



Quarterly Activities Report for period ending 30 June 2010

Highlights

- A program of 25 drill holes was completed in the northern half of Blackall EPC 1149 aimed at proving up further coal resources in this area. Results confirm a continuation of the coal seams from the south into this area
- A further 33 drill holes were completed in the southern part of the lease as part of the program to define an Indicated Resource in this area
- A drill hole to 456m was drilled on EPC 1066 to test for possible deep coal resources.

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.



EPC1149 Southern Field

Continuous drilling during the quarter saw a further 13 chip holes and 20 core holes completed in the southern Inferred Resource area.

During May, bulk samples of Seam 3 and Seam 4 were taken at the site of core hole EER23C that had been drilled in June 2008. This hole intersected Seams 3 and Seam 4 at depths of 16.5m and 21.4m respectively. Twenty core holes were drilled at this location in an area of 30m by 70m to extract multiple samples of these two seams. These samples have been selectively combined and are currently undergoing lab testing to investigate the variability within a typical mining block of the raw coal quality, washability characteristics and the geological impact on mining.

Infill drilling will continue during the next quarter as the company works towards defining an Indicated Resource over the open-cut coal in this part of the lease.

EPC1149 Northern Field

A program of drilling in the North, commenced in late March, was completed during the quarter. The focus of this drilling program was to explore the top half of the tenement, which had not been previously drilled by East Energy.

The field drilled measures approximately 12km by 12km and a total of 25 chip holes have now been completed in this area, all but one of which have been geophysically logged.

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 future exploration plan for this area 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

A drill hole to 456m was completed during the period to explore for deep coal that could have the potential for underground exploitation. A single thin seam was intersected at approximately 184m. On the basis of this result and previous drilling the company will now proceed with relinquishing this lease.

Peter Tighe
Exploration Manager

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.*