East Energy Resources Limited

ABN 66 126 371 828

Annual Financial Report 2010

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Corporate Directory

DIRECTORS

Mark Basso-Brusa	(Managing Director and Chairman)
Ranko Matic	(Non-Executive Director)
Malcolm Castle	(Non-Executive Director)
Rex LIttlewood	(Non-Executive Director)
William Randall	(Alternate Non-Executive Director)

COMPANY SECRETARY

Ranko Matic

REGISTERED OFFICE

Level 7/16 St Georges Terrace
PERTH WA 6000

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SOLICITORS

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Level 5, 37 St Georges Tce
PERTH WA 6000
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AUDITORS

BDO Audit (WA) Pty Ltd
38 Station Street
SUBIACO WA 6008
Ph: +61 8 6382 4600
Fax: +61 8 6382 4601

SHARE REGISTRY

Advanced Share Registry Limited
150 Stirling Highway
NEDLANDS WA 6009

Directors' Report

Your directors submit the financial accounts of East Energy Resources Limited ("the Company) for the financial year ended 30 June 2010.

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 Clive Triplett (Executive Director – Resigned 27 November 2009)
Mr Ranko Matic (Non-Executive Director and Company Secretary)
Mr Malcolm Castle (Non-Executive Director)
Mr Rex Littlewood (Non-Executive Director – Appointed 20 July 2010)
Mr William Randall (Alternate Non-Executive Director – Appointed 20 July 2010)

Principal Activities

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

Operating Results

The loss of the company after income tax for the financial year ended 30 June 2010 amounted to $896,320 (2009; $730,776).

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

The company's coal projects consist of two Exploration Permits for Coal (EPCs), located in central Queensand.

Blackall - EPC 1149

This tenement covers a total area of approximately 900 sq km and is the Company's most advanced project. It is located 25km south of the township of Blackall in the eastern part of the Eromanga Basin.

Capella - EPC 1066

EPC 1066 Capella, consists of 179 sub-blocks, and predominantly surrounds the Central Queensland township of Capella.

Exploration Program

Blackall EPC 1149

Queensland's Department of Mines and Energy granted EPC 1149 on 22 April 2008 and East Energy Resources Ltd commenced exploration drilling in early June of that year.

On the basis of exploration work completed to date the resource has now been divided into the southern Carlow deposit and the northern Alambie.

Carlow Deposit (South)

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

In early 2009, SRK Consulting conducted an independent appraisal of the exploration results and reported an Inferred Raw Coal Resource of 1,222 Million tonnes (Mt) for the southern part of EPC1149.

Subsequently SRK was commissioned to complete a geostatistical analysis of the drilling data obtained during the 2008 campaign and to provide advice on the optimum drill spacing for the next phase of drilling. This information was incorporated into the planning for the current exploration program which commenced in early October 2009, aiming to define an Indicated Resource over the open-cut resource in the southern half of the lease.

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

Drilling

Exploration in the current phase of drilling commenced in October 2009 and is aimed at providing sufficient data to support the estimation of an Indicated Resource in this area.

By the end of June 2010 a total of 47 core holes and 45 pilot chip holes had been drilled and geophysically logged. All coal samples have been sent to ALS's Emerald laboratory for coal quality assaying.

The remaining 20 core holes in this program should be completed by the end of September 2010 by which time an area of 23km along strike (north-south and 5km down dip (east-west) will have been drilled out with core holes at less than 1km centres.

Based on results from this drilling, East Energy anticipates having a JORC compliant Indicated Resource estimate completed for this part of the deposit by mid November 2010

Bulk Sample

During May 2010 East Energy extracted a bulk sample from the Carlow deposit to obtain detailed assay data on the variability of the coal within a typical mining block and to complete more thorough metallurgical testing of the coal quality and washability characteristics.

More than 350kg of coal was obtained from the five main economic seams in 20 core holes from depths of between 15m and 24m below surface. The site for the bulk extraction was selected from the 2008/09 drilling where the main seams are close to the surface and to the line of oxidation (LOX), but still display good calorific values and relatively low ash content. The individual samples were grouped into three bulk samples taken down dip across a 60m x 30m mine block. The Blackall resource is a highly variable coal deposit, and taking multiple samples across a typical mine block should provide data on how the variable geology and coal quality might be dealt with during mining.

The large quantity of sample obtained will be used to complete multiple float sink tests within the density range of 1.30 to 2.00. This will provide an indication of the optimum float density that balances yield against final product quality.

Results were not available at the time of writing.

Alambie Deposit (North)

The northern drilling program, originally scheduled to commence early in Qtr 1 2010, was delayed due to heavy rain and flooding occurring during January and February. The plan was to explore the top half of EPC 1149 which had not been previously drilled by East Energy. The drilling was eventually completed in mid April this year and covered an area of approximately 12km by 12km with drill holes spaced at roughly 3km centres.

The 25 holes drilled were all geologically and geophysically logged. The rock chips and geophysical logs indicate that the coal seams in the Carlow field to the south are continuous into the Alambie field in the north and retain similar character in terms of seam thickness and apparent quality.

This effectively increases the strike length of the resource to the north by approximately 14km.
The structure of the deposit in the north appears to mirror that of the south with seams dipping from east to west at an angle of less than 2 degrees.

The exploration plan for the future of the Alambi field is to complete some minor infill drilling where geological structure is ambiguous and then to complete a series of core holes for coal quality analysis.

Once coal quality has been established and seam correlations completed the data should provide the basis for substantial additional JORC compliant Inferred Resources.

Capella EPC 1066

East Energy is in the process of fully relinquishing their Capella tenement (EPC 1066) after completing a program of 17 boreholes, including one to 456m, with no significant coal being discovered.

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

Financial Position

The net assets of the Company are $12,320,484 (2009: $13,117,270). Full details of the financial position of the Company can be found in the Financial Report section within this Annual Report.

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

After Balance Date Events

2,5000,000 options were exercised on 30 September 2010 by Majicyl Pty Ltd, providing the company with funds of $500,000.

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 Company, the results of those operations, or the state of affairs of the Company in future financial years.

Future Developments, Prospects and Business Strategies

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

Environmental Issues

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

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

The directors have considered compliance with the National Greenhouse and Energy Reporting Act 2007 (the NGER Act) which introduces a single national reporting framework for the reporting and dissemination of information about the greenhouse gas emissions, greenhouse gas projects, and energy use and production of corporations. For the measurement period 1 July 2009 to 30 June 2010 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 16 years. Mr Basso-Brusa's engineering background provides him with the ability to liaise with consultants, thereby ensuring that projects proceed in a logical, cost effective and timely manner.

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

Mr Malcolm Castle Non-Executive Director
Qualifications: B.Sc.(Hons), GCertAppFin (Sec Inst), MAusIMM

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

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

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

Mr Ranko Matic Non-Executive Director and Company Secretary
Qualifications: B.Bus, CA

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

Mr Matic is a director of a chartered accounting firm and a corporate advisory company based in West Perth, and has specialist expertise and exposure in areas of audit, corporate services, due diligence, mergers and acquisitions, and valuations. Through these positions Mr Matic has been involved in an advisory capacity to over 35 initial public offerings on the ASX in the last eight years.

Mr Matic has also acted as chief financial officer and company secretary for a variety of companies and currently holds company secretarial roles with publicly listed companies, including Golden State Resources Ltd, White Canyon Uranium Ltd and Accent Resources NL.

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

Mr Rex Littlewood Non-Executive Director
Qualifications: B.Sc, MAICD.

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

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

Over the past three years Mr Littlewood has not held any other directorships of ASX listed companies .

INFORMATION ON DIRECTORS continued

Mr William Randall Alternate Non-Executive Director
Qualifications: B.Bus

Mr Randall is the Noble Group Head of the Coal and Coke division. He started career at Noble in Australia, transferring to Asia in 1999 where he established Noble's coal operations, mining and supply chain management busineses. Following his appointment as Director Noble Energy Inc in 2001, Mr Randall continued to build the global coal and coke marketing network and asset pipeline. He was appoitned global head of Coal & Coke in 2006 and became a member of the Noble Group Executive Board in 2008. He assumed management of the Steel & Fero Alloys business in April 2010.

Over the past three years Mr Randall has held a directorship in Gloucestor Coal Limited since June 2009. He has no other directorships ofASX 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	63,651,201	63,368,002
Ranko Matic	160,000	60,000
Malcolm Castle	40,000	0
Rex Littlewood	0	0
William Randall	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 Clive Triplett (Executive Director – Resigned 27 November 2009)
Mr Ranko Matic (Non-Executive Director and Company Secretary)
Mr Malcolm Castle (Non-Executive Director)
Mr Rex Littlewood (Non-Executive Director – Appointed 20 July 2010)
Mr William Randall (Alternate Non-Executive Director – Appointed 20 July 2010)
Mr Peter Tighe (Exploration Manager)
Mrs Andrea Betti (Chief Financial Officer)

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

	30 June 2010 $	30 June 2009 $
Revenue from continuing operations	159,967	140,984
Net profit/(loss)	(896,320)	(730,776)
Share price	18.5 cents	8 cents

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 continues to seek external advice to ensure reasonableness in remuneration scale and structure, and to compare the Company's position with the external market. The impact and high cost of replacing senior employees and the competition for talented executives requires the committee to reward key employees when they deliver consistently high performance.

Board Remuneration

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

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

The employment contracts stipulate 3 month resignation periods. The company may terminate an employment contract without cause by providing 3 months written notice or making payment in lieu of notice, based on the individual's annual salary component after the intital term.

Performance Based Remuneration

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

Company Performance, Shareholder Wealth and Directors and Executives Remuneration

The remuneration policy has been tailored to increase the direct positive relationship between shareholders investment objectives and directors and executives performance. Currently, directors and executives are encouraged to hold shares in the Company to ensure the alignment of personal and shareholder interests. The company currently does not offer performance based remuneration during the exploration phase of operations. This policy may change once the exploration phase is complete and the company is generating revenue. At present, the exisitng policy is not impacted by the company's performace, 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 expires in December 2010. After the Initial Term, the agreement continues until a party terminates it by giving notice.

The Company may terminate the agreement during the Initial Term, without cause, by giving 12 months notice. Any party may terminate the agreement after the Initial Term by providing 3 months notice. The Company can also terminate the agreement summarily, and without notice or compensation, in circumstances of serious misconduct or breach by the Executive.

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

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

B. Service Agreements continued

Key Management Person	Term of Agreement	Base Salary including superannuation	Termination Benefit
Mark Basso-Brusa	36 months commencing19 December 2007	$245,250	12 months base salary
Malcom Castle	No fixed term	$49,050	Nil
Ranko Matic	No fixed term	$54,000	Nil
Rex Littlewood	No fixed term	$49,050	Nil
Peter Tighe	No fixed term	$200,000	Nil
Andrea Betti	No fixed term	$38,150	6 months base salary

C. Details of remuneration

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

2010

Key Management Person	Short-term Benefits				Post-employment Benefits	Other Long-term Benefits	Share based Payment				
	Cash, salary & Commissions	Cash Profit Share	Non-Cash Benefit	Other	Super-annuation	Other	Equity	Options	Total	Performance Related	Remuneration Consisting of Options
	$	$	$	$	$	$	$	$	$	%	%
Mark Basso-Brusa*	245,250	-	-	-	-	-	-	-	245,250	-	-
Clive Triplett*	98,100	-	-	-	-	-	-	-	98,100	-	-
Malcolm Castle*	45,000	-	-	-	4,050	-	-	-	49,050	-	-
Ranko Matic (i)*	54,000	-	-	-	-	-	-	-	54,000	-	-
Peter Tighe*	183,486	-	-	-	16,514	-	-	-	200,000	-	-
Andrea Betti	29,167	-	-	-	2,625	-	-	-	31,792	-	-
	655,003	-	-	-	23,189	-	-	-	678,192	-	-

(i) Ranko Matic is a director and shareholder of Bentleys (WA) Pty Ltd. Bentleys (WA) Pty Ltd were paid $54,000 in relation to directorship,corporate secretarial and accounting services performed.
* Indicates the 5 highest remunerated executives.

2009

Key Management Person	Short-term Benefits				Post-employment Benefits	Other Long-term Benefits	Share based Payment				
	Cash, salary & Commissions	Cash Profit Share	Non-Cash Benefit	Other	Super-annuation	Other	Equity	Options	Total	Performance Related	Remuneration Consisting of Options
	$	$	$	$	$	$	$	$	$	%	%
Terence Byrt	80,249	-	-	-	7,223	-	-	-	87,472	-	-
Mark Basso-Brusa	265,688	-	-	-	-	-	-	-	265,688	-	-
Clive Triplett	159,413	-	-	-	-	-	-	-	159,413	-	-
Malcolm Castle	48,750	-	-	-	4,388	-	-	-	53,138	-	-
Ranko Matic (ii)	58,500	-	-	-	-	-	-	-	58,500	-	-
Peter Tighe	183,486	-	-	-	16,514	-	-	-	200,000		
Andrea Betti	25,000	-	-	-	2,250	-	-	-	27,250	-	-
	821,086	-	-	-	30,375	-	-	-	851,461	-	-

(ii) Ranko Matic is a director and shareholder of Bentleys (WA) Pty Ltd. Bentleys (WA) Pty Ltd were paid $58,500 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 2010.

No options were issued in the year ended 30 June 2010.

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

Options are 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.

Meetings of Directors

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

	Directors' Meetings	
Directors	**Number eligible to attend**	**Number Attended**
Mark Basso-Brusa	4	4
Clive Triplett (resigned 27/11/2009)	2	2
Malcolm Castle	4	4
Ranko Matic	4	4

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

Indemnifying Officers or Auditor

In accordance with the constitution, except as may be prohibited by the Corporations Act 2001 every Officer of the Company shall be indemnified out of the property of the Company against any liability incurred by him in his capacity as Officer, auditor or agent of the Company or any related corporation in respect of any act or omission whatsoever and howsoever occurring or in defending any proceedings, whether civil or criminal. The total amount of insurance contract premiums paid is $18,090.

Options

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

Grant Date	Date of Expiry	Exercise Price	Number Under Option
15/05/2009	31/03/2011	$0.20	75,604,694
			75,604,694

During the financial year ended 30 June 2010, on 7 May 2010, 600,000 options which were to expire on 31/3/2011 were exercised at $0.20, resulting in the issue of 600,000 ordinary fully paid shares.

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

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

Proceedings on Behalf of Company

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

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

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 2010.

Auditor's Independence Declaration

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 18 for the period ended 30 June 2010.

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

MARK BASSO-BRUSA
Director

DATED at PERTH this 30th day of September 2010

Corporate Governance Statement

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

Further information about the Company's corporate governance practices is available on the Company's web site at www.eastenergy.com.au.

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

	Recommendation	East Energy Resources Limited Current Practice
1.1	Companies should establish the functions reserved for the board and those delegated to senior executives and disclose those functions	Satisfied. The Directors have adopted a Board Charter which outlines the role of the Board. Executive Director Consultancy Agreements outline functions of the executive directors. Non-executive Director appointment letters outline the terms and conditions of non-executive director appointments. As the Company recruits additional management, the roles and responsibilities of these persons will be considered and documented
1.2	Companies should disclose the process for evaluating the performance of senior executives	Not currently applicable. Other than the Directors the Company does not currently employ any senior executives. The full Board will be responsible for the appointment and will regularly review the performance of senior executives having regard to the Nomination and Remuneration Charters
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1 outlined in the Recommendations	Satisfied. Board Charter available at www.eastenergy.com.au
2.1	A majority of the board should be independent directors	Not satisfied. Currently there is one independent director and three non-independent directors. The Board has been structured such that its composition and size will enable it to effectively discharge its responsibilities and duties. Each Director has the relevant industry experience and specific expertise relevant to the Company's business and level of operations. The Board considers that its structure is, and will continue to be, appropriate in the context of the Company's recent history. The Company considers that the non independent directors possess the skills and experience suitable for building the Company. Furthermore, the Board considers that in the current phase of the Company's operations, the Company's shareholders are better served by directors who have a vested interest in the Company. The Board intends to reconsider its composition as the Company's operations evolve, and may appoint additional independent directors as it deems appropriate
2.2	The chair should be an independent director	Not satisfied. 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 Chariman at this point in time. This will be revisited should the nature or size of the operations change substantially. In August 2009, at a board meeting, Mr Basso-Brusa was elected as the Chairman to replace Terence Byrt, who resigned in April 2009. The Board believes that Mr Basso-Brusa is the most appropriate person for the position as Chairman because of his experience and knowledge of the Company's operations and mineral projects

	Recommendation	East Energy Resources Limited Current Practice
2.3	Roles of chair and chief executive officer should not be exercised by same individual	Not Satisfied. The role of chairperson of the Board and the CEO (Managing Director) are exercised by the same person with Mr Basso-Brusa being recently appointed as Chairman by the Board of Directors. Whilst the Company recognises the benefit in these roles being undertaken by two separate individuals, the size of the Company and its limited resources does not warrant the appointment of an independent individual as Chairman. This position will be revisited by the Board should the nature or the size of the operations substantiallly change.
2.4	The board should establish a nomination committee	Not satisfied. The Company does not have a separate Nomination Committee and the full Board will consider the matters and issues arising that would usually fall to the nomination committee in accordance with the Nomination Committee Charter. The Company has adopted a Nomination Committee Charter setting out the board processes to raise the issues that would otherwise be considered by the Nomination Committee. The Board considers that at this stage, no efficiencies or other benefits would be gained by establishing a separate nomination committee
2.5	Companies should disclose the process for evaluating the performance of its board, its committees and individual directors	Not satisfied. The Company has not yet established formal performance review measures or induction procedures for key executives nor has it established a separate nomination committee given the size and stage of the Company's operations. The full Board will review the performance of Directors and key executives on a regular basis
2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2 outlined in the Recommendations	The skills and experience of directors are set out in the Company's Annual Report and on its website.
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code	Satisfied. Code of conduct available at www.eastenergy.com.au
3.2	Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy	Satisfied. Trading in securities policy available at www.eastenergy.com.au
3.3	Companies should provide the information indicated in the Guide to reporting on Principle 3 outlined in the Recommendations	Satisfied. Available at www.eastenergy.com.au
4.1	The board should establish an audit committee	Satisfied. An audit committee has been established
4.2	The audit committee should be structured such that it: •Consists only of non-executive directors; •Consists of a majority of independent directors; •Is chaired by an independent chair, who is not the chair of the board; •Has at least three members	Not satisfied. The audit committee currently consists of the full board with three being non-executive directors. The Chairman of the Board is not the Chairman of the Audit Committee. The Board notes that ASX Corporate Governance Council recommends the audit committee have at least three members with the majority being independent non-executive directors however considering the current size of the Company and composition of the Board, the Board considers the current audit committee size and composition is sufficient at this stage
4.3	The audit committee should have a formal charter	Satisfied. Available at www.eastenergy.com.au
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4 outlined in the Recommendations.	Satisfied. The Company's Audit Committee Charter is available at www.eastenergy.com.au

	Recommendation	East Energy Resources Limited Current Practice
5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at senior executive level for that compliance and disclose these policies	Satisfied. Continuous disclosure policy and Securities trading policy available at www.eastenergy.com.au
5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5 outlined in the Recommendations	Satisfied. Refer 5.1
6.1	Design and disclose a communications strategy to promote effective communication with shareholders and encourage their effective participation at general meetings	Satisfied. Communications with shareholders policy available at www.eastenergy.com.au
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6 outlined in the Recommendations	Satisfied. Refer 6.1
7.1	The board or appropriate board committee should establish and disclose policies for the oversight and management of material business risks and disclose a summary of those policies	Satisfied. Risk management program available at www.eastenergy.com.au The Board has considered the material risks impacting the Company and its Shares. Key risks impacting the Company will be reviewed and considered by management and the Board on a regular basis
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks	Satisfied. The Board including the Managing Director routinely consider risk management matters.
7.3	The board should disclose whether it has received assurance from the CEO and the CFO that the declaration in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the management system is operating effectively in all material aspects in relation to financial reporting	Satisfied. The Board has received a Section 295A declaration pursuant to the 2010 financial period.
7.4	Report and disclose 7.1, 7.2 and 7.3	7.1 Satisfied. Refer 7.1 7.2 Not satisfied. Refer 7.2 7.2 Not currently applicable. Refer 7.3
8.1	The board should establish a remuneration committee	Not satisfied. The Company does not have a separate Remuneration Committee and the full Board will consider matters of remuneration, in accordance with the Remuneration Committee Charter. The Company has adopted a Remuneration Committee Charter setting out the board processes to raise the issues that would otherwise be considered by the remuneration committee. Due to the structure of the Board, a separate remuneration committee is not considered to add any efficiency to the process of determining the levels of remuneration for the Directors and key executives. The Board considers that it is more appropriate that it set aside time at Board meetings to address matter that would normally fall to the remuneration committee. In addition all matter of remuneration will continue to be determined in accordance with the Corporations Act requirements, especially in relation to related party transactions. That is no director will participate in any deliberations regarding their own remuneration or related issues.

	Recommendation	East Energy Resources Limited Current Practice
8.2	Clearly distinguish the structure of non executive directors' remuneration from that of executives	Satisfied. The structure of directors remuneration is disclosed in the remuneration report of the Annual Report.
8.3	Companies should provide the information indicated in the Guide to reporting on Principle 8 outlined in the Recommendations	Refer to the Remuneration Report in the Company's Annual Report. The Remuneration Committee Charter is available at www.eastenergy.com.au

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38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

30 September 2010

The Directors
East Energy Resources Limited
Level 7, 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 year ended 30 June 2010, 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.

This declaration is in respect of East Energy Resources Limited.

Peter Toll
Director

BDO

BDO Audit (WA) Pty Ltd
Perth, Western Australia

Statement of Comprehensive Income

for the year ended 30 June 2010

	Notes	2010 $	2009 $
Revenue from continuing operations	4	159,967	140,984
Accounting and Audit Fees	3	(25,613)	(21,076)
Depreciation		(13,695)	(40,469)
Insurance		(20,141)	(21,224)
Printing and Stationery		(1,229)	(1,304)
Public Relations		(4,558)	(15,415)
Rent		(49,353)	(59,427)
Share Registry Costs		(8,049)	(16,737)
Directors & Employee Benefits		(478,192)	(646,208)
Impairment of Exploration Asset		(396,028)	-
Other Expenses		(59,430)	(49,900)
Loss before income tax		(896,320)	(730,776)
Income tax expense	5	-	-
Net loss attributable to members of the entity		(896,320)	(730,776)
Other comprehensive income		0	0
Other comprehensive income for the year, net of tax		0	0
Total Comprehensive income for the year		(896,320)	(730,776)
Basic loss per share (cents per share)	6	(0.70)	(0.77)

The accompanying notes form part of these financial accounts

Statement of Financial Position

As at 30 June 2010

	Notes	2010 $	2009 $
CURRENT ASSETS			
Cash and cash equivalents	7	1,151,457	4,432,905
Trade and other receivables	8	146,561	55,685
TOTAL CURRENT ASSETS		1,298,018	4,488,590
NON CURRENT ASSETS			
Property, plant and equipment	9	161,883	139,380
Exploration, evaluation and development expenditure	10	11,266,046	8,629,506
TOTAL NON-CURRENT ASSETS		11,427,929	8,768,886
TOTAL ASSETS		12,725,947	13,257,476
CURRENT LIABILITIES			
Trade and other payables	11	405,069	140,206
TOTAL CURRENT LIABILITIES		405,069	140,206
TOTAL LIABILITIES		405,069	140,206
NET ASSETS		12,320,878	13,117,270
EQUITY			
Issued capital	12	14,512,196	14,412,268
Accumulated losses		(2,191,318)	(1,294,998)
TOTAL EQUITY		12,320,878	13,117,270

The accompanying notes form part of these financial accounts

Statement of Changes in Equity

For the year ended 30 June 2010

	Issued Capital	Accumulated Losses	Total Equity
Balance as at 1 July 2008	10,644,853	(564,222)	10,080,631
Total comprehensive income /(loss) for the year	-	(730,776)	(730,776)
Issue of Share Capital net of transaction costs	3,767,415	-	3,767,415
Share based payments	-	-	-
SUB –TOTAL	14,412,268	(1,294,998)	13,117,270
Dividends paid or provided for	-	-	-
Balance at 30 June 2009	14,412,268	(1,294,998)	13,117,270

	Issued Capital	Accumulated Losses	Total Equity
Balance as at 1 July 2009	14,412,268	(1,294,998)	13,117,270
Total comprehensove income/(loss) for the year	-	(896,320)	(896,320)
Issue of Share Capital net of transaction costs	99,928	-	99,928
Share based payments	-	-	-
SUB –TOTAL	14,512,196	(2,191,318)	12,320,878
Dividends paid or provided for	-	-	-
Balance at 30 June 2010	14,512,196	(2,191,318)	12,320,878

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The accompanying notes form part of these financial accounts

Statement of Cash Flow

For the year ended 30 June 2010

	Notes	2010 $	2009 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest and Income received		159,967	140,984
Payments to suppliers & other expenses		(672,960)	(793,977)
Payments for exploration, evaluation and development		(2,804,892)	(2,455,459)
Net Cash outflows from Operating Activities	17	(3,317,885)	(3,108,452)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant & equipment		(63,491)	(26,465)
Net Cash outflows from Investing Activities		(63,491)	(26,465)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		120,000	3,810,235
Share issue costs		(20,072)	(42,820)
Net Cash inflows from Financing Activities		99,928	3,767,415
Net Increase/(Decrease) in cash and cash equivalents		(3,281,448)	632,498
Cash and cash equivalents at 1 July		4,432,905	3,800,407
Cash and cash equivalents at 30 June	17a	1,151,457	4,432,905

The accompanying notes form part of these financial accounts

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

a. Basis of Preparation

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

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

The company has applied the revised AASB 101 *Presentation of Financial Statements* which became effective on 1 January 2009. The revised standard requires the seperate presentation of a statement of comprehensive income and a statement of changes in equity. All non-owner changes in equity must now be presented in the statement of comprehensive income. As a consequence, the company had to change the presentation of its financial statements. Comparatives information has been re-presented so that it is also in conformity with the revised standard.

The financial report was authorised for issue in accordance with a resolution of the Directors on 29 September 2010.

b. Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the Statement of Financial Position date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

c. Exploration, Evaluation and Development Expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward where the right of tenure of the area of interest is current and they are expected to be recouped through successful development on the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves. The ulitmate recoupment of Capitalised exploration, evaluation and development expenditure is dependant upon the final approval of exploration permits.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

d. Leases

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

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

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

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

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

e. Financial Instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Financial liabilities

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

Fair value

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

Impairment

At each reporting date, the group assess whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

f. Impairment of Assets

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

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

g. Provisions

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

h. Cash and Cash Equivalents

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

i. Revenue

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

j. Borrowing Costs

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

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

k. Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office ("ATO"). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

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

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

l. Comparative Figures

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

m. Share-based Payment Transactions

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

n. Property, Plant and Equipment

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

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

o. Trade and Other Payables

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

p. Trade and Other Receivables

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

q. Issued Capital

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

r. Segment Reporting

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

Change in accounting policy

The company has adopted AASB 8 Operating Segments from 1 July 2009. AASB 8 replaces AASB 114 *Segment Reporting*. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes.

s. Earnings Per Share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

t. Critical Accounting Estimates And Judgements

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

u. Significant Accounting Judgements

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

Capitalisation of Exploration and Evaluation Expenditure

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

Deferred Tax Assets

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

v. Significant Accounting Estimates And Assumptions

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

Impairment of Capitalised Exploration and Evaluation Expenditure

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

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

NOTE 2. KEY MANAGEMENT PERSONNEL COMPENSATION

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

Mark Basso-Brusa	Managing Director and Chairman
Clive Triplett	Executive Director (Resigned 27 November 2009)
Malcolm Castle	Non-Executive Director
Ranko Matic	Non-Executive Director and Company Secretary
Peter Tighe	Exploration Manager
Andrea Betti	Chief Financial Officer

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

b. Key management personnel compensation

	2010	2009
	$	$
Short-term employee benefits	655,003	821,086
Post-employment benefits	23,189	30,375
Long-term benefits	-	-
Termination benefits	-	-
Share-based	-	-
	678,192	851,461

c. Number of Options Held by Key Management Personnel

Key Management Person	Balance 1.7.2009	Granted as compensation	Options Exercised	Net Change Other	Balance 30.6.2010	Total Vested 30.6.2010	Total Exercisable 30.6.2010	Total Unexercisable 30.6.2010
Mark Basso-Brusa	63,868,002	-	-	-	63,868,002	63,868,002	63,868,002	-
Clive Triplett	500,000	-	-	-	500,000	500,000	500,000	-
Malcolm Castle	50,000	-	-	-	50,000	50,000	50,000	-
Ranko Matic	110,000	-	-	-	110,000	110,000	110,000	
Peter Tighe	-	-	-	-	-	-	-	-
Andrea Betti	40,000	-	-	-	40,000	40,000	40,000	-
	64,568,002	-	-	-	64,528,002	64,528,002	64,528,002	-

Key Management Person	Balance 1.7.2008	Granted as compensation	Options Exercised	Net Change Other	Balance 30.6.2009	Total Vested 30.6.2009	Total Exercisable 30.6.2009	Total Unexercisable 30.6.2009
Terence Byrt	-	-	-	-	-	-	-	-
Mark Basso-Brusa	500,000	-	-	63,368,002	63,868,002	62,868,002	63,868,002	-
Clive Triplett	500,000	-	-	-	500,000	500,000	500,000	-
Malcolm Castle	50,000	-	-	-	50,000	50,000	50,000	-
Ranko Matic	50,000	-	-	60,000	110,000	110,000	110,000	-
Peter Tighe	-	-	-	-	-	-	-	-
Andrea Betti	-	-	-	40,000	40,000	40,000	40,000	-
	1,100,000		-	63,428,002	64,568,002	64,568,002	64,568,002	-

d. Number of Shares Held by Key Management Personnel

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

Key Management Person	Balance 1.7.2008	Received as Compensation	Options Exercised	Net Change Other	Balance 30.6.2009	Balance Nominally Held
Terence Byrt	30,000,001	-	-	(30,000,001)	-	-
Mark Basso-Brusa	31,519,501	-	-	32,131,700	63,651,201	63,651,201
Clive Triplett	2,500,000	-	-	-	2,500,000	2,500,000
Malcolm Castle	40,000	-	-	-	40,000	-
Ranko Matic	30,000	-	-	30,000	60,000	60,000
Peter Tighe	-	-	-	-	-	-
Andrea Betti	20,000	-	-	20,000	40,000	-
	64,109,501	-	-	2,181,699	66,291,201	66,211,201

e. Other transactions with key management personnel

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

	2010 $	2009 $
Drilling Costs	1,889,737	-
Outstanding balance at year end	347,905	
	2,237,642	

NOTE 3. AUDITORS' REMUNERATION

	2010 $	2009 $
Remuneration of the auditor for:		
– Auditing or reviewing the financial report	25,613	21,076

NOTE 4. REVENUE

	2010 $	2009 $
Interest Received	152,727	140,984
Profit made on sale of fixed asset – motor vehicle	7,240	-
	159,967	140,984

NOTE 5. INCOME TAX

(a) Income tax expense

	2010 $	2009 $
Current tax	-	-
Deferred tax	-	-
	-	-

	2010 $	2009 $
Deferred income tax expense included in income tax expense comprises:		
- (Increase) in deferred tax assets	(1,579,814)	(788,852)
- Increase in deferred tax liabilities	1,579,814	788,852
	-	-

NOTE 5. INCOME TAX - continued	2010 $	2009 $
(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:		
Prima facie tax on operating profit at 30%	(268,896)	(219,233)
Add / (Less)		
Tax effect of exploration expenditure	(790,962)	(687,737)
Tax effect - other	(59,068)	(22,982)
Tax effect of:		
Deferred tax asset not brought to account	1,118,926	929,952
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	1,515,513	414,855
Other	64,301	373,997
	1,579,814	788,852
Set-off deferred tax liabilities	(1,579,814)	(788,852)
Net deferred tax assets not recognised	-	-
(d) **Deferred tax liabilities**		
Exploration expenditure	1,579,814	788,852
	1,579,814	788,852
Set-off deferred tax assets	(1,579,814)	(788,852)
Net deferred tax liabilities	-	-
(e) **Tax losses**		
Unused tax losses for which no deferred tax asset has been recognised	2,678,044	1,716,987

Potential deferred tax assets attributable to tax losses and exploration expenditure carried forward have not been brought to account at 30 June 2010 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:

i. the company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the loss and exploration expenditure to be realised;

ii. the company continues to comply with conditions for deductibility imposed by law; and

iii. no changes in tax legislation adversely affect the company in realising the benefit from the deductions for the loss and exploration expenditure.

NOTE 6. EARNINGS PER SHARE	2010 $	2009 $
(a) Earnings used to calculate basic and diluted EPS	(896,320)	(730,776)
	Number of Shares	**Number of Shares**
(b) Weighted average number of ordinary shares outstanding during the year used in calculating basic and diluted EPS	128,691,116	95,301,942

(c) Information on the classification of options

As the Group has made a loss for the year ended 30 June 2010, options have not been included in the calculation of diluted earnings per share as they are not considered dilutive as they decrease the loss per share. These options could potentially dilute basic earnings per share in the future.

NOTE 7. CASH AND CASH EQUIVALENTS

	1,151,457	4,432,905

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	146,561	55,686

(a) **Other receivables**

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

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

As at 30 June 2010 there were no receivables past due not impaired.

(c) **Ageing of impaired trade receivables**

As at 30 June 2010 there were no receivables impaired.

NOTE 9. PROPERTY, PLANT & EQUIPMENT

Plant and equipment – at cost	20,663	13,527
Accumulated depreciation	(5,565)	(1,936)
	15,098	11,591
Office equipment – at cost	63,325	61,750
Accumulated depreciation	(28,698)	(16,486)
	34,627	45,264
Motor Vehicle – at cost	165,385	110,605
Accumulated depreciation	(53,227)	(28,080)
	112,158	82,525
Total property, plant and equipment	161,883	139,380

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 2008	4,554	52,271	96,559	153,384
Additions	8,971	4,504	12,990	26,465
Depreciation expense	(1,934)	(11,511)	(27,024)	(40,469)
Balance at 30 June 2009	11,591	45,264	82,525	139,380

	Plant and equipment $	Office equipment $	Motor Vehicle $	Total $
Opening balance at 1 July 2009	11,591	45,264	82,525	139,280
Additions	7,136	1,575	54,780	64,491
Depreciation expense	(3,629)	(12,212)	(25,147)	(40,988)
Balance at 30 June 2010	15,098	34,627	112,158	161,883

NOTE 10. EXPLORATION EXPENDITURE	2010 $	2009 $
Carrying amount at the beginning of the period	8,629,506	6,337,049
Deferred exploration expenditure incurred during the period	3,032,568	2,292,457
Impairment of Tenement	(396,028)	-
Carrying Value at 30 June	11,266,046	8,629,506

The company has included $27,293 of depreciation of property, plant and equipment in exploration expenditure for the period.

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

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

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

NOTE 11. TRADE AND OTHER PAYABLES

	2010 $	2009 $
Trade payables	387,104	89,505
Other payables	17,965	50,701
	405,069	140,206

NOTE 12. ISSUED CAPITAL

		2010 Number	2009 Number	2010 $	2009 $
(a) Share capital					
Ordinary shares					
Fully paid	(b)	129,202,349	128,602,349	14,512,196	14,412,268
Total Issued Capital		129,202,349	128,602,349	14,512,196	14,412,268

(b) Movements in Ordinary Shares

Details	**Number of Shares**	**Number of Shares**	**Issue price $**	**$**
Shares at the beginning of the reporting period	128,602,349	90,500,002	14,412,268	10,644,853
Option Conversion 7 May 2010	600,000		120,000	
Rights Issue 15 May 2009		38,102,347		3,810,235
Less: Transaction costs			(20,072)	(42,820)
Balance at end of year	129,202,349	128,602,349	14,512,196	14,412,268

(c) Capital Risk Management

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

Due to the nature of the Company's activities, being mineral exploration, the Company does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Company's capital risk management is the current working capital position against the requirements of the Company to meet exploration programmes and corporate overheads. The Company's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required. The working capital position of the Company at 30 June 2010 is as follows:

	2010 $	2009 $
Cash and cash equivalents	1,151,457	4,423,905
Trade and other receivables	146,561	55,868
Trade and other payables	(405,069)	(140,206)
Working capital position	892,949	4,339,567

NOTE 13. RELATED PARTY TRANSACTIONS

(a) **Key management personnel**

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

(b) **Transactions with related parties**

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

NOTE 14. SEGMENT INFORMATION

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

	2010 $	2009 $
Revenue from external sources	-	-
Reportable segment profit (loss)	(517,447)	(165,779)
Reportable segment assets	11,266,046	8,629,506
Reconciliation of reporting segment profit or loss		
Reportable segment profit/(loss)	(517,447)	(165,779)
Other profit/(loss)	159,967	140,984
Unallocated:		
- Corporate Expenses	(538,840)	(705,981)
Profit Before Tax	(896,320)	(730,776)
Reconciliation of reporting segment assets		
Reportable segment assets	11,266,046	8,629,506
Unallocated:		
- Cash & Recievables	1,298,018	4,488,590
- Property, Plant & Equipment	161,883	139,380
Total Assets	12,725,947	13,257,476

NOTE 15. COMMITMENTS

Tenement Expenditure Commitments:

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

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

	2010 $	2009 $
Payable:		
– not later than 12 months	763,750	8,673
– between 12 months and 5 years	542,500	426,821
– greater than 5 years	-	-
	1,306,250	435,494

NOTE 15. COMMITMENTS – continued

Operating Lease Commitments:

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

Payable:		
– not later than 12 months	60,669	58,116
– between 12 months and 5 years	60,669	116,234
– greater than 5 years	-	-
	121,338	174,350

Executive Service Agreement Commitments

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

Payable:		
– not later than 12 months	122,625	392,400
– between 12 months and 5 years	-	196,200
– greater than 5 years	-	-
	122,625	588,600

NOTE 16. DIVIDENDS

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

NOTE 17. CASH FLOW INFORMATION

(a) Reconciliation of Cash

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

Cash	1,151,457	4,432,905

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

Operating loss after income tax	(896,320)	(730,776)
Non-cash flows in profit from ordinary activities	-	-
Share-based payment	-	-
Depreciation and amortisation	40,988	40,469
Changes in assets and liabilities		-
(Increase)/decrease in receivables	(90,876)	14,013
(Increase)/decrease in other assets	(2,636,540)	(2,292,457)
Increase/(decrease) in trade and other payables	264,863	(139,701)
Net Cash Flow from/(used in) Operating Activities	(3,317,885)	(3,108,452)

NOTE 18. EVENTS AFTER THE BALANCE SHEET DATE

2,500,000 options were exercised on 30 September 2010 by Majicyl Pty Ltd, providing the company with funds of $500,000.

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 Company, the results of those operations, or the state of affairs of the Company in future financial years.

NOTE 19. FINANCIAL RISK MANAGEMENT

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

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

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

(a) Market Risk

(i) Interest rate risk

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

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

	Floating Interest Rate	Fixed Interest Rate		Non Interest Bearing	Total	Weight Effective Interest Rate
		1 Year or Less	1 to 5 Years			
	2009 $	2009 $	2009 $	2009 $	2009 $	2009 %
Financial Assets						
Cash	35,851	4,360,025	-	37,029	4,432,905	5.21%
Trade and other receivables	-	-	-	55,686	55,685	
Total Financial Assets	35,851	3,654,236	-	92,713	4,488,591	5.21%
Financial Liabilities						
Trade and other payables	-	-	-	140,206	140,206	
Total Financial Liabilities	-	-	-	140,206	140,206	

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

Sensitivity analysis

At 30 June 2010, if interest rates had changed by -/+100 basis points fromthe weighted average rate for the year with all other variables held constant, post-tax loss for both the Group and the parent entity would have been $32,685 (2009: $27,059) lower/higher as a result of lower/higher interest income from cash and cash equivalents. Management have deemed a movement of 100 basis points to be an appropriate measure for this sensitivity analysis.

NOTE 19. FINANCIAL RISK MANAGEMENT – continued

(b) Credit risk

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

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

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

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

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

	2010 $	2009 $
Financial assets - counterparties without external credit rating		
Financial assets with no defaults in the past	146,561	55,686
Cash and cash equivalents		
'AA' S&P rating	1,125,369	4,409,146
Bank guarantees	26,088	23,759
	1,151,457	4,432,905

(c) Liquidity risk

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

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

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

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

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

Maturities of financial liabilities

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

Group	Less than 6 months $	6-12 months $	1-2 years $	2-5 years $	Over 5 years $	Total contractual cash flows $	Carrying amount (assets)/ liabilities $
As at 30 June 2010							
Trade and other payables	405,069	-	-	**-**	-	**405,069**	405,069
As at 30 June 2009							
Trade and other payables	140,206	-	-	**-**	-	**140,206**	140,206

NOTE 19. FINANCIAL RISK MANAGEMENT – continued

(d) Fair value estimation

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

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

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

NOTE 20. SHARE-BASED PAYMENTS

The Company provides benefits to employees (including directors) and contractors of the Company in the form of share-based payment transactions, whereby employees render services in exchange for options to acquire ordinary shares. The exercise price of the options granted in 2007 were 30 cents per option. All employee options granted have an expiry date of 31 August 2010.

Options granted carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share of the company with full dividend and voting rights.

Set out below are summaries of the options granted:

	Number of options	Weighted average exercise price cents
Outstanding at the beginning of the year	1,100,000	30
Granted	-	-
Forfeited	-	-
Exercised	-	-
Expired	-	-
Outstanding at year-end	1,100,000	30
Exercisable at year-end	1,100,000	30

The weighted average remaining contractual life of share options outstanding at the end of the financial year was 0.17 years (2009: 1.17 years), and the exercise price being 30 cents.

The weighted average fair value of the options granted during the year was nil.

Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period were as follows:

Options issued to employees and contractors as part of:		
Share based payment expense	-	-
Equity based payment capitalised	-	-
	-	-

NOTE 21. COMPANY DETAILS

The registered office and principal place of business of the Company is:
Level 7/16 St Georges Terrace
PERTH WA 6000

NOTE 22. CONTINGENT ASSETS AND LIABILITIES

	2010 $	2009 $
There are no contingent assets.		-
The company has provided a bank guarantee, which covers six months rent in the event of a default. At reporting date the company is in a sound financial position and unlikely to default.	26,088	23,759

NOTE 23. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

The following Australian Accounting Standards have been issued or amended and are applicable to the parent and consolidated group but are not yet effective. They have not been adopted in preparation of the financial statements at reporting date.
Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2010 reporting periods. The Company's assessment of the impact of new standards and interpretations that may affect the Company is set out below.

AASB reference	Title and Affected Standard(s):	Nature of Change	Application date:	Impact on Initial Application
AASB 2009-5 (issued May 2009)	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process	Not urgent but necessary changes to AIFRSs as a result of the IASB's 2008 annual improvement process. Clarifies that only expenditures that result in a recognised asset in the statement of financial position are eligible for classification as cash flows from investing activities.	Periods commencing on or after 1 January 2010	Initial adoption of this amendment will have no impact as the entity only recognises cash flows from investing activities for expenditures that result in a recognised asset in the statement of financial position.
AASB 9 (issued December 2009)	Financial Instruments	Amends the requirements for classification and measurement of financial assets	Periods beginning on or after 1 January 2013	Due to the recent release of these amendments and that adoption is only mandatory for the 30 June 2014 year end, the entity has not yet made an assessment of the impact of these amendments.

AASB reference	Title and Affected Standard(s):	Nature of Change	Application date:	Impact on Initial Application
AASB Interpretation 19 (issued December 2009)	Extinguishing Financial Liabilities with Equity Instruments	Equity instruments issued to a creditor to extinguish all or part of a financial liability are 'consideration paid' to be recognised at the fair value of the equity instruments issued, unless their fair value cannot be measured reliably, in which case they are measured at the fair value of the debt extinguished. Any difference between the carrying amount of the financial liability extinguished and the 'consideration paid' is recognised in profit or loss.	Periods beginning on or after 1 July 2010	There will be no impact as the entity has not undertaken any debt for equity swaps.
Improvements to IFRSs	Improvements to IFRSs	Not urgent but necessary changes to IFRSs as a result of IASB's 2009 annual improvements project. A detailed reconciliation of each item of other comprehensive income may be included in the statement of changes in equity <u>or</u> in the notes to the financial statements.	Periods commencing on or after 1 July 2010 or 1 January 2011.	There will be no impact on initial adoption of this amendment as a detailed reconciliation of each item of other comprehensive income has always been included in the statement of changes in equity.
AASB 101	Presentation of Financial Statements	Clarifies that terms of a liability that could, at the option of the counterparty, result in the liability being settled by the issue of equity instruments, do not affect its classification. This means that unless the terms of such liabilities require a transfer of cash or other assets within 12 months, they do not necessarily have to be classified as current liabilities.	Periods commencing on or after 1 January 2010	Initial adoption of this amendment will have no impact as the entity does not have any current liabilities where the counterparty has the option to have the liabilities settled by the issue of equity instruments.
AASB 107	Statement of Cash Flows	Clarifies that only expenditures that result in a recognised asset in the statement of financial position are eligible for classification as cash flows from investing activities.	Periods commencing on or after 1 January 2010	Initial adoption of this amendment will have no impact as the entity only recognises cash flows from investing activities for expenditures that result in a recognised asset in the statement of financial position.

Directors' Declaration

The Directors of the Company declare that:

1. the financial statements, notes and audited remuneration disclosures included in the Directors' report of the Company are in accordance with the Corporations Act 2001, including:

    a. complying with Accounting Standards and Corporations Regulations 2001; and

    b. giving a true and fair view of the Company's financial position at 30 June 2010 and of its performance for the year ended on that date; and

    c. the audited remuneration disclosures included in the Directors' report For the year ended 30 June 2010, comply with section 300A of the Corporations Act 2001.

2. In accordance with Section 295A of the Corporations Act the Chief Executive Officer and the Chief Financial Officer have provided the directors with declarations that:

    a. the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;

    b. the financial statements and notes for the financial year comply with the Accounting Standards; and

    c. the financial statements and notes for the financial year give a true and fair view;

3. in the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

4. The Company has included in the notes to the financial statement an explicit and unreserved statement of compliance with International Financial Reporting Standards.

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

MARK BASSO-BRUSA
Managing Director

DATED at PERTH this 30th day of September 2010

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Australia

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

Report on the Financial Report

We have audited the accompanying financial report of East Energy Resources Limited, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the 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 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. In Note 1a, the directors also state, in accordance with Accounting Standard *AASB 101 Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

Auditor's Opinion

In our opinion

a) the financial report of East Energy Resources Limited is in accordance with the *Corporations Act 2001*, including:
   (i) giving a true and fair view of the company's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1a.

Report on the Remuneration Report

We have audited the Remuneration Report of the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of East Energy Resources Limited for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

BDO

Peter Toll
Director

Perth, Western Australia
Dated this 30th day of September 2010

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 27 August 2010 are:

		Number
1.	Majicyl Pty Ltd <Basso Investment A/c>	63,621,201
2.	Osendo Pty Ltd	25,707,609

Distribution Of Shareholders (as at 27 August 2010)

SPREAD OF HOLDINGS	NUMBER OF HOLDERS	UNITS	% OF ISSUED CAPITAL
1 – 1,000	13	4,631	0.00
1,001 – 5,000	120	419,310	0.33
5,001 – 10,000	137	1,205,789	0.93
10,001 – 100,000	427	17,301,594	13.39
100,001 – over	69	110,271,025	85.35
	766	**129,202,349**	**100.00**

There were 57 shareholders holding less than a marketable parcel at 27 August 2010. The percentage of shares held by 20 largest shareholders is 79.97%. There is no current on-market buy back taking place.

Distribution Of Listed Optionholders

There are currently no listed options.

Unlisted Options

There are presently 77,304,694 unlisted options. 1,100,000 unlisted options with an exercise price of $0.30 and an expiry date of 31 August 2010. 76,204,694 unlisted options have an exercise price of $0.20 and an expiry date of 31 March 2011.

Substantial Option Holders

The name of the substantial option holder in the Company's register as at 27 August 2010 is:

		Number
1.	Majicyl Pty Ltd <Basso Investment A/c>	63,868,002

During the reporting period the Company used its cash and assets in a manner consistent with its business objectives.

Shareholder Information continued

TWENTY LARGEST SHAREHOLDERS (as at 27 August 2010)

NAME	NUMBER OF ORDINARY SHARES HELD	PERCENTAGE OF CAPITAL HELD
Majicyl Pty Ltd <Basso Investment A/C>	63,651,201	49.27
Osendo Pty Ltd	25,707,609	19.90
Altius Investment Holdings	4,292,392	3.32
Kim Claudette Parry	2,570,000	1.99
Benison Holdings Pty Ltd	2,159,849	1.67
Kempo Capital Pty Ltd	675,000	0.55
Bond Street Custodians Limited	555,000	0.43
Laurie Tony orgiovanni	550,000	0.43
National Nominees Limited	350,000	0.27
Ying Huang	350,000	0.24
Cynthia Gail Pollard	301,000	0.23
Nikola Allaki & Dorina Allaki <N & D Allaki Super A/C>	300,000	0.23
Ross Anthony Jackson	275,000	0.21
Julie Fiona Basso	265,780	0.21
Kakulas Legal Pty Ltd <The Peter B Kakulas A/c>	250,000	0.19
Matthew Burden Smith	250,000	0.19
Kevin Barry Watson	240,000	0.19
Grosvenor Pirie Management Limited	210,492	0.17
Sunpower Holdings	200,000	0.15
Gordon Eric Keen	200,000	0.15
Total	**103,308,323**	**79.97**