



Quarterly Activities Report for period ending 30 September 2010

Highlights

- A further 28 chip holes and 31 core holes were completed in the southern part of the lease as part of the program to define an Indicated Resource in this area
- Test results from a bulk sample were received from the lab
- East Energy commissioned Xenith Consulting to complete the next independent resource evaluation for EPC1149.
- Documentation has been submitted to Mines and Energy for the relinquishment of EPC 1066 Capella.

Blackall EPC 1149

Queensland's Department of Mines and Energy granted EPC 1149 on 22 April 2008 and East Energy Resources Ltd commenced exploration drilling in early June of that year.

Drilling completed between June and November 2008 provided a good basis for modelling of the geology and establishing the continuity of coal seams in the southern half of the tenement.

In early 2009, SRK Consulting conducted an independent appraisal of the exploration results from the Blackall Coal Project and reported an Inferred Raw Coal Resource of 1,222 Million tonnes (Mt) for the southern part of EPC1149.

The company is now continuing exploration aimed at achieving a JORC compliant Indicated Resource over the potential open-cut coal in the southern area of the lease and has extended exploration to the northern half of the lease.

In September, East Energy commissioned Xenith Consulting to complete an independent resource assessment using the most up to date drilling, geophysical and coal quality data available for the Blackall Coal Project.



Xenith is a Brisbane based mining consultancy with extensive experience in Resource Evaluation, Geological Modelling and JORC Resource and Reserve Reporting. They have worked with most of the large resource companies as well as many of the smaller emerging mining companies.

With the additional exploration work completed over the past 12 months, it is expected that the new assessment will see a major part of the resource upgraded from the JORC Inferred category to Indicated Resource.

EXPLORATION

EPC1149 Southern Field

Continuous drilling during the quarter saw a further 28 chip holes and 31 core holes completed in the southern Inferred Resource area.

For the purposes of the current resource evaluation, infill drilling in the south should be completed during the current quarter.

Bulk Sample

A bulk sample was recently extracted from the Southern Field with the objective of obtaining detailed quality data on the potential product coal within a typical mining block and to complete more detailed evaluation of coal quality and optimum washability characteristics.

More than 350kg of coal was collected from the five main economic seams at a single site from depths of between 15m and 24m below surface. The site for the bulk extraction was selected from the 2008/09 drilling as the main seams here are close to the surface and to the line of oxidation (LOX), but still display good calorific values and relatively low washed coal, ash levels. The individual samples were grouped into three bulk samples taken down dip across a typical 60m x 30m mine block.

The bulk sample has been assessed by ALS at their Maitland NSW laboratory.

A full suite of float-sink cut point work was completed on the coal seam composites over the range F1.30-F2.00. This work indicates that, for the test sample, an SG of 1.6 gives the optimum balance between the final product quality and yield.

The test results of the washed coal (F1.60) composites show a yield of around 70% with an average calorific value of 6,755 kcal/kg on a dry ash free basis. It is low in sulphur, has low to medium ash and moderate moisture levels. The volatile content averages between 30% and 32%, typical of many Australian bituminous coals.



The lab is now proceeding with a range of further tests including Ultimate Analysis, Trace Elements, Ash Analysis, Ash Fusibility, Hardgrove Grindability Index and Petrographic analysis

EPC1149 Northern Field

As previously reported, a drilling program was completed in the Northern Field during March and April this year. The focus of this drilling program was to explore the top half of the tenement, an area not previously investigated by East Energy.

The field drilled measures approximately 12km by 12km and a total of 25 chip holes were completed.

The rock chips, together with the geophysical logs, indicate that the coal seams intersected in the south of EPC1149 extend into the north of the lease and retain similar character in terms of seam structure, thickness and apparent quality as in the south. The data available from this short program indicate that coal seams sub-crop approximately 3km from the eastern boundary of EPC1149 and dip from east to west at an angle of roughly 2 degrees

This effectively increases the strike length of the resource to the north by approximately 14km.

The exploration plan for the current quarter is to close up the drilling to less than 4km centres and complete coring of the seams for detailed coal quality analysis.

Once coal quality has been established and seam correlations completed the data should provide the basis for substantial additional JORC compliant Inferred Resources.

Capella EPC 1066

Documentation to relinquish EPC1066 has been submitted to Mines and Energy.

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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.*