

United States
Securities and Exchange Commission
Washington D.C. 20549

FORM 10-KSB

Annual Report Pursuant to Section 13 or 15(d) of
The Securities Exchange Act of 1934

(Mark one)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the fiscal year ended June 30, 2005 or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____
Commission File Number 0-16097

BAY RESOURCES LTD.

(Exact name of Registrant as specified in its charter)

Delaware 98-0079697
(State or other jurisdiction of (IRS Employer
incorporation or organisation) Identification No.)
Level 8, 580 St Kilda Road Melbourne, Victoria, 3004, Australia
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code 011 (613) 8532 2860

Securities registered pursuant to Section 12 (b) of the Act:

Title of each class	Name of each exchange on which registered
<u>N/A</u>	<u>N/A</u>

Securities registered pursuant to Section 12(g) of the Act:

Common stock, par value \$.0001 per share
(Title of Class)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by
Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months
(or for such shorter period that the Registrant was required to file such reports), and (2) has
been subject to such filing requirements the past 90 days.

Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K
is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in
definitive proxy or information statements incorporated by reference in Part III of this Form 10-
KSB or any amendment to this Form 10-KSB.

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2
of the Act)

Yes No

State Issuer's Revenues for its most recent fiscal year.

None

The aggregate market value based on the average bid and asked price on the over-the-counter market of the Registrant's common stock, ("Common Stock") held by non-affiliates of the Company was US\$5,324,902 as at June 30, 2005.

There were 16,711,630 outstanding shares of Common Stock as of September 22, 2005.

DOCUMENTS INCORPORATED BY REFERENCE

Not Applicable

Transitional Small Business Issuer Yes:____ No: **X**

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PART I

Item 1 Business

General

Our name is Bay Resources Ltd. and we sometimes refer to ourselves in this annual report as “Bay Resources”, the “Company” or as “we,” “our,” or “us.” We are an exploration stage mining company. Our objective is to exploit our interest in the mineral claims in Nunavut, Canada which are in the Committee Bay Greenstone Belt and in the Slave Craton. Our principal exploration target is for gold and we are seeking to determine whether adequate gold reserves are present on the property covered by our claims to develop an operating mine. We are in the initial stages of our exploration program and have not yet identified any ore reserves.

We hold the interest in the Slave Craton and our wholly owned subsidiary named “Golden Bull Resources Corporation” (formerly 4075251 Canada Inc.) holds the interests in the Committee Bay Greenstone Belt. Our wholly-owned subsidiary is referred to in this annual report as ‘Golden Bull.’

We sometimes refer to our claims collectively in this annual report as either the “Committee Bay Properties” or the “Slave Properties”. Our claims are registered in the Mining Records Office in the Mining District of Nunavut and give us the right to explore and mine minerals from the property covered by the claims.

We were incorporated in the State of Delaware on February 1, 1973. We commenced our mineral exploration activities in 2002. Prior thereto, we were engaged in a number of other business activities that have been discontinued. Our executive offices are at Level 8, 580 St. Kilda Road, Melbourne, Victoria 3004 Australia and we have an office at 1 Yonge Street, Suite 1801, Toronto, Ontario M5E 1W7, Canada. Our website location is www.bayresourcesltd.com and you can send an email to us at peter@bayresourcesltd.com. Our wholly owned subsidiary, Golden Bull, was incorporated on May 27, 2002 in the Province of Ontario, Canada and is licensed to do business in the Northwest Territories and Nunavut Canada.

Currency

We use the Australian dollar as our reporting currency, since we are headquartered in Australia and our administrative expenses are incurred in Australian dollars. References to dollars are to Australian dollars (A\$) unless otherwise indicated as being Canadian dollars (CDN\$) or United States dollars (US\$). As of September 20, 2005, the currency exchange rate was approximately US\$1.00 equals A\$1.30504, and US\$1.00 equals CDN \$1.17020, as published by Bloomberg at www.Bloomberg.com. For the convenience of the reader, the Australian Dollar figures for the year ended June 30, 2005 have been translated into United States Dollars (“US\$”) using the rate of exchange at June 30, 2005 of A\$1.00=US\$0.7620.

History of the Company

Our predecessor corporation, Bayou Oil, was incorporated under the laws of Minnesota in 1973 and since that time it had a number of activities that have been ceased.

On February 13, 1998, we incorporated a 100% owned subsidiary, Bayou Australia Pty Ltd, a corporation incorporated under the laws of Australia.

On June 29, 1999 we undertook a reverse stock split on a 1:20 basis and changed our Articles of Incorporation to amend the par value of our shares from US\$0.15 cents to US\$0.0001 cents per share. On September 27, 1999 we changed our name from Bayou International, Ltd to Baynet, Ltd.

In May 2000, we commenced work on the development of a B2B mining portal however, this is no longer proceeding as it was considered uneconomic.

On July 13, 2000 we changed the name of our subsidiary, Bayou Australia Pty Ltd to Baynex.com Pty Ltd. On August 21, 2000 we incorporated a new wholly owned subsidiary, Baynet International Pty Ltd, a corporation incorporated under the laws of Australia. In October 2000, it changed its name to Bay Resources (Asia) Pty Ltd.

During fiscal 2001, we conducted a due diligence review of St. Andrew Goldfields Ltd ("St. Andrew") with a view to taking a substantial investment in St. Andrew. Following the conclusion of the review, we decided not to proceed with the investment.

During the 2002 fiscal year we commenced our gold exploration business by:

- (i) entering into an agreement to explore for gold on Tahera's extensive property interests on the Slave Craton in northern Canada; and
- (ii) making application via Gold Bull, for properties in the highly prospective Committee Bay Greenstone Belt in Nunavut, Canada.

In October 2002 we entered into an agreement (via our wholly owned subsidiary Bay Resources (Asia) Pty Ltd) with the Tibet Bureau of Geology and Minerals Exploration Development, China to earn a minimum 51% interest in the Xigaze copper belt running in a 200 kilometer east-west trend either side of Lhasa. However, in February 2003 we decided to withdraw from these arrangements as a result of further hurdles being placed before us by the Chinese authorities that were not known at the time of entering into the agreement.

In April 2004, we raised US\$1,670,000 (A\$2,253,000) through a private placement, issued 1,753,984 shares of common stock and 1,753,984 warrants to repay all of our debt and commenced exploration on the Slave Craton and Committee Bay properties.

It is the policy of our Board of Directors that we will not engage in any activities which would subject us to registration and reporting requirements of the Investment Company Act of 1940.

Description Of Business

We are an exploration stage mining company. Our objective is to exploit our interest in the mineral claims in Nunavut, Canada. We hold interests in the Slave Craton and through our wholly owned subsidiary, Golden Bull Resources, in the Committee Bay

Greenstone Belt in Nunavut. Our principal exploration target is for gold and we are seeking to determine whether adequate gold reserves are present on the property covered by our claims to develop an operating mine. We are in the initial stages of our exploration programs and have not yet identified any ore reserves.

Slave Craton Project

During 2002, we reached an agreement with the Canadian company, Tahera Diamond Corporation, to explore for gold on Tahera's extensive properties on the Slave Craton in Nunavut, Canada. At that time, Tahera's Slave land package includes 177 claims and 11 Inuit Land Concessions covering approximately 471,000 acres. Tahera is a exploration company conducting diamond exploration in the northern Slave Craton and plans to bring its Jericho diamond pipe into production in late 2005. Tahera has put together an extensive database of geologic and geophysical information and does not wish to conduct exploration for gold and base metals. Under the agreement, they will allow us to use the database to explore for gold. We have agreed to pay them a two percent net smelter return royalty on any production from gold and base metals we discover having used Tahera's extensive database.

The Tahera data to which we have access, includes electromagnetic geophysical surveys, overburden and bedrock mapping, overburden sampling and drilling data. The overburden samples cover some 60,000 square kilometers of the northern Slave Craton with some 17,000 samples being potentially available for gold and base-metal analysis. The overburden samples have been taken on a reconnaissance scale with line intervals at 2.5–5.0 kilometers with some detailed surveys at 50-100 meter sample spacings. The samples cover areas of known gold mineralisation including in the vicinity of the Lupin and Ulu gold deposits.

We believe there are some exceptional gold targets on Tahera's ground; principally in the High Lake Volcanic Belt, and in the Contwoyto Formation near Lupin. In the High Lake Volcanic Belt, several high grade gold showings on the ground include surface samples of 24 grams per tonne ("gpt gold"), 130 gpt gold, 176 gpt gold, and 220 gpt gold, and drillhole intersections to 25.5 gpt gold / 1.54 meters. The target is silicified shear-hosted gold, similar to the 565,000 ounce ULU gold deposit which borders the Tahera ground.

Tahera's Jericho and Contwoyto properties lie in close proximity to the Lupin gold mine, which is a high grade, gold deposit of over three million ounces. We believe that there is significant potential for gold mineralization, similar to that found at Lupin, on Tahera's Jericho and Contwoyto properties. Previous work has revealed surface gold values of 11 gpt, 15 gpt, 21 gpt, and 28 gpt gold in Banded Iron Formation ("BIF"). The geology is very similar to the nearby Lupin gold mine (2-3 kilometers to the west) where gold mineralization is in a "Z" folded iron formation. The R43-R45 target on Tahera's ground is a 10 meters wide, 1.3 kilometers long iron formation, that has an unsampled "Z" fold of the same magnitude as Lupin.

We have included a list of the mining claims that are covered under our agreement with Tahera in Appendix B to this report.

Committee Bay Greenstone Belt Project

In June 2002, we staked land in the highly prospective Committee Bay Greenstone Belt.

The Committee Bay Greenstone Belt is located approximately 240 kilometers northeast of Baker Lake in Nunavut, Canada and is believed to represent one of the largest unexplored greenstone belts in North America, with potential to host world-class gold deposits. The Baker Lake area is best known for the Meliadine gold Project, currently in the pre-feasibility stage.

Originally 29 claims were staked totalling a land area of 71,694 acres in the Committee Bay Greenstone Belt in central Nunavut, Canada. These claims were recorded on October 16, 2002. From the original area we retained a total of 49,439.48 acres on 21 claims. To keep the claims in good standing, we needed to spend a total of CDN\$197,798 of assessment work by October 16, 2004. A total of CDN\$98,879 (CDN\$2 per acre) is required in each subsequent year up to 2012 (at which point a decision to bring the claims to lease must be made). We have included a list of our mining claims in the Committee Bay Greenstone Belt in Appendix B to this report.

The Canadian Government completed a Targeted Geoscience Initiative ("TGI") between 2000-2003 in the Archean Committee Bay Greenstone Belt. Total government funding for the Committee Bay Greenstone Belt TGI area was approximately CN\$3.5 million. The stated objective of the TGI was to increase the level and cost-effectiveness of private sector exploration for mineral resources. Government work in the Committee Bay Greenstone Belt included 1:100,000 scale geologic mapping, prospecting, surficial mapping, drift prospecting, and airborne geophysics (400 meter flight line spacing). A joint government-industry (GSC - DeBeers Exploration Canada Ltd.) partnership initiated in 2001, involves heavy-mineral analysis of esker samples for diamond indicator minerals.

The stratigraphy of the Committee Bay Greenstone Belt includes Banded Iron Formations (BIF) up to 50 meters thick, komatiite volcanic flows, basalts, intermediate to felsic tuffs, and quartz-cobble conglomerates. Deformation is recorded by major shear zones, second order faults, complex folding, and felsic intrusions. Numerous gold showings are spread out over a 260 x 40 kilometer area including the Inuk zone (12.8 gpt gold over 5 meters) in northeast Committee Bay and the Three Bluffs zone (27.41 gpt gold over 9.44 meters) in the Hayes River area.

Our Wrench claim group adjoins the Bluff claim block, where the mine grade/width intersections of 27.41 gpt gold over 9.44 meters and 61.6 gpt gold over 4.84 meters were announced in September 2003 by Committee Bay Resources Ltd ("CBR"), a company listed on the Toronto Venture Exchange with a large landholding in the Committee Bay Greenstone Belt. The government airborne magnetic survey shows that oxide iron formation (the host at the Three Bluffs discovery) strikes northeast from their showing onto our Wrench claims. A number of gold occurrences are known on this trend, including a 9.7 gpt gold sample taken in an area of folded oxide iron formation, quartz veining and pyrite + pyrrhotite on our Wrench claim.

The geology is highly prospective for BIF hosted gold (as in the 3 million ounce Meadowbank and the 4.6 million ounce Meliadine gold deposits to the south). Our claims protect several auriferous iron formations with surface values to 9.7 gpt gold. In addition to the BIF hosted gold targets, this Belt has potential for shear-hosted lode gold, Witswaterstrand style gold, komatiite hosted stratiform nickel-copper (Kambalda analogy), and platinum group elements ("PGE's") in layered igneous complexes (Laughland Lake Anorthosite Suite). Samples from previous work in the Committee Bay area returned samples up to 245 gpt gold, 0.5% nickel, and 0.8% copper.

The region is best known for the Meliadine Gold Project, which is currently in the pre-feasibility stage, as well as the Meadowbank Project of Cumberland Resources,

which is in post feasibility stage. These two projects host 7.5 million ounces of gold resources. The Committee Bay Greenstone Belt is also situated in the same general area as the developing diamond play currently being explored by De Beers, BHP-Billiton, and Stornoway Ventures Ltd. We have accumulated a large landholding in the Belt.

CBR signed a letter of intent with Gold Fields Explorations Ltd, in June 2003, to form a joint venture, whereby Gold Fields Exploration will take an equity position in CBR and will spend US\$10 million on exploration to earn a 65% interest in that project.

Mining In Canada

The mining industry in Canada operates under both federal and provincial or territorial legislation governing the exploration, development, production and decommissioning of mines. Such legislation relates to the method of acquisition and ownership of mining rights, labour, health and safety standards, royalties, mining and income taxes, exports, reclamation and rehabilitation of mines, and other matters. The mining industry in Canada is also subject to legislation at both the federal and provincial or territorial levels concerning the protection of the environment. Legislation imposes high standards on the mining industry to reduce or eliminate the effects of waste generated by extraction and processing operations and subsequently deposited on the ground or emitted into the air or water. The design of mines and mills, and the conduct of extraction and processing operations, are subject to the regulatory restrictions. The exploration, construction, development and operation of a mine, mill or refinery require compliance with environmental legislation and regulatory reviews, and the obtaining of land use and other permits, water licenses and similar authorizations from various governmental agencies. Legislation is in place for lands under federal jurisdiction or located in certain provinces and territories that provides for the preparation of costly environmental impact assessment reports prior to the commencement of any mining operations. These reports require a detailed technical and scientific assessment as well as a prediction of the impact on the environment of proposed mine exploration and development.

Failure to comply with the requirements of environmental legislation may result in regulatory or court orders being issued that could result in the cessation, curtailment or modification of operations or that could require the installation of additional facilities or equipment to protect the environment. Violators may be required to compensate those suffering loss or damage by reason of mining activities and the violators, including our officers and directors, may be fined or, in some cases, imprisoned if convicted of an offence under such legislation. Provincial and territorial mining legislation establishes requirements for the decommissioning, reclamation and rehabilitation of mining properties that are closed. Closure requirements relate to the protection and restoration of the environment and the protection of public safety. Some former mining properties must be managed for a long time following closure in order to fulfill regulatory closure requirements. The cost of closure of existing and former mining properties and, in particular, the cost of long-term management of open or closed mining properties can be substantial.

Government Regulations

We are committed to complying and, to our knowledge, are in compliance with all governmental and environmental regulations. Permits from a variety of regulatory authorities are required for many aspects of mine operation and reclamation. Our exploration work is subject to the Mining Land Use Regulations of the Indian and Northern Affairs Canada Mining Act. This Act requires us to obtain permits prior to

performing significant exploration programs. We are currently conducting exploration under a Land Use Permit, which is valid until June 20, 2006.

We cannot predict the extent to which future legislation and regulation could cause additional expense, capital expenditures, restrictions, and delays in the development of our Canadian properties, including those with respect to mining claims. Our activities are not only subject to extensive federal, provincial and local regulations controlling the mining of and exploration for mineral properties, but also the possible effects of such activities upon the environment. We will be obligated to take steps to ensure that such streams draining the property do not become contaminated as a result of our activities on the property. We are not aware of any environmental problems on the property as of the date of this prospectus.

The mining industry in Nunavut, where our exploration properties are situated, operates under Canadian federal and territorial legislation governing prospecting, development, production, environmental protection, exports, income taxes, labour standards, mine safety and other matters. We believe our Canadian operations are operating in substantial compliance with applicable law.

Our exploration works is subject to environmental regulation primarily by the Federal Department of Indian Affairs and Northern Development and the Nunavut Water Board. The Department of Fisheries & Oceans (Canada) and the Department of the Environment (Canada) have an enforcement role in the event of environmental incidents, but presently have no direct regulatory role in relation to exploration activity.

On April 1, 1999, the Nunavut Land Claims Agreement, dated May 28, 1993, between the Inuit of Canada's eastern arctic region and Her Majesty the Queen in right of Canada, came into force. Under this agreement, the Inuit were granted ownership of approximately 360,000 square kilometers of land in an area referred to as the Nunavut Settlement Area, including ownership of subsurface rights in approximately 37,500 square kilometers of those lands. Third party interests in lands in the Nunavut Settlement Area created prior to April 1, 1999 are protected under the Nunavut Land Claims Agreement. Where a third party was granted a mining lease under the Canada Mining Regulations in lands comprising the Nunavut Settlement Area, that interest continues in accordance with the terms and conditions on which it was granted, including any rights granted under the legislation that give rise to the interest. However, where any successor legislation has the effect of diminishing the rights afforded to the federal government, it will not bind the Inuit without its consent. The Inuit are entitled to receive whatever compensation is payable by the interest holder for the use of exploitation of mineral rights. The federal government continues to administer the third party interest on behalf of the Inuit, unless the third party and the Inuit enter into an agreement under which the third party agrees to the administration of their interest by the Inuit. In the event such an agreement is reached, the applicable legislation will cease to apply to the third party interest. Subsurface interests in such lands continue to be administered in accordance with applicable legislation relating to those interests and are not affected by the Nunavut Land Claims Agreement.

Third party interests in lands in the Nunavut Settlement Area created on or after April 1, 1999 are granted, in the case of surface rights, by the appropriate regional Inuit association and, in the case of subsurface rights, by Nunavut Tungavik Incorporated. Which will hold subsurface title to Inuit owned lands and will be additionally responsible, in consultation with the appropriate regional Inuit associations, for the administration and management of those subsurface rights.

Government Requirements For Maintenance Of Claims

Slave Craton

Fees and exploration expenditures associated with the maintenance of Tahera Corporation's ground covered under the Slave Craton Agreement with Bay Resources is the responsibility of Tahera.

Committee Bay Greenstone Belt

The Nunavut Government has granted our interest in the 21 mineral claims in the Committee Bay Greenstone Belt described in this Report.

To keep the 21 claims in good standing, we were required to spend a total of CDN\$197,798 of qualifying assessment work by October 16, 2004. Assessment work must be filed with the Mining Recorder within 30 days of the claim's anniversary date or within 60 days of the lapsing notice date. We actually spent CDN\$1,566,962.

A total of CDN\$98,879 (CDN\$2 per acre) is required in each subsequent year up to 2012 (at which point a decision to bring the claims to lease must be made). However, the excess of CDN\$1,369,164 spent can be used to offset the expenditure requirement in following years. As a result we have already met our commitment until 2012.

Description of Exploration Properties

Please note that the Glossary at the end of this Report contains definitions for the geological and other specialized terms used in this section.

Property Location And Description

Slave Craton

Hood River Ground

The Hood River mineral claims and Inuit Owned Land Concessions are in the High Lake Volcanic Belt located in the northwest section of the Slave Structural Province in the Mackenzie District of Nunavut (Figure 1) on NTS Map Sheets: 76L/10, 14, and 15 and 76M/3. The land holdings here include 4 mining claims (Hood 3, 4, 12, and 14) totalling 10,330 acres, and 5 contiguous IOL concessions (CO 20-00-01, CO 20-00-03a, CO 20-00-03b, CO 20-00-04, and CO 20-01-01) totalling 21,381.64 acres. Only the IOL concessions are within the greenstone component of the High Lake Volcanic Belt and therefore of exploration interest to us. The approximate center of the Inuit Concessions is about 45 kilometers north of the Arctic Circle, and 530 kilometers NNE of Yellowknife at 66° 54' 37" N, 110° 55' 12" W. The Inuit Concessions are held 50:50 by Benachee Resources Inc. and Snowpipe Resources Ltd. (both wholly owned by Tahera). There are no known encumbrances on the concessions. Tahera's land use permits are in effect for 2005 and will cover proposed exploration work by us.

Contwoyto Lake Ground

The CO-08 IOL Concession underlain by the Contwoyto Formation on the east side of Contwoyto Lake contains blocks (CO 08-00-01, CO 08-00-02, CO 08-00-03, CO 08-00-05, and CO 08-00-06). The original CO-08 Concession Agreement totaled

65,250.8 acres and is located in the Mackenzie District of Nunavut (Figure 1) on NTS Map 76E/15. These concessions are all contiguous except for CO 08-00-01 which is approximately 1–2 kilometers west of the main block, separated by the northeast arm of Contwoyto Lake. The approximate center of the C0-08 Concession is about 100 kilometers south of the Arctic Circle, 100 kilometers north-northwest of Lac de Gras, and 380 kilometers NNE of Yellowknife at 65° 49' 23" N, 111° 13' 08" W. The C0-08 Concession Agreement is held 50:50 by Benachee Resources Inc. and Snowpipe Resources Ltd. (both wholly owned by Tahera). The IOL concessions are not surveyed and there are no known encumbrances on the concessions. Tahera's land use permits for 2005 are in effect and will cover proposed exploration work by us.

Committee Bay Greenstone Belt

Our Committee Bay Claims are located 245 to 365 kilometers northeast of the town of Baker Lake (Qamani'tuaq), Nunavut, Canada, or 210 to 320 kilometers west to southwest of the town of Repulse Bay (Ngoldjat). The community of Kagaaruk (formerly Pelly Bay) is 190 to 305 kilometers northeast of the claim groups. The centre of the claim area is approximately 66° 37' N, 92° 00' W.

Our land holdings in the Committee Bay Greenstone Belt include 21 claims in 10 claim blocks on NTS (National Topographic System) sheets 56 K, 56 J, and 56 O. These claims total approximately 49,439.48 acres and all were recorded on October 16, 2002. These claims have not been legally surveyed.

Access, Infrastructure, Local Resources

Slave Craton

Access to all the areas in the Slave Craton is by aircraft. In summer months, float equipped aircraft can utilize local lakes of appropriate size including Contwoyto Lake, Napatulik Lake, Penthouse Lake (unofficial name), and Carat Lake. In addition airstrips are available for fixed wing aircraft equipped with tundra tires at Kinross' Lupin mine site, Wolfden's Ulu gold deposit, and Tahera's Carat Camp (Jericho). Helicopter support is needed to mobilize personnel to and within the property areas. The winter road which links Yellowknife to the Lupin mine site on Contwoyto Lake has historically been used for economical transportation of supplies in winter months.

Tahera's properties are located in the treeless Arctic within the zone of permafrost. Vegetation consists primarily of lichen and moss. The weather in the property areas is typical of the continental barrenlands which experience cool summers and extremely cold winters. Winter temperatures can reach -45 degrees Celsius occasionally accompanied by high winds creating extreme wind chill conditions and extensive drifting snow. Summer temperatures are generally in the 5 to 10 degree Celsius range but can reach the high 20's degrees Celsius. Minimum and maximum temperatures recorded at the nearest permanent weather stations are -53⁰ C at the Lupin mines site, and +32⁰ C at Coppermine. The ground remains snow covered for more than 250 days a year. Snow accumulation begins in September and remains into June. Average annual snowfall rarely exceeds 1 meter, most of which falls during autumn and spring storms. Small lakes are clear of ice usually by the third week in June (though ice on the larger lakes can persist into the middle of July) and start freezing over again in late September. Wind speeds have been recorded in excess of 100 kilometers per hour.

The topography of the C0-08 Concession Agreement consists of low rolling hills with areas of low-lying swampy muskeg near Contwoyto Lake at the south end of the

concessions. Local relief is low, rarely exceeding 150 meters. On the C0 20-01-01 Hood River Concession, there is about 115 meters of relief in the form of deeply incised linears and steep cliffs. The basalt units form topographic plateaus, elevated over the sediments and granitic rocks. Outcrop density here is typically 50 – 60%, with the cover consisting of north-trending lakes, grassy swamps, and boulder-strewn glacial drift.

The closest community with regularly scheduled air service is Kugluktuk (formerly Coppermine) which is 145 kilometers northwest of the Anuri/Rockinghorse concessions and 200 kilometers northwest of the Hood River concessions. First Air has scheduled flights everyday from Yellowknife to Kugluktuk. The main centre for transportation to the land holdings is through Yellowknife, 530 kilometers southwest of the Hood River concessions, and 410 kilometers southwest of the Contwoyto concessions. Fixed wing and helicopter charter services are available in Yellowknife, as are all supplies (groceries, lumber, fuel, etc.) and expediting services. The only infrastructure that exists to service the land holdings includes Tahera's Construction Camp (Jericho site), the 20 person camp at Tahera's Rockinghorse property, the 12 person Tahera camp northwest of the Hood River concession, and possibly the Wolfden camp on the ULU claim. A limited network of approximately 3.5 kilometers of roads connects the airstrip, camp, fuel farm, and Jericho mine site on the Jericho claim area northwest of Contwoyto Lake.

Committee Bay Greenstone Belt

Access to the claims is by fixed wing aircraft equipped with tundra tires able to land on short natural features such as eskers. Alternatively, float equipped planes have the option of landing at some of the larger lakes (Laugh land Lake for example) or on sections of the Hayes River. The closest community with regularly scheduled air service is Baker Lake, about 350 kilometers to the southwest. Canadian North and First Air flights arrive from Yellowknife and Iqaluit. Calm Air flies from Winnipeg to Rankin Inlet (Kangiqliniq) and then on to Baker Lake daily except Sundays. Kivalliq Air flies from Cambridge Bay (Qaluktuuttiaq) to Baker Lake enroute to Rankin Inlet. Fuel and expediting services are available in Baker Lake. There is no infrastructure in the claim area.

The Committee Bay Greenstone Belt lies within the zone of permafrost. The mean annual temperature of -20°C reflects its Arctic location (the Arctic Circle transects the property area). The climate is typical of the Eastern Arctic with average temperatures in the winter months of -30°C to -35°C, and +10°C to +12°C in the summer. The ground remains snow covered for more than 250 days a year (generally September to June). Rivers break up in June and lakes are ice bound until mid July. In the summer and fall, the temperature differential between the warm land and the cooler ocean can create fog blankets in low lying areas. Wind speeds have been recorded in excess of 100 kilometers per hour.

The project area is on the northern section of the Wager Plateau, a shield area that has been significantly modified by glacial processes. Elevations range from 122 meters above sea level in the southwest to 560 meters above sea level in the northeast. The Hayes River and its tributaries flow northwest into Chantrey Inlet. In the southwest, the Brown River flows into northwestern Hudson Bay. The Arrowsmith River, to the north, flows into the Gulf of Boothia.

Property History

Slave Craton

The following section deals with historic exploration on Tahera's land holdings. Non diamond-related exploration activities are emphasized as these relate to Bay's interest and exploration agreement with Tahera. Specifically, previous exploration work on the Hood River/High Lake and Contwoyto Lake land holdings are detailed as these are deemed to be most prospective for gold.

Hood River/ High Lake Belt

Borealis Exploration conducted a field program in 1970 in the "Penthouse" area (now part of Tahera's Concession CO 20-00-01). The program consisted of mapping, trenching, sampling and drilling. Trenching on the "Penthouse gossan" returned values up to 1.37 gpt gold, 92.57 gpt silver, 6.48% copper, and 1.10% lead. An X-ray sized drillhole drilled under the trench intersected 1.37 gpt gold, 15.09 gpt silver, and 0.18% lead over 0.9 meters. The PH 1-13 claims were staked over this showing and these had lapsed by 1983.

The Blackridge area was first investigated between 1965 and 1970 by Borealis Exploration. Borealis conducted an airborne electromagnetic ("EM")/magnetic gamma ray spectrometer survey over their Permit 62 (NTS 76L/15). The actual auriferous zone was discovered in 1974 by Long Lac Minerals during regional prospecting in the Hood River area. This showing is now within Tahera's Concession 20-00-04. A claim was staked here in 1975 and surface grab samples of 6.2 gpt gold and 8.4 gpt gold were reported. Noranda Exploration Ltd. is reported to have done airborne geophysics with follow up ground work in 1981. Aber Resources Ltd. was the next company to have filed assessment work for the showing, having staked the Blackridge claim in 1983, along with a contiguous claim BR1-2. A program of gridding, geophysical surveys (magnetics and very low frequency "VLF"), and drilling (6 holes totalling 199 meters) was undertaken in 1985. The principal mineralized zone was traced for at least 700 meters northeast in a 2.5-3.5 meter wide zone within gabbro at a gabbro/sediment contact. The highest surface grades included a chip sample of 7.5 gpt gold/ 9 meters and the best intersection from drilling was 10.3 gpt gold / 1.07 meters.

Hy-Tech Resources Ltd. conducted an exploration program in 1988 on the HY 17-19 claims to the west of Aber's claims. These claims which belonged to Expedito Resource Group Ltd. were staked on January 13, 1988. The work by Hy Tech included 113 rock samples and 60 soil samples. The best value was 610 parts per billion ("ppb") gold (with 4.3% arsenic) at a volcanic -sediment contact in the southeast corner of historic HY 17. BHP Minerals Ltd. evaluated the HY 17-19 claims in an agreement with the claim owners (Consolidated Envirowaste Industries Inc.) in 1992. Nineteen rock samples and one soil sample was taken. The best result was 2.87 gpt gold.

BHP Minerals Ltd. staked the CROWN and CROWN 2 claims in 1987 following the discovery of auriferous mineralization during reconnaissance traversing. Samples of silicified material with mineralization at a sediment/volcanic contact returned values to 4 gpt gold. This "Main zone" was traced for 800 meters. Further work on the Crown claims in 1988 and 1989 included 63 kilometers of gridding, geological mapping, rock chip sampling (181 samples), limited soil geochemical sampling (4 samples), 55 kilometers of ground magnetics-VLF surveys and 77.5 meters of trenching.

Aber Resources staked the DEN 1 – 16, 19, 20 claims in 1987 to the west of BHP's CROWN claims. Covello, Bryan, and Associates then staked the JEB 1-3 and FIDO 1-3 claims in 1988 to be included in this Aber claim group. Work by Covello, Bryan, and Associates in 1988 included gridding, mapping, sampling and geophysics. High values (up to 15.63 oz/t gold from grab samples) were returned from these claims prompting BHP to enter into a joint venture with Aber on this land package. From 1989 to 1991 BHP drilled 951.87 meters in eighteen drillholes and took 253 core samples, 1,109 rock samples and 573 soil samples. Along the 55 kilometers of gridding they performed a number of geophysical surveys.

Following discovery of the ULU gold deposit in 1989, BHP mapped the core ULU claims (including part of Tahera's current IOL Concession 20-01-01) at 1:5,000 scale and select areas were mapped at 1:1,000. Geochemical surveying included humus and B horizon soil samples. A limited trenching program exposed mineralisation in a 45 meter x 15 meter section in the northwest portion of the main deposit (the "Flood" Zone). Geophysical surveys over the mineralised zones included Total Field Magnetism, VLF-EM, VLF-Resistivity, Induced Polarisation, Applied Potential, and Radiometrics.

The 1993 Nunavut Land Claims Agreement came into effect on April 1, 1999. Under this agreement the Inuit were granted surface ownership of about 360,000 square kilometers of land, of which they have the subsurface rights for approximately 37,500 square kilometers. Nunavut Tungavik Incorporation ("NTI") is the entity through which these subsurface rights are administered. The areas that BHP worked on in the Hood River (CROWN, DEN, FIDO and ULU) were ultimately incorporated into NTI lands, with the exception of the original ULU claim which was brought to lease by Echo Bay Mines Ltd.

In March, 2003, Strongbow Resources Inc. and Nunavut Tungavik Incorporated announced an agreement whereby Strongbow could explore 604,723 hectares of Inuit Owned Lands in 28 non-contiguous parcels within the West Kitikmeot region of Nunavut. Their IOL parcel CO-27 covers all the south half of the High Lake Greenstone Belt and borders Tahera's IOL concession on the east, south, and west.

Contwoyto Formation

Following the discovery of the Lupin Mine on the western shore of Contwoyto Lake in 1960, exploration for additional Lupin-style BIF hosted gold deposits commenced throughout the Contwoyto Formation. This resulted in the discovery of a number of showings including Fingers Lake, Butterfly, Raft, (143 gpt gold surface grab), Pan (34 gpt gold surface grab, 11.31 gpt gold/3.11 meters trenching), Musk (8.4 gpt gold/10 meters surface grab), Mud (14.1 gpt gold/15.8 meters), Esker Lake, Brad (11.3 gpt gold/ 4.82 meters drilling) , Striker (9.39 gpt gold/3 meters surface, 47.3 gpt gold/3.4 meters drilling), Troy, and Donut (24.41 gpt gold /3 meters surface grab). The bulk of this work was done in two stages; (i) after the discovery of the "Main Showing" (later to become the Lupin mine) in 1960 by Canadian Nickel Company; and (ii) after Echo Bay Mines Ltd. optioned the Lupin showing in 1979 and started mining in 1982. Limited exploration for BIF hosted gold targets continued to 1995, after which much of the ground was staked over for diamond exploration.

Gold exploration specific to the Tahera-Bay agreement on the northeast side of Contwoyto Lake started in 1962 with Canico (Canadian Nickel Company Limited). Canico held Prospecting Permit 35 which covered NTS sheets 76E/10 and 76E/15. From 1962 to 1964 they performed mapping, prospecting, trenching, and airborne and ground magnetometer surveys.

Echo Bay mapped and sampled their C1 – C4 claims on the northeast border of the northeastern arm of Contwoyto Lake in 1983, retaining just the C2 claim in 1984. During the course of taking 97 grab samples on the C2 claim in 1983, they discovered the R43-R45 and R44-R47 showings which returned values up to 11.1 gpt gold. Limited follow up surface sampling in 1984 did not yield anomalous results. Echo Bay used a syngenetic gold model at this time, and this sampling therefore would not have been properly focused on important structural considerations (such as quartz veining in fold hinges) crucial to locating the gold bearing rock.

Hecla Mining optioned a total of 33 claims over the northeastern arm of Contwoyto Lake in 1985 from Contwoyto Goldfields. A helicopter-borne EM, magnetics, and VLF-EM survey was conducted over these claims by Dighem Surveys in 1985. This was followed in 1986–1989 with both ground and airborne geophysics, surface mapping and sampling, geochemical soil and till surveys, trenching and diamond drilling. The claims were transferred to Hecla in 1986. In 1986, Hecla investigated 74 of the 363 airborne anomalies. 327 rock samples were taken and 57 silicate-facies iron formations were mapped. Drilling by Hecla on the 5-5 grid (currently within Tahera's Contwoyto Concession CO 08-00-02) included eight holes totalling 942 meters in 1987 and four holes totalling 352.9 meters in 1988.

Cominco performed sampling, geophysics, and drilling on their Coco 6 and 15 claims from 1988 to 1990. They discovered the Ox showing by surface sampling in 1988 and this was followed up by more sampling (9.65 gpt gold/ 3 meters chip) and drilling. Gold bearing iron formations were intersected (see mineralization section).

Hecla acquired and merged into Acadia Mineral Ventures Ltd. Acadia and Contwoyto Goldfields optioned the main Contwoyto property to Kingswood Ventures Ltd in 1992. Their ground position covered all of the main gold showings known on Tahera's Contwoyto Concessions. Drilling by Hecla in 1987 on the 5-5 land grid included 8 holes totalling 942 meters. All eight holes intersected iron formation with five of the eight holes intersecting sulphide-rich and/or siliceous sulphidic iron formation. The best intercept was 2.31 gpt gold/ 7.85 meters (6.27 meters true width).

Four short drill holes on the 5-5 grid in 1988 tested a folded iron formation as outlined by an IP survey. Diamond drillhole ("DDH") 88-4 tested 225 meters west of the 2.31 gpt gold/ 7.85 meter intercept in DDH 87-6. DDH 88-4 intercepted 2.88 gpt gold/ 3.9 meters in a pyrite-rich siliceous iron formation. Excalibur International Consultants were contracted to perform a review of previous work on the property. Excalibur recommended a seven-hole drill program after reviewing the database. Two of the seven drillholes were recommended for the 5-5 grid area which is on Tahera's current concession CO 08-00-02.

Tahera's predecessors started exploring the northern Slave Structural Province for diamonds in 1993. (Tahera was the result of the amalgamation of Lytton Minerals Ltd and New Indigo Resources Inc. in 1999.) 4.3 million hectares were staked encompassing a significant portion of the northern Slave Craton. More than 37,000 till samples and 11,000 square kilometers of airborne geophysics were collected since exploration commenced in 1993. This work resulted in the discovery of 20 kimberlite bodies on various Tahera properties.

Additional geophysical surveys in 1995–1997 included a helicopter-borne VLF EM and magnetic survey over a 110 square kilometers in the Contwoyto Lake area. A total of 1,500 square kilometers was covered in a helicopter-borne survey over the Jericho and Contwoyto Lake land holdings in 1998. Survey line spacings were at 50 meters with a sensor height of 30 meters.

Committee Bay Greenstone Belt

The Committee Bay Greenstone Belt was the subject of two separate 3 year (2000-2003) government TGI. These TGIs are a collaboration between the Geological Survey of Canada, Canada-Nunavut Geoscience Office and university partners. The stated objective of TGI was to increase the level and cost-effectiveness of private sector exploration for mineral resources. Government work in the Committee Bay Greenstone Belt included 1:100,000 scale geologic mapping, prospecting, surficial mapping, drift prospecting, and airborne geophysics. Airborne magnetic surveys (400 meter flight line spacing) were carried out within three 1:250,000-scale NTS map sheet areas (56K, 56J/9-16, 56O/1-8, and 56P) and released as total field maps in 2002. Quaternary research involved multimedia sampling for gold and base metals and this drift prospecting/sampling was carried out between 2001 and 2003.

Following the release of Heywood's original geology map in 1961, several exploration companies performed work in the Committee Bay Greenstone Belt. The nickel copper potential of ultramafic rocks was the primary target of this first exploration wave. King Resources staked 400 claims in the Committee Bay Greenstone Belt (NTS 56I, 56J, 56K, 56O, 56P) in 1969/1970. They mapped the "A" claims that year (site of our current "A" claim) and conducted trenching, and geophysical surveys. This program outlined several electromagnetic conductors coincident with surface mineralization. Values up to 0.18% nickel were returned from trenching. King Resources also mapped, trenched, and conducted geophysical surveys on the "E" claims (site of our current "E" claim) and identified several similar conductors. The best trench value on the "E" claims was 0.51% nickel on a 1.46 kilometer long conductor. King Resources also spent time on their "B" claims evaluating a prospective rusty zone of rocks with disseminated and locally massive of pyrite and pyrrhotite with trace chalcopyrite. King Resources conducted geophysical surveys looking for nickel on the "B" claims in 1969. A VLF conductor was outlined coincident with rusty zones in sedimentary rocks adjacent to ultramafic rocks. The ground magnetic survey revealed a strong anomaly at least one kilometer long. Mapping and trenching over the zone produced a high of 0.19% nickel.

Aquitaine Company staked 347 claims in 56J and 56K in 1970. This claim package included the HAR claims over the Laugh land Lake Anorthosite Suite or LLAS . Aquitane performed airborne and ground geophysical surveys over the LLAS in 1971. A weak airborne EM response was generated. A sulphide-bearing oxide facies BIF, traceable for 2 kilometers along the northern border of the LLAS was drilled with eight Winkie holes totalling 175 meters in 1971. Intervals of pyrite + pyrrhotite ± chalcopyrite were encountered in the BIF (including 2 meters of massive pyrrhotite). The highest value was 0.7% copper, and 0.2% nickel. Gold was not analyzed. The anorthosite itself was apparently not drilled.

Cominco undertook general nickel-copper reconnaissance in 1970 and 1974 and more detailed work in 1975 and 1976. Geologic mapping, ground magnetic and EM surveys were conducted over permit 349 (granted April 1, 1975) on 56J/13 in the Hayes River area. Although prospective rock units with nickel and copper values were found, no further follow up was recommended. Some rock geochemistry was done by Cominco on their "OX" grid and other sulphide showings. The Ox grid is 1 kilometers north of King Resources "A" Claims.

In 1986, Wollex Exploration Ltd. of Calgary (division of Comaplex) took reconnaissance rock samples within the current Pickle claims area. The highest values were 908 ppb gold and 0.5% nickel from a 13 meter wide gossanous shear zone in a folded ultramafic flow. No further work was done here by Wollex. Our

current three Pickle claims (PICK 1-3) are found southwest of the Central Tonalite. This claim area was investigated as Prospecting Permits 1332 and 1333 which were granted to the Committee Bay Joint Venture (CBJV) on February 1, 1993. Reconnaissance sampling by CBJV returned values of 5.77 and 8.61 gpt gold in sheared BIF with pyrite + arsenopyrite. Although the Pickle 1 claim was staked in 1995, no follow-up work was filed. The IF is 70–100 meters thick and traceable for 1.5 kilometers. The gold values are found in sulphidic sections (arsenopyrite and pyrite) of the sheared oxide + silicate BIF over a distance of 1.35 kilometers.

In 1992, R.A Olson Consulting Ltd. (“ROACL”) conducted reconnaissance in the Committee Bay area on behalf of the Committee Bay joint venture (CBJV). Several highly anomalous gold values were returned from the 392 rock samples taken, with a high of 121 gpt gold (Williamson, 1993). ROACL performed follow-up work in 1993, taking 348 samples, mapping, prospecting. Higher gold values corresponded with BIF with quartz veining and/or silicified, and pyrite + pyrrhotite ± arsenopyrite. In 1995, 505 rock chip and grab samples were taken, and eight drillholes totalling 811.41m completed (producing 596 samples core samples). This work exclusively focused on the Bluff 1-7 claims (Hayes River area, 56J), and the Inuk area further to the northeast. Part of the geological crew was from Cyprus Canada, who had entered into the Committee Bay joint venture. In 1996, the CBJV collected 447 rock samples, drilled 6 holes totalling 781 meters (at Three Bluffs), and flew a 13,262 line kilometers detailed geophysical survey (magnetics and VLF). This survey covered an area between the current KIM claims over to the Bluff 1-7 claims. Approximately CDN\$5.4 million was collectively spent on the Committee Bay Greenstone Belt between 1992 and 2001 by Committee Bay North Ltd., Echo Bay Mines Ltd., and Apex Geoscience. This exploration focused on three areas: Laugh land Lake, Hayes River and Curtis River.

Numerous gold occurrences were discovered by the CBJV on the Laughland Lake (56K) 1:250,000 sheet between 1992 and 2001. Initial reconnaissance sampling by the CBJV in the now Bay Pickle Claim area returned values of 5.77 and 8.61 gpt gold.

More than 677 rock samples were taken on two showings, “Four Hills” and “Cop” further to the north. Gold values included highs of 28.02 and 48.07 gpt gold. Additional work included airborne and ground geophysical surveying, gridding, and detailed geologic mapping. Four claims (Cop 1-4) totalling 10,330 acres are still held here by Apex Geoscience and Committee Bay North Ltd. CBR completed a 227 kilometer helicopter-borne Time Domain Electromagnetic geophysical survey over the Four Hills and Cop showings in 2003.

Further to the south, the CBJV discovered the Ghost and West Plains showings. Gold values to 13.37 gpt gold are found within complexly folded silicate IF. The Ghost 1 claim was staked here by the CBJV in 1995. Reconnaissance sampling 10 to 15 kilometers further south by the CBJV in 1992-1994 (within their Prospecting Permits 1333 and 1484) returned values of up to 6.95 gpt gold. The Plains 1 claim was staked in 1995. CBJV reports the gold assays were from high strain zones in silicate iron formation with sulfides. CBR completed a 180 kilometers helicopter-borne Time Domain Electromagnetic geophysical survey over the West Plains claims in 2003.

Numerous gold occurrences were also discovered by the CBJV on the 56J 1:250,000 sheet between 1992 and 2001. These include the Coyote, Ridge, and Bluff group of showings. Reconnaissance sampling in the Coyote area was first done by CBJV in 1995 (within their Permit 1981) and then again in 1996. Values to 246 gpt gold were returned from intensely sheared gabbro with quartz veins, pyrite + pyrrhotite +

chalcopyrite + visible gold. CBR completed an 86 kilometer helicopter-borne geophysical survey over their single Coyote claim in 2003.

The Ridge showing was discovered in 1995 on CBJV's Permit 1771. Gold values to 2.34 gpt gold were returned from silicified, intensely folded oxide + silicate BIF. Quartz veins with up to 10% disseminated pyrrhotite + pyrite are found within "Z-shaped" fold noses. The BIFs are traceable on surface for 500 meters, and on the magnetics for several kilometers. Only limited follow-up work (11 samples) was done in 1996, and the prospecting permit was allowed to lapse. The stratigraphy and structure is similar to the Meadowbank's North Portage deposit. The showings were recently restaked by CBR with 13 claims (HYR 1-12, and HYR 15, recorded August 30, 2002). CBR completed a 225 kilometer helicopter-borne Time Domain Electromagnetic geophysical survey over these Ridge claims in 2003. Recent sampling results to 27 gpt gold.

The Bluff 1 to 7 Claims in the Hayes River area (56 J) cover four main gold showings. These 7 claims, totalling 18,077.5 acres, were staked in 1995. They are now held by Committee Bay North Ltd and have an anniversary date of October 12, 2005. Exploration work included rock chip sampling, detailed ground magnetics (5 meter x 20 meter stations), 1:500 scale mapping, and drilling of lower amphibolite-grade, highly folded BIF (oxide, silicate, and sulphide facies). Surface grab samples returned 26 rock samples greater than 10 gpt gold. Some visible gold was discovered in chloritic and silicified oxide IF. The four main showings are "Three Bluffs", "Antler", "Hayes", and "Ledge."

At Three Bluffs (on the Bluff 3 claim), the BIF is 10–55 meters wide, and was originally traceable for at least 1.9 kilometers. The best chip samples were 6.81 gpt gold /21.00 meters, 11.61 gpt gold/4.80 meters, and 19.04 gpt gold/3.90 meters. The best results from 12 drillholes in 1994-1996 included 11.52 gpt gold/1.89 meters, 8.58 gpt gold/2.55 meters, and 6.31gpt gold/4.15 meters. Follow up drilling here in 2003 included 6 holes totalling 694 meters. This work extended the known mineralization approximately 240 meters and returned spectacular intercepts of 19.93 gpt gold/5 meters, 61.6 gpt gold/4.84 meters, and 27.41 gpt gold/9.44 meters. The iron formation has now been traced for 6 kilometers along strike and mineralization in the form of sulphides and silicification is reported to increase towards the northeast (towards our Wrench claims). Chip samples taken in the central and eastern portions of the iron formation included 11.6 gpt gold/4.8 meters and 19.04 gpt gold/3.9 meters.

Also in 2003, a helicopter-borne time domain electromagnetic survey was undertaken totaling 214.1 line kilometers at 120/60 meter spacing.

Another gold occurrence on the BLUFF 3 claim is the Ledge showing. A 10 meters wide oxide BIF has been traced for 1.2 kilometers. The best grab sample result was 21.43 gpt gold from a pyrrhotite + pyrite bearing sections of the BIF. A ground magnetic survey in 1996 showed continuation of the magnetic signature to the northeast.

The Antler showing is on the BLUFF 2 claim. Sheared oxide BIF with sulphide-rich, silicified quartz arenite, is traceable for approximately 420 meters. Mineralisation includes quartz veins and brecciated BIF with pyrrhotite + pyrite. A high of 120.82 gpt gold was returned from grab sampling. The best result from the two holes drilled in 1994 was 6.72 gpt gold/0.75 meters.

The Hayes showing on BLUFF 1 claim contains a 4-5m wide sulphidic (pyrrhotite + pyrite) BIF with narrow sheared and siliceous intervals traceable for 260 meters. Rock chip samples included 11.67 gpt gold/0.60 meters and 23.38 gpt gold/0.30 meters.

The CBJV also discovered several gold showings in the Curtis River area (56 P). These included the "Inuk", "Mist", and "Koffy" showings with gold assays to 1,894 gpt, 31 gpt and 334 gpt gold respectively, in BIF. Shearing, silicification, quartz veining, and pyrite plus pyrrhotite are present. Some of the current claims were previously covered by CBJV Permit 1772. An airborne magnetic survey was completed over these showings in 1996. Ground geophysical surveys (total field magnetic and VLF-EM) and 773.6 meters in six drillholes was completed on the Inuk showing (56 P/7) in 1997. A high value of 12.81 gpt gold over 4.99 meters was obtained from mineralized iron formation. 5 holes totalling 544 meters of drilling were completed at the Inuk showing in 2003. The best intersection was 16 gpt gold / 12.6 meters. 12.4 line-kilometers of gridding and 3.0 line kilometers of ground geophysical surveying (total field magnetics and VLF-EM) were performed in 1997 over the Mist-Koffy Grid. Rock samples returned values to 12.04 gpt gold. Additional sampling in 2001 included an assay of 31.29 gpt gold. Surface channel sampling in 2003 yielded an assay of 334.15 gpt gold over 0.8 meters. Three drillholes totaling 238.9m were completed at the Koffy showing in 2003. The highest grade intersection was 3 gpt gold / 3.4 meters. Also in 2003, a helicopter-borne time domain electromagnetic survey was undertaken totaling 108 line kilometers.

CBR, a company with landholding in the Committee Bay area, signed a letter of intent with an affiliate of Gold Fields Explorations Ltd in February 2003, to form a joint venture, whereby Goldfields Exploration will earn a 65% equity position in CBR upon spending US\$10 million on exploration over 8 years.

Our five Wrench claims (WREN 1-5) were previously within Prospecting Permits 1477, 1481, and 1482 granted to the Committee Bay Joint Venture (CBJV) on February 1, 1994. Reconnaissance sampling by the CBJV in 1993 returned a series of gold anomalies (high of 3.68 gpt gold) over approximately three kilometers in sheared oxide BIF in their northern part of their BLUFF claim block (BLUFF 7). The government aeromagnetic survey shows a continuation of this auriferous iron formation for at least three kilometers onto the Wrench claims. Government sampling in 2001 on this trend returned a high of 9.7 gpt gold from sulphide bearing (pyrite + pyrrhotite), quartz-veined intervals of oxide BIF. Additional kilometer-scale segments of IF with anomalous gold are present further to the east within the Wrench claim block.

After their 2004 drill program, CBR was able to produce an inferred mineral resource for their Three Bluffs project.

This drilling defined gold mineralization for at least 1km along strike and to a depth of 320m from surface. A near surface high grade inferred mineral resource of 1.9 million tonnes grading 8.0 gpt gold for 487,000 ounces was defined by 49 drill holes. Using a lower cutoff grade this inferred mineral resource is expanded to 5.1 million tonnes grading 4.0 gpt gold for 657,000 ounces.

The developing Eastern Arctic diamond plays currently being explored by De Beers, BHP-Billiton, Northern Empire Minerals Ltd., and Stornoway Ventures Ltd. are to the northeast and southeast of the Committee Bay Greenstone Belt. Impressive diamond results were returned from the Melville Island kimberlites. The Churchill diamond play north of Rankin Inlet intersected 11 kimberlites in their first drill program in the spring/summer of 2003.

Geological Setting

Slave Craton

The Slave Structural Province encompasses an elliptical area 500 kilometers wide by 750 kilometers long and is located between Great Slave Lake to the south and Coronation Gulf to the north. Rocks within the Slave Structural Province are assigned to three lithotectonic assemblages identified as: an early assemblage of granitic rocks, gneisses and quartz arenites; Yellowknife Supergroup sediments, volcanic rocks and synvolcanic intrusions; and a younger sedimentary-plutonic assemblage of clastic sediments and granitic rocks. The distribution of ultramafic rocks in the Slave is volumetrically insignificant when compared to Archean cratons of a similar age (e.g. the Superior Province). Another significant difference is the greater percentage of turbidite domains within the Slave.

The earliest assemblage includes the ca. 4.03 Ga Acasta gneisses, 2.82 Ga – 3.15 Ga granitoid gneisses as well as a 2.85 Ga quartzite-banded iron formation group generally found west of 111°. The Yellowknife Supergroup is exposed as twenty-six linear volcanic belts surrounded by granitic batholiths. These volcanic belts are typically isoclinally folded and largely range in age from 2715-2671 Ma. The belts have been divided in the literature into mafic volcanic-dominated (Yellowknife type) and felsic volcanic-dominated (Hackett River type). Yellowknife-type volcanic belts are dominated by massive to pillowed basalt flows with lesser amounts of felsic volcanic and volcanoclastic rocks, clastic sedimentary rocks and occasionally synvolcanic conglomerate and carbonate units. The Hackett River-type belts are defined by the abundance of calc-alkaline felsic and intermediate volcanic rocks intercalated with turbidite. A late (2.62 – 2.60 Ga) volcanic and sedimentary assemblage consisting of felsic to intermediate volcanic rocks associated with conglomerate and sandstone (“Timiskaming-type”) has been identified overlying some of the volcanic belts. A pan-Slave deformation event is recorded in all supracrustal rocks by the presence of at least greenschist facies mineral assemblages. Higher metamorphic grades, indicated by the presence of cordierite and andalusite, are recognised in some belts.

Granitoid rocks that are coeval with, or postdate the supracrustal assemblages comprise greater than 50% of the Slave Province. Synvolcanic granitoid rocks are typically tonalites, diorites, and granodiorites, and these have been dated at 2.70 to 2.64 Ga. Late to post-deformational granitoids include megacrystic biotite granodiorite and two-mica granites and range in age from 2605 to 2580 Ma.

At least five episodes of Proterozoic diabase dyke “swarms” (2400 Ma – 600 Ma) have been recorded in the Slave Structural Province. These include the northeasterly trending 2.23 Ga Malley dikes, the east-west Mackay suite of 2.21 Ga, the north trending 2.02 Ga Lac de Gras dikes (2.02 Ga) and the north-northwest trending 1.27 Ga Mackenzie set. These dyke sets form local positive relief where they intrude easily eroded lithologies such as the metaturbidites and negative relief in areas where they are juxtaposed with granites and gneisses.

Proterozoic metasedimentary cover rocks, having limited aerial extent in the Slave Structural Province, are located near Rockinghorse Lake and northeast of Contwoyto Lake, straddling the Burnside River, and extending to Bathurst Inlet. These rocks comprise the Goulburn and Epworth groups and represent cratonic and marginal geosynclinal environments and lie unconformably on Archean basement.

Committee Bay Greenstone Belt

The Prince Albert Group ("PAG") incorporates a series of Archean aged greenstone belts that stretch approximately 600 kilometers northeast from the Aylmer Shear Zone in the south to the eastern tip of Melville Peninsula in the north. The 300 kilometers long section southwest of Committee Bay is referred to here as the Committee Bay Greenstone Belt. This diverse supracrustal assemblage includes iron formation (oxide + silicate facies), semipelite, quartzite, komatiite, basalt and intermediate to felsic tuffs. Synvolcanic intrusions include gabbro, quartz diorite, tonalite, granite and granodiorite. An anorthosite complex intrudes the sequence northeast of Laughland Lake. Based on stratigraphic and age similarities, the PAG is interpreted to be correlative with the Woodburn Lake Group, on the order of 100 kilometers to the southwest. The Mary River Group, 230 kilometers northeast of the Melville Peninsula on Baffin Island, may represent the northern continuation of the PAG. The 2.718 to 2.732 Ga age of the Committee Bay Greenstone Belt places it in the Timmins (2.70 – 2.725 Ga) to Red Lake (2.73 – 2.99 Ga) range.

Government mapping in conjunction with the regional aeromagnetic survey has outlined three predominant crustal domains in the central Committee Bay Greenstone Belt: (i) the central domain comprises northeast-striking, tightly-folded, amphibolite-facies supracrustal belts, cored by younger plutons; (ii) the northern domain comprises high-grade metasedimentary and plutonic rocks separated from the central domain by shallowly-dipping, high-strain zones and; (iii) the southeastern domain includes a large northeast-striking foliated, K-feldspar-magnetite granodiorite batholith, intrusive into the central domain.

The approximate supracrustal stratigraphic sequence in Committee Bay from the base up is basalt (~2.73 Ga), porphyritic felsic rocks, komatiite, and oxide iron formation (~2.722 – 2.732 Ga), psammite and quartzite (~2.718 – 2.722 Ga), intermediate volcanoclastic rocks interlayered with psammite and komatiite (~2.706 - 2.711 Ga) and wacke/semipelite with oxide iron formation (~<2.706 Ga - <2.691 Ga). The lower volcanic dominated supracrustal sequence is intruded by a 2.718 Ga foliated biotite- and hornblende- tonalite called the Central Tonalite. Other synvolcanic intrusions include plagioclase phyric quartz diorite and biotite+titanite granodiorite.

The sedimentary sequences of the PAG include siliciclastic rocks, conglomerate, quartz arenite and iron formation. The siliciclastic rocks are dominated by interbedded fine grained, biotite psammite and semi pelite. Conglomeratic rocks include polymictic matrix-supported conglomerates with angular to subrounded clasts of quartzite, felsic volcanics, and mafic to ultramafic volcanics. Quartz cobble conglomerates have also been noted. Quartz arenites form prominent ridges and are well bedded. The deposition of oxide and silicate-facies iron formation is recorded at two major stratigraphic horizons between 2.73 Ga and 2.71 Ga interbedded with semipelitic rocks as well as quartz arenite and komatiite. Garnet and grunerite are common in the silicate facies, and magnetite and chert comprise the oxide facies. Minor sulphide facies iron formation has been noted.

The komatiite bodies are generally thick spinifex-textured, pillowed, and cumulate dominated peridotitic flows. Rare amount of basalt and komatiitic basalt are found associated with the main komatiite flows. The total aggregate thickness of komatiite in the lower sequence is on the order of 300 meters thick. The largest and best preserved exposures of komatiite are to the northeast of the Central Tonalite, where the sequence is 5 to 10 kilometers wide and up to 25 kilometers long. Basaltic rocks include thin chlorite schist units interlayered with oxide and silicate iron formation. A large exposure of pillowed and massive basaltic flows is exposed north and east of

the Central Tonalite. Felsic volcanic rocks appear to be confined to laminated lapilli, crystal, and lithic tuff units found associated with komatiite and semipelite.

The supracrustal stratigraphy and associated synvolcanic plutons were intruded by voluminous, 2610-2593 Ma granodiorite and tonalite plutons. The 2610 Ma Walker Lake intrusive complex, a 300 kilometer long, northeast trending, K-feldspar megacrystic, biotite-hornblende-magnetite granodiorite batholith is found along the belt's southeastern margin. Biotite + titanite tonalite and monzogranite are also contained within the Walker Lake intrusive complex. The Laughland Anorthosite Suite is a layered mafic complex of gabbroic anorthosite northeast of Laughland Lake. Mafic phases include gabbroic anorthosite, pyroxenite, and layered gabbro-pyroxenite. Meter-scale igneous layering occurs between anorthosite and coarse-grained plagioclase megacrystic gabbro (gabbroic-anorthosite). Contacts are poorly exposed, though alteration of the Prince Albert Group along the margins indicates that the LLAS is younger. In NTS 56 0 (northern Committee Bay) biotite- and K-feldspar-granodiorite intrudes the upper sedimentary sequence at ~ 2.580 Ga. Younger plutonic intrusions include the ~ 1830 Ma equigranular biotite + magnetite ± fluorite Hudson monzogranites, also found along the belt's southeastern margin, especially in the Laughland to Walker Lake region. Laterally continuous northeast trending quartz-feldspar porphyry dykes, 0.5m to 10m wide, are traceable for hundreds of meters in the Three Bluffs area. Age dates for these porphyry dykes are not currently available.

Deposit Types

Slave Craton

Ulu Deposit

The Flood Zone on Wolfden Resources' ULU claim is approximately 1.2 kilometers west of Tahera Concession CO 20-00-01's western boundary. It is the best example of the target being explored for in the High Lake area. The Flood Zone was estimated by Echo Bay in their 1998 Ulu feasibility study update to host a geological resource of 1,368,953 tonnes grading 12.91 gpt gold (approximately 565,000 ounces of gold between surface and the 360 meter level) using a 5 gpt cut-off grade and a 1.5 meter minimum mining width (Wolfden Resources Press Release December 3, 2003).

At the Ulu gold deposit, the Flood Zone is a southeast trending, shear-controlled vein system in basalt at the core of the Ulu anticline. Several anastomosing gold zones comprise the deposit which has been traced on surface for 435 meters, and ranges in true width from 2.0 to 17.9 meters. BHP's drill program on the Flood Zone from 1989 – 1992 outlined a series of mineralised zones 320 meters along strike and down to a depth of 620 meters.

Lupin Gold Mine

The Lupin Mine, having produced 3,275,000 ounces of gold at an average grade of 9.5 gpt gold from 1982 to 2003, is the largest example of the target in the Contwoyto area. The stratabound auriferous ores at Lupin are largely confined to a single continuous horizon of amphibolitic (silicate-facies) iron formation which has been traced in excess of 3 kilometers along strike and more than 1.2 kilometers down dip.

The ore grade mineralization is concentrated in a distinct "Z" fold with an overall strike length of approximately 1.07 kilometers and a down dip projection of 1.85 kilometers. This isoclinal "Z" fold plunges 75 – 80 degrees to the north and is part of a larger

anticlinorium. The highest gold values and sulphide concentrations are within 1 meter of quartz vein-iron formation contacts.

Committee Bay Greenstone Belt

The Committee Bay Greenstone Belt is interpreted to correlate with the Woodburn Lake Group, on the order of 100 kilometers southwest, which hosts the 3.0 M ounce gold iron formation hosted Meadowbank deposit. The similar Committee Bay geology is also highly prospective for BIF hosted gold. There are several such showings already discovered in the Belt including "Three Bluffs" (inferred resources of 5.1 million tonnes grading 4.0 gpt) and "Inuk" (12.81 gpt gold / 5 meters from drilling). Auriferous iron formations on our claims include those found on the Wrench, Pickle, NN1, NN2, and Goose claims.

Mineralization

No known mineral reserves are known on our land. Our previous and proposed programs are exploratory in nature.

Slave Craton

Hood River Property

High grade gold showings are found within a 9 by 7 kilometer block in the Ulu-Crown-Blackridge area in the west-central portion of the High Lake belt. The mineralisation style is best illustrated at the Ulu gold deposit where gold occurs in brecciated basaltic wallrock clasts which are replaced by acicular arsenopyrite + quartz + K-feldspar.

There is a close spatial association of the gold bearing zones on the original ULU claims with the axial trace of the ULU anticline. Tahera's Concession 20-01-01 includes the previous ULU 2 claim which covers the northernmost two kilometers of this important fold axis. Several gold bearing zones were identified by BHP in this area. The exploration drilling outside of the main deposit included drilling on the "Northern Fold Nose" ("NFN") zone, which is now part of Tahera's land holdings. Values of 27.7 and 66.0 gpt gold were obtained from surface grab samples of a 1 meter wide quartz vein containing arsenopyrite, pyrite, pyrrhotite, chalcopyrite, and native copper. Highly anomalous silver and bismuth were also returned from these samples. This quartz vein is variably exposed over 40 meters at the volcanic-sediment contact on the east limb of the fold. Two drill holes tested this vein. The first drillhole returned 25.63 gpt gold/1.54 meters (estimated true width of 1.49 meters) at a vertical depth of 60 meters in 1990. The second hole was drilled underneath the first hole the following year and intersected 54.94 gpt gold/0.95 meters (estimated true width of 0.80 meters) at a vertical depth of 95 meters below surface. The vein remains concordant to the contact which changes dip from -45 degrees west at the 60 meter level to 73 degrees west at the 95 meter level. This mineralization is open at depth.

Further mineralized zones were discovered in the core of the NFN. A gold value of 176 gpt gold was produced from narrow quartz-pyrite vein rubble taken from within a northeast linear. Coarse acicular arsenopyrite was noted in narrow shears within silicified basalt just south of the NFN. The best value in this 50 meters x 70 meters area was 11.7 gpt gold. This area is within Tahera's land holdings (Concession CO 20-01-01).

BHP outlined five zones of gold mineralization on their Crown claims (now largely within Tahera's Concessions). At the "Main Zone", several highly anomalous gold values to 24 gpt were returned from along 800 meters of a silicified basalt/biotite schist contact. In addition to the 24.35 gpt gold / 1.00 meter chip sample, values of 13.6 and 5.6 gpt gold were returned from grab samples. Seven trenches were dug in the Main Zone area. Silicified zones up to 6 meters wide with arsenopyrite were noted. The best value returned was 14.4 gpt gold / 0.8 meters. The "B" zone is parallel to, and 80 meters east of the Main Zone. The structural setting (NE-trending basalt/sediment contact) and mineralogy here is similar to the Main Zone. Gold values (including highs of 12.4 and 8.7 gpt gold) are found along 450 meters and the zone is reported open to the north, gold values to 1.8 and 4.6 gpt gold were reported from grab samples of silicified basalt and sediments with arsenopyrite in the "Western Zone." Anomalous gold values were also reported in the folded stratigraphy of the "Eastern" and "Fold" zone.

To the immediate northwest of BHP's historic Crown claims are the Penthouse showings on the historic DEN 16 and 19, and Fido 3 and 6 claims. The original sampling for Aber Resources Ltd. on the Penthouse grid returned values of 23.9 to 220.1 gpt gold. The highest sample taken by Aber here was from a silicified north-trending shear zone which was discontinuously traceable for 200 meters on the south part of their Longspur grid (South Penthouse). A northeast trending shear, traceable for 250 meters on the north part of their Longspur grid (North Penthouse) produced a value of 130.1 gpt gold from narrow (0.1 – 0.5 meter wide) arsenopyrite bearing veins. Several zones of mineralization were identified by BHP on the Penthouse grid. Sediment-hosted mineralization was found in narrow intercalations (1.0 – 4.5 meters wide) within basalt along 750 meters of the main western sediment-basalt contact on Den 16 and 19. BHP reports that gold values for this style were "generally in the 2-10 gpt range with an isolated value of 33.1 gpt that came from a massive arsenopyrite sample on the southern Penthouse grid." The Spent showing is at the south edge of the South Penthouse grid. Here a 1 meter wide black quartz vein with fine grained arsenopyrite was traced on surface for 200 meters. The selvages of the vein were also silicified up to 30 centimeters and beyond into the host basalt. The best grab samples were 9.6 and 32.0 gpt gold. There is no indication in the assessment reports that the SPent Zone was drilled. Drilling by BHP on the South Penthouse area in 1989 included 235 meters of NQ core in 3 drillholes testing surface anomalies to 33 gpt gold. These holes intersected silicified sediment intercalations within basalt. The highest assay value returned from drill core was 1.5 gpt gold.

Four "gopher" drill holes tested anomalous value on the North Penthouse area in 1989, gold values to 1.97 gpt gold were returned from silicified sediment intercalations with 1–7% arsenopyrite. Feldspar porphyry was intersected in the last 1989 drill hole and a value of 2.3 gpt gold was returned from an intensely silicified interval at the lower contact of the porphyry. BHP mentions a 76.8 gpt gold sample from North Penthouse in their 1992 report. Five drillholes tested recessive linears, anomalous surface results (to 15 gpt gold) and VLF conductors in 1991. The best value was 7.8 gpt gold / 0.5 meters from sulphide-rich (7% arsenopyrite and pyrite) selvages to quartz veins.

Polymetallic quartz veins became the focus of exploration for BHP in 1990. Average gold values were reported to range from 2-9 gpt with highs up to 21.2 gpt. Highly elevated silver values up to 473 gpt were noted in the galena-rich samples along with anomalous zinc, lead, cadmium, and antimony values. This style of mineralization is very similar to the auriferous polymetallic quartz vein at the Northern Fold Nose on the historic ULU 2 claim. The 21.2 gpt gold sample was from a silicified shear at a basalt-gabbro contact and contained 10% acicular arsenopyrite with strong actinolite

alteration. Several other showings of fine grained acicular arsenopyrite mineralization were discovered including grab samples of 3.29 and 4.28 gpt gold on the North Penthouse grid and 9.6 and 20.4 gpt gold along an 80 meter strike on the Southern Penthouse grid.

Five drillholes totalling 171.5 meters tested anomalies on the small FIDO 3 claim in 1990. The majority of these holes intersected narrow zones of silicification +/- brecciation with up to 5% arsenopyrite + pyrrhotite. The best value returned from drill core was 1.92 gpt gold.

Massive sulphide mineralization is present as discontinuous pods up to 1.5 meters thick along the western basalt-sediment contact on the south Penthouse grid. Values of up 4.8% zinc, 0.5% lead, 0.5% copper, 40 gpt silver and 0.5 gpt gold were returned from surface sampling. No drilling was carried out on this showing by BHP, though they noted that it had been trenched by previous workers. This may be from Borealis Exploration's work in 1970 which returned trench values of 1.37 gpt gold, 92.57 gpt silver, 6.48% copper, and 1.10% lead.

South of the historic Crown claims, across the southeastern edge of a granitic intrusion is the North Mare/Blackridge showing last worked by Aber Resources Ltd. The mineralization consists of an altered, and locally brecciated gabbro-hosted silicified zone with up to 20% arsenopyrite and 10% pyrite ± pyrrhotite. The principal mineralized zone was traced on surface for at least 700 meters northeast in a 2.5 - 3.5 meter wide zone. The highest surface grades included a chip sample of 7.5 gpt gold/ 9 meters and the best intersection from drilling was 10.3 gpt gold / 1.07 meters. Contwoyto Property

More than 100 iron formation-hosted gold occurrences occur in the Point Lake - Contwoyto Lake meta-sediment sequence. The most notable gold-bearing iron formation in the vicinity is the Lupin gold mine. Mineralization specific to the Tahera held ground includes a number of significant iron formation hosted gold showings including the R43-R45, the R44-R47, the 4-2 grid, the Ox, and the 5-5 grid showings.

The R43-R45 showing is hosted by a Z-shape folded silicate iron formation up to 10 meters wide and traceable for over 1.3 kilometers. A surface grab sample returned 4.69 gpt gold, however the area is mainly unsampled. The geology, mineralisation, alteration and structure are extremely similar to the Lupin gold mine (located just 28 kilometers to the west) where gold mineralization is in a "Z" folded iron formation with pyrrhotite and arsenopyrite. The R43-R45 "Z" fold is of the same magnitude as Lupin. No drilling was reported here.

The R44-R47 showing is hosted by a banded garnet-silicate iron formation up to 5 meters wide and traceable on surface for 1.9 kilometers. The best gold values returned from surface sampling have been 2.98 and 11.1 gpt gold. No drilling was reported here.

Siliceous and sulphide-rich boulders of iron formation up to 2 meters in size were traced on surface for 200 meters on Helca's 4-2 grid. The best gold assay was 14.7 gpt gold. No follow-up drilling appears to have been done.

Cominco's Ox showing was discovered by surface sampling in 1988 on the lakeshore along the northern boundary of the historic Coco 6 claim. This area is now part of Tahera's IOL concession CO 08-00-05. The initial sampling of iron formation produced values of 3.29 gpt gold/ 4.0 meters. Follow up chip sampling in 1990 returned a value of 9.65 gpt gold/ 3 meters from a pyrrhotite-rich boulder. DDH-CC-

89-4 was drilled underneath the showing and intersected two separate iron formation horizons 8.2 meters apart. The upper iron formation assayed 2.12 gpt gold/ 2.02 meters. The lower iron formation averaged 2.4 gpt gold/ 1.81 meters.

Several 080-090° trending, 300 – 2700 meters long EM conductors were identified on Hecla Grid 5-5. A total of six iron formations were identified here, four of which were coincident with the EM conductors. Sulphide rich boulders of iron formation at the southwest section of Grid 5-5 yielded values to 28 gpt gold. The “Fox A” Canico showing is also within the Hecla 5-5 Grid area. Here the iron formation is 33 meters wide and 220 meters long and returned values to 5.1 gpt gold. Camico’s “Grid 60” covered the shoreline on the west end of Hecla’s Grid 5-5. A pyrite-bearing amphibolite iron formation sample on the shore of Contwoyto Lake assayed 11.0 gpt gold. This amphibolite unit trends westward into the lake.

Drilling by Hecla in 1987 on the 5-5 land grid included 8 holes totalling 942 meters. All eight holes intersected iron formation with five of the eight holes intersecting sulphide-rich and/or siliceous sulphidic iron formation. The best intercept was 2.31 gpt gold/ 7.85 meters (6.27 meters true width) from a section of 15% pyrite +/- arsenopyrite and pyrrhotite in DDH 87-6. Drillhole 87-15 is reported to have tested 30 meters below this intercept and only a narrow interval of iron formation was encountered. Faulting was interpreted to explain the change. DDH 87-8 was collared close to the baseline at L 9+00E and intersected 25.57 gpt gold/0.30 meters in garnet-bearing siliceous iron formation with <5% pyrrhotite. Several other intervals of iron formation, <1.0 – 5.5 meters wide were intersected in this hole. The surface samples values targeted for each drillhole were not explicitly given, although a value of 20.81 gpt gold was noted from surface sampling of a sulphidic siliceous iron formation 35 meters south of the collar for DDH 87-17. An 11.73 gpt gold surface sampling value within sulphidic iron formation was located approximately 75 meters east of the collar for DDH 87-17 and may have been the target of DDH 88-3.

Four short drill holes on the 5-5 grid in 1988 tested a folded iron formation as outlined by an IP survey. DDH 88-4 tested 225 meters west of the 2.31 gpt gold/ 7.85m intercept in DDH 87-6. DDH 88-4 intercepted 2.88 gpt gold/ 3.9m in pyrite-rich siliceous iron formation. DDH 88-3 tested an area 370 meters southeast of the 28 gpt gold surface sample and intersected 5.9 meters of siliceous and garnet-bearing iron formation with 1-2% pyrite. The bottom 1.7 meters of this unit contained 20% pyrite and assayed 4.2 gpt gold /1.7 meters. The actual high grade surface showing (28 gpt gold in arsenopyrite and quartz- rich iron formation boulders) was apparently not drilled. DDH 88-5 tested still further to the southeast (several hundred meters away). Three iron formations were intersected and the uppermost unit returned 2.07 gpt gold / 0.9 meters from a pyritiferous upper contact. DDH 88-2 intersected six horizons of siliceous +/- sulphidic iron formation ranging from 5.7 to 15.0 meters thick. The best value was 3.2gpt gold/1.4 meters.

Committee Bay Greenstone Belt

The Committee Bay Greenstone Belt is prospective for a number of mineral deposit types including BIF hosted gold, shear-hosted lode gold, komatiite hosted stratiform nickel-copper (Kambalda analogy), and PGEs in layered igneous complexes.

Examples of iron formation hosted gold include our Wrench claims where government sampling in 2001 returned a high of 9.7 gpt gold from sulphide bearing (pyrite + pyrrhotite), quartz-veined intervals of oxide BIF. This section of iron formation is over

6.5 kilometers long. Additional kilometer-scale segments of IF with anomalous gold (200 -390 ppb gold) are present further to the east within the Wrench claim block.

Other iron formation hosted gold examples include mineralisation on our Pickle claims. The IF here is 70–100 meters thick and traceable for 1.5 kilometers. The gold values are found in sulphide rich sections (arsenopyrite and pyrite) of the sheared oxide + silicate BIF over a distance of 1.35 kilometers. In addition gold values in iron formation are also found on our NN1 and NN2 claims.

An example of shear-hosted gold in the belt is CBR's Coyote showing where values to 246 gpt gold were returned from intensely sheared gabbro with quartz veins, pyrite + pyrrhotite + chalcopyrite + visible gold. The hosting structure is a splay off the east-west Walker Lake Shear Zone and is a classic setting for shear-hosted gold. We have a claim on either side of the Coyote claim showing. Another shear-hosted target is our Goose Claims where a value of 1.6 gpt gold was reported in a folded sequence of sheared mafic and ultramafic volcanics. Sulphides (pyrrhotite + arsenopyrite + pyrite) are found with oxide ± silicate BIF, and quartz veins. The stratigraphy and structure has parallels to the Red Lake camp.

Komatiite hosted (Kabalda-style) nickel potential exists on our three EE claims (EE 1-3). These claims cover nickel values from 0.2% to 0.5% spread over 930 meters of a contact between a thick ultramafic body and sediments. The highest copper value was 0.2%. A second ultramafic/sediment contact on the western edge of the western E claim also has anomalous nickel over a similar strike length. The folded stratigraphy in the centre of the EE claim block is also prospective for gold (samples to 200 ppb).

The Laughland Lake Anorthosite Suite ("LLAS") has good PGE potential. Rusty zones defined by sulphide gossans of up to 100 meters wide and 500 meters long have been reported in this area. Values to 185 ppb Pt, 41 ppb Pd, 1530 ppm nickel, and 1.35% copper have originated from these zones.

Exploration

As a result of the level of the 2004 exploration program, no field work will be undertaken in calendar 2005. Work will be limited to further assessment of the 2004 results and planning the 2006 season.

Slave Craton

The first phase of the planned exploration programs over the Hood River and Contwoyto IOL claim groups was carried out in August 2004 and consisted of exploration mapping, sampling and prospecting. This initial program was outlined to follow up and assess geophysical and geological anomalies reported by previous workers with a focus on targeting areas for phase two work.

As a result of the 2004 field season, several areas have emerged as having a strong potential for gold based on geological, mineralogical and structural criteria and as such require further examination. A program of detailed structural mapping is recommended in order to understand the complex structural environment. Further work should include detailed sampling and ground geophysics over key anomalous areas with a follow up drill program. BHP Minerals Ltd discovered the ULU deposit through a similar approach.

Hood River IOL Concessions

Bay Resources completed a total of \$104,446 of qualifying assessment work on the Hood River IOL Concessions. This work was filed by Tahera. Four key areas warrant further investigation.

Northern Fold Nose (CO20-01-01)

This zone is located approximately 3 kilometers north of the ULU deposit and is thought to be part of the major fold structure which hosts the ULU deposit.

Further mineralized zones were discovered in the core of the Northern Fold Nose than previously described. Acicular arsenopyrite was noted in narrow shears within silicified basalt just south of the Northern Fold Nose. Chip sampling of the exposed veins during the 2004 field season yielded several samples of anomalous gold values. A relationship between arsenic and gold is observed. Gold values obtained from this work ranged from 22.9 gpt to 495 ppb. Speculation is that the asymmetry of the fold produced a pressure shadow on the east limb and later hydrothermal fluids concentrated in this area.

Penthouse (CO20-00-01)

The Penthouse claims are covered by Tahera's concession CO20-00-01 and are underlain by a geologically and structurally complex package of rocks. Mafic volcanic and metasediments underlie the area.

The sediments are thought to form the conduit for mineralizing fluids. Gabbroic sills occur within the mafic volcanics and sediments and form marker horizons outlining the structural complexity of the area.

A total of 65 samples were taken in the North Penthouse area with gold values ranging from 0.98 gpt to 12.82 gpt in chip and grab samples. A total of 36 per cent of samples taken from this area yielded anomalous assays.

A total of 53 samples were taken from the South Penthouse area with 15 per cent returning anomalous values. These samples yielded the same arsenic-gold relationship with values ranging from 1.95 gpt to a high of 30.32 gpt.

The Crown Trenches and East Crown (CO20-00-01)

The Crown 'Main Zone' is located in the southern portion of Tahera's concession CO20-00-01. It is comprised of a 800 meter contact zone of silicified basalt and biotite schist contact. Gold mineralization is associated with silicification +/- chloritization alteration assemblage with disseminated to massive, anhedral to euhedral arsenopyrite +/- pyrrhotite +/- pyrite. Seven trenches were dug into this contact.

The 2004 field work consisted largely of resampling of the trenches in this area. A total of 60, 1.0 meter to 1.5 meter chip samples were taken from these trenches. Results returned gold values from 5.78 gpt to 0.51 gpt with 32 per cent of the samples returning anomalous results.

East of the trenches several anomalous zones were located with a new zone extending off the claims and to the north for over 1 kilometer. This zone is roughly

parallel to the Crown trench area and may perhaps be part of a large scale folded stratigraphy.

A total of 30 samples were taken on the East portion of the Crown area. The gold values ranged from 2.75 gpt to 0.02 gpt.

Blackridge area (CO20-00-04-CO20-00-03A)

The main showing occurs along a gabbro-sediment contact. A linear mineralized contact zone was traced over 750 meters.

Anomalous results were returned from siliceous metavolcanics and metasediments with the highest values returned from trenches cut into gabbro metavolcanic/metasediment contact. A total of 39 samples were taken from this area with values ranging from 37.78 gpt gold, 21.58 gpt gold to lows in the vicinity of 2.5 gpt gold. Elevated copper values were also noted and the persistent relationship between arsenic and gold held in this sampling. A total of 40 per cent of the samples taken returned anomalous values. Overall the 2004 results were an improvement over the historical results reported as 2.87 gpt gold and 10.3 gpt gold over 1.07 meters.

Contwoyto IOL Concessions

Bay completed a total of CDN\$109,057 of qualifying assessment work on the Contwoyto IOL Concessions. This work was filed by Tahera. Some key areas that warrant further investigation include:

Norma Fault Area (Co-08-00-01)

The geology consists of a package of sedimentary rocks belonging to the Contwoyto Formation with minor Ichen Formation rocks located largely on the northwest shore of the northeast arm of Contwoyto Lake. These rocks appear as well bedded turbiditic sequences with amphibolitized iron rich sediments

A moderate to well mineralized silicate facies iron formation zone was found on the western edge of the claim block and traced over 800 meters. This zone consisted of narrow bands +/- 50 cm to 1.0 meter wide mineralized silicate facies iron formation containing very fine grained pyrrhotite, pyrite and rare chalcopyrite at the contact with a gabbroic sill.

Grid 5-5 Area (Co-08-00-02)

Prospecting in the area of grid 5-5 on the southeast shore of the arm in the vicinity revealed the area to be underlain by a package of amphibole rich silicate facies iron formations, interbedded with a well banded turbiditic sequence of biotite feldspar rich +/- cordierite/ andalusite sediments. Grey to clear quartz veins and veining were observed conformable to bedding. These sediments were typically magnetite poor however a strong magnetic effect was experienced in the center of the zone during mapping. This package has been folded asymmetrically with soft sediment folding exhibited within the individual beds. A fold closure to the south was observed in outcrop. Geophysical anomalies indicate fold zones trending off shore into the lake proximal to the Grid 5-5 zone.

This area produced the best gold results in the Contwoyto concessions with values ranging from 1.5 to 6.98 gpt gold from the iron formation.

Ox Area(Co-08-00-05)

The north end of the claim block is underlain by a sulphide poor silicate facies iron formation 100 meters wide and extending over 150 meters to the northeast. To the north of the claim block interbeds of turbidites, biotite schists/greywacke and coarse to fine grained heavily oxidized amphibolite. Mineralization is largely fine grained pyrite, pyrrhotite with minor chalcopyrite and rare malachite, in trace to 5 percent abundance. The mineralization is finely disseminated as well as locally concentrated along planes of schistosity. Structurally the area consists of tightly folded units with minor quartz veining crosscutting and conformable to bedding planes. The sampling program on the Ox grid fold zone yielded consistent anomalous gold values.

Committee Bay Greenstone Belt

A total of CDN\$1.567 million was spent on our Committee Bay Greenstone Belt 2004 program. A large portion of the expense went to establishing a re-usable base-camp into this fairly remote location. All field, office, and camp supplies, as well as fuel, was flown in. As well all field activities were helicopter supported.

Between June 2004 and early September 2004, a regional, grassroots-type prospecting/mapping program was undertaken to explore all of our mineral claims in the Committee Bay Greenstone Belt. Each of our 21 claims hold significant promise of a mineral deposit. In some localities outcrop was not abundant or observed however, many of the claim sites were selected to cover key anomalies identified from the government regional airborne magnetic survey.

A total of 1,476 rock samples were removed and analysed from the 21 claims. In addition, a small soil grid was established on the Wrench claims and 658 soil samples were collected. Anomalous to ore grade gold was returned from sampling on several of the claim areas. Of particular note were the results from the Wrench claims which cover an area adjacent to the CBR's Three Bluffs deposit and were found to hold identical structures and lithologies. Sampling along exposed BIF produced high gold values of up to 100.45 gpt gold and anomalous values were returned from a 1.5 kilometer strike length of the target horizon.

Our exploration program began in late May 2004 with a geophysical program on the Wrench claims. This is covered in the "Geophysical Surveys" section.

Geophysical Surveys

Committee Bay Greenstone Belt- Wrench Claims

An eighty six line grid was established over the Wrench Claims by Aurora Geosciences Ltd of Yellowknife, NT. Grid point control was accomplished using GPS technology. Lines were turned off the base line on one hundred metre centres and in total the grid was comprised of 176.46 line kilometres. Subsequently, two geophysical surveys were undertaken. Total field magnetic surveying was carried out with readings obtained at 6.25 metre stations. Horizontal loop electromagnetic (H.L.E.M.) surveying was also undertaken. Readings for this survey were spaced at twenty five metre intervals.

The Wrench claim group comprise five contiguous claims covering approximately 4,900 hectares. The claims are underlain by metasediments and over 10 kilometers of strike length of a folded and faulted BIF. A government aeromagnetic survey confirms that the signature of the Wrench iron formation is directly connected with

and along strike of CBR's Three Bluffs high grade iron formation (45.4 grams per tonne ("gpt") gold over 6.9 meters) discovered in 2003.

The geophysical program served a number of purposes. The magnetics accurately trace the iron formation and delineate important structural information such as faulting and folding. The HLEM component highlights where the conductive pyrrhotite-rich sections of the iron formation are and, in conjunction with the magnetics, may define trenching and drill targets.

The magnetic survey outlined a strong, six kilometre long northeast-trending magnetic anomaly along the western half of the grid. In the southeastern portion of the grid, two additional strong, parallel, magnetic anomalies were recorded. The H.L.E.M. survey outlined 17 distinct conductive trends/anomalies, most of which are coincident with, or flank very strong magnetic features.

Field verification of the magnetic anomalies indicates that the magnetic anomalies are a result of the presence of BIF units that underlie the grid.

Further Exploration

Slave Craton

A program of detailed mapping and sampling along with selective ground geophysical surveys has been recommended for the second phase of the exploration on the Tahera claims.

After the 2004 program the IOL concession area at Contwoyto was dramatically reduced down from 65,250.8 acres to 21,533.1 acres. All prospective ground was retained. The area reduction was done in conjunction with Tahera and it served to also greatly reduce the amount of exploration requirement for this area. A program of approximately \$63,300 would be required to maintain the ground into 2006.

A small portion of the Hood River IOL Concession area was reduced with all prospective ground retained for further exploration. Currently Bay Resources has no required 2005 spending commitments to maintain this ground however, the Hood River area contains many of the most prospective gold targets which will be the subject of future exploration.

Committee Bay Greenstone Belt

With the large assessment credit excess from the 2004 program, our claims are secure for several years with no spending requirements, however due to the gold potential and interest in the Committee Bay Greenstone Belt, further work is planned.

Future exploration programs will involve further geophysical surveys, mapping, prospecting, sampling, and drilling. Identifying and defining drill targets will be the primary objective. Given the high grade results (61.6 gpt gold / 4.84m, and 27.41 gpt gold / 9.44m) from CBR's recent drilling on the Three Bluff's showing, on strike to the southeast, our Wrench showing (values to 100 gpt gold) is a possible drill target. The thick sequence of sheared BIF with pyrite + arsenopyrite on the Pickle claims also represents an excellent drill target.

Employees

We have a Vice President Exploration and Chief Operating Officer who are full-time employees. We also use casual employees in our field exploration program. The services of our Chief Executive Officer and Chief Financial Officer as well as clerical employees are provided to us on a part-time basis pursuant to a Service Agreement dated November 25, 1988 (the "Service Agreement") by and between AXIS Consultants Pty Limited and ourselves. AXIS also provides office facilities, equipment, administration and clerical services to the Company pursuant to the Service Agreement. The Service Agreement may be terminated by written notice from the parties thereto.

Further detail relating to additional terms of the Service Agreement is included in "Item 2- Properties", "Item 13- Certain Relationships and Related Transactions" and "Item 11- Executive Compensation".

Canadian Governmental and Environmental Regulation

The mining industry in the Nunavut Territory, where our exploration properties are situated, operates under Canadian federal and territorial legislation governing prospecting, development, production, environmental protection, exports, income taxes, labor standards, mine safety and other matters. We believe our Canadian operations are operating in substantial compliance with applicable law.

Our exploration works is subject to environmental regulation primarily by the Federal Department of Indian Affairs and Northern Development and the Nunavut Water Board. The Department of Fisheries & Oceans (Canada) and the Department of the Environment (Canada) have an enforcement role in the event of environmental incidents, but presently have no direct regulatory role in relation to our exploration activity.

On April 1, 1999, the Nunavut Land Claims Agreement, dated May 28, 1993, between the Inuit of Canada's eastern arctic region and Her Majesty the Queen in right of Canada, came into force. Under this agreement, the Inuit were granted ownership of approximately 360,000 square kilometers of land in an area referred to as the Nunavut Settlement Area, including ownership of subsurface rights in approximately 37,500 square kilometers of those lands. Third party interests in lands in the Nunavut Settlement Area created prior to April 1, 1999 are protected under the Nunavut Land Claims Agreement. Where a third party was granted a mining lease under the Canada Mining Regulations in lands comprising the Nunavut Settlement Area, that interest continues in accordance with the terms and conditions on which it was granted, including any rights granted under the legislation that give rise to the interest. However, where any successor legislation has the effect of diminishing the rights afforded to the federal government, it will not bind the Inuit without its consent. The Inuit are entitled to receive whatever compensation is payable by the interest holder for the use of exploitation of mineral rights. The federal government continues to administer the third party interest on behalf of the Inuit, unless the third party and the Inuit enter into an agreement under which the third party agrees to the administration of their interest by the Inuit. In the event such an agreement is reached, the applicable legislation will cease to apply to the third party interest. Subsurface interests in such lands continue to be administered in accordance with applicable legislation relating to those interests and are not affected by the Nunavut Land Claims Agreement.

Third party interests in lands in the Nunavut Settlement Area created on or after April 1, 1999 are granted, in the case of surface rights, by the appropriate regional Inuit association and, in the case of subsurface rights, by Nunavut Tungavik Incorporated. Which will hold subsurface title to Inuit owned lands and will be additionally responsible, in consultation with the appropriate regional Inuit associations, for the administration and management of those subsurface rights.

Risk Factors

Risks of Our Business

We Lack an Operating History And Have Losses Which We Expect To Continue Into the Future.

To date we have no source of revenue. We have no operating history as a mineral exploration or mining company upon which an evaluation of our future success or failure can be made. Our ability to achieve and maintain profitability and positive cash flow is dependent upon:

- exploration and development of the property covered by our mineral claims;
- our ability to locate economically viable mineral reserves in the property covered by our mineral claims;
- our ability to raise the capital necessary to conduct exploration and preserve our interest in the mineral claims, increase our interest in the mineral claims and continue as an exploration and mining company; and
- our ability to generate revenues and profitably operate a mine on the property covered by our mineral claims.

We Have No Known Gold Or Other Mineral Reserves And We Cannot Assure You That We Will Find Such Reserves. If We Develop A Gold Or Other Mineral Reserve, There Is No Guarantee That Production Will Be Profitable.

We have not identified any gold or other commercial mineral reserves on the properties covered by our mineral claims and we cannot guarantee we will ever find any. Even if we find a gold or other commercial minerals reserve, there is no assurance that we will be able to mine them. Even if we develop a mine, there is no assurance that we will make a profit. If we do not find gold or other commercial minerals you could loose part or all of your investment.

We Will Need Additional Financing To Determine If There Is Gold Or Other Commercial Minerals And To Maintain The Mineral Claims.

Our success will depend on our ability to raise additional capital. We have met our legal exploration commitments until 2012. However, at this time, we have not found a gold deposit and further exploration is required. There is no assurance whatsoever that funds will be available from any source or, if available, that they can be obtained on terms acceptable to us to make these investments. If funds are not available in the amounts required to maintain an interest, we will be unable to proceed further on the Committee Bay properties and our operations would be severely limited, and we would be unable to reach our objective. This could cause the loss of all or part of your investment.

The Report Of Our Independent Registered Public Accounting Firm Contains An Explanatory Paragraph Questioning Our Ability To Continue As A Going Concern.

The report of our independent registered public accounting firm on our consolidated financial statements as of June 30, 2005 and for the years ended June 30, 2005 and 2004 and for the period July 1, 2002 (inception of exploration stage) through June 30, 2005 includes an explanatory paragraph questioning our ability to continue as a going concern. This paragraph indicates that we have not yet commenced revenue producing operations and have a retained deficit of A\$31,406,000 which conditions raise substantial doubt about our ability to continue as a going concern. Our consolidated financial statements do not include any adjustment that might result from the outcome of this uncertainty.

We Are A Small Operation And Do Not Have Significant Capital.

Because we will have limited working capital, we must limit our exploration. If we are unable to raise the capital required to undertake adequate exploration, we may not find gold or other commercial minerals even though our property may contain gold or other commercial minerals. If we do not find gold or other commercial minerals we may be forced to cease operations and you may lose your entire investment.

We May Not Find Any Ore Reserves That Are Economical

If we are unable to raise the required capital or we do not find gold or other commercial minerals on the properties or we cannot remove the gold or other commercial minerals discovered economically, we may have to look for other mineral rights on other properties in Canada or other parts of the world. Alternatively, we may cease operations altogether and you may lose your entire investment.

Weather Interruptions In Nunavet May Affect And Delay Our Proposed Exploration Operations.

We can only work above ground at our mineral claims in Nunavet, Canada from late May until early October of each year. Once we are able to work underground, we plan to conduct our exploration year round, however, it is possible that snow or rain could cause roads leading to our claims to be impassible. This could impair our ability to meet our objectives and may increase our costs beyond our ability, if any, to secure financing, which would adversely affect the value of your investment and our ability to carry on business.

If Our Officers And Directors Stopped Working For Us, We Would Be Adversely Impacted.

Our Vice President Exploration and Chief Operating Officer are employed on a full time employment contract. Other than these officers, none of our other officers or directors work for us on a full-time basis. There are no proposals or definitive arrangements to compensate our officers and directors or to engage them on a full-time basis. They each rely on other business activities to support themselves. They each have a conflict of interest in that they are officers and directors of other companies. You must rely on their skills and experience in order for us to reach our objective. We have no employment agreements or key man life insurance policy on any of them. The loss of some or all of these officers and directors could adversely affect our ability to carry on business and could cause you to loose part or all of your investment.

We Could Encounter Delays Due To Regulatory And Permitting Delays.

We could face delays in obtaining mining permits and environmental permits. Such delays, could jeopardize financing, if any, in which case we would have to delay or abandon work on the properties.

Gold Price Fluctuations.

If we are successful in developing a gold ore reserve, our ability to raise the money to put it into production and operate it at a profit will be dependant on the then existing market price of gold. Declines in the market prices of gold may render reserves containing relatively low grades of ore uneconomic to exploit, and we may be required to discontinue exploration, development or mining on the properties, or write down our assets. If the price of gold is too low we will not be able to raise the money or produce any revenue. We cannot predict the future market price of gold. A sustained decline in the market price of gold could cause a reduction in the value of your investment and you may lose all or part of your investment. However, in September 2005, the gold price reached an 18 year high.

There Are Uncertainties Inherent In The Estimation Of Gold Or Other Mineral Reserves.

Based upon our preliminary study of the properties we believe that the potential for discovering gold reserves exists, but we have not identified such gold reserves and we are not able to estimate the probability of finding recoverable gold ore. Such estimates cannot be calculated from the current available information. Reserve estimates, including the economic recovery of gold ore, will require us to make assumptions about recovery costs and gold market prices. Reserve estimation is, by its nature, an imprecise and subjective process and the accuracy of such estimates is a function of the quality of available data and of engineering and geological interpretation, judgment and experience. The economic feasibility of the properties will be based upon our estimates of the size and grade of ore reserves, metallurgical recoveries, production rates, capital and operating costs, and the future price of gold. If such estimates are incorrect or vary substantially it could effect our ability to develop an economical mine and would reduce the value of your investment.

If We Define An Economic Ore Reserve And Achieve Production, It Will Decline In The Future. An Ore Reserve Is A Wasting Asset.

Our future ore reserve and production, if any, will decline as a result of the exhaustion of reserves and possible closure of any mine that might be developed. Eventually, at some unknown time in the future, all of the economically extractable ore will be removed from the properties, and there will be no ore remaining. This is called depletion of reserves. Ultimately, we must acquire or operate other properties in order to continue as an on going business. Our success in continuing to develop reserves, if any, will affect the value of your investment.

There Are Significant Risks Associated With Mining Activities.

The mining business is generally subject to risks and hazards, including quantity of production, quality of the ore, environmental hazards, industrial accidents, the encountering of unusual or unexpected geological formations, cave-ins, flooding, earthquakes and periodic interruptions due to inclement or hazardous weather conditions. These occurrences could result in damage to, or destruction of, our mineral properties or production facilities, personal injury or death, environmental

damage, reduced production and delays in mining, asset write-downs, monetary losses and possible legal liability. We could incur significant costs that could adversely affect our results of operation. Insurance fully covering many environmental risks (including potential liability for pollution or other hazards as a result of disposal of waste products occurring from exploration and production) is not generally available to us or to other companies in the industry. What liability insurance we carry may not be adequate to cover any claim.

We Are Subject To Significant Environmental And Other Governmental Regulations That Can Require Substantial Capital Expenditure, And Can Be Time-Consuming.

We are required to comply with various Canadian laws and regulations pertaining to exploration, development and the discharge of materials into the environment or otherwise relating to the protection of the environment, all of which can increase the costs and time required to attain operations. We will have to obtain exploration, development and environmental permits, licenses or approvals that may be required for our operations. There can be no assurance that we will be successful in obtaining, if required, a permit to commence exploration, development and operation, or that such permit can be obtained in a timely basis. If we are unsuccessful in obtaining the required permits it may adversely affect our ability to carry on business and cause you to lose part or all of your investment.

Mining Accidents Or Other Adverse Events At Our Property Could Reduce Our Production Levels.

If and when we reach production it may fall below estimated levels as a result of mining accidents, cave-ins or flooding on the properties. In addition, production may be unexpectedly reduced if, during the course of mining, unfavorable ground conditions or seismic activity are encountered, ore grades are lower than expected, or the physical or metallurgical characteristics of the ore are less amenable to mining or processing than expected. The happening of these types of events would reduce our profitability or could cause us to cease operations which would cause you to lose part or all of your investment.

The acquisition of gold mineral properties is subject to substantial competition. If we must pursue alternative properties, companies with greater financial resources, larger staffs, more experience, and more equipment for exploration and development may be in a better position than us to compete for properties. We may have to undertake greater risks than more established companies in order to compete which could affect the value of your investment..

We are substantially dependent upon AXIS Consultants To Carry Out Our Activities

We are substantially dependent upon AXIS for our senior management, financial and accounting, corporate legal and other corporate headquarters functions. For example, each of our officers is employed by AXIS and, as such, is required by AXIS to devote substantial amounts of time to the business and affairs of the other shareholders of AXIS.

Pursuant to a services agreement, AXIS provides us with office facilities, administrative personnel and services, management and geological staff and services. No fixed fee is set in the agreement and we are required to reimburse AXIS for any direct costs incurred by AXIS for us. In addition, we pay a proportion of

AXIS indirect costs based on a measure of our utilization of the facilities and activities of AXIS plus a service fee of not more than 15% of the direct and indirect costs. To date, AXIS has not charged us a service fee but there can be no assurance that AXIS will not charge a fee in the future. This service agreement may be terminated by us or AXIS on 60 days' notice. See "Certain Relationships and Related Party Transactions."

Future Sales of Common Stock Could Depress The Price Of Our Common Stock

Future sales of substantial amounts of common stock pursuant to Rule 144 under the Securities Act of 1933 or otherwise by certain stockholders could have a material adverse impact on the market price for the common stock at the time. There are presently 15,661,358 outstanding shares of our common stock held by stockholders which are deemed "restricted securities" as defined by Rule 144 under the Securities Act. Under certain circumstances, these shares may be sold without registration pursuant to the provisions of Rule 144. In general, under rule 144, a person (or persons whose shares are aggregated) who has satisfied a one-year holding period may, under certain circumstances, sell within any three-month period a number of restricted securities which does not exceed the greater of one (1%) percent of the shares outstanding or the average weekly trading volume during the four calendar weeks preceding the notice of sale required by Rule 144. In addition, Rule 144 permits, under certain circumstances, the sale of restricted securities without any quantity limitations by a person who is not an affiliate of ours and has satisfied a two-year holding period. Any sales of shares by stockholders pursuant to Rule 144 may have a depressive effect on the price of our common stock.

Our Common Stock Is Traded Over the Counter, Which May Deprive Stockholders Of The Full Value Of Their Shares

Our common stock is quoted via the Over The Counter Bulletin Board (OTCBB). As such, our common stock may have fewer market makers, lower trading volumes and larger spreads between bid and asked prices than securities listed on an exchange such as the New York Stock Exchange or the NASDAQ. These factors may result in higher price volatility and less market liquidity for the common stock.

A Low Market Price May Severely Limit The Potential Market For Our Common Stock

Our common stock is currently trading at a price substantially below \$5.00 per share, subjecting trading in the stock to certain SEC rules requiring additional disclosures by broker-dealers. These rules generally apply to any equity security that has a market price of less than \$5.00 per share, subject to certain exceptions (a "penny stock"). Such rules require the delivery, prior to any penny stock transaction, of a disclosure schedule explaining the penny stock market and the risks associated therewith and impose various sales practice requirements on broker-dealers who sell penny stocks to persons other than established customers and institutional or wealthy investors. For these types of transactions, the broker-dealer must make a special suitability determination for the purchaser and have received the purchaser's written consent to the transaction prior to the sale. The broker-dealer also must disclose the commissions payable to the broker-dealer, current bid and offer quotations for the penny stock and, if the broker-dealer is the sole market maker, the broker-dealer must disclose this fact and the broker-dealer's presumed control over the market. Such information must be provided to the customer orally or in writing before or with the written confirmation of trade sent to the customer. Monthly statements must be

sent disclosing recent price information for the penny stock held in the account and information on the limited market in penny stock. The additional burdens imposed upon broker-dealers by such requirements could discourage broker-dealers from effecting transactions in our common stock.

The Market Price Of Your Shares Will Be Volatile.

The stock market price of gold mining exploration companies like us has been volatile. Securities markets may experience price and volume volatility. The market price of our stock may experience wide fluctuations that could be unrelated to our financial and operating results. Such volatility or fluctuations could adversely affect your ability to sell your shares and the value you might receive for those shares.

Item 2 Properties

The Company occupies certain executive and office facilities in Melbourne, Victoria, Australia which are provided to it pursuant to the Service Agreement with AXIS. See *“Item 1- Business- Employees”* and *“Item 12- Certain Relationships and Related Transactions”*. The Company believes that its administrative space is adequate for its current needs.

In addition, we have an office in North America at Suite 1801, 1 Yonge Street, Toronto ON Canada. The office receives mail, couriers and facsimiles on our behalf and forwards any documents received to us. The lease is for six months and can be renewed on a month to month basis. We pay a fee of CDN\$30 per month. This is a temporary arrangement whilst we determine whether to open a permanent office.

Item 3 Legal Proceedings

There are no pending legal proceedings to which the Company is a party, or to which any of its property is the subject, which the Company considers material.

Item 4 Submission of Matters to a Vote of Security Holders

Not Applicable

PART II

Item 5 Market for Common Equity and Related Stockholder Matters

Our Common Stock is traded in the over-the-counter market and quoted on the OTC-Bulletin Board under the symbol "BYRE". The trading for the Common Stock has been sporadic and the market for the Common Stock cannot be classified as an established trading market.

The following table sets out the high and low bid information for the Common Stock as reported by the National Quotation Service Bureau for each period/quarter indicated in US\$:

<u>Calendar Period</u>	<u>High Bid</u> (1)	<u>Low Bid</u> (1)
2003		
First Quarter	3.50	1.01
Second Quarter	2.25	1.75
Third Quarter	2.50	1.50
Fourth Quarter	3.20	2.25
2004		
First Quarter	10.01	2.40
Second Quarter	9.50	9.50
Third Quarter	9.50	8.00
Fourth Quarter	8.00	1.50
2005		
First Quarter	2.50	1.01
Second Quarter	1.75	0.65

(1) The quotations set out herein reflect inter-dealer prices without retail mark-up, mark-down or commission and may not necessarily reflect actual transactions.

Shareholders

As of August 31, 2005 the Company had approximately 245 shareholders of record.

Dividend Policy

It is the present policy of the Board of Directors to retain earnings, when incurred, for use in our business. We have not declared any cash dividends to the holders of its Common Stock and does not intend to declare such dividends in the foreseeable future

Transfer Agent

Our United States Transfer Agent and Registrar is The Bank of New York.

Proposed Dual Listing on Toronto Venture Exchange

We have lodged an application with TSX-V to dual list our shares of common stock on TSX-V. Cannacord Capital Corporation, have agreed to act as sponsor for the listing

and may offer to act as agent on a commercially reasonable basis, following a successful listing, to assist us in raising up to CDN\$3 million in flow through financing to assist us with funding our operations.

Item 6 Management's Discussion and Analysis of Financial Condition or Plan of Operation

General

The following discussion and analysis of our financial condition and plan of operation should be read in conjunction with the Financial Statements and accompanying notes and the other financial information appearing elsewhere in this report. This report contains numerous forward-looking statements relating to our business. Such forward-looking statements are identified by the use of words such as believes, intends, expects, hopes, may, should, plan, projected, contemplates, anticipates or similar words. Actual operating schedules, results of operations, ore grades and mineral deposit estimates and other projections and estimates could differ materially from those projected in the forward-looking statements.

We are an exploration stage mining company. Our objective is to exploit out interest in the mineral claims in Nunavut, Canada. Our principal exploration target is for gold and we are seeking to determine whether adequate gold reserves are present on the property covered by our claims to develop an operating mine. We are in the initial stages of our exploration program and we have not yet identified any ore reserves. We have not generated any revenues from operations.

Selected Financial Data

Our selected consolidated financial data presented below for each of the years in the two-year period ended June 30, 2005, and the balance sheet data at June 30, 2004 and 2005 have been derived from consolidated financial statements, which have been audited by PKF, Certified Public Accountants, a Professional Corporation. The selected financial data should be read in conjunction with our consolidated financial statements for each of the years in the two-year period ended June 30, 2005, and Notes thereto, which are included elsewhere in this Annual Report.

Consolidated Statement of Operations Data
(in thousands, except per share data)

Year ended June 30

	2004 A\$	2005 A\$	Conv. Transl. 2005 US\$
Revenues	-	-	-
Costs and expenses	1,722	2,603	1,984
Loss from operations	(1,722)	(2,603)	(1,84)
Other income (loss)	(1)	3	2
Profit (loss) before income taxes	(1,723)	(2,600)	(1,984)
Provision for income taxes	-	-	-
Net profit (loss) from Continuing Operations	(1,723)	(2,600)	(1,984)
Net loss from Discontinued Operations	-	-	-
Net profit (loss)	(1,723)	(2,600)	(1,984)
	A\$	A\$	US\$
Net profit (loss) per share			
On continuing operations	(.18)	(.16)	(.12)
On discontinued operations	-	-	-
	(1,18)	(1,16)	(1,12)
Weighted average number of shares outstanding (000's)	9,385	16,714	16,714

Consolidated Balance Sheet Data

	A\$	A\$	US\$
Total assets	1,466	227	173
Total liabilities	599	1,577	1,201
Stockholders' equity (deficit)	867	(1,350)	(1,029)

Foreign Currency Translation

The majority of our administrative operations are in Australia and, as a result, our accounts are reported in Australian dollars. The income and expenses of its foreign operations are translated into Australian dollars at the average exchange rate prevailing during the period. Assets and liabilities of the foreign operations are translated into Australian dollars at the period-end exchange rate. The following table shows the period-end rates of exchange of the Australian and Canadian dollar compared with the US dollar during the periods indicated.

Year ended June 30				
2004	A\$1.00	=	US\$0.6903	
	CDN\$1.00	=	US\$0.7433	
2005	A\$1.00	=	US\$0.7620	
	CDN\$1.00	=	US\$0.9279	

The exchange rate between the A\$ and US\$ has moved by 10.4% between June 30, 2004 and 2005. Accordingly, a direct comparison of costs between fiscal 2004 and 2005 is not necessarily a true comparison.

Plan of Operation

We have A\$2,000 in cash at June 30, 2005. We are investigating the possibility of raising money in the USA and Canada for exploration and working capital purposes.

During fiscal 2004 and 2005, we undertook a field exploration program on our Committee Bay and Slave Properties at a cost of A\$2,228,000. This was more than the minimum required expenditure. As a result, we do not have a legal obligation to undertake further exploration on our properties during their life. However our properties are prospective for gold and other minerals. Subject to financing, we plan to undertake further exploration in the 2006 summer season. At this stage, we have not prepared a budget for the 2006 exploration program. Our budget for general and administration for fiscal 2005 is A\$0.8 million. We are currently investigating capital raising opportunities which may be in the form of either equity or debt, to provide funding for working capital purposes and future exploration programs. There can be no assurance that such a capital raising will be successful, or that even if an offer of financing is received by the Company, it is on terms acceptable to the Company.

As set out in Item1 "Employees" we have a Vice President Exploration and a Chief Operating Officer, use temporary employees in our field exploration program and the services of our Chief Executive Officer and Chief Financial Officer as well as certain clerical employees are provided by AXIS. At the current time, we have no plans to change these arrangements or employ any further persons.

Results of Operations

Year ended June 30, 2005 versus Year ended June 30, 2004

Total costs and expenses have increased from A\$1,722,000 for the year ended June 30, 2004 to A\$2,597,000 (US\$1,979,000) for the year ended June 30, 2005. The increase was a net result of:

- i) An increase in exploration expenditure written off from A\$951,000 in fiscal 2004 to A\$1,277,000 (US\$973,000) in fiscal 2005. In fiscal 2005, we completed our summer season field program on the Committee Bay and Slave Properties. These properties are in Nunavut in an isolated area and exploration can only be undertaken between June and August each year due to ground conditions. Exploration is costly as we were required to hire and construct a temporary camp which also had to be transported by charter flight. All supplies and casual employees also needed to be transported to the temporary camp by charter flights and/or helicopter. The properties are located approximately 100 kilometers from the camp and employees are transported by helicopter daily from camp to the exploration site. In addition, our Vice President Exploration was employed for a full twelve months compared to three months in fiscal 2004. In fiscal 2004 (April 2004), we appointed a Vice President Exploration in Canada and commenced the exploration program on the Committee Bay Properties. During the 2003 fiscal year, the Company entered into an arrangement in Tibet in China (see Item 1 Business – General and History of the Company). This arrangement was subsequently cancelled however the Company incurred exploration expenditure totalling A\$109,000 in the form of salaries, consulting fees, travel and accommodation and legal expenses. There was no comparable transaction in the 2004 fiscal year.
- ii) A decrease in interest expense from A\$122,000 in fiscal 2004 to A\$44,000 (US\$34,000) in fiscal 2005. During fiscal 2005, we borrowed A\$644,633 (US\$491,210) from Wilzed, a company which our President and CEO is a Director and shareholder. Wilzed charged us A\$31,235 (US\$23,801) in interest. Wilzed charged interest at a rate between 9.10% and 9.35% during fiscal 2005. AXIS provides management and geological services to us pursuant to a Service Deed dated November 25, 1988. AXIS charged interest at a rate between 10.60% and 10.85% for fiscal 2005. In March 2004, we repaid all in debt owing to Chevas Pty Ltd and AXIS. During the 2004 year, an interest rate of 8.60% was charged on outstanding amounts by Chevas. Chevas is a company associated with Mr. J.I. Gutnick, our President, which provided funding for the Company's operations during the year. AXIS provides management and geological services to the Company pursuant to a Service Deed dated November 25, 1988. AXIS charged interest at a rate between 10.10% and 10.60% for fiscal 2004.
- iii) An increase in legal, accounting and professional costs from A\$112,000 in fiscal 2004 to A\$189,000 (US\$144,000) in fiscal 2005. During fiscal 2005, we incurred legal expenses of A\$58,874 (US\$44,862) in relation to the proposed listing on Toronto Venture Exchange and A\$40,763 (US\$31,061) in relation to financing documents and general legal work; audit related fees of A\$56,369 (US\$42,953) being A\$52,061 (US\$39,670) for the professional services in relation to the financial statements in the quarterly Form 10-QSB's and annual Form 10-KSB and \$4,308 (US\$3,282) for professional services in relation to the listing application on Toronto Venture Exchange; and A\$32,826 (US\$23,668) in costs from our stock transfer agent for management of the share register. During fiscal 2004, we incurred legal expenses of A\$31,500 which relates to the preparation of documentation for a dual listing on Toronto Venture Exchange; A\$23,000 being legal costs involved in the preparation of a registration statement for the purpose of registering shares of common stock and warrants issued to RAB in the placement that occurred in April 2004; and general legal expenses to do with the normal activities of the Company. We

also changed independent accountants during the fiscal 2003 year and as a result, incurred additional costs of A\$5,000 during fiscal 2004.

- iv) An increase in administrative costs from A\$537,000 in fiscal 2004 to A\$716,000 (US\$546,000) in fiscal 2005. During fiscal 2005, the management fee charged by AXIS to us was A\$120,000 (US\$91,440); AXIS charged us A\$224,065 (US\$170,737) for Director's fees and salaries incurred on behalf of the Company which relates to fees paid to independent Directors and the cost of the President and Chief Executive Officer, Director, Secretary and Chief Financial Officer and other staff of AXIS who provided services to the Company. One independent Director charged the Company directly amounting to A\$20,000 (US\$15,240). The Company paid A\$68,000 in insurance premiums and there was no comparable amount in fiscal 2004 as the insurance policies were only taken out when the operations in Canada commenced at the end of fiscal 2004. In November 2004, we appointed a Chief Operating Officer and we paid his salary totalling A\$82,823 (US\$63,111). Prior to that date, the current Chief Operating Officer had provided consulting services and we had paid him A\$51,132 (US\$38,962). In addition, we have paid A\$35,732 (US\$27,228) to Cannacord who have agreed to sponsor our listing on Toronto Venture Exchange. During fiscal 2004, the management fee charged by AXIS to the Company was A\$100,000. In fiscal 2004, AXIS charged the Company A\$205,000 for Director's fees and salaries incurred on behalf of the Company which related to fees paid to independent Directors and the cost of the President and Chief Executive Officer, Director, Secretary and Chief Financial Officer and other staff of AXIS who provided services to the Company. One Independent Director charged the Company directly from January 1, 2004 and this amounted to A\$11,000. The Company incurred A\$56,000 in travel and accommodation costs in relation to travel by Directors and officers on capital raising trips and trips in relation to the proposed dual listing of the Company's securities on the Toronto Venture Exchange; A\$131,000 for consultants, a majority of which related to the costs of the Vice President Investor Relations and Business Development, who was a consultant during the year; and A\$19,000 for lodgement costs of filings with the SEC.
- v) an increase in stock based compensation from A\$nil for fiscal 2004 to A\$377,000 (US\$287,000) for fiscal 2005. Following shareholder approval on January 27, 2005 the Company issued 1,400,000 options (and up to a further 500,000 options) at an exercise price of US\$1.00 per option pursuant to the 2004 Stock Option Plan. Of the total 1,400,000 options issued, 350,000 vest immediately following shareholder approval, 50,000 vest on March 31, 2005, 333,331 vest on July 27, 2006, 333,334 vest on January 27, 2006 and the balance vest on July 27, 2006. If the additional 500,000 options are granted, they will vest 250,000 on October 31, 2005 and 250,000 on December 31, 2006. The exercise price of US\$1.00 was derived from the issue price of common stock from the placement of shares on March 31, 2004 and is considered by the Company's Directors to be the fair value of the common stock.

The Company has accounted for all options issued in 2005 based upon their fair market value using the Black Scholes pricing model. There were no options issued by the Company prior to 2005.

The Company has calculated the fair value of the options using the Black Scholes valuation method using a share price of US\$1.00, strike price of

US\$1.00, maturity period of 5 years 7½ months, risk free interest rate of 5.15% and volatility of 20%. This equates to a value of US31.85 cents per option. The total value of the options equates to A\$575,100 (US\$438,200) and has been reflected as Deferred Compensation Expense within the Shareholders Equity Statement. The gross fair value is amortised into operations over the vesting period. For fiscal 2005, the amortization amounted to \$377,210.

Accordingly, the loss from operations increased from A\$1,723,000 for the year ended June 30, 2004 to A\$2,603,000 (US\$1,984,000) for the year ended June 30, 2005.

The net loss amounted to A\$2,600,000 (US\$1,982,000) for the year ended June 30, 2005 compared to a net loss of A\$1,723,000 for the year ended June 30, 2004. The net loss per common equivalent share in 2005 was A\$0.16 cents (US\$0.12) compared with a net loss with a common equivalent share of A\$0.18 cents in the prior year.

Liquidity and Capital Resources

For the fiscal year 2005, net cash used in operating activities was A\$2,032,000 (US\$1,549,000) primarily consisting of amounts spent on exploration of A\$1,277,000 (US\$973,000), a decrease in prepayments and deposits of A\$159,000 (US\$121,000) for the exploration programme, an increase in accounts payable and accrued expenses of A\$110,000 (US\$84,000) and repayment of short term advance—affiliates of A\$104,000 (US\$79,000); net cash provided by financing activities was A\$922,000 (US\$703,000) being proceeds from long-term loans from affiliates of A\$922,000 (US\$703,000) and net cash used in investing activities of A\$6,000 (US\$4,000) being purchase of plant and equipment.

As of June 30, 2005 we had short-term obligations of A\$605,000 (US\$460,000) consisting mainly of accounts payable and accrued expenses.

We have A\$2,000 in cash at June 30, 2005. We are investigating the possibility of raising cash flow through money in Canada for exploration purposes. We have lodged an application with TSX-V to dual list our shares of common stock on TSX-V. Cannacord Capital Corporation, have agreed to act as sponsor for the listing and may offer to act as agent on a commercially reasonable basis, following a successful listing, to assist us in raising up to CDN\$3 million in flow through financing to assist us with funding our operations.

During fiscal 2004 and 2005, we undertook a field exploration program on our Committee Bay and Slave Properties. This was more than the minimum required expenditure. As a result, we do not have a legal obligation to undertake further exploration on our properties during their life. However our properties are prospective for gold and other minerals. Subject to financing, we plan to undertake further exploration in the 2006 summer season. At this stage, we have not prepared a budget for the 2006 exploration program. Our budget for general and administration for fiscal 2006 is A\$0.8 million. We are currently investigating capital raising opportunities which may be in the form of either equity or debt, to provide funding for working capital purposes and future exploration programs. There can be no assurance that such a capital raising will be successful, or that even if an offer of financing is received by the Company, it is on terms acceptable to the Company.

We have been preparing a listing application for the dual listing of our shares of common stock on Toronto Venture Exchange. The listing application was lodged with

TSX in June 2004 and we are currently in the process of responding to questions raised by TSX. We believe that a dual listing of our shares of common stock will provide liquidity in our shares. There can be no assurance that the dual listing on TSX will eventuate or that such listing will create an increase in the volume of trading of our shares of common stock.

Cautionary “Safe Harbour” Statement under the United States Private Securities Litigation Reform Act of 1995.

Certain information contained in this Form 10-KSB are forward-looking statements within the meaning of the Private Securities Litigation Act of 1995 (“the Act”), which became law in December 1995. In order to obtain the benefits of the “safe harbor” provisions of the Act for any such forward-looking statements, we wish to caution investors and prospective investors about significant factors which, among others, have in some cases affected our actual results and are in the future likely to affect our actual results and cause them to differ materially from those expressed in any such forward-looking statements. This Form 10-KSB contains forward-looking statements relating to future financial results. Actual results may differ as a result of factors over which we have no control, including, without limitation, the risks of exploration and development stage projects, political risks of development in foreign countries, risks associated with environmental and other regulatory matters, mining risks and competitors, the volatility of gold prices and movements in foreign exchange rates.

Impact of Australian Tax Law

Australian resident corporations are subject to Australian income tax on their non-exempt worldwide assessable income (which includes capital gains), less allowable deductions, at the rate of 30%. Foreign tax credits are allowed where tax has been paid on foreign source income, provided the tax credit does not exceed 30% of the foreign source income.

Under the U.S./Australia tax treaty, a U.S. resident corporation such as us is subject to Australian income tax on net profits attributable to the carrying on of a business in Australia through a “permanent establishment” in Australia. A “permanent establishment” is a fixed place of business through which the business of an enterprise is carried on. The treaty limits the Australian tax on interest and royalties paid by an Australian business to a U.S. resident to 10% of the gross interest or royalty income unless it relates to a permanent establishment. Although we consider that we do not have a permanent establishment in Australia, it may be deemed to have such an establishment due to the location of its administrative offices in Melbourne. In addition we may receive interest or dividends from time to time.

Impact of Australian Governmental, Economic, Monetary or Fiscal Policies

Although Australian taxpayers are subject to substantial regulation, we believe that our operations are not materially impacted by such regulations nor is it subject to any broader regulations or governmental policies than most Australian taxpayers.

Impact of Recent Accounting Pronouncements

For a discussion of the impact of recent accounting pronouncements on the Company’s financial statements, see Note 2 to the Company’s Consolidated Financial Statements which are attached hereto.

Quantitative and Qualitative Disclosures about Market Risk

Bay Resources is exposed to interest rate risk primarily through its loan facilities. The Company utilizes these borrowings to meet its working capital needs.

At June 30, 2005, the Company had outstanding borrowings of approximately \$972,000 under its Loan Facilities. In the event that interest rates associated with these facilities were to increase 100 basis points, the impact on future cash flows would be a decrease of approximately \$9,720 annually.

Item 7. Financial Statements

See F Pages

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None

Item 8A Controls and Procedures

(a) Evaluation of disclosure controls and procedures.

Our principal executive officer and its principal financial officer, evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, such principal executive officer and principal financial officer concluded that, our disclosure controls and procedures as of the end of the period covered by this report have been designed and are functioning effectively to provide reasonable assurance that the information required to be disclosed by us in reports filed under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. We believe that a controls system, no matter how well designed and operated, can not provide absolute assurance that the objectives of the controls system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

In preparation for the annual report of management regarding our evaluation of our internal controls that is required to be included in our annual report for the year ended June 30, 2006 by Section 404 of the Sarbanes-Oxley Act of 2002, we will need to assess the adequacy of our internal control, remediate any weaknesses that may be identified, validate that controls are functioning as documented and implement a continuous reporting and improvement process for internal controls. We may discover deficiencies that require us to improve our procedures, processes and systems in order to ensure that our internal controls are adequate and effective and that we are in compliance with the requirements of Section 404 of the Sarbanes-Oxley Act. If the deficiencies are not adequately addressed, or if we are unable to complete all of our testing and any remediation in time for compliance with the requirements of Section 404 of the Sarbanes-Oxley Act and the SEC rules under it, we would be unable to conclude that our internal controls over financial reporting are designed and operating effectively, which could adversely affect our investor confidence in our internal controls over financial reporting.

(b) Change in Internal Control over Financial Reporting.

No change in our internal control over financial reporting occurred during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect our internal control over financial reporting.

PART III

Item 9. Directors and Executive Officers of the Registrant

The following table sets out certain information in relation to each person who held a position of Director and/or executive officer of the Company during the year ended June 30, 2005.

Name	Age	Position(s) Held
Joseph Gutnick	53	Chairman of the Board President, Chief Executive Officer and Director.
David Tyrwhitt	67	Director.
Peter Lee	48	Director, Secretary, Chief Financial Officer and Principal Accounting Officer.
Paul Ehrlich	47	Director

Joseph Gutnick

Mr Gutnick has been Chairman of the Board, President and Chief Executive Officer since March, 1988. He has been a Director of numerous public listed companies in Australia specialising in the mining sector since 1980 and is currently a Director of Astro Diamond Mines N.L., Great Gold Mines N.L., and Quantum Resources Limited and President and CEO of Legend International Holdings Inc, a US corporation listed on the OTC market. Mr. Gutnick was previously Executive Chairman of Tahera Corporation, a company that is listed on Toronto Stock Exchange from May 2000 to October 2003 and has previously been a Director of the World Gold Council. He is a Fellow of the Australasian Institute of Mining & Metallurgy and the Australian Institute of Management and a Member of the Australian Institute of Company Directors.

David Tyrwhitt

Dr Tyrwhitt was appointed a Director in November 1996. He is a geologist, holding a Bachelor of Science and PhD degrees and has 40 years experience in mineral exploration and management development and operation of gold mines in Australia. Dr Tyrwhitt has been a Director of numerous public listed companies in Australia in the mining industry and is currently a Director of Astro Diamond Mines N.L., Great Gold Mines N.L., and Quantum Resources Limited listed on the Australian Stock Exchange and Legend International Holdings Inc, a US corporation listed on the OTC market.

Peter Lee

Mr Lee has been Chief Financial Officer and Principal Accounting Officer since August 1989 and was appointed a Director in February 1996. Mr Lee is a Member of the Institute of Chartered Accountants in Australia, a Fellow of Chartered Secretaries Australia Ltd., a Member of the Australian Institute of Company Directors and holds a Bachelor of Business (Accounting) from Royal Melbourne Institute of Technology. He has over 20 years commercial experience and is currently General Manager Corporate and Company Secretary of several listed public companies in Australia and CFO and Secretary of Legend International Holdings Inc, a US corporation listed on the OTC market.

Paul Ehrlich

Mr. Ehrlich is an attorney of 20 years experience in the fields of commercial law and commercial litigation. From 1989 to 2001 Mr. Ehrlich was a partner in a major national Australian law firm. He has expertise in a range of corporate areas including mergers and acquisition (with an emphasis on public company takeovers, litigation and trade sales), securities law, public raisings, IPO's, government privatisation, corporate reconstructions and the negotiation and drafting of complex contractual and commercial arrangements. Mr. Ehrlich specialises in areas of complex corporate litigation and has conducted such litigation on behalf of clients in the Supreme Courts of Victoria, New South Wales, South Australia, Western Australia and in the Federal Court of Australia and in the High Court of Australia. He also specialises in all areas of mining resource law and project finance.

Mr Ehrlich resigned as a Director in September 2005 and ceased to be a member of the Audit and Remuneration Committee's.

Mordechai Gutnick

On September 14, 2005, Mr Modechai Zev Gutnick was elected a non-executive Director. Mr Mordechai Gutnick is a businessman and long-term investor in the mining industry. He is also a Director of Astro Diamond Mines N.L. (May 2003 to current), Great Gold Mines N.L. (May 2003 to current) and Quantum Resources Limited (May 2003 to current). Mr M Z Gutnick has been appointed to the Audit and Remuneration Committee's, effective September 14, 2005. Mr Mordechai Gutnick is the son of Mr Joseph Gutnick.

Mr. J I Gutnick was formerly the Chairman of the Board, Dr. Tyrwhitt was formerly an independent Director and Mr. Lee was formerly Company Secretary of Centaur Mining & Exploration Ltd., an Australian corporation, which commenced an insolvency proceeding in Australia in March 2001.

Board of Directors

Our Certificate of Incorporation provides that the number of Directors of the Company shall be not less than six nor more than nine as shall be fixed in the by-laws of the Company.

Directors need not be stockholders of the Company or residents of the State of Delaware. Directors are elected for an annual term and generally hold office until the next Directors have been duly elected and qualified. Directors may receive compensation for their services as determined by the Board of Directors. A vacancy on the Board may be filled by the remaining Directors even though less than a quorum remains. A Director appointed to fill a vacancy remains a Director until his successor is elected by the Stockholders at the next annual meeting of Shareholder or until a special meeting is called to elect Directors.

The executive officers of the Company are appointed by the Board of Directors. There are no family relationships between any Directors or executive officers of the Company unless otherwise disclosed.

Audit Committee

Our Board of Directors has an Audit Committee comprised of Dr Tyrwhitt and Mr M Z Gutnick, both of whom are independent Directors. Our Audit Committee does not include a "financial expert" as defined in Item 401 (e) of Regulation S-B. The

Company only has two independent Directors and neither of these independent Directors has a finance background.

Code of Ethics

We have adopted a Code of Conduct and Ethics and it applies to all Directors, Officers and employees. A copy of the Code of Conduct and Ethics is posted on our website and we will provide a copy to any person without charge. If you require a copy, you can download it from our website or alternatively, contact us by facsimile or email and we will send you a copy.

Section 16(a) Beneficial Ownership Reporting Compliance

Pursuant to Section 16(a) of the Securities Exchange Act of 1934, our Directors, executive officers and beneficial owners of more than 10% of the outstanding Common Stock are required to file reports with the Securities and Exchange Commission concerning their ownership of and transactions in our Common Stock and are also required to provide to us copies of such reports. Based solely on such reports and related information furnished to us, we believe that in fiscal 2005 all such filing requirements were complied with in a timely manner by all Directors and executive officers except (i) Mr Alford filed a Form 3 after the due date; (ii) Mr Althaus filed a Form 3 and nine Form 4's after the due dates for such forms and has not yet filed a Form 4 with respect to the grant of options to him; (iii) Mr Lee has not yet filed a Form 4 with respect to the grant of options to him; and (iv) Dr Tyrwhitt has not yet filed a Form 4 with respect to the grant of options to him.

Item 10. Executive Compensation.

The following table sets forth the annual salary, bonuses and all other compensation awards and pay outs on account of our Chief Executive Officer for services rendered to us during the fiscal year ended June 30, 2005, 2004 and 2003. No other executive officer received more than US\$100,000 per annum during this period.

Summary Compensation Table

Name and Principal Position	Year	Annual Compensation		Long Term Compensation Awards	
		Salary	Other Annual Compensation	Restricted Stock Awards	Securities Underlying Options
Joseph Gutnick, Chairman of the Board and CEO	2005	\$91,667 ⁽¹⁾⁽²⁾	\$18,935 ⁽³⁾	—	500,000 ⁽⁴⁾
	2004	\$76,000 ⁽¹⁾⁽²⁾	\$16,484 ⁽³⁾	—	—
	2003	\$- ⁽¹⁾⁽²⁾	\$28,553 ⁽³⁾	—	—
Pini Althaus, Chief Operating Officer	2005	US\$110,000 ⁽⁵⁾	—	—	250,000 ⁽⁶⁾
Craig Alford, Vice President Exploration	2005	CDN\$120,000	3,722	—	150,000 ⁽⁷⁾

1. The amounts listed were paid by us to AXIS, which provides the services of Mr. J I Gutnick and Mr Lee as well as certain other officers and employees to the Company.
2. Excludes options granted to Edensor of which Mr JI Gutnick is a Director and Shareholder (see Item 13 – Certain Relationships and Related Party Transactions)
3. Includes amounts paid by AXIS to an accumulation superannuation plan on behalf of Joseph Gutnick.

4. Includes 166,667 options that are vested 166,667 options that will vest on January 27, 2005 and 166,667 options that will vest on July 27, 2006.
5. Mr Althaus was a consultant for the period to October 2004 and at that time was appointed as an employee. The salary disclosed includes the consulting fees for the period July to October 2004 and the salary for the period November 2004 to June 2005.
6. Includes 250,000 options that are vested. In addition, subject to availability of options under the 2004 Stock Option Plan, Mr Althaus will be issued a further 250,000 options which will vest on August 31, 2005 and 250,000 that will vest on December 31, 2006.
7. Includes 150,000 options that are vested.

For additional information about the Service Agreement and the Consulting Agreement see “Item 1- Business- Employees” and “Item 12- Certain Relationships and Related Transactions”.

We have a policy that we will not enter into any transaction with an officer, Director or affiliate of the Company or any member of their families unless the transaction is approved by the Audit Committee and the Audit Committee determines that the terms of the transaction are no less favourable to us than the terms available from non-affiliated third parties or are otherwise deemed to be fair to the Company at the time authorised.

Option Grants in Last Fiscal Year

<u>Name</u>	<u>Number of Shares of Common Stock Underlying Options Granted</u>	<u>Percent of Total Options Granted to Employees in Fiscal Year</u>	<u>Exercise Price</u>	<u>Market Price on Date of Grant</u>	<u>Expiration Date</u>
Joseph Gutnick	500,000	35.7%	US\$1.00	US\$1.01	10/15/2014
Pini Althaus*	250,000	17.9%	US\$1.00	US\$1.01	10/15/2014
Craig Alford	150,000	10.7%	US\$1.00	US\$1.01	10/15/2014

*Subject to availability of options under the 2004 Stock Option Plan, Mr Althaus will be issued a further 250,000 options which will vest on August 31, 2005 and 250,000 options which will vest on December 31, 2006.

Aggregated Option Exercises in Fiscal 2005 and Fiscal 2005 Year-End Option Values

The person listed in the following table did not exercise any options in 2005.

<u>Name</u>	<u>Number of Shares of Common Stock Underlying Unexercised Options at June 30, 2005</u>		<u>Value of Unexercised In-The-Money Options at June 30, 2005⁽¹⁾</u>	
	<u>Exercisable</u>	<u>Unexercisable</u>	<u>Exercisable</u>	<u>Unexercisable</u>
Joseph Gutnick	166,667	333,333	US\$208,334	US\$416,666
Pini Althaus	250,000	—	US\$312,500	—
<u>Craig Alford</u>	150,000	—	US\$187,500	—

⁽¹⁾ Based on U.S.\$1.25 per share, the June 30, 2005 closing price reported on the OTC Bulletin Board.

2004 Stock Option Plan

The 2004 Plan provides for the granting of options. The maximum number of shares available for awards is 10% of the issued and outstanding shares of common stock on issue at any time. If an option expires or is cancelled without having been fully exercised or vested, the remaining shares will generally be available for grants of other awards.

The 2004 Plan is administered by the Remuneration Committee of the Board comprised solely of directors who are not employees or consultants to Bay Resources or any of its affiliated entities.

Any employee, director, officer, consultant of or to Bay Resources or an affiliated entity (including a company that becomes an affiliated entity after the adoption of the 2004 Plan) is eligible to participate in the 2004 Plan if the Committee, in its sole discretion, determines that such person has contributed significantly or can be expected to contribute significantly to the success of Bay Resources or an affiliated entity. During any one year period, no participant is eligible to be granted options to purchase more than 5% shares of our issued and outstanding common stock or if they provide investor relations activities, or are a consultant to the Company, 2% of the issued and outstanding shares of common stock in any 12 month period.

Options granted under the 2004 Plan are to purchase Bay Resources common stock. The term of each option will be fixed by the Remuneration Committee, but no option will be exercisable more than 10 years after the date of grant. The option exercise price is fixed by the Remuneration Committee at the time the option is granted. The exercise price must be paid in cash. Options granted to participants vest and have a term of 10 years.

No award is transferable, or assignable by the participant except upon his or her death.

The Board may amend the 2004 Plan, except that no amendment may adversely affect the rights of a participant without the participant's consent or be made without stockholder approval if such approval is necessary to qualify for or comply with any applicable law, rule or regulation the Board deems necessary or desirable to qualify for or comply with.

Subject to earlier termination by the Board, the 2004 Plan has an indefinite term except that no ISO may be granted following the tenth anniversary of the date the 2004 Plan is approved by stockholders.

Options to purchase the following shares of common stock have been issued (or agreed to be issued) as follows:-

Name	Quantity	Exercise Price
J. I. Gutnick	500,000	US\$1.00
P.J. Lee	250,000	US\$1.00
D S Tyrwhitt	50,000	US\$1.00
P L Ehrlich *	50,000	US\$1.00
P. Althaus **	750,000	US\$1.00
C. Alford	150,000	US\$1.00
E Flood	150,000	US\$1.00

* as a result of Mr Ehrlich's resignation in September 2005, the options are relinquished.

** tranche 1 of 250,000 options issued. Tranches 2 and 3 are subject to availability of options under plan.

None of the proposed recipients have received any stock options or other equity based forms of compensation from us for at least the last three years.

Other than the issue of these Options, there are no other current plans or arrangements to grant any options under the 2004 Plan.

Compensation Pursuant to Plans.

The Company does not have any pension or profit sharing plans. The Company's Vice President Exploration and temporary staff employed in the exploration programme in Canada are subject to Canadian requirements for contributions to pension plans. At June 30, 2005, the Company has an obligation to pay A\$13,570. Contributions to employee benefit or health plans during the year ended June 30, 2005 were A\$7,196.

Compensation to Directors

It is our policy to reimburse Directors for reasonable travel and lodging expenses incurred in attending Board of Directors meetings. Independent Directors are paid Directors fees of A\$20,000 per annum.

Securities authorized for issuance under equity compensation plans

The following table sets forth, as of June 30, 2005, information regarding options under our 2004 stock option plan, our only active plan. The 2004 stock option plan has been approved by our stockholders. Outstanding options under this plan that are forfeited or cancelled will be available for future grants. All of the options are for the purchase of our common stock.

Plan Category	Number of securities to be issued upon exercise of outstanding options (a)	Weighted average Exercise price of outstanding options (b)	Number of securities remaining available for future issuances under equity compensation plans (excluding securities reflected in column (a) (c)
Equity compensation plans approved by security holders	1,400,000(1)	US\$1.00	271,163(2)
Equity compensation plans not approved by security holders	-	-	-
Total	1,400,000(1)	US\$1.00	271,163(2)

(1) Does not include 500,000 options that have been granted subject to future availability under our 2004 stock option plan.

- (2) The maximum number of shares available for issuance under the 2004 stock option plan is equal to 10% of the issued and outstanding shares of common stock, at any time.

Principal Officers Contracts

Pini Althaus

On October 15, 2004, the Company appointed Mr. Pinchas (Pini) Althaus as Chief Operating Officer.

Mr Althaus has 9 years business experience in insurance, sales, business development and investor relations. More recently Mr Althaus was Director of Business Development for Ambient Corporation (February 2000 to February 2003), a company providing power line communications technology. In this role, Pini initiated and maintained relationships with U.S. & International electrical utilities and power companies, and managed and initiated relationships with strategic and business development partners. He played a major role in Ambient completing two successful rounds of funding, acted as liaison between Ambient and its investors/financial community, managed public relations and corporate communications duties, including press releases and media interviews, and created and delivered presentations for Ambient. He joined Tahera Corporation, a diamond exploration company, in February 2003 as Director of Investor Relations & Business Development where he managed public relations and investor relations activities, including press releases, conducting media interviews, responding to shareholder inquiries and representing Tahera at conferences.

In October 2003, Pini left Tahera and since that time, has provided consulting services to Bay Resources and its subsidiary company covering investor relations and public relations activities, including fund raising, press releases, media interviews, and shareholder inquiries. In addition to this, he has coordinated road-shows and delivered presentations on the Company's behalf. On October 15, 2004, he was appointed Chief Operating Officer of Bay Resources Ltd.

The employment agreement was effective May 1, 2004 and expires on December 31, 2006. Mr. Althaus shall be paid a salary of US\$110,000 exclusive of bonus benefits and other compensation. The Company has agreed to provide Mr. Althaus with executive benefits comparable to those provided by the Company to other executives of the Company generally and shall permit Mr. Althaus to participate in any bonus plan, share purchase plan, retirement plan or similar plan offered by the Company to its executives generally in the manner and the extent authorized by the Remuneration Committee of the Company. In addition, Mr. Althaus will be able to participate in such extended health, medical, disability insurance and other benefit plans established by the Company and made available to other executives of the Company.

The Company has agreed to grant Mr. Althaus options to purchase 750,000 shares of common stock of the Company at an exercise price of US\$1.00 per option which will vest as follows:-

- 250,000 shall vest immediately;
- a further 250,000 will vest at the mid term date of the contract; and

- the remaining 250,000 will vest on December 31, 2006.

The options will be issued subject to applicable securities laws, the availability of options within the Company stock option plan and may be subject to whole periods.

In the case of the change of control, all options then outstanding will immediately vest for the purpose of such transaction.

The Company may terminate the employment of Mr. Althaus without notice or any payment in law of notice for cause. The agreement may also be terminated by the Company upon 30 days written notice to Mr. Althaus if Mr. Althaus becomes permanently disabled and the agreement shall terminate without notice upon the death of Mr. Althaus. If Mr. Althaus' employment is terminated during the term for cause or by voluntarily termination by Mr. Althaus, Mr. Althaus shall not be entitled to any severance payment other than pro rata entitlements up to the date of termination.

Mr. Althaus may terminate his employment with the Company at any time upon the occurrence of any one of the following:-

- (i) A reduction of diminution in Mr. Althaus' authority, duties or responsibilities (including without limitation, with respect to office or title) hereunder,
- (ii) Any reduction in the then applicable base salary or Mr. Althaus' eligibility to participate in any executive benefits program, retirement plan or executive incentive bonus programs,
- (iii) Unless without his prior consent, his place of work is relocated to more than 30 miles from New York,
- (iv) Any other material failure on the part of the Company to comply with any other provision of this agreement or any stock option agreement executed by the parties as contemplated herein.

If Mr. Althaus' employment is terminated for other than cause, Mr. Althaus will be entitled to receive the lesser of the total of three months salary at the applicable base salary rate and the present value of the salary of Mr. Althaus during the next 24 months.

If Mr. Althaus' employment is terminated as a result of permanent disability or death, a payment will be made to Mr. Althaus or his estate of the balance of the base salary that would otherwise have been paid to Mr. Althaus during the remainder of the term of the agreement.

Craig Alford

In April 2004 the Company appointed Mr. Craig Alford as Vice President Exploration. Mr. Alford has over 20 years of experience in the exploration business including 5 years as Senior Geologist to District Manager for Teck Cominco's exploration programs in Kyrgyzstan, Argentina and Chile. Most recently Mr. Alford participated in various successful exploration programs within Canada and the former Soviet Union, including as a Geologic Consultant for Placer Dome, one of the world's largest gold mining companies. Mr. Alford has worked in exploration for several major and junior mining companies including Falconbridge, Golden Star Resources, Granges, and

Homestake Minerals. In addition, he has worked with the Geologic Survey of Canada.

Mr. Alford holds a Masters degree with Commendation in Geology from Lakehead University. He has extensive exploration experience in many commodities, including gold, silver, copper, lead, zinc, oil, and diamonds. Mr. Alford's exploration experience is throughout Canada and several other countries including Venezuela, Guyana, Chile, Argentina, Suriname, and Kyrgyzstan.

Mr. Alford is responsible for overseeing Bay Resources' gold exploration on the Committee Bay Greenstone Belt and in the Slave Craton in Nunavut, Canada. He will also be actively involved in continuing Bay Resources' strategy of acquiring high potential, early-stage gold properties worldwide.

Mr Alford's contract is for one year until March 31, 2005 and since that time has been operating on a month to month basis. Discussions are being held between the parties with a view to renewing the contract. The contract sets out a salary of CDN\$120,000 per annum and the issue of 150,000 stock options pursuant to a Stock Option Plan. If the Company terminates the contract without cause the Company is required to pay Mr Alford a payment equivalent to two weeks salary.

Item 11. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The following table sets out, to the best of our knowledge, the numbers of shares in us beneficially owned as at June 30, 2005 by:

- (i) each of our present Executive Officers and Directors,
- (ii) each person (including any "group" as that term is defined in Section 13(d)(3) of the Securities Exchange Act) who beneficially owns more than 5% of our Common Stock, and
- (iii) all of our present Directors and officers as a group.

Name	Number of Shares Owned	Percentage of Shares (1)
Edensor Nominees Pty Ltd	5,394,590	32.3
Pini Althaus	250,000 ⁽⁸⁾	1.5
Kerisridge Pty Ltd	3,507,968	19.0
Surfer Holdings Pty Ltd	1,500,000	8.9
Kalycorp Pty Ltd	2,000,000	12.0
Joseph Gutnick	12,954,208 ⁽²⁾⁽³⁾ ₍₄₎₍₅₎₍₆₎₍₇₎	68.3
Stera Gutnick	12,428,558 ⁽⁴⁾⁽⁵⁾⁽⁶⁾⁽⁷⁾	67.3
David Tyrwhitt	50,000 ⁽²⁾⁽⁸⁾	0.2

Peter Lee	250,000	(2)(8)	1.5
Paul Ehrlich	50,000	(8)	0.2
RAB Special Situations (Master) Fund Limited	1,670,000	(9)	9.99
<hr/>			
All officers and Directors As a group	13,554,208	(4)(10)	69.3

Notes relating to Item 11:

- (1) Based on 16,711,630 shares outstanding
- (2) Does not include:
- (i) 8,949 shares of Common Stock beneficially owned Great Gold Mines NL
or
 - (ii) 1,918 shares of Common Stock beneficially owned by Quantum Resources Limited
or
 - (iii) 229,489 shares of Common Stock beneficially owned by AXIS,
- of which companies Messrs Gutnick, Lee, and Dr. Tyrwhitt are officers and/or Directors, as they disclaim beneficial ownership of those shares.
- (3) Does not include 2,500 shares of Common Stock beneficially owned by us.
- (4) Includes 5,394,590 shares of Common Stock owned by Edensor Nominees, 3,507,968 shares of Common Stock owned by Kerisridge (including 1,753,984 shares issuable upon exercise of warrants), 1,500,000 shares of Common Stock owned by Surfer Holdings Pty Ltd, 2,000,000 shares of Common Stock held by Kalycorp Pty Ltd and 26,000 shares of Common Stock owned by Pearlway Investments Proprietary Limited, of which Mr Joseph Gutnick, Stera M. Gutnick and members of their family are officers, Directors and principal stockholders.
- (5) Includes 500,000 shares issuable upon exercise of stock options of which are vested and
- (6) Joseph Gutnick is the beneficial owner of 25,650 shares of Common Stock.
- (7) Joseph Gutnick and Stera Gutnick are husband and wife.
- (8) Issuable upon exercise of stock options of which 33.3% are vested 33.3% vest on January 27, 2006 and the remaining 33.4% will vest on July 27, 2006.
- (9) RAB owns 1,670,000 shares of common stock and warrants exercisable to acquire an additional 1,670,000 shares of common stock. Under the terms of the warrants, in no event shall such securities be converted into common shares if, after giving effect to such conversion, the holder would, in aggregate, beneficially own common shares of the Company in excess of 9.99% of the issued and outstanding common shares, within the meaning of Rule 13d-1 of the Securities Exchange Act of 1934, as amended.

- (10) Includes 1.1 million shares that are issuable upon exercise of stock options, of which 533,333 are vested, 283,333 vest on January 27, 2006 and the remaining 283,333 will vest on July 27, 2006.

Item 12. Certain Relationships and Related Transactions

We are one of five affiliated companies of which four are Australian public companies listed on Australian Stock Exchange. Each of the companies have some common Directors, officers and shareholders. In addition, each of the companies owns equity in and is substantially dependent upon AXIS for its senior management and certain mining and exploration staff. The Company owns 9.09% of the outstanding shares of AXIS. A number of arrangements and transactions have been entered into from time to time between such companies. It has been the intention of the affiliated companies and respective Boards of Directors that each of such arrangements or transactions should accommodate the respective interest of the relevant affiliated companies in a manner which is fair to all parties and equitable to the shareholders of each. Currently, there are no material arrangements or planned transactions between the Company and any of the other affiliated companies other than AXIS.

AXIS is paid by each company for the costs incurred by it in carrying out the administration function for each such company. Pursuant to the Service Agreement, AXIS performs such functions as payroll, maintaining employee records required by law and by usual accounting procedures, providing insurance, legal, human resources, company secretarial, land management, certain exploration and mining support, financial, accounting advice and services. AXIS procures items of equipment necessary in the conduct of the business of the Company. AXIS also provides for the Company various services, including but not limited to the making available of office supplies, office facilities and any other services as may be required from time to time by the Company as and when requested by the Company.

We are required to reimburse AXIS for any direct costs incurred by AXIS for the Company. In addition, we are required to pay a proportion of AXIS's overhead cost based on AXIS's management estimate of our utilisation of the facilities and activities of AXIS plus a service fee of not more than 15% of the direct and overhead costs. AXIS has not charged the 15% service fee to us. Amounts invoiced by AXIS are required to be paid by us. We are also not permitted to obtain from sources other than AXIS, and we are not permitted to perform or provide ourselves, the services contemplated by the Service Agreement, unless we first requests AXIS to provide the service and AXIS fails to provide the service within one month.

The Service Agreement may be terminated by AXIS or ourselves upon 60 days prior notice. If the Service Agreement is terminated by AXIS, we would be required to independently provide, or to seek an alternative source of providing, the services currently provided by AXIS. There can be no assurance that we could independently provide or find a third party to provide these services on a cost-effective basis or that any transition from receiving services under the Service Agreement will not have a material adverse effect on us. Our inability to provide such services or to find a third party to provide such services may have a material adverse effect on our operations.

In accordance with the Service Agreement AXIS provides the Company with the services of our Chief Executive Officer, Chief Financial Officer and clerical employees, as well as office facilities, equipment, administrative and clerical services. We pay AXIS for the actual costs of such facilities plus a maximum service fee of 15%. The Company paid AXIS A\$487,535 (being A\$383,535 in respect to the current

year and A\$104,000 being the amount owing at June 30, 2004) in respect of the Service Agreement for the fiscal year ended June 30, 2005 and A\$759,410 (being A\$335,987 in respect to the current year and A\$486,000 in respect to prior years) in respect of the Service Agreement for the fiscal year ended June 30, 2004 and A\$201,688 for the fiscal year ended June 30, 2003. During 2005, AXIS loaned the Company A\$249,500. At June 30, 2003, 2004 and 2005, the Company owed AXIS A\$486,000, A\$104,000 and A\$296,764 respectively for services provided in accordance with the Service Agreement. During fiscal 2003, 2004 and 2005, AXIS Consultants charged interest of A\$46,642, A\$42,742 and A\$13,879 respectively on outstanding balances. AXIS charged interest at rates between 9.60% and 10.10% for fiscal 2003 and 10.10% and 10.60% for fiscal 2004 and 10.60% and 10.85% for fiscal 2005.

Chevas, a company associated with our President, Joseph Gutnick, has provided loan funds to enable us to meet our liabilities and has paid certain expenses on our behalf. At June 30, 2002 we had a liability to Chevas of A\$783,743. During the 2003 fiscal year, Chevas loaned a further A\$369,155 and charged A\$86,417 in interest to us on the loan account. At June 30 2003, we owed Chevas A\$1,239,315. During the 2004 fiscal year, Chevas loaned a further A\$187,122 and charged A\$82,776 in interest to us on the loan account. During fiscal 2004, we repaid the loan in full. Chevas charged interest to us on outstanding balances of the loan account at the ANZ Banking Group Limited reference rate for overdrafts over A\$100,000 plus 1%. In accordance with this formula, the actual interest rate charged during the 2003 fiscal year was 8.60% and during the 2004 fiscal year was 8.60% to 9.10%.

Edensor Gold Pty Ltd , a company associated with our President, Joseph Gutnick, provided loan funds during fiscal 2004 to enable us to meet our liabilities. During the 2004 fiscal year, Edensor Gold loaned A\$69,000 and charged A\$670 in interest to us on the loan account. During fiscal 2004, we repaid the loan in full. Edensor Gold charged interest to us on outstanding balances of the loan account at the ANZ Banking Group Limited reference rate for overdrafts over A\$100,000 plus 1%. In accordance with this formula, the actual interest rate charged during the 2004 fiscal year was 8.85% to 9.10%.

Wilzed Pty Ltd, a company associated with the President of the Company, Joseph Gutnick, has provided loan funds to enable the Company to meet its liabilities. During the 2005 fiscal year, Wilzed loaned A\$644,633 and charged A\$31,235 in interest. We repaid \$396. At June 30, 2005, the Company owed Wilzed A\$675,472. Wilzed charged interest during fiscal 2005 at rates between 9.10% and 9.35%.

On January 20, 2000, we issued 8,000,000 options over fully paid shares in our capital at an issue price of US\$0.01 per option and an exercise price of US\$1.00 per option to Edensor. The options had a term of 5 years with a non-exercise period of 2 years subject to a further board approval for Edensor, either directly or indirectly, to exercise options in the case we required to raise further working capital. On March 22, 2001, the Directors agreed to extend the term of the options from 5 years to 10 years. Edensor advised us in June 2003 that it had sold 2,000,000 options to Delkern Investments Ltd. In March 2004, we received notification from Edensor that it was exercising all of the options it held utilising the cashless exercise feature of the terms and conditions of the options. As a result of the exercise of the options, we issued 5,142,857 shares to Edensor.

As described in the section headed "Canadian Exploration Properties" we entered into an agreement to explore for gold on properties owned by Tahera. Mr Gutnick, our President, was Executive Chairman of Tahera and his family company, Edensor

Nominees, who are our controlling stockholder, was a shareholder of Tahera. During fiscal 2002, Tahera incurred certain exploration and administration costs in Canada on our behalf amounting to A\$36,365 and this amount was owing to Tahera at June 30, 2002. During fiscal 2003, Tahera incurred further exploration and administration costs in Canada on our behalf amounting to A\$65,314. During fiscal 2003, Mr. J.I. Gutnick and Chevas paid Tahera A\$47,368 and A\$53,350 respectively on our behalf. During fiscal 2002 and 2003, Tahera did not charge us interest on amounts outstanding. At June 30, 2003, we owed Tahera A\$1,361 (US\$900) and Mr. J.I. Gutnick A\$47,368 (US\$31,594). During fiscal 2004 we paid Mr J I Gutnick the amount in full and Tahera advised the Company in writing that there was no monies owing to it by the Company.

Quantum Resources Limited incurred certain costs on our behalf amounting to A\$43,941 (US\$29,308) in respect to our activities in Tibet China (See Item 1 – Business – General) as a result of Quantum’s contacts in China. This amount was outstanding at June 30, 2003. During fiscal 2004, we repaid the principal in full.

Kerisridge Pty Ltd, a company associated with our President, Mr J I Gutnick, loaned us A\$2,273,186 in March 2004 for the purpose of repaying our long term debt. On March 31, 2004, Kerisridge agreed to convert all of the debt we owed to it into common stock and warrants in us. We issued 1,753,984 shares of common stock and 1,753,984 warrants exercisable at US\$1.30 and at any time up to March 31, 2006 in full repayment of the amount owing to Kerisridge.

Transactions with Management.

We have a policy that we will not enter into any transaction with an Officer, Director or affiliate of us or any member of their families unless the transaction is approved by a majority of our disinterested non-employee Directors and the disinterested majority determines that the terms of the transaction are no less favourable to us than the terms available from non-affiliated third parties or are otherwise deemed to be fair to us at the time authorised.

PART IV

Item 13. Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a) Consolidated Financial Statements and Notes thereto.

- (i) The Consolidated Financial Statements and Notes thereto listed on the Index at page 58 of this Annual Report on Form 10-KSB are filed as a part of this Annual Report.

(b) Exhibits

The Exhibits to this Annual Report on Form 10-KSB are listed in the Exhibit Index at page 19 of this Annual Report.

(c) Form 8-K

Not Applicable

Item 14. Principal Accounting Fees and Services

The following table shows the audit fees we were billed by PKF for fiscal 2005 and 2004.

	<u>2005</u>	<u>2004</u>
Audit fees	\$52,061	\$41,121
Audit related fees*	4,308	-
Tax fees	-	-
Total	<u>\$56,369</u>	<u>\$41,121</u>

* services relating to listing on Toronto Venture Exchange A\$4,308 (2004: A\$nil)

Audit fees were for the audit of our annual financial statements, review of financial statements included in our 10-QSB/10-Q quarterly reports, and services that are normally provided by independent auditors in connection with our other filings with the SEC. This category also includes advice on accounting matters that arose during, or as a result of, the audit or review of our interim financial statements.

As part of its duties, our Audit Committee pre-approves audit and non-audit services performed by our independent auditors in order to assure that the provision of such services does not impair the auditors' independence. Our Audit Committee does not delegate to management its responsibilities to pre-approve services performed by our independent auditors.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has caused this Annual Report to be signed on its behalf by the undersigned, thereunto duly authorised.

BAY RESOURCES LTD.

(Registrant)



By:

Peter J Lee
Director, Secretary,
Chief Financial Officer
and Principal Financial
and Accounting Officer

Dated: September 27, 2005

FORM 10-KSB Signature Page

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons in the capacities and on the dates indicated.

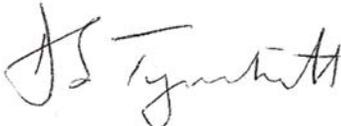
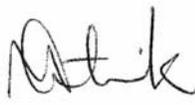
Signature	Title	Date
1.  Joseph Gutnick	Chairman of the Board, President and Chief Executive Officer (Principal Executive Officer), and Director.	September 27, 2005
2.  David Tyrwhitt	Director.	September 27, 2005
3.  Peter Lee	Director, Secretary, Chief Financial Officer and Principal Financial and Accounting Officer.	September 27, 2005
4.  Mordechai Gutnick	Director	September 27, 2005

EXHIBIT INDEX

Incorporated by Reference to:	Exhibit No	Exhibit
(1) Exhibit 3.1	3.1	Certificates of Incorporation of the Registrant
(1) Exhibit 3.2	3.2	By-laws of the Registrant
(2) Exhibit A	3.3	Amendment to Certificate of Incorporation dated July 17, 1999
(3)	3.4	Amendment to Certificate of Incorporation dated October 17, 2000
	3.5	Amendment to Certificate of Incorporation dated April 6, 2005
(4) 99.3	4.1	Warrant to purchase 1,670,000 shares of common stock
(4) 99.4	4.2	Warrant to purchase 1,783,984 shares of common stock
(5) Exhibit 10.5	10.4	Service Agreement dated November 25, 1988, by and between the Registrant and AWI Administration Services Pty Limited
(6) Exhibit 10.6	10.5	Agreement with Tahera Corporation
(4) Exhibit	10.6	Subscription Agreement with RAB Special Solutions LP
(7)	10.7	Employment Agreement between the Registrant and C. Alford
	10.8	Employment Agreement between the Registrant and P Althaus.
(7)	10.9	Sponsorship Agreement with Canaccord Capital
*	21	List of Subsidiaries as at June 30, 2005.
*	31.1	Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by Peter James Lee.
*	31.2	Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by Joseph Isaac Gutnick.
*	32.1	Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by Joseph Issac Gutnick.
*	32.2	Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by Peter James Lee

*Filed herewith

Financial Statements for the years ended June 30, 2004 and 2005.

Bay Resources, Ltd

Audited Consolidated Financial Statements for the Company and its Subsidiaries for the year ended June 30, 2004 and Audited Consolidated Financial Statements for the Company for the year ended June 30, 2005.

- (1) Registrant's Registration Statement on Form S-1 (File No. 33-14784).
- (2) Registrant's Definitive Information Statement dated August 11, 1999.
- (3) Registrant's Definitive Information Statement dated October 17, 2000.
- (4) Registrant's Form 8-K filed on April 8, 2004.
- (5) Registrant's Annual report on Form 10-K for the fiscal year ended June 27, 1989.
- (6) Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2002.
- (7) Registrant's Annual Report on Form 10-KSB for the year ended June 30, 2004.

EXHIBIT 21

List of Subsidiaries as at June 30, 2005

Each of the following subsidiaries is wholly-owned by the Registrant.

Baynex.com Pty Ltd
(incorporated in Australia)

Bay Resources (Asia) Pty Ltd
(incorporated in Australia)

Golden Bull Resources Corporation
(incorporated in Canada)

Exhibit 31.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Peter James Lee, Chief Financial Officer, certify that:

1. I have reviewed this annual report on Form 10-KSB of Bay Resources Ltd. (the "registrant");
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13(a)-15(e) and 15(d)-15(e)) and have:
 - a) designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this annual report based on such evaluation; and
 - c) disclosed in this annual report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

- a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 27, 2005



Name: Peter Lee
Title: Director, Secretary and
Chief Financial Officer
(Principal Financial Officer)

Exhibit 31.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Joseph Isaac Gutnick, Chief Executive Officer, certify that:

1. I have reviewed this annual report on Form 10-KSB of Bay Resources Ltd. (the "registrant");
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13(a)-15(e) and 15(d)-15(e)) and have:
 - a) designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this annual report based on such evaluation; and
 - c) disclosed in this annual report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

- c) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- d) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 27, 2005

Handwritten signature of J. I. Gutnick in black ink, with a vertical red line to the right of the signature.

Name: Joseph I. Gutnick
Title: Chairman of the Board, President
and Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the annual report on Form 10-KSB of Bay Resources Ltd. (the "Company") for the fiscal year ended June 30, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "report"), the undersigned, Joseph Isaac Gutnick, Chief Executive Officer of the Company, certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that:

- (1) The report fully complies with the requirements of Section 13(a) or 15(d) of the securities Exchange Act of 1934; and
- (2) The information contained in the report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: September 27, 2005



Joseph Isaac Gutnick
Chairman of the Board, President
and
Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the annual report on Form 10-KSB of Bay Resources Ltd. (the "Company") for the fiscal year ended June 30, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "report"), the undersigned, Peter James Lee, Chief Financial Officer of the Company, certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that:

- (1) The report fully complies with the requirements of Section 13(a) or 15(d) of the securities Exchange Act of 1934; and
- (2) The information contained in the report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: September 27, 2005



Peter James Lee
Director, Secretary and
Chief Financial Officer
(Principal Financial Officer)

BAY RESOURCES LTD AND SUBSIDIARIES
(An Exploration Stage Company)

Consolidated Financial Statements

June 30, 2005 and 2004

(with Report of Independent Registered Public Accounting Firm)

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Consolidated Statements of Operations	F-4
Consolidated Statements of Stockholders' Equity (Deficit)	F-5
Consolidated Statements of Cash Flows	F-6
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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of
Bay Resources Ltd.

We have audited the accompanying consolidated balance sheet of Bay Resources Ltd. and Subsidiaries (An Exploration Stage Company) as of June 30, 2005, and the related consolidated statements of operations, stockholders' equity (deficit) and cash flows for the years ended June 30, 2005 and 2004 and the cumulative period from July 1, 2002 (inception of exploration activities) through June 30, 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Bay Resources, Ltd. and Subsidiaries at June 30, 2005, and the results of its operations and its cash flows for the years ended June 30, 2005 and 2004 and the cumulative period from July 1, 2002 (inception of exploration activities) through June 30, 2005 in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. As described in note 1, at June 30, 2005 the Company had not yet commenced revenue producing operations and had a retained deficit of A\$31,406,000 (US\$23,931,000). These conditions raise substantial doubt about the Company's ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Management's plans in regard to these matters are also discussed in note 1.

New York, NY
September 6, 2005

PKF
Certified Public Accountants
A Professional Corporation

BAY RESOURCES LTD AND SUBSIDIARIES
(An Exploration Stage Company)
Consolidated Balance Sheet
June 30, 2005

	A\$000's <u>2005</u>	Convenience Translation US\$000's <u>2005</u>
ASSETS		
Current Assets:		
Cash	2	2
Receivables	126	96
Prepayments and Deposits	82	62
Total Current Assets	210	160
Non Current Assets:		
Property and Equipment, net	17	13
Total Non Current Assets	17	13
Total Assets	227	173
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current Liabilities		
Accounts Payable and Accrued Expenses	605	460
Total Current Liabilities	605	460
Non Current Liabilities		
Long-Term Advance – Affiliate	972	741
Total Non Current Liabilities	972	741
Total Liabilities	1,577	1,201
Stockholders' Equity (Deficit):		
Common stock: \$.0001 par value 50,000,000 shares authorised, 16,714,130 shares issued	2	2
Less Treasury Stock, at Cost, 2,500 shares	(20)	(15)
Additional Paid-in-Capital	30,275	23,068
Deferred Compensation	(198)	(151)
Other Comprehensive loss	(3)	(2)
Retained Deficit during exploration stage	(5,004)	(3,813)
Retained Deficit prior to exploration	(26,402)	(20,118)
Total Stockholders' Equity (deficit)	(1,350)	(1,029)
Total Liabilities and Stockholders' Equity	227	172

See Notes to Financial Statements

BAY RESOURCES LTD AND SUBSIDIARIES
(An Exploration Stage Company)
Consolidated Statements of Operations
For the years ended June 30, 2004 and 2005
and for the cumulative period July 1, 2002
(inception of exploration activities) to June 30, 2005

	A\$000's <u>2004</u>	A\$000's <u>2005</u>	Convenience Translation US\$000's <u>2005</u>	July 1, 2002 to June 30, 2005 <u>A\$000's</u>
Revenues	\$-	\$-	\$-	\$-
Cost and expenses				
Stock Based Compensation	-	377	287	377
Exploration Expenditure	951	1,277	973	2,426
Interest Expense net – related entity	122	44	34	299
Legal, Accounting and Professional Administrative	112 537	189 716	144 546	363 1,541
	<u>1,722</u>	<u>2,603</u>	<u>1,984</u>	<u>5,007</u>
(Loss) from Operations	(1,722)	(2,603)	(1,984)	(5,007)
Foreign Currency Exchange Gain (Loss)	(1)	3	2	(3)
(Loss) before Income Tax	(1,723)	(2,600)	(1,982)	(5,004)
Provision for Income Tax	-	-	-	-
Net (Loss)	<u>\$(1,723)</u>	<u>(2,600)</u>	<u>(1,982)</u>	<u>(5,004)</u>
Basic net (Loss) per Common Equivalent Shares	<u>\$(.18)</u>	<u>\$(.16)</u>	<u>\$(.12)</u>	<u>\$(.38)</u>
Weighted Number of Common Equivalent Shares Outstanding (000's)	<u>9,385</u>	<u>16,714</u>	<u>16,714</u>	<u>12,932</u>

See Notes to Financial Statements

BAY RESOURCES LTD AND SUBSIDIARIES
(An Exploration Stage Company)
Consolidated Statements of Stockholders' Equity (Deficit)
June 30, 2004 and 2005
and for the cumulative period July 1, 2002
(inception of exploration activities) to June 30, 2005

	<u>Shares</u>	<u>Common Stock Amount</u>	<u>Treasury Stock, at Cost</u>	<u>Additional Paid-in Capital</u>	<u>Retained Earnings (Deficit) (during the Exploration stage)</u>	<u>Retained Earnings (Deficit) (prior to Exploration stage)</u>	<u>Deferred Compen- sation</u>	<u>Other Compre- hensive Loss</u>	<u>Total</u>
	000's	A\$000's	A\$000' s	A\$000's	A\$000's	A\$000's	A\$000's	A\$000's	A\$000's
Balance June 30, 2002	6,347	\$1	\$(20)	\$25,175	-	\$(26,402)	-		\$(1,246)
Net loss	-	-	-	-	(681)	-	-		(681)
Balance June 30, 2003	6,347	\$1	\$(20)	\$25,175	\$(681)	\$(26,402)	-		\$(1,927)
Issuance of 1,753,984 shares and warrants in lieu of debt repayment	1,754	-	-	2,273	-	-	-		2,273
Sale of 1,670,000 shares and warrants	1,670	-	-	2,253	-	-	-		2,253
Issuance of 6,943,057 shares on cashless exercise of options	6,943	1	-	(1)	-	-	-		-
Net unrealised loss on foreign exchange	-	-	-	-	-	-	-	(9)	(9)
Net (loss)	-	-	-	-	\$(1,723)	-	-		(1,723)
Balance June 30, 2004	16,714	\$2	\$(20)	\$29,700	\$(2,404)	\$(26,402)	-	(9)	\$867
Issuance of 1,400,000 options under 2004 stock option plan	-	-	-	575	-	-	(575)	-	-
Amortisation of 1,400,000 options under 2004 stock option plan	-	-	-	-	-	-	377	-	377
Net unrealised gain on foreign exchange	-	-	-	-	-	-	-	6	6
Net/(loss)	-	-	-	-	(2,600)	-	-		(2,600)
Balance June 30, 2005	<u>16,714</u>	<u>\$2</u>	<u>\$(20)</u>	<u>30,275</u>	<u>\$(5,004)</u>	<u>(26,402)</u>	<u>(198)</u>	<u>(3)</u>	<u>(1,350)</u>

See Notes to Financial Statements

BAY RESOURCES LTD AND SUBSIDIARIES
(An Exploration Stage Company)
Consolidated Statements of Cash Flows
For the Years Ended June 30, 2004 and 2005
and for the cumulative period July 1, 2002
(inception of exploration activities) to June 30, 2005

	A\$000's <u>2004</u>	A\$000's <u>2005</u>	Convenience Translation US\$000's <u>2005</u>	July 1, 2002 to June 30, 2005 <u>A\$000's</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Net (Loss)	\$(1,723)	\$(2,600)	\$(1,981)	\$(5,004)
Adjustments to reconcile net (loss) to net cash (used) in operating activities				
Foreign Exchange	(9)	6	4	(3)
Depreciation of plant and equipment	1	9	7	10
Stock based compensation	-	377	287	377
Accrued interest added to principal	1	50	38	184
Net Change In :				
Receivables	(84)	(39)	(30)	(126)
Staking Deposit	-	-	-	23
Prepayments and Deposits	(241)	159	121	(82)
Accounts Payable and Accrued Expenses	338	110	84	156
Short-Term Advance - Affiliates	103	(104)	(79)	(36)
	<hr/>	<hr/>	<hr/>	<hr/>
Net Cash used in Operating Activities	(1,614)	(2,032)	(1,549)	(4,501)
CASH FLOWS USED IN INVESTING ACTIVITIES				
Purchase of Plant and Equipment	(21)	(6)	(4)	(27)
	<hr/>	<hr/>	<hr/>	<hr/>
Net Cash used in Investing Activities	(21)	(6)	(4)	(27)
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES				
Net borrowing (repayments) from Affiliates	(1,774)	922	703	3
Sale of Shares of Common Stock	2,253	-	-	2,253
Proceeds from loan payable	2,273	-	-	2,273
	<hr/>	<hr/>	<hr/>	<hr/>
Net Cash Provided by Financing Activities	2,752	922	703	4,530
Net Increase (Decrease) in Cash	1,117	(1,116)	(850)	1
Cash at Beginning of Year	1	1,118	852	1
	<hr/>	<hr/>	<hr/>	<hr/>
Cash at End of Year	1,118	2	2	2
Supplemental Disclosures				
Interest Paid	\$122	-	-	255
NON CASH FINANCING ACTIVITY				
Debt repaid through issuance of shares	\$2,273	-	-	2,273
Stock Options recorded as Deferred Compensation	-	\$575	\$438	\$575

See Notes to Financial Statements

BAY RESOURCES LTD AND SUBSIDIARIES
(An Exploration Stage Company)
Notes to Consolidated Financial Statements
June 30, 2005 and 2004

(1) ORGANIZATION AND BUSINESS

Bay Resources, Ltd. ("Bay Resources" or the "Company") is incorporated in the State of Delaware. The principal shareholder of Bay Resources is Edensor Nominees Proprietary Limited ("Edensor"), an Australian corporation. Edensor owned 32.3% of Bay Resources as of June 30, 2005. During fiscal 1998, Bay Resources incorporated a subsidiary, Baynex.com Pty Ltd (formerly Bayou Australia Pty Ltd), under the laws of Australia. Baynex.com has not traded since incorporation. On August 21, 2000 the Company incorporated a new wholly owned subsidiary, Bay International Pty Ltd, (now known as Bay Resources (Asia) Pty Ltd), a corporation incorporated under the laws of Australia. In June 2002, the Company incorporated a new wholly owned subsidiary, Golden Bull Resources Corporation ("Golden Bull") (formerly 4075251 Canada Inc), a corporation incorporated under the laws of Canada. Golden Bull is the vehicle that will be used by the Company to undertake exploration activities for gold in Canada.

During the 2002 fiscal year, Bay Resources expanded its gold exploration business by entering into an agreement to explore for gold on extensive property interests in northern Canada held by Tahera Corporation; and making application via a new 100% owned subsidiary, Golden Bull Resources Corporation, for properties in the highly prospective Committee Bay Greenstone Belt in Nunavut, Canada.

Bay Resources originally applied for 29 claims totaling 71,694 acres in the Committee Bay Greenstone Belt in central Nunavut, Canada. These claims were recorded on October 16, 2002. From the original area, Bay Resources retained a total of 49,439.48 acres on 21 claims. To keep the claims in good standing, Bay Resources needed to spend a total of CN\$197,798 of assessment work was required to be completed by the anniversary date of October 16, 2004. A total of CDN\$98,879 is required in each subsequent year up to 2012 (at which point a decision to bring the claims to lease must be made). Bay Resources spent more than the minimum requirement and the excess spent can be used to offset the expenditure requirements in following years. As a result, Bay Resources has already met its commitment until 2012.

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplates continuation of Bay Resources as a going concern. However, Bay Resources is an exploration stage company which has not yet commenced revenue producing operations and has sustained recurring losses since inception.

In addition, Bay Resources has historically relied on loans and advances from corporations affiliated with the President of Bay Resources and fund raising through the sale of equity instruments. Based on discussions with these affiliate companies Bay Resources believes this source of funding will continue to be available.

The Company's ability to continue operations through fiscal 2006 is dependent upon future funding from affiliated entities, capital raisings, or its ability to commence revenue producing operations and positive cash flows.

BAY RESOURCES LTD AND SUBSIDIARIES
(An Exploration Stage Company)
Notes to Consolidated Financial Statements
June 30, 2005 and 2004

(1) ORGANIZATION AND BUSINESS (continued)

The Company raised A\$2,253,000 in April 2004 through the issuance of shares under a Private Placement and has used their funding to commence exploration activity in Canada.

(2) RECENT ACCOUNTING PRONOUNCEMENTS

In December 2002, the Financial Accounting Standards Board ("FASB") approved Statement of Financial Accounting Standards No. 148, "Accounting for Stock-Based Compensation – Transition and Disclosure. SFAS No. 148 amends Statement of Financial Accounting standards No. 123, "Accounting for Stock-Based compensation" (SFAS No. 123) to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS No. 148 amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. SFAS No. 148 was effective for the Company fiscal year ended June 30, 2003.

In May 2003, the FASB issued SFAS No. 150 "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity". SFAS No. 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). The requirements of SFAS No. 150 apply to issuer's classification and measurement of freestanding instruments, including those that comprise more than one option or forward contract. SFAS No. 150 does not apply to features that are embedded in a financial instrument that is not a derivative in its entirety. SFAS No. 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003, except for mandatory redeemable financial instruments of non-public entities. It is to be implemented by reporting the cumulative effect of a change in an accounting principle for financial instruments created before the issuance date of SFAS No. 150 and still existing at the beginning of the interim period of adoption. The adoption of this new standard had no effect on the Company's financial position.

In December 2004, the FASB issued Statement of Financial Accounting Standards No. 153 (SFAS 153), "Exchanges of Nonmonetary Assets." SFAS 153 amends the guidance in APB No. 29, "Accounting for Nonmonetary Assets." APB No.29 was based on the principle that exchanges of nonmonetary assets should be measured on the fair value of the assets exchanged. SFAS 153 amends APB No. 29 to eliminate the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. SFAS 151 is effective for financial statements issued for fiscal years beginning after June 15, 2005.

BAY RESOURCES LTD AND SUBSIDIARIES
(An Exploration Stage Company)
Notes to Consolidated Financial Statements
June 30, 2005 and 2004

(2) RECENT ACCOUNTING PRONOUNCEMENTS (continued)

The adoption of SFAS 153 is not expected to have a material effect on the Company's financial position or results of operations.

In December 2004, the FASB revised Statement of Financial Accounting Standards No. 123 (SFAS 123(R)), "Accounting for Stock-Based Compensation." The SFAS 123(R) revision established standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services and focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. It does not change the accounting guidance for share-based payment transactions with parties other than employees. For public entities that do not file as small business issuers, the revisions to SFAS 123 are effective as of the beginning of the first interim or annual reporting period that begins after June 15, 2005. For public entities that file as small business issuers, the revisions to SFAS 123(R) are effective as of the beginning of the first interim or annual reporting period that begins after December 15, 2005. For non-public entities, the revisions to SFAS 123 are effective as of the beginning of the first annual reporting period that begins after December 15, 2005. The adoption this statement will not have an effect on the Company's financial position or results of operations as the Company already applies the provisions of FASB No.123 and accounts for stock options under the fair value method

In March 2005, the FASB issued FASB Interpretation ("FIN") No. 47, "Accounting for Conditional Asset Retirement Obligations." FIN No. 47 clarifies the meaning of the term CONDITIONAL ASSET RETIREMENT OBLIGATION as used in SFAS 143, "Accounting for Asset Retirement Obligations" and clarifies when an entity would have sufficient information to reasonably estimate the fair value of an asset retirement obligation. This interpretation is effective no later than the end of fiscal years ending after December 15, 2005 (December 31, 2005 for calendar-year companies). Retrospective application of interim financial information is permitted but is not required. The adoption of this statement is not expected to have a material effect on the Company's consolidated financial position, results of operations or cash flows.

In May 2005, the FASB issued SFAS no. 154, "Accounting Changes and Error Corrections ("SFAS No. 154") which replaces APB Opinion No. 20, "Accounting Changes" and SFAS No. 3, "Reporting Accounting Changes in Interim Financial Statements-An Amendment of ABP Opinion No. 28. SFAS No. 154 provides guidance on the accounting for and reporting of accounting changes and error corrections. Specially, this statement requires "retrospective application" of the direct effect for a voluntary change in accounting principle to prior periods' financial statements, if it is practical to do so. SFAS No. 154 also strictly defines the term "restatement" to mean the correction of an error revising previously issued financial statements. SFAS No. 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005 and is required to be adopted by the Company in the first quarter of fiscal year 2007. Although we will continue to evaluate the application of SFAS No. 154, management does not currently believe adoption will have a material impact on our results of operations, financial position or cash flows.

BAY RESOURCES LTD AND SUBSIDIARIES
(An Exploration Stage Company)
Notes to Consolidated Financial Statements
June 30, 2005 and 2004

(3) ACCOUNTING POLICIES

The following is a summary of the significant accounting policies followed in connection with the preparation of the consolidated financial statements.

(a) Consolidation

The consolidated financial statements include the accounts of Bay Resources and the 100% interest it holds in Baynex.com Pty Ltd, Bay Resources (Asia) Pty Ltd and Golden Bull Resources Corporation. All significant intercompany transactions and balances have been eliminated in consolidation.

(b) Foreign Currency Translation

The majority of Bay Resources' administrative operations are in Australia and as a result the reporting currency of its consolidated accounts are maintained in Australian dollars. The functional currency of the Company Canadian subsidiary is the Canadian dollar. The income and expenses of operations are translated into Australian dollars at the average exchange rate prevailing during the period. Assets and liabilities of the Canadian subsidiary are translated into Australian dollars at the period-end exchange rate. The resulting translation adjustments are accumulated in a separate component of Stockholders Equity. Foreign currency translation adjustments have not been material for all periods presented.

(c) Financial Instruments

The Company's cash, receivables, payables and short term borrowings represent financial instruments whose carrying amounts reasonably approximate their fair value.

(d) Comprehensive Income (Loss)

The Company follows Financial Accounting Standards No. 130 (SFAS 130) "Reporting Comprehensive Income". SFAS 130 requires a company to report comprehensive income (loss) and its components in a full set of financial statements. Comprehensive income (loss) is the change in equity during a period from transactions and other events and circumstances from non-owner sources, such as unrealized gains (losses) on foreign currency translation adjustments. Changes in unrealized foreign currency translation gains or (losses) during fiscal 2005 and 2004 amounted to A\$6,000 and (A\$9,000), respectively. Accordingly, comprehensive loss for the years ended June 30, 2005 and 2004 amounted to A\$2,594,000 and A\$1,732,000, respectively.

BAY RESOURCES LTD AND SUBSIDIARIES
(An Exploration Stage Company)
Notes to Consolidated Financial Statements
June 30, 2005 and 2004

(3) ACCOUNTING POLICIES (continued)

(e) Property and Equipment

Property and equipment is stated at cost. Depreciation is computed over a period covering the estimated useful life of the applicable property and equipment. Accumulated depreciation and depreciation expense as of and for the year ended June 30, 2005 amounted to A\$2,654 (2004 A\$1,052) and A\$1,602 (2004 \$1,052) respectively.

(f) Cash Equivalents

Bay Resources considers all highly liquid investments with an original maturity of three months or less at the time of purchase to be cash equivalents. For the periods presented there were no cash equivalents.

(g) Income Tax

Income taxes are provided on financial statement income. For the periods presented there was no taxable income. There are no deferred income taxes resulting from temporary differences in reporting certain income and expense items for income tax and financial accounting purposes. Bay Resources at this time is not aware of any net operating losses which are expected to be realised.

(h) Loss per share

Basic (loss) per share is computed based on the weighted average number of common shares outstanding during the period. Dilutive loss per share has not been presented as the effects of common stock equivalents are anti-dilutive.

(i) Exploration Expenditure

Exploration expenditure consisting of prospecting and exploration costs are written off into operations as incurred.

(j) Accounting for Stock Options

For the issuances of stock options, the Company follows the fair value provisions of Financial Accounting Standards No. 123 "Accounting for Stock Based Compensation". SFAS 123 requires the company to measure the cost of employee services received in exchange for an award of equity instruments based on grant date fair value. The cost will be recognised over the period during which an employee is required to provide service in exchange for the award – usually the vesting period. In the case where there is no required service period, the fair value of the equity instruments is expensed immediately.

BAY RESOURCES, LTD. AND SUBSIDIARIES
 (An Exploration Stage Company)
 Notes to Consolidated Financial Statements
 June 30, 2005 and 2004

(3) ACCOUNTING POLICIES (continued)

(k) Pension Plans

The Company does not have any pension or profit sharing plans. The Company's Vice President Exploration and temporary staff employed in the exploration programme in Canada are subject to Canadian requirements for contributions to pension plans. At June 30, 2005, the Company has an obligation to pay A\$13,570. Contributions to employee benefit or health plans during the year ended June 30, 2005 were A\$7,196.

(l) Convenience Translation to US\$

The consolidated financial statements as of and for the year ended June 30, 2005 have been translated into United States dollars using the rate of exchange of the United States dollar at June 30, 2005 (A\$1.00=US\$0.7620). The translation was made solely for the convenience of readers in the United States.

(m) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates required to be made by management include the fair value of options and other equity instruments issued.

(n) Comparative Figures

Where necessary, comparative figures have been restated to be consistent with current year presentation.

(4) INVESTMENT SECURITIES

The Company has several small historical cost based investments that it has provided a full valuation for diminution and carry's at a \$nil value (2004 \$nil).

	A\$000's <u>2005</u>
(5) LONG-TERM ADVANCE - AFFILIATE	
Loan from AXIS Consultants, a corporation affiliated with the President of Bay Resources. Interest accrued at 10.60% to 10.85% being the National Australia Bank rate plus 1.5% for overdrafts over \$100,000.	297
Loan from Wilzed Pty Ltd, a corporation affiliated with the President of Bay Resources. Interest accrued at 9.10% to 9.35% being the rate.	675
	972

BAY RESOURCES LTD AND SUBSIDIARIES
(An Exploration Stage Company)
Notes to Consolidated Financial Statements
June 30, 2005 and 2004

(6) AFFILIATE TRANSACTIONS

Bay Resources advances to and receives advances from various affiliates. All advances between consolidated affiliates are eliminated on consolidation.

Included in short term advances and accounts payable and accrued liabilities at June 30, 2004 was A\$104,000 due to AXIS, an affiliated management company. This entity is affiliated through common management and ownership. The Company paid AXIS A\$487,535 (being A\$383,535 in respect to the current year and A\$104,000 being the amount owing at June 30, 2004) in respect of the Service Agreement for the fiscal year ended June 30, 2005 and A\$759,410 (being A\$335,987 in respect to the current year and A\$486,000 in respect to prior years) in respect of the Service Agreement for the fiscal year ended June 30, 2004. During 2005, AXIS loaned the Company A\$249,500. At June 30, 2004 and 2005, the Company owed AXIS A\$104,000 and A\$296,764 respectively for services provided in accordance with the Service Agreement. During fiscal 2004 and 2005, AXIS Consultants charged interest of A\$42,742 and A\$13,879 respectively on outstanding balances. AXIS charged interest at rates between 10.10% and 10.60% for fiscal 2004 and 10.60% and 10.85% for fiscal 2005.

Chevas Pty Ltd, a company associated with the President of the Company, Joseph Gutnick, has provided loan funds to enable the Company to meet its liabilities and has paid certain expenses on behalf of the Company. At June 30 2002, the Company owed Chevas A\$783,743. During the 2003 fiscal year, Chevas loaned a further A\$369,155 and charged A\$86,417 in interest to the Company on the loan account. At June 30, 2003, the Company owed Chevas A\$1,239,315. During the 2004 fiscal year, Chevas loaned a further A\$187,122 and charged A\$82,776 in interest to the Company on the loan account. During the 2004 fiscal year the Company repaid the loan in full amounting to A\$1,509,214. Interest rates charged in fiscal 2004 ranged between 8.6% to 9.10%.

Edensor Gold Pty Ltd, a company associated with the President of the Company, Joseph Gutnick, provided loan funds during fiscal 2004 to enable the Company to meet its liabilities. During the 2004 fiscal year, Edensor Gold loaned A\$69,000 and charged A\$670 in interest. During fiscal 2004, we repaid the loan in full. Edensor Gold charged interest on outstanding balances of the loan account at the ANZ Banking Group Limited reference rate for overdrafts over A\$100,000 plus 1%. In accordance with this formula, the actual interest rate charged during the 2004 fiscal year was 8.85% to 9.10%.

Wilzed Pty Ltd, a company associated with the President of the Company, Joseph Gutnick, has provided loan funds to enable the Company to meet its liabilities. During the 2005 fiscal year, Wilzed loaned A\$644,633 and charged A\$31,235 in interest. We repaid \$396. At June 30, 2005, the Company owed Wilzed A\$675,472. Wilzed charged interest during fiscal 2005 at rates between 9.10% and 9.35%.

BAY RESOURCES LTD AND SUBSIDIARIES
(An Exploration Stage Company)
Notes to Consolidated Financial Statements
June 30, 2005 and 2004

(6) AFFILIATE TRANSACTIONS (continued)

At June 30, 2002, the Company owed Tahera A\$36,365. During fiscal 2003, Tahera incurred certain exploration and administration costs in Canada on behalf of the Company amounting to A\$65,314 and Mr. J.I. Gutnick and Chevas paid Tahera A\$47,368 and A\$53,350 respectively on behalf of the Company. During fiscal 2003 and 2004, Tahera did not charge the Company interest on amounts outstanding. At June 30, 2003, the Company owed Tahera A\$1,361 and Mr. J.I. Gutnick A\$47,368. During fiscal 2004, Mr J I Gutnick was paid in full and Tahera advised the Company in writing that there was no monies owing to it by the Company.

Quantum Resources Limited incurred certain costs on behalf of the Company amounting to A\$43,941 during fiscal 2003 in respect to the Company's activities in Tibet China as a result of Quantum's contacts in China. This amount remained outstanding and was included in accounts payable and accrued expenses at June 30, 2003. During fiscal 2004, this amount was repaid in full.

Kerisridge Pty Ltd, a company associated with the President of the Company, Mr J I Gutnick, loaned us A\$2,273,186 in March 2004 for the purpose of repaying our long term debt. On March 31, 2004, Kerisridge agreed to convert all of the debt owed to them into common stock and warrants of the Company. The Company issued 1,753,984 shares of common stock and 1,753,984 warrants exercisable at US\$1.30 and at any time up to March 31, 2006 in full repayment of the \$2,273,186 owing to Kerisridge.

On February 19, 2004 Edensor Nominees Pty Ltd ("Edensor") advised the Company that it was exercising the 6,000,000 options for common stock of the Company it held utilizing the cashless exercise feature of the terms and conditions of the issue of the options. The Company issued 5,142,857 shares of common stock to Edensor on March 3, 2004 as a result of the exercise of the options. (See note 9)

Interest expense incurred on loans and advances due to affiliated entities approximated A\$45,000 and A\$122,000 in fiscal 2005 and 2004, respectively.

(7) CONTINGENT LIABILITY

The Company has received an invoice from a corporation that conducted the pegging of the claims in Canada on behalf of the Company. A number of claims that were pegged were not ultimately issued to the Company due to a number of errors by the pegging Company. The Company had advised the pegging company that it does not believe any further payments are due to the pegging company as a result of the economic loss incurred by Bay Resources. The Company believes that if it is unsuccessful in defending any claim that is brought against it, the maximum potential liability is C\$59,000. No accrued liability has been recorded in the accompanying financial statement pending the ultimate disposition of this matter.

BAY RESOURCES LTD AND SUBSIDIARIES
(An Exploration Stage Company)
Notes to Consolidated Financial Statements
June 30, 2005 and 2004

(8) INCOME TAXES

Bay Resources files its income tax returns on an accrual basis. Bay Resources should have carry forward losses of approximately US\$19.4 million as of June 30, 2005 which will expire in the years 2006 through 2024. Bay Resources will need to file tax returns for those years having losses on which returns have not been filed to establish the tax benefits of the net operating loss carry forwards. Due to the uncertainty of the availability and future utilization of those operating loss carryforwards, management has provided a full valuation against the related tax benefit. The valuation allowance increased from US\$6.8 million at June 30, 2004 to US\$7.5 million at June 30, 2005.

(9) STOCKHOLDERS EQUITY

In February and March 2004, holders of options to acquire 8,000,000 shares of the common stock informed the Company of their intentions to exercise the cashless exercise feature of their option agreement. As a result the Company issued 6,943,057 shares of its common stock.

In March 2004, the Company raised US\$1,670,000 (A\$2,253,000) through a private placement by issuing 1,670,000 shares of common stock and warrants to purchase 1,670,000 shares of common stock at US\$1.30 per share. The warrants expire in two years from the date of issuance.

In March 2004, the Company received a loan from an affiliated entity in the amount of A\$2,273,000 (US\$1,754,000) which was used to repay other outstanding amounts due to affiliated entities. This loan was later satisfied through the issuance of 1,753,984 shares of common stock and warrants to purchase 1,753,984 shares of common stock at \$1.30 per share. The warrants expire in two years from the date of issuance.

At June 30, 2005 the Company has outstanding stock options as detailed in footnote 11. At June 30, 2005 the Company had warrants outstanding to purchase 3,423,984 shares of common stock at US\$1.30 per share. All of the warrants expire in 2006.

(10) ISSUE OF OPTIONS UNDER STOCK OPTION PLAN

In October 2004, the Board of Directors and Remuneration Committee of the Company adopted a Stock Option Plan and agreed to issue 1,400,000 options and up to a further 500,000 options to acquire shares of common stock in the Company, at an exercise price of US\$1.00 per option, subject to shareholder approval which was subsequently received on January 27, 2005. Of the total 1,400,000 options issued, 350,000 vest immediately following shareholder approval, 50,000 vest on March 31, 2005, 333,331 vest on July 27, 2005, 333,334 vest on January 27, 2006 and the balance of 333,335 vest on July 27, 2006. If the additional 500,000 options are granted, they will vest 250,000 on October 31, 2005 and 250,000 on December 31, 2006. The exercise price of US\$1.00 was derived from the issue price of common stock from the placement of shares on March 31, 2004 and is considered by the Company's Directors to be the fair value of the common stock. The options expire on October 15, 2014.

BAY RESOURCES LTD AND SUBSIDIARIES
 (An Exploration Stage Company)
 Notes to Consolidated Financial Statements
 June 30, 2005 and 2004

(10) ISSUE OF OPTIONS UNDER STOCK OPTION PLAN (continued)

The Company has accounted for all options issued in 2005 based upon their fair market value using the Black Scholes pricing model. There were no options issued by the Company in 2004.

The Company has calculated the fair value of the 1,400,000 options using the Black Scholes valuation method using a share price of US\$1.00, strike price of US\$1.00, maturity period of 5 years 7 ½ months, risk free interest rate of 5.15% and volatility of 20%. This equates to a value of US\$31.85 cents per option. The total value of the options equates to A\$575,100 (US\$438,200) and has been reflected as Deferred Compensation Expense within the Shareholders Equity Statement. The gross fair value is amortised into operations over the vesting period. For fiscal 2005, the amortization amounted to A\$377,210 (US\$287,434). Subsequent to June 30, 2005, and as a result of the resignation of one of the Company's Directors, 50,000 options were relinquished.

A summary of the options outstanding and exercisable at June 30, 2005 are as follows:

	Outstanding	Exercisable
Number of options	1,400,000	733,333
Exercise price	US\$1.00	US\$1.00
Expiration date	October 15, 2014	October 15, 2014

GLOSSARY

In this Form 10-KSB, we use certain capitalized and abbreviated terms, as well as technical terms, which are defined below.

ACTINOLITE	A bright to gray-green member of the amphibole mineral family. In addition to silica, it contains calcium, magnesium, and iron.
AG	Chemical symbol for silver.
AIR PHOTO ANALYSIS	Use of aerial photography to determine or estimate geological features.
ALKALI FELDSPAR	Those feldspar minerals composed of mixtures of potassium feldspar (KAlSi ₃ O ₈) and sodium feldspar (NaAlSi ₃ O ₈) with little or no calcium feldspar (CaAl ₂ Si ₂ O ₈).
ALTERATION ZONE	An area where bedrock has undergone mineralogical changes as a result of the action of hydrothermal fluids.
AMPHIBOLE	A family of silicate minerals forming prism or needlelike crystals. Amphibole minerals generally contain iron, magnesium, calcium and aluminum in varying amounts, along with water.
AMPHIBOLITE	A rock made up mostly amphibole and plagioclase feldspar.
ANDESITE	Fine-grained, generally dark colored, igneous volcanic rock with more silica than basalt. Commonly with visible crystals of plagioclase feldspar.
ANOMALY	Pertaining to the data set resulting from geochemical or geophysical surveys; a deviation from uniformity or regularity.
ANTICLINE	An upward-curving (convex) fold in rock that resembles an arch. The central part contains the oldest section of rock.
AQUA REGIA	A very corrosive, fuming yellow liquid made by mixing nitric and hydrochloric acids, usually in the proportion of one part by volume of pure nitric acid with three parts by volume of pure hydrochloric acid.
ARCHEAN	The time interval between 3800-2500 million years ago. The Archean is one of the Precambrian time intervals.
ARSENOPYRITE	A tin-white or silver-white to steel-grey mineral (FeAs ₂).
A	Chemical symbol for arsenic.
ASSAY	To analyze the proportions of metals in a specimen of rock or other geological material. Results of a test of the proportions of metals in a specimen of rock or other geological material.
AU	Chemical symbol for gold.

B HORIZON	A general term for the near surface part of the soil profile which is commonly enriched in iron and other metals, often resulting in a brownish colour.
BACKGROUND	As pertains to geochemical data; the variation in natural abundance of a particular metal or other constituent within a specific geological setting.
BEDDING	The arrangement of a sedimentary or metamorphic rock in beds or layers of varying thickness and character.
BEDDING PLANE FAULT	A fault, the fault surface of which is parallel to the bedding plane of the host rocks.
BEDROCK	A general term for the rock, usually solid, that underlies soil or other unconsolidated superficial material.
BIOTITE	A dark brown to dark green or black mica mineral.
BRECCIA	A rock that is composed of larger than sand size angular fragments that are cemented together by a finer grained matrix; in this sense the fragmentation is usually a result of movement on nearby or adjoining fault or fracture zones.
CHALCOPYRITE	Copper iron sulfide mineral (CuFeS ₂). Color is brassy yellow.
CHANNEL SAMPLE	A sample composed of pieces of vein or mineral deposit that have been cut out of a small trench or channel, usually about one inch deep and 4 inches wide.
CHIP SAMPLE	A sample of a vein or other mineralized structure that is collected by way of small pieces of rock taken at regular and frequent intervals on a transect across the structure; intended to be a relatively accurate representation of the tenor of mineralization.
CHLORITE	A group of platy, micaceous, usually greenish iron-magnesium aluminosilicates that occur in metamorphic rocks and as alteration products of ferromagnesian minerals in volcanic and igneous rocks.
CLAIM POST	In Yukon Territory, a 4 inch square, four foot long wooden post that establishes the legal location of a mineral claim. Two posts, an Initial Post and a Final Post are required.
CLAIM TAG	In Yukon Territory, a set of small metal tags are issued by the government, each pair with a unique grant number assigned for the claim after the location is recorded. The tags are legally required to be permanently affixed to the Initial and Final claim posts at the first reasonable opportunity after issue of the tags.
CM	Centimeters
COLLAR	The start or beginning of a drill hole or the mouth of an underground working entrance.
CRATON	The relatively stable nucleus of a continent. Cratons are made up of a shield-like core of Precambrian Rock and a buried extension of the shield.

CU	Chemical symbol for copper.
DIKE	A sheet-like or tabular-shaped igneous intrusion that cuts across the sedimentary layering, metamorphic foliation, or other texture of a pre-existing rock.
DYKE	A tabular igneous intrusion that cuts across the bedding or foliation of the country rock.
FAULT	A fracture or fracture zone in rock along which there has been displacement of the two sides relative to each other and parallel to the fracture plane.
FE	Chemical symbol for iron.
FOLIATED	A general term for a planar arrangement of mineralogical, textural or structural features in a rock.
FOLIATION	Aligned layers of minerals characteristic of some metamorphic rocks.
FRACTURE	A general term for any break in a rock, whether or not it causes displacement.
GABBRO	A dark, coarse-grained intrusive igneous rock. Gabbro is made of calcium-rich plagioclase, with amphibole and/or pyroxene, and is chemically equivalent to basalt.
GEOCHEMICAL SAMPLING	The collection of soil, silt, vegetation or rock samples for analysis as a guide to the presence of areas of anomalous mineral or metal content in bedrock.
GEOLOGICAL MAPPING	In mineral exploration, the collection of geological data such as the description and orientation of various types of bedrock.
GEOPHYSICAL SURVEY	In mineral exploration, the collection of seismic, gravitational, electrical, radiometric, density or magnetic data to aid in the evaluation of the mineral potential of a particular area.
GLACIAL TILL	Dominantly unsorted and unstratified and generally unconsolidated material deposited directly by and underneath a glacier without subsequent reworking by water, and consisting of a heterogeneous mixture of clay, silt, sand, gravel, and boulders ranging widely in size and shape.
GRAB SAMPLE	A specimen of mineralized bedrock or float, usually about fist-sized, that may be collected as a representation of the mineralized zone as a whole. Because of bias, either unintended or otherwise, and because of the generally high natural variability typical of gold-silver vein mineralization, grades of grab samples should not be considered as a reliable estimation of a mineralized zone as a whole but they nonetheless serve to establish the presence of mineralization with grades of economic interest.
GRANITE	A coarse grained intrusive igneous rock with at least 65% silica. Quartz, plagioclase feldspar and potassium feldspar make up most of the rock and give it a fairly light color. Granite has more potassium feldspar than plagioclase feldspar.

GRANODIORITE	A coarse grained igneous plutonic rock intermediate in composition between quartz diorite and quartz monzonite; containing quartz, plagioclase, and potassium feldspar, with biotite and hornblende as the dominant mafic components.
GRAPHITIC	Containing graphite.
GREENSTONE	A metamorphic rock derived from basalt or chemically equivalent rock such as gabbro. Greenstones contain sodium-rich plagioclase feldspar, chlorite, and epidote, as well as quartz.
GPT	Abbreviation for gram per tonne; equivalent to one part per million (ppm).
HAND TRENCHING	A method of exposing bedrock by hand excavation.
HYDROTHERMAL	Of or pertaining to hot water, to the action of hot water, or to the products of this action, such as a mineral deposit precipitated from a hot aqueous solution, with or without demonstrable association with igneous processes.
IGNEOUS	Said of a rock or mineral that solidified from molten or partly molten material; also applied to processes leading to, or resulting from the formation of such rocks.
ICP-AES	Abbreviation for Inductively Coupled Plasma Emission Spectroscopy - Atomic Emission Spectroscopy; an analytical technique in which a sample solution is introduced into an argon plasma at very high temperature where individual elements emit light at specific wavelengths. The light is collected by the spectrometer and the wavelength is analyzed to yield individual elemental concentrations by comparison against standard solutions with calibrated elemental concentrations.
INTRUSION	Emplacement of magma (molten rock) into pre-existing rock. Dikes, sills and batholiths are intrusions.
IP	A type of geophysical survey method called Induced Polarisation.
IRON FORMATION	A chemical sedimentary rock containing at least 15% iron and commonly containing chert. The iron may be present as oxide, silicate, carbonate, or sulfide.
KOMATIITE	An igneous suite of basaltic and ultramafic lavas.
LITHOLOGY	The character of a rock described in terms of its structure, colour, mineral composition, grain size and arrangement of its component parts.
MAFIC	Pertaining to or composed dominantly of the ferromagnesian rock forming silicates; said of some igneous rocks and their constituent minerals.

MAGNETITE	Iron oxide mineral (Fe ₃ O ₄). Usually tiny black, metallic crystals. Magnetite will attract a magnet.
MASSIVE	Said of a stratified rock that occurs in very thick, homogenous beds.
METADIORITE	A general term for a metamorphosed diorite; also greenstone.
METAGABBRO	A general term for a metamorphosed gabbro; also greenstone.
METALLIC	A mineral chiefly composed of, or containing, one or more metals as a primary constituent.
METALLURGICAL TEST	A general term for a number of mechanical or chemical processes that are employed to test the amenability of separating metals from their ores.
METAMORPHOSED	Rock or mineral that has undergone mineralogical and/or structural change in response to elevated pressures, temperatures or changes in chemical conditions.
MINERALIZATION	The process or processes by which a mineral or minerals are introduced into a rock, resulting in an enriched deposit; or the result of these processes.
MINERALIZED	Rock that has undergone the process of mineralization.
NET SMELTER	
RETURN ROYALTY	A general term for a residual benefit that is a percentage of the value for which a smelter will reimburse the provider of ore to the smelter, after deduction for various smelting fees and penalties and, often after cost of transportation has been deducted.
ORE	The naturally occurring material from which a mineral or minerals of economic value can be extracted profitably or to satisfy social or political objectives.
ORE SHOOT	an elongate pipelike, ribbonlike, or chimneylike mass of ore within a deposit (usually a vein), representing the more valuable part of the deposit.
ORTHOCLASE	A member of the feldspar group of minerals (KAlSi ₃ O ₈).
OUTCROP	The part of a rock formation that appears at the surface of the ground.
OXIDATION	The conversion of sulphide mineral (especially metallic mineral) species to oxide, sulphate or hydroxide minerals, typically by the processes of near surface weathering.
OXIDE MINERAL	A mineral formed by the union of an element with oxygen.
OVERBURDEN	Loose soil, sand, gravel, broken rock, etc. that lies above the bedrock.
OZ/TON	Abbreviation for troy ounce per ton.

PATHFINDER	In geochemical exploration, a relatively mobile element or gas that occurs in association with an element or commodity being sought, but can be more easily found because it forms a broader halo or because it can be detected more readily by analytical methods.
PERMAFROST	A permanently frozen layer of soil or subsoil, or even bedrock, which occurs to variable depths below the Earth's surface in arctic or subarctic regions.
PETROLOGY	See igneous petrology.
PLAGIOCLASE	A member of the feldspar group of minerals ((Na,Ca)Al(Si,Al)2O6).
PLUTON	A body of medium to coarse grained igneous rock that formed beneath the Earth's surface by crystallization of a magma.
PLUTONIC SUITE	A group of igneous bodies that are linked by virtue of similarities in age, petrology, etc.
PLUTONISM	A general term for the phenomena associated with the formation of plutons.
POTASSIUM FELDSPAR	See orthoclase.
PPB	Abbreviation for part per billion.
PPM	Abbreviation for part per million.
PRECAMBRIAN	A period of geologic time earlier than 544 million years before present.
PROSPECTING	Pertaining to the search for outcrops or surface exposures of mineral deposits, primarily by nonmechanical methods.
PROXIMAL MINERALIZATION	Refers to the relative distance of mineralization from a pluton thought to be related to or responsible for the deposit. Proximal deposits form near to the mineralizing pluton.
PYRITE	Iron sulfide mineral (FeS). Forms silvery to brassy metallic cubes or masses.
QUARTZ	A glassy silicate and common rock forming mineral (SiO2).
QUARTZ DIORITE	A group of plutonic rocks having the composition of diorite but with appreciable quartz and feldspar, i.e. between 5 and 20%.
QUARTZ GABBRO	A group of plutonic rocks having the composition of gabbro but with appreciable quartz.
QUARTZ MONZONITE	A medium to coarse grained plutonic rock containing major plagioclase, orthoclase and quartz with minor biotite and hornblende.
QUARTZITE	A metamorphosed sandstone or rock composed of quartz grains so completely cemented with secondary silica that the rock breaks across or through the grains rather than around them.

REPLACEMENT	Pertaining to a type of mineral deposit that forms by partial or complete replacement of bedrock constituents by new minerals, generally by the action of hydrothermal fluids.
RESERVE	An estimate within specified accuracy limits of the valuable metal or mineral content of known deposit that may be produced under current economic conditions and with present technology.
RESOURCE	Pertaining to the quantity or bulk of mineralized material without reference to the economic viability of its extraction (see reserve).
SEDIMENT	Fragmental material that originates from weathering of rocks and that is transported by air, water, ice or other natural agents, and that forms in layers on the Earth's surface at ordinary temperatures in a loose, unconsolidated form; e.g. silt, sand, gravel, etc.
SEDIMENTARY ROCK	A rock resulting from the consolidation of loose sediment.
SELECTED SAMPLE	A specimen of a mineralized zone that is not intended to be representative of the deposit as a whole.
SCHIST	A strongly foliated rock, formed by dynamic metamorphism, that can be split into thin flakes or slabs due to well developed parallelism of more than 50% of the minerals.
SHEARED	A descriptive term for rock that is deformed as a result of stresses that cause or tend to cause parts of a body to slide relative to each other along their plane of contact.
SILICA	A generic term for silicon dioxide (SiO ₂), the most common form of which is quartz.
SILL	A concordant sheet of igneous rock lying parallel, or nearly so, to bedding or other planar fabric in the country rock.
SOIL SAMPLING	(see geochemical sampling).
SPLIT	A portion of a rock or soil sample that is separated from the bulk of the original before the analytical process so as to provide material for re-analysis as a check of the accuracy of the original procedure should it be required.
STAIN	as in scorodite stain; a thin film of a mineral deposited as part of the weathering process.
STOCK	An igneous intrusion with less than 40 sq. mi. (100 sq. km.) in surface exposure, usually but not always discordant with respect to country rock.
STOCKWORK	An intersecting three-dimensional network of veins or veinlets.
SPHALERITE	A varicoloured sulphide mineral (ZnS), the most important source of zinc.
STRATA	Beds or layers of rock.

STRIKE	The course or bearing of the outcrop of an inclined bed, vein or fault plane on a level surface; the direction of a horizontal line perpendicular to the dip.
STRINGER	A mineral veinlet or veinlets that occur in a discontinuous subparallel pattern in the host rock.
STRUCTURAL MAPPING	Geological mapping that focusses in collection of data pertaining to the orientation of beds, faults and fractures as well as other structures that modify the distribution of bedrock and mineralized zones.
SULPHIDE MINERAL	A mineral compound characterized by the linkage of sulphur with a metal or semimetal.
SURFICIAL GEOLOGY	The study or geological mapping of surficial, unconsolidated materials.
TALUS	Rock fragments of any size or shape (usually coarse and angular), derived from a steep rocky slope chiefly by gravitational falling, rolling or sliding.
THRESHOLD	The level, whether determined statistically or arbitrarily, at which a separation is made between anomalous and background geochemical values for a particular data set.
THRUST FAULT	A fault with a dip of 45 degrees or less over much of its extent, on which the hanging wall appears to have moved upward relative to the footwall.
TRACE	Pertaining to assay values; as used in this report, this term refers to gold grades of less than 0.01 oz/ton (0.3 gpt).
TRANSVERSE FAULT	A fault that strikes obliquely or perpendicular to the general structural trend of the region.
TRANSVERSE VEIN	A vein that strikes obliquely or perpendicular to the general structural trend of the region.
TRUEWIDTH	The width of a vein or other structure measured orthogonal to its strike and dip.
ULTRAMAFIC	Igneous rocks made mostly of the mafic minerals hypersthene, augite, and/or olivine.
UPPER PROTEROZOIC	The period of geologic time between about 1000 and 544 million years before present.
VEIN	An epigenetic mineral filling of a fault or other fracture in a host rock, in tabular or sheetlike form, often as a precipitate from a hydrothermal fluid.
VEINLET	A small vein.
VITREOUS	As pertains to minerals, a glassy luster.

VLF-EM	An abbreviation for the Very Low Frequency-Electromagnetic geophysical survey technique.
WALL ROCK	The rock adjacent to, enclosing, or including a vein, layer or dissemination of ore minerals.
WEIGHTED AVERAGE	Value calculated from a number of samples, each of which has been "weighted" by a factor of the individual sample width.
WORKING	A general term for any type of excavation carried out during the course of mining or mining exploration.
ZN	The chemical symbol for zinc.

Slave Craton Mining Claims

The following is a list of the mining claims that are covered under our agreement with Tahera:

Tag#	Claim	NTS	Acres	Registered	Next Anniversary	Type of Property
Jericho Mining Claims						
ML3793	DJB 19	076-L-04	344.0	09-Jun-99	09-Jun-04	Lease
ML3794	JD 94	076-L-04	2524.0	09-Jun-99	09-Jun-04	Lease
ML3795	JD 313	076-L-04	2515.0	09-Jun-99	09-Jun-04	Lease
ML3796	OD 44	076-L-04	422.0	09-Jun-99	09-Jun-04	Lease
ML3797	OD 45	076-L-04	325.0	09-Jun-99	09-Jun-04	Lease
ML3798	OD 61	076-L-04	508.0	09-Jun-99	09-Jun-04	Lease
			6,638.0			
Jericho Group						
F31092	JD 92	076-L-04	2,272.60	26-Jan-93	26-Jan-04	Lease Applied For
F31093	JD 93	076-L-04	2,569.60	26-Jan-93	26-Jan-04	Lease Applied For
F31095	JD 95	076-L-04	2,363.10	26-Jan-93	26-Jan-04	Lease Applied For
F31096	JD 96	076-L-04	2,582.50	26-Jan-93	26-Jan-04	Lease Applied For
F31310	JD 310	076-L-03	632.70	26-Jan-93	26-Jan-04	Lease Applied For
F31311	JD 311	076-L-03	890.90	26-Jan-93	26-Jan-04	Lease Applied For
F31312	JD 312	076-L-03	1,144.00	26-Jan-93	26-Jan-04	Lease Applied For
F31314	JD 314	076-L-03	2,118.10	26-Jan-93	26-Jan-04	Lease Applied For
F31315	JD 315	076-L-03	2,117.60	26-Jan-93	26-Jan-04	Lease Applied For
			16,691.10			
F35015	OD 25	076-E-13	2,255.50	18-Jun-93	18-Jun-04	Lease Applied For
F35016	OD 26	076-E-13	2,255.50	18-Jun-93	18-Jun-04	Lease Applied For
F35017	OD 27	076-E-13	2,165.40	18-Jun-93	18-Jun-04	Lease Applied For
F35018	OD 28	076-E-13	375.10	18-Jun-93	18-Jun-04	Lease Applied For
F35019	OD 29	076-E-13	444.20	18-Jun-93	18-Jun-04	Lease Applied For
F35020	OD 30	076-E-13	2,509.60	18-Jun-93	18-Jun-04	Lease Applied For
F35021	OD 31	076-E-13	2,548.70	18-Jun-93	18-Jun-04	Lease Applied For
F35022	OD 32	076-E-13	2,582.50	18-Jun-93	18-Jun-04	Lease Applied For
F35031	OD 41	076-E-13	2,435.90	18-Jun-93	18-Jun-04	Lease Applied For
F35032	OD 42	076-E-13	2,435.90	18-Jun-93	18-Jun-04	Lease Applied For
F35033	OD 43	076-E-13	2,420.80	18-Jun-93	18-Jun-04	Lease Applied For
F35036	OD 46	076-E-13	2,066.00	18-Jun-93	18-Jun-04	Lease Applied For
F35037	OD 47	076-E-13	2,029.90	18-Jun-93	18-Jun-04	Lease Applied For
F35038	OD 48	076-E-13	2,029.90	18-Jun-93	18-Jun-04	Lease Applied For
F35048	OD 58	076-E-14	2,582.50	18-Jun-93	18-Jun-04	Lease Applied For
F35049	OD 59	076-E-14	2,582.50	18-Jun-93	18-Jun-04	Lease Applied For
F35050	OD 60	076-E-14	2,582.50	18-Jun-93	18-Jun-04	Lease Applied For
F35052	OD 62	076-E-14	508.60	18-Jun-93	18-Jun-04	Lease Applied For
F35053	OD 63	076-E-14	2,582.50	18-Jun-93	18-Jun-04	Lease Applied For
F35055	OD 65	076-E-14	2,582.50	18-Jun-93	18-Jun-04	Lease Applied For
F35065	OD 75	076-E-14	2,582.50	18-Jun-93	18-Jun-04	Lease Applied For
			44,558.50			

F45947	DJB 17	076-L-03	<u>160.10</u>	06-Jul-94	06-Jul-04	Lease Applied For
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Jericho Exploration

Tag#	Claim	NTS	Acres	Registered	Next Anniversary	Type of Property
F45635	INU 3	076-E-11	77.50	08-Jun-94	08-Jun-04	Mineral Claim
F44915	INU 5	076-E-11	217.00	08-Jun-94	08-Jun-04	Mineral Claim
F44916	INU 6	076-E-11	<u>77.50</u>	08-Jun-94	08-Jun-04	Mineral Claim
			<u>372.00</u>			
F48871	PT 3	076-M-02	2,066.0	16-Dec-94	16-Dec-04	Mineral Claim
F48872	PT 4	076-M-02	<u>1,833.5</u>	16-Dec-94	16-Dec-04	Mineral Claim
			<u>3,899.5</u>			
F65378	KIM 1	076-L-04	<u>67.40</u>	04-Sep-98	04-Sep-04	Mineral Claim
F76144	TA 1	86-I-01	2582.5	06-Jun-02	06-Jun-04	Mineral Claim
F76145	TA 2	86-I-01	2582.5	06-Jun-02	06-Jun-04	Mineral Claim
F76146	TA 3	86-I-01	2582.5	06-Jun-02	06-Jun-04	Mineral Claim
F76147	TA 4	86-I-01	2582.5	06-Jun-02	06-Jun-04	Mineral Claim
F76148	TA 5	86-I-01	2582.5	06-Jun-02	06-Jun-04	Mineral Claim
F76149	TA 6	86-I-01	2582.5	06-Jun-02	06-Jun-04	Mineral Claim
F76150	TA 7	86-I-01	2582.5	06-Jun-02	06-Jun-04	Mineral Claim
F76151	TA 8	86-I-01	2582.5	06-Jun-02	06-Jun-04	Mineral Claim
F76152	TA 9	86-I-01	2582.5	06-Jun-02	06-Jun-04	Mineral Claim
F76153	TA 10	86-I-01	2582.5	06-Jun-02	06-Jun-04	Mineral Claim
F76154	TA 11	86-I-01	2582.5	06-Jun-02	06-Jun-04	Mineral Claim
F76155	TA 12	86-I-01	2582.5	06-Jun-02	06-Jun-04	Mineral Claim
F76156	TA 13	86-I-01	2582.5	06-Jun-02	06-Jun-04	Mineral Claim
F76157	TA 14	86-I-01	2582.5	06-Jun-02	06-Jun-04	Mineral Claim
F76158	TA 15	86-I-01	2582.5	06-Jun-02	06-Jun-04	Mineral Claim
F76159	TA 16	86-I-01	2582.5	06-Jun-02	06-Jun-04	Mineral Claim
F76160	TA 17	86-I-01	2582.5	06-Jun-02	06-Jun-04	Mineral Claim
F76161	TA 18	86-I-01	2582.5	06-Jun-02	06-Jun-04	Mineral Claim
F76162	TA 19	86-I-01	2582.5	06-Jun-02	06-Jun-04	Mineral Claim
F76163	TA 20	86-I-01	2582.5	06-Jun-02	06-Jun-04	Mineral Claim
F76164	TA 21	86-I-01	2582.5	06-Jun-02	06-Jun-04	Mineral Claim
F76165	TA 22	86-I-01	2582.5	06-Jun-02	06-Jun-04	Mineral Claim
F76166	TA 23	86-I-01	2582.5	06-Jun-02	06-Jun-04	Mineral Claim
F76167	TA 24	86-I-01	2582.5	06-Jun-02	06-Jun-04	Mineral Claim
F76168	TA 25	86-I-01	2582.5	06-Jun-02	06-Jun-04	Mineral Claim
F76169	TA 26	86-I-01	2582.5	06-Jun-02	06-Jun-04	Mineral Claim
F76170	TA 27	86-I-01	<u>2582.5</u>	06-Jun-02	06-Jun-04	Mineral Claim
			<u>69,727.5</u>			

Contwoyto Inuit Owned Lands

Tag#	Claim	NTS	Acres	Registered	Next Anniversary	Type of Property
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CO-08-00-01		076-E-15	20,968.62	01-Jan-95	31-Dec-04	Mineral Claim
CO-08-00-02		076-E-15	19,518.16	01-Jan-95	31-Dec-04	Mineral Claim
CO-08-00-03		076-E-15	12,181.86	01-Jan-95	31-Dec-04	Mineral Claim
CO-08-00-05		076-E-15	4,971.58	31-Dec-99	31-Dec-04	Mineral Claim
CO-08-00-06		076-E-15	7,610.58	31-Dec-00	31-Dec-04	Mineral Claim
			<u>65,250.80</u>			

HOOD RIVER CLAIMS - February 2004

F64824	Hood 3	76-L-10	2582.5	24-Jun-98	24-Jun-06	Mineral Claim
F64825	Hood 4	76-L-10	2582.5	24-Jun-98	24-Jun-06	Mineral Claim
F64828	Hood 12	76-L-13	2582.5	24-Jun-98	24-Jun-08	Mineral Claim
F64829	Hood 14	76-L-13	2582.5	24-Jun-98	24-Jun-08	Mineral Claim
			<u>10,330.00</u>			

F48875	PT 7	76-L-15	<u>263.37</u>	16-Dec-94	16-Dec-03	Mineral Claim
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CO 20 - 00 - 01		76-L-15	6653.08	01-Jan-97	01-Jan-05	IOL - Mineral Claim
CO 20 - 00 - 03 (a)		76-L-14	3008.90	01-Jan-97	01-Jan-05	IOL - Mineral Claim
CO 20 - 00 - 03 (b)		76-L-15	2164.74	01-Jan-97	01-Jan-05	IOL - Mineral Claim
CO 20 - 00 - 04		76-L-15	2901.85	01-Jan-97	01-Jan-05	IOL - Mineral Claim
CO 20 - 01 - 01		76-L-15	6653.08	01-Jan-97	01-Jan-05	IOL - Mineral Claim
			<u>21,381.64</u>			

ICE CLAIMS

F22432	ICE032	76-E-06	2582.5	01-Apr-92	01-Apr-04	Lease Applied For
F22433	ICE033	76-E-06	2582.5	01-Apr-92	01-Apr-04	Lease Applied For
F22464	ICE064	76-E-06	2582.5	01-Apr-92	01-Apr-04	Lease Applied For
F22534	ICE334	76-E-06	2582.5	01-Apr-92	01-Apr-04	Lease Applied For
F22535	ICE335	76-E-06	2582.5	01-Apr-92	01-Apr-04	Lease Applied For
F22537	ICE337	76-E-06	2582.5	01-Apr-92	01-Apr-04	Lease Applied For
ML3464	ICE336	76-E-06	2665.0	14-Feb-96	14-Feb-04	Lease
			<u>18,160.0</u>			

DOLLY VARDEN CLAIMS

F23152	DIA 52	76-E-01	<u>2,582.50</u>	28-Apr-04	28-Apr-04	Lease Applied For
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Rockinghorse Claims - February 2004

F60840	WC 156	86-I-02	413.2	11-Dec-96	11-Dec-04	Mineral Claim
F60841	WC 157	86-I-02	1601.15	11-Dec-96	11-Dec-03	Mineral Claim
F60844	WC 160	86-I-02	826.4	11-Dec-96	11-Dec-06	Mineral Claim
F60846	WC 162	86-I-02	154.95	11-Dec-96	11-Dec-03	Mineral Claim
F60847	WC 163	86-I-02	464.85	11-Dec-96	11-Dec-06	Mineral Claim
			<u>3,460.55</u>			

Rockinghorse Claims - February 2004 continued

Tag#	Claim	NTS	Acres	Registered	Next Anniversary	Type of Property
F50064	SKY 1	86-I-02	<u>2,582.50</u>	20-Aug-99	20-Aug-09	Mineral Claim
F58889	PUD 4	86-I-14	2582.5	14-Jun-99	14-Jun-05	Mineral Claim
F58890	PUD 5	86-I-14	2582.5	14-Jun-99	14-Jun-05	Mineral Claim
F56909	PUD 24	86-I-14	2582.5	14-Jun-99	14-Jun-05	Mineral Claim
F66955	PUD 36	86-I-14	2582.5	14-Jun-99	14-Jun-06	Mineral Claim
F67117	PUD 39	86-I-14	2582.5	14-Jun-99	14-Jun-04	Mineral Claim
F67118	PUD 40	86-I-14	<u>2582.5</u>	14-Jun-99	14-Jun-04	Mineral Claim
			<u>15,495.0</u>			
F58677	DD 24	86-I-13	<u>2,582.50</u>	11-Apr-96	11-Apr-04	Mineral Claim
F62383	KE 5	86-I-10	447.63	14-May-97	14-May-05	Mineral Claim
F62941	KE 6	86-I-10	416.63	14-May-97	14-May-05	Mineral Claim
F63306	KE 22	86-I-7	<u>378.77</u>	14-May-97	14-May-05	Mineral Claim
			<u>1,243.03</u>			
F85901	KEN 1	86-I-09	2582.5	20-Apr-99	12-Mar-09	Mineral Claim
F66045	KEN 5	86-I-09	<u>2100.35</u>	20-Apr-99	12-Mar-09	Mineral Claim
			<u>4,682.85</u>			
F74768	NAP 1	86-I-10	2582.5	11-Jun-02	11-Jun-04	Mineral Claim
F74769	NAP 2	86-I-10	2582.5	11-Jun-02	11-Jun-04	Mineral Claim
F74770	NAP 3	86-I-10	2582.5	11-Jun-02	11-Jun-04	Mineral Claim
F74771	NAP 4	86-I-10	2582.5	11-Jun-02	11-Jun-04	Mineral Claim
F74772	NAP 5	86-I-10	2582.5	11-Jun-02	11-Jun-04	Mineral Claim
F74773	NAP 6	86-I-10	2582.5	11-Jun-02	11-Jun-04	Mineral Claim
F74774	NAP 7	86-I-10	2582.5	11-Jun-02	11-Jun-04	Mineral Claim
F74775	NAP 8	86-I-10	2582.5	11-Jun-02	11-Jun-04	Mineral Claim
F74776	NAP 9	86-I-10	2582.5	11-Jun-02	11-Jun-04	Mineral Claim
F74777	NAP 10	86-I-10	2582.5	11-Jun-02	11-Jun-04	Mineral Claim
F74778	NAP 11	86-I-10	2582.5	11-Jun-02	11-Jun-04	Mineral Claim
F74779	NAP 12	86-I-10	2582.5	11-Jun-02	11-Jun-04	Mineral Claim
F74780	NAP 13	86-I-10	2582.5	11-Jun-02	11-Jun-04	Mineral Claim
F74781	NAP 14	86-I-10	2582.5	11-Jun-02	11-Jun-04	Mineral Claim
F75430	NAP 15	86-I-10	2582.5	11-Jun-02	11-Jun-04	Mineral Claim
F75431	NAP 16	86-I-10	2582.5	11-Jun-02	11-Jun-04	Mineral Claim
F75432	NAP 17	86-I-10	2582.5	11-Jun-02	11-Jun-04	Mineral Claim
F75433	NAP 18	86-I-10	2582.5	11-Jun-02	11-Jun-04	Mineral Claim
F75434	NAP 19	86-I-10	2582.5	11-Jun-02	11-Jun-04	Mineral Claim
F75435	NAP 20	86-I-10	2582.5	11-Jun-02	11-Jun-04	Mineral Claim
F75436	NAP 21	86-I-10	2582.5	11-Jun-02	11-Jun-04	Mineral Claim
F75437	NAP 22	86-I-10	2582.5	11-Jun-02	11-Jun-04	Mineral Claim
F75438	NAP 23	86-I-10	2582.5	11-Jun-02	11-Jun-04	Mineral Claim
F75439	NAP 24	86-I-10	2582.5	11-Jun-02	11-Jun-04	Mineral Claim
F75440	NAP 25	86-I-10	2582.5	11-Jun-02	11-Jun-04	Mineral Claim

Rockinghorse Claims - February 2004 continued

Next

Tag#	Claim	NTS	Acres	Registered	Anniversary	Type of Property
F75441	NAP 26	86-I-10	2582.5	11-Jun-02	11-Jun-04	Mineral Claim
F75442	NAP 27	86-I-10	2582.5	11-Jun-02	11-Jun-04	Mineral Claim
F75443	NAP 28	86-I-10	2582.5	11-Jun-02	11-Jun-04	Mineral Claim
F75444	NAP 29	86-I-10	2582.5	11-Jun-02	11-Jun-04	Mineral Claim
F75445	NAP 30	86-I-10	2582.5	11-Jun-02	11-Jun-04	Mineral Claim
F75446	NAP 31	86-I-10	2582.5	11-Jun-02	11-Jun-04	Mineral Claim
F75447	NAP 32	86-I-10	2582.5	11-Jun-02	11-Jun-04	Mineral Claim
F75448	NAP 33	86-I-10	2582.5	11-Jun-02	11-Jun-04	Mineral Claim
F75449	NAP 34	86-I-10	2582.5	11-Jun-02	11-Jun-04	Mineral Claim
F75450	NAP 35	86-I-10	831.67	11-Jun-02	11-Jun-04	Mineral Claim
F75451	NAP 36	86-I-10	1514.99	11-Jun-02	11-Jun-04	Mineral Claim
F75452	NAP 37	86-I-10	1477.12	11-Jun-02	11-Jun-04	Mineral Claim
F75453	NAP 38	86-I-10	509.58	11-Jun-02	11-Jun-04	Mineral Claim
F75454	NAP 39	86-I-10	2582.5	11-Jun-02	11-Jun-04	Mineral Claim
F75455	NAP 40	86-I-10	2582.5	11-Jun-02	11-Jun-04	Mineral Claim
F75456	NAP 41	86-I-10	2582.5	11-Jun-02	11-Jun-04	Mineral Claim
F75457	NAP 42	86-I-10	2582.5	11-Jun-02	11-Jun-04	Mineral Claim
F75458	NAP 43	86-I-10	2582.5	11-Jun-02	11-Jun-04	Mineral Claim
F75459	NAP 44	86-I-10	263.74	11-Jun-02	11-Jun-04	Mineral Claim
F75461	NAP 46	86-I-10	2582.5	11-Jun-02	11-Jun-04	Mineral Claim
F75462	NAP 47	86-I-10	2582.5	11-Jun-02	11-Jun-04	Mineral Claim
F75463	NAP 48	86-I-10	2582.5	11-Jun-02	11-Jun-04	Mineral Claim
F75464	NAP 49	86-I-10	2582.5	11-Jun-02	11-Jun-04	Mineral Claim
F75465	NAP 50	86-I-10	2582.5	11-Jun-02	11-Jun-04	Mineral Claim
F75466	NAP 51	86-I-10	2582.5	11-Jun-02	11-Jun-04	Mineral Claim
F75467	NAP 52	86-I-10	2582.5	11-Jun-02	11-Jun-04	Mineral Claim
F75468	NAP 53	86-I-10	2582.5	11-Jun-02	11-Jun-04	Mineral Claim
F75469	NAP 54	86-I-10	2582.5	11-Jun-02	11-Jun-04	Mineral Claim
F75470	NAP 55	86-I-10	2582.5	11-Jun-02	11-Jun-04	Mineral Claim
F75471	NAP 56	86-I-10	2582.5	11-Jun-02	11-Jun-04	Mineral Claim
F75472	NAP 57	86-I-10	2582.5	11-Jun-02	11-Jun-04	Mineral Claim
F75473	NAP 58	86-I-10	2582.5	11-Jun-02	11-Jun-04	Mineral Claim
F75474	NAP 59	86-I-10	2582.5	11-Jun-02	11-Jun-04	Mineral Claim
F75475	NAP 60	86-I-10	2582.5	11-Jun-02	11-Jun-04	Mineral Claim

144,052.10

F74338	TL 8	86-I-11	2029.57	24-Jun-93	13-Mar-04	Mineral Claim
F74352	TL 22	86-I-11	2582.5	24-Jun-93	13-Mar-04	Mineral Claim
F74353	TL 23	86-I-11	1019.73	24-Jun-93	13-Mar-04	Mineral Claim
F74354	TL 24	86-I-11	378.53	24-Jun-93	13-Mar-04	Mineral Claim
F74355	TL 25	86-I-11	2582.5	24-Jun-93	13-Mar-04	Mineral Claim
F74356	TL 26	86-I-11	2582.5	24-Jun-93	13-Mar-04	Mineral Claim
F74366	TL 36	86-I-11	64.72	24-Jun-93	13-Mar-04	Mineral Claim
F74367	TL 37	86-I-11	255.23	24-Jun-93	13-Mar-04	Mineral Claim
F74368	TL 38	86-I-11	469.09	24-Jun-93	13-Mar-04	Mineral Claim
F74369	TL 39	86-I-11	471.17	24-Jun-93	13-Mar-04	Mineral Claim

12,435.54

Tag#	Claim	NTS	Acres	Registered	Next Anniversary	Type of Property
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CO44 -00-01		86-I-11	<u>414.0</u>	01-Jan-97	01-Jan-05	IOL - Mineral Claim
F38623	OK 123	86-I-11	2582.5	18-Jun-93	18-Jun-03	Applied for Lease
F38627	OK 127	86-I-11	2582.5	18-Jun-93	18-Jun-03	Applied for Lease
F38628	OK 128	86-I-11	2582.5	18-Jun-93	18-Jun-03	KCEI Lease
F38629	OK 129	86-I-11	2582.5	18-Jun-93	18-Jun-03	Applied for Lease
F38648	OK 148	86-I-11	2169.3	18-Jun-93	18-Jun-03	Applied for Lease
F38649	OK 149	86-I-11	2169.3	18-Jun-93	18-Jun-03	Applied for Lease
F38652	OK 152	86-I-11	2582.5	18-Jun-93	18-Jun-03	Applied for Lease
F38653	OK 153	86-I-11	2582.5	18-Jun-93	18-Jun-03	Applied for Lease
F38654	OK 154	86-I-11	2582.5	18-Jun-93	18-Jun-03	Applied for Lease
F38665	OK 165	86-I-11	<u>2582.5</u>	18-Jun-93	18-Jun-03	Applied for Lease
			<u>24,998.60</u>			
		Total	471,765.71			

Committee Bay Greenstone Belt Claims

The following is a list of our claims in the Committee Bay Greenstone Belt:

Claim name	Claim No.	NTS Sheet	Recording Date	Anniversary Date
Pick 1	F54799	56K/03	16-Oct-02	16-Oct-10
Pick 2	F54798	56K/03	16-Oct-02	16-Oct-10
Pick 3	F54760	56K/03	16-Oct-02	16-Oct-10
EE 1	F54757	56K/06	16-Oct-02	16-Oct-10
EE 2	F54756	56K/06	16-Oct-02	16-Oct-10
EE 3	F54758	56K/06	16-Oct-02	16-Oct-10
K 1	F60304	56K/11	16-Oct-02	16-Oct-10
K 2	F60305	56K/11	16-Oct-02	16-Oct-10
CAY 1	F60252	56K/09	16-Oct-02	16-Oct-10
CAY 3	F60254	56K/09	16-Oct-02	16-Oct-10
AA 1	F60249	56J/13	16-Oct-02	16-Oct-10
AA 2	F60250	56J/13	16-Oct-02	16-Oct-10
NN 1	F60307	56K/16	16-Oct-02	16-Oct-10
NN 2	F60251	56O/04	16-Oct-02	16-Oct-10
WREN 1	F60231	56J/11	16-Oct-02	16-Oct-12*
WREN 2	F60232	56J/14	16-Oct-02	16-Oct-12*
WREN 3	F60233	56J/14	16-Oct-02	16-Oct-12*
WREN 4	F60234	56J/14	16-Oct-02	16-Oct-12*
WREN 5	F60235	56J/14	16-Oct-02	16-Oct-12*
WEST	F60212	56K/03	16-Oct-02	16-Oct-10
HOST	F54800	56K/03	16-Oct-02	16-Oct-10

- as confirmed by the mining recorder

(one small additional claim GB-1 will be ours after Bruce Goad receives his pay)

EMPLOYMENT AGREEMENT

THIS AGREEMENT is made effective as of May 01, 2004 (the "Effective Date").

BETWEEN:

Bay Resources Ltd, a company incorporated under the laws of Delaware, having its principal office at 580 St. Kilda Rd. Level 8, Melbourne, Victoria 3004 Australia
(the "Company")

AND:

Pinchas T. Althaus, having a residence at 675 Empire Blvd. 3L Brooklyn, NY 11213 U.S.A.
(the "Executive")

WHEREAS:

The Company wishes to retain the services of the Executive to provide the services hereinafter described during the term hereinafter set out.

NOW THEREFORE in consideration of the mutual covenants and agreements herein contained and for other good and valuable consideration, the Company and Executive undertake and agree as follows:

Term

1. The Company shall employ the Executive for a period commencing as of the Effective Date and continuing until and including December 31, 2006.

Title

2. The Executive will have the title of Chief Operating Officer.

Duties

3. The Executive shall serve the Company and any subsidiaries of the Company in such capacity or capacities and shall perform such duties and exercise such powers pertaining to the management and operation of the Company as may be determined from time to time by the board of directors of the Company consistent with his position as Chief Operating Officer. The Executive shall:
 - (a) devote his endeavours and best efforts during normal business hours to the business and affairs of the Company;

- (b) perform those duties that may reasonably be assigned to the Executive diligently and faithfully to the best of the Executive's abilities and in the best interests of the Company;
 - (c) use his best efforts to promote the interests and goodwill of the Company;
 - (d) comply with all laws applicable to the Company in carrying out the Company's business;
 - (e) ensure that the policies and procedures of the Company as advised or communicated are followed and complied with;
 - (f) faithfully serve the Company; and
 - (g) comply with and observe all lawful requests, directions and restrictions made or imposed by a Director.
4. From time to time the Company will review and update the duties so that it accurately outlines the current scope of the position. This procedure is jointly conducted by the Company in consultation with the Executive. It is the Company's aim to reach agreement to reasonable changes. If an agreement is not possible the Company reserves the right to insist on changes to the Executive's duties after consultation with the Executive.
5. The Executive shall be permitted to perform outside business endeavours provided that such activities do not materially conflict with the Executive's duties hereunder.

Hours of Work

6. The Executive shall work such hours appropriate to a position of this seniority

Reporting Procedures

7. The Executive shall report to the person holding the office of Chief Executive Officer. The Executive shall give a written report on the operations and business affairs of the Company on a monthly basis to the Secretary by the third business day and advise to the best of his ability and in accordance with reasonable business standards on business matters that may arise from time to time during the term of this Agreement.

Remuneration

8. The annual base salary payable to the Executive for his services hereunder shall be US\$110,000, exclusive of bonuses, benefits and other compensation. This salary is an all inclusive salary and is provided in lieu of all payments and obligations specified in any applicable awards including the weekly wage rate of ordinary hours; industry, district and roster allowances; leisure days; public holidays; overtime; shift and weekend penalties; leave loading payments and any other payments.
9. The Company shall provide the Executive with a statement of earnings and deductions in respect of each salary instalment paid. The annual base salary payable to the Executive for his services hereunder for each successive year of the term of this

Agreement, exclusive of bonuses, benefits and other compensation, shall increase by a percentage of the annual base salary for the immediately preceding year at a rate determined by the Remuneration Committee of the Company. The annual base salary payable to the Executive, shall be payable in monthly instalments in arrears on the 1st day of each month or in such other manner as may be mutually agreed upon, less, in any case, any deductions or withholdings required by applicable law. Payment of the salary will be by electronic funds transfer to a bank account in the USA nominated by the Executive.

10. The Company shall provide the Executive with Executive benefits comparable to those provided by the Company to other senior executives of the Company generally and shall permit the Executive to participate in any bonus plan, share purchase plan, retirement plan or similar plan offered by the Company to its senior executives generally in the manner and to the extent authorized by the Remuneration Committee of the Company. In addition the Executive will be able to participate in such extended health, medical, disability and insurance or other benefit plans established by the Company and made available to other executives of the Company.

Stock Options

11. The Company shall grant the Executive options to purchase 750,000 shares of common stock of the Company (the "Options") at a per share exercise price of US\$1.00, with the Options vesting over the period of the contract as follows: 250,000 of the Options will vest as of the Effective Date, a further 250,000 will vest at the mid-term date of the contract, and the remaining 250,000 will vest on December 31st 2006. The Options will be issued subject to applicable securities laws, the availability of Options within the Company's stock option plan (the "Plan") and may be subject to hold periods. In addition, the Options shall be subject to the provisions of the Plan and the Company's standard form of stock option agreement (as executed, the "Stock Option Agreement").
12. In the case of a Change of Control (defined below), all Options then outstanding will immediately vest for the purpose of such transaction. Furthermore, in the event of a Qualifying Transaction (defined below), the acquirer, whether a so-called "Capital Pool Company" ("CPC") or otherwise, shall issue to the Executive the same number of options to purchase common shares of such acquirer (or if no such shares exist a class of securities having rights similar to those generally held by holders of common stock) under the same terms and conditions as the Options at the per share market price of such acquirer on the date that such transaction is consummated. Furthermore, in the event of a Reverse Takeover (as such term is defined under Policy 5.2 Changes of Business and Reverse Takeovers of the TSX Venture Exchange) where all or substantially all of the assets of the Company are transferred to a third party, the Executive shall receive the same number of options to purchase common shares of such third party (or if no such shares exist a class of securities having rights similar to those generally held by holders of common stock) under the same terms and conditions as the Options at the per share market price of such third party on the date that such transaction is consummated.
13. The term "Change of Control" shall mean any one of the following transactions: (i) the acquisition in a transaction or a series of transactions (including a merger) by any person or organization, other than the Company or any of its subsidiaries or any Executive benefit plan or related trust of the Company or any of its subsidiaries, of beneficial

ownership of fifty percent (50%) or more (on a fully diluted basis) of the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors or persons holding similar positions with the Company (including, without limitation, a Qualifying Transaction (as defined below); (ii) individuals who, as of the date of this Agreement, constitute the Board of Directors of the Company (or similar body elected to manage the affairs of the Company) cease for any reason to constitute at least a majority of the Board of Directors (or similar body) as constituted from time to time; or (iii) the sale or other disposition of all or substantially all of the assets of the Company in one transaction or series of related transactions, including, without limitation, a Qualifying Transaction. The term "Qualifying Transaction" shall mean a transaction involving the acquisition of stock or assets by a CPC where following such a transaction the CPC gains full listing privileges on the Toronto Stock Exchange.

Holidays

14. The Executive shall be entitled to three weeks' paid holidays per fiscal year of the Company, excluding Company holidays and religious holidays, and at a time approved in advance by the Chief Executive Officer, which approval shall not be unreasonably withheld, delayed or conditioned but shall take into account the staffing requirements of the Company and the need for the timely performance of the Executive's responsibilities. In the event that the Executive decides not to take all the vacation to which he is entitled in any fiscal year, the Executive shall be entitled to take up to one week of such vacation in the next following fiscal year at a time approved in advance by the Chief Executive Officer.

Expenses

15. The Executive shall be reimbursed for all reasonable travel and other out-of-pocket expenses reasonably incurred by the Executive in connection with carrying out his duties hereunder. For all such expenses the Executive shall supply the Company with copies and records of all invoices or statements in respect of which the Executive seeks reimbursement. The Company may at its sole discretion provide reasonable expense advances upon request and will promptly reimburse out-of-pocket expenses upon presentation of such vouchers and invoices. Any expenses to be incurred by the Executive in excess of US\$1,000 shall require the prior written consent of the Company.

Policies, Procedures and Instructions

16. Policies, procedures and instructions exist for the effective and safe operation of the Company's business and the welfare and interests of Executives. The Executive is expected to comply with all policies, procedures and instructions that are applicable to their work area and responsibilities. When required during the term of this Agreement, the Company shall exercise its right to replace or modify existing rules, policies, procedures or instructions or introduce new ones with which the Executive will be required to comply. A transgression of a policy, procedure or instruction may render the Executive liable to disciplinary action or termination. Information about new policies or changes to existing policies will also normally be provided in circulars, e-mails, on notice boards and otherwise brought to the attention of Executives required to observe them.

Occupational Health and Safety

17. The Executive acknowledges that the Company has a legal obligation to provide a safe workplace for the Executive. The Executive has a responsibility to the Company, and to his or her fellow Executives and employees to assist the Company in providing a safe workplace by observing all relevant workplace Occupational Health and Safety, First Aid and workplace accident policies and procedures. A transgression of an Occupational Health and Safety, First Aid or Workplace Accident work rule, policy, procedure or instruction may render the Executive liable to disciplinary action or termination. Information about Occupational Health and Safety rules will normally be provided in circulars, on notice boards and otherwise brought to the attention of all Executives.

Trading in Shares

18. Refer to Attachment 1 and 2.

Confidentiality

19. The Executive is required to covenant and warrant with and to the Company that during the term of his/her employment and at all times thereafter the Executive will not divulge either directly or indirectly, knowingly or inadvertently any knowledge or information concerning the business, affairs or property of the Company other than as required by law; to the Executive's legal or financial advisers for the purpose of obtaining professional advice; or to the extent necessary to perform the Executive's duties under this Agreement; and the Executive will keep secret and confidential the secrets of the Company and will treat all information acquired in the course of the Executive's engagement under this Agreement regarding the policies, processes, activities, financial affairs of the Company as secret and confidential.
20. All confidential records, documents and other papers, together with any copies or extracts thereof, made or acquired by the Executive in the course of employment shall be the property of the Company and must be returned to the Company on the termination of the Agreement.
21. This clause shall survive termination of this Agreement for a period of ten years.

Conflict of Interest

22. Executives are not to engage in private business activities which place them in a position of conflict of interest with the Company by gaining or standing to gain, personal profit or position by the use of information regarding the Company activities or further activities planned by the Company or by engaging in activities that adversely affect the Executive's on the job performance.

Inventions

23. Any discovery or invention or secret process made or discovered by the Executive during the currency of this Agreement in connection with or in any way affecting or relating to the business of the Company or any of its subsidiaries or capable of being used or adapted for use therein or in connection therewith shall forthwith be disclosed to the Company and shall belong to and be the absolute property of the Company or such

one of its subsidiary companies whichever is the applicable company, as may be nominated by the Company for that purpose.

24. The Executive shall, if and when required to do so, (whether during or after the termination of this Agreement) at the Company's expense apply or join in applying for letters patent or other similar protection in any part of the world for any such discovery, invention, process or improvement as aforesaid and shall execute all instruments and do all things necessary to vest the said letters patent or other similar protection when obtained and all right to an interest in the same in the Company or its nominee absolutely and as sole beneficial owner or in such other person as the Company may require.

Communication system

25. It is agreed that compliance with reporting and/or communication structures established by the Company will form part of the terms and conditions of the Executive.
26. It is understood that it is the Executive's responsibility to show initiative in ensuring that he or she is facilitating a suitable information flow.
27. It is agreed that the Executive will actively participate in all and any communication/reporting programmes that the Company introduces during the term of this Agreement.
28. It is agreed that during the term of this Agreement the Executive will supply in full and in a timely manner to the Company all information that the Company may reasonably require for its personnel/human resources records.

Termination

For Cause

29. The Company may terminate the employment of the Executive without notice or any payment in lieu of notice for cause. The term "cause" shall mean
 - (a) if there is a repeated and demonstrated failure on the part of the Executive to perform the material duties of the Executive's position in a competent manner and where the Executive fails to substantially remedy the failure within a reasonable period of time after receiving written notice of such failure from the Company, provided that the Executive shall have no less than thirty (30) days to cure such breach;
 - (b) if the Executive is convicted of a criminal offence (other than a misdemeanour); or
 - (c) if the Executive disobeys reasonable instructions given in the course of employment by the Chief Executive Officer or the board of directors of the Company that are not inconsistent with the Executive's management position and not remedied by the Executive within a reasonable period of time after receiving written notice of such disobedience, provided that the Executive shall have no less than thirty (30) days to cure such breach.

For Disability/Death

- (d) This Agreement may be terminated by the Company upon thirty (30) days written notice to the Executive if the Executive becomes permanently disabled. The Executive shall be deemed to have become permanently disabled if in any year during the employment period, because of ill health, physical or mental disability, or for other causes beyond the control of the Executive, the Executive has been continuously unable or unwilling or has failed to perform the Executive's duties for one hundred twenty (120) consecutive days, or if, during any year of the employment period, the Executive has been unable or unwilling or has failed to perform his duties for a total of one hundred eighty (180) days, consecutive or not. The term "any year of the employment period" means any period of twelve (12) consecutive months during the employment period.
- (e) This Agreement shall terminate without notice upon the death of the Executive.

Severance Payments

- 30. Upon termination of the Executive's employment at any time during the Term
 - (a) for cause; or
 - (b) by the voluntary termination of employment by the Executive (other than for good reason);

the Executive shall not be entitled to any severance payment other than compensation earned by the Executive before the date of termination calculated pro rata up to and including the date of termination.

Good Reason

- 31. The Executive may terminate his employment with the Company at any time during the Term without notice to the Company for good reason. The term "good reason" shall mean the occurrence of any one of the following: (i) a material reduction or diminution in the Executive's authority, duties or responsibilities (including, without limitation, with respect to office or title) hereunder; (ii) any reduction in the then applicable base salary or the Executive's eligibility to participate in any Executive benefits program, retirement plan or executive incentive bonus programs as contemplated by Section 11 hereof; (iii) unless agreed by you in advance, any relocation of your place of work to a location more than thirty (30) miles from New York, New York USA; or (iv) any other material failure on the part of the Company to comply with any other provision of this Agreement or any stock option agreement executed by the parties as contemplated herein.
- 32. If the Executive's employment is terminated during the Term for good reason or any other reason other than the reasons set forth in paragraph 29, the Executive shall be entitled to receive the lesser of:
 - (f) the total of:
 - (i) 3 months' salary at the then applicable base salary rate; and

- (ii) the present value, as determined by the Chief Executive Officer, acting reasonably, of the benefits described in paragraph 8 and 10 that would be enjoyed by the Executive during the next 24 months assuming his employment was not terminated and assuming the then current level of benefits were continued for those 24 months.

The payment described in this paragraph 32 is the only severance payment the Executive will receive in the event of the termination of this Agreement for reasons contemplated in paragraph 31.

- 33. If the Executive's employment is terminated as a result of the permanent disability or death of the Executive, the Executive or his estate, as applicable, shall be entitled to receive, within 30 days of the date of such termination, the balance of the base salary that would otherwise be paid to the Executive during the remainder of the term of this Agreement. The Executive agrees to reasonably comply, at the Company's sole expense, with all requirements necessary for the Company to obtain life insurance for the Term.

Governing Law

- 34. This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

Severability; Amendment; Integration

- 35. If any provision of this Agreement, including the breadth or scope of such provision, shall be held by any court of competent jurisdiction to be invalid or unenforceable, in whole or in part, such invalidity or unenforceability shall not affect the validity or enforceability of the remaining provisions, or part thereof, of this Agreement and such remaining provisions, or part thereof, shall remain enforceable and binding. This Agreement may not be changed or modified in whole or in part, except by an instrument executed by both parties hereunder. Other than the Plan and the Stock Option Agreement, this Agreement contains the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior and contemporaneous understandings with respect to the subject matter hereof, whether written or oral.

Currency

- 36. In this Agreement, all references to currency mean United States of America currency.

Notice

- 37. Any notice or other communication required or permitted to be given hereunder shall be in writing and either delivered by hand or mailed by prepaid registered mail. At any time other than during a general discontinuance of postal service due to strike, lock-out or otherwise, a notice so mailed shall be deemed to have been received three business days after the postmarked date thereof or, if delivered by hand, shall be deemed to have been received at the time it is delivered. If there is a general discontinuance of postal service due to strike, lock-out or otherwise, a notice sent by prepaid registered mail shall be deemed to have been received three business days after the resumption of postal service. Notices shall be addressed as follows:

(g) if to the Company at:

580 St. Kilda Rd. Level 8, Melbourne, Victoria 3004 Australia
Attention: Mr. Joseph I. Gutnick
Facsimile: +61 (3) 8532-2805

(h) if to the Executive at:

725 Montgomery St. Brooklyn, N.Y. 11213 U.S.A.
Attention: Pinchas T. Althaus
Facsimile: +1 (718) 504-4870

Indemnification.

38. The Company shall indemnify and hold the Executive harmless, to the maximum extent permitted by law and the Company's By-Laws or similar organizational document(s), from and against any claim or liability asserted against the Executive based on, arising out of or otherwise relating to the performance by the Executive of any of his duties hereunder, except for claims or liability arising from the Executive's gross negligence, recklessness, wilful misconduct or breach of this Agreement. The Company shall include the Executive in its Directors and Officers insurance plan.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF this Agreement has been executed by the parties hereto as of the day and year first above written.

Signed, Sealed and Delivered by)
Pinchas T Althaus in the presence of:)

s/s Ann Marie Murison)

Witness (Signature))

Ann Marie Murison)

Name (please print))

Level 8, 580 St Kilda Road Melbourne)

Address)

Australia)

City, Province)

The Corporate Seal of Bay Resources Ltd was)
affixed in the presence of:)

Per: s/s JI Gutnick)

Authorized Signatory)

Per: s/s PJ Lee)

Authorized Signatory)

s/s Pini Althaus _____)

