





## ANNUAL FINANCIAL REPORT 2011

Several photos contained within this Annual report are for illustrative purposes only and do not accurately reflect the current operation of East Energy Resources Limited.





EAST ENERGY RESOURCES LIMITED

ABN 66 126 371 828

## ANNUAL FINANCIAL REPORT 2011

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## CORPORATE DIRECTORY

### DIRECTORS

Mark Basso-Brusa ( Managing Director and Chairman)

Ranko Matic (Non-Executive Director)

Malcolm Castle (Non-Executive Director)

Rex Littlewood (Non-Executive Director)

William Randall (Alternate Non-Executive Director)

### COMPANY SECRETARY

Ranko Matic

### REGISTERED OFFICE

Level 7/16 St Georges Terrace

PERTH WA 6000

### CONTACTS

Ph: +61 8 9225 5833

Fax: +61 8 9225 7311

Web: [www.eastenergy.com.au](http://www.eastenergy.com.au)

ASX Code: EER

### SOLICITORS

Jackson McDonald Lawyers

140 St Georges Tce

PERTH WA 6000

Ph: +61 8 9426 6611

Fax: +61 8 9321 2002

### AUDITORS

BDO Audit (WA) Pty Ltd

38 Station Street

SUBIACO WA 6008

Ph: +61 8 6382 4600

Fax: +61 8 6382 4601

### SHARE REGISTRY

Advanced Share Registry Limited

150 Stirling Highway

NEDLANDS WA 6009



## DIRECTORS' REPORT

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Your directors submit the financial accounts of East Energy Resources Limited ("the Company") for the financial year ended 30 June 2011.

### Directors

The names of the directors in office at any time during or since the end of the year 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)  
Mr William Randall (Alternate Non-Executive Director)

### Principal Activities

The principal activity of the company for the financial year was mineral exploration. There were no significant changes in the nature of the economic entity's principal activities during the financial year.

### Operating Results

The loss of the company after income tax for the financial year ended 30 June 2011 amounted to \$509,024 (2010; \$896,320).

### 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.

### Review of Operations

#### **Corporate**

During the financial year ended 30 June 2011, 37,246,956 options which were to expire on 31/3/2011 were exercised at \$0.20, resulting in the issue of 37,246,956 ordinary fully paid shares and providing the Company with \$7,449,391.20. These funds contributed to the continuation of the exploration and development of the Blackall Coal Deposit and to general corporate overhead expenses.

#### **Exploration**

The company holds **EPC1149** granted by Queensland's Department of Mines and Energy on 22 April 2008. The tenement is located in Central Western Queensland, 25km south of the township of Blackall in the eastern part of the Eromanga Basin. The total surface area of EPC1149 is approximately 900 sq km.

East Energy Resources Ltd commenced exploration drilling in early June 2008 and has been continuously exploring since that time to prove up the coal resources within the tenement.

On the basis of exploration work completed to date the resource has been divided into the southern "Carlow" field and the northern "Alambi" field, however it is now known that the coal deposit is continuous between the two areas.

#### Carlow Deposit

##### Background:

Drilling completed in Carlow between June and November 2008 provided a good basis for modelling of the geology and establishing the continuity of coal seams in this deposit.

In early 2009, SRK Consulting conducted an independent appraisal of the exploration results and reported an Inferred Raw Coal Resource of 1,222 Million tonnes (Mt) for this area.

Subsequently SRK completed a geostatistical analysis of the drilling data that were obtained during the 2008 campaign and provided advice to East Energy which was used in planning the next phase of drilling. This commenced in early October 2009 with the aim of defining an Indicated Resource over the potential open-cut part of the Carlow deposit.

## DIRECTORS' REPORT continued

In July 2009 Coffey Mining Pty Ltd completed a high level study into the potential development options for the Blackall Coal Deposit. Their report examined potential mining methods, coal treatment and transport options. Coffey reported that the coal quality appears to be suitable for thermal energy requirements such as in power stations and that the volume of coal available for open cut mining is large.

Coffey anticipated that, with further exploration, the resource is likely to increase in size to allow a potential open cut mine life of over 30 years at a rate progressively increasing to over 20 Mt/a washed product. This potential scale of operations suggests consideration should be given to different processes, products, transport systems and markets to optimise utilisation and value of the deposit. Possible options could include the following singularly or in combinations:

- Local power station (high ash coal),
- Domestic / export coal (standard or clean coal technology),
- Coal gasification (washed coal),
- Coal gasification (underground in-situ) and
- Hydrogenation, liquifaction (gas to liquid).

Between October 2009 and the end of June 2010 a further 47 core holes and 45 pilot chip holes were drilled and geophysically logged in Carlow. Coal samples were sent to ALS's Emerald laboratory for coal quality assaying.

### Exploration Program 2010/11:

In the first half of the 2010/11 reporting year the main focus of exploration was to complete sufficient drilling in Carlow to support the calculation of an Indicated Resource over the potential open cut area in Carlow.

The required core holes in this program were completed early in 2011. This drilling comprised 49 core holes and 23 pilot chip holes. Coal samples for this work were sent for analysis at HRL Technology's coal laboratory in Melbourne as they had the capacity to complete the coal quality assays quickly.

Xenith Consulting were commissioned to update the geological model and undertake an independent resource assessment of Carlow incorporating the new exploration data. Xenith completed this work in April 2011.

Based on the additional drilling results, Xenith were able to upgrade a total of 469Mt at Carlow from Inferred status to Indicated Resource – a much higher level of confidence.

### Bulk Sample:

During May 2010 East Energy extracted a bulk sample from the Carlow area in EPC 1149, with the objective of obtaining detailed quality data on the potential product coal within a typical mining block and to complete more detailed evaluation as to 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 where the main seams 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 was dispatched to ALS's Maitland NSW laboratory for preparation and analysis.

Float sink testing of the coal seam composites from the bulk sample, over a range of densities showed that an SG of 1.6 gave the optimum balance between the final product quality and yield. The test results of the washed coal (F1.60) composites are very encouraging. They show a yield of around 70% with an average calorific value of 6,755 kcal/kg on a dry ash free basis. The coal 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.



## DIRECTORS' REPORT continued

### Alambi Deposit

#### Background:

Initial wide spaced exploratory RAB drilling at Alambi was completed during March and April 2010 covering an area of approximately 12km by 12km with drill holes spaced at roughly 3km centres.

The 25 RAB holes drilled were all geologically and geophysically logged. The rock chips and geophysical logs indicated that the coal seams found at Alambi were similar in terms of seam thickness and apparent quality to those at Carlow in the south.

The structure of the Alambi deposit appears to mirror that of the south with seams dipping from east to west at an angle of less than 2 degrees.

#### Exploration Program 2010/11:

The focus of exploration at Alambi has been to complete a drilling program that should lead to the establishment of an Inferred Resource extending the known coal resources from Carlow though to the northern half of EPC1149.

A core drilling programme commenced in April 2011 at Alambi and 22 core holes were drilled up to 30 June 2011. A further 4 core holes will complete this program.

Many of the coal quality results for these holes have already been received from the lab and geological modeling is currently underway. This work is expected to be completed by the end of September 2011 and should provide the basis for substantial additional JORC compliant Inferred Resources.

### EPC 1066 - Capella

East Energy is waiting only on final drill site rehabilitation clearance prior to relinquishing EPC 1066 Capella. Previous reports detailed the results of exploration conducted on this tenement.

The information in this review of operations that relates to exploration results at Blackall, is based on information compiled by Mr Peter Tighe, who is a member of the Australasian Institute of Mining and Metallurgy. Mr Tighe is a full time employee of East Energy Resources Limited. Mr Tighe has sufficient experience which is relevant to the style of mineralisation and type of deposits under consideration and to the activity that he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the 'Australian Code for Reporting Exploration results, Mineral Resources and Ore Reserves (the JORC code)'.

### Financial Position

The net assets of the Company are \$19,205,690 (2010: \$12,320,878). Full details of the financial position of the Company can be found in the Financial Report section within this Annual Report.

The directors believe the Company is in a strong and stable financial position to pursue its current operations.

### Matters Subsequent to the End of the Financial Year

No matters or circumstances have arisen since the end of the financial period 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 future financial years.

### Future Developments, Prospects and Business Strategies

The Company intends to continue to pursue its goals to acquire, explore, and exploit coal deposits and explore prospective coal tenements.

### Environmental Regulation

The Company is subject to significant environmental regulation in respect of its exploration activities.

The Company aims to ensure the appropriate standard of environmental care is achieved, and in doing so, that it is aware of and is in compliance with all environmental legislation. The directors of the Company are not aware of any breach of environmental legislation for the year under review.

The directors have considered compliance with the National Greenhouse and Energy Reporting Act 2007 (the NGER Act) which introduces a single national reporting framework for the reporting and dissemination of information about the greenhouse gas emissions, greenhouse gas projects, and energy use and production of corporations. For the measurement period 1 July 2010 to 30 June 2011 the directors have assessed that there are no current reporting requirements, but may be required to do so in the future. The directors will reassess this position as and when the need arises.

## DIRECTORS' REPORT continued

### **INFORMATION ON DIRECTORS**

**Mr Mark Basso-Brusa** Managing Director and Chairman

**Qualifications:** B.E. (Hons)

Mr Basso-Brusa has a Bachelor of Engineering degree completed in 1983 from the University of Western Australia. After graduating he was involved in the design and construction phases of various projects such as the Perth International Airport, LNG Storage Tanks on the Burrup, Iron Ore Ship Unloader Romania (commissioning), HV Substations Cape Lambert and Pannawonica, and CHLOR Alkaline Plant CSBP. In 1992 he formed a construction company with his two brothers which continues to prosper.

Mr Basso-Brusa has developed extensive business management skills over the last 18 years. Mr Basso-Brusa's engineering background provides him with the ability to liaise with consultants, thereby ensuring that projects proceed in a logical, cost effective and timely manner.

Over the past three years Mark has not held any other directorships of ASX Listed companies.

**Mr Malcolm Castle** Non-Executive Director

**Qualifications:** B.Sc.(Hons), GCertAppFin (Sec Inst), MAusIMM

Mr Castle has over 40 years experience in exploration geology and property evaluation. He has worked for major companies for over 20 years as an exploration geologist, and established a 20 year mature consulting company, specialising in exploration management, technical audit, due diligence and property valuation at all stages of development. Mr Castle has extensive experience in a number of commodities including gold, base metals, iron ore, mineral sands and coal. He has been responsible for project discovery through to feasibility study in Australia, Fiji, Southern Africa and Indonesia, with involvement in technical audits in many countries.

Mr Castle completed studies in Applied Geology with the University of New South Wales in 1965 and has been awarded a B.Sc.(Hons) degree. He has completed postgraduate studies with the Securities Institute of Australia in 2001 and was awarded a Graduate Certificate in Applied Finance and Investment in 2004. Mr Castle has been a Member of the Australasian Institute of Mining and Metallurgy for over 40 years.

Mr Castle is also a current director of Brazilian Metals Groups Limited (since 24 November 2010). Over the past three years Malcolm has not held any other directorships of ASX Listed companies.

**Mr Ranko Matic** Non-Executive Director and Company Secretary

**Qualifications:** B.Bus, CA

Mr Matic is a Chartered Accountant with over 20 years experience in the areas of financial and executive management, accounting, audit, business and corporate advisory. Mr Matic has considerable experience in a range of industries with particular exposure to publicly listed companies and large private enterprises.

Mr Matic is a director of a Chartered Accounting firm and a Corporate Advisory company based in West Perth, and has specialist expertise and exposure in areas of audit, corporate services, due diligence, mergers and acquisitions, and valuations. Through these positions Mr Matic has been involved in an advisory capacity to a significant number of initial public offerings on the ASX in the last ten years.

Mr Matic has also acted as CFO and company secretary for companies in the publicly listed and private sectors and currently holds non-executive directorships and corporate secretarial roles for several private and publicly listed companies.

Mr Matic is also a current director of View Resources Ltd (since 23 December 2010).

Other than disclosed above, over the past three years Ranko has not held any other directorships of ASX Listed companies.

**Mr Rex Littlewood** Non-Executive Director

**Qualifications:** B.Sc, MAICD.

Mr Littlewood, under his company, Australian Carbon Assets, consults in most aspects of coal mine evaluation, coal technology and marketing and was formerly vice president of Noble Energy, a subsidiary of Noble Group. He was responsible for their Asian coal and coke platform, and for developing the Australian operations.

Mr Littlewood has more than 30 years experience in the international coal market, where he was involved in the development of mines as well as mining and export infrastructure. At Noble he designed and implemented a fully integrated, computerised coal management system from mine to customer, capturing all data in a "paperless" process.

Mr Littlewood is also a current director of Blackwood Corporation Limited (since 6 July 2011). Over the past three years Mr Littlewood has not held any other directorships of ASX listed companies.



## DIRECTORS' REPORT continued

### INFORMATION ON DIRECTORS continued

**Mr William Randall** Alternate Non-Executive Director

**Qualifications: B.Bus**

Mr William Randall is Noble Group Head of the Energy Coal & Carbon Complex business unit. Mr. Randall holds a Bachelor degree in Business, major in International Marketing and Finance. He started his career at Noble in Australia, transferring to Asia in 1998 where he established Noble's coal operations, mining and supply chain management businesses.

Following his appointment as Director Noble Energy Inc in 2001, Mr. Randall continued to build the global coal and coke marketing network and asset pipeline. He was appointed global head of Coal & Coke division in 2006 and became a member of the Noble Group Executive Board in 2008. He also sits on the capital investment, risk and management committees of Noble Group Limited.

Mr Randall is a Nominee of Noble Group Limited. Alternate Director since 20 July 2010.

Mr Randall is a current director of Gloucester Coal (since June 2009), Blackwood Corporation Limited (since 8 November 2010) and Territory Resources Ltd (since 31 July 2011). He has had no other directorships of ASX listed companies.

### Interests in the shares and options of the Company and related bodies corporate

As at the date of this report, the interests of the directors in the shares and options of East Energy Resources Limited were:

|                  | Ordinary Shares | Options over Ordinary Shares |
|------------------|-----------------|------------------------------|
| Mark Basso-Brusa | 68,651,201      | 0                            |
| Ranko Matic      | 220,000         | 0                            |
| Malcolm Castle   | 40,000          | 0                            |
| Rex Littlewood   | 0               | 0                            |

### REMUNERATION REPORT (AUDITED)

The Remuneration Report is set out under the following main headings:

- A Principles used to determine the nature and amount of remuneration
- B Service agreements
- C Details of remuneration
- D Share-based compensation

The information provided in this remuneration report has been audited as required by section 308 (3C) of the Corporations Act 2001.

The remuneration arrangements detailed in this report relate to the following Directors and key management personnel as follows:

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)  
 Mr William Randall (Alternate Non-Executive Director)  
 Mr Peter Tighe (Exploration Manager)  
 Mrs Andrea Betti (Chief Financial Officer)

The following table shows the gross revenue, profits/losses and share price of the Group at the end of the respective financial period.

|                                    | 30 June 2011 | 30 June 2010 | 30 June 2009 | 30 June 2008 |
|------------------------------------|--------------|--------------|--------------|--------------|
|                                    | \$           | \$           | \$           | \$           |
| Revenue from continuing operations | 125,260      | 159,967      | 140,984      | 168,572      |
| Net profit/(loss)                  | (509,024)    | (896,320)    | (730,776)    | (564,222)    |
| Share price                        | 35 cents     | 18.5 cents   | 8 cents      | 50 cents     |

## DIRECTORS' REPORT continued

### A. Principles used to determine the nature and amount of remuneration

In determining competitive remuneration rates, the Board, acting in its capacity as the remuneration committee, seeks independent advice on local and international trends among comparative companies and industry generally. It examines terms and conditions for employee incentive schemes benefit plans and share plans. Independent advice should be obtained to confirm that executive remuneration is in line with market practice and is reasonable in the context of Australian executive reward practices.

The Board recognises that East Energy Resources Limited operates in a global environment. To prosper in this environment we must attract, motivate and retain key executive staff.

#### Market Comparisons

Consistent with attracting and retaining talented executives, the board endorses the use of incentive and bonus payments. The board will continue to seek external advice to ensure reasonableness in remuneration scale and structure, and to compare the Company's position with the external market. The impact and high cost of replacing senior employees and the competition for talented executives requires the committee to reward key employees when they deliver consistently high performance.

#### Board Remuneration

Shareholders approve the maximum aggregate remuneration for non-executive directors currently \$220,000 per annum. The Board determines actual payments to directors and reviews their remuneration annually based, on independent external advice with regard to market practice, relativities, and the duties and accountabilities of directors. A review of directors' remuneration is conducted annually to benchmark overall remuneration including retirement benefits.

The employment conditions of the managing director, any executive director and specified executives are formalised in contracts of employment when such an arrangement is considered appropriate. Other than the managing director, the exploration manager, appointed in June 2008 and the Chief Financial Officer appointed December 2007, are permanent employees of East Energy Resources Limited. The managing director is employed under a fixed 3 year contract, which expired in December 2010.

#### Performance Based Remuneration

The Company currently has no performance based remuneration component built into director and executive remuneration packages.

#### Company Performance, Shareholder Wealth and Directors and Executives Remuneration

The remuneration policy has been tailored to increase the direct positive relationship between shareholders investment objectives and directors and executives performance. Currently, directors and executives are encouraged to hold shares in the Company to ensure the alignment of personal and shareholder interests. The company currently does not offer performance based remuneration during the exploration phase of operations. This policy may change once the exploration phase is complete and the company is generating revenue. At present, the existing policy is not impacted by the company's performance, including earnings and changes in shareholder wealth.

### B. Service Agreements

#### Employment Contracts Of Directors And Senior Executives

The employment conditions of the managing director, Mr Mark Basso-Brusa, are formalised in an executive service agreement. Mr Basso-Brusa's agreement is a fixed 36 month agreement from date of listing, which commenced in July 2007 and expired in December 2010. After the Initial Term, the agreement continues until a party terminates it by giving notice.

Any party may terminate the agreement after the Initial Term by providing 3 months notice. The Company can also terminate the agreement summarily, and without notice or compensation, in circumstances of serious misconduct or breach by the Executive.

Upon termination, the Executive is subject to a 12 month non-competition covenant, whereby the Executive must not: engage in, directly or indirectly, through any person in an enterprise, company or firm; or carry on a substantially similar activity to that of the Company's business. The Executive is also subject to covenants prohibiting the solicitation of Company personnel.

Mr Castle, Mr Matic, Mr Littlewood and Mr Randall are not employed on a formal contract.



## DIRECTORS' REPORT continued

### B. Service Agreements continued

| Key Management Person | Term of Agreement | Base Salary including superannuation | Termination Benefit |
|-----------------------|-------------------|--------------------------------------|---------------------|
| Mark Basso-Brusa      | No fixed term     | \$245,250                            | 3 months            |
| Malcom Castle         | No fixed term     | \$49,050                             | Nil                 |
| Ranko Matic           | No fixed term     | \$54,000                             | Nil                 |
| Rex Littlewood        | No fixed term     | \$49,050                             | Nil                 |
| Peter Tighe           | No fixed term     | \$214,616                            | Nil                 |
| Andrea Betti          | No fixed term     | \$40,710                             | 6 months            |

### C. Details of remuneration

The remuneration for each director and each executive officer of the Company receiving the highest remuneration during the year was as follows:

#### 2011

| Key Management Person | Short-term Benefits        |                   |                  |        | Post-employment Benefits | Other Long-term Benefits | Share based Payment |         | Total   | Performance Related | Remuneration Consisting of Options |
|-----------------------|----------------------------|-------------------|------------------|--------|--------------------------|--------------------------|---------------------|---------|---------|---------------------|------------------------------------|
|                       | Cash, salary & Commissions | Cash Profit Share | Non-Cash Benefit | Other  | Super-annuation          | Other                    | Equity              | Options |         |                     |                                    |
|                       | \$                         | \$                | \$               | \$     | \$                       | \$                       | \$                  | \$      | \$      | %                   | %                                  |
| Mark Basso-Brusa*     | 245,250                    | -                 | -                | -      | -                        | -                        | -                   | -       | 245,250 | -                   | -                                  |
| Malcolm Castle*       | 45,000                     | -                 | -                | -      | 4,050                    | -                        | -                   | -       | 49,050  | -                   | -                                  |
| Ranko Matic (i)*      | -                          | -                 | -                | 54,000 | -                        | -                        | -                   | -       | 54,000  | -                   | -                                  |
| Rex Littlewood*       | 45,000                     | -                 | -                | -      | 4,050                    | -                        | -                   | -       | 49,050  | -                   | -                                  |
| Peter Tighe*          | 185,719                    | -                 | -                | -      | 16,715                   | -                        | -                   | -       | 202,434 | -                   | -                                  |
| Andrea Betti          | 35,952                     | -                 | -                | -      | 3,236                    | -                        | -                   | -       | 39,188  | -                   | -                                  |
|                       | 556,921                    | -                 | -                | 54,000 | 28,051                   | -                        | -                   | -       | 638,972 | -                   | -                                  |

(i) Ranko Matic is a director and shareholder of Capital & Corporate Advisors Pty Ltd (CCA). CCA was paid \$54,000 in relation to directorship, corporate secretarial and accounting services performed.

\* Indicates the 5 highest remunerated executives.

#### 2010

| Key Management Person | Short-term Benefits        |                   |                  |        | Post-employment Benefits | Other Long-term Benefits | Share based Payment |         | Total   | Performance Related | Remuneration Consisting of Options |
|-----------------------|----------------------------|-------------------|------------------|--------|--------------------------|--------------------------|---------------------|---------|---------|---------------------|------------------------------------|
|                       | Cash, salary & Commissions | Cash Profit Share | Non-Cash Benefit | Other  | Super-annuation          | Other                    | Equity              | Options |         |                     |                                    |
|                       | \$                         | \$                | \$               | \$     | \$                       | \$                       | \$                  | \$      | \$      | %                   | %                                  |
| Mark Basso-Brusa*     | 245,250                    | -                 | -                | -      | -                        | -                        | -                   | -       | 245,250 | -                   | -                                  |
| Clive Triplett*       | 98,100                     | -                 | -                | -      | -                        | -                        | -                   | -       | 98,100  | -                   | -                                  |
| Malcolm Castle*       | 45,000                     | -                 | -                | -      | 4,050                    | -                        | -                   | -       | 49,050  | -                   | -                                  |
| Ranko Matic (i)*      | -                          | -                 | -                | 54,000 | -                        | -                        | -                   | -       | 54,000  | -                   | -                                  |
| Peter Tighe*          | 183,486                    | -                 | -                | -      | 16,514                   | -                        | -                   | -       | 200,000 | -                   | -                                  |
| Andrea Betti          | 29,167                     | -                 | -                | -      | 2,625                    | -                        | -                   | -       | 31,792  | -                   | -                                  |
|                       | 601,003                    | -                 | -                | 54,000 | 23,189                   | -                        | -                   | -       | 678,192 | -                   | -                                  |

(i) Ranko Matic is a director and shareholder of Capital & Corporate Advisors Pty Ltd (CCA). CCA was paid \$54,000 in relation to directorship, corporate secretarial and accounting services performed.

\* Indicates the 5 highest remunerated executives.

## DIRECTORS' REPORT continued

### D. Share-based compensation

#### Shares Issued on Exercise of Compensation Options

No options granted as compensation in prior periods were exercised, forfeited or lapsed through the year.

#### Options issued as part of remuneration for the year ended 30 June 2011.

No options were issued in the year ended 30 June 2011.

There is not currently a formal Employee Share Option Plan in place.

Options may be issued to directors and executives as part of their remuneration. The options are not issued based on performance criteria, but are issued to the majority of directors and executives of East Energy Resources Limited to increase goal congruence between executives, directors and shareholders.

### END OF AUDITED REMUNERATION REPORT.

#### Meetings of Directors

During the financial year, seven meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

| Directors                                     | Directors' Meetings       |                 |
|---|---------------------------|-----------------|
|   | Number eligible to attend | Number Attended |
| Mark Basso-Brusa                              | 6                         | 6               |
| Ranko Matic                                   | 7                         | 7               |
| Malcolm Castle                                | 7                         | 6               |
| Rex Littlewood (appointed 20 July 2011)       | 4                         | 4               |
| William Randall (alternate to Rex Littlewood) | 1                         | 1               |

The full board fulfils the role of remuneration, nomination and audit committees.

#### Indemnifying Officers or Auditor

In accordance with the constitution, except as may be prohibited by the Corporations Act 2001, every Officer of the Company shall be indemnified out of the property of the Company against any liability incurred by him in his capacity as Officer, auditor or agent of the Company or any related corporation in respect of any act or omission whatsoever and howsoever occurring or in defending any proceedings, whether civil or criminal. The total amount of insurance contract premiums paid is \$17,761.

#### Options

At the date of this report, the unissued ordinary shares of East Energy Limited under option are as follows:

| Grant Date | Date of Expiry | Exercise Price | Number Under Option |
|------------|----------------|----------------|---------------------|
| N/A        | N/A            | N/A            | 0                   |
|            |                |                | 0                   |

During the financial year ended 30 June 2011, 37,246,956 options which were to expire on 31/3/2011 were exercised at \$0.20, resulting in the issue of 37,246,956 ordinary fully paid shares.

No options granted under the company's Employee Option Plan have been exercised.

No person entitled to exercise the option had or has any right by virtue of the option to participate in any share issue of any other body corporate.

#### Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of these proceedings.

The Company was not a party to any such proceedings during the year.



## DIRECTORS' REPORT continued

### Non-audit Services

The board of directors, in accordance with advice from the audit committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

No fees for non-audit services were paid/payable to the external auditors during the financial year ended 30 June 2011 (2010: nil).

### Auditor's Independence Declaration

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 17 for the period ended 30 June 2011.

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



**MARK BASSO-BRUSA**  
Director

DATED at PERTH this 27<sup>th</sup> day of September 2011

## CORPORATE GOVERNANCE STATEMENT

As an integral part of its preparations to list on the Australian Securities Exchange (“**ASX**”), the Company has considered and set up a framework for embracing the ASX Corporate Governance Principles and Recommendations (2nd Edition) (“**Recommendations**”). The Company has followed each of the Recommendations where the Board has considered the practices appropriate, taking into account factors such as size of the Company and the Board, the resources available to the Company and the activities of the Company. Where, after due consideration the Company’s corporate governance policies depart from the Recommendations, the Board has outlined the nature of, and reason for, the adoption of its own practice.

Further information about the Company’s corporate governance practices is available on the Company’s web site at [www.eastenergy.com.au](http://www.eastenergy.com.au).

The Board sets out below its “if not why not” report in relation to those matters of corporate governance where the Company’s practices depart from the Recommendations. As the Company’s activities develop in size, nature and scope, further consideration will be given by the Board to the implementation of additional corporate governance structures.

| <b>PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT</b> |   |  |
|---|---|--|
|   | <b>Recommendation</b>   | <b>East Energy Resources Limited Current Practice</b>  |
| 1.1   | Companies should establish the functions reserved for the board and those delegated to senior executives and disclose those functions | Satisfied.<br>The Directors have adopted a Board Charter which outlines the role of the Board. Executive Director Consultancy Agreements outline functions of the executive directors. Non-executive Director appointment letters outline the terms and conditions of non-executive director appointments. As the Company recruits additional management, the roles and responsibilities of these persons will be considered and documented  |
| 1.2   | Companies should disclose the process for evaluating the performance of senior executives   | Not currently applicable.<br>Other than the Directors the Company does not currently employ any senior executives. The full Board will be responsible for the appointment and will regularly review the performance of senior executives having regard to the Nomination and Remuneration Charters   |
| 1.3   | Companies should provide the information indicated in the Guide to reporting on Principle 1 outlined in the Recommendations           | Satisfied.<br>Board Charter available at <a href="http://www.eastenergy.com.au">www.eastenergy.com.au</a>  |
| <b>PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE</b>                   |   |  |
|   | <b>Recommendation</b>   | <b>East Energy Resources Limited Current Practice</b>  |
| 2.1   | A majority of the board should be independent directors   | Not satisfied.<br>Currently there is one independent director and three non-independent directors. The Board has been structured such that its composition and size will enable it to effectively discharge its responsibilities and duties. Each Director has the relevant industry experience and specific expertise relevant to the Company’s business and level of operations. The Board considers that its structure is, and will continue to be, appropriate in the context of the Company’s recent history. The Company considers that the non independent directors possess the skills and experience suitable for building the Company. Furthermore, the Board considers that in the current phase of the Company’s operations, the Company’s shareholders are better served by directors who have a vested interest in the Company. The Board intends to reconsider its composition as the Company’s operations evolve, and may appoint additional independent directors as it deems appropriate |
| 2.2   | The chair should be an independent director   | Not satisfied.<br>While the Board recognises the importance of independence in decision making, it does not comply with Recommendation 2.2. Given the size and the limited resources of the Company there would be no value to shareholders or the Company in having an independent Chairman at this point in time. This will be revisited should the nature or size of the operations change substantially. In August 2009, at a board meeting, Mr Basso-Brusa was elected as the Chairman to replace Terence Byrt, who resigned in April 2009. The Board believes that Mr Basso-Brusa is the most appropriate person for the position as Chairman because of his experience and knowledge of the Company’s operations and mineral projects   |

CORPORATE GOVERNANCE STATEMENT *continued*

|  | Recommendation  | East Energy Resources Limited Current Practice  |      |      |  |      |  |  |     |   |     |   |                    |   |   |   |   |                                  |   |     |   |     |                                |   |     |   |     |
|--|---|---|------|------|--|------|--|--|-----|---|-----|---|--------------------|---|---|---|---|----------------------------------|---|-----|---|-----|--------------------------------|---|-----|---|-----|
| 2.3  | Roles of chair and chief executive officer should not be exercised by same individual   | Not Satisfied.<br>The role of chairperson of the Board and the CEO (Managing Director) are exercised by the same person with Mr Basso-Brusa being appointed as Chairman by the Board of Directors in 2009. Whilst the Company recognises the benefit in these roles being undertaken by two separate individuals, the size of the Company and its limited resources does not warrant the appointment of an independent individual as Chairman. This position will be revisited by the Board should the nature or the size of the operations substantially change.         |      |      |  |      |  |  |     |   |     |   |                    |   |   |   |   |                                  |   |     |   |     |                                |   |     |   |     |
| 2.4  | The board should establish a nomination committee   | Not satisfied.<br>The Company does not have a separate Nomination Committee and the full Board will consider the matters and issues arising that would usually fall to the nomination committee in accordance with the Nomination Committee Charter. The Company has adopted a Nomination Committee Charter setting out the board processes to raise the issues that would otherwise be considered by the Nomination Committee. The Board considers that at this stage, no efficiencies or other benefits would be gained by establishing a separate nomination committee |      |      |  |      |  |  |     |   |     |   |                    |   |   |   |   |                                  |   |     |   |     |                                |   |     |   |     |
| 2.5  | Companies should disclose the process for evaluating the performance of its board, its committees and individual directors  | Not satisfied.<br>The Company has not yet established formal performance review measures or induction procedures for key executives nor has it established a separate nomination committee given the size and stage of the Company's operations. The full Board will review the performance of Directors and key executives on a regular basis  |      |      |  |      |  |  |     |   |     |   |                    |   |   |   |   |                                  |   |     |   |     |                                |   |     |   |     |
| 2.6  | Companies should provide the information indicated in the Guide to reporting on Principle 2 outlined in the Recommendations   | The skills and experience of directors are set out in the Company's Annual Report and on its website.   |      |      |  |      |  |  |     |   |     |   |                    |   |   |   |   |                                  |   |     |   |     |                                |   |     |   |     |
| <b>PRINCIPLE 3 – PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING</b> |   |   |      |      |  |      |  |  |     |   |     |   |                    |   |   |   |   |                                  |   |     |   |     |                                |   |     |   |     |
|  | Recommendation  | East Energy Resources Limited Current Practice  |      |      |  |      |  |  |     |   |     |   |                    |   |   |   |   |                                  |   |     |   |     |                                |   |     |   |     |
| 3.1  | Companies should establish a code of conduct and disclose the code or a summary of the code.  | Satisfied.<br>Code of conduct and Trading in securities policy available at <a href="http://www.eastenergy.com.au">www.eastenergy.com.au</a>  |      |      |  |      |  |  |     |   |     |   |                    |   |   |   |   |                                  |   |     |   |     |                                |   |     |   |     |
| 3.2  | Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them. | Currently East Energy is finalising the diversity policy which will be disclosed on the company website, once finalised and approved by the Board.  |      |      |  |      |  |  |     |   |     |   |                    |   |   |   |   |                                  |   |     |   |     |                                |   |     |   |     |
| 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.  | This will be disclosed once the diversity policy and the measurable objectives have been finalised and approved by the board.   |      |      |  |      |  |  |     |   |     |   |                    |   |   |   |   |                                  |   |     |   |     |                                |   |     |   |     |
| 3.4  | Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior positions and women on the board.  | <table><tr><th></th><th colspan="2">2010</th><th colspan="2">2011</th></tr><tr><th></th><th>No.</th><th>%</th><th>No.</th><th>%</th></tr><tr><td>Women on the Board</td><td>0</td><td>0</td><td>0</td><td>0</td></tr><tr><td>Women in senior management roles</td><td>1</td><td>33%</td><td>1</td><td>33%</td></tr><tr><td>Women employees in the company</td><td>1</td><td>33%</td><td>1</td><td>33%</td></tr></table>   |      | 2010 |  | 2011 |  |  | No. | % | No. | % | Women on the Board | 0 | 0 | 0 | 0 | Women in senior management roles | 1 | 33% | 1 | 33% | Women employees in the company | 1 | 33% | 1 | 33% |
|  | 2010  |   | 2011 |      |  |      |  |  |     |   |     |   |                    |   |   |   |   |                                  |   |     |   |     |                                |   |     |   |     |
|  | No.   | %   | No.  | %    |  |      |  |  |     |   |     |   |                    |   |   |   |   |                                  |   |     |   |     |                                |   |     |   |     |
| Women on the Board   | 0   | 0   | 0    | 0    |  |      |  |  |     |   |     |   |                    |   |   |   |   |                                  |   |     |   |     |                                |   |     |   |     |
| Women in senior management roles                                     | 1   | 33%   | 1    | 33%  |  |      |  |  |     |   |     |   |                    |   |   |   |   |                                  |   |     |   |     |                                |   |     |   |     |
| Women employees in the company                                       | 1   | 33%   | 1    | 33%  |  |      |  |  |     |   |     |   |                    |   |   |   |   |                                  |   |     |   |     |                                |   |     |   |     |
| 3.5  | Companies should provide the information indicated in the Guide to reporting on Principle 3 outlined in the Recommendations   | Once the policy has been finalised and approved by the board it will be published on the company website.   |      |      |  |      |  |  |     |   |     |   |                    |   |   |   |   |                                  |   |     |   |     |                                |   |     |   |     |



## CORPORATE GOVERNANCE STATEMENT continued

| <b>PRINCIPLE 4 – SAFEGUARD INTEGRITY IN FINANCIAL REPORTING</b> |  |  |
|---|--|--|
|   | <b>Recommendation</b>  | <b>East Energy Resources Limited Current Practice</b>  |
| 4.1   | The board should establish an audit committee  | Satisfied.<br>An audit committee has been established  |
| 4.2   | The audit committee should be structured such that it:<br>•Consists only of non-executive directors;<br>•Consists of a majority of independent directors;<br>•Is chaired by an independent chair, who is not the chair of the board;<br>•Has at least three members  | Not satisfied.<br>The audit committee currently consists of the full board with three being non-executive directors. The Chairman of the Board is not the Chairman of the Audit Committee. The Board notes that ASX Corporate Governance Council recommends the audit committee have at least three members with the majority being independent non-executive directors however considering the current size of the Company and composition of the Board, the Board considers the current audit committee size and composition is sufficient at this stage |
| 4.3   | The audit committee should have a formal charter   | Satisfied. Available at <a href="http://www.eastenergy.com.au">www.eastenergy.com.au</a>   |
| 4.4   | Companies should provide the information indicated in the Guide to reporting on Principle 4 outlined in the Recommendations.   | Satisfied. The Company's Audit Committee Charter is available at <a href="http://www.eastenergy.com.au">www.eastenergy.com.au</a>  |
| <b>PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE</b>        |  |  |
|   | <b>Recommendation</b>  | <b>East Energy Resources Limited Current Practice</b>  |
| 5.1   | Companies should establish written policies designed to ensure compliance with 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.   | Satisfied.<br>Continuous disclosure policy and Securities trading policy available at <a href="http://www.eastenergy.com.au">www.eastenergy.com.au</a>   |
| 5.2   | Companies should provide the information indicated in the Guide to reporting on Principle 5 outlined in the Recommendations  | Satisfied. Refer 5.1   |
| <b>PRINCIPLE 6 – RESPECT THE RIGHTS OF SHAREHOLDERS</b>         |  |  |
|   | <b>Recommendation</b>  | <b>East Energy Resources Limited Current Practice</b>  |
| 6.1   | Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.   | Satisfied.<br>Communications with shareholders policy available at <a href="http://www.eastenergy.com.au">www.eastenergy.com.au</a>  |
| 6.2   | Companies should provide the information indicated in the Guide to reporting on Principle 6 outlined in the Recommendations  | Satisfied. Refer 6.1   |
| <b>PRINCIPLE 7 – RECOGNISE AND MANAGE RISK</b>                  |  |  |
|   | <b>Recommendation</b>  | <b>East Energy Resources Limited Current Practice</b>  |
| 7.1   | Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies   | Satisfied.<br>Risk management program available at <a href="http://www.eastenergy.com.au">www.eastenergy.com.au</a><br>The Board has considered the material risks impacting the Company and its Shares. Key risks impacting the Company will be reviewed and considered by management and the Board on a regular basis  |
| 7.2   | The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks | Satisfied.<br>The Board including the Managing Director routinely consider risk management matters.  |

CORPORATE GOVERNANCE STATEMENT *continued*

|  | <b>Recommendation</b>   | <b>East Energy Resources Limited Current Practice</b>  |
|--|---|--|
| 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 in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the management system is operating effectively in all material aspects in relation to financial reporting | Satisfied. The Board has received a Section 295A declaration pursuant to the 2011 financial period.  |
| 7.4  | Companies should provide the information indicated in the Guide to reporting on Principle 7.  | Satisfied. Refer above   |
| <b>PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY</b> |   |  |
|  | <b>Recommendation</b>   | <b>East Energy Resources Limited Current Practice</b>  |
| 8.1  | The board should establish a remuneration committee   | Not satisfied.<br>The Company does not have a separate Remuneration Committee and the full Board will consider matters of remuneration, in accordance with the Remuneration Committee Charter. The Company has adopted a Remuneration Committee Charter setting out the board processes to raise the issues that would otherwise be considered by the remuneration committee. Due to the structure of the Board, a separate remuneration committee is not considered to add any efficiency to the process of determining the levels of remuneration for the Directors and key executives. The Board considers that it is more appropriate that it set aside time at Board meetings to address matter that would normally fall to the remuneration committee. In addition all matter of remuneration will continue to be determined in accordance with the Corporations Act requirements, especially in relation to related party transactions. That is no director will participate in any deliberations regarding their own remuneration or related issues. |
| 8.2  | The remuneration committee should be structured so that it: <ul style="list-style-type: none"> <li>• Consists of a majority of independent directors</li> <li>• Is chaired by an independent chair</li> <li>• Has at least three members</li> </ul>   | Not applicable – there is no remuneration committee. Refer 8.1 above.  |
| 8.3  | Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.   | Satisfied.<br>The structure of directors remuneration is disclosed in the remuneration report of the Annual Report.  |
| 8.4  | Companies should provide the information indicated in the Guide to reporting on Principle 8 outlined in the Recommendations   | Refer to the Remuneration Report in the Company's Annual Report. The Remuneration Committee Charter is available at <a href="http://www.eastenergy.com.au">www.eastenergy.com.au</a>   |

27 September 2011

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 of East Energy Resources Limited for the year ended 30 June 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 audit; and
- any applicable code of professional conduct in relation to the audit.



**Phillip Murdoch**  
Director

BDO

**BDO Audit (WA) Pty Ltd**  
Perth, Western Australia



## STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2011

|  | Notes | 2011<br>\$       | 2010<br>\$       |
|--|-------|------------------|------------------|
| Revenue from continuing operations                         | 4     | 125,260          | 159,967          |
| Audit Fees   | 3     | (19,708)         | (25,613)         |
| Depreciation   |       | (10,305)         | (13,695)         |
| Insurance  |       | (17,761)         | (20,141)         |
| Printing and Stationery                                    |       | (2,322)          | (1,229)          |
| Public Relations   |       | (18,716)         | (4,558)          |
| Rent   |       | (50,819)         | (49,353)         |
| Share Registry Costs                                       |       | (13,490)         | (8,049)          |
| Directors & Employee Benefits                              |       | (434,122)        | (478,192)        |
| Impairment of Exploration Asset                            |       | (1,564)          | (396,028)        |
| Other Expenses   |       | (65,477)         | (59,429)         |
| <b>Loss before income tax</b>                              |       | <b>(509,024)</b> | <b>(896,320)</b> |
| <b>Income tax expense</b>                                  | 5     | <b>-</b>         | <b>-</b>         |
| <b>Net loss attributable to members of the entity</b>      |       | <b>(509,024)</b> | <b>(896,320)</b> |
| <b>Other comprehensive income</b>                          |       | <b>-</b>         | <b>-</b>         |
| <b>Other comprehensive income for the year, net of tax</b> |       | <b>-</b>         | <b>-</b>         |
| <b>Total Comprehensive income for the year</b>             |       | <b>(509,024)</b> | <b>(896,320)</b> |
| <b>Basic loss per share (cents per share)</b>              | 6     | <b>(0.49)</b>    | <b>(0.70)</b>    |

The accompanying notes form part of these financial accounts

## STATEMENT OF FINANCIAL POSITION

as at 30 June 2011

|   | Notes | 2011<br>\$        | 2010<br>\$        |
|---|-------|-------------------|-------------------|
| <b>CURRENT ASSETS</b>                               |       |                   |                   |
| Cash and cash equivalents                           | 7     | 2,798,075         | 1,151,457         |
| Trade and other receivables                         | 8     | 255,616           | 146,561           |
| <b>TOTAL CURRENT ASSETS</b>                         |       | <u>3,053,691</u>  | <u>1,298,018</u>  |
| <b>NON CURRENT ASSETS</b>                           |       |                   |                   |
| Property, plant and equipment                       | 9     | 241,352           | 161,883           |
| Exploration, evaluation and development expenditure | 10    | 16,683,937        | 11,266,046        |
| <b>TOTAL NON-CURRENT ASSETS</b>                     |       | <u>16,925,289</u> | <u>11,427,929</u> |
| <b>TOTAL ASSETS</b>                                 |       | <u>19,978,980</u> | <u>12,725,947</u> |
| <b>CURRENT LIABILITIES</b>                          |       |                   |                   |
| Trade and other payables                            | 11    | 773,290           | 405,069           |
| <b>TOTAL CURRENT LIABILITIES</b>                    |       | <u>773,290</u>    | <u>405,069</u>    |
| <b>TOTAL LIABILITIES</b>                            |       | <u>773,290</u>    | <u>405,069</u>    |
| <b>NET ASSETS</b>                                   |       | <u>19,205,690</u> | <u>12,320,878</u> |
| <b>EQUITY</b>                                       |       |                   |                   |
| Issued capital                                      | 12    | 21,906,032        | 14,512,196        |
| Accumulated losses                                  |       | (2,700,342)       | (2,191,318)       |
| <b>TOTAL EQUITY</b>                                 |       | <u>19,205,690</u> | <u>12,320,878</u> |

The accompanying notes form part of these financial accounts

## STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2011

|   | Issued Capital<br>\$ | Accumulated Losses<br>\$ | Total Equity<br>\$ |
|---|----------------------|--------------------------|--------------------|
| Balance as at 1 July 2009                       | 14,412,268           | (1,294,998)              | 13,117,270         |
| Total comprehensive income/(loss) for the year  | -                    | (896,320)                | (896,320)          |
| Issue of Share Capital net of transaction costs | 99,928               | -                        | 99,928             |
| Share based payments                            | -                    | -                        | -                  |
| SUB –TOTAL                                      | 14,512,196           | (2,191,318)              | 12,320,878         |
| Dividends paid or provided for                  | -                    | -                        | -                  |
| Balance at 30 June 2010                         | 14,512,196           | (2,191,318)              | 12,320,878         |
| Balance as at 1 July 2010                       | 14,512,196           | (2,191,318)              | 12,320,878         |
| Total comprehensive income/(loss) for the year  | -                    | (509,024)                | (509,024)          |
| Issue of Share Capital net of transaction costs | 7,393,836            | -                        | 7,393,836          |
| Share based payments                            | -                    | -                        | -                  |
| SUB –TOTAL                                      | 21,906,032           | (2,700,342)              | 19,205,690         |
| Dividends paid or provided for                  | -                    | -                        | -                  |
| Balance at 30 June 2011                         | 21,906,032           | (2,700,342)              | 19,205,690         |

The accompanying notes form part of these financial accounts



## STATEMENT OF CASH FLOW

For the year ended 30 June 2011

|  | Notes  | 2011<br>\$         | 2010<br>\$         |
|--|--------|--------------------|--------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>          |        |                    |                    |
| Interest and Income received                         |        | 83,310             | 159,967            |
| Payments to suppliers & other expenses               |        | (688,038)          | (672,960)          |
| Payments for exploration, evaluation and development |        | (5,003,265)        | (2,804,892)        |
| <b>Net Cash outflows from Operating Activities</b>   | 17 (b) | <u>(5,607,993)</u> | <u>(3,317,885)</u> |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>          |        |                    |                    |
| Payments for property, plant & equipment             |        | (139,225)          | (63,491)           |
| <b>Net Cash outflows from Investing Activities</b>   |        | <u>(139,225)</u>   | <u>(63,491)</u>    |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>          |        |                    |                    |
| Proceeds from issue of shares                        |        | 7,449,391          | 120,000            |
| Share issue costs                                    |        | (55,555)           | (20,072)           |
| <b>Net Cash inflows from Financing Activities</b>    |        | <u>7,393,836</u>   | <u>99,928</u>      |
| Net Increase/(Decrease) in cash and cash equivalents |        | 1,646,618          | (3,281,448)        |
| Cash and cash equivalents at 1 July                  |        | 1,151,457          | 4,432,905          |
| <b>Cash and cash equivalents at 30 June</b>          | 17(a)  | <u>2,798,075</u>   | <u>1,151,457</u>   |

The accompanying notes form part of these financial accounts

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This financial report includes the financial statements and notes of East Energy Resources Limited.

It is recommended that this financial report be read in conjunction with any public announcements made by East Energy Resources Limited during the period in accordance with continuous disclosure requirements arising under the Corporations Act 2001, and the company's prospectus.

#### a. Basis of Preparation

The financial statements is a general purpose financial statement that has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial statements of East Energy Resources Limited also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Boards (ISAB).

The financial report was authorised for issue in accordance with a resolution of the Directors on 27 September 2011.

#### b. Income Tax

The charge for 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 Statement of Financial Position date.

Deferred tax is accounted for using the 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 economic 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.

## NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 30 June 2011

### **c. Exploration, Evaluation 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 where the right of tenure of the area of interest is current and they are expected to be recouped through successful development on the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves. The ultimate recoupment of Capitalised exploration, evaluation and development expenditure is dependant upon the final approval of exploration permits.

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.

### **d. Leases**

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that is transferred to entities in the economic entity, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

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

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

### **e. 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.

#### *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.



## NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 30 June 2011

### *Financial liabilities*

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

### *Fair value*

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

### *Impairment*

At each reporting date, the group assess 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 statement of comprehensive income.

#### **f. Impairment of Assets**

At each reporting date, the group 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 statement of comprehensive income.

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

#### **g. Provisions**

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

#### **h. Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of 12 months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

#### **i. Revenue**

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

## NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 30 June 2011

### **j. Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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

### **k. 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 ("ATO"). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

### **l. Comparative Figures**

When required by accounting standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

### **m. Share-based Payment Transactions**

The fair value of options granted by East Energy Resources Ltd is recognised as an expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the option holder becomes unconditionally entitled to the options. The fair value at grant date is independently determined using a Black-Scholes 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-tradable nature of the option, the share price at grant date and the expected volatility of the underlying share, the expected dividend yield and the risk free rate for the term of the option.

### **n. Property, Plant and Equipment**

Plant and equipment are stated at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated on both a prime cost and a reducing balance basis to write off the net cost of each item of plant and equipment over its expected useful life, being 3 to 20 years.

### **o. Trade and Other Payables**

Trade payables and other payables are carried at cost and represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and usually paid within 30 days of recognition.

## NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 30 June 2011

### **p. Trade and Other Receivables**

Receivables are initially recognised at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Current receivables for GST are due for settlement within 30 days and other current receivables within 12 months.

### **q. Issued Capital**

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

### **r. Segment Reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, has been identified as the Board of Directors.

### **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, adjusted for bonus elements in ordinary shares issued during the 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. Critical Accounting Estimates And Judgements**

In preparing this Financial Report the Company has been required to make certain estimates and assumptions concerning future occurrences. There is an inherent risk that the resulting accounting estimates will not equate exactly with actual events and results.

## NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 30 June 2011

### u. Significant Accounting Judgements

In the process of applying the Company's accounting policies, management has the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

#### Capitalisation of Exploration and Evaluation Expenditure

The Company has capitalised significant exploration and evaluation expenditure on the basis either that this is expected to be recouped through future successful development (or alternatively sale) of the areas of interest concerned or on the basis that it is not yet possible to assess whether it will be recouped.

#### Deferred Tax Assets

The Company expects to have carried forward tax losses which have not been recognised as deferred tax assets as it is not considered sufficiently probable that these losses will be recouped by means of future profits taxable in the relevant jurisdictions.

### v. Significant Accounting Estimates And Assumptions

The carrying amount of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

#### Impairment of Capitalised Exploration and Evaluation Expenditure

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Company decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, costs of drilling and production, production rates, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

## NOTE 2. KEY MANAGEMENT PERSONNEL COMPENSATION

### a. Names and positions held of entity key management personnel in office at any time during the financial year are:

|                  |   |
|------------------|---|
| Mark Basso-Brusa | Managing Director and Chairman                  |
| Rex Littleman    | Non-Executive Director (appointed 20 July 2010) |
| Malcolm Castle   | Non-Executive Director                          |
| Ranko Matic      | Non-Executive Director and Company Secretary    |
| Peter Tighe      | Exploration Manager                             |
| Andrea Betti     | Chief Financial Officer                         |

Key management personnel remuneration has been included in the Remuneration Report section of the Directors Report.



## NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 30 June 2011

## b. Key management personnel compensation

|                              | 2011    | 2010    |
|------------------------------|---------|---------|
|                              | \$      | \$      |
| Short-term employee benefits | 610,921 | 655,003 |
| Post-employment benefits     | 28,051  | 23,189  |
| Long-term benefits           | -       | -       |
| Termination benefits         | -       | -       |
| Share-based                  | -       | -       |
|                              | 638,972 | 678,192 |

## c. Number of Options Held by Key Management Personnel

| Key Management Person | Balance 1.7.2010 | Granted as compensation | Options Exercised | Net Change Other | Balance 30.6.2011 | Total Vested 30.6.2011 | Total Exercisable 30.6.2011 | Total Unexercisable 30.6.2011 |
|-----------------------|------------------|-------------------------|-------------------|------------------|-------------------|------------------------|-----------------------------|-------------------------------|
| Mark Basso-Brusa      | 63,868,002       | -                       | (5,000,000)       | (58,868,002)     | -                 | -                      | -                           | -                             |
| Rex Littlewood        | -                | -                       | -                 | -                | -                 | -                      | -                           | -                             |
| Malcolm Castle        | 50,000           | -                       | -                 | (50,000)         | -                 | -                      | -                           | -                             |
| Ranko Matic           | 110,000          | -                       | (60,000)          | (50,000)         | -                 | -                      | -                           | -                             |
| Peter Tighe           | -                | -                       | -                 | -                | -                 | -                      | -                           | -                             |
| Andrea Betti          | 40,000           | -                       | (40,000)          | -                | -                 | -                      | -                           | -                             |
|                       | 64,068,002       | -                       | (5,100,000)       | (58,968,002)     | -                 | -                      | -                           | -                             |

| Key Management Person | Balance 1.7.2009 | Granted as compensation | Options Exercised | Net Change Other | Balance 30.6.2010 | Total Vested 30.6.2010 | Total Exercisable 30.6.2010 | Total Unexercisable 30.6.2010 |
|-----------------------|------------------|-------------------------|-------------------|------------------|-------------------|------------------------|-----------------------------|-------------------------------|
| Mark Basso-Brusa      | 63,868,002       | -                       | -                 | -                | 63,868,002        | 63,868,002             | 63,868,002                  | -                             |
| Clive Triplett        | 500,000          | -                       | -                 | -                | 500,000           | 500,000                | 500,000                     | -                             |
| Malcolm Castle        | 50,000           | -                       | -                 | -                | 50,000            | 50,000                 | 50,000                      | -                             |
| Ranko Matic           | 110,000          | -                       | -                 | -                | 110,000           | 110,000                | 110,000                     | -                             |
| Peter Tighe           | -                | -                       | -                 | -                | -                 | -                      | -                           | -                             |
| Andrea Betti          | 40,000           | -                       | -                 | -                | 40,000            | 40,000                 | 40,000                      | -                             |
|                       | 64,568,002       | -                       | -                 | -                | 64,568,002        | 64,568,002             | 64,568,002                  | -                             |

## d. Number of Shares Held by Key Management Personnel

| Key Management Person | Balance 1.7.2010 | Received as Compensation | Options Exercised | Net Change Other | Balance 30.6.2011 | Balance Nominally Held |
|-----------------------|------------------|--------------------------|-------------------|------------------|-------------------|------------------------|
| Mark Basso-Brusa      | 63,651,201       | -                        | 5,000,000         | -                | 68,651,201        | 68,651,201             |
| Rex Littlewood        | -                | -                        | -                 | -                | -                 | -                      |
| Malcolm Castle        | 40,000           | -                        | -                 | -                | 40,000            | -                      |
| Ranko Matic           | 160,000          | -                        | 60,000            | -                | 220,000           | 220,000                |
| Peter Tighe           | -                | -                        | -                 | -                | -                 | -                      |
| Andrea Betti          | 40,000           | -                        | 40,000            | (34,000)         | 46,000            | -                      |
|                       | 63,891,201       | -                        | 5,100,000         | (34,000)         | 68,957,201        | 68,871,201             |

# NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 30 June 2011

| Key Management Person | Balance 1.7.2009 | Received as Compensation | Options Exercised | Net Change Other | Balance 30.6.2010 | Balance Nominally Held |
|-----------------------|------------------|--------------------------|-------------------|------------------|-------------------|------------------------|
| Mark Basso-Brusa      | 63,651,201       | -                        | -                 | -                | 63,651,201        | 63,651,201             |
| Clive Triplett        | 2,500,000        | -                        | -                 | (2,500,000)      | -                 | -                      |
| Malcolm Castle        | 40,000           | -                        | -                 | -                | 40,000            | -                      |
| Ranko Matic           | 60,000           | -                        | -                 | 100,000          | 160,000           | 160,000                |
| Peter Tighe           | -                | -                        | -                 | -                | -                 | -                      |
| Andrea Betti          | 40,000           | -                        | -                 | -                | 40,000            | -                      |
|                       |                  | -                        | -                 |                  |                   |                        |
|                       | 66,291,201       | -                        | -                 | (2,400,000)      | 63,891,201        | 63,811,201             |

## e. Other transactions with key management personnel

Mark Basso-Brusa is a director and shareholder of MCPBB Pty Ltd trading as Evolution Exploration, the drilling company engaged to undertake the drilling program for East Energy Resources Limited. All transactions with Evolution Exploration are on normal commercial terms and conditions.

|                                 | 2011<br>\$ | 2010<br>\$ |
|---------------------------------|------------|------------|
| Drilling Costs                  | 3,691,750  | 1,889,737  |
| Outstanding balance at year end | 652,712    | 347,905    |

## NOTE 3. AUDITORS' REMUNERATION

Remuneration of the auditor for:

- Auditing or reviewing the financial report

|        |        |
|--------|--------|
| 22,729 | 25,613 |
| 22,729 | 25,613 |

## NOTE 4. REVENUE

|  |         |         |
|--|---------|---------|
| Interest Received                                  | 121,548 | 152,727 |
| Profit made on sale of fixed asset – motor vehicle | 3,712   | 7,240   |
|  | 125,260 | 159,967 |

## NOTE 5. INCOME TAX

### (a) Income tax expense

|              |   |   |
|--------------|---|---|
| Current tax  | - | - |
| Deferred tax | - | - |
|              | - | - |

Deferred income tax expense included in income tax expense comprises:

|  |             |             |
|--|-------------|-------------|
| - (Increase) in deferred tax assets    | (5,080,232) | (1,579,814) |
| - Increase in deferred tax liabilities | 5,080,232   | 1,579,814   |
|  | -           | -           |

## NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 30 June 2011

|  | 2011        | 2010        |
|--|-------------|-------------|
|  | \$          | \$          |
| <b>NOTE 5. INCOME TAX - continued</b>  |             |             |
| (b) Reconciliation of income tax expense to prima facie tax payable  |             |             |
| The prima facie tax payable on profit from ordinary activities before income tax is reconciled to the income tax expense as follows: |             |             |
| Loss before income tax   | (509,024)   | (896,320)   |
| Prima facie tax on operating profit at 30%   | (152,707)   | (268,896)   |
| Add / (Less)   |             |             |
| Tax effect of exploration expenditure  | (1,625,837) | (790,962)   |
| Tax effect – other   | (49,652)    | (59,068)    |
| Tax effect of:   |             |             |
| Deferred tax asset not brought to account  | 1,828,195   | 1,118,926   |
| Income tax attributable to operating loss  | -           | -           |
| The applicable weighted average effective tax rates are as follows:  | nil%        | nil%        |
| Balance of franking account at year end  | nil         | nil         |
| (c) <b>Deferred tax assets</b>   |             |             |
| Tax Losses   | 6,039,983   | 1,515,513   |
| Other  | 49,548      | 64,301      |
|  | 6,089,531   | 1,579,814   |
| Set-off deferred tax liabilities   | (5,080,232) | (1,579,814) |
| Net deferred tax assets  | 1,009,298   |             |
| Less deferred tax assets not recognised  | (1,009,298) |             |
| Net Tax assets   | -           | -           |
| (d) <b>Deferred tax liabilities</b>  |             |             |
| Exploration expenditure  | 5,005,181   | 1,579,814   |
| Other  | 75,051      |             |
|  | 5,080,232   | 1,579,814   |
| Set-off deferred tax assets  | (5,080,232) | (1,579,814) |
| Net deferred tax liabilities   | -           | -           |
| (e) <b>Tax losses</b>  |             |             |
| Unused tax losses for which no deferred tax asset has been recognised  | 3,364,328   | 2,678,044   |

Potential deferred tax assets attributable to tax losses and exploration expenditure carried forward have not been brought to account at 30 June 2011 because the directors do not believe it is appropriate to regard realisation of the deferred tax assets as probable at this point in time. These benefits will only be obtained if:

- the company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the loss and exploration expenditure to be realised;
- the company continues to comply with conditions for deductibility imposed by law; and
- no changes in tax legislation adversely affect the company in realising the benefit from the deductions for the loss and exploration expenditure.

# NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 30 June 2011

| <b>NOTE 6. EARNINGS PER SHARE</b>  | <b>2011</b>             | <b>2010</b>             |
|--|-------------------------|-------------------------|
|  | <b>\$</b>               | <b>\$</b>               |
| (a) Earnings used to calculate basic and diluted EPS   | (509,024)               | (896,320)               |
|  | <b>Number of Shares</b> | <b>Number of Shares</b> |
| (b) Weighted average number of ordinary shares outstanding during the year used in calculating basic and diluted EPS | 144,075,321             | 128,691,116             |
|  | <b>2011</b>             | <b>2010</b>             |
|  | <b>\$</b>               | <b>\$</b>               |
| (c) Earnings per share   | (0.49)                  | (0.70)                  |

| <b>NOTE 7. CASH AND CASH EQUIVALENTS</b> | <b>2011</b> | <b>2010</b> |
|--|-------------|-------------|
|  | <b>\$</b>   | <b>\$</b>   |
|  | 2,798,075   | 1,151,457   |

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates

| <b>NOTE 8. TRADE AND OTHER RECEIVABLES</b> | <b>2011</b> | <b>2010</b> |
|--|-------------|-------------|
|  | <b>\$</b>   | <b>\$</b>   |
| Other Receivables                          | 255,616     | 146,561     |

## (a) Other receivables

These transactions generally arise from transactions outside the usual operating activities of the entity. The balance consists of receivables relating to refunds expected in relation to good and services tax and operating expense prepayments.

## (b) Ageing of receivables past due not impaired

As at 30 June 2011 there were no receivables past due not impaired.

## (c) Ageing of impaired trade receivables

As at 30 June 2011 there were no receivables impaired.

## NOTE 9. PROPERTY, PLANT & EQUIPMENT

|                                     |          |          |
|-------------------------------------|----------|----------|
| Plant and equipment – at cost       | 46,419   | 20,663   |
| Accumulated depreciation            | (11,991) | (5,565)  |
|                                     | 34,428   | 15,098   |
| Office equipment – at cost          | 118,886  | 63,325   |
| Accumulated depreciation            | (42,302) | (28,698) |
|                                     | 76,584   | 34,627   |
| Motor Vehicle – at cost             | 223,293  | 165,385  |
| Accumulated depreciation            | (92,953) | (53,227) |
|                                     | 130,340  | 112,158  |
| Total property, plant and equipment | 241,352  | 161,883  |

## NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 30 June 2011

**NOTE 9. PROPERTY, PLANT & EQUIPMENT – continued****(a) Movements in Carrying Amounts**

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year

|                                | <b>Plant and<br/>equipment</b> | <b>Office<br/>equipment</b> | <b>Motor<br/>Vehicle</b> | <b>Total</b> |
|--------------------------------|--------------------------------|-----------------------------|--------------------------|--------------|
|                                | <b>\$</b>                      | <b>\$</b>                   | <b>\$</b>                | <b>\$</b>    |
| Opening balance at 1 July 2009 | 11,591                         | 45,264                      | 82,525                   | 139,380      |
| Additions                      | 7,136                          | 1,575                       | 54,780                   | 63,491       |
| Depreciation expense           | (3,629)                        | (12,212)                    | (25,147)                 | (40,988)     |
| Balance at 30 June 2010        | 15,098                         | 34,627                      | 112,158                  | 161,883      |
|                                | <b>\$</b>                      | <b>\$</b>                   | <b>\$</b>                | <b>\$</b>    |
| Opening balance at 1 July 2010 | 15,098                         | 34,627                      | 112,158                  | 161,883      |
| Additions                      | 25,756                         | 55,561                      | 57,908                   | 139,225      |
| Depreciation expense           | (6,426)                        | (13,604)                    | (39,726)                 | (59,756)     |
| Balance at 30 June 2011        | 34,428                         | 76,584                      | 130,340                  | 241,352      |

**NOTE 10. EXPLORATION EXPENDITURE**

|   | <b>2011</b> | <b>2010</b> |
|---|-------------|-------------|
|   | <b>\$</b>   | <b>\$</b>   |
| Carrying amount at the beginning of the period              | 11,266,046  | 8,629,506   |
| Deferred exploration expenditure incurred during the period | 5,419,455   | 3,032,568   |
| Impairment of Tenement                                      | (1,564)     | (396,028)   |
| Carrying Value at 30 June                                   | 16,683,937  | 11,266,046  |

The company has included \$49,451 of depreciation of property, plant and equipment in exploration expenditure for the period.

The value of the Company's interest in exploration expenditure is dependent upon the:

- the continuance of the economic entity rights to tenure of the areas of interest;
- the results of future exploration; and
- the recoupment of costs through successful development and exploitation of the areas of interest, or alternatively, by their sale.

The economic entity exploration properties may be subjected to claim(s) under native title, or contain sacred sites, or sites of significance to Aboriginal people. As a result, exploration properties or areas within the tenements may be subject to exploration restrictions, mining restrictions and/or claims for compensation. At this time, it is not possible to quantify whether such claims exist, or the quantum of such claims.



## NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 30 June 2011

### NOTE 11. TRADE AND OTHER PAYABLES

|                | 2011           | 2010           |
|----------------|----------------|----------------|
|                | \$             | \$             |
| Trade payables | 752,900        | 387,104        |
| Other payables | 20,390         | 17,965         |
|                | <u>773,290</u> | <u>405,069</u> |

### NOTE 12. ISSUED CAPITAL

|                             | 2011<br>Number     | 2010<br>Number     | 2011<br>\$        | 2010<br>\$        |
|-----------------------------|--------------------|--------------------|-------------------|-------------------|
| <b>(a) Share capital</b>    |                    |                    |                   |                   |
| <b>Ordinary shares</b>      |                    |                    |                   |                   |
| Fully paid                  | (b) 166,449,305    | 129,202,349        | 21,906,032        | 14,512,196        |
| <b>Total Issued Capital</b> | <u>166,449,305</u> | <u>129,202,349</u> | <u>21,906,032</u> | <u>14,512,196</u> |

#### (b) Movements in Ordinary Shares

| Details   | Number of<br>Shares | Number of<br>Shares | Issue price<br>\$ | \$                |
|---|---------------------|---------------------|-------------------|-------------------|
| Shares at the beginning of the reporting period | 129,202,349         | 128,602,349         | 14,512,196        | 14,412,268        |
| Option Conversions                              | 37,246,956          | 600,000             | 7,449,391         | 120,000           |
| Less: Transaction costs                         |                     |                     | (55,555)          | (20,072)          |
| Balance at end of year                          | <u>166,449,305</u>  | <u>129,202,349</u>  | <u>21,906,032</u> | <u>14,512,196</u> |

#### (c) Capital Risk Management

The Company's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they may continue to provide returns for shareholders and benefits for other stakeholders.

Due to the nature of the Company's activities, being mineral exploration, the Company does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Company's capital risk management is the current working capital position against the requirements of the Company to meet exploration programmes and corporate overheads. The Company's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required. The working capital position of the Company at 30 June 2011 is as follows:

|                             | 2011<br>\$       | 2010<br>\$     |
|-----------------------------|------------------|----------------|
| Cash and cash equivalents   | 2,798,075        | 1,151,457      |
| Trade and other receivables | 255,616          | 146,561        |
| Trade and other payables    | (773,290)        | (405,069)      |
| Working capital position    | <u>2,280,401</u> | <u>892,949</u> |

### NOTE 13. RELATED PARTY TRANSACTIONS

#### (a) Key management personnel

Transactions relating to key management personnel are set out in Note 2.

#### (b) Transactions with related parties

During the period there have been no other transactions with related parties other than those set out in Note 2.

## NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 30 June 2011

**NOTE 14. 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.

|   | 2011<br>\$ | 2010<br>\$ |
|---|------------|------------|
| Revenue from external sources                             | -          | -          |
| Reportable segment profit (loss)                          | (172,279)  | (517,447)  |
| Reportable segment assets                                 | 16,683,937 | 11,266,046 |
| Reportable segment liabilities                            | -          | -          |
| <b>Reconciliation of reporting segment profit or loss</b> |            |            |
| Reportable segment profit/(loss)                          | (172,279)  | (517,447)  |
| Other profit/(loss)                                       | 125,260    | 159,967    |
| Unallocated:  |            |            |
| - Corporate Expenses                                      | (462,005)  | (538,840)  |
| Profit Before Tax   | (509,024)  | (896,320)  |
| <b>Reconciliation of reporting segment assets</b>         |            |            |
| Reportable segment assets                                 | 16,683,937 | 11,266,046 |
| Unallocated:  |            |            |
| - Cash & Receivables                                      | 3,053,691  | 1,298,018  |
| - Property, Plant & Equipment                             | 241,352    | 161,883    |
| Total Assets  | 19,978,980 | 12,725,947 |
| <b>Reconciliation of reporting segment liabilities</b>    |            |            |
| Reportable segment liabilities                            | -          | -          |
| Unallocated:  |            |            |
| - Trade and other payables                                | 773,290    | 405,069    |
| Total Liabilities   | 773,290    | 405,069    |

**NOTE 15. COMMITMENTS**

Tenement Expenditure Commitments. The Company is required to maintain current rights of tenure to tenements, which require outlays of expenditure. A tenement will be liable to forfeiture if the expenditure conditions, specified within the terms of the grant are not complied with. Commitments are detailed below.

The Company has a 100% share of tenements rental and expenditure commitments of:

|                                 | 2011<br>\$ | 2010<br>\$ |
|---------------------------------|------------|------------|
| Payable:                        |            |            |
| - not later than 12 months      | 310,000    | 763,750    |
| - between 12 months and 5 years | 232,500    | 542,500    |
| - greater than 5 years          | -          | -          |
|                                 | 542,500    | 1,306,250  |

# NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 30 June 2011

## NOTE 15. COMMITMENTS – continued

Operating Lease Commitments.

The Company currently has operating leases in place upon its Perth office, 1x car bay and a small commercial shed in Blackall (Qld) to house commercial tools and equipment. Commitments are detailed below.

Payable:

|                                 |               |                |
|---------------------------------|---------------|----------------|
| – not later than 12 months      | 63,774        | 60,669         |
| – between 12 months and 5 years | 12,049        | 60,669         |
| – greater than 5 years          | -             | -              |
|                                 | <u>75,823</u> | <u>121,338</u> |

Executive Service Agreement Commitments.

The Company currently has executive service agreements in place with directors. Refer to the remuneration report within the directors report for full details. Commitments are detailed below.

Payable:

|                                 |          |                |
|---------------------------------|----------|----------------|
| – not later than 12 months      | -        | 122,625        |
| – between 12 months and 5 years | -        | -              |
| – greater than 5 years          | -        | -              |
|                                 | <u>-</u> | <u>122,625</u> |

## NOTE 16. DIVIDENDS

The company has not declared nor paid a dividend for the period.

## NOTE 17. CASH FLOW INFORMATION

### (a) Reconciliation of Cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

|      |           |           |
|------|-----------|-----------|
| Cash | 2,798,075 | 1,151,457 |
|------|-----------|-----------|

### (b) Reconciliation of Cash Flow from Operations with Operating Loss after Income Tax

|   |                    |                    |
|---|--------------------|--------------------|
| Operating loss after income tax                   | (509,024)          | (896,320)          |
| Non-cash flows in profit from ordinary activities | -                  | -                  |
| Share-based payment                               | -                  | -                  |
| Depreciation and amortisation                     | 59,756             | 40,988             |
| Changes in assets and liabilities                 |                    |                    |
| (Increase)/decrease in receivables                | (109,055)          | (90,876)           |
| (Increase)/decrease in other assets               | (5,417,891)        | (2,636,540)        |
| Increase/(decrease) in trade and other payables   | 368,221            | 264,863            |
| Net Cash Flow from/(used in) Operating Activities | <u>(5,607,993)</u> | <u>(3,317,885)</u> |

## NOTE 18. EVENTS AFTER THE REPORTING PERIOD

No matters or circumstances have arisen since the end of the financial 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 future financial years.

## NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 30 June 2011

### NOTE 19. FINANCIAL RISK MANAGEMENT

The Company's principal financial instruments comprise cash and short-term deposits. The Company has various other financial assets and liabilities such as other receivables and payables, which arise directly from its operations.

The Company's activities expose it to a variety of financial risks, including, credit risk, liquidity risk and cash flow interest rate risk. The company is not exposed to foreign exchange or price risk.

Risk management is carried out by the Board of Directors, who evaluate and agree upon risk management and objectives.

#### (a) Market Risk

##### (i) Interest rate risk

The Company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rate for each class of financial assets and financial liabilities comprises:

|                             | Floating Interest Rate | Fixed Interest Rate |              | Non Interest Bearing | Total      | Weight Effective Interest Rate |
|-----------------------------|------------------------|---------------------|--------------|----------------------|------------|--------------------------------|
|                             |                        | 1 Year or Less      | 1 to 5 Years |                      |            |                                |
|                             | 2011<br>\$             | 2011<br>\$          | 2011<br>\$   | 2011<br>\$           | 2011<br>\$ | 2011<br>%                      |
| Financial Assets            |                        |                     |              |                      |            |                                |
| Cash                        | 96,295                 | 2,681,635           | -            | 20,145               | 2,798,075  | 3.80%                          |
| Trade and other receivables | -                      | -                   | -            | 255,616              | 255,616    |                                |
| Total Financial Assets      | 96,295                 | 2,681,635           | -            | 275,761              | 3,053,691  | 3.80%                          |
| Financial Liabilities       |                        |                     |              |                      |            |                                |
| Trade and other payables    | -                      | -                   | -            | 773,290              | 773,290    |                                |
| Total Financial Liabilities | -                      | -                   | -            | 773,290              | 773,290    |                                |

|                             | Floating Interest Rate | Fixed Interest Rate |              | Non Interest Bearing | Total      | Weight Effective Interest Rate |
|-----------------------------|------------------------|---------------------|--------------|----------------------|------------|--------------------------------|
|                             |                        | 1 Year or Less      | 1 to 5 Years |                      |            |                                |
|                             | 2010<br>\$             | 2010<br>\$          | 2010<br>\$   | 2010<br>\$           | 2010<br>\$ | 2010<br>%                      |
| Financial Assets            |                        |                     |              |                      |            |                                |
| Cash                        | 2,212                  | 1,058,940           | -            | 90,305               | 1,151,457  | 4.67%                          |
| Trade and other receivables | -                      | -                   | -            | 146,561              | 146,561    |                                |
| Total Financial Assets      | 2,212                  | 1,058,940           | -            | 236,866              | 1,298,018  | 4.67%                          |
| Financial Liabilities       |                        |                     |              |                      |            |                                |
| Trade and other payables    | -                      | -                   | -            | 405,069              | 405,069    |                                |
| Total Financial Liabilities | -                      | -                   | -            | 405,069              | 405,069    |                                |

The company policy is to monitor the interest rate yield curve out to six months to ensure a balance is maintained between the liquidity of cash assets and the interest rate return. Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates. The Company does not have any receivables or payables that may be affected by interest rate risk.

#### *Sensitivity analysis*

At 30 June 2011, if interest rates had changed by +/-100 basis points from the weighted average rate for the year with all other variables held constant, post-tax loss would have been \$31,979 (2010: \$32,685) lower/higher as a result of lower/higher interest income from cash and cash equivalents. Management have deemed a movement of 100 basis points to be an appropriate measure for this sensitivity analysis.

# NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 30 June 2011

## NOTE 19. FINANCIAL RISK MANAGEMENT – continued

### (b) Credit risk

The Company does not have any significant concentrations of credit risk. Credit risk is managed by the Board and arises from cash and cash equivalents as well as credit exposure including outstanding receivables.

All cash balances held at banks are held at internationally recognised institutions. The majority of receivables are immaterial to the Company. Given this the credit quality of financial assets that are neither past due or impaired can be assessed by reference to historical information about default rates.

The maximum exposure to credit risk at reporting date is the carrying amount of the financial assets disclosed within the financial report.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about default rates.

Financial assets that are neither past due and not impaired are as follows:-

|   | 2011<br>\$ | 2010<br>\$ |
|---|------------|------------|
| <b>Financial assets - counterparties without external credit rating</b> |            |            |
| Financial assets with no defaults in the past                           | 255,616    | 146,561    |
| <b>Cash and cash equivalents</b>  |            |            |
| 'AA' S&P rating   | 2,771,987  | 1,125,369  |
| Bank guarantees   | 26,088     | 26,088     |
|   | 2,798,075  | 1,151,457  |

### (c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash balances and access to equity funding.

The Company's exposure to the risk of changes in market interest rates relate primarily to cash assets.

The directors monitor the cash-burn rate of the Company on an on-going basis against budget and the maturity profiles of financial assets and liabilities to manage its liquidity risk.

As at reporting date the Company had sufficient cash reserves to meet its requirements. The Company has no access to credit standby facilities or arrangements for further funding or borrowings in place.

The financial liabilities the Company had at reporting date were other payables incurred in the normal course of the business. These were non interest bearing and were due within the normal 30-60 days terms of creditor payments.

#### *Maturities of financial liabilities*

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

|                           | Less than<br>6 months | 6-12<br>months | 1-2 years | 2-5 years | Over 5<br>years | Total<br>contractual<br>cash flows | Carrying<br>amount<br>(assets)/<br>liabilities |
|---------------------------|-----------------------|----------------|-----------|-----------|-----------------|------------------------------------|--|
|                           | \$                    | \$             | \$        | \$        | \$              | \$                                 | \$   |
| <b>As at 30 June 2011</b> |                       |                |           |           |                 |                                    |  |
| Trade and other payables  | 773,290               | -              | -         | -         | -               | 773,290                            | 773,290  |
| <b>As at 30 June 2010</b> |                       |                |           |           |                 |                                    |  |
| Trade and other payables  | 405,069               | -              | -         | -         | -               | 405,069                            | 405,069  |



## NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 30 June 2011

### NOTE 19. FINANCIAL RISK MANAGEMENT – continued

#### (d) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. All financial assets and financial liabilities of the Company at the reporting date are recorded at amounts approximating their carrying amount.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Company is the current bid price.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature.

### NOTE 20. COMPANY DETAILS

The registered office and principal place of business of the Company is:

Level 7/16 St Georges Terrace

PERTH WA 6000

### NOTE 21. CONTINGENT ASSETS AND LIABILITIES

|  | 2011<br>\$ | 2010<br>\$ |
|--|------------|------------|
| There are no contingent assets.  |            |            |
| The company has provided a bank guarantee, which covers six months rent in the event of a default. At reporting date the company is in a sound financial position and unlikely to default. | 26,088     | 26,088     |

### NOTE 22. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods and which the Company has decided not to early adopt. A discussion of those future requirements and their impact on the Company is as follows:

- i. AASB 9: Financial Instruments (December 2010) (applicable for annual reporting periods commencing on or after 1 January 2013).

This Standard is applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments. The Company has not yet determined any potential impact on the financial statements.

The key changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument;

## NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 30 June 2011

- requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and
  - requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.
- ii AASB 2009–12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011).
- This Standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. The Standard also amends AASB 8 to require entities to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. The amendments are not expected to impact the Company.
- iii AASB 2010–4: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13] (applicable for annual reporting periods commencing on or after 1 January 2011).
- This Standard details numerous non-urgent but necessary changes to Accounting Standards arising from the IASB's annual improvements project. Key changes include:
- clarifying the application of AASB 108 prior to an entity's first Australian-Accounting-Standards financial statements;
  - adding an explicit statement to AASB 7 that qualitative disclosures should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments;
  - amending AASB 101 to the effect that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income is required to be presented, but is permitted to be presented in the statement of changes in equity or in the notes;
  - adding a number of examples to the list of events or transactions that require disclosure under AASB 134; and
  - making sundry editorial amendments to various Standards and Interpretations.
- This Standard is not expected to impact the Company.
- iv AASB 2010–5: Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042] (applicable for annual reporting periods beginning on or after 1 January 2011).
- This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. However, these editorial amendments have no major impact on the requirements of the respective amended pronouncements.
- v AASB 2010–7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] (applies to periods beginning on or after 1 January 2013).
- This Standard makes amendments to a range of Australian Accounting Standards and Interpretations as a consequence of the issuance of AASB 9: Financial Instruments in December 2010. Accordingly, these amendments will only apply when the entity adopts AASB 9.
- As noted above, the Company has not yet determined any potential impact on the financial statements from adopting AASB 9.

The Company does not anticipate the early adoption of any of the above Australian Accounting Standards.

## DIRECTORS' DECLARATION

---

The Directors of the Company declare that:

1. the financial statements, notes and audited remuneration disclosures included in the Directors' report of the Company are in accordance with the Corporations Act 2001, including:
  - a. complying with Accounting Standards and Corporations Regulations 2001; and
  - b. giving a true and fair view of the Company's financial position at 30 June 2011 and of its performance for the year ended on that date; and
  - c. the audited remuneration disclosures included in the Directors' report For the year ended 30 June 2011, comply with section 300A of the Corporations Act 2001.
2. In accordance with Section 295A of the Corporations Act the Chief Executive Officer and the Chief Financial Officer have provided the directors with declarations that:
  - a. the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
  - b. the financial statements and notes for the financial year comply with the Accounting Standards; and
  - c. the financial statements and notes for the financial year give a true and fair view;
3. 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.
4. The Company has included in the notes to the financial statement an explicit and unreserved statement of compliance with International Financial Reporting Standards.

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

A handwritten signature in blue ink, appearing to read 'Mark Basso-Brusa'.

**MARK BASSO-BRUSA**  
Managing Director

DATED at PERTH this 27<sup>th</sup> day of September 2011

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

### Report on the Financial Report

We have audited the accompanying financial report of East Energy Resources Limited, which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

### Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the 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 financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

### 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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from 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 the auditor's 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, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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

In conducting our audit, 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.

## Opinion

In our opinion:

- (a) the financial report of East Energy Resources Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

## Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2011. 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.

## Opinion

In our opinion, the Remuneration Report of East Energy Resources Limited for the year ended 30 June 2011 complies with section 300A of the *Corporations Act 2001*.

**BDO Audit (WA) Pty Ltd**

BDO



**Phillip Murdoch**  
Director

Perth, Western Australia  
Dated this 27<sup>th</sup> day of September 2011



## SHAREHOLDER INFORMATION

Additional information required by the Australian Securities Exchange Limited Listing Rules, and not disclosed elsewhere in this report.

### Class Of Shares And Voting Rights

The voting rights attached to the Fully Paid Ordinary shares of the Company are:

at a meeting of members or classes of members each member entitled to vote may vote in person or by proxy or by attorney; and

on a show of hands every person present who is a member has one vote, and on a poll every person present in person or by proxy or attorney has one vote for each ordinary share held.

There are no voting rights attached to any Options on issue.

### Substantial Shareholders

The names of the substantial shareholders in the Company's register as at 19 August 2011 are:

|   | Number     |
|---|------------|
| 1. Majicyl Pty Ltd <Basso Investment A/c> | 68,701,201 |
| 2. Onglory Pty Ltd                        | 50,707,609 |

### Distribution Of Shareholders (as at 23 September 2011)

| SPREAD OF HOLDINGS | NUMBER OF HOLDERS | UNITS              | % OF ISSUED CAPITAL |
|--------------------|-------------------|--------------------|---------------------|
| 1 – 1,000          | 29                | 8,279              | 0.005%              |
| 1,001 – 5,000      | 158               | 473,378            | 0.284%              |
| 5,001 – 10,000     | 174               | 1,503,024          | 0.903%              |
| 10,001 – 100,000   | 471               | 18,215,124         | 10.943%             |
| 100,001 – over     | 92                | 146,249,500        | 87.864%             |
|                    | <b>924</b>        | <b>166,449,305</b> | <b>100.00</b>       |

There were 67 shareholders holding less than a marketable parcel at 23 September 2011. The percentage of shares held by 20 largest shareholders is 80.782%. There is no current on-market buy back taking place.

### Distribution of Listed Optionholders

There are currently no listed options.

### Unlisted Options

There are currently no unlisted options.

## SHAREHOLDER INFORMATION continued

### TWENTY LARGEST SHAREHOLDERS (as at 23 September 2011)

| NAME   | NUMBER OF ORDINARY<br>SHARES HELD | PERCENTAGE OF<br>CAPITAL HELD |
|--|-----------------------------------|-------------------------------|
| Majicyl Pty Ltd <Basso Investment A/C>   | 68,701,201                        | 41.275%                       |
| Onglory Pty Ltd  | 50,707,609                        | 30.464%                       |
| Altius Investment Holdings   | 3,947,892                         | 2.372%                        |
| Benison Holdings Pty Ltd   | 2,225,806                         | 1.337%                        |
| DBS Vickers Securities (Singapore) Pte Ltd <Client Account>                            | 1,403,000                         | 0.843%                        |
| Jersey Investments (WA) Pty Ltd  | 1,050,000                         | 0.631%                        |
| Dr Peter Poon  | 795,000                           | 0.478%                        |
| Citicorp Nominees Pty Limited  | 728,637                           | 0.438%                        |
| Mr Brian Henry McCubbing & Mrs Adriana Maria McCubbing <B<br>McCubbing Super Fund A/C> | 600,000                           | 0.360%                        |
| Ms Kim Claudette Parry   | 568,000                           | 0.341%                        |
| S & CJ Pty Ltd <Falcon Gold Super Fund>  | 550,000                           | 0.330%                        |
| Brian McCubbing <Brian McCubbing S/F A/C>  | 500,000                           | 0.300%                        |
| Siska Drilling Pty Ltd <Siska Drilling P/L S/F A/C>                                    | 475,000                           | 0.285%                        |
| Merbeau Pty Ltd <York Investment A/C>  | 340,000                           | 0.204%                        |
| Bradley Rowan Pollard  | 339,276                           | 0.204%                        |
| Ernst Feldman  | 330,000                           | 0.198%                        |
| Ms Marat Basyrov   | 303,000                           | 0.182%                        |
| Mr Sean Wilson <Sean Wilson Investment A/C>  | 300,030                           | 0.180%                        |
| Najee Pty Ltd <Najee Super Fund A/C>   | 300,000                           | 0.180%                        |
| Koonuk Pty Ltd <Siska Drilling S/F no 2 A/C>   | 300,000                           | 0.180%                        |
| Total  | <b>134,464,451</b>                | <b>80.782%</b>                |









ABN 66 126 371 828

**Head Office:** Level 7, 16 St Georges Terrace, Perth, Western Australia, 6000

**Ph** +61 8 9225 5833 **Fax:** +61 8 9225 7311

[www.eastenergy.com.au](http://www.eastenergy.com.au)

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