# East Africa Resources Limited

**ABN 36 060 774 227**

## Financial Report

## for the

## Half-Year ended 31 December 2013

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2013 and any public announcements made by East Africa Resources Limited during the Half-Year in accordance with the continuous disclosure requirements of the Corporations Act 2001.

# EAST AFRICA RESOURCES LIMITED
ABN 36 060 774 227

## Directors' Report
## 31 December 2013

The Directors present their Report on the consolidated entity consisting of East Africa Resources Limited ("East Africa" or "the Company") and the entities it controlled at the end of or during the Half-Year ended 31 December 2013.

The names and particulars of the Directors of the Company during the Half-Year and up to the date of this Report are:

| Name | Particulars |
|---|---|
| **Robert Edward Kirtlan**<br>Robert Kirtlan was appointed as a Director on 20 November 2013 and appointed as Chairman of the Board on 29 November 2013.<br>Mr Kirtlan has over 20 years of company management experience and has spent 7 years in global mining investment banking in Perth, Sydney and New York. | Non-Executive Chairman |
| **Katina Law**<br>Katina Law is an executive with over 22 years of experience working in the resources sector, across several continents, both on site and in senior corporate roles. She has provided services in the areas of financial management, financial decision making and strategic business development to mining and exploration clients. | Executive Director & Chief Executive Officer |
| **Henry David Kennedy**<br>David Kennedy has had a long association with Australian and New Zealand resource companies and as a technical director has been instrumental in the formation and or development of a number of successful listed companies. | Non-Executive Director |
| **Peter Lawson Munachen**<br>Peter Munachen has over 35 years of corporate and administrative experience in hydrocarbon and mineral resource companies. He has served as a director of a number of listed companies, specialising in corporate finance and project acquisition. | Non-Executive Director |
| **Michael Richard Griffiths**<br>Michael Griffiths was appointed as a Director of the Company on 20 November 2013. Mr Griffiths has served as a director of a number of listed companies and has over 30 years of experience in the resources sector. | Non-Executive Director |
| **Ernest Anthony Myers**<br>Ernie Myers is a Certified Practicing Accountant who has been a director, company secretary or consultant to listed resource companies for over 30 years. He has experience in capital raising, ASX compliance and regulatory requirements. | Alternate Director |
| **Lindsay Arthur Colless**<br>Lindsay Colless resigned as a Director of the Company on 21 November 2013.<br>He held the position of Chairman from 12 July 2012 until his resignation. | Non-Executive Director |
| **Gerard Lodewyk van Delden Zytkow**<br>Gerard Zytkow resigned as a Director of the Company on 22 November 2013. | Non-Executive Director |

**EAST AFRICA RESOURCES LIMITED**
ABN 36 060 774 227

**Directors' Report**
**31 December 2013**

**Review and Results of Operations**

The review of the Company's operations during the Half-Year ended 31 December 2013 is as follows.

*Financial*

| | Segment Revenue $ | Segment Result $ |
|---|---|---|
| Interest | 6,211 | 6,211 |
| Other revenue | 71,632 | 71,632 |
| Unallocated expenses | | (481,944) |
| Operating profit/(loss) | | (404,101) |
| Income Tax | | - |
| Operating profit/(loss) for Half-Year | | **(404,101)** |

**Review of Operations**

Tanzanian Uranium Exploration

During the Half Year to 31 December 2013 East Africa received permission to conduct exploration within the Selous Game Reserve at its Mkuju South uranium project in Tanzania. The Company subsequently completed a 5,597m drilling campaign at the Mkuju South Project where East Africa has a joint venture with Korea Resources Corporation ("KORES"). Under the terms of the agreement KORES will invest up to US$3.5 million to secure a 50% interest in the project.

The drilling identified a redox front at Quarto and Post with moderate uranium anomalies at Quarto. No significant uranium mineralisation was identified during the programme.

East Africa reported the results of the analysis of historical airborne survey data over the Madaba project which highlighted the prospectivity of this project. The tenements covering the main anomaly were granted and the Company commissioned an Environmental Impact Assessment (EIA) in order to gain permission to conduct exploration at this project which is located within the Selous Game Reserve. An EIA has also been commissioned for the Octavo project.

Tanzania Gold Exploration

The Company announced the discovery of the Datlaa gold project which is located to the west of Lake Manyara at the Eastern Rift project. East Africa's exploration personnel visited the Datlaa site and conducted preliminary mapping and collected 19 grab samples within the artisanal workings. Significant assay results were returned including;

**DGBS010 @ 14.7 g/t**
**DGBS015 @ 36.1 g/t**
**DGBS016 @ 18.8g/t**

Full details were released to the ASX in an announcement on 28th August 2013. No previous exploration is known within the tenement. A programme of field exploration was conducted in January 2014.

**EAST AFRICA RESOURCES LIMITED**
ABN 36 060 774 227

**Directors' Report**
**31 December 2013**

**State of Affairs**

During the Half-Year ended 31 December 2013 there was no significant change in the entity's state of affairs other than that referred to in the Half-Year Financial Statements or Notes thereto.

This Report is made in accordance with a Resolution of the Directors.

Katina Law
Executive Director/Chief Executive Officer
PERTH, 13th day of March 2014

ROTHSAY
Level 1, Lincoln House, 4 Ventnor Avenue, West Perth WA 6005
P.O. Box 8716, Perth Business Centre WA 6849
Phone (08) 9486 7094 www.rothsayresources.com.au

The Directors
East Africa Resources Ltd
PO Box 8178
Perth Business Centre WA 6849

Dear Sirs

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 review of the 31 December 2013 interim financial statements; and

ii) no contraventions of any applicable code of professional conduct in relation to the audit.

GRSwan

Graham R Swan (Lead auditor)

Rothsay Chartered Accountants

Dated 13 March 2014.

ROTHSAY
Level 1, Lincoln House, 4 Ventnor Avenue, West Perth WA 6005
P.O. Box 8716, Perth Business Centre WA 6849
Phone (08) 9486 7094 www.rothsayresources.com.au

## Independent Review Report to the Members of East Africa Resources Ltd

**The financial report and directors' responsibility**
The interim consolidated financial report comprises the statement of financial position, statement of comprehensive income, statement of changes in equity, cashflow statement, accompanying notes to the financial statements, and the directors' declaration for East Africa Resources Ltd for the half-year ended 31 December 2013.

The Company's directors are responsible for the preparation and fair presentation of the consolidated financial report in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* 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 report.

**Review approach**
We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim consolidated financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated financial position as at 31 December 2013 and the performance for the half year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of East Africa Resources Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

**Independence**
In conducting our review we have complied with the independence requirements of the *Corporations Act 2001*.

**Conclusion**
Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim consolidated financial report of East Africa Resources Ltd is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the consolidated financial position as at 31 December 2013 and of the performance for the half-year ended on that date; and
- complying with Australian Accounting Standard AASB134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Rothsay

**Rothsay**

GR Swan

**Graham R swan**
**Partner**

Dated 13 March 2014.

**EAST AFRICA RESOURCES LIMITED**
ABN 36 060 774 227

## Directors' Declaration
## For The Half-Year Ended 31 December 2013

The Directors declare that:

(a) The attached Financial Statements and Notes thereto comply with Accounting Standards;

(b) The attached Financial Statements and Notes thereto give a true and fair view of the financial position and performance of the consolidated entity;

(c) In the Directors' opinion, the attached Financial Statements and Notes thereto are in accordance with the Corporations Act, 2001; and

(d) In the Directors' opinion, for the reasons set out in Note 1, there are reasonable grounds to believe that East Africa Resources Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a Resolution of the Directors pursuant to section 303(5) of the Corporations Act, 2001.

On behalf of the Directors

Katina Law
Executive Director/Chief Executive Officer
PERTH, 13th day of March 2014

**EAST AFRICA RESOURCES LIMITED**
ABN 36 060 774 227

## Condensed Consolidated Statement of Comprehensive Income
## For The Half-Year Ended 31 December 2013

| Continuing Operations | Note | Half-Year Ended 31-Dec-13 $ | Half-Year Ended 31-Dec-12 $ |
|---|---|---|---|
| Interest received | | 6,211 | 7,145 |
| **Gross Profit/(Loss)** | | **6,211** | **7,145** |
| Other income | | 71,632 | 82,049 |
| Audit fees | | (20,500) | (3,500) |
| Employees, directors and contractor expense | | (232,597) | (197,954) |
| Foreign exchange losses | | (4,372) | (5,264) |
| Depreciation, amortisation and impairment | | (31,570) | (27,037) |
| Administration expenses | | (192,905) | (402,278) |
| CEO's options | | - | (69,600) |
| **Profit/(Loss) before Income Tax Expense** | | **(404,101)** | **(616,439)** |
| Income Tax Expense | | - | - |
| **Profit/(Loss) for the Period** | | **(404,101)** | **(616,439)** |
| **Other Comprehensive Income /(Loss)** | | | |
| Other comprehensive income/(loss) | | - | - |
| **Other Comprehensive Income/(Loss) for the Period, Net of Income Tax** | | - | - |
| **Total Comprehensive Income/(Loss) for the Period** | | **(404,101)** | **(616,439)** |
| Basic Loss per share (cents per share) | **5** | (0.20) | (0.81) |
| Diluted loss per share (cents per share) | | (0.20) | (0.81) |

The above Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying Notes.

**EAST AFRICA RESOURCES LIMITED**
ABN 36 060 774 227

## Condensed Consolidated Statement of Financial Position
## As at 31 December 2013

| | Note | Half-Year Ended 31-Dec-13 $ | Annual Report 30-Jun-13 $ |
|---|---|---|---|
| **Current Assets** | | | |
| Cash and cash equivalents | 3 | 376,173 | 739,277 |
| Trade and other receivables | | 68,097 | 40,927 |
| Other current assets | | - | - |
| **Total Current Assets** | | **444,270** | **780,204** |
| **Non-Current Assets** | | | |
| Plant and equipment | | 79,906 | 111,476 |
| Deferred exploration and evaluation expenditure | | 3,016,818 | 2,858,353 |
| Financial Assets | | 130 | 130 |
| **Total Non-Current Assets** | | **3,096,854** | **2,969,959** |
| **Total Assets** | | **3,541,124** | **3,750,163** |
| **Current Liabilities** | | | |
| Trade and other payables | | 270,848 | 448,555 |
| **Total Current Liabilities** | | **270,848** | **448,555** |
| **Total Liabilities** | | **270,848** | **448,555** |
| **Net Assets** | | **3,270,276** | **3,301,608** |
| **Equity** | | | |
| Contributed equity | 4 | 47,734,122 | 47,361,353 |
| Reserves | | (197,132) | (197,132) |
| Accumulated losses | 2 | (44,266,714) | (43,862,613) |
| **Total Equity** | | **3,270,276** | **3,301,608** |

The above Condensed Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

**EAST AFRICA RESOURCES LIMITED**
ABN 36 060 774 227

## Consolidated Statement of Changes in Equity
## For the Half-Year ended 31 December 2013

| **Consolidated** | **Share Capital** | **Retained Earnings** | **Reserve** | **Total Equity** |
|---|---|---|---|---|
| | **$** | **$** | **$** | **$** |
| Balance at 1 July 2012 | 45,825,984 | (39,964,766) | (266,732) | 5,594,486 |
| Profit or loss | - | (616,439) | - | (616,439) |
| Other comprehensive income/(loss) | - | - | - | - |
| Shares issued (net of costs) | 1,099,978 | - | - | 1,099,978 |
| Options | - | - | 69,600 | 69,600 |
| **Balance at 31 December 2012** | **46,925,962** | **(40,581,205)** | **(197,132)** | **6,147,625** |
| | | | | |
| Balance at 1 July 2013 | 47,361,353 | (43,862,613) | (197,132) | 3,301,608 |
| Profit or loss | - | (404,101) | - | (404,101) |
| Other comprehensive income/(loss) | - | - | - | - |
| Shares issued (net of costs) | 372,769 | - | - | 372,769 |
| Options | - | - | - | - |
| **Balance at 31 December 2013** | **47,734,122** | **(44,266,714)** | **(197,132)** | **3,270,276** |

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

**EAST AFRICA RESOURCES LIMITED**
ABN 36 060 774 227

## Consolidated Statement of Cash Flows
## For The Half-Year Ended 31 December 2013

| | Half-Year Ended 31-Dec-13 $ | Half-Year Ended 31-Dec-12 $ |
|---|---|---|
| **Cash Flows from Operating** | | |
| Receipts from customers | - | - |
| Payments to suppliers and employees | (372,105) | (636,202) |
| Interest received | 6,211 | 7,145 |
| Other operating receipts | 27,846 | 191,796 |
| **Net Cash from Operating Activities** | **(338,048)** | **(437,261)** |
| **Cash Flows from Investing** | | |
| Payment for purchase of fixed assets | - | - |
| Exploration expenditure | (295,060) | (230,499) |
| **Net Cash from Investing Activities** | **(295,060)** | **(785,081)** |
| **Cash Flows from Financing** | | |
| Proceeds from issue of shares | 295,940 | 1,177,877 |
| Repayment of borrowings | - | - |
| Proceeds from borrowings | - | - |
| Other (issue costs) | (27,732) | (88,175) |
| **Net Cash from Financing Activities** | **268,208** | **1,089,702** |
| Net Increase (Decrease) In Cash and Cash Equivalents | (364,900) | 421,942 |
| Cash and Cash Equivalents at beginning of Half-Year 1 July | 739,277 | 323,532 |
| Effect of exchange rate fluctuations on cash held | 1,796 | (1,412) |
| **Cash and Cash Equivalents at end of Half-Year** | **376,173** | **744,062** |

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

## EAST AFRICA RESOURCES LIMITED
ABN 36 060 774 227

## Notes to the Financial Statements
## For the Half-Year ended 31 December 2013

### 1. Basis of Preparation of Half-Year Financial Statements

This general purpose financial report for the Half-Year ended 31 December 2013 has been prepared in accordance with the Corporations Act 2001 and Accounting Standard AASB 134: Interim Financial Reporting. This Half-Year Report does not include all of the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the Annual Report for the year ended 30 June 2013 and public announcements made by East Africa Resources Limited during the Half-Year in accordance with continuous disclosure obligations arising under the Corporations Act, 2001.

The accounting policies have been consistently applied to all of the periods presented, unless otherwise stated.

*Principles of Consolidation*

The consolidated financial statements are those of the consolidated entity, comprising East Africa Resources Limited and the companies it controlled from time to time during the year and at balance date.

Information from the financial statements of subsidiaries is included from the date the parent company obtains control until such a time as control ceases. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for that part of the reporting period during which the company had control.

All intercompany balances and transactions, including unrealised profits arising from intra group transactions, have been eliminated in full.

*Cash*

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

*Taxation*

The Company has not brought to account the estimated future income tax benefits attributable to tax losses and temporary differences as a deferred tax asset, as it is not yet considered probable that future taxable profit will be available for utilisation.

*Impairment of Assets*

The recoverable amount of an asset is determined as the higher of net selling price and value in use. Plant and equipment is carried at cost less accumulated depreciation and any accumulated impairment losses (the cost method). The fair value of plant and equipment, as determined by reference to observable prices, is not materially different to the carrying amount.

## Notes to the Financial Statements
## For the Half-Year ended 31 December 2013

*Capitalisation of Exploration and Evaluation Costs*
The Company complies with AASB 6 Exploration for and Evaluation of Mineral Resources. Costs arising from exploration and evaluation activities are carried forward provided such costs are expected to be recouped through successful development, or by sale, or where exploration and evaluation activities have not, at reporting date, reached a stage to allow reasonable assessment regarding the existence of economically recoverable reserves.

Costs carried forward in respect of an area that is abandoned are written off in the year which the decision to abandon is made.

*Going Concern*
The financial statements have been prepared on a going concern basis. When making this assessment management took into account the forecast budget for the next twelve months and all available relevant information. It was also noted that the Group has a history of being able to raise funds and also has the option of farming out exploration commitments to more manageable levels should the circumstances arise.

*Significant Accounting Policies & Changes in Accounting Policies*
The accounting policies applied by the consolidated entity in this consolidated interim financial report are the same as those applied by the consolidated entity in its consolidated financial report as at and for the year ended 30 June 2013.

In the half-year ended 31 December 2013, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2013.

It has been determined by the Group that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2013. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Group accounting policies.

## 2. Accumulated Losses

| | **Half-Year Ended 31-Dec-13 $** | **Half-Year Ended 31-Dec-12 $** |
|---|---|---|
| Loss from ordinary activities after related income tax expense | (404,101) | (616,439) |
| Accumulated profits (losses) brought forward | (43,862,613) | (39,964,766) |
| Accumulated profits (losses) at end of Half-Year | **(44,266,714)** | **(40,581,205)** |

**Notes to the Financial Statements**
**For the Half-Year ended 31 December 2013**

## 3. Reconciliation of Cash

| | Half-Year Ended 31-Dec-13 $ | Half-Year Ended 31-Dec-12 $ |
|---|---|---|
| Cash at the end of the Half-Year as shown in the Statement of Cash Flows is reconciled to the related items in the Financial Statements as follows: | | |
| Cash on hand and at bank | 376,173 | 744,062 |
| **Cash and Equivalents at 31 December 2013** | **376,173** | **744,062** |

## 4. Issued and Quoted Securities at end of current Half-Year

| Category of Securities | Number Issued | Number Quoted |
|---|---|---|
| Ordinary Shares at 31 December 2012 | 112,245,520 | 112,245,520 |
| Ordinary Shares issued | 115,162,120 | 115,162,120 |
| Ordinary Shares at 31 December 2013 | **227,407,640** | **227,407,640** |

## 5. Earnings per Share

| | Half-Year Ended 31-Dec-13 | Half-Year Ended 31-Dec-12 |
|---|---|---|
| Basic earnings per share - cents | (0.20) | (0.81) |
| Diluted earnings per share is not materially different from Basic earnings per share | (0.20) | (0.81) |
| The weighted average number of ordinary shares outstanding during the Half-Year used in the calculation of basic earnings per share | 197,341,293 | 75,977,146 |

## 6. Segmental Information

The Company operates solely in the African region.

## Notes to the Financial Statements
## For the Half-Year ended 31 December 2013

### 7. Subsequent Events
On 8 January 2014 East Africa announced a non-renounceable one for three entitlement issue to raise $758,025. The entitlement issue closed on 11 February 2014. As a result of the entitlement issue 40,757,161 ordinary shares were issued on 18 February 2014 and $407,572 was raised.

Other than the matters discussed above, no matters or circumstances have arisen since the end of the Half-Year which significantly affected or may significantly affect the operations of the Company, the results of the Company, or the state of affairs of the Company as reported to the Half-Year ended 31 December 2013.

### 8. Contingent Liabilities
There were no contingent liabilities not provided for in the financial statements of the Company as at 31 December 2013.