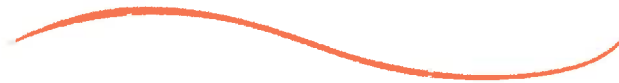




EAST AFRICA

RESOURCES
LIMITED



FINANCIAL REPORT 2014

CORPORATE DIRECTORY

<p>EAST AFRICA RESOURCES LTD ABN: 36 060 774 227</p> <p>DIRECTORS Rob Kirtlan Chairman (Non-executive) Katina Law Executive Director/Chief Executive Officer Peter Munachen Non-Executive Director David Kennedy Non-Executive Director Mike Griffiths Non-Executive Director</p> <p>COMPANY SECRETARY Eva Witheridge Ernie Myers (Chief Financial Officer)</p> <p>REGISTERED OFFICE AND HEAD OFFICE Ground Floor 288 Stirling Street Perth WA 6000 Australia Telephone: +61 8 9227 3270 Facsimile: +61 8 9227 3211 Email: info@eastafricareresources.com.au Internet: www.eastafricareresources.com.au</p> <p>STOCK EXCHANGE LISTING HOME LISTING East Africa Resources Limited securities are listed on the Australian Securities Exchange (ASX) ASX Code: EAF</p>	<p>AUDITORS Rothsay Chartered Accountants Suite 11, 4 Ventnor Avenue West Perth WA 6005</p> <p>SHARE REGISTRY Computershare Investor Services Pty Ltd Level 2, Reserve Bank Building 45 St Georges Terrace Perth WA 6000 Tel (Australia): 1300 55 70 10 Tel (overseas): +61 8 9323 2000</p>
---	--

EAST AFRICA RESOURCES LIMITED

DIRECTORS' REPORT

The directors present their report together with the consolidated financial statements of the Group comprising East Africa Resources Limited ("East Africa" or "the Company"), and its subsidiaries, for the financial year ended 30 June 2014 and the auditor's report thereon.

DIRECTORS

The names and details of the Company's directors in office during the financial year and until the date of this report are as follows. The directors were in office for the entire period unless otherwise stated.

Robert Kirtlan (Chairman, Independent Non-Executive Director)

Mr Kirtlan was appointed as a Director on 20 November 2013 and Chairman on 29 November 2013.

Mr Kirtlan has over 20 years of company management experience and has spent 7 years in global mining investment banking in Perth, Sydney and New York working for major global investment banks with a specialist role in the mining and natural resources sector. He has a background in finance and management.

Directorships held in other listed entities:

Decimal Software Limited (ASX) – Director since June 2002

RMG Limited (ASX) – Director and Executive Chairman since April 2011

Credo Resources Limited (ASX) – Director since December 2011

Homeland Uranium Inc (CAN) – Director since February 2012

Katina Law B.Com, CPA, MBA (London), GAICD (Chief Executive Officer and Executive Director)

Ms Law was appointed as a Director and the Chief Executive Officer on 7 September 2012.

Ms Law has 24 years of experience working in the resources sector, across several continents, both on site and in senior corporate roles. Through her consulting company she has provided services in the areas of financial management, financial decision making and strategic business development to mining and exploration clients.

Peter Lawson Munachen FCA, FAICD (Non-Executive Director)

Mr Munachen was appointed as a Director on 29 March 2010.

Mr Munachen has over 35 years of corporate and administrative experience in hydrocarbon and mineral resource companies. He has served as a director/officer of a number of listed companies, specialising in corporate finance and project acquisition.

Directorships held in other listed entities:

Norwest Energy NL – Director since November 2003 and CEO since December 2008.

Henry David Kennedy MA (Geology), SEG (Non-Executive Director)

Mr Kennedy was appointed as a Director on 6 March 2013.

Mr Kennedy has had a long association with Australian and New Zealand resource companies and as a technical director has been instrumental in the formation and development of a number of successful listed companies, including Pan Pacific Petroleum NL, New Zealand Oil & Gas Limited, Mineral Resources (NZ) Ltd and Otter Exploration NL.

Directorships held in other listed entities:

Norwest Energy NL – Director since April 1997.

Pancontinental Oil & Gas NL – Director since August 1999.

Michael Richard Griffiths, BSc Dip Ed, FAusIMM, GAICD (Independent Non-Executive Director)

Mr Griffiths was appointed as a Director on 20 November 2013.

Mr Griffiths has over 30 years of experience in exploration and development in the minerals and energy sector in Australia and Africa. Mr Griffiths sits on the board of a number of ASX and TSX-V companies and serves as a

EAST AFRICA RESOURCES LIMITED

DIRECTORS' REPORT

consultant to ASX-listed Chalice Gold Mines Limited. In the role of Chief Executive Officer of Sub-Sahara Resources N.L. between 1998 and 2009, Mr Griffiths and his team were responsible for the discovery of significant gold deposits in both Tanzania and Eritrea. In Australia, his exploration experience includes the discovery of significant gold resources in the Tanami Desert region of the Northern Territory.

Directorships held in other listed entities:

Tiger Resources Limited (ASX) – Director since December 2012

Chrysalis Resources Limited (ASX) – Director since July 2013

RMG Limited (ASX) – Director since June 2013

Currie Rose Resources INC (TSX-V) – Director since March 2005 and President since December 2012

Lindsay Arthur Colless FCA, FAICD (Chairman, Independent Non-Executive Director)

Mr Colless resigned as a Director of the Company on 21 November 2013. He held the position of Chairman from 12 July 2012 until the date of his resignation.

Gerard Lodewyk van Delden Zytchow B.SocSci (Non-Executive Director)

Mr Zytchow resigned as a Director on 22 November 2013.

Ernest Anthony Myers CPA (Alternate Director and Chief Financial Officer)

Mr Myers was appointed as an Alternate Director for Peter Munachen on 23 June 2010.

Mr Myers is a Certified Practising Accountant (CPA) who has been a director, company secretary or consultant to listed resource companies for over 32 years. He has experience in capital raising, ASX compliance and regulatory requirements.

Directorships held in other listed entities:

Pancontinental Oil & Gas NL – Director since 5 January 2009.

COMPANY SECRETARY

Ms Eva Witheridge and Mr Ernie Myers are joint company secretaries of East Africa.

Ms Witheridge was appointed as joint company secretary on 26 March 2013. She is a Chartered Accountant with over 15 years of experience in accounting and corporate services, both in public practice and commerce.

Mr Myers is a CPA with over 32 years of experience in accounting and corporate services.

DIRECTORS' MEETINGS

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Company during the financial year were:

Director	Directors' Meetings		Audit & Risk Committee	
	A	B	A	B
R Kirtlan	3	3	0	0
K Law	5	5	0	0
P Munachen	4	5	0	0
H Kennedy	5	5	0	0
M Griffiths	3	3	0	0
G Zytchow	0	2	0	0
L Colless	2	2	0	0

A = Number of meetings attended

B = Number of meetings held during the time the director held office during the reporting period.

EAST AFRICA RESOURCES LIMITED

DIRECTORS' REPORT

PRINCIPAL ACTIVITY

The principal activity of the Group during the financial year was exploration of uranium and gold projects in Tanzania.

There were no significant changes in the nature of the Group's principal activities during the financial year.

OPERATING AND FINANCIAL REVIEW

Operating Overview

The primary focus of the Company during the year was exploration of the Group's uranium and gold properties in Tanzania.

East Africa has five projects in Tanzania – Madaba, Eastern Rift, Hemedi, Mkuju and the Mkuju South Joint Venture (JV).

During the financial year work was carried out on the following projects:

- Madaba, where historical data was sourced and digitised and an Environmental Impact Assessment (EIA) begun;
- Mkuju South JV, where a drilling program has been completed; and
- Eastern Rift, where groundwork and mapping of the Datlaa Gold Project was completed.

Madaba

During the year the Company added some historical exploration data to its digital dataset on the Madaba Uranium Project in Tanzania. The newly digitised historic data highlighted a large number of uranium targets for detailed exploration.

Recent access to additional information has revealed the location of an additional 42 rotary percussion holes at Madaba bringing the total drilling to: diamond core (10 holes), rotary mud (13 holes) and rotary percussion (103 holes). The best down-hole intercepts reported and previously listed were;

- 3m @ 1,082 ppm U_3O_8 (P16);
- 7m @ 693 ppm U_3O_8 (P17);
- 7m @ 510 ppm eU_3O_8 (D12); and
- 11.7m @ 400 ppm eU_3O_8 (D8).

The additional drill results added;

- 2m @ 1,900 ppm U_3O_8 (P74);
- 7m @ 890 ppm U_3O_8 (P104); and
- 15m @ 420 ppm eU_3O_8 (P103).

Fifty six from a total of 126 holes were mineralised at better than 1 metre at 150 ppm U_3O_8 .

The Madaba Project is located within the Selous Game Reserve which is a World Heritage Listed area. In Tanzania, permission from the Ministry for Natural Resources and Tourism (MNRT) is required to explore in the area. The Company is in the process of completing an EIA in order to comply with the requirements of the MNRT.

Mkuju South JV

During the year a major drilling program was undertaken at the Mkuju South JV.

A total of 5,597 metres of air core and rotary mud drilling was carried out at the Foolscap, Crown, Demy, Quarto and Post anomalies. No significant uranium mineralisation was encountered during the drilling programme.

The Mkuju South JV is a joint venture between East Africa and Korea Resources Corporation (KORES). It covers the Mkuju South Project which comprises two tenements in the southern part of the Mkuju Uranium Project. To date, KORES has contributed US\$2 million for 28% of the Mkuju South Project. KORES has decided to withdraw from the joint venture and the Company is currently negotiating with KORES regarding the terms of the termination of the joint venture.

EAST AFRICA RESOURCES LIMITED

DIRECTORS' REPORT

Eastern Rift

In August 2013, East Africa reported that a significant artisanal mining operation had been identified on granted tenement PL 7309/2011, which is part of the wholly owned Eastern Rift Project in northern Tanzania. Exploration personnel visited the Datlaa site, conducted preliminary mapping and collected 19 grab samples within the artisanal workings.

East Africa subsequently completed field reconnaissance, mapping and face geochemical sampling of the artisanal workings, in order to evaluate the potential of the project. The Company conducted in-situ face sampling of the quartz reefs in the extensive artisanal workings. In total, 46 faces were mapped and sampled for a total of 216 samples.

Best assays recorded include 0.25m@4.42g/t, 0.50m@6.47g/t, 0.40m@1.56g/t, 0.46m@1.42g/t, 1.68m@2.03g/t, 0.84m@4.0g/t, 0.34m@5.44g/t.

A detailed geological mapping programme was also carried out. While the mapping results have yielded important information, when combined with surface geochemistry, these results have not generated economic targets for any follow-up drilling exploration activities. However, there is scope for further sampling and trenching in the Hassama zone.

Other Projects

The Company has also begun an EIA for access to conduct exploration work at Octavo. No work is currently planned for the Hemedi Project.

Operating Results

The net loss of the Group for the financial year after income tax was \$836,260 (2013: loss of \$3,897,847).

STATE OF AFFAIRS

In the opinion of the directors, there were no significant changes in the state of affairs of the Group that occurred during the financial year under review, other than those matters referred to in this report.

DIVIDENDS

No dividends have been paid by the Company during the financial year ended 30 June 2014, nor have the directors recommended that any dividends be paid.

EVENTS SUBSEQUENT TO REPORTING DATE

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to significantly affect the operations of the Group, the results of those operations or the state of the affairs of the Group in future financial years.

LIKELY DEVELOPMENTS

The Group will continue to focus on its uranium projects in Tanzania.

Further information about likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Group.

ENVIRONMENTAL ISSUES

The Group's operations are subject to various environmental regulations in Tanzania. The directors believe that the Group has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the Group.

EAST AFRICA RESOURCES LIMITED

DIRECTORS' REPORT

RISK MANAGEMENT

The directors are responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that activities are aligned with the risks and opportunities identified by the directors.

The Group believes that it is crucial for all directors to be a part of this process, and as such has not established a separate risk management committee.

The Group has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the directors. These include the following:

- Board approval of a strategic plan, which encompasses strategy statements designed to meet stakeholders needs and manage business risk; and
- Implementation of Board approved operating plans and budgets and monitoring of progress against these budgets.

INDEMNIFICATION AND INSURANCE OF OFFICERS

The Company has agreed to indemnify the directors of the Company, the directors of controlled entities and executive officers against all liabilities to other persons (other than the Company or a related body corporate) that may arise from their position as directors of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

NON-AUDIT SERVICES

Details of the amounts paid (excluding GST) to the auditor of the Group, Rothsay Chartered Accountants, and its related practices for audit and non-audit services provided during the year are set out below:

	2014 \$	2013 \$
Statutory audit		
- Statutory audit/review by the auditors of the Group	26,500	27,500
Services other than statutory audit		
- Taxation services	-	-
	26,500	27,500

DIRECTORS' INTERESTS

The relevant interest of each director in the shares, debentures, interests in registered schemes and rights or options over such instruments issued by the companies within the Group and other related bodies corporate, at the date of this report is as follows:

Director	Ordinary Shares	Options over Ordinary Shares
Mr R Kirtlan	3,960,000	-
Ms K Law	1,743,570	3,600,000
Mr P Munachen	8,799,956	-
Mr H Kennedy	65,432,611	-
Mr M Griffiths	1,179,111	-
Mr E Myers	1,511,886	-

SHARE OPTIONS

Options granted to directors and executives of the Company

No options were granted during the financial year. No options have been granted since the end of the financial year.

EAST AFRICA RESOURCES LIMITED

DIRECTORS' REPORT

Unissued shares under option

At the date of this report, unissued shares of the Group under option are:

Expiry Date	Exercise Price	Number of Shares
29 November 2017	\$0.0334	1,200,000
29 November 2017	\$0.1000	1,200,000
29 November 2017	\$0.1500	<u>1,200,000</u>
		<u>3,600,000</u>

No options have been converted to ordinary shares during or since the end of the financial year.

REMUNERATION REPORT (AUDITED)

The Remuneration Report for the year ended 30 June 2014, is set out below:

Remuneration policies

Remuneration levels for the directors of the Company and senior executives of the Group are competitively set to attract and retain appropriately qualified and experienced directors and executives. The Board may obtain independent advice on the appropriateness of remuneration packages and remuneration strategies.

The remuneration policies explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The remuneration policies take into account:

- the capability and experience of the directors and senior executives;
- the directors and senior executives' ability to control the relevant segment's performance;
- the Group's performance including:
 - the Group's earnings;
 - the growth in share price and returns on shareholder wealth; and
 - the amount of incentives within each directors and senior executive's remuneration.

Remuneration for non-executive directors is fixed and does not include variable remuneration or long-term performance-based incentives. Remuneration of executive directors is variable but does not include long-term performance-based incentives.

Remuneration

Fixed remuneration consists of base remuneration (which is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicles) as well as employer contributions to superannuation funds where applicable. Variable remuneration consists of a monthly retainer and a variable component based on hours worked.

Remuneration levels are reviewed annually by the Board through a process that considers individual, segment and overall performance of the Group. In addition, external consultants may be used to provide analysis and advice to ensure the directors and senior executives' remuneration is competitive in the market place. A senior executive's remuneration is also reviewed on promotion.

Performance-linked remuneration

Performance-linked remuneration, where appropriate, can include both short-term and long-term incentives and is designed to reward executive directors and senior executives for meeting or exceeding their financial and personal objectives. The short-term incentive is an "at risk" bonus provided in the form of cash, while the long-term incentive is provided as options over ordinary shares of the Company, subject to shareholder approval.

Long-term incentive

Options can be issued under an Employee Option Plan, subject to shareholder approval, which provides for executive directors and senior executives to receive options over ordinary shares for no consideration. The ability

EAST AFRICA RESOURCES LIMITED

DIRECTORS' REPORT

to exercise the options may be conditional on the Group achieving certain performance hurdles and/or the continuing service of the directors and employees. Options granted to directors and employees, which have not vested upon termination, are forfeited unless otherwise determined by the Board.

Performance hurdles may comprise a number of components, including share price hurdles and personal key performance indicators. Performance hurdles are set and assessed by the Board.

Non-executive directors

Total remuneration for all non-executive directors is set with reference to fees paid to other non-executive directors of comparable companies.

Non-executive directors do not receive performance-related remuneration other than incentive options, which must be approved by shareholders prior to them being granted. Directors' fees cover all main Board activities.

From time to time, the Board may ask non-executive directors with appropriate skills and experience to consult to the Company in order to carry out particular tasks.

Diversity

Board Composition

The Company aims to achieve a mix of skills in the membership of the Board that is as diverse as practicable, given the size and scope of the Company's operations. The Company has adopted a Diversity Policy which is available on the Company's website under the Corporate Governance section.

Measurable Objectives

The Group's primary objectives with regard to diversity are as follows:

- the Company's composition of Board, executive, management and employees is to be as diverse as practicable; and
- to provide equal opportunities for all positions within the Company and continue the Company's commitment to employment based on merit.

Primary objectives set by the Company with regard to diversity have been met, as described below:

- blend of skills – wide range of backgrounds: geology, exploration, finance and corporate experience;
- cultural backgrounds – Australian and African; and
- gender – both male and female members.

Equal Opportunity Reporting

The Group's percentage of females in the organisation as at 30 June 2014 was as follows:

	% Female
Employees	50%
Executives & Board Members	20%

EAST AFRICA RESOURCES LIMITED

DIRECTORS' REPORT

Directors' and key management personnel remuneration

Details on the nature and amount of each major element of remuneration of each director and executive of the Company are detailed below.

	Year	Fees & Salary	Other	Share Based Payments	Total
Directors		\$	\$	\$	\$
R Kirtlan - Non-executive Chairman (appointed 20 November 2013)	2014	14,583	-	-	14,583
	2013	-	-	-	-
K Law – Executive Director/Chief Executive Officer	2014	256,642	-	-	256,642
	2013	243,090	-	69,600	312,690
P Munachen – Non-executive	2014	18,750	-	6,250	25,000
	2013	33,334	-	8,333	41,667
H Kennedy – Non-executive (appointed 6 March 2013)	2014	18,750	-	6,250	25,000
	2013	-	-	8,333	8,333
M Griffiths – Non-executive (appointed 20 November 2013)	2014	14,583	-	-	14,583
	2013	-	-	-	-
G Zytow – Non-executive (resigned 22 November 2013)	2014	4,166	-	6,250	10,416
	2013	33,334	-	8,333	41,667
L Colless - Non-executive Chairman (resigned 21 November 2013)	2014	3,472	-	6,250	9,722
	2013	33,334	-	8,333	41,667
L Coetzee - Executive (resigned 12 July 2012)	2014	-	-	-	-
	2013	6,666	-	-	6,666
E Myers – Alternate Director/Chief Financial Officer	2014	-	-	-	-
	2013	-	-	-	-
Totals	2014	330,946	-	25,000	355,946
	2013	349,758	-	102,932	452,690

Note 1. During the year the Company, on behalf of the Group, paid accounting, secretarial and administration fees to Resource Services International (Aust) Pty Ltd of \$124,001 (2013: \$123,663). Messrs Munachen & Myers are directors and shareholders of that company. The arrangement with Resource Services International (Aust) Pty Ltd ceased as of 30 June 2014.

Note 2. In 2013, the Group paid \$85,800 for management fees in respect of the Group's Tanzanian interests to Mzuri Exploration Resources Limited, a company associated with Mr Coetzee.

Service agreement

On 7 September 2012 the Company signed a Consultancy Services Agreement with Karich Consulting Pty Ltd, a company associated with Ms Katina Law. East Africa engaged the services of the consulting company to provide executive director and management services to the Group. The term of the contract is 24 months. Notice of 12 months must be provided for termination of the contract. However, 3 months' notice is required upon the expiration of the term of the contract.

EAST AFRICA RESOURCES LIMITED

DIRECTORS' REPORT

Shares granted as compensation

As approved by the shareholders at the 2013 Annual General Meeting, the Company has issued shares to non-executive directors, in-lieu of their director fees, for the months of March 2013 to September 2013. The Company plans to issue shares to non-executive directors in-lieu of their director fees for services provided, subject to shareholder approval, for services provided since October 2013.

Options granted as compensation

During the 2013 financial year, the Company granted options to Ms K Law for no consideration as part of her remuneration:

Expiry Date	Exercise Price	Number of Shares
29 November 2017	\$0.0334	1,200,000
29 November 2017	\$0.1000	1,200,000
29 November 2017	\$0.1500	<u>1,200,000</u>
		<u>3,600,000</u>

	Number of options
Balance at the beginning of the year	3,600,000
Movements of share options during the year:	
Issued during the year	-
Total number of options outstanding as at 30 June 2014 and the date of this report	<u>3,600,000</u>

END OF REMUNERATION REPORT (AUDITED)

LEAD AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under Section 307 of the Corporations Act is attached to and forms part of this Directors' Report.

Signed in accordance with a resolution of the Board of Directors.

Dated in Perth this 12th day of September 2014.



KATINA LAW
Executive Director/Chief Executive Officer



Level 1, Lincoln House, 4 Ventnor Avenue, West Perth WA 6005
P.O. Box 8716, Perth Business Centre WA 6849
Phone (08) 9486 7094 www.rothsayresources.com.au

The Directors
East Africa Resources Ltd
PO Box 8178
Perth Business Centre WA 6849

Dear Sirs & Madam

In accordance with Section 307C of the Corporations Act 2001 (the "Act") I hereby declare that to the best of my knowledge and belief there have been:

- i) no contraventions of the auditor independence requirements of the Act in relation to the audit review of the 30 June 2014 financial statements; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Graham Swan (Lead auditor)

Rothsay

Dated 12th September 2014



Chartered Accountants

EAST AFRICA RESOURCES LIMITED
STATEMENT OF COMPREHENSIVE INCOME
AS AT 30 JUNE 2014

		Consolidated Entity	
		2014	2013
		\$	\$
Revenue	Note 2	126,633	166,209
Employees, directors and contractor expense		(256,642)	(247,153)
Foreign currency losses		(11,629)	(460)
Depreciation expense		(62,506)	(55,545)
Directors' fees		(99,305)	(135,466)
CEO's options		-	(69,600)
Exploration write-off		-	(2,997,280)
Expenses - administration		(532,811)	(558,552)
(Loss)/Profit before income tax	5	(836,260)	(3,897,847)
Income tax expense	5	-	-
(Loss)/Profit attributable to members of the parent entity		(836,260)	(3,897,847)
Other comprehensive Income			
Exchange differences on translating foreign operations		-	-
Total comprehensive income/(loss) attributable to members of East Africa Resources Ltd		(836,260)	(3,897,847)
Basic earnings per share (cents per share)	6	(0.34)	(3.89)
Diluted earnings per share(cents per share)	6	(0.34)	(3.89)

The accompanying notes form part of these financial statements.

EAST AFRICA RESOURCES LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

		Consolidated Entity	
		2014	2013
		\$	\$
CURRENT ASSETS	Note		
Cash and cash equivalents	7	584,943	739,277
Trade and other receivables	8	87,104	40,927
TOTAL CURRENT ASSETS		672,047	780,204
NON-CURRENT ASSETS			
Property, plant and equipment	9	63,669	111,476
Exploration	10	3,111,403	2,858,353
Financial assets	11	130	130
TOTAL NON-CURRENT ASSETS		3,175,202	2,969,959
TOTAL ASSETS		3,847,249	3,750,163
CURRENT LIABILITIES			
Trade and other payables	12	289,574	448,555
TOTAL CURRENT LIABILITIES		289,574	448,555
TOTAL LIABILITIES		289,574	448,555
NET ASSETS		3,557,675	3,301,608
EQUITY			
Issued capital	14	48,453,680	47,361,353
Reserves	15	(197,132)	(197,132)
Retained earnings		(44,698,873)	(43,862,613)
TOTAL EQUITY		3,557,675	3,301,608

The accompanying notes form part of these financial statements.

EAST AFRICA RESOURCES LIMITED
STATEMENT OF CHANGES IN EQUITY
AS AT 30 JUNE 2014

Consolidated Entity

	Issued Capital	Accumulated Losses	Reserves	Total Equity
	\$	\$	\$	\$
As at 1 July 2012	45,825,984	(39,964,766)	(266,732)	5,594,486
Total comprehensive income/(loss)	-	(3,828,247)	-	(3,828,247)
Shares issued (net)	1,535,369	-	-	1,535,369
Options	-	(69,600)	69,600	-
As at 30 June 2013	47,361,353	(43,862,613)	(197,132)	3,301,608
 As at 1 July 2013	 47,361,353	 (43,862,613)	 (197,132)	 3,301,608
Total comprehensive income/(loss)	-	(836,260)	-	(836,260)
Shares issued (net)	1,092,327	-	-	1,092,327
Options	-	-	-	-
As at 30 June 2014	48,453,680	(44,698,873)	(197,132)	3,557,675

The accompanying notes form part of these financial statements.

EAST AFRICA RESOURCES LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2014

		Consolidated Entity	
	Note	2014	2013
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		-	-
Payments to suppliers and employees		(588,707)	(943,880)
Interest received		10,644	11,522
Other receipts		47,134	305,890
Payments for exploration		(572,683)	(504,800)
Net cash (used in)/ provided by operating activities	19(a)	(1,103,612)	(1,131,268)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(24,864)	(30,459)
Payment for shares in unlisted company		-	-
Net cash (used in)/ provided by investing activities		(24,864)	(30,459)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		-	-
Proceeds from the issue of shares		1,053,971	1,667,657
Payment of share issue costs		(67,780)	(95,085)
Net cash (used in)/ provided by financing activities		986,191	1,572,572
NET (DECREASE)/INCREASE IN CASH HELD		(142,285)	410,845
Exchange rate adjustments		(12,049)	4,900
CASH AT BEGINNING OF FINANCIAL YEAR		739,277	323,532
CASH AT END OF FINANCIAL YEAR	19(b)	584,943	739,277

The accompanying notes form part of these financial statements.

EAST AFRICA RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial statements cover the consolidated entity of East Africa Resources Limited and its controlled entities, and East Africa Resources Limited as an individual parent entity. East Africa Resources Limited is a listed public company, incorporated and domiciled in Australia.

The financial statements of East Africa Resources Limited and its controlled entities, and East Africa Resources Limited as an individual parent entity comply with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety.

The following is a summary of the material accounting policies adopted by the Group in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

Basis of Preparation

The accounting policies set out below have been consistently applied to all years presented.

Reporting Basis and Conventions

The financial statements have been prepared on an accruals basis and are based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Accounting Policies

(a) Principles of Consolidation

A controlled entity is any entity that East Africa Resources Limited has the power to control the financial and operating policies so as to obtain benefits from its activities.

A list of controlled entities is contained in Note 13 to the financial statements. All controlled entities have a June financial year-end.

All inter-company balances and transactions between entities in the Group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity. Where controlled entities have entered or left the Group during the year, their operating results have been included from the date control was obtained, until the date control ceased.

(b) Going Concern

The financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes the commercial realisation of the future potential of the consolidated entity's assets and the discharge of their liabilities in the normal course of business.

EAST AFRICA RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(c) Income Tax

Current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the consolidated entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(d) Revenue recognition

Sale of goods is recognised when control has passed to the buyer.

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

All revenue is stated net of the amount of goods and services tax (GST).

(e) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost less any accumulated depreciation and impairment losses.

Property: Freehold land and buildings are measured on the cost basis.

Plant and Equipment: Plant and equipment are measured on the cost basis.

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the consolidated entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including building and capitalised leased assets, but excluding freehold land, is depreciated on a diminishing value basis over their useful lives, commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful life of the improvements.

The depreciation rates used for each class of depreciable assets are:

<i>Class of Fixed Asset</i>	<i>Depreciation Rate</i>
Buildings	2.5%
Plant and equipment	25-30%

EAST AFRICA RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(e) Property, Plant and Equipment (Cont.)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying value is written down immediately to its recoverable amount if the asset's carrying value is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement.

(f) Exploration and Development Expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are provided for over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly, the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

(g) Intangibles

Intangibles are recognised at the cost of acquisition. Intangibles are carried at cost less any accumulated amortisation and any impairment losses. Intangibles are amortised, where there is a definitive life, on a straight line basis over the period of benefit.

(h) Share-based Payments

Share-based compensation benefits are provided to directors and executives.

The fair value of options granted to directors and executives is recognised as an employee benefit expense with a corresponding increase in contributed equity. The fair value is measured at grant date and recognised over the period during which the directors and/or executives become unconditionally entitled to the options.

The fair value at grant date is independently determined using an option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected divided yield and the risk-free interest rate for the term of the option.

(i) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

EAST AFRICA RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(j) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

(k) Leases

Lease payments for operating leases, where substantially all the risk and benefits remain with the lessor, are charged as expenses in the period in which they are incurred.

(l) Impairment of assets

At each reporting date, the consolidated entity reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(m) Financial instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition, these instruments are measured as set out below.

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Held-to-maturity investments

These investments have fixed maturities, and it is the Group's intention to hold these investments to maturity. Any held-to-maturity investments held by the Group are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken to equity.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

EAST AFRICA RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(m) Financial instruments (Cont.)

Impairment

At each reporting date, the consolidated entity assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

(n) Borrowing cost

All borrowing costs are recognised in the income statement in the period in which they are incurred.

(o) Employee Benefits

Wages, salaries, annual and long service leave

Provision is made for the consolidated entity's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Related on-costs have also been included in the liability.

Superannuation plan

Contributions to employee superannuation funds are charged against the income statement as they are made.

(p) Foreign Currency

Functional and presentation currency

The functional currency of each of the entities in the Group is measured using the currency of the primary economic environment in which that entity operates. The financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange difference arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

Subsidiary companies

The financial results and position of foreign operations whose functional currency is different from East Africa's presentation currency are translated as follows:

- Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date.
- Income and expenses are translated at average exchange rates for the period.
- Retained profits are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the foreign currency reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

EAST AFRICA RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(q) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

(r) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at balance date.

(s) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(t) Comparative figures

Where required by Accounting Standards, comparative figures have been adjusted to conform with changes in presentation for the current financial year.

(u) Critical Accounting Estimates and Judgements

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the consolidated entity.

(v) Key estimates – Impairment

The consolidated entity assesses impairment at each reporting date by evaluating conditions specific to the consolidated entity that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value in use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

(w) New accounting standards and interpretations

A number of new accounting standards, amendments to standards and interpretations are effective for the current annual reporting period. None of these have been applied in preparing these consolidated financial statements. The new standards and interpretations have been considered and are unlikely to impact the financial reporting of the Company.

The financial statements were authorised for issue on 12 September 2014 by the Board of Directors.

EAST AFRICA RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2014

		Consolidated Entity	
		2014	2013
		\$	\$
2. REVENUE			
Interest received		10,652	11,522
Other income		115,981	154,687
		126,633	166,209
3. PROFIT/(LOSS) BEFORE INCOME TAX EXPENSE			
Profit/(Loss) before income tax expense has been arrived at after charging/(crediting) the following items:			
Loss on foreign currency transactions		11,629	460
Exploration write-off		-	2,997,280
Depreciation on plant and equipment		62,506	55,545
4. AUDITOR'S REMUNERATION			
Remuneration of auditors of the parent entities for:			
- Auditing or reviewing the financial statements		26,500	27,500
- Taxation services		-	-
Remuneration of other auditors of subsidiaries for:			
Auditing or reviewing the financial statements		-	-
		26,500	27,500
5. INCOME TAX EXPENSE			
The prima facie tax on (loss)/profit before income tax is reconciled to the income tax expense as follows:			
Operating (loss)/profit before tax		(836,260)	(3,897,847)
Prima facie income tax expense/(benefit) calculated at 30% (2013: 30%) on the profit/(loss) before tax		(250,878)	(1,169,354)
Tax effect of permanent differences		-	-
Tax effect of timing differences		-	-
Amount not brought to account as a carried forward future income tax benefit		250,878	1,169,354
Tax losses of non-resident controlled entities not recognised		-	-
Tax losses utilised		-	-
Income tax expense		-	-
Deferred Tax Asset			
Deferred tax asset not brought to account comprises the estimated future benefit at the applicable tax rates:			
Tax losses		13,274,590	13,023,712
The potential deferred tax asset will only be obtained if:			
(i)	the relevant company derives future assessable income of a nature and an amount sufficient to enable the asset to be realised;		
(ii)	the relevant company and/or the consolidated entity continues to comply with the conditions for deductibility imposed by the law; and		
(iii)	no changes in tax legislation adversely affect the relevant company and/or the consolidated entity in realising the asset.		

EAST AFRICA RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2014

6. EARNINGS PER SHARE	Consolidated entity	
	2014	2013
	\$	\$
Earnings used to calculate basic and dilutive earnings per share	(836,260)	(3,897,847)
Weighted average number of ordinary shares used in the calculation of basic earnings per share:	No.	No.
Number for Basic Earnings per share – Ordinary Shares	246,875,747	100,224,894
Weighted average number of ordinary shares used in the calculation of dilutive earnings per share:		
Number for Basic Earnings per share – Ordinary Shares	246,875,747	100,224,894
Effect of options on issue, which are exercisable at less than the market price for ordinary shares as at 30 June	-	-
Number for Diluted Earnings per share – Ordinary Shares	246,875,747	100,224,894
The amount used as the numerator in calculating basic earnings per share is the same as the net profit/(loss) reported in the income statement.		
7. CASH AND CASH EQUIVALENTS	Consolidated entity	
	2014	2013
	\$	\$
Cash at bank and on hand	<u>584,943</u>	<u>739,277</u>
8. TRADE AND OTHER RECEIVABLES	Consolidated entity	
	2014	2013
	\$	\$
Current		
Trade and other receivables	87,104	40,927
Less: Provision for impairment	-	-
	<u>87,104</u>	<u>40,927</u>
9. PROPERTY, PLANT AND EQUIPMENT	Consolidated entity	
	2014	2013
	\$	\$
Plant and equipment:		
At cost	241,477	226,778
Accumulated depreciation	(177,808)	(115,302)
Total property, plant and equipment	<u>63,669</u>	<u>111,476</u>
Reconciliations		
Reconciliations of the carrying amounts for each class of plant and equipment are set out below:		
Plant and equipment		
Carrying amount at beginning of the year	111,476	136,883
Additions	14,699	30,138
Disposals	-	-
Impairment of assets	-	-
Depreciation	(62,506)	(55,545)
Carrying amount at end of year	<u>63,669</u>	<u>111,476</u>
Total property, plant and equipment	<u>63,669</u>	<u>111,476</u>

EAST AFRICA RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2014

10. EXPLORATION	Consolidated Entity	
	2014 \$	2013 \$
Balance at beginning of year	2,858,353	5,104,919
Acquisitions and expenditure	253,050	750,714
Exploration write-off	-	(2,997,280)
Balance at the end of the year	<u>3,111,403</u>	<u>2,858,353</u>

11. FINANCIAL ASSETS

Investment in unlisted company	130	130
	<u>130</u>	<u>130</u>

12. TRADE AND OTHER PAYABLES

Trade creditors and accruals	289,574	448,555
	<u>289,574</u>	<u>448,555</u>

13. CONTROLLED ENTITIES

Name of Entity	Percentage Owned		Class of Share	Cost of Parent's Investments		Contribution to Consolidated Profit/(Loss) From Operating Activities After Income Tax Expense		Loans to Controlled Entities	
	2014 %	2013 %		2014 \$	2013 \$	2014 \$	2013 \$	2014 \$	2013 \$
Parent entity									
East Africa Resources Limited				-	-	(560,487)	(720,292)	-	-
Controlled Entities									
Tanganyika Uranium Corp	100	100	Ordinary	1,776,360	1,783,203	(6,844)	(1,062,122)	56,756	50,247
TZU Resources Pty Ltd	100	100	Ordinary	-	-	(265)	(156)	390,225	390,225
Frontier Resources Ltd	100	100	Ordinary	-	-	(30,331)	(1,050,914)	60,765	-
Sterling Resources Ltd	100	100	Ordinary	-	-	(35,940)	(1,027,453)	908,917	780,564
Aust East Africa Mining Ltd	100	100	Ordinary	-	-	(202,157)	(33,722)	133,755	37,927
EA Resources	100	100	Ordinary	-	-	-	(2,958)	-	-
Rwanda Ltd	100	100	Ordinary	-	-	-	(2,958)	-	-
Savanna Mineral Resources Pty Ltd	100	100	Ordinary	-	-	(236)	(230)	-	-
				<u>1,776,360</u>	<u>1,783,203</u>	<u>(836,260)</u>	<u>(3,897,847)</u>	<u>1,550,418</u>	<u>1,258,963</u>

EAST AFRICA RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2014

13. CONTROLLED ENTITIES (Cont.)

	COUNTRY OF INCORPORATION
Parent entity:	
East Africa Resources Limited	Australia
Subsidiary entities:	
Tanganyika Uranium Corp	Canada
TZU Resources Pty Ltd	Australia
Frontier Resources Ltd	Tanzania
Sterling Resources Ltd	Tanzania
Aust East Africa Mining Ltd	Tanzania
EAF Resources Rwanda Ltd	Rwanda
Savanna Mineral Resources Pty Ltd	Australia

The carrying values of the controlled entities recorded in the books of the parent entity are at the lower of cost or net asset backing of the subsidiaries at balance date.

14. ISSUED CAPITAL	2014	2013	2014	2013
	Number	Number	\$	\$
Issued and paid-up share capital				
303,210,758 (2013: 176,765,391) ordinary shares, fully paid			48,453,680	47,361,353
(a) Movements during the year				
Ordinary shares				
Balance at the beginning of year	176,765,391	65,130,446	47,361,353	45,825,984
Shares issued for capital raising	126,445,367	111,634,945	1,150,442	1,629,515
Share issue costs			(58,115)	(94,146)
Balance at end of year	303,210,758	176,765,391	48,453,680	47,361,353

(b) Terms and conditions of contributed equity

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders meetings.

In the event of winding up of the parent entity, ordinary shareholders rank after all creditors and are fully entitled to any proceeds of liquidation.

(c) Share Options

During the period, no options were issued by the parent entity. In 2013, the parent entity issued 3,600,000 options.

Unissued shares

At the date of this report, unissued shares of the Group under option are:

Expiry Date	Exercise Price	Number of Shares
29 November 2017	\$0.0334	1,200,000
29 November 2017	\$0.1000	1,200,000
29 November 2017	\$0.1500	<u>1,200,000</u>
		<u>3,600,000</u>

No options have been converted to ordinary shares during or since the end of the financial year.

EAST AFRICA RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2014

15. RESERVES

	2014 \$	2013 \$
Foreign Currency Translation Reserve		
The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary		
Balance at the beginning of year	266,732	266,732
Net foreign currency differences	-	-
Balance at the end of year	266,732	266,732
Option Reserve		
Balance at the beginning of year	(69,600)	-
Issued during the year	-	(69,600)
Balance at the end of year	(69,600)	(69,600)
Total Reserves	197,132	197,132

16. PARENT INFORMATION

The following information has been extracted from the books and records of the parent and has been prepared in accordance with the accounting standards.

	2014 \$	2013 \$
BALANCE SHEET		
Assets		
Current assets	499,281	681,097
Non-Current assets	3,373,756	3,089,146
Total assets	3,873,037	3,770,243
Liabilities		
Current liabilities	153,534	151,272
Total liabilities	153,534	151,272
Net assets	3,719,503	3,618,970
Equity		
Contributed equity	48,538,016	47,445,688
Accumulated losses	(44,818,513)	(43,826,718)
Total equity	3,719,503	3,618,970
STATEMENT OF COMPREHENSIVE INCOME		
Total loss	(560,487)	(720,292)
Total comprehensive income/(loss)	(560,487)	(720,292)

17. FINANCIAL RISK MANAGEMENT

Overview

The company and consolidated entity have exposure to the following risks from their use of financial instruments:

- (a) liquidity risk
- (b) credit risk
- (c) market risk

This note presents information about the Company's and consolidated entity's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

EAST AFRICA RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2014

17. FINANCIAL RISK MANAGEMENT (Cont.)

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the Company through regular review of risk.

(a) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Company manages liquidity risk by maintaining adequate reserves through continuously monitoring forecast and actual cash flows. The Company has no financing facilities available to it.

(i) Interest rate risk

The consolidated entity's exposure to interest rate risk and the effective weighted average rate for classes of financial assets and liabilities is set out below:

30 June 2014	Note	Fixed interest maturing in:		Floating interest	Non-interest bearing	Total	Weighted average interest rate
		1 year or less	Over 1 to 5 years				
		\$	\$	\$	\$	\$	
<u>Financial assets</u>							
Cash	7	-	-	584,943	-	584,943	2.46%
Receivables	8	-	-	-	87,104	87,104	
Total financial assets		-	-	584,943	87,104	672,047	
<u>Financial liabilities</u>							
Payables	13	-	-	-	289,574	289,574	
Total financial liabilities		-	-	-	289,574	289,574	

30 June 2013	Note	Fixed interest maturing in:		Floating interest	Non-interest bearing	Total	Weighted average interest rate
		1 year or less	Over 1 to 5 years				
		\$	\$	\$	\$	\$	
<u>Financial assets</u>							
Cash	7	-	-	739,277	-	739,277	3.13%
Receivables	8	-	-	-	40,927	40,927	
Total financial assets		-	-	739,277	40,927	780,204	
<u>Financial liabilities</u>							
Payables	13	-	-	-	448,555	448,555	
Total financial liabilities		-	-	-	448,555	448,555	

(b) Credit risk exposures

Credit risk is the risk of financial loss to the consolidated entity if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the consolidated entity's receivables from customers and investment securities. For the Company it arises from receivables due from subsidiaries.

EAST AFRICA RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2014

17. FINANCIAL RISK MANAGEMENT (Cont.)

(i) Investments

The Group limits its exposure to credit risk by only investing with counterparties that have an acceptable credit rating.

(ii) Trade and other receivables

The Company and consolidated entity have established an allowance for impairment that represents their estimate of incurred losses in respect of receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures. The management does not expect any counterparty to fail to meet its obligations.

Presently, the Group undertakes exploration and evaluation activities in Australia and in Africa. At the balance sheet date there were no significant concentrations of credit risk.

(iii) Exposure to credit risk

The carrying amount of financial assets recorded in the financial statements and notes, net of any provisions for losses, represents the consolidated entity's maximum exposure to credit risk without taking account of the fair value of any collateral or other security obtained. The Company has no financial assets that are neither past due nor impaired, therefore credit qualities have not been disclosed.

The Company's maximum exposure to credit risk at the reporting date was:

	Consolidated Entity	
	2014	2013
	\$	\$
Cash and cash equivalents	584,943	739,277
Trade and other receivables	87,104	40,927
Total exposure	672,047	780,204

An impairment loss in respect of inter-group loans was recognised from a net asset analysis of the subsidiaries' positions. None of the company's other receivables are past due.

The movement in the allowance for impairment in respect of the inter-group loans on a non-consolidated basis during the year was as follows:

	Parent Entity	
	2014	2013
	\$	\$
Balance at 1 July	6,719,753	4,761,961
Impairment loss/ (write-back) recognised	424,464	1,957,792
Balance at 30 June	7,144,217	6,719,753

Whilst the loans were not payable as at 30 June 2014, a provision for impairment based on the subsidiary's financial position was made. The balance of this provision may vary due to the performance of a subsidiary in a given year.

(c) Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the consolidated entity's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) Price risk

The Company does not have investments in equity securities and is not exposed to price risk.

EAST AFRICA RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2014

17. FINANCIAL RISK MANAGEMENT (Cont.)

(ii) Currency risk

The Company is exposed to currency risk on investments in subsidiaries in a currency other than the respective functional currencies of group entities, primarily the Australian dollar (AUD).

The Company has not entered into any derivative financial instruments to hedge such investments and anticipated future receipts or payments that are denominated in a foreign currency.

The Company's investments in its subsidiaries are not hedged as those currency positions are considered to be long term in nature.

Other than the Company's investment in its subsidiaries, the consolidated entity did not have any exposure to currency risk during the financial year.

The following significant exchange rates applied during the year:

AUD:	Average rate		Reporting date spot rate	
	2014	2013	2014	2013
USD	0.9178	1.0269	0.9439	0.9230

EAST AFRICA RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2014

18. SEGMENT INFORMATION

The parent entity operates predominantly in one segment involved in the mineral exploration and development industry. Geographically, the consolidated entity operates in Australia and East Africa.

30 June 2014

	Australia \$	Africa \$	Consolidated \$
REVENUE			
Segment revenue from operating activities	126,612	21	126,633
RESULT			
Profit/(loss) after income tax	(560,723)	(275,537)	(836,260)
ASSETS			
Segment assets	546,390	3,300,859	3,847,249
LIABILITIES			
Segment liabilities	153,210	136,364	289,574
OTHER			
Segment assets acquired	-	14,699	14,699
Segment depreciation and amortisation	-	62,506	62,506

30 June 2013

	Australia \$	Africa \$	Consolidated \$
REVENUE			
Segment revenue from operating activities	166,080	129	166,209
RESULT			
Profit/(loss) after income tax	(720,522)	(3,177,325)	(3,897,847)
ASSETS			
Segment assets	681,227	3,068,936	3,750,163
LIABILITIES			
Segment liabilities	151,272	297,283	448,555
OTHER			
Segment assets acquired	-	30,138	30,138
Segment depreciation and amortisation	-	55,545	55,545

EAST AFRICA RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2014

	Consolidated Entity	
	2014	2013
	\$	\$
19. NOTES TO THE CASH FLOW STATEMENT		
(a) Reconciliation of (loss)/profit after income tax to net cash used in operating activities		
(Loss)/Profit after income tax	(836,260)	(3,897,847)
<i>Non-cash items:</i>		
Depreciation	62,506	55,545
Exploration write-off	-	2,997,280
Cash advances expensed	70,019	-
Shares issued in-lieu of director fees	58,332	-
Option issue	-	69,600
Net cash (used in) provided by operating activities before change in assets and liabilities	(645,403)	(775,422)
Change in assets and liabilities:		
(Increase) decrease in net receivables	(46,177)	113,434
(Increase) decrease in other current assets	-	-
Changes in exploration	(253,050)	(750,714)
Increase (decrease) in payables and provisions	(158,982)	281,434
Net cash provided from/(used in) operating activities	(1,103,612)	(1,131,268)
(b) Reconciliation of Cash		
For the purposes of the cash flow statement, cash includes cash on hand and at bank and short term deposits at call. Cash as at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:		
Cash at bank and on hand	584,943	739,277

20. KEY MANAGEMENT PERSONNEL

(a) Details of Specified Directors and Key Management Personnel during the year ended 30 June 2014

(i) Specified Directors

R Kirtlan	Chairman & Non-executive Director (appointed 20 November 2013)
K Law	Chief Executive Office & Executive Director
P Munachen	Non-executive Director
H Kennedy	Non-executive Director
M Griffiths	Non-executive Director (appointed 20 November 2013)
L Colless	Chairman & Non-executive Director (resigned 21 November 2013)
G Zytow	Non-executive Director (resigned 22 November 2013)
E Myers	Alternate Director, Chief Financial Officer & Company Secretary

There are no other key management personnel within East Africa Resources Limited and or its controlled entities at 30 June 2014.

(b) Compensation Practices

The remuneration policy of the parent entity as it applies to key management personnel is disclosed in the Remuneration Report contained in the Directors' Report.

EAST AFRICA RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2014

20. KEY MANAGEMENT PERSONNEL (Cont.)

(c) Key Management Personnel Compensation

	Year	Fees & Salary	Other	Share Based Payments	Total
Directors		\$	\$	\$	\$
R Kirtlan - Non-executive Chairman (appointed 20 November 2013)	2014	14,583	-	-	14,583
	2013	-	-	-	-
K Law – Executive Director/Chief Executive Officer	2014	256,642	-	-	256,642
	2013	243,090	-	69,600	312,690
P Munachen – Non-executive	2014	18,750	-	6,250	25,000
	2013	33,334	-	8,333	41,667
H Kennedy – Non-executive (appointed 6 March 2013)	2014	18,750	-	6,250	25,000
	2013	-	-	8,333	8,333
M Griffiths – Non-executive (appointed 20 November 2013)	2014	14,583	-	-	14,583
	2013	-	-	-	-
G Zytow – Non-executive (resigned 22 November 2013)	2014	4,166	-	6,250	10,416
	2013	33,334	-	8,333	41,667
L Colless - Non-executive Chairman (resigned 21 November 2013)	2014	3,472	-	6,250	9,722
	2013	33,334	-	8,333	41,667
L Coetzee - Executive (resigned 12 July 2012)	2014	-	-	-	-
	2013	6,666	-	-	6,666
E Myers – Alternate Director/Chief Financial Officer	2014	-	-	-	-
	2013	-	-	-	-
Totals	2014	330,946	-	25,000	355,946
	2013	349,758	-	102,932	452,690

Note 1. During the year the Company, on behalf of the Group, paid accounting, secretarial and administration fees to Resource Services International (Aust) Pty Ltd of \$124,001 (2013: \$123,663). Messrs Munachen & Myers are directors and shareholders of that company. The arrangement with Resource Services International (Aust) Pty Ltd ceased as of 30 June 2014.

Note 2. In 2013, the Group paid \$85,800 for management fees in respect of the Group's Tanzanian interests to Mzuri Exploration Resources Limited, a company associated with Mr Coetzee.

(d) Shares and Options Granted As Compensation

As approved by the shareholders at the 2013 Annual General Meeting, the Company issued shares to non-executive directors, in-lieu of their director fees, for the months of March 2013 to September 2013.

In 2013, the Company granted options to Ms K Law for no consideration as part of her remuneration:

EAST AFRICA RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2014

20. KEY MANAGEMENT PERSONNEL (Cont.)

Expiry Date	Exercise Price	Number of Shares
29 November 2017	\$0.0334	1,200,000
29 November 2017	\$0.1000	1,200,000
29 November 2017	\$0.1500	1,200,000
		<u>3,600,000</u>

(e) Shares Issued on Exercise of Compensation Options

No options were exercised during the year or subsequent to year end, that were received as compensation in prior periods.

(f) Shareholdings of Specified Directors and Key Management Personnel

	Balance at beginning of period	Acquisitions	Issued on exercise of Options	Sales	Balance at end of period
Directors					
R Kirtlan	2,970,000	990,000	-	-	3,960,000
K Law	1,307,677	435,893	-	-	1,743,570
P Munachen ¹	5,870,816	2,929,140	-	-	8,799,956
H Kennedy	48,345,308	17,087,303	-	-	65,432,611
M Griffiths	884,333	294,778	-	-	1,179,111
E Myers ¹	1,133,914	377,972	-	-	1,511,886
	60,512,048	22,115,086	-	-	82,627,134

1. Messrs Munachen & Myers have an interest in 841,726 shares held by a jointly owned company.

21. RELATED PARTY TRANSACTIONS

During the year East Africa paid accounting, secretarial and administration fees to Resource Services International (Aust) Pty Ltd of \$124,001 (2013: \$123,663). Messrs Munachen & Myers are directors and shareholders of that company.

In 2013 the entity paid \$85,800 for management and accounting fees in respect of the entity's Tanzanian interests to Mzuri Exploration Resources Limited, a company in which Mr Coetzee has a beneficial interest.

The above information is disclosed as follows:

Transaction Type	Director/ Executive Concerned	Consolidated Entity	
		2014	2013
		\$	\$
Secretarial & accounting fees	P Munachen & E Myers	124,001	123,663
Tanzanian management services	L Coetzee	-	85,800

22. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no contingent liabilities not provided for in the financial statements of the parent entity and the consolidated entity as at 30 June 2014.

EAST AFRICA RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2014

23. SUBSEQUENT EVENTS

There has not arisen, in the interval between the end of the financial year and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to significantly affect the operations of the Group, the results of those operations or the state of the affairs of the Group in future financial years.

EAST AFRICA RESOURCES LIMITED
DIRECTORS' DECLARATION
FOR THE YEAR ENDED 30 June 2014

In the opinion of the Directors:

- (a) the financial statements and notes, and the Remuneration Report are in accordance with the Corporations Act 2001, including:
 - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the financial position of the Company and the consolidated entity as at 30 June 2014 and of their performance for the financial year ended on that date
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable
- (c) the audited remuneration disclosures set out in the Directors' Report comply with Accounting Standards AASB 124 Related Party Disclosures and the Corporations Regulations 2001.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by Section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:



K Law
Executive Director/Chief Executive Officer

Perth, Western Australia,
12 September 2014



Level 1, Lincoln House, 4 Ventnor Avenue, West Perth WA 6005
P.O. Box 8716, Perth Business Centre WA 6849
Phone (08) 9486 7094 www.rothsayresources.com.au

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF EAST AFRICA RESOURCES LIMITED

Report on the financial report

We have audited the accompanying financial report of East Africa Resources Limited “(the Company)” which comprises the balance sheet as at 30 June 2014 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors’ declaration of the consolidated entity comprising the company and the entities it controlled at the year’s end or from time to time during the year.

Directors’ Responsibility for the Financial Report

The Directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The Directors are also responsible for the remuneration disclosures contained in the directors’ report.

Auditor’s Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity’s preparation and fair presentation of the financial report in order to design audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors as well as evaluating the overall presentation of the financial report.

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

Independence

We are independent of the Company, and have met the independence requirements of Australian professional ethical requirements and the *Corporations Act 2001*.



Chartered Accountants



Audit opinion

In our opinion the financial report of East Africa Resources Limited is in accordance with the *Corporations Act 2001*, including:

- a) (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of their performance for the year ended on that date; and
(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- b) the consolidated financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2014. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Audit opinion

In our opinion the remuneration report of East Africa Resources Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

Rothsay

Graham R Swan
Partner

Dated 12th September 2014



Chartered Accountants

EAST AFRICA RESOURCES LIMITED

CORPORATE GOVERNANCE STATEMENT

ASX BEST PRACTICE RECOMMENDATIONS

The table below identifies the ASX Best Practice Recommendations and whether or not the Company has complied with the recommendations during the reporting period.

	ASX RECOMMENDATIONS	COMPLIANCE	REFERENCE
Principle 1:	Lay solid foundations for management and oversight		
1.1	Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.	Comply	
1.2	Companies should disclose the process for evaluating the performance of senior executives.	Not in compliance	Note 6
1.3	Companies should provide the information indicated in the Guide to Reporting on Principle 1.	Comply	
Principle 2:	Structure the Board to add value		
2.1	A majority of the Board should be independent directors.	Not in compliance	Note 1
2.2	The Chair should be an independent director.	Comply	
2.3	The roles of the Chair and the Chief Executive Officer should not be exercised by the same individual.	Comply	
2.4	The Board should establish a nomination committee.	Not in compliance	Note 2
2.5	Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors.	Not in compliance	Note 6
2.6	Companies should provide the information in the Guide to Reporting on Principle 2.	Comply	
Principle 3:	Promote ethical and responsible decision-making		
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code including: <ul style="list-style-type: none"> the practices necessary to maintain confidence in the company's integrity; the practices necessary to take into account their legal obligations and the reasonable expectations of their shareholders; and the responsibility of and accountability of individuals for reporting and investigating reports of unethical practices. 	Comply	
3.2	Companies should establish a policy concerning trading in company securities by directors, senior executives and employees and disclose the policy or a summary of that policy.	Comply	
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them.	Comply	
Principle 4:	Safeguard integrity in financial statements		
4.1	The Board should establish an audit committee.	Comply	
4.2	The audit committee should be structured so that it: <ul style="list-style-type: none"> consists of only non-executive directors; consists of a majority of independent directors; is chaired by an independent chair, who is not 	Not in compliance	Note 3

EAST AFRICA RESOURCES LIMITED
CORPORATE GOVERNANCE STATEMENT

	ASX RECOMMENDATIONS	COMPLIANCE	REFERENCE
	chair of the Board; and <ul style="list-style-type: none"> has at least three members. 		
4.3	The audit committee should have a formal charter.	Not in compliance	Note 3
4.4	Companies should provide the information indicated in the Guide to Reporting on Principle 4.	Comply	
Principle 5:	Make timely and balanced disclosure		
5.1	Companies should establish written policies designed to ensure compliance and ASX Listing Rule disclosure requirements and to ensure accountability at senior executive level for that compliance and disclose those policies or a summary of those policies.	Comply	
5.2	Companies should provide the information indicated in the Guide to Reporting on Principle 5.	Comply	
Principle 6:	Respect the rights of shareholders		
6.1	Companies should design a communications policy for promoting effective communications with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Comply	
6.2	Companies should provide the information indicated in the Guide to Reporting on Principle 6.	Comply	
Principle 7:	Recognise and manage risk		
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Comply	
7.2	The Board should require management to design and implement the risk management and internal control systems to manage the company's material business risks and disclose a summary of those policies.	Not in compliance	Note 5
7.3	The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial statement risks.	Comply	
7.4	Companies should provide the information indicated in the Guide to Reporting on Principle 7.	Substantially comply and in the process of further developing risk management procedures	
Principle 8:	Remunerate fairly and responsibly		
8.1	The Board should establish a remuneration committee.	Not in compliance	Note 4
8.2	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Comply	
8.3	Companies should provide the information indicated in the Guide to Reporting on Principle 8.	Comply	

EAST AFRICA RESOURCES LIMITED

CORPORATE GOVERNANCE STATEMENT

Note 1:

Currently only two of the five directors of the Company, Messrs Kirtlan and Griffiths, are considered to be independent. Given the size and scope of the Company's operations the Board considers that it is appropriately structured to discharge its duties in a manner that is in the best interests of the Company. The Board believes that its current composition is in line with the long term interests of shareholders.

Note 2:

The Board of Directors of the Company does not have a formally appointed nomination committee. The Board is of the opinion that due to the nature and size of the Company, the functions performed by a nomination committee can be adequately handled by the full Board.

Note 3:

The Board of Directors of the Company does not have a formally appointed audit committee. The Board is of the opinion that due to the nature and size of the Company, the functions performed by an audit committee can be adequately handled by the full Board.

Note 4:

The Board of Directors of the Company does not have a formally appointed remuneration committee. The Board is of the opinion that due to the nature and size of the Company, the functions performed by a remuneration committee can be adequately handled by the full Board.

Note 5:

The Board has not received a formal documented report from management on the effectiveness of their management of the company's material business risks other than verbal updates at Board meetings.

The Board has encouraged an increased focus on risk management during the year. A risk management plan was prepared by management and consultants during the year. Frequent discussions and reviews of the various risks that the East Africa Group may be exposed to are regularly carried out. The Company is committed to further developing and strengthening the Company's risk management policies.

Note 6:

During the reporting period an evaluation of the Board, its members and company executives was not carried out. The Board and management's suitability, overall structure and composition to carry out the Company's objectives is however, discussed and reviewed on an as-required basis during regular meetings of the Board.