



**EAST ENERGY RESOURCES LIMITED**

ABN 66 126 371 828

**ANNUAL REPORT 2017**



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ABN 66 126 371 828

### **ANNUAL REPORT 2017**

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# Corporate Directory

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## DIRECTORS

Mark Basso-Brusa (Managing Director and Chairman)  
Ranko Matic (Non-Executive Director)  
Rex Littlewood (Non-Executive Director)

## SHARE REGISTRY

Advanced Share Registry Limited  
110 Stirling Highway  
NEDLANDS WA 6009  
Ph: +61 8 9389 8033  
Fax: +61 8 9262 3723

## COMPANY SECRETARY

Ranko Matic

## AUDITORS

Regency Audit Pty Ltd  
Suite 1, Ground Floor  
437 Roberts Road  
SUBIACO WA 6008  
Ph: +61 8 6380 2555  
Fax: +61 8 9381 1122

## REGISTERED OFFICE

Level 3/216 St Georges Terrace  
PERTH WA 6000

## CONTACTS

Ph: +61 8 9225 5833  
Fax: +61 8 6188 8182  
Web: [www.eastenergy.com.au](http://www.eastenergy.com.au)  
ASX Code: EER

# Directors' Report

Your directors submit their report, together with the financial statements of the consolidated group, consisting of East Energy Resources Limited ("EER" or "the Company") and the entity it controls ("the Group") at the end of, or during the financial year ended 30 June 2017.

## 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 Rex Littlewood	(Non-Executive Director)
Mr Chris Thoroughgood	(Alternate Non-Executive Director, resigned 6 December 2016)

## Principal Activities

The principal activity of the Group for the financial year was mineral exploration. There were no significant changes in the nature of the consolidated group's principal activities during the financial year.

## Operating Results

The consolidated loss of the Group after income tax for the financial year ended 30 June 2017 amounted to \$2,699,746 (2016: \$50,521,741).

## Dividends Paid or Recommended

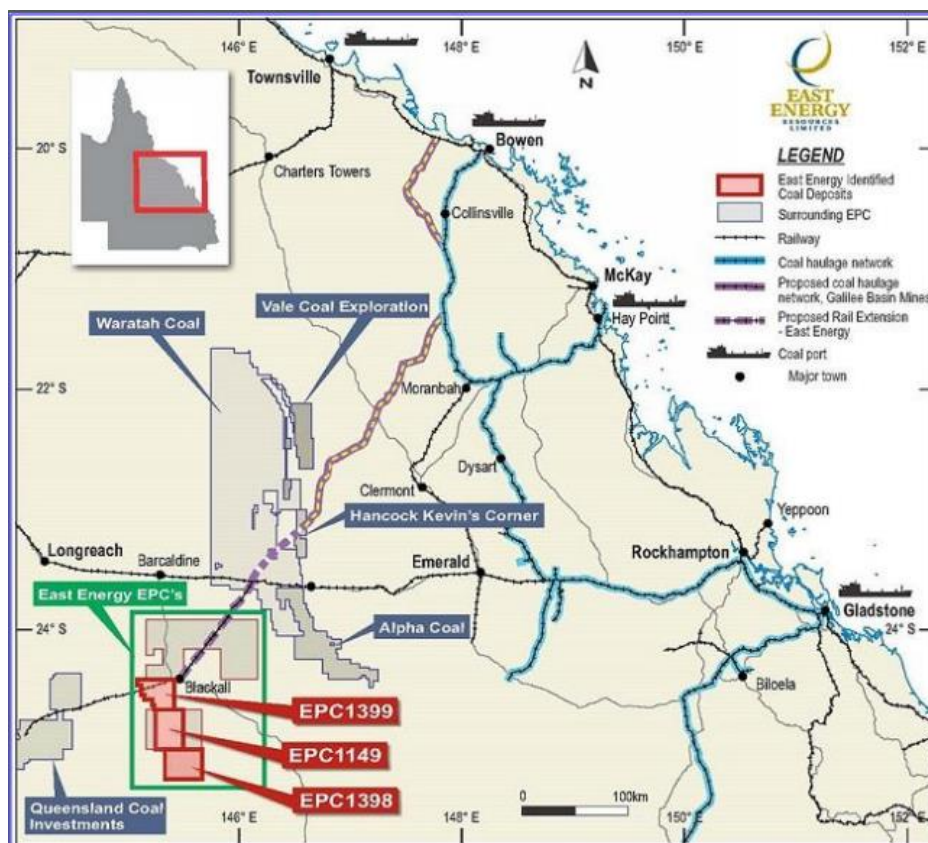
The directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend to the date of this report.

## Review of Operations

### BLACKALL COAL PROJECT – REVIEW OF OPERATIONS

The Blackall Project consists of a major thermal coal deposit held within MDL 464 EPC 1149, EPC 1398 and EPC1399. It is located close to the township of Blackall in the eastern Eromanga Basin in central western Queensland.

**Figure 1: Blackall Project Location Map**



# Directors' Report - continued

## Project Background

Based on exploration drilling conducted between June 2008 and June 2012, SRK Consulting completed an updated Coal Resource Estimate for EPC 1149 which was released in September 2012 (announced to the ASX on 17/9/2012). The SRK report included a total JORC Resource estimate of 1,741 Mt, comprising 1,113Mt of Inferred Resources and 628 Mt of Indicated Coal Resources within EPC1149. <sup>Note 1</sup>

Following the acquisition of Idalia Coal Pty Ltd's assets in May 2013 the company conducted further exploration drilling on EPC's 1398 and 1399 between June 2012 and August 2013.

During the reporting period, East Energy Resources Ltd (EER) maintained its 100% ownership of the Blackall Coal Project in Queensland. The main coal resources in the project are held within MDL 464 and EPC's 1149, 1398 and 1399.

With the reduced demand for new sources of thermal coal, the company has minimised its expenditure and has carried out no field work during the reporting year. Alternative strategies for development of the resource continue to be considered

## JORC Resource Statements

In July 2014 the Company announced to the ASX a Coal Resource Statement for EPC1399 comprising a JORC (2012) compliant Inferred Coal Resource of 1,504 million tonnes <sup>Note 2</sup>.

In total, the resource statements announced to date for the Blackall Coal Project confirm that the Company holds a combined JORC Total Coal Resource Estimate of 3.44 billion tonnes of thermal quality coal at its Blackall Coal Project.

The July 2014 announcement also included an updated Exploration Target in the range of 2.0 to 2.5 billion tonnes within EPC1398 and EPC1399. All references to Reported Exploration Targets are in accordance with the guidelines of the JORC Code (2012). As such, the potential quantity and grade is conceptual in nature and there has been insufficient exploration to estimate a Mineral Resource and it is uncertain if further exploration will result in the estimation of a Mineral Resource.

*Disclaimer: The Company confirms that it is not aware of any new information or data that would materially affect the resources and all material assumptions and technical parameters underpinning the Resource estimates continue to apply and have not materially changed in the meantime.*

## Mineral Development License (MDL 464)

MDL464 was granted by DNRM on 20 July 2014 for a period of 5 years, with a commencement date of 1 August 2014. The MDL covers some 37,000a over the central portion of the main coal resources within EPC 1149 as shown on Figure 1 above.

## Statutory Compliance and Reporting

All tenements remain in good standing with rents paid, statutory obligations complied with and the necessary government reports lodged on time.

## Compliance Inspection by Department of Environment and Heritage Protection

During February 2017, officers from Queensland's Department of Environment and Heritage Protection conducted an inspection of rehabilitated drill sites. Approximately 50 sites spread over all the Group's tenements were inspected. Feedback received from the Department stated that all sites were in a satisfactory condition.

## New Projects

The Company continues to review strategic options for exploration and development of the Blackall Coal Project and to review other resource project opportunities that could enhance its project portfolio and increase the overall value proposition of EER.

## Exploration

No new exploration was undertaken on the Blackall Project tenements during the year while the company assessed various development options for the resources.

## Key Activities for 2017-18 Reporting Period

- Maintain all tenements in good standing and meet all statutory reporting requirements
- Continue to review strategic options for development of the Blackall Project;
- Continue to appraise the market outlook for thermal coal
- Monitor Galilee Basin coal projects and government approvals
- Monitor and assess rail and port infrastructure commitments by other proponents as to their impact on the potential development of the Blackall Project
- Conduct limited desk top studies into geology, environment, alternative technologies, marketing, transport and preliminary mine planning

<sup>Note 1</sup> See ASX Announcement dated 17 September 2012 - 1.74 Billion Tonne Thermal Coal JORC Resource

<sup>Note 2</sup> See ASX announcement dated 10 July 2014 - EER Reports 3.44 Billion Tonne JORC Resource

# Directors' Report - continued

## Summary of tenement holdings and movements held by East Energy Resources Ltd

Tenement Reference	Location	Interest at 1 July 2016	Acquired/Disposed	Interest at 30 June 2017
EPC 1149	Blackall, QLD	100%	N/A	100%
EPC 1398	Blackall, QLD	100%	N/A	100%
EPC 1399	Blackall, QLD	100%	N/A	100%
EPC 1400	Blackall, QLD	100%	N/A	100%
EPC 1403	Blackall, QLD	100%	N/A	100%
EPC 1407	Blackall, QLD	100%	N/A	100%
MDL 464	Blackall, QLD	100%	N/A	100%

### **Competent Persons Statement – EPC 1399 Resources**

The information in this report relating to estimates of Mineral Resources within EPC1399, is based on information compiled by Mr Peter Tighe who is a member of the Australian Institute of Mining and Metallurgy. Mr Tighe a geological consultant to East Energy Resources Limited. Mr Tighe has had over 30 years' experience in exploration, mining and resource evaluation and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking, to qualify as Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Tighe consents to the inclusion in the report of the matters based on the information, in the form and context in which it appears.

### **Competent Persons Statement – EPC 1398 Resources**

The information in this announcement relating to the estimates of Mineral Resources within EPC 1398 is based on the 2004 JORC code and information reviewed by Mr Bill Knox, who is a Member of The AusIMM. Mr Knox has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the JORC Code. Mr Knox consents to the inclusion in this announcement of the matters based on this information in the form and context in which it appears.

### **Competent Persons Statement – EPC 1149 Resources**

The Coal Resource estimation for the Blackall Project (EPC 1149) presented in this report has been carried out in accordance with the principles and guidelines of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code 2004) and the Australian Guidelines for Estimating and Reporting of Inventory Coal, Coal Resources and Coal Reserves, 2003. The information in the report to which this statement is attached, that relates to East Energy's Blackall Coal Resource on EPC 1149 is based on information reviewed by Dr Gerard McCaughan, who is a Member of The AusIMM and is a full time employee of SRK. This information was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported. Dr McCaughan has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the JORC Code. Dr McCaughan consents to the inclusion in the announcement of the matters based on this information in the form and context in which it appears.

### **Competent Persons Statement – Exploration Targets**

The information in this report relating to Exploration Targets within EPC 1398 and EPC 1399 is based on information compiled by Mr Peter Tighe who is a Member of The AusIMM and a Geological Consultat to Energy Resources Ltd. Mr Tighe has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Tighe consents to the inclusion in this announcement of the matters based on this information in the form and context in which it appears.

### **Forward Looking Statements**

This Announcement may contain forward looking statements. The words 'anticipate', 'believe', 'expect', 'project', 'forecast', 'estimate', 'likely', 'intend', 'should', 'could', 'may', 'target', 'plan' and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Forward-looking statements are subject to risk factors associated with the Company's business, many of which are beyond the control of the Company. It is believed that the expectations reflected in these statements are reasonable but they may be affected by a variety of variables and changes in underlying assumptions which could cause actual results or trends to differ materially from those expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements. You should not place undue reliance on forward-looking statements and neither East Energy Resources Limited nor any of its directors, employees, servants, advisers or agents assume any obligation to update such information.

The company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements and, in the case of estimates of Mineral Resources, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The company confirms that the form and context in which the Competent Persons' findings are presented have not been materially modified from the original market announcement.

# Directors' Report - continued

## ADDENDUM TO EXPLORATION OPERATIONS REPORT

East Energy Resources Ltd (EER) provides the following addendum to the 2017 Annual Report in accordance with ASX Listing Rules 5.21 and 5.24.

### MINERAL RESOURCES AND ORE RESERVES (MROR) STATEMENT 2017

The Company has reviewed the estimated mineral resources at the Blackall Coal Project. The Blackall Project consists of three main coal resource areas in three tenements - EPC 1149, EPC 1398 and EPC1399. It is located close to the township of Blackall in the eastern Eromanga Basin in central western Queensland.

The current MROR Statement confirms the Company holds a combined JORC Total Coal Resource Estimate of 3.44 billion tonnes of thermal quality coal at its Blackall Coal Project, comprising:

- A JORC (2012) compliant Inferred Resource of 1,504 million tonnes within EPC 1399;
- A JORC (2004) compliant Inferred Resource of 200 million tonnes within EPC 1398; and
- A JORC (2004) compliant Resource of 1,740.5 million tonnes within EPC 1149, consisting of a 627.5 million tonnes Indicated Resource and 1,113 million tonnes Inferred Resource.

### Summary of Mineral Resources at the Blackall Coal Project as at 30 June 2017

**Table 1 – EPC 1399 JORC (2012) Coal Resources**

Tenement	JORC (2012) COAL RESOURCES		
	Inferred (Mt)	Indicated (Mt)	Measured (Mt)
EPC 1399	1,504	-	-
<b>TOTAL</b>	<b>1,504 million tonnes</b>		

**Table 2 – EPC 1399 Coal Quality**

Seam Name	Resource Category	Insitu Tonnes (Mt)	Inherent Moisture % (adb)	Ash (adb)	Fixed Carbon % (adb)	Volatile Matter % (adb)	Total Sulphur % (db)	Calorific Value Kcal/kg (adb)
1 Upper	INFERRED	143	16.4	24.0	33.6	25.6	0.40	4156
1 Lower	INFERRED	105	15.4	29.0	32.0	23.6	0.30	3846
2 Upper	INFERRED	123	15.8	30.6	29.8	23.7	0.51	3728
2 Lower	INFERRED	104	16.0	29.3	30.8	24.0	0.52	3805
3 Upper-1	INFERRED	193	16.1	23.6	35.2	25.0	0.48	4225
3 Upper-2	INFERRED	169	17.0	19.2	37.7	26.1	0.47	4497
3 Lower-1	INFERRED	105	15.7	22.5	35.8	25.8	0.71	4347
3 Lower-2	INFERRED	96	15.1	27.6	33.1	24.1	0.56	3986
4 Upper-1	INFERRED	84	15.5	23.9	35.2	25.4	0.62	4280
4 Upper-2	INFERRED	110	17.4	16.9	38.9	26.8	0.65	4678
4 Lower	INFERRED	120	16.7	18.9	38.4	26.0	0.55	4559
5	INFERRED	151	16.3	19.4	38.2	26.1	0.82	4570
<b>Total</b>	<b>INFERRED</b>	<b>1,504</b>						

**Table 3 – EPC 1398 JORC (2004) Coal Resources**

Tenement	EXISTING JORC (2004) COAL RESOURCES		
	Inferred (Mt)	Indicated (Mt)	Measured (Mt)
EPC 1398	200	-	-
<b>TOTAL</b>	<b>200 million tonnes</b>		



# Directors' Report - continued

**Table 4 – EPC 1398 Coal Quality**

Resource Category	Insitu Tonnes (Mt)	Inherent Moisture % (adb)	Ash (adb)	Fixed Carbon % (adb)	Volatile Matter % (adb)	Total Sulphur % (db)	Calorific Value Kcal/kg (gar)
INFERRED	200	16.8	21.8	34.5	26.9	0.60	3570

**Table 5 – EPC 1149 JORC (2004) Total Coal Resources (SRK Consulting 2012)**

Tenement	EXISTING JORC (2004) COAL RESOURCES		
	Inferred (Mt)	Indicated (Mt)	Measured (Mt)
EPC 1149	1,113	627.5	-
Sub-total	1,113	627.5	-
TOTAL	1,740.5 million tonnes		

**Table 6 – EPC 1149 Coal Quality (SRK Consulting Sept 2012)**

Seam Name	JORC Category	Seam Thickness m	Coal Area Ha	Coal Volume Mm³	In-situ Tonnes Mt	RD <sub>ic</sub> g/cc	TM %ar	IM %ad	Raw Ash %ad	Raw VM %ad	Raw TS %ad	Raw Gross CV MJ/kg	F1.60 Yield %ad	F1.60 Moisture %ad	F1.60 Ash %ad	F1.60 VM %ad	F1.60 TS %db	F1.60 Gross CV MJ/kg
1U	IND	0.57	4123.1	23.5	33.1	1.41	29.4	21.5	21.1	25.2	0.41	16.3	78.7	17.8	12.2	29.0	0.34	19.7
1U	INF	0.50	7705.7	38.3	54	1.40	30.6	20.1	20.9	25.5	0.41	16.7	81.8	16.3	11.6	29.4	0.34	20.7
1L	IND	0.65	4795.1	31.0	43.7	1.41	29.5	21.9	22.7	24.8	0.45	15.9	80.0	18.1	14.8	28.9	0.40	18.9
1L	INF	0.51	12805.8	65.1	92	1.41	30.3	20.3	22.0	25.9	0.48	16.4	82.2	17.5	13.1	29.2	0.42	19.9
2U	IND	0.51	7151.0	36.6	51.7	1.41	28.9	21.6	22.3	26.0	0.37	16.0	81.6	18.1	13.8	29.0	0.37	19.1
2U	INF	0.50	15506.3	78.1	110	1.41	29.2	20.7	21.8	25.3	0.50	16.4	84.1	17.8	12.5	29.7	0.57	20.0
2L	IND	0.53	7378.2	39.1	55.6	1.42	28.6	20.7	23.8	24.4	0.41	15.7	79.3	17.8	13.8	28.7	0.39	19.2
2L	INF	0.50	14834.4	74.0	104	1.41	29.3	20.6	21.3	25.3	0.49	16.6	85.7	18.3	13.6	28.8	0.47	19.6
3U1	IND	0.42	5951.8	25.2	36.2	1.44	27.2	19.2	25.4	24.1	0.46	15.5	75.1	17.3	13.6	28.9	0.45	19.6
3U1	INF	0.50	14507.0	72.1	102	1.42	29.2	20.5	22.1	24.9	0.62	16.4	71.8	18.6	12.6	28.3	0.55	19.7
3U2	IND	0.44	6292.5	27.8	40.4	1.45	27.3	19.6	26.7	24.4	0.39	15.1	73.0	16.7	15.4	28.4	0.41	19.0
3U2	INF	0.46	13197.3	60.8	87	1.44	28.0	19.6	24.8	24.0	0.54	15.7	76.9	19.3	13.8	27.3	0.60	19.1
3L1	IND	0.80	9082.9	72.4	101.2	1.40	29.2	21.2	20.0	26.5	0.50	16.7	81.0	17.8	12.5	29.0	0.45	19.8
3L1	INF	0.64	13803.8	89.0	126	1.41	29.0	20.4	21.9	24.8	0.56	16.4	81.4	18.7	13.0	28.7	0.66	19.6
3L2	IND	0.84	8403.2	70.7	98.6	1.40	30.1	21.5	20.0	25.9	0.46	16.7	83.6	17.8	12.3	28.9	0.47	19.8
3L2	INF	0.65	14910.1	96.3	134	1.39	29.3	20.8	20.1	25.3	0.56	16.8	84.7	17.8	14.1	28.7	0.59	19.5
4U1	IND	0.50	8827.1	44.3	61.7	1.39	29.2	21.3	19.4	26.2	0.47	16.8	83.7	17.8	11.4	29.3	0.43	20.2
4U1	INF	0.55	14198.9	78.4	110	1.40	29.4	20.5	20.6	25.0	0.69	16.9	80.7	17.4	12.2	28.7	0.62	20.3
4U2	IND	0.41	8691.0	35.7	50.1	1.40	29.3	20.9	21.1	25.7	0.45	16.4	82.6	17.6	12.3	29.2	0.44	19.9
4U2	INF	0.45	13539.9	61.3	86	1.40	29.3	20.9	19.8	25.1	0.60	17.0	83.2	17.5	11.9	29.0	0.57	20.4
4L	IND	0.52	7230.4	37.8	53.7	1.42	27.4	20.2	23.6	24.8	0.60	15.8	77.7	17.2	14.3	28.9	0.55	19.4
4L	INF	0.55	13153.1	72.3	103	1.42	28.6	19.8	23.0	25.0	0.94	16.3	79.1	18.1	12.7	29.1	0.85	19.9
5	IND	0.52	197.6	1	1.5	1.41	33.5	18.3	22.3	29.1	1.22	17.1	81.7	13.3	11	32.3	0.72	20.2
5	INF	0.5	738.9	3.7	5	1.42	29.9	18.8	24.1	26.3	0.75	16.4	76.9	15.9	11.2	31	0.72	20.3
Total					1,740.5	1.41	29.1	20.6	21.7	25.2	0.54	16.4	80.9	17.9	13.0	28.9	0.53	19.8

## MINERAL RESOURCES COMPARISON TO 2016 REPORTING

The 2017 review of the Mineral Resource Statement for the Blackall Coal Project has confirmed that there has been no change to the Company's Mineral Resources and Ores Reserves since the last report as at 1 September 2016.



# Directors' Report - continued

## **Financial Position**

The net deficiency of the consolidated Group are \$993,547 (2016: surplus \$1,706,199). Full details of the financial position of the Group can be found in the Financial Report section within this Annual Report.

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

The Company and the Noble Group Ltd (Noble), (the Company's financier and a major shareholder at 40.93%), have been in discussions to restructure the terms of the existing Facility Agreement. On 31 October 2017 the Company signed a Terms Sheet where, Noble agreed to provide an advance of \$500,000 to the Company under the Facility Agreement to pay costs and expenses of the Company incurred or which were to be incurred in the future. In exchange for the immediate funding the Company agreed to amend the current Facility Agreement to bring forward the date upon and from which Noble's rights of conversion shall be exercisable and to include at the Company's Annual General Meeting shareholder resolutions to approve the issue of shares in the Company to Noble upon the exercise of Noble's option to convert its debt into equity in the Company under the Facility Agreement and any other matters which are required to be put to shareholders in connection with the proposed restructure. Following the exercise by Noble of its rights to convert under the facility, the incumbent officers of the Company and its subsidiaries will resign from their respective offices and Noble shall be entitled to appoint 3 officers to fill each office which is so vacated.

The drawing referred to above of \$500,000 was received by the Company on 24 November 2017.

No other matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the consolidated Group, the results of those operations, or the state of affairs of the consolidated Group in future financial years.

## **Future Developments, Prospects and Business Strategies**

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

## **Environmental Regulation**

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

The Group 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 2016 to 30 June 2017 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.

## **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 24 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 Mr Basso-Brusa has not held any other directorships of ASX Listed companies.

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

**Qualifications:** B.Bus, CA

Mr. Ranko Matic is a Chartered Accountant with over 26 years' experience in the areas of financial and executive management, accounting, audit, business and corporate advisory. Mr Matic is a director of a chartered accounting firm and a corporate advisory company based in Perth, and has specialist expertise and exposure in areas of audit, corporate services, due diligence, mergers and acquisitions, and valuations.

## Directors' Report - continued

Mr Matic is currently a director of several ASX listed companies including Celsius Resources Ltd (since 23 December 2012), Argosy Minerals Limited (since 17 July 2014) and Antilles Oil and Gas NL (since 12 February 2016). Mr Matic was also a director of Valmec Ltd from 6 February 2012 to 7 March 2017.

Mr Matic has also acted as Chief Financial Officer and Company Secretary for companies in the private and public sector and currently holds several CFO and company secretarial roles with publicly listed companies.

Other than disclosed above, over the past three years Mr Matic 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.

Within the past three years Mr Littlewood held a directorship with Blackwood Corporation Limited, before it was de-listed due to an acquisition by Cockatoo Coal.

### **Mr Christopher Thoroughgood** Alternate Non-Executive Director, resigned 6 December 2016

**Qualifications:** B.Sc

Mr Thoroughgood joined the Noble Group in 2000 and is currently Executive Director – Hard Commodities for Australia and New Zealand. Mr Thoroughgood has over 20 years' experience across commodities marketing, business development, project management and technical marketing. Mr Thoroughgood graduated from the University of Newcastle with a Bachelor of Science. Mr Thoroughgood is a Nominee of Noble Group Limited and was been an Alternate Director from 5 March 2014 to 6 December 2016.

Over the past three years Mr Thoroughgood has not held any 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	163,526,982	0
Ranko Matic	220,000	0
Rex Littlewood	0	0
Chris Thoroughgood	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 Rex Littlewood	(Non-Executive Director)
Mr Chris Thoroughgood	(Alternate Non-Executive Director)

# Directors' Report - continued

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

	30 June 2017 \$	30 June 2016 \$	30 June 2016 \$	30 June 2014 \$	30 June 2013 \$
Revenue from continuing operations	8629	777,685	10,709	10,380	848,861
Net profit/(loss) after tax	(2,699,746)	(50,521,741)	(2,349,485)	6292	(3,086,669)
Share price					

## 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 executives are formalised in contracts of employment when such an arrangement is considered appropriate. Other than the Managing Director, the Chief Financial Officer appointed December 2007, is a permanent employee of East Energy Resources Limited. The managing director is employed under a fixed 3 year contract, which expired in December 2010. This agreement continues until a party terminates it by giving notice as mentioned in the service agreement.

### Performance Based Remuneration

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

### Group 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 Group'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 Matic and Mr Littlewood are not employed on a formal contract.

# Directors' Report - continued

## C. Details of remuneration

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

### 2017

Key Management Person	Short-term Benefits				Post-employment Benefits	Other Long-term Benefits	Share based Payment		Remuneration		
	Cash, salary & Commissions	Cash Profit Share	Non-Cash Benefit	Other			Equity	Options	Total	Performance Related	Consisting of Options
	\$	\$	\$	\$			\$	\$	\$	%	%
Mark Basso-Brusa	145,250	-	-	-	-	-	-	-	145,250	-	-
Ranko Matic (i)	-	-	-	54,000	-	-	-	-	54,000	-	-
Rex Littlewood	38,150	-	-	-	-	-	-	-	38,150	-	-
Chris Thoroughgood	-	-	-	-	-	-	-	-	-	-	-
	183,400	-	-	54,000	-	-	-	-	237,400	-	-

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

### 2016

Key Management Person	Short-term Benefits				Post-employment Benefits	Other Long-term Benefits	Share based Payment		Remuneration		
	Cash, salary & Commissions	Cash Profit Share	Non-Cash Benefit	Other			Equity	Options	Total	Performance Related	Consisting of Options
	\$	\$	\$	\$			\$	\$	\$	%	%
Mark Basso-Brusa	145,250	-	-	-	-	-	-	-	145,250	-	-
Ranko Matic (i)	-	-	-	54,000	-	-	-	-	54,000	-	-
Rex Littlewood	38,150	-	-	-	-	-	-	-	38,150	-	-
Chris Thoroughgood	-	-	-	-	-	-	-	-	-	-	-
	183,400	-	-	54,000	-	-	-	-	237,400	-	-

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

## 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 2017.

No options were issued in the year ended 30 June 2017.

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.

### Remuneration Consultants

Remuneration Consultants were not used by East Energy Resources in the current year or prior years.

### Voting of Remuneration Report at 2016 Annual General Meeting

At the 26 November 2016 AGM, the Company did not receive at least 75% of votes to support the adoption of the Remuneration Report for the year ended 30 June 2016. The Company did not receive any specific feedback at the AGM regarding its remuneration practices. As the Company received votes against its Remuneration Report representing greater than 25% of the votes cast by persons entitled to vote, a first strike was received for remuneration report purposes. The Board takes shareholder concerns about executive remuneration seriously and regularly review the Company's remuneration policy. There has been no increase in director salaries since 2007. The directors substantially reduced fees in 2012. The Board remains confident that the remuneration policy and the level and structure of its executive remuneration are suitable for the company and its shareholders.

### END OF AUDITED REMUNERATION REPORT.

# Directors' Report - continued

## Meetings of Directors

During the financial year, two meetings of the directors (including committees of directors) were held, with the majority of business undertaken by circular resolution. Attendances by each director during the year were as follows:

Directors	Directors' Meetings	
	Number eligible to attend	Number Attended
Mark Basso-Brusa	2	2
Ranko Matic	2	2
Rex Littlewood	2	2
Chris Thoroughgood (alternate to Rex Littlewood)	0	0

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 Consolidated Group 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 Consolidated group 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 \$11,075 (2016: \$10,861).

## Options

At the date of this report, there are no unissued ordinary shares of East Energy Limited under option.

During the financial year ended 30 June 2017 there were no options granted, exercised or lapsed.

## Proceedings on Behalf of Group

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

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

## 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 2017 (2016: nil).

## Auditor's Independence Declaration

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 20 for the year ended 30 June 2017.

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 November 2017

# Corporate Governance Statement

As an integral part of its preparations to list on the Australian Securities Exchange (“**ASX**”), the Group has considered and set up a framework for embracing the ASX Corporate Governance Principles and Recommendations Third Edition (“**Recommendations**”). The Group has followed each of the Recommendations where the Board has considered the practices appropriate, taking into account factors such as size of the Group and the Board, the resources available to the Group and the activities of the Group. Where, after due consideration the Group’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 Group’s practices depart from the Recommendations. As the Group’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 Ltd Current Practice</b>
1.1	A listed entity should disclose: (a) respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management	Adopted  The Directors have adopted a Board Charter which outlines the role of the Board. Executive Service 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	A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director	Adopted  Material information in relation to a director up for re-election is provided in the Notice of Meeting for each AGM including background, other material directorships, term and the Board’s consideration of them as independent or non independent director.
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	Adopted  All directors, including Non-Executives have a written agreement with the Company setting out the terms of their appointments.
1.4	The Company Secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the Board.	Adopted  The responsibilities of the Company Secretary are contained within the Board Structure Document.
1.5	A listed entity should: (a) Have a diversity Policy which includes requirements for Board/Committee to set measurable objectives for achieving gender diversity and assess them and achieving them annually (b) disclose that policy (c) disclose at end of reporting period how objectives are being achieved via: (i) respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how senior exec is defined); or (ii) if entity is a “relevant employer” under the Workplace Gender Equality Act, the entities most recent “Gender Equality	Not Adopted  After discussing the possibility of adopting a diversity policy at Board level it was determined that due to the nature and size of the current operation this would be of no value to the organisation. Currently there are only three board members and one other permanent member of staff. There are no immediate plans to increase the board size or staff in the organisation or to replace current employees or directors.  The Company makes the following disclosures regarding the proportion of women employed in the organisation: - Women on Board: 0% - Women in Senior Management: 25% - Women in whole organisation: 25%



# Corporate Governance Statement - continued

1.6	A listed entity should: (a) have and disclose a process for periodically evaluating the performance of the Board, its committees and individual directors; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	Not Adopted  The Company has not yet established formal performance review measures for the Board, its committees and individual directors. This is done on an ad-hoc basis as warranted.
1.7	A listed entity should: (a) have and disclose a process for periodically evaluating the performance of its senior executives; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	Not Applicable.  Other than the Directors, the Company does not currently employ any senior executives. The full Board would be responsible for the appointment and would regularly review the performance of senior executives having regard to the Nomination and Remuneration Charters.
<b>PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE</b>		
	<b>Recommendation</b>	<b>East Energy Limited Current Practice</b>
2.1	The board of a listed entity should: (a) Have a nomination committee which: (i) has at least three members, a majority of whom are independent directors; and (ii) is chaired by a independent director; and disclose: (i) the charter of the committee; (ii) the members of the committee; and (iii) as at the end of each reporting period, the number of times the committee met through the period and the individual attendances of the members at those meetings; or (b) If it does not have a nomination committee disclose that fact and the processes it employs to address board succession issue and to ensure that the board has the appropriate balance of skills, knowledge experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.	Not Adopted  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 process to raise the issues that would otherwise be considered by the Nomination Committee. The Board consider that at this stage, no efficiencies or other benefits would be gained by establishing a separate nomination committee.  The Nomination Committee Charter is on the company website – refer <a href="http://www.eastenergy.com.au">www.eastenergy.com.au</a> .
2.2	A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.	Not Adopted  The Company currently has a mixture of skills on the Board, including technical, financial, business, management and leadership. There is no immediate plans to develop and disclose a Board Skills Matrix.
2.3	A listed entity should disclose: (a) the names of the directors considered by the board to be independent directors (b) if a director has an interest, position, association or relationship as described in Box 2.3 (Factors relevant to assessing independence) but the board is of the opinion that it doesn't compromise the independence of the director, nature of the interest, position, association or relationship and an explanation as to why the board is of that opinion; and (c) the length of service of each director.	Adopted.  (a) Ranko Matic – Independent (b) n/a (c) Mark Basso-Brusa – appointed 4/7/2007 – 10 years Ranko Matic - Appointed 13/7/2007 – 10 years Rex Littlewood – Appointed 20/7/2010 – 7 years



# Corporate Governance Statement - continued

2.4	A majority of the Board of a listed entity should be independent directors.	<p>Not Adopted.</p> <p>Only 33% of the Board (1 member, Ranko Matic) is considered independent as per box 2.3 of the ASX Corporate Governance Principles and Recommendations.</p> <p>Currently there is one independent director and two 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</p>
2.5	The Chair of a Board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	<p>Not Adopted.</p> <p>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. 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.</p> <p>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 or CEO. This position will be revisited by the Board should the nature or the size of the operations substantially change.</p>
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	<p>Adopted.</p> <p>The induction of new directors is currently completed by the Company Secretary. All Directors have access to professional development opportunities to improve on their skills and knowledge to assist in their roles as directors.</p>
<b>PRINCIPLE 3 – PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING</b>		
	<b>Recommendation</b>	<b>East Energy Limited Current Practice</b>
3.1	A listed entity should: <ul style="list-style-type: none"> <li>(a) Have a code of conduct for its directors, senior executives and employees; and</li> <li>(b) disclose that code of conduct or a summary of it.</li> </ul>	<p>Adopted.</p> <p>Copy of Code of Conduct published on the Company's website and available at <a href="http://www.eastenergy.com.au">www.eastenergy.com.au</a></p>
<b>PRINCIPLE 4 – SAFEGUARD INTEGRITY IN FINANCIAL REPORTING</b>		
	<b>Recommendation</b>	<b>East Energy Limited Current Practice</b>
4.1	The board of a listed entity should: <ul style="list-style-type: none"> <li>(a) have an audit committee which: <ul style="list-style-type: none"> <li>(i) has at least 3 members, all of whom are non-executive directors and a majority of whom are independent directors; and</li> </ul> </li> </ul>	<p>Not Adopted</p> <p>The role of the audit committee is currently undertaken by the full board. The Company has adopted an Audit Committee Charter which is published on the Company's website <a href="http://www.eastenergy.com.au">www.eastenergy.com.au</a>. The Board follows the Audit</p>

## Corporate Governance Statement - continued

	<p>(ii) is chaired by an independent director, who is not the chair of the board; And disclose:</p> <p>(iii) the charter of the committee</p> <p>(iv) the relevant qualifications and experience of the member of the committee; and</p> <p>(v) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the member at those meetings; or</p> <p>(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p>	Committee Charter which provides for integrity of corporate reporting and the removal of the external auditor and the rotation of the audit engagement partner.
4.2	The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	Adopted
4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit	Adopted
<b>PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE</b>		
	<b>Recommendation</b>	<b>East Energy Limited Current Practice</b>
5.1	<p>A listed entity should:</p> <p>(a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and</p> <p>(b) disclose that policy or a summary of it</p>	<p>Adopted.</p> <p>The Company has a Continuous Disclosure Policy which is published on the Company website. Refer <a href="http://www.eastenergy.com.au">www.eastenergy.com.au</a></p>
<b>PRINCIPLE 6 – RESPECT THE RIGHTS OF SHAREHOLDERS</b>		
	<b>Recommendation</b>	<b>East Energy Limited Current Practice</b>
6.1	A listed entity should provide information about itself and its governance to investors via its website.	<p>Adopted</p> <p>Refer to the Company's Corporate Governance page on its website – <a href="http://www.eastenergy.com.au">www.eastenergy.com.au</a></p>
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	<p>Adopted</p> <p>The Company has a Shareholder Communication Policy which is published on its website – <a href="http://www.eastenergy.com.au">www.eastenergy.com.au</a></p>
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	<p>Adopted</p> <p>The Company encourages participation at General Meetings upon the dispatch of its Notice of Meeting and advises security holders that they may submit questions they would like to be asked at the meeting to the Board and to the Company's auditors.</p>
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	Adopted

# Corporate Governance Statement - continued

PRINCIPLE 7 – RECOGNISE AND MANAGE RISK		
	Recommendation	East Energy Limited Current Practice
7.1	<p>The board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <ul style="list-style-type: none"> <li>(i) has at least three members, a majority of whom are independent directors; and</li> <li>(ii) is chaired by an independent director, And disclose:</li> <li>(iii) the charter of the committee;</li> <li>(iv) the members of the committee; and</li> <li>(v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</li> </ul> <p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.</p>	<p>Not Adopted</p> <p>The Company does not currently have a Risk Committee. The role of a risk committee is undertaken by the whole board. The Board follows the risk management program as published on the Company's website <a href="http://www.eastenergy.com.au">www.eastenergy.com.au</a>. 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</p>
7.2	<p>The board or a committee of the board should:</p> <p>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</p> <p>(b) disclose, in relation to each reporting period, whether such a review has taken place.</p>	<p>Adopted.</p> <p>The Board reviews risk on a regular basis with following policies and procedures forming part of the Company's Risk Management Framework:</p> <ul style="list-style-type: none"> <li>• Audit Committee Charter</li> <li>• Risk Management Program</li> </ul> <p>A review has not taken place in the reporting period.</p>
7.3	<p>A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</p>	<p>Not Adopted</p> <p>The Company does not have a structured formalised internal audit function, however historically the Board has reviewed the internal control systems and risk management policies on an annual basis.</p> <p>Internal controls are reviewed on an annual basis.</p>
7.4	<p>A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.</p>	<p>Not Adopted.</p> <p>The Company does not have a sustainability policy.</p>
PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY		
	Recommendation	East Energy Limited Current Practice
8.1	<p>The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <ul style="list-style-type: none"> <li>(i) has at least three members, a majority of whom are independent directors; and</li> <li>(ii) is chaired by an independent director, and disclose:</li> <li>(iii) the charter of the committee;</li> <li>(iv) the members of the committee; and</li> <li>(v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</li> </ul>	<p>Not Adopted.</p> <p>The Company does not have a Remuneration Committee.</p> <p>The role of the remuneration committee is currently undertaken by the full board. The Company has adopted a Remuneration Committee Charter which is published on the Company's website <a href="http://www.eastenergy.com.au">www.eastenergy.com.au</a>. The Board follows the Remuneration Committee Charter which provides for dealing with board remuneration issues.</p>

## Corporate Governance Statement - continued

	(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.	
8.2	A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.	<p>Adopted.</p> <p>This information is contained within the Remuneration Report of the Annual Report. Setting remuneration for executives is set out in the Remuneration Committee Charter.</p>
8.3	<p>A listed entity which has an equity-based remuneration scheme should:</p> <p>(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</p> <p>(b) disclose that policy or a summary of it.</p>	Not Applicable

**Corporate Governance Statement dated: 30 June 2017**

**Approved by the Board: 27 November 2017**

Regency Audit Pty Ltd

ABN 85 165 181 822

PO Box 2138 SUBIACO WA 6904

Suite 1 GF, 437 Roberts Road  
SUBIACO WA 6008

Phone: 6380 2555 Fax: 9381 1122  
[www.regencypartners.com.au](http://www.regencypartners.com.au)

To The Board of Directors

**Auditor's Independence Declaration under Section 307C of the Corporations Act 2001**

As lead audit director for the audit of the financial statements of East Energy Resources Limited and Controlled Entities for the financial year ended 30 June 2017, 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.

Yours faithfully



**CHRIS WATTS CA**  
Director

**REGENCY AUDIT PTY LTD**

DATED at PERTH this 27<sup>th</sup> day of November 2017

# Consolidated Statement of Profit or Loss and other Comprehensive Income

for the year ended 30 June 2017

	Notes	2017 \$	2016 \$
Revenue from continuing operations	4	8,629	99,125
Other Income – Research & Development Tax Concession		-	678,560
Audit Fees	3	(21,000)	(21,000)
Depreciation		(2,729)	(2,785)
Insurance		(11,075)	(8,225)
Directors & Employee Benefits		(284,839)	(335,380)
Impairment of Assets	10	-	(48,553,959)
Professional Fees for lodgement of R&D Return		-	(148,498)
Other Expenses		(30,966)	(49,144)
Interest Expense		(2,357,766)	(2,180,435)
<b>Profit/(Loss) before income tax</b>		(2,699,746)	(50,521,741)
<b>Income tax (expense)/benefit</b>	5	-	-
<b>Net profit/(loss) attributable to members of the group</b>		(2,699,746)	(50,521,741)
<b>Other comprehensive income</b>		-	-
<b>Other comprehensive income for the year, net of tax</b>		-	-
<b>Total Comprehensive income/(loss) for the year attributable to the members of the consolidated group</b>		(2,699,746)	(50,521,741)
<b>Basic earnings/(loss) per share (cents per share) for profit/(loss) attributable to ordinary equity holders of the Company</b>	6	(0.76)	(14.17)
<b>Diluted earnings/(loss) per share (cents per share) for profit/(loss) attributable to ordinary equity holders of the Company</b>	6	(0.76)	(14.17)

The accompanying notes form part of these consolidated financial accounts

# Consolidated Statement of Financial Position

As at 30 June 2017

	Notes	2017 \$	2016 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	7	305,351	793,011
Trade and other receivables	8	5,392	7,713
<b>TOTAL CURRENT ASSETS</b>		<b>310,743</b>	<b>800,724</b>
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	9	7,819	12,284
Exploration, evaluation and development expenditure	10	24,430,333	24,206,391
<b>TOTAL NON-CURRENT ASSETS</b>		<b>24,438,152</b>	<b>24,218,675</b>
<b>TOTAL ASSETS</b>		<b>24,748,895</b>	<b>25,019,399</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	11	32,767	44,278
Provisions	12	(1,752)	1,460
<b>TOTAL CURRENT LIABILITIES</b>		<b>31,015</b>	<b>45,738</b>
<b>NON CURRENT LIABILITIES</b>			
Provisions	12	7,214	6,455
Borrowings	13	25,704,213	23,261,007
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>25,711,427</b>	<b>23,267,462</b>
<b>TOTAL LIABILITIES</b>		<b>25,742,442</b>	<b>23,313,200</b>
<b>NET ASSETS</b>		<b>(993,547)</b>	<b>1,706,199</b>
<b>EQUITY</b>			
Issued capital	14	59,912,357	59,912,357
Accumulated losses		(60,905,904)	(58,206,158)
<b>TOTAL EQUITY</b>		<b>(993,547)</b>	<b>1,706,199</b>

The accompanying notes form part of these consolidated financial accounts



# Consolidated Statement of Changes in Equity

For the year ended 30 June 2017

	<b>Issued Capital</b>	<b>Accumulated Losses</b>	<b>Total Equity</b>
	\$	\$	\$
Balance as at 1 July 2015	59,912,357	(7,684,417)	52,227,940
Total comprehensive income/(loss) for the year	-	(50,521,741)	(50,521,741)
Contribution of Equity net of transaction costs	-	-	-
Balance at 30 June 2016	59,912,357	(58,206,158)	1,706,199
Balance as at 1 July 2016	59,912,357	(58,206,158)	1,706,199
Total comprehensive income/(loss) for the year	-	(2,699,746)	(2,699,746)
Contribution of Equity net of transaction costs	-	-	-
Balance at 30 June 2017	59,912,357	(60,905,904)	(993,547)

The accompanying notes form part of these consolidated financial accounts

# Consolidated Statement of Cash Flows

For the year ended 30 June 2017

	Notes	2017 \$	2016 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Interest and Income received		8,629	37,994
Interest Paid		(214,560)	(198,321)
R&D relief received		-	678,560
Payments to suppliers & other expenses		(351,099)	(208,432)
Payments for exploration, evaluation and development		(230,630)	(598,718)
<b>Net Cash Outflows from Operating Activities</b>	18(b)	<b>(787,660)</b>	<b>(288,917)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net Proceeds from sale of Motor Vehicles		-	64,630
<b>Net Cash Outflows from Investing Activities</b>		<b>-</b>	<b>64,630</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net Proceeds from borrowings		300,000	500,000
<b>Net Cash Inflows from Financing Activities</b>		<b>300,000</b>	<b>500,000</b>
Net Increase/(Decrease) in cash and cash equivalents		(487,660)	275,713
Cash and cash equivalents at 1 July		793,011	517,298
<b>Cash and cash equivalents at 30 June</b>	18(a)	<b>305,351</b>	<b>793,011</b>

The accompanying notes form part of these consolidated financial accounts

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

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## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This consolidated financial report includes the financial statements and notes of East Energy Resources Limited and its controlled entities (the “consolidated group” or “group”). These principal accounting policies have been consistently applied to all years presented, unless otherwise stated.

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.

### 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). East Energy Resources Limited is a for-profit entity for the purposes of preparing the financial statements.

The financial report was authorised for issue in accordance with a resolution of the Directors on 24 November 2017.

### b. Comparatives

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

### c. Principles of consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent, East Energy Resources Ltd and all of the subsidiaries (including any structured entities). Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

A list of controlled entities is contained in Note 19 to the financial statements.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the consolidated group have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

### d. Asset Acquisition

The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred also include the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in an asset acquisition are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

# Notes to the Consolidated Financial Statements - continued

For the year ended 30 June 2017

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as deferred exploration expenditure. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired, and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the group's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

### e. 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 Statement of Profit or Loss and Other Comprehensive Income 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 group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

### Tax consolidation

East Energy Resources Ltd and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation legislation. Each entity in the Group recognises its own current and deferred tax liabilities, except for any deferred tax liabilities resulting from unused tax losses and tax credits, which are immediately assumed by the parent entity. The group notified the Australian Tax Office that it had formed an income tax consolidated group to apply from 10 May 2013. The tax consolidated group has entered a tax sharing agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

# Notes to the Consolidated Financial Statements - continued

For the year ended 30 June 2017

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

### f. Going Concern

The financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Group produced a net loss after tax for the year of \$2,699,746 with net cash outflow of \$487,660. As at 30 June 2017, the Company had a working capital surplus of \$279,728.

The ability of the Company to continue as a going concern is principally dependent upon the ability of the Company to secure funds by raising capital and managing cashflow in line with available funds.

During May 2013, East Energy Resources Limited entered into a loan facility agreement with the Noble Group, whereby the Noble Group will provide up to \$7.5 million in funding for working capital and exploration expenses for a period of up to 5 years, with a staggered drawdown. Since entering into the agreement, East Energy has drawn a total of \$6.45m (including the latest drawing made 24 November 2017). East Energy therefore has access to the remaining amount of \$1.05m over the next 8 months to cover operational and exploration expenses.

Originally the facility had a five year term which expires on 10 May 2018. At the end of the 5 year term, East Energy can extend the facility for a further 6 months ("extension period") which will provide an expiry date of 10 November 2018. Should East Energy not have paid out the funds owing under this facility at this time, Noble Ltd has the option to make application during this extension period to convert the funds owing under this facility into ordinary shares.

The Company signed a Terms Sheet on 31 October 2017 whereby the Company and Noble have agreed to amend the Facility Agreement to bring forward the date from which Noble's rights of conversion shall be exercisable and include in the Company's Annual General Meeting, resolutions to approve the issue of shares to Noble upon the exercise of Noble's option to convert its debt into equity under the Facility Agreement.

### g. 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.

### h. 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 consolidated group, 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.

# Notes to the Consolidated Financial Statements - continued

For the year ended 30 June 2017

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

### h. Leases - continued

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.

### i. 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.

#### *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 assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

### j. 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 Profit or Loss and Other 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.

# Notes to the Consolidated Financial Statements - continued

For the year ended 30 June 2017

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

### k. 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.

### l. 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.

### m. Revenue

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

### n. 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.

### o. 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.

### p. Share-based Payment Transactions

The fair value of options granted by East Energy Resources Limited 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.



# Notes to the Consolidated Financial Statements - continued

For the year ended 30 June 2017

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

### q. 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. The current depreciation rates are as follows:

Motor Vehicles	25%
Office Equipment	10% – 25%
Computer Equipment	20% – 33.33%
Plant and Equipment	13.33% - 25%

### r. Trade and Other Payables

Trade payables and other payables are carried at cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group 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.

### s. 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.

### t. Issued Capital

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

### u. 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.

### v. 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.

# Notes to the Consolidated Financial Statements - continued

For the year ended 30 June 2017

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

### w. Critical Accounting Estimates And Judgements

In preparing this Financial Report the Group 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.

### x. Significant Accounting Judgements

In the process of applying the Group'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 Group 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 Group 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.

### y. 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 Group 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 group key management personnel in office at any time during the financial year are:

Mark Basso-Brusa	Managing Director and Chairman
Rex Littlewood	Non-Executive Director
Ranko Matic	Non-Executive Director and Company Secretary
Chris Thoroughgood	Alternate Non-Executive Director, resigned 6 December 2017

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

# Notes to the Consolidated Financial Statements - continued

For the year ended 30 June 2017

## NOTE 2. KEY MANAGEMENT PERSONNEL COMPENSATION - continued

### b. Key management personnel compensation

	2017	2016
	\$	\$
Short-term employee benefits	237,400	237,400
Post-employment benefits	-	-
Long-term benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
	<u>237,400</u>	<u>237,400</u>

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

There are no options held by Key Management Personnel over the last two financial years.

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

Key Management Person	Balance 1.7.2016	Received as Compensation	Options Exercised	Net Change Other	Balance 30.6.2017	Balance Nominally Held
Mark Basso-Brusa	163,526,982	-	-	-	163,526,982	163,526,982
Rex Littlewood	-	-	-	-	-	-
Ranko Matic	220,000	-	-	-	220,000	220,000
Chris Thoroughgood	-	-	-	-	-	-
	<u>163,746,982</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>163,746,982</u>	<u>163,746,982</u>

Key Management Person	Balance 1.7.2015	Received as Compensation	Options Exercised	Net Change Other	Balance 30.6.2016	Balance Nominally Held
Mark Basso-Brusa	163,526,982	-	-	-	163,526,982	163,526,982
Rex Littlewood	-	-	-	-	-	-
Ranko Matic	220,000	-	-	-	220,000	220,000
Chris Thoroughgood	-	-	-	-	-	-
Peter Tighe	-	-	-	-	-	-
	<u>163,746,982</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>163,746,982</u>	<u>163,746,982</u>

### e. Other transactions with key management personnel

Ranko Matic is a director and shareholder of Bentleys Corporate Advisory Pty Ltd (Bentleys) which provides directorship, corporate secretarial and accounting services performed as disclosed in the Remuneration Report.

	Consolidated	
	2017	2016
	\$	\$
Directorship, Company Secretarial and Accounting Services	54,000	54,000
Outstanding balance at year end	-	-

## NOTE 3. AUDITORS' REMUNERATION

Remuneration of the auditor for:

- Auditing or reviewing the financial report	21,000	21,000
	<u>21,000</u>	<u>21,000</u>

## NOTE 4. REVENUE

Interest Received	8,629	37,994
Profit on sale of motor vehicles	-	61,130
	<u>8,629</u>	<u>99,124</u>

# Notes to the Consolidated Financial Statements - continued

For the year ended 30 June 2017

## NOTE 5. INCOME TAX

### (a) Income tax expense

Current tax

Deferred tax

## Consolidated

2017

2016

\$

\$

-

-

-

-

Deferred income tax expense included in income tax expense comprises:

- (Increase) in deferred tax assets

3,818,631 (4,099,672)

- Increase in deferred tax liabilities

(3,818,631) 4,099,672

-

-

### (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:

Profit/(Loss) before income tax

(2,699,746) (50,521,741)

Prima facie tax on operating profit/(loss) at 30%

(742,430) (15,156,522)

Add / (Less)

Tax effect of exploration expenditure

(62,982) (64,573)

Tax effect of other

2,164 (1,587)

Tax effect of non-assessable income

- (203,568)

Tax effect of movement in unrecognised temporary differences

- 14,463,288

Tax effect of deferred tax asset not brought to account

803,248 962,963

Deferred tax asset not brought to account

- -

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) Deferred tax assets

Tax Losses

17,818,540 19,426,221

Other

96,689 117,906

17,915,229 19,544,126

Set-off deferred tax liabilities

(3,818,631) (4,099,672)

Net deferred tax assets

14,096,598 15,444,455

Less deferred tax assets not recognised

(14,096,598) (15,444,455)

Net Tax assets

- -

### (d) Deferred tax liabilities

Exploration expenditure

3,818,143 4,099,672

Other

488 -

3,818,631 4,099,672

Set-off deferred tax assets

(3,818,631) (4,099,672)

Net deferred tax liabilities

- -

### (e) Tax losses

Unused tax losses for which no deferred tax asset has been recognised

67,674,971 64,754,069

Potential deferred tax assets attributable to tax losses and exploration expenditure carried forward have not been brought to account at 30 June 2017 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 Group 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 Group continues to comply with conditions for deductibility imposed by law; and
- no changes in tax legislation adversely affect the Group in realising the benefit from the deductions for the loss and exploration expenditure.

# Notes to the Consolidated Financial Statements - continued

For the year ended 30 June 2017

	Consolidated	
	2017	2016
	\$	\$
<b>NOTE 6. EARNINGS PER SHARE</b>		
(a) Earnings/(loss) used to calculate basic and diluted EPS	(2,699,746)	(50,521,741)
	<b>Number of Shares</b>	<b>Number of Shares</b>
(b) Number of ordinary shares outstanding at the end of the year used in calculating basic EPS	356,480,930	356,480,930
Weighted average number of ordinary shares outstanding during the year used in calculating diluted EPS	356,480,930	356,480,930
	<b>Cents</b>	<b>Cents</b>
(c) Earnings/(loss) per share – basic	(0.76)	(14.17)
Earnings/(loss) per share – diluted	(0.76)	(14.17)

## NOTE 7. CASH AND CASH EQUIVALENTS

Cash at Bank	305,351	793,011
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Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates

## NOTE 8. TRADE AND OTHER RECEIVABLES

Other Receivables	5,392	7,713
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### (a) Other receivables

These transactions generally arise from transactions outside the usual operating activities of the group. 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 2017 there were no receivables past due not impaired.

### (c) Ageing of impaired trade receivables

As at 30 June 2017 there were no receivables impaired.

## NOTE 9. PROPERTY, PLANT & EQUIPMENT

Plant and equipment – at cost	32,708	32,708
Accumulated depreciation	(26,389)	(24,653)
	6,319	8,055
Office equipment – at cost	122,489	122,489
Accumulated depreciation	(120,989)	(118,260)
	1,500	4,229
Total property, plant and equipment	7,819	12,284

# Notes to the Consolidated Financial Statements - continued

For the year ended 30 June 2017

## 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

	Plant and equipment \$	Office equipment \$	Motor Vehicle \$	Total \$
Opening balance at 1 July 2015	19,274	7,014	3,500	29,788
Additions	(8,969)	-	(3,500)	(12,469)
Depreciation expense	(2,250)	(2,785)	-	(5,035)
Balance at 30 June 2016	8,055	4,229	-	12,284
	\$	\$	\$	\$
Opening balance at 1 July 2016	8,055	4,229	-	12,284
Disposals	-	-	-	-
Depreciation expense	(1,736)	(2,729)	-	(4,465)
Balance at 30 June 2017	6,319	1,500	-	7,819

## NOTE 10. EXPLORATION EXPENDITURE

	Consolidated	
	2017 \$	2016 \$
Carrying amount at the beginning of the period	24,206,391	72,844,963
Deferred exploration expenditure incurred during the period	223,942	215,244
Reversal of Rehabilitation Provision	-	(299,857)
Impairment of tenement	-	(48,553,959)
Carrying Value at 30 June	24,430,333	24,206,391

The Group has included \$1,736 (2016: \$2,250) of depreciation of property, plant and equipment in exploration expenditure for the period.

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

- continuance of the economic entity rights to tenure of the areas of interest;
- results of future exploration; and
- 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.

## NOTE 11. TRADE AND OTHER PAYABLES

	Consolidated	
	2017 \$	2016 \$
Trade payables	4,583	6,415
Other payables	28,184	37,863
	32,767	44,278

# Notes to the Consolidated Financial Statements - continued

For the year ended 30 June 2017

	Consolidated	
	2017	2016
	\$	\$
<b>NOTE 12. PROVISIONS</b>		
Provision for annual leave	(1,752)	1,460
	(1,752)	1,460
<b>Non-Current</b>		
Provision for long service leave	7,214	6,455
	7,214	6,455

## NOTE 13. NON-CURRENT LIABILITIES

### Borrowings

In May 2013, East Energy Resources entered into a Loan Facility Agreement with Noble Group Ltd. This facility provides for funding of up to \$7.5m to cover working capital, plus the repayment of the loan between Idalia Coal and East Energy Resources Limited and the loan between the Noble Group Ltd and Idalia Coal Pty Ltd.

This facility is for a period of up to 5 years, with staggered drawdowns, as required. At the date of this report East Energy had drawn a total of \$6,450,000 of the \$7,500,000 working capital limit.

The facility is provided on normal commercial terms, with the applicable interest rate being Bank Bill Swap Reference Rate (BBSW) 6 month rate, plus a margin of 7.0%. The interest on this facility can be capitalised, at the request of East Energy Resources Ltd.

At the end of the 5 year term, East Energy can extend the facility for a further 6 months ("extension period"). Should East Energy not have paid out the funds owing under this facility at this time, Noble Ltd has the option to make application during this extension period to convert the funds owing under this facility into ordinary shares. The facility also becomes payable should a change of control event occur in relation to the Borrower.

The Company signed a Terms Sheet on 31 October 2017 whereby the Company and Noble have agreed to amend the Facility Agreement to bring forward the date from which Noble's rights of conversion shall be exercisable and include in the Company's Annual General Meeting, resolutions to approve the issue of shares to Noble upon the exercise of Noble's option to convert its debt into equity under the Facility Agreement.

	2017	2016
	\$	\$
Total Loan Drawings	18,150,773	17,850,773
Capitalised Interest	7,553,440	5,410,234
Total Outstanding	25,704,213	23,261,007

## NOTE 14. ISSUED CAPITAL

	2017 Number	Consolidated		2016 \$
		2016 Number	2017 \$	
<b>(a) Share capital</b>				
<b>Ordinary shares</b>				
Fully paid	(b) 356,480,930	356,480,930	59,912,357	59,912,357
<b>Total Issued Capital</b>		356,480,930	59,912,357	59,912,357
<b>(b) Movements in Ordinary Shares</b>				
<b>Details</b>	<b>Number of Shares</b>	<b>Number of Shares</b>	<b>Issue price \$</b>	<b>\$</b>
Shares at the beginning of the reporting period	356,480,930	356,480,930	59,912,357	59,912,357
Less: Transaction costs	-	-	-	-
Balance at end of year	356,480,930	356,480,930	59,912,357	59,912,357



# Notes to the Consolidated Financial Statements - continued

For the year ended 30 June 2017

## NOTE 14. ISSUED CAPITAL - continued

### (c) Capital Risk Management

The Group'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 Group's activities, being mineral exploration, the Group has ready access to a credit facility from the Noble Group Ltd as detailed in note 13. Further sources of funding are equity raisings. However the Group maintains focus on the Group's current working capital position against the requirements of the Group to meet exploration programmes and corporate overheads. The Group's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to utilising the Noble Facility carefully and considering appropriate capital raisings if required. The working capital position of the Group at 30 June is as follows:

	2017 \$	2016 \$
Cash and cash equivalents	305,351	793,011
Trade and other receivables	5,392	7,713
Trade and other payables	(31,015)	(44,278)
Working capital surplus	279,728	756,446

## NOTE 15. RELATED PARTY TRANSACTIONS

### (a) Parent Entity

The parent entity within the Group is East Energy Resources Ltd.

### (b) Subsidiaries.

Interests in subsidiaries are set out in Note 19.

### (c) Key management personnel

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

### (d) Transactions with related parties

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

## NOTE 16. COMMITMENTS

### Tenement Expenditure Commitments.

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

	Consolidated	
	2017 \$	2016 \$
Payable:		
– not later than 12 months	42,500	52,500
– between 12 months and 5 years	20,000	62,500
– greater than 5 years	-	-
	62,500	115,000

## NOTE 17. DIVIDENDS

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

# Notes to the Consolidated Financial Statements - continued

For the year ended 30 June 2017

	Consolidated	
	2017	2016
	\$	\$
<b>NOTE 18. CASH FLOW INFORMATION</b>		
(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	305,351	793,011
(b) Reconciliation of Cash Flow from Operations with Operating Profit/(Loss) after Income Tax		
Operating profit/(loss) after income tax	(2,699,746)	(50,521,741)
- Movement in provisions	(2,453)	(352,456)
- Depreciation and amortisation	4,465	5,035
- Impairment of assets	-	48,562,928
- Interest Accrued	2,143,206	1,982,114
Changes in assets and liabilities:		
- (Increase)/decrease in receivables	2,320	2,559
- (Increase)/decrease in other assets	(223,942)	23,483
- Increase/(decrease) in trade and other payables	(11,511)	9,161
Net Cash Flow from/(used in) Operating Activities	(787,660)	(288,917)

## NOTE 19. CONTROLLED ENTITIES

### Ultimate Parent Entity:

East Energy Resources Ltd

Subsidiary	Country of	Class of shares	Ownership interest	
			2017	2016
Idalia Coal Pty Ltd	Australia	Ordinary	100%	100%

## NOTE 20. PARENT ENTITY DISCLOSURES

### (a) Financial Position

#### Assets

	2017	2016
	\$	\$
Current Assets	310,743	800,724
Non-Current Assets	21,939,490	21,838,905
<b>Total Assets</b>	<b>22,250,233</b>	<b>22,639,629</b>

#### Liabilities

	2017	2016
Current Liabilities	31,015	45,738
Non-Current Liabilities	25,711,427	23,267,462
<b>Total Liabilities</b>	<b>25,742,442</b>	<b>23,313,200</b>

#### Equity

	2017	2016
Contributed Equity	59,912,357	59,912,357
Retained (Losses)	(63,404,566)	(60,585,928)
<b>Total Equity</b>	<b>(3,492,209)</b>	<b>(673,571)</b>

### (b) Financial Performance

	2017	2016
Profit/(Loss) for the year	(2,699,746)	(2,554,763)
<b>Total Comprehensive (Loss)</b>	<b>(2,699,746)</b>	<b>(2,544,763)</b>

### (c) Contingent Liabilities of the Parent Entity

There are no such contingencies.

# Notes to the Consolidated Financial Statements - continued

For the year ended 30 June 2017

## NOTE 20. PARENT ENTITY DISCLOSURES

### (d) Commitments of the Parent Entity

	2017	2016
Not longer than 1 year	15,000	15,000
Longer than 1 year and not longer than 5 years	10,000	25,000
Longer than 5 years	-	-
<b>Total</b>	<b>25,000</b>	<b>40,000</b>

## NOTE 21. EVENTS AFTER THE REPORTING PERIOD

The Company and the Noble Group Ltd (Noble), (the Company's financier and a major shareholder at 40.93%), have been in discussions to restructure the terms of the existing Facility Agreement. On 31 October 2017 the Company signed a Terms Sheet where Noble agreed to provide an advance of \$500,000 to the Company under the Facility Agreement to pay costs and expenses of the Company incurred or which were to be incurred in the future. In exchange for the immediate funding the Company agreed to amend the current Facility Agreement to bring forward the date upon and from which Noble's rights of conversion shall be exercisable and to include at the Company's Annual General Meeting shareholder resolutions to approve the issue of shares in the Company to Noble upon the exercise of Noble's option to convert its debt into equity in the Company under the Facility Agreement and any other matters which are required to be put to shareholders in connection with the proposed restructure. Following the exercise by Noble of its rights to convert under the facility, the incumbent officers of the Company and its subsidiaries will resign from their respective offices and Noble shall be entitled to appoint 3 officers to fill each office which is so vacated.

The drawing referred to above of \$500,000 was received by the Company on 24 November 2017.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

## NOTE 22. FINANCIAL RISK MANAGEMENT

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

The Group's activities expose it to a variety of financial risks, including, credit risk, liquidity risk and cash flow interest rate risk. The Group 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 Group'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			
	2017 \$	2017 \$	2017 \$	2017 \$	2017 \$	2017 %
Financial Assets						
Cash	305,351	-	-		305,351	1.98%
Trade and other receivables	-	-	-	5,392	5,392	
Total Financial Assets	305,351	305,351	-	5,392	310,743	1.98%
Financial Liabilities						
Trade and other payables	25,704,213	-	-	32,767	25,736,980	9.97%
Total Financial Liabilities	25,704,213	-	-	32,767	25,736,980	9.97%

# Notes to the Consolidated Financial Statements - continued

For the year ended 30 June 2017

## NOTE 22. FINANCIAL RISK MANAGEMENT - continued

	Floating Interest Rate	Fixed Interest Rate		Non Interest Bearing	Total	Weight Effective Interest Rate
		1 Year or Less	1 to 5 Years			
	2016 \$	2016 \$	2016 \$	2016 \$	2016 \$	2016 %
Financial Assets						
Cash	183,011	610,000	-		793,011	5.66%
Trade and other receivables	-	-	-	7,713	7,713	
Total Financial Assets	183,011	610,000	-	7,713	800,724	5.66%
Financial Liabilities						
Trade and other payables	23,261,007	-	-	44,278	23,305,285	10.19%
Total Financial Liabilities	23,261,007	-	-	44,278	23,305,285	10.19%

The Group 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 Group does not have any receivables or payables that may be affected by interest rate risk.

### Sensitivity analysis

At 30 June 2017, 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 \$240,767 (2016: \$220,789) lower/higher as a result of lower/higher interest income from cash and cash equivalents and lower/higher interest expense applicable to loans. Management have deemed a movement of 100 basis points to be an appropriate measure for this sensitivity analysis.

### (b) Credit risk

The Group 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 Group. 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:-

	Consolidated	
	2017 \$	2016 \$
<b>Financial assets - counterparties without external credit rating</b>		
Financial assets with no defaults in the past	5,392	7,713
<b>Cash and cash equivalents</b>		
'AA-' S&P rating	305,351	793,011
	316,099	800,724

### (c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash balances and access to equity funding. The Group'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 Group 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 Group had sufficient cash reserves to meet its requirements. The Group has access to a credit facility from the Noble Group as detailed in Note 13.

The financial liabilities the Group 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. The other financial liability is the facility from the Noble Group as detailed in Note 13.

# Notes to the Consolidated Financial Statements - continued

For the year ended 30 June 2017

## NOTE 22: FINANCIAL RISK MANAGEMENT - continued

### *Maturities of financial liabilities*

The table below analyses the Group'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 6 months	6-12 months	1-2 years	2-5 years	Over 5 years	Total contractual cash flows	Carrying amount (assets)/ liabilities
	\$	\$	\$	\$	\$	\$	\$
<b>As at 30 June 2017</b>							
Trade and other payables	32,767	25,704,213	-	-	-	25,736,980	25,736,980
<b>As at 30 June 2016</b>							
Trade and other payables	44,278	-	23,261,007	-	-	23,305,285	23,305,285

### (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 Group 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 Group 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.

The carrying value of borrowings are assumed to be their fair value as the value is periodically confirmed with the borrower as to the amount outstanding and interest accruing. The borrowings at reporting date are recorded at amounts approximating their carrying amount.

## NOTE 23. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. The Group does not have any operating segments with discrete financial information. The Group does not have any customers at this stage, and all the Group's assets and liabilities are located within Australia. The Board of Directors review internal management reports that are consistent with the information provided in the statement of profit or loss and other comprehensive income, statement of financial position and statement of cash flows. As a result no reconciliation is required because the information as presented is what is used by the Board to make strategic decisions.

## NOTE 24. GROUP DETAILS

The registered office and principal place of business of the Group is:  
Level 3/216 St Georges Terrace  
PERTH WA 6000

## NOTE 25. CONTINGENT ASSETS AND LIABILITIES

There are no contingent assets or liabilities.

# Notes to the Consolidated Financial Statements - continued

For the year ended 30 June 2017

## NOTE 26. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

### ***New, revised or amending Accounting Standards and Interpretations adopted***

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current year.

AASB 2014-4: Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation – only clarifies that revenue-based methods are prohibited, which are not followed by the entity;

AASB 2015-1: Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle – mostly editorial amendments and, in the absence of a deep market in corporate bonds, allowance (only for post-employment benefits) of a discount rate on government bonds; and

The adoption of the above standards have not had a material impact on the financial report.

### ***New Accounting Standards and Interpretations not yet mandatory or early adopted***

Accounting Standards issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

AASB 9 : Financial Instruments and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018).

The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

The key changes that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of the Standard, the application of such accounting would be largely prospective.

Although the directors anticipate that the adoption of AASB 9 may have an impact on the Group's financial instruments no such assessment has been made at this point.

AASB 15 : Revenue from Contracts with Customers (applicable to annual reporting periods beginning on or after 1 January 2018, as deferred by AASB 2015-8 : Amendments to Australian Accounting Standards – Effective Date of AASB 15 ).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Apart from a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

The transitional provisions of this Standard permit an entity to either: restate the contracts that existed in each prior period presented per AASB 108 : Accounting Policies, Changes in Accounting Estimates and Errors (subject to certain practical expedients in AASB 15 ); or recognise the cumulative effect of retrospective application to incomplete contracts on the date of initial application. There are also enhanced disclosure requirements regarding revenue.

Given the Group does not currently generate revenue and it is not anticipated to do so in the near future the adoption of this standard is unlikely to have a material impact.

# Notes to the Consolidated Financial Statements - continued

For the year ended 30 June 2017

## NOTE 26. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS - continued

### AASB 16 : Leases (applicable to annual reporting periods beginning on or after 1 January 2019).15

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117 : Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard are as follows:

- recognition of a right-of-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-of-use assets in line with AASB 116 : Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;
- inclusion of variable lease payments that depend on an index or a rate in the initial measurement of the lease liability using the index or rate at the commencement date;
- application of a practical expedient to permit a lessee to elect not to separate non-lease components and instead account for all components as a lease; and
- inclusion of additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

Although the directors anticipate that the adoption of AASB 16 will impact the Group's financial statements no such assessment at this stage has been made.



# Directors' Declaration

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The Directors of the Group declare that:

1. the financial statements and notes 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 Group's financial position at 30 June 2017 and of its performance for the year ended on that date; and
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 Group 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 Group will be able to pay its debts as and when they become due and payable.
4. The Group 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.



**MARK BASSO-BRUSA**  
Managing Director

DATED at PERTH this 27<sup>th</sup> day of November 2017

Regency Audit Pty Ltd

ABN 85 165 181 822

PO Box 2138 SUBIACO WA 6904

Suite 1 GF, 437 Roberts Road  
SUBIACO WA 6008

Phone: 6380 2555 Fax: 9381 1122  
[www.regencypartners.com.au](http://www.regencypartners.com.au)

## **Independent Auditor's Report**

### **To the Members of East Energy Resources Limited**

#### **Report on the Audit of the Financial Report**

##### **Opinion**

We have audited the accompanying financial report of East Energy Resources Limited ("the Company") and Controlled Entities ("the Consolidated Entity"), which comprises the consolidated statement of financial position as at 30 June 2017, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion:

- a. the accompanying financial report of the Consolidated Entity is in accordance with the Corporations Act 2001, including:
  - i. giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2017 and of its financial performance for the year then ended; and
  - ii. complying with Australian Accounting Standards and the Corporations Regulations 2001;
- b. The financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

##### **Material Uncertainty Regarding Continuation as a Going Concern**

Without modifying our opinion above, we draw attention to Note 1(f) to the annual report, which indicates that the Consolidated Entity incurred a net loss of \$2,699,746 and as of that date, the Company had net cash outflows of \$487,660. These conditions, along with other matters as set forth in Note 1(f) and Note 13 in relation to the terms of the Noble facility, indicate the existence of a material uncertainty that may cast significant doubt about the ability of the Company to continue as a going concern and whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

##### **Basis for Opinion**

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. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Consolidated Entity in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

## Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p><b>Exploration and Evaluation Expenditure – \$24,430,333</b> (Refer to Note 10)</p> <p>Exploration and evaluation is a key audit matter due to:</p> <ul style="list-style-type: none"> <li>• The significance of the balance to the Consolidated Entity's consolidated financial position.</li> <li>• The level of judgement required in evaluating management's application of the requirements of AASB 6 <i>Exploration for and Evaluation of Mineral Resources</i>. AASB 6 is an industry specific accounting standard requiring the application of significant judgements, estimates and industry knowledge. This includes specific requirements for expenditure to be capitalised as an asset and subsequent requirements which must be complied with for capitalised expenditure to continue to be carried as an asset.</li> <li>• The assessment of impairment of exploration and evaluation expenditure being inherently difficult.</li> </ul>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• Assessing management's determination of its areas of interest for consistency with the definition in AASB 6. This involved analysing the tenements in which the consolidated entity holds an interest and the exploration programmes planned for those tenements.</li> <li>• For each area of interest, we assessed the Consolidated Entity's rights to tenure by corroborating to government registries and evaluating agreements in place with other parties as applicable;</li> <li>• We tested the additions to capitalised expenditure for the year by evaluating a sample of recorded expenditure for consistency to underlying records, the capitalisation requirements of the Consolidated Entity's accounting policy and the requirements of AASB 6;</li> <li>• We considered the activities in each area of interest to date and assessed the planned future activities for each area of interest by evaluating budgets for each area of interest.</li> <li>• We assessed each area of interest for one or more of the following circumstances that may indicate impairment of the capitalised expenditure: <ul style="list-style-type: none"> <li>• the licenses for the right to explore expiring in the near future or are not expected to be</li> </ul> </li> </ul>

renewed;

- substantive expenditure for further exploration in the specific area is neither budgeted or planned
  - decision or intent by the Consolidated Entity to discontinue activities in the specific area of interest due to lack of commercially viable quantities of resources; and
  - data indicating that, although a development in the specific area is likely to proceed, the carrying amount of the exploration asset is unlikely to be recovered in full from successful development or sale.
- We assessed the appropriateness of the related disclosures in note 10 to the financial statements.

### **Other Information**

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **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 gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state in accordance with Australian Accounting Standard *AASB 101 Presentation of Financial Statements*, that the financial report complies with International Financial Reporting Standards.

In preparing the financial report, the directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

## **Auditor's Responsibilities for the Audit of the Financial Report**

Our responsibility is to express an opinion on the financial report based on our audit. Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Consolidated Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Consolidated Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Consolidated Entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Consolidated Entity's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## **Report on the Remuneration Report**

### **Opinion on the Remuneration Report**

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of the Company, for the year ended 30 June 2017, complies with section 300A of the Corporations Act 2001.

### **Responsibilities**

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with s 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.



**REGENCY AUDIT PTY LTD**



**CHRIS WATTS CA**  
**Director**

DATED at PERTH this 27<sup>th</sup> day of November 2017

# 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 17 November 2017 are:

	<b>Number</b>
1. Majicyl Pty Ltd <Basso Investment A/c>	163,526,982
2. Maylion Pty Ltd	145,913,453

## Distribution Of Shareholders (as at 17 November 2017)

<b>SPREAD OF HOLDINGS</b>	<b>NUMBER OF HOLDERS</b>	<b>UNITS</b>	<b>% OF ISSUED CAPITAL</b>
1 – 1,000	38	6,981	0.01%
1,001 – 5,000	122	354,384	0.10%
5,001 – 10,000	104	898,202	0.25%
10,001 – 100,000	304	11,767,674	3.30%
100,001 – over	91	343,453,689	96.34%
	<b>659</b>	<b>356,480,930</b>	<b>100.000%</b>

There were 478 shareholders holding less than a marketable parcel at 17 November 2017. The percentage of shares held by 20 largest shareholders is 92.24%. There is no current on-market buy back taking place.

## Distribution of Listed Option holders

There are currently no listed options.

## Unlisted Options

There are currently no unlisted options.



## Shareholder Information - continued

### TWENTY LARGEST SHAREHOLDERS (as at 17 November 2017)

NAME	NUMBER OF ORDINARY SHARES HELD	PERCENTAGE OF CAPITAL HELD
Majicyl Pty Ltd <Basso Investment A/C>	163,526,982	45.87%
Maylion Pty Ltd	145,913,453	40.93%
Altius Investment Holdings	2,897,892	0.81%
Benison Holdings Pty Ltd	2,225,994	0.62%
Diverse Industry Financial Services Pty Ltd	1,650,000	0.46%
DBS Vickers Securities (Singapore) Pte Ltd <Client Account>	1,403,000	0.39%
Mr Steven David Bland	1,385,808	0.39%
S & CJ Pty Ltd <Falcon Gold Super Fund A/C>	1,350,000	0.38%
Mr Wafa Muhammad Iqbal	1,200,000	0.34%
JP Morgan Nominees Australia	1,060,000	0.30%
Siska Drilling Pty Ltd <Siska Drilling P/L S/F A/C>	1,000,000	0.28%
Mr Andrew Michael Pratt & Mr Andrew David Argyle	1,000,000	0.28%
Mr Ernest Feldman	822,000	0.23%
Mario Ambrosino	815,010	0.23%
Janafield Pty Ltd <Superannuation Fund A/C>	800,000	0.22%
Dr Peter Poon	795,000	0.22%
Ms Kim Claudette Parry	568,000	0.16%
Mr Hing Thoong Ching	500,000	0.14%
Sebastian Corporation Pty Ltd <Rapanaro Super Fund A/C>	497,062	0.14%
Mr Sook Kim Yap & Mrs Kit Yee Yap <Yap Sook Kim & Sons S/F A/C>	475,000	0.13%
Total	<b>328,824,393</b>	<b>92.24%</b>