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29 January 2010

The Company Announcements Office
Australian Securities Exchange Limited

QUARTERLY ACTIVITIES REPORT TO 31 DECEMBER 2009

HIGHLIGHTS

- *Eagle Eye progresses its intention to acquire a 20% interest in the advanced Aphrodite gold project near Kalgoorlie WA.*
- *Eagle Eye sponsored new Initial Public Offering Aphrodite Gold Limited moves forward.*
- *Plans for follow up development following positive drilling results from the Company's Erlistoun gold project north of Laverton WA.*

APHRODITE GOLD PROJECT

On 28 September 2009 Eagle Eye announced that it is to be granted an Option over 20% of the Aphrodite gold project being acquired for \$7.2 million from Apex Minerals NL ("Apex") by newly formed Aphrodite Gold Limited ("AGL").

Eagle Eye is pleased to advise that AGL, on the back of an oversubscribed \$6.5 million seed capital raising, has completed the acquisition and has drafted a formal Option Agreement for Eagle Eye's consideration. Eagle Eye envisages no problems with the Agreement and will advise Shareholders as soon as it is executed by the parties. 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.

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.

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

Coffey Mining are now well advanced with their reporting program, and expect to complete it by early February 2010, enabling completion and release of AGL's Prospectus by late February - early March 2010.

Eagle Eye is a major sponsor of the AGL Float, is the largest Shareholder and has two of its Directors on their Board, Chairman Warren Staude and Finance Director Wayne Ryder.

EXPLORATION REPORT

Erlistoun Gold Project

On 24 November 2009 Eagle Eye announced positive results from its initial drilling program at the Erlistoun Gold Project, 65kms north of Laverton WA in the Duketon Greenstone Belt.

Following this announcement 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 offered to work with Eagle Eye in planning and implementing future 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. The program consisted of 37 angled air core holes (total 1091 metres) covering 100 and 400 metre strike lengths of the prospective units in the northern and southern areas respectively.

Both areas returned gold mineralisation which appears to be associated with quartz veining. 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.

Drilling results were encouraging, with mineralisation present 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.

A follow-up drill program is scheduled for the coming months. 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.

Significant results (greater than 0.5 g/t gold) from the drill program included:

| Hole ID | Easting (m) | Northing (m) | From (m) | To (m) | Result (metres@g/t gold) |
|---------|-------------|--------------|----------|--------|--------------------------|
| ERAC003 | 433400 | 6899230 | 13 | 14 | 1m @ 0.60 |
| | | | 19 | 21 | 2m @ 0.50 |
| | | | 23 | 25 | 2m @ 0.58 |
| ERAC004 | 443450 | 6899230 | 7 | 8 | 1m @ 0.51 |
| | | | 13 | 14 | 1m @ 0.54 |
| ERAC009 | 433400 | 6899180 | 11 | 12 | 1m @ 0.57 |
| ERAC016 | 433450 | 6899130 | 27 | 28 | 1m @ 0.55 |
| ERAC019 | 434200 | 6896100 | 36 | 37 | 1m @ 1.10 |
| ERAC022 | 434150 | 6896185 | 14 | 15 | 1m @ 0.54 |
| ERAC031 | 434150 | 6896425 | 27 | 28 | 1m @ 0.99 |

Note: Coordinates in GDA94 Zone 51. Samples assayed by Aurum Laboratories, Perth, to a 0.01ppm Au detection level following aqua regia digest. All holes drilled at a 60 degree declination on a 270 degree azimuth.

Waite Kauri Leonora Nickel/Cobalt Joint Venture Project with Poseidon Nickel Limited

The Waite Kauri JV Project (Poseidon Nickel earning 80% from Eagle Eye) is located 43km northeast of Leonora, Western Australia. The project area contains a JORC compliant Inferred Resource of **2.53 million tonnes averaging 0.7% nickel and 0.05% cobalt** (refer to ASX announcement 24 July 2008).

No field work was conducted during the quarter. Poseidon Nickel continued their appraisal of this project.


FINANCIAL REPORT

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

Cash funds were significantly reduced as a result of a \$1,000,000 cash investment into the seed capital securities of gold developer AGL plus a cash loan of \$200,000 to fund their initial start up costs and seed capital fund raising expenses. The loan has been fully repaid in cash by AGL since quarter's end.

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 Leon Reigys of Townshend Mining Pty Ltd, who is a fellow of The Australasian Institute of Mining and Metallurgy (AusIMM) and a member of The Australian Institute of Geoscientists(AIG). Mr Reigys 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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Web site

www.eagleyemetals.com

ASX SHARE CODE: EYE
ASX OPTIONS CODE: EYEO

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

EAGLE EYE METALS LIMITED

ABN

11 113 931 105

Quarter ended ("current quarter")

31 DECEMBER 2009

Consolidated statement of cash flows

| | Current quarter \$A'000 | Year to date (6 months) \$A'000 |
|---|----------------------------|---------------------------------------|
| Cash flows related to operating activities | | |
| 1.1 Receipts from product sales and related debtors | - | - |
| 1.2 Payments for: | | |
| (a) exploration and evaluation | (89) | (256) |
| (b) development | - | - |
| (c) production | - | - |
| (d) administration | (100) | (205) |
| 1.3 Dividends received | - | - |
| 1.4 Interest and other items of a similar nature received | 15 | 21 |
| 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 | (174) | (440) |
| Cash flows related to investing activities | | |
| 1.8 Payment for purchases of: | | |
| (a) prospects | - | - |
| (b) equity investments | (1,000) | (1,000) |
| (c) other fixed assets | - | (8) |
| 1.9 Proceeds from sale of: | | |
| (a) prospects | - | - |
| (b) equity investments | - | - |
| (c) other fixed assets | - | - |
| 1.10 Loans to other entities | (200) | (215) |
| 1.11 Loans repaid by other entities | 15 | 15 |
| 1.12 Other | - | - |
| Net investing cash flows | (1,185) | (1,208) |
| 1.13 Total operating and investing cash flows (carried forward) | (1,359) | (1,648) |

| | | | |
|------|--|------------|------------|
| 1.13 | Total operating and investing cash flows (brought forward) | (1,359) | (1,648) |
| | Cash flows related to financing activities | | |
| 1.14 | Proceeds from issues of shares, options, etc. | - | - |
| 1.15 | Proceeds from sale of forfeited shares | - | - |
| 1.16 | Proceeds from borrowings | - | - |
| 1.17 | Repayment of borrowings | - | - |
| 1.18 | Dividends paid | - | - |
| 1.19 | Other – share issue expenses/refunds | - | - |
| | Net financing cash flows | - | - |
| | Net increase (decrease) in cash held | (1,359) | (1,648) |
| 1.20 | Cash at beginning of quarter/year to date | 1,904 | 2,193 |
| 1.21 | Exchange rate adjustments to item 1.20 | - | - |
| 1.22 | Cash at end of quarter | 545 | 545 |

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 | 75 |
| 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 | 110 |
| 4.2 Development | - |
| Total | 110 |

Reconciliation of cash

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

| | Current quarter \$A'000 | Previous quarter \$A'000 |
|--|----------------------------|-----------------------------|
| 5.1 Cash on hand and at bank | 40 | 24 |
| 5.2 Deposits at call | 500 | 1,875 |
| 5.3 Bank overdraft | - | - |
| 5.4 Other – Security Deposits/Debit Card | 5 | 5 |
| Total: cash at end of quarter (item 1.22) | 545 | 1,904 |

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 | 44,010,000 | | |
| 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 | 41,565,000 | <i>Exercise price</i> 20 cents | <i>Expiry date</i> 30 June 2010 |
| 7.8 Issued during quarter | | | | |
| 7.9 Exercised during quarter | | | | |
| 7.10 Expired during quarter | | | | |
| 7.11 Debentures <i>(totals only)</i> | | | | |
| 7.12 Unsecured notes <i>(totals only)</i> | | | | |

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations 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: 29 January 2010

(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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