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East Energy Resources Limited

ABN 66 126 371 828

Interim Financial Report 2009

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Corporate Directory

DIRECTORS

Mark Basso-Brusa (Managing Director)
Ranko Matic (Non-Executive Director)
Malcolm Castle (Non-Executive Director)

COMPANY SECRETARY

Ranko Matic

REGISTERED OFFICE

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PERTH WA 6000

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AUDITORS

BDO Audit (WA) Pty Ltd
38 Station Street
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SHARE REGISTRY

Advanced Share Registry Ltd
150 Stirling Highway
NEDLANDS WA 6009

Directors' Report

Your directors submit the financial accounts of East Energy Resources Limited ("the Company") for the half year ended 31 December 2009.

Directors

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

Mr Mark Basso-Brusa

Mr Clive Triplett (Resigned 27 November 2009)

Mr Ranko Matic

Mr Malcolm Castle

Review of Operations

Principal Activities

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

Results

The net loss of the company after income tax for the half year ended 31st December 2009 amounted to \$624,659 (\$390,859; 2008)

Dividends Paid or Recommended

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

Exploration

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

EPC 1149 Blackall

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

EPC 1066 Capella (formerly known as Norwich Park)

EPC 1066 Capella, consists of 113 sub-blocks or 401 square kilometres, centred on the township of Capella. The tenement was granted on 26 February 2007.

Location and Access

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

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

Geology

The Blackall Project is located in the Mesozoic Eromanga Basin which is contemporaneous with the Surat Basin within the Great Artesian Basin. The Cretaceous Mackunda Formation has been mapped on the eastern boundary of the project area and extends westerly to Carlow homestead. It is covered in part by Quaternary sediments.

The Winton Formation crops out over most of the project area. It is sparsely overlain by Quaternary alluvium along creek beds. The maximum known thickness (incomplete) of the Winton Formation is 305 metres and consists of sandstones, siltstones and claystones with some coal seams.

Strata intersected by drilling belong mainly to the Winton Formation of Lower to Upper Cretaceous age. A total of six coal seams (1 to 6) comprising up to 13 individual coal plies have been identified during exploration of the area. Strata dips are generally to the W and NW at less than 2 degrees. The environment of deposition of the coal in this formation is interpreted to be low energy (Theiss, 1975), and the seams within the coal bearing horizon are characteristically lenticular, multi-split or absent. Interseam sediments consist mainly of fine grained sandstones with some siltstone and mudstone. Carbonaceous traces increase in abundance in the sediments associated with coal. A dark brown to black soil from 1 to 2 m thick overlies most of the area.

In the west and north west of the project area the Winton Formation thickens over the Lorne Depression and the seam horizons are much deeper.

The eastern margin of EPC 1066 Capella, lies adjacent to the coal deposits of the Moranbah-German Creek area which occur on the northwest flank of the Permo-Triassic Bowen Basin. The sedimentary strata in this area were deposited on the Clermont stable block, a stable tectonic environment adjacent to the western cratonic margin of the basin. Structural deformation of the sediments in this area is low and the area is characterized by relatively shallow dips to the east.

The central and western areas of EPC 1066 Capella are predominately covered by Cainozoic alluvium, basalt flows and poorly consolidated sediments. The Retreat Batholith, a granitic complex consisting of acid to intermediate igneous rocks outcrops a few kilometers to the west of Capella and locally forms basement in the area.

Exploration Program July 2009 to December 2009

EPC 1149 Blackall

Exploration drilling completed between June and November 2008 provided a good basis for modeling of the geology and establishing the continuity of coal seams in the southern half of the tenement. SRK Consulting have reported an Inferred Raw Coal Resource of 1,222 Million tonnes (Mt) for the Blackall Coal Deposit and the Company is confident that additional tonnes will be delineated in the northern portion of this tenement, which to date has not been subject to meaningful drilling activity.

SRK Consulting recently completed a geostatistical analysis of the drilling data obtained during the 2008 exploration. They provided East Energy with advice on the optimum drill spacing for future work and this was incorporated into the planning for the current phase of drilling.

The next phase of drilling commenced on 15 October 2009 with the aim of defining an Indicated Resource over the southern half of the lease, in the shallower more economically attractive part of the resource. A total of approximately 180 drill sites are planned for this phase. Thirty core holes were completed up until the end of December, all of which intersected coal. All holes were geologically and geophysically logged.

Coal seam depths and thicknesses in the latest drilling have been found to be generally as predicted from the existing geological model that was produced by SRK using data from the 2008 drilling campaign. Samples from coal seam intersections have been dispatched to ACIRL in Emerald and early coal quality results are in line with those from last year's work.

Initial exploration drilling to investigate the northern half of the tenement will commence in Quarter 1, 2010. It is planned to extract a bulk coal sample during Quarter 1 2010 to allow more thorough metallurgical test work to be carried out. A suitable site for the bulk sample is currently being investigated.

Blackall Project Development Study

Coffey Mining Pty Ltd was commissioned to provide the Company with a high level study into the potential development options for the Blackall Coal Deposit. Their report examined potential mining methods, coal treatment and transport options. They reported that the coal quality appears to be suitable for thermal energy requirements such as in power stations and that the deposit available for open cut mining is large.

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

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

Auditor's Independence Declaration

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is included within this financial report for the period ended 31 December 2009.

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



MARK BASSO-BRUSA
Managing Director

DATED at PERTH this 12th day of March 2010

12 March 2010

Board of Directors
East Energy Resources Limited
Level 7, 16 St Georges Terrace
PERTH WA 6000

Dear Sirs

DECLARATION OF INDEPENDENCE BY PETER TOLL TO THE DIRECTORS OF EAST ENERGY RESOURCES LIMITED

As lead auditor of East Energy Resources Limited for the half-year ended 31 December 2009, I declare that to the best of my knowledge and belief, there have been:

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



Peter Toll
Director



BDO Audit (WA) Pty Ltd
Perth, Western Australia

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Statement of Comprehensive Income

for the half year ended 31 December 2009

	31.12.2009	31.12.2008
	\$	\$
Interest Income	79,359	93,241
Audit Fees	(9,936)	(7,501)
Depreciation	(7,539)	(19,942)
Insurance	(19,033)	(2,850)
Printing & Stationary	(1,180)	(2,414)
Public Relations	(459)	(11,813)
Rent	(23,765)	(35,337)
Share Registry Costs	(2,959)	(11,770)
Directors Salary and Fees	(233,437)	(323,000)
Employee Benefits Expenses	(15,650)	(15,123)
Impairment of Exploration Asset	(330,203)	-
Other expenses	(59,857)	(54,350)
(Loss) before income tax	(624,659)	(390,859)
Income tax expense	-	-
Net (loss) for the period attributable to the members of East Energy Resources Limited	(624,659)	(390,859)
Other comprehensive income	-	-
Total comprehensive income/(loss) for the period	(624,659)	(390,859)
Basic and diluted earnings/(loss) per share (cents per share)	(0.49)	(0.43)

The accompanying notes form part of these financial accounts

Statement of Financial Position

as at 31 December 2009

	31.12.2009	30.06.2009
	\$	\$
CURRENT ASSETS		
Cash and Cash Equivalents	3,251,791	4,432,905
Trade and Other Receivables	117,391	55,685
TOTAL CURRENT ASSETS	3,369,182	4,488,590
NON CURRENT ASSETS		
Property, Plant and Equipment	126,806	139,380
Exploration, Evaluation and Development Expenditure	9,291,692	8,629,506
TOTAL NON-CURRENT ASSETS	9,418,498	8,768,886
TOTAL ASSETS	12,787,680	13,257,476
CURRENT LIABILITIES		
Trade and Other Payables	295,067	140,206
TOTAL CURRENT LIABILITIES	295,067	140,206
TOTAL LIABILITIES	295,067	140,206
NET ASSETS	12,492,613	13,117,270
EQUITY		
Issued Capital	14,412,270	14,412,270
Accumulated Losses	(1,919,657)	(1,294,998)
TOTAL EQUITY	12,492,613	13,117,272

The accompanying notes form part of these financial accounts

Statement of Changes in Equity

for the half year ended 31 December 2009

	Issued Capital	Accumulated Losses	Total Equity
	\$	\$	\$
Balance as at 1 July 2008	10,664,853	(564,222)	10,080,631
Net (loss) for the period	-	(390,859)	(390,859)
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	(390,859)	(390,859)
Transactions with Equity Holders in their capacity as Equity Holders	-	-	-
Balance at 31 December 08	10,644,853	(955,081)	9,689,772
Balance as at 1 July 2009	14,412,270	(1,294,998)	13,117,272
Net (loss) for the period	-	(624,659)	(624,659)
Other Comprehensive income	-	-	-
Total comprehensive income for the period	-	(624,659)	(624,659)
Transactions with Equity Holders in their capacity as Equity Holders	-	-	-
Balance at 31 December 09	14,412,270	(1,919,657)	12,492,613

The accompanying notes form part of these financial accounts

Statement of Cash Flows

for the half year ended 31 December 2009

	31.12.2009 \$	31.12.2008 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received	79,359	93,241
Payments for exploration, evaluation and development	(872,973)	(2,002,877)
Payments to suppliers & other expenses	(381,960)	(485,894)
Net Cash outflows from Operating Activities	(1,175,574)	(2,395,530)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant & equipment	(5,540)	(19,368)
Net Cash outflows from Investing Activities	(5,540)	(19,368)
Net Decrease in cash and cash equivalents	(1,181,114)	(2,414,898)
Cash and cash equivalents at 1 July	4,432,905	3,800,407
Cash and cash equivalents at 31 December	3,251,791	1,385,509

The accompanying notes form part of these financial accounts

Notes to the Financial Statements

for the half year ended 31 December 2009

NOTE 1. BASIS OF PREPARATION OF HALF-YEARLY REPORT

These general purpose financial statements for the interim half-year reporting period ended 31 December 2009 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standards including AASB 134: Interim Financial Reporting. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of the Company. As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Company. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Company for the year ended 30 June 2009, together with any public announcements made during the half-year.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements except for the adoption of the following new and revised Accounting Standards.

Accounting Policies not Previously Applied

The Company has adopted the following new and revised Australian Accounting Standards issued by the AASB which are mandatory to apply to the current interim period. Disclosures required by these Standards that are deemed material have been included in this financial report on the basis that they represent a significant change in information from that previously made available.

Presentation of Financial Statements

AASB 101 prescribes the contents and structure of the financial statements. Changes reflected in this financial report include:

- The replacement of Income Statement with Statement of Comprehensive Income. Items of income and expense not recognised in profit or loss are now disclosed as components of 'other comprehensive income'. In this regard, such items are no longer reflected as equity movements in the Statement of Changes in Equity;
- The adoption of the single statement approach to the presentation of the Statement of Comprehensive Income; and
- Other financial statements are renamed in accordance with the Standard.

Operating Segments

The Company has applied AASB 8: Operating Segments from 1 July 2009. AASB 8 requires a management approach under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are now reported in a manner that is consistent with the internal reporting to the chief operating decision maker ("CODM"), which has been identified by the Company as the Board of Directors.

Notes to the Financial Statements

for the half year ended 31 December 2009

NOTE 2. SEGMENT INFORMATION

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

	Half Year 2009	Half Year 2008
Revenue from external sources	0	0
Reportable segment (loss)	(392,288)	(90,953)
	31 December 2009	30 June 2009
Reportable segment assets	9,391,256	8,629,506

	Half Year 2009	Half Year 2009
Reconciliation of reporting segment profit or loss		
Reportable segment profit/(loss)	(392,288)	(90,953)
Other profit/(loss)	79,359	93,241
Unallocated:		
- Corporate Expenses	(311,730)	(393,147)
Profit before Tax	(624,659)	(390,859)

NOTE 3. EVENTS SUBSEQUENT TO REPORTING DATE

No matters or circumstances have arisen since the end of the reporting period which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial periods.

NOTE 4. CONTINGENT ASSETS AND LIABILITIES

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

NOTE 5. DIVIDENDS

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

NOTE 6. RELATED PARTY TRANSACTIONS

During the period the Company engaged the services of MCPBB Pty Ltd trading as Evolution Exploration as a drilling contractor for both the Capella Tenement (EPC 1066) and Blackall Tenement (EPC1149). Managing Director Mark Basso-Brusa is a director and shareholder (33%) of MCPBB Pty LTD trading as Evolution Exploration. During the period services totalling \$669,151.93 (2008: nil) were provided by Evolution Exploration to East Energy Resources Limited.

Directors' Declaration

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 7 to 12, are in accordance with the Corporations Act 2001:
 - (a) comply with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations; and
 - (b) give a true and fair view of the Company's financial position as at 31 December 2009 and of its performance for the half year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



MARK BASSO-BRUSA
Managing Director

DATED at PERTH this 12th day of March 2010

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

Matters Relating to the Electronic Presentation of the Half-Year Financial Report

This auditor's report relates to the half-year financial report of East Energy Resources Limited for the period ended 31 December 2009 included on East Energy Resources Limited's web site. The disclosing entity's directors are responsible for the integrity of East Energy Resources Limited's web site. We have not been engaged to report on the integrity of East Energy Resources Limited's web site. The auditor's review report refers only to the statements named below. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this half-year report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the reviewed half-year financial report to confirm the information included in the reviewed half-year financial report presented on this web site.

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of East Energy Resources Limited, which comprises the statement of financial position as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the disclosing entity are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the disclosing entity's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of East Energy Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001* would be in the same terms if it had been given to the directors at the time that this auditor's review report was made.

Conclusion

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

- (a) giving a true and fair view of the disclosing entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and Corporations Regulations 2001.

BDO Audit (WA) Pty Ltd

BDO


Peter Toll
Director

Signed in Perth, Western Australia.
Dated this 12th day of March 2010.

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