TECHNICAL REPORT EAST ENERGY CORP. LANDS HINTON COAL PROPERTY, ALBERTA

Submitted to: **EAST ENERGY CORP.**

July 25, 2008

Norwest Corporation

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Qualified Persons:

T. Hannah, P. Geol. C. Acott, P, Eng.



1 TITLE PAGE

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3 SUMMARY

In 2008 East Energy Corp. commissioned Norwest Corporation to prepare a Technical Report for its coal holdings of the Hinton Coal Property located in west-central Alberta in accordance with the requirements of National Instrument 43-101. The location of this area is shown on Figure 4-1. The confirmation of documented geology and coal development and the verification of coal resources were completed through data reviews, geologic modeling, resource calculations, and a site visit. The findings and conclusions are based on information developed by Norwest from data provided by East Energy.

The Hinton Coal Property, as illustrated in Figures 6-1, covers coal-bearing strata in the Foothills Region of central Alberta. The property is centred about 19 km northwest of the town of Hinton, Alberta which is located on Highway 16, midway between Edmonton and Jasper. The Hinton Coal Project area is centered approximately on Township 56, Range 26 W5.

In the Project vicinity the first modern coal exploration commenced in 1974 and was conducted by Union Oil. More recent work was done by Manalta Coal in 1990 and 1992.

Regionally, the strata in this area lie on the western limb of the Entrance Syncline. The coal seams are contained in eleven coal zones within the upper portion of the Coalspur Formation. These coal zones are Upper Cretaceous – Tertiary in age and lie near the top of the Saunders Group, under the Paskapoo Formation. Locally, the Coalspur Formation contains up to fifty-five correlatable coal seams within eleven zones, with a stratigraphic thickness of about 45 m of coal in 300 m of coal-bearing section. Bentonitic layers are common within this zone. Correlation of coal beds within the lease areas is not difficult but seam thickness variations and pinch-outs are common.

Previous drilling carried out between 1974 and 1992 has resulted in eighty-seven coal exploration drill holes being drilled in or around the Hinton lease. For this report, the client supplied a drill hole database which included the available holes. The geological model that has been prepared for this evaluation includes these holes, with a total of 7,067 m drilled.

Norwest used MineSight® software to construct a gridded seam model of the Hinton Coal Property area in order to estimate volumes for in-place coal resources. All coal seams or "surfaces" were modeled to provide the required inputs for volume estimation. Volumes were converted to tonnage by the application of density values representative of the coal seams modeled.

Resources are classified as to the assurance of their existence into one of three categories, Measured, Indicated or Inferred. The category to which a resource is assigned depends on the



level of confidence in the geological information available (CIM Definition Standards). GSC Paper 88-21 provides guidance for categorizing various types of coal deposits by levels of assurance. These were considered by the Qualified Person during the classification of the resources. The in-place resource on the Hinton lands is summarized in Table 3.1 and covers an area of approximately 1,225 ha.

HINTON COAL PROJECT COAL RESOURCE SUMMARY AS AT JUNE 17, 2008 In-Place Coal Resources from Surface Down to 12:1 Strip Ratio (tonnes)* **ASTM Group** Measured Indicated Inferred **HV C Bituminous** 47,032,000 2,557,000 161,000 Total 49,589,000 161,000 In-Place Coal Resources from 12:1 Down to 20:1 Strip Ratio (tonnes)* **ASTM Group** Measured Indicated Inferred **HV C Bituminous** 33,339,000 23,838,000 8,559,000 Total 57,177,000 8,559,000 Measured and Indicated Inferred **Total Resources** 106,766,000 8,720,000

TABLE 3.1

*Resources tabulated are those suitable for surface mining.

It is recommended that East Energy continue to review coal seam data and update the geological database and model to reflect all available data.

The accuracy of resource estimates is, in part, a function of the quality and quantity of available data and of engineering and geological interpretation and judgment. Given the data available at the time this report was prepared, the estimates presented herein are considered reasonable. However, they should be accepted with the understanding that additional data and analyses available, subsequent to the date of the estimates, may necessitate revision. These revisions may be material. There is no guarantee that all or any part of the estimated resources of will be recoverable.



4 INTRODUCTION

In 2008 East Energy Corp. commissioned Norwest Corporation to prepare a Technical Report for its coal holdings of the Hinton coal project located in west-central Alberta in accordance with the requirements of National Instrument 43-101. The location of this area is shown on Figure 4-1. The confirmation of documented geology and coal development and the verification of coal resources were completed through data reviews, geologic modeling, resource calculations, and a site visit. More specifically, the tasks undertaken to complete the review were as follows:

- 1. Estimation of the coal resource for the East Energy land area at Hinton. The boundaries of the area being assessed were checked using descriptions and maps provided by East Energy and by reference to on-line government records.
- 2. Review of existing compiled quality and coal survey data.
- 3. Confirmation of the geological interpretations and their relationship to the raw data was accomplished through the inspection of geophysical logs, geological maps, cross-sections and a site visit.
- 4. Confirmation of applied geological complexity in terms of resource reporting classification was accomplished during the review of the geological maps and sections and the generation of a geological model.
- 5. Review of the drill hole spacing to confirm adequacy for reported resource classes was accomplished through the inspection of drill hole location maps;

The present report is accordingly designed to comply with the requirements of National Instrument 43-101 for Technical Reports for reporting of Coal Resources and Reserves. Norwest personnel, who have extensive and varied experience with the coal deposits of western Canada, prepared this report.

The accuracy of resource estimates is, in part, a function of the quality and quantity of available data and of engineering and geological interpretation and judgment. Given the data available at the time this report was prepared, the estimates presented herein are considered reasonable. However, they should be accepted with the understanding that additional data and analyses available, subsequent to the date of the estimates, may necessitate revision. These revisions may be material. There is no guarantee that all or any part of the estimated resources of will be recoverable.



5 RELIANCE ON OTHER EXPERTS

This report has been prepared for East Energy Corp. by Norwest Corporation. The findings and conclusions are based on information developed by Norwest from data provided by East Energy.

Norwest has relied wholly on information and data provided by East Energy or its consultants as the basis for classification and reporting of coal resources in the area. Norwest did not conduct field work, other than a site visit, and did not independently drill or complete geophysical logs on drill holes, take samples or subject any coal samples to analysis specific to the preparation of this report.

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6 PROPERTY DESCRIPTION AND LOCATION

The Hinton Coal Property, as illustrated in Figures 6-1, covers coal-bearing strata in the Foothills Region of central Alberta. The property is centred about 19 km northwest of the town of Hinton, Alberta which is located on Highway 16, between Edmonton and Jasper. The property may be accessed by various oil field and forestry service roads. The Hinton Coal Project area is centered approximately on Township 51, Range 26 W5.

East Energy acquired the mineral rights (Coal Lease No. 1306080739) under an Assignment Agreement dated June 23, 2008 between East Energy and Alter Nrg. Coal tenure was held by Alter Nrg, under one Alberta Government Mineral Agreement as shown on Table 6.1. Boundaries are located by sections and legal sub-divisions on-line through the coal maps of the Department of Energy of the Alberta Provincial Government. The Hinton Coal Project covers an area under tenure of 6,880 ha. This area consists of one contiguous block of leases as shown on Figure 6.1. The resource area is situated over approximately 1,225 ha within the coal tenures.

There are no areas of previous underground or surface mining within the Hinton Coal Project area. There are no known hazards or environmental liabilities related to abandoned open pit areas or mined out underground areas. The author is not aware of the survey status of the property other than the locations shown on standard government issued maps. These have been checked to confirm that the licenses and the application are properly located according to the NTS legal descriptions. The project is encumbered by Crown Coal Royalties that are payable on coal production.

| Agreement Number | Term Date | Area (ha) | Meridian/Range/Township | Sections |
|------------------|------------|--------------|-------------------------|----------|
| 013 13006080739 | 2006-08-04 | 640 | 5-26-051 | 14 |
| | 2006-08-04 | 640 | 5-26-051 | 23 |
| | 2006-08-04 | 640 | 5-26-051 | 24 |
| | 2006-08-04 | 640 | 5-26-051 | 25 |
| | 2006-08-04 | 640 | 5-26-051 | 26 |
| | 2006-08-04 | 480 | 5-26-051 | 27 |
| | 2006-08-04 | 640 | 5-26-051 | 34 |
| | 2006-08-04 | 640 | 5-25-051 | 29 |
| | 2006-08-04 | 640 | 5-25-051 | 30 |
| | 2006-08-04 | 640 | 5-25-051 | 31 |
| | 2006-08-04 | 640 | 5-25-051 | 32 |

TABLE 6.1 HINTON COAL PROJECT COAL LEASE TENURES

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7 ACCESSIBILITY, CLIMATE, LOCAL RESOURCES, INFRASTRUCTURE AND PHYSIOGRAPHY

The Hinton Coal Property is owned by East Energy and is accessible via Highway 40, north from Highway 16. The average annual daily temperature of the area is 8°C with an average summer maxima of 21° C and a winter minima of -18° C. Winds from the west predominate with average speeds of 7 km/hr to 8 km/hr. The average annual precipitation is 562 mm of which 436 mm is recorded as direct rainfall. The average annual snowfall is 176 cm. The area has a continental climate with cold, dry winters and warm summers. Annual weather averages are:

- high temperature: 21°C; •
- low temperature: -18°C; and •
- precipitation: 562 mm. ٠

The Hinton Coal Property is located in central Alberta approximately 306 km west of Edmonton, and is readily accessible by Highway 40 and a network of secondary oil and gas roads that extend from Highway 16. The closest major centre is the town of Hinton, located approximately 19 km to the south-east.

The Project topography is typified by rolling, tree-covered terrain, with elevations ranging from 1,180 m to 1,360 m above sea level, underlain by bedrock with thin till cover. The primary topographic features are: a northeast-southwest trending ridge in the east half of the property; a northwest-southeast trending ridge in the west half of the property; and a southwest-draining creek system which is fed from Peppers Lake which bounds the north side of the lease.



8 HISTORY

In the Hinton lease the first modern coal exploration commenced in 1974 and was conducted by Union Oil. This drilling program was conducted over a much larger area than the present lease encompasses, but did result in four holes being drilled within the current area of interest.

Subsequent drilling programs were conducted by Manalta in 1990 and 1992. These programs resulted in an additional eighty-three holes being drilled in or around the current lease. These were a combination of rotary and core holes.

In June of 2008, East Energy Corp. acquired the Hinton leases discussed in this report from Alter NRG Ltd. of Calgary, Alberta.

No further exploration work has been done since 1992.



9 GEOLOGICAL SETTING

The Hinton Coal Property is located in the foothills region of west central Alberta. Regionally, the strata in this area lie on the western limb of the Entrance Syncline. Beds generally strike northwest-southeast and dip gently in a northeast direction. Coarse clastic rocks of the Entrance Conglomerate form the basement below the coal-bearing Coalspur Formation.

The coal seams are contained in eleven coal zones within the upper portion of the Coalspur Formation. These coal zones are Upper Cretaceous – Tertiary in age and lie near the top of the Boundaries Group, under the Paskapoo Formation. A table of stratigraphy is shown on Figure 9-1. The bedrock sequence is overlain by a variable thickness of glacially derived deposits, namely till. Typical geological cross sections, with the coal zones, are shown on Figures 9-2 to 9-5, respectively. Figure 9-6 is an illustration showing the locations where the sections were drawn.

9.1 STRATIGRAPHYY

The Hinton coal measures constitute the Upper Cretaceous – Tertiary Ardley coal zone of the Coalspur Formation of the Saunders Group. The coal deposits are considered to represent swamp or marsh habitats associated with clastic sediments, including siltstone, sandstone and mudstone, deposited in shallow water basins or lakes. White bentonitic ash layers intercalated with these sediments represent volcanic ash fall deposits generated from volcanic activity to the west. The Coalspur Formation coals are equivalent to the Edmonton Group Ardley coals on the Alberta Prairies. The Formation consists of irregularly bedded non-marine sediments considered to have originated within deltaic environments adjacent to the margins of the Bearspaw Sea and in alluvial plain environments between shorelines and uplifted areas to the west. Locally, the Coalspur Formation contains up to fifty-five correlatable coal seams within eleven zones, with a stratigraphic thickness of about 45 m of coal in 300 m of coal-bearing section. Bentonitic layers are common within this zone. Correlation of coal beds within the lease areas is not difficult but seam thickness variations and pinch-outs are common. Channelling, or complete replacement of coal beds by sandstone units is a less common feature.

9.2 STRUCTURE

Regionally, the Coalspur Formation sediments trend along the east-dipping limb of the Entrance Syncline, dipping 10° to 12° to the northeast. Minor structures (faulting and folding) affecting the coal seams are known to occur on other properties along strike, but the current data spacing on the Hinton Property has not yet identified any such irregularities.



10 DEPOSIT TYPES

The definition of "Deposit Type" for coal properties is different from that applied to other types of geologic deposits. Criteria applied to coal deposits for the purposes of determination of coal resources and reserves include both "Geology Type" as well as "Deposit Type". For coal deposits this is an important concept because the classification of a coal deposit as a particular type determines the range of limiting criteria that may be applied during the estimation of Reserves and Resources.

"Geology Type" for coal deposits is a parameter that is specified in Geological Survey of Canada Paper 88-21, which is a reference for coal deposits as specified in NI 43-101. Coal "Geology Type" is a definition of the amount of geological complexity, usually imposed by the structural complexity of the area. The classification of a coal deposit by "Geology Type" determines the approach to be used for the Resource/Reserve estimation methodology and the limits to be applied to certain key estimation criteria. The identification of a particular Geology Type for a coal property defines the confidence that can be placed in the extrapolation of data values away from a particular drill hole.

The classification scheme of GSC Paper 88-21 is similar to many other international coal reserve classification systems but it has one significant difference. This system is designed to accommodate differences in the degree of tectonic deformation of different coal deposits in Canada. Four classes are provided for that range from the first (low), which is for deposits of the Plains type with low tectonic disturbance, to the fourth (severe), which is for Rocky Mountains type deposits.

The Hinton Coal Property is presently characterized by relatively simple geology both with respect to stratigraphy and structure – its Geology Type is "Moderate". The stratigraphic complexity, although low, is evident in the number of splits of mineable thickness that may be present in any given coal seam, and the degree to which these may persist laterally throughout the property, or die out or coalesce with other coal units. Structural complications in the area are expected to be relatively minor but are yet to be identified by drilling. These structures may have some impact on mining.

"Deposit Type" as defined in GSC Paper 88-21 refers to the extraction method most suited to the coal deposit. There are four categories, which are "surface", "underground", "non-conventional", and "sterilized".

The Hinton Coal Property is a primarily surface mineable deposit, but there may be some underground resource potential in the thicker seams.



11 MINERALIZATION

For coal deposits, "mineralization" refers to coal development and coal seam stratigraphy.

The high volatile bituminous coal of the Hinton property is part of the Coalspur Formation. The coal seams are relatively consistent in nature but thickness variations from place to place do occur. A typical stratigraphic column for the seams is shown on Figure 11-1. There are fifty-five correlatable seams in eleven zones. The aggregate thickness of a typical section is about 45 m of coal in the Hinton Project area.

Inspection of geophysical logs of boreholes in the area indicates that the Coalspur Formation coal seams are intercalated with bentonite layers and shale. Individual seams are generally relatively thin, with thirteen seams having an average thickness of 0.6 m or more. Six of the coal zones could be amenable to bulk mining of a series of seams and their interburden. These zones range in thickness from 1.0 m to approximately 5.7 m.

Based on drill hole data, the ash content of individual seams can be relatively low, with 16 seams showing average raw ash contents of less than 25%. Another fourteen seams have raw ash contents ranging from the high twenties to greater than fifty percent. Twenty-five of the fifty-five seams have no quality data available, so based on geophysical logs, certain assumptions have been made about their raw ash content. Many of these seams have been assigned a raw ash of 45.5%.



12 EXPLORATION

For the Hinton Project, most of the exploration, by Union Oil and Manalta, has involved the drilling of rotary and core test holes and the collection of samples to determine proximate values of the coal quality. Further details of these activities are described in the next section of this report.

Except for reconnaissance geological mapping, there are no records of a significant amount of exploration work being conducted for coal in this area using other techniques.



13 DRILLING

Previous drilling carried out between 1974 and 1992 has resulted in eighty-seven coal exploration drill holes being drilled in or around the Hinton lease. For this report, the client supplied a drill hole database which included the available holes. The geological model that has been prepared for this evaluation includes these holes, with a total of 7,067 m drilled.

Table 13.1 shows the year in which the holes included in the database were drilled. Also shown is the total number of metres for each exploration period.

| Year | Number of Holes | Metres Drilled |
|-------|-----------------|----------------|
| 1974 | 4 | 429 |
| 1990 | 48 | 3,991 |
| 1992 | 35 | 2,648 |
| TOTAL | 87 | 7,067 |

TABLE 13.1 HINTON COAL PROPERTY EXPLORATION DRILLING

Drill holes in the database have survey coordinates for the collars. Further, these drill hole data, including, when available, geophysical logs, geologists' core/cuttings descriptions, sample intervals (core) and drillers' logs, have been compiled and transcribed into a digital database containing the "from", "to" and "thickness" of lithologic units per drill hole, including coal and till, coal seam identification as well as analytical results from coal samples.



14 SAMPLING METHOD AND APPROACH

Typical procedures for sampling of coal seams at the Hinton Coal Property involved coring or the use of rotary drilling. Programs were carried out in 1974, 1990 and 1992 by Union Oil and Manalta Coal Limited.

Cores were examined following retrieval and all field sub-samples were then sealed before being forwarded to the laboratory for testing and analysis.



15 SAMPLE PREPARATION, ANALYSES AND SECURITY

Samples collected from drill core and cuttings are submitted for analysis using methods that are standard for the coal industry. The specific process used is described below:

- 1. Core from the drill hole is logged (i.e. measured and described) using standard geological terms to document various attributes including lithology, color, hardness and grain size.
- 2. Each core hole is subject to a down-hole geophysical logging program. The logging program usually produces a geophysical log suite consisting of caliper, density (gamma-gamma), natural gamma and resistivity trace. The geophysical logs are used to identify rock types, including coal intersected in the hole.
- 3. Coal intervals are collected in a plastic-lined core barrel. The core tubes are opened and logged by a geologist. The geologist's core log consists of the measured thickness and description of the coal, inter-seam partings, adjacent roof and floor rock, and details of any sample intervals removed for analysis.
- 4. Recovered core is measured to determine an overall recovery (reported in percent) by comparing the recovered core length with the coring run length recorded by the driller. Recovered core is measured and compared to the coal interval thickness determined from the geophysical log suite.
- 5. Collected samples are cleaned of any mud contamination and placed in individual plastic bags. The bags are labelled on the outside with both the core hole and sample number and sealed with plastic tape to prevent excessive moisture loss. The sample bags are placed together in a collection bag for the core hole before being placed in palletized containers and shipped to an independent lab for analysis.

In coal work, additional special security methods for the shipping and storage of samples are not commonly employed, as coal is a relatively low value bulk commodity.



16 DATA VERIFICATION

East Energy provided Hinton Coal Property data to Norwest in digital format for validation and subsequent use in geological modeling and resource estimation work. Norwest reviewed all of the test hole geophysical logs throughout the project area for data quality and file content.

The property has been visited by an independent qualified person, who is a staff member of Norwest and his certificate attesting to this is included in Section 24.

16.1 DIGITAL DATA

Digital geological data are stored in an electronic database and include drill hole collar coordinates, lithology, coal seam intercepts, and coal quality information. Norwest uses MineSight® to interpret and model the geologic data.

In the process of validating the geological data and interpretation for the Hinton area Norwest first reviewed, verified, and completed any necessary edits of the source data files. The geological database addressed by Norwest included eighty-seven drill holes.

Verification procedures included the following activities:

- 1. review of the drill hole collar data to eliminate any obvious location control problems;
- 2. review of seam tops and bottoms;
- 3. review of lithology files;
- 4. review of coal seam interpretations and correlations;
- 5. review of coal seam density data; and
- 6. review of the coal quality database.

The data and/or interpretations are a reasonable representation of the geology of the Hinton area, as it is presently understood, based on the exploration and development drill hole data.

16.2 ORIGINAL DATA

Considering the large number of seams associated with this project, Norwest reviewed all of the available drill hole geophysical logs provided by East Energy. This review was done to evaluate the quality of the geological data generated and the extent to which exploration information was interpreted and recorded from downhole sources. As a result, some edits were required in the data. Considering the quality of the original drill hole data, Norwest is in agreement with the results and/or interpretations that have been produced.



17 ADJACENT PROPERTIES

This technical report does not utilize any data and/or interpretations from adjacent properties.



18 MINERAL PROCESSING AND METALLURGICAL TESTING

The equivalent terminology, which will be used in this report for a coal property is "Coal Quality and Processing".

18.1 COAL QUALITY AND PROCESSING

In west- central Alberta, the near-surface coals of the Coalspur Formation are ranked High Volatile C Bituminous. This coal is a medium rank, consolidated, black coal that produces between 22,000 and 25,000 kilojoules per kilogram (kJ/kg) on an as-received basis when burned. The coal has moderate moisture content and is bright to dull in lustre, medium hard and often has a blocky texture.

18.2 COAL QUALITY TESTING

Each coal core sample is generally subjected to a number of analyses, with the most common described below:

Proximate Analysis

Determination of moisture, ash, volatile matter and fixed carbon in a sample. The fixed carbon is determined by difference and the four components total 100%.

Sulphur

Determination of the percent of sulphur in a sample. In lieu of documented sulphur analyses, and based on data from surrounding properties along the same strike trend, the Hinton Project coals are assumed to have low sulphur contents, usually less than 1%.

Heating Value

This is a very important parameter with respect to thermal coals. It is traditionally referred to as "calorific value" and is the determination of the amount of energy in kilojoules per kilogram of sample.

No data was provided to indicate that any Ultimate analyses of coal samples had been performed on this property.

Norwest is of the opinion that the spacing of available coal quality data for the seams used in the geological and mining model is adequate for characterization of the in-place quality parameters. In the Hinton area the summary in-place coal quality, by Seam, is shown in Table 18.1.



TABLE 18.1 HINTON COAL PROJECT SUMMARY IN-PLACE COAL QUALITY

| Seam Zone | Seam/Ply | Moist (ARB) | Prox_Ash (ARB) | Calorific_Value kJ/kg (ARB) |
|-----------------|-----------|----------------|-------------------|-----------------------------------|
| Upper Val D'Or | • | | • | |
| | UV4 | 10.51 | 15.58 | 23,925 |
| | UV6 | 10.23 | 28.65 | |
| Val D'Or | | | | |
| | V2 | 9.33 | 19.32 | |
| | V3 | 10.23 | 24.48 | |
| | V4 | 16.24 | 25.13 | |
| Arbour | | | | |
| | A4 | 8.89 | 32.84 | |
| | A5 | 11.18 | 19.73 | |
| | A6 | 13.17 | 44.80 | |
| | A7 | 12.17 | 27.23 | |
| | A8 | 9.90 | 25.08 | |
| | A9 | 10.28 | 20.48 | |
| McLeod | | | | |
| | Mc3 | | 15.97 | 23,982 |
| | Mc4 | | 16.77 | 22,972 |
| McPherson | | | | |
| | Mp1 | 10.31 | 14.60 | 24,245 |
| | Mp2 | 10.24 | 21.94 | 21,779 |
| | Мр3 | | 39.14 | |
| | Mp4 | 8.59 | 24.91 | |
| | Mp 3+4 | | 30.07 | |
| | Mp5 | 10.09 | 26.78 | |
| | Mp6 | 12.78 | 20.65 | 21,390 |
| Upper Silkstone | | | | |
| | US2 | | 14.92 | 23,924 |
| | US3 & US4 | | 12.10 | 25,040 |
| Silkstone | | | | |
| | S1 | 16.90 | 41.18 | |
| | S4 | 10.82 | 26.47 | |
| Upper Mynheer | | | | |
| | UM2 | | 17.55 | 23,097 |
| | UM3 | 9.54 | 31.91 | |
| Middle Mynheer | | 1 | T | 1 |
| | MMR | 9.65 | 15.96 | |
| | MM1 | 10.42 | 20.37 | |
| | MM2 | 11.27 | 19.43 | |
| | MM3 | 11.16 | 29.21 | |



19 MINERAL RESOURCE AND MINERAL RESERVE ESTIMATES

The following is a discussion of the criteria and results obtained for coal resource estimation on the Hinton Coal Property of East Energy. In accordance with NI 43-101 and the CIM Definition Standards, a Qualified Person employed by Norwest, supervised the data validation and the resource estimation and classification work. The certifications for the Qualified Person are provided in Section 24 of this report.

19.1 APPROACH

In accordance with National Instrument 43-101, Norwest has used the referenced document, the Canadian Institute of Mining, Metallurgy and Petroleum "Definition Standards on Mineral Resources and Reserves" adopted by CIM Council on December 11, 2005" ("CIM Definition Standards") and, as appropriate, the Geological Survey of Canada Paper 88-21 "A Standardized Coal Resource/Reserve Reporting System for Canada" ("GSC Paper 88-21") during the classification, estimation and reporting of coal resources for the Hinton coal project.

Norwest's approach included the following tasks:

- Norwest used MineSight® software to construct a gridded seam model of the Hinton Coal Property area in order to estimate volumes for in-place coal resources. All seams were modeled to provide the required inputs for volume estimation. Volumes were converted to tonnage by the application of density values representative of the coal seam modeled.
- A Norwest qualified person visited the site. There are no coal exposures or evidence of past mining.
- Laboratory analyses results were reviewed. Seam density values were obtained from information provided by East Energy and by reference information provided in GSC 88-21.
- Coal thicknesses were confirmed for 87 drill hole log files supplied by East Energy
- East Energy's coal tenure boundaries were checked using descriptions and maps provided by East Energy and those obtained from the Government of Alberta.
- The level of geological complexity was established through the review of the geological maps, sections, and construction of computer models.
- Review of the drill hole spacing to classify the resources and reserves was accomplished through the inspection of drill hole location maps.



Description of Assumptions and Criteria

The following assumptions and criteria have been used in the resource estimate:

- Geological Type is Moderate for resources suitable for surface mining;
- minimum seam thickness of 0.6 m;
- bank ratio does not exceed 20:1 bcm of waste/coal tonne;
- maximum parting thickness of 0.15 m;
- maximum raw ash of 35%; and
- data spacing is consistent with GSC Paper 88-21 requirements.

19.2 COAL RESOURCE ESTIMATION

The term "resource" is utilized to quantify coal contained in seams occurring within specified limits of thickness and depth from surface. The term "resource" refers to the in-place inventory of coal that has 'reasonable prospects for economic extraction'. Coal resources are always reported as in-place tonnage and not adjusted for mining losses or recovery. However, minimum mineable seam thickness, maximum removable parting thickness and maximum raw ash are considered.

Resources are classified as to the assurance of their existence into one of three categories, Measured, Indicated or Inferred. The category to which a resource is assigned depends on the level of confidence in the geological information available (CIM Definition Standards). GSC Paper 88-21 provides guidance for categorizing various types of coal deposits by levels of assurance. These were considered during the classification of the resources.

In-place resources within the Hinton Coal Property, summarized in Table 19.1, cover an area of approximately 1,225 ha. These resources include all Coalspur Formation coal seams that meet the assumptions and criteria defined in Section 19.1.



TABLE 19.1 HINTON COAL PROJECT COAL RESOURCE SUMMARY AS AT JUNE 17, 2008

| ASTM Group | In-Place Coal Resources from Surface Down to 12:1 Strip Ratio (tonnes)* | | | |
|-----------------|--|-----------|-----------|--|
| | Measured | Indicated | Inferred | |
| HV C Bituminous | 47,032,000 | 2,557,000 | 161,000 | |
| Total | 49,589,000 | | 161,000 | |
| ASTM Group | In-Place Coal Resources from 12:1 Down to 20:1 Strip Ratio (tonnes)* | | | |
| | Measured | Indicated | Inferred | |
| HV C Bituminous | 33,339,000 23,838,000 | | 8,559,000 | |
| Total | 57,1 | 8,559,000 | | |
| Total Pasauroas | Measured and Indicated | | Inferred | |
| iotal Resources | 106,7 | 8,720,000 | | |

*Resources tabulated are those suitable for surface mining.



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20 OTHER RELEVANT DATA AND INFORMATION

20.1 CLASSIFICATION OF LANDS FOR COAL EXPLORATION AND DEVELOPMENT

The Alberta Government has classified Provincial lands into four categories with respect to coal exploration and development. The Hinton Property falls within Category 4 lands. The permitted or restricted exploration and development activity in each category is as follows:

Category 1

No exploration or commercial development will be permitted in Category 1 lands. This category includes National Parks, present or proposed, settled urban areas and major lakes and rivers. These are areas for which it has been determined that alternative land uses have a higher priority than coal activity. Category 1 also includes most areas associated with high environmental sensitivity; these are areas for which reclamation of disturbed lands cannot be assured with existing technology and in which the watershed must be protected.

Category 2

Limited exploration is desirable and may be permitted in Category 2 lands under strict control but commercial development by surface mining will not normally be considered at the present time. This category contains lands in the Rocky Mountains and Foothills for which the preferred land or resource use remains to be determined, or areas where infrastructure facilities are generally absent or considered inadequate to support major mining operations. In addition this category contains local areas of high environmental sensitivity in which neither exploration nor development activities will be permitted. Underground mining or in-situ operations are deemed to be environmentally acceptable.

Category 3

Exploration is desirable and may be permitted in Category 3 lands under appropriate control but development by surface or underground mining or in-situ operations will be approved subject to proper assurances respecting protection of the environment and reclamation of disturbed lands and as the provision of needed infrastructure is determined to be in the public interest. This category covers the Northern Forested Regions and eastern portions of the Eastern Slopes Region. It also includes Class 1 and Class 2 agricultural lands in the settled regions of the Province. Although lands in this category are generally less sensitive from an environmental standpoint than the lands in Category 2, the Government will require appropriate assurances, with respect to surface mining operations on agricultural lands, that such lands will be reclaimed to a level of productivity equal to or greater than that which existed prior to mining.



Category 4

Exploration may be permitted in Category 4 lands under appropriate control and surface or underground mining or in-situ operations may be considered subject to proper assurances respecting protection of the environment and reclamation of disturbed lands. This category covers the parts of the Province not included in the other three categories.



21 INTERPRETATION AND CONCLUSIONS

The East Energy lands at the Hinton Property are underlain by coal seams that are dipping at about twelve degrees and generally demonstrate lateral stratigraphic continuity, influenced by minor thickness variations and, possibly, small scale structural irregularities. The geology type is Moderate according to guidelines set forth in Geological Survey of Canada Paper 88-21.

The verification of the local geology and the calculation of resources were accomplished through the preparation of a computer model using MineSight® geological modeling software.

The density of drilling on this property was adequate for the delineation of in-place resources. To June 17, 2008, the East Energy resources at the Hinton Property are estimated to be 106,766,000 tonnes of Measured and Indicated plus 8,720,000 tonnes of Inferred resources. All of the resources are considered suitable for surface mining.



22 RECOMMENDATIONS

The Hinton Coal Property database comprises data from previous exploration and development programs. The review of the data as well as the development of a new geological model and subsequent calculations of resources has demonstrated that the integrity of the data utilized and the subsequent resource estimates are good.

It is recommended that East Energy continue to review coal seam data and update the geological database and model to reflect any additional data.



23 REFERENCES

Canadian Institute of Mining, Metallurgy, and Petroleum (CIM). 2005. CIM Definition of Standards – For Mineral Resources and Mineral Reserves, 10 pp.

Canadian Securities Administrators. 2005. National Instrument 43-101 - Standards of Disclosure for Mineral Projects, Form 43-101 and Companion Policy 43-101CP. Ontario Securities Commission Bulletin, Volume 28, Issue 51, pp. 10355-10367 (Rules and Policies) pp. 10368-10374 (Form 43-101F1 Technical Report, Table of Contents) and pp. 10375-10383 (Companion Policy 43-101CP to National Instrument 43-101 Standards of Disclosure for Mineral Projects).

Alberta Geological Survey – Coal Geology – Coal Compilation Project – Entrance NTS 83F/5 (1990) Richardson, R.J.H., Langenberg, C.W., Chao, D.K., Fietz, D.

Alberta Geological Survey – Coal Resources of the Western Canada Sedimentary Basin, Chapter 33, Smith, G.G., Cameron, A.R., Bustin, R.M.

CIM First District Five Meeting (1983), The Coalspur Beds – Regional Variations and Correlations, Engler, R.F.

University of Alberta, Structural Geology of the Luscar-Sterco Mynheer A Zone, Coal Valley, Alberta, (1977), Alexander, F.J.



24 DATE AND SIGNATURE PAGE



CERTIFICATE OF QUALIFICATIONS

I, Ted Hannah, P. Geol., do hereby certify that:

1. I am currently employed as Vice President, Geology by:

Norwest Corporation Suite 2700, 411 – 1st Street SE., Calgary, Alberta, Canada T2G 4Y5

- 2. I graduated with a Bachelor of Science degree from the University of New Brunswick in 1973.
- 3. I am a member of the Association of Professional Engineers, Geologists and Geophysicists of Alberta, (#22009) the Association of Professional Engineers and Geoscientists of British Columbia (#27030), and the Association of Professional Engineers and Geoscientists of Saskatchewan (#14914).
- 4. I have worked as a geologist for more than 35 years since my graduation from university.
- 5. I have read the definition of "qualified person" set out in National Instrument 43-101 ("NI 43-101") and certify that by reason of my education, affiliation with a professional association (as defined in NI 43-101) and past relevant work experience, I fulfill the requirements to be a "qualified person" for the purposes of NI 43-101.
- 6. I am responsible for the preparation of all sections of the report titled "Technical Report East Energy Corp. Lands, Hinton Coal Property, Alberta" dated July 25, 2008 (the "Technical Report).
- 7. I am not aware of any material fact or material change with respect to the subject matter of the Technical Report that is not reflected in the Technical Report, the omission to disclose which makes the Technical Report misleading.
- 8. I am independent of the issuer applying all of the tests in Section 1.5 of National Instrument 43-101.
- 9. I have read National Instrument 43-101 and Form 43-101F1, and the Technical Report has been prepared in compliance with that instrument and form.

Dated this 25th Day of July, 2008.

"ORIGINAL SIGNED AND SEALED BY AUTHOR"

Ted Hannah, P. Geol. Vice President, Geology



CONSENT of AUTHOR

TO: Commission des Valeurs Mobilieres du Quebec Ontario Securities Commission Manitoba Securities Commission Saskatchewan Financial Services Commission – Securities Division Alberta Securities Commission British Columbia Securities Commission

I, Ted Hannah, do hereby consent to the public filing of the Technical Report titled "Technical Report East Energy Corp. Lands Hinton Coal Property, Alberta" dated July 25, 2008 (the Technical Report) and to extracts from or a summary of the Technical Report by East Energy Corp.

Dated this 25th Day of July, 2008.

"ORIGINAL SIGNED AND SEALED BY AUTHOR"

Signature of Qualified Person

<u>Ted Hannah, P. Geol.</u> Print name of Qualified Person



CERTIFICATE OF QUALIFICATIONS

I, Craig Acott, P. Eng., do hereby certify that:

1. I am currently employed as President by:

Norwest Corporation Suite 2700, 411 – 1st Street SE., Calgary, Alberta, Canada T2G 4Y5

- 2. I graduated with a Masters of Science degree from the University of Alberta in 1981.
- 3. I am a member of the Association of Professional Engineers, Geologists and Geophysicists of Alberta, (Member #33264).
- 4. I have worked as an engineer for more than 26 years since my graduation from university.
- 5. I have read the definition of "qualified person" set out in National Instrument 43-101 ("NI 43-101") and certify that by reason of my education, affiliation with a professional association (as defined in NI 43-101) and past relevant work experience, I fulfill the requirements to be a "qualified person" for the purposes of NI 43-101.
- 6. I personally visited the site on December 13, 2006.
- 7. I am not aware of any material fact or material change with respect to the subject matter of the Technical Report that is not reflected in the Technical Report, the omission to disclose which makes the Technical Report misleading.
- 8. I am independent of the issuer applying all of the tests in Section 1.5 of National Instrument 43-101.
- 9. I have read National Instrument 43-101 and Form 43-101F1, and the Technical Report has been prepared in compliance with that instrument and form.

Dated this 25th Day of July, 2008.

"ORIGINAL SIGNED AND SEALED BY AUTHOR"

Craig Acott, P. Eng. President



CONSENT of AUTHOR

TO: Commission des Valeurs Mobilieres du Quebec Ontario Securities Commission Manitoba Securities Commission Saskatchewan Financial Services Commission – Securities Division Alberta Securities Commission British Columbia Securities Commission

I, Craig Acott, do hereby consent to the public filing of the Technical Report titled "Technical Report East Energy Corp. Lands, Hinton Coal Property, Alberta" dated July 25, 2008 (the Technical Report) and to extracts from or a summary of the Technical Report by East Energy Corp.

Dated this 25th Day of July, 2008.

"ORIGINAL SIGNED AND SEALED BY AUTHOR"

Signature of Qualified Person

Craig P. Acott, P. Eng. Print name of Qualified Person



25 ADDITIONAL REQUIREMENTS FOR TECHNICAL REPORTS ON DEVELOPMENT PROPERTIES AND PRODUCTION PROPERTIES

There is no additional information that applies. This property has not yet advanced to a development stage.



26 **ILLUSTRATIONS**

| FIGURE 4-1 | LOCATION MAP | Follows Section 26 |
|-------------|--|--------------------|
| FIGURE 6-1 | COAL OWNERSHIP MAP | Follows Section 26 |
| FIGURE 9-1 | STRATIGRAPHIC TABLE | Follows Section 26 |
| FIGURE 9-2 | GEOLOGICAL CROSS SECTION A-A' | Follows Section 26 |
| FIGURE 9-3 | GEOLOGICAL CROSS SECTION B-B' | Follows Section 26 |
| FIGURE 9-4 | GEOLOGICAL CROSS SECTION C-C' | Follows Section 26 |
| FIGURE 9-5 | GEOLOGICAL CROSS SECTION D-D' | Follows Section 26 |
| FIGURE 9-6 | GEOLOGICAL CROSS SECTIONS LOCATION MAP | Follows Section 26 |
| FIGURE 11-1 | COAL ZONE STRATIGRAPHIC COLUMN | Follows Section 26 |
| FIGURE 19-1 | COAL RESOURCE MAP | Follows Section 26 |



















