EASTERN RESOURCES INC
Form 10-Q
August 15, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10 – Q

(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2011

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _______ to _______

Commission File Number: 333-149850

EASTERN RESOURCES, INC.
(Exact name of registrant as specified in its charter)

Delaware	45-0582098
(State or other jurisdiction of incorporation)	(I.R.S. Employer Identification No.)

166 East 34th Street, Suite 18K, New York, NY 10016
(Address of principal executive offices)

(917) 687-6623
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer	Non-accelerated filer (Do not check if a smaller Reporting company)	Smaller reporting company x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

There were 20,629,000 shares of the issuer's common stock outstanding as of August 15, 2011.

EASTERN RESOURCES, INC.
FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2011
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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

EASTERN RESOURCES, INC. AND SUBSIDIARY
(A Development Stage Company)
CONSOLIDATED BALANCE SHEETS

	June 30, 2011 (Unaudited)	December 31, 2010 (Audited)
ASSETS		
CURRENT ASSETS		
Cash	$36,188	$297
TOTAL CURRENT ASSETS	36,188	297
Prepaid expenses	4,160	5,085
Capitalized film costs	1,276,110	1,276,110
TOTAL ASSETS	$1,316,458	$1,281,492
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$129,111	$133,079
Loan payable—stockholder	40,000	40,000
10% Convertible debenture, net of discount of $186 and $1,294 as of June 30, 2011 and December 31, 2010, respectively	79,728	75,150
Compensation payable	355,462	355,462
Derivative liability	-	219
TOTAL CURRENT LIABILITIES	604,301	603,910
LONG-TERM LIABILITIES		
Notes payable—non-current	284,211	269,406
8.25% Convertible debenture	52,964	51,107
10% Convertible debenture	132,641	-
TOTAL LIABILITIES	1,074,117	924,423
STOCKHOLDERS' EQUITY		
Preferred stock, $0.001 par value, 10,000,000 shares authorized; none issued	-	-
Common stock, $0.001 par value, 300,000,000 shares authorized; 20,629,000 issued and outstanding at June 30, 2011 and at December 31, 2010	20,629	20,629
Additional paid-in capital	903,771	903,771
Deficit accumulated in the development stage	(682,059)	(567,331)
TOTAL STOCKHOLDERS' EQUITY	242,341	357,069
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$1,316,458	$1,281,492

See notes to the unaudited consolidated financial statements.

EASTERN RESOURCES, INC. AND SUBSIDIARY
(A Development Stage Company)
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010	March 15, 2007 (Inception) to June 30, 2011
Revenues	$-	$-	$-	$-	$-
Operating expenses:					
General and administrative	68,265	35,609	93,711	84,528	607,611
Total operating expenses	68,265	35,609	93,711	84,528	607,611
Net loss before other income (expense)	(68,265)	(35,609)	(93,711)	(84,528)	(607,611)
Other income (expense):					
Interest income	5	-	5	3	4,034
Interest expense	(10,741)	(2,673)	(20,134)	(4,770)	(78,669)
Amortization of discount	(559)	(541)	(1,107)	(901)	(3,115)
Gain on fair value of derivative liability	16	1,165	219	1,658	3,302
Net loss	$(79,544)	$(37,658)	$(114,728)	$(88,538)	$(682,059)
Basic and diluted earnings per share	$(0.00)	$(0.00)	$(0.01)	$(0.00)	
Weighted average number of common shares outstanding - basic and diluted	20,629,000	20,629,000	20,629,000	20,629,000	

See notes to the unaudited consolidated financial statements.

EASTERN RESOURCES, INC. AND SUBSIDIARY
(A Development Stage Company)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010	March 15, 2007 (Inception) to June 30, 2011
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	$ (114,728)	$ (88,538)	$ (682,059)
Adjustments to reconcile net loss to net cash used in operating activities:			
Gain on fair value of derivative liability	(219)	(1,658)	(3,302)
Amortization of discount on convertible debenture	1,107	901	3,115
Increase in film costs	-	-	(1,280,719)
Increase in capitalized interest	-	-	33,694
Increase (decrease) in prepaid expenses	925	-	(4,160)
Increase (decrease) in accounts payable and accrued expenses	(3,968)	3,436	129,111
Officer stock compensation	-	-	11,500
Increase in compensation payable	-	-	355,462
NET CASH USED IN OPERATING ACTIVITIES	(116,883)	(85,859)	(1,437,358)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from loans payable	-	-	175,000
Proceeds from loan payable—shareholder	-	-	40,000
Increase in notes payable accrued interest	14,805	11,647	80,126
Proceeds from convertible debentures	131,480	70,000	246,480
Increase in convertible debentures accrued interest	6,489	4,770	19,040
Proceeds from issuance of common stock	-	-	912,900
NET CASH PROVIDED BY FINANCING ACTIVITIES	152,774	86,417	1,473,546
INCREASE IN CASH	35,891	558	36,188
CASH-BEGINNING OF PERIOD	297	-	-
CASH-END OF PERIOD	$ 36,188	$ 558	$ 36,188
CASH PAID FOR:			
Interest	$ -	$ -	
Income taxes	$ -	$ -	

See notes to the unaudited consolidated financial statements.

Eastern Resources, Inc. and Subsidiary
Notes to Consolidated Financial Statements
(A Development Stage Company)

Note 1 - Organization, Nature of Operations and Basis of Presentation

Eastern Resources, Inc. (the “Company”) was incorporated in the State of Delaware on March 15, 2007. On that date the Company acquired Buzz Kill, Inc. (“Buzz Kill”) for 11,500,000 common shares. The Company, through Buzz Kill, completed production of a feature length major motion picture entitled “BuzzKill,” and plans to market it to distributors in the United States and abroad. The Company plans to produce a wide range of independent films outside the traditional studio system. The Company intends to distribute films for theatrical release, and exploit methods of delivery worldwide. The Company intends to execute its business plan through the acquisition of unique films from a broad spectrum of independent writers, directors, and producers. Each project will become an independent production company, created as a subsidiary of the Company. The Company plans to fund the projects and maintain ownership of the films with the intent of building a film library with the rights to DVD, book, and other reproductive media for sale to the public.

Basis of Presentation

The accompanying unaudited financial statements of the Company have been prepared in accordance with generally accepted accounting principles for interim financial information. Accordingly, they do not include all the information and notes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments necessary to present fairly the information set forth therein have been included. Operating results for the six months ended June 30, 2011 are not necessarily indicative of the results that may be experienced for the fiscal year ending December 31, 2011. The accompanying financial statements should be read in conjunction with the Company’s Form 10-K for the fiscal year ended December 31, 2010, which was filed on April 15, 2011.

Note 2 - Summary of Significant Accounting Policies

Principles of Consolidation – The consolidated financial statements of the Company include those of the Company and its wholly owned subsidiary, Buzz Kill, Inc. All significant inter-company accounts and transactions have been eliminated upon consolidation.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Cash and Cash Equivalents – The Company considers all highly liquid short-term investments with a remaining maturity of three months or less when purchased, to be cash equivalents. These investments are carried at cost, which approximates fair value.

Capitalized Film Costs – Film costs include all direct negative costs incurred in the physical production of the film, as well as allocated production overhead. Such costs include story costs and scenario; compensation of casts, directors, producers, and extras; set construction and operation; wardrobes and accessories; sound synchronization; location expenses and post production costs, including music, special effects, and editing. Film costs are amortized based on the ratio of current period gross revenues to estimated remaining ultimate revenues from all sources on an individual production basis. Estimated ultimate revenues are revised periodically and the carrying values of the films are evaluated for impairment. Losses, if any, are provided in full.

As of June 30, 2011 and December 31, 2010, the Company is not yet able to reasonably estimate projected revenues; therefore, the Company has not recorded any amortization expense to date.

Fair Value of Financial Instruments – The carrying amount reported in the consolidated balance sheets for cash and cash equivalents, prepaid expenses, accounts payable, and accrued expenses approximate fair value because of the immediate or short-term maturity of these financial instruments.

Income Taxes – Income taxes are accounted for in accordance with the provisions of FASB ASC Topic 740, “Income Taxes.” Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amounts expected to be realized.

Revenue Recognition – The Company recognizes revenues from the sale or licensing arrangement of a film upon delivery of a completed film or the commencement of a licensing period. The Company had substantially completed film production at June 30, 2011, but realized no revenues as of that date.

Advertising Costs – Advertising costs are expensed as incurred. Expenditures for the six months ended June 30, 2011 and June 30, 2010 were insignificant.

Net Income (Loss) Per Common Share – Net income (loss) per common share is computed using the weighted average number of shares outstanding. Potential common shares includable in the computation of fully diluted per share results are not presented in the financial statements as their effect would be anti-dilutive.

Subsequent Events – Management evaluated subsequent events to determine if events or transactions occurring through the date at which the financial statements were available to be issued required disclosure. Management determined that no such events have occurred that would require adjustment to or disclosure in the financial statements.

New Accounting Pronouncements – In January 2010, the FASB issued Accounting Standards Update (“ASU”) No. 2010-06, “Improving Disclosures about Fair Value Measurements,” as an update to ASC Topic 820, “Fair Value Measurements and Disclosures.” This ASU requires new disclosures about transfers between Levels 1 and 2 of the fair value hierarchy and disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements. The ASU is effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. Early application is permitted. The adoption of this accounting standard update did not have a material impact on the Company’s consolidated financial statements.

Effective January 29, 2010, the Company adopted FASB ASC Topic 815 – 40, “Derivatives and Hedging - Contracts in Entity’s Own Stock.” The adoption of this Topic can affect the accounting for warrants and many convertible instruments with provisions that protect holders from a decline in the stock price (or “down-round” provisions). The Company adopted ASC Topic 815 – 40 as a result of the Company issuing a convertible note on January 29, 2010. As such, the embedded feature convertible option on the January 29, 2010 convertible note is classified as liabilities as of January 29, 2010 as this is an exercise price reset feature and is not deemed to be indexed to the Company’s own stock. See Note 6 for further discussion.

Management does not believe that any other recently issued, but not yet effective, accounting standards could have a material effect on the accompanying consolidated financial statements. As new accounting pronouncements are issued, the Company will adopt those that are applicable under the circumstances.

Note 3 - Going Concern

The Company at present has insufficient funds to sustain the cash flows required to meet the anticipated operating costs to be incurred in the next twelve months. Management intends to sell additional equity and/or debt securities in the future to supplement potential revenues. However, there can be no assurance that the Company will be successful in raising significant additional funds. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Note 4 - Notes Payable

In 2007, Buzz Kill issued 10% Subordinated Debenture Notes (the “2007 Notes”) aggregating $160,000 payable to four persons. The 2007 Notes included accrued interest compounded monthly, and become due and payable on varying dates in the year 2012. The 2007 Notes are subordinated to monies payable, to trade payables, to the Hanna Loan (defined below) payable to Mr. Hanna, an officer and major stockholder, and to the Senior Note (defined below). The Company agreed to pay the 2007 Notes holders an additional premium of $32,000, which is 20% of the original principal of $160,000, upon the future repayment of the 2007 Notes and accrued interest thereon, which has been recorded at present value of $24,324. Such amount was calculated using 10% per annum compounded monthly. The 2007 Notes holders’ rights to receive the premium survive any redemption of the 2007 Notes. In addition to the repayments of principal, accrued interest and premium, the 2007 Notes holders will be entitled to a 12% participation in the film’s net proceeds as defined in the agreements.

On July 26, 2010, one of the 2007 Notes with a principal amount of $50,000, bearing 10% interest, matured. The Company obtained an extension of the maturity date, amending the maturity date from July 26, 2010 to July 26, 2012.

On August 1, 2010, one of the 2007 Notes with a principal amount of $5,000, bearing 10% interest, matured. The Company obtained an extension of the maturity date, amending the maturity date from August 1, 2010 to August 1, 2012.

On August 1, 2010, another of the 2007 Notes with a principal amount of $5,000, bearing 10% interest, matured. The Company obtained an extension of the maturity date, amending the maturity date from August 1, 2010 to August 1, 2012.

One of the 2007 Notes in the principal amount of $100,000, bearing 10% interest, was set to mature on October 17, 2010, and the holder agreed on September 10, 2010 to extend the maturity date to October 17, 2012.

On September 10, 2010, Buzz Kill issued a 10% senior note due on April 15, 2012 in the principal amount of $15,000 (the "Senior Note") to an unaffiliated third party for that party's $15,000 loan to Buzz Kill. As a condition to this loan, all of the holders of the 2007 Notes and, in connection with the Hanna Loan, Thomas Hanna, signed a subordination agreement, pursuant to which payment and performance of any and all obligations under the 2007 Notes and the Hanna Loan are subordinated to the Senior Note. The related cash proceeds were received on October 15, 2010.

At June 30, 2011 and December 31, 2010, the Company recorded related accrued interest of $13,645 and $24,347, respectively. The total accrued interest from the date of the agreements amounted to $78,966 as of June 30, 2011.

Note 5 - Loan Payable-Stockholder

In July 2007, the Company received a bridge loan of $100,000 from Mr. Hanna (the "Hanna Loan"). Subsequent repayments of $60,000 have reduced the Hanna Loan to an outstanding amount of $40,000 as of June 30, 2011. The Hanna Loan is unsecured, interest free, and repayable on demand. As a result of the issuance of the Senior Note, the Hanna Loan is now subordinated to the Senior Note.

Note 6 - Convertible Note Payable and Derivatives

8.25% Convertible Debenture

On May 8, 2009, the Company entered into a securities purchase agreement with Milestone Enhanced Fund Ltd. ("Milestone" or "Holder"). Under the purchase agreement, the Company issued to Milestone a convertible promissory note ("Promissory Note"), convertible into the Company's common stock, in the amount of $45,000.

At any time, subject to a written notice of conversion, the Holder may convert any portion of the outstanding and unpaid principal and interest balance due on the Promissory Note into the Company's common shares at a conversion price to be mutually determined by the Company and the Holder. Any conversion of any portion of the Promissory Note shall be deemed to be a prepayment of principal, without any penalty, and shall be credited against future payments of principal in the order such payments become due or payable.

The Promissory Note bears interest at the rate of 8.25% per annum and was payable at maturity on November 8, 2010, together with any accrued and unpaid interest. The Company extended the maturity date on this Promissory Note to November 8, 2012.

At June 30, 2011 and December 31, 2010, the Company recorded accrued interest of $1,856 and $3,712, respectively, related to the convertible debenture. The total accrued interest from the date of the agreement amounts to $7,964 as of June 30, 2011.

10% Convertible Debenture

On January 29, 2010, the Company issued to Paramount Strategy Corp. ("Paramount") a convertible promissory note ("Paramount Promissory Note") amounting to $70,000.

At any time, subject to a written notice of conversion, Paramount may convert any portion of the outstanding and unpaid principal and interest balance due on the Paramount Promissory Note into the Company's common shares at a conversion price (the "Fixed Conversion Price") of $0.10 per share. So long as the Paramount Promissory Note is outstanding, if the Company issues shares of its common stock at a price below the Fixed Conversion Price, the Fixed Conversion Price shall be reduced to such other lower price. The Fixed Conversion Price and number of shares to be issued upon conversion shall also be subject to adjustments from time to time upon the happening of certain other events, particularly, merger or sale of assets, reclassification, or change in common stock, and stock splits, combinations or dividends. The Paramount Promissory Note bears interest at the rate of 10% per annum and is payable at its maturity on July 28, 2011, unless its term is mutually extended by both parties.

The Paramount Promissory Note contains ratchet provisions that adjust the exercise price of the embedded feature conversion option if the Company issues common stock at a price lower than the fixed conversion prices in the 10% Paramount Promissory Note. As a result, the Company assessed the terms of the 10% Paramount Promissory Note in accordance with ASC Topic 815 – 40, "Derivatives and Hedging - Contracts in Entity's Own Stock," and determined that the underlying embedded feature conversion option is not indexed to the Company's common stock and is therefore a derivative which should be valued at fair value at the date of issuance and at each subsequent interim period.

As of January 29, 2010 (date of note issuance), the fair value of the derivatives was $3,302. As a result, a discount of $3,302 on the Paramount Promissory Note and a derivative liability of $3,302 were recorded on January 29, 2010. As of December 31, 2010, the fair value of the derivatives was $219. The revaluation of the derivatives as of June 30, 2011 resulted in a value of derivative liability of $0; the change in fair value during the period from December 31, 2010 to June 30, 2011 resulted in a recorded gain on fair value of derivative liability of $219 in the accompanying consolidated statement of operations. For the six months ended June 30, 2011, the Company also amortized the discount on the note for $1,107, with the unamortized discount on the Paramount Promissory Note at $186.

The fair value of the derivative was determined using the Black-Scholes option pricing model with the following assumptions:

	January 29, 2010		June 30, 2011	
Common stock issuable upon conversion	700,000		700,000	
Estimated market value of common stock on measurement date	$0.02		$0.02	
Exercise price	$0.10		$0.10	
Risk free interest rate (1)	0.82	%	0.82	%
Term in years	1.49 years		0.08 years	
Expected volatility	129	%	98	%
Expected dividends (2)	0	%	0	%

(1) The risk-free interest rate was estimated by management using the U.S. Treasury zero-coupon yield over the contractual term of the note.

(2) Management estimated the dividend yield at 0% based upon its expectation that there will not be earnings available to pay dividends in the near term.

10% Convertible Debentures

On April 27, 2011, June 6, 2011, and June 27, 2011, the Company completed three closings of a private placement offering for a total of approximately $131,000 in principal of 18-month, 10% convertible notes. The principal and accrued interest will be mandatorily converted into the securities or instruments issued by the Company in the next financing in which the Company raises a minimum of $1,000,000, at a price equal to either (a) the price per share of stock (or unit of stock and other securities) paid by investors in the next securities offering or other financing by the Company, if the financing is an issuance of stock (or units of stock and other securities), or (b) the price paid by investors in the next securities offering or other financing by the Company, expressed as a percentage of the face amount of debt securities, if the financing is an issuance of debt securities (or units of debt securities and other securities) (including debt securities convertible into stock).

As of June 30, 2011, the Company owed principal and accrued interest to six note holders in the amount of $132,641.

The company evaluated the conversion options under FASB ASC Topic 815 – 40 for derivative treatment and determined that the conversion options are required to be accounted for as a derivative upon the aforementioned closing of the next private placement offering. As the closing had not occurred as of the period ended June 30, 2011, and as per FASB ASC Topic 470 – 20, the derivative instrument nor the beneficial conversion feature need not be accounted for as of June 30, 2011.

Note 7 - Fair Value Measurements

As defined in FASB ASC Topic 820 – 10, “Fair Value Measurements and Disclosures,” fair value is the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FASB ASC Topic 820 – 10 requires disclosure that establishes a framework for measuring fair value and expands disclosure about fair value measurements. The statement requires fair value measurements be classified and disclosed in one of the following categories:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities. The Company considers active markets as those in which transactions for the assets or liabilities occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Quoted prices in markets that are not active, or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability. This category includes those derivative instruments that the Company values using observable market data. Substantially all of these inputs are observable in the marketplace throughout the term of the derivative instruments, can be derived from observable data, or supported by observable levels at which transactions are executed in the marketplace.

Level 3: Measured based on prices or valuation models that require inputs that are both significant to the fair value measurement and less observable from objective sources (i.e. supported by little or no market activity). The Company’s valuation models are primarily industry standard models. Level 3 instruments include derivative warrant instruments. The Company does not have sufficient corroborating evidence to support classifying these assets and liabilities as Level 1 or Level 2.

As required by FASB ASC Topic 820 – 10, financial assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurement. The Company’s assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of the fair value of assets and liabilities and their placement within the fair value hierarchy levels.

The estimated fair value of the derivative liability was calculated using the Black-Scholes option pricing model (see Note 6).

The following table sets forth, by level within the fair value hierarchy, the Company's financial assets and liabilities that were accounted for at fair value on a recurring basis as of June 30, 2011:

	Fair Value Measurements at June 30, 2011			
Description	(Level 1)	(Level 2)	(Level 3)	Total Carrying Value
Derivative liability	$-	$-	$-	$-
Total	$-	$-	$-	$-

Note 8 - Compensation Payable

Compensation payable of $355,462 as of June 30, 2011 and December 31, 2010 is derived from various agreements entered into by the Company in April and August of 2007. The amounts payable by the Company have not changed from the prior year and will not change until such time that the Company begins to generate revenues from the film, BuzzKill.

Below is a summary of the agreements:

(a) On April 17, 2007, Ms. Hundley entered into a memorandum agreement with the Company pursuant to which Ms. Hundley agreed to introduce Buzz Kill. to third parties who may be interested in lending or investing or in any other way financing all or a portion of the development and/or production of the Company's film, BuzzKill. Under the agreement, Ms. Hundley is entitled to the following payments: (i) $40,000 in finder's fees, of which $20,000 is deferred, (ii) $50,000 in deferred compensation for her producer services, and (iii) contingent compensation in an amount equal to 5% of the "net proceeds" of the film.

(b) On August 1, 2007, Mr. Hanna entered into a producer agreement with Buzz Kill pursuant to which Mr. Hanna will provide preparation, production, and post-production services in connection with the film, BuzzKill. Mr. Hanna's compensation under the agreement included (a) $50,000, of which $25,000 remained unpaid at June 30, 2011, (b) a deferral in the amount of $150,000, and (c) the remaining "net proceeds" generated by the film after deducting "off-the-top" of all third party profit participations.

(c) On April 1, 2007, the Company agreed to purchase all rights, title, and interests in the screenplay ("BuzzKill"). The initial consideration was $12,500 and a deferral of $25,462. The Company is contingently obligated for 7% of the net proceeds. If the picture is released as a theatrical motion picture and the box office receipts from exhibition in "North America" reach or exceed $15,000,000, the Company will pay the seller $25,000 and an additional $25,000 for each additional $15,000,000 in receipts thereafter.

(d) On April 13, 2007, the Company engaged the services of a director for the screenplay "BuzzKill." Agreed upon compensation amounted to $105,000, of which $20,000 was paid, $35,000 was due at December 31, 2008, and $50,000 was deferred. Additional compensation is payable at 5% of the net proceeds. If the picture is released as a theatrical motion picture and box office receipts reach or exceed $15,000,000, the

Company will pay the director $25,000 and an additional $25,000 for each $15,000,000 in receipts thereafter.

At June 30, 2011, unpaid compensation as reflected above is included in the balance sheet as compensation payable and is as follows:

(a)	Ms. Hundley	$70,000
(b)	Mr. Hanna, President	175,000
(c)	Story and author's rights	25,462
(d)	Director	85,000
	Total	$355,462

Note 9 - Issuance of Common and Preferred Stock

Authorized capital stock consists of 300,000,000 shares of common stock with a par value of $0.001 per share and 10,000,000 shares of preferred stock, with a par value of $0.001 per share.

In December 2007, the Company completed a private placement offering of 8,529,000 shares of common stock at a price of $0.10 per share for aggregate proceeds of $852,900. In June 2008, the Company sold an additional 600,000 shares of its common stock to an institutional investor at a price of $0.10 per share for gross proceeds of $60,000.

As of June 30, 2011, there were 20,629,000 shares of common stock issued and outstanding. No preferred stock shares have been issued.

Note 10 - Commitments and Contingencies

On May 13, 2010, the Company entered into a trademark license agreement with Second City, Inc., in which the Company acquired a non-exclusive right to use the "Second City" trademark in connection with the distribution of the film, in exchange for payment of a royalty to Second City equal to 10% of the producer gross receipts, as defined in the agreement.

On May 19, 2010, the Company executed a contest agreement with Reed Business Information and uPlaya Music Intelligence Solutions, Inc., whereby uPlaya would provide hosting services for a contest to select a song for BuzzKill, and the contest would be co-branded and co-marketed from the media outlets of Variety, the weekly entertainment-trade magazine published by Reed Business Information. The winning song, "The Perfect Dance," was put into the film. Both the film and the band will be profiled on Variety.com, on uPlaya.com, and be promoted through the Variety and uPlaya social networks.

In January 2011, the Company signed a domestic DVD and television distribution agreement with Indican Pictures, a Los Angeles-based distribution company. The Company will be working in conjunction with the distributor to provide and assist in marketing efforts on behalf of the film, leading up to and continuing through its release. Indican will market and distribute the film in exchange for a percentage of royalties. As such, additional out-of-pocket expenses for marketing and sales would be minimal. The distributor has committed $50,000 to the marketing efforts of the film and has agreed to pay for certain deliverable costs. The Company expects the title to be available for sales to the public during the first quarter of 2012.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Statement Regarding Forward-Looking Information

This report contains forward-looking statements. All statements other than statements of historical facts included in this Quarterly Report on Form 10-Q, including without limitation, statements in this Management's Discussion and Analysis of Financial Condition and Results of Operations regarding our financial position, estimated working capital, business strategy, the plans and objectives of our management for future operations and those statements preceded by, followed by or that otherwise include the words "believe", "expects", "anticipates", "intends", "estimates", "projects", "target "plans", "objective", "should", or similar expressions or variations on such expressions are forward-looking statements. We can give no assurances that the assumptions upon which the forward-looking statements are based will prove to be correct. Because forward-looking statements are subject to risks and uncertainties, actual results may differ materially from those expressed or implied by the forward-looking statements. There are a number of risks, uncertainties and other important factors that could cause our actual results to differ materially from the forward-looking statements, including, but not limited to, the availability and pricing of additional capital to finance operations, the acceptance of our feature film at various film festivals, the successful negotiation and execution of marketing and distribution agreements, our ability to acquire and develop future film projects, and future economic conditions and the independent film market.

Except as otherwise required by the federal securities laws, we disclaim any obligations or undertaking to publicly release any updates or revisions to any forward-looking statement contained in this Quarterly Report on Form 10-Q to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

Background

We were formed as a Delaware corporation on March 15, 2007 for the purpose of producing full length independent feature films through our wholly-owned subsidiary, Buzz Kill, Inc. ("Buzz Kill"). Since inception, we have been engaged in the production and attempted distribution of our first independent, full-length feature film entitled "BuzzKill" (or, the "Film").

On April 1, 2007 Buzz Kill acquired all rights, title and interest in and to the screenplay entitled "Buzz Kill," written by Steven Kampmann and Matt Smollon. Pursuant to the Literary Purchase Agreement, dated April 1, 2007, each of Messrs. Kampmann and Smollon received the following compensation: (i) $6,250, (ii) $12,731 in deferred compensation, and (iii) contingent compensation equal to 3.5% of the "net proceeds" of the Film. Messrs. Kampmann and Smollon will receive an additional $25,000, if the film's North American (i.e., the United States and Canada) theatrical box office receipts reach $15,000,000 and an additional $25,000 thereafter for each $15,000,000 in theatrical box office receipts reached thereafter.

On April 13, 2007, Buzz Kill hired Mr. Kampmann to direct the Film. Pursuant to Director Agreement, dated April 13, 2007, for his director services, Mr. Kampmann received the following compensation: (i) $20,000, (ii) $50,000 in deferred compensation, (iii) an additional $10,000 for every $100,000 by which the final, actualized budget exceeds $650,000, and (iv) contingent compensation equal to 5% of the "net proceeds" of the Film. Mr. Kampmann will also receive, as the Film's director, an additional $25,000 if the Film's North American (i.e., the United States and Canada) theatrical box office receipts reach $15,000,000 and an additional $25,000 thereafter for each $15,000,000 in theatrical box office receipts reached thereafter.

Pursuant to the Investment Agreement, dated May 1, 2007, between our Company and Buzz Kill, we provided financing to Buzz Kill in the amount of $800,000 for the production (principal photography only) and exploitation of BuzzKill. Under the agreement, we received a "first priority" right of recoupment of the financing amount and a 20% premium. In addition, our Company is entitled to a percentage of the "net proceeds" of the Film, calculated as a percentage equal to 50% of the fraction with a numerator equal to the amount of our financing and a denominator equal to the amount of the final, actualized budget of the Film. Buzz Kill agreed (i) that the net cost of the Film (that is, the cost of actually producing and shooting the Film and not including such costs as distribution and promotion) shall not exceed $1,100,000 without the written consent of our Company, and (ii) to limit its financing debt to $300,000 plus 20%.

In December 2007, we completed a private placement offering of 8,529,000 shares of our common stock to a total of 33 purchasers at a price of $0.10 per share for aggregate proceeds of $852,900. In June 2008, we sold additional 600,000 shares of our common stock to an institutional investor at a price of $0.10 per share for gross proceeds of $60,000.

In February 2008, through Buzz Kill, we completed post-production of the Film, and now seek to market the Film and secure distribution. We secured the services of a sales representative who will assist us in guiding the Film through the festival and distribution process and, on May 13, 2010, Buzz Kill executed a trademark license agreement with Second City, Inc. Pursuant to the Agreement, we acquired a non-exclusive right to use the "Second City" trademark in connection with the distribution of the Film, in exchange for payment of a royalty to Second City equal to 10% of the producer gross receipts, as defined in the agreement. On May 19, 2010, Buzz Kill executed a contest agreement with Reed Business Information and uPlaya Music Intelligence Solutions, Inc. ("uPlaya"), whereby uPlaya would provide hosting services for a contest to select a song for BuzzKill, and the contest would be co-branded and co-marketed from the media outlets of Variety, the weekly entertainment-trade magazine published by Reed Business Information. The contest ran through November 30, 2010. A team of celebrity judges selected a final winner, the Silent Critics, a rock band from Arlington, Virginia. The winning song, "The Perfect Dance," was put into the film. Both the film and the band will be profiled on Variety.com, on uPlaya.com, and be promoted through the Variety and uPlaya social networks.

In January 2011, we completed a domestic DVD/TV distribution arrangement with Indican Pictures, a Los Angeles-based distribution company, which should enable BuzzKill to be publicly available sometime early next year. We have retained the theatrical rights and are currently exploring options for a small theatrical release.

Results of Operations

For the quarter ended June 30, 2011 and since our date of inception (March 15, 2007), we have not generated any operating revenues. We do not anticipate generating operating revenues in the near future. We are presently in the development stage of our business and we can provide no assurance that we will make any money on the films we produce.

We incurred total operating expenses of $68,265 and $93,711 for the three and six month periods ended June 30, 2011, as compared to total operating expenses of $35,609 and $84,528 for the three and six month periods ended June 30, 2010. The increase in total operating expenses was due primarily to the increase in legal and other professional fees incurred in connection with the closings of three private placement offerings.

We incurred interest expense of $10,741 and $20,134 for the three and six month periods ended June 30, 2011, as compared to interest expense of $2,673 and $4,770 for the three and six month periods ended June 30, 2010. The Company also amortized the discount on the note for $1,107 and $901 for the six months ended June 30, 2011 and 2010, respectively.

We have generated no operating revenues since our inception and our net loss from inception through June 30, 2011 was $682,059.

Liquidity and Capital Resources

The report of our independent registered accounting firm on our audited consolidated financial statements for the fiscal year ended December 31, 2010 contains a going concern qualification, as we have suffered losses since our inception. We have minimal assets and have achieved no revenues since our inception. We have depended on loans and sales of equity securities to conduct operations. As of June 30, 2011 and December 31, 2010, we had cash of $36,188 and $297, respectively, current assets of $36,188 and $297, respectively, and current liabilities of $604,301 and $603,910, respectively. Unless and until we achieve material revenues, we will remain dependent on financings to continue our operations.

From July to October 2007, our wholly-owned subsidiary, Buzz Kill, issued an aggregate principal amount of $160,000 of its 10% notes (the “2007 Notes”). The 2007 Notes have an interest rate of 10%, compounded monthly. $50,000 of the 2007 Notes were originally due on July 26, 2010 but have been extended to July 26, 2012; $10,000 of the 2007 Notes were originally due on August 1, 2010 but have been extended to August 1, 2012; and $100,000 of the 2007 Notes were originally due on October 17, 2010 and have been extended to October 17, 2012. Upon repayment of the 2007 Notes, in addition to the outstanding principal balance and all accrued and unpaid interest, the note holders will be entitled to receive (i) a premium equal to 20% of the original principal amount and (ii) contingent compensation equal to 12% of the “net proceeds” of the film. All amounts under the 2007 Notes remain unpaid, outstanding and subordinated to the Senior Note (defined below). The proceeds from the 2007 Notes were used to finance the production of the film.

In July 2007, Buzz Kill, Inc. received a bridge loan of $100,000 from Mr. Hanna (the “Hanna Loan”). $60,000 of the Hanna Loan was subsequently repaid, which reduced the outstanding balance of the Hanna Loan to $40,000 as of June 30, 2011. The Hanna Loan is unsecured, interest free and repayable on demand, subject to its subordination to the Senior Note.

On September 10, 2010, Buzz Kill issued a 10% senior note due April 15, 2012 in the principal amount of $15,000 (the “Senior Note”) to an unaffiliated third party for that party’s $15,000 loan to Buzz Kill. As a condition to this loan, all of the holders of the 2007 Notes and, in connection with the Hanna Loan (defined below), Thomas Hanna, signed a subordination agreement pursuant to which payment and performance of any and all obligations under the 2007 Notes and the Hanna Loan are subordinated to the Senior Note. The related cash proceeds were received on October 15, 2010.

As of June 30, 2011, our Company also has (i) a $70,000 loan payable to an unaffiliated third party due July 28, 2011 and represented by an 10% convertible promissory note dated January 29, 2010, and (ii) a $45,000 loan payable to an unaffiliated third party due November 8, 2010 and represented by an 8.25% convertible promissory note dated May 9, 2009. The maturity date on this $45,000 note has been extended to November 8, 2012.

We presently do not have any available credit, bank financing or other external sources of liquidity. Due to our brief history and historical operating losses, our operations have not been a source of liquidity. At our current level of operation, we do not have sufficient cash to meet our expenses for the next three months.

We intend to raise additional capital to provide financing for our marketing and distribution activities. Also, we need to obtain additional capital in order to maintain our public company regulatory requirements and execute our business plan, build our operations and become profitable. In order to obtain capital, we will need to sell additional shares of our common stock or debt securities, or borrow funds from private lenders or banking institutions. There can be no assurance that we will be successful in obtaining additional funding in amounts or on terms acceptable to us, if at all. If we are unable to raise additional funding as necessary, we may have to suspend our operations temporarily or cease operations entirely.

2011 Private Placement

On April 27, 2011, we conducted a first closing of a private placement offering solely to existing investors of our 10% convertible promissory notes (the “Notes”). In the first closing of this offering, we sold $36,000 in principal amount of the Notes. On June 27, 2011, we completed the third and final closing of this private placement and raised a total $135,500 principal amount of the Notes.

The Notes bear interest at a rate of 10% per annum, mature in eighteen months, and both the principal and accrued interest will be mandatorily converted upon the closing of, and into the securities issued in, the next financing in which we sell at least $1,000,000 of our securities, at a price equal to either (a) the price per share of stock (or unit of stock and other securities) paid by investors in the next securities offering or other financing by us, if the financing is an issuance of stock (or units of stock and other securities), or (b) the price paid by investors in the next securities offering or other financing by us, expressed as a percentage of the face amount of debt securities, if the financing is an issuance of debt securities (or units of debt securities and other securities) (including debt securities convertible into stock).

Milestone to Achieve in the Next Twelve Months

Our major objective in the next twelve months is to market the film with Indican Pictures and Second City to maximize the film's exposure leading up to and continuing through the film's distribution date, while continuing to pursue other avenues of distribution, including but not limited to theatrical and foreign, of our first independent feature film, "BuzzKill". Principal photography on the Film was completed in September 2007, and post-production was completed in February 2008.

We are currently engaged in the marketing of the Film. The finished Film was successfully entered into various film festivals in the U.S. and abroad. To date, we have submitted the Film to a number of film festivals. The Film won the People's Choice Award for Best Feature Film at the 2008 NJ State Film Festival at Cape May and Best Director and Best Comedy Feature Honors at the Big Easy Film Festival. The film was also selected to participate at the Hollywood Film Festival this past October.

We recently completed a distribution arrangement with Indican Pictures, a Los Angeles-based distribution company. The arrangement calls for DVD/TV distribution that should allow for BuzzKill to be publicly available in the first quarter of 2012.

Total marketing and distribution costs are estimated at $200,000. We hope to reduce out-of-pocket expenses by entering into a distribution agreement. This distributor will market and distribute the Film in exchange for a percentage of royalties. This means that additional out-of-pocket expense for marketing and sales would be minimal. If we are unable to contract with a distributor, we intend to finance these expenditures through additional private equity or debt financing.

Our next objective in the next twelve months is to complete the conception phase and enter into the pre-production phase of a second feature film. As of the date of this report, we have not identified our second project.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act of 1934 (the "Exchange Act") is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. It should be noted that the design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

The management of Eastern Resources Corporation is responsible for establishing and maintaining an adequate system of internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act. Under the supervision and with the participation of our senior management, consisting of Thomas H. Hanna, Jr., our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act as of the end of the period covered by this report (the "Evaluation Date"). Based on this evaluation, our chief executive officer and interim chief financial officer concluded, as of the Evaluation Date, that our disclosure controls and procedures were not effective because of the identification of what might be deemed a material weakness in our internal control over financial reporting which is identified below.

Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes of accounting principles generally accepted in the United States. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance of achieving their control objectives. In evaluating the effectiveness of our internal control over financial reporting, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control—Integrated Framework. Based on this evaluation, our sole officer concluded that, during the period covered by this quarterly report, our internal controls over financial reporting were not operating effectively. Management did not identify any material weaknesses in our internal control over financial reporting as of June 30, 2011; however, it has identified the following deficiencies that, when aggregated, may possibly be viewed as a material weakness in our internal control over financial reporting as of that date:

1. We do not have an audit committee. While we are not currently obligated to have an audit committee, including a member who is an "audit committee financial expert," as defined in Item 407 of Regulation S-K, under applicable regulations or listing standards; however, it is management's view that such a committee is an important internal control over financial reporting, the lack of which may result in ineffective oversight in the establishment and monitoring of internal controls and procedures.

2. We did not maintain proper segregation of duties for the preparation of our financial statements. We currently only have one officer overseeing all transactions. This has resulted in several deficiencies including the lack of control over preparation of financial statements, and proper application of accounting policies.

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Management believes that the material weaknesses set forth the two items above did not have an effect on our financial results. However, management believes that the lack of a functioning audit committee and the lack of a majority of outside Directors on our Board of Directors results in ineffective oversight in the establishment and monitoring of required internal controls and procedures, which could result in a material misstatement in our financial statements in future periods.

Management's Remediation Initiatives

In an effort to remediate the identified material weaknesses and other deficiencies and enhance our internal controls, we plan to initiate the following series of measures once we have the financial resources to do so:

We will create a position to segregate duties consistent with control objectives and will increase our personnel resources and technical accounting expertise within the accounting function when funds are available to us. And, we plan to appoint one or more outside directors to our board of directors who shall be appointed to an audit committee resulting in a fully functioning audit committee who will undertake the oversight in the establishment and monitoring of required internal controls and procedures such as reviewing and approving estimates and assumptions made by management when funds are available to us.

Management believes that the appointment of one or more outside Directors, who shall be appointed to a fully functioning audit committee, would remedy the lack of a functioning audit committee and a lack of a majority of outside directors on our Board.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting that occurred during the last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

In the ordinary course of our business, we may from time to time become subject to routine litigation or administrative proceedings which are incidental to our business. We are not a party to nor are we aware of any existing, pending or threatened lawsuits or other legal actions involving us.

ITEM 1A. RISK FACTORS

Not applicable.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

We issued no equity securities during the quarter ended June 30, 2011.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. (REMOVED AND RESERVED)

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS.

The following exhibits are included as part of this report:

Exhibit No.	Description
31.1 / 31.2	Certification of Principal Executive and Financial Officer pursuant to Section 302 the Sarbanes-Oxley Act of 2002
32.1 / 32.2	Certification of Principal Executive and Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

SIGNATURES

In accordance with the requirements of the Securities Exchange Act of 1934, the Registrant has caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

EASTERN RESOURCES, INC.

August 15, 2011	By:	/s/ Thomas H. Hanna, Jr. Thomas H. Hanna, Jr., Principal Executive and Principal Financial Officer