



EAGLE EYE

Metals Limited

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27 October 2008

The Company Announcements Office
Australian Securities Exchange Limited

QUARTERLY ACTIVITIES REPORT TO 30 SEPTEMBER 2008

With the Waite Kauri nickel/cobalt project near Leonora, WA now under a free carried Joint Venture with Poseidon Nickel Limited, the Company's exploration focus during the quarter shifted to our most prospective gold projects in the same region.

As outlined in the following Consulting Geologist's report, our highly prospective gold exploration projects at Apollo Hill, Leonora East, Mertondale and Randwick are now the centres of attention, with work programmes being worked up for implementation.

Eagle Eye's management continues to watch expenditure carefully to maintain a relatively healthy cash position, vitally important in these difficult economic times. This prudent expenditure policy that we adopted from the outset since listing on ASX in December 2006, combined with a small share capital structure, is seeing the Company being offered opportunities to acquire highly appealing substantial mining projects in Australia and overseas.

We are discussing and negotiating possible acquisitions with vendors on the basis that any particular major project determined as well worthwhile is only to be invested in with the approval of our Shareholders. In addition, we are only considering acquisitions where the predominant consideration is Shares in Eagle Eye and not cash.

CONSULTING GEOLOGIST'S REPORT BY ROCWORTH CONSULTING

Highlights

- Initial metallurgical testing of Waite Kauri nickel/cobalt ore underway.
- Continuation of neighbouring gold mineralisation interpreted in Apollo Hill tenement.
- Extensions of historic gold mineralisation inferred within Leonora East project.
- Potential gold mineralisation within Mertondale and Randwick projects identified by new aeromagnetic interpretation.

Waite Kauri nickel/cobalt Joint Venture

Development of Eagle Eye's Waite Kauri nickel/cobalt project continued to progress this quarter with the Joint Venture partner, Poseidon Nickel Ltd, shipping a bulk laterite sample from the project area to the laboratories of SGS for acid bottle roll testing. The purpose of such a test was to ascertain the suitability of the ore for sulphuric acid heap leaching and the optimal mining and processing parameters. A report on this metallurgical test work is expected to be available towards the end of this year.

Apollo Hill gold project

Eagle Eye's Apollo Hill project is the immediate southern extension of a known zone of high-grade gold mineralisation. Analysis of this project area, as part of the broader geophysical target review conducted this quarter, confirmed the regional shear that hosts the gold mineralisation in the adjoining tenements continues across the entire length of the company's Apollo Hill project area. Consequently, this project offers Eagle Eye a genuine gold target.

A Reverse Circulation (RC) drill programme was subsequently designed to test the strike extension of the neighbouring gold mineralisation within Eagle Eye's project area and is scheduled to commence in early 2009.

Leonora East gold and base metals project

Covering 17 kilometres of the highly prospective Keith-Kilkenny Tectonic Zone including the historical gold production mining centres of *Flying Pig*, *Harriston* and *Chance*, the Leonora East gold and base metal project remains a high priority for Eagle Eye.

During this quarter, Eagle Eye Metals undertook a complete review of the project area's drilling database and, together with an enhanced aeromagnetic interpretation of the region, developed a focussed RC drill programme designed to test the depth and strike extents of known gold occurrences. This Leonora East drill programme is currently scheduled to commence in early 2009.

All exploration areas – geophysical target review

The landscape of Eagle Eye's tenements is typical of the north-eastern Goldfields in that the majority of the area is blanketed by alluvial/colluvial sediments. These younger transported sediments limit the effectiveness of soil sampling programmes across many parts of the Goldfields, including a significant percentage of Eagle Eye's tenements as the material that comprises the alluvial/colluvial sediments are usually not representative of the underlying bedrock. Mineralisation that may, therefore, be present within a project area are unlikely to be detected by surface sampling techniques.

Recognising this issue, during this quarter Eagle Eye commissioned a comprehensive review and re-interpretation of the publically available aeromagnetic data over the company's entire tenement holding. The purpose of this review was to identify geophysical signatures that may, either directly or indirectly, indicate the presence of mineralisation under cover.

The resulting geophysical review identified two new and untested areas of potential gold mineralisation within Eagle Eye's landholdings, and confirmed the current high priority status for the Company's Leonora East project. The new target regions, namely the north-eastern area within the Mertondale project and the central region of the Randwick project, are expected to be the focus of future work with a programme of work (and associated budget) currently being prepared.

Rocworth Consulting

Benjamin Bell

BSc, MMET, MBA

The Company's Appendix 5B Financial Statements for the quarter follow.

Shareholders and investors queries are welcome at the contact details below.

Yours sincerely

Wayne Ryder

Executive Chairman

Competent Person Declaration

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Benjamin Bell of Rocworth Consulting, who is a member of The Australian Institute of Geoscientist. Mr Bell has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration, Mineral Resources and Ore Reserves". He consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

For further information please contact:

Wayne Ryder, Executive Chairman

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Or consult Eagle Eye's web site www.eagleymetals.com

ASX SHARE CODE: EYE

ASX OPTIONS CODE: EYEO

Appendix 5B

Mining exploration entity quarterly report

Name of entity

EAGLE EYE METALS LIMITED

ABN

11 113 931 105

Quarter ended ("current quarter")

30 SEPTEMBER 2008

Consolidated statement of cash flows

		Current quarter \$A'000	Year to date (3 months) \$A'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration and evaluation	(266)	(266)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(131)	(131)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	51	51
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	-	-
Net Operating Cash Flows		(346)	(346)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a)prospects	-	-
	(b)equity investments	-	-
	(c) other fixed assets	(3)	(3)
1.9	Proceeds from sale of: (a)prospects	-	-
	(b)equity investments	-	-
	(c)other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other	-	-
Net investing cash flows		(3)	(3)
1.13	Total operating and investing cash flows (carried forward)	(349)	(349)

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1.13	Total operating and investing cash flows (brought forward)	(349)	(349)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	44	44
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other – share issue expenses/refunds	-	-
	Net financing cash flows	44	44
	Net increase (decrease) in cash held	(305)	(305)
1.20	Cash at beginning of quarter/year to date	3,039	3,039
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	2,734	2,734

Payments to directors of the entity and associates of the directors

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

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	103
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Item 1.2 includes aggregates amounts paid to directors including directors fees, consulting fees and superannuation payments

Non-cash financing and investing activities

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

Nil

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

Nil

Financing facilities available

Add notes as necessary for an understanding of the position.

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

Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	150
4.2	Development	-
Total		150

Reconciliation of cash

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

	Current quarter \$A'000	Previous quarter \$A'000
5.1	24	30
5.2	2,700	3,000
5.3	-	-
5.4	10	9
Total: cash at end of quarter (item 1.22)		3,039

Changes in interests in mining tenements

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

Issued and quoted securities at end of current quarter

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

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference + securities <i>(description)</i>				
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	+Ordinary securities	44,010,000	34,565,000		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5	+Convertible debt securities <i>(description)</i>				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	Options <i>(description and conversion factor)</i>	41,565,000	37,120,000	<i>Exercise price</i> 20 cents	<i>Expiry date</i> 30 June 2010
7.8	Issued during quarter	4,000,000	4,000,000	20 cents	30 June 2010
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	Debentures <i>(totals only)</i>				
7.12	Unsecured notes <i>(totals only)</i>				

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Compliance statement

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



Sign here:

Date: 27 October 2008

(Director/Company Secretary)

Print name: **WAYNE RYDER.**

Notes

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

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