

EAGLE BAY RESOURCES N.L.
A.C.N. 051 212 429

FINANCIAL REPORT
FOR THE
HALF-YEAR ENDED
31 DECEMBER 2003

DIRECTORS REPORT

The directors hereby present the following report for half-year ended 31 December 2003.

The following persons were directors of the company during the half-year and hold office as directors of Eagle Bay Resources N.L. at the date of this report.

ANTHONY RECHNER
RICHARD EDWARD DIERMAJER
JAMES BENTON CRAIB

Mr Terrence George Salotti held office as a director up until his resignation on 2nd December 2003.

The consolidated entity, the Company (EBR) and its subsidiaries are actively engaged in exploration.

REVIEW OF OPERATIONS

1) GOLD EXPLORATION

COPPER/GOLD EXPLORATION - UPCOMING DRILLING PROGRAM MYALL CREEK COPPER DEPOSIT, SOUTH AUSTRALIA (EBR Earning 75% Interest)

Introduction

Eagle Bay Resources N.L has signed a letter of agreement with Minotaur Resources Limited regarding a farm-in to a copper/gold prospect located at Myall creek, which is strategically located in the Olympic Dam Copper-Gold Province. This mineral belt is about 400 kilometres long, stretching from Minotaur's Prominent Hill discovery in the north, through the Olympic Dam, Mount Gunson and Cattlegrid mines to the old Wallaroo and Moonta mines in the south. The Myall Creek deposit is approximately half way between Olympic Dan and Moonta/Wallaroo, and is considered highly attractive as access restrictions have prevented any significant deep drilling in the area.

Proposed Drilling Program

Continuous contact is being maintained with both local and federal officers of the Department of Finance and Administration (DOFA) for access to the drill site. It has been confirmed by DOFA that the Department of Defence does not own the mineral rights and a draft approval letter has been received but final access is contingent on receipt of a Form D Access Approval from the Department of Defence. This form has been outsourced and is expected in the next quarter.

2) OIL AND GAS EXPLORATION

GIPPSLAND BASIN OFFSHORE VICTORIA (EBR 100% and Diluting) VIC/P47

Drill Program

Two separate 3D Seismic surveys (including a survey by Esso Australia Limited) at a cost of some \$6 million have now been completed at no cost to Eagle Bay within VIC/P47. Bass Strait Oil Company Limited (BSOC) has exercised its option over VIC/P47 and is required to drill the Moby prospect with the next available rig estimated to cost \$3.75 million, to earn a 75% interest in the permit. To extend this date BSOC would need Government approval which would normally require a firm contractual commitment to the next available drilling rig in order to satisfy the Government work obligations on the permit. BSOC has selected Labrador-Petro-Management Pty Ltd as contractor to provide drilling management services to BSOC for the well, and is planning to issue a fully underwritten prospectus to be sub underwritten to the extent of A\$1 million by EBR to raise the required drilling funds.

In VIC/P41 BSOC has further committed to pay the cost of a 250²km 3D seismic survey (estimate A\$3 Million) to satisfy the Year 5 work commitment on that permit. This will increase BSOC equity in the permit to 75% with Eagle Bay 25% free carried.

3) ULEY GRAPHITE MINE (EBR 100%) PORT LINCOLN SOUTH AUSTRALIA

History of Company's Graphite Mine

The Uley Graphite project contains a world class resource of high grade flake graphite. The deposit is sufficient to support a mine life in excess of 100 years. Uley is located 23km from Port Lincoln and is well served by existing infrastructure including an established deep water port.

With rapid capacity increase in Chinese steel production more robust demand for graphite is expected in the near future so we have returned the mine to care and maintenance.

4) OIL EXPLORATION PERMITS WA 331P, EP423 AND TP-21

In the northern shelf these have been transferred to Icon Energy Ltd who will assume all exploration commitments.

RESULTS OF OPERATIONS

The consolidated entity incurred an after tax operating loss for the half year ended 31 December 2003 of \$845,273 (half year ended 31 December 2002 loss of \$294,790).

CAPITAL RAISINGS

During the half year the company had two issues of capital.

1. The Company placed 17,600,000 shares at 6 cents each.
2. Following the above placement the company conducted a pro rata issue on the basis of 1 share for every six held and this resulted in 22,585,489 shares being issued at 6 cents each.

EVENTS SUBSEQUENT TO REPORTING DATE

There have not been any matters that have arisen since the end of the half-year, that have significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of the affairs of the consolidated entity in future financial years.

Signed in accordance with a resolution of the directors

Anthony Rechner
Director

Richard Edward Diermajer
Director

Perth, 12 March 2004

CONDENSED STATEMENT OF FINANCIAL
PERFORMANCE
FOR THE HALF-YEAR ENDED 31 DECEMBER 2003

| | CONSOLIDATED | |
|--|----------------|----------------|
| | 31 Dec 2003 | 31 Dec 2002 |
| | \$ | \$ |
| Revenue from ordinary activities | 25,508 | 25,664 |
| Depreciation expense | (12,164) | (13,305) |
| Exploration expenditure written off | (561,259) | (51,701) |
| Losses and write-downs | (142,557) | (78,643) |
| Administration expenses | (72,265) | (65,045) |
| Other expenses from ordinary activities | (82,536) | (111,760) |
| | <hr/> | <hr/> |
| Loss from ordinary activities before income tax expense | (845,273) | (294,790) |
| Income tax expense relating to ordinary activities | — | — |
| | <hr/> | <hr/> |
| Loss from ordinary activities after related income tax expense | (845,273) | (294,790) |
| | <hr/> | <hr/> |
| Net loss attributable to members of the parent entity | (845,273) | (294,790) |
| | <hr/> | <hr/> |
| Total changes in equity other than those resulting from transactions with owners as owners | (845,273) | (294,790) |
| | <hr/> | <hr/> |
| LOSS PER SHARE | | |
| Basic loss per share (cents) | (0.65c) | (0.39c) |
| Diluted loss per share (cents) * | (0.65c) | (0.39c) |

* Diluted losses per share are calculated based on the assumption that the 100,000 options on issue are not dilutive shares and are therefore not included.

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The above statement of financial performance should be read in conjunction with the accompanying notes.

CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2003

| | | CONSOLIDATED | |
|----------------------------------|-------|-------------------|--------------------|
| | Notes | 31 Dec 2003 \$ | 30 June 2003 \$ |
| CURRENT ASSETS | | | |
| Cash Assets | | 2,696,223 | 765,432 |
| Receivables | | 28,434 | 20,506 |
| TOTAL CURRENT ASSETS | | 2,724,657 | 785,938 |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | 80,407 | 206,018 |
| Exploration expenditure | | 1,517,916 | 1,919,989 |
| TOTAL NON-CURRENT ASSETS | | 1,598,323 | 2,126,007 |
| TOTAL ASSETS | | 4,322,980 | 2,911,945 |
| CURRENT LIABILITIES | | | |
| Payables | | 41,606 | 63,728 |
| Interest bearing liabilities | | – | 3,357 |
| TOTAL CURRENT LIABILITIES | | 41,606 | 67,085 |
| TOTAL LIABILITIES | | 41,606 | 67,085 |
| NET ASSETS | | 4,281,374 | 2,844,860 |
| EQUITY | | | |
| Contributed equity | 2 | 16,511,656 | 14,229,869 |
| Accumulated losses | 3 | (12,230,282) | (11,385,009) |
| TOTAL EQUITY | | 4,281,374 | 2,844,860 |

The above statement of financial position should be read in conjunction with the accompanying notes.

CONDENSED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2003

| | CONSOLIDATED | |
|--|------------------|------------------|
| | 31 Dec 2003 | 31 Dec 2002 |
| | \$ | \$ |
| <i>Cash flows from operating activities</i> | | |
| Receipts from customers | – | 10,308 |
| Payments to suppliers and employees | (364,773) | (487,979) |
| Interest received | 25,508 | 9,356 |
| Net GST (paid) | (7,929) | (4,039) |
| Net cash outflow from operating activities | (347,194) | (472,354) |
| <i>Cash flows from investing activities</i> | | |
| Proceeds from sale of property, plant and equipment | – | 6,000 |
| Purchase of property, plant and equipment | (445) | – |
| Net cash inflow/(outflow) from investing activities | (445) | 6,000 |
| <i>Cash flows from financing activities</i> | | |
| Net Proceeds from issue of shares | 2,281,787 | 318,865 |
| Net cash inflow from financing activities | 2,281,787 | 318,865 |
| <i>Net increase/(decrease) in cash held</i> | 1,934,148 | (147,489) |
| Cash at the beginning of the half year | 762,075 | 591,694 |
| Cash at the end of the half year | 2,696,223 | 444,205 |

The accompanying notes form part of these financial statements.

NOTES TO AND FORMING PART OF THE CONDENSED
FINANCIAL
STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2003

1. BASIS OF PREPARATION OF HALF-YEAR FINANCIAL REPORT

This general purpose financial report for the half-year ended 31 December 2003 has been prepared in accordance with the Corporations Act 2001, Accounting Standard AASB 1029: Interim Financial Reporting, Urgent Issues Group Consensus Views and other pronouncements of the Australian Accounting Standards Board. It is recommended that this financial report be read in conjunction with the Annual Report for the year ended 30 June 2003 and any public announcements made by Eagle Bay Resources Ltd during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

Notes of a type normally included in the annual financial report are not included.

The same accounting policies have been followed as those applied in the financial report for the year ended 30 June 2003.

2. CONTRIBUTED EQUITY

Movements in issued and paid up ordinary capital of the Company during the half-year ended 31 December 2003 were as follows:

| | Number of shares | \$ |
|---|---------------------|------------|
| Balance at the beginning of the half-year | 117,912,935 | 14,229,869 |
| Issues | | |
| – Pro Rata Issue at 6 cents each | 22,585,489 | 1,355,129 |
| – Placement at 6 cents each | 17,600,000 | 1,056,000 |
| – Capital Raising Costs | – | (129,342) |
| Balance at the end of the half-year | 158,098,424 | 16,511,656 |

The Company also has on issue 100,000 unlisted options exercisable at 39 cents per option by November 2005. There were no movements in options during the half year.

NOTES TO AND FORMING PART OF THE CONDENSED
FINANCIAL
STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2003

3. EQUITY

| | CONSOLIDATED |
|---|---------------------|
| | 31 December 2003 |
| | \$ |
| Accumulated losses: | |
| Balance at the beginning of the half-year | (11,385,009) |
| Net loss attributable to members of the parent equity | (845,273) |
| Balance at the end of the half-year | <u>(12,230,282)</u> |
| Total equity: | |
| Total equity at the beginning of the half-year | 2,844,860 |
| Total changes in equity recognised in the statement of financial performance. | (845,273) |
| Transactions with owners as owners: | |
| Contributions of equity | 2,281,787 |
| Total equity at the end of the half-year | <u>4,281,374</u> |

4. EVENTS SUBSEQUENT TO REPORTING DATE

There have not been any matters that have arisen since the end of the half-year, that have significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of the affairs of the consolidated entity in future financial years.

5. SEGMENT REPORTING

The operations of the consolidated entity involve a single industry segment being that of mineral exploration within Australia.

6. CONTINGENT LIABILITIES

There have been no changes in contingent liabilities since the last annual reporting date other than the Company's commitment to sub-underwrite to the extent of \$1 million a capital raising undertaken by Bass Strait Oil Company Limited (BSOC) to raise funds to be used to drill the Moby prospect in VIC P47.

Directors' Declaration

In the opinion of the directors of Eagle Bay Resources N.L.:

1. The financial statements and notes, as set out on pages 4 to 8 :
 - a) give a true and fair view of the company's financial position as at 31 December 2003 and of its performance for the half-year ended on that date.
 - b) Comply with Accounting Standard AASB 1029: Interim Financial Reporting and the Corporations Regulations.
2. At the date of this declaration there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Anthony Rechner
Director

Richard E Diermajer
Director

Perth, 12 March 2004



STANTON PARTNERS

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INDEPENDENT REVIEW REPORT TO THE MEMBERS OF EAGLE BAY RESOURCES N.L.

Scope

We have reviewed the financial report of Eagle Bay Resources N.L. for the half-year ended 31 December 2003 as set out on pages 4 to 9. The financial report includes the consolidated financial statements of the consolidated entity comprising the disclosing entity and the entities it controlled at the end of the half year or from time to time during the half year. The disclosing entity's directors are responsible for the financial report. We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 1029: Interim Financial Reporting and other mandatory professional reporting requirements in Australia and statutory requirements, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the disclosing entity to lodge the financial report with the Australian Securities and Investments Commission.

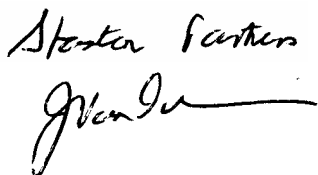
Our review has been conducted in accordance with Australian Auditing and Assurance Standards applicable to review engagements. A review is limited primarily to inquiries of the disclosing entity's personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of Eagle Bay Resources N.L. is not in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2003 and of its performance for the half year ended on that date; and
 - (ii) complying with Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.

STANTON PARTNERS



J P Van Dieren
Partner

West Perth, Western Australia
12 March 2004