legal	\$ 178,092	\$ 117,335	\$ 308,349	\$ 425,382
Conference and travel	190,928	99,153	413,139	126,428
Consulting	439,602	118,761	755,660	182,036
Exploration (schedule)	2,317,589	1,923,750	4,699,037	3,668,343
Office and administration	95,687	130,413	269,476	177,320
Salaries and benefits	412,323	116,967	771,846	241,382
Stock-based compensation - operations (note 7(c))	2,069,271	501,505	2,065,511	565,011
Stock-based compensation - exploration (note 7(c))	842,556	433,038	836,221	493,361
Shareholders communications	89,840	53,019	166,285	120,530
Trust and filing	8,580	24,030	84,550	114,570
Loss before the following	6,644,468	3,517,971	10,370,074	6,114,363
Foreign exchange loss (gain)	(118,668)	37,184	(19,948)	(11,573)
Interest income	(59,821)	(124,552)	(104,983)	(349,702)
Loss for the period	\$ 6,465,979	\$ 3,430,603	\$ 10,245,143	\$ 5,753,088
Basic and diluted loss per share	\$ (0.04)	\$ (0.06)	\$ (0.07)	\$ (0.11)
Weighted average number of common shares outstanding	148,028,142	54,491,298	148,028,142	51,925,164

See accompanying notes to consolidated financial statements

Consolidated Statements of Deficit

(Expressed in Canadian Dollars)

	Three months ended June 30	Three months ended July 31	Six months ended June 30	Six months ended July 31
	2005	2004	2005	2004
Deficit, beginning of period	\$ (33,050,824)	\$ (20,951,802)	\$ (29,271,660)	\$ (18,629,317)
Loss for the period	(6,465,979)	(3,430,603)	(10,245,143)	(5,753,088)
Deficit, end of the period	\$ (39,516,803)	\$ (24,382,405)	\$ (39,516,803)	\$ (24,382,405)

See accompanying notes to consolidated financial statements

ANOORAQ RESOURCES CORPORATION

Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars unless otherwise stated)

	Three months ended June 30	Three months ended July 31	Six months ended June 30	Six months ended July 31
	2005	2004	2005	2004
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Cash provided by (used for)				
Operating activities				
Loss for the period	\$ (6,465,979)	\$ (3,430,603)	\$ (10,245,143)	\$ (5,753,088)
Items not involving cash				
Amortization included in exploration expenses	12,088	6,008	24,770	10,603
Stock-based compensation (note 7(c))	2,897,521	934,543	2,887,426	1,058,372
Changes in non-cash operating working capital				
Amounts receivable	(450,220)	(207,298)	(175,388)	(389,698)
Prepaid expenses	(14,902)	24,098	22,695	48,197
Accounts payable and accrued liabilities	(240,252)	(408,071)	(107,294)	151,436
	<u>(4,261,744)</u>	<u>(3,081,323)</u>	<u>(7,592,934)</u>	<u>(4,874,178)</u>
Investing activities				
Purchase of equipment	(138)	–	(5,968)	–
Financing activities				
Issuance of common shares	44,306	58,240	44,306	408,706
Increase in cash and equivalents	(4,217,576)	(3,023,083)	(7,554,596)	(4,465,472)
Cash and equivalents, beginning of period	11,608,335	25,237,274	14,945,355	26,679,663
Cash and equivalents, end of period	\$ 7,390,759	\$ 22,214,191	\$ 7,390,759	\$ 22,214,191
Supplementary information				
Interest paid	\$ 807	\$ –	\$ 29,911	\$ –
Interest received	\$ (60,628)	\$ (124,552)	\$ (134,894)	\$ (349,702)
Taxes paid	\$ –	\$ –	\$ –	\$ –

See accompanying notes to consolidated financial statements

ANOORAQ RESOURCES CORPORATION

Consolidated Schedules of Exploration Expenses

(Expressed in Canadian Dollars unless otherwise stated)

	Three months ended June 30	Three months ended July 31	Six months ended June 30	Six months ended July 31
	2005	2004	2005	2004
Republic of South Africa	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Northern Limb of the Bushveld Complex				
Assays and analysis	\$ 653,428	\$ 625,766	\$ 1,011,968	\$ 939,783
Amortization	12,088	6,008	24,770	10,603
Drilling	968,591	829,002	2,057,733	1,765,716
Engineering	197,831	78,715	383,184	157,452
Environmental and socioeconomic	28,744	11,873	49,626	25,792
Geological and consulting	294,613	178,470	627,955	406,330
Graphics	2,128	12,622	3,186	18,541
Property fees and assessments	13,749	–	4,773	–
Property option payments	37	3,816	31,043	6,058
Site activities	79,640	115,841	183,352	177,895
Transportation	61,809	53,860	82,723	57,222
	2,312,658	1,915,973	4,460,313	3,565,392
Eastern Limb of the Bushveld Complex				
Drilling	–	–	190,223	–
Engineering	4,041	6,227	34,005	36,717
Geological and consulting	199	–	11,408	2,586
Graphics	692	–	1,255	1,860
Property fees and assessments	–	1,550	1,505	61,788
Site activities	–	–	329	–
	4,931	7,777	238,724	102,951
Exploration expenses before the following	2,317,589	1,923,750	4,699,037	3,668,343
Stock-based compensation (note 7(c))	842,556	433,038	836,221	493,361
Exploration expenses	3,160,145	2,356,788	5,535,258	4,161,704
Cumulative expenditures, beginning of period	19,265,885	11,172,409	16,890,772	9,367,493
Cumulative expenditures, end of period	\$ 22,426,030	\$ 13,529,197	\$ 22,426,030	\$ 13,529,197

See accompanying notes to consolidated financial statements

ANOORAQ RESOURCES CORPORATION

Notes to Consolidated Financial Statements

For the six months ended June 30, 2005

(Unaudited – Expressed in Canadian Dollars, unless otherwise stated)

1. Nature of operations

Anooraq Resources Corporation (the "Company" or "Anooraq") is incorporated in the Province of British Columbia, Canada and its principal business activity is the exploration of mineral property interests. Since 1999, the Company has focused on mineral property interests located in the Republic of South Africa, with particular attention on the Bushveld Complex (note 6).

During 2004, the Company changed its fiscal year end from October 31 to December 31.

The Company is in the process of exploring its mineral property interests and has not yet determined whether its mineral property interests contain economically recoverable mineral reserves. The underlying value and the recoverability of the amounts shown for mineral property interests are entirely dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of the mineral property interests, and future profitable production or proceeds from the disposition of the mineral property interests.

The consolidated financial statements are prepared on the basis that the Company will continue as a going concern. Management recognizes that the Company will need to generate additional financial resources in order meet its planned business objectives. However, there can be no assurances that the Company will continue to obtain additional financial resources and/or achieve profitability or positive cash flows. If the Company is unable to obtain adequate additional financing, the Company will be required to curtail operations and exploration activities. Furthermore, failure to continue as a going concern would require that the Company's assets and liabilities be restated on a liquidation basis which would differ significantly from the going concern basis.

2. Basis of presentation and principles of consolidation

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly owned. The Company's investment in the Ga-Phasha joint venture (note 6(b)) is consolidated on a proportionate basis.

All material intercompany balances and transactions have been eliminated.

3. Significant accounting policies

(a) Cash and equivalents

Cash and equivalents consist of cash and highly liquid investments, having maturity dates of three months or less from the date of purchase, that are readily convertible to known amounts of cash.

(b) Equipment

Equipment is carried at cost less accumulated depreciation. Depreciation is provided on a declining balance basis at various rates ranging from 15% to 30% per annum.

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(c) *Mineral property interests*

Exploration expenses incurred prior to determination of the feasibility of mining operations, and periodic option payments are expensed as incurred. Mineral property acquisition costs and exploration and development expenditures incurred subsequent to the determination of the feasibility of mining operations and the receipt of required construction and exploration permits are capitalized until the property to which they relate is placed into production, sold, allowed to lapse or abandoned.

Mineral property acquisition costs include the cash consideration and the fair market value of common shares and warrants issued for mineral property interests, pursuant to the terms of the relevant agreement. These costs will be amortized over the estimated life of the property following commencement of commercial production, or written off if the property is sold, allowed to lapse or abandoned or when an impairment in value has been determined to have occurred.

(d) *Share capital*

The Company records proceeds from share issuances net of issue costs. Shares issued for consideration other than cash are valued at the quoted price on the date the agreement to issue the shares was reached and announced.

(e) *Income taxes*

The Company uses the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are computed based on differences between the carrying amounts of assets and liabilities on the balance sheet and their corresponding tax values, generally using the substantively enacted income tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Future income tax assets also result from unused loss carry forwards and other deductions. Future tax assets are recognized to the extent that they are considered more likely than not to be realized. The valuation of future income tax assets is adjusted, if necessary, by the use of a valuation allowance to reflect the estimated realizable amount.

(f) *Loss per share*

Basic loss per share is calculated by dividing the loss available to common shareholders by the weighted average number of common shares outstanding during the period. For all periods presented, loss available to common shareholders equals the reported loss.

Diluted loss per common share is calculated using the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding used for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the year. In the periods presented, diluted loss per share is the same as basic loss per share as the effect of including outstanding options and warrants in the loss per share calculation would be anti-dilutive.

(g) *Fair value of financial instruments*

The carrying amounts of cash and equivalents, amounts receivable, and accounts payable and accrued liabilities approximate their fair values due to their short-term nature. It is not practicable

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Notes to Consolidated Financial Statements

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to determine the fair values of amounts receivable due from/to related parties (note 8) due to the related party nature of such amounts and the absence of a secondary market for such instruments.

(h) *Translation of foreign currencies*

All of the Company's foreign operations are integrated. Monetary assets and liabilities of the Company's integrated foreign operations are translated into Canadian dollars at exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities are translated at historical exchange rates unless such items are carried at market, in which case they are translated at the exchange rates in effect on the balance sheet date. Revenues and expenses, except depreciation, are translated at the average exchange rates for the year. Depreciation is translated at the same exchange rate as the assets to which it relates. Gains or losses on translation are recorded in the statement of operations.

(i) *Use of estimates*

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting year. Significant areas requiring the use of management estimates include the determination of the recoverability of mineral property interests, determination of reclamation obligations and the assumptions used in determining fair value of non-cash stock-based compensation. Actual results could differ from these estimates.

(j) *Stock-based compensation*

Effective November 1, 2002, the Company adopted the new accounting standard of the Canadian Institute of Chartered Accountants ("CICA"), Section 3870 "Stock-Based Compensation and Other Stock-Based Payments ("HB 3870"). Under the new standard, stock options and other stock-based payments to non-employees, and employee awards that are direct awards of stock, call for settlement in cash or other assets, or are stock appreciation rights that call for settlement by issuance of equity instruments, granted on or after November 1, 2002, are accounted for using the fair value based method.

On adoption of HB 3870, the Company elected to use the settlement method of accounting for stock options granted to employees, and to disclose the pro forma effect of accounting for these awards under the fair value method. Effective November 1, 2003, in connection with amendments to HB 3870, the Company changed the method of application of its stock-based compensation accounting policy so as to measure all stock options granted at fair value and to recognize the compensation expense over the vesting period, with a corresponding credit to contributed surplus. This change has been applied prospectively for options granted on or after November 1, 2003, as allowed under the transitional provisions of HB 3870.

Prior to the adoption of the new recommendations in 2002, no compensation expense was recorded for the Company's stock-based plan when options or incentives were granted. Any consideration paid by directors and employees on exercise of stock options was credited to share capital.

(k) *Asset retirement obligations*

During the period ended December 31, 2004, the Company adopted the CICA Handbook Section 3110 "Asset Retirement Obligations" ("HB 3110"). This standard recognizes statutory,

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contractual or other legal obligations related to the retirement of tangible long-lived assets when such obligations are incurred, if a reasonable estimate of fair value can be made. These obligations are measured initially at fair value and the resulting costs are capitalized to the carrying value of the related asset. In subsequent periods, the liability is adjusted for any changes in the amount or timing and for the discounting of the underlying future cash flows. The capitalized asset retirement cost is amortized to operations over the life of the asset.

Prior to the adoption of HB 3110, the Company had accounted for reclamation and closure costs by accruing an amount associated with the retirement of tangible long-lived assets as a charge to operations over the life of the asset.

The Company adopted HB 3110 retroactively with a restatement of prior periods presented; however, the adoption of HB 3110 resulted in no changes to amounts previously presented.

(l) *Segment disclosures*

The Company operates in a single segment, being the exploration of mineral properties within the geographic areas disclosed in note 10.

(m) *Comparative figures*

Certain of the prior periods' comparative figures have been restated to conform to the presentation adopted for the current period.

4. Amounts receivable

Amounts receivable comprise the following:

	June 30, 2005	December 31, 2004
Value-added taxes recoverable	\$ 649,851	\$ 588,190
Employee expense advances	573	10,354
Other receivables	92,322	7,188
Amounts receivable	\$742,746	\$ 605,732

5. Equipment

	June 30, 2005			December 31, 2004		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Office	\$ 71,816	\$ 41,362	\$ 30,454	\$ 65,846	\$ 34,794	\$ 31,052
Vehicles	253,468	104,729	148,739	253,468	86,525	166,943
	\$ 325,143	\$ 134,000	\$ 179,193	\$ 319,314	\$ 121,319	\$ 197,995

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Notes to Consolidated Financial Statements

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(Unaudited – Expressed in Canadian Dollars, unless otherwise stated)

6. Mineral property interests

Mineral Property Acquisition Costs	June 30, 2005	December 31, 2004
Platreef Properties (note 6(a))	\$ 4,200,000	\$ 4,200,000
Ga-Phasha Project (note 6(b))	5,875,000	5,875,000
Balance, end of period	\$ 10,075,000	\$ 10,075,000

(a) *Northern Limb of the Bushveld Complex, South Africa*

Platreef

In October 1999, the Company acquired a right to purchase up to 100% of Pinnacle Resources Inc.'s ("Pinnacle") South African subsidiary, Plateau Resources (Proprietary) Limited ("Plateau"), which holds the Platreef platinum group metals ("PGM") properties located on the Northern Limb of the Bushveld Complex in South Africa, and in November 2003 the Company fulfilled all remaining items related to this right.

In South Africa, many mineral claim areas were historically defined by farm boundaries and are commonly referred to as "farms".

On May 23, 2000, the Company added to its mineral rights in the region by acquiring through Plateau the option to purchase a 100% interest in portion 2 of the Elandsfontein 766LR farm located contiguous to the pre-existing Platreef properties, pursuant to an agreement with MSA Projects (Proprietary) Limited. The option required staged issuances of a maximum of 500,000 common shares of the Company (of which 412,500 shares have been issued to June 30, 2005 and no further share issuances are expected) and aggregate cash payments of US\$350,000 (of which US\$61,750 and \$15,000 have been paid).

In July 2001, Plateau acquired the right to purchase a 100 percent interest in the farm Hamburg 737LR (2,126 hectares) and Portion 1 of the farm Elandsfontein 766LR (428 hectares), located contiguous to the north end of the then-existing Platreef properties. Consideration for the exploration rights to these properties, which are in effect for a five year term, consists of payments of US\$2.00 per hectare in year one escalating in stages to US\$4.50 per hectare in year five. To purchase the farms outright, a payment of US\$325 per hectare is required if the option is exercised in year one, escalating in stages to US\$600 per hectare in year five.

In August 2002, the Company entered into a five year prospecting contract, expiring August 2007, with an option to extend the agreement for an additional three years with the South African Department of Mines and Energy ("DME") for farm Noord Holland 775LR (1,229 hectares) bringing the aggregate land package of its Platreef Property to approximately 13,400 hectares. Annual option fees ranging from South African Rand ("ZAR") 3 per hectare to ZAR 18 per hectare are payable to the DME.

ANOORAQ RESOURCES CORPORATION

Notes to Consolidated Financial Statements

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(Unaudited – Expressed in Canadian Dollars, unless otherwise stated)

Rietfontein

On October 10, 2001, the Company completed an agreement with African Minerals Ltd., now Ivanhoe Nickel and Platinum Ltd. ("Ivanplats"), a private affiliate of Ivanhoe Capital Corporation, whereby Ivanplats has the right to earn a 50% interest in the Company's 2,900 hectare Rietfontein 2KS farm ("Rietfontein"). Under the terms of this agreement, Ivanplats must incur at least \$750,000 in expenditures pursuant to exploration activities undertaken on Rietfontein in accordance with an approved program in each of the ensuing two years (of which the year one program has been completed) to obtain the right to form a 50/50 joint venture with the Company on Rietfontein. There is disagreement over budgets, compilation and analysis of the exploration results, and the overall adequacy and completeness of Ivanplats' exploration activities. The Company and Ivanplats are currently in discussions over these matters, both outside of and within a formal arbitration process, pursuant to the terms of the earn-in agreement.

Kwanda ("Rustenburg")

On May 16, 2002, the Company completed an agreement with Rustenburg Platinum Mines Limited ("Rustenburg"), a wholly owned subsidiary of Anglo American Platinum Corporation Limited (together "Anglo Platinum"), for the right to acquire up to an 80% interest in twelve PGM properties located on the Northern Limb of the Bushveld Complex.

Under the agreements with Anglo Platinum, the Company has acquired an initial 50% interest in the PGM rights to the twelve farms and can maintain this interest by making staged exploration expenditure totalling ZAR 25 million within five years. The Company is required to spend ZAR 2.5 million in year one (which has been completed), ZAR 5 million in each of years two (which has been completed), three, and four, and ZAR 7.5 million in year five.

If a mineral resource is identified, the Company can earn an additional 30% interest by bringing the property into commercial production. Rustenburg will retain a 20% interest in the joint venture. The agreements also include plans to involve local communities in future development of the properties. Any participation by local and regional communities will be provided out of Rustenburg's interest and any participation in the venture by a Historically Disadvantaged South Africans ("HDSA") partner will be provided out of the Company's interest.

Boikgantsho ("Drenthe-Overysel")

On November 26, 2003, the Company announced that it had entered into a Joint Venture Agreement with Potgietersrust Platinums Limited ("PPRust"), a wholly owned subsidiary of Anglo American Platinum Corporation Limited (together "Anglo Platinum"). The Joint Venture was formed to explore and develop PGMs, gold and nickel mineralization on the Company's Drenthe 778LR and Witrivier 777LR farms and a portion of PPRust's adjacent Overysel 815LR farm. These farms are located on the Northern Limb of the Bushveld Complex.

The objective is to explore and develop a large-scale open pit deposit with the potential to utilize nearby milling, smelting and refining facilities which could provide substantial cost advantages to a new mining project. The Company contributed its rights to the Drenthe 778LR farm on which a large PGM-nickel resource has been outlined in the Drenthe deposit, and will contribute the Witrivier 777LR farm if the deposit extends north on to Witrivier 777LR. PPRust is contributing its rights to the northern portion of the Overysel 815LR farm which lies south of and contiguous to the Drenthe 778LR farm.

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Notes to Consolidated Financial Statements

For the six months ended June 30, 2005

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Pursuant to the terms of the Joint Venture Agreement, the Company and Anglo Platinum will form an initial 50/50 Joint Venture (the "Boikgantsho JV") to explore these farms for a period of up to five years. During that period, Anooraq will operate the exploration programs, and spend up to ZAR 12.35 million (of which the entire amount has been spent) on behalf of the Boikgantsho JV. Anooraq will then have the option to proceed on a year-by-year basis and to take the project to a bankable feasibility study ("BFS") level.

Once a BFS has been completed, the parties, by agreement, may proceed to exploitation subject to relevant regulatory requirements. If both partners decide to proceed, then a joint management committee will be established to oversee development and operations. At commencement of exploitation, the joint venture interest allotted to each of Anooraq and Anglo Platinum will be determined in proportion to the relative value of the metals contained in each contributed property as reflected in the BFS. Anooraq or Anglo Platinum, as the case may be, each has the right to make a cash payment to the other party or to fund additional capital contributions to equalize their respective contributions. During development, the Boikgantsho JV will be seeking a Black Economic Empowerment ("BEE") partner to participate in the project, which may be Anooraq itself, with the original Boikgantsho JV partners dividing the remaining interest.

Should the Company choose not to proceed, Anglo Platinum has the option of acquiring the Company's interest at the aggregate of (i) the net present value of exploiting the Company's mineral rights as a stand alone mining operation, by applying an agreed discount rate as determined in the BFS, and (ii) all exploration expenditures (as defined in the agreement) incurred by the Company up to the completion of the BFS. Should Anglo Platinum decide not to contribute to exploitation, its interest will be diluted over time pursuant to a formula taking into account expenditure on the project by the contributory parties. Anglo Platinum will remain entitled to a minimum 12.5% non-contributory interest, adjusted depending on the final PGM royalty to be established under the South African Mineral and Petroleum Royalty Bill, to a maximum of 15%.

Anglo Platinum has the right to enter into a PGM Ore or Concentrate Purchase and Disposal Agreement at the exploitation phase, based on standard commercial terms, whereby PGM produced from the operation would be treated at Anglo Platinum's facilities.

(b) Eastern Limb of the Bushveld Complex, South Africa

Ga-Phasha Project

In January 2004, the Company announced it had agreed to terms whereby the Company and Pelawan Investments (Proprietary) Limited ("Pelawan"), a private South African BEE company, would combine their respective PGM assets, comprising the Company's Northern and Western Limb PGM projects and Pelawan's 50% participation interest in the Ga-Phasha (previously known as Paschaskraal) PGM Project ("Ga-Phasha") on the Eastern Limb of the Bushveld Complex in South Africa. The Ga-Phasha property consists of four farms – Portion 1 of Paschaskraal 466KS, and the whole of farms Klipfontein 465KS, De Kamp 507KS and Avoca 472KS – covering an area of approximately 9,700 hectares.

The mineral title relating to the Ga-Phasha Project is held by Micawber 277 (Proprietary) Limited ("Micawber"), a private South African corporation which was owned 50% by Anglo Platinum and 50% by Pelawan.

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Pursuant to the terms of the agreement between the Company and Pelawan, the Company acquired Pelawan's 50% shareholding in Micawber and the rights to its 50% participation interest in the Ga-Phasha Project in return for 91.2 million common shares of the Company (the "Consideration Shares") and cash payments totalling ZAR 15,652,744 (\$3,055,416). Approximately 83 million Consideration Shares will be held in escrow until the earlier of September 29, 2010 or twelve months after the commencement of commercial production from the Ga-Phasha Project.

The transaction was completed on September 29, 2004 and consequently Anooraq became a BEE company. The Ga-Phasha Project is a 50/50 joint venture between the Company, through Plateau, and Anglo Platinum, through its wholly owned subsidiary Rustenburg Platinum Mines Limited, governed by, among other things, a shareholders' agreement relating to Micawber entered into on September 22, 2004. Work on the Ga-Phasha Project is continuing toward the preparation of a bankable feasibility study.

The transaction constitutes a "reverse take-over" under the policies of the TSX Venture Exchange. This transaction has been accounted for as an acquisition by Anooraq of Micawber's 50% interest in its mineral properties. However, because neither the fair value of the Anooraq shares issued, nor the fair value of the mineral property interests acquired could be readily determined, the acquisition has been recorded at the net book value, as determined in accordance with Canadian generally accepted accounting principles, of Micawber's net assets acquired, being nil, plus related transaction costs.

The acquisition costs were accounted for as follows:

Cash payments totaling ZAR 15,652,744	\$ 3,055,416
Financial, legal, advisory, and other fees	1,419,329
Estimated South African stamp duties	15,000
Book value of Micawber's net assets acquired	–
Future income taxes	1,385,255
Acquisition cost, Ga-Phasha Project	\$ 5,875,000

The Company accounts for its interest in Micawber, which holds the Ga-Phasha Project, using the proportionate consolidation method.

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The following is a summary of the Company's proportionate share of Micawber as at June 30, 2005 and for the period from acquisition on September 29, 2004 to December 31, 2004, included in the Company's consolidated financial statements:

	As at June 30 2005	As at December 31 2004
Current assets	\$ 24,520	\$ 24,045
Non-current assets	–	–
Current liabilities	392,387	219,423
Non-current liabilities	–	–

	Six months ended June 30 2005	From September 29 2004 to December 31 2004
Revenues	–	–
Expenses	185,397	195,387
Net loss	(185,397)	(195,387)
Cash flows used in operating activities	(185,397)	(195,387)
Cash flows used in investing activities	–	–
Cash flows used in financing activities	–	–

c) *Western Limb of the Bushveld Complex, South Africa*

Thusong Joint Venture

In May 2003, the Company entered into a joint venture agreement with Rustenburg to form a joint venture to explore and develop PGMs, gold and nickel mineralization on the Wachteenbietjieslaagte 4JQ, Vogelstruiskraal 400KQ and Cyferkuil 1JQ farms, which are located on the western limb of the Bushveld Complex, approximately 75 kilometres north of the town of Rustenburg, adjacent to Anglo Platinum's Union operations.

Pursuant to the terms of the joint venture agreement, the Company and Anglo Platinum will form an initial 50/50 joint venture (the "Thusong JV") to explore the three farms for a period of up to five years. During that period, the Company will operate exploration programs, and spend up to ZAR 12 million on behalf of the Thusong JV. The Company will have the option to proceed to take the project to a BFS level. Once the BFS has been completed, the parties, by agreement, may jointly or separately proceed to exploitation. During development, the Thusong JV will be seeking a BEE partner to participate in the project. If both partners decide to proceed, then a joint management committee will be established to oversee development and operations. Should Anglo Platinum decide not to contribute to exploitation, its interest will be diluted over time pursuant to a formula taking into account expenditure on the project by the contributing parties. Anglo Platinum will remain entitled to a minimum 17.5% non-contributory interest, adjusted depending on the final PGM royalty established under the South African Mineral and Petroleum Royalty Bill to a maximum of 20%. Should the Company decide not to proceed, Anglo Platinum

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has the right to buy out the Company's interest at the pro-rata net present value of exploiting the farms as determined in the BFS.

7. Share capital*(a) Authorized share capital*

On May 21, 2004, shareholders of the Company approved an increase in the authorized share capital from 200,000,000 common shares without par value to an unlimited number of common shares without par value.

(b) Issued and outstanding common shares

Common shares issued and outstanding	Price	Number of Shares	Dollar Amount
Balance, October 31, 2002		32,148,463	\$ 20,048,474
Issued during fiscal 2003			
Shares issued for property option	\$ 0.75	270,833	203,125
Share purchase options exercised	\$ 0.60	1,206,000	720,090
Share purchase warrants exercised	\$ 0.72	5,138,876	3,435,560
Private placement, May 2003, net of issue costs (note 7(g))	\$ 0.52	1,400,000	679,614
Balance, October 31, 2003		40,164,172	25,086,863
Issued during fiscal 2004			
Shares issued for property option	\$ 0.85	400,000	340,000
Fair value of stock options allocated to shares issued on exercise	–	–	588,560
Share purchase options exercised	\$ 0.75	3,419,300	2,555,390
Share purchase warrants exercised	\$ 0.85	3,313,125	2,822,529
Private placement, Dec 2003, net of issue costs (note 7(h))	\$ 2.10	9,523,810	18,635,143
Shares issued to acquire Ga-Phasha Project (note 6(b))		91,200,000	–
Share issue cost of Ga-Phasha project		–	(54,128)
Balance, December 31, 2004		148,020,407	\$ 49,974,357
Share purchase options exercised	\$0.60	50,000	30,000
Fair value of stock options allocated to shares issued on exercise	–	–	14,306
Balance, June 30, 2005		148,070,407	\$ 50,018,663

(c) Share option plan

The Company has a share option plan approved by the Company's shareholders that allows it to grant options, subject to regulatory terms and approval, to its directors, employees, officers, and consultants to, as at June 30, 2005, acquire up to 13,588,200 common shares, of which 6,068,200 options were outstanding and 7,520,000 remained available to grant. The exercise price of each option is set by the Board of Directors at the time of grant but cannot be less than the market price (less permissible discounts) on the TSX Venture Exchange. Options have a term of up to a maximum of ten years (however, the Company has historically granted options for up to a term of five years), and terminate 30 days following the termination of the optionee's employment or

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term of engagement, except in the case of retirement or death. Vesting of options is at the discretion of the Board of Directors at the time the options are granted.

The continuity of share purchase options is as follows:

	Weighted average exercise price	Number of options	Contractual weighted average remaining life (years)
Balance, October 31, 2002	\$ 0.75	3,756,500	1.59
Granted	1.35	2,852,000	
Exercised	0.60	(1,206,000)	
Expired	0.56	(88,500)	
Cancelled	0.68	(114,000)	
Balance, October 31, 2003	\$ 1.12	5,200,000	1.36
Granted	1.89	897,500	
Exercised	0.75	(3,419,300)	
Cancelled	0.97	(68,200)	
Balance, December 31, 2004	\$ 1.87	2,610,000	1.54
Granted	1.40	3,598,200	
Exercised	0.60	(50,000)	
Cancelled	1.98	(90,000)	
Balance, June 30, 2005	\$ 1.60	6,068,200	3.26

Options outstanding and exercisable at June 30, 2005 were as follows:

Expiry date	Option price	Number of options outstanding
September 8, 2005	\$ 0.85	100,000
September 30, 2005	\$ 0.85	50,000
October 21, 2005	\$ 2.00	1,530,000
October 26, 2006	\$ 1.95	555,000
October 26, 2006	\$ 2.00	35,000
October 26, 2006	\$ 1.64	200,000
December 14, 2007	\$ 1.40	533,200
December 14, 2010	\$ 1.40	3,065,000
Total		6,068,200
Average option price		\$ 1.60

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The exercise prices of all share purchase options granted during the period were equal to the market price at the grant date. Using an option pricing model with the assumptions noted below, the estimated fair value of all options granted during fiscal 2005, 2004 and 2003 have been reflected in the consolidated statement of operations as follows:

	Six months ended June 30 2005	Fourteen months ended December 31 2004	Year ended October 31 2003
Stock-based compensation – Exploration	\$ 836,221	\$ 1,040,542	\$ 8,875
Stock-based compensation – Operations	2,065,511	1,426,006	477,087
Credited to contributed surplus during the period	2,901,732	2,466,548	485,962
Share purchase options exercised, credited to share capital	(14,306)	(588,560)	–
Contributed surplus, beginning of the period	2,363,950	485,962	–
Contributed surplus, end of period	\$ 5,251,376	\$ 2,363,950	\$ 485,962

The assumptions used to estimate the fair value of options granted during the period were:

	2005	2004	2003
Risk free interest rate	3%	3%	3%
Expected life	5 years	2 years	2 years
Volatility	79%	88%	40%
Expected dividends	nil	nil	nil

(d) *Share purchase warrants*

The continuity of share purchase warrants is as follows:

Note Reference	7(e)	7(f)	7(h)	
Expiry date	Aug. 28, 2003	Dec. 21, 2003	Dec. 27, 2003	June 1, 2005
Exercise price	\$0.70	\$0.85	\$0.88	\$2.50
Balance, October 31, 2002	4,500,000	3,692,718	259,283	–
Exercised	(4,500,000)	(592,000)	(46,876)	–
Balance, October 31, 2003	–	3,100,718	212,407	–
Issued	–	–	–	5,333,334
Exercised	–	(3,100,718)	(212,407)	–
Balance, December 31, 2004	–	–	–	5,333,334
Issued	–	–	–	–
Exercised	–	–	–	–
Expired	–	–	–	(5,333,334)
Balance, June 30, 2005	–	–	–	–

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(e) *Share purchase warrants*

On December 10, 2002, the Company extended the expiry date of 3,692,718 warrants for an additional year to December 21, 2003, with the exercise price unchanged at \$0.85.

(f) *Private placement, August 2002*

On August 27, 2002, the Company completed a \$207,426 private placement financing of 259,283 units at a price of \$0.80 per unit. Each unit was comprised of one common share and a one common share purchase warrant exercisable at \$0.88 per common share until December 27, 2003. The warrants were subject to an accelerated expiry based on certain conditions.

(g) *Private placement, May 2003*

On May 27, 2003, the Company completed a private placement financing consisting of 1,400,000 common shares at a price of \$0.52 per share.

(h) *Private placement, December 2003*

During December 2003, the Company completed a \$20 million private placement financing of 9,523,810 units at a price of \$2.10 per unit. Each unit was comprised of one common share and one-half of a common share purchase warrant, with each whole warrant exercisable at \$2.50 per common share until June 1, 2005. The agents received 571,429 share purchase warrants each exercisable into one common share at \$2.50 per common share until June 1, 2005. The fair value of warrants issued has been presented on a net basis in share capital.

8. Related party transactions and balances

	Note	Six months ended June 30 2005	Fourteen months ended December 31 2004	Year ended October 31 2003
Services rendered by	Ref			
Hunter Dickinson Inc.	(a)	\$ 849,930	\$ 1,512,441	\$ 1,281,758
Hunter Dickinson Group Inc.	(b)	6,400	17,360	28,722
Pelawan Investments (Proprietary) Limited	(c)	658,035	745,438	–
CEC Engineering Ltd.	(d)	40,447	135,104	166,969

		As at June 30 2005	As at December 31 2004
Related party balances receivable (payable)			
Hunter Dickinson Inc.	(a)	\$ 101,285	\$ 24,195
CEC Engineering Ltd.	(d)	(20,848)	(24,118)
Pelawan Investments (Proprietary) Limited	(c)	(12,863)	(44,080)
Tecnicos HD de Mexico SA de CV	(a)	–	(58,933)
Servicios HD de Mexico SA de CV	(a)	–	97,649
Total		\$ 67,574	\$ (5,287)

- (a) Hunter Dickinson Inc. ("HDI") is a private company owned equally by nine public companies, one of which is Anooraq. HDI and its wholly owned subsidiaries, including Tecnicos HD de Mexico SA de CV and Servicios HD de Mexico SA de CV have certain directors in common with the Company, and provide geological, corporate development,

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administrative and management services to, and incur third party costs on behalf of, the Company on a full cost recovery basis pursuant to an agreement dated December 31, 1996. The balances receivable from (payable to) HDI and its subsidiaries have resulted from advances against future work, services, or cost reimbursements, or from HDI providing periodic short-term working capital advances to the Company.

- (b) Hunter Dickinson Group Inc. ("HDGI") is a private company with certain directors in common with the Company that provides consulting services to, and incurs costs on behalf of, the Company, at market rates.
- (c) Pelawan Investments (Proprietary) Limited ("Pelawan") is a private South African BEE company which is a significant shareholder of the Company and which has certain directors in common with the Company (note 6(b)). Pelawan became a significant shareholder on September 29, 2004. During the six month period ended June 30, 2005, the Company paid or accrued \$658,035 (for the period September 29, 2004 to December 31, 2004, the Company paid \$745,438) for technical, corporate development, administrative and management services provided to, and repayment of costs paid on behalf of, the Company.
- (d) During the period ended June 30, 2005, the Company paid or accrued \$40,447 (six months ended to June 30, 2004 - \$44,261) to CEC Engineering Ltd, a private company owned by a former director, for engineering and project management services at market rates.

9. Income taxes

Substantially all of the difference between the actual income tax expense (recovery) of \$ nil and the expected income tax recovery based on statutory tax rates relates to the benefit of losses not recognized.

As at December 31, 2004 the tax effect of the significant components within the Company's future tax asset (liability) were as follows:

	December 31, 2004	October 31, 2003
Future income tax assets		
Mineral property interests	\$ 3,239,000	\$ 1,421,000
Loss carry forwards	2,677,000	1,859,000
Equipment	7,000	(5,000)
Resource-related tax pools	–	321,000
Other tax pools	451,000	104,000
Subtotal	6,374,000	3,700,000
Valuation allowance	(6,374,000)	(3,700,000)
Net future income tax asset	–	–
Future income tax liability		
Mineral property interests	\$ 1,385,255	\$ 1,385,255

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At December 31, 2004, the Company had losses available for income tax purposes in Canada totalling approximately \$6.6 million (2003 – \$5.1 million), expiring in various periods from 2005 to 2011. The Company had capital losses available of \$nil (2002 – \$1.0 million), which, when available, can be used to offset future capital gains. As a result of the transaction referred to in note 6(b), for Canadian income tax purposes a change in control was deemed to have occurred, and consequently the capital losses expired. The Company had no (2003 – \$0.9 million) resource tax pools available in Canada, which, when available, may be carried forward and utilized to reduce future taxes related to certain resource income.

A future income tax liability of \$1,385,255 arising from the transaction referred to in note 6(b) was recorded.

10. Segmented information

As at and for the six months ended June 30, 2005	Canada	Mexico	South Africa	Total
Exploration expenditures	\$ –	\$ –	\$ 4,699,037	\$ 4,699,037
Loss for the period	(3,912,533)	(10,136)	(6,322,474)	(10,245,143)
Interest and other income	123,436	–	(18,453)	104,983
Total assets	6,652,725	34,014	11,918,191	18,604,930
Equipment	–	–	179,193	179,193

As at and for the six months ended July 31, 2004	Canada	Mexico	South Africa	Total
Exploration expenditures	\$ –	\$ –	\$ 3,668,343	\$ 3,668,343
Loss for the year	(1,868,013)	(2,036)	(3,883,039)	(5,753,088)
Interest and other income	231,354	–	118,348	349,702
Total assets	21,435,505	45,258	5,570,701	27,051,464
Equipment	–	–	32,934	32,934