

First Floor, 14 Outram St West Perth
PO Box 913 West Perth Western Australia 6872

Telephone: (08) 9481 3322
Facsimile: (08) 9481 3330

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To: Companies Announcements Office, ASX
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Subject: Second Quarter Activity Report to 31 December 2004
Number of pages: 15

SECOND QUARTER ACTIVITY REPORT TO 31 DECEMBER 2004

THE COMPANY'S ACTIVITIES

1. OIL AND GAS EXPLORATION

1.1 VIC/P47 GIPPSLAND BASIN OFFSHORE VICTORIA

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

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

1.2 VIC/P41 GIPPSLAND BASIN OFFSHORE VICTORIA (EBR 100% and diluting)

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

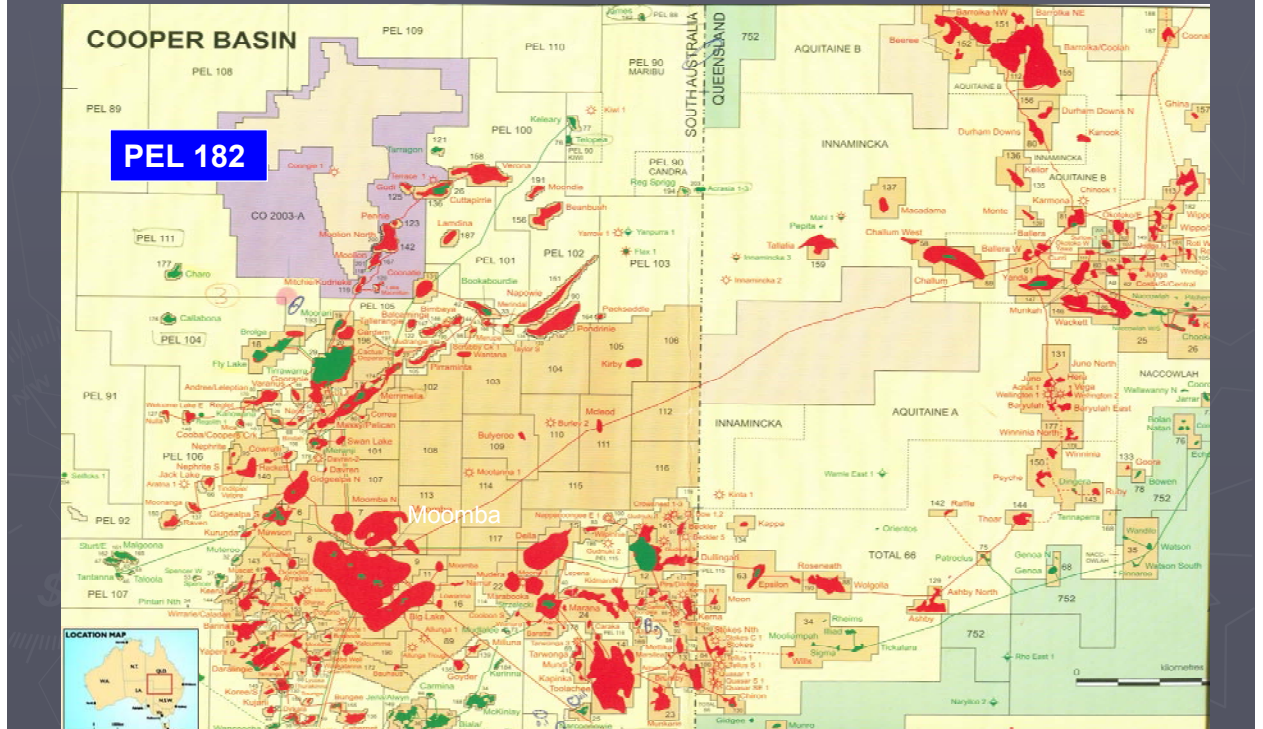
1.3 PEL-182
ONSHORE PETROLEUM EXPLORATION – COOPER BASIN, S.A.
(EBR 50.1% and Operator)

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

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

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

EBR new permit PEL 182 COOPER BASIN, S.A.



Geological and Geophysical Review (G&G)

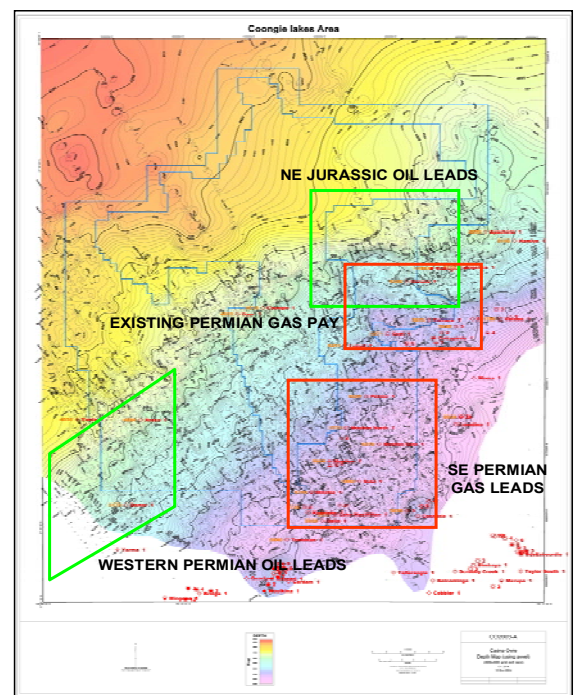
During late 2004, EBR and Audax contracted the Eric Tucker consulting group in Adelaide and Sydney, using very experienced Cooper Basin geologists and geophysicists, to conduct an overall new interpretation of all existing geological and seismic data in the permit.

A preliminary review of this “work in progress” has confirmed the prospectivity of this area, with numerous (11) lucrative small to medium targets identified, and has highlighted at least 3 major areas for the proposed drilling of up to 5 new exploration wells in 2005.

- 1 Jurassic Oil plays in the NE of the permit
5 prospects - G, H, I, J, & K
P50 reserves of 24.25 MMBO cumulative.
- 2 Permian and Triassic stratigraphic oil plays in the western half of permit
2 Prospects - D & E
P50 reserves of 8.0 MMBO cumulative.
- 3 Permian Gas plays in the SE of the permit – low risk.
4 prospects - A, B, C, & F
P50 reserves of 35 BCF Gas cumulative.

PEL-182 Leads & Prospects

- **Medium sized oil prone Jurassic structural leads in the N.E. portion of the block**
5 prospects - G, H, I, J, & K
P50 reserves of 24.25 MMBO cumulative
- **Medium sized oil prone Permian stratigraphic leads in western portion of the block**
2 Prospects - D & E
P50 reserves of 8.0 MMBO cumulative.
- **Small to medium sized gas prone Permian structural leads in S.E. portion of the block**
3 prospects - A, B, & C
P50 reserves of 35 BCF Gas cumulative
- **Appraisal of existing potential Permian gas pay**
Lead F – Terrace prospect



The Triassic and Jurassic oil plays to the North East are top priority –as these have stacked target reservoirs at shallower drill depths and are cheaper to drill, and when combined with the current high oil price of US\$45 per barrel, will yield the maximum dollar return on expenditure to the Joint Venture partners. Further, any oil discovery can be quickly produced and marketed by trucking the oil to nearby existing oil pipeline terminals to generate an immediate cash flow.

While the low risk Permian gas plays in the highly prospective SE portion of the permit - in the corridor between the Gas and Oil pipelines - are also excellent targets, marketing of gas through the Santos gas facilities at Moomba is less attractive, due to the low prices paid for gas in Australia.

For oil at US\$45/Bbl, the equivalent gas price SHOULD be approx US\$7/MCF. However, current gas contracts being negotiated with Santos reportedly may achieve only AUD\$2.00 net to the JV.

Consequently, oil plays may take priority over gas plays.

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) to import 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.
- Bounty Oil & Gas NL to have option to earn 5% equity from AuDAX by meeting 10% of costs.

The Directors of AuDAX Resources have announced that the Company, together with joint venture partner Eagle Bay Resources NL, has reached agreement with White Sands Petroleum Pty Ltd to drill the first 5 wells on Petroleum Exploration Permit 182 (PEL182) in the Cooper Basin.

As previously reported AuDAX has agreed to earn 49.9% in PEL182 from Eagle Bay by drilling the first 3 holes capped at \$4.5m.

A potential shortage of rigs capable of drilling the required wells within the required time has resulted in the parties reaching a unique arrangement to ensure all drilling commitments can be met.

AuDAX has advanced US\$1m to White Sands to enable the purchase and mobilisation of a state-of-the-art EDM drill rig capable of drilling the required wells to a depth of 2,700 – 3,200m.

Drilling of 5 back to back wells is expected to commence in the second quarter of this year.

In return for the advance, White Sands will ensure the first priority on 5 drill slots immediately following a shake down period and confirmation of the rigs' capabilities and suitability for the drilling of the proposed wells on the permit.

In addition AuDAX will receive US\$250,000 credit on each of the wells equating to a return of US\$1,250,000.

White Sands will also earn a 10% equity in the permit from AuDAX by contributing 20% of the cost of each of the 5 wells.

As drilling contractor, they will mobilise, setup, drill, log and where appropriate, run 5½ steel casing, perforate, production test, and then suspend each of the 5 wells on a Fixed Turnkey Cost (FTC) basis.

AuDAX has also agreed to grant Bounty Oil and Gas a 60 day option from the date of signing the agreement, to elect to pay 10% of the 5 well Turnkey AFE costs to earn 5% equity from AuDAX in each of the wells, and upon completion shall be deemed to have earned a 5% participating interest in the whole of the permit.

On an estimated A\$1.5m per well the White Sands arrangement will reduce AuDAX's commitment by A\$1.1m over the 3 holes required to earn its interest and by total of A\$1.83m over the 5 well first year programme.

Should Bounty exercise its option it will reduce AuDAX's commitment by a further \$450,000 over the first 3 holes and \$750,000 over the 5 well programme.

At the completion of the 5 well programme, AuDAX will hold a 34.9% participating interest in the whole permit for a total contribution of A\$3,417,000.

The Directors of AuDAX are pleased with the leverage gained by the above arrangements which reduces its commitment considerably whilst maintaining a significant interest in the permit. The above arrangements are conditional on the consent of the relevant government authority.

2. COPPER/GOLD EXPLORATION

CULTANA JOINT VENTURE

Whyalla South Australia

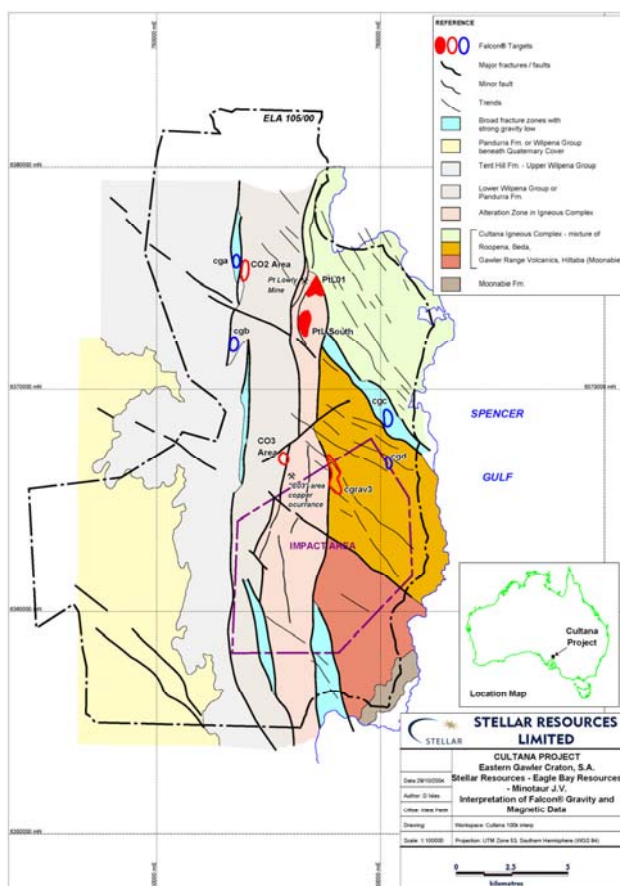
The following extracts from the Stellar Resources Ltd prospectus which can be viewed in full at www.stellarresources.com.au.

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

The survey area of 373km² is situated near Myall Creek in South Australia and covers the majority of ELA105/00 held by Minotaur Resources Ltd, where Eagle Bay may earn

a 75% interest by expenditure of \$350,000. Stellar (Gravity) may confirm its 55% interest in ELA105/00 in two tranches. Firstly, by expenditure of \$188,000 being an equivalent amount to the **Falcon**[®] survey cost for a 37.5% interest and then an additional \$300,000 to confirm its 55% interest. Stellar (Gravity) will be entitled to assign its interest to BHP Billiton under the terms of the **Falcon**[®] Access Agreement (Appendix).

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



ELA 105/00 Cultana Interpretation of Falcon[®] Survey Results

Geological Setting

The Myall Creek (Cultana) area is approximately half way between Olympic Dam and Moonta/Wallaroo in the Olympic Dam Copper Gold Province. This Proterozoic mineral belt is about 400km long extending from Minotaur's Prominent Hill deposit in the north, through Olympic Dam, Mount Gunson and Cattlegrid Mines to the old Wallaroo and Moonta mines in the south. The area of interest comprises predominantly Hiltaba igneous suite rocks with younger, relatively undeformed quartzites (Upper Wilpena Tent Hill Formation) covering these prospective rocks in the western sector.

The oldest rocks in the area and occupying the eastern part of the ELA are the Hiltaba igneous suite (“Cultana Igneous Complex”) and volcanoclastics of the Moonabie Formation. This suite changes in character northwards through Roopena Beds and to post Gawler Volcanics, Beda Volcanics. NW trending Proterozoic “Gairdner Dykes” are common within the Roopena Beds and the Beda Volcanics.

To the west, the igneous suite is in apparent fault contact with older Lower Wilpena Group or Pandurra Formation, although the cover of younger Tent Hill Formation rocks makes interpretation difficult. The contact zone trends NS and over an area of up to 2km wide has a well developed magnetic low associated with it. This may be a zone of magnetite destruction associated with alteration at the contact between the intrusive complex and the older rocks to the west. The alteration zone may also be related to a major regional fracture zone forming part of the regional Torrens Hinge Zone.

Eagle Bay has undertaken 3D modelling of the Myall Creek area based on its own detailed surface gravity readings. The modelling defined a body that could be a gold/copper mineralised basement ridge. Support for the modelling comes from the presence of mineralised pebbles of basement rocks, both Gawler Range Volcanics and Hiltaba Suite granite, intersected by drilling. Drilling in the region has outlined mineralised pebbles underlying the Tapley Hill Formation, over an area of about 2km x 10km.

Previous Exploration

Because of Department of Defence access restrictions to the area, very little historical mineral exploration activity has been recorded within current ELA105/00. In the early 1970s, Serem (Aust.) Pty. Ltd (Serem) carried out limited stream sediment geochemistry and trial magnetic and induced polarisation surveys over the Point Lowly and Monument Hill copper occurrences. Serem completed three diamond core exploration holes for a total of 443.78m, without recording any significant copper results.

Craton Resources NL (Craton) held EL2478 over the same area, from January 1998 to January 2001. Craton completed a thorough review of existing remote sensing data (aeromagnetics, satellite imagery, aerial photography) and historical exploration data. Craton also obtained copies of unreported data from Normandy Exploration, included regional stream sediment and soil geochemical sampling carried out during 1993. Craton subsequently undertook its own detailed soil geochemical sampling over a number of defined target areas. A total of 629 samples were taken on 200 and 400 metre traverses using multi-element analyses utilising a partial extraction digest technique. Craton’s geochemical program outlined a number of prospective targets. The general difficulty in obtaining approvals for drill testing, and a change in corporate priorities contributed to Craton’s decision to relinquish the area, without any further work.

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. In the north the convergence of magnetic high and gravity high is close but in the south, although sub-parallel, the gravity and magnetic contacts are separated by almost 1km.

The deposit type sought in the area is ironstone associated Cu-Au (IOGC Deposit). Targets of this type would definitely have a gravity response, and likely an associated though not essential magnetic response, and may be associated with regional fracture zones.

Stellar's main target (PtL01) has a moderate local gravity anomaly associated with a magnetic feature. This target lies close (300m) to the historic Pt Lowly copper workings. Target PtL01 also lies within the marginal "alteration – magnetite destruction zone" fringing the Cultana Igneous Complex. Elevated geochemical values for cu, As and Au are reported.

A second and similar target (PtL South) is situated some 2km to the south of PtL01 but does not have a geochemical response.

Farmin Agreement – Cultana

Under an Agreement dated 11 May 2004 between Gravity Capital Limited ("Gravity") and Eagle Bay Resources N.L. ("EBR") it was agreed that EBR would fund a Falcon® survey to be flown over Exploration Licence Application 105/00 held by Minotaur Resources Ltd ("MRL") ("the Tenement") and that Gravity could thereafter earn an interest in the Tenement by sole funding certain expenditure.

EBR agreed to fund a program for deploying Falcon® over the Tenement through to initial interpretation and target definition ("Falcon® Survey"). EBR agreed to pay the costs of implementing the Falcon® Survey.

Following the completion of the Falcon® Survey, Gravity could elect to earn a 37.5% interest in the Tenement by sole funding expenditure on the Tenement up to an amount equal to the amount funded by EBR on the Falcon® Survey. Having acquired a 37.5% interest, Gravity could then elect to earn an additional 17.5% interest in the Tenement, up to a total 55% interest, by sole funding a further \$300,000 of expenditure on the Tenement.

It was agreed that, upon completion of the aforesaid sole funding arrangements, Gravity and EBR would contribute to further expenditure in proportion to their respective interests.

It was further agreed that the parties would, as soon as practicable, negotiate and execute a formal Joint Venture Agreement with MRL in respect of the Tenement.

EBR agreed that Gravity would be entitled to assign without restriction the whole or any part of its interest under the Agreement to BHP Billiton Ltd or any of its affiliates as if BHP Billiton Limited or its affiliates were named as parties to the Agreement in place of Gravity.

The Agreement contains other usual provisions including warranties by EBR that it has the right to acquire a 75% interest in the Tenement under an agreement with MRL and that, during the term of this Agreement, it will maintain its rights under the MRL/EBR agreement in good standing and full force and effect.

Deed of Assignment and Assumption – Cultana Project

Under a Deed of Assignment and Assumption - Cultana Project dated 8 October 2004 between EBR, Gravity, the Company and Hiltaba Gold Pty Ltd ("Hiltaba") the aforesaid Farmin Agreement – Cultana was, with effect from 12 October 2004, amended and assigned by Gravity to Hiltaba. With effect from that same date, Hiltaba agreed to assume all of the obligations of Gravity under the Farmin Agreement – Cultana and EBR released Gravity from its obligations under the Agreement (other than any accrued and unperformed obligations). The Farmin Agreement – Cultana was amended by providing that, following completion of the Falcon® Survey, Hiltaba may elect to earn a 37.5% interest in the Tenement and the

CATAA (as defined) by sole funding expenditure of \$188,000 on the Tenement by way of target testing activities, with at least \$100,000 to be spent by 30 July 2005 (or such later date as may be agreed) and the balance to be spent not later than 25 December 2005 (or such later date as may be agreed). It was also agreed that, if Hiltaba were to elect to earn an additional 17.5% interest, it would have to incur the additional \$300,000 of sole expenditure not later than 25 December 2006 (or such later date as may be agreed).

The “CATAA” was defined to be all the rights of EBR under any present or future agreement, licence, permit or authority with the Commonwealth of Australia relating to access to, exploration of or the recovery of minerals from all or any part of the Cultana Army Training Area including, without limitation, the rights of EBR under the access authorisation granted under section 119 of the Lands Acquisition Act 1989 (Cth) on 25 February 2004.

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

The Current Position

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

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 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.

Oil industry practise for ASX listed companies is to qualify P50 reserve statements as follows:

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 entries. Eagle Bay Resources NL shall not be liable and the reader shall indemnify the company 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.

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

A handwritten signature in grey ink, appearing to read 'A Rechner', with a horizontal line underneath it.

Anthony Rechner
Director

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97.

Name of entity

Eagle Bay Resources NL

ACN or ARBN

051 212 429

Quarter ended ("current quarter")

31 December 2004

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors		
1.2 Payments for (a) exploration and evaluation	(180)	(239)
(b) development	--	--
(c) production	-	-
(d) administration	(105)	(213)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	29	60
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other		
JV Contribution	250	250
Net GST Refund/(Paid)	(22)	(27)
Net Operating Cash Flows	(28)	(169)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	(520)
(c) other fixed assets	(71)	(71)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	365	656
(c) other fixed assets	--	--
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	294	65
1.13 Total operating and investing cash flows (carried forward)	266	(104)

1.13	Total operating and investing cash flows (brought forward)	266	(104)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	–	--
1.15	Proceeds from sale of forfeited shares	–	–
1.16	Proceeds from borrowings	–	–
1.17	Repayment of borrowings	–	–
1.18	Dividends paid	–	–
1.19	Capital raising costs	–	--
	Net financing cash flows	–	--
	Net increase (decrease) in cash held	266	(104)
1.20	Cash at beginning of quarter/year to date	2,157	2,527
1.21	Exchange rate adjustments to item 1.20	–	–
1.22	Cash at end of quarter	2,423	2,423

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	63
1.24	Aggregate amount of loans to the parties included in item 1.10	–

1.25 Explanation necessary for an understanding of the transactions

All payments to directors and associates are on normal commercial terms.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

None

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

None

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	–	–
3.2 Credit standby arrangements	–	–

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	70
4.2 Development	1,200
Total	1,270

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	321	102
5.2 Deposits at call	2,102	2,072
5.3 Bank overdraft	–	–
5.4 Other (provide details)	–	–
Total: cash at end of quarter (item 1.22)	2,423	2,174

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1		Interests in mining tenements relinquished, reduced or lapsed		
6.2		Interests in mining tenements acquired or increased		

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Number issued	Number quoted	Par value (cents)	Paid-up value (cents)
7.1 Preference +securities <i>(description)</i>				
7.2 Issued during quarter				
7.3 +Ordinary securities	158,098,424	158,098,424		Fully paid
7.4 Issued during quarter				
7.5 +Convertible debt securities <i>(description and conversion factor)</i>				
7.6 Issued during quarter				
7.7 Options <i>(description and conversion factor)</i>	100,000	–	<i>Exercise price</i> 39c	<i>Expiry date</i> 24/11/2005
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Law or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here:
(Company Secretary)

Date: 19 January 2005

Print name: Graham Anderson

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities.** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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