EAGLE EYE
Metals Limited

45 Ventnor Avenue, West Perth WA 6005
PO Box 829, West Perth WA 6872
(08) 9389 4450
Fax: (08) 9389 4400
0418 928 180
wayne@eagleeyemetals.com
ABN 11 113 931 105

12 March 2010

The Company Announcements Office
Australian Securities Exchange Limited

**HALF-YEAR REPORT TO 31 DECEMBER 2009**

The enclosed Report marks the early stages of an intensified development program for your Company.

Whilst Eagle Eye has been steadily exploring its own prospective gold and nickel projects in the Kalgoorlie/Leonora/Laverton region of the Eastern Goldfields of Western Australia, as previously announced we have also been actively seeking an advanced project for involvement in. To this end the Company conserved cash awaiting the right project for investment in.

During the half-year the Company reviewed for acquisition the Aphrodite Gold Project in its region of activity. The Project was considered too large in money terms for Eagle Eye to digest in its own right, so the Company employed  a substantial part of its cash reserves to sponsor a startup Public Company, Aphrodite Gold Limited ("Aphrodite"), to acquire the Project,.

Aphrodite paid $5 million cash plus issued $2.2 million in Shares and Options to purchase the Project outright from Apex Minerals N.L., and is proceeding with an Initial Public Offering to raise substantial development funds, and to obtain listing on ASX.

Its sponsorship of Aphrodite has achieved the following excellent position for Eagle Eye:

- It is the largest individual Shareholder in Aphrodite, with 11,950,000 Shares and 5,975,000 Options out of the total 87,000,000 issued Shares and 43,500,000 Options.

- Of these holdings, 2,000,000 Shares and 1,000,000 Options were issued to Eagle Eye at a nominal price in consideration of its assistance provided to Aphrodite.

- Eagle Eye Directors Wayne Ryder and Warren Staude have been appointed to the Aphrodite Board, with Warren becoming Aphrodite Chairman.
- Expenses of $120,000 incurred by Eagle Eye in reviewing and evaluating the project and supporting Aphrodite in its startup phase have been repaid in cash.
- Eagle Eye Shareholders to be granted a Priority Right to participate in Aphrodite's Prospectus Offer to be announced soon.

- Eagle Eye is to be granted an Option to buy a 20% interest in the Aphrodite Gold Project by Aphrodite for cash at any time until 30 June 2011.

Full details of the Option over the Aphrodite Gold Project will be advised when it is signed, anticipated within the next few days.

As a result of the Company's investment in and sponsorship of Aphrodite, and as advised in our Quarterly Report to 31 December 2009, cash funds in hand as at 31 December 2009 were reduced to a reasonably low level. The Company's cash position has improved since then, with Aphrodite repaying in full loan funds advanced by Eagle Eye.

Funds in hand reduction was as a result of the Directors' deliberate development plan for Eagle Eye, with the benefits of your Company's investment in Aphrodite to become increasingly apparent as details of their Prospectus Offer unfold in the short term.

With a small issued capital, almost zero debt and owning all its exploration projects and investments outright, Eagle Eye is in a strong go forward position and has, should need be, several readily available means of raising further funds (see Note 2 to the Report).

Under current Australian Accounting Reporting Standards the Company is required to show a Condensed Statement of Comprehensive Income for the Half-Year to 31 December 2009. This is designed to provide Shareholders with a clearer picture of results by combining operating profit or loss with the increase or decrease in values of financial assets (Shares and Options in other public mining companies in Eagle Eye's case).

Eagle Eye produced net income under this process: the gain in fair value of Shares and Options held, due largely to the Company's investment in Aphrodite, was $256,749. After deducting the operating loss of $250,494 the Company achieved Total Comprehensive Income of $6,255.

This is the first positive income result produced by Eagle Eye, albeit small.

Your Directors are extremely confident that the next half-year to 30 June 2010 will produce further and more substantial income.

Shareholders may expect an ongoing series of announcements from here on, not only relating to the development of the Company's interest in Aphrodite, but with the ongoing positive program of exploration of the Company's own highly rated exploration projects.

Yours sincerely

Wayne Ryder FCA
Executive Chairman

EAGLE EYE

Metals Limited

ABN 11 113 931 105

# HALF-YEAR REPORT

## CONDENSED FINANCIAL REPORT
## FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

*This Half-Year Report should be read in conjunction with the Company's Annual Report for the year ended 30 June 2009*

# *Contents*

# *Corporate Information*

This Condensed Report covers the activities of Eagle Eye Metals Limited ABN 11 113 931 105 for the half-year ended 31 December 2009. The Company's functional and presentation currency is Australian Dollars (AUD). A review of the Company's principal activities and operations is included in the Directors' Report at page 3. The Directors' Report is unaudited and does not form part of this Condensed Financial Report.

**Directors**

Wayne Ryder FCA FAICD MSME(U.S.) – Executive Chairman
Warren Staude BSc MSc MAusIMM FFin – Non-Executive
Garry Plowright – Non-Executive

**Secretary**

Wayne Ryder FCA

**Registered and Operations Office**

45 Ventnor Avenue
West Perth WA 6005
(08) 9389 4450
E.mail: wayne@eagleeyemetals.com
Web site: www.eagleeyemetals.com

**Consulting Geologists**

Townshend Mining
Leon Reisgys BSc(Hons) Grad Dipl FAusIMM MAIG – Senior Geologist
86 Aulberry Parade
Leeming WA 6149

**Auditors**

Grant Thornton Audit Pty Ltd
Chartered Accountants
Level 1, 10 Kings Park Road
West Perth WA 6005

**Solicitors**

Hardy Bowen Lawyers
Level 1, 28 Ord Street
West Perth WA 6005

# *Directors' Report*

Your Directors are pleased to submit their Report for the half-year ended 31 December 2009.

The following were the Directors of the Company in office during the half-year under review and at the date of this Report:

Wayne Ryder – Executive Chairman
Warren Staude
Garry Plowright

**PRINCIPAL ACTIVITIES**

The Company's principal activities during the half-year were minerals exploration and investment in mineral exploration companies.

**REVIEW OF EXPLORATION AND INVESTMENT ACTIVITIES**

**APHRODITE GOLD PROJECT**

In consideration of technical and financial assistance provided, Eagle Eye is to be granted an Option over 20% of the Aphrodite gold project near Kalgoorlie, Western Australia acquired for $7.2 million from Apex Minerals NL ("Apex") by newly formed Aphrodite Gold Limited ("AGL").

AGL, on the back of an oversubscribed $6.5 million seed capital raising, completed the acquisition and has drafted a formal Option Agreement for Eagle Eye's consideration. The exercise price of the Option is cash equal to 20% of the purchase price and development costs of the project to the date of exercise.

The Option is on advantageous terms to Eagle Eye, permitting it until 30 June 2011 to decide whether or not to exercise, by which time the results of development work on the Aphrodite gold project, including infill and resource expansion drilling, will be known.

Upon exercise of its Option, Eagle Eye will enter into a Joint Venture with AGL under which it will be required to contribute 20% of ongoing development and production costs.

Further, Eagle Eye also acquired 2,000,000 Shares and 1,000,000 Options in AGL, plus a refund of all expenses incurred in reviewing the project and making it available to AGL.

**APHRODITE GOLD LIMITED SECURITIES FLOAT**

Following its purchase of the Aphrodite gold project, AGL is now well underway with an Initial Public Offering by way of a Prospectus share and option issue to raise funds to develop the project into early production. ASX listing will be sought for AGL's securities.

Eagle Eye is a sponsor of the AGL Float, is the largest Shareholder having taken up 9,950,000 Shares and 4,975,000 Options in the Seed Capital issue, and has two of its Directors on their Board, Chairman Warren Staude and Finance Director Wayne Ryder.

# *Directors' Report (cont.)*

AGL has retained international mining consultants Coffey Mining to prepare the Independent Geologist's Report for its Prospectus, including detailing gold resource from the previous substantial exploration programs conducted over the project, and a recommended follow up development program.

Coffey Mining have since balance date completed their reporting program, enabling completion and release of AGL's Prospectus, expected in March 2010.

**EXPLORATION REPORT**

**Erlistoun Gold Project**

During the half-year Eagle Eye obtained positive results from its initial drilling program at the Erlistoun Gold Project, 65kms north of Laverton WA in the Duketon Greenstone Belt.

Subsequently the Company was approached by a leading mineral processing group suggesting that heap leaching should be investigated as a processing option should a resource be delineated. The group has agreed to work with Eagle Eye in planning and implementing further exploration and metallurgical studies.

Two targets within the prospective basaltic unit at Erlistoun were drill tested: one in the northern portion of the mining lease and one in the southern. The distance between the two areas tested is approximately 3 kilometres. Drilling results were encouraging, with gold mineralisation present at < 0.5 g/t across several lines of drilling at both locations tested. As a result the prospectivity of the 3 kilometre long NNW striking greenstone corridor between the two areas has been significantly enhanced, and a follow-up exploration drill program is scheduled for the coming months. Potential for additional mineralisation is open along strike to the north and south and at depth in both areas. The southern area also remains open to the west.

This program will test for continuity of mineralisation immediately along strike from the established mineralised centres as well as sample the 3km prospective greenstone corridor between the northern and southern areas to establish targets for closer and deeper drilling.

Dependent upon results, Eagle Eye will investigate the heap leaching potential of the project in consultation with the mineral processing group expressing interest. This will include initial scoping test work using drill samples.

**Other Gold Projects**

As part of its emphasis on gold exploration, during the half-year the Company continued to work up exploration programs for its other 6 highly prospective gold areas in the Leonora-Laverton region.

**Waite Kauri Leonora Nickel/Cobalt Project**

Subsequent to balance date, Eagle Eye's Joint Venture partner at Waite Kauri, Poseidon Nickel Limited, advised that it is withdrawing from the Venture due to current commodity pricing, the project requiring an increased world price for nickel to become commercially viable.

In May 2007 the nickel price reached a high of US$54,200 per tonne, fell to a low of approx US$9,000 per tonne in late 2008, before recovering to its current price of US$20,115 per tonne..

The Waite Kauri Project is located 43km northeast of Leonora, Western Australia. It contains a JORC compliant Inferred Resource of **2.53 million tonnes averaging 0.7% nickel and 0.05% cobalt,** which equates to over

# *Directors' Report (cont.)*

**17,000 tonnes of contained nickel and 1,520 tonnes of cobalt**, calculated using a Surpac block model at a 0.5% Ni cut-off grade (refer to ASX announcement of 14 July 2008 for more detailed information).

The tenements are all registered 100% in Eagle Eye's name, and are in good standing, paving the way for future works to continue.

Given the substantial value of the nickel and cobalt resource defined so far, Eagle Eye considers that the Project is worth holding pending an improvement in the nickel price. Accordingly, the Company will retain the Project on a care and maintenance basis and compliance with the minimum statutory levels of expenditure.

Eagle Eye will seek a nickel industry partner to take up an interest in the Project, preferably on a Joint Venture basis as a medium term prospect that may prove of considerable value as the nickel price improves.

**FINANCIAL RESULTS**

For the half-year the Company recorded a net loss after tax from operating and exploration activities of $173,469 (2008: $412,719). On the positive side, fair value movements in the value of financial assets produced a net Reserves gain of $179,724 (2008: $nil), resulting in total Comprehensive Income of $6,255 (2008: loss $412,719).

This result was after receiving interest on cash deposits of $21,493 (2008: $89,740) and commission received of $39,800 (2008: $nil).

Exploration expenditure capitalised amounted to $118,656 (2008: $183,642).

**ASSETS POSITION AND NET TANGIBLE ASSET BACKING (EXCLUDING CAPITALISED EXPLORATION EXPENDITURE) PER SHARE**

At 31 December 2009 the Company was in a sound financial position, with negligible debt and net cash and cashable assets representing 4.9 cents per issued share. In addition, all exploration projects are owned outright.

**CHANGES IN THE STATE OF AFFAIRS**

There were no significant changes in the state of affairs of the Company during the half-year under review.

**SUBSEQUENT EVENTS**

Other than as referred to in this Directors' Report, no significant events subsequent to the end of the half-year under review have occurred.

# *Directors' Report (cont.)*

**AUDITOR'S INDEPENDENCE DECLARATION**

The Auditor's Independence Declaration is set out on page 7 and forms part of the Directors' Report for the half-year ended 31 December 2009.

**SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS OF EAGLE EYE METALS LIMITED**

**WAYNE RYDER**
**DIRECTOR**

Dated at West Perth this 12th day of March 2010

Grant Thornton

10 Kings Park Road
West Perth WA 6005
PO BOX 570
West Perth WA 6872

T +61 8 9480 2000
F +61 8 9322 7787
E admin@gtwa.com.au
W www.grantthornton.com.au

## Auditor's Independence Declaration
## To the Directors of Eagle Eye Metals Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Eagle Eye Metals Limited for the half-year ended 31 December 2009, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

b no contraventions of any applicable code of professional conduct in relation to the review.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

J W Vibert
Director – Audit & Assurance Services

Perth, 12 March 2010

# *Condensed Statement of Comprehensive Income*

**FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

| | 31 Dec 2009 $ | 31 Dec 2008 $ |
|---|---|---|
| **INCOME** | | |
| Interest received | 21,493 | 89,740 |
| Commission received | 39,800 | - |
| **TOTAL INCOME** | **61,293** | **89,740** |
| **EXPENSES** | | |
| Salaries and superannuation | 90,000 | 90,000 |
| Accounting, management, consulting fees | 62,845 | 53,874 |
| Audit fees | 5,625 | 9,235 |
| Depreciation and fixed assets written off | 2,752 | 3,385 |
| ASX listing fees | 11,893 | 20,106 |
| Office rent | 26,727 | 25,636 |
| Other administration expenses | 68,521 | 75,223 |
| Exploration expenditure written off | 43,424 | 70,000 |
| Impairment of financial assets | - | 155,000 |
| **TOTAL EXPENSES** | **311,787** | **502,459** |
| **NET LOSS BEFORE INCOME TAX** | **(250,494)** | **(412,719)** |
| **INCOME TAX BENEFIT** | 77,025 | **-** |
| **LOSS AFTER INCOME TAX** | **(173,469)** | **(412,719)** |
| **OTHER COMPREHENSIVE INCOME** | | |
| Fair value movements in financial assets | 256,749 | **-** |
| Income tax relating to components of other comprehensive income | (77,025) | **-** |
| **OTHER COMPREHENSIVE INCOME FOR THE PERIOD** | **179,724** | **-** |
| **TOTAL COMPREHENSIVE INCOME/(LOSS)** | **6,255** | **(412,719)** |
| **Earnings per share for loss attributable to ordinary equity holders:** | | |
| Basic earnings per share | (0.004) | (0.009) |
| Diluted earnings per share | (0.004) | (0.009) |

*The condensed statement of comprehensive income is to be read in conjunction with the notes to the condensed half-year financial report.*

# *Condensed Statement of Financial Position*

**AS AT 31 DECEMBER 2009**

| | Note | 31 Dec 2009 $ | 30 Jun 2009 $ |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | | 545,597 | 2,205,312 |
| Other current assets | | 255,037 | 24,439 |
| **Total Current Assets** | | **800,634** | **2,229,751** |
| **Non-Current Assets** | | | |
| Financial assets | 4 | 1,393,000 | 91,250 |
| Property, plant and equipment | | 12,110 | 7,676 |
| Mining tenements and exploration costs | 5 | 1,934,439 | 1,815,783 |
| Deferred Tax Asset | | 77,025 | - |
| **Total Non-Current Assets** | | **3,416,574** | **1,914,709** |
| **TOTAL ASSETS** | | **4,217,208** | **4,144,460** |
| **LIABILITIES** | | | |
| **Current Liabilities** | | | |
| Trade and other payables | | 43,025 | 53,557 |
| **Total Current Liabilities** | | **43,025** | **53,557** |
| **Non-Current Liabilities** | | | |
| Deferred Tax Liabilities | | 77,025 | - |
| **Total Non-Current Liabilities** | | **77,025** | - |
| **TOTAL LIABILITIES** | | **120,050** | **53,557** |
| **NET ASSETS** | | **4,097,158** | **4,090,903** |
| **EQUITY** | | | |
| Issued capital | | 5,499,754 | 5,499,754 |
| Reserves | | 223,724 | 44,000 |
| Accumulated losses | | (1,626,320) | (1,452,851) |
| **TOTAL EQUITY** | | **4,097,158** | **4,090,903** |

*The condensed statement of financial position is to be read in conjunction with the notes to the condensed half-year financial report.*

# *Condensed Statement of Changes in Equity*

**FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

| | Ordinary Share Capital $ | Accumulated Losses $ | Financial Assets Reserve $ | Options Reserve $ | Total $ |
|---|---|---|---|---|---|
| **Balance at 1 July 2008** | **5,499,754** | **(795,683)** | **-** | **-** | **4,704,071** |
| Comprehensive income/(loss) | - | (412,719) | | - | (412,719) |
| **Subtotal** | **5,499,754** | **(1,208,402)** | **-** | **-** | **4,291,352** |
| Options reserve | - | - | | 44,000 | 44,000 |
| **Balance at 31 December 2008** | **5,499,754** | **(1,208,402)** | | **44,000** | **4,335,352** |
| **Balance at 30 June 2009** | **5,499,754** | **(1,452,851)** | | **44,000** | **4,090,903** |
| Comprehensive income/(loss) | - | (173,469) | 256,749 | - | 83,280 |
| Income tax relating to components of other comprehensive income | - | - | (77,025) | - | (77,025) |
| **Subtotal** | **5,499,754** | **(1,626,320)** | **179,724** | **44,000** | **4,097,158** |
| Options reserve | - | - | - | - | - |
| **Balance at 31 December 2009** | **5,499,754** | **(1,626,320)** | **179,724** | **44,000** | **4,097,158** |

*The condensed statement of changes in equity is to be read in conjunction with the notes to the condensed half-year financial report.*

# *Condensed Statement of Cashflows*

**FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

| | 31 Dec 2009 $ | 31 Dec 2008 $ |
|---|---|---|
| **Cash flows from operating activities** | | |
| Interest received | 21,493 | 89,740 |
| Payments to suppliers and employees | (261,942) | (316,927) |
| **Cash flows (used in) operating activities** | **(240,449)** | **(227,187)** |
| **Cash flows from investing activities** | | |
| Exploration and Tenement Costs | (162,081) | (209,642) |
| Purchases of property, plant and equipment | (7,185) | (4,005) |
| Purchases of financial assets | (50,000) | - |
| **Cash flows (used in) investing activities** | **(219,266)** | **(213,647)** |
| **Cash flows from financing activities** | | |
| Loans provided to related parties | (1,670,000) | - |
| Loans repaid by related parties | 470,000 | - |
| Cash flows (used in) financing activities | **(1,200,000)** | - |
| **Net (decrease) in cash and cash equivalents** | **(1,659,715)** | **(440,834)** |
| Cash and cash equivalents at the beginning of the half-year | 2,205,312 | 3,034,678 |
| **Cash and cash equivalents at the end of the half-year** | **545,597** | **2,593,844** |

*The condensed statement of cashflows is to be read in conjunction with the notes to the condensed half-year financial report.*

# *Notes to the Condensed Financial Report*

**FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

## 1. BASIS OF PREPARATION

These general purpose financial statements for the interim half-year reporting period ended 31 December 2009 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standards including AASB 134: Interim Financial Reporting. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Eagle Eye Metals Limited ("the Company"). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Company. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Company for the year ended 30 June 2009, together with any public announcements made during the half-year.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements except for the adoption of the following new and revised Accounting Standards.

**Accounting Standards not previously applied**

The Company has adopted the following new and revised Australian Accounting Standards issued by the AASB which are mandatory to apply to the current interim period. Disclosures required by these Standards that are deemed material have been included in this financial report on the basis that they represent a significant change in information from that previously made available.

*Presentation of Financial Statements*

AASB 101 prescribes the contents and structure of the financial statements. Changes reflected in this financial report include:

- the replacement of income statement with statement of comprehensive income. Items of income and expense not recognised in profit or loss are now disclosed as components of 'other comprehensive income'. In this regard, such items are no longer reflected as equity movements in the statement of changes in equity;
- the adoption of the separate income statement/single statement approach to the presentation of the statement of comprehensive income;
- other financial statements are renamed in accordance with the Standard; and
- presentation of a third statement of financial position as at the beginning of a comparative financial year where relevant amounts have been affected by a retrospective change in accounting policy or material reclassification of items.

*Operating Segments*

From 1 July 2009, operating segments are identified and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by, the Company's chief operating decision maker which, for the Company, is the Board of Directors. In this regard, such information is provided using different measures to those used in preparing the statement of comprehensive income and statement of financial position.

Reconciliations of such management information to the statutory information contained in the interim financial report have been included.

As a result of the adoption of the revised AASB 8, certain cash-generating units have been redefined having regard to the requirements in AASB 136: Impairment of Assets.

# *Notes to the Condensed Financial Report*

**FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

*Business Combinations and Consolidation Procedures*

Revised AASB 3 is applicable prospectively from 1 July 2009. Changes introduced by this Standard, or as a consequence of amendments to other Standards relating to business combinations which are expected to affect the Company, include the following:

- All business combinations, including those involving entities under common control, are accounted for by applying the acquisition method which prohibits the recognition of contingent liabilities of the acquiree at acquisition date that do not meet the definition of a liability. Costs incurred that relate to the business combination are expensed instead of comprising part of the goodwill acquired on consolidation. Changes in the fair value of contingent consideration payable are not regarded as measurement period adjustments and are recognised through profit or loss unless the change relates to circumstances which existed at acquisition date.
- Unrecognised deferred tax assets of the acquiree may be subsequently realised within 12 months of acquisition date on the basis of facts and circumstances existing at acquisition date with a consequential reduction in goodwill. All other deferred tax assets subsequently recognised are accounted for through profit or loss.
- The proportionate interest in losses attributable to non-controlling interests is assigned to non-controlling interests irrespective of whether this results in a deficit balance. Previously, losses causing a deficit to non-controlling interests were allocated to the parent entity.
- If the Company holds less than 100% of the equity interests in an acquiree and the business combination results in goodwill being recognised, the Company can elect to measure the non-controlling interest in the acquiree either at fair value ('full goodwill method') or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets ('proportionate interest method'). The Company elects which method to adopt for each acquisition.
- Where control of a subsidiary is lost, the balance of the remaining investment account shall be remeasured to fair value at the date that control is lost.

*Revenue Recognition*

Dividends received from a subsidiary, joint venture or associate shall be recognised as dividend revenue in the profit or loss irrespective of whether such dividends may have been paid out of pre-acquisition profits. Previously, such dividends were treated as a return of capital invested. Such dividends may be an indicator of impairment where the carrying amount of the investment exceeds the consolidated net assets relating to that investment or where the dividend exceeds the total comprehensive income of the respective investee in the period the dividend is declared.

# *Notes to the Condensed Financial Report*
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

**2. GOING CONCERN**

The financial statements for the half-year have been prepared on the basis of going concern, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

During the half-year the Company incurred an operating loss of $173,469. Net cash outflow from operations was $240,449.

The Directors consider the basis of going concern to be appropriate for the following reasons:

1. The Company has, since listing on ASX in late 2006, operated on a program of income and expenditure designed to ensure that there are at all times sufficient cash funds in hand to continue operations for the foreseeable future, whilst at the same time developing the exploration of its mineral exploration projects in an effective manner.
2. Exploration efficiency has been achieved by focus upon the Company's gold and nickel projects in a prioritised manner, rather than by a blanket method, and by joint venturing out projects after the Company producing initial positive exploration results, so as to conserve funds whilst at the same time maintaining active exploration programs.
3. The Company's exploration projects are all located in the major gold and base metals mining Kalgoorlie/Leonora/Laverton region of Western Australia, where excellent infrastructure exists, enabling efficient and cost effective exploration.
4. With a relatively small issued capital, almost no debt, and by owning its investments in other public companies and all of its prospective exploration projects outright, the Company has the ability to raise funds via equity financing or other financial arrangements in relation to its mining industry assets.
5. The Company has, at balance date, $545,597 in cash and $1,393,000 of shares in companies which are either listed on ASX or are in the process of being listed. Should the need arise for further funding, these investments will be realised.
6. Since balance date the Company has improved its cash position by receiving repayment of loans to public companies and payments for corporate advisory services rendered.
7. There exists a high likelihood that the Company's financial assets will increase substantially in value in the short term.

Based simply on the Company's reduced cash position at balance date as a result of it making investments in other mining companies during the half-year, the Directors recognise that this represents a material uncertainty as to the Company's ability to continue as a going concern.

However, by taking to account these above opportunities and post balance date factors, the Directors are confident that the Company has adequate resources to continue in operational existence for the foreseeable future.

# *Notes to the Condensed Financial Report (cont.)*

**FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

## 3. SEGMENT REPORTING

The Company has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Company is managed on the basis that it is a mineral exploration company operating in the geographical region of Australia. The mineral assets held via outright ownership or joint venture are considered one business segment, and the minerals currently being targeted include gold and nickel in Western Australia.

## 4. FINANCIAL ASSETS

| | 31 Dec 2009<br>$ | 30 Jun 2009<br>$ |
|---|---|---|
| Available for Sale financial assets consist of the following: | | |
| Listed investments, at fair value (a) | 270,000 | 91,250 |
| Unlisted investments, at fair value (b) | 1,123,000 | - |
| | 1,393,000 | 91,250 |

(a) The fair value of listed shares has been determined directly by reference to published price quotations in an active market.

(b) During the period, the Company advanced funds of $1,670,000 to an unlisted public Company Aphrodite Gold Limited (a company of which Wayne Ryder and Warren Staude are Directors). During the period a total of $470,000 was repaid. A further, $995,000 of this advance was converted to seed capital shares in Aphrodite Gold Limited. The Company also acquired a further 2,000,000 Shares and 1,000,000 Options (refer note 7) in Aphrodite Gold Limited.

The securities in (a) and (b) above have been classified as available for sale financial assets and the fair value movement $256,749 has been recognised in the condensed statement of comprehensive income.

## 5. EXPENDITURE COMMITMENTS

The Company has certain obligations to perform minimum exploration work and to expend minimum amounts of money on such work on mining tenements. These obligations may be varied from time to time subject to approval and are expected to be fulfilled in the normal course of the operations of the Company. The estimated amount of these commitments at 31 December 2009 to 30 June 2010 is $235,000.

Of the $1,934,439 currently recognised as capitalised mining tenements and exploration costs, $833,043 relates to expenditure incurred on the White Kauri nickel/cobalt Project. In 2008 the Company entered into a Joint Venture/Farm-in agreement with Poseidon Nickel Limited over Waite Kauri. Under the terms of the Joint Venture/Farm-in agreement the Company had no expenditure commitments until and unless Poseidon spent $500,000 on the further exploration and development. Poseidon had until 24 October 2009 to spend the first

$50,000, at which time the title to the tenements, but excluding the ore resource, would have been transferred to them. To earn their 80% interest in the ore resource Poseidon would have then been required to spend a further $450,000 on the Project. Subsequent to balance date Poseidon advised that it is withdrawing from the Joint Venture due to current commodity pricing, the project requiring an increased world price for nickel to become commercially viable.

# *Notes to the Condensed Financial Report (cont.)*

**FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

In accordance with the terms of the Joint Venture, the tenements remain registered in Eagle Eye's name, and now with Poseidon withdrawing a 100% interest therein reverts to the Company.

Given the substantial value of the nickel and cobalt resource defined so far, Eagle Eye considers that the Project is worth holding pending an improvement in the nickel price. Accordingly, the Company will retain the Project on a care and maintenance basis and compliance with the minimum statutory levels of expenditure. The Company will seek a nickel industry partner to take up an interest in the Project, preferably on a Joint Venture basis as a medium term prospect that may prove of considerable value as the nickel price improves.

The Directors' assessment of the carrying amount of the mining tenements and exploration costs of all its exploration Projects was based on consideration of prevailing market conditions; previous expenditure carried out on the tenements; and the potential for mineralisation based on both the entity's and independent geologists' reports. The ultimate value of these assets is dependent upon recoupment by commercial development or the sale of the whole, or part, of the Company's interests in those areas for an amount at least equal to the carrying value.

**5. CONTINGENT LIABILITY**

There has been no material change to contingent liabilities since the last reporting date.

**6. EVENTS SUBSEQUENT TO REPORTING DATE**

Other than as referred to in the Directors' Report no matters or circumstances have arisen since the end of the half-year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company.

**7. RELATED PARTIES**

Transactions between related parties are on normal commercial terms and conditions, no more favourable than those available to other parties unless otherwise stated. Transactions with related parties for the half-year were:-

i) Salary, superannuation, accounting and secretarial fees paid to Wayne Ryder and entities associated with him amounting to $135,000. (31 December 2008: $127,500).

ii) Consultancy fees paid to Warren Staude and entities associated with him amounting to $30,000 (31 December 2008: $15,000).

iii) Tenement maintenance service fees paid to Garry Plowright and entities associated with him amounting to $30,000 (31 December 2008: $30,000).

iv) A total of $1,670,000 was advanced to Aphrodite Gold Limited during the period (a Company of which Warren Staude and Wayne Ryder are both Directors of). During the period $995,000 of this advance was converted to shares in Aphrodite Gold Limited (refer note 4). As at 31 December 2009, $205,000 of the advance remained outstanding. This amount has been subsequently received.

v) The Company also acquired a further 2,000,000 Shares and 1,000,000 Options in Aphrodite Gold Limited during the period. (Refer to note 4).

# *Directors' Declaration*

In the opinion of the Directors of Eagle Eye Metals Limited:

1. the financial statements and notes, as set out on pages 8 to 16, are in accordance with the Corporations Act 2001 including:

   (a) giving a true and fair view of the financial position of the Company as at 31 December 2009 and of its performance, as represented by the results of its operations and cash flows for the half-year ended on that date; and

   (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporation Regulations 2001; and

2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a Resolution of the Directors.

**WAYNE RYDER**
**DIRECTOR**

Dated at West Perth this 12th day of March 2010

Grant Thornton

10 Kings Park Road
West Perth WA 6005
PO BOX 570
West Perth WA 6872

T +61 8 9480 2000
F +61 8 9322 7787
E admin@gtwa.com.au
W www.grantthornton.com.au

## Independent Auditor's Review Report
## To the Members of Eagle Eye Metals Limited

We have reviewed the accompanying half-year financial report of Eagle Eye Metals Limited ("Company"), which comprises the financial statements being the condensed statement of financial position as at 31 December 2009, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration.

### Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year 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.

### Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410: Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the Company's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Eagle Eye Metals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Independence**

In conducting our review, we complied with the independence requirements of the Corporations Act 2001.

**Conclusion**

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Eagle Eye Metals Limited is not in accordance with the Corporations Act 2001, including:

a giving a true and fair view of the Company's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and

b complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

**Material uncertainty regarding continuation as a going concern**

Without qualification to the conclusion expressed above, we draw attention to Note 2 in the financial statements which indicates that the Company incurred a net loss of $173,469 during the half-year ended 31 December 2009. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern and therefore the Company may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.

Grant Thornton Audit Pty Ltd

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

J W Vibert
Director – Audit & Assurance Services

Perth, 12 March 2010