



East Energy Resources Limited

ABN 66 126 371 828

Interim Financial Report 2011



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Corporate Directory

DIRECTORS

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

COMPANY SECRETARY

Ranko Matic

REGISTERED OFFICE

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PERTH WA 6000

CONTACTS

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PERTH WA 6000
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AUDITORS

BDO Audit (WA) Pty Ltd
38 Station Street
SUBIACO WA 6008
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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 2011.

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, resigned 24 November 2011)
Mr Rex Littlewood (Non-Executive Director)
Mr William Randall (Alternative Non-Executive Director)

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 31 December 2011 amounted to \$423,996 (\$276,539: 2010)

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 main coal project is located in central Queensland, Blackall (EPC 1149).

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, with East Energy making application for a Mineral Development Licence over the southern portion of the Coal Resource in 2011 (approval pending). The tenement 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 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.

Exploration and Development

Highlights

- Core drilling and sampling at Alambi was completed during the reporting period, finalising the program of resource definition drilling for the northern part of EPC1149.
- All coal quality assaying for the drilling at Alambi has now been completed by East Energy's laboratory service provider, HRL Technology.
- SRK Consulting has completed a review of all the data now available for EPC1149, including the Carlow and Alambi fields. Upon completion of this review, their recommendation was to complete a number of additional infill drill holes, with the ultimate aim of producing a single new JORC resource report covering both Inferred and Indicated resources for the entire tenement.
- During November and December 2011 East Energy completed 14 of the 22 drill holes recommended by SRK.

Directors' Report continued

Blackall EPC 1149

In July 2011 the company's exploration effort was focused on the completion of resource definition drilling for the Alambi field in the northern half of EPC 1149. Four partially cored holes and one chip hole were drilled to finalise this work.

The last drill hole in this program was completed on 23 July 2011. All coal quality assays from this drilling have now been completed by HRL Technology's Melbourne laboratory. The company received pleasing results from this work, with the coal in the Alambi area found to be of similar quality to that in other areas of EPC1149.

On completion of the Alambi drilling, East Energy secured the services of SRK Consulting to review all the data now available for EPC 1149. SRK was the company that completed the original 1.2Bt Inferred Resource Report for East Energy in 2009 and therefore were familiar with the geology and coal quality in EPC1149.

Upon reviewing all data available, SRK provided a new report which recommended that a further 22 infill core holes, between the Alambi and Carlow deposits and in the deeper resource area to west of Carlow, should be completed. The ultimate aim of this recommendation is to allow the entire area explored on EPC1149 to be combined into one single JORC resource report.

During November and December 2011 East Energy completed 14 of the 22 recommended drill holes and is planning to complete this program in Quarter 1 of 2012.

Based on an assessment of the results from a total of 184 core holes drilled on the combined deposits, previous geological modeling of the Carlow deposit by SRK and preliminary geological modeling of the Alambi deposit, Peter Tighe, Exploration Manager, has advised that East Energy now has an exploration target of between 1.8 to 2.0 Bt of thermal coal for the entire combined deposit #1.

The table below details the parameters and ranges for this exploration target, obtained from the above drilling and analysis.

Raw Coal analysis – air dried basis	From	To
Relative Density g/cc	1.39	1.52
Moisture %	19	22
Ash %	17	27
Volatile Matter %	23	29
Fixed Carbon %	32	38
Sulphur %	0.35	1.23
Specific Energy Mj/kg	15.0	17.7

On completion of the additional 22 drill holes recommended by SRK and coal quality testing, SRK will be asked to complete a new JORC resource assessment and report on the entire area now explored within EPC 1149, an area of some 295 square kilometres.

It is intended that this report will be completed within the first half of 2012.

EPC 1066 Capella

East Energy has lodged all the necessary paperwork for the relinquishment of EPC1066 and is currently waiting to receive official notification from the Queensland Department of Employment, Economic Development and Innovation that the tenement has been formally relinquished.

Peter Tighe

Exploration Manager

Competent Persons Statement

The information contained in the Half Yearly Report of the 6 months ended 31 December 2011 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.

Note #1: The potential quantity and grade in the target is conceptual in nature, as there has been insufficient analysis of all exploration results to define a Mineral Resource. It is not certain that further exploration and assessment will result in the determination of a Mineral Resource.

Directors' Report continued

Events After the Balance Sheet Date

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 2011.

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



MARK BASSO-BRUSA
Managing Director

DATED at PERTH this 15th day of March 2012

15 March 2012

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

Dear Sirs,

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 2011, 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.



Phillip Murdoch
Director

BDO Audit (WA) Pty Ltd
Perth, Western Australia

Statement of Comprehensive Income

for the half year ended 31 December 2011

	31.12.2011	31.12.2010
	\$	\$
Income	45,589	32,078
Audit Fees	(14,091)	(7,653)
Depreciation	(6,294)	(6,026)
Insurance	(16,044)	(17,761)
Printing & Stationary	(658)	(1,979)
Public Relations	(28,803)	(80)
Rent	(31,384)	(21,161)
Share Registry Costs	(2,782)	(5,934)
Directors Salary and Fees	(190,875)	(192,409)
Employee Benefits Expenses	(26,575)	(22,926)
Impairment of Exploration Asset	(13,716)	(1,154)
Professional Fees – R&D Claim	(91,083)	-
Other expenses	(47,280)	(31,534)
(Loss) before income tax	(423,996)	(276,539)
Income tax expense	-	-
Net (loss) for the period attributable to the members of East Energy Resources Limited	(423,996)	(276,539)
Other comprehensive income	-	-
Total comprehensive income/(loss) for the period	(423,996)	(276,539)
Basic and diluted earnings/(loss) per share (cents per share)	(0.25)	(0.21)

The accompanying notes form part of these financial accounts

Statement of Financial Position

as at 31 December 2011

	31.12.2011	30.06.2011
	\$	\$
CURRENT ASSETS		
Cash and Cash Equivalents	942,803	2,798,075
Trade and Other Receivables	669,740	255,616
TOTAL CURRENT ASSETS	1,612,543	3,053,691
NON CURRENT ASSETS		
Property, Plant and Equipment	176,021	241,352
Exploration, Evaluation and Development Expenditure	17,805,801	16,683,937
TOTAL NON-CURRENT ASSETS	17,981,822	16,925,289
TOTAL ASSETS	19,594,365	19,978,980
CURRENT LIABILITIES		
Trade and Other Payables	812,671	773,290
TOTAL CURRENT LIABILITIES	812,671	773,290
TOTAL LIABILITIES	812,671	773,290
NET ASSETS	18,781,694	19,205,690
EQUITY		
Issued Capital	5	21,906,032
Accumulated Losses		(2,700,342)
TOTAL EQUITY		18,781,694

The accompanying notes form part of these financial accounts

Statement of Changes in Equity

for the half year ended 31 December 2011

	Issued Capital	Accumulated Losses	Total Equity
	\$	\$	\$
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 2010	17,523,025	(2,467,857)	15,055,168
Balance as at 1 July 2011	21,906,032	(2,700,342)	19,205,690
Net loss for the period	-	(423,996)	(423,996)
Other Comprehensive income	-	-	-
Total comprehensive income for the period	-	(423,996)	(423,996)
Transactions with Equity Holders in their capacity as Equity Holders	-	-	-
Balance at 31 December 2011	21,906,032	(3,124,338)	18,781,694

The accompanying notes form part of these financial accounts

Statement of Cash Flows

for the half year ended 31 December 2011

	31.12.2011	31.12.2010
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received	76,288	32,078
Payments for exploration, evaluation and development	(1,556,728)	(1,774,590)
Payments to suppliers & other expenses	(365,680)	(282,915)
Net Cash outflows from Operating Activities	(1,846,120)	(2,025,427)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of fixed assets (net)	49	-
Payments for property, plant & equipment	(9,201)	(60,920)
Net Cash outflows from Investing Activities	(9,152)	(60,920)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	-	3,046,800
Share issue costs	-	(35,971)
Net Cash inflows from Financing Activities	-	3,010,829
Net increase / (decrease) in cash and cash equivalents	(1,855,272)	924,482
Cash and cash equivalents at 1 July	2,798,075	1,151,457
Cash and cash equivalents at 31 December	942,803	2,075,939

The accompanying notes form part of these financial accounts

Notes to the Financial Statements

for the half year ended 31 December 2011

NOTE 1. BASIS OF PREPARATION OF HALF-YEARLY REPORT

Basis of Preparation

These general purpose financial statements for the interim half-year reporting period ended 31 December 2011 have been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standards including AASB 134: Interim Financial Reporting. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

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 2011, together with any public announcements made during the half-year.

The interim financial statements have been prepared in accordance with the accounting policies adopted in the Company's last annual financial statements for the year ended 30 June 2011, except for the adoption of Improvements to AASBs 2010 (2010 Improvements) as of 1 January 2011. The 2010 Improvements made several minor amendments to AASBs. The relevant amendments and their effects on the current period or prior periods are described below.

The accounting policies have been applied consistently throughout the Company for the purposes of preparation of these interim financial statements.

Amendment to AASB 101 Presentation of Financial Statements

The amendment provides a choice of presenting the reconciliations for each component of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. The Company has elected to retain reconciliations within the Statement of Changes in Equity as previously disclosed.

Amendments to AASB 134 Interim Financial Reporting

The amendments clarified certain disclosures relating to events and transactions that are significant to an understanding of changes in the Company's circumstances since the last annual financial statements. The Company's interim financial statements as of 31 December 2011 reflect these amended disclosure requirements, where applicable.

Reporting Basis and Conventions

The half-year report has been prepared on an accruals basis and is 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.

Notes to the Financial Statements

for the half year ended 31 December 2011

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 2011	Half Year 2010
Revenue from external sources	-	-
Reportable segment (loss)	(178,419)	(83,414)
	31 December 2011	30 June 2011
Reportable segment assets	17,805,801	16,683,937

	Half Year 2011	Half Year 2010
Reconciliation of reporting segment profit or loss		
Reportable segment profit/(loss)	(178,419)	(83,414)
Other profit/(loss)	45,589	32,078
Unallocated:		
- Corporate Expenses	(291,166)	(225,203)
Profit before Tax	(423,996)	(276,539)

NOTE 3. EVENTS SUBSEQUENT TO REPORTING DATE

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

There were no changes to issued capital

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 2011 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 15th day of March 2012

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 2011, 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 statement of 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 internal 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 half-year 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 2011 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 2011 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', written over a horizontal line.

Phillip Murdoch
Director

Perth, Western Australia
Dated this 15th day of March 2012