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East Energy Resources Limited

ABN 66 126 371 828

Interim Financial Report 2008

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Corporate Directory

DIRECTORS

Terence Byrt (Non-Executive Chairman)
Mark Basso-Brusa (Managing Director)
Clive Triplett (Executive Director)
Ranko Matic (Non-Executive Director)
Malcolm Castle (Non-Executive Director)

COMPANY SECRETARY

Ranko Matic

REGISTERED OFFICE

Level 7/16 St Georges Terrace
PERTH WA 6000

CONTACTS

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SOLICITORS

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Ph: +61 8 9326 5000
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AUDITORS

BDO Kendalls Audits and Assurance (WA) Pty Ltd
128 Hay St
SUBIACO WA 6008
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SHARE REGISTRY

Computershare Investor Services Pty Ltd
Level 2, 45 St Georges Terrace
PERTH WA 6000

Directors' Report

Your directors submit the financial accounts of East Energy Resources Limited ("the Company") for the half year ended 31 December 2008.

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 Terence Byrt

Mr Mark Basso-Brusa

Mr Clive Triplett

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 2008 amounts to \$390,859 (\$193,346; 2007)

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

This tenement covers a total area of approximately 900 sq km and is the company's most advanced project. It is located 25 km south of the township of Blackall in the eastern part of the Adavale Basin. Waratah Coal's Galilee Coal Project is located approximately 125km to the NNE of EPC 1149.

EPC 1066 Norwich Park

EPC 1066 Norwich Park, consists of 226 sub-blocks or 803 square kilometres, spanning almost 100 km from south-east of the township of Dysart to fifteen kilometres west of Capella. The northern limb of the EPC runs in a narrow strip parallel and just to the west of Norwich Park and German Creek open cut coal mines. The tenement was granted on 26 February 2007. Rail Infrastructure exists at Dysart and extends through the eastern part of the tenement

Exploration Program to December 2008

Exploration activities were centred on EPC1149 in the Adavale Basin where drilling commenced in on 13 June 2008. Three phases of exploration drilling were conducted with 187 chip (rotary air blast) holes having been completed for a total of 19,421 meters. Drilling has been carried out under contract by Belldale Enterprises and, IESA Drilling.

The drilling was principally conducted in the southern half of the tenement on the western limb of the Carlow anticline that trends NE – SW from Carlow homestead to Koondoo. This setting was targeted for the occurrence of shallow coal on which open pit mining operations could be established.

Lithology logs for all holes were completed by staff geologists in the field. Geophysical logging of RAB holes was conducted by Coalfields Geologging Pty Ltd. using standard wire line logging techniques. 159 out of the 187 RAB holes were geophysically logged to provide accurate information of coal seam depth and thickness. 28 RAB holes could not be logged due to the holes being blocked or inaccessible after heavy rain.

Exploration has now covered most of the southern half of the EPC extending known geology well beyond the historical exploration completed by Thiess in the 1970's and establishing the continuity of coal seams north to south and down-dip to the west.

Directors' Report continued

Results of the drilling indicate that the coal generally occurs in two horizons of 4 to 5 meters thickness separated by 15 to 20 meters of weak siltstone and mudstone. Thickness of the individual seams ranges from 0.5m to 4.0m with carbonaceous mudstone parting within individual seams. To the western side of the EPC the coal horizons have been intersected at a maximum depth of 190m. The width of the deposit, from these deep occurrences through to the sub crop line (where the coal is 10m below surface), is 11km and the deposit has now been drilled out to 22km strike length north-south.

Geophysical logs confirm that the coal seams show considerable variation both along strike and down dip from the subcrop. The coal is mainly dull (earthy in part) with minor bright bands. Coal analysis indicates that the coal may be suitable as a low sulphur thermal coal product.

Minor slickensiding has been noted in several of the drill cores and it is expected that faulting is likely to be present in some areas.

35 core holes have been drilled to obtain coal quality data and analytical test work has been completed by ALS's Emerald laboratory on 186 core samples from coal seam intersections in these holes. Aggregate seam thickness sampled from individual core holes varied from 1.87m to 8.96m with an average of 5.48m.

No drilling has yet been undertaken in the northern half of the tenement.

Rehabilitation of the drill sites is to be carried out once drilling is completed

JORC Compliant Resource Calculation

In December, SRK Consulting was appointed to carry out resource modelling and develop a JORC compliant resource statement. This is expected to be completed by the end of March 2009.

Auditor's Independence Declaration

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 5 for the period ended 31 December 2008.

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



MARK BASSO-BRUSA
Managing Director

DATED at PERTH this 13th day of March 2009



BDO Kendalls

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13 March 2009

The 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 2008. 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
- any applicable code of professional conduct in relation to the review.

This declaration is in respect of East Energy Resources Limited.

Peter Toll
Director

BDO Kendalls

BDO Kendalls Audit & Assurance (WA) Pty Ltd
Perth, Western Australia.

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Income Statement

for the half year ended 31 December 2008

	31.12.2008 \$	04.07.2007- 31.12.2007 \$
Revenue From Continuing Operations	93,241	24,911
Audit Fees	(7,501)	(7,000)
Depreciation	(19,942)	(1,586)
Insurance	(2,850)	(3,712)
Printing & Stationary	(2,414)	(7,240)
Public Relations	(11,813)	(10,471)
Rent	(35,337)	(13,044)
Share Registry Costs	(11,770)	(9,183)
Directors Salary and Fees	(323,000)	(157,938)
Employee Benefits Expenses	(15,123)	(3,242)
Other expenses	(54,350)	(4,841)
(Loss) before income tax	(390,859)	(193,346)
Income tax expense	-	-
Net (loss) attributable to members of the entity	(390,859)	(193,346)
Basic and diluted earnings/(loss) per share (cents per share)	(0.43)	(1.24)

The accompanying notes form part of these financial accounts

Balance Sheet

as at 31 December 2008

	Notes	31.12.2008 \$	30.06.2008 \$
CURRENT ASSETS			
Cash and Cash Equivalents		1,385,509	3,800,407
Trade and Other Receivables		102,816	69,698
TOTAL CURRENT ASSETS		1,488,325	3,870,105
NON CURRENT ASSETS			
Property, Plant and Equipment		152,809	153,384
Exploration, Evaluation and Development Expenditure		8,126,802	6,337,049
TOTAL NON-CURRENT ASSETS		8,279,611	6,490,433
TOTAL ASSETS		9,767,936	10,360,538
CURRENT LIABILITIES			
Trade and Other Payables		78,164	279,907
TOTAL CURRENT LIABILITIES		78,164	279,907
TOTAL LIABILITIES		78,164	279,907
NET ASSETS		9,689,772	10,080,631
EQUITY			
Issued Capital		10,644,853	10,644,853
Accumulated Losses		(955,081)	(564,222)
TOTAL EQUITY		9,689,772	10,080,631

The accompanying notes form part of these financial accounts

Statement of Changes in Equity

for the half year ended 31 December 2008

	Issued Capital	Accumulated Losses	Total Equity
	\$	\$	\$
Balance as at 4 July 2007	-	-	-
Net loss attributable to members of the entity	-	(193,346)	(193,346)
Issue of Share Capital net of transaction costs	10,632,693	-	10,632,693
Balance at 31 December 07	10,632,693	(193,346)	10,439,347
Balance as at 1 July 2008	10,644,853	(564,222)	10,080,631
Net loss attributable to members of the entity	-	(390,859)	(390,859)
Issue of Share Capital net of transaction costs	-	-	-
Balance at 31 December 08	10,644,853	(955,081)	9,689,772

The accompanying notes form part of these financial accounts

Cash Flow Statement

for the half year ended 31 December 2008

	31.12.2008	04.07.2007- 31.12.2007
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received	93,241	22,883
Payments for exploration, evaluation and development	(2,002,877)	(5,268)
Payments to suppliers & other expenses	(485,894)	(226,307)
Net Cash inflows/(outflows) from Operating Activities	(2,395,530)	(208,692)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant & equipment	(19,368)	(38,005)
Net Cash inflows/(outflows) from Investing Activities	(19,368)	(38,005)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	-	5,051,582
Share issue costs	-	(417,379)
Net Cash inflows/(outflows) from Financing Activities	-	4,634,203
Net Increase/(Decrease) in cash and cash equivalents	(2,414,898)	4,387,506
Cash and cash equivalents at 1 July 2008	3,800,407	-
Cash and cash equivalents at 31 December 2008	1,385,509	4,387,506

The accompanying notes form part of these financial accounts

Notes to the Financial Statements

for the half year ended 31 December 2008

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The half-year financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standard AASB 134: Interim Financial Reporting, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2008 and any public announcements made by East Energy Resources Limited during the half year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

The accounting policies have been consistently applied by the entity and are consistent with those in the June 2008 Financial report.

The half year report does not include full disclosures of the type normally included in an annual financial report.

Reporting Basis and Conventions

The half-year report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

NOTE 2. EVENTS AFTER THE BALANCE SHEET 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 3. CONTINGENT ASSETS AND LIABILITIES

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

NOTE 4. COMPARATIVE REPORTING PERIOD

The company was incorporated in Western Australia on 4 July 2007. The comparative reporting period is therefore from 4 July 2007 to 31 December 2007. This reporting period is from 1 July 2008 to 31 December 2008.

NOTE 5. SEGMENT INFORMATION

The company operates in a single business and geographical segment being Australia.

NOTE 6. DIVIDENDS

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

Notes to the Financial Statements

for the half year ended 31 December 2008

	31 December 2008		31 December 2007	
	Number	\$	Number	\$
NOTE 7. ISSUED CAPITAL				
(a) Share capital				
Ordinary shares				
Fully paid	90,500,002	10,644,853	(c) 90,500,002	10,632,693
Total Issued Capital	90,500,002	10,644,853	90,500,002	10,632,693

(c) Movements in Ordinary Shares

Details			Number of Shares	Issue price	\$
Balance at beginning of period	90,500,002	10,644,853	-	-	-
Shares issued - incorporation	-	-	2	\$1.00	2
Shares issued – promoters	-	-	7,000,000	\$0.00001	70
Shares issued – seed capital	-	-	5,500,000	\$0.10	550,000
Shares issued – Vendors	-	-	60,000,000	\$0.10	6,000,000
Shares issued – Float	-	-	18,000,000	\$0.25	4,500,000
Less: Transaction costs	-	-	-	-	(417,379)
Balance at 31 December	90,500,002	10,644,853	90,500,002		10,632,693

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Directors' Declaration

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 6 to 11, 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 2008 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 13th day of March 2009

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**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF EAST ENERGY RESOURCES LIMITED
REPORT ON THE HALF-YEAR FINANCIAL REPORT**

We have reviewed the accompanying half-year financial report East Energy Resources Limited, which comprises the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, a statement of accounting policies, 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 control 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 2008 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*.

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 2008 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 Kendalls Audit & Assurance (WA) Pty Ltd

BDO Kendalls


Peter Toll

Director

Perth, Western Australia

Dated this 13th day of March 2009