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East Energy – Unlocking a New Coal Frontier

Shareholder Newsletter, January 2012

Introduction

Welcome to the first edition of the East Energy Shareholder Newsletter. On behalf of the Board of Directors of East Energy Resources, I would like to wish you a happy New Year and to take this opportunity to update you on the progress made by East Energy in 2011, momentum that we expect the business to maintain in the current year.

During the past year, East Energy has taken a number of significant steps towards realising the company's goal of developing an open cut coal mine in an exciting new Australian coal province, the Eromanga Basin in Queensland. East Energy began operating in the Eromanga Basin in 2008 and since then has drilled more than 340 exploration holes at its flagship Blackall coal project, giving the company a significant first mover advantage in an emerging new region for the global coal industry.

Strategically Important Project

During 2011, East Energy made considerable progress in demonstrating the strategic importance of Blackall, as well as taking steps towards securing the necessary infrastructure needed to unlock the value of the project through beginning discussions with third parties. Key developments included:

- Upgrading 469 million metric tons of the Carlow (southern) deposit at Blackall from Inferred to Indicated status, demonstrating a much higher level of confidence in the project overall;
- Lodging an Expression of Interest with Hancock Infrastructure Pty for rail access to the Port of Abbot Point through their proposed rail line from the Galilee Basin;
- Applying for a Mineral Development Licence over the Blackall resource; and
- Submitting an application to become a Preferred Capacity Seeker in the Port of Abbot Point expansion program. Following the approval of the 'super expansion' of Abbot Point on 1st December 2011, East Energy plans to negotiate with the six nominated Preferred Respondents in order to obtain third party access to the proposed new terminals.

Ongoing Momentum

We expect the momentum built up in 2011 to continue into the current year with a number of significant announcements anticipated in 2012.

At Blackall, an extensive drilling program began in late 2011 at the Alambi resource in the northern part of the project. The company has set an exploration target for EPC1149, in total, of **1.5 Billion tonnes of open cut mineable coal**. This program is now complete, and East Energy expects during the current quarter to announce a JORC-compliant resource for the entire tenement which will continue to build our confidence in the strategic nature of the project.



Following delivery of the updated JORC resource, East Energy will engage a specialist consultant to commence a Scoping Study. This is expected to be delivered during Q3 of 2012, when we are also anticipating receipt of the Mineral Development Licence.

Well Positioned

Concurrent to the work on the ground, East Energy also plans to continue negotiations with third parties to secure the port and rail access required to underpin a mine at Blackall producing up to 20 million tonnes per year of thermal coal. All of the coal discovered to date will be mineable using open cut techniques.

FAST FACTS

Eromanga Basin

- Emerging coal province 200 kilometres from the Galilee Basin, the strongest source of new growth in thermal coal
- East Energy is the most advanced player operating in the Eromanga Basin
- The Eromanga is a 1,000,000km² coal-rich area, covering Queensland, South Australia, New South Wales and Northern Territory
- Potential to leverage new, unconstrained infrastructure projects planned for Galilee Basin coal

The opening up of the Galilee Basin has created a number of opportunities for East Energy to link in with rail projects proposed by major companies. We believe that East Energy is well positioned to leverage the new infrastructure projects being developed in the Galilee that will adopt new, best-of-breed technologies.

Strong global demand for thermal coal, industry consolidation and a proliferation of new mining and infrastructure projects have created an environment in which new industry players are set to thrive. Against that backdrop, and with the ongoing backing of our shareholders, we believe that East Energy is poised to take a series of important steps towards becoming a major new Australian coal producer.

Thank you for your continued support of East Energy, I look forward to reporting on our progress throughout 2012.

Yours sincerely,

Mark Basso
Managing Director

