



East Energy Resources Limited

ABN 66 126 371 828

Interim Financial Report 2010



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Corporate Directory

DIRECTORS

Mark Basso-Brusa (Managing Director)
Ranko Matic (Non-Executive Director)
Malcolm Castle (Non-Executive Director)
Rex Littlewood (Non-Executive Director)
William Randall (Alternative Non-Executive Director)

COMPANY SECRETARY

Ranko Matic

REGISTERED OFFICE

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AUDITORS

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SHARE REGISTRY

Advanced Share Registry Ltd
150 Stirling Highway
NEDLANDS WA 6009



Directors' Report

Your directors submit the financial accounts of East Energy Resources Limited ("the Company") for the half year ended 31 December 2010.

Directors

The names of the directors in office at any time during the whole of the half year and up to the date of this report are:-

Mr Mark Basso-Brusa (Managing Director and Chairman)

Mr Ranko Matic (Non-Executive Director and Company Secretary)

Mr Malcolm Castle (Non-Executive Director)

Mr Rex Littlewood (Non-Executive Director – Appointed 20 July 2010)

Mr William Randall (Alternative Non-Executive Director – Appointed 20 July 2010)

Review of Operations

Principal Activities

The principal activity of the company for the financial period was mineral exploration.

Results

The net loss of the company after income tax for the half year ended 31st December 2010 amounted to \$276,539 (\$624,659; 2009)

Dividends Paid or Recommended

The directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend to the date of this report.

Exploration

The Company's coal projects consist of two Exploration Permits for Coal (EPC's), located in central Queensland, Blackall (EPC 1149) and Capella (EPC1066).

EPC 1149 Blackall

The Blackall Project is secured by tenement EPC 1149, covering 300 sub-blocks over an area of approximately 900 sq km and in the Eromanga Basin in Queensland. The tenement was granted to East Energy on 22 April 2008 for an initial period of five years. It is located 25 km south of the township of Blackall in the Eromanga Basin. Waratah Coal's Galilee Coal Project is located approximately 125km to the NNE of EPC 1149.

Location and Access

The Company's main project, the Blackall Coal Project, consists of EPC1149 situated in the Eromanga Basin some 25km south of thriving centre of Blackall. Blackall lies 100km south of the Capricorn highway and the Gladstone to Longreach rail line. The area is well serviced by existing infrastructure.

The Capella project area extends from 15km west to 25km east of the township of Capella and covers approximately 20km from north to south. The tenement lies within the Emerald mining district and a number of major sealed roads cross the tenement. Rail infrastructure exists at Capella and extends through the western part of the tenement.

Exploration and Development

EPC 1149 Southern Field

During the six months ended 31 December 2010, the Company continued resource definition drilling over the Carlow field in the southern half of EPC 1149. This exploration is aimed at achieving a JORC compliant Indicated Resource over the potential open-cut coal in the Carlow field.

Drilling activity during the six months saw a further 41 chip holes and 46 core holes completed in the southern Carlow deposit.

Wet weather has delayed drilling and the updated resource evaluation, incorporating all the infill drilling, is now expected to be completed in mid April 2011.

Xenith Consulting was commissioned in September to assess all exploration data to date. Xenith is a Brisbane based mining consultancy with extensive experience in Resource Evaluation, Geological Modelling and JORC Resource and Reserve Reporting. They have worked with most of the large resource companies as well as many of the smaller emerging mining companies.

Xenith have completed a detailed geological model for the Blackall Coal deposit. This model is currently being updated with the latest exploration results and the new modeling will be used to estimate a new JORC compliant resource. With the additional exploration work completed over the past 12 months, it is expected that the new assessment will see a major part of the Carlow field upgraded from the current Inferred Resource, reflecting the greater geological confidence in the coal quality and tonnage.

The extreme weather events in Queensland meant that all field activity scheduled for mid November 2010 had to be postponed. While the company was able to restart its drilling operation early in January 2011, this delay has meant that any further reporting of resources has been delayed until mid April 2011.

Bulk Sample

A bulk sample was recently extracted from the Southern Field with the objective of obtaining detailed quality data on the potential product coal within a typical mining block and to complete more detailed evaluation of coal quality and optimum washability characteristics.

More than 350kg of coal was collected from the five main economic seams at a single site from depths of between 15m and 24m below surface. The site for the bulk extraction was selected from the 2008/09 drilling as the main seams here are close to the surface and to the line of oxidation (LOX), but still display good calorific values and relatively low washed coal, ash levels. The individual samples were grouped into three bulk samples taken down dip across a typical 60m x 30m mine block.

The bulk sample has been assessed by ALS at their Maitland NSW laboratory.

A full suite of float-sink cut point work was completed on the coal seam composites over the range F1.30-F2.00. This work indicates that, for the test sample, an SG of 1.6 gives the optimum balance between the final product quality and yield.

The test results of the washed coal (F1.60) composites show a yield of around 70% with an average calorific value of 6,755 kcal/kg on a dry ash free basis. It is low in sulphur, has low to medium ash and moderate moisture levels. The volatile content averages between 30% and 32%, typical of many Australian bituminous coals.

Other testing included Ultimate Analysis, Trace Elements, Ash Analysis, Ash Fusibility, Hardgrove Grindability Index (HGI) and Petrographic analysis.

EPC 1149 Northern Field

As previously reported, a drilling program was completed in the northern Allambi field during March and April 2010. The field drilled measures approximately 12km by 12km and a total of 25 chip holes were completed.

Core drilling, planned for November/December 2010 at Allambi, has been delayed by wet weather and is not likely to be undertaken until mid 2011.

The exploration plan is to close up the drilling to less than 4km centres and complete coring of the seams for detailed coal quality analysis.

Once coal quality has been established and seam correlations completed the data should provide the basis for substantial additional JORC compliant resources.*

*(Note: the potential quantity of coal in the Allambi deposit is conceptual in nature and the coal quality is unknown at this stage. There has been insufficient exploration to define a Mineral Resource at Allambi and it is uncertain if the planned exploration will result in the determination of a Mineral Resource.)

EPC 1066 Capella

East Energy is in the process of relinquishing EPC1066 and is currently completing the final rehabilitation report and contacting landholders for final relinquishment.

The information contained in the Half Yearly Report of the 6 months ended 31 December 2010 relating to resources is based on information compiled by Peter Tighe who is a member of the Australasian Institute of Mining and Metallurgy and who is employed by East Energy Resources Limited. Mr Tighe has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Tighe consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Events After the Balance Sheet Date

939,764 options have been exercised since 31 December 2010, providing the Company with funds of \$187,952.80.

Other than the above mentioned, no matters or circumstances have arisen since the end of the half-year which significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years.

Auditor's Independence Declaration

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is included within this financial report for the period ended 31 December 2010.

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



MARK BASSO-BRUSA
Managing Director

DATED at PERTH this 11th day of March 2011

11 March 2011

The Directors
East Energy Resources Limited
Level 7/16 St Georges Terrace
PERTH WA 6000

Dear Sir,

DECLARATION OF INDEPENDENCE BY PHILLIP MURDOCH TO THE DIRECTORS OF EAST ENERGY RESOURCES LIMITED

As lead auditor for the review of East Energy Resources Limited for the half-year ended 31 December 2010, I declare that to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of East Energy Resources Limited.



Phillip Murdoch
Director

BDO

BDO Audit (WA) Pty Ltd
Perth, Western Australia

Statement of Comprehensive Income

for the half year ended 31 December 2010

	31.12.2010 \$	31.12.2009 \$
Interest Income	32,078	79,359
Audit Fees	(7,653)	(9,936)
Depreciation	(6,026)	(7,539)
Insurance	(17,761)	(19,033)
Printing & Stationary	(1,979)	(1,180)
Public Relations	(80)	(459)
Rent	(21,161)	(23,765)
Share Registry Costs	(5,934)	(2,959)
Directors Salary and Fees	(192,409)	(233,437)
Employee Benefits Expenses	(22,926)	(15,650)
Impairment of Exploration Asset	(1,154)	(330,203)
Other expenses	(31,534)	(59,857)
(Loss) before income tax	(276,539)	(624,659)
Income tax expense	-	-
Net (loss) for the period attributable to the members of East Energy Resources Limited	(276,539)	(624,659)
Other comprehensive income	-	-
Total comprehensive income/(loss) for the period	(276,539)	(624,659)
Basic and diluted earnings/(loss) per share (cents per share)	(0.21)	(0.49)

The accompanying notes form part of these financial accounts



Statement of Financial Position

as at 31 December 2010

	31.12.2010	30.06.2010
	\$	\$
CURRENT ASSETS		
Cash and Cash Equivalents	2,075,939	1,151,457
Trade and Other Receivables	145,944	146,561
TOTAL CURRENT ASSETS	2,221,883	1,298,018
NON CURRENT ASSETS		
Property, Plant and Equipment	196,206	161,883
Exploration, Evaluation and Development Expenditure	13,762,425	11,266,046
TOTAL NON-CURRENT ASSETS	13,958,631	11,427,929
TOTAL ASSETS	16,180,514	12,725,947
CURRENT LIABILITIES		
Trade and Other Payables	1,125,346	405,069
TOTAL CURRENT LIABILITIES	1,125,346	405,069
TOTAL LIABILITIES	1,125,346	405,069
NET ASSETS	15,055,168	12,320,878
EQUITY		
Issued Capital	5 17,523,025	14,512,196
Accumulated Losses	(2,467,857)	(2,191,318)
TOTAL EQUITY	15,055,168	12,320,878

The accompanying notes form part of these financial accounts

Statement of Changes in Equity

for the half year ended 31 December 2010

	Issued Capital	Accumulated Losses	Total Equity
	\$	\$	\$
Balance as at 1 July 2009	14,412,270	(1,294,998)	13,117,272
Net loss for the period	-	(624,659)	(624,659)
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	(624,659)	(624,659)
Transactions with Equity Holders in their capacity as Equity Holders	-	-	-
Balance at 31 December 2009	14,412,270	(1,919,657)	12,492,613
Balance as at 1 July 2010	14,512,196	(2,191,318)	12,320,878
Net loss for the period	-	(276,539)	(276,539)
Other Comprehensive income	-	-	-
Total comprehensive income for the period	-	(276,539)	(276,539)
Transactions with Equity Holders in their capacity as Equity Holders	3,010,829	-	3,010,829
Balance at 31 December 10	17,523,025	(2,467,857)	15,055,168

The accompanying notes form part of these financial accounts

Statement of Cash Flows

for the half year ended 31 December 2010

	31.12.2010	31.12.2009
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received	32,078	79,359
Payments for exploration, evaluation and development	(1,774,590)	(872,973)
Payments to suppliers & other expenses	(282,915)	(381,960)
Net Cash outflows from Operating Activities	<u>(2,025,427)</u>	<u>(1,175,574)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant & equipment	(60,920)	(5,540)
Net Cash outflows from Investing Activities	<u>(60,920)</u>	<u>(5,540)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	3,046,800	-
Share issue costs	(35,971)	-
Net Cash inflows from Financing Activities	<u>3,010,829</u>	<u>-</u>
Net increase / (decrease) in cash and cash equivalents	924,482	(1,181,114)
Cash and cash equivalents at 1 July	1,151,457	4,432,905
Cash and cash equivalents at 31 December	<u>2,075,939</u>	<u>3,251,791</u>

The accompanying notes form part of these financial accounts

Notes to the Financial Statements

for the half year ended 31 December 2010

NOTE 1. BASIS OF PREPARATION OF HALF-YEARLY REPORT

These general purpose financial statements for the interim half-year reporting period ended 31 December 2010 have been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards AASB 134: Interim Financial Reporting.

This interim financial report is intended to provide users with an update on the latest annual financial statements of the Company. As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Company. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Company for the year ended 30 June 2010, together with any public announcements made during the half-year.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

NOTE 2. SEGMENT INFORMATION

Management has determined that the company has one reportable segment, being coal exploration in Queensland. As the company is focused on coal exploration, the Board monitors the company based on actual versus budgeted exploration expenditure incurred. This internal reporting framework is the most relevant to assist the Board with making decision regard the company and its ongoing exploration activities while also taking into consideration the results of exploration work that has been performed to date.

	Half Year 2010	Half Year 2009
Revenue from external sources	-	-
Reportable segment (loss)	(83,414)	(392,288)
	31 December 2010	30 June 2010
Reportable segment assets	13,762,425	11,266,046

	Half Year 2010	Half Year 2009
Reconciliation of reporting segment profit or loss		
Reportable segment profit/(loss)	(83,414)	(392,288)
Other profit/(loss)	32,078	79,359
Unallocated:		
- Corporate Expenses	(225,203)	(311,730)
Profit before Tax	(276,539)	(624,659)

NOTE 3. EVENTS SUBSEQUENT TO REPORTING DATE

939,764 options have been exercised since 31 December 2010, providing the Company with funds of \$187,952.80.

Other than the above mentioned, no matters or circumstances have arisen since the end of the reporting period which significantly affect or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial periods.

NOTE 4. CONTINGENT ASSETS AND LIABILITIES

There have been no changes in contingent assets and liabilities since the last annual reporting date.

NOTE 5. CHANGES TO ISSUED CAPITAL

The increase in Issued Capital to \$17,523,025 (June 2010: \$14,512,196) is the result of 15,234,000 options being exercised during the period, resulting in 15,234,000 shares being issued. This provided the Company with \$3,046,800 less costs of \$35,971.



Directors' Declaration

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 7 to 12, are in accordance with the Corporations Act 2001, including:
 - (a) complying with Accounting Standard AASB 134: Interim Financial Reporting; and other mandatory professional requirements;
 - (b) giving a true and fair view of the Company's financial position as at 31 December 2010 and of its performance for the half year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



MARK BASSO-BRUSA
Managing Director

DATED at PERTH this 11th day of March 2011



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Australia

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF EAST ENERGY RESOURCES LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of East Energy Resources Limited, which comprises the statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the disclosing entity are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the disclosing entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of East Energy Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of East Energy Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's report.



Conclusion

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

- (a) giving a true and fair view of the disclosing entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

BDO Audit (WA) Pty Ltd

BDO

A handwritten signature in black ink, appearing to read 'P. Murdoch'.

Phillip Murdoch
Director

Perth, Western Australia
Dated this 11th day of March 2011