

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

FINANCIAL REPORT
FOR THE
HALF-YEAR ENDED
31 DECEMBER 2004

DIRECTORS' REPORT

The directors hereby present the following report for half-year ended 31 December 2004.

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

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

REVIEW OF OPERATIONS

1) OIL AND GAS EXPLORATION

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

The deepwater seismic vessel Western Trident has completed recording 100km² of 3D seismic to infill the remaining portion of the Moby Prospect not already covered by 3D. Depending on the results of this survey Moby 2 should be drilled around the middle of the year under our contract with the offshore drilling vessel Ocean Patriot.

Gippsland Offshore Petroleum Ltd has successfully floated on the ASX and has committed A\$5 million to the drilling of Gilbert No 1 after Moby 2.

In VIC/P41 500km² 3D seismic using the Western Trident has been committed to by the operator who has yet to earn their interest in the permit.

COOPER BASIN ONSHORE SOUTH AUSTRALIA (EBR 50.1% and Operator) PEL-182

This new and very large 1745 sq km Petroleum Exploration Licence - previously held by Santos and located on the prospective but under explored northern margin of the Cooper Basin - was won by your company in 4Q of 2004 after strong and competitive bidding from six companies.

The licence is currently subject to Native Title Agreements, which are anticipated to be successfully concluded in the first quarter of 2005.

EBR has entered into a farm-out agreement with AuDAX, whereby AuDAX will earn 49.9% by free carrying EBR through expenditures of \$4.75MM in this permit – made up of drilling costs of 3 + wells of \$4.5MM, plus G&G of \$250K.

GOLD EXPLORATION

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

The Cultana area, lying some 25km NE of Whyalla on Spencer Gulf, SA, was flown with the **Falcon**[®] system in May 2004 under a heads of agreement whereby Eagle Bay Resources NL (Eagle Bay) would fund the survey and Stellar (Gravity) would have the option to earn-in to **Falcon**[®] targets by (initially) sole funding drill testing. Under the agreement Stellar (Gravity) has the right to earn up to a 55% interest in the Cultana (Myall Creek) Project tenement by drilling any targets resulting from and within its **Falcon**[®] survey.

The survey area of 373km² is situated near Myall Creek in South Australia and covers the majority of ELA105/00 held by Minotaur Resources Ltd, where Eagle Bay may earn a 75% interest by expenditure of \$350,000. Stellar (Gravity) may confirm its 55% interest in ELA105/00 in two tranches. Firstly, by expenditure of \$188,000 being an equivalent amount to the **Falcon**[®] survey cost for a 37.5% interest and then an additional \$300,000 to confirm its 55% interest. Stellar (Gravity) will be entitled to assign its interest to BHP Billiton under the terms of the **Falcon**[®] Access Agreement (Appendix).

The Minotaur ELA105/00 area is within the Army's Cultana Training Area near Myall Creek, which has been quarantined by the Department of Defence for many years. On 16 September 2003, Eagle Bay were authorised by the Australian Government Department of Finance and Administration to negotiate an access licence with the Commonwealth. Only the areas selected as **Falcon**[®] "target areas" are intended to be sought for granting.

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

History of Company's Graphite Mine

They Uley Graphite project contains a world class resource of high grade flake graphite. The deposit is sufficient to support a mine life of a world class deposit. Uley is located 23km from Port Lincoln and is well served by existing infrastructure including an established deep water port. Some \$14 million has been spent on mining and the processing plant.

The Current Position

Cambrian Mining PLC a company resident in the U.K has received a site visit report from Mines and Quarry Engineering Services (MQ) of San Mateo, California (a company with a background in graphite processing) and have paid a A\$50,000 deposit and await a full marketing and recommissioning study on the Uley Graphite Mine by MQ. On receipt of this study, Cambrian may prior to 30 June 2005 pay to Eagle Bay A\$1.5 million for 75% of the issued capital of Eagle Bay Graphite Pty Ltd [EBG] (wholly owned subsidiary of Eagle Bay Resources NL) and have until the 25 December 2005 to float EBG on the AIM board in the UK or provided loan funds to develop the Uley Mine until such time as a listing is achieved.

RESULTS OF OPERATIONS

The consolidated entity incurred an after tax operating loss for the half year ended 31 December 2004 of \$195,196 (half year ended 31 December 2003 loss of \$845,273).

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.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 13.

Signed in accordance with a resolution of the directors



Anthony Rechner
Director

West Perth, Western Australia
25th February 2005

**CONDENSED STATEMENT OF FINANCIAL PERFORMANCE
FOR THE HALF-YEAR ENDED 31 DECEMBER 2004**

	Consolidated	
	31 December 2004	31 December 2003
	\$	\$
Revenues from ordinary activities	63,160	25,508
Proceeds from sale of shares	655,515	-
Marketing expenses	(2,956)	-
Occupancy expenses	(12,984)	-
Administrative expenses	(217,247)	(72,265)
Exploration expenditure written off	(143,205)	(561,259)
Provision for write-downs	-	(142,557)
Cost of shares sold	(520,000)	-
Other expenses	(17,479)	(94,700)
	<hr/>	<hr/>
Loss from ordinary activities before related income tax expense	(195,196)	(845,273)
Income tax attributable to operating loss	-	-
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Net loss attributable to members of Eagle Bay Resources NL	(195,196)	(845,273)
Total changes in equity other than those resulting from owners as owners	(195,196)	(845,273)
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Basic loss per share (cents)	(0.12)	(0.65)
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Diluted earnings per share does not represent an inferior view of the economic entity's performance and is not disclosed for this reason.

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

**CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2004**

	Consolidated	
	31 December	30 June
	2004	2004
	\$	\$
Current Assets		
Cash assets	2,381,771	2,527,323
Receivables	41,194	12,496
Total Current Assets	<u>2,422,966</u>	<u>2,539,819</u>
Non Current Assets		
Property, plant and equipment	124,993	74,851
Total Non Current Assets	<u>124,993</u>	<u>74,851</u>
Total Assets	<u>2,547,959</u>	<u>2,614,670</u>
Current Liabilities		
Payables	376,696	248,211
Total Current Liabilities	<u>376,696</u>	<u>248,211</u>
Total Liabilities	<u>376,696</u>	<u>248,211</u>
Net Assets	<u>2,171,263</u>	<u>2,366,459</u>
Equity		
Contributed equity	16,511,656	16,511,656
Accumulated losses	<u>(14,340,393)</u>	<u>(14,145,197)</u>
Total Equity	<u>2,171,263</u>	<u>2,366,459</u>

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 2004**

	Consolidated	
	31 December 2004	31 December 2003
	\$	\$
Cash flows from operating activities		
Payments to suppliers and employees	(251,654)	(364,773)
Interest received	57,408	25,508
Net GST (paid)	(25,374)	(7,929)
Net cash flows used in operating activities	<u>(219,620)</u>	<u>(347,194)</u>
Cash flows from investing activities		
Proceeds from sale of shares	657,942	-
Purchases of shares	(520,000)	-
Payments for plant and equipment	(63,874)	(445)
Net cash flows used in investing activities	<u>74,068</u>	<u>(445)</u>
Cash flows from financing activities		
Proceeds from share issues	-	2,281,787
Net cash flows used in financing activities	<u>-</u>	<u>2,281,787</u>
Net (decrease)/increase in cash held	(145,552)	1,934,148
Cash at beginning of the half year	<u>2,527,323</u>	<u>762,075</u>
Cash at end of the half year	<u><u>2,381,771</u></u>	<u><u>2,696,223</u></u>

The accompanying notes form part of these financial statements.

NOTE 4. SEGMENT INFORMATION

Eagle Bay Resources NL operates in mineral exploration and investment in Australia.

NOTE 5. SUBSEQUENT EVENTS

There has not arisen in the interval between 31 December 2004 and the date of this Report any matter, item, transaction or event of a material or unusual nature, that in the opinion of the directors of the Company, would significantly affect the operations of the Economic Entity, the results of those operations or the state of affairs of the Economic Entity in subsequent financial years.

NOTE 6. CONTINGENT LIABILITIES

In the opinion of the directors, there are no contingent liabilities as at 31 December 2004 and none have arisen in the interval between 31 December 2004 and the date of this report.

NOTE 7. THE IMPACT OF ADOPTING INTERNATIONAL ACCOUNTING STANDARDS

Australia is currently preparing for the introduction of International Financial Reporting Standards (IFRS) effective for financial years commencing 1 January 2005. This requires the production of accounting data for future comparative purposes at the beginning of the next financial year. The Company's management, along with its auditors, are assessing the significance of these changes and preparing for their implementation. We will seek to keep stakeholders informed as to the impact of these new standards as they are finalised. The directors are of the opinion that the key differences in the Company's accounting policies which will arise from the adoption of IFRS are:

Taxation

Under the Australian equivalent to IAS 12 "Income Taxes", a balance sheet approach will be adopted for calculating taxation, replacing the "statement of financial performance approach". This method recognizes deferred tax balances for all temporary differences arising between the carrying value of an asset or liability and its tax base. Whilst there will be enhanced disclosure of the composition of the deferred tax assets and liabilities it is not expected that there will be any significant impact in terms of the statement of financial position or performance.

Share based payments

The group currently does not recognize an expense for options issued to directors and staff. Under AASB 2 "Share Based Payments", the company will be required to recognize an expense for all share based remuneration, including options, and will amortise those expenses over the relevant vesting periods.

Impairment of assets

Under the Australian equivalent to IAS 36 “Impairment of Assets” the recoverable amount of an asset is determined as the higher of net selling price and value in use. This will result in the company’s current accounting policy which determines recoverable amount of an asset on the basis of undiscounted cashflows. Under the new policy it is likely that the impairment of assets will be recognized sooner and the amount of write downs will be greater.

Exploration and evaluation costs

AASB 6 “Exploration for and Evaluation of Mineral Resources” continues to allow companies either to expense exploration and evaluation costs as incurred or to partially or fully capitalize costs on an area of interest basis. Under AASB 6, if facts and circumstances suggest that the carrying amount of any recognised exploration and evaluation assets may be impaired, the Company must perform impairment tests on those assets and measure any impairment in accordance with AASB 136 “Impairment of Assets”. Impairment of exploration and evaluation assets is to be assessed at a cash generating unit or group of cash generating units level provided this is no larger than an area of interest. Any impairment loss is to be recognised as an expense in accordance with AASB 136. It is anticipated that it is unlikely that the requirements of this standard will have a material impact on the financial position of the Company.

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 9 :
 - a) give a true and fair view of the consolidated entity's financial position as at 31 December 2004 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

West Perth, Western Australia
25th February 2005



STANTON PARTNERS

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WESTERN AUSTRALIA

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

Scope

We have reviewed the financial report comprising the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements and the directors' declaration of Eagle Bay Resources N.L (the Company) for the half-year ended 31 December 2004 as set out on pages 4 to 10. 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 preparing a financial report that gives a true and fair view of the statement of financial position and performance, and that complies with Accounting Standard AASB 1029 "Interim Financial Reporting", in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review Approach

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.

Independence

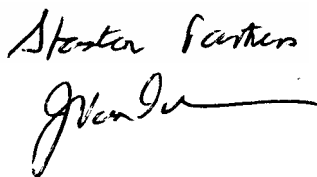
We are independent of the Company, and have met the independence requirements of Australian ethical pronouncements and the Corporations Act 2001. We have given the directors of the Company a written Auditor's Independence Declaration.

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 2004 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
25 February 2005



STANTON PARTNERS

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25 February 2005

Board of Directors
Eagle Bay Resources NL
1st Floor
14 Outram Street
WEST PERTH WA 6005

Dear Directors

RE: EAGLE BAY RESOURCES NL

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Eagle Bay Resources NL.

As Audit Partner for the review of the financial statements of Eagle Bay Resources NL for the half year ended 31 December 2004, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely
STANTON PARTNERS

John Van Dieren
Partner