

**EAGLE BAY RESOURCES N.L.**

A.C.N. 051 212 429

**ANNUAL REPORT 2005**

# EAGLE BAY RESOURCES N.L. ANNUAL REPORT 2005

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## CORPORATE DIRECTORY

DIRECTORS	Anthony Rechner James B Craib Richard E Diermajer
SECRETARY	Graham Anderson
REGISTERED OFFICE	1 <sup>st</sup> Floor, 14 Outram Street, West Perth Western Australia 6005  Telephone: (08) 9481 3322 Facsimile: (08) 9481 3330 Email: <a href="mailto:ebr@indigo.net.au">ebr@indigo.net.au</a> Web: <a href="http://www.eaglebayresources.com.au">www.eaglebayresources.com.au</a>  Postal Address: PO Box 913, West Perth Western Australia 6872
ACN	051 212 429
AUDITORS	Stanton Partners Level 1 1 Havelock Street West Perth Western Australia 6005
BANKERS	ANZ Bank 1275 Hay Street, West Perth Western Australia 6005
STOCK EXCHANGE	The Company's shares are quoted on the official list at the Australian Stock Exchange Ltd, ASX Code EBR
SHARE REGISTRY	Advanced Share Registry 110 Stirling Highway Nedlands WA 6009 Telephone (08) 9389 8033
SOLICITORS	Blakiston & Crabb Hay Street, West Perth Western Australia

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## CHAIRMAN'S REPORT

Dear Shareholders

Your annual report is in a cost competitive format aimed at compliance matters only. A coloured drilling program brochure was posted to all shareholders on September 12, 2005 and we will continue to utilise these formats as a more timely and cost effective method of communication with shareholders.

The board of EBR has a long history of exploration success, the guiding philosophy of which was to pursue a variety of exploration projects (uranium, oil and gas, graphite and iron ore) which are within the technical competence of management that within the 5-7 year framework that in the 4 previous cases have lead to major discoveries and mines. We are close to the end of this current cycle and consequently I have summarised all our projects in a technical fashion so shareholders and their advisors can form their own view on where the next discovery may lie.

Shareholders continually inquire as to when will we be drilling and to the extent we use drilling contractors who operate sequentially for a number of clients, EBR does not give drilling dates but rather the sequence of drilling up to the project prior to ours at which point we estimate a drilling date. EBR does not hold exact individual drilling dates as important in a 5-7 year program spread over various commodities. A discovery is the well spring of shareholders wealth and we seek shareholders who share this longer term prospective.

## THE COMPANY'S ACTIVITIES

### 1 URANIUM/COPPER/GOLD EXPLORATION

#### CULTANA JOINT VENTURE ELA 105

Whyalla South Australia (EBR 75%, Minotaur 25%)

Minotaur has agreed to operate the first phase drilling over the Falcon™ defined target CO1 around December 2005. EBR is negotiating a drilling window for the Commonwealth approved program which does not interfere with operations in the Cultana Army Training Area.

#### 1.1 Previous Exploration

Because of Department of Defence access restrictions to the area, very little historical mineral exploration activity has been recorded within current ELA 105/00. In the early 1970's Serem (Aust) Pty Ltd (Serem) carried out limited stream sediment geochemistry and trial magnetic and induced polarisation surveys over the CO1 copper occurrences. Serem completed three inclined diamond core exploration holes for a total of 443.78m. Their report was translated from French and reached the following conclusions:-

- The copper-bearing mineralisation that is known to exist near the CO1 quarry continues further southwards on the same north-south alignment about 350m from the known indicators at point Lowley.
- The type of mineralisation is fully comparable to the mineralisation at Moonta-Wallaroo.

#### 1.1 Prospectivity

Modelling of the Falcon® data shows the contact zone between the igneous complex and the sediments to the west comprises a converging linear magnetic and gravity high.

The deposit type sought in the area is ironstone associated Cu-Au (IOGC Deposit). Targets of this type have a gravity response and likely an associated magnetic response and may be associated with regional fracture zones. At Olympic Dam uranium is a significant by-product to copper/gold production and is the type example of an IOGC deposit.

Eagle Bay's main target (CO1) has a moderate local gravity anomaly associated with a magnetic feature. This target lies close (300m) to the historic Pt Lowly copper workings. Target CO1 also lies within the marginal "alteration – magnetite destruction zone" fringing the Cultana fracture zone. Elevated geochemical values for Cu, and U are reported. Eagle Bay's 3D gravity modelling has defined a roughly cylindrical (elongate to the south and west) high density body which comes to within 100 metres of the surface and achieves a maximum density of 3.17 gms/cc at a depth of 400 metres, well within the acceptable range for a IOGC body.

## 2 OIL AND GAS EXPLORATION

### 2.1 VIC/P47 GIPPSLAND BASIN OFFSHORE VICTORIA – EBR 25%

#### **Gilbert No 1 (Drilling October 2005?)**

Gippsland Offshore Petroleum Ltd has paid A\$5 million to the drilling of Gilbert No 1 which will be one of the two offshore wells EBR will be drilling with the Ocean Patriot commencing early October 2005. (see Lipscombe rig activity report of 15 July 2005).

The geology of the Gilbert prospect was summarised by Dr V.P St John B.Sc.(Hons), Ph.D., MAAPG, MPESA, MGSA, MASEG, on the 12<sup>th</sup> November 2004 in the GOP prospectus quote...

“**The Gilbert Prospect** is an anticlinal nose plunging southwest and cut by a northwest-southeast trending normal fault downthrown to the southwest. The fault juxtaposes the downthrown top Latrobe reservoir against basement on the upthrown side.

The Strzelecki Group is present on the downthrown side of the fault, which is a segment of the Lake Wellington Fault System. The Latrobe section is absent on part of the upthrown block. The crucial factor in sealing this downthrown trap occurs where the top Latrobe reservoir exists on the upthrown side of the fault, and the throw on the fault must exceed the reservoir thickness to preclude cross-fault leakage. On any individual seismic line this appears to be the case, and the overlying Lakes Entrance seal should create an effective trap. There are two possibilities for the sourcing of an accumulation of hydrocarbons in the Gilbert Prospect. The underlying Strzelecki is likely to be within the oil maturity window, and hydrocarbons generated in the Central Deep have probably migrated across the Northern Terrace.

Displacement of oil from accumulations downdip of Gilbert by later gas charging is likely to have occurred. The Sperm Whale-1 well has a 20 metre gas column overlying a 10 metre oil column. The recently released report on the Baleen-2 well, 4km to the south of Gilbert, documents residual oil saturations below its gas-water contact, and the large Tuna field, 15km south, has an oil leg underlying its gas column. The similarly located Kipper field has a 328m gas column underlain by a 14m oil leg and a 29m residual oil column. The Gilbert structure is on the migration path of displaced oil from any of these fields.

The minimum vertical closure of the Gilbert Prospect is 10-20 msec (12-25 metres) and the maximum areal closure at the 650 msec TWT contour is 15.9sq.km. This closure encompasses a second culmination, Gilbert West, which is a subsidiary upthrown block with a 4-way dip closure of about 0.7sq.km. The areal closure of the Gilbert prospect at the 640 msec TWT contour, which excludes the Gilbert West culmination, is 13.05sq.km. A Monte Carlo simulation has been performed to estimate the range of possible reserves should oil or gas be present in the structure. With conservatively estimated reservoir parameters possible oil-in-place ranges from 59 mmbbl at the 90% confidence level to 198 mmbbl at the 10% confidence level, with a median of 141 mmbbl. Possible recoverable oil estimates range from 23 mmbbl at the 90% confidence level to 80 mmbbl at the 10% confidence level, with a median of 56 mmbbl. If the accumulation is solely gas the analogous range of recoverable reserves is 17 to 63 BCF, with a median of 43 BCF. An assessment of risk, that hydrocarbons have accumulated at all, has been made, with the largest risk being assigned to the integrity of the trap, since there is a possibility of the reservoir being juxtaposed in part across the fault. The overall risk of 1 in 3.8 is low for exploration wells, and is well within the acceptable level for a possible oil accumulation of this size in an area close to the coast and infrastructure. It is considered that there is a 60/40 chance of oil rather than gas in the structure”.....unquote.

#### **Moby Gas Field Development**

The operator advised that some 8 months lead time is required to secure the drilling equipment for the horizontal development of the Moby gas field. This precludes Moby 2 drilling in this round and allows more time for evaluation. The operator recommended a better drilling opportunity at Maclean defined by the recent 3D seismic for the utilisation of the second drilling slot available on the offshore drilling vessel Ocean Patriot details below. Further details on both Moby and Maclean are contained in the BAS June 2005 Quarterly report.

#### **Maclean Oil Prospect (Drilling September 2005)**

The Maclean prospect is a downthrown fault closure of the Halibut subgroup of the Latrobe formation adjacent and south of the Moby gas field. It's an oil prospect with a preliminary recoverable potential resource estimate (by the operator) on 96 million barrels of oil if any hydrocarbons are present.

The occurrence of gas is interpreted from the 3D seismic amplitude response to extend downdip over the Maclean Prospect bounding fault to the top of the prospect closure. This indicates some encouragement for the existence of sealing for the structure and the presence of hydrocarbons. The absence of amplitude anomalies over deeper parts of the structure and in the deeper reservoirs of the Halibut Subgroup in Maclean would suggest that any petroleum present would be oil rather than gas.

The prospect is named after Norman Maclean an author of fishing stories.

The joint venture has now agreed to drill Gilbert and Maclean back to back in September/October 2005 subject only to delays with Basker 2 ahead of us in the rig schedule.

## **2.2 VIC/P41 GIPPSLAND BASIN OFFSHORE VICTORIA – EBR 25%**

The 500km<sup>2</sup> 3D seismic using the Western Trident has been completed by the operator pursuant to their earning requirements in the permit. A status report on processing and interpretation is awaited.

## **2.3 PEL-182 ONSHORE PETROLEUM EXPLORATION – COOPER BASIN, S.A. (EBR 50.1% and Operator)**

This new 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 (subject to the approval of the indigenous owners) by your company in 4Q of 2004 after strong and competitive bidding from six companies. The Native Title Tribunal approved Eagle Bay's proposal on 15<sup>th</sup> July 2005 and Environmental Agreements are being finalised.

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. A further farmout option has been granted to 25% of the Australian Oil Company Ltd (AOC) over a 12.5% interest in the permit which requires AOC to meet drilling and development costs for the first 5 wells. Details will be released on exercise of this option.

### **Geological and Geophysical Review (G&G)**

EBR contracted the Eric Tucker consulting group in Adelaide and Sydney, using very experienced Cooper Basin geologists and geophysicists, to conduct an overall new interpretation of all existing geological and seismic data in the permit.

A review of this work has confirmed the prospectivity of this area, with numerous (11) targets identified, and has highlighted at least 3 major areas for the proposed drilling of up to 5 new exploration wells in 2005. These areas are detailed below together with Eric Tucker's size estimates which would only apply if hydrocarbons were present.

1. Emily No 1 and Sarah No 1
  - Jurassic Oil plays in the NE of the permit
  - P50 reserves of 19.5 MMBO cumulative.
  
2. Jasmine No 1 and Michelle No 1
  - Permian and Triassic stratigraphic oil plays in the western half of permit
  - P50 reserves of 10.0 MMBO cumulative.
  
3. Vanessa No 1
  - Permian Gas plays in the SE of the permit – low risk.
  - P50 reserves of 15 BCF Gas.

## **Drilling Operations - Drill up to 5 wells in 2005 - with new "State of the Art" drill rig imported from Stavanger, Norway.**

- AuDAX Resources Ltd (49.9% and partner Eagle Bay Resources NL (50.1%) have contracted with Driller White Sands Petroleum Pty Ltd (WSP) and imported a "state-of-the-art" rig to drill 5 wells on PEL182 in the Cooper Basin.
- Driller White Sands Petroleum Pty Ltd to earn 10% equity from AuDAX by meeting 20% of costs.
- White Sands is currently considering an IPO to raising the required working capital to commence drilling.
- Eagle Bay and AuDax have purchased A\$1.5 million of casing for this 5 well program which is currently on location at Innamincka in central Australia.

### **3 ULEY GRAPHITE MINE** Port Lincoln, SA (EBR 100%)

#### **History of Company's Graphite Mine**

They Uley Graphite project contains a world class resource of high grade flake graphite. 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. A joint venture partner is currently being sought.

### **4 IRON ORE EXPLORATION** (EBR 100%)

EBR has applied for a large exploration licence over a known magnetite deposit. Details will follow on grant.

*The hard rock and mineral information in this report is based on information compiled by Mr Anthony Rechner who is a geologist of the company and a Competent Person as described in Appendix 5A to the ASX Listing Rules. The report accurately reflects the information compiled by Mr Anthony Rechner.*

*The Oil and Gas information on PEL 182 in this report is based on information compiled by Mr Ian R Barr who is a geophysicist of the company and a Competent Person as described in Appendix 5A to the ASX Listing Rules. The report accurately reflects the information compiled by Mr Ian R Barr.*

#### **Disclaimer:**

*Both Mr Eric Tucker and Mr I R Barr and most other publicly listed oil exploration companies use the words "P50 Reserves" in regard to an undrilled exploration prospect. These words indicate the unrisksed oil or gas potential of a prospect if oil or gas is present and do not comply with the definition of reserves as set out in the JORC code which is a reporting code for mineral and coal exploration not for oil and gas exploration. Statements attributed to 3<sup>rd</sup> parties do not necessarily reflect the opinions of Eagle Bay Resources but are statements by qualified people on the public record and are included for completeness of the company's obligations under continuous disclosure.*

*The contents of this report are not and should not be used as a substitute for independent professional advice in making an investment decision involving Eagle Bay Resources NL or any of its associated entities. Eagle Bay Resources NL shall not be liable and the reader shall indemnify the company and its Directors for any loss or damage caused by or owing directly or indirectly as a result of the reader's use of the information contained within the documents that comprise this report without first accessing professional advice.*

*Chapter 19 "definitions" of the ASX listing rules indicate a "pre hydrocarbon reserve stage" however no hydrocarbons are claimed to be present.*



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Anthony Rechner  
Director  
For and on behalf of the Board of Directors

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## DIRECTORS' REPORT

The directors present the following report for the financial year ended 30 June 2005.

### DIRECTORS

The directors of Eagle Bay Resources N.L. at any time during or since the end of the financial year are:

#### **Anthony Rechner BSc, MAusIMM (Chairman) a founder director since April 1991**

Mr Rechner, holds a Bachelor of Science degree in Geology and Physics from the University of Adelaide, South Australia. He is a Member of the Australasian Institute of Mining and Metallurgy with over thirty years experience in Australia and overseas working in petroleum search, mineral exploration and mining.

Mr Rechner's previous involvement as Chairman and Managing Director of Windsor Resources N.L., Brunswick N.L. and Geographe Resources Ltd resulted in these companies evolving from small explorers to major producers at Mount Percy, Galtee More and Chalice respectively. Mr Rechner was operations Manager for West Australian Petroleum and Chevron Oil in North Africa. Within the prior three years, Mr Rechner has not been a director of any other publicly listed company other than Falcon Minerals Ltd from which he has retired after the discovery of the Olympia nickel deposit with WMC/BHPB and the acquisition of a major shareholding in FCN by Jubilee Mines.

#### **Richard Edward Diermajer Dip. Leg. Stud. (Executive Director) a founder director since April 1991**

Mr Diermajer holds a Degree of Legal Studies and has an extensive background in mining law and administration from his earlier employment with the Department of Industry and Resources in Western Australia. In 1981 he established Sentinel Exploration Services, a consultancy firm which provided services to the mining industry throughout Australia in tenement management and administration, property acquisitions, project generation, native title negotiations and mineral exploration. Mr Diermajer was previously involved as a Director of Geographe Resources during a period which saw the company evolve from a small explorer to a producer of the Chalice Mine. He is also a director of Falcon Minerals Ltd. Within the prior three years, Mr Diermajer has not been a director of any other publicly listed company other than Falcon Minerals Ltd.

#### **James Benton Craib JP CPA (Non-executive Director) a founder director since April 1991**

Mr Craib (age 68) is an accountant who was formerly responsible for the accounting and Company Secretarial functions of Eagle Bay Resources N.L., Falcon Minerals Ltd and Geographe Resources Ltd. He has had considerable experience as an accountant, mainly in the industrial and production sectors. His application of that experience to the requirements of the Company has been invaluable. Within the prior three years, Mr Craib has not been a director of any other publicly listed company other than Falcon Minerals Ltd.

As at the date of this report the directors hold the following beneficial interests in the capital of the Company:

	Shares		Options	
	In own name	In other names	In own name	In other names
A Rechner	51	9,089,651	-	2,000,000
R E Diermajer	-	3,209,754	-	1,000,000
J B Craib	37,200	1,109,500	-	500,000

### COMPANY SECRETARY

#### **Graham Anderson (Company Secretary: Appointed 12<sup>th</sup> October 2004)**

Graham Anderson has a Bachelor of Business Degree and is a Chartered Accountant with experience in mining and exploration companies. Graham runs his own accounting practice in West Perth that provides tax, accounting, audit and financial planning services.

### PRINCIPAL ACTIVITIES

The consolidated entity is actively engaged in exploration for oil and gas and continues to care for and maintain the Uley graphite mine in South Australia with a view to bringing it into commercial production. There have been no significant changes in the nature of these activities during the year.

### REVIEW OF OPERATIONS AND RESULTS

Details of the operations of the consolidated entity are set out in the Chairman's Report on pages 2 to 5.

The consolidated entity incurred an after tax operating loss of \$2,419,227 (2004: loss \$2,760,188).

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## **DIRECTORS' REPORT (continued)**

Further information on the likely developments and expected results of operations of the consolidated entity have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

## **DIVIDENDS**

No dividend is recommended for the current year.

## **SIGNIFICANT CHANGES IN STATE OF AFFAIRS**

The Company completed two issues of capital during the year as follows:

1. The Company completed a placement of 12,720,000 fully paid shares.
2. Following the above placement the Company completed a one for two pro rata issue which resulted in a total of 56,939,475 shares being issued at 9 cents together with 28,469,913 free short dated options and 28,469,913 free long dated options.
3. The Company issued a total of 5,000,000 free short dated options to directors and executives.

The above short dated options which total 33,469,738 are all listed with an exercise price of 12 cents, expiring 31 March 2006. The holder of these short dated options is upon exercise, entitled to an additional long dated option for no consideration.

The above long dated options which total 28,469,913 are all listed with an exercise price of 15 cents, expiring 30 June 2009.

In the opinion of the directors, there were no other significant changes in the state of affairs of the consolidated entity that occurred during the year under review not disclosed in this report or in the financial statements.

## **MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR**

No matters have arisen since 30 June 2005 that have significantly affected or may significantly affect:

- (a) the operations, in financial years subsequent to 30 June 2005, of the consolidated entity constituted by Eagle Bay Resources N.L. and the entities it controls from time to time; or
- (b) the results of those operations; or
- (c) the state of affairs, in financial years subsequent to 30 June 2005, of the consolidated entity other than disclosed in Note 20 to the financial statements.

## **LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS**

Likely developments in the operations of the consolidated entity have been set out in the accompanying Chairman's Report on pages 2 to 5.

Further information on the likely developments and expected results of operations of the consolidated entity have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the negotiations.

## **MEETINGS OF DIRECTORS**

The following table sets out the number of meetings of the Company's directors held during the year ended 30 June 2005.

There were eight directors meetings during the year and the number of meetings attended by each director were:

A Rechner	8	J B Craib	8
R E Diermajer	8		

## **ENVIRONMENTAL ISSUES**

The Company's policy is to comply with all relevant legislation and best practice conventions in respect of its exploration and mining activities on the tenements it holds.



## **DIRECTORS' REPORT (continued)**

### **DIRECTORS' BENEFITS**

Since the date of the last Directors' Report, no director of the Company has received, or become entitled to receive, (other than a remuneration benefit included in Note 12 to the financial statements), a benefit because of a contract that:

- (a) the director; or
- (b) a firm of which the director is a member; or
- (c) an entity in which the director has a substantial financial interest, has made (during the year ended 30 June 2005, or at any other time) with
  - (i) the Company; or
  - (ii) an entity that the Company controlled, or a body corporate that was related to the Company, when the contract was made or when the director received, or became entitled to receive, the benefit (if any).

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## REMUNERATION REPORT

This report outlines the remuneration arrangements in place for all directors and executives of Eagle Bay Resources NL (the Company).

### DIRECTORS' REMUNERATION POLICY

- (i) The policy of the Company is to pay remuneration of directors and senior executives in cash and in amounts in line with employment market conditions relevant in the mining industry. Minor amounts of employee fringe benefits in the form of employee meals and entertainment are provided as a part of the executives' way of conducting business.
- (ii) The Company's performance, and hence that of its directors and executives, is measured in terms of:
1. Company share price growth;
  2. Cash raised;
  3. Exploration carried out; and
  4. Farm-in expenditure attracted.
- (iii) Details of the nature and amount of the remuneration of the Directors and highest paid Executives is as follows:

<b>Directors &amp; Highest Paid Executives' Remuneration</b>									
	<b>PRIMARY</b>			<b>POST EMPLOYMENT</b>		<b>EQUITY</b>	<b>Other Benefits</b>	<b>TOTAL</b>	<b>\$</b>
	Salary, Fees & Superannuation	Cash Bonus	Non-Monetary	Super-annuation	Retirement Benefits	Options (A)			
<b>Directors</b>									
Anthony Rechner - Executive Chairman									
2005	230,250	-	28,732*	-	-	57,600	-	316,582	
2004	204,000	-	10,093	-	-	-	-	214,093	
Richard Diermayer - Managing Director									
2005	83,000	-	935	-	-	28,800	-	112,735	
2004	78,000	-	441	-	-	-	-	78,441	
Jim Craib - Non Executive Director									
2005	20,000	-	-	-	-	14,400	-	34,400	
2004	15,000	-	-	-	-	-	-	15,000	
<b>Total Remuneration Directors</b>									
2005	333,250	-	29,667	-	-	100,800	-	463,717	
2004	297,000	-	10,534	-	-	-	-	307,534	
<b>Highest Paid Executives</b>									
Paul Fromson - Company Secretary (Resigned 23 September 2004)									
2005	5,216	-	-	-	-	-	-	5,216	
2004	29,513	-	-	-	-	-	-	29,513	
Graham Anderson - Company Secretary (Appointed 12 October 2004)									
2005	27,000	-	-	-	-	7,200	-	34,200	
2004	-	-	-	-	-	-	-	-	
Ian Barr - Manager Oil & Gas									
2005	161,000	-	-	-	-	28,800	-	189,800	
2004	-	-	-	-	-	-	-	-	
<b>Total Remuneration Highest Paid Executives</b>									
2005	193,216	-	-	-	-	36,000	-	229,216	
2004	29,513	-	-	-	-	-	-	29,513	

\* This benefit is for the provision of a 4WD vehicle, its parking and associated fringe benefit tax.

### Notes in relation to the table of directors' and executive officers' remuneration

- (A) The fair value of the options is calculated at the date of grant using the market value method. The value disclosed represents the total fair value of the options and is allocated in this reporting period as the options were granted and vested simultaneously. In valuing the options market conditions have been taken into account in the current period.

The following factors and assumptions were used in determining the fair value of options on grant date:

<b>Grant date</b>	<b>Expiry date</b>	<b>Fair value per option</b>	<b>Exercise price</b>	<b>Price of shares on grant date</b>
29 March 2005	31 March 2006	2.88 cents	12 cents	10 cents

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## DIRECTORS REPORT (continued)

### DIRECTORS' INTERESTS

The relevant interest of each director in the shares, debentures, interests in registered schemes and rights or options over such instruments issued by the companies within the consolidated entity and other related bodies corporate, as notified by the directors to the Australian Stock Exchange in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

		Eagle Bay Resources NL	
		Ordinary shares	Options over ordinary shares
Mr A Rechner	Direct	51	-
	Indirect	9,089,651	2,000,000 (A)
Mr R Diermajer	Direct	-	-
	Indirect	3,209,754	1,000,000 (A)
Mr J Craib	Direct	37,200	-
	Indirect	1,109,500	500,000 (A)

### EXECUTIVE INTERESTS

		Eagle Bay Resources NL	
		Ordinary shares	Options over ordinary shares
Mr G Anderson	Direct	-	-
	Indirect	-	250,000 (A)
Mr I Barr	Direct	-	-
	Indirect	-	1,000,000 (A)

### SHARE OPTIONS

#### (A) Options granted to directors' and officers of the Company

During or since the end of the financial year, the Company granted options for no consideration over unissued ordinary shares in Eagle Bay Resources Ltd to the following directors and to the following executives of the Company as part of their remuneration.

	Number of options granted	Exercise price	Expiry date
<b>Directors</b>			
Anthony Rechner	2,000,000	12 cents	31 March 2006
Richard Diermajer	1,000,000	12 cents	31 March 2006
Jim Craib	500,000	12 cents	31 March 2006
<b>Executives</b>			
Graham Anderson	250,000	12 cents	31 March 2006
Ian Barr	1,000,000	12 cents	31 March 2006

All options were granted during the financial year, no options have been granted since the end of the financial year.

## DIRECTORS' REPORT (continued)

### *Unissued shares under option*

Expiry Date	Exercise Price	Number of Shares
24 November 2004	39 cents	100,000
31 March 2006	12 cents	33,469,913
30 June 2009	15 cents	28,469,913
		<hr/>
		95,507,546

No person entitled to exercise these options had or has any right by virtue of the option to participate in any share issue of any other body corporate.

### *Shares issued on exercise of options*

During or since the end of the financial year, the Company issued ordinary shares as a result of the exercise of options as follows (there were no amounts unpaid on the shares issued):

Number of Shares	Amount paid on each share
834	12 cents
834	15 cents
<hr/>	
1,668	

## INDEMNIFICATION

There are indemnities for directors however there are no insurances in regard to their positions.

## NON-AUDIT SERVICES

During the year Stanton Partners, the consolidated entity's auditor, has performed certain other services in addition to their statutory duties. The remuneration for these services is disclosed in Note 14.

The board has considered the non-audit services provided during the year by the auditor and in accordance with written advice provided by resolution of the directors of the consolidated entity, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reason:

- (a) the non-audit services provided do not undermine the general principles relating to auditor independence as set out in Professional Statement F1 *Professional Independence*, as they did not involve reviewing or auditing the auditors own work, acting in a management or decision making capacity for the consolidated entity, acting as an advocate for the consolidated entity or jointly sharing risks and rewards.

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 22.

Signed in accordance with a resolution of the directors dated this 30<sup>th</sup> day of September 2005.



**A. RECHNER**  
Director

## CORPORATE GOVERNANCE STATEMENT

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Eagle Bay Resource NL ("the Company") have adhered to the principles of corporate governance. A description of the main corporate governance practices is set out below. Unless otherwise stated, the practices were in place for the entire year.

### Board of Directors

The Board of Directors of the Company is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

As the Board acts on behalf of shareholders, it seeks to identify the expectations of shareholders, as well as other ethical expectations and obligations. In addition, the Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks.

The primary responsibility of the Board include:

- formulation and approval of the strategic direction, objectives and goals of the Company;
- monitoring the financial performance of the Company, including approval of the Company's financial statements;
- ensuring that adequate internal control systems and procedures exists and that compliance with these systems and procedures is maintained;
- the identification of significant business risks and ensuring that such risks are adequately managed;
- the review of performance and remuneration of Executive Directors; and
- the establishment and maintenance of appropriate ethical standards.

The responsibility for the operation and administration of the Company is carried out by two of the Directors, who operate in an executive capacity, supported by senior professional staff. The Board ensures that this team is suitably qualified and experienced to discharge their responsibilities, and assesses on an ongoing basis the performance of the management team, to ensure that management's objectives and activities are aligned with the expectations and risks identified by the board.

The Directors of the Company are as follows:

#### **Anthony Rechner, BSc, MAusIMM (Executive Chairman) – a director since 10<sup>th</sup> April 1991**

Mr Rechner (age 58), holds a Bachelor of Science degree in Geology and Physics from the University of Adelaide, South Australia. He is a Member of the Australasian Institute of Mining and Metallurgy with over thirty years experience in Australia and overseas working in petroleum search, mineral exploration and mining.

Mr Rechner's previous involvement as Chairman and Managing Director of Windsor Resources N.L., Brunswick N.L. and Geographe Resources Ltd resulted in these companies evolving from small explorers to major producers at Mount Percy, Galtee More and Chalice respectively. Mr Rechner was operations Manager for West Australian Petroleum and Chevron Oil in North Africa and was recently Chairman of Falcon Minerals Ltd.

#### **Richard Edward Diermajer (Executive Director) – a director since 3<sup>rd</sup> March 1994**

Mr Diermajer (age 52) holds a Degree of Legal Studies and has an extensive background in mining law and administration from his prior employment with the Department of Industry and Resources in Western Australia. Mr Diermajer was previously a Director of Geographe Resources Ltd, which was involved, in the rich Chalice gold mine. During 1981 he established Sentinel Exploration Services, a consultancy firm that provided services to the mining industry throughout Australia in tenement management and administration, property acquisitions, project generation, native title negotiations and mineral exploration. Mr Diermajer is also a director of Falcon Minerals Ltd.

#### **James Benton Craib JP CPA (Non-executive Director) – a director since 10<sup>th</sup> April 1991**

Mr Craib (age 68) is an accountant who was previously responsible for the accounting and company secretarial functions of Eagle Bay Resources N.L., Falcon Minerals Ltd and Geographe Resources Ltd. He has had considerable experience as an accountant, mainly in the industrial and production sectors. His application of that experience to the requirements of the Company has been invaluable. Mr Craib was also a director of Falcon Minerals Ltd.

### Independent Directors

Under ASX guidelines none of the current board is considered to be independent directors. Mr Rechner and Mr Diermajer are both executive directors and Mr Craib is a former employee of the company and the ASX guidelines deem them not to be independent by virtue of their positions or former positions. The Board is satisfied that the structure of the Board is appropriate for the size of the company and the nature of its operations and is a cost effective structure for managing the company.

## **Communication to Market & Shareholders**

The Board of Directors aims to ensure that the shareholders, on behalf of whom they act, are informed of all information necessary to assess the performance of the Directors and the Company. Information is communicated to shareholders and the market through:

- the Annual Report which is distributed to all shareholders;
- other periodic reports which are lodged with ASX and available for shareholder scrutiny;
- other announcements made in accordance with ASX Listing Rules;
- special purpose information memoranda issued to shareholders as appropriate; and
- the Annual General Meeting and other meetings called to obtain approval for board action as appropriate.

## **Board Composition**

When the need for a new director is identified, selection is based on the skills and experience of prospective directors, having regard to the present and future needs of the Company. Any director so appointed must then stand for election at the next Annual General Meeting of the Company.

## **Terms of Appointment as a Director**

The constitution of the Company provides that a Director other than the Managing Director may not retain office for more than three calendar years or beyond the third annual general meeting following his or her election, whichever is longer, without submitting for re-election. One third of the Directors must retire each year and are eligible for re-election. The Directors who retire by rotation at each annual general meeting are those with the longest length of time in office since their appointment or last election.

## **Board Committees**

In view of the size of the Company and the nature of its activities, the Board has considered that establishing formally constituted committees for audit, board nominations and remuneration would contribute little to its effective management. Accordingly audit matters, the nomination of new Directors and the setting, or review, of remuneration levels of Directors and senior executives are reviewed by the Board as a whole and approved by resolution of the Board (with abstentions from relevant Directors where there is a conflict of interest). Where the Board considers that particular expertise or information is required, which is not available from within their number, appropriate external advice may be taken and reviewed prior to a final decision being made by the Board.

## **Remuneration**

Remuneration and other terms of employment of executives, including executive directors, are reviewed periodically by the Board having regard to performance, relevant comparative information and, where necessary, independent expert advice. Remuneration packages are set at levels that are intended to attract and retain executives capable of managing the Company's operations.

The terms of engagement and remuneration of executive directors is reviewed periodically by the Board, with recommendations being made by the non-executive director. Where the remuneration of a particular executive director is to be considered, the director concerned does not participate in the discussion or decision-making.

## **Independent Professional Advice**

Directors have the right, in connection with their duties and responsibilities as directors, to seek independent professional advice at the Company's expense. Prior approval of the Chairman is required, which will not be unreasonably withheld.

## **Share Trading**

Dealings are not permitted at any time whilst in the possession of price sensitive information not already available to the market. In addition, the Corporations Act 2001 prohibits the purchase or sale of securities whilst a person is in possession of inside information.

## **Code of Conduct**

In view of the size of the Company and the nature of its activities, the Board has considered that an informal code of conduct is appropriate to guide executives, management and employees in carrying out their duties and responsibilities.

**External Auditors**

In late 2003 the Board reviewed the appointment of the external auditor and conducted a tender process for the appointment of the external auditor. As a result the company sought and obtained shareholder approval and changed its external auditor to Stanton Partners. The previous auditors had been in place for approximately 5 years and had conducted thorough and professional audits however the Board considered that a change after a 5 year term would contribute to good corporate governance.

***ASX Core Principles of Corporate Governance and ASX Guidelines***

Australian Stock Exchange Ltd (ASX) has published 10 core principles of corporate governance which it believes underlie good corporate governance together with guidelines to satisfy those core principles. Under ASX listing rules, listed companies are required to provide a statement in their annual reports outlining the extent to which they have followed these best practice guidelines. In the following table the ASX core principles and guidelines are listed in the left hand column, and the company's comment/response is listed in the right hand column.

<p><b>ASX Principle 1: Lay Solid Foundations</b> <i>Recognise and publish the respective roles and responsibilities of the board and management</i></p>	<p><b>Comment/Response by Company</b></p>
<p><b>ASX Recommendations</b></p> <p>1.1 Formalise and disclose the functions reserved to the Board and those delegated to management</p>	<p>The Board is comprised of an Executive Chairman, an Executive Director and a Non Executive Director. Management of the company is carried out by the two executive directors with little or no delegation to staff. The full board meets on a regular basis for both management and board meetings.</p>
<p><b>ASX Principle 2: Board Structure</b> <i>Have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties</i></p>	<p><b>Comment/Response by Company</b></p>
<p><b>ASX Recommendations</b></p> <p>2.1 A majority of Board members should be independent directors</p>	<p>None of the three directors are independent according to the ASX definition of independence due to two directors being executive and the non executive director being a former employee. In view of the size of the company and the nature of its activities the Board considers that the current Board is a cost effective and practical method of directing and managing the company.</p>
<p>2.2 The chairperson should be an independent director</p>	<p>As stated above the chairman is an executive director and is not considered independent under the ASX definition. The company is mindful of the costs and availability of experienced non- executive independent chairman and is satisfied the current Board structure is appropriate for the size of the company and the nature of its activities.</p>
<p>2.3 The roles of chairperson and chief executive officer should not be exercised by the same individual</p>	<p>As stated above the company operates with an Executive chairman and an Executive Director. The Executive Chairman fulfils the role of Chief Executive Officer.</p>

<p>2.4 The Board should establish a nomination committee</p>	<p>In view of the size of the Company and the nature of its activities, the Board has considered that establishing formally constituted committees for audit, board nominations and remuneration would contribute little to its effective management. Accordingly the nomination of new Directors and the setting, or review, of remuneration levels of Directors and senior executives are reviewed by the Board as a whole and approved by resolution of the Board (with abstentions from relevant Directors where there is a conflict of interest).</p>
<p>2.5 The information indicated in Guide to reporting on Principle 2 should be provided. (See Guide Notes at end of table)</p>	<p>Not applicable.</p>
<p><b>ASX Principle 3: Ethical and responsible decision-making</b> <i>Actively promote ethical and responsible decision-making</i></p>	<p><b>Comment/Response by Company</b></p>
<p><b>ASX Recommendations</b></p> <p>3.1 The Company should establish a code of conduct to guide the directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executives as to the practices necessary to maintain confidence in the company's integrity, and the responsibility and accountability of individuals for reporting or investigating reports of unethical practices</p>	<p>In view of the size of the Company and the nature of its activities, the Board has considered that an informal code of conduct is appropriate to guide executives, management and employees in carrying out their duties and responsibilities.</p>
<p>3.2 Disclose the policy concerning trading in company securities by directors, officers and employees</p>	<p>The Company does not have a formal policy which sets out time restrictions on share dealings. The Company policy is that of the Corporations Law and ASX Listing Rules which state that dealings are not permitted at any time whilst in the possession of price sensitive information not already available to the market.</p>
<p>3.3 Provide the information indicated in Guide to Reporting on Principles. (See Guide Notes at end of table)</p>	<p>Not applicable – see above.</p>
<p><b>ASX Principle 4: Financial reporting integrity</b> <i>Have a structure in place to independently verify and safeguard the integrity of the company's financial reporting</i></p>	<p><b>Comment/Response by Company</b></p>
<p><b>ASX Recommendations</b></p> <p>4.1 Require the chief executive officer (or equivalent) and the chief financial officer (or equivalent) to state in writing to the Board that the company's financial reports present a true and fair view, in all material respects, of the company's financial condition and operational results and are in accordance with relevant accounting standards</p>	<p>The Managing Director and Company Secretary are required to sign a declaration addressing the integrity of the financial statements and maintenance of financial records in accordance with s286 of the Corporations Act.</p>



<p>4.2 The Board should establish an audit committee</p>	<p>In view of the size of the Company and the nature of its activities, the Board has considered that establishing formally constituted committees for audit, board nominations and remuneration would contribute little to its effective management. Accordingly audit matters are reviewed by the Board as a whole and approved by resolution of the Board (with abstentions from relevant Directors where there is a conflict of interest).</p>
<p>4.3 Structure the audit committee so that it consists of:</p> <ul style="list-style-type: none"> <li>- Only non-executive directors</li> <li>- A majority of independent directors</li> <li>- An independent chairperson who is not the chairperson of the Board</li> <li>- At least three members</li> </ul>	<p>Not applicable – see above.</p>
<p>4.4 Create a formal operating charter for the audit committee</p>	<p>Not applicable – see above.</p>
<p>4.5 Understand and provide the information indicated in the Guide to reporting on Principle 4. (See Guide Notes at end of table)</p>	<p>Not applicable – see above.</p>
<p><b>ASX Principle 5: Timely and balanced disclosure</b> <i>Promote timely and balanced disclosure of all material matters concerning the company</i></p>	<p><b>Comment/Response by Company</b></p>
<p><b>ASX Recommendations</b></p> <p>5.1 Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance</p>	<p>Due to its size and structure the Board is able to meet on a regular basis for both management and board meetings to ensure compliance with ASX Listing Rule disclosure requirements. The full Board is accountable for ASX compliance.</p>
<p>5.2 Understand and provide the information indicated in the Guide to Reporting on Principle 5. (See Guide Notes at end of table)</p>	<p>See above.</p>
<p><b>ASX Principle 6: Shareholder rights</b> <i>Respect the rights of shareholders and facilitate the effective exercise of those rights</i></p>	<p><b>Comment/Response by Company</b></p>
<p><b>ASX Recommendations</b></p> <p>6.1 Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings</p>	<p>See the section on Communication to Market and Shareholders.</p>
<p>6.2 Request the external auditor to attend the annual general meeting and be available to answer shareholder questions about the audit and the preparation and content, of the auditor’s report</p>	<p>It is company policy that the auditor attends the AGM and part of the agenda is the tabling of the accounts and inviting shareholders to ask the directors or the auditor any questions about the report including the audit report.</p>

<p><b>ASX Principle 7: Risk Management</b>  <i>Establish a sound system of risk oversight and management and internal control</i></p>	<p><b>Comment/Response by Company</b></p>
<p><b>ASX Recommendations</b></p> <p>7.1 The Board or appropriate board committee should establish policies on risk oversight and management</p>	<p>In view of the size of the Company and the nature of its activities, the Board has considered that establishing formally constituted committees would contribute little to its effective management. Accordingly risk oversight and management issues and policies are reviewed by the Board as a whole and approved by resolution of the Board (with abstentions from relevant Directors where there is a conflict of interest).</p>
<p>7.2 The chief executive officer (or equivalent) and the chief financial officer (or equivalent) should state to the Board in writing that:</p> <p>7.2.1 the statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the polices adopted by the Board</p> <p>7.2.2 the company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects</p>	<p>The Managing Director and Company Secretary are required to sign a declaration addressing the integrity of the financial statements and maintenance of financial records in accordance with s286 of the Corporations Act.</p> <p>As above</p>
<p>7.3 Information indicated in the Guide to Reporting on Principle 7 should be understood and provided. (See Guide Notes at end of table)</p>	<p>Not applicable for reasons stated above</p>
<p><b>ASX Principle 8: Enhanced Performance</b>  <i>Fairly review and actively encourage enhanced board and management effectiveness</i></p>	<p><b>Comment/Response by Company</b></p>
<p><b>ASX Recommendations</b></p> <p>8.1 Disclose the process for performance evaluation of the Board, its committees and individual directors, and key executives</p>	<p>Due to the size and structure of the Board a formal evaluation process is not conducted.</p> <p>The Company operates with only one full time employee and that person operates in an administrative capacity. The company uses consultants for geological and company secretarial functions and pays market rates for experienced professionals.</p>
<p><b>ASX Principle 9: Remunerate fairly</b>  <i>Ensure that the level and composition of remuneration is sufficient and reasonable and its relationship to corporate and individual performance is defined</i></p>	<p><b>Comment/Response by Company</b></p>

<p><b>ASX Recommendations</b></p> <p>9.1 Provide disclosure in relation to the company's remuneration policies to enable investors to understand (i) the costs and benefits of these policies and (ii) the link between remuneration paid to directors and key executives and corporate performance.</p>	<p>The company does not have a remuneration policy other than to ensure that Directors, staff and consultants are paid market rates in accordance with their qualifications, experience and contribution to the company. Directors' remuneration for both executive and non executive directors is compared to other "junior explorers" as a guide to industry rates.</p> <p>There are no schemes of retirement benefits.</p>
<p>9.2 The Board should establish a remuneration committee</p>	<p>In view of the size of the Company and the nature of its activities, the Board has considered that establishing formally constituted committees for audit, board nominations and remuneration would contribute little to its effective management. Accordingly remuneration matters are reviewed by the Board as a whole and approved by resolution of the Board (with abstentions from relevant Directors where there is a conflict of interest).</p>
<p>9.3 The structure of non-executive directors' remuneration should be clearly distinguished from that of executives</p>	<p>Executive directors are paid consulting fees to entities which they control and these consulting arrangements are governed by formal contracts. Directors' fees are paid separately to all Directors. The different types of remuneration including fringe benefits, superannuation, consulting fees and directors' fees are all clearly outlined in the Annual Report.</p>
<p>9.4 Ensure equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders</p>	<p>All Directors, executives and staff equity-based remuneration has been made only in accordance with shareholder resolution.</p>
<p>9.5 Ensure information indicated in ASX Guide to Reporting on Principle 9 is understood and provided. (See Guide Notes at end of table)</p>	<p>See above</p>
<p><b>ASX Principle 10: Interest of Stakeholders</b> <i>Recognise the legal and other obligations of all legitimate stakeholders</i></p>	<p><b>Comment/Response by Company</b></p>
<p><b>ASX Recommendations</b></p> <p>10.1 Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders</p>	<p>In view of the size of the Company and the nature of its activities, the Board has considered that an informal code of conduct is appropriate to guide executives, management and employees in carrying out their duties and responsibilities.</p>

## ASX Guide to Reporting on Principles

ASX rules requires that the following material should be included in the corporate governance section of the annual report:

- Principles 1 to 10 inclusive - an explanation of any departure from best practice recommendations 1.1 to 10.1
- Principle 2 - the skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report.
- Principle 2 - The names of the directors considered by the board to constitute independent directors and the company's materiality thresholds.
- Principle 2 - A statement as to whether there is a procedure agreed by the board for directors to take independent professional advice at the expense of the company.
- Principle 2 - The term of office held by each director in office at the date of the annual report
- Principle 2 - The names of members of the nomination committee and their attendance at meetings of the committee.
- Principle 4 - Details of the names and qualifications of those appointed to the audit committee, or, where an audit committee has not been formed, those who fulfill the functions of an audit committee.
- Principle 4 - The number of meetings of the audit committee and the names of the attendees.
- Principle 8 - Whether a performance evaluation for the board and its members has taken place in the reporting period and how it was conducted.
- Principle 9 - Disclosure of the company's remuneration policies referred to in best practice recommendation 9.1 and in Box 9.1.
- Principle 9 - The names of the members of the remuneration committee and their attendance at meetings of the committee.
- Principle 9 - The existence and terms of any schemes for retirement benefits, other than statutory superannuation, for non-executive directors.

ASX guidelines also recommend that the following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section:

- Principle 1 - a statement of matters reserved for the board or a summary of the board charter or a statement of delegated authority to management.
- Principle 2 - A description of the procedure for the selection and appointment of new directors to the board.
- Principle 2 - The charter of the nomination committee or a summary of the role, rights, responsibilities and membership requirements for that committee.
- Principle 2 - The nomination committee's policy for the appointment of directors.
- Principle 3 - Any applicable code of conduct or a summary of its main provisions. This disclosure may be the same as that required under principle 10.
- Principle 3 - The trading policy or a summary of its main provisions.
- Principle 4 - The audit committee charter.
- Principle 4 - Information on procedures for the selection and appointment of the external auditor, and for the rotation of external audit engagement partners.
- Principle 5 - A summary of the policies and procedures designed to guide compliance with Listing Rule disclosure requirements.
- Principle 6 - A description of the arrangements the company has to promote communication with shareholders.
- Principle 7 - A description of the company's risk management policy and internal compliance and control system.
- Principle 8 - A description of the process for performance evaluation of the board, its committees and individual directors, and key executives.
- Principle 9 - The charter of the remuneration committee or a summary of the role, rights, responsibilities and membership requirements for that committee.
- Principle 10 - Any applicable code of conduct or a summary of its main provisions.



## STANTON PARTNERS

1 HAVELOCK STREET  
WEST PERTH 6005  
WESTERN AUSTRALIA

**TELEPHONE: (08) 9481 3188**

Facsimile: (08) 9321 1204

e-mail: [australia@stanton.com.au](mailto:australia@stanton.com.au)

### **INDEPENDENT AUDIT REPORT**

#### **TO THE MEMBERS OF EAGLE BAY RESOURCES N.L.**

#### **SCOPE**

##### *The financial report and directors' responsibility*

The financial report comprises the statement of financial position, statement of financial performance, statement of cash-flows, accompanying notes to the financial statements, and the director's declaration for Eagle Bay Resources N.L. (the Company) and the consolidated entity for the year ended 30 June 2005. The consolidated entity comprises both the company and the entities it controlled during the year.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report 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.

##### *Audit approach*

We conducted an independent audit in order to express an opinion to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

## **INDEPENDENCE**

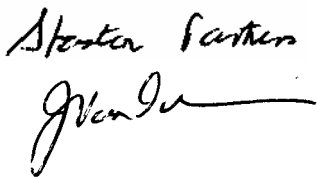
In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

## **AUDIT OPINION**

In our opinion, the financial report of Eagle Bay Resources N.L. is in accordance with:

- a) the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2005 and of their performance for the year ended on that date; and
  - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- b) other mandatory professional reporting requirements in Australia.

## **STANTON PARTNERS**



**J P Van Dieren**  
**Partner**

Perth, Western Australia  
30 September 2005



## STANTON PARTNERS

1 HAVELOCK STREET  
WEST PERTH 6005  
WESTERN AUSTRALIA

**TELEPHONE: (08) 9481 3188**

Facsimile: (08) 9321 1204

e-mail: australia@stanton.com.au

30 September 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 audit of the financial statements of Eagle Bay Resources NL for the year ended 30 June 2005, 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 audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely  
**STANTON PARTNERS**

**John Van Dieren**  
**Partner**

## DIRECTORS' DECLARATION

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

- (a) The accompanying financial statements and notes are in accordance with the Corporations Act 2001, including:
  - giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2005 and of its performance, as represented by its cash flows, for the year ended on that date.
  - complying with Accounting Standards in Australia and the Corporations Act 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 30 June 2005.

Signed in accordance with a resolution of the directors.



A. RECHNER  
Director

Perth, Western Australia  
30<sup>th</sup> September 2005.



**STATEMENTS OF FINANCIAL PERFORMANCE  
FOR THE YEAR ENDED 30 JUNE 2005**

	Note	CONSOLIDATED		PARENT ENTITY	
		2005	2004	2005	2004
		\$	\$	\$	\$
Revenues from ordinary activities	2	<b>816,305</b>	134,798	<b>815,395</b>	94,798
Depreciation of plant & equipment	3(b)	<b>(35,755)</b>	(36,405)	<b>(27,598)</b>	(18,550)
Exploration expenditure written off	3(a)	<b>(2,160,385)</b>	(2,395,950)	<b>(2,160,385)</b>	(2,395,950)
Provision against loan to controlled entity		-	-	<b>(124,234)</b>	(135,342)
Occupancy expenses		<b>(24,019)</b>	(22,688)	<b>(17,216)</b>	(22,688)
Administration expenses		<b>(481,723)</b>	(439,943)	<b>(414,360)</b>	(270,911)
Carrying value of sale of assets	3(a)	<b>(533,650)</b>	-	<b>(533,650)</b>	-
Expenses from ordinary activities		<b>(3,235,532)</b>	(2,894,986)	<b>(3,277,443)</b>	(2,843,441)
<b>(Loss) from ordinary activities before income tax expense</b>		<b>(2,419,227)</b>	(2,760,188)	<b>(2,462,048)</b>	(2,748,643)
Income tax expense relating to ordinary activities	4	-	-	-	-
(Loss) from ordinary activities after related income tax expense		<b>(2,419,227)</b>	(2,760,188)	<b>(2,462,048)</b>	(2,748,643)
<b>Net (loss) attributable to members of parent entity</b>		<b>(2,419,227)</b>	(2,760,188)	<b>(2,462,048)</b>	(2,748,643)
<b>Total changes in equity other than those resulting from transactions with owners as owners</b>		<b>(2,419,227)</b>	(2,760,188)	<b>(2,462,048)</b>	(2,748,643)
Basic loss per share	22	(1.35)	(1.92)		

Diluted loss per share is not disclosed as it does not represent an inferior view of the economic entity's performance.

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

**STATEMENTS OF FINANCIAL POSITION  
AS AT 30 JUNE 2005**

	Note	CONSOLIDATED		PARENT ENTITY	
		2005	2004	2005	2004
		\$	\$	\$	\$
<b>CURRENT ASSETS</b>					
Cash assets		<b>6,772,607</b>	2,527,323	<b>6,719,888</b>	2,515,906
Receivables	5	<b>72,267</b>	12,496	<b>71,474</b>	12,496
<b>TOTAL CURRENT ASSETS</b>		<b>6,844,874</b>	2,539,819	<b>6,791,362</b>	2,528,402
<b>NON-CURRENT ASSETS</b>					
Receivables	5	-	-	-	-
Other financial assets	6	-	-	-	-
Property, plant & equipment	7	<b>181,676</b>	74,851	<b>135,894</b>	26,858
<b>TOTAL ASSETS</b>		<b>7,026,550</b>	2,614,670	<b>6,927,256</b>	2,555,260
<b>CURRENT LIABILITIES</b>					
Payables	9	<b>928,554</b>	248,211	<b>925,356</b>	242,077
<b>TOTAL CURRENT LIABILITIES</b>		<b>928,554</b>	248,211	<b>925,356</b>	242,077
<b>TOTAL LIABILITIES</b>		<b>928,554</b>	248,211	<b>925,356</b>	242,077
<b>NET ASSETS</b>		<b>6,097,996</b>	2,366,459	<b>6,001,900</b>	2,313,183
<b>EQUITY</b>					
Contributed equity	10	<b>22,662,421</b>	16,511,656	<b>22,662,421</b>	16,511,656
Accumulated losses	11	<b>(16,564,425)</b>	(14,145,197)	<b>(16,660,521)</b>	(14,198,473)
<b>TOTAL EQUITY</b>	11	<b>6,097,996</b>	2,366,459	<b>6,001,900</b>	2,313,183

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

**STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2005**

	CONSOLIDATED		PARENT ENTITY	
	2005	2004	2005	2004
	\$	\$	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Payments to suppliers and employees	(2,045,555)	(646,099)	(1,981,309)	(582,898)
Interest received	135,180	94,798	135,180	94,798
Net cash outflow from operating activities (Note b)	<b>(1,910,375)</b>	<b>(551,301)</b>	<b>(1,846,129)</b>	<b>(488,100)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from sale of plant	23,183	40,000	22,273	-
Proceeds from sale of investments	657,942	-	657,942	-
Payments for plant and equipment	(156,230)	(5,238)	(136,634)	(4,611)
Payments for investments	(520,000)	-	(520,000)	-
Loans to controlled entities	-	-	(124,234)	(35,342)
Net cash inflow/(outflow) from investing activities	<b>4,895</b>	<b>34,762</b>	<b>(100,653)</b>	<b>(39,953)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from issue of shares net of raising costs	6,150,764	2,281,787	6,150,764	2,281,787
Net cash inflow from financing activities	<b>6,150,764</b>	<b>2,281,787</b>	<b>6,150,764</b>	<b>2,281,787</b>
<b>NET INCREASE IN CASH</b>				
Cash at the beginning of the financial year (Note a)	2,527,323	762,075	2,515,906	762,172
Cash at the end of the financial year (Note a)	<b>6,772,607</b>	<b>2,527,323</b>	<b>6,719,888</b>	<b>2,515,906</b>

**NOTES**

(a)

**Cash includes:**

Cash at Bank	6,002,337	43,122	5,949,618	31,705
Term Deposits	770,270	2,484,201	770,270	2,484,201
	<b>6,772,607</b>	<b>2,527,323</b>	<b>6,719,888</b>	<b>2,515,906</b>

(b)

**Reconciliation of net cash outflow from operating activities to operating (loss) after tax**

Operating (loss) after income tax	(2,419,227)	(2,760,188)	(2,462,048)	(2,748,643)
Exploration expenditure written off	-	2,395,950	-	2,395,950
Profit on sale of plant	(9,532)	(40,000)	(8,623)	-
Profit on sale of investments	(137,942)	-	(137,942)	-
Increase in provision for diminution of mine property	-	100,000	-	-
Depreciation	35,755	36,405	27,598	18,550
Exploration expenditure incurred	-	(296,735)	-	(296,735)
Movement in provision for employee entitlements	-	-	-	-
Provision against loans to controlled entities	-	-	124,234	135,342
Increase/(Decrease) in creditors	680,343	705	683,279	(1,316)
(Increase)/Decrease in receivables	(59,772)	12,562	(58,977)	8,752
Net cash outflow from operating activities	<b>(1,910,375)</b>	<b>(551,301)</b>	<b>(1,832,479)</b>	<b>(488,100)</b>

The above statements of cash flows should be read in conjunction with the accompanying notes.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

### 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This financial report is a general purpose financial report which has been drawn up in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus views and the Corporations Act 2001.

The financial report has been prepared on an accruals basis and in accordance with the historical cost convention, except for certain assets which, as noted, are at directors' valuation. The accounting policies have been consistently applied by each entity in the consolidated entity and are consistent with those of previous years. Comparative information is reclassified where appropriate to enhance comparability.

#### a) Principles of consolidation

##### *Controlled entities*

The consolidated financial report combines the financial report of the Company, being the parent entity, and its controlled entities ("the consolidated entity").

Where an entity either began or ceased to be controlled during the year, the results are included only from the date control commenced or up to the date control ceased.

The balances and effects of transactions, between controlled entities included in the consolidated financial report have been eliminated.

##### *Joint venture operations*

The consolidated entity's interests in unincorporated joint ventures are brought to account by including its proportionate share of joint venture operations' assets, liabilities and expenses and the consolidated entities revenue from the sale of its share of output on a line by line basis, from the date joint control commences to the date joint control ceases.

#### b) Principles of going concern

The financial report has been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

#### c) Revenue recognition

##### *Interest Income*

Interest income is recognised as it accrues.

##### *Asset sales*

The gross proceeds of asset sales not originally purchased for the intention of resale are included as revenue at the date an unconditional contract of sale is signed.

#### d) Exploration and Evaluation Expenditure

Exploration, evaluation and relevant acquisition costs are accumulated separately for each area of interest. They comprise acquisition costs, direct exploration and evaluation costs and an appropriate portion of related overhead expenditure. They do not include general overhead or administrative expenditure not having a specific nexus with a particular area of interest.

Costs of this nature are carried forward only if they relate to an area of interest for which rights of tenure are current and in respect of which:

- i) such costs are expected to be recouped through successful development and exploitation or from sale of the area; or
- ii) exploration and evaluation activities in the area have not at balance date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active operations in, or relating to, the area are continuing.

Exploration and evaluation expenditure which does not satisfy this criteria is written off.

Ultimate recoupment of capitalised expenditure in respect of areas in the exploration and/or evaluation stage is dependent upon successful development and commercial exploitation or alternatively sale, of the respective areas.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005 (CONTINUED)

### 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Once a decision has been taken to proceed with mine development, all past and future exploration expenditure in respect of that area of interest is aggregated and reclassified as Mine Properties.

#### e) Mine Properties

Mine properties represent the accumulation of all exploration, evaluation, and development expenditure incurred by or on behalf of the entity in relation to areas of interest in which a decision to commence mining of a mineral resource has been taken.

Where further development expenditure is incurred in respect of a mine property after the commencement of production, such expenditure is carried forward as part of the cost of that mine property, only when substantial economic benefits are thereby established, otherwise such expenditure is classified as part of the cost of production.

The net carrying value of each mine property is reviewed regularly and, to the extent to which this value exceeds its recoverable amount that excess is fully provided against in the financial year in which this is determined. The expected net cash flows included in determining recoverable amount are not discounted to their present value.

#### f) Acquisition of Assets

The cost method of accounting is used for acquisition of assets regardless of whether shares or other assets are acquired. Cost is determined as the fair value of the assets given up at the date of acquisition plus costs incidental to the acquisition. On acquisition of an investment in a controlled entity the identifiable net assets are measured at their fair value. The excess of the fair value of the purchase consideration over the fair value of identifiable net assets acquired (ie goodwill) is amortised over the period during which the related benefits are expected to arise.

#### g) Cash

For the purpose of the statement of cash flows, cash includes deposits at call, which are readily convertible to cash on hand and which are used in the cash management function on the day to day basis, net of outstanding bank overdrafts and term deposits with 3 months or less to maturity.

#### h) Earnings per Share

Basic earnings per share is determined by dividing the operating profit or loss after income tax by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

#### i) Recoverable Amount

The recoverable amount of an asset is the net amount expected to be recovered through the net cash inflows arising from its continued use and subsequent disposal. The expected net cash flows included in determining recoverable amounts of non-current assets are not discounted to their present value.

#### j) Property, plant and equipment

Plant and equipment is stated at cost and is depreciated using the straight line method at rates between 7% and 33%.

#### k) Investments

Monies not immediately required are placed on short term deposits with banks.

##### *Current*

Investments in marketable securities are stated at the lower of cost and current market value determined on an individual investment basis.

##### *Non Current*

Investments in other companies are carried at lower of cost and recoverable amount, being a directors' valuation based on net assets of the investee at time of valuation.

##### *Joint Ventures*

In the consolidated entity's financial statements, investments in joint venture operations are accounted for as set out in Note 1(a).

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005 (CONTINUED)

### 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### l) Accounts Payable

Accounts payable represent the principal amounts outstanding at balance date plus, where applicable, any accrued interest.

#### m) Receivables

Trade accounts receivable, amounts due from related parties and other receivables represent the principal amounts due at balance date plus accrued interest and less, where applicable, any unearned income and provisions for doubtful accounts.

#### n) Income Tax

Income tax has been brought to account using a method of tax effect accounting whereby income tax expense for the period is calculated on the accounting profit or loss after adjusting for items which, as a result of their treatment under income tax legislation, create permanent differences between that profit or loss and the taxable income. The tax effect of timing differences which arises from the recognition in the accounts of the items of revenue and expenses in periods different from those in which they are assessable or allowable for income tax purposes, are represented in the statement of financial position as "future income tax benefits" or "provision for deferred income tax", as the case may be at current tax rates. A future income tax benefit is only being carried forward as an asset where realisation of the benefit can be regarded as being assured beyond reasonable doubt.

#### o) Employee Entitlements

The following liabilities arising in respect of employee entitlements are measured at the amounts expected to be paid when the liability is settled plus related on-costs:

- Wages and salaries and annual leave regardless whether they are expected to be settled within 12 months of balance date.
- Other employee entitlements which are expected to be settled within 12 months of balance date.

#### p) Comparatives

Certain comparatives have been reclassified to be consistent with the current year's disclosures.

#### q) Foreign Currency Transactions and Balances

Foreign currency transactions during the year are converted to Australian currency at the rates of exchange applicable at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are converted at the rates of exchange ruling at that date.

The gains and losses from conversion of assets and liabilities, whether realised or unrealised, are included in profit or loss from ordinary activities as they arise.

#### r) Operating Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability. Lease payments received reduce the liability.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2005 (CONTINUED)

	CONSOLIDATED		PARENT ENTITY	
	2005	2004	2005	2004
	\$	\$	\$	\$
<b>2 REVENUES FROM ORDINARY ACTIVITIES</b>				
Interest received/receivable	135,180	94,798	135,180	94,798
Proceeds on sale of plant	23,183	40,000	22,273	-
Proceeds on sale of investment	657,942	-	657,942	-
	<b>816,305</b>	134,798	<b>815,395</b>	94,798
<b>3 LOSS FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE</b>				
(a) <b>Individually significant expenses/(revenues) included in loss from ordinary activities before income tax expense</b>				
Proceeds on sale of property plant & equipment	23,183	40,000	22,273	-
Carrying amount of property sold	13,650	-	13,650	-
Net gain	<b>9,533</b>	40,000	<b>8,623</b>	-
Proceeds on sale of investments	657,942	-	657,942	-
Carrying amount of investments sold	520,000	-	520,000	-
Net gain	<b>137,942</b>	-	<b>137,942</b>	-
Exploration expenditure written-off in respect of areas of interest not satisfying the criteria to be carried forward in the statement of financial position or abandoned.	2,160,385	2,395,950	2,160,385	2,395,950
b) <b>Loss from ordinary activities before income tax expense has been arrived at after charging the following items:</b>				
Depreciation of plant and equipment	35,755	36,405	27,598	18,550
Provision for non-recovery of loan to controlled entity	-	-	124,234	135,342
<b>4 INCOME TAX</b>				
(a) The prima facie tax benefit on the operating loss differs by more than 15% from the income tax provided in the financial statements and is reconciled as follows:				
<b>Operating loss before income tax</b>	<b>(2,421,181)</b>	<b>(2,760,188)</b>	<b>(2,464,001)</b>	<b>(2,748,643)</b>
Prima facie tax benefit at 30% (2004: 30%)	<b>(726,354)</b>	(828,056)	<b>(739,200)</b>	(824,593)
<b>Tax effect of permanent differences:</b>				
Non-deductible expenditure	-	950	-	950
Provision against loans to controlled entities	-	-	37,270	40,603
<b>Other tax benefits not recognised:</b>				
Tax benefit of revenue losses not recognised	<b>726,354</b>	827,106	<b>701,930</b>	783,040
<b>Income tax benefit attributable to operating loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2005 (CONTINUED)**

**4 INCOME TAX (continued)**

- c) As at 30 June 2005 the consolidated entity had estimated gross revenue tax losses of \$24,021,229 (2004: \$21,600,048) and estimated gross capital losses of \$3,087,443 (2004: \$3,087,443) available to offset against future taxable income. These tax losses have not been brought to account as the benefit cannot be regarded as being virtually certain of realisation.
- d) The benefit of tax losses will only be obtained if:
- (i) the consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;
  - (ii) the consolidated entity continues to comply with the conditions for deductibility imposed by the tax legislation; and
  - (i) no changes in tax legislation adversely affect the consolidated entity in realising the benefit from the deductions for the losses.

	CONSOLIDATED		PARENT ENTITY	
	2005	2004	2005	2004
	\$	\$	\$	\$
<b>5 RECEIVABLES</b>				
<b>Current</b>				
GST refund due	68,188	11,406	67,395	11,406
Prepayments	1,953	-	1,953	-
Other receivables	2,126	-	2,126	-
Monies due from director related entity	-	1,090	-	1,090
	<b>72,267</b>	<b>12,496</b>	<b>71,474</b>	<b>12,496</b>
<b>Non-Current</b>				
Loans to controlled entities	-	-	4,690,822	4,566,588
Less provision for non-recovery	-	-	(4,690,822)	(4,566,588)
	-	-	-	-
<b>6 NON-CURRENT ASSETS – OTHER FINANCIAL ASSETS</b>				
Shares in controlled entities – at cost (refer Note 18)	-	-	3,228,050	3,228,050
Less: provision for diminution in value	-	-	(3,228,050)	(3,228,050)
Total investments at Directors' valuation	-	-	-	-



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2005 (CONTINUED)

	CONSOLIDATED		PARENT ENTITY	
	2005	2004	2005	2004
	\$	\$	\$	\$
<b>7 NON-CURRENT ASSETS – PROPERTY, PLANT &amp; EQUIPMENT</b>				
Plant & equipment at cost	295,400	203,670	170,048	84,264
Less: Accumulated depreciation	(113,724)	(128,819)	(34,154)	(57,406)
	<b>181,676</b>	<b>74,851</b>	<b>135,894</b>	<b>26,858</b>
Mine Properties at cost	3,567,448	3,567,448	-	-
Capital works	1,336,322	1,336,322	-	-
	<b>4,903,770</b>	<b>4,903,770</b>	-	-
Less Provision for diminution in value	(4,903,770)	(4,903,770)	-	-
	-	-	-	-
<b>Total Property, plant and equipment</b>	<b>181,676</b>	<b>74,851</b>	<b>135,894</b>	<b>26,858</b>
Movements in property, plant and equipment:				
Balance at beginning of the year	74,851	206,018	26,858	40,797
Additions	156,230	5,238	150,284	4,611
Disposals	(13,650)	-	(13,650)	-
Depreciation expense	(35,755)	(36,405)	(27,598)	(18,550)
Provision for diminution	-	(100,000)	-	-
Balance at end of year	<b>181,676</b>	<b>74,851</b>	<b>135,894</b>	<b>26,858</b>

The directors have provided for a diminution of the assets comprising the Uley graphite project. The mine continues to be held on a care and maintenance basis, with minor refurbishment being carried out pending a decision to re-commence production.

**8 NON-CURRENT ASSETS**

**Exploration expenditure incurred net of refunds**

Exploration expenditure incurred net of refunds received on mineral tenements and joint ventures	2,160,385	475,961	2,160,385	475,961
Capitalised expenditure at the beginning of the financial year	-	1,919,989	-	1,919,989
	<b>2,160,385</b>	<b>2,395,950</b>	<b>2,160,385</b>	<b>2,395,950</b>
Less: expenditure written off to statement of financial performance	(2,160,385)	(2,395,950)	(2,160,385)	(2,395,950)
	-	-	-	-

Capitalised exploration expenditure, represents the accumulated cost of acquisition and subsequent cost of exploration and evaluation of the properties less amounts written off and provided for.

**9 CURRENT LIABILITIES**

**PAYABLES**

Other creditors and accruals	928,554	248,211	925,356	242,077
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There were two full time executive directors (2004 – two) and one employee (2004 – none) at reporting date.

# EAGLE BAY RESOURCES N.L. ANNUAL REPORT 2005

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005 (CONTINUED)

10 CONTRIBUTED EQUITY	2005	2004	2005	2004
	NUMBER OF SHARES		\$	\$
(a) Issued and fully paid up capital				
Ordinary Shares	227,759,567	158,098,424	22,662,421	16,511,656

(b) Movements in issued and paid up ordinary capital of the Company during the past year were as follows:

	NUMBER OF SHARES		\$	\$
Balance at the beginning of year	158,098,424	117,912,935	16,511,656	14,229,869
Issues				
– Pro rata issue at 9 cents each (2004: 6 cents each)	56,939,475	22,585,489	5,124,553	1,355,129
– Placement at 11 cents each (2004: 6 cents each)	12,720,000	17,600,000	1,399,200	1,056,000
– Conversion of options	1,668	–	225	–
– Capital raising costs	–	–	(373,213)	(129,342)
Balance at the end of year	<u>227,759,567</u>	<u>158,098,424</u>	<u>22,662,421</u>	<u>16,511,656</u>

The Company has also issued 33,469,079 short dated listed options exercisable at 12 cents per option by 31 March 2006 and 28,469,913 long dated listed options exercisable at 15 cents per option by 30 June 2009.

## 11 RESERVES, (ACCUMULATED LOSSES) AND TOTAL EQUITY

	CONSOLIDATED		PARENT ENTITY	
	2005	2004	2005	2004
	\$	\$	\$	\$
<b>Accumulated losses:</b>				
Balance at the beginning of the year	(14,145,197)	(11,385,009)	(14,198,473)	(11,449,830)
Net loss attributable to members of the parent entity	(2,419,227)	(2,760,188)	(2,462,048)	(2,748,643)
Balance at the end of the year	<u>(16,564,424)</u>	<u>(14,145,197)</u>	<u>(16,660,521)</u>	<u>(14,198,473)</u>
<b>Total equity:</b>				
Total equity at the beginning of the year	2,366,459	2,844,860	2,313,183	2,780,039
Total changes in equity recognised in the statement of financial performance	(2,419,227)	(2,760,188)	(2,462,048)	(2,748,643)
<i>Transactions with owners as owners:</i>				
Contributions of equity	6,150,765	2,281,787	6,150,765	2,281,787
Total equity at the end of the year	<u>6,097,997</u>	<u>2,366,459</u>	<u>6,001,900</u>	<u>2,313,183</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2005 (CONTINUED)

12 REMUNERATION OF DIRECTORS AND SPECIFIED EXECUTIVES

Details of the nature and amount of the remuneration of the Directors and highest paid Executives is as follows:

Remuneration

Directors & Specified Executives Remuneration								
	PRIMARY			POST EMPLOYMENT		EQUITY	Other Benefits	TOTAL
	Salary, Fees & Superannuation	Cash Bonus	Non-Monetary	Super-annuation	Retirement Benefits	Options (a)		\$
<b>Directors</b>								
Anthony Rechner - Executive Chairman								
2005	230,250	-	28,732*	-	-	57,600	-	316,582
2004	204,000	-	10,093	-	-	-	-	214,093
Richard Diermajer - Managing Director								
2005	83,000	-	935	-	-	28,800	-	112,735
2004	78,000	-	441	-	-	-	-	78,441
Jim Craib - Non Executive Director								
2005	20,000	-	-	-	-	14,400	-	34,400
2004	15,000	-	-	-	-	-	-	15,000
<b>Total Remuneration Directors</b>								
2005	333,250	-	29,667	-	-	100,800	-	463,717
2004	297,000	-	10,534	-	-	-	-	307,534
<b>Specified Executives</b>								
Paul Fromson - Company Secretary (Resigned 23 September 2004)								
2005	5,216	-	-	-	-	-	-	5,216
2004	29,513	-	-	-	-	-	-	29,513
Graham Anderson - Company Secretary (Appointed 12 October 2004)								
2005	27,000	-	-	-	-	7,200	-	34,200
2004	-	-	-	-	-	-	-	-
Ian Barr - Manager Oil & Gas								
2005	161,000	-	-	-	-	28,800	-	189,800
2004	-	-	-	-	-	-	-	-
<b>Total Remuneration Specified Executives</b>								
2005	193,216	-	-	-	-	36,000	-	229,216
2004	29,513	-	-	-	-	-	-	29,513

\* This benefit is for the provision of a 4WD vehicle, its parking and associated fringe benefit tax.

Notes in relation to the table of directors' and executive officers' remuneration

- a) The fair value of the options is calculated at the date of grant using the market value method. The value disclosed represents the total fair value of the options and is allocated in this reporting period as the options were granted and vested simultaneously. In valuing the options market conditions have been taken into account in the current period.

The following factors and assumptions were used in determining the fair value of options on grant date:

Grant date	Expiry date	Fair value per option	Exercise price	Price of shares on grant date
29 March 2005	31 March 2006	2.88 cents	12 cents	10 cents

Transactions with Directors or Director Related Entities

Consultancy services

Messrs A Rechner and R Diermajer are respectively directors and shareholders of Tangram Pty Ltd and Frontlaw Pty Ltd (trading as Sentinel Exploration Services) respectively, which have provided exploration and administrative consultancy services to the Company on normal terms and conditions. Amounts paid to these companies during the year in respect of professional services rendered are included in remuneration of directors.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2005 (CONTINUED)

12 REMUNERATION OF DIRECTORS AND SPECIFIED EXECUTIVES (continued)

**Remuneration Practices**

Remuneration and other terms of employment of executives, including executive directors, are reviewed periodically by the Board having regard to performance, relevant comparative information and, where necessary, independent expert advice. Remuneration packages are set at levels that are intended to attract and retain executives capable of managing the Company's operations.

The terms of engagement and remuneration of executive directors is reviewed periodically by the Board, with recommendations being made by the non-executive director. Where the remuneration of a particular executive director is to be considered, the director concerned does not participate in the discussion or decision-making.

- (i) The policy of the Company is to pay remuneration of directors and senior executives in cash and in amounts in line with employment market conditions relevant in the mining industry. Minor amounts of employee fringe benefits in the form of employee meals and entertainment are provided as a part of the executives' way of conducting business.
- (ii) The Company's performance, and hence that of its directors and executives, is measured in terms of:
  - 1. Company share price growth;
  - 2. Cash raised;
  - 3. Exploration carried out; and
  - 4. Farm-in expenditure attracted.
- (iii) Upon retirement specified directors and executives are paid employee benefit entitlements accrued to date of retirement.

**Shareholdings**

Year Ended 30 June 2005					
Number of Shares held by Directors & Specified Executives					
	Balance 1 July 2004	Received as Remuneration	Options Exercised	Net Change Other	Balance 30 June 2005
<b>Directors</b>					
Anthony Rechner	9,089,702	-	-	-	9,089,702
Richard Diermajer	2,582,315	-	-	627,439	3,209,754
Jim Craib	1,348,954	-	-	-	1,348,954
<b>Specified Executive</b>					
Graham Anderson	-	-	-	-	-
Ian Barr	-	-	-	-	-
<b>TOTAL</b>	<b>13,020,971</b>	<b>-</b>	<b>-</b>	<b>627,439</b>	<b>13,648,410</b>

**Optionholdings**

Year Ended 30 June 2005							
Number of Options held by Directors & Specified Executives							
	Balance 1 July 2004	Granted as Remuneration	Options Exercised	Net Change Other	Balance 30 June 2005	Exercisable at 12 cents by 31 March 2006	Un-exercisable
<b>Specified Directors</b>							
Anthony Rechner	-	2,000,000	-	-	2,000,000	2,000,000	-
Richard Diermajer	-	1,000,000	-	-	1,000,000	1,000,000	-
Jim Craib	-	500,000	-	-	500,000	500,000	-
<b>Specified Executives</b>							
Graham Anderson	-	250,000	-	-	250,000	250,000	-
Ian Barr	-	1,000,000	-	-	1,000,000	1,000,000	-
<b>TOTAL</b>	<b>-</b>	<b>4,750,000</b>	<b>-</b>	<b>-</b>	<b>4,750,000</b>	<b>4,750,000</b>	<b>-</b>

# EAGLE BAY RESOURCES N.L. ANNUAL REPORT 2005

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005 (CONTINUED)

### 13 REMUNERATION OF EXECUTIVES

Three executive officers, two being directors (2004: one) received remuneration in excess of \$100,000 for the year (refer Note 12 for details).

#### Consultancy services

I Barr is the director and shareholder of Success Oil Company, which has provided exploration and administrative consultancy services to the Company on normal terms and conditions. Amounts paid to this company during the year in respect of professional services rendered are included in remuneration of executives.

### 14 REMUNERATION OF AUDITORS

	CONSOLIDATED		PARENT ENTITY	
	2005	2004	2005	2004
	\$	\$	\$	\$
Auditors of parent entity:				
Audit and review of financial report	11,595	11,577	11,595	11,577
Other services (tax)	3,000	8,275	3,000	8,275
	<b>14,595</b>	<b>19,852</b>	<b>14,595</b>	<b>19,852</b>

### 15 CONTINGENT LIABILITIES

The directors are of the opinion that there are no contingent liabilities as at 30 June 2005.

### 16 COMMITMENTS

#### **Exploration Commitments**

In order to maintain current rights to tenure to exploration and mining tenements, the consolidated entity has the following discretionary exploration expenditure requirements up until expiry of leases. These obligations, which may be varied from time to time and which are subject to renegotiation upon expiry of the lease are not provided for in the financial report and are payable:

	CONSOLIDATED		PARENT ENTITY	
	2005	2004	2005	2004
	\$	\$	\$	\$
Not later than one year	1,716,000	20,000	1,716,000	20,000
After one year but less than two years	787,000	130,000	787,000	130,000
After two years but less than five years	3,075,000	1,375,000	3,075,000	1,375,000
After five years	-	-	-	-
	<b>5,578,000</b>	<b>1,525,000</b>	<b>5,578,000</b>	<b>1,525,000</b>

Within the oil and gas industry it is common practice for companies to farm-out, transfer or sell a portion of their exploration rights to third parties or to relinquish some exploration and mining tenements altogether, and as a result obligations will be significantly reduced or extinguished altogether. During the year the Company concluded a number of farm-out agreements which resulted in the company only being responsible for a share of the work programs. The farm-in partners also expended considerable funds on the permits during the year which resulted in work programs for certain years being met. The end result is a large reduction in the Company's work program obligations with the remaining commitments summarised as follows:

The above commitments table reflects these significant farm-in agreements entered into during the year and also the work commitments during the year and clarifies the reduction in commitments reported in the prior year.

#### **Operating Lease Commitments**

	CONSOLIDATED		PARENT ENTITY	
	2005	2004	2005	2004
	\$	\$	\$	\$
Not later than one year	32,891	11,275	32,891	11,275
After one year but not later than five years	13,705	-	13,705	-
	<b>46,596</b>	<b>11,275</b>	<b>46,596</b>	<b>11,275</b>

There is one operating lease being a rental lease on the Company's premises. The lease expires on 30 November 2006.

# EAGLE BAY RESOURCES N.L. ANNUAL REPORT 2005

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005 (CONTINUED)

### 17 RELATED PARTIES

#### Wholly-owned Group Transactions

Eagle Bay Resources N.L. provides working capital to all its wholly-owned subsidiaries aggregating \$124,234 which has been provided against during the financial year. Transactions between the parent entity and the wholly-owned subsidiaries consist of interest free unsecured loans which have no fixed repayment terms.

### 18 INVESTMENT IN CONTROLLED ENTITIES

Details of investments in the ordinary share capital of controlled entities is as follows:

Name of Entity	Place of Incorporation	Equity Holding		Cost of Parent Entity's Investment	
		2005	2004	2005	2004
<b>Parent Entity</b>		%	%	\$	\$
Eagle Bay Resources N.L.	Australia			-	-
<b>Controlled Entities</b>					
Tarcoola Gold Limited	Australia	100	100	3,228,050	3,228,050
Eagle Bay Graphite Pty Ltd	Australia	100	100	-	-
				<b>3,228,050</b>	<b>3,228,050</b>

### 19 PLACE OF INCORPORATION

The Company and its controlled entities are domiciled and incorporated in Australia and its principal place of business is Perth, Western Australia.

### 20 EVENTS SUBSEQUENT TO REPORTING DATE

There has not arisen in the interval between 30 June 2005 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.

### 21 SEGMENT REPORTING

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

### 22 EARNINGS/(LOSS) PER SHARE

	2005	2004
	<b>Cents per Share</b>	
a) Basic loss per share	(1.35)	(1.92)
b) Net loss used in calculating	\$	\$
- Basic loss per share	(2,419,227)	(2,760,188)
c) Weighted average number of ordinary shares outstanding	<b>Number</b>	Number
during the year used in calculating basic loss per share	<b>178,849,625</b>	143,566,080

\* Diluted loss per share is not disclosed as it does not show an inferior position.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2005 (CONTINUED)

23 FINANCIAL INSTRUMENTS

a) Interest Rate Risk Exposures

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below:

	Floating Interest rate		Fixed Interest Less than 1 year		Non-interest Bearing		Total	
	2005 \$	2004 \$	2005 \$	2004 \$	2005 \$	2004 \$	2005 \$	2004 \$
<b>Financial Assets</b>								
Cash assets	6,002,337	43,122	770,270	2,484,201	-	-	6,772,607	2,527,323
Receivables	-	-	-	-	70,314	12,496	70,314	12,496
	<b>6,002,337</b>	<b>43,122</b>	<b>770,270</b>	<b>2,484,201</b>	<b>70,314</b>	<b>12,496</b>	<b>6,842,921</b>	<b>2,539,819</b>
<b>Interest rate</b>	<b>2%</b>	<b>2%</b>	<b>5.50%</b>	<b>5.25%</b>	<b>-</b>	<b>-</b>		
<b>Financial Liabilities</b>								
Payables	-	-	-	-	928,554	248,211	928,554	248,211
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>928,554</b>	<b>248,211</b>	<b>928,554</b>	<b>248,211</b>
<b>Interest rate</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>		
<b>Net financial assets/(liabilities)</b>	<b>6,002,337</b>	<b>43,122</b>	<b>770,270</b>	<b>2,484,201</b>	<b>(858,240)</b>	<b>(235,715)</b>	<b>5,914,367</b>	<b>2,291,608</b>

b) Credit Risk Exposures

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. The credit risk on financial assets, excluding investments, of the Company and consolidated entity, which have been recognised on the statement of financial position, is the carrying amount, net of any provision for doubtful debts.

The Company and consolidated entity are not materially exposed to any individual overseas country or individual customer.

c) Net Fair Values

The financial assets and liabilities included in current assets and current liabilities in the statement of financial position are carried at amounts that approximate net fair values.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2005 (CONTINUED)

24 INTEREST IN JOINT VENTURE OPERATIONS

In September 2004, the Company entered into a Joint Venture agreement with AuDAX Resources NL for the Cooper Basin project. The Company holds an interest of 50.1% (2004: nil) in the output of the joint venture operation named Cooper Basin PEL 182 Joint Venture whose principal activity is oil and gas mining and exploration.

For the year ended 30 June 2005, the contribution of the joint venture to the operating loss of the Company and the consolidated entity was \$898,060 (2004: nil). The value of the Company's 50.1% share of oil and gas mined during the year was nil (2004: nil).

Included in the assets and liabilities of the Company and the consolidated entity are the following items which represent the Company's and the consolidated entity's interest in the assets and liabilities employed in the joint venture, recorded in accordance with the accounting policies described in Note 1(a).

	CONSOLIDATED		PARENT ENTITY	
	2005	2004	2005	2004
	\$	\$	\$	\$
<b>CURRENT ASSETS</b>				
Cash assets	608,817	-	608,817	-
<b>TOTAL CURRENT ASSETS</b>	<b>608,817</b>	<b>-</b>	<b>608,817</b>	<b>-</b>
<b>NON-CURRENT ASSETS</b>				
Exploration expenditure	-	-	-	-
<b>TOTAL NON-CURRENT ASSETS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>608,817</b>	<b>-</b>	<b>608,817</b>	<b>-</b>
<b>CURRENT LIABILITIES</b>				
Payables	856,553	-	856,553	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>856,553</b>	<b>-</b>	<b>856,553</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>856,553</b>	<b>-</b>	<b>856,553</b>	<b>-</b>

Joint Venture Exploration Commitments

The consolidated entity has the following exploration expenditure requirements to comply with the work program provided in the joint venture agreement. These obligations, are not provided for in the financial report and are payable:

	CONSOLIDATED		PARENT ENTITY	
	2005	2004	2005	2004
	\$	\$	\$	\$
Not later than one year	1,500,000	-	1,500,000	-
After one year but less than two years	1,975,000	-	1,975,000	-
After two years but less than five years	6,500,000	-	6,500,000	-
After five years	-	-	-	-
	<b>9,975,000</b>	<b>-</b>	<b>9,975,000</b>	<b>-</b>



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2005 (CONTINUED)

25 THE IMPACT OF ADOPTING INTERNATIONAL ACCOUNTING STANDARDS

Eagle Bay Resources NL is in the process of transitioning its accounting policies and financial reporting from current Australian Accounting Standards (AGAAP) to Australian equivalents of International Financial Reporting Standards (AIFRS) which will be applicable for the financial year ending 30 June 2006. In 2005 the company allocated internal resources to perform diagnostics and conduct impact assessments to identify key areas that would be impacted by the transition to AIFRS. As Eagle Bay Resources NL has a 30 June year end, priority has been given to considering the preparation of an opening balance sheet in accordance with AIFRS as at 1 July 2004, Eagle Bay's transition date to AIFRS. This will form the basis of accounting for Australian equivalents of IFRS in the future, and is required when the company prepares its first fully AIFRS compliant financial report for the year ended 30 June 2006.

Set out below are the key areas where accounting policies are expected to change on adoption of AIFRS and our best estimate of the quantitative impact of the changes on total equity as at the date of transition and 30 June 2005 and on net loss for the year ended 30 June 2005.

The figures disclosed are management's best estimates of the quantitative impact of the changes as at the date of preparing this financial report. The actual effects of transition to AIFRS may differ from the estimates disclosed due to:

- i. ongoing work being undertaken by the company with respect to AIFRS transition;
- ii. potential amendments to AIFRS and interpretations thereof being issued by the standard setters and IFRIC; and
- iii. emerging accepted practice in the interpretation and application of AIFRS and UIG Interpretations.

a) Reconciliation of equity as presented under AGAAP to that under AIFRS

	Notes	Consolidated Entity		Parent Entity	
		30 June 2005	1 July 2004	30 June 2005	1 July 2004
		\$	\$	\$	\$
<b>Total equity under AGAAP</b>		<b>6,097,996</b>	<b>2,366,459</b>	<b>6,001,900</b>	<b>2,313,183</b>
<i>Adjustments to retained earnings (net of tax)</i>					
Recognition of share-based payment expense	(i)	(144,000)	-	(144,000)	-
Provision for rehabilitation	(ii)	(50,000)	(46,000)	-	-
<i>Adjustments to other reserves (net of tax)</i>					
Recognition of share-based payment expense	(i)	144,000	-	144,000	-
<b>Total equity under AIFRS</b>		<b>6,047,996</b>	<b>2,320,459</b>	<b>6,001,900</b>	<b>2,313,183</b>

b) Reconciliation of net loss under AGAAP to that under AIFRS

	Notes	Consolidated Entity	Parent Entity
		30 June 2005	30 June 2005
		\$	\$
<b>Net loss as reported under AGAAP</b>		<b>(2,419,227)</b>	<b>(2,462,048)</b>
Recognition of share-based payment expense	(i)	(144,000)	(144,000)
Provision for rehabilitation	(ii)	4,000	-
<b>Net loss under AIFRS</b>		<b>(2,559,227)</b>	<b>(2,606,048)</b>

(i) Under AASB 2 'Share Based Payments', the company would recognize the fair value of the options granted to directors, employees and contractors as remuneration and performance incentives as an expense on a pro-rata basis in the statement of financial performance. Share based payment costs are not recognised under AGAAP.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005 (CONTINUED)

### 25 THE IMPACT OF ADOPTING INTERNATIONAL ACCOUNTING STANDARDS (continued)

(ii) Under AASB 137 'Provisions, Contingent Liabilities and Contingent Assets', a full provision for restoration will be recorded where there is a legal or constructive obligation to do so, or where it is more likely than not that such an obligation has arisen from a past event. In establishing the provision, AIFRS requires the likely cash outflows to be discounted to present value. Upon adoption to AIFRS, there would be an adjustment to raise a provision for rehabilitation for the Eagle Bay Graphite mine site.

(iii) Management has decided to apply the exemption provided in AASB 1 'First-time Adoption of Australian equivalents to International Financial Reporting Standards' which permits entities not to apply the requirements of AASB 132 'Financial Instruments: Presentation and Disclosures' and AASB 139 'Financial Instruments: Recognition and Measurement' for the financial year ended 30 June 2005. The standards will be applied from 1 July 2005.

#### c) Restated AIFRS Statement of Cash Flows for the year ended 30 June 2005

No material impacts are expected to the cash flows presented under AGAAP on adoption of AIFRS.

#### d) Other impact areas

##### 1) 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.

##### 2) Financial Instruments

Under AASB 139 "Financial Instruments: Recognition and Measurement" financial instruments will be required to be classified into five categories and to be measured based on the nature of the classification. The five categories and basis of measurement are:

- Financial asset or financial liability measured at fair value through the statement of financial performance
- Held to maturity investments measured at amortised cost, subject to impairment
- Loans and receivables measured at amortised cost, subject to impairment
- Available for sale assets measured at fair value with changes in fair value measured directly in equity
- Financial liability measured at amortised cost

This will result in a change in the current accounting policy that does not classify financial instruments. The application of this policy will have no material impact on the 30 June 2005 financial statements.

##### 3) 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 or value in use. This will result in a change to the company's current accounting policy which determines recoverable amount of an asset on the basis of undiscounted cash flows to discounting cash flows. 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.

The application of this policy has no impact on equity as at 30 June 2004 and 30 June 2005.

# EAGLE BAY RESOURCES N.L. ANNUAL REPORT 2005

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## STOCK EXCHANGE INFORMATION

The additional information set out below as it relates to shares and options was applicable at 31<sup>st</sup> August 2005.

### SHARES

#### DISTRIBUTION OF SHAREHOLDINGS

Size of holding			Number of Holders	Number of Shares
1	-	1000	1,026	226,137
1,001	-	5000	519	1,556,064
5,001	-	10000	537	4,399,467
10,001	-	100000	1,615	61,598,748
100,001 and over			383	159,979,151
			<u>4,080</u>	<u>227,759,567</u>

Number of shareholders with less than a marketable parcel of \$500 at 12c per share 1,406

## TWENTY LARGEST SHAREHOLDERS

1 TPIC Ltd	14,510,478	6.370%
2 EERC Australasia Pty Ltd (EERC S/F)	9,089,651	3.990%
3 Ambergate Nominees	3,500,000	1.536%
4 Avon Management Co Pty Ltd	3,209,754	1.409%
5 Mr Steven Jan Zielinski & Mrs Karen Lyn Zielinski	2,750,000	1.185%
6 EERC Australasia Pty Ltd (Rechner Family A/C)	2,504,021	1.009%
7 Mr Adrian Ernest Cocks	2,500,000	1.097%
8 Mr John Norman Kerr	2,290,000	1.005%
9 Peto Pty Ltd (The 1953 Super Fund (A/C))	2,266,667	0.995%
10 Chemco Pty Ltd	2,142,857	0.940%
11 Alister John Forsyth	2,066,667	0.907%
12 Suwana Corporation Pty Ltd	2,050,000	0.900%
13 TPIC Ltd Wyllie Group	2,000,000	0.878%
14 Oxley Graeme Maley	1,695,510	0.744%
15 Reef Securities Ltd	1,640,000	0.720%
16 Toltec Holdings Pty Ltd	1,580,952	0.694%
17 Mr John Anthony Hellier & Mrs Dorothy May Hellier	1,422,000	0.624%
18 Mrs Birgit Smythe	1,333,334	0.585%
19 Candy Pty Ltd (Craib Super Fund Account)	1,293,334	0.567%
20 ANZ Nominees Limited (Cash Income A/C)	1,269,593	0.557%
Top 20 largest shareholders	61,114,818	
Total Shares Issued	227,759,567	

## SUBSTANTIAL SHAREHOLDERS

Name	No of shares
TPIC Ltd	14,510,478

## VOTING RIGHTS

All ordinary shares issued by the Company carry one vote per share without restriction.

**STOCK EXCHANGE INFORMATION (continued)**

**OPTIONS**

**OPTIONS Exercisable at 12 cents by 31st March 2006**

DISTRIBUTION OF OPTIONHOLDINGS

Size of holding		Number of Holders	Number of Options
1	-	1000	115
1,001	-	5000	308
5,001	-	10000	123
10,001	-	100000	228
100,001 and over		46	23,759,701
		<b>820</b>	<b>33,469,079</b>

**TWENTY LARGEST OPTIONHOLDERS**

**For options exercisable at 12 cents by 31<sup>st</sup> March 2006**

1 Mr Nicolas Terranova	3,904,875	11.667%
2 EERC Pty Ltd (Rechner Family A/C)	2,000,000	5.975%
3 TPIC Ltd	1,868,810	5.583%
4 EERC Australasia Pty Ltd (Rechner Family A/C)	1,252,010	3.740%
5 Mr Adrian Ernest Cocks (Illawong Investments A/C)	1,250,000	3.734%
6 Mr Nicolas Terranova	1,201,260	3.589%
7 Mr Alban Horst Hasslinger	1,200,000	3.585%
8 Julie Patrice Diermajer	1,116,667	3.336%
9 Success Oil Company	1,000,000	2.987%
10 Peto Pty Ltd	841,669	2.514%
11 Mr Jurgen R Lytko & Mrs Jiraphan Lytko	773,705	2.311%
12 UURO Pty Ltd	500,000	1.493%
13 Mr John Hurman Terranova	455,850	1.362%
14 Mr William Gordon Martin & Mrs Beverley Michelle Martin	357,143	1.067%
15 Accbell Nominees Pty Ltd	350,334	1.046%
16 Avon Management Co Pty Ltd	313,720	0.937%
17 Tourle Nominees Pty Ltd	300,000	0.896%
18 Mr Christopher Murray Humphreys	300,000	0.896%
19 Mr James Benton Craib	300,000	0.896%
20 Saje Resources Pty Ltd	262,940	0.785%
Top 20 largest optionholders	19,548,983	
Total Options Issued	33,469,079	

**STOCK EXCHANGE INFORMATION (continued)**

**OPTIONS Exercisable at 15 cents by 30 June 2009**

DISTRIBUTION OF OPTIONHOLDINGS

Size of holding		Number of Holders	Number of Options
1	-	1000	116
1,001	-	5000	305
5,001	-	10000	128
10,001	-	100000	241
100,001 and over			54
			<u>844</u>
			<u>28,469,913</u>

**TWENTY LARGEST OPTIONHOLDERS**

**For options exercisable at 15 cents by 30<sup>th</sup> June 2009**

1 TPIC Ltd	1,868,810	6.564%
2 EERC Pty Ltd (Rechner Family A/C)	1,252,010	4.397%
3 Mr Adrian Ernest Cocks (Illawong Investments A/C)	1,250,000	4.390%
4 Rosewarne Superannuation Pty Ltd	1,000,000	3.512%
5 Mr Steven Jan Zielinski & Mrs Karen Lyn Zielinski	900,000	3.161%
6 Reef Securities Limited	805,000	2.827%
7 Mr Peter Reynold Ironside (Ironside Super Fund A/C)	691,341	2.428%
8 Mr Stephen Webster	670,777	2.356%
9 UURO Pty Ltd	500,000	1.756%
10 Suwarna Corporation Pty Ltd	450,000	1.580%
11 Ambergate Nominees Pty Ltd (Ambergate Nom S/F No 2 A/C)	442,000	1.552%
12 Berenes Nominees Pty Ltd	390,557	1.371%
13 Mr William Gordon Martin & Beverley Michelle Martin	357,143	1.254%
14 Mr Donald Lawrence Valentino & Mrs Judith Ann Valentino	350,000	1.229%
15 FNL Investments Pty Ltd	350,000	1.229%
16 Vagg Investment Management Services Pty Ltd	328,865	1.155%
17 Zero Nominees Pty Ltd	315,249	1.107%
18 Avon Management Co Pty Ltd	313,720	1.101%
19 Mr Jeffrey James Morfesse	300,000	1.053%
20 Petp Pty Lts (The 1953 Super Fund A/C)	283,334	0.995%
Top 20 largest optionholders	12,818,806	
Total Options Issued	28,469,913	

**TENEMENT SCHEDULE**

<b>PROJECT</b>	<b>TENEMENTS</b>	<b>EBR %</b>	<b>JOINT VENTURER</b>
<b>GOLD SA</b>	EL 2800	75%	Minotaur
	EL 3098	100%	Minotaur
	Cultana	75%	Minotaur
<b>PETROLEUM – VIC Gippsland Basin</b>	VIC P41	25%	Bass Strait Oil & Gas 75%
	VIC P47		Bass Strait Oil & Gas
	Gilbert	10%	} Lakes Oil NL
	Moby	25%	
			Gravity Capital Ltd
<b>GRAPHITE (SA)</b>			
	<b>Uley</b>	ML5561	100%
		ML5562	100%
		RL66 and RL67	100%
	Subject to Native Title Claim SC6011/98 of 4 July 2000		
<b>PETROLEUM</b>			
<b>Cooper Basin</b>	The company has been offered and accepted CO 2003A exploration area in the onshore Cooper Basin of South Australia which became PEL 182		