EAGLE BAY RESOURCES N.L.

A.C.N. 051 212 429

ANNUAL REPORT 2007

CORPORATE DIRECTORY

DIRECTORS	James B Craib John T Roy Linda Bell
SECRETARY	Linda Bell
REGISTERED OFFICE	Suite 3, First Floor, 610 Murray Street, West Perth Western Australia 6005 Telephone: (08) 9481 3322 Facsimile: (08) 9481 3330 Email: ebr@eaglebayresources.com.au Web: www.eaglebayresources.com.au Postal Address: PO Box 913, West Perth Western Australia 6872
ACN	051 212 429
AUDITORS	Stantons International 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 Securities Exchange Ltd, ASX Code EBR
SHARE REGISTRY	Advanced Share Registry 110 Stirling Highway Nedlands WA 6009 Telephone (08) 9389 8033
SOLICITORS	Salter Power Level 2, 6 Kings Park Road, West Perth Western Australia

CONTENTS

Letter	2
The Company's Activities	3
Directors' Report	6
Corporate Governance Statement	11
Independent Audit Report to the Members	19
Auditor's Independence Declaration	21
Directors' Declaration	22
Income Statement	23
Balance Sheet	24
Cash Flow Statement	25
Statement of Changes in Equity	27
Notes to and Forming Part of the Financial Statements	29
Additional Stock Exchange Information	52
Tenement Schedule	54

Dear Shareholders,

Mr Anthony Rechner has resigned as the Chairman and Managing Director of the Company, following his conviction of making misleading statements in 2003 in relation to the Myall Creek joint venture project in South Australia. Mr Rechner's consultancy agreement has been terminated and he is no longer part of the Company's management team. Eagle Bay is taking steps to secure a Managing Director who will develop and add to the existing assets as well as build relationships with the investment community.

The company's activities in oil and gas, graphite, nickel and gold-copper-uranium are adequately summarised later in the report.

The company has in excess of A$5 million in cash, is free carried in a lot of our drilling and has assembled a formidable portfolio of exploration projects which are not currently available to new entrants to the Australian Exploration scene. The company continues to receive interesting offers to acquire interest in our exploration projects, but we operate on the proven principal of "having a lot of irons in the fire," while we evaluate which one will be our next major discovery.

I have recently returned from a field inspection of the farminee's drilling at the Uley Graphite Mine (EBR100% and diluting to 25% free carried to 83,300 tonnes per annum production plus a take or pay contract on the final product.) After this inspection I reviewed the New South Wales based Laboratories/Technical Testing Facilities of the Farminee and can report that it is their intention to produce high purity large flake graphite by acid washing the run of mine ore. This graphite has a considerable value per tonne.

The Farminee to the graphite project is well funded, technically competent and appears to have a market for the final product, so I hold great expectations for this project along with our more conventional exploration projects.

Yours sincerely

Jim B Craib
Director

28 September 2007

THE COMPANY'S ACTIVITIES

1. OIL AND GAS EXPLORATION

1.1 PEL-182 - (EBR 37.6% AND OPERATOR)
ONSHORE PETROLEUM EXPLORATION – COOPER BASIN, S.A
VANESSA-1 - NEW PERMIAN GAS DISCOVERY

Century Rig-3 was mobilised from Moomba in May 2007 for a 2 well drilling program in the Eastern part of PEL-182 in the Cooper Basin, S.A. at the Sarahlyn-1 and Vanessa-1 prospects, as the 2nd and 3rd wells of the 5 well Y1 program.
(The 1st well Emily-1, drilled in January 2006, encountered light sweet crude oil at the top of a 6 m sand at the feather edge of a Lower Birkhead accumulation.)
Sarahlyn-1 was a follow up oil play, but did not encounter any hydrocarbons.
Vanessa-1, drilled further south and deeper in the basin, flowed gas strongly from 2 of 3 DST's and resulted in a new Permian Gas Discovery.

1.1.1 VANESSA-1 TD 3157m NEW PERMIAN GAS DISCOVERY

The Vanessa-1, spudded on 12th May 2007, and drilled to TD of 3061m. Vanessa-1 encountered the primary Permian gas objectives in the Toolachee, Epsilon and Patchawarra sands, with each sand recording gas shows in the mud while drilling - although sometimes masked by high gas readings from the Permian coal seams.
Electric logs could not be run to TD as a thick Patchawarra coal seam obstructed the logging tools, and so logs were run from 3025m in the Upper Patchawarra up.

Two Epsilon gas sands were open hole straddle drill stem tested (DST'd).
DST-1A over Epsilon sand 1 flowed gas to surface in 3.5 minutes with a strong gas flow to flare pit.
DST-1B over Epsilon sand 2 had a tool malfunction (and no flow?).
DST-1C was then run over the top of the Toolachee gas sand, flowed gas to surface in 11 minutes, and a strong gas flow to flare pit - before tools stuck.
The well was therefore plugged back, a new sidetrack hole drilled, wireline logged and then cased as a future Permian Gas Producer.

1.1.2 DST GAS PRODUCTION (from 2 of 3 zones)

The latest wireline logs in the sidetrack hole have confirmed the presence of the same productive reservoir sands in the Toolachee and Epsilon formations that were earlier Drill Stem Tested in the original hole, which flowed gas to surface at following rates:

DST-1A	Epsilon Sand	2977 -2980m	5.1 MMscfd on ½" choke at 800 psi FP
DST-1B	Epsilon Sand	2960 -2963m	No Flow-Tool Plugged? (should flow?)
DST-1C	Toolachee Sand	2239 -2932m	3.9 MMscfd on ½" choke at 525 psi FP

No DST's were run in the deeper Patchawarra Fm, as blocked by coal obstruction.

These are similar intervals as are producing from the Pennie-1 Gas Field, 4 Km updip from Vanessa-1, discovered by Santos in 1995 and on production ever since. The gas gathering pipeline to Moomba passes through the Pennie-1 location.

1.1.3 POTENTIAL FOR PATCHAWARRA GAS

The latest sidetrack logs have finally provided data across the Patchawarra interval, and indicate several additional prospective gas sands in the Patchawarra Fm.
These sands will be production tested through production casing at a later date and their flow rates determined, when a work over rig is brought on site to develop the well and bring it into production.

1.1.4 ESTIMATED GAS RESOURCE

Preliminary analysis of log and DST data indicates the Vanessa-1 well appears to have achieved a source potential in the order of 15Bcf of gas, based on pre-drill mapping. In conjunction with future cased hole production testing, the operator is currently undertaking detailed geological and geophysical studies, to define the resource potential of the Vanessa gas pool.

Similar follow up prospects also lie nearby to the Vanessa-1 location in PEL-182, and in the event of success could be tied into Vanessa-1 to increase proven reserves and gas deliverability to point of sale, using nearby infrastructure. Discussions are in progress to sell Vanessa gas to Santos – to establish an early cash flow to the JV and its partners.

1.1.5 EMILY-1 RE-ENTRY & 3D SEISMIC SURVEYING

Emily-1 produced 1.3 barrels of light sweet oil from a 1 m oil leg at top of a 6m Lower Birkhead sand. A review of the reprocessed 2D seismic and possibly further seismic to be acquired, could see the re-entry, deviation up-dip and testing of the Emily oil play in a more favourable crestal location with a thicker oil column.

The acquisition of new 3D seismic in the north west of the permit - over currently mapped shallower oil prone targets at Basal Birkhead Level in the Jurassic oil fairway passing across PEL-182, is also proposed.

Vanessa-1 Gas Discovery – Flaring at 4.9 MMCFD at 750 PSI on ½" choke

1.2 VIC/P47 – EBR 25%
GIPPSLAND BASIN OFFSHORE VICTORIA

Vic/P47 contains the 1989 Shell Judith-1 Emperor Subgroup gas discovery. Judith-1 was evaluated with a full suite of wireline logs, a velocity survey, and 35 formation pressure tests in Emperor gas sands between 2300m and total depth of 2958m. Judith-1 petrophysical analysis indicates a number of potential gas columns. Judith has also been remapped using modern 3-D seismic data. The commercial potential of Judith has been evaluated in a scoping study. The project was presented for farmout at the APPEA conference in Adelaide. Farminee interest continues to be evaluated.

1.3 VIC/P41 - EBR 25% (Diluting to 17.5% Free Carried for the drilling of the first well)
GIPPSLAND BASIN OFFSHORE VICTORIA

The 500km^2 3D seismic using the Western Trident has been completed by Bass Strait Oil Company Ltd pursuant to their earning requirements in the permit. Final interpretation is complete and a direct hydrocarbon indicator (DHI) – amplitude versus offset study has been reviewed by the Joint Venture partners. A high quality sand observed in the Judith 1 well in VIC/P47 has been mapped over VIC/P41 which enhanced the farmout presentation by the operator at the APPEA conference.

Farminee interest continues to be evaluated.

1.4 VIC/P65 OFFSHORE GIPPSLAND BASIN (PREVIOUSLY VO6-4)
(EBR 100%)

This permit has been offered and accepted. A large deep water (+1000 metres) structure has been mapped. Some 5 wells will be drilled to the immediate North or East of the permit by others in the current round of Offshore Gippsland Drilling, the results of which may affect VIC/P65. A 2D seismic survey vessel has been contracted and the start date of the survey is awaited.

2. NICKEL EXPLORATION

2.1 CARR BOYD JOINT VENTURE - EL 39/491 & EL 39/492
(EBR 70% AND DILUTING)

A Geochemistry review has been received which defined 5 targets. Field investigation was completed to finalise the ongoing exploration. A major geochemical survey has been completed and multi element assays are currently being completed in the USA.

2.2 VICTORIAN JOINT VENTURE EL 5039 AND EL 5040
(EBR 50% AND CONTRIBUTING)

Eagle Bay has been granted the above application areas in Victoria and awaits relevant state authority granting of the permits. The areas were applied for on the basis of a review of prior base metals exploration by CRA and others on known Greenstone belts exhibiting anomalous Nickel geochemistry some under surficial cover. Further government requirements are in the process of being complied with.

2.3 FALCON BRIDGE JOINT VENTURE
(EBR AND ROCKY MOUNTAIN MINERALS INC 50% EACH)
WESTERN AUSTRALIA EL38/1970, P38-3381-4 – APPLICATIONS

Nickel anomalism in ultramafics will be drill tested with the Carr Boyd project when preliminary assessment and grant are completed.

3. ULEY GRAPHITE MINE - PORT LINCOLN, SA
(EBR 100% and diluting to 25% free carried to commercial production)

The 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. The farminee has paid EBR $200,000 and committed to $400,000 expenditure to earn an option which on exercise will bring the plant into commercial production at the farminee's sole cost (estimated $10million) with a take or pay contract on graphite produced. The first round of definition drilling has been completed by the farminee and their report is awaited.

4. URANIUM / COPPER / GOLD EXPLORATION

4.1 CULTANA JOINT VENTURE EL 3547 (formerly ELA 105/2000)
WHYALLA SOUTH AUSTRALIA – THE ARMY TRAINING AREA
(EBR 75%, Minotaur 25%)

No progress has been made in obtaining access from the Department of Defence.

4.2 MYALL CREEK JOINT VENTURE EL 3538 (formerly EL 2800)
WHYALLA SOUTH AUSTRALIA
(EBR 50%, Minotaur 50%)

A drilling program of 4 reverse circulation and 2 diamond drillholes (497 metres) tested strong geophysical targets (IP) in the Myall Creek area. The rock types intersected indicate the geophysical anomalies are caused by iron rather than copper-bearing sulphides. The drilling was supported through a PACE drilling initiative grant.

4.3 MUNGLINUP URANIUM EXPLORATION WESTERN AUSTRALIA E74/403 AND E74/404 – (EBR 100%)

Based on government airborne spectrometer results two exploration licences have been taken out over areas of uranium anomalism. These were field tested with the company's new uranium spectrometer and the consultants report is awaited.

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.

DIRECTORS' REPORT

The directors present the following report for the financial year ended 30 June 2007.

DIRECTORS

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

James Benton Craib (Non-executive Director) a founder director since April 1991
Mr Craib 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.

John Thomas Roy *P.Eng* (Non-Executive Director) appointed 20 December 2005
Mr Roy is a Professional Engineer with 30 years of technical, operation and management experience in the drilling sector of the oil and gas industry. He has managed complex operations in Canada, Australia, North Africa, Asia and Europe. Industry training and experience was firstly gained as an employee of Gulf Oil and Petro-Canada. For the past 20 years Mr Roy has worked as an independent consultant to the industry as owner and sole director of Seawell Engineering Ltd providing skills necessary to plan and execute exploration and development projects for over 20 client operating companies.

Linda Bell *BA (Hons), ACA, ACIS* (Director) appointed 17 September 2007
Ms Linda Bell is a Chartered Secretary and Chartered Accountant who has ten years experience in public listed companies. Previously Ms Bell worked for the Australian Securities and Investments Commission and in the accounting profession.

Anthony Rechner *BSc, MAusIMM* (Chairman) a founder director since April 1991
Mr Rechner resigned on 14 September 2007.

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**
J T Roy	-	2,250,000	1,250,000	-
J B Craib	49,600	1,293,334	1,006,200	161,667
L R Bell	-	19,500	250,000	-

COMPANY SECRETARY
Ms Linda Bell is the Company Secretary.

PRINCIPAL ACTIVITIES

The consolidated entity is actively engaged in exploration for oil and gas and minerals 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 Company's Activities Report on pages 3 to 5.

The consolidated entity incurred an after tax operating loss of $1,520,680 (2006: loss $2,601,202).

DIVIDENDS

No dividend is recommended for the current year.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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 2007 that have significantly affected or may significantly affect:

(a) the operations, in financial years subsequent to 30 June 2007, 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

the state of affairs of the consolidated entity in subsequent financial years, apart from the following:

(i) the gas discovery at Vanessa-1 in the Cooper Basin drilled by the PEL-182 joint venture; and

(ii) the resignation of Mr Rechner as a director of the company on 14 September 2007 following his conviction for making misleading statements in 2003 regarding the Myall Creek project in South Australia (refer to note 16).

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Likely developments in the operations of the consolidated entity have been set out in the accompanying Company's Activities Report on pages 3 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 2007.

There were 14 directors meetings during the year and one circulating resolution pursuant to the company's constitution. The number of meetings attended by each director was as follows:

	Attended	Eligible to Attend
A Rechner	14	14
J B Craib	14	14
J T Roy	14	14

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.

SHARE OPTIONS

Unissued shares
As at the date of this report unissued ordinary shares of Eagle Bay Resources N.L. under options are as follows:

Date of Expiry	Exercise Price	Number
30 June 2009	15 cents	88,932,843
30 June 2010	15 cents	3,250,000

During the year ended 30 June 2007, 57,644,500 shares and 57,644,500 options were issued pursuant to a non-renounceable pro rata issue.

Shares issued on exercise of options
During and since the end of the financial year there were no ordinary shares issued as a result of the exercise of options. No options lapsed or were forfeited during and since the end of the financial year.

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

REMUNERATION REPORT

This report outlines the remuneration arrangements in place for all directors and executives of the Company.

Remuneration Policy

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. In addition, options were granted during the year to link executive rewards to shareholder value.

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.

Non Executive Director Remuneration

The maximum aggregate annual remuneration payable in non-executive fees is currently $150,000 p.a. as approved by shareholders on 31 March 2006. However, current remuneration is less than this maximum amount.

There are currently two non-executive directors and they each receive remuneration of $40,000 p.a. Previously, non-executives received $36,000 p.a. and the current level of $40,000 p.a. took effect from 1 January 2007.

Senior Manager and Executive Director Remuneration

Objective

The company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the company so as to:

- Align the interests of executives with those of shareholders;
- Link reward with the strategic goals and performance of the company; and
- Ensure total remuneration is competitive by market standards.

Generally, compensation is provided by the Company to its executive officers, by way of salary and stock option grants. The overall objective is to ensure that executive compensation is fair and reasonable and sufficient to attract and retain qualified and experienced executives.

Structure

Fixed remuneration consists of base cash remuneration and statutory superannuation entitlements. Longer term discretionary remuneration consists of stock option grants. Remuneration levels are based on an overall assessment of individual performance and Company performance.

The Company believes that encouraging its executives and employees to become shareholders is the best way of aligning their interest to those of its shareholders. In addition, equity participation is a cost effective and efficient incentive as compared to cash bonuses or increased remuneration, particularly given the Company's pre-production status.

The contracts for service between the company and directors and executives are on a continuing basis the terms of which are not expected to change in the immediate future. Upon retirement directors and executives are paid employee benefit entitlements accrued to date of retirement. The company may terminate the contracts without cause by providing one month's written notice. Termination payments (if applicable) are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the company can terminate employment at any time.

Employment Contracts

Anthony Rechner
Term of Agreement – contract was terminated in September 2007.
The terms of the contract were as follows: consultancy payments of $255,000 reviewed annually by the Board, plus annual director's fees, inclusive of statutory superannuation, of $40,000, reviewed annually by the Board.

Ian R Barr
Term of Agreement – contract expires in November each year with option to renew.
The terms of the contract are as follows: consultancy payments of $1,000 per day for at least 200 days per annum.

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

Compensation of Key Management Personnel (Consolidated)

Directors & Named Executives' Remuneration							
	SHORT TERM		**POST EMPLOYMENT**		**EQUITY**	**TOTAL**	
	Salary & Fees	Non-Monetary	Super-annuation	Prescribed Benefits	Options	$	% Remuneration consisting of options for the year
Directors							
Anthony Rechner - Executive Chairman (resigned 14 September 2007)							
2007	282,363	38,251	3,138	-	-	323,752	-
2006	266,161	34,951	2,355	-	27,600	331,067	8.3
Richard Diermajer - Managing Director (resigned 20 December 2005)							
2007	-	-	-	-	-	-	-
2006	35,435	-	826	-	-	36,261	-
John Roy - Non Executive Director (appointed 20 December 2005)							
2007	25,076	3,300	12,924	-	-	41,300	-
2006	17,578	-	1,582	-	27,600	46,760	59.0
Jim Craib - Non Executive Director							
2007	34,862	3,300	3,138	-	-	41,300	-
2006	26,161	-	2,355	-	27,600	56,116	49.2
Executives							
Graham Anderson - Company Secretary (Appointed 12 October 2004, resigned 31 January 2006)							
2007	-	-	-	-	-	-	-
2006	21,000	-	-	-	-	21,000	-
Ian Barr - Manager Oil & Gas							
2007	258,500	3,300	-	-	-	261,800	-
2006	199,000	-	-	-	30,000	229,000	13.1
Linda Bell - Company Secretary (Appointed 31 January 2006)							
2007	119,090	3,300	10,718	-	-	133,108	-
2006	60,868	-	5,478	-	6,900	73,246	9.4
TOTAL							
2007	719,891	51,451	29,918	-	-	801,260	
2006	626,203	34,951	12,596	-	119,700	793,450	

Details of inputs used in determining the fair value of options issued during 2006 are disclosed in note 26.

INDEMNIFICATION

There are indemnities for directors against any liability to any person (other than Eagle Bay Resources NL or a related body corporate) which results from facts or circumstances relating to serving or having served as a director or officer, provided that the Corporations Law is complied with and that the liability does not arise in respect of conduct involving a lack of good faith.

Mr Anthony Rechner, Chairman and Managing Director of the company, has been convicted of misleading statements in 2003 in relation to the Myall Creek joint venture project in South Australia. The Company is required to indemnify Mr Rechner in relation to legal costs incurred in defending the charges except to the extent that such indemnity would otherwise be prohibited under Section 199A of the Corporations Act. The Company believes that it is not required to indemnify Mr Rechner for any of these legal costs but has made a provision for the payment of such costs in the amount of $750,000 should it be found to be mistaken in this respect. The amount of the provision is based upon the lawyers' estimate of costs. Actual costs could be considerably different from the amount provided but cannot be accurately quantified at this point in time.

During or since the financial year, the company has paid premiums for a directors and officers insurance policy. The total amount of insurance contract premium paid was $16,500. This policy provides cover for claims (if any) from February 2007 onwards.

NON-AUDIT SERVICES

During the year Stantons International, 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 15.

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 APES 110 Code of Ethics for Professional Accountants, 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 21.

Signed in accordance with a resolution of the directors dated this 28th day of September 2007.

J. B. CRAIB
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 responsibilities 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 exist 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 one of the Directors, who operates 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:

James Benton Craib (Non-executive Director) – a director since 10th April 1991

Mr Craib (age 69) 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.

John Thomas Roy (Non-Executive Director) – a director since 20th December 2005

Mr Roy (age 58) is a Professional Engineer with 30 years of technical, operation and management experience in the drilling sector of the oil and gas industry. He has managed complex operations in Canada, Australia, North Africa, Asia and Europe. Industry training and experience was firstly gained as an employee of Gulf Oil and Petro-Canada. For the past 20 years Mr Roy has worked as an independent consultant to the industry as owner and sole director of Seawell Engineering Ltd providing skills necessary to plan and execute exploration and development projects for over 20 client operating companies.

Linda Russell Bell BA ACA ACIS (Executive Director) – a director since 17th September 2007

Ms Linda Bell (age 47) is a Chartered Secretary and Chartered Accountant who has ten years experience in public listed companies. Previously Ms Bell worked for the Australian Securities and Investments Commission and in the accounting profession.

Anthony Rechner, BSc, MAusIMM (Executive Chairman) –a director since 10th April 1991

Mr Rechner resigned on 14th September 2007.

Independent Directors

Under ASX guidelines none of the current board is considered to be independent directors. Mr Craib is a former employee of the company and holds securities in the company; Mr John Roy holds securities in the company; and Ms Bell is an employee of the company and holds securities in the company. The ASX guidelines deem them not to be independent by virtue of their positions or former positions or security holding. 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 on request and is available on the company website;
- 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 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. 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

A code of conduct to guide executives, management and employees in carrying out their duties and responsibilities has been established.

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 (now operating as Stantons International). 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 Securities 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.

ASX Principle 1: Lay Solid Foundations *Recognise and publish the respective roles and responsibilities of the board and management*	**Comment/Response by Company**
ASX Recommendations 1.1 Formalise and disclose the functions reserved to the Board and those delegated to management	The Board has comprised of an Executive Chairman and two Non Executive Directors. Management of the company has been carried out by the executive director with little or no delegation to staff. The full board meets on a regular basis for both management and board meetings. The current board meets approximately once a month.
ASX Principle 2: Board Structure *Have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties*	**Comment/Response by Company**
ASX Recommendations 2.1 A majority of Board members should be independent directors	None of the three directors are independent according to the ASX definition of independence due to one director being executive, one of the non executive directors being a former employee and the other holding shares in the company. 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.
2.2 The chairperson should be an independent director	As stated above the previous chairman was an executive director and was 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.
2.3 The roles of chairperson and chief executive officer should not be exercised by the same individual	As stated above the company operated with an Executive Chairman and Managing Director. The Executive Chairman fulfilled the role of Chief Executive Officer.

2.4 The Board should establish a nomination committee	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).
2.5 The information indicated in Guide to reporting on Principle 2 should be provided. (See Guide Notes at end of table)	Not applicable.
ASX Principle 3: Ethical and responsible decision-making *Actively promote ethical and responsible decision-making*	**Comment/Response by Company**
ASX Recommendations 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	We have established a formal code of conduct to guide executives, management and employees in carrying out their duties and responsibilities.
3.2 Disclose the policy concerning trading in company securities by directors, officers and employees	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.
3.3 Provide the information indicated in Guide to Reporting on Principles. (See Guide Notes at end of table)	Not applicable – see above.
ASX Principle 4: Financial reporting integrity *Have a structure in place to independently verify and safeguard the integrity of the company's financial reporting*	**Comment/Response by Company**
ASX Recommendations 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	A Director and the 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.

4.2 The Board should establish an audit committee	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).
4.3 Structure the audit committee so that it consists of: - Only non-executive directors - A majority of independent directors - An independent chairperson who is not the chairperson of the Board - At least three members	Not applicable – see above.
4.4 Create a formal operating charter for the audit committee	Not applicable – see above.
4.5 Understand and provide the information indicated in the Guide to reporting on Principle 4. (See Guide Notes at end of table)	Not applicable – see above.
ASX Principle 5: Timely and balanced disclosure *Promote timely and balanced disclosure of all material matters concerning the company*	**Comment/Response by Company**
ASX Recommendations 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	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.
5.2 Understand and provide the information indicated in the Guide to Reporting on Principle 5. (See Guide Notes at end of table)	See above.
ASX Principle 6: Shareholder rights *Respect the rights of shareholders and facilitate the effective exercise of those rights*	**Comment/Response by Company**
ASX Recommendations 6.1 Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings	See the section on Communication to Market and Shareholders.
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	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.

ASX Principle 7: Risk Management *Establish a sound system of risk oversight and management and internal control*	**Comment/Response by Company**
ASX Recommendations 7.1 The Board or appropriate board committee should establish policies on risk oversight and management	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).
7.2 The chief executive officer (or equivalent) and the chief financial officer (or equivalent) should state to the Board in writing that:	
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	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.
7.2.2 the company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects	As above
7.3 Information indicated in the Guide to Reporting on Principle 7 should be understood and provided. (See Guide Notes at end of table)	Not applicable for reasons stated above
ASX Principle 8: Enhanced Performance *Fairly review and actively encourage enhanced board and management effectiveness*	**Comment/Response by Company**
ASX Recommendations 8.1 Disclose the process for performance evaluation of the Board, its committees and individual directors, and key executives	Due to the size and structure of the Board a formal evaluation process is not conducted. The Company operates with two full time employees. The company uses consultants for geological functions and pays market rates for experienced professionals.
ASX Principle 9: Remunerate fairly *Ensure that the level and composition of remuneration is sufficient and reasonable and its relationship to corporate and individual performance is defined*	**Comment/Response by Company**

ASX Recommendations 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.	The company's remuneration policy is set out in the Remuneration Report in the Directors' Report. 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. There are no schemes of retirement benefits.
9.2 The Board should establish a remuneration committee	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).
9.3 The structure of non-executive directors' remuneration should be clearly distinguished from that of executives	Executive directors have been paid consulting fees to entities which they control and these consulting arrangements are governed by formal contracts. The current executive director is paid as a salaried employee. 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.
9.4 Ensure equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders	All Directors, executives and staff equity-based remuneration has been made only in accordance with shareholder resolution.
9.5 Ensure information indicated in ASX Guide to Reporting on Principle 9 is understood and provided. (See Guide Notes at end of table)	See above
ASX Principle 10: Interest of Stakeholders *Recognise the legal and other obligations of all legitimate stakeholders*	**Comment/Response by Company**
ASX Recommendations 10.1 Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders	The Board has established a code of conduct to guide executives, management and employees in carrying out their duties and responsibilities.

ASX Guide to Reporting on Principles

ASX rules require 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.

Stantons International
ABN 41 103 088 697
LEVEL 1, 1 HAVELOCK STREET
WEST PERTH WA 6005, AUSTRALIA
PH: 61 8 9481 3188 • FAX: 61 8 9321 1204
www.stantons.com.au

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
EAGLE BAY RESOURCES NL

Report on the Financial Report

We have audited the accompanying financial report of Eagle Bay Resources NL, which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 2 (b), the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report of the Group, comprising the financial statements and notes, complies with International Financial Reporting Standards, but that the financial report of the Company does not comply.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's Opinion

In our opinion:

(a) the financial report of Eagle Bay Resources NL is in accordance with 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 2007 and of their performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) the financial report of the Group also complies with International Financial Reporting Standards as disclosed in note 2 (b).

STANTONS INTERNATIONAL
(An Authorised Audit Company)

Stantons International

J P Van Dieren
Director

West Perth, Western Australia
28 September 2007

Stantons International
ABN 41 103 088 697
LEVEL 1, 1 HAVELOCK STREET
WEST PERTH WA 6005, AUSTRALIA
PH: 61 8 9481 3188 • FAX: 61 8 9321 1204
www.stantons.com.au

28 September 2007

Board of Directors
Eagle Bay Resources NL
Suite 3, First Floor
610 Murray 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 Director for the audit of the financial statements of Eagle Bay Resources NL for the year ended 30 June 2007, 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
STANTONS INTERNATIONAL
(Authorised Audit Company)

John Van Dieren
Director

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Eagle Bay Resources N.L, I state that in the opinion of the directors:

(a) The financial statements and notes of the company and of the consolidated entity 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 2007 and of their performance for the year ended on that date; and
- complying with Accounting Standards and Corporations Regulations 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 2007.

On behalf of the Board

J. B. CRAIB
Director

Perth, Western Australia
28th September 2007

INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2007

	Note	CONSOLIDATED		PARENT ENTITY	
		2007	2006	**2007**	2006
Continuing Operations		**$**	$	**$**	$
Revenue	3	**1,250,346**	312,202	**1,250,227**	308,841
Depreciation of plant & equipment	4 (b)	**(36,449)**	(26,252)	**(29,964)**	(18,851)
Exploration expenditure written off	4 (b)	**(1,760,837)**	(1,326,663)	**(1,760,837)**	(1,326,663)
Provision against loan to controlled entity	4 (b)	**-**	-	**(52,010)**	(57,191)
Occupancy expenses	4 (b)	**(94,134)**	(44,140)	**(89,248)**	(37,930)
Legal fees	4 (b)	**(343,107)**	(533,844)	**(343,107)**	(533,844)
Provision for doubtful debts	4 (b)	**178,380**	(178,380)	**178,380**	(178,380)
Administration expenses		**(714,879)**	(804,125)	**(648,888)**	(736,242)
Expenses from ordinary activities		**(2,771,026)**	(2,913,404)	**(2,745,674)**	(2,889,101)
(Loss) before income tax expense		**(1,520,680)**	(2,601,202)	**(1,495,447)**	(2,580,260)
Income tax expense	5	**-**	-	**-**	-
Net (loss) attributable to members of parent entity	13	**(1,520,680)**	(2,601,202)	**(1,495,447)**	(2,580,260)
Basic loss per share (cents)	23	**(0.61)**	(1.14)		

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

The above income statements should be read in conjunction with the accompanying notes

BALANCE SHEET
AS AT 30 JUNE 2007

	Note	CONSOLIDATED		PARENT ENTITY	
		2007	2006	**2007**	2006
		$	$	**$**	$
CURRENT ASSETS					
Cash and cash equivalents		**6,536,852**	4,191,565	**6,515,869**	4,152,861
Trade and other receivables	6	**743,532**	221,285	**742,781**	220,611
TOTAL CURRENT ASSETS		**7,280,384**	4,412,850	**7,258,650**	4,373,472
NON-CURRENT ASSETS					
Property, plant & equipment	7	**153,294**	150,000	**121,665**	111,886
Financial assets	8	**177,930**	25,833	**177,930**	25,833
Other	9	**25,649**	-	**25,649**	-
TOTAL NON-CURRENT ASSETS		**356,873**	175,833	**325,244**	137,719
TOTAL ASSETS		**7,637,257**	4,588,683	**7,583,894**	4,511,191
CURRENT LIABILITIES					
Trade & other payables	10	**1,154,639**	125,978	**1,151,197**	123,640
Provisions	11	**808,000**	558,000	**808,000**	558,000
TOTAL CURRENT LIABILITIES		**1,962,639**	683,978	**1,959,197**	681,640
TOTAL LIABILITIES		**1,962,639**	683,978	**1,959,197**	681,640
NET ASSETS		**5,674,618**	3,904,705	**5,624,697**	3,829,551
EQUITY					
Contributed equity	12	**26,268,925**	23,000,632	**26,268,925**	23,000,632
Accumulated losses	13	**(20,880,307)**	(19,359,627)	**(20,930,228)**	(19,434,781)
Reserves	13	**286,000**	263,700	**286,000**	263,700
TOTAL EQUITY		**5,674,618**	3,904,705	**5,624,697**	3,829,551

The above balance sheet should be read in conjunction with the accompanying notes.

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2007

	CONSOLIDATED		PARENT ENTITY	
	2007	2006	**2007**	2006
		$		$
CASH FLOWS FROM OPERATING ACTIVITIES				
Payments to suppliers and employees	**(1,997,077)**	(3,160,290)	**(1,927,227)**	(3,057,462)
Bank guarantee	**(25,649)**	-	**(25,649)**	-
Joint Venture income received	**660,000**	-	**660,000**	-
Management fees received	**295,615**	-	**295,615**	-
Interest received	**273,166**	309,006	**273,047**	278,841
Sundry income received	**1,938**	-	**1,938**	-
Net cash flows used in operating activities	**(792,007)**	(2,851,284)	**(722,276)**	(2,778,621)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of plant	**-**	3,196	**-**	-
Payments for plant and equipment	**(20,829)**	(45,332)	**(20,829)**	(43,594)
Payments for investments	**(110,170)**	(25,833)	**(110,170)**	(25,833)
Loans to controlled entities	**-**	-	**(52,010)**	(57,191)
Net cash inflow/(outflow) from investing activities	**(130,999)**	(67,969)	**(183,009)**	(126,618)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issue of shares net of raising costs	**3,268,293**	338,211	**3,268,293**	338,212
Net cash inflow from financing activities	**3,268,293**	338,211	**3,268,293**	338,212
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**2,345,287**	(2,581,042)	**2,363,008**	(2,567,027)
Cash and cash equivalents at the beginning of the financial year (Note a)	**4,191,565**	6,772,607	**4,152,861**	6,719,888
Cash and cash equivalents at the end of the financial year (Note a)	**6,536,852**	4,191,565	**6,515,869**	4,152,861

NOTES

(a)

Cash and cash equivalents includes:

Cash at Bank	**695,997**	268,844	**675,014**	230,140
Term Deposits	**5,840,855**	3,922,721	**5,840,855**	3,922,721
	6,536,852	4,191,565	**6,515,869**	4,152,861

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

The above cash flow statement should be read in conjunction with the accompanying notes.

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2007

NOTES (continued)

(b)

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

	CONSOLIDATED		**PARENT ENTITY**	
	2007	2006	**2007**	2006
	$	$	**$**	$
Operating (loss) after income tax	**(1,520,680)**	(2,601,202)	**(1,495,447)**	(2,580,260)
Profit on sale of plant	-	3,196	**-**	-
Increase in provision for rehabilitation of mine property	-	8,000	**-**	8,000
Increase in provision for legal fees	**250,000**	500,000	**250,000**	500,000
Depreciation	**36,449**	26,252	**29,964**	18,851
Exploration expenditure incurred	**114,190**	(634,016)	**114,190**	(629,631)
Share based payments	**-**	119,700	**-**	119,700
Provision against loans to controlled entities	**-**	-	**52,010**	57,191
Provision for doubtful debts	**(178,380)**	178,380	**(178,380)**	178,380
Increase/(decrease) in trade and other payables	**1,028,661**	(302,576)	**1,027,557**	(301,716)
(Increase)/decrease in trade and other receivables	**(522,247)**	(149,018)	**(522,170)**	(149,137)
Net cash outflow from operating activities	**(792,007)**	(2,851,284)	**(722,276)**	(2,778,622)

STATEMENT IN CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2007

CONSOLIDATED	Issued capital $	Accumulated losses $	Other reserves $	Total equity $
At 1 July 2005	22,662,421	(16,758,425)	144,000	6,047,996
Profit/(loss) for the period	-	(2,601,202)	-	(2,601,202)
Cost of share based payment	-	-	119,700	119,700
Exercise of options	338,211	-	-	338,211
At 30 June 2006	**23,000,632**	**(19,359,627)**	**263,700**	**3,904,705**

CONSOLIDATED	Issued capital $	Accumulated losses $	Other reserves $	Total equity $
At 1 July 2006	23,000,632	(19,359,627)	263,700	3,904,705
Profit/(loss) for the period	-	(1,520,680)	-	(1,520,680)
Issue of shares	3,458,670	-	-	3,458,670
Capital raising costs	(190,377)	-	-	(190,377)
Change in value of investments	-	-	22,300	22,300
At 30 June 2007	**26,268,925**	**(20,880,307)**	**286,000**	**5,674,618**

The above statement of changes in equity should be read in conjunction with the accompanying notes

STATEMENT OF CHANGES IN EQUITY (continued)
FOR THE YEAR ENDED 30 JUNE 2007

PARENT	Issued capital $	Accumulated losses $	Other reserves $	Total equity $
At 1 July 2005	22,662,421	(16,854,521)	144,000	5,951,900
Profit/(loss) for the period	-	(2,580,260)	-	(2,580,260)
Cost of share based payment	-	-	119,700	119,700
Exercise of options	338,211	-	-	338,211
At 30 June 2006	**23,000,632**	**(19,434,781)**	**263,700**	**3,829,551**

PARENT	Issued capital $	Accumulated losses $	Other reserves $	Total equity $
At 1 July 2006	23,000,632	(19,434,781)	263,700	3,829,551
Profit/(loss) for the period	-	(1,495,447)	-	(1,495,447)
Issue of shares	3,458,670	-	-	3,458,670
Capital raising costs	(190,377)	-	-	(190,377)
Change in value of investments	-	-	22,300	22,300
At 30 June 2007	**26,268,925**	**(20,930,228)**	**286,000**	**5,624,697**

The above statement of changes in equity should be read in conjunction with the accompanying notes

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

1. CORPORATE INFORMATION

The financial report of Eagle Bay Resources N.L. (the Company) for the year ended 30 June 2007 was authorised for issue in accordance with a resolution of the directors on 28th September 2007.

Eagle Bay Resources N.L. is a no liability company incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the Group are described in note 22.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards. The financial report has also been prepared on the accruals and historical cost basis, except for financial assets which have been measured at fair value.

The financial report is presented in Australian dollars.

(b) Adoption of new and revised Accounting Standards

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations has not resulted in any material changes to the Group's accounting policies.

At the date of authorisation of the financial report, the following Standards and interpretations were in issue but not yet effective:

• AASB 7 'Financial instruments: Disclosures' and consequential amendments to other accounting standards resulting from its issue.	Effective for annual reporting periods beginning on or after 1 January 2007.
• AASB 101 'Presentation of Financial Statements' - revised standard	Effective for annual reporting periods beginning on or after 1 January 2007.
• Interpretation 10 'Interim Financial Reporting and Impairment'	Effective for annual reporting periods beginning on or after 1 November 2006.

The Company's financial report does not comply with IFRSs as the Company has elected to apply the relief provided to parent entities by AASB 132 Financial Instruments: Presentation and Disclosure in respect of certain disclosure requirements.

(c) Summary of significant accounting policies

(i) Basis of consolidation

The consolidated financial statements comprise the financial statements of Eagle Bay Resources and its controlled entities ('the Group').

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which Eagle Bay Resources has control.

(ii) Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimate and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Share based payment transactions
The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a Black-Scholes option pricing model.

The Group measures the cost of cash-settled share-based payments at fair value at the grant date using the Black-Scholes formula taking into account the terms and conditions upon which the instruments were granted.

Mineral Exploration and Evaluation
Acquisition, exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are carried forward in respect of an area that has not, at balance date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or relating to, the area of interest are continuing.

(iii) Interest in joint venture operation

The Group's investment in its joint venture operation is accounted for by recognising the Group's assets and liabilities from the joint venture, as well as expenses incurred by the Group and the Group's share of income earned from the joint venture, in the consolidated financial statements. The Group's interest in its joint venture operation was previously accounted for by writing off its contributions to exploration expenditure in the income statement or carrying forward expenditure to the extent that it meets the criteria set out in note 2(c) (iv) below.

(iv) Exploration 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

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.

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.

(v) 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 discounted to their present value.

(vi) Foreign currency translation

Both the functional and presentation currency of Eagle Bay and its Australian subsidiaries is Australian dollars (A$).

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

(vii) Investments

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

After initial recognition, investments, which are classified as held for trading and available-for-sale, are measured at fair value. Gains or losses on investments held for trading are recognised in the income statement. Gains or losses on investments held for the long term are recognised in reserves.

Gains or losses on available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification.

Other long-term investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost using the effective interest method.

Amortised cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity.

For investments carried at amortised cost, gains and losses are recognised in income when the investments are derecognised or impaired, as well as through the amortisation process.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

For investments that are actively traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date.

For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is subsequently the same or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

Purchases and sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place are recognised on the trade date i.e. the date that the Group commits to purchase the asset.

(viii) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

The carrying amount of plant and equipment is reviewed annually by the directors to ensure it is not in excess of recoverable amount from those assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets' employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Plant and equipment – over 3 to 10 years

(ix) Recoverable amount of assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(x) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

(xi) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(xii) Share-based payment transactions

The Group provides benefits to employees (including directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares (‘equity-settled transactions’).

These benefits are in the form of options and all issues of options to related parties are subject to shareholder approval.

The cost of these equity-settled transactions are measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model.

In valuing equity-based transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Eagle Bay Resources (‘market conditions’).

The costs of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (‘vesting date’).

The cumulative expense recognised for equity-based transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(xiii) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Interest

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

(xiv) Income tax

(a) Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the balance sheet date.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

(b) Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

(xv) Other Taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(xvi) 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.

(xvii) Employee benefits

Provision is made for the economic entity's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year together with entitlements arising from wages and salaries and annual leave which will be settled after one year, have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

Contributions are made by the economic entity to employee superannuation funds and are charged as expenses when incurred.

(xviii) Comparatives

Where necessary, comparatives have been reclassified to be consistent with current year disclosures.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

	CONSOLIDATED		PARENT ENTITY	
	2007	2006	**2007**	2006
		$		**$**
3 REVENUE				
Change in market value of investments held for trading	19,627	-	19,627	-
Interest received/receivable	273,166	279,006	273,047	278,841
Gain on sale of plant	-	3,196	-	-
Sundry income	1,938	-	1,938	-
Management fees	295,615	-	295,615	-
Joint Venture contribution income	660,000	30,000	660,000	30,000
	1,250,346	312,202	1,250,227	308,841
4 LOSS BEFORE INCOME TAX EXPENSE				
(a) **Individually significant expenses/(revenues) included in loss before income tax expense**				
Proceeds on sale of property plant & equipment	-	5,200	-	-
Carrying amount of plant sold	-	(2,004)	-	-
Net gain	-	3,196	-	-
Exploration expenditure written-off in respect of areas of interest not satisfying the criteria to be carried forward in the balance sheet or abandoned	1,760,837	1,326,663	1,760,837	1,326,663
b) **Loss before income tax expense has been arrived after charging the following items:**				
Depreciation of plant & equipment	36,449	26,252	29,964	18,851
Exploration expenditure written off	1,760,837	1,326,663	1,760,837	1,326,663
Provision against loan to controlled entity	-	-	52,010	57,191
Occupancy expenses	94,134	44,140	89,248	37,930
Legal fees	343,107	533,844	343,107	533,844
Provision for doubtful debts	(178,380)	178,380	(178,380)	178,380
Share based payments expense	-	119,700	-	119,700
Employee benefits expense	396,878	265,618	354,522	224,234

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

5 INCOME TAX

	Consolidated		Parent Entity	
	2007 $	**2006 $**	**2007 $**	**2006 $**
Numerical reconciliation of income tax expense to prima facie tax payable				
Loss from ordinary activities before income tax expense	(1,520,860)	(2,601,202)	(1,495,447)	(2,580,260)
Prima facie tax benefit on loss from ordinary activities at 30% (2006: 30%)	(456,258)	(780,361)	(448,634)	(774,078)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
- Provision against loans to controlled entities	-	-	15,603	17,157
- Accrued income	-	998	-	998
- Share-based payments	-	35,910	-	35,910
- Capital raising costs	(22,904)	(41,637)	(22,904)	(41,637)
- Permanent	-	1,672	-	1,672
- Provisions	75,000	(1,277)	75,000	(1,277)
- Doubtful debts (written back)	(53,514)	53,514	(53,514)	53,514
- Tax depreciation timing adjustments	-	(14,329)	-	(85)
- Rehabilitation provision	-	2,400	-	2,400
Tax effect of current year tax losses for which no deferred tax asset has been recognised				
Income tax expense	457,676	743,110	434,449	705,426
	-	-	-	-
Unrecognised temporary differences				
Deferred tax assets (at 30%)				
On income tax account				
Capital raising costs	45,681	94,184	45,681	94,184
Tax depreciation	-	109,354	-	38
Carry forward tax losses	8,870,571	7,344,985	5,470,876	5,036,428
	8,916,252	7,548,523	5,516,557	5,130,650
Deferred tax liabilities (at 30%)				
Investments	6,690	-	6,690	-
Capital tax losses (net)	522,988	525,988	108,722	108,722

As at 30 June 2007 the consolidated entity had estimated gross revenue tax losses of $29,568,570 (2006: $24,483,283) and estimated gross capital losses of $1,753,293 (2006: $1,753,293) 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.

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

no changes in tax legislation adversely affect the consolidated entity in realising the benefit from the deductions for the losses.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

		CONSOLIDATED		PARENT ENTITY	
		2007	2006	**2007**	2006
6	**TRADE AND OTHER RECEIVABLES**	**$**	**$**	**$**	**$**
	Current				
	GST refund due	209,904	19,478	209,153	18,804
	Prepayments	-	2,741	-	2,741
	Other receivables	14,415	377,446	14,415	377,446
	Cash calls due in PEL-182 joint venture	519,213	-	519,213	-
	Provision for doubtful debts	-	(178,380)	-	(178,380)
		743,532	221,285	742,781	220,611
7	**PROPERTY, PLANT & EQUIPMENT**				
	Plant & equipment at cost	331,990	269,678	214,554	152,243
	Less: Accumulated depreciation	(178,696)	(119,678)	(92,889)	(40,357)
		153,294	150,000	121,665	111,886
	Mine Properties at cost	3,567,448	3,567,448	-	-
	Capital works	1,336,322	1,336,322	-	-
		4,903,770	4,903,770	-	-
	Less: Provision for diminution in value	(4,903,770)	(4,903,770)	-	-
		-	-	-	-
	Total Property, plant and equipment	153,294	150,000	121,665	111,886
	Movements in property, plant and equipment:				
	Balance at beginning of the year	150,000	181,676	111,886	135,894
	Additions	20,829	45,331	20,829	43,594
	Disposals	-	(50,755)	-	(48,751)
	Joint venture assets	18,914	-	18,914	-
	Depreciation expense	(36,449)	(26,252)	(29,964)	(18,851)
	Balance at end of year	153,294	150,000	121,665	111,886

The directors have provided for a diminution of the assets comprising the Uley graphite project. The farminee has exercised an option to bring the plant into commercial production.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

		CONSOLIDATED		PARENT ENTITY	
		2007	2006	**2007**	2006
		$	**$**	**$**	**$**
8	**FINANCIAL ASSETS**				
	Non-current				
	Shares in unlisted companies	-	25,833	-	25,833
	Shares and quoted options in listed companies	177,930	-	177,930	-
	Shares in controlled entities - at cost (refer Note to 19)	-	-	3,228,050	3,228,050
	Less: provision for diminution in value	-	-	(3,228,050)	(3,228,050)
	Loans to controlled entities	-	-	4,800,023	4,748,013
	Less: provision for non-recovery	-	-	(4,800,023)	(4,748,013)
		177,930	25,833	177,930	25,833

The company holds 711,515 (2006:361,667) and 1,001,591 (2006: nil) of the common shares and quoted options of Oil Basins Limited respectively and 500,000 (2006:nil) of the common shares of Australian Oil Company Limited. These financial assets are carried in the financial statements at fair value.

9	**OTHER NON-CURRENT ASSETS**				
	Non-current				
	Bank guarantee deposit - lease premises	25,649	-	25,649	-
10	**TRADE AND OTHER PAYABLES**				
	Other creditors and accruals (i)	1,154,639	125,978	1,151,197	123,640

(i) Other creditors and accruals are non-interest bearing and are normally settled on 30 day terms

(ii) There is one full time executive director (2006 – one) and two employees (2006 – two) at reporting date.

11	**PROVISIONS**				
	Rehabilitation at Uley Graphite Mine	58,000	58,000	58,000	58,000
	Legal costs (Refer to Note 16)	750,000	500,000	750,000	500,000
		808,000	558,000	808,000	558,000

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

12 CONTRIBUTED EQUITY

	CONSOLIDATED		PARENT ENTITY	
	2007	2006	**2007**	2006
	NUMBER OF SHARES		**$**	$
(a) Issued and fully paid up capital Ordinary Shares	288,222,501	230,577,999	26,268,925	23,000,632

(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	230,577,999	227,759,567	23,000,632	22,662,421
Issues				
– Pro rata issue at 6 cents each	57,644,500	-	3,458,670	-
– Conversion of options	2	2,818,432	-	338,211
– Capital raising costs	-	-	(190,377)	-
Balance at the end of year	288,222,501	230,577,999	26,268,925	23,000,632

The Company also has on issue 88,932,843 long dated listed options exercisable at 15 cents per option expiring 30 June 2009 and 3,250,000 unlisted employee options exercisable at 15 cents per option expiring 30 June 2010.

13 RESERVES AND ACCUMULATED LOSSES

	CONSOLIDATED		PARENT ENTITY	
	2007	2006	**2007**	2006
	$	$	**$**	$
Accumulated losses:				
Balance at the beginning of the year	(19,359,627)	(16,758,425)	(19,434,781)	(16,854,521)
Net loss attributable to members of the parent entity	(1,520,680)	(2,601,202)	(1,495,447)	(2,580,260)
Balance at the end of the year	(20,880,307)	(19,359,627)	(20,930,228)	(19,434,781)
Reserves:				
Share-based payments reserve				
Balance at the beginning of the year	263,700	144,000	263,700	144,000
Option expense	-	119,700	-	119,700
Balance at the end of the year	263,700	263,700	263,700	263,700
Net unrealised gains reserve:				
Balance at the beginning of the year	-	-	-	-
Net unrealised gain on available-for-sale investments	22,300	-	22,300	-
Balance at the end of the year	22,300	-	22,300	-
Total Reserves	286,000	263,700	286,000	263,700

Nature and purpose of reserves
The share-based payments reserve is used to recognise the fair value of options issued.

The net unrealised gains reserve is used to recognise the fair value changes on available–for–sale investments.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

14. REMUNERATION OF DIRECTORS AND NAMED EXECUTIVES

a) Details of Key Management Personnel

Names and positions held of parent entity directors and executives in office at any time during the financial year are:

Directors

Mr J Craib	Non-Executive Director
Mr J T Roy	Non-Executive Director
Mr A Rechner	Chairman and Managing Director (resigned 14 September 2007)

Executive

Mr I B Barr	Manager Oil & Gas
Ms L R Bell	Company Secretary

b) Compensation of Key Management Personnel (Consolidated)

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. In addition, options were granted during the year to link executive rewards to shareholder value.

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.

NON EXECUTIVE DIRECTOR REMUNERATION

The maximum aggregate annual remuneration payable in non-executive fees is currently $150,000 p.a. as approved by shareholders on 31 March 2006.

There are currently two non-executive directors and they each receive remuneration of $40,000 p.a. Previously, non-executives received $36,000 p.a. and the current level of $40,000 p.a. took effect from 1 January 2007.

Full details are detailed in the table below.

SENIOR MANAGER AND EXECUTIVE DIRECTOR REMUNERATION

Objective

The company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the company so as to:

- Align the interests of executives with those of shareholders;
- Link reward with the strategic goals and performance of the company; and
- Ensure total remuneration is competitive by market standards.

Generally, compensation is provided by the Company to its executive officers, by way of salary and stock option grants. The overall objective is to ensure that executive compensation is fair and reasonable and sufficient to attract and retain qualified and experienced executives.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

Structure

Fixed remuneration consists of base cash remuneration and statutory superannuation entitlements. Longer term discretionary remuneration consists of stock option grants. Remuneration levels are based on an overall assessment of individual performance and Company performance.

The Company believes that encouraging its executives and employees to become shareholders is the best way of aligning their interest to those of its shareholders. In addition, equity participation is a cost effective and efficient incentive as compared to cash bonuses or increased remuneration, particularly given the Company's pre-production status.

The contracts for service between the company and directors and executives are on a continuing basis the terms of which are not expected to change in the immediate future. Upon retirement directors and executives are paid employee benefit entitlements accrued to date of retirement. The company may terminate the contracts without cause by providing one month's written notice. Termination payments (if applicable) are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the company can terminate employment at any time.

Employment Contracts

Anthony Rechner
Term of Agreement – contract was terminated in September 2007.
The terms of the contract were as follows: consultancy payments of $255,000 reviewed annually by the Board, plus annual director's fees, inclusive of statutory superannuation, of $40,000, reviewed annually by the Board.

Ian R Barr
Term of Agreement – contract expires in November each year with options to renew.
The terms of the contract are as follows: consultancy payments of $1,000 per day for at least 200 days per annum.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

Compensation of Key Management Personnel (Consolidated)

Directors & Named Executives' Remuneration							
	SHORT TERM		**POST EMPLOYMENT**		**EQUITY**	**TOTAL**	
	Salary & Fees	Non-Monetary	Super-annuation	Prescribed Benefits	Options	$	% Remuneration consisting of options for the year
Directors							
Anthony Rechner - Executive Chairman (resigned 14 September 2007)							
2007	282,363	38,251	3,138	-	-	323,752	-
2006	266,161	34,951	2,355	-	27,600	331,067	8.3
Richard Diermajer - Managing Director (resigned 20 December 2005)							
2007	-	-	-	-	-	-	-
2006	35,435	-	826	-	-	36,261	-
John Roy - Non Executive Director (appointed 20 December 2005)							
2007	25,076	3,300	12,924	-	-	41,300	-
2006	17,578	-	1,582	-	27,600	46,760	59.0
Jim Craib - Non Executive Director							
2007	34,862	3,300	3,138	-	-	41,300	-
2006	26,161	-	2,355	-	27,600	56,116	49.2
Executives							
Graham Anderson - Company Secretary (Appointed 12 October 2004, resigned 31 January 2006)							
2007	-	-	-	-	-	-	-
2006	21,000	-	-	-	-	21,000	-
Ian Barr - Manager Oil & Gas							
2007	258,500	3,300	-	-	-	261,800	-
2006	199,000	-	-	-	30,000	229,000	13.1
Linda Bell - Company Secretary (Appointed 31 January 2006)							
2007	119,090	3,300	10,718	-	-	133,108	-
2006	60,868	-	5,478	-	6,900	73,246	9.4
TOTAL							
2007	719,891	51,451	29,918	-	-	801,260	
2006	626,203	34,951	12,596	-	119,700	793,450	

Compensation of Key Management Personnel (By Category)

	Consolidated		**Parent Entity**	
	2007	**2006**	**2007**	**2006**
	$	**$**	**$**	**$**
Short-Term	771,342	661,154	771,342	661,154
Post Employment	29,918	12,596	29,918	12,596
Equity	-	119,700	-	119,700
	801,260	793,450	801,260	793,450

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

Compensation Options Granted and Vested last Year (Consolidated)

No compensation options were granted or vested in the year ended 30 June 2007. No compensation options were exercised, lapsed or forfeited during the year.

The following options were granted and vested in the year ended 30 June 2006:

30 June 2006				Terms & Conditions for Each Grant			
	Vested Number	**Granted Number**	**Grant Date**	**Value per Option at Grant Date**	**Exercise Price $**	**First Exercise Date**	**Last Exercise Date**
Directors							
A Rechner	1,000,000	1,000,000	31.3.06	2.76 cents	15 cents	31.3.06	30.6.10
J Craib	1,000,000	1,000,000	31.3.06	2.76 cents	15 cents	31.3.06	30.6.10
J Roy	1,000,000	1,000,000	31.3.06	2.76 cents	15 cents	31.3.06	30.6.10
Executives							
I Barr	1,000,000	1,000,000	10.1.06	3.00 cents	12 cents	10.1.06	31.3.06
L Bell	250,000	250,000	31.3.06	2.76 cents	15 cents	31.3.06	31.6.10
Total	4,250,000	4,250,000					

Transactions with Directors or Director Related Entities

Consultancy services

Mr A Rechner is a director and shareholder of Tangram Pty Ltd 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 directors.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

Shareholdings

Year Ended 30 June 2007					
Number of Shares held by Directors & Executives					
	Balance 1 July 2006	Received as Remuneration	Options Exercised	Net Change Other	Balance 30 June 2007
Directors					
Anthony Rechner*****	14,312,704	-	-	16,510,427	30,823,131
Jim Craib	1,146,700	-	-	196,234	1,342,934
John Roy	1,000,000	-	-	1,250,000	2,250,000
Executive					
Linda Bell	19,500	-	-	-	19,500
Ian Barr	-	-	-	-	-
TOTAL	**16,478,904**	**-**	**-**	**17,956,661**	**34,435,565**

Year Ended 30 June 2006						
Number of Shares held by Directors & Executives						
	Balance 1 July 2005	Received as Remuneration	Options Exercised	Net Change Other	Balance at date of resignation	Balance 30 June 2006
Directors						
Anthony Rechner*****	9,089,702	-	-	5,223,002	-	14,312,704
Richard Diermajer *	3,209,754	-	-	233,334	3,443,088	-
Jim Craib	1,348,954	-	-	(202,254)	-	1,146,700
John Roy **	-	-	-	1,000,000	-	1,000,000
Executive						
Graham Anderson ***	-	-	-	-	-	-
Linda Bell ****	-	-	-	19,500	-	19,500
Ian Barr	-	-	-	-	-	-
TOTAL	**13,648,410**	**-**	**-**	**6,273,582**	**3,443,088**	**16,478,904**

* Retired 20 December 2005
** Appointed 20 December 2005
*** Retired 31 January 2006
**** Appointed 31 January 2006
***** Resigned 14 September 2007

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

Option holdings

Year Ended 30 June 2007
Number of Options held by Directors & Executives

	Balance 1 July 2006	Granted as Remune-ration	Options Exercised	Net Change Other	Balance 30 June 2007	Exercisable at 15 cents by 30 June 2010	Exercisable at 15 cents by 30 June 2009
Directors							
Anthony Rechner	2,252,010	-	-	-	2,252,010	1,000,000	1,252,010
Jim Craib	1,000,000	-	-	167,867	1,167,867	1,000,000	167,867
John Roy	1,000,000	-	-	250,000	1,250,000	1,000,000	250,000
Executives							
Linda Bell	250,000	-	-	-	250,000	250,000	-
Ian Barr	-	-	-	-	-	-	-
TOTAL	**4,502,010**			**417,867**	**4,919,877**	**3,250,000**	**1,669,887**

Year Ended 30 June 2006
Number of Options held by Directors & Executives

	Balance 1 July 2005	Granted as Remune-ration	Options Exercised	Net Change Other *	Balance 30 June 2006	Exercisable at 15 cents by 30 June 2010	Exercisable at 15 cents by 30 June 2009
Directors							
Anthony Rechner	2,000,000	1,000,000	-	(747,990)	2,252,010	1,000,000	1,252,010
Richard Diermajer	1,000,000	-	-	(1,000,000)	-	-	-
Jim Craib	500,000	1,000,000	-	(500,000)	1,000,000	1,000,000	-
John Roy	-	1,000,000	-	-	1,000,000	1,000,000	-
Executives							
Graham Anderson	250,000	-	-	(250,000)	-	-	-
Linda Bell	-	250,000	-	-	250,000	250,000	-
Ian Barr	1,000,000	1,000,000	-	(2,000,000)	-	-	-
TOTAL	**4,750,000**	**4,250,000**	**-**	**(4,497,990)**	**4,502,010**	**3,250,000**	**1,252,010**

*These options expired without being exercised

15 REMUNERATION OF AUDITORS

	CONSOLIDATED		PARENT ENTITY	
	2007	2006	**2007**	2006
	$	$	**$**	$
Auditors of parent entity:				
Audit and review of financial report	20,776	32,315	20,776	32,315
Other services (tax)	3,557	2,585	3,557	2,585
	24,333	34,900	24,333	34,900

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

16 CONTINGENT LIABILITIES

Mr Anthony Rechner, Chairman and Managing Director of the company, has been convicted of misleading statements in 2003 in relation to the Myall Creek joint venture project in South Australia. The Company is required to indemnify Mr Rechner in relation to legal costs incurred in defending the charges except to the extent that such indemnity would otherwise be prohibited under Section 199A of the Corporations Act. The Company believes that it is not required to indemnify Mr Rechner for any of these legal costs but has made a provision for the payment of such costs in the amount of $750,000 should it be found to be mistaken in this respect. The amount of the provision is based upon the lawyers' estimate of costs. Actual costs could be considerably different from the amount provided but cannot be accurately quantified at this point in time. Since the action against Mr Rechner has been successful, the company may incur a potential liability which is unquantifiable at this time.

17 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**	
	2007	2006	**2007**	2006
	$	$	**$**	$
Not later than one year	1,500,000	325,000	1,500,000	325,000
After one year but less than two years	1,137,000	987,000	1,137,000	987,000
After two years but less than five years	3,725,000	4,562,000	3,725,000	4,562,000
After five years	-	-	-	-
	6,362,000	5,874,000	6,362,000	5,874,000

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.

These figures include the company's share of Joint Venture Exploration commitments but do not include the total Joint Venture Exploration Commitments disclosed in note 25.

Operating Lease Commitments	**CONSOLIDATED**		**PARENT ENTITY**	
	2007	2006	**2007**	2006
	$	$	**$**	$
Not later than one year	97,842	13,705	97,842	13,705
After one year but not later than five years	157,637	-	157,637	-
	255,479	13,705	255,479	13,705

There are two operating leases. The first is a rental lease on the Company's premises. The lease expires on 7 December 2009 with an option to renew for a further three years until 7 December 2012. The lease will be renewed or a lease for new premises entered into. The second lease is for office equipment.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

18 RELATED PARTIES

Wholly-owned Group Transactions

Eagle Bay Resources N.L. provides working capital to all its wholly-owned subsidiaries aggregating $52,010 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.

Other related party transactions
Disclosures relating to key management personnel are set out in note 14.

19 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	
		2007	2006	**2007**	2006
Parent Entity		%	%	**$**	$
Eagle Bay Resources N.L.	Australia			-	-
Controlled Entities					
Tarcoola Gold Limited	Australia	**100**	100	**3,228,050**	3,228,050
Eagle Bay Graphite Pty Ltd	Australia	**100**	100	-	-
				3,228,050	3,228,050

20 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.

21 EVENTS SUBSEQUENT TO REPORTING DATE

There has not arisen in the interval between 30 June 2007 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, apart from the following:

(i) the gas discovery at Vanessa-1 in the Cooper Basin drilled by the PEL-182 joint venture; and

(ii) the resignation of Mr Rechner as a director of the company on 14 September 2007 following his conviction for making misleading statements in 2003 regarding the Myall Creek project in South Australia (refer to note 16).

22 SEGMENT REPORTING

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

23 LOSS PER SHARE

		2007	2006
		Cents per Share	
a)	Basic loss per share	(0.61)	(1.14)
b)	Net loss used in calculating:	$	$
	- Basic loss per share	(1,520,680)	(2,601,202)
c)	Weighted average number of ordinary shares outstanding	Number	Number
	during the year used in calculating basic loss per share	248,739,966	228,423,311

* 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 2007

24 FINANCIAL INSTRUMENTS

a) Interest Rate Risk Exposures

The policy is to monitor the interest rate yield curve out to 120 days to ensure a balance is maintained between the liquidity of cash assets and the interest rate return.

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	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	$	$	**$**	$	**$**	$	**$**	$
Financial Assets								
Cash and cash equivalents	695,997	268,844	5,840,855	3,922,721	-	-	6,536,852	4,191,565
Trade and other receivables	-	-	-	-	743,532	218,544	743,532	218,544
Financial assets	-	-	-	-	177,930	25,833	177,930	25,833
Other	-	-	25,649	-	-	-	25,649	-
	695,997	268,844	5,866,504	3,922,721	921,462	244,377	7,483,963	4,435,942
Interest rate	3.63%	4.50%	5.85%	5.54%				
Financial Liabilities								
Trade and other payables	-	-	-	-	1,154,639	125,978	1,154,639	125,978
	-	-	-	-	1,154,639	125,978	1,154,639	125,978
Interest rate	-	-	-	-				
Net financial assets/(liabilities)	695,997	268,844	5,866,504	3,922,721	(233,177)	118,399	6,329,324	4,309,964

b) Credit Risk Exposures

The economic entity does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the economic entity's maximum exposure to credit risk.

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 2007

25 INTEREST IN JOINT VENTURE OPERATIONS

EBR has entered into a farm-out Agreement with AuDAX, whereby AuDAX will earn 49.9% by free carrying EBR through expenditures of $4.75 million in this permit. A further farmout has been granted to the Australian Oil Company Ltd (AOC) over a 12.5% interest in the permit which requires AOC to meet 25% of drilling and development costs for the first 5 wells. EBR was free carried until February 2007. Since then, EBR is contributing 12.6% of the expenditure incurred by the Joint Venture.

For the year ended 30 June 2007, the contribution of the joint venture to the operating loss of the Company and the consolidated entity was nil (2006: nil). The value of the Company's 37.6% share of oil and gas extracted during the year was nil (2006: nil).

As stated in note 2(c)(iii), the Group's investment in its joint venture operation is accounted for by recognising the Group's assets and liabilities from the joint venture, as well as expenses incurred by the Group and the Group's share of income earned from the joint venture, in the consolidated financial statements. The Group's interest in its joint venture operation was previously accounted for by writing off its contributions to exploration expenditure in the income statement or carrying forward expenditure to the extent that it meets the criteria set out in note 2(c) (iv).

The Company's 37.6% share of the assets, liabilities, revenue and expenses of the jointly controlled operation, which are included in the consolidated financial statements, are as follows:

	CONSOLIDATED		**PARENT**	
	2007	**2006**	**2007**	**2006**
	$	**$**	**$**	**$**
Current assets				
Cash and cash equivalents	349,590	-	349,590	-
Trade and other receivables	700,992	-	700,992	-
Total current assets	1,050,582	-	1,050,582	-
Non-current assets				
Property, plant and equipment	18,914	-	18,914	-
Total Non-Current assets	18,914	-	18,914	-
Current liabilities				
Trade and other payables	872,684	-	872,684	-
Total current liabilities	872,684	-	872,684	-
Exploration expenditure written off	(196,812)	-	(196,812)	-

Joint Venture Exploration Commitments

On the assumption the contractual obligations of all JV parties are met in a timely fashion 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:

	2007	2006	**2007**	2006
	$	$	**$**	$
Not later than one year	5,500,000	1,500,000	5,500,000	1,500,000
After one year but less than two years	8,000,000	1,975,000	8,000,000	1,975,000
After two years but less than five years	8,000,000	5,000,000	8,000,000	5,000,000
	21,500,000	8,475,000	21,500,000	8,475,000

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

26 SHARE BASED PAYMENTS

There were no share based payments made during the financial year.

The expense recognised in the income statement last year in relation to share-based payments is disclosed in note 4.

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of and movements in share options issued during the year:

	2007 No.	2007 WAEP	2006 No.	2006 WAEP
Outstanding at the beginning of the year	3,250,000	0.15	5,000,000	0.12
Granted during the year	-	-	4,250,000	0.14
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	(6,000,000)	0.12
Outstanding at the end of the year	3,250,000	0.15	3,250,000	0.15
Exercisable at the end of the year	3,250,000	0.15	3,250,000	0.15

The outstanding balance as at 30 June 2007 is represented by:

- 3,250,000 options over ordinary shares with an exercise price of $0.15 each, exercisable until 30 June 2010.

The weighted average remaining contractual life for the share options outstanding as at 30 June 2007 is 3 years (2006: 4 years).

The weighted average exercise price for options outstanding at the end of the year was $0.15 (2006: $0.15).

The weighted average fair value of options granted during the year was nil cents (2006: 2.81 cents).

The following table lists the inputs to the model used for the year ended 30 June 2006:

	2007	2006
Dividend yield (%)	-	-
Expected volatility (%)	-	75%
Risk-free interest rate (%)	-	5.255%
Expected life of options (years)	-	4
Option exercise price ($)	-	15 cents
Weighted average share price at grant date ($)	-	7.6 cents

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

The fair value of the cash-settled options is measured at the grant date using the Black-Scholes options pricing model taking into account the terms and conditions upon which the instruments were granted. The services received and a liability to pay for those services are recognised over the expected vesting period. Until the liability is settled it is remeasured at each reporting date with changes in fair value recognised in profit or loss.

STOCK EXCHANGE INFORMATION

The additional information set out below as it relates to shares and options was applicable at 27th September 2007.

SHARES

DISTRIBUTION OF SHAREHOLDINGS

Size of holding			Number of Holders	Number of Shares
1	-	1,000	1,017	217,512
1,001	-	5,000	471	1,362,466
5,001	-	10,000	448	3,655,400
10,001	-	100,000	1,443	57,924,814
100,001 and over			464	225,062,309
			3,843	288,222,501

Number of shareholders with less than a marketable parcel of $500 at 4.6c per share 1,961.

TWENTY LARGEST SHAREHOLDERS

1	EERC Australasia Pty Ltd (S/F Account)	24,022,541	8.335%
2	HBSC Custody Nominees (Australia Ltd)	5,981,573	2.075%
3	ANZ Nominees Limited (Cash Income A/C)	5,339,157	1.852%
4	EERC Australasia Pty Ltd (EERC S/F Account)	4,296,569	1.491%
5	Reef Securities Ltd	4,106,179	1.425%
6	Alister John Forsyth	3,213,334	1.115%
7	Tarmel Pty Ltd (Superannuation Fund A/C)	2,763,074	0.959%
8	Mr John Norman Kerr (Gloucester Aust Super Fund A/C)	2,698,594	0.936%
9	Omen Pty Ltd	2,504,021	0.869%
10	Illawong Investments Pty Ltd (The Cocks Super Fund No 1 A/C)	2,500,000	0.867%
11	Mr Alban Horst Hasslinger	2,500,000	0.867%
12	Roving Properties Pty Ltd (Roving Property A/C)	2,263,000	0.785%
13	Seawell Super Pty Ltd (Seawell S/F A/C)	2,250,000	0.781%
14	Mr John Anthony Hellier and Mrs Dorothy May Hellier	2,027,500	0.703%
15	Success Oil Company Ltd	2,000,000	0.694%
16	Lamonde Industries Pty Ltd (Dorizzi Super Fund A/C)	1,976,250	0.686%
17	Boussal Pty Ltd (Johnston Super Fund A/C)	1,875,000	0.651%
18	Ambergate Nominees Pty Ltd	1,773,214	0.615%
19	Peto Pty Ltd (The 1953 Super Fund A/C)	1,716,667	0.596%
20	Oxley Graeme Maley	1,695,510	0.588%
	Top 20 largest shareholders	77,502,183	
	Total Shares Issued	288,222,501	

SUBSTANTIAL SHAREHOLDERS

Name	No of shares
EERC Australasia Pty Ltd and Omen Pty Ltd	30,823,131

VOTING RIGHTS

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

OPTIONS Exercisable at 15 cents by 30 June 2009

DISTRIBUTION OF OPTIONHOLDINGS

Size of holding			Number of Holders	Number of Options
1	-	1,000	113	57,581
1,001	-	5,000	328	947,966
5,001	-	10,000	151	1,139,423
10,001	-	100,000	321	11,353,632
100,001 and over			146	75,434,241
			1,059	88,932,843

TWENTY LARGEST OPTIONHOLDERS

For options exercisable at 15 cents by 30th June 2009		No. Units	% Capital
1	Reef Securities Ltd	6,730,416	7.568%
2	Spantech Consultancy Pty Ltd	4,000,000	4.498%
3	Mr Alban Horst Hasslinger	3,685,000	4.144%
4	Kirke Securities Ltd	2,500,000	2.811%
5	Mr Steven Jan Zielinksi and Mrs Karen Lyn Zielinski	2,200,000	2.474%
6	TPIC Pty Ltd	2,118,810	2.382%
7	Peto Pty Ltd (The 1953 Super Fund A/C)	1,783,334	2.005%
8	Mr Nicolas Terranova	1,700,000	1.912%
9	Mr Anthony John Quartermaine	1,400,000	1.574%
10	Omen Pty Ltd	1,252,010	1.408%
11	Alister John Forsyth	1,146,667	1.289%
12	Illawong Investments Pty Ltd (The Cocks Super Fund No 1 A/c)	1,126,000	1.266%
13	Dover Gardens Pty Ltd	1,113,000	1.252%
14	FNL Investments Pty Ltd	1,105,000	1.243%
15	Howgate Finance Pty Ltd	1,000,000	1.124%
16	Ianball Investments Pty Ltd	1,000,000	1.124%
17	Vaiente Investments Pty Ltd	1,000,000	1.124%
18	Kinetic Investments Co Pty Ltd (Wicks Super Fund A/C)	1,000,000	1.124%
19	Synthe Pty Ltd	964,000	1.084%
20	Mr Anthony Markland O'Connell & Mrs Bernice Dorothy O'Connell	750,000	0.843%
	Top 20 largest optionholders	37,574,237	
	Total Options Issued	88,932,843	

TENEMENT SCHEDULE

PROJECT	TENEMENTS	EBR %	JOINT VENTURER
GOLD SA			
Tregalana	EL 3538 (formerly EL 2800)	50%	Minotaur *
Whyalla	EL 3098	100%	Minotaur *
Cultana	EL 3547	75%	Minotaur *
PETROLEUM –			
VIC Gippsland Basin	VIC P41	17.5%	Bass Strait Oil & Gas* 45%
			Moby Oil & Gas Ltd 30%
			Oil Basins Ltd 7.5%
	VIC P47	25%	Bass Strait Oil & Gas* 40%
			Moby Oil & Gas Ltd 35%
	Gilbert	10%	Gippsland Offshore Petroleum Ltd
	Moby	25%	Gravity Capital Ltd
	VIC P65	100%	
PETROLEUM	PEL – 182	37.6%*	Audax Resources Ltd 49.9%
Cooper Basin			Australian Oil Company Ltd 5.0%
			Dome Petroleum 7.5%
GRAPHITE (SA)			
Uley	ML5561	100%	
	ML5562	100%	
	EL 3414	100%	
	RL66 and RL67	100%	
NICKEL			
Falconbridge	E38/1970	50%	
	P38/3381	50%	
	P38/3382	50%	
	P38/3383	50%	
	P38/3384	50%	
Carr Boyd	E31/491	70%	
	E31/492	70%	
Victoria	EL5039	50%	
	EL5040	50%	
URANIUM			
Munglinup	E74/403	100%	
	E74/404	100%	

* Operator