

**CONSOLIDATED INCOME STATEMENT (Unaudited)**

| <i>(thousands of US dollars<br/>except per share amounts)</i> | <b>Three months ended</b>    |                         | <b>Nine months<br/>ended</b> |
|---|------------------------------|-------------------------|------------------------------|
|   | <b>30 September<br/>2005</b> | <b>30 June<br/>2005</b> | <b>30 September<br/>2005</b> |
| <b>Revenue</b>  | <b>2,156</b>                 | 512                     | 3,018                        |
| <b>Cost of sales</b>  |                              |                         |                              |
| Production and distribution expenses                          | <b>90</b>                    | 50                      | 175                          |
| Depletion expense   | <b>376</b>                   | 37                      | 443                          |
| <b>Gross profit</b>   | <b>1,690</b>                 | 425                     | 2,400                        |
| Other income  | <b>77</b>                    | 18                      | 54                           |
| Administrative expenses                                       | <b>(885)</b>                 | (696)                   | (2,365)                      |
| Other operating expenses                                      | <b>-</b>                     | (22)                    | -                            |
| <b>Profit/(loss) before taxation</b>                          | <b>882</b>                   | (275)                   | 89                           |
| Taxation  | <b>(97)</b>                  | -                       | (97)                         |
| <b>Profit/(loss) for the period</b>                           | <b>785</b>                   | (275)                   | (8)                          |
| <b>Profit/(loss) per share</b>                                |                              |                         |                              |
| Basic (US\$)  | <b>0.03</b>                  | (0.01)                  | (0.004)                      |
| Diluted (US\$)  | <b>0.03</b>                  | (0.01)                  | (0.004)                      |

See accompanying notes to the interim consolidated financial statements.

**CONSOLIDATED BALANCE SHEET (Unaudited)**

| <i>(thousands of US dollars)</i>                    | <b>As at<br/>30 September<br/>2005</b> | As at<br>31 December<br>2004 |
|---|--|------------------------------|
| <b>ASSETS</b>                                       |  |                              |
| <b>Current assets</b>                               |  |                              |
| Cash and cash equivalents                           | <b>4,485</b>                           | 2,040                        |
| Trade and other receivables                         | <b>2,617</b>                           | 441                          |
|   | <b>7,102</b>                           | 2,481                        |
| Natural gas properties and other equipment (note 2) | <b>12,537</b>                          | 10,300                       |
|   | <b>19,639</b>                          | 12,781                       |
| <b>LIABILITIES</b>                                  |  |                              |
| <b>Current liabilities</b>                          |  |                              |
| Trade and other payables                            | <b>3,543</b>                           | 1,265                        |
| <b>SHAREHOLDERS' EQUITY</b>                         |  |                              |
| Capital stock (note 3)                              | <b>16,237</b>                          | 11,862                       |
| Capital reserve                                     | <b>594</b>                             | 381                          |
| Accumulated loss                                    | <b>(735)</b>                           | (727)                        |
|   | <b>16,096</b>                          | 11,516                       |
|   | <b>19,639</b>                          | 12,781                       |

See accompanying notes to the interim consolidated financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)**

| <i>(thousands of US dollars)</i>                                | <b>Three months ended</b> |                         | <b>Nine months ended</b> |
|---|---------------------------|-------------------------|--------------------------|
|   | <b>30 Sept<br/>2005</b>   | <b>30 June<br/>2005</b> | <b>30 Sept<br/>2005</b>  |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                     |                           |                         |                          |
| <b>Profit/(loss) for the period</b>                             | <b>785</b>                | <b>(275)</b>            | <b>(8)</b>               |
| Adjustments for:  |                           |                         |                          |
| Depletion and depreciation                                      | <b>399</b>                | <b>56</b>               | <b>509</b>               |
| Stock-based compensation  | <b>71</b>                 | <b>71</b>               | <b>213</b>               |
| Operating profit/(loss) before working capital changes          | <b>1,255</b>              | <b>(148)</b>            | <b>714</b>               |
| (Increase)/decrease in trade and other receivables              | <b>(1,959)</b>            | <b>(163)</b>            | <b>(2,176)</b>           |
| Increase/(decrease) in trade and other payables                 | <b>1,298</b>              | <b>1,073</b>            | <b>2,278</b>             |
| <b>Net cash flow from operating activities</b>                  | <b>594</b>                | <b>762</b>              | <b>816</b>               |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                     |                           |                         |                          |
| Natural gas properties and other equipment expenditure          | <b>(485)</b>              | <b>(1,958)</b>          | <b>(2,746)</b>           |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                     |                           |                         |                          |
| Net proceeds from rights issue                                  | -                         | -                       | 4,365                    |
| Proceeds from exercise of options                               | -                         | -                       | 10                       |
| <b>Net cash flow from financing activities</b>                  | <b>-</b>                  | <b>-</b>                | <b>4,375</b>             |
| <b>Net increase/(decrease) in cash and cash equivalents</b>     | <b>109</b>                | <b>(1,196)</b>          | <b>2,445</b>             |
| <b>Cash and cash equivalents at the beginning of the period</b> | <b>4,376</b>              | <b>5,572</b>            | <b>2,040</b>             |
| <b>Cash and cash equivalents at the end of the period</b>       | <b>4,485</b>              | <b>4,376</b>            | <b>4,485</b>             |

See accompanying notes to the interim consolidated financial statements.

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (Unaudited)**

| <i>(thousands of US dollars)</i>       | <b>Capital<br/>stock</b> | <b>Capital<br/>reserve</b> | <b>Accumulated<br/>loss</b> | <b>Total</b>  |
|--|--------------------------|----------------------------|-----------------------------|---------------|
| Balance as at 31 December 2004         | 11,862                   | 381                        | (727)                       | <b>11,516</b> |
| Rights issue net of share issue costs  | 4,365                    | -                          | -                           | <b>4,365</b>  |
| Options exercised                      | 10                       | -                          | -                           | <b>10</b>     |
| Loss for the period                    | -                        | -                          | (8)                         | <b>(8)</b>    |
| Stock-based compensation               | -                        | 213                        | -                           | <b>213</b>    |
| <b>Balance as at 30 September 2005</b> | <b>16,237</b>            | <b>594</b>                 | <b>(735)</b>                | <b>16,096</b> |

See accompanying notes to the interim consolidated financial statements.

## Notes to the Consolidated Financial Statements (Unaudited)

### 1 *Statement of Compliance*

These interim consolidated financial statements of EastCoast Energy Corporation (“EastCoast” or the “Company”) have been prepared by management in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the Standing Interpretations Committee of the IASB.

The interim consolidated financial statements have been prepared following the same accounting policies and methods of computation as the audited consolidated financial statements for the period ended 31 December 2004. The disclosures provided below are incremental to those included in the audited financial statements.

In all material respects, these accounting principles are generally accepted in Canada (see Note 5).

### 2 *Natural gas properties and other equipment*

|                               | Natural gas properties | Leasehold improvement | Computer equipment | Vehicles  | Fixtures & fittings | Total         |
|-------------------------------|------------------------|-----------------------|--------------------|-----------|---------------------|---------------|
| <b>Costs</b>                  |                        |                       |                    |           |                     |               |
| As at 1 January 2005          | 10,057                 | 156                   | 52                 | 34        | 36                  | 10,335        |
| Additions – Q1                | 296                    | 1                     | -                  | 5         | 1                   | 303           |
| Additions – Q2                | 1,954                  | -                     | 4                  | -         | -                   | 1,958         |
| Additions – Q3                | 482                    | -                     | 3                  | -         | -                   | 485           |
| As at 30 September 2005       | 12,789                 | 157                   | 59                 | 39        | 37                  | 13,081        |
| <b>Depletion/Depreciation</b> |                        |                       |                    |           |                     |               |
| As at 1 January 2005          | 35                     | -                     | -                  | -         | -                   | 35            |
| Charge for the period – Q1    | 29                     | 8                     | 5                  | 3         | 9                   | 54            |
| Charge for the period – Q2    | 37                     | 8                     | 5                  | 3         | 3                   | 56            |
| Charge for the period – Q3    | 376                    | 13                    | 5                  | 3         | 2                   | 399           |
| As at 30 September 2005       | 477                    | 29                    | 15                 | 9         | 14                  | 544           |
| <b>Net Book Values</b>        |                        |                       |                    |           |                     |               |
| <b>At 30 September 2005</b>   | <b>12,312</b>          | <b>128</b>            | <b>44</b>          | <b>30</b> | <b>23</b>           | <b>12,537</b> |
| At 31 December 2004           | 10,022                 | 156                   | 52                 | 34        | 36                  | 10,300        |

The Company does not have any unproven property costs that are being excluded from the depletion calculation.

### 3 *Capital Stock*

| <i>Number of shares (thousands)</i> | <b>Class A</b> | <b>Class B</b> | <b>Total number of shares</b> | <b>US\$</b>   |
|-------------------------------------|----------------|----------------|-------------------------------|---------------|
| At 31 December 2004                 | 1,751          | 19,386         | <b>21,137</b>                 | <b>11,862</b> |
| Rights issue                        | -              | 2,114          | <b>2,114</b>                  | <b>4,365</b>  |
| Options exercised                   | -              | 13             | <b>13</b>                     | <b>10</b>     |
| <b>At 30 September 2005</b>         | <b>1,751</b>   | <b>21,513</b>  | <b>23,264</b>                 | <b>16,237</b> |

In Q1 2005, 12,600 options were exercised at a price of Cdn\$1 per option. A total of 1,987,400 options remain outstanding. These options have a term of 10 years and an exercise price of Cdn\$1.

On 4 March 2005, the Company issued 2,113,744 Class B shares at Cdn\$2.60 per share following a successful rights issue. Net proceeds of US\$4.4 million were raised for the Company. The funds will be primarily used to develop the Company's existing gas assets in Tanzania and to pursue new options for growth.

Under the term of the rights issue:

- each holder of Class B shares was entitled to receive one right for each Class B share held and ten rights entitled the holder to subscribe for one Class B share at a price of Cdn\$2.60; and
- each holder of Class A shares was entitled to receive one right for each Class A share held and ten rights entitled the holder to subscribe for one Class B share at a price of Cdn\$2.60.

The subscription price of Cdn\$2.60 represented a 15% discount to the closing price of the Class B shares on 19 November, 2004.

### 4 *Commitments and Contingencies*

#### **Contractual Obligations and Committed Capital Investment**

The Company's rights regarding the seven licences adjoining the Songo Songo field ("Adjoining Blocks") are for the period until October 2005. The Ministry of Energy and Minerals ("MEM") agreed to extend this period to 11 January 2006 following a request by TPDC after the seismic vessel was prevented from getting to Tanzania due to unfavourable weather conditions that threatened the safety of the operation. If the Company wishes to retain the Adjoining Blocks, it must by 11 January 2006, incur a minimum of US\$2.0 million (in October 2001 terms) on seismic and commit to drill one well on the Adjoining Blocks before October 2006.

Management approved the seismic programme and signed a contract with Silver Queen Maritime Limited in Q2. US\$2.1 million has been committed for the overall seismic programme of which US\$0.6 million has already been incurred and US\$ 1.0 million was held as cash cover under an irrevocable letter of credit as at 30 September 2005. Silver Queen Maritime Limited commenced and completed seismic work in October 2005 and currently the data is being analysed. A decision as to drill a well in 2006 will be taken once the results of the seismic work have been analysed.

Management has signed a contract for the construction of a 3.6 kilometer pipeline spur to two new customers, Lakhani Industries Limited Textile and Murzah Oil Mills Limited. This pipeline is currently in the process of being constructed and should be complete by the end of Q1 2006 at a cost of US\$0.9 million.

On September 21, 2005, the Company signed an agreement with a subsidiary of Aminex plc to farm-in to 382 square kilometers ("Area A") of the Nyuni Production Sharing Agreement that lies adjacent to the Songo Songo field. During October the Company fulfilled the initial terms of the farm-in agreement by acquiring in excess of 300 kilometers of seismic on Area A. Under the terms of an Agreement that Aminex plc has with Petrom S.A, Petrom S.A. has 30 days from the receipt of the seismic that has been run on Area A to acquire a 30% interest in the Nyuni PSA. The Company now has until 30 September 2006 to elect whether or not to participate in the drilling of a well on Area A. If Petrom S.A. acquires a 30% interest then the Company will incur 42% of the costs of drilling the well (pre-completion) for a 35% interest in the PSA. If Petrom S.A does not elect to acquire a 30% interest, then the Company will incur 64% of the cost of drilling the well (pre-completion) for a 50% interest in the PSA.

Management expects to fund its committed capital investments from existing and self generated funds in Q4.

Under the terms of the contracts with Kioo Ltd., Tanzania Breweries Ltd. and Karibu Textile Mills Ltd., the Company is liable to pay penalties in the event that there is a shortfall in the Additional Gas supply in excess of 5% of the contracted quantity. The penalties equate to the difference between the price of gas and an alternative feedstock multiplied by the notional daily quantities. The maximum penalty for shortfall gas is a total of US\$1.1 million for these three contracts and the remedy is payable as a credit against future monthly invoices.

Under the terms of the PSA, in the event that there is a shortfall in Protected Gas as a consequence of the sale of Additional Gas, then the Company is liable to pay the difference between the price of Protected Gas (US\$0.55 mmbtu) and the price of an alternative feedstock multiplied by the volumes of Protected Gas up to a maximum of the volume of Additional Gas sold. Songas has the right to request reasonable security on all Additional Gas sales. No security has been requested for the initial industrial gas sales but Songas still retains this right and may require security for larger volumes.

### **Operating leases**

The Company has entered into a five year rental agreement that expires on 30 November 2007 for the use of the offices in Dar es Salaam at a cost of approximately US\$92,000 per annum.

## **5 *Reconciliation of IFRS to Accounting Principles Generally Accepted in Canada***

These interim consolidated financial statements have been prepared in accordance with the IFRS basis of accounting, which differ in some respects from those in Canada.

There were no material differences in accounting principles as they pertain to the accompanying interim consolidated financial statements.

In Canada, the carrying value of natural gas properties is compared annually to the sum of the undiscounted cash flows expected to result from the company's proved reserves. Should the ceiling test result in an excess of carrying value, the company would then measure the amount of impairment by comparing the carrying amounts of natural gas properties to an amount equal to the estimated net present value of future cash flows from proved plus probable reserves and the lower of cost and market of unproved properties. The Company's risk-free interest rate is used to arrive at the net present value of the future cash flows. To date, application of the Canadian prescribed ceiling test has not resulted in a write-down of capitalized costs.

EastCoast Energy Corporation Limited is a TSXV listed company focused on the exploration and production of Tanzanian natural gas and the sale of "Additional Gas" to markets in East Africa. The Company was spun out from PanOcean Energy Corporation and began trading on the TSXV as a separate public company on 31 August 2004

under the trading symbols ECE.SV.B and ECE.MV.A. The company is headquartered in Tortola, British Virgin Islands and maintains its operations offices in Dar es Salaam, Tanzania.



## Forward Looking Statements

*This disclosure contains certain forward-looking estimates that involve substantial known and unknown risks and uncertainties, certain of which are beyond EastCoast's control, including the impact of general economic conditions in the areas in which EastCoast operates, civil unrest, industry conditions, changes in laws and regulations including the adoption of new environmental laws and regulations and changes in how they are interpreted and enforced, increased competition, the lack of availability of qualified personnel or management, fluctuations in commodity prices, foreign exchange or interest rates, stock market volatility and obtaining required approvals of regulatory authorities. In addition there are risks and uncertainties associated with oil and gas operations, therefore EastCoast's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking estimates and, accordingly, no assurances can be given that any of the events anticipated by the forward-looking estimates will transpire or occur, or if any of them do so, what benefits, including the amounts of proceeds, that EastCoast will derive therefrom.*

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