



EAST ENERGY RESOURCES LIMITED

ABN 66 126 371 828

NOTICE OF ANNUAL GENERAL MEETING

TIME: 8.45am WST

DATE: Thursday, 29th November 2012

PLACE: Bentleys, Level 1, 12 Kings Park Road, West Perth WA

This Notice of Meeting and accompanying Independent Expert's Report (which considers the proposed transaction the subject of Resolution 4 to be fair and reasonable to non-associated shareholders) should be read in their entirety.

If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on (+ 61 8) 9226 4500

EAST ENERGY RESOURCES LIMITED

ABN 66 126 371 828

CONTENTS PAGE

Notice of Annual General Meeting (setting out the proposed Resolutions)	4
Explanatory Statement (explaining the proposed Resolutions)	7
Glossary	15
Proxy Form	

TIME AND PLACE OF MEETING AND HOW TO VOTE

VENUE

The Annual General Meeting of the Shareholders of East Energy Resources Limited which this Notice of Annual General Meeting relates to will be held at Bentleys, Level 1, 12 Kings Park Road, West Perth WA on Thursday, 29th November 2012 at 8.45am WST.

VOTING IN PERSON

To vote in person, attend the Annual General Meeting on the date and at the place set out above.

VOTING BY PROXY

To vote by proxy, please complete and sign the Proxy Form enclosed and return by the time and in accordance with the instructions set out on the Proxy Form. All Proxy Forms to be received not later than 8.45am WST on 27th November 2012.

Proxy forms received later than this time will be invalid.

New sections 250BB and 250BC of the Corporations Act came into effect on 1 August 2011 and apply to voting by proxy on or after that date. Shareholders and their proxies should be aware of these changes to the Corporations Act, as they will apply to this Annual General Meeting. Broadly, the changes mean that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Further details on these changes are set out below.

Proxy vote if appointment specifies way to vote

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, **if it does**:

- the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (i.e. as directed); and
- if the proxy has 2 or more appointments that specify different ways to vote on the resolution – the proxy must not vote on a show of hands; and
- if the proxy is the chair of the meeting at which the resolution is voted on – the proxy must vote on a poll, and must vote that way (i.e. as directed); and
- if the proxy is not the chair – the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (i.e. as directed).

EAST ENERGY RESOURCES LIMITED

ABN 66 126 371 828

Transfer of non-chair proxy to chair in certain circumstances

Section 250BC of the Corporations Act provides that, if:

- an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members; and
- the appointed proxy is not the chair of the meeting; and
- at the meeting, a poll is duly demanded on the resolution; and
- either of the following applies:
 - the proxy is not recorded as attending the meeting;
 - the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

EAST ENERGY RESOURCES LIMITED

ABN 66 126 371 828

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Annual General Meeting of Shareholders of East Energy Resources Limited (ABN 66 126 371 828) (**Company**) will be held at Bentleys, Level 1, 12 Kings Park Road, West Perth WA on Thursday 29th November 2012 at 8.45am WST. The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Annual General Meeting are those who are registered Shareholders of the Company at 10:00am WST on 27th November 2012.

The Explanatory Statement which accompanies and forms part of this Notice describes the matters to be considered at the Meeting.

AGENDA

1. FINANCIAL STATEMENTS AND REPORTS

To receive and consider the financial report of the Company for the year ended 30 June 2012 and the reports by the directors and auditors thereon.

2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **non-binding resolution**:

“That, for the purpose of Section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Remuneration Report for the Company (including the Directors’ Report) as contained in the Company’s Annual Report for the financial year ended 30 June 2012.”

Note: The Corporations Act requires this Resolution to be put to a vote. The Resolution is advisory only and does not bind the Directors or the Company. A reasonable opportunity will be provided for discussion of the Remuneration Report at the meeting.

Voting Prohibition Statement:

A vote on this Resolution must not be cast (in any capacity) by or on behalf of any of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) any closely related parties (which includes their spouse, child, dependent, other family members and any controlled company) of such a member.

However, a person described above may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (a) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on this Resolution; or
- (b) the voter is the Chair and the appointment of the Chair as proxy:
 - (i) does not specify the way the proxy is to vote on this Resolution; and
 - (ii) expressly authorises the Chair to exercise the proxy even though this Resolution is connect directly or indirectly with the remuneration of a member of the Key Management Personnel.

3. RESOLUTION 2 – TO RE-ELECT A DIRECTOR – MR REX LITTLEWOOD

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That Mr Rex Littlewood, who retires in accordance with the Constitution and the Listing Rules and, being eligible, offers himself for re-election, be elected a director of the Company.”

4. RESOLUTION 3 – APPROVAL OF 10% PLACEMENT FACILITY

To consider, and if thought fit, to pass, with or without amendment, the following resolution as a **special resolution**:

“That, pursuant to and in accordance with Listing Rule 7.1A and for all other purposes, Shareholders approve the issue of Equity Securities up to 10% of the issued capital of the Company (at the time of issue) calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions in the Explanatory Memorandum.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by a person (and any associates of such a person) who may participate in the 10% Placement Facility and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of Shares, if this Resolution is passed.

5. RESOLUTION 4 – APPROVAL OF SECURITY ARRANGMENTS FOR LOAN FACILITY

To consider, and if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That for the purpose of Listing Rule 10.1 and for all other purposes, Shareholders approve the granting of a Personal Property Security Interest over the Company’s assets and a mortgage over the Company’s Coal Tenement on the terms and conditions set out in the Explanatory Memorandum”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Idalia Coal Pty Ltd or any of its Associates. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or it is cast by a person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Independent Expert: Shareholders should carefully consider the Independent Expert's Report prepared by Stantons International Pty Ltd trading as Stantons International Securities which comments on the fairness and reasonableness of the proposed pledge of Company assets to Idalia Coal Pty. The Independent Expert concludes that the proposal security the subject of Resolution 4 is **fair and reasonable to non-associated shareholders**.

EAST ENERGY RESOURCES LIMITED

ABN 66 126 371 828

DATED: 25 OCTOBER 2012

BY ORDER OF THE BOARD



**MR RANKO MATIĆ
DIRECTOR & COMPANY SECRETARY
EAST ENERGY RESOURCES LIMITED**

EAST ENERGY RESOURCES LIMITED

ABN 66 126 371 828

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of Shareholders in connection with the business to be conducted at the Annual General Meeting to be held at Bentleys, Level 1, 12 Kings Park Road, West Perth WA on Thursday, 29th November 2012 at 8.45am WST.

The purpose of this Explanatory Statement is to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions in the Notice of Meeting.

1. FINANCIAL STATEMENTS AND REPORTS

In accordance with the Constitution, the business of the Annual General Meeting will include receipt and consideration of the annual financial report of the Company for the financial year ended 30 June 2012 together with the declaration of the directors, the Director's report, the Remuneration Report and the auditor's report.

2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

The Corporations Act requires that at a listed company's annual general meeting, a resolution that the remuneration report be adopted must be put to the shareholders. However, such a resolution is advisory only and does not bind the Directors or the Company.

Under recent changes to the Corporations Act which came into effect on 1 July 2011, if at least 25% of the votes cast on Resolution 1 are voted against adoption of the Remuneration Report at the Annual General Meeting, and then again at the Company's 2013 annual general meeting, the Company will be required to put to Shareholders a resolution proposing the calling of a general meeting to consider the appointment of directors of the Company (**Spill Resolution**).

If more than 50% of Shareholders vote in favour of the Spill Resolution, the Company must convene the general meeting (**Spill Meeting**) within 90 days of the Company's 2013 annual general meeting. All of the Directors who were in office when the Company's 2013 Directors' report was approved, other than the managing director of the Company, will cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting. Following the Spill Meeting those persons whose election or re-election as Directors is approved will be the Directors of the Company.

The remuneration report sets out the Company's remuneration arrangements for the Directors and senior management of the Company. The remuneration report is part of the Directors' report contained in the annual financial report of the Company for the financial year ending 30 June 2012.

A reasonable opportunity will be provided for discussion of the remuneration report at the Annual General Meeting.

The Board considers that the remuneration policies adopted by the Company are appropriately structured to provide rewards that are commensurate with the performance of the Company and the individual. On this basis the Directors recommend that members vote in favour of Resolution 1.

3. RESOLUTION 2 – RE-ELECTION OF DIRECTOR – REX LITTLEWOOD

Pursuant to the Constitution, Mr Rex Littlewood will retire by rotation at the Annual General Meeting and, being eligible, offers himself for re-election.

Mr Littlewood, under his company Australian Carbon Assets, consults in most aspects of coal mine evaluation, coal technology and marketing and was formerly vice president of Noble Energy, a subsidiary of Noble Group. He was responsible for their Asian coal and coke platform, and for developing the Australian operations.

Mr Littlewood has more than 30 years experience in the international coal market, where he was involved in the development of mines as well as mining and export infrastructure. At Noble he designed and implemented a fully integrated, computerised coal management system from mine to customer, capturing all data in a “paperless” process.

Mr Littlewood is also a current director of Blackwood Corporation Limited (since 6 July 2011). Over the past three years Mr Littlewood has not held any other directorships of ASX listed companies.

The other Directors of the Company unanimously recommend the re-election of Mr Littlewood.

4. RESOLUTION 3 – APPROVAL OF 10% PLACEMENT FACILITY

4.1 General

Listing Rule 7.1A enables eligible entities to issue Equity Securities up to 10% of its issued share capital through placements over a 12 month period after the annual general meeting (**10% Placement Facility**). The 10% Placement Facility is in addition to the Company's 15% placement capacity under Listing Rule 7.1.

An eligible entity for the purposes of Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less. The Company is an eligible entity.

The Company is now seeking shareholder approval by way of a special resolution to have the ability to issue Equity Securities under the 10% Placement Facility.

The exact number of Equity Securities to be issued under the 10% Placement Facility will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to Section 4.2(c) below).

The Directors of the Company believe that Resolution 3 is in the best interests of the Company and unanimously recommend that Shareholders vote in favour of this Resolution.

4.2 Description of Listing Rule 7.1A

(a) Shareholder approval

The ability to issue Equity Securities under the 10% Placement Facility is subject to shareholder approval by way of a special resolution at an annual general meeting.

(b) Equity Securities

Any Equity Securities issued under the 10% Placement Facility must be in the same class as an existing quoted class of Equity Securities of the Company.

(c) Formula for calculating 10% Placement Facility

Listing Rule 7.1A.2 provides that eligible entities which have obtained shareholder approval at an annual general meeting may issue or agree to issue, during the 12 month period after the date of the annual general meeting, a number of Equity Securities calculated in accordance with the following formula:

$$(A \times D) - E$$

A is the number of shares on issue 12 months before the date of issue or agreement:

(A) plus the number of fully paid shares issued in the 12 months under an exception in Listing Rule 7.2;

(B) plus the number of partly paid shares that became fully paid in the 12 months;

(C) plus the number of fully paid shares issued in the 12 months with approval of holders of shares under Listing Rule 7.1 and 7.4. This does not include an issue of fully paid shares under the entity's 15% placement capacity without shareholder approval;

(D) less the number of fully paid shares cancelled in the 12 months.

Note that A is has the same meaning in Listing Rule 7.1 when calculating an entity's 15% placement capacity.

D is 10%

E is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with the approval of shareholders under Listing Rule 7.1 or 7.4.

(d) Listing Rule 7.1 and Listing Rule 7.1A

The ability of an entity to issue Equity Securities under Listing Rule 7.1A is in addition to the entity's 15% placement capacity under Listing Rule 7.1.

At the date of this Notice, the Company has on issue 166,449,305 Shares and therefore has a capacity to issue:

(i) 24,967,395 Equity Securities under Listing Rule 7.1; and

(ii) subject to Shareholder approval being sought under Resolution 3, 16,644,930 Equity Securities under Listing Rule 7.1A.

The actual number of Equity Securities that the Company will have capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the Equity Securities in accordance with the formula prescribed in Listing Rule 7.1A.2

(e) Minimum Issue Price

The issue price of Equity Securities issued under Listing Rule 7.1A must be not less than 75% of the VWAP of Equity Securities in the same class calculated over the 15 Trading Days immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) if the Equity Securities are not issued within 5 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued.

(f) 10% Placement Period

Shareholder approval of the 10% Placement Facility under Listing Rule 7.1A is valid from the date of the annual general meeting at which the approval is obtained and expires on the earlier to occur of:

- (i) the date that is 12 months after the date of the annual general meeting at which the approval is obtained; or
- (ii) the date of the approval by shareholders of a transaction under Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking),

EAST ENERGY RESOURCES LIMITED

ABN 66 126 371 828

or such longer period if allowed by ASX (**10% Placement Period**).

Listing Rule 7.1A

The effect of Resolution 6 will be to allow the Directors to issue the Equity Securities under Listing Rule 7.1A during the 10% Placement Period without using the Company's 15% placement capacity under Listing Rule 7.1.

Resolution 3 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

4.3 Specific information required by Listing Rule 7.3A

Pursuant to and in accordance with Listing Rule 7.3A, information is provided in relation to the approval of the 10% Placement Facility as follows:

(a) The Equity Securities will be issued at an issue price of not less than 75% of the VWAP for the Company's Equity Securities over the 15 Trading Days immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) if the Equity Securities are not issued within 5 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued.

(b) If Resolution 3 is approved by Shareholders and the Company issues Equity Securities under the 10% Placement Facility, the existing Shareholders' voting power in the Company will be diluted as shown in the below table (in the case of Listed Options, only if the Listed Options are exercised). There is a risk that:

(i) the market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date of the Meeting; and

(ii) the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date or the Equity Securities are issued as part of consideration for the acquisition of a new asset, which may have an effect on the amount of funds raised by the issue of the Equity Securities.

The below table shows the dilution of existing Shareholders on the basis of the current market price of Shares and the current number of ordinary securities for variable "A" calculated in accordance with the formula in Listing Rule 7.1A(2) as at the date of this Notice.

Dilution				
Variable 'A' in Listing Rule 7.1A.2		50% decrease in Current Issue Price \$0.06	Current Issue Price \$0.12	50% increase in Current Issue Price \$0.18
Current Variable A 166,449,305 Shares	10% Voting Dilution	16,644,930 Shares	16,644,930 Shares	16,644,930 Shares
	Funds Raised	\$998,696	\$1,997,392	\$2,996,087
50 % increase in Current Variable A 249,673,958 Shares	10% Voting Dilution	24,967,396 Shares	24,967,396 Shares	24,967,396 Shares
	Funds Raised	\$1,498,044	\$2,996,088	\$4,494,131
100 % increase in Current Variable A 332,898,610 Shares	10% Voting Dilution	33,289,861 Shares	33,289,861 Shares	33,289,861 Shares
	Funds Raised	\$1,997,392	\$3,994,783	\$5,992,175

The table has been prepared on the following assumptions:

- (i) The Company issues the maximum number of Equity Securities available under the 10% Placement Facility.

EAST ENERGY RESOURCES LIMITED

ABN 66 126 371 828

(ii) No Listed Options (including any Listed Options issued under the 10% Placement Facility) are exercised into Shares before the date of the issue of the Equity Securities;

(iii) The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.

(iv) The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Facility, based on that Shareholder's holding at the date of the Meeting.

(v) The table shows only the effect of issues of Equity Securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1.

(vi) The issue of Equity Securities under the 10% Placement Facility consists only of Shares. If the issue of Equity Securities includes Listed Options, it is assumed that those Listed Options are exercised into Shares for the purpose of calculating the voting dilution effect on existing Shareholders.

(vii) The issue price is \$0.12, being the closing price of the Shares on ASX on 28 September 2012.

(c) The Company will only issue and allot the Equity Securities during the 10% Placement Period. The approval under Resolution 3 for the issue of the Equity Securities will cease to be valid in the event that Shareholders approve a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities or Listing Rule 11.2 (disposal of main undertaking).

(d) The Company may seek to issue the Equity Securities for the following purposes:

(i) non-cash consideration for the acquisition of the new resources assets and investments. In such circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3; or

(ii) cash consideration. In such circumstances, the Company intends to use the funds raised towards an acquisition of new assets or investments (including expense associated with such acquisition), continued exploration and feasibility study expenditure on the Company's current assets and/or general working capital.

The Company will comply with the disclosure obligations under Listing Rules 7.1A(4) and 3.10.5A upon issue of any Equity Securities.

The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Facility. The identity of the allottee's of Equity Securities will be determined on a case-by-case basis having regard to the factors including but not limited to the following:

(iii) the methods of raising funds that are available to the Company, including but not limited to, rights issue or other issue in which existing security holders can participate;

(iv) the effect of the issue of the Equity Securities on the control of the Company;

(v) the financial situation and solvency of the Company; and

(vi) advice from corporate, financial and broking advisers (if applicable).

The allottee's under the 10% Placement Facility have not been determined as at the date of this Notice but may include existing substantial Shareholders and/or new Shareholders who are not related parties or associates of a related party of the Company.

Further, if the Company is successful in acquiring new resources assets or investments, it is likely that the allottee's under the 10% Placement Facility will be the vendors of the new resources assets or investments.

(e) The Company has not previously obtained Shareholder approval under Listing Rule 7.1A.

(f) A voting exclusion statement is included in the Notice. At the date of the Notice, the Company has not approached any particular existing Shareholder or security holder or an identifiable class of existing security holder to participate in the issue of the Equity Securities. No existing Shareholder's votes will therefore be excluded under the voting exclusion in the Notice.

5. RESOLUTION 4 – APPROVAL OF PROPOSED SECURITY

5.1 Background

On 28 September 2012 the Company entered into an agreement with Idalia Coal Pty Ltd (**Idalia Coal**) (**Facility Agreement**), pursuant to which:

- (a) Idalia Coal will provide up to \$5.5 million for a period of up to four years (**Facility**); and
- (b) the Facility is to be secured by:
 - (i) a personal property security interest over the Company's assets; and
 - (ii) a mortgage over the Company's Coal Tenement.

The Company entered into the Facility Agreement to enable the Company to receive up to \$5.5 million of additional funds via a line of working capital that is easily accessible to the Company. It is proposed that these funds will be used to continue exploration and development of the Blackall coal project located in Central Queensland, to cover administrative overheads, and to provide general working capital.

5.2 Material terms of Facility Agreement

The Facility Agreement provides for the following:

- (a) the Facility will provide up to \$5.5m for up to four years with drawdowns on a staggered basis;
- (b) the interest rate applicable to the Facility will be the 6 month bank bill swap rate plus a margin of 7.5% p.a.; interest will be calculated daily and may be capitalised, on a six monthly basis, at the Company's request;
- (c) subject to Shareholder approval, the Facility is to be secured by a personal property security interest over the Company's assets and a mortgage over the Company's Coal Tenement (**Proposed Security**);
- (d) the term of the Facility is four years, commencing from the execution of the Facility Agreement; and
- (e) Idalia Coal may require that any amounts outstanding under the Facility Agreement on the Repayment Date may be converted to Shares during the Conversion Period.

Shareholders should refer Section 1.2 of the Independent Expert's Report for further details of the terms of the Facility Agreement.

5.3 Listing Rule requirements

Listing Rule 10.1 provides that a listed company (or any of its child entities) must not acquire a substantial asset from, or dispose of a substantial asset to, specified persons or companies without the approval of Shareholders at a general meeting.

An asset is treated as a substantial asset if its value or the value of the consideration for it is, or in ASX's opinion is, 5% or more of the listed company's equity interests as set out in the latest financial statements

EAST ENERGY RESOURCES LIMITED

ABN 66 126 371 828

given to ASX under the Listing Rules. A listed company's equity interests are the sum of paid up capital, reserves, and accumulated profits or losses, disregarding redeemable preference share capital and outside equity interests.

The specified persons or companies to whom Listing Rule 10.1 applies include a substantial holder in the listed company who either alone or together with its associates has a relevant interest, or had a relevant interest at any time in the six months before the transaction, of at least 10% of the total votes attached to the listed company's voting securities.

Majicyl Pty Ltd (**Majicyl**) is the registered holder of 41.28% of the issued capital of East Energy and is therefore a substantial shareholder of the Company. Majicyl is a company of which Mr Mark Basso-Brusa is an Associate.

Onglory Pty Ltd (**Onglory**), a wholly-owned subsidiary of Noble Group Limited (**Noble**), is the registered holder of 30.46% of the issued capital of East Energy and is a substantial shareholder of the Company. Camvill Pty Ltd (**Camvill**) is a wholly-owned subsidiary of Noble. For the purposes of Listing Rule 10.1, Majicyl and Noble are substantial holders because they are entities that hold in excess of 10% of the issued Shares in the Company.

Idalia Coal is owned by Majicyl (49.9%) and Camvill (50.1%). Idalia Coal is therefore an associate of East Energy's substantial shareholders Majicyl and Noble.

The Facility Agreement requires the granting of security over the Company's assets and a mortgage over the Company's tenement. The giving of such security by the Company in favour of Idalia Coal is deemed, under Listing Rule 10.1, to be a disposal of assets to which Listing Rule 10.1 may apply. As such, Shareholder approval is sought under Listing Rule 10.1.

Funds in the amount of \$1.2 million have been received by the Company under the Facility. However, the Facility Agreement remains subject to and conditional on Shareholder approval. If Shareholder approval is not received, funds advanced to the Company under the Facility Agreement will become immediately repayable to Idalia Coal. If Shareholder approval is not obtained and the funds advanced to date are repaid to Idalia Coal, the parties will cease to have any further obligations under the Facility Agreement.

5.4 Advantages and disadvantages of the Proposed Security

The Directors are of the view that the following non-exhaustive list of advantages may be relevant to a Shareholder's decision on how to vote on Resolution 4:

- (a) the Company will have the funding to continue to progress exploration, modelling and development of the Blackall coal project (**Project**);
- (b) Idalia Coal's shareholders' interests are aligned with the Company's objectives to achieve commercial success;
- (c) the Facility gives the Company the opportunity to fund its exploration and development activity without being required to seek equity funds at a time when equity markets are depressed;
- (d) interest payable on funds drawn-down on the Facility may be capitalised, thus ensuring that the Company's working capital position is not diminished by the requirement to make interest payments;
- (e) if the security arrangements proposed by Resolution 4 are not approved, the Company will be forced to immediately suspend activities on the Project whilst alternative funding arrangements are sourced. This may adversely affect the timing of the development of the Project. As conditions in capital markets remain difficult, it is possible that any such alternate capital raising may be on less attractive terms than the Facility Agreement, and may involve the issue of securities at a significant discount to market; and
- (f) as at the date of this Notice, the Directors have not received any alternative funding proposals more advantageous to the Company than the transaction proposed under Resolution 4.

EAST ENERGY RESOURCES LIMITED

ABN 66 126 371 828

The Directors are of the view that the following non-exhaustive list of disadvantages may be relevant to a Shareholder's decision on how to vote on Resolution 4:

- (a) the Company has given undertakings under the Facility Agreement the effect of which may reduce the flexibility of potential divestment or capital raisings in the future;
- (b) the liabilities associated with the Facility Agreement may make the Company less attractive as a potential takeover target; and
- (c) Shareholders will face dilution of their voting interest in the Company in the event Idalia Coal is in a position to exercise its right to convert debt to equity during the Conversion Period.

Shareholders should refer Section 6 of the Independent Expert's Report for further details of the advantages and disadvantages associated with the granting of the Proposed Security.

5.5 Personal interest of Mr Mark Basso-Brusa

Section 195(1) of the Corporations Act provides that a director who has a "material personal interest" in a matter being considered at a director's meeting must not be present while the matter is being considered or vote on the matter.

Mr Basso-Brusa, a Director, is considered to have a material personal interest in the proposal to grant the Proposed Security by reason of Mr Basso-Brusa's interest in Majicyl (which holds 49.9% of the issued capital of Idalia Coal).

Mr Basso-Brusa has therefore not participated in the Board's deliberations in relation to the proposal to grant the Proposed Security to Idalia Coal pursuant to Resolution 4.

5.6 Director's recommendation

Based on the information available, including that contained in this Explanatory Memorandum, the Directors (other than Mr Basso-Brusa) consider that Resolution 4 is in the best interests of the Company and recommend that Shareholders vote in favour of Resolution 4.

5.7 Independent Expert's Report

In accordance with the requirements of Listing Rule 10.10.2, the Company has commissioned Stantons International Audit and Consulting Pty Ltd (trading as Stantons International Securities) to provide an independent expert's report on the Proposed Security (**Independent Expert's Report**). The Independent Expert's Report sets out a detailed examination of the Proposed Security to enable non-associated Shareholders to assess the merits of, and decide whether to approve, the Proposed Security.

To the extent that it is appropriate, the Independent Expert's Report sets out further information in respect of the Proposed Security and concludes that, on balance, **the Proposed Security is fair and reasonable to the non-associated Shareholders** (the non-associated Shareholders being Shareholders that are not associated with Idalia Coal).

Shareholders are urged to read carefully the Independent Expert's Report to understand its scope, the methodology of the assessment, the sources of information and the assumptions made.

6. ENQUIRIES

Shareholders are required to contact the Company Secretary on (+ 61 8) 9226 4500 if they have any queries in respect of the matters set out in these documents.

EAST ENERGY RESOURCES LIMITED

ABN 66 126 371 828

GLOSSARY

In this Explanatory Statement, the following terms have the following meaning unless the context otherwise requires:

10% Placement Facility	Has the meaning given to in Section 4.1 of the Explanatory Statement.
10% Placement Period	Has the meaning given to in Section 4.2(f) of the Explanatory Statement.
Annual General Meeting or Meeting	Annual General Meeting of Shareholders of the Company or any meeting adjourned thereof, convened by the Notice.
Annual Report	The Company's annual report including the reports of the Directors and the auditor and the financial statements of the Company for the year ended 30 June 2012, which can be downloaded from the Company's website at www.eastenergy.com.au .
ASIC	Australian Securities and Investments Commission.
Associate	An associate within the meaning of Division 2 of Part 1.2 of the Corporations Act.
ASX	ASX Limited, trading as the Australian Securities Exchange.
Board	Board of Directors of the Company.
Business Day	A day (other than a Saturday or Sunday) on which trading banks in Perth are open for ordinary business.
Camvill	Camvill Pty Ltd ACN 148 845 578, a 50.1% shareholder of Idalia Coal.
Coal Tenement	EPC1149, an exploration permit for coal located 25km south of Blackall, Queensland.
Company or East Energy	East Energy Resources Limited ACN 126 371 828.
Constitution	The Company's constitution.
Conversion Period	The period of six months following the Repayment Date during which Idalia Coal may convert any debt outstanding under the Facility into Shares in accordance with the terms of the Facility Agreement.
Corporations Act	<i>Corporations Act 2001</i> (Cth).
Director	A Director of the Company.
Equity Securities	Has the meaning given to it in the Listing Rules.
Explanatory Statement	This explanatory statement which accompanies and forms part of the Notice of Annual General Meeting.
Facility	The drawdown facility whereby the Company may borrow an amount of up to \$5.5 million from Idalia Coal.
Facility Agreement	The agreement dated 27 September 2012 between the Company and Idalia Coal in respect of the Facility.
Independent Expert's Report	The independent expert's report on the Proposed Security prepared by Stantons International Audit and Consulting Pty Ltd (trading as Stantons International Securities).
Key Management Personnel	Those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company.
Listing Rules	The listing rules of ASX.

EAST ENERGY RESOURCES LIMITED

ABN 66 126 371 828

Majicyl	Majicyl Pty Ltd ACN 118 309 265, a substantial shareholder of the Company and 49.9% shareholder in Idalia Coal.
Noble	Noble Group Limited, a company registered in Hong Kong and the ultimate holding company of Onglory and Camvill.
Notice or Notice of Meeting or Notice of Annual General Meeting	The Notice of Annual General Meeting which accompanies this Explanatory Statement.
Onglory	Onglory Pty Ltd ACN 148 877 454, a substantial shareholder of the Company.
Option	An option to subscribe for a Share.
Personal Property Security Interest	A security interest within the meaning given in section 12 of the <i>Personal Property Securities Act 2009</i> (Cth).
Project	The Company's coal exploration project near Blackall, Queensland.
Proposed Security	The security to be provided pursuant to the Facility Agreement.
Proxy Form	The proxy form attached to the Notice.
Remuneration Report	The remuneration report appearing in the Annual Report.
Repayment Date	The date on which funds advanced under the Facility and accumulated capitalised interest are repayable by the Company to Idalia Coal, being 27 September 2016.
Resolution	A resolution set out in the Notice.
Share	Fully paid ordinary share in the capital of the Company.
Shareholder or Member	A registered holder of a Share.
Subsidiary	A subsidiary within the meaning of the Corporations Act.
WST	Western Standard Time, being the time in Perth, Western Australia.

11 October 2012

The Directors
East Energy Resources Limited
Level 7
16 St Georges Terrace
PERTH WA 6000

Dear Sirs,

RE: EAST ENERGY RESOURCES LIMITED (ACN 126 371 828) ("EAST ENERGY" OR "THE COMPANY") - MEETING OF SHAREHOLDERS TO CONSIDER A RESOLUTION RELATING TO THE PROPOSAL TO ALLOW A LOAN FACILITY OF UP TO \$5,500,000 TO BE PROVIDED BY IDALIA COAL PTY LTD ("IDALIA" OR THE "LENDER") TO EAST ENERGY THAT IS TO BE SECURED BY A PERSONAL SECURITY INTEREST OVER THE ASSETS OF EAST ENERGY AND A MORTGAGE OVER THE TENEMENTS HELD BY EAST ENERGY. THE MEETING OF SHAREHOLDERS IS PURSUANT TO AUSTRALIAN SECURITIES EXCHANGE LISTING RULE 10.1

1. INTRODUCTION

- 1.1 We have been requested by the Directors of East Energy to prepare an Independent Expert's Report to determine the fairness and reasonableness of the transactions referred to in resolution 4 as detailed in the Notice of Meeting and Explanatory Memorandum ("EM") attached to the Notice to East Energy shareholders ("the Notice") to be issued to shareholders in October 2012.
- 1.2 It is proposed that Idalia will provide a convertible Term Loan Facility of up to \$5,500,000 ("Facility"). The Facility agreement, between Idalia and East Energy, was signed on 27 September 2012. The basic terms of the proposed Facility are outlined below:
- The Facility will be able to be drawn down (advanced) up to a maximum of \$2,500,000 within the first year of the signature of the Facility agreement, in an amount of no less than \$250,000 ("First Drawdown");
 - The Facility will be able to be drawn down (advanced) up to a maximum of \$1,000,000 in each calendar year thereafter, but not exceeding the total aggregate Facility amount of \$5,500,000, unless otherwise agreed between the Idalia and East Energy in writing, in an amount of no less than \$250,000 ("Subsequent Drawdowns");
 - The Facility will have a term of 4 years from the date of signature (27 September 2012) (with the option of a 6 month extension) and the loan will attract an interest rate comprising of the 6 month Bank Bill Swap Rate (BBSW) on the First day of the period draw down plus an additional 7.5% (on a per annum basis) repayable on the last date of the 6 month period;
 - Should the interest be not repayable by the due dates (interest is repayable on the last day of the 6 month period after an advance has been made), a further 2% overdue rate is payable over and above the BBSW rate in addition to the 7.5% additional interest rate;
 - Interest payable may be capitalised on a 6 monthly basis, upon East Energy submitting a written request to the Lender;

- If an event occurs which in respect of the Blackall Coal Project (and more specifically tenement EPC 1149) that allows East Energy to repay all or part of the capitalised interest (“Commercialisation Event”), then upon the receipt of monies by East Energy arising from the event within 5 business days, East Energy must cease to capitalise interest and repay to Idalia all amounts equivalent up to the balance of the capitalised interest;
- The amounts advanced under this facility, and any interest repayable, will be able to be converted into ordinary shares in East Energy within 4 years of the signing of the Facility agreement, being 27 September 2016, or should the Facility be extended by way of production of a written notice by the Idalia for a further 6 months, be convertible into ordinary shares in East Energy by 27 March 2017 (collectively known as the “Repayment Date”);
- The conversion price, should Idalia elect to have the Facility and any interest repayable converted into ordinary shares in East Energy, will be calculated at a price equal to 95% of the 90 day volume weighted average price (“VWAP”) of East Energy shares prior to the Repayment date;
- Draw down of the funds to be made available under the Facility may be made in not less than \$250,000 portions;
- The Facility is also subject to shareholder’s approval to the extent required by ASX Listing Rules 10.1. Shareholder approval is required by 31 December 2012 for Idalia to obtain approval and for the exercise by Idalia of the powers afforded to it under the General Security Deed (which stipulates the granting of a personal security interest over the assets of East Energy and a mortgage over the tenements held by East Energy (the “Security”)); and
- The Facility to be secured by way of a fixed and floating charge over the assets and undertakings of East Energy. Should the Company not be able to meet their debts to Idalia, and Idalia elect to not convert the loan into ordinary shares in East Energy at the Repayment Date, Idalia has the right to take these assets, and recover any amounts owed under the Facility that will total \$5,500,000.

- 1.3 As at the date of this report, East Energy has 166,449,305 ordinary shares on issue. Idalia Coal Pty Ltd, does not own any shares in East Energy directly. However, Idalia is 50.1% owned by Camvill Pty Ltd (“Camvill”) and 49.9% owned by Majicyl Pty Ltd (“Majicyl”). On the representation made to us, we understand that Camvill is a wholly owned subsidiary of Noble Group Limited (“Noble”). Noble, through its wholly owned subsidiary, Onglory Pty Ltd (“Onglory”), holds 50,707,609 ordinary shares in East Energy (representing a 30.46% shareholding interest in East Energy by Noble through Onglory at the date of this report). We also understand, that Majicyl holds in its own name 68,701,201 shares directly in East Energy, representing a 41.28% direct shareholding interest at the date of this report. The Facility can be either repaid in cash or be repaid at the election of the Lender, Idalia, by conversion into ordinary shares in East Energy.

Should the \$5,500,000 Facility and any interest thereon, be elected to be repaid by conversion into shares, the two major share holders, Noble and Majicyl may increase their holding in East Energy. Any future potential ordinary share issues to Idalia would be subject to obtaining shareholder approval for the conversion of the Facility or part thereof in the future.

Please note that Mr Mark Basso-Brusa, a director of East Energy, is also an associate of Majicyl. For the purposes of this report, any reference to Majicyl is deemed to also include reference to that of Mr Basso-Brusa who is an associate of Majicyl.

- 1.4 ASX Listing Rule 10.1 provides that an entity must not acquire a substantial asset from, or dispose of a substantial asset to a related party or a substantial shareholder. A substantial asset is an asset valued at greater than 5% of the equity interests of a Company. For the purposes of ASX Listing Rule 10.1, both Noble and Majicyl are deemed to be substantial shareholders of East Energy, through their direct shareholding in the East Energy. Under the terms of the Facility, the Charges and the Mortgages, both Noble and Majicyl may receive

financial benefits either directly or indirectly, through their respective 50.1% indirect and 49.9% direct shareholding in Idalia.

The quantum of the Facility is greater than 5% of East Energy's equity interests as set out in the latest accounts given to ASX by the Company. As a result, the granting of the Charges and Mortgages by East Energy to Idalia over the assets of East Energy and the tenements as the Security for the Facility is considered to be a deemed disposal of a substantial asset. Accordingly, the Company is seeking shareholder approval (part of resolution 4) for the purpose of ASX Listing Rule 10.1. Shareholders should note that the Company does not intend to actually dispose of any assets to Idalia (and consequently to Noble or to Majicyl. Approval is required under ASX Listing Rule 10.1 to cater for the circumstance where Idalia may be required to enforce the Mortgages and Charges. The Company has entered into the Charges and the Mortgages (although their operation is conditional on obtaining shareholder approval). These agreements were entered into by the Company on the basis that the independent Directors considered the terms of these agreements and the financial benefits to be given to Idalia under these agreements to be on arm's length terms (or terms no less favourable than arm's length).

- 1.5 ASX Listing Rule 10.1 provides that shareholder approval sought for the purpose of ASX Listing Rule 10.1 must include a report on the potential disposal from an independent expert. Stantons International Securities has been requested to provide an opinion on the fairness and reasonableness to the non associated shareholders of East Energy on the proposal under resolution 4 (part thereof) relating to the charge and possible disposal of the assets of East Energy in particular the interest in the Blackall Coal Project and other projects (the "Projects") of East Energy.
- 1.6 Under ASIC Regulatory Guideline 111 "Contents of Expert Reports" an Independent Expert's Report is required to report on the fairness and reasonableness of the transaction pursuant to resolution 4. The East Energy directors have requested Stantons International Securities to prepare an Independent Expert's Report to assist the shareholders in determining how to vote on resolution 4 as outlined in the Notice and the EM.
- 1.7 Apart from this introduction, the report considers the following:
 - Summary of opinion
 - Implications of the proposals
 - Future directions of East Energy
 - Basis of evaluation of the Facility provided to East Energy
 - Fairness and Reasonableness of the Proposals
 - Conclusion as to Fairness and Reasonableness
 - Sources of information
 - Appendix A and our Financial Services Guide

2. SUMMARY OF OPINION

- 2.1 In determining the fairness and reasonableness of the transaction and proposal pursuant to resolution 4, we have had regard for the definitions set out by the Australian Securities and Investments Commission ("ASIC") in its Regulatory Statement 111. Regulatory Statement 111 states that an opinion as to whether an offer is fair and/or reasonable shall entail a comparison between the offer price and the value that may be attributed to the securities under offer (fairness) and an examination to determine whether there is justification for the offer price on objective grounds after reference to that value (reasonableness).

The concept of "fairness" is taken to be the value of the offer price, or the consideration, being equal to or greater than the value of the securities, or in the above mentioned offer. Furthermore, this comparison should be made assuming 100% ownership of the "target"

and irrespective of whether the consideration is scrip or cash. An offer is “reasonable” if it is fair. An offer may also be reasonable, if despite not being “fair”, where there are sufficient grounds for security holders to accept the offer in the absence of any higher bid before the close of the offer. Resolution 4 relates to requirements under ASX Listing Rule 10.1, where approval is required from the non associated shareholders of an entity’s ordinary securities, where an entity proposes to dispose of a substantial asset to a second entity that is a substantial shareholder, or an associate of that second entity. Given this, the regard to the interests of shareholders other than the proposed lenders and associates (in this case Idalia, Majicyl and Noble) and whether the transaction is fair and reasonable to the holders of East Energy’s ordinary securities whose votes are not to be disregarded. Regulatory Statement 111 also provides that consideration should be given to involve a comparison of the advantages and disadvantages likely to accrue to non-associated shareholders if the transaction proceeds compared with if it does not. Although in this case the potential issues of new shares in East Energy on conversion of Facility as at the Repayment Date are not takeover offers, we have considered the general principles noted above to determine our opinions on fairness and reasonableness pertaining to the proposal under resolution 4.

Accordingly, our report relating to resolution 4 is concerned firstly with the fairness and reasonableness of the proposal from the point of view of the existing non associated shareholders of East Energy.

2.2 In our opinion:

In our opinion, taking into account the factors noted above and in section 7 of this report and the comments made in the EM to Shareholders accompanying the October 2012 Notice, the proposals noted in resolution 4 whereby East Energy will allow Idalia provide a Facility of up to \$5,500,000 that will result in the Lender, Idalia, being granted a personal security interest over the assets of East Energy and a mortgage over the tenements held by East Energy as denoted in resolution 4, are on balance, fair and reasonable to the non-associated shareholders of East Energy at the date of this report.

Notwithstanding that the East Energy share price (closing price of 10 cents) as at 10 October 2012, each shareholder needs to examine the share price of East Energy and market conditions at the time of exercise of vote to ascertain the impact, if any, on resolution 4. The opinions expressed above must be read in conjunction with the more detailed analysis and comments made in this report.

3. IMPLICATIONS OF THE PROPOSALS

- 3.1 As at 10 October 2012, there were 166,449,305 fully paid ordinary shares on issue in East Energy. The significant fully paid shareholders on 8 October 2012 are disclosed as:

<u>Name of Shareholder</u>	<u>No. of Shares</u>	<u>% Interest</u>
Majicyl Pty Ltd	68,701,201	41.28
Onglory Pty Ltd	50,707,609	30.46
Altius Investment Holdings	2,987,892	1.74
Benison Holdings Pty Ltd	2,225,994	1.34
DBS Vickers Securities (Singapore) Pte Ltd	1,403,000	0.84
	<u>126,025,696</u>	<u>75.66</u>

- 3.2 The top twenty fully paid shareholders as at 8 October 2012 own approximately 81.39% of the current issued capital.

- 3.3 The Company will be advanced funds, up to \$5,500,000 over a four year period to contribute to the development of the Blackall Coal Project in the Eromanga Basin in Queensland. The Blackall Coal Project to date has confirmed a resource of 1.74 billion tonnes of thermal coal, with 627 million tonnes classified as indicated and the remainder 1.113 billion tonnes as inferred. The Company has submitted an application for a mineral development licence over a southern portion of the Blackall Coal Project. East Energy has approximately \$1,514,039 cash at bank as at 30 June 2012. To further this project, and to translate the resources into reserves, additional funding is required to be spent on further exploration and feasibility studies.

Idalia, is 50.1% owned by Camvill Pty Ltd ("Camvill") and 49.9% owned by Majicyl Pty Ltd ("Majicyl"). We understand that Camvill is a wholly owned subsidiary of Noble Group Limited ("Noble"). Noble, through its wholly owned subsidiary, Onglory Pty Ltd ("Onglory"), holds 50,707,609 ordinary shares in East Energy (representing a 30.46% shareholding interest in East Energy by Noble through Onglory at the date of this report). Majicyl holds in its own name 68,701,201 shares directly in East Energy, representing a 41.28% direct shareholding interest at the date of this report.

The Facility is able to be repaid in cash or by conversion into ordinary shares in East Energy at the election of the Lender, Idalia. The repayment of interest is made within 6 months of the advancement or draw down of an amount. Therefore Idalia, by potentially electing to convert the Facility into shares as at the Repayment Date, may indirectly increase the shareholding of both Noble and Majicyl at a future point in time, dependent upon the share price of East Energy at the Repayment Date and the preceding 90 days of trading. Any future potential ordinary share issues to Idalia would be subject to obtaining relevant shareholder approval for the conversion of the Facility or part thereof at that point in time.

To illustrate, as at 10 October 2012, should the Facility be drawn down fully and the Repayment occur at this date, and based on a 95% value of the 90 VWAP price of an East Energy ordinary share, being 11.93 cents, approximately 46,102,263 further shares may be issued to Idalia, should they elect to convert the loan into shares, ignoring any interest payable on those shares. Therefore, ignoring any further share issues or placements, Idalia may obtain 46,102,263 shares in East Energy representing approximately 21.69% of the adjusted total share capital as at 9 October 2012 (based on 166,449,305 shares on issue in addition to 46,102,263 shares to be issued totalling and adjusted 212,551,568 shares on issue). Consequently, Noble, through its holding of 50.1% in Idalia via Camvill, may increase its shareholding by 23,512,154 shares, to a total of 74,219,763 shares (Noble controls a further 50,707,609 shares through Onglory). Therefore Noble, may effectively increase its shareholding in East Energy from 30.46% to 34.92% of the total shares on issue in East Energy (and adjusted 74,219,763 shareholding held indirectly by Noble divided by 212,551,563 total adjusted shares in East Energy), should the Facility be converted into shares at the Repayment date (ignoring any interest payable and subsequent shares issues and placements). Majicyl, through its 49.9% holding in Idalia, may increase its shareholding by 22,590,109 shares to a total of 91,291,310 shares on issue in East Energy (it has a direct holding of 68,701,201 shares in East Energy). Therefore, Majicyl may increase its holding from 41.28% to 42.95% of the total shares on issue in East Energy (an adjusted 91,291,310 shareholding held directly and indirectly by Majicyl divided by 212,551,563 total adjusted shares in East Energy), should the Facility be converted into shares at the Repayment date (ignoring any interest payable and subsequent shares issues and placements). It would be expected that the corresponding shareholding of both Noble and Majicyl may be lower if the share price of an East Energy share rose. Notwithstanding, it is unfeasible to predict if Idalia would elect to convert the Facility into shares at the Repayment Date, as well as the amount of shares to be issued if any to Idalia (based upon 95% of the future value of the 90 VWAP of the East Energy ordinary share price immediately preceding the Repayment Date).

- 3.4 It is not possible to determine the amount of interest that may be payable to Idalia as the Company may or may not use the full amount of the Facility, the rate of interest applicable

will vary as it is dependent upon the 6 month bank bill swap rate, and whether the interest repayments will be made by the interest repayment date and thus not incur penalty interest.

- 3.5 In relation to the Board of Directors control, the current directors are Messrs Mark Basso-Brusa, Ranko Matic, Rex Littlewood and William Randall. It is not planned to change the Board of Directors in the near future but this may change as the needs arise.
- 3.6 The Facility is to be secured as noted above. Should the Company not be able to meet their debts to Idalia, Idalia has the right to take these assets, and recover any amounts owed under the Loan Facility that will total \$5,500,000.

4. FUTURE DIRECTION OF EAST ENERGY

- 4.1 We have been advised by a director of East Energy that:
- the immediate short-term plan is to use the existing funds and raise further funds (via the Facility as noted above) to fund working capital for the Blackall Coal Project and for the Company generally;
 - no dividend policy has been set and is not proposed to be set until such time as the Company is profitable and has a positive cash flow;
 - The Board of Directors in not planned to change in the near future but may change as the needs arise; and
 - the Company may raise further capital and possibly project loan funds as and when required to continue to develop the Company's mineral assets.

5. BASIS OF EVALUATION OF FACILITY PROVIDED TO EAST ENERGY

- 5.1 In considering the proposals as outlined in resolution 4 which relates to the Security over the assets of East Energy and a mortgage over the tenements of East Energy, we have sought to determine if the proposed Facility (the \$5,500,000 Facility convertible loan) is reasonable given the current economic circumstances prevailing at the time of this report. Given the circumstances and terms of the Facility as outlined in the resolution 4 and section 1.2 above, and due to the uncertainty of the Lender (Idalia) potentially electing to convert the Facility of \$5,500,000 (if fully drawn down) into ordinary shares of East Energy, as well as the potential for the Company to default and thus be mandated to dispose of assets to repay the drawn down amount of the Facility, we will also discuss whether the value of the Facility being \$5,500,000 is in excess of the current fair value of the assets that are deemed to be disposed of under ASX Listing Rule 10.1 in East Energy and then conclude whether the proposals are fair and reasonable to the existing non-associated shareholders of East Energy (not associated with Idalia).
- 5.1.2 The proposal pursuant to resolution 4 would be fair and reasonable to the existing non associated shareholders if the proposed Facility owing by East Energy to Idalia is commercially competitive and potentially convertible into ordinary East Energy shares is greater than or equal to the implicit value of the assets that are deemed to be disposed of for the purposes of ASX Listing Rule 10.1. Accordingly, we have sought to determine like terms that are applicable to loan facilities of like companies in the mineral industry to ascertain if the offer to East Energy by Idalia is fair.
- 5.1.3 We understand that financing from enquiries made to three banking institutions that funding is available to Companies with a similar profile to that of East Energy for a rate of BBSW in addition to a further interest percentage range of between 5% to 11% per annum, not including any penalty interest that is to be added to the afore-mentioned rates. Furthermore,

banking institutions usually request the option to convert the loan facility into ordinary scrip of the Company to which it lends money to. This funding is dependent upon resource companies having measured resources, which East Energy presently does not have. Accordingly, and on this basis, given the particular terms of the Facility as outlined in section 1.2 of this report, the terms appear market competitive.

We have reviewed companies of a similar nature (mining and energy companies listed on the ASX), to corroborate whether the BBSW (presently at 3.15%), plus the additional interest rate of 7.5% as proposed to be charged by Idalia (total 10.65% p.a.) is considered to be reasonable. Accordingly, we have noted that for the following two companies, in the last 2 months, funding has been obtained and the applicable terms of the loan are outlined below:

Company	Loan/Facility Amount (\$)	Interest Rate Applicable	Term	Other
Anaeco Ltd	10,000,000	12% p.a.	14 months	2% penalty interest, \$500,000 establishment fee, convertible at 90% of VWAP 10 days before conversion date
Crescent Resources Ltd	10,000,000	8% p.a.	12 months	Interest to be repayable in cash
Apex Minerals Ltd	4,000,000	20% p.a.	6 months	5,500,000 options issued to lender. Fully secured.
Navigator Resources Ltd	12,000,000	17.9% p.a.	14 months	Fully Secured

We are aware of other convertible note facilities at between 10% and 15% entered into by mineral exploration companies (with advanced projects) over the past 12 months. From comparison of the above interest rates, it is evident that the interest rate charged by Idalia to East Energy is considered not to be unreasonable.

5.1.3 Any potential inability of the Company to repay the Facility amount of \$5,500,000, and any applicable interest thereon, will be the primary trigger for a deemed disposal of assets. By East Energy granting to Idalia a personal security interest over the assets of East Energy and a mortgage over the tenements held by East Energy (the "Security), East Energy is deemed to have disposed of the assets to Idalia under ASX Listing rule 10.1. Therefore the consideration of the potential value of the Company's assets compared to the total Facility amount has been made.

5.1.4 The audited consolidated statement of financial position provided to us is extracted from the financial report of East Energy as at 30 June 2012.

**Audited
30 June 2012
\$000's**

Current assets

Cash at bank	1,514
Trade and other receivables	281
	1,795

Non-current assets

Plant and equipment	180
Exploration and evaluation	19,724
	19,904

	Audited 30 June 2012 \$000's
Total assets	21,699
Current liabilities	
Trade and other payables	2,051
	2,051
Total liabilities	2,051
Net Assets	19,648
Equity	
Issued capital	21,906
Accumulated losses	(2,258)
Net Equity	19,648

Based on the book values at 30 June 2012, the Net Assets of the Company approximate \$19,648,000. The market value of a East Energy ordinary share as at 10 October 2012 totalled \$16,644,931 based on a closing price of 10 cents per share as at 10 October 2012, and 166,449,305 ordinary shares on issue. The maximum value of the Facility to be drawn down amounts to \$5,500,000, ignoring any interest payable to Idalia. We are unable to determine what amounts of interest will be paid in the future. Should the Facility be drawn down to its maximum amount, and the Company be unable to repay the Facility, Idalia may dispose of the assets to recoup the amounts owed, thus effecting the value of the Company. However, at the time of this report, we are unable to discern if such a situation will take place, and accordingly whether the value of East Energy's net assets will exceed any potential future liability to Idalia.

5.2 Fairness of the Facility terms to arrive at a conclusion

- 5.2.1 Notwithstanding the prospectivity of East Energy's Blackall Coal Project, without cash the Company cannot continue exploration, evaluation and development of the mineral assets and meet its short term working capital requirements. Accordingly, East Energy must obtain funding to continue exploration and evaluation of the Blackall Coal project. The funding (or at least part of it) that has been secured from Idalia, on the terms outlined in section 1.2 of this report, compares favourably to the funding options, incorporating the same if not similar funding terms, that may be available in the market place to East Energy. On this basis, the funding Facility proposed by Idalia to East Energy is reasonable.

We have compared like for like funding options for East Energy. In our view, for the purposes of comparing funding terms for the purpose of arriving at a conclusion on the fairness and reasonableness of the proposal under resolution 4, the current interest rate chargeable on the Facility by Idalia of BBSW plus 7.5 % p.a. compares favourably to that in the market of a range of BBSW plus a range of 5% to 11% p.a.. As outlined above, it is useful to note that funding may be more or less expensive on the open market depending upon the prospectivity of the tenements. East Energy to date has indicated and inferred resources and further funding will assist the Company in meeting its objectives of upgrading such resources to measured resources in the future.

6. FAIRNESS AND REASONABLENESS OF THE PROPOSALS

We set out below, some of the advantages, disadvantages and other factors pertaining to the proposals under resolution 4.

Advantages

- 6.1 If shareholders do not approve resolution 4, the advance drawdown of \$1,200,000 of the total \$5,500,000 Facility will become immediately payable yet the Company may not have sufficient funds to repay the \$1,200,000 drawdown and that could be a severe drain on cash resources. In the absence of the \$5,500,000 monies from the Facility the ability to spend money on exploitation and or further exploration and evaluation of the Blackall Coal Project would have been curtailed. If at a future point in time, Idalia elected to convert the Facility outstanding and shareholders allowed the Facility to be converted into ordinary shares in East Energy, East Energy may avoid having to outlay \$5,500,000 if the Facility is fully drawn down, and any potential interest repayable. However the option to convert is at the option of Idalia and not East Energy (subject to future shareholders approval if required).
- 6.2 In the current market it is time consuming for exploration companies such as East Energy to raise finance and or equity, and if raised, significant discounts to recent traded share prices may need to be offered. It is not uncommon to offer discounts in the current market of between 20% and 50%. Arguably it could be higher for mineral exploration/producer companies that are not profitable and have negative cash flows (albeit high prospectivity of moving into positive cash flows). It is noted that the Facility has been obtained, at terms which are market competitive. The ability to obtain a Facility of \$5,500,000 is significant to allow the Company to pay debts and provide the necessary working capital required on the Blackall Coal Project. Further work performed on the Blackall Coal Project may assist the Company in the future to raise additional working capital to be used in the continuing operations of East Energy particularly on the Blackall Coal Project. However, in the short term, fund raising may be difficult and the continued support of Idalia is still required. If the Company continues to have positive results from its underlying Projects there is an increased chance that future funding may be easier to obtain at rates more attractive to East Energy, as well as future capital raisings may be undertaken at a higher price than the current share price of East Energy being 10 cents per ordinary share.
- 6.3 There is a continuing incentive for Idalia to ensure East Energy becomes a viable mineral exploration and development Company as Idalia, and its underlying shareholders, Noble and Majicyl, may increase their shareholding interest in East Energy if Idalia elects to convert the Facility amount outstanding into ordinary shares in East Energy. There is a huge incentive for Idalia, and its two major ultimate beneficial shareholders through interposed entities, Noble and Majicyl (who are also direct and indirect substantial shareholders in East Energy), to make East Energy a successful Company and have the share price rise considerably. All shareholders would benefit from a rise in the share price.

Disadvantages

- 6.4 The number of fully paid ordinary shares on issue may rise by an undeterminable number of shares at this point in time, based upon the potential of the Lender to convert the Facility into ordinary shares as at the Repayment Date. The factors influencing the number of shares to be issued include the future share price of East Energy at and 90 days prior to the Repayment Date, being either 27 September 2016 or 27 March 2017. Any such conversion of the Facility into ordinary shares in the Company will dilute the shareholding of the non Idalia/Noble/Majicyl associated shareholders. The number of shares may increase further if any additional interest payable has not been repaid, and Idalia elects to convert this interest additionally into ordinary shares in East Energy.

- 6.5 An influential potential increase in shareholding of the Company may be given to Idalia, and ultimately to Majicyl and Noble, on full conversion of the Facility. It is important to note that the election to convert the Facility is at the discretion of Idalia. The final percentage shareholding increase cannot be determined at this point of time as discussed above.

Other Factors

- 6.6 East Energy is not forced to draw down funding from this Facility provided by Idalia. Accordingly, East Energy may elect to obtain other funding, such as equity to satisfy working capital requirements and to develop the Blackall Coal Project. However, to date, the Company has drawn down approximately \$1.2 million from Idalia.
- 6.7 The potential conversion price of the Facility (if the proposed election to convert the Facility into ordinary shares takes place at 95% of the 90 day VWAP of the East Energy share price prior to the Repayment Date) will be required to be taken into account. It should be noted that shareholders need to take into account the likelihood of the future prospectivity of, and any associated potential upgrades to mineral resources and mineral reserves, and thus the impact upon the share price of an East Energy share for the duration of the Facility, to ascertain whether the future value and the conversion prices are considered to be congruent, and ultimately beneficial to the non associated shareholders of East Energy. Accordingly, we are unable to determine the effect on overall shareholding that is likely to be impacted from any potential conversion in the future.
- 6.8 There is no guarantee that Idalia will convert the Facility to ordinary shares in East Energy and if this eventuates, the cash position of the Company will need to be reduced by the Facility debt of up to \$5,500,000 fully drawn down (plus interest payable up to the date of repayments).
- 6.9 East Energy is potentially disposing of its core assets over which, a personal property security interest over the assets of East Energy has been lodged by Idalia, with a further mortgage over East Energy's tenements being registered. Failure to satisfy the repayment requirements may allow Idalia to gain the assets for a value which potentially is less than the actual net worth of the assets of East Energy. The Directors of East Energy consider that this is unlikely taking into consideration the stage of exploration on the Blackall Coal Project and the probability that a Bankable Feasibility Study will be conducted in the future. It is always possible that further share equity funds can be raised to pay out Idalia if required.
- 6.10 The potential conversion price for the Facility is to be at 95% of the 90 VWAP of an East Energy share. This conversion price may be higher or lower than the net asset backing of East Energy and its share price as at the date of conversion.
- 6.11 Idalia has the option to convert all or a part of the Facility (and any interest accruable thereon) into ordinary shares in East Energy. This however will be required to be ratified at a future General Meeting of East Energy shareholders.
- 6.12 The Company in the absence of conversion of the Facility to equity by Idalia will need to find up to \$5,500,000 (and any interest accrued thereon).

7. CONCLUSION AS TO FAIRNESS AND REASONABLENESS

- 7.1 In our opinion, taking into account the factors noted above and in section 7 of this report and the comments made in the EM to Shareholders accompanying the October 2012 Notice, the proposals noted in resolution 4 whereby East Energy will allow Idalia to provide a Facility of up to \$5,500,000 that will result in the Lender, Idalia, being granted a personal security interest over the assets of East Energy and a mortgage over the tenements held by East Energy as denoted in resolution 4, are on balance, fair and reasonable to the non-associated shareholders of East Energy at the date of this report.

Each shareholder needs to examine the share price of East Energy, and market conditions at the time of exercise of vote to ascertain the impact, if any, on resolution 4.

8. SOURCES OF INFORMATION

- 8.1 In making our assessment as to whether the proposal pursuant to resolution 4 is fair and reasonable, we have reviewed relevant published available information and other unpublished information of the Company that is relevant to the current circumstances. In addition, we have held discussions with the management of East Energy about the present and future operations of East Energy. Statements and opinions contained in this report are given in good faith, but in the preparation of this report, we have relied in part on information provided by the directors and management of East Energy.

- 8.2 Information we have received, includes, but is not limited to:

- Draft of Notice General Meeting of Shareholders and EM of East Energy for the General Meeting of Shareholders the Company planned to be issued to shareholders in November 2012;
- Discussions with management of East Energy;
- Discussion with members of Westpac Banking Corporation and HSBC Banking Corporation;
- Top 20 shareholding details of East Energy as at 23 August 2012;
- Share prices of East Energy since 1 January 2012 to 10 October 2012;
- Annual Report of East Energy for the year ended 30 June 2012;
- Announcements made by East Energy to the ASX from 1 January 2012 to 10 October 2012;
- Enquiries from other financiers as to potential costs of borrowings with conversion to equity features;
- The Facility Agreement and the General Security Deed between East Energy and Idalia of September 2012 relating to the \$5,500,000 Facility and subsequent Security over Assets of East Energy; and
- Information on East Energy as provided on the ASX web site and East Energy's web site.

- 9.1 Our report includes Appendix A and our Financial Services Guide attached to this report.

Yours faithfully

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International Securities)



Martin Michalik CA
Director

APPENDIX A

AUTHOR INDEPENDENCE AND INDEMNITY

This annexure forms part of and should be read in conjunction with the report of Stantons International Audit and Consulting Pty Ltd trading as Stantons International Securities dated 11 October 2012, relating to the proposals as outlined in resolution 4 to the Notice to be forwarded to shareholders in October 2012 for a meeting of shareholders in November 2012 that allows for the receipt of a \$5,500,000 facility from Idalia by East Energy and allowing Security to be issued to Idalia over the assets of East Energy and a mortgage over the tenements.

At the date of this report, Stantons International Securities does not have any interest in the outcome of the proposal. There are no relationships with East Energy, Idalia, Noble or Majicyl, other than acting as an independent expert for the purposes of this report. There are no existing relationships between Stantons International Securities and the parties participating in the transaction detailed in this report which would affect our ability to provide an independent opinion. The fee to be received for the preparation of this report is based on the time spent at normal professional rates plus out of pocket expenses and is estimated at \$10,000. The fee is payable regardless of the outcome. With the exception of the fee, neither Stantons International Securities nor Martin Michalik have received, nor will, or may they receive, any pecuniary or other benefits, whether directly or indirectly, for or in connection with the making of this report.

Stantons International Securities does not hold any securities in East Energy, Idalia, Majicyl or Noble. There are no pecuniary or other interests of Stantons International Securities that could be reasonably argued as affecting its ability to give an unbiased and independent opinion in relation to the proposal. Stantons International Securities and Mr Martin Michalik have consented to the inclusion of this report in the form and context in which it is included as an annexure to the Notice.

QUALIFICATIONS

We advise Stantons International Securities is the holder of an Australian Financial Services Licence (no 418019) under the Corporations Act 2001 relating to advice and reporting on mergers, takeovers and acquisitions that involve securities. A number of the directors of Stantons International Securities are the directors of Stantons International Audit and Consulting Pty Ltd a company that provides audit, corporate, probity and accounting services. Stantons International Securities has extensive experience in providing advice pertaining to mergers, acquisitions and strategic for both listed and unlisted companies and businesses.

Mr Martin Michalik, CA, the person responsible for the preparation of this report, has experience in the preparation of valuations for companies and in advising corporations on takeovers generally and in particular on the valuation and financial aspects thereof, including the fairness and reasonableness of the consideration offered.

The professionals employed in the research, analysis and evaluation leading to the formulation of opinions contained in this report, have qualifications and experience appropriate to the task they have performed.

DECLARATION

This report has been prepared at the request of the directors of East Energy in order to assist them to assess the merits of the proposals under resolution 4 in the Notice of Meeting to Shareholders to be forwarded to shareholders in October 2012 for a meeting of shareholders to which this report relates. This report has been prepared for the benefit of East Energy's shareholders (not associated with Idalia) and does not provide a general expression of Stantons International Securities' opinion as to the longer term value of the East Energy or the individual assets of the East Energy. Stantons International Securities does not imply, and it should not be construed, that it has carried out any form of audit on the accounting or other records of East Energy. Neither the whole nor any part of this report, nor any reference thereto may be included in or with or attached to any document, circular, resolution, letter or statement, without the prior written consent of Stantons International Securities to the form and context in which it appears.

DISCLAIMER

This report has been prepared by Stantons International Securities with due care and diligence. However, except for those responsibilities, which by law cannot be excluded, no responsibility arising in any way whatsoever for errors or omission (including responsibility to any person for negligence) is assumed by Stantons International Securities (Stantons International Audit and Consulting Pty Ltd) and Stantons International Pty Ltd, their directors, employees or consultants for the preparation of this report.

DECLARATION AND INDEMNITY

Recognising that Stantons International Securities may rely on information provided by East Energy and its officers (save whether it would not be reasonable to rely on the information having regard to Stantons International Securities experience and qualifications), East Energy has agreed:

- a) To make no claim by it or its officers against Stantons International Securities (and Stantons International Pty Ltd and Stantons International Audit and Consulting Pty Ltd) to recover any loss or damage which East Energy may suffer as a result of reasonable reliance by Stantons International Securities on the information provided by East Energy; and
- (b) To indemnify Stantons International Securities (and Stantons International Pty Ltd and Stantons International Audit and Consulting Pty Ltd) against any claim arising (wholly or in part) from East Energy or any of its officers providing Stantons International Securities any false or misleading information or in the failure of East Energy or its officers in providing material information, except where the claim has arisen as a result of wilful misconduct or negligence by Stantons International Securities.

A draft of this report was presented to East Energy directors for a review of factual information contained in the report. Comments received relating to factual matters were taken into account, however the valuation methodologies and conclusions did not alter.

FINANCIAL SERVICES GUIDE

Dated 11 October 2012

1. STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD (TRADING AS STANTONS INTERNATIONAL SECURITIES)

Stantons International Securities ACN 144 581 519 (“SIS” or “we” or “us” or “ours” as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

2. FINANCIAL SERVICES GUIDE

In the above circumstances we are required to issue to you, as a retail client a Financial Services Guide (“FSG”). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- who we are and how we can be contacted;
- the services we are authorised to provide under our **Australian Financial Services Licence, Licence No: 418019**;
- remuneration that we and/or our staff and any associated receive in connection with the general financial product advice;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

3. FINANCIAL SERVICES WE ARE LICENCED TO PROVIDE

We hold an Australian Financial Services Licence which authorises us to provide financial product advice in relation to:

- Securities (such as shares and options)

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

4. GENERAL FINANCIAL PRODUCT ADVICE

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also

obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

5. BENEFITS THAT WE MAY RECEIVE

We charge fees for providing reports. These fees will be agreed with, and paid by, the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis.

Except for the fees referred to above, neither SIS, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

6. REMUNERATION OR OTHER BENEFITS RECEIVED BY OUR EMPLOYEES

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report.

7. REFERRALS

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

8. ASSOCIATIONS AND RELATIONSHIPS

SIS is a trading name owned by Stantons International Audit and Consulting Pty Ltd a professional advisory and accounting practice. From time to time, SIS and Stantons International Audit and Consulting Pty Ltd (who also trades as Stantons International) and/or their related entities may provide professional services, including audit, accounting and financial advisory services, to financial product issuers in the ordinary course of its business.

9. COMPLAINTS RESOLUTION

1.1 Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to:

The Complaints Officer
Stantons International Securities
Level 2
1 Walker Avenue
WEST PERTH WA 6005

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaints within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

1.2 Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service Limited (“FOSL”). FOSL is an independent Company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOSL are available at the FOSL website www.fos.org.au or by contacting them directly via the details set out below.

Financial Ombudsman Service Limited
PO Box 3
MELBOURNE VIC 3021

Toll Free: 1300 78 08 08
Facsimile: (03) 9613 6399

10. CONTACT DETAILS

You may contact us using the details set out above or by telephone (08) 9481 3188 or facsimile (08) 9321 1204.

EAST ENERGY RESOURCES LIMITED

ABN 66 126 371 828

PROXY FORM

APPOINTMENT OF PROXY

ANNUAL GENERAL MEETING

I/We

being a Member of East Energy Resources Limited entitled to attend and vote at the Meeting, hereby

Appoint

Name of proxy

OR

☐

Mark this box if you wish to appoint the Chairman of the Meeting as your proxy

or failing the person so named or, if no person is named, the Chairman of the Meeting or the Chairman's nominee, to vote in accordance with the following directions or, if no directions have been given, and subject to the relevant laws as the proxy sees fit at the Annual General Meeting to be held at Bentleys, Level 1, 12 Kings Park Road, West Perth WA on Thursday, 29th November 2012 at 8.45am WST and at any adjournment thereof.

Important for Resolution 1: Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Resolution 1 (except where I/we have indicated a different voting intention below) even though Resolution 1 is connected directly or indirectly with the remuneration of a member of Key Management Personnel, which includes the Chairman.

Important Note: If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Resolution 1 by marking the appropriate box below). Please note that the Chairman of the Meeting intends to vote all undirected proxies in favour of each item of business.

OR

Voting on Business of the General Meeting

		For	Against	Abstain
Resolution 1	Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Re-election of Director – Mr Rex Littlewood	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Approval of 10% placement facility	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Approval of Proposed Security	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If you mark the abstain box for a particular item, you are directing your proxy not to vote on that item on a show of hands or on a poll and that your Shares are not to be counted in computing the required majority on a poll.

Signed this day of 2012

By:

Individuals and joint holders

Signature

Signature

Companies (affix common seal if appropriate)

Director

Sole Director and Sole Company Secretary
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EAST ENERGY RESOURCES LIMITED

ABN 66 126 371 828

Instructions for Completing 'Appointment of Proxy' Form

1. A Member entitled to attend and vote at the Meeting is entitled to appoint not more than two proxies to attend and vote on their behalf. Where more than one proxy is appointed, such proxy must be allocated a proportion of the Member's voting rights. If the Shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes.
2. A duly appointed proxy need not be a Member of the Company. In the case of joint holders, all must sign.
3. Corporate Shareholders should comply with the execution requirements set out on the proxy form or otherwise with the provisions of Section 127 of the Corporations Act 2001. Section 127 of the Corporations Act provides that a company may execute a document without using its common seal if the document is signed by:
 - two directors of the company;
 - a director and a company secretary of the company; or
 - for a proprietary company that has a sole director who is also the sole company secretary – that director.

For the Company to rely on the assumptions set out in Section 129(5) and (6) of the Corporations Act, a document must appear to have been executed in accordance with Section 127(1) or (2). This effectively means that the status of the persons signing the document or witnessing the affixing of the seal must be set out and conform to the requirements of Section 127(1) or (2) as applicable. In particular, a person who witnesses the affixing of a common seal and who is the sole director and sole company secretary of the company must state that next to his or her signature.

4. Completion of a proxy form will not prevent individual Shareholders from attending the Meeting in person if they wish. Where a Shareholder completes and lodges a valid proxy form and attends the Meeting in person, then the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the Meeting
5. Where a proxy form or form of appointment of corporate representative is lodged and is executed under power of attorney, the power of attorney must be lodged in like manner as this proxy.
6. To vote by proxy, please complete and sign the proxy form enclosed:
 - send the proxy form by post to East Energy Resources Limited, PO Box 3160, East Perth WA 6892; or
 - by facsimile to the Company on facsimile number (+ 61 8) 9225 7311,so that it is received not later than 48 hours prior to the commencement of the Meeting.

Proxy forms received later than this time will be invalid.