

**EAST ENERGY RESOURCES LTD SIGNS
BINDING HEADS OF AGREEMENT TO
ACQUIRE 100% OF IDALIA COAL PTY
LIMITED**

EAST ENERGY RESOURCES LTD
ASX: EER

East Energy Resources is a coal exploration and development company primarily focused in the Eromanga Basin in Queensland.

It has a JORC Resource of 1.74Bt of Thermal Coal (627.5Mt Indicated and 1,113Mt Inferred) located south west of the major deposits of Hancock Coal and Waratah Coal in the Galilee Basin.

Capital Structure

Share Price: \$0.10 [22nd January 2013]

Market Cap: \$16.64m

Shares on Issue: 166,449,305

Board of Directors

Mark Basso, Managing Director

Ranko Matic, Non-Executive Director

Rex Littlewood, Non-Executive Director

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Highlights

- 100% Acquisition of Idalia Coal Pty Limited.
- The Acquisition will create one of the largest coal portfolios in Australia combining the 1.74 billion tonnes JORC resource of EER (627.5Mt Indicated and 1,113Mt Inferred), together with a JORC Inferred Resource of 440 million tonnes and a drill identified JORC Exploration Target in the order of 4.0 to 4.5 billion tonnes*¹ in the Idalia EPC's.

Coal Assets Depth <150m	<i>Exploration Targets</i>	<i>Coal Resources</i>		
	<i>(Bt)</i>	<i>Inferred (Bt)</i>	<i>Indicated (Bt)</i>	<i>Measured (Bt)</i>
EER	-	1.1	0.6	-
Idalia	4.0 to 4.5	0.4	-	-
Combined	4.0 to 4.5	1.5	0.6	-

- To create a tenement portfolio of coal resources which will provide the foundation for the development of rail and port infrastructure, able to support a large scale mining operation in western Queensland.

East Energy Resources Limited (**EER**) (ACN 126 371 828) is pleased to advise that it has today executed a binding Heads of Agreement (**Agreement**) to acquire 100% of the total issued shares in Idalia Coal Pty Limited (**Idalia**) (ACN 148 075 441).

EER is acquiring Idalia, from Camvill Pty Ltd (a wholly owned subsidiary of the Noble Group Limited (**Noble**) (ABN 27 148 845 578) and Majicyl Pty Ltd (a company associated with the Basso-Brusa family) (**Majicyl**) (ABN 20 118 309 265) in consideration for the equivalent of \$40,000,000 via the issue of fully paid ordinary shares in the capital of EER at 20 cents per EER share (**Transaction**).

The Transaction values the new combined EER and Idalia entity at \$73 million.

Noble currently holds 50.1% of Idalia and Majicyl holds 49.9% of Idalia. Following completion of the Transaction, Noble and Majicyl will hold 41.18% and 45.98% of the issued shares of EER, respectively. Other shareholders will hold 12.84% of the merged entity.

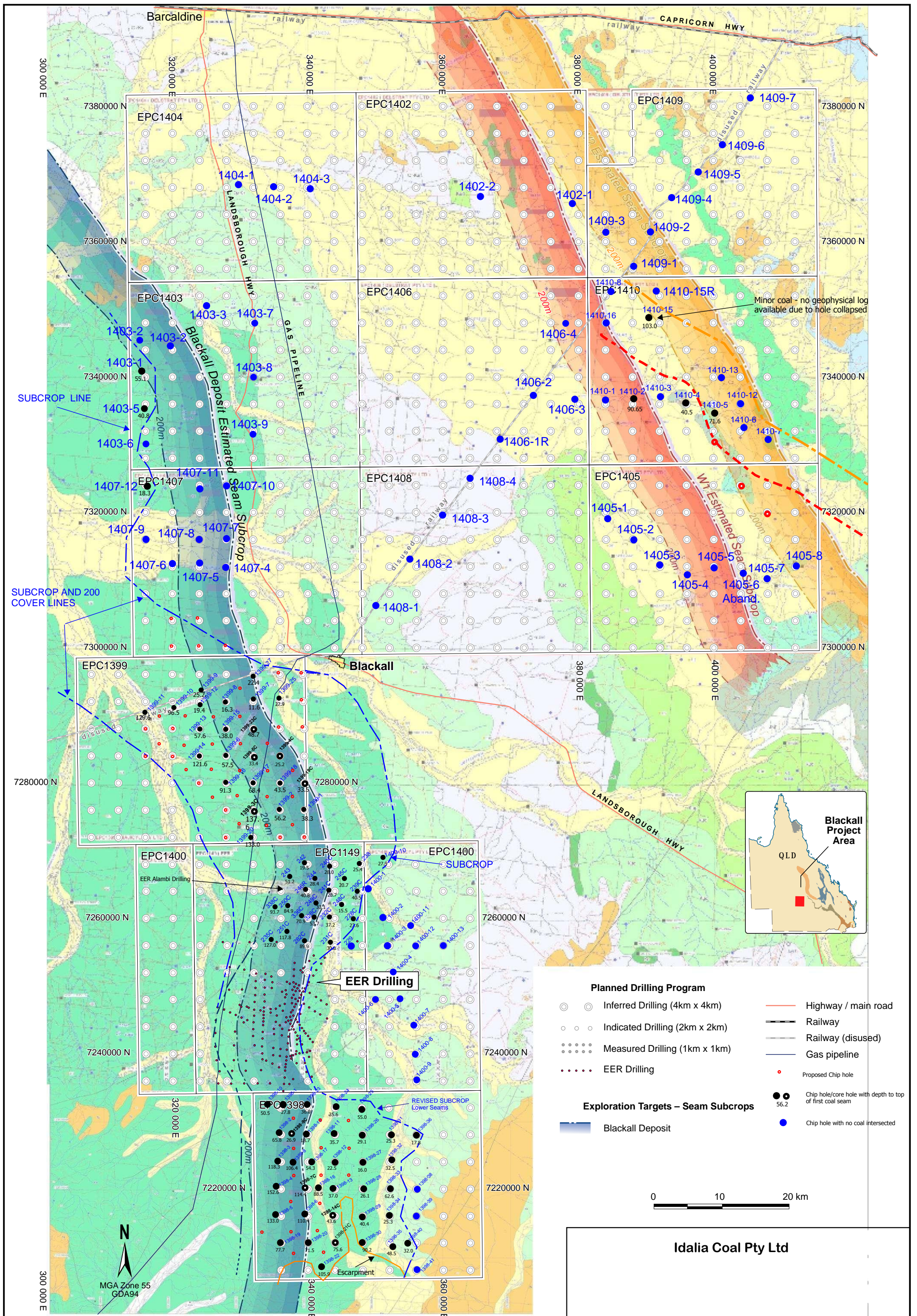
Under the Transaction, EER will become the beneficial owner and ultimate holder of EPCs 1398, (immediately adjacent to the south of EER EPC 1149), 1399 (immediately adjacent to the north of EER EPC 1149), and 1400 all of which sit adjacent to EER's current tenement as shown in Figure [1] below. The JORC Resources and Exploration Targets are based on exploration evaluation of EPCs 1398 and 1399.

As a result of exploration evaluation already undertaken by Idalia where 27,660 metres of exploration drilling has been carried out across 148 boreholes, the tenement schedule has been reviewed and is currently composed as follows;

- Applications for full surrender have been lodged for; EPC's 1402, 1404, 1406, 1408 and 1409.
- Renewal and partial surrender of sub blocks have been lodged for; EPC's 1403 and 1407.
- Remaining leases held by Idalia are; EPC's 1398, 1399, 1400, 1405 and 1410.

Under the Transaction EER will assume control of the Exploration Permits held by Idalia, which are shown below in **Figure 1**.

Figure 1



The Transaction will be subject to various conditions precedent, which must be satisfied within 90 days or such later date as may be agreed in writing (**Deadline Date**). These conditions precedent include the parties completing due diligence investigations on each other within 45 days, and EER shareholder approval of the Transaction. EER is intending to despatch notice of meeting materials (including an independent expert's report) to its shareholders by the end of February 2013.

The Board are extremely pleased to announce this transaction, a result of our continued focus on generating shareholder value through both organic growth and strategic acquisition. The combination of these assets potentially creates one of the largest coal resources in Australia, which provides EER with scale for the development of its resources. We are confident that the acquisitions of these assets will generate value as we consider the Idalia areas highly prospective as they are located along strike of our current deposits on which we have recently announced our 1.74 billion tonne Thermal Coal JORC Resource.

In addition, the Board is also extremely pleased to receive the continued support of our major shareholders and this transaction shows their continued confidence in EER and EER's Management Team through this transaction, which will increase the stake of both our major and cornerstone shareholders.

Key terms of the Agreement

- The Consideration for 100% of the total issued shares in Idalia shall be paid by EER to Noble and Majicyl for the equivalent of A\$40,000,000 which shall be paid by EER issuing shares to Noble and Majicyl which is equal to A\$0.20 per EER Share.

The total Consideration (A\$40,000,000) shall, however, be adjusted, (increased or decreased) based on Idalia's cash balances, GST receivable, accounts payable and outstanding debt balance on the business day immediately preceding the close of the Transaction.

- The Noble Group will provide EER with a Debt re-financing arrangement to be used by EER to repay the debt that EER owes to Idalia under the facility agreement between EER and Idalia dated 24 September 2012 (**EER Facility**) in full, and for EER to provide additional funds to Idalia to fully repay the Idalia Loan (**Idalia Loan**) to the Noble Group (together the **Debt Re-Financing**). The final amount to be refinanced will be determined on the business day immediately preceding the close of the Transaction but based on current forecasts is estimated to be between \$10,000,000 - \$11,000,000. Post the repayment of the EER Facility and the Idalia Loan, EER will have a further A\$7,500,000 available for draw down and working capital purposes under the Debt Re-Financing arrangement.

The Term of the Debt Re-Financing arrangement will be for 5 years (subject to early repayment provisions relating to the commercialisation of the Tenements or a change of control) with an interest rate of Bank Bill Swap Rate plus a 7 % margin and will be secured with security to be granted over the assets of both EER and

Idalia. EER will also provide a guarantee for Idalia's performance and obligations under the Debt Re-Financing arrangement.

- From the date of the Agreement and until completion of the Transaction:

EER and Idalia shall, not make any significant change to the nature or scale of any activity in its business.

EER and Idalia shall not agree to, issue any shares, options or convertible securities, alter their share capital, grant any special voting or other rights that attach to its shares, enter into any arrangement with a receiver, manager, administrator or other controller in relation to its assets or resolve to be wound up, other than the issue of shares resulting from the exercise of existing options and issue of EER Shares under the Transaction.

- EER, Noble and Majicyl will negotiate in good faith and enter into formal agreements reflecting the terms and principles of the Agreement (**Formal Agreements**) as soon as practicable after the date of the Agreement or within 60 days of the Agreement, if the parties have not executed Formal Agreements thereafter, then any party may terminate the Agreement.

Conditions Precedent

The Transaction and any Formal Agreements are subject to satisfaction of the following conditions precedent on or before the Deadline Date (**Conditions Precedent**):

- (a) the parties completing due diligence investigations on each other within 45 days from the date of the Agreement;
- (b) each party obtaining all regulatory approvals and third party consents required for the Transaction;
- (c) there being no material adverse effect on the financial condition, assets, liabilities, results of operations, profitability or prospects of EER, in the reasonable opinion of Noble and Majicyl;
- (d) approval of EER shareholders for the Transaction for the purposes of the Corporations Act 2011 (Cth) and the ASX Listing Rules;
- (e) Idalia executing formal royalty deeds in favour of Noble and Majicyl in respect of the tenements held by Idalia; and
- (f) termination of the incorporated joint venture agreement in respect of Idalia between Noble, Majicyl, Noble Group and Idalia not having a material adverse effect on the financial condition, assets, liabilities, results of operations, profitability or prospects of Idalia.

- (g) The directors of EER (excluding Mr Mark Basso-Brusa who has a material personal interest in the transaction) must unanimously recommend the resolutions referred to in the shareholder approval condition to members of EER, subject to the independent expert's report determining that the Transaction is "fair and reasonable" to non-associated shareholders of EER.

Any party may terminate the Agreement and the Formal Agreements at any time after the Deadline Date if all of the Conditions Precedent are not satisfied or waived by the Deadline Date or such later date as the parties agree.

Anticipated Timing

- Complete confirmatory due diligence by mid to late February 2013
- Negotiate and Execute Formal Agreements by mid to late February 2013
- Despatch Notice of Meeting and Independent Expert's Report by end February 2013
- EER General Meeting of Shareholders by mid to late March 2013
- Transaction Completion Date by mid to late March 2013 (following EER General Meeting)

The above dates are indicative only and may vary. The Company reserves the right to change the above dates without prior notice.

*¹ Idalia – Coal Resource & Exploration Target Estimates

Idalia Coal Pty Limited	Dec-12			TOTAL <150m (Mt)
	Exploration Targets <150m cover (Mt)	Coal Resources <150m cover		
Lease / locations		Inferred (Mt)	Indicated (Mt)	Measured (Mt)
EPC 1399	1,810	240		2,050
EPC 1398	2,290	200		2,490
Idalia Total	4,100	440		4,540
<i>Proportions</i>	<i>87%</i>			
<i>Reporting Range</i>	<i>4,000 to 4,500</i>			

Notes:

Resource estimates based on JORC guidelines

<i>Points of Observation</i>	<i>Geophysically logged core holes, maximum spacing of 4km, supported by geophysically logged open holes</i>
<i>Default Coal Density</i>	<i>1.4 t/bcm</i>
<i>Max. Depth of Cover</i>	<i>150m</i>
<i>Min. Seam Thickness</i>	<i>0.3m</i>
<i>Validation</i>	<i>Mass Balance (boundary polygon) vs sum of areas of influence</i>

Idalia Coal Quality		Product			Proximate				CV Kcal/kg (gar)	CV Kcal/kg (adb)	
		Samples	Yield (Yld %)	TM (% ar)	IM (% adb)	Ash (% adb)	VM (% adb)	FC (% adb)			TS (% db)
Idalia: EPC 1399	RAW Avg	23		29.9	16.8	20.4	32.2	46.6	0.78	3,980	4,728
	F1.60	19	93%		20.5	7.6	29.1	42.9	1.12	4,647	5,274
Idalia: EPC 1398	RAW Avg	53		30.1	16.8	21.8	26.9	34.5	0.6	3,570	4,250
	F1.60	40	73%		14.1	14.1	29.5	40.4	0.6	4,167	4,773

The JORC Exploration Targets and Mineral Resources referred to in relation to Idalia is based on two competent persons assessment and has been prepared in accordance with the principles and guidelines of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code, 2012) and the Australian Guidelines for Estimating and Reporting of Inventory Coal, Coal Resources and Coal Reserves.

All references to Exploration Targets in this document are in accordance with the guidelines of the JORC Code (2012). As such it is conceptual in nature and there has been insufficient exploration drilling to define a coal resource on the tenement and it is uncertain if further exploration will result in discovery of a coal resource on the tenement.

For more information:

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Competent Persons Statement

Competent Persons - Idalia

The information in this announcement that relates to the Exploration Results and Exploration Targets is based on information reviewed by Mr Peter Tighe, who is a Member of The AusIMM and is the exploration manager of Idalia Coal Pty 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 2012 Edition of the JORC Code. Mr Tighe consents to the inclusion in this announcement of the matters based on this information in the form and context in which it appears.

The information in this announcement that relates to the estimates of Exploration Targets and Mineral Resources is based on information reviewed by Mr Bill Knox, who is a Member of The AusIMM and a director of Idalia Coal Pty Ltd. Mr Knox 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 2012 Edition of the JORC Code. Mr Knox consents to the inclusion in this announcement of the matters based on this information in the form and context in which it appears.

Competent Persons - EER

The JORC Resource for EER's Blackall Project of 1.74Bt is comprised of 627.5 Mt Indicated and 1,113Mt Inferred Resources. Refer to the Competent Persons statement in the EER Announcement dated 17 September 2012.

Forward Looking Statements

This Announcement may contain forward looking statements. The words 'anticipate', 'believe', 'expect', 'project', 'forecast', 'estimate', 'likely', 'intend', 'should', 'could', 'may', 'target', 'plan' and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Forward-looking statements are subject to risk factors associated with the Company's business, many of which are beyond the control of the Company. It is believed that the expectations reflected in these statements are reasonable but they may be affected by a variety of variables and changes in underlying assumptions which could cause actual results or trends to differ materially from those expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements. You should not place undue reliance on forward-looking statements and neither East Energy Resources Limited nor any of its directors, employees, servants, advisers or agents assume any obligation to update such information.