

EAST AFRICA RESOURCES LIMITED

ABN 36 060 774 227

ANNUAL REPORT

2010

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CORPORATE DIRECTORY

EAST AFRICA RESOURCES LTD

ABN: 36 060 774 227

DIRECTORS

Louis Coetzee Executive Chairman & CEO
Peter Munachen Executive Director
Gerard Zytchow Non-Executive Director
Lindsay Colless Non-Executive Director

AUDITORS

Rothsay Chartered Accountants
96 Parry Street
Perth WA 6000

COMPANY SECRETARY

Ernie Myers

SHARE REGISTRY

Computershare Investor Services Pty Ltd
Level 2, Reserve Bank Building
45 St Georges Terrace
Perth WA 6000
Tel (Australia): 1300 55 70 10
Tel (overseas): +61 8 9323 2000

REGISTERED OFFICE AND HEAD OFFICE

Ground Floor
288 Stirling Street
Perth WA 6000
Australia
Telephone: +61 8 9227 3200
Facsimile: +61 8 9227 3211
Email: info@eastafricaresources.com.au
Internet: www.eastafricaresources.com.au

STOCK EXCHANGE LISTING HOME LISTING

East Africa Resources Limited securities are listed on
Australian Securities Exchange (ASX)
ASX Code: EAF

EAST AFRICA RESOURCES LIMITED

DIRECTORS' REPORT

The directors present their report together with the financial report of East Africa Resources Limited ("East Africa" or "the company"), and of the group, being the company and its subsidiaries, for the financial year ended 30 June 2010 and the auditor's report thereon.

DIRECTORS

The names of directors in office at any time during or up to the date of this report were:

Louis Lodewyk Coetzee, BA – Law, BA Hons, MBA, *Executive Chairman*

Louis Coetzee, aged 46, resides in South Africa and was appointed as Chairman and acting Chief Executive Officer on 29 March 2010.

Louis Coetzee resides in South Africa and has 25 years experience in business development, promotion and financing in both the public and private sector. In recent years he has concentrated on the exploration and mining area where he has founded, promoted and developed a number of junior mineral exploration companies based mainly on Tanzanian assets. Louis has tertiary qualifications in law and languages, project management, supply chain management and a MBA from Bond University (Australia) specializing in entrepreneurship and business planning and strategy. He has worked in various project management and business development roles mostly in the mining industry throughout his career. Louis is currently a Director and Chief Operating Officer of the Mzuri Group which has coal projects in Tanzania and coal, oil and gas projects in Russia. He is also a Director of Kibo Mining PLC which is listed on the Alternative Investment Market (AIM) of the London Stock Exchange. Between 2007 and 2009, he held the position of Vice-President, Business Development with Canadian listed Great Basin Gold (TSX: CBG).

Lindsay Arthur Colless, CA, FCID, *Non-Executive Director*

Lindsay Colless, aged 65, resides in Australia and was appointed as a Non-Executive Director on 13 December 2006.

Lindsay is a Chartered Accountant with 16 years experience in the profession and a further 32 years experience in commerce, mostly in the mineral and petroleum exploration industry in the capacities of financial controller, company secretary and director.

Directorships held in other listed entities:

Alkane Resources Ltd – Director (August 1986 to July 2006)

Atom Energy Ltd – Non-Executive Chairman (April 2007 to April 2008)

Newland Resources Ltd - Director (April 1997 to 25 November 2009)

Ian Raymond Cornelius, *Independent Non-Executive Director*

Ian (Inky) Cornelius, was appointed as a Non-Executive Director on 31 October 2003 and served the Company until his death on 14 July 2010.

Peter Lawson Munachen, CA, *Director & Chief Financial Officer*

Peter Munachen, aged 64, resides in Australia and was appointed as an Executive Director on 29 March 2010.

Peter has 37 years corporate and administrative experience in hydrocarbon and mineral resources companies. He has served as a director/officer of a number of listed companies, specialising in corporate finance and project acquisition.

Directorships held in other listed entities:

Norwest Energy NL – Director since 26 November 2003 and CEO since 3 December 2008

Newland Resources Ltd - Director (April 1997 to 2 October 2009)

Currie Rose Resources Inc (TSX listed company) – Director since April 2005

Pancontinental Oil & Gas NL Director (27 February 1991 to 5 January 2009)

Dragon Mining Limited – Director (23 March 2003 to 1 March 2010)

EAST AFRICA RESOURCES LIMITED

DIRECTORS' REPORT

Gerard Lodewyk van Delden Zytkow, B SocSci (Industrial Psychology), Non-Executive Director

Gerard Zytkow, aged 62, resides in Zambia and was appointed as a Director on 21 September 2005.

Mr Zytkow is responsible for the Group's Democratic Republic of Congo activities and operations. He has considerable experience with Democratic Republic of Congo based activities over many years, both socially and in a business capacity exporting equipment to the DRC.

Ernest Anthony Myers, CPA, Alternate Director for Peter Munachen

Ernie Myers, aged 62, was appointed as an Alternate Director for Peter Munachen on 23 June 2010.

Ernie is a qualified accountant who has been a director, company secretary or acting in a consulting role to listed resource companies for over 30 years. He has experience in capital raising, ASX compliance and regulatory requirements

Directorships held in other listed entities:

Pancontinental Oil & Gas NL – Director since 5 January 2009

COMPANY SECRETARY

Ernie Myers is a CPA and is a director and shareholder of Resource Services International (Aust) Pty Ltd which provides company secretarial, accounting, treasury and financial services to a number of listed public companies primarily in the resources sector.

EAST AFRICA RESOURCES LIMITED

DIRECTORS' REPORT

PRINCIPAL ACTIVITY

The principal activities of the consolidated entity constituted by East Africa Resources Limited and the entities it controlled during the financial year consisted of winding up the operation of the Company's copper smelter in the Democratic Republic of Congo (**DRC**) (Nova Copper Project) and finalising the acquisition of Tanganyika Uranium Corporation. The Company changed its name from Austral Africa Resources limited to East Africa Resources Limited on 29 June 2010 to reflect the concentration on activities in Tanzania.

Apart from the above, there were no significant changes in the nature of the consolidated entity's principal activities during the financial year.

OPERATING AND FINANCIAL REVIEW

Operating Overview

The primary focus of the Company during the year was the exit from all activities in the Democratic Republic of Congo (DRC) and the acquisition of Tanganyika Uranium Corp. (TUC), which was approved by shareholders in February 2010.

TUC has two regional uranium exploration areas in Tanzania, East Africa. The southern area known as the "**Madaba-Mkuju**" covers an area of approximately 950km² and has targeted sandstone roll-front style uranium mineralisation whilst the area located in the north of the country known as the "**Eastern Rift**", covers an area of 2,420km² and has targeted calcrete-style uranium mineralization. Additional applications to cover extensions to these areas have also been made.

East Africa has now cleared the way forward with exit from DRC, including settlement of all liabilities relating to those operations, and will now be able to focus on its uranium projects in Tanzania.

Operating Results

The net loss of the consolidated entity for the financial year after income tax was \$1,631,158 (2009: loss of \$4,548,422).

During the financial year, East Africa Resources Limited's primary activities were winding up the Democratic Republic of Congo activities and managing the acquisition of Tanganyika Uranium Corporation of Canada.

SUMMARY OF MATERIAL TRANSACTIONS AND EVENTS SUBSEQUENT TO YEAR END

On the 13 July 2010 the Company's share capital was consolidated on a one for one hundred basis.

On 15 September 2010, the Company issued 7,642,000 shares through a Share Purchase Plan which raised \$955,250 before costs. The proceeds are being utilised to fund the Company's Tanzanian uranium exploration activities and to supplement working capital.

The Company also concluded the divestment of its Democratic Republic of Congo subsidiaries and projects through a management buy-out in August 2010..

Other than the above transactions and events, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely in the opinion of the Directors of the Company, to significantly affect the operations of the consolidated entity, the results of those operations or the state of the affairs of the consolidated entity in future financial years.

STATE OF AFFAIRS

In the opinion of the directors, there were no matters that significantly affected the state of affairs of the consolidated entity during the financial year in review, other than those matters referred to in the summary of material transactions.

EAST AFRICA RESOURCES LIMITED

DIRECTORS' REPORT

LIKELY DEVELOPMENTS

The consolidated entity will focus on its uranium projects in Tanzania

DIVIDENDS

No dividends have been paid by the Company during the financial year ended 30 June 2010, nor have the directors recommended that any dividends be paid.

DIRECTORS' MEETINGS

Given the nature of the Company's business and the fact that its operations are based primarily in the DRC, the full Board has not been able to meet with greater regularity however, the directors frequently communicate with other management and personnel via telephone and email. In addition, the directors regularly communicate and hold informal meetings (including by telephone) regarding the financial and operational issues of the business.

The number of directors' and committee meetings held (but excluding operations meetings which are attended by the Chairman and Non-Executive Director from time to time) and number of meetings attended by each of the Directors of the Company during the financial year were:

Director	Directors Meetings		Audit & Risk Committee	
	A	B	A	B
LL Coetzee	3	3	1	1
LA Colless	8	8	4	4
PL Munachen	3	3	1	1
IR Cornelius	8	8	4	4
G Zytow	5	8	4	4

A = Number of meetings attended

B = Number of meetings held during the time the director held office during the reporting period.

INDEMNIFICATION AND INSURANCE OF OFFICERS

Indemnification

The Company has previously agreed to indemnify the following current directors of the Company, Mr L Colless, Mr PL Munachen, Mr LL Coetzee and Mr G Zytow, directors of controlled entities and executive officers against all liabilities to other persons (other than the Company or a related body corporate) that may arise from their position as directors of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

NON-AUDIT SERVICES

The Directors have considered the non-audit services provided during the year by Rothsay Chartered Accountants and are satisfied that the provision of those non-audit services is compatible with, and did not compromise, the auditors' independence requirements of the Corporations Act 2001.

A copy of the auditors' independence declaration as required under Section 307C of the Corporations Act is attached to and forms part of this Directors' Report.

Details of the amounts paid (excluding goods and services tax) to Rothsay Chartered Accountants and its related practices for the audit and non-audit services provided during the year are set out below:

	2010 \$	2009 \$
Statutory audit		
- Statutory audit/review by the auditors of the Company	41,550	35,000
Services other than statutory audit		
- Taxation services	300	300

EAST AFRICA RESOURCES LIMITED

DIRECTORS' REPORT

Remuneration of auditors of subsidiaries for audit or review of financial statements

4,337	2,558
56,187	37,858

ENVIRONMENTAL ISSUES

The Company's operations are subject to various environmental regulations in Australia and the DRC. The Directors have complied with these regulations and are not aware of any breaches of the legislation during the current financial year, which are material in nature.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received, or become entitled to receive, any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the financial statements or the fixed salary of a full-time employee of the Company or of a related corporation) by reason of a contract made by the Company or a related corporation with the Directors or with a firm of which the Director is a member, or with a Company in which the Director has a substantial financial interest other than those disclosed in Notes 25 and 26.

SHARE OPTIONS

Unissued shares under option and shares issued on the exercise of options

At the date of this report, the Company had no options over unissued ordinary shares in East Africa Resources Limited.

Options granted to directors' and executives of the Company

No options have been granted during or since the end of the financial year, to directors or executives as part of their remuneration.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of the Company support and have adhered to the principles of corporate governance. The Company's corporate governance statement is contained in the Corporate Governance Section of the annual report.

KEY MANAGEMENT PERSONNEL REMUNERATION REPORT

The Remuneration Report for the year ended 30 June 2010, is set out below:

Remuneration policies

Remuneration levels for directors, secretaries and senior managers of the Company ("the directors and senior executives") are competitively set to attract and retain appropriately qualified and experienced directors and senior executives. The board may obtain independent advice on the appropriateness of remuneration packages and remuneration strategies.

The remuneration structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The remuneration structures take into account:

- the capability and experience of the directors and senior executives;
- the directors and senior executives ability to control the relevant segments' performance;
- the consolidated entity's performance including:
 - the consolidated entity's earnings;
 - the growth in share price and returns on shareholder wealth; and
- the amount of incentives within each directors and senior executive's remuneration.

EAST AFRICA RESOURCES LIMITED

DIRECTORS' REPORT

Remuneration packages currently include a mix of fixed and variable remuneration and long-term performance-based incentives.

Fixed remuneration

Fixed remuneration consists of base remuneration (which is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicles), as well as employer contributions to superannuation funds.

Remuneration levels are reviewed annually by the Board through a process that considers individual, segment and over performance of the consolidated entity. In addition, external consultants may be used to provide analysis and advice to ensure the director's and senior executive's remuneration is competitive in the market place. A senior executive's remuneration is also reviewed on promotion.

Performance-linked remuneration

Performance linked remuneration can include both short-term and long-term incentives and is designed to reward executive directors and senior executives for meeting or exceeding their financial and personal objectives. The short-term incentives ("STI") would include an "at risk" bonus in the form of cash, while the long-term incentive ("LTI") is provided as options over ordinary shares of East Africa Resources Limited under the rules of the Employee Option Plan. The Employee Option Plan was last approved by shareholders in 2005.

Short-term incentive bonus

At the end of each financial year, the Board will assess the actual performance of the consolidated entity and individuals employed within the consolidated entity. However, the Board has determined that no bonuses will be paid until such time as the consolidated entity continues to successfully achieve a profitable smelting operation.

Long-term incentive

Options can be issued under the Employee Option Plan, subject to shareholder approval, which provides for executive directors and senior executives to receive options over ordinary shares for no consideration. The ability to exercise the options may be conditional on the consolidated entity achieving certain performance hurdles and/or the continuing service of the directors and employees. Options granted to directors and employees, which have not vested on termination of services for the employee or director, are forfeited unless otherwise determined by the Board of East Africa Resources Limited.

Performance hurdles may comprise a number of components, including share price hurdles and personal Key Performance Indicators. Performance hurdles are set and assessed by the Board.

Non-executive directors

Total remuneration for all non-executive directors, is set based on advice from external advisors with reference to fees paid to other non-executive directors of comparable companies.

Non-executive directors do not receive performance related remuneration other than incentive options, which must be approved by shareholders prior to them being granted. Directors' fees cover all main board activities and membership to committees.

From time to time, the Board may ask non-executive directors with appropriate skills and experience to consult to the Company on a daily basis to carry out particular tasks.

Directors' and key management personnel remuneration (audited)

Details on the nature and amount of each major element of remuneration of each director and executives of the Company are detailed below.

EAST AFRICA RESOURCES LIMITED

DIRECTORS' REPORT

There were only two people deemed to be executive directors during the year and at 30 June 2010.

	Year	Fees & Salary	Super-annuation	Other	Total
Directors		\$	\$	\$	\$
IR Cornelius	2010	-	-	50,000	50,000
	2009	-	-	50,000	50,000
G Zytkow	2010	-	-	158,118	158,118
	2009	-	-	108,913	108,913
LA Colless	2010	-	-	58,333	58,333
	2009	-	-	60,000	60,000
PL Munachen	2010	-	-	12,500	12,500
	2009	-	-	-	-
LL Coetzee	2010	-	-	50,000	50,000
	2009	-	-	-	-
EA Myers	2010	-	-	-	-
	2009	-	-	-	-

Directors' and key management personnel remuneration (audited)

	Year	Fees & Salary	Super-annuation	Other	Total
Key Management Personnel		\$	\$	\$	\$
	2010	-	-	61,583	61,583
Gaetan (David) Kakudji	2009	-	-	87,392	87,392
	2010	-	-	6,000	6,000
Karen Brown	2009	-	-	6,000	6,000
	2010	-	-	396,534	396,534
Totals	2009	-	-	312,305	312,305

Details of performance related remuneration

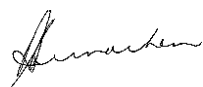
Details of the consolidated entity's policy in relation to the proportion of remuneration that is performance related is discussed above.

Analysis of share-based payments granted as remuneration

No options have been granted to directors or executives as remuneration.

Signed in accordance with a resolution of the Board of East Africa Resources Limited.

Dated in Perth this 30th day of September 2010.



PETER LAWSON MUNACHEN
Executive Director

AUDITOR'S INDEPENDENCE DECLARATION
TO THE BOARD OF DIRECTORS OF
EAST AFRICA RESOURCES LIMITED

In accordance with Section 307C of the Corporations Act 2001 (the "Act") I hereby declare that to the best of my knowledge and belief there have been:

- (i) no contraventions of the auditor independence requirements of the Act in relation to the audit of the 30 June 2010 financial statements; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

ROTHSAY CHARTERED ACCOUNTANTS

Graham R Swan
Lead auditor

Perth, WA
Dated: 30 September 2010

EAST AFRICA RESOURCES LIMITED
STATEMENT OF COMPREHENSIVE INCOME
AS AT 30 JUNE 2010

		Consolidated Entity	
		2010	2009
	Note	\$	\$
Revenue	2	138,409	1,103,771
Cost of sales		(3,825)	(1,165,730)
Employees, directors and contractor expense		(423,531)	(2,030,391)
Audit fees	4	(56,187)	-
Expenses - Production		(13,936)	-
Foreign Currency losses		(41,453)	-
Legal claim		-	(59,906)
Depreciation expense		(4,177)	(509,280)
Directors' fees		(100,001)	
Impairment expense		(113,553)	(1,742,162)
Borrowing costs expense		(84,536)	(51,189)
Write off stock		-	(44,065)
Exploration expenditure write back		147,141	-
Provisions written back		-	496,890
Rental expense on operating leases		(23,500)	(84,898)
Expenses – Overseas operations		(577,151)	-
Expenses - Administration		(474,858)	(461,462)
(Loss)/Profit before income tax	3	(1,631,158)	(4,548,422)
Income tax expense	5	-	-
(Loss)/Profit attributable to members of the parent entity		(1,631,158)	(4,548,422)
Other comprehensive income			
Exchange differences on translating foreign operations		-	-
Total comprehensive income/(loss) attributable to members of East Africa Resources Ltd		(1,631,158)	(4,548,422)
Basic earning per share (cents per share)	6	(0.07)	(0.60)
Diluted earnings per share(cents per share)	6	(0.07)	(0.60)

The accompanying notes form part of these financial statements.

EAST AFRICA RESOURCES LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2010

		Consolidated Entity	
		2010	2009
		\$	\$
CURRENT ASSETS	Note		
Cash and cash equivalents	7	845,303	190,884
Trade and other receivables	8	20,726	355,647
Inventories	9	-	164,845
Other current assets	10	17,150	17,039
TOTAL CURRENT ASSETS		883,179	728,415
NON-CURRENT ASSETS			
Trade and other receivables	8	12,000	13,900
Property, plant and equipment	11	9,364	340,765
Intangibles	13	-	316,282
Exploration	14	3,071,178	-
TOTAL NON-CURRENT ASSETS		3,092,542	670,947
TOTAL ASSETS		3,975,721	1,399,362
CURRENT LIABILITIES			
Trade and other payables	15	347,592	902,596
Short-term borrowings	16	-	273,099
Income tax liabilities	17	-	-
TOTAL CURRENT LIABILITIES		347,592	1,175,695
NON-CURRENT LIABILITIES			
Deferred tax liabilities	17	-	236
TOTAL NON-CURRENT LIABILITIES		-	236
TOTAL LIABILITIES		347,592	1,175,931
NET ASSETS		3,638,129	223,431
EQUITY			
Issued capital	18	41,708,019	36,649,722
Reserves	19	(801,904)	(779,463)
Retained earnings		(37,277,986)	(35,646,828)
TOTAL EQUITY		3,628,129	223,431

The accompanying notes form part of these financial statements.

EAST AFRICA RESOURCES LIMITED
STATEMENT OF CHANGES IN EQUITY
AS AT 30 JUNE 2010

Consolidated Entity

	Issued Capital	Accumulated Losses	Foreign Exchange Reserve	Total Equity
	\$	\$	\$	\$
As at 1 July 2008	34,533,165	(31,098,406)	(1,305,672)	2,129,087
Total comprehensive income/(loss)	-	(4,548,422)	526,209	(4,022,213)
Shares issued (net)	2,116,557*	-	-	2,116,557
As at 30 June 2009	36,649,722	(35,646,828)	(779,463)	223,432
 As at 1 July 2009	 36,649,722	 (35,646,828)	 (779,462)	 223,432
Total comprehensive income/(loss)	-	(1,631,158)	(22,442)	(1,653,600)
Shares issued (net)	5,058,297	-	-	5,058,297
As at 30 June 2010	41,708,019	(37,277,986)	(801,904)	3,628,129

*During the 2009 financial year, 200,000,000 shares were issued for non – cash consideration amounting to \$2,000,000 in settlement of loan

The accompanying notes form part of these financial statements.

EAST AFRICA RESOURCES LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2010

		Consolidated Entity	
	Note	2010	2009
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		91,783	726,569
Payments to suppliers and employees		(839,277)	(2,286,589)
Interest received		15,761	25,373
Borrowing costs		-	(51,189)
Net cash (used in)/ provided by operating activities	23(a)	(731,733)	(1,585,836)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment in concessions		-	(237,358)
Proceeds from the sale of fixed assets		4,686	550,837
Payments for property, plant and equipment		-	(7,622)
Net cash (used in) investing activities		4,686	305,857
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		-	273,099
Proceeds from investments		1,900	-
Repayment of borrowings		(323,217)	-
Proceeds from the issue of shares		1,803,305	117,833
Payment of share issue costs		(100,522)	(1,276)
Net cash provided by financing activities		1,381,466	389,656
NET (DECREASE)/ INCREASE IN CASH HELD		654,419	(890,323)
CASH AT BEGINNING OF FINANCIAL YEAR		190,884	1,081,207
CASH AT END OF FINANCIAL YEAR	23(b)	845,303	190,884

The accompanying notes form part of these financial statements.

EAST AFRICA RESOURCES LIMITED

DIRECTORS' DECLARATION **FOR THE YEAR ENDED 30 June 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements are general purpose financial statements that has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial statements cover the consolidated entity of East Africa Resources Limited and controlled entities, and East Africa Resources Limited as an individual parent entity. East Africa Resources Limited is a listed public company, incorporated and domiciled in Australia.

The financial statements of East Africa Resources Limited and controlled entities, and East Africa Resources Limited as an individual parent entity comply with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety.

The following is a summary of the material accounting policies adopted by the consolidated entity in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

Basis of Preparation

The accounting policies set out below have been consistently applied to all years presented.

Reporting Basis and Conventions

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

Accounting Policies

(a) Principles of Consolidation

A controlled entity is any entity East Africa Resources Limited has the power to control the financial and operating policies so as to obtain benefits from its activities.

A list of controlled entities is contained in Note 13 to the financial statements. All controlled entities have a June financial year-end.

All inter-company balances and transactions between entities in the consolidated entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity. Where controlled entities have entered or left the consolidated entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

(b) Going Concern

The financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes the commercial realisation of the future potential of the consolidated entity's assets and the discharge of their liabilities in the normal course of business.

EAST AFRICA RESOURCES LIMITED

DIRECTORS' DECLARATION FOR THE YEAR ENDED 30 June 2010

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(c) 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 balance 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 consolidated 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.

(d) Revenue recognition

Sale of goods is recognised when control has passed to the buyer.

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

All revenue is stated net of the amount of goods and services tax (GST).

(e) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost less any accumulated depreciation and impairment losses.

Property: Freehold land and buildings are measured on the cost basis.

Plant and Equipment: Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the consolidated entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including building and capitalised leased assets, but excluding freehold land, is depreciated on a diminishing value basis over their useful lives to the consolidated entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

<i>Class of Fixed Asset</i>	<i>Depreciation Rate</i>
Buildings	2.5%
Plant and equipment	13-40%

EAST AFRICA RESOURCES LIMITED

DIRECTORS' DECLARATION FOR THE YEAR ENDED 30 June 2010

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(e) Property, Plant and Equipment (Cont.)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement.

(f) Exploration 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 to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

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.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly, the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

(g) Intangibles

Intangibles are recognised at cost of acquisition. Intangibles are carried at cost less any accumulated amortisation and any impairment losses. Intangibles are amortised, where there is a definitive life, on a straight line basis over the period of benefit.

(h) Share-based Payments

Share-based compensation benefits are provided to directors and executives.

The fair value of options granted to directors and executives is recognised as an employee benefit expense with a corresponding increase in contributed equity. The fair value is measured at grant date and recognised over the period during which the directors and/or executives becomes unconditionally entitled to the options.

The fair value at grant date is independently determined using an 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-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

(i) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

EAST AFRICA RESOURCES LIMITED

DIRECTORS' DECLARATION **FOR THE YEAR ENDED 30 June 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(j) 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. 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 balance sheet are shown inclusive of GST.

(k) Lease

Lease payment for operating leases, where substantially all the risk and benefits remain with the lessor, are charged as expenses in the period in which they are incurred.

(l) Impairment of assets

At each reporting date, the consolidated entity 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.

Impairment testing is performed annually for intangible assets with indefinite lives.

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

(m) 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.

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

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.

Held-to-maturity investments

These investments have fixed maturities, and it is the group's intention to hold these investments to maturity. Any held-to-maturity investments held by the group are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken to equity.

Financial liabilities

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

EAST AFRICA RESOURCES LIMITED

DIRECTORS' DECLARATION FOR THE YEAR ENDED 30 June 2010

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(m) Financial instruments (Cont.)

Impairment

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

(n) Borrowing cost

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

(o) Employee Benefits

Wages, salaries, annual and long service leave

Provision is made for the consolidated entity's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Related on-costs have also been included in the liability.

Superannuation plan

The consolidated entity contributes to several defined contribution superannuation plans. Contributions to employee superannuation funds are charged against income statement as they are made.

(p) Foreign Currency

Functional and presentation currency

The functional currency of each of the entities in the consolidated entity is measured using the currency of the primary economic environment in which that entity operates. The financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange difference arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

Subsidiary companies

The financial results and position of foreign operations whose functional currency is different from East Africa Resources Limited's presentation currency are translated as follows:

- Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date.
- Income and expenses are translated at average exchange rates for the period.
- Retained profits are translated at the exchange rates prevailing at the date of the transaction.

EAST AFRICA RESOURCES LIMITED

DIRECTORS' DECLARATION FOR THE YEAR ENDED 30 June 2010

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(p) Foreign Currency (Cont.)

Exchange differences arising on translation of foreign operations are transferred directly to the foreign currency reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

(q) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

(r) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at balance date.

(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.

(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) Comparative figures

Where required by Accounting Standards, comparative figures have been adjusted to conform with changes in presentation for the current financial year

(u) New Accounting Standards for Application in Future Periods

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Group follows;

- AASB 9: Financial Instruments and AASB 2009-11; Amendments to Australian Accounting Standards arising from AASB 9 (AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 138, 139, 1023 & 1038 and Interpretations 10 & 121 (applicable for annual reporting periods commencing on or after 1 January 2013).

These standards are applicable retrospectively and amend the classification and measurement of financial assets. The Group has not yet determined the potential impact on the financial statements.

The changes made to accounting requirements include:

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

EAST AFRICA RESOURCES LIMITED

DIRECTORS' DECLARATION FOR THE YEAR ENDED 30 June 2010

impairment or recycling on disposal of the instrument; and

- reclassifying financial assets where there is a change in an entity's business model as they are initially classified based on;
 - a. the objective of the entity's business model for managing the financial assets; and
 - b. the characteristics of the contractual cash flows.
- AASB 124: Related Party Disclosures (applicable for annual reporting periods commencing on or after 1 January 2011).

This standard removes the requirement for government related entities to disclose details of all transactions with the government and other government related entities and clarifies the definition of a related party to remove inconsistencies and simplify the structure of the standard. No changes are expected to materially affect the Group.

- AASB 2009-5; Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139] (applicable for annual reporting periods commencing from 1 January 2010).

These standards detail numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvements project. No changes are expected to materially affect the Group.

- AASB 2009-8; Amendments to Australian Accounting Standards - Group Cash-settled Share-based Payment Transactions [AASB 2] (applicable for annual reporting periods commencing on or after 1 January 2010).

These amendments clarify the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when the entity has no obligation to settle the share-based payment transaction. The amendments incorporate the requirements previously included in Interpretation 8 and Interpretation 11 and as a consequence, these two Interpretations are superseded by the amendments. These amendments are not expected to impact the Group.

- AASB 2009-9: Amendments to Australian Accounting Standards - Additional Exemptions for First-time Adopters [AASB 1] (applicable for annual reporting periods commencing on or after 1 January 2010).

These amendments specify requirements for entities using the full cost method in place of the retrospective application of Australian Accounting Standards for oil and gas assets, and exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with Interpretation 4 when the application of their previous accounting policies would have given the same outcome. These amendments are not expected to impact the Group.

- AASB 2009-10: Amendments to Australian Accounting Standards - Classification of Rights Issues [AASB 132] (applicable for annual reporting periods commencing on or after 1 February 2010).

These amendments clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. These amendments are not expected to impact the Group.

- AASB 2009-12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011).

This standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the IASB. The standard also amends AASB 8 to require entities to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. These amendments are not expected to impact the Group.

- AASB 2009-13: Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB 1] (applicable for annual reporting periods commencing on or after 1 July 2010).

This standard makes amendments to AASB 1 arising from the issue of Interpretation 19. The amendments allow a first-time adopter to apply the transitional provisions in Interpretation 19. This standard is not expected to impact the Group.

- AASB 2009-14: Amendments to Australian Interpretation - Prepayments of a Minimum Funding Requirement [AASB interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2011).

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DIRECTORS' DECLARATION FOR THE YEAR ENDED 30 June 2010

This standard amends Interpretation 14 to address unintended consequences that can arise from the previous accounting requirements when an entity prepays future contributions into a defined benefit pension plan. This standard will not impact the Group.

- AASB Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments (applicable for annual reporting periods commencing on or after 1 July 2010).

This Interpretation deals with how a debtor would account for the extinguishment of a liability through the issue of equity instruments. The Interpretation states that the issue of equity should be treated as the consideration paid to extinguish the liability, and the equity instruments issued should be recognised at their fair value unless fair value cannot be measured reliably in which case they shall be measured at the fair value of the liability extinguished. The Interpretation deals with situations where either partial or full settlement of the liability has occurred. This Interpretation is not expected to impact the Group.

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

u) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are mandatory for 30 June 2010 reporting periods. The Company's assessment of the impact of these new standards and interpretations is set out below.

(v) Critical Accounting Estimates and Judgements

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the consolidated entity.

Key estimates – Impairment

The consolidated entity assesses impairment at each reporting date by evaluating conditions specific to the consolidated entity that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value in use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

No impairment has been recognised in respect of intangibles for the year ended 30 June 2010 as the Concessions have been written off.

The financial statements were authorised for issue on 30 September 2010 by the board of directors.

	Consolidated Entity 2010 \$	2009 \$
2 REVENUE		
Sale of goods	26,179	726,569
Interest received	15,761	25,373
Proceeds from disposal of assets	4,686	-
Revenue from outside operating activities:		
Other income *	91,783	351,829
	138,409	1,103,771

* Other Income in 2009 represents profit on sale of land \$300,802 and profit on sale of plant & equipment \$51,027

EAST AFRICA RESOURCES LIMITED

DIRECTORS' DECLARATION FOR THE YEAR ENDED 30 June 2010

3 PROFIT/(LOSS) BEFORE INCOME TAX EXPENSE

Profit/(Loss) before income tax expense has been arrived at after charging/(crediting) the following items:

Loss (Gain) on foreign currency transactions	41,453	4,224
Write off of inventory	-	44,065
Provision for impairment of other debtor	113,553	(496,890)
Rental expense on operating leases	23,500	84,898
Borrowing costs – external parties	84,536	51,189
Depreciation& Impairment charges:		
Depreciation on Plant and equipment	4,177	509,280
Impairment of Plant & Equipment	-	1,742,162
	4,177	2,251,442

4. AUDITORS' REMUNERATION

Remuneration of auditors of the parent entities for:

- Auditing or reviewing the financial statements	41,550	35,000
- Taxation services	300	300
	41,850	35,300

Remuneration of other auditors of subsidiaries for:

Auditing or reviewing the financial statements	4,337	2,558
	56,187	37,858

EAST AFRICA RESOURCES LIMITED

DIRECTORS' DECLARATION FOR THE YEAR ENDED 30 June 2010

	Consolidated Entity 2010 \$	2009 \$	Parent Entity 2010 \$	2009 \$
5. INCOME TAX EXPENSE				
The prima facie tax on (loss)/profit before income tax is reconciled to the income tax expense as follows:				
Operating (loss)/profit before tax			(1,631,158)	(4,548,422)
Prima facie income tax expense/(benefit) calculated at 30% (2009: 30%) on the profit/(loss) before tax			(489,347)	(1,364,527)
Tax effect of permanent differences			-	-
Tax effect of timing differences			-	-
Amount not brought to account as a carried forward future income tax benefit			489,347	1,364,527
Tax losses of non-resident controlled entities not recognised			-	-
Tax losses utilised			-	-
Income Tax Expense			-	-
Deferred Tax Asset				
Deferred tax asset not brought to account comprises the estimated future benefit at the applicable tax rates:				
Tax losses			11,190,887	10,701,540

The potential deferred tax asset will only be obtained if:

- (i) the relevant company derives future assessable income of a nature and an amount sufficient to enable the asset to be realised;
- (ii) the relevant company and/or the consolidated entity continues to comply with the conditions for deductibility imposed by the law; and
- (iii) no changes in tax legislation adversely affect the relevant company and/or the consolidated entity in realising the asset.

Given the various capital raisings that have taken place since 2007 the availability of tax losses will need to be determined by the ATO.

East Africa Resources Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the Tax Consolidation Regime. East Africa Resources Limited is responsible for recognising the current and deferred tax assets and liabilities for the tax consolidated group. The tax consolidated group has entered a tax sharing agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

EAST AFRICA RESOURCES LIMITED

DIRECTORS' DECLARATION FOR THE YEAR ENDED 30 June 2010

6 EARNINGS PER SHARE

	Consolidated entity	
	2010	2009
	\$	\$
Earnings used to calculate basic and dilutive earnings per share	(1,631,158)	(4,548,422)
	No.	No.
Weighted average number of ordinary shares used in the calculation of basic earnings per share:		
Number for Basic Earnings per share – Ordinary Shares	2,282,663,077	756,475,334
Weighted average number of ordinary shares used in the calculation of dilutive earnings per share:		
Number for Basic Earnings per share – Ordinary Shares	2,282,663,077	756,475,334
Effect of options on issue, which are exercisable at less than the market price for ordinary shares as at 30 June	-	-
Number for Diluted Earnings per share – Ordinary Shares	2,282,663,077	756,475,334

The amount used as the numerator in calculating basic earnings per share is the same as the net profit/(loss) reported in the income statement.

	Consolidated Entity	
	2010	2009
	\$	\$
7 CASH AND CASH EQUIVALENTS		
Cash at bank and on hand	845,303	190,884
8 TRADE AND OTHER RECEIVABLES		
Current		
Trade receivables	-	-
Other receivables	134,279	556,101
Less: Provision for impairment	(113,553)	(200,454)
	20,726	355,647
Security bonds	12,000	13,900
	12,000	13,900

The security bonds are supported by cash deposits held by suppliers or the Mines Department for the rehabilitation of exploration tenements.

9 INVENTORIES		
Finished goods	-	164,845
	-	164,845
10 OTHER CURRENT ASSETS		
Prepayments	17,150	17,039

EAST AFRICA RESOURCES LIMITED

DIRECTORS' DECLARATION FOR THE YEAR ENDED 30 June 2010

	Consolidated Entity 2010 \$	2009 \$
11 PROPERTY, PLANT AND EQUIPMENT		
Land:		
At cost	-	200,876
Plant and equipment:		
At cost	44,707	3,507,148
Accumulated depreciation	(35,343)	(1,625,097)
Impairment	-	(1,742,162)
	9,364	139,889*
Total property, plant and equipment	9,364	340,765
Reconciliations		
Reconciliations of the carrying amounts for each class of plant and equipment are set out below:		
Land		
Carrying amount at beginning of the year	200,876	387,258
Additions/Disposals	(200,876)	(186,382)
Foreign exchange movement	-	-
Carrying amount at end of year	-	200,876
Plant and equipment		
Carrying amount at beginning of the year	139,889	2,019,923
Additions	-	7,622
Foreign exchange movement	-	397,213
Disposals	(126,348)	(33,427)
Impairment of assets	-	(1,742,162)
Depreciation	(4,177)	(509,280)
Carrying amount at end of year	9,364	139,889
Total property, plant and equipment	9,364	340,765

*Non-Current Assets held for sale in accordance with AASB 5 included in the consolidated figures in above table for the year ended 2009 are as follows:

Property, Plant & Equipment: \$126,162

EAST AFRICA RESOURCES LIMITED

DIRECTORS' DECLARATION FOR THE YEAR ENDED 30 June 2010

12 CONTROLLED ENTITIES

Name of Entity	Percentage Owned		Class of Share	Cost of Parent's Investments		Contribution to Consolidated Profit/(Loss) From Operating Activities After Income Tax Expense		Loans to Controlled Entities	
	2010 %	2009 %		2010 \$	2009 \$	2010 \$	2009 \$	2010 \$	2009 \$
Parent entity									
East Africa Resources Limited				-	-	(922,320)	(2,690,873)	-	-
Controlled Entities									
Tanganyika Uranium Corp	100	0	Ordinary	3,355,514	-	(724,316)		330,183	-
TZU Resources Pty Ltd	100	0	Ordinary						
Frontier Resources Ltd	100	0	Ordinary						
Sterling Resources Ltd	100	0	Ordinary						
Savanna Mineral Resources Pty Ltd	100	100	Ordinary	1,200,000	1,200,000	-	-	4,235,198	4,235,198
Smelting Technologies (Australia) Pty Ltd*	100	100	Ordinary	640,000	640,000	-	-	93,490	93,490
Mihlayonke Consulting Services (Pty) Ltd**	100	100	Ordinary	750,000	750,000	-	-	207,945	207,945
Nova Mining SPRL	100	100	Ordinary	290,108	290,108	15,268	(1,834,368)	15,319,586	15,319,586
Hertz Electrical Technologies (Pty) Ltd	100	100	Ordinary	-	-	-	205,624	-	-
New World Alloys (SA) (Pty) Ltd	100	100	Ordinary	-	-	-	(151,846)	1,871,533	1,871,533
Mogwele Trading 10 (Pty) Ltd*	100	100	Ordinary	-	-	-	-	-	-
Nsele Trading 47 (Pty) Ltd*	100	100	Ordinary	-	-	-	-	-	-
KCM Services Pty Ltd*	60	60	Ordinary	-	-	-	-	-	-
Macro Mining Sprl	100	100	Ordinary	-	-	-	-	-	-
Phoenix Resources Sprl	80	80	Ordinary	-	-	-	-	-	-
Nova Mining Zambia Ltd*	100	100	Ordinary	1,159	1,159	-	-	-	-
				2,881,267	2,881,267	(1,631,158)	(4,471,463)	22,057,935	21,727,752

COUNTRY OF INCORPORATION

Parent entity:

East Africa Resources Limited***

Australia

Subsidiary entities:

Tanganyika Uranium Corp
TZU Resources Pty Ltd***
Frontier Resources Ltd
Sterling Resources Ltd
Savanna Mineral Resources Pty Ltd
Smelting Technologies (Australia) Pty Ltd*
KCM Services Pty Ltd*
Macro Mining Sprl
Phoenix Resources Sprl
Nova Mining Sprl
Nova Mining Zambia Ltd*
Mihlayonke Consulting Services (Pty) Ltd**
Hertz Electrical Technologies (Pty) Ltd
New World Alloys (SA) (Pty) Ltd
Mogwele Trading 10 (Pty) Ltd*

Canada
Australia
Tanzania
Tanzania
Australia
Australia
Australia
Democratic Republic of Congo
Democratic Republic of Congo
Democratic Republic of Congo
Zambia
South Africa
South Africa
South Africa
South Africa

EAST AFRICA RESOURCES LIMITED

DIRECTORS' DECLARATION FOR THE YEAR ENDED 30 June 2010

Nsele Trading 47 (Pty) Ltd*

South Africa

*Dormant, still registered

**In liquidation from Feb 2007

*** Audited by Rothsay

The carrying values of the controlled entities recorded in the books of the parent entity are at the lower of cost or net asset backing of the subsidiaries at balance date.

	Consolidated Entity	
	2010	2009
	\$	\$
13 INTANGIBLES		
Concessions		
Balance at beginning of year	312,865	41,220
Foreign exchange movement	-	8,026
Additions	-	263,619
Write off	(312,865)	-
	<u>-</u>	<u>312,865</u>
Licences		
Balance at beginning of year	3,417	26,989
Foreign exchange movement	-	557
Additions/ (Disposals)	(3,417)	(24,129)
	<u>-</u>	<u>3,417</u>
	<u>-</u>	<u>316,282</u>
14 EXPLORATION		
Balance at beginning of year	-	-
Acquisition and expenditure	3,071,178	-
Balance at the end of the year	<u>3,071,178</u>	<u>-</u>
15 TRADE AND OTHER PAYABLES		
Current		
Trade creditors and accruals	347,592	883,596
Amount owed to Directors/ Director-related entities	-	19,000
	<u>347,592</u>	<u>902,596</u>
16 SHORT-TERM BORROWINGS		
Bank	<u>-</u>	<u>273,099</u>
17 TAX LIABILITIES		
Current		
Income tax	<u>-</u>	<u>-</u>
Non Current		
Provision for deferred tax	<u>-</u>	<u>236</u>

EAST AFRICA RESOURCES LIMITED

DIRECTORS' DECLARATION FOR THE YEAR ENDED 30 June 2010

18 ISSUED CAPITAL

Issued and paid-up share capital

4,042,418,348 (2009: 903,306,294) ordinary shares,
fully paid

41,708,019 36,649,722

(a) Movements during the year

Ordinary shares

Balance at the beginning of year

36,649,722 34,533,165

200,000,000 shares issued for payment of debt*

- 2,000,000

1,803,306,294 shares issued for capital raising

1,803,306 117,823

1,342,205,760 shares for the acquisition of

Tanganyika Uranium Corp

3,355,513 -

Shares issue costs

(100,522) (1,266)

Balance at end of year

41,708,019 36,649,722

*Issued for non-cash in lieu of debt.

(b) Terms and conditions of contributed equity

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholder's meetings.

In the event of winding up of the parent entity, ordinary shareholders rank after all creditors and are fully entitled to any proceeds of liquidation.

(c) Share Options

During the financial period, the parent entity issued no options.

Unissued shares

At the end of the year, there were no options over unissued shares.

(d) Issued Shares

During the financial period, the parent entity issued shares as follows:

- 1,342,205,760 shares for the acquisition of Tanganyika Uranium Corp
- 1,803,306,294 shares issued for capital raising shares issued for capital raising

19 RESERVES

Foreign Currency Translation Reserve

The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary

Balance at the beginning of year

779,463 1,305,672

Net foreign currency differences

22,441 526,209

Balance at the end of year

801,904 779,463

EAST AFRICA RESOURCES LIMITED

DIRECTORS' DECLARATION FOR THE YEAR ENDED 30 June 2010

20 PARENT INFORMATION

The following information has been extracted from the books and records of the parent and has been prepared in accordance with the accounting standards.

	2010	2009
BALANCE SHEET		
Assets		
Current assets	800,616	153,466
Non-Current assets	819,717	242,408
Total assets	1,620,333	395,874
Liabilities		
Current liabilities	160,006	199,053
Total liabilities	160,006	199,053
Net assets	1,460,327	196,821
Equity		
Contributed equity	41,723,079	36,649,722
Accumulated losses	40,262,752	(36,452,901)
Total equity	1,460,327	196,821
STATEMENT OF COMPREHENSIVE INCOME		
Total loss	(922,320)	(2,771,968)
Total comprehensive income	(922,320)	(2,771,968)

21 FINANCIAL RISK MANAGEMENT

Overview:

The company and consolidated entity have exposure to the following risks from their use of financial instruments:

- (a) liquidity risk
- (b) credit risk
- (c) market risk

This note presents information about the Company's and consolidated entity's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the Company through regular reviews of the risks.

(a) Liquidity risk:

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation.

The Company manages liquidity risk by maintaining adequate reserves through continuously monitoring forecast and actual cash flows. The Company has no financing facilities available to it.

EAST AFRICA RESOURCES LIMITED

DIRECTORS' DECLARATION
FOR THE YEAR ENDED 30 June 2010

21 FINANCIAL RISK MANAGEMENT (Cont.)

Interest rate risk

The consolidated entity's exposure to interest rate risk and the effective weighted average rate for classes of financial assets and liabilities is set out below:

30 June 2010	Note	Fixed interest maturing in:		Floating interest	Non-interest bearing	Total	Weighted average interest rate
		1 year or less	Over 1 to 5 years				
		\$	\$	\$	\$	\$	
<u>Financial assets</u>							
Cash	7	-	-	845,303	-	845,303	0.25%
Receivables	8	-	-	-	20,725	20,725	
Total financial assets		-	-	845,303	20,725	866,028	
<u>Financial liabilities</u>							
Payables	15	-	-	-	347,592	347,592	
Total financial liabilities		-	-		347,592	347,592	

30 June 2009	Note	Fixed interest maturing in:		Floating interest	Non-interest bearing	Total	Weighted average interest rate
		1 year or less	Over 1 to 5 years				
		\$	\$	\$	\$	\$	
<u>Financial assets</u>							
Cash	7	-	-	190,884	-	190,884	0.25%
Receivables	8	-	-	-	355,647	355,647	
Total financial assets		-	-	190,884	355,647	546,531	
<u>Financial liabilities</u>							
Payables	16	-	-	-	902,596	902,596	24%
Interest bearing loans	17	273,099	-		-	273,099	
Total financial liabilities		273,099	-		902,596	1,175,695	

EAST AFRICA RESOURCES LIMITED

DIRECTORS' DECLARATION FOR THE YEAR ENDED 30 June 2010

21 FINANCIAL RISK MANAGEMENT (Cont.)

(b) Credit risk exposures

Credit risk is the risk of financial loss to the consolidated entity if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the consolidated entity's receivables from customers and investment securities. For the Company it arises from receivables due from subsidiaries.

(i) Investments: The group limits its exposure to credit risk by only investing with counterparties that have an acceptable credit rating.

(ii) Trade and other receivables:

The Company and consolidated entity have established an allowance for impairment that represents their estimate of incurred losses in respect of receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures. The management does not expect any counterparty to fail to meet its obligations.

Presently, the group undertakes exploration and evaluation activities in Australia and in Africa. At the balance sheet date there were no significant concentrations of credit risk.

(iii) Exposure to credit risk:

The carrying amount of financial assets recorded in the financial statements and notes, net of any provisions for losses, represents the consolidated entity's maximum exposure to credit risk without taking account of the fair value of any collateral or other security obtained. The Company has no financial assets that are neither past due nor impaired therefore credit qualities have not been disclosed.

The Company's maximum exposure to credit risk at the reporting date was:

	Consolidated Entity	
	2010	2009
	\$	\$
Cash and cash equivalents	845,303	190,884
Trade and other receivables	20,725	355,647
Total exposure	866,028	546,531

Impairment losses

An impairment loss of in respect of inter-group loans was recognised during the previous year from a net asset analysis of the subsidiaries positions. None of the company's other receivables are past due (2009: \$1,746,299). No charge was made in the current year.

The movement in the allowance for impairment in respect of the inter-group loans on a non-consolidated basis during the year was as follows:

	Parent Entity	
	2010	2009
	\$	\$
Balance at 1 July	21,715,752	19,969,453
Impairment loss/ (write-back) recognised	-	1,746,299
Balance at 30 June	21,715,752	21,715,752

Whilst the loans were not payable as at 30 June 2010, a provision for impairment based on the subsidiaries financial position was made. The balance of this provision may vary due to the performance of a subsidiary in a given year.

EAST AFRICA RESOURCES LIMITED

DIRECTORS' DECLARATION FOR THE YEAR ENDED 30 June 2010

21 FINANCIAL RISK MANAGEMENT (Cont.)

(c) Market Risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the consolidated entity's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) Price risk:

The Company does not have investments in equity securities and is not exposed to price risk.

(ii) Currency risk:

The Company is exposed to currency risk on investments in subsidiaries in a currency other than the respective functional currencies of group entities, primarily the Australian dollar (AUD).

The Company has not entered into any derivative financial instruments to hedge such investments and anticipated future receipts or payments that are denominated in a foreign currency.

The Company's investments in its subsidiaries are not hedged as those currency positions are considered to be long term in nature.

Exposure to currency risk: The consolidated entity's exposure to foreign currency risk at balance date was as follows, based on notional amounts:

	Consolidated Entity	
	2010	2009
	\$	\$
Revenue	-	1,103,771
Expenditure	(945,059)	(5,652,193)
Net exposure	(945,059)	(4,548,422)

The following significant exchange rates applied during the year:

AUD:	Average rate		Reporting date spot rate	
	2010	2009	2010	2009
USD	0.8821	0.7480	0.8563	0.8048
ZAR	6.7074	6.6725	6.5349	6.3433

Sensitivity analysis:

A 10 percent strengthening of the Australian dollar against the following currencies at 30 June would have increased (decreased) equity and reduced the loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2008.

	Consolidated Entity	
	Equity	Profit or loss
	\$	\$
30 June 2010 - AUD	96,179	96,179
30 June 2009 - AUD	189,214	189,214

A 10 percent weakening of the Australian dollar against the above currencies at 30 June would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

EAST AFRICA RESOURCES LIMITED

DIRECTORS' DECLARATION FOR THE YEAR ENDED 30 June 2010

21 FINANCIAL RISK MANAGEMENT (Cont.)

Interest rate risk:

At balance date the group had minimal exposure to interest rate risk, through its cash and equivalents held within financial institution and borrowings.

	Consolidated Entity	
	30 June 2010	30 June 2009
	\$	\$
Fixed rate instruments		
Financial assets	-	-
Variable rate instruments		
Financial assets	845,303	190,884
Fixed rate borrowings		
Financial liabilities	-	273,099

Fair value sensitivity analysis for fixed rate instruments:

There was no exposure to fixed rate instruments at balance date or at the previous reporting period.

Fair value sensitivity analysis for variable rate instruments:

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. The analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2008.

Consolidated Entity	Profit or loss		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
	\$	\$	\$	\$
30 June 2010				
Cash and cash equivalents	8,453	(8,453)	8,453	(8,453)
Borrowings	-	-	-	-
30 June 2009				
Cash and cash equivalents	1,909	(1,909)	1,909	(1,909)
Borrowings	(2,731)	2,731	(2,731)	2,731

Net fair value

For unlisted investments where there is no organised financial market, the net fair value has been based on a reasonable estimation of the underlying net assets of the investment.

For other assets and other liabilities the net fair value approximates their carrying value, as disclosed in the Balance Sheet.

EAST AFRICA RESOURCES LIMITED

DIRECTORS' DECLARATION FOR THE YEAR ENDED 30 June 2010

22 SEGMENT INFORMATION

The parent entity operates predominantly in one segment involved in the mineral exploration and development industry. Geographically, the consolidated entity operates in Australia and Southern Africa.

30 June 2010

	Australia \$	Africa \$	Consolidated \$
REVENUE			
Segment revenue from operating activities	107,536	30,873	138,409
RESULT			
Profit/(loss) after income tax	(922,320)	(708,838)	(1,631,158)
ASSETS			
Segment assets	810,167	3,165,554	3,975,721
LIABILITIES			
Segment liabilities	160,006	187,586	347,592
OTHER			
Segment assets acquired	-	3,071,178	3,071,178
Segment depreciation and amortisation	4,177	-	4,177
Segment impairment	-	113,553	113,553

30 June 2009

	Australia \$	Africa \$	Consolidated \$
REVENUE			
Segment revenue from operating activities	25,372	1,078,399	1,103,771
RESULT			
Profit/(loss) after income tax	(464,658)	(4,083,764)	(4,548,422)
ASSETS			
Segment assets	383,874	1,015,488	1,399,362
LIABILITIES			
Segment liabilities	199,053	976,878	1,175,931
OTHER			
Segment assets acquired	7,500	122	7,622
Segment depreciation and amortisation	4,695	504,585	509,280

EAST AFRICA RESOURCES LIMITED

DIRECTORS' DECLARATION FOR THE YEAR ENDED 30 June 2010

	Consolidated Entity 2010 \$	2009 \$
23 NOTES TO THE CASH FLOW STATEMENT		
(a) Reconciliation of (loss)/profit after income tax to net cash used in operating activities		
(Loss)/Profit after income tax	(1,631,158)	(4,548,422)
<i>Non-cash items:</i>		
Impairment of assets	-	1,742,162
Depreciation	4,177	509,280
Translation foreign exchange gains/(losses)	(41,453)	91,579
Provision for diminution of:		
- Other debtor	-	(496,890)
- Subsidiaries	-	-
- Inventory	-	44,065
Provision for non-recovery of loans to subsidiaries	-	-
Exploration	-	-
(Profit) loss on sale of non-current assets	-	(351,828)
Non cash expenses	719,096	608,252
Net cash (used in) provided by operating activities before change in assets and liabilities	(949,338)	(2,401,802)
Change in assets and liabilities:		
(Increase) decrease in net receivables	334,922	594,137
(Increase) decrease in net inventories	-	79,362
(Increase) decrease in other current assets	(111)	260,538
(Increase) decrease in bonds	-	-
Increase (decrease) in payables and provisions	(117,206)	(118,112)
Increase (decrease) in tax liabilities	-	41
Net cash provided from/(used in) operating activities	(731,733)	(1,585,836)

(b) Reconciliation of Cash

For the purposes of the cash flow statement, cash includes cash on hand and at bank and short term deposits at call. Cash as at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:

Cash at bank and on hand	845,303	151,517
--------------------------	---------	---------

24 COMMITMENTS

(a) Non cancellable operating lease commitments

Future operating leases rentals for premises not provided for in the financial statements and payable:

Within one year

One year or later but not later than five years

-	-
-	-
-	-

(b) Exploration

The parent entity and consolidated entity have certain obligations to perform minimum exploration work on mineral leases held; however the parent entity currently does not hold any tenements within Australia. These obligations may vary over time, depending on the parent entity's and the consolidated entity's exploration programs and priorities. As at balance date, total exploration work commitments on tenements held by the parent entity and the consolidated entity have not been provided for in the financial statements and have not been quantified as a monetary amount. These obligations are also subject to variations by farm-out arrangements and the purchase or sale of the relevant tenements.

EAST AFRICA RESOURCES LIMITED
DIRECTORS' DECLARATION
FOR THE YEAR ENDED 30 June 2010

25 EMPLOYEE ENTITLEMENTS

Employee Share Option Plan (ESOP)

The parent entity has an Employee Share Option Plan (Plan), which was approved by shareholders on 30 November 2005. Options are issued at the discretion of the Directors at no consideration. Each option is convertible to one ordinary share. There are no voting rights attached to the unissued ordinary shares. Voting rights will be attached to the unissued ordinary shares when the options have been exercised. All options expire on the earlier of their expiry date or on termination of the employee's employment if not exercised.

No options were granted under the Plan during the financial year. No options are outstanding at the end of the financial year under the Plan.

The options can be granted free of charge and are exercisable at a fixed price calculated in accordance with the Plan over a period of five years to a maximum of 20% in any one financial year.

Details of options issued under the ESOP

No options were issued under the ESOP for the year ended 30 June 2010.

26 KEY MANAGEMENT PERSONNEL

(a) Details of Specified Directors and Key Management Personnel during the year ended 30 June 2010

(i) Specified Directors

Louis L Coetzee	Chairman & Chief Executive Officer
Lindsay A Colless	Non Executive Director
Ian R Cornelius	Non Executive Director
Peter L Munachen	Executive Director
Gerard Zytchow	Non Executive Director
Ernest A Myers	Alternate Director & Company Secretary

(ii) Key Management Personnel

Gaetan (David) Kakudji	Resources Manager DRC
Karen Brown	Company Secretary

There are no other key management personnel within East Africa Resources Limited and or its controlled entities at 30 June 2010.

(b) Compensation Practices

The remuneration policy of the parent entity as it applies to key management personnel is disclosed in the Remuneration Report contained in the Directors' Report.

EAST AFRICA RESOURCES LIMITED

DIRECTORS' DECLARATION
FOR THE YEAR ENDED 30 June 2010

26 KEY MANAGEMENT PERSONNEL (Cont.)

(c) Key Management Personnel Compensation

	Year	Fees & Salary \$	Super- annuation \$	Other \$	Share- based payments \$	Total \$
Directors						
IR Cornelius	2010	-	-	50,000	-	50,000
	2009	-	-	50,000	-	50,000
G Zytkow	2010	-	-	158,118	-	158,118
	2009	-	-	108,913	-	108,913
LA Colless	2010	-	-	58,333	-	58,333
	2009	-	-	60,000	-	60,000
PL Munachen	2010	-	-	12,500	-	12,500
	2009	-	-	-	-	-
LL Coetzee	2010	-	-	50,000	-	50,000
	2009	-	-	-	-	-
EA Myers	2010	-	-	-	-	-
	2009	-	-	-	-	-
Key Management Personnel						
Gaetan (David) Kakudji	2010	-	-	61,583	-	61,583
	2009	-	-	87,392	-	87,392
Karen Brown	2010	-	-	6,000	-	6,000
	2009	-	-	6,000	-	6,000
Totals	2010	-	-	396,534	-	396,534
	2009	-	-	312,305	-	312,305

(d) Options Granted As Compensation

No compensation options were issued to specified directors or key management personnel during the year.

(e) Shares Issued on Exercise of Compensation Options

No options were exercised during the year that were received as compensation in prior periods.

EAST AFRICA RESOURCES LIMITED

DIRECTORS' DECLARATION
FOR THE YEAR ENDED 30 June 2010

(f) Shareholdings of Specified Directors and Key Management Personnel

	Balance at beginning of period	Acquisitions	Issued on exercise of Options	Sales	Net change other *	Balance at end of period
Directors						
Lindsay A Colless	200,000	200,000	-	-	-	400,000
Ian R Cornelius	5,429,864	26,942,344	-	-	-	32,372,208
Gerard Zytow	7,693,756	7,693,756	-	-	-	15,387,512
Louis L Coetzee	-	131,003,264	-	-	-	131,003,264
Peter L Munachen ²	200,000	108,619,968	-	-	-	128,619,968
Ernest A Myers ²	-	26,993,920	-	-	-	26,993,920
Gaetan (David) Kakudji	-	-	-	-	-	-
Key Management Personnel						
Karen Brown ¹	-	-	-	-	-	-
	13,323,620	321,453,252	-	-	-	334,776,872

1. The shareholding as disclosed in relation to Mr Colless is held in an entity in which Ms Brown also has a beneficial interest.
2. Messrs Munachen & Myers have an interest in 10,240,000 shares held by a jointly owned company.

EAST AFRICA RESOURCES LIMITED

DIRECTORS' DECLARATION FOR THE YEAR ENDED 30 June 2010

27 RELATED PARTY TRANSACTIONS

Other Transactions and Balances with Specified Directors and Specified Executives Services

The following transactions with Directors and Director-related entities occurred during the year on normal commercial terms and conditions:

- (i) During the year, the parent entity paid \$50,000 (2009: \$50,000) in consulting fees to Goldtrek Pty Limited, a company associated with Mr I Cornelius.
- (ii) During the year, the parent entity paid fees totalling \$25,000 and a further \$133,118 was paid by Nova Mining to Mr G Zytow (2009: \$108,913)
- (iii) During the year, the parent entity paid financial service fees for Mr L Colless totalling \$58,500 (2009: \$60,000) and \$6,000 to Karen Brown (2009: \$6,000) to Mineral Administration Services Pty Limited, a company in which Mr L Colless and Ms K Brown are directors and shareholders
- (iv) During the year the parent entity paid accounting, secretarial and administration fees to Resource Services International (Aust) Pty Ltd of \$30,000 (2009: nil). Messrs Munachen & Myers are directors and shareholders of that company.

The above information disclosed is shown as follows:

Transaction Type	Director/ Executive Concerned	Consolidated Entity	
		2010 \$	2009 \$
Consulting services	LA Colless	58,500	60,000
Consulting Services	G Zytow	145,618	108,913
Consulting services	IR Cornelius	50,000	50,000
Secretarial & accounting fees	PL Munachen & EA Myers	30,000	-
Secretarial service fees	K Brown	6,000	6,000

EAST AFRICA RESOURCES LIMITED

DIRECTORS' DECLARATION FOR THE YEAR ENDED 30 June 2010

28 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Contingent Liabilities: There were no contingent liabilities not provided for in the financial statements of the parent entity and the consolidated entity as at 30 June 2010 other than:

	Consolidated Entity	
	2010	2009
	\$	\$
(a) Bonds		
The consolidated entity has entered into bonds for the rehabilitation of exploration tenements	12,000	12,000

(b) Native Title and Aboriginal Heritage

There is the risk that native title, as established by the High Court of Australia's decision in the Mabo case, exists over the land over which and the consolidated entity has an interest in tenements in the Northern Territory. It is impossible at this stage to quantify the impact (if any), which native title may have on the operations of the consolidated entity.

A controlled entity, Savanna Mineral Resources Pty Limited sold tenements in a prior year which it held in the Northern Territory; although it still retains a 5% net smelter return royalty on all mineral production from these tenements. These tenements lie predominantly on private freehold land, which the Directors consider is not subject to native title. However it is impossible at this stage to quantify the impact (if any), which native title (on other than freehold land) or aboriginal heritage issues may have on the operations of this controlled entity.

(c) Legal Claims

- i) As disclosed in the Company's 2009 annual report, International Engineers Sdn Bhd, an entity associated with a former director, Mr Laurence Findlay, has brought legal proceedings against the Company, in respect of alleged sums owed for services rendered to the Company. The Company has refuted the claim and further, has issued certain counterclaims against Mr Findlay.

The Company is also aware that Mr Findlay has made an application to the Courts in the Democratic Republic of Congo (DRC) to commence proceedings in relation to matters which are already the subject of the claim before the Australian courts referred to above.

Whilst there is no assurance that the Company will be successful in defending the claims, the Directors believe that: (i) there is no merit in the claims brought by International Engineers Sdn Bhd/Mr Findlay and (ii) given the quantum of the claims, even if a judgment is obtained against the Company, this will not have a material effect on the Company's business, prospects or financial position and no provision has been made in the accounts.

- ii) During the previous financial year the Company had a judgement awarded against it, including costs, in a Pretoria Court in South Africa. This has now been settled.

29 SUBSEQUENT EVENTS

On the 13 July 2010 the Company's share capital was consolidated on a one for one hundred basis.

On 15 September 2010, the Company issued 7,642,000 shares through a Share Purchase Plan which raised \$955,250 before costs. The proceeds are being utilised to fund the Company's Tanzanian uranium exploration activities and to supplement working capital.

The Company also concluded the divestment of its Democratic Republic of Congo companies and projects.

Other than the above transactions and events, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely in the opinion of the Directors of the Company, to significantly affect the operations of the consolidated entity, the results of those operations or the state of the affairs of the consolidated entity in future financial years.

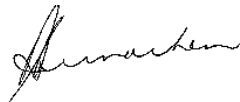
EAST AFRICA RESOURCES LIMITED
DIRECTORS' DECLARATION
FOR THE YEAR ENDED 30 June 2010

In the opinion of the Directors:

- (a) the financial statements and notes, and the Remuneration Report are in accordance with the Corporations Act 2001, including:
 - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the financial position of the Company and the consolidated entity as at 30 June 2010 and of their performance for the financial year ended on that date
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable
- (c) the audited remuneration disclosures set out in the Directors' Report comply with Accounting Standards AASB 124 Related Party Disclosures and the Corporations Regulations 2001.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by Section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:



PL Munachen
Executive Director

Perth, Western Australia,
30 September 2010

EAST AFRICA RESOURCES LIMITED
AUDIT REPORT

**INDEPENDENT AUDIT REPORT TO THE MEMBERS OF
EAST AFRICA RESOURCES LIMITED**

We have audited the accompanying financial statements of East Africa Resources Limited (“the Company”) which comprises the balance sheet as at 30 June 2010 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors’ declaration of the consolidated entity comprising the company and the entities it controlled at the year’s end or from time to time during the year.

Directors Responsibility for the Financial Report

The Directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial statements. The Directors are also responsible for the remuneration disclosures contained in the directors’ report.

Auditor’s Responsibility

Our responsibility is to express an opinion on the financial statements 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 as to whether the financial statements are free of 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 our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal controls. An audit also includes evaluating the appropriateness of accounting policies used in 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

We are independent of the Company, and have met the independence requirements of Australian professional ethical requirements and the *Corporations Act 2001*.

EAST AFRICA RESOURCES LIMITED
AUDIT REPORT

Audit opinion

In our opinion the financial report of East Africa Resources Limited is in accordance with the *Corporations Act 2001*, including:

- a) (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of their 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 consolidated financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the remuneration report

We have audited the remuneration report contained included in 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.

Audit opinion

In our opinion the remuneration report of East Africa Resources Limited for teh year ended 30 June 2010 complies with section 300A of the *Corporations Act 2001*.

Rothsay

Graham R Swan
Partner

Dated 30 September 2010

EAST AFRICA RESOURCES LIMITED
CORPORATE GOVERNANCE STATEMENT
FOR THE YEAR ENDED 30 JUNE 2010

ASX BEST PRACTICE RECOMMENDATIONS

The ASX Corporate Governance Council released the second edition of the Corporate Governance Principles and Recommendations (Revised Principles) in August 2007. The table below identifies the ASX Best Practice Recommendations and whether or not the Company has complied with the recommendations during the reporting period.

	ASX RECOMMENDATIONS	COMPLIANCE	REFERENCE
Principle 1:	Lay solid foundations for management and oversight		
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	Comply	
1.2	Companies should disclose the process for evaluating the performance of senior executives.	Comply	
1.3	Companies should provide the information indicated in the Guide to Reporting on Principle 1.	Comply	
Principle 2:	Structure the board to add value		
2.1	A majority of the board should be independent directors.	Not in compliance	Note 1
2.2	The chair should be an independent director.	Not in compliance	Note 2
2.3	The roles of the chair and the chief executive officer should not be exercised by the same individual.	Not in compliance	
2.4	The board should establish a nomination committee.	Not in compliance	Note 3
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Comply	
2.6	Companies should provide the information in the Guide to Reporting on Principle 2.	Comply	
Principle 3:	Promote ethical and responsible decision-making		
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code so as to: - the practices necessary to maintain confidence in the company's integrity; - the practices necessary to take into account their legal obligations and the reasonable expectations of their shareholders; and - the responsibility of and accountability of individuals for reporting and investigating reports of unethical practices.	Comply	
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.	Comply	
3.3	Companies should provide the information indicated in the Guide to Reporting on Principle 3.	Comply	

EAST AFRICA RESOURCES LIMITED
CORPORATE GOVERNANCE STATEMENT
FOR THE YEAR ENDED 30 JUNE 2010

	ASX RECOMMENDATIONS	COMPLIANCE	REFERENCE
Principle 4:	Safeguard integrity in financial statements		
4.1	The board should establish an audit committee.	Comply	
4.2	The audit committee should be structured so that it: - consists of only non-executive directors; - consists of a majority of independent directors; - is chaired by an independent chair, who is not chair of the board; and - has at least three members.	Not in compliance	Note 4
4.3	The audit committee should have a formal charter	Not in compliance	Note 4
4.4	Companies should provide the information indicated in the Guide to Reporting on Principle 4.	Comply	
Principle 5:	Make timely and balanced disclosure		
5.1	Companies should establish written policies designed to ensure compliance and ASX Listing Rule disclosure requirements and to ensure accountability at senior executive level for that compliance and disclose those policies or a summary of those policies.	Comply	
5.2	Companies should provide the information indicated in the Guide to Reporting on Principle 5	Comply	
Principle 6:	Respect the rights of shareholders		
6.1	Companies should design a communications policy for promoting effective communications with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Comply	
6.2	Companies should provide the information indicated in the Guide to Reporting on Principle 6.	Comply	
Principle 7:	Recognise and manage risk		
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Comply	
7.2	The board should require management to design and implement the risk management and internal control systems to manage the company's material business risks and disclose a summary of those policies.	Comply	
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial statement risks.	Comply	
7.4	Companies should provide the information indicated in the Guide to Reporting on Principle 7.	Substantially comply and in the process of further developing risk management procedures	

EAST AFRICA RESOURCES LIMITED
CORPORATE GOVERNANCE STATEMENT
FOR THE YEAR ENDED 30 JUNE 2010

	ASX RECOMMENDATIONS	COMPLIANCE	REFERENCE
Principle 8:	Remunerate fairly and responsibly		
8.1	The board should establish a remuneration committee.	Not in compliance	Note 5
8.2	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Comply	
8.3	Companies should provide the information indicated in the Guide to Reporting on Principle 8.	Comply	

Note 1:

During the year, only Mr Cornelius was considered to be independent. Messrs Coetzee and Munachen fail to meet the levels set for being an independent director because of their respective substantial shareholdings in the Company. Mr Colless fails to meet the test because a Company in which he has an interest provided secretarial and accounting services. Mr Zytchow fails to meet the test for independence as he has previously been employed in an executive capacity.

Note 2:

The Company's Chairman Mr Louis Coetzee is not considered independent because of his substantial shareholding in the Company and the fact that he is also Chief Executive Officer.

Note 3:

The Board of Directors of the Company does not have a formally appointed nomination committee. The Board is of the opinion that due to the nature and size of the Company, the functions performed by a nomination committee can be adequately handled by the full Board.

Note 4:

The Board of Directors of the Company does not have a formally appointed audit committee. The Board is of the opinion that due to the nature and size of the Company, the functions performed by an audit committee can be adequately handled by the full Board.

Note 5:

The Board of Directors of the Company does not have a formally appointed remuneration committee. The Board is of the opinion that due to the nature and size of the Company, the functions performed by a remuneration committee can be adequately handled by the full Board.

EAST AFRICA RESOURCES LIMITED

SHAREHOLDER INFORMATION

Additional information included in accordance with the Listing Rules of the Australian Securities Exchange.

1. SHAREHOLDING – EAF

The shareholder information set out below was applicable as at 23 September 2010.

(a) Distribution of Share Holdings as at 23 September 2010

			Fully paid	
Size of Share Holding			Ordinary Shareholders	Number of Shares
1	-	1,000	885	276,592
1,001	-	5,000	393	1,064,572
5,001	-	10,000	161	1,307,553
10,001	-	100,000	233	8,468,132
100,001	and	Over	94	37,013,597
Total Shareholders			1,766	48,130,446

Of the above total, there are 885 Ordinary Shareholder who hold less than a marketable parcel.

(b) Voting rights

There are no restrictions on voting rights attached to the ordinary shares. On a show of hands every member present in person shall have one vote and upon a poll, every member present or by proxy shall have one vote every share held.

(c) Substantial shareholders

The Company's register of substantial shareholders shows the following:

Shareholder	Number of shares
KSLCORP Pty Ltd	3,000,000

(d) Shareholders

The twenty largest shareholders hold 49.03% of the total issued ordinary shares in the Company as at 22 September 2010.

(e) Unquoted Securities or Options

There are no current Options to purchase ordinary share on issue..

2. QUOTATION

Listed securities in East Africa Resources Limited are quoted on the Australian Securities Exchange, and trade under the symbol EAF.

3. AUDIT COMMITTEE

As at the date of the Directors' Report, the Company did not have an audit committee of the board of directors. The Company is not of a size, nor are the affairs of a complexity, sufficient to warrant the existence of a separate audit committee. All matters, which could be delegated to such a committee, are dealt with by the full Board.

4. RESTRICTED SECURITIES

At 23 September 2010 there were not securities subject to ASX imposed or voluntary restrictions.

5. ON MARKET BUY-BACK

There is currently no on-market buy-back.

EAST AFRICA RESOURCES LIMITED
SHAREHOLDER INFORMATION

6. TOP TWENTY SHAREHOLDERS AS AT 22 September 2010

	Shareholder	Number of Shares	% of Issued Shares
1.	Merrill Lynch (Australia) Nominees Pty Limited <Berndale A/C>	3,603,506	7.49
2.	KSLCORP Pty Ltd	1,950,000	4.05
3.	Mingcourt Holdings Limited	1,910,650	3.97
4.	Sun Mining Limited	1,701,845	3.54
5.	Custodial Services Limited <Beneficiaries Holding A/C>	1,683,600	3.50
6.	Boulder Mining Limited	1,430,033	2.97
7.	Kala Nominees Pty Ltd	1,299,800	2.70
8.	Seiwan Properties Limited	1,081,364	2.25
9.	Aluca Pty Ltd <Newbrook Golf Unit A/C>	1,020,000	2.12
10.	Mr Geoffrey Norman Barnesby-Johnson & Ms Catherine Jane Halvorsen	1,000,000	2.08
11.	KSLCORP Pty Ltd	1,000,000	2.08
12.	Paleryder Pty Ltd <Paleryder Super Fund A/C>	1,000,000	2.08
13.	Mr Harold Smith	992,000	2.06
14.	Mr Michael Griffiths <M R Griffiths Family A/C>	884,333	1.84
15.	Mrs Joanna Rachel Wiese	870,000	1.81
16.	Victoria House Finance Limited	600,000	1.25
17.	Merrill Lynch (Australia) Nominees Pty Limited	457,950	0.95
18.	Mrs Camille Dianne Brooks	440,000	0.91
19.	Gecko Resources Pty Ltd	340,000	0.71
20.	Wisp Nominees Pty Ltd <Haynes Super Fund A/C>	331,412	0.69
TOP 20 SHAREHOLDERS		23,596,493	49.03

EAST AFRICA RESOURCES LIMITED
MINERAL TENEMENT SCHEDULE

East Africa Resources holds interests in the following Tenements all of which are located in the Tanzania at 24 September 2010.

Licence number	Area	Area km ²
Madaba-Mkuju		
PL 5786/2009	Mpurukuese-Ulanga	126.50
PL 5804/2009	Mpurukuese-Ulanga/Namtumbo	126.52
PL 5720/2009	Mpurukuese-Songea	189.72
PL 5507/2009	Mdaba-Liwale	84.87
PL 5496/2008	Ngurunguwa Hill/Ndapata-Liwale	199.29
PL 5493/2008	Namatogoro-Liwale	182.78
PL 5752/2009	Mdaba-Liwale	162.19
PL 5805/2009	Mpurukuese-Songea	569.30
Eastern Rift		
PI 5904/2009	Kondoa	58.05
PL 5466/2009	Monduli-Karatu	189.40
PL 5915/2009	Mbulu	177.60
PL 5655/2009	Mbulu	198.96
PL 5651/2009	Babati	199.04
PL 5914/2009	Balangida	199.20
PL 5494/2009	Mbulu	189.68
PL 5648/2009	Kondoa	150.43
PL 5654/2009	Mbulu	163.55
PL 5465/2009	Kondoa	198.32

EAST AFRICA RESOURCES LIMITED

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