



Quarterly Activities Report for period ending 30 September 2009

Highlights

- **Consultants completed a geostatistical analysis of EPC 1149 drilling data from last year's exploration program to optimize next phase of exploration.**
- **Final planning completed for work required on EPC 1149 to enable the Coal Resource to be upgraded to Indicated status;**
- **Exploration drilling on EPC1149 scheduled to commence early October 2009.**
- **A study on the potential development options for the Blackall thermal coal deposit was completed.**
- **A program of 16 exploration drill holes on EPC 1066 Capella was completed.**

Blackall EPC 1149

Queensland's Department of Mines and Energy formally granted EPC 1149 on 22 April and East Energy Ltd commenced field exploration in early June 2008.

Exploration drilling completed between June and November 2008 provided a good basis for modeling of the geology and establishing the continuity of coal seams in the southern half of the tenement. SRK Consulting have reported an Inferred Raw Coal Resource of 1,222 Million tonnes (Mt) for the Blackall Coal Deposit and the Company is confident that additional tonnes will be delineated in the northern portion of this tenement, which to date has not been subject to meaningful drilling activity.

SRK Consulting completed a geostatistical analysis of the drilling data obtained during the 2008 campaign. They have provided advice on the optimum drill spacing for future work and this has been incorporated into the planning for the next phase of drilling. This will commence in early October 2009 and aims to define an Indicated Resource over the southern half of the lease.

A drilling program has also been planned to investigate the northern half of the tenement commencing Quarter 1, 2010.

Coffey Mining Pty Ltd was commissioned to provide the Company with a high level study into the potential development options for the Blackall Coal Deposit. Their report examined potential mining methods, coal treatment and transport options. They reported that the coal quality appears to be



suitable for thermal energy requirements such as in power stations and that the deposit available for open cut mining is large.

Coffey anticipated that, with further exploration, the resource is likely to increase in size to allow a potential open cut mine life of over 30 years at a rate progressively increasing to over 20 Mt/a washed product. This potential scale of operations suggests consideration should be given to different processes, products, transport systems and markets to optimise utilisation and value of the deposit. Possible options could include the following singularly or in combinations:

- Local power station (high ash coal),
- Domestic / export coal (standard or clean coal technology),
- Coal gasification (washed coal),
- Coal gasification (underground in-situ) and
- Hydrogenation, liquifaction (gas to liquid).

Capella EPC 1066

An exploration drilling program was completed at Capella, EPC 1066, in the Bowen Basin during the quarter.

A total of 16 exploration holes were drilled at approximately 4km centres, to depths of between 100m and 150m. No coal seams were intersected.

Whilst this result was disappointing, the program had been designed to test for the presence of any isolated sub-basin that could potentially contain significant coal seams near the surface. Results from the drilling have shown that this does not occur.

Accordingly, the East Energy Board have decided that no further exploration drilling will be undertaken on EPC 1066, and the Company will commence relinquishment of the tenement.

Ends

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Competent person statement

*The information in this report relating to resources is based on information compiled by Peter Tighe who is a member of the **Australasian Institute of Mining and Metallurgy** and who is employed by **East Energy Resources Ltd.** Mr Tighe has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves." Mr Tighe consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*

Company Background

East Energy Resources has acquired the rights to two coal tenements in the Bowen Basin and Adavale Basin in Queensland.

The Blackall tenement includes a potential quantity of coal measures of thermal coal, which has been defined by a limited number of drill holes. Large adjacent areas remain to be evaluated.