

OFFER DOCUMENT

Offer by

EASTERN CORPORATION LIMITED

to acquire all of your fully paid shares in

GALILEE ENERGY LIMITED

**THE OFFER IS 1 ECU SHARE
FOR EVERY 7 OF YOUR GEL SHARES.**

THIS IS A NEW OFFER.

**THE PREVIOUS OFFER DATED 10 FEBRUARY 2010
FOR YOUR GEL SHARES HAS LAPSED.**

If you have any questions about the Offer or this document or about how to accept the Offer, please call Eastern Corporation Limited on (07) 3216 1155 (for callers within Australia) or +61 7 3216 1155 (for callers outside Australia).

This document contains important information and requires your immediate attention. If you are in any doubt as to how to deal with this document, you should consult your legal, financial or other professional adviser immediately.

IMPORTANT DATES

Date of Offer Document:

20 April 2010 (Offer Date)

Offer period ends:

5pm Eastern Standard Time on 28 May 2010 (unless extended or withdrawn)

IMPORTANT NOTICES

THIS OFFER DOCUMENT IS NOT A PROSPECTUS NOR A BIDDER'S STATEMENT AND HAS A LOWER LEVEL OF DISCLOSURE REQUIREMENTS THAN A PROSPECTUS OR A BIDDER'S STATEMENT. IT HAS NOT BEEN, NOR IS IT INTENDED TO BE, LODGED WITH THE AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION. POTENTIAL INVESTORS SHOULD OBTAIN PROFESSIONAL INVESTMENT ADVICE BEFORE ACCEPTING THE OFFER UNDER THIS OFFER DOCUMENT.

Investment Decisions

This Offer Document does not take into account the individual investment objectives, financial situation and particular needs of each GEL Shareholder. You may wish to seek independent financial and taxation advice before making a decision as to whether or not to accept the Offer for your GEL Shares.

Privacy

ECU has obtained your information from the register of GEL Shareholders for the purpose of making the Offer and, if accepted, administering your holding of GEL Shares. The *Corporations Act* requires the names and addresses of GEL Shareholders to be held in a public register. Your information may be disclosed to ECU's related bodies corporate and external service providers. It may also be required to be disclosed to regulators such as ASIC.

Defined Terms

Terms used in this Offer Document and the Offer are defined in Section 11 below.

Foreign Shareholders

It is your sole responsibility to satisfy yourself that you are permitted by any foreign law applicable to you to accept the Offer. You should note that the Offer has been conducted in accordance with the laws enforced in Australia. The disclosure requirements in relation to the Offer applicable in Australia may differ from those applying in your jurisdiction. Foreign shareholders may have difficulties in enforcing their rights and any claims they may have arising under the laws of their jurisdiction. It may also be difficult to compel ECU to subject itself to a foreign court's judgment.

The securities offered under this Offer Document have not been and will not be registered under the US Securities Act of 1933 (**Securities Act**), as amended, or other securities laws of any jurisdiction of the US and therefore may not be offered or sold in the US without registration or an applicable exemption from the registration requirements of the Securities Act. **This Offer Document does not constitute an offer to issue or to sell or the solicitation of any offer to buy any such securities or any securities to be issued in exchange for such securities in any jurisdiction in which the issue of shares under the Offer would be unlawful.**

Forward Looking Statements

This Offer Document includes certain forward looking statements. If such statements relate to future matters, they are subject to inherent risks and uncertainties. These risks and uncertainties include factors and risks specific to the industry in which ECU operates as well as matters such as general economic conditions, many of which are outside the control of ECU and its directors. These factors may cause the actual results, performance or achievements of ECU, and the merged entity of ECU and GEL if the Offer is successful, to differ, perhaps materially, from the results, performance or achievements expressed or implied by those forward looking statements. The past performance of ECU or GEL is not a guarantee of future performance.

Disclaimer as to Information

Information in this document has been prepared based on publicly available information. ECU has not verified publicly available information. Accordingly, subject to the *Corporations Act*, ECU does not make any representation or give any express or implied warranty as to the accuracy or completeness of such information.

Recipients to Conduct Own Investigations

This Offer Document does not, and does not purport to, contain all the information that GEL Shareholders and their advisers would desire or require in reaching decisions concerning the Offer and ECU. Recipients must form their own views as to what information is relevant to such decisions.

GEL Shareholders acknowledge that they will make their own independent investigations of the information contained or referred to in this Offer Document and their own appraisal of ECU. GEL Shareholders must obtain their own independent legal, financial and other advice in relation to information in this Offer Document or otherwise made available to them. Each GEL Shareholder is responsible for making its own decision whether to accept the Offer.

No Representation

Neither ECU nor any of its directors, officers, agents or representatives (**Representatives**) make any representation or warranty, express or implied, as to (or assumes any responsibility or liability for any loss or damages suffered in connection with) the content, adequacy, origin, validity, reliability, accuracy, legality or completeness of any information, statement, opinion or forecast contained in this Offer Document. The Company and its Representatives do not accept any responsibility or liability (except liability that cannot lawfully be excluded) for any reliance placed on the contents of this Offer Document by GEL Shareholders. The information contained in this Offer Document has not been independently verified by ECU unless otherwise stated expressly in this Offer Document. The contents of this Offer Document are based on information available as at the Offer Date.

No Updating

ECU and its Representatives do not:

- intend to undertake to update or otherwise revise the Offer Document; or
- accept any responsibility to inform GEL Shareholders of any matter arising from or coming to their notice, which may affect any matter referred to in the Offer Document.

Competent Persons Statement

The information in this Offer Document that relates to Mineral Resources for EP 40-591 is based on information compiled by Mr Ian Poppitt who is a Member of the Australian Institute of Mining and Metallurgy. Mr Poppitt is a Consultant Geologist working for Rokmode Pty Ltd.

Mr Poppitt has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Poppitt has consented in writing to the inclusion in this Offer Document of the matters based on the information in the form and context it appears.

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SECTION 1 SUMMARY OF THE OFFER

This summary of the Offer provides a general overview only and should be read together with the detailed information set out in the remainder of this Offer Document.

The Offer	Eastern Corporation Limited (ECU) is offering to acquire all of the ordinary shares in Galilee Energy Limited (GEL) which ECU does not currently own.
Consideration	ECU is offering 1 ECU Share for every 7 ordinary shares in GEL. Entitlements to fractions shall be rounded up. As at the Date of this Offer, there are 927,782,562 GEL Shares on issue, of which 297,018,895 are held by GEL Shareholders other than ECU. If the Offer is successful, ECU would issue approximately 42,431,285 ECU Shares to acquire all of these GEL Shares. The ECU Shares issued as consideration under the Offer will have a deemed issue price of 34 cents, being the closing price on Friday, 16 April 2010. No transfer duty or brokers' commissions are payable by shareholders who accept the Offer.
Key Dates	Date of Offer Tuesday, 20 April 2010 Earliest date for close of Offer (unless extended or withdrawn) Friday, 28 May 2010
Conditions of the Offer	The Offer is subject to a number of conditions which are set out in full in Section 9 of this Offer Document.
How to accept the Offer	You may only accept the Offer in respect of all (and not part) of your GEL Shares. To accept the Offer, you must complete, sign and return the enclosed Acceptance Form in accordance with the instructions so that it is received before the end of the Offer Period.
Close of Offer	The Offer is scheduled to close at 5pm Australian Eastern Standard Time on Friday, 28 May 2010, unless extended or withdrawn by ECU.
Enquiries about the Offer	If you have any questions about the Offer or how to accept the Offer, please call Sam Aarons on (07) 3216 1155 or consult your legal or other financial or professional adviser. For questions regarding your holding of shares in GEL, please call GEL's Company Secretary, Bill Lyne, on (07) 3378 7673 or mobile 0418 874 175.

REASONS TO ACCEPT THE ECU OFFER

- Increased consideration from Previous Offer**
- ECU has secured commitments from GEL Shareholders holding 26.25% of GEL Shares to accept the Offer**
- Increased liquidity of investment for GEL Shareholders**
- Synergy between ECU and GEL assets with potential to unlock value for all shareholders**
- Increased fundraising capability for development of Galilee Project**
- You may be eligible for tax rollover relief**
- You should incur no brokerage.**

**If you wish to accept this Offer
you must return the signed Acceptance Form
by 5pm Australian Eastern Standard Time on Friday, 28 May 2010.**

SECTION 2 LETTER FROM THE CHAIRMAN

Dear GEL Shareholder,

Offer for GEL Shares

Enclosed is an Offer by Eastern Corporation Limited (**ECU**) to acquire all of your ordinary shares in Galilee Energy Limited (**GEL**). This is a new Offer. The previous offer dated 10 February 2010 to acquire all of your ordinary shares in GEL lapsed on 19 April 2010 and did not proceed, as the conditions of that offer were not satisfied or waived in accordance with the terms of that offer.

Under the new Offer, GEL Shareholders will receive 1 ECU Share for every 7 GEL Shares. Based on the last closing price for ECU Shares of 34 cents on Friday, 16 April 2010, this Offer values each GEL Share at 4.9 cents per share. This represents an increase in consideration from the previous offer.

The new Offer is subject to a number of conditions which are set out in this document, including ECU having received valid acceptances which result in ECU holding at least 90% percent of GEL Shares and ECU obtaining the required shareholder approvals to proceed with the transaction and issue the ECU Shares.

The Company has entered agreements with a number of GEL Shareholders who together hold 243,509,194 GEL Shares (representing 26.25% of all GEL Shares), pursuant to which those GEL Shareholders have agreed, subject to various conditions, to accept the Offer.

The increased liquidity of investment for GEL Shareholders is a key reason why the Board of ECU believes you should accept this new Offer. Additionally, the ECU Board believes that there are synergies between ECU and GEL assets with the potential to unlock value for all shareholders and that upon completion of the Offer there will be increased fundraising capabilities for development of the Galilee Project. Further, you may be eligible for tax rollover relief if you accept the new Offer and you should incur no brokerage in accepting the Offer.

The new Offer is scheduled to close at 5pm Australian Eastern Standard Time on Friday, 28 May 2010. To accept the new Offer please follow the instructions set out in this document.

Please note that as the previous offer dated 10 February 2010 lapsed and did not proceed, if you accepted that offer your acceptance is void and you remain the holder of your GEL shares. If you wish to accept this new Offer, you will need to follow the instructions set out in this document.

If you have any questions about the new Offer, please don't hesitate to contact your broker, or your legal, financial or other professional adviser. You may also call ECU on (07) 3216 1155.

The Independent ECU Directors believe that the new Offer is in the best interests of both ECU and GEL Shareholders.

We look forward to receiving your acceptance and to welcoming you as an ECU shareholder.

Sincerely,



Richard May
Chairman
Eastern Corporation Limited

SECTION 3 REASONS TO ACCEPT ECU'S OFFER

ECU is offering the opportunity to participate in future growth via an offer of ECU Shares.

Increased consideration from Previous Offer

The consideration under the Offer has increased to that under the Previous Offer made by ECU which lapsed and did not proceed. Under the Previous Offer GEL Shareholders were to receive 1 ECU Share for every 9 GEL Shares. Based on the last closing price for ECU Shares on Tuesday, 9 February 2010 (being the day prior to making the Previous Offer) of 27.5 cents, the Previous Offer valued each GEL Share at 3.1 cents per share.

The consideration under the Offer is 1 ECU Share for every 7 GEL Shares. This represents an increase in the number of ECU Shares from the Previous Offer of approximately 28.5%. Additionally, based on the last closing price for ECU Shares on Friday, 16 April 2010 of 34 cents, this Offer values each GEL Share at 4.9 cents per share. This represents an increase in the value of GEL Shares on this basis of approximately 58% from the Previous Offer.

Offer to be accepted by GEL Shareholders holding 26.25% of GEL Shares

The Company has entered agreements with 8 GEL Shareholders (**Accepting Shareholders**) who together hold 243,509,194 GEL Shares (**Acceptance Shares**) (representing 26.25% of all GEL Shares), pursuant to which those GEL Shareholders have agreed, subject to various conditions, to accept the Offer. These agreements, together with ECU's holding in GEL could deter any other offer for GEL Shares.

Upon acceptance of the Offer by the Accepting Shareholders and, subject to the terms of the Offer, transfer of the Acceptance Shares to ECU, ECU will hold 94.25% of all GEL Shares.

Liquidity of investment

By accepting the Offer, GEL Shareholders will be provided with a substantially more liquid investment. GEL Shareholders would receive ECU Shares that can be traded on ASX (subject to any restrictions that ASX may impose under the Listing Rules). This contrasts with the current situation where there are limitations on the ability of GEL Shareholders to sell their shares and the potential buyers of those shares are largely restricted (in a practical sense) to other existing GEL Shareholders. As such there is a very limited market for holders of GEL Shares. Set out below is a summary of the most recent transfers of GEL Shares that have taken place (for other than nil consideration):

Date of Transfer	No of GEL Shares	Price per GEL Share
16 October 2008	700,000	\$0.05
23 October 2008	804,166	\$0.05
30 October 2008	1,533,333	\$0.05

Maintain Interest in Galilee Project

The scrip for scrip offer enables GEL Shareholders to continue to participate in the Galilee Project via their holding in ECU and obtain the benefit of any increase in the ECU Share price if the Galilee Project is successful. If the Offer is not successful and GEL Shareholders retain a minority interest in GEL, it is likely that the only practical exit for GEL Shareholders will be the outright sale of their investment if the Galilee Project is successful.

Value of Galilee Project

The revised ownership structure will provide clarity to the market with a single Board and management team. The merger of ECU and GEL would result in ECU owning 100% of the Galilee Project. The Independent ECU Directors believe this would have the potential to unlock the real value of the Galilee Project, which may in turn result in an increase to the current ECU share price. The Independent ECU Directors consider that the current ownership structure of the Galilee Project (with ECU as the majority owner of GEL) is a deterrent

to potential bidders or joint venture parties, as they are not dealing with a vendor who can necessarily deliver 100% of the asset.

Continuity of Board Representation

The Offer provides a position on the ECU Board for all existing independent directors of GEL and accordingly, GEL Shareholders will have continuity of representation through this expanded ECU Board.

Streamlined Management

The merger of ECU and GEL would deliver administrative and other cost savings for the Merged Group. As a result of GEL becoming a wholly owned subsidiary of ECU, there would no longer be a requirement to conduct separate monthly Board meetings of each company and financial, taxation and audit reporting requirements will be streamlined with consequent cost savings. The technical team of GEL will be provided positions in the Merged Group allowing seamless continuation of field activities.

Future Capital Requirements

A single Board will simplify the decision making process for fundraising requirements for the development of the Galilee Project.

In the event the Galilee Project moves to the next stage of testing and development it is likely that there will be a need for GEL to undertake one or more significant capital raisings to fund ongoing development costs. As an unlisted company, GEL has limited options for fundraising, generally raising its capital by way of rights issues to existing GEL Shareholders. If further rights issues were undertaken for development, currently GEL Shareholders (i.e., other than ECU) would need to meet approximately 32% of the capital needed for these costs. Should a GEL Shareholder not wish to participate in future GEL capital raisings, then their existing equity in GEL will most likely be diluted. By accepting the current ECU Offer, GEL Shareholders would have the option of either participating in future capital raisings through ECU or selling their holdings. By not accepting the ECU Offer, GEL shareholders would remain in an illiquid position.

Benefits for GEL

ECU currently conducts profitable operations through its coal mining operations in the South Island of New Zealand. In addition, ECU has coal permits in Queensland and New Zealand. In February 2010, the Board of ECU elected to exercise the Put Option in respect of the Queensland permit (Broughton), triggering the sale of ECU's 90% interest in the Broughton coking coal tenement EPC 818. The sale, for a consideration of \$8.5 million, is expected to complete in May 2010, subject to the satisfaction of certain conditions precedent. The cash from this sale, together with continuing cash flow from mining operations of ECU, would be available to fund GEL operations and may have the impact on reducing the extent of capital required to be raised if the Galilee Project moves to the next stage of testing and confirming available reserves.

No competing proposal

There is no other offer available for your GEL Shares.

Risks of not accepting

If ECU's Offer does not proceed, and no superior proposal is made, GEL Shareholders will retain shares in an unlisted public company.

Further, if you do not accept the Offer, you should be aware that if ECU becomes entitled to compulsorily acquire your GEL Shares it intends to exercise those rights.

SECTION 4 WHO IS EASTERN CORPORATION LIMITED?

4.1 Introduction

ECU is an emerging energy company targeting coal seam gas production in the Galilee Basin in Queensland through its existing 68% interest in Galilee Energy Ltd. ECU is also engaged in coal production and exploration in New Zealand. Currently, ECU also holds a majority interest in a coal exploration tenement in Queensland's Bowen Basin, however, this interest is the subject of a sale agreement discussed below.

4.2 Key Projects

Galilee Energy (ECU 68%) – Queensland Coal Seam Gas

ECU's interests in the Galilee Basin arise as a result of ECU holding a 68% interest in GEL which, if the Offer is successful, would increase. GEL holds Authorities to Prospect ATP 529P and ATP 799P near Longreach in Central Queensland. The areas are prospective for coal seam gas (CSG) and conventional hydrocarbons. ATP 529P is located approximately 80 km north west of the Barcardine gas power station which is linked by a gas pipeline to Moomba and Brisbane. ATP 799P is the adjoining tenement to the north. The estimated potential gas initially in place (GIIP) for both tenements is greater than 20 TCF*.

*JR Holland Rodney Creek 8 Well Completion Report

1) ATP 529P Galilee Basin (50% - JV with AGL Energy Ltd)

GEL (through its wholly owned subsidiaries) holds a 50% interest in ATP 529P together with its joint venture partner, AGL Energy Limited (AGL), who are the operator of this joint venture. In July 2007, GEL successfully completed the drilling and testing of an exploration well (RC8) in the Rodney Creek region targeting the Betts Creek and Aramac seam sequences drilled to a total depth of 1,110m. Results highlighted the prospectivity for CSG with a total combined seam thickness of 24.42m, permeability up to 69 millidarcies with a weighted average recorded of 30 millidarcies, gas composition range of 97% to 98% methane and gas content ranging from 2.93m³/tonne to 5.79 m³/tonne on a raw coal basis. The gross average value of 23 samples was 146.5 scf/tonne (4.15m³/tonne).

Further review of seismic and previous drill hole data led independent technical consultants to conclude that the coal seam sequences and gamma logs observed in RC8 correlate reasonably well with 12 previous drill holes and that there is continuity of the uppermost seam (R1) across a significant part of the Galilee Basin.

In July 2008 a farm-in agreement was signed with AGL acquiring a 50% interest in ATP 529P for an expenditure of \$37 million. Under the terms of the agreement AGL will operate a two stage programme comprising a 5 spot production pilot and a 7 well exploration programme with 500km of 2D seismic acquisition. The farm-in programme has been designed to combine both production and exploration elements with objectives to:

- demonstrate feasibility of commercial production; and
- obtain certification of a significant level of 2P reserves.

Drilling of the Glenaras 5 spot production pilot was completed in November 2008. Five wells were drilled to depths of approximately 1100 metres each using Ensign Rig 20. Two of the Glenaras wells have been under-reamed and three have been fracture stimulated. Progressive cavity pumps have been installed to dewater the coals. A water holding pond has been constructed and production testing has commenced.

The second phase of the exploration work programme for ATP 529P, funded by AGL, commenced in the third quarter of 2009. The work programme consists of 7 core holes and approximately 500km of 2D seismic acquisition. The seismic acquisition was completed in November 2009 and the first two of the 7 core holes, Muttaborra-02 and Vera Park-01, have been drilled, cored, plugged and abandoned as planned. The third core hole in the programme, Crossmore South-01, was spudded 10 December 2009 before operations were suspended due to the Christmas break and continuing unfavourable weather conditions. On completion of core analysis and seismic interpretation, the

new information will be integrated with historical data in order to enable a more comprehensive understanding of the permit's CSG potential. It is envisaged that the pilot programme will be completed in the second half of 2010 and AGL is targeting the certification of initial 2P gas reserves during late 2010.

2) ATP 799P Galilee Basin (100%)

In March 2006 GEL was formally granted ATP 799P. GEL has recently re-focused its efforts to progress the CSG exploration of ATP 799P. The 2009 work programme comprised two core holes and approximately 150km of new seismic acquisition.

The seismic acquisition has been completed and the first of two core holes, Dunrossie-01, has been drilled to a total depth of 1330 metres. Cores have been despatched for testing with results due in the first half of 2010 and the hole has been plugged and abandoned as planned. The rig then mobilised to Dotswood-01 which spudded 9 December 2009 and drilled to a depth of 865 metres before being suspended for the Christmas break. Drilling recommenced in early January 2010 and was completed and cores despatched for testing in February 2010.

Similar to the ATP 529P strategy, core analysis and seismic interpretation will be integrated with existing historical data in order to better understand the permit's CSG prospectivity and identify primary prospects to support the commencement of a gas reserve certification in the second half of 2010.

In February 2010, an application was made to relinquish 33.3% of ATP 799 to comply with the permit conditions. A \$6 million Later Work Programme was also submitted for the next 4 year term.

Coal Operations – New Zealand

1) Cascade

The Cascade open cut coal mine is located in the historic Buller coalfields region near Westport on the west coast of New Zealand's South Island. Cascade produces a commercially attractive coal, low in ash and sulphur with a high calorific value. Coal from this mine is in high demand for the domestic industrial markets in New Zealand. Local cement plant, Holcim, is the mine's largest customer, taking approximately 40,000 tonnes per annum secured under a take or pay agreement. The remaining coal is sold locally or transported to industrial users in the Canterbury and Otago regions. Some tonnage is blended with coal from the Company's Takitimu mine in Southland and distributed through Eastern Coal Supplies Limited at Timaru.

The mine plan for Cascade covered 5 main areas. The Mill Creek block was the first to be mined and has now been terraced and hydroseeded as part of the rehabilitation process. The Fire Pit block has also been mined out and the void is now being backfilled prior to shaping and hydroseeding. Current operations are concentrated in the Gravel Pit block. Stripping in this area is almost complete and coal winning is continuing. Overburden removal has commenced in the Durkins block leaving the Adams block the final target for recovery of coal. An integral part of the mining operation has been the staged realignment of the main access road to enable entry to the various blocks in line with the mine planning.

Cascade runs as an owner/operator mine although outside contractors have been engaged to assist with the additional site works in relation to the road realignment.

Production is targeted to 45,000 – 50,000 tonnes per annum for the next four years however work is continuing to maximise coal recovery with the intent of extending the life of mine and a drilling programme has commenced to better determine the extent of the remaining resource at Cascade. The proposed development of the nearby Whareatea West permit area is currently intended to be timed to coincide with the end of mine life at Cascade to enable mining operations in the area to continue.

2) Takitimu

The Takitimu coal mine is located in the Ohai/Nightcaps area in the far south of the South Island of New Zealand.

The open cut mine produces sub-bituminous coal for sale into industrial applications in the Southland and Otago regions. Production has increased from 1,000 tonnes per annum at the time of acquisition to 170,000 tonnes for the 08/09 financial year and is expected to continue to increase in the current period.

The mine's major contract is the supply of up to 170,000 tonnes per annum to dairy processor, Fonterra, for its Clandeboye plant. This contract commenced in September 2008. A variation to the contract was signed in February 2010 to extend this contract for a 10 year period, subject to certain conditions.

The closure of Solid Energy's nearby Ohai mine in August 2009 has presented more sales opportunities for sub-bituminous coal in the region.

Major infrastructure upgrades were completed on site for the commencement of the Fonterra contract. A new processing plant was installed and the existing plant upgraded taking the mine's processing capabilities to 300,000 tonnes per annum. All weather haul roads and a load out facility were also completed to enable the majority of coal to be transported by rail. New product stockpile areas were installed and extensions to the existing office were also undertaken as part of the overall redevelopment. Further site improvements were undertaken in the past months including an upgrade to the dust suppression system and the commissioning of a new primary crusher to feed into the existing processing plant enabling increased processing capabilities.

Overburden and coal winning have continued to meet targets and no lost time injuries or environmental incidents have been recorded since ECU took ownership of the mine. A coal testing laboratory has also been established at Takitimu in conjunction with SGS Minerals who previously provided external coal testing facilities. Testing can now be conducted on site to the required standards rather than having samples despatched to Wellington for analysis.

Drilling programmes have also been undertaken on the current mining lease and in the adjoining Ohai permit to determine the potential to upgrade the existing resource base at Takitimu.

During the first quarter of 2010, rehabilitation was completed at the Mossbank pit as part of the original purchase obligation at Takitimu. This tenement has now been relinquished.

Year to Date Production (9 months to 31 March 2010)- Cascade & Takitimu Mines

<u>Coal Extracted</u> (tonnes)	<u>Overburden</u> (bcm)	<u>Sales</u> (tonnes)	<u>Sales</u> (NZ\$)
180,923	1,558,701	189,045	13,851,325

The cashflow generated from the New Zealand mining operations will be directed to further debt repayments in New Zealand and expenditure on additional plant upgrades at Takitimu, with some funds to be repatriated to ECU. The Company is forecasting continued strong cash flow from its New Zealand coal mining operations.

Coal Exploration – New Zealand

1) Whareatea West

The Whareatea West Exploration Permit (EP 40-591) is held by Rochfort Coal Mining Limited, a wholly owned subsidiary of ECU. The permit covers an area of 820 hectares situated on the west coast of New Zealand's South Island approximately 5 kilometres north-west of the Cascade mining operation. The area is prospective for coking and thermal coal however further core drilling and quality testing is required to properly define the prospects of this permit.

ECU's exploration has to date identified a Coal Resource of approximately 25.7 million tonnes (comprising a Measured Coal Resource of approximately 18 million tonnes and an Indicated Coal Resource of approximately 7.7 million tonnes) within its Whareatea West Exploration Permit (EP 40-591).

To date, only 40% of the permit has been explored by ECU. Further exploration to determine refined variations of coal qualities for particular markets and to fully understand the extent of the resource was planned for 2008 however this was deferred whilst funding options were considered. An exploration programme has now been developed for implementation during 2010, subject to approval from the Department of Conservation.

Discussions have been held with a potential joint venture partner to progress the next stage of exploration of this export coking coal prospect however the company is also considering alternative options for the development of the project.

2) Ohai

The Ohai Permit (PP 39-321) covers an extensive area immediately surrounding the Takitimu mining tenements and is prospective for sub-bituminous coal.

An application for the upgrade of the Ohai tenement to Exploration Permit status has been lodged with the Department of Crown Minerals, as the existing permit has expired. After the completion of a successful drilling programme at the Ohai permit an agreement has been reached with the adjoining landowner with a view to extending the area under development at Takitimu. Resource Consents for a 10 year period to access and mine part of the adjoining land were obtained on 1 March 2010. A further drilling programme was undertaken in February 2010 to obtain data for future mine planning and future resource consents process on the assumptions that part of this area will come under the current Takitimu mining permit.

At Orepuke, a review of available data has resulted in a decision to relinquish the prospecting permit, enabling the company to direct its focus on the development of the Ohai permit as an extension to the existing Takitimu resource.

Coal Exploration – Australia

Broughton Coal Joint Venture, Queensland

The Broughton Coal Joint Venture was formed in June 2005 between ECU's wholly owned subsidiary Broughton Coal Mining Pty Ltd and Mitsui Coal Holdings Pty Ltd and operates with respect to EPC 818.

An offer was received in September for the divestment of ECU's 90% interest in the Joint Venture from Resource Portfolio Partners. The offer was a put and call option agreement over a 6 month period for a consideration between AUD\$8.5 million and AUD\$12 million. In February 2010, the Board of ECU elected to exercise the put option. The sale, for a consideration of AUD\$8.5 million, is expected to complete in May 2010, subject to the satisfaction of certain conditions precedent.

4.3 The Directors

The following persons are directors of ECU as at the date of this Offer Document:

Mr Richard May – Non-Executive Chairman

Appointed Non-Executive Director 22 August 2006.

Appointed Non-Executive Chairman October 7, 2008.

Mr May had 27 years experience as a partner with KPMG until his retirement on 30 June 2006. He has held senior positions within KPMG including a period as National Chairman of the Middle Market Advisory practice and was Partner in Charge of the Brisbane Middle Market Advisory practice for a period of 20 years. Mr May has extensive experience in accounting, taxation, auditing and business advisory matters having provided services to a diverse client base including medium sized and international corporations. He is a Board Member of the Brisbane Lions Foundation and The Queensland Club Foundation. Mr May has been a member and Chairman of the Audit Committee since August 2006.

Mr Campbell Smith - Managing Director
Appointed Executive Director 10 April 2007.
Appointed Managing Director 23 July 2007.

Mr Smith has over 15 years involvement in mining operations. As Operations Manager for Brookfield Equipment Company, he was involved in a number of major mining operations such as the Ivanhoe Copper Company's mine in Myanmar as well as the Ernest Henry mine in Queensland. He previously held the position of General Manager of Eastern Coal Holdings (NZ) Limited, overseeing the Group's coal operations and exploration activities in New Zealand. Mr Smith is a Director of Galilee Energy Ltd, Becamal Pty Ltd, Corostar Pty Ltd and Storth Pty Ltd (a shareholder in GEL). Mr Smith has announced his intention to resign as the managing director of ECU as soon as a suitable replacement executive can be appointed. It is expected that an appointment will be made in the second half of 2010, at which point Mr Smith's resignation would become effective. Mr Smith will however remain on the boards of ECU and GEL in the role of non-executive director and will retain oversight for ECU's New Zealand operations and business activities.

Mr Steven Koroknay – Non-Executive Director
Appointed Non-Executive Director 19 December 2008.

Mr Koroknay has more than 30 years experience in the international oil and gas industry, initially with Esso Australia, where he became Technical Manager of their upstream activities in Australia, and later with Bridge Oil Limited where he rose to Executive Director – Resources. Mr Koroknay founded Anzon Energy and Anzon Australia, companies engaged in oil and gas development and production.

Mr Koroknay was a Non-Executive Director and Chairman of CIM Resources, a coal mining company in the Gloucester Basin, New South Wales. He also consulted to Transfield in respect of their coal seam gas assets in Queensland.

Mr Koroknay is the Non-Executive Chairman of Galilee Energy Ltd and is also a Non-Executive Director of ASX-listed Innamincka Petroleum Limited, Cue Energy Resources Limited and Metgasco Ltd.

Mr John McIntyre – Non-Executive Director
Appointed 7 July 2004.

Mr McIntyre is a professional mining engineer, with more than 35 years of operating, management and advisory experience in both open pit and underground management, operation, feasibility evaluation and development of mining projects. Since 1994, he has been the Managing Director of Behre Dolbear Australia, the Australian subsidiary of US mineral industry consultant, Behre Dolbear & Co Inc. Mr McIntyre has previously held senior positions at the Goonyella mine and was General Manager of the Curragh mine in Queensland's Bowen Basin. He has been a board member of Takoradi Limited since 1993. Mr McIntyre has been a member of the Audit Committee since August 2007.

4.4 Senior Management

The following persons were senior management of ECU and its subsidiaries, including GEL, as at the date of this Offer Document:

Mr Glenn Haworth – Operations Manager, Galilee Energy Ltd

Mr Haworth is a graduate of the University of Edinburgh and has worked in the international oil and gas sector for over 18 years. He started his career as a graduate engineer with BP acquiring world class training, international oil and gas project experience and commercial accountability before undertaking his MBA at Queensland University of Technology. Over the last three years, Glenn's focus has been on consulting related to new business ventures, project management, engineering and coal seam gas technology.

Mr Warwick Parker – Chief Financial Officer

Mr Parker graduated from the University of NSW in 1967 with a Commerce degree. He has been a member of the Institute of Chartered Accountants since 1975 and has over 10 years experience with large firms in the accounting profession. His more recent experience is in commerce as CFO, Executive Director and Company Secretary of a manufacturing and exporting company with more than 10 overseas subsidiary or branch offices. He has been with ECU on a consultancy basis for over two years.

Mr Craig Pilcher – General Manager, Eastern Coal Holding (NZ) Limited

Mr Pilcher joined Eastern Coal Holdings (NZ) Limited as Marketing and Logistics Manager in 2006 before being appointed as General Manager New Zealand in 2008. He is a qualified engineer and has extensive experience in marketing and industrial coal operations in New Zealand. Mr Pilcher is also a director of the New Zealand companies.

Mr Bill Lyne - Company Secretary

Mr Lyne was appointed Secretary in February 2003 and was a Director of ECU from April 2006 until July 2007. He is the principal of Australian Company Secretary Service and secretary of many listed and other public companies. He is a former State Councillor and a member of Chartered Secretaries Australia and lecturer at CSA and other courses on company secretarial practice.

Miss Sam Aarons - Business Development & Corporate Relations

Miss Aarons has 25 years experience in public relations, marketing and general commercial management. She was previously a divisional General Manager for contractor Henry Walker Eltin. Miss Aarons is a member of the Audit Committee.

4.5 Financial information

Financial information in respect of ECU is set out in ECU's annual and interim financial reports, available at www.easterncorp.com.au. To obtain a copy of the Annual Report for the period ended 30 June 2009 or the interim financial report for the half year ended 31 December 2009, please contact ECU on (07) 3216 1155.

4.6 Stock Market Trading

The consideration to be offered in exchange for shares in GEL consists of fully paid ordinary shares in ECU.

Shares of the same class are traded on the ASX.

4.7 Becamal Loan

In November 2008, ECU obtained a loan from Becamal Pty Ltd ACN 010 314 895 (**Becamal**) (a company associated with Mr Campbell Smith, Managing Director of ECU) (**Becamal Loan**). Under the Becamal Loan, the Company was provided with a loan in the amount of \$2,600,000 (**Becamal Loan Amount**). The Becamal Loan Amount was used by ECU in subscribing for GEL Shares as part of a rights issue undertaken by GEL in 2008.

Under the terms and conditions of the Becamal Loan, the Becamal Loan Amount or part thereof may be repaid by either cash or, subject to Shareholder approval, the issue of ECU Shares.

ECU and Becamal have agreed that, subject to ECU shareholder approval and compliance with the Corporations Act and the Listing Rules, an amount of up to \$2,400,000 (the **Conversion Amount**) be repaid in full by the issue of ECU Shares. If the entire Conversion Amount is to be repaid by the issue of Shares (subject to ECU shareholder approval being obtained and compliance with the Corporations Act and the Listing Rules), Becamal will be issued with up to 6,956,522 ECU Shares at an issue price of 34.5 cents each (**Repayment Shares**). The issue price has been determined on the basis of the volume weighted average price of ECU Shares calculated over the 15 days prior to Friday 16, April 2010.

The effect of the issue of the maximum number of Repayment Shares on the issued capital of ECU is set out in section 4.9 below.

ECU and Becamal have agreed that the balance of the Becamal Loan Amount (after the issue of any Repayment Shares) together with accrued interest will be repayable in cash on demand by Becamal or in such manner as ECU and Becamal may otherwise agree.

4.8 Effect of the Offer on ECU

EASTERN CORPORATION LIMITED

Balance sheets

As at 31 December 2009

	Consolidated		Parent	
	Audited \$	Pro-forma \$	Audited \$	Pro-forma \$
ASSETS				
Current assets				
Cash and cash equivalents	5,583,437	5,383,437	524,532	324,532
Trade and other receivables	3,155,865	3,155,865	382,136	382,136
Inventories	1,210,498	1,210,498	-	-
Other current assets	1,095,496	1,095,496	-	-
	<u>11,045,296</u>	<u>10,845,296</u>	<u>906,668</u>	<u>706,668</u>
Non-current assets classified as held for sale	722,576	722,576	-	-
Total current assets	<u>11,767,872</u>	<u>11,567,872</u>	<u>906,668</u>	<u>706,668</u>
Non-current assets				
Trade and other receivables	577,518	577,518	7,168,083	7,168,083
Other financial assets	-	-	13,241,212	27,667,844
Property, plant and equipment	7,203,743	7,203,743	85,352	85,352
Capitalised exploration and evaluation	-	10,375,284	-	-
Intangible assets	2,920,252	2,920,252	-	-
Deferred tax assets	938,194	938,194	200,587	200,587
Total non-current assets	<u>11,639,707</u>	<u>22,014,991</u>	<u>20,695,234</u>	<u>35,121,866</u>
Total assets	<u>23,407,579</u>	<u>33,582,863</u>	<u>21,601,902</u>	<u>35,828,534</u>
LIABILITIES				
Current liabilities				
Trade and other payables	3,581,620	3,581,620	609,224	609,224
Financial liabilities	3,806,169	3,806,169	2,600,000	2,600,000
Current tax liability	-	-	-	-
Total current liabilities	<u>7,387,789</u>	<u>7,387,789</u>	<u>3,209,224</u>	<u>3,209,224</u>
Non-current liabilities				
Financial liabilities	3,923,131	3,923,131	-	-
Provisions	437,907	437,907	9,800	9,800
Deferred tax liabilities	962,473	962,473	155,804	155,804
Total non-current liabilities	<u>5,323,511</u>	<u>5,323,511</u>	<u>165,604</u>	<u>165,604</u>
Total liabilities	<u>12,711,300</u>	<u>12,711,300</u>	<u>3,374,828</u>	<u>3,374,828</u>
Net assets	<u>10,696,279</u>	<u>20,871,563</u>	<u>18,227,074</u>	<u>32,453,706</u>
EQUITY				
Issued capital	51,332,776	61,708,060	47,281,429	61,708,061
Reserves	(132,788)	(132,788)	284,083	284,083
Retained profits/(Accumulated losses)	<u>(38,944,059)</u>	<u>(40,703,709)</u>	<u>(29,338,438)</u>	<u>(29,538,438)</u>
Parent company interest	12,255,929	20,871,563	18,227,074	32,453,706
Minority interest	<u>(1,559,650)</u>	-	-	-
Total equity	<u>10,696,279</u>	<u>20,871,563</u>	<u>18,227,074</u>	<u>32,453,706</u>

Notes to the Pro-Forma Balance Sheet

- (a) The pro-forma balance sheet is based on:
- (1) The unaudited balance sheet of ECU as at 31 December 2009;
 - (2) The unaudited balance sheet of GEL as at 31 December 2009;
 - (3) The issue of approximately 42,431,285 ECU Shares pursuant to the Offer;
 - (4) A deemed issue price of 34 cents attributed to the ECU Shares to be issued pursuant to the Offer, based on the closing price of ECU Shares on Friday, 16 April 2010.
- (b) The accounting policies used in preparing the pro-forma balance sheets are those policies used by ECU and GEL respectively as set out in their respective financial statements. The accounting policies have been reviewed to ensure there are no inconsistencies between the policies which would materially impact their pro-forma balance sheet.
- (c) Both ECU and GEL are required to apply the Australian equivalents of International Financial Reporting Standards (**IFRS**) from 1 July 2005. The accounts of both companies and the pro-forma balance sheet have been prepared in accordance with IFRS equivalents applicable in the country of incorporation.

4.9 Effect on Capital Structure

Assuming that ECU acquires 100 percent of the shares in GEL, the following table shows the issued and fully paid share capital of ECU as at the date of this Offer Document and as it will be immediately following completion of the Offer, also assuming that all of the Repayment Shares are issued to Becamal.

Table A – Share Capital of ECU as at the date of this Offer Document

CAPITAL STRUCTURE	No. of Securities
Shares on issue	102,752,659
Options	9,000,000

**Table B – Share Capital of ECU upon completion of the Offer
(assuming ECU acquires 100% of GEL Shares)**

CAPITAL STRUCTURE	No. of Securities	%
Shares on issue		
• Current ECU Shares	102,752,659	67.54%
• ECU Shares to GEL Shareholders	42,431,285	27.89%
• Repayment Shares	6,956,522	4.57%
Total	152,140,466	100.00%
Options	9,000,000	

4.10 Relevant interests and Voting Power of ECU in GEL Shares

As at the date of this Offer Document ECU has the following interest in GEL:

CLASS OF SECURITY	ECU'S SHAREHOLDING	VOTING POWER OF ECU
Ordinary Shares	630,763,667	67.99%

SECTION 5 VALUE ATTRIBUTED BY ECU TO GEL SHARES

As set out above, based on the closing price for ECU Shares of 34 cents on Friday, 16 April 2010, the Offer values each GEL Share at 4.9 cents, which the Independent ECU Directors believe to be a fair estimate of the value of GEL Shares. Set out below is some further detail which was considered by the Independent ECU Directors in determining this value.

5.1 Basis of value attributed to the GEL Shares

In arriving at the Offer of 1 ECU Share for every 7 GEL Shares, the Independent ECU Directors have estimated the value attributed to GEL Shares based on the current trading price of ECU being 34 cents on Friday, 16 April 2010.

The assets of ECU at the date of the Offer included:

- (a) ECU's 68% interest in the GEL Project;
- (b) ECU's New Zealand Coal Mining assets; and
- (c) ECU's interest in the Broughton Coal exploration permit in Queensland.

In determining the terms of the Offer and their estimate of the value to be attributed to GEL Shares, the Independent ECU Directors considered these assets and the value that the assets attributed to ECU's market price.

The principal factors considered by the Independent ECU Directors in this regard were:

- ECU's New Zealand coal mining operations produced a 9 monthly unaudited pre tax profit of NZ\$2.8 million (excluding internal interest and management fees from ECU) for the 9 months to 31 March 2010. The ECU Board expects continued profitable trading from its New Zealand coal mining operations for the balance of the current financial year. Earlier this year ECU signed a variation to the coal supply agreement with its major customer in New Zealand (Fonterra) that will extend the existing contract by a period of up to 10 years.
- ECU has exercised the put option in respect of its interest in the Broughton Coal project in Queensland. The sale, for a consideration of AUD\$8.5 million cash, is expected to complete in May 2010, subject to the satisfaction of certain conditions precedent.

In formulating the Offer to GEL Shareholders, and with the background knowledge of the New Zealand and Queensland assets of ECU, the Independent ECU Directors adopted (based on their own assessment) what they believe is a conservative view (which is in fact favourable to GEL Shareholders) that the New Zealand coal assets and the Broughton project represented a value equal to 10 cents in the ECU share price. This was based on a combined value of approximately \$10.2 million for both assets, despite the fact that the actual value of these net tangible assets as at 28 February 2010 was approximately \$15 million.

The Independent ECU Directors consider that it would not be unreasonable to attribute a higher value to the New Zealand coal assets and the Broughton Project, particularly in the light of current profitable operations in New Zealand, ECU having secured long term supply contracts in New Zealand and the exercise of the put option in respect of the interest in Broughton. However, ECU adopted a conservative approach to this aspect of the valuation.

Deducting value attributable to the New Zealand coal assets and the interest in the Broughton Project from the ECU market price of 34 cents, the Independent ECU Directors took the view that the value of ECU's 68% interest in the GEL project was worth around 24 cents per share.

Applying this value to GEL as a whole, resulted in a value of 3.9 cents for each GEL Share, calculated as follows:

- The proportion of ECU's market price of 34 cents attributable to ECU's interest in the Galilee Project was 24 cents.
- The total number of ECU shares on issue at time of Offer was 102,752,659.

- This equates to the total value of ECU's interest in the Galilee Project being approximately \$24.6 million.
- ECU owns 68% of GEL Shares and therefore indirectly has an interest in 68% of the Galilee Project, thus 68% of the Galilee Project equates to approximately \$24.6 million. This would result in the overall value of the Galilee Project being approximately \$36.2 million.
- The total number of GEL Shares on issue at time of the Offer was 927,782,562.
- On this basis, the value per GEL share assuming the total value of the Galilee Project was \$36.2 million is 3.9 cents per GEL Share.

As noted above, the estimated value attributed by the Independent ECU Directors for each GEL Share in making the Offer was in fact 4.9 cents per share. This equates to **a premium of approximately 25.6 %** above the value attributed by ECU to the GEL Shares.

In light of the factors noted above, including the conservative approach of the ECU Board in valuing its assets, and the interest that is sought to be acquired by ECU in GEL being a minority interest, the Independent ECU Directors believe that the estimate of the value of the GEL Shares is fair to the GEL Shareholders in the circumstances.

At the time of making the Offer, the Independent ECU Directors were also aware of the general effect of share market movements on the valuation of coal seam gas (CSG) entities in recent months. ECU has been advised by its Corporate Advisors the market valuation of CSG entities has generally reduced by approximately 40% since late 2009. Given that the last indicator of a traded GEL share was 5 cents per share in October 2008 and that GEL Shares would, in the opinion of the Independent ECU Directors, not be immune from the general 40% downward trend in recent CSG valuations, there is an implied market value of 3 cents for each GEL Share, assuming that there is a willing buyer for these shares and that the vendor of the shares is prepared to forgo any potential upside the Galilee Project.

5.2 Conclusion

The Independent ECU Directors consider that the Offer on the basis of 1 ECU Share for every 7 GEL Shares to be fair. The reasons for this are:

- (a) the Offer to the minority GEL Shareholders is based on an informed independent market value of the Galilee Project and that valuation is represented by the market assessment of the ECU share price which was 34 cents prior to the date of issue of the Offer;
- (b) in formulating the Offer on a 1:7 basis, the Independent ECU Directors have, in their opinion, acted conservatively in valuing ECU's non CSG assets;
- (c) there have been recent significant falls in recent valuations of CSG entities and, in the opinion of the Independent ECU Directors, GEL Shares would not be immune from this general fall in value;
- (d) implicitly no discount for the acquisition of a minority interest in the Galilee Project has been applied in formulating the Offer to the GEL minority shareholders; and
- (e) this Offer Document outlines the reasons why GEL shareholders should accept the Offer.

On the basis of the above information, the Offer to GEL Shareholders to effectively exchange their combined existing 32% interest in GEL for a combined 28% interest in the post merger listed ECU (assuming all of the Repayment Shares are issued to Becamal) is considered by the Independent ECU Directors to be fair to the GEL minority interests.

SECTION 6 RISK FACTORS

6.1 Introduction

Activities of ECU, as in any business, are subject to risks which may impact on its future performance. The future performance of ECU and the future investment performance of ECU Shares may be influenced by a range of factors. Many are outside the control of the ECU Board and ECU. Prior to making any decision to accept the Offer, investors should carefully consider the following risk factors applicable to ECU.

Some of the risks may be mitigated by ECU using safeguards and appropriate systems and taking certain actions. Some of the risks may be outside the control of ECU and not capable of mitigation. There are also general risks associated with any investment in shares.

The risks listed should not be taken as exhaustive of the risks faced by ECU. Factors other than those listed may in the future materially affect the financial performance of ECU and the value of ECU Shares.

6.2 General Risks

ECU Shares are speculative because of the nature of the business of ECU. ECU has interests in the coal mining and coal and CSG exploration industries which are highly speculative and no assurances can be made that ECU's particular interests or projects will be successful.

A summary of the major general risks are described below:

Share Market Risk

The market price of shares can be expected to rise and fall in accordance with general market conditions and factors specifically affecting the Australian resources sector and exploration companies in particular. ECU Shares carry no guarantee in respect of profitability, dividends, return on capital, or the price at which they may trade on the ASX.

There are a number of factors (both national and international) that may affect the share market price and neither ECU nor ECU's Board have control of those factors.

General Economic Conditions

Changes in the general economic climate in which ECU operates may adversely affect the financial performance of ECU. Factors that may contribute to that economic climate include the general level of economic activity, interest rates, inflation, supply and demand, industrial disruption and other economic factors. The price of commodities will also be of particular relevance to ECU. These factors are beyond the control of ECU and ECU cannot, with any degree of certainty, predict how they will impact on ECU.

Share price fluctuations

The market price of the ECU Shares will be subject to varied and often unpredictable influences in the share market. Both domestic and world economic conditions may affect the performance of ECU. Factors such as the level of industrial production, inflation and interest rates impact all commodity prices.

Legislative Change

Changes in government regulations and policies may adversely affect the financial performance or the current and proposed operations generally of ECU. In Australia, from 1 January 2009 the *Environmental Protection Regulation 2008* has replaced the *Environmental Protection Regulation 1998*. Under the new regulation, a number of significant changes have occurred, including re-defining Environmentally Relevant Activities that impact permits to be issued and renewed. In addition, the Queensland Government water policy was announced in October 2008. These changes may increase operating costs and may have a material adverse effect on ECU.

The *Mining and Other Legislation (Safety and Health Fee) Amendment Act 2008* provides for making of regulations for assessing, charging and recovering fees (**Levy**) to cover the cost of the Department activities carried out for the purpose of safety and health operations. For the financial year ended 30 June 2009 onwards, the Levy for each worker is \$804. Although the Regulation does not provide for indexation, amendments to the Regulation can be made from year to year as the Government reconsiders the funding requirements for its safety inspectorate and, hopefully, economic conditions affecting mining.

ECU is not aware of any other current or proposed material changes in relevant regulations or policies.

Unforeseen Expenses

While ECU is not aware of any expenses that may need to be incurred that have not been taken into account, if such expenses were subsequently incurred, the expenditure proposals of ECU may be adversely affected.

6.3 Risks Specific to ECU

In addition to the general market and economic risks noted in Section 6.2, GEL Shareholders should be aware of risks specific to an investment in ECU, which may include, but are not limited to those risks described below:

General Project Risks

There can be no assurance that ECU's planned development projects and exploration and appraisal activities will be successful. The drilling of gas wells involves a high degree of risk, especially the risk of a dry hole or of a well that is not sufficiently productive to provide economic return of the capital expended to drill the well. There are also delays and other risks associated with ECU's reliance on third parties during the conduct of exploration and development activities.

Further, ECU's exploration and prospective production activities are dependent upon the grant and maintenance of appropriate licences, permits, resource consents, access arrangements and regulatory authorities (authorisations) which may not be granted or may be withdrawn or made subject to limitations.

Although the authorisations may be renewed following expiry or granting (as the case may be), there can be no assurance that such authorisations will be renewed or granted on the same terms. There are also risks that there could be delays in obtaining such authorisations. If ECU does not meet its work and/or expenditure obligations under its authorisations, this may lead to dilution of its interest in, or the loss of such authorisations.

Additionally, the New Zealand Department of Crown Minerals must annually approve work plans for activities at Cascade and Takitimu coal mines (including any variations to the work plan) prior to such work being commenced. Such work plans must also be approved by the Department of Conservation in relation to the Cascade coal mine in order for access to the coal mine to continue. There can be no assurance that such approvals will be granted at all or in a timely manner or will be granted on terms satisfactory to ECU. If such approvals are not granted in a timely manner, at all, or on terms favourable to ECU, this may have an adverse effect on ECU's operations at Cascade and Takitimu coal mines.

There are also risks associated with the construction of coal and gas development projects, including risks arising from the complexity of the projects and the need to utilise many different contractors and suppliers. If such contractors and suppliers fail to meet their obligations or do not perform adequately, this could lead to delays and/or further costs in respect of such projects. This is particularly relevant at the Takitimu coal mine which is operated by a third party contractor.

Volatility of coal and gas prices and markets

ECU's financial condition, operating results and future growth are dependant on the prevailing prices for coal and gas production. ECU currently derives revenues from the sale of coal and ECU's future revenues are likely to be derived from coal and CSG. Accordingly, ECU's current earnings are

closely related to the price of coal and ECU's potential future earnings could be closely related to the price of coal and CSG.

Historically, the markets for coal and gas have been volatile and such markets are likely to continue to be volatile in the future. Prices for coal and gas are subject to large fluctuations in response to relatively minor changes to the demand for these resources, whether the result of uncertainty or a variety of additional factors beyond the control of ECU. These factors include weather and general economic conditions, the actions of the Organisation of Petroleum Exporting Countries, governmental regulation, political stability in the Middle East and elsewhere and the availability of alternative fuel sources. Any substantial decline in the prices of coal or gas could have a material adverse effect on ECU.

Exploration and Commercialisation

Although ECU has an established coal production business in New Zealand, ECU's future value is materially dependant upon the success or otherwise of ECU's activities which are directed towards exploration and development of new coal and CSG deposits and reserves.

ECU has an interest in a number of coal permits which are at various stages of exploration and GEL Shareholders should understand that coal and CSG exploration and development are high risk undertakings. There can be no assurance that exploration of the ECU project areas or permits, will result in the discovery of an economic coal reserve or hydrocarbon reservoir. Even if an apparently viable reserve or reservoir is identified, there is no guarantee that it can be commercially exploited. Further, some of the permits are largely unexplored and have only a very limited history and there is no certainty that the proposed exploration will encounter any hydrocarbons that will ultimately be commercially viable.

Additionally, another factor which will affect future developments of ECU is the ability of ECU to secure the grant of appropriate tenure to permit ECU to recover coal or gas from current or future exploration projects. Factors affecting the ability to obtain such tenure include native title, impacts on the environment and objections from entities or persons with interests located close to the areas which are the subject of the proposed tenure.

The business of commodity development and production involves a degree of risk. Amongst other factors, success is dependent on successful design, construction and operation of efficient gathering, processing and transportation facilities. Even if ECU recovers potentially commercial quantities of coal or gas from its exploration activities, there is no guarantee that ECU will be able to successfully transport these resources to commercially viable markets or sell the resources to customers to achieve a commercial return.

Whilst the expansion of ECU's current coal projects and the development of new coal or gas projects are necessary for ECU to sustain or increase its present level of production, no assurance can be given that the current or future exploration activities will lead to economical mining of coal or production of gas.

Additionally, it is noted that the coal mining licence for Takitimu coal mine expires on 17 December 2011. This licence was granted under previous legislation therefore ECU would be required to apply for a mining permit under the Crown Minerals Act prior to expiration of this licence. In relation to priority, the Minerals Programme for Minerals (Excluding Petroleum) dated 1 February 2008 issued under the relevant Act (which covers policies procedures in relation to coal) is relevant. This Programme notes that it is Crown policy to ordinarily decline to grant a permit which is already subject to an existing permit. If an application for a new permit is made prior to the expiry of a current permit (in this case a licence), then the current licence will continue until the outcome of the application is decided. Accordingly, if ECU intends to apply for a new permit upon expiration of the coal mining licence for Takitimu coal mine it will need to do so prior to the expiration of the existing licence. However, there can be no guarantee that a new permit will be granted on favourable terms to ECU or at all. If the current mining licence expires and a new permit is not granted this may have a material adverse effect on the operations, revenue and financial position of ECU.

It is noted that the Ohai Permit (PP 39-321) has expired. An application for the upgrade of the Ohai Permit to Exploration Permit status has been lodged with the Department of Crown Minerals. In the event that this is not upgraded to Exploration Permit status or is not otherwise renewed or a new permit granted, this may have a material adverse effect on the exploration activities and future performance of ECU. Additionally, EP 40591 expires on 19 December 2011. In the event that this

permit is not renewed or upgraded to a mining permit or licence this may have a material adverse effect on the exploration and development activities and future performance of ECU.

GEL has entered a farmin agreement with AGL with respect to ATP 529P (Farmin Agreement). Pursuant to the Farmin Agreement AGL has expended amounts. In certain circumstances, GEL may be required to reimburse AGL for such expenditure, which may be substantial depending on the timing of any such reimbursement. If such reimbursement is required GEL may need to secure additional funding and may approach ECU with a request for ECU to provide such funding. In the event that GEL was not able to make such a reimbursement, this may adversely effect the assets and financial position of GEL, which in turn may have a material adverse impact on the value of ECU's interest in GEL. It may be noted however that AGL believes that the budget will be underspent for the current work programme.

Production

ECU currently has two operating coal mines in New Zealand, being the Cascade and Takitimu coal mines in the South Island of New Zealand. ECU faces a variety of operational risks with respect to its coal mining and processing operations and its coal handling and distribution centre in New Zealand which may impact on the amount of coal produced at its coal mines, delayed coal deliveries or increases in costs of mining. These include technical difficulties encountered in commissioning and operating plant and equipment, mechanical failure, industrial and environmental accidents, industrial or transportation disputes, unexpected shortages or increases in costs of consumables, spare parts, plant and equipment and adverse weather conditions.

Other difficulties may arise as a result of variations in mining conditions from those projected from drilling, such as variations in coal seam thickness and quality, variations in the amount of rock and soil overlaying a coal deposit, variations in rock, other natural minerals and geological conditions which may, amongst other things, give rise to a failure to achieve predicted grades in exploration, mining and processing and increased costs and time to undertake mining operations.

Any unforeseen geological difficulties may cause a loss of revenue due to lower production or quality than expected, higher operating and maintenance costs and/or ongoing unplanned capital expenditure to meet coal production targets.

Additionally, the marketing and sale of ECU's coal from its existing and any future coal deposits will be dependant on market fluctuations and the availability of processing and storage and transportation infrastructure, over which ECU may have limited or no control.

Coal Sales

ECU currently derives its revenue from the sale of coal and ECU's revenue is impacted by the price and quantity of coal sold.

ECU has entered into a number of supply agreements with customers with respect to the sale of coal in New Zealand. The two key supply contracts are contracts with Holcim (New Zealand) Limited and Fonterra Cooperative Group Limited which presently account for approximately 68% of ECU's revenue from coal sales for the three months to 31 March 2010. and, as such, ECU is heavily reliant on those agreements for its revenue.

Additionally, the supply agreements with Holcim (New Zealand) Limited and Fonterra Cooperative Group Limited contain rights of termination by the customer. The supply agreement with Fonterra Cooperative Group Limited expires on 31 August 2020 (subject to certain conditions).

If either of the supply agreements with Holcim (New Zealand) Limited or Fonterra Cooperative Group Limited are terminated, are not renewed or are not renewed on terms as favourable to the Company as those currently in place, or the customers do not comply with their obligations pursuant to these agreements, this may have a material adverse effect on the revenue and financial performance of ECU.

Additionally, if any of the other supply arrangements currently in place are terminated, are not renewed or customers do not comply with their obligations pursuant to such arrangements this may have a material adverse effect on the financial performance of ECU, particularly if ECU is not able to secure further sale arrangements or if the price that customers are willing to pay and/or the quantity of coal required by customers are below expectations.

The price that ECU can obtain for its coal is generally directly related to prices in the world coal market which may be impacted by numerous factors outside of ECU's control. Further details regarding this matter are set out above.

Operating Risks

Industry operating risks include failure to achieve predicted grades in exploration, mining and processing, technical difficulties encountered in commissioning and operating plant and equipment, mechanical failure, fire, explosions, blow outs, pipe failures, abnormally pressured formations and environmental hazards such as gas leaks, ruptures, discharge of toxic gases, premature declines in reservoirs, cratering, uncontrollable flows of natural gas or well fluids, remoteness of properties, adverse weather conditions, industrial and environmental accidents, industrial disputes and unexpected shortages or increases in costs of consumables, spare parts, plant and equipment. The occurrence of any of these risks could result in substantial losses to ECU due to injury or loss of life, damage to or destruction of property, natural resources or equipment, pollution or other environmental damage, cleanup responsibilities, regulatory investigation and penalties or suspension of operations and being unable to comply with contractual obligations. Damages occurring to third parties as a result of such risks may give rise to claims against ECU.

As protection against operating hazards, ECU maintains insurance against some, but not all, potential losses. In particular, ECU may maintain public and, where appropriate, product liability insurance, property damage insurance and control of well insurance in amounts which it considers adequate. However, the nature of these risks is such that liabilities could exceed policy limits in which event ECU could incur significant costs that would have a material adverse effect on its financial condition.

Commercialisation

Even if ECU recovers potentially commercial quantities of coal or gas from its exploration activities, there is no guarantee that ECU will be able to successfully transport the coal or gas to commercially viable markets or sell the coal or gas to customers to achieve a commercial return.

Transport

ECU is reliant upon a combination of road and rail to transport coal produced from its operations to customers. There are a number of factors which are outside of the control of ECU which could disrupt these transport services including weather related problems, rail or port capacity constraints, key equipment and infrastructure failures and industrial action. Any such disruption could impair ECU's ability to supply coal to its customers.

In order to secure arrangements with respect to transportation of coal, ECU has entered into a freight agreement with KiwiRail Limited to transport the coal supplied to Fonterra Co-operative Group Limited which expires on 31 August 2010. In line with the extension to the Fonterra contract it is envisaged this will be renewed through to 31 August 2020. In the event that agreement with KiwiRail Limited can not be renewed (or can not be renewed on favourable terms to ECU) and alternative transportation arrangements on favourable terms to ECU can not be secured, this may have an adverse effect on ECU.

ECU owns a coal handling and distribution centre in Timaru, on the east coast of New Zealand's South Island. Timaru is located approximately half way between ECU's Cascade and Takitimu mines. ECU's coal handling and distribution centre is a strategic link in ECU's delivery chain to a key customer of ECU and provides a contingency stockpile and road freight options in the event of interruption to the normal rail delivery. ECU's coal handling and distribution centre may mitigate some of ECU's future transportation risks.

Water and Power

Water is used in coal mining operations for dust suppression on mine sites and for coal washing. Power is necessary for the continued operation of ECU's mining operations in New Zealand. ECU currently has secure access to adequate sources of power and water however ECU's continued access to adequate sources of power and water can not be guaranteed due to factors such as climate and changes in allocations or government policy and, in the case of water, is subject to the terms and conditions of appropriate licences, consents, permits and the authority of regulatory bodies.

Legal Title of Prospects

The process of confirming legal title to a prospect is an ongoing task. Any failure to secure legal title may have a material adverse impact on the operations of ECU.

In the event that any of the prospect tenement cannot be drilled for any reason then a new prospect may be selected which has not yet been reviewed and may not have the same cost or potential for success.

Resource and Reserves Risk

There are numerous uncertainties inherent in estimating quantities of resources and proven and measured reserves, including many factors beyond the control of ECU and its directors. Any resource or reserve data in this Offer Document represents estimates only.

In general, estimates of economically recoverable coal and gas reserves are based upon a number of variable factors and assumptions, such as comparisons with production from other producing areas, the assumed effects of regulation by governmental agencies, assumptions regarding future coal and gas prices and future operating costs, all of which may vary considerably from actual results. All such estimates are, to some degree, speculative and classifications of reserves are only attempts to define the degree of speculation involved. For these reasons, estimates of economically recoverable coal and gas reserves attributable to any particular group of properties and classification of such reserves based on risk of recovery and other factors may vary substantially. Actual production with respect to reserves may vary from such estimates and such variances could be material.

Further, the future success of ECU will depend on its ability to find or acquire gas or additional coal reserves that are economically recoverable. There can be no assurance that ECU's planned development projects and exploration activities will result in significant reserves or that it will have success mining coal or drilling productive wells. Reserve and resource estimates are estimates only and no assurance can be given that any particular level of recovery from coal or hydrocarbon reserves will in fact be realised or that an identified coal or hydrocarbon resource will ever qualify as commercially viable which can be legally and economically exploited.

The mining of coal involves a high degree of risk, including that the coal mined may be of a different quality, tonnage or strip ratio from that estimated. The drilling of gas wells also involves a high degree of risk, especially the risk of a dry hole or of a well that is not sufficiently productive to provide economic return of the capital expended to drill the well.

Environmental Regulation and Risks

ECU's operations and projects are subject to State, Federal and New Zealand laws and regulations regarding environmental compliance and relevant hazards. These laws and regulations set standards regulating certain aspects of health and environmental quality and provide for penalties and other liabilities for the violation of such standards. They also establish, in certain circumstances, obligations to rehabilitate current and former facilities and locations where operations are or were conducted.

Significant liability could be imposed on ECU for damages, clean up costs, or penalties in the event of certain discharges into the environment, environmental damage caused by previous owners of property acquired by ECU or its subsidiaries, or non compliance with environmental laws or regulations. ECU proposes to minimise these risks by conducting its activities in an environmentally responsible manner, in accordance with applicable laws and regulations and where possible, by carrying appropriate insurance coverage. There is also a risk that the environmental laws and regulations may become more onerous, making ECU's operations more expensive.

The Queensland Government announced a new Water Policy in October 2008 in relation to the management of water produced from CSG exploration and production. Several policy decisions have already been made including that evaporation ponds will no longer be approved for CSG operations. This is an industry wide issue and other aspects of the policy are the subject of a Government discussion paper. The policy decisions already made are:

- CSG producers are responsible for treating and disposing of CSG water and the State Government will not subsidise these activities.

- Unless producers use direct injection of CSG water or have arrangements for environmentally-acceptable direct use of untreated CSG water, the producers must treat CSG water to a standard defined by the Environmental Protection office in the Department of Environment and Resource Management (DERM) before disposal or supply to other users.
- Evaporation ponds are to be discontinued as a primary means of disposal of CSG water. Transitional arrangements will be developed by the State Government in consultation with industry to address existing evaporation ponds issues. Remediation of existing evaporation ponds is to occur within 3 years.
- Ponds necessary for water aggregation and the storage of brine from treatment facilities must be fully lined to a standard determined by the DERM.
- A CSG water management plan is to be incorporated into the environmental management plan required for an application for a level 1 environmental authority, and in any environmental authority that is granted from such an application.

The Queensland Government is further considering, and has invited comment by industry on, these matters:

- The circumstances under which industry should be required to cooperate to develop and fund a CSG water aggregation and disposal system (or systems) to deal with CSG water which cannot be directly injected or has no immediate customers.
- What remediation action for existing evaporation ponds is reasonable and appropriate.
- What disposal options are appropriate for the saline effluent resulting from treatment.

The impact on operations of the policy decisions already made and the proposed policies may increase operating costs relating to water disposal for CSG businesses and such increased costs may have a material adverse impact on ECU.

Native Title and Cultural Heritage

Native title in Australia is governed by the *Native Title Act 1993 (Cth)* (**NTA**) and by complementary State legislation. The NTA provides a regime that enables persons claiming to hold native title to lodge a claim to that effect for determination. The NTA also provides for the determination of native title rights, their extinguishment, and for processes to deal with those rights in accordance with specific categories of acts that have occurred including “past acts” (before 1 January 1994), “intermediate period acts” (occurring between 1 January 1994 and 23 December 1996), and “future acts.” Under this regime, native title is extinguished by grants of private freehold title and exclusive possession tenures.

The effect on each tenement will depend on the nature of the tenement, the date of its grant or proposed grant, and the nature of the underlying land tenures.

The effect of the NTA is that existing and new tenements held by ECU may be affected by native title claims and procedures.

A Native Title claim exists over parts of ATP 529P and ATP 799P in the name of Yirendali People Core Country Claim (QC06/20 QUD495/06).

A Cultural Heritage Whole of Area Agreement has been reached with the Yirendali People for compensation for GEL’s exploration programme. Separately, AGL as operator of ATP 529P have also negotiated compensation agreements as required.

ECU understands that there are no current negotiations with the Yirendali People for compensation in relation to the impact that the potential future production of gas might have on their land and that no Cultural Heritage Management Plan pertaining to this has been agreed.

Land Access Risk

Land access is critical for exploration and evaluation to succeed and the ability to negotiate satisfactory commercial arrangements with landowners and occupiers is often essential.

Access to land for exploration purposes can be affected by land ownership, including private (freehold) land, pastoral lease and native title land or claims under the NTA.

ECU has not entered into compensation arrangements with landowners or occupiers for the access to land to carry out the operations in respect of ECU's Australian activities and is not in any negotiations with any landowners or occupiers in this respect.

Tenements usually carry with them various obligations in regard to minimum expenditure levels and responsibilities in respect of the environment and safety. Failure to observe these requirements could prejudice the right to maintain a permit for a given tenement.

In New Zealand, continued access to ECU's coal mines is dependent on the compliance with the terms and conditions of access agreements with third parties, including the Crown. Failure to satisfy such requirements could result in delays in operations or activities on site, the loss of renewal of resource consents or loss of access to the coal mines.

Under the access arrangement entered into by ECU with the Department of Conservation (**DOC**), DOC consent is required annually in order for access to continue. As part of giving such consent, DOC must approve the work plan (including any variations to the work plan) prior to such work being commenced. Failure to obtain such consents may have an adverse effect on the operations and performance of ECU.

Carbon Pollution Reduction Scheme

On 10 March 2009, the Federal Government released its exposure drafts in respect of the proposed introduction of a Carbon Pollution Reduction Scheme (CPRS). The CPRS Bill 2009 provides that from 1 July 2010 the mandatory requirements of the CPRS Cap and Trade system of Australian Emission Units will commence. On 4 May 2009 the Government announced that it will delay the start of the CPRS by one year.

At this time, it is difficult for ECU to accurately determine how the CPRS may impact on ECU and its business activities. In accordance with the Bill it is likely that ECU and its Subsidiaries as explorers of coal and CSG will be subject to requirements to obtain carbon pollution permits (and incur the associated costs of obtaining those carbon pollution permits) unless they are able to take steps under the CPRS to minimise any adverse impact.

The Climate Change Response (Moderated Emissions Trading) Amendment Act 2009 (NZ) was passed into law on 25 November 2009. Under this Amendment Act, participants in the stationary energy sector (which would include ECU as a coal producer) will enter the Emissions Trading Scheme on 1 July 2010. Monitoring and reporting requirements however will commence on 1 January 2010. There is a transition phase that will operate which will mean that until the end of 2012 only one emission unit will be surrendered for each two tonnes of emissions and the carbon is capped at \$25.00 per unit.

Government Policy and Taxation

Changes in relevant taxation, interest rates, other legal, legislative and administrative regimes, and Government policies in Australia or New Zealand, may have an adverse effect on the assets, operations and ultimately the financial performance of both ECU and the entities in which ECU invests. These factors may ultimately affect the financial performance of ECU and the market price of its securities.

In addition to the normal level of income tax imposed on all industries, the coal industry is required to pay government royalties, indirect taxes, GST and other imposts which generally relate to revenue or cash flows. Industry profitability can be affected by changes in government taxation policies.

Location

Common to any form of coal or gas exploration is the significant costs which may be associated with transporting products to the market. If the area over which a permit is held is located a significant distance from any transport related infrastructure (e.g. rail or a gas pipeline) then it is likely that infrastructure and transportation costs may be high. Any increase in these costs may have a material adverse effect on ECU.

Access to Infrastructure

The sharing with other industry participants of transportation and operating infrastructure (such as gas processing facilities and gas pipelines) is common in the gas sector. As such, ECU or its Subsidiaries may rely on access to properly maintained operating infrastructure and shared facilities that in some circumstances may not be directly controlled by ECU or its Subsidiaries in order to deliver its production to market. Any delay or failure to access properly maintained operating infrastructure or shared facilities may have a material adverse effect on ECU.

Further details regarding the importance of access to appropriate transportation and infrastructure with respect to coal is set out above.

Insurance Arrangements

ECU intends to take reasonable steps to ensure that insurance is maintained within ranges of coverage that ECU believes to be consistent with industry practice and having regard to the nature of activities being conducted. No assurance however can be given that ECU will be able to obtain such insurance coverage at reasonable rates or that any coverage it arranges will be adequate and available to cover any such claims. Insurance cover may not be available for every risk faced by ECU. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of ECU. ECU will insure the risk it considers appropriate for ECU's needs and for its circumstances.

Importance of Informal Arrangements and Relationships

ECU also has a number of informal arrangements and relationships with third parties with respect to the sale of coal in New Zealand by ECU. The loss or impairment of these arrangements and relationships may impact ECU's coal sales and may have an adverse material effect on ECU's operating and financial performance, at least until alternative relationships or arrangements could be implemented. In some instances, however, alternative arrangements may not be available or may be less financially advantageous than the current arrangements.

Reliance on Third Parties

ECU is reliant on various third parties through its participation in joint ventures and its use of contracts and other third parties for exploration, mining and other services for the success of ECU's current operations and its future operations. Any default by such third parties of their obligations to ECU or other problems caused by such third parties may have an adverse impact on ECU's performance.

Joint Venture or Farmin Risks

ECU and its subsidiaries are parties to joint venture operating agreements or farmin agreements for prospects, some of these involve ECU or the subsidiaries holding or earning an interest of 50% or less. Under these agreements, ECU may be voted into programmes and budgets which it does not agree with or have the cash resources to fund, and ECU and/or its subsidiaries may be required to contribute to programmes and budgets. It may also be required to contribute to any increases in capital expenditure requirements and/or operating costs. Further, if any of the joint venture partners fail to or are unable to fund their pro rata contributions to expenditure, ECU or its subsidiaries may have to make increased contributions to ensure that the programme succeeds. It may also be the case that delays in programmes may arise due to the joint venture partners not reaching agreement on joint venture decisions.

Reliance on Key Personnel

Whilst ECU has a small senior management and technical team, its progress in pursuing its exploration and evaluation programmes within the timeframes and within the costs structure as currently envisaged could be dramatically influenced by the loss of key personnel. The resulting impact from such loss would be dependent upon the quality and timing of the replacement of such personnel.

Although the key personnel of Eastern have a considerable amount of experience and have previously been successful in their pursuits of acquiring, exploring, evaluating and developing coal, coal seam gas or conventional hydrocarbon projects, there is no guarantee or assurance that they will be successful in their objectives.

Industrial Risk

Industrial disruptions, work stoppages and accidents in the course of ECU's operations could result in losses and delays, which may adversely affect profitability.

Management Actions

The ECU Board will, to the best of their knowledge, experience and ability (in conjunction with their management) endeavour to anticipate, identify and manage the risks inherent in the activities of ECU, but without assuming any personal liability for same, with the aim of eliminating, avoiding and mitigating the impact of risks on the performance of ECU and its securities.

Competition

A number of other companies operate in the coal and gas industries and are allowed to bid for exploration and production licences and other services in the areas in which ECU operates, thereby providing competition to ECU. Larger organisations in particular, may have access to greater resources than ECU, which may give them a competitive advantage. In addition, actual or potential competitors may be strengthened through the acquisition of additional assets and interests.

Additional Funding Requirements

ECU is likely to require access to further funding in the future. If, for any reason, access to that capital is not available, ECU may be adversely affected in a material way. There can be no assurance that additional funds will be available. If ECU raises additional funds through the issue of equity securities, this might result in dilution to the existing ECU Shareholders.

Financing

In order to proceed with the development of any of its projects, ECU is likely to be required to raise additional equity or debt capital in the future. There is no assurance that it will be able to raise capital when it is required or that the terms associated with providing such capital will be satisfactory to ECU, which may prejudice ECU's ongoing ability to participate in these projects.

As part of ECU's existing finance arrangements, ECU has entered interest rate swap transactions in order to manage some of the risk associated with movement in interest rates.

Exchange Rate Risks

The revenues, earnings, assets and liabilities of ECU may be exposed adversely to exchange rate fluctuation, particularly as a result of ECU's activities in New Zealand.

Speculative Nature of Investment

The above list of risk factors should not to be taken as exhaustive of the risks faced by ECU or by investors in ECU.

Whether or not income will result from projects undergoing exploration, development and production programmes is dependant on the successful establishment of exploration operations. Factors including costs, equipment availability, coal and gas prices affect successful project development as does the design and construction of efficient exploration facilities, competent operation and

management and prudent financial administration, including the availability and reliability of appropriately skilled and experienced consultants. In particular, changes in global economic conditions (including changes in interest rates, inflation, foreign exchange rates and labour costs) as well as general trends in the Australian and overseas equity markets may affect ECU's operations and particularly the trading price of the Shares on the ASX.

6.4 Risk Factors that arise from the Offer

Change of control provisions in GEL's agreements triggered upon the acquisition of control of GEL may lead to adverse consequences

ECU is not aware of any pre-emptive rights or change of control provisions affecting GEL's assets or agreements which would be triggered by ECU increasing its interest in GEL as contemplated by the Offer. However, GEL may be a party to agreements that contain pre-emptive rights or change of control provisions that may be triggered if ECU acquires further GEL Shares. The operation of these change of control provisions, if triggered, could have negative consequences including requiring GEL to renegotiate its financings, or sell joint venture interests. These provisions may be waived with the consent of the other party and ECU would consider seeking such waivers if it discovered that pre-emptive rights or change of control provisions affecting GEL's assets or agreements would be triggered upon ECU increasing its interest in GEL. In the absence of these waivers, the operation of any of these change of control provisions could adversely affect the operations of the Merged Group

Issue of ECU shares as consideration

Under the Offer, ECU will offer a significant number of its shares. If current ECU Shareholders or current GEL Shareholders do not wish to hold shares in ECU after completion of the Offer and seek to sell their ECU Shares, this may have a material adverse effect on ECU and the price of ECU Shares.

Fluctuation in the market value of ECU shares

GEL Shareholders are being offered consideration under the Offer that consists of a specified number of ECU Shares (rather than a number of ECU Shares with a specified market value). The market value of ECU Shares at the time at which they are received by GEL Shareholders may vary from their market value on the date that GEL Shareholders accept the Offer.

Accordingly, market fluctuations could affect the value of the consideration paid (in the form of ECU Shares) under the Offer and the value of an accepting shareholder's investment in ECU. ECU is not obliged to make any adjustment in the consideration payable under the Offer if the value of ECU Shares changes during the Offer Period.

6.5 Merger integration risks

Integrating two companies such as ECU and GEL may produce some risks, including integrating management, information systems and work practices. Whilst these risks must be considered, given ECU's current interest in GEL and the high level of involvement of ECU in the operations of GEL, ECU believes that these potential risks can be managed.

However, GEL Shareholders should be aware that greater than expected integration costs could have a material adverse effect on ECU.

Synergy risks

Whilst the ECU Board expect to realise certain synergy benefits from the merger, achievement of these synergies is not certain. The synergies may not be realised to their full extent or may be realised over a longer period of time than the ECU Board expect. This could have a material adverse impact on the financial performance of ECU.

Taxation Risks

The tax consequences and risks of the Offer depend upon the specific circumstances of each GEL Shareholder. GEL Shareholders should obtain their own professional taxation advice regarding the applicable law in respect of the Offer.

Impairment of Goodwill and other Intangible Assets

The financial statements of the ECU Group will be prepared in conformity with the Australian International Financial Reporting Standards (AIFRS) and consistent with the current accounting policies of ECU. Under AIFRS, intangible assets are required to be reviewed semi-annually for impairment. Changes to the carrying amounts of intangible assets of GEL (if any) or ECU could have a material adverse impact on the financial performance of ECU.

SECTION 7 THE INTENTIONS OF ECU

7.1 Intentions on conclusion of the Offer

This Section sets out ECU's current intentions in relation to the operations of GEL. These current intentions are based on the information concerning GEL, its business and the general business environment, which is known to ECU at the time of the preparation of this Offer Document and are subject to change as information or circumstances change.

7.2 Intentions upon acquisition of a relevant interest in less than 90 percent of Shares

The Offer is subject to a number of conditions set out in Section 9.2 of this Offer Document including that no acquisition of GEL Shares under the Offer will proceed unless ECU has, at the end of the Offer Period, received Acceptances to enable ECU's holding in GEL to increase to at least 90 percent of GEL Shares or ECU elects to waive this condition.

GEL Shareholders should note that in the event that ECU receives Acceptances which increase its holdings in GEL to less than 80% and ECU elects to waive the condition of the Offer requiring at least 90% of GEL Shares, GEL Shareholders who may otherwise have been eligible to claim scrip for scrip roll over relief (see Section 8) may not be eligible for such relief and this may result in a different tax position for such GEL Shareholders.

7.3 Intentions upon acquisition of 90 percent or more of Shares

Set out below are ECU's current intentions if it acquires 90 percent or more of the GEL Shares and it is entitled to proceed to compulsory acquisition of the outstanding GEL Shares.

Corporate matters

ECU intends to:

- (a) proceed with compulsory acquisition of the outstanding GEL Shares in accordance with the provisions of Chapter 6A of the *Corporations Act*; and
- (b) take steps to convert GEL to a proprietary company; and
- (c) restructure the Boards of ECU and GEL as described below.

Conduct of Business

ECU currently expects that the business and operations of GEL will remain largely unchanged, save for any efficiencies that can be created through the integration of administrative matters.

Board of Directors

On completion of the Offer, ECU may reduce the size of the GEL Board to be consistent with other subsidiaries of ECU. However, ECU intends to restructure the ECU Board by appointing 2 additional directors who are currently GEL directors, namely:

- (a) Rino Camarri; and
- (b) Cam Rathie.

A condition of the Accepting Shareholders accepting the Offer with respect to the Accepting Shares is the appointment of Rino Camarri and Cam Rathie as directors of ECU.

Full details of the current members of ECU's Board and Senior Management can be found in Sections 4.3 and 4.4 of this Offer Document.

7.4 Limitations on intentions

ECU would only make a decision on the above matters following receipt of appropriate legal and financial advice. ECU's intentions must be read as being subject to GEL's Board having regard for the interests of all

GEL's shareholders and would therefore be subject to its obligations to comply with the applicable provisions of the *Corporations Act* and the law generally.

SECTION 8 TAX CONSIDERATIONS

8.1 Introduction

The following is a general description of the Australian income and capital gains tax consequences to GEL shareholders of the acceptance of the Offer. The comments set out below are primarily directed to those GEL shareholders who hold their GEL Shares as capital assets for the purpose of investment. If you trade in shares or acquire them for profit making purposes then you may need to get further advice.

The following summary is intended only for GEL shareholders resident in Australia for income tax purposes. GEL shareholders who are not resident in Australia for tax purposes should take into account the tax consequences under the laws of their country of residence, as well as under Australian law, of acceptance of the Offer. Furthermore, this summary is not intended for any GEL shareholders who acquired their shares in respect of their (or an associates) employment at GEL (or an associated company).

The following description is based upon the law in effect at the date of this Offer Document, but it is not intended to be an authoritative or complete statement of the law applicable to the particular circumstances of every GEL shareholder. GEL shareholders should seek independent professional advice in relation to their own particular circumstances.

8.2 GEL Shareholders resident in Australia

The Australian taxation consequences of the Offer will depend upon a number of factors, including:

- your tax residency status;
- whether you hold your GEL Shares on capital account, revenue account or as trading stock; and
- whether capital gains tax scrip for scrip rollover relief is available.

If you have any questions about the taxation aspects of holding or disposing GEL Shares then you should seek specific advice from a professional taxation adviser before making a decision whether or not to accept the Offer.

(a) GEL Shares held on capital account

If you acquired GEL Shares for investment purposes with the intention of generating dividend income and long term capital growth, you may be considered to hold your shares on capital account for income tax purposes.

Acceptance of the Offer will involve the disposal of your Shares by way of transfer to ECU. This change in the ownership of the GEL Shares will constitute a capital gains tax event for Australian capital gains tax (CGT) purposes.

You will make a capital gain if the market value of the ECU Shares received, calculated at the time the Offer is accepted, exceeds the cost base of the GEL Shares.

For CGT purposes, the cost base of the GEL Shares would generally include the amount paid to acquire those GEL Shares plus any incidental costs of acquisition (for example, brokerage fees and stamp duty). In some cases, the cost base may be indexed for inflation, which reduces the capital gain.

You will make a capital loss if the capital proceeds received are less than the reduced cost base of the GEL Shares. A capital loss may only be applied by you to offset any capital gains realised by you during the same year of income or during a later year of income. A capital loss cannot be offset against other income. There are specific rules in relation to losses for trusts.

If you are an individual, trust or complying superannuation fund that has held the GEL Shares for twelve (12) months or longer at the time of your acceptance of the Offer, the capital gain derived may be a discount capital gain so that only half of the gain for an individual or trust, or two-thirds of the gain for a complying superannuation fund, is included in assessable income.

If you are a company or have not held the GEL Shares for at least twelve (12) months at the date of acceptance of the Offer, then you will not be eligible to claim a discount on the capital gain.

If you make a capital gain as a result of accepting this Offer and the other conditions of CGT scrip for scrip rollover are satisfied (refer below), you may be eligible for tax relief upon the disposal of your Shares under the scrip for scrip rollover relief provisions.

CGT scrip for scrip rollover relief

You may be entitled to scrip for scrip rollover relief if each of the following is satisfied:

- The Offer results in ECU becoming the owner of 80 percent or more of GEL Shares;
- you would otherwise make a capital gain on the disposal of your GEL Shares; and
- you elect to obtain rollover relief.

GEL shareholders should review the terms of the Offer and their individual circumstances to form a conclusion as to the eligibility for tax relief under the scrip for scrip rollover provisions.

Rollover relief entitles a shareholder to elect to disregard the capital gain they make from a share that is disposed of as part of a corporate takeover or merger if the shareholder receives in exchange a replacement share.

The effect of a shareholder electing to claim rollover relief is that the capital gain that would otherwise arise to the shareholder from the disposal of their GEL Shares will effectively be deferred until the disposal of replacement ECU Shares (refer below).

If scrip for scrip rollover relief is available and you elect to claim it then the cost base of the Shares that you receive will be based upon the cost base of your GEL Shares. You will be taken to have acquired the ECU Shares at the original time the GEL Shares were acquired for CGT purposes. The date of acquisition is particularly relevant for determining whether the twelve (12) month holding requirement is satisfied for the discount capital gain referred to above.

Rollover relief is not available if you would realise a capital loss on acceptance of the Offer.

GEL Shareholders should note that in the event that ECU receives Acceptances which increase its holdings in GEL to less than 80% and ECU elects to waive the condition of the Offer requiring at least 90% of GEL Shares, GEL Shareholders who may otherwise have been eligible to claim scrip for scrip roll over relief may not be eligible for such relief and this may result in a different tax position for such GEL Shareholders.

Where scrip for scrip rollover relief is not claimed or is not available in relation to the disposal of GEL Shares

Where scrip for scrip rollover relief is not claimed or is not available in relation to the disposal of your GEL Shares, you will make either a capital gain or capital loss equal to the difference between the cost base of your Shares and the market value of the ECU Shares you receive under the Offer.

(b) GEL shares held on revenue account

If you originally acquired your Shares with the intention of reselling them at a profit you may be considered to hold your Shares on revenue account for income tax purposes.

Where this is the case, any gain or loss realised on disposal of your Shares will be assessable as ordinary income or claimed as a revenue deduction. The gain or loss will be calculated as the difference between the value of the consideration, being the original cost of acquiring the GEL Shares and the market value of the replacement ECU Shares.

In these circumstances scrip for scrip rollover relief will not be available.

(c) GEL Shares held as trading stock

If you are engaged in the business of share trading, you may be holding your Shares as trading stock.

If you hold your Shares as trading stock, scrip for scrip rollover relief will not be available on acceptance of this Offer. The market value of the ECU Shares you receive from accepting this Offer will be included in your assessable income.

8.3 Taxation implications of holding ECU Shares

As a consequence of accepting the Offer, shareholders will cease to be shareholders of GEL and will become shareholders of ECU.

Dividends received by Australian resident shareholders of ECU will generally be required to be included in the assessable income of such shareholders.

(a) Subsequent disposal of ECU Shares held on revenue account

Australian resident shareholders who hold their ECU Shares on revenue account (refer above) will generally be required to treat any gain or loss arising on a subsequent disposal of their ECU Shares as assessable income or deductible expenses, respectively.

(b) CGT on subsequent disposal of ECU Shares

The subsequent disposal of ECU Shares by Australian resident shareholders will generally give rise to CGT implications.

These will differ depending upon whether or not scrip for scrip rollover relief was claimed in relation to the disposal of GEL Shares pursuant to the Offer.

Where scrip for scrip rollover relief is not claimed or is not available in relation to the disposal of GEL Shares

Where scrip for scrip rollover relief was not claimed or was not available in respect of the disposal of the GEL Shares, the cost base of each ECU Share will include the market value of the GEL Shares disposed of under the Offer at the time of exchange.

If you are an individual, trust or complying superannuation fund that has held replacement ECU Shares for twelve (12) months or longer at the time of the subsequent disposal, the capital gain derived may be a discount capital gain so that only half of the gain for an individual or trust, or two-thirds of the gain for a complying superannuation fund, is included in the shareholder's assessable income.

If you are a company or hold the replacement ECU Shares for less than twelve (12) months, then you will not be eligible to claim the discount on the capital gain.

Where scrip for scrip rollover relief is claimed in relation to the disposal of GEL Shares

Where scrip for scrip rollover relief was claimed in relation to the disposal of GEL Shares, the cost base of the replacement ECU Shares is calculated by reference to the original cost base of the GEL Shares disposed of under the Offer.

For CGT purposes a shareholder will be taken to have acquired the replacement ECU shares at the time the GEL Shares were originally acquired. Consequently, shareholders will be entitled to add together the ownership periods for both the GEL Shares and replacement ECU Shares to determine whether the twelve (12) month holding requirement is satisfied for the discount capital gain rules, or in applying indexation.

If you have any questions about the financial or taxation aspects of holding or selling ECU Shares, you should seek your own independent advice from a professional advisor before making a decision whether or not to accept the Offer.

8.4 Foreign Shareholders

If you are a Foreign Shareholder and accept this Offer you will need to consider the taxation regime in your jurisdiction in conjunction with the Australian Taxation System.

8.5 Goods and Services Tax (GST)

Holders of GEL Shares should not be liable to GST in respect of a disposal of those shares.

SECTION 9 TERMS OF THE OFFER

This Section contains the terms of the Offer by ECU to acquire all of your GEL Shares. The Offer Date is 20 April 2010.

9.1 The Offer

Persons to whom the Offer is made

The Offer is to all the holders of all of the ordinary shares of the capital of **GALILEE ENERGY LIMITED ACN 067 998 323 (GEL)** to which ECU is not already entitled.

Offer

ECU hereby offers to acquire **all of your GEL Shares** together with all Rights attaching to them.

The consideration offered is 1 ECU Share for each 7 GEL Shares, on the terms and conditions set out in this Offer.

If you become entitled to a fraction of an ECU Share the fraction will be rounded up and you will receive the next whole number of ECU Shares.

Acceptance must be in respect of all GEL Shares

You may only accept the Offer in respect of all of your GEL Shares.

Offers to all holders of GEL Shares

Offers on terms and conditions identical to those contained in this Offer have been dispatched or will be dispatched to all holders of GEL Shares, registered as such in the register of members of GEL at 8.00am (Australian Eastern Standard Time) on the Offer Date.

9.2 Conditions of the Offer

Offer subject to conditions

Subject to ECU freeing the Offer from conditions (as described below in this Section 9.2), any contract arising from acceptance of this Offer is subject to fulfilment or waiver of the following conditions:

(a) ***Minimum acceptance***

The Offer is subject to the condition that ECU has a relevant interest in more than 90 percent (by number) of the sum of GEL Shares on issue at that time. In the event that the Accepting Shareholders accept the Offer with respect to all of the Accepting Shares, this condition will be satisfied. However GEL Shareholders should be aware that there are certain conditions which must be satisfied under the agreements with the Accepting Shareholders.

ECU will not waive the minimum acceptance condition unless it considers it is in the best interest of ECU to do so at the relevant time.

(b) ***No regulatory actions***

Between the Offer Date and the end of the Offer Period:

- (1) there is not in effect any preliminary or final decision, order or decree issued by a Government Agency;
- (2) no enquiries, investigations, notices, or actions are made, issued, announced, commenced or threatened by any Government Agency; or
- (3) no request, application or notice is submitted to or by any Government Agency (other than by ECU or any of its associates) or threatened,

in consequence of or in connection with the Offer which:

- (4) delays, restrains or prohibits or impedes, or threatens to or may delay, restrain, prohibit or impede, the making of the Offer or the acquisition of the GEL Shares in accordance with the terms of the Offer; or
 - (5) seeks to or may require the divestiture by ECU of any the GEL Shares, or the divestiture of any material assets of GEL or ECU.
- (c) **Regulatory approvals**
- The Offer is subject to all Regulatory Approvals being obtained on an unconditional basis or on the basis of conditions that impose only non-material requirements incidental to the Regulatory Approvals, and, at the end of the Offer Period, all of those Regulatory Approvals remain in full force and effect in all respects and are not subject to any notice or indication of intention to revoke, suspend, restrict, modify or not renew those Regulatory Approvals.
- (d) **Shareholder approval**
- The Offer is subject to ECU obtaining the approval of ECU Shareholders to the Offer, including the issue of ECU Shares to the GEL Shareholders as consideration for acquiring the GEL Shares and any other approvals from shareholders that may be required under the *Corporations Act*, the ASX Listing Rules or otherwise for the Offer to proceed.
- (e) **Consideration**
- The Offer is subject to the condition that ECU is satisfied that the Offer can proceed in accordance with its terms pursuant to Section 708 of the *Corporations Act*.
- (f) **Material adverse change**
- Between the Offer Date and the end of the Offer Period (each inclusive) no event occurs or is announced which, individually or when aggregated with all such events, has or is likely to have a material adverse effect on the business, assets, liabilities, financial or operating position, profitability or prospects of GEL (after taking into account any matters which offset the impact of the event or events giving rise to the adverse effect), other than a change in generally accepted accounting principles or the interpretation of them.
- (g) **No material mergers, acquisitions, disposals or new commitments**
- Between the Offer Date and the end of the Offer Period neither GEL nor any subsidiary of GEL:
- (1) consolidates with or merges with or into any other person (other than, in the case of a subsidiary of GEL, a wholly-owned subsidiary of GEL) or announces an intention to do so;
 - (2) acquires, offers to acquire or agrees to acquire one or more entities, businesses or assets (or any interest in one or more entities, businesses or assets) for an amount in aggregate greater than \$100,000, or announces an intention to do so;
 - (3) disposes, offers to dispose or agrees to dispose of one or more entities, businesses or assets (or any interest in one or more entities, businesses or assets) for an amount, or in respect of which the book value (as recorded in GEL's consolidated statement of financial position as at 31 December 2009) is, in aggregate, greater than \$100,000, or announces an intention to do so;
 - (4) enters, offers to enter or agrees to enter into any transaction or becomes the subject of any obligation which would require the expenditure, the foregoing of revenue or may result in GEL or any subsidiary of GEL incurring any actual or contingent liability of an amount which is, in aggregate, more than \$100,000, or announces its intention to do so;
 - (5) enters, offers to enter or agrees to enter into, any agreement, joint venture or partnership which is for a term longer than two years, other than in the ordinary course of business, or announces its intention to do so;
 - (6) carries on its business otherwise than in the ordinary and usual course;

- (7) has threatened or commenced against it any material claims or proceedings in any court or tribunal (including a petition for winding up or an application for appointment of a receiver or receiver and manager); or,
- (8) discloses the existence of any matter described in subparagraphs (1) to (7) above, or announces an intention or proposal to do anything described in subparagraphs (1) to (7) above.

(h) **No Prescribed Occurrences**

The Offer is subject to there being no Prescribed Occurrence between the Offer Date and the end of the Offer Period.

(i) **Change of control and other rights under certain agreements**

On or before the Offer Date and before the end of the Offer Period, no person exercises or purports to exercise or states an intention to exercise, any rights under any provision of any agreement or other instrument to which GEL or any subsidiary of GEL is a party or by or to which GEL or any subsidiary of GEL or any of its assets may be bound or be subject, which results or could result to an extent which is material in the context of GEL and GEL's subsidiaries taken as a whole, in:

- (1) any monies borrowed by GEL or any subsidiary of GEL being or becoming repayable or being capable of being declared repayable immediately or earlier than the repayment or maturity date stated in such agreement or other instrument;
- (2) any other such agreement or other instrument being terminated or modified or any action being taken or arising thereunder;
- (3) the interest or rights of GEL or any subsidiary of GEL in any firm, joint venture, trust, corporation or other entity (or any arrangements relating to such interest) being terminated or modified; or,
- (4) the business of GEL or any subsidiary of GEL with any other person being adversely affected; or
- (5) GEL or a subsidiary of GEL being required to dispose of or offer to dispose of, any material asset of GEL Group or acquire any asset,

as a result of the acquisition of the GEL Shares by ECU.

(j) **No dividends or distributions**

This Offer is subject to GEL and its subsidiaries not declaring, distributing or resolving to pay or provide any dividend, bonus or other share of its profits or assets.

(k) **No material failure in filings**

This Offer is subject to ECU not becoming aware that a document filed by GEL contains a materially incorrect or misleading statement or has a material omission.

(l) **Index Movement**

During the period from the Offer Date to the end of the Offer Period (each inclusive), the S&P/ASX200 Index does not fall below 4,500 at any time on any 3 or more consecutive trading days.

9.3 Conditions Generally

Conditions are separate

Each of the conditions contained in Section 9.2 is a distinct and separate condition, and shall not merge on completion of any contract arising from acceptance of this Offer.

Conditions Subsequent

Each of the conditions contained in Sections 9.2 is a condition subsequent. The breach or non-fulfilment of such a condition shall not prevent a contract to purchase your shares arising from your acceptance of this Offer. However, if the conditions in Section 9.2 have not been fulfilled or waived by ECU at the end of the Offer Period, all contracts resulting from the acceptance of Offers and all acceptances that have not resulted in binding contracts are void. In such case, ECU will return the Acceptance Form (if any), together with all documents forwarded by you to you, at the address in the GEL register.

Benefit of conditions

ECU alone shall be entitled to the benefit of the conditions contained in Section 9.2 and any breach or non-fulfilment of any of those conditions may be relied upon only by ECU, and ECU may waive (generally or in respect of a particular event) the breach or non-fulfilment of that condition.

9.4 Offer Period

Unless withdrawn or extended this Offer will remain open for acceptance by you during the period commencing on the Offer Date and ending at 5.00 pm (Australian Eastern Standard Time) on Friday, 28 May 2010. The Offer will not be withdrawn prior to Thursday, 20 May 2010.

9.5 How to accept this Offer

Acceptance must be in respect of all GEL Shares

You may accept this Offer in respect of all (but not less than all) of your GEL Shares.

Time for acceptance

You may accept this Offer at any time during the Offer Period.

Manner of acceptance

To accept this Offer, you must:

- (a) complete and sign the Acceptance Form attached to this Offer in accordance with the Instructions; and
- (b) ensure that the Acceptance Form and any documents required by the terms of the Offer and the Instructions on the Acceptance Form are received NOT LATER THAN 5.00PM (AUSTRALIAN EASTERN STANDARD TIME) ON 28 MAY 2010 at the following address:

Postal Address	Delivery Address	Fax Details
Eastern Corporation Limited PO Box 2145 Fortitude Valley BC QLD 4006	OR Eastern Corporation Limited Level 2, 895 Ann Street Fortitude Valley Qld 4006	OR Eastern Corporation Limited Fax No: 07 3216 1199 Fax No: +61 7 3216 1199 (Outside Australia)

If posting their Acceptance Forms, overseas shareholders should return their Acceptance Form by airmail.

The method chosen to deliver the Acceptance Form and other documents is at the risk of each accepting shareholder.

Acceptance of the Offer in respect of your GEL Shares shall not be complete until the properly completed Acceptance Form (including any documents required by the terms of the Offer and the Instructions on the Acceptance Form) has been received at the address specified above. ECU may, however, in its sole discretion waive at any time, prior to the end of the Offer Period, all or any of those requirements.

Authority to accept Offer

When accepting this Offer, you should also ensure that if the accepting GEL Shareholder:

- (a) is a corporation, the Acceptance Form is signed by two directors, a director and company secretary, or by the sole director in the case of a company with a sole director who is also the sole company secretary or where there is not a company secretary;

- (b) is deceased, the Acceptance Form is signed by all executors and administrators of the estate of the deceased shareholder and the Acceptance Form is accompanied by the probate or letters of administration;
- (c) is a joint holder, all holders sign the Acceptance Form; or
- (d) is accepting through an attorney under power:
 - (1) the power of attorney has not been revoked;
 - (2) the donor of the power of attorney has not died;
 - (3) the power of attorney has been validly executed;
 - (4) the power of attorney duly empowers the attorney to sign such a form;
 - (5) the attorney duly signs the Acceptance Form; and
 - (6) a certified copy of the power of attorney accompanies the Acceptance Form.

9.6 ECU Shares

ECU Shares to be allotted pursuant to the terms of this Offer will be fully paid ordinary shares ranking equally in all respects from the date of their issue with the existing ordinary shares in ECU.

ECU has been admitted to the official list of the ASX and shares of the same class as those to be issued as consideration under this Offer have been granted official quotation by the ASX.

ECU will apply to the ASX for official quotation of the ECU Shares to be issued pursuant to the Offer.

9.7 Entitlement to Offer

This Offer is made to you as the holder of the GEL Shares which are registered in your name in the register of members of GEL at 8.00am (Australian Eastern Standard Time) on the Offer Date. If at any time during the Offer Period another person is or is entitled to be registered as the holder of some or all of those GEL Shares, then:

- (a) an offer corresponding to this Offer shall be deemed to have been made to that person in respect of the GEL Shares of which that person is, or is entitled to be, so registered as holder; and
- (b) this Offer shall be deemed to have been made to you in respect of the remainder (if any) of the GEL Shares that were registered in your name at 8.00am (Australian Eastern Standard Time) on the Offer Date.

The GEL Shares in respect of which this Offer is made or deemed to be made to you, in accordance with this paragraph, are referred to in this document as "your GEL Shares".

9.8 Effect of Acceptance

By signing and returning an Acceptance Form in accordance with the procedures in Section 9.5 and the Instructions on the Acceptance Form, you will be deemed to have:

- (a) irrevocably accepted this Offer (and any variation of it) in accordance with its terms in respect of all of your GEL Shares;
- (b) subject to this Offer being declared free of the conditions set out in Section 9.2 or such conditions being fulfilled or waived, authorised the transfer of your shares to ECU for the consideration specified in this Offer;
- (c) represented and warranted to ECU that on the date of registration of the transfer of your GEL Shares to ECU, your GEL Shares shall be fully paid up and free from all mortgages, charges,

liens and other encumbrances (whether legal or equitable) of any kind and that you have full power and authority to transfer your GEL Shares to ECU;

- (d) authorised ECU (by its directors, officers, servants or agents) to complete on the Acceptance Form correct details of your GEL Shares, fill in any blanks remaining on the Acceptance Form and rectify any error in or omission from the Acceptance Form as may be necessary to make the Acceptance Form an effective acceptance of this Offer and enable registration of the transfer of your GEL Shares to ECU;
- (e) authorised ECU (by its directors, officers, servants or agents) to alter the number of GEL Shares said to be held by you if it is otherwise than as set out in the enclosed Acceptance Form;
- (f) represented and warranted to ECU, and agreed with ECU that your GEL Shares will be purchased by ECU with all Rights and that you will execute all such instruments as may be required for the purpose of vesting in it any such Rights;
- (g) irrevocably authorised and directed GEL to pay to ECU or to account to ECU for all Rights, subject however to any such Rights received by ECU being accounted for by ECU to you in the event that this Offer is withdrawn or the contract resulting from your acceptance of this Offer is rendered void pursuant to Sections 9.3 (conditions subsequent) or 9.10 (effect of withdrawal);
- (h) except where Rights have been paid or accounted for under paragraph 9.8(f), irrevocably appointed ECU and its directors from time to time jointly and severally as your attorney in your name and on your behalf, with effect from the Offer Date, or any contract resulting from your acceptance of this Offer, becomes unconditional, to execute all such instruments as ECU may require for the purpose of vesting in it any such Rights;
- (i) upon this Offer or any contract resulting from your acceptance of this Offer becoming unconditional, have irrevocably appointed each of ECU and each of the directors of ECU from time to time jointly and each of them severally as your attorney to:
 - (1) attend and vote (and otherwise participate) in respect of your GEL Shares at any and all general meetings of GEL, to receive notices of all such meetings and to requisition or join with other holders of GEL Shares in requisitioning or to convene or to join with other holders of GEL Shares in convening a general meeting or general meetings of GEL;
 - (2) demand a poll for any vote to be taken at any meeting of GEL Shareholders;
 - (3) propose or second any resolutions to be considered at any and all meetings of GEL Shareholders;
 - (4) complete and execute all forms, notices, instruments (including instruments appointing ECU or a director of ECU as a proxy or representative in respect of any of those GEL Shares), transfers (including further transfers of any of those GEL Shares to any person) and resolutions relating to those GEL Shares and generally to exercise all powers and rights which you may have as the registered holder or beneficial owner thereof;
 - (5) to request GEL to register the name of ECU or its nominee any of your GEL Shares which you hold on any register of GEL;
 - (6) generally to exercise all your powers and rights in relation to your GEL Shares; and
 - (7) have agreed that in exercising the powers conferred by that power of attorney ECU and any such director shall be entitled to act in the interests of ECU as the beneficial owner and intended registered holder of your GEL Shares.

Invalid acceptance

If you comply with some but not all, of the requirements for acceptance, ECU may in its absolute discretion treat the Acceptance Form as valid notwithstanding your failure to comply with all requirements.

Partially valid acceptance

Where the requirements for acceptance have been complied with in respect of some but not all of the GEL Shares, ECU may in its sole discretion deem your acceptance of this Offer complete in respect of those GEL Shares for which the requirements have been complied with (**Relevant Shares**) but not in respect of the remainder, notwithstanding any other terms of this Offer. In that event, ECU must provide the consideration in respect of the Relevant Shares but not any of the other GEL Shares you may hold, notwithstanding any other terms of this Offer.

Indemnity, undertakings and authorisations

ECU will indemnify you and keep you indemnified in respect of all costs, expenses and obligations which might otherwise be incurred or undertaken as a result of the exercise by an attorney of any powers under this Section 9.8. This appointment, being given for valuable consideration to secure the interest acquired in your GEL Shares, is irrevocable and terminates upon registration of a transfer to ECU or its nominee of your GEL Shares and you will be deemed to have:

- (a) agreed not to attend or vote in person at any general meeting of GEL or to purport to exercise any of the powers conferred on or its nominee in paragraph 9.8(i) above; and
- (b) authorised ECU to notify GEL on your behalf that your place of address for the purpose of serving notices upon you in respect of your GEL Shares in respect of which you have accepted this Offer is at the address of ECU as specified by ECU in the notification, and that all such notices are to be marked care of ECU and to have directed GEL to serve all correspondence, payments or notifications in respect of any Rights and other communications and documents whatsoever in respect of those GEL Shares to ECU at that address.

Duration of authorisations and undertakings

The undertakings and authorities referred to in this Section 9.8 will (unless otherwise provided for in this document) remain in force after you receive the consideration for your GEL Shares acquired by ECU and after ECU becomes registered holder of them.

9.9 Provision of Consideration

Form and timing of consideration

The consideration for the acquisition of your GEL Shares under the Offer is to be satisfied wholly by the issue of ECU Shares.

Subject to this Section 9.9, ECU shall provide the consideration for your GEL Shares on or before 1 month after the later of your acceptance and the date the Offer becomes unconditional.

The obligation of ECU to issue and allot any ECU Shares to you to which you are entitled under the Offer will be satisfied by ECU:

- (a) entering your name on the register of members of ECU; and,
- (b) despatching or procuring the despatch to you of an uncertificated holding statement as set forth in the paragraph headed "Despatch of ECU Shares" below.

Despatch of ECU Shares

Subject to this Section 9.9, a Holding Statement in respect of the ECU Shares to which you will become entitled by accepting this Offer will be posted to you at your risk by ordinary mail addressed to you at your address as shown in the Acceptance Form, or such other address as you may notify in writing to ECU.

Foreign Shareholders

If you are a resident of a jurisdiction other than Australia and its external territories or your address shown in GEL's register of members is a place outside Australia and its external territories or you are acting on behalf of such a person then you are a "**Foreign Shareholder**".

- (a) If you are a Foreign Shareholder then unless ECU otherwise determines that:

- (1) it is lawful and not unduly onerous or not unduly impractical to make the Offer to you and to issue you with ECU Shares on acceptance of the Offer; and
- (2) it is not unlawful for you to accept the Offer by the law of the relevant place outside Australia and its external territories,

then you will not be entitled to receive ECU Shares as part of the consideration for your GEL Shares by reason of your acceptance of the Offer and if you accept the Offer, ECU will:

- (1) arrange for the allotment to a nominee for all accepting Foreign Shareholders (**nominee**) of the ECU Shares to be issued in accordance with the Offer to which you and all other Foreign Shareholders would have been entitled but for this Section 9.9 (Foreign Shareholders);
- (2) cause those ECU Shares so allotted to be offered for sale on ASX within 30 days after the end of the Offer Period; and
- (3) pay the amount ascertained in accordance with the following formula:

$$\text{Proceeds of sale} \times \frac{A}{B}$$

where:

- Proceeds of sale is the amount which is received by the nominee upon the sale of all ECU Shares under this Section less brokerage and other sale expenses;
 - A is the number of ECU Shares which ECU would otherwise be required to procure to be issued to you as a result of your acceptance of the Offer; and
 - B is the total number of ECU Shares issued to the nominee under this Section 9.9 (Foreign Shareholders).
- (b) Payment will be made by cheque in Australian currency. The cheque will be sent to you at your risk by pre-paid air-mail to your address as shown on the copy of the GEL register obtained by ECU. Under no circumstances will interest be paid on the proceeds of this sale, regardless of any delay in remitting these proceeds to you.
 - (c) Notwithstanding anything else contained in this Offer Document, ECU is not under any obligation to spend any money, or undertake any action, in order to satisfy itself of whether Foreign Shareholders are eligible or ineligible to receive ECU Shares.

9.10 Withdrawal

Power to withdraw

ECU may withdraw this Offer at any time during the Offer Period by written notice to GEL and the GEL Shareholders, however, ECU will not withdraw this Offer prior to 20 May 2010.

Effect of withdrawal

If this Offer is withdrawn all contracts arising from its acceptance become void.

9.11 Extension of Offer Period

ECU may at any time, and from time to time, vary this Offer by extending the Offer Period by written notice to GEL and the GEL Shareholders.

9.12 Variation

ECU reserves the right to vary this Offer at any time during the Offer Period by written notice to GEL and the GEL Shareholders

SECTION 10 ADDITIONAL INFORMATION

10.1 Rights and liabilities attaching to ECU Shares

From their date of issue, the ECU Shares to be issued pursuant to the Offer will rank equally with the existing ECU Shares.

The rights and restrictions attaching to ECU Shares are set out in ECU's Constitution and, in certain circumstances, are regulated by the *Corporations Act*, the ASX Listing Rules and general law. Under Section 140(1) of the *Corporations Act*, the Constitution of ECU has effect as a contract between ECU and each member and between a member of ECU and each other member. Accordingly, if GEL Shareholders accept the Offer and are allotted ECU Shares as consideration, they will become contractually bound to comply with the constitution of ECU.

A summary of the principal rights attaching to ECU Shares is set out below. It does not purport to be exhaustive or to constitute a definitive statement of the rights attaching to ECU Shares. Such rights involve complex questions of law arising from interaction of the Constitution and statutory and common law requirements. Shareholder should seek their own advice when trying to establish their rights in specific circumstances.

Voting

At a general meeting of ECU on a show of hands, every member present in person, or by proxy, attorney or representative has one vote and upon a poll, every member present in person, or by proxy, attorney or representative has one vote for every ECU Share held by them.

Dividends

The ECU Shares will rank equally with all other issued shares in the capital of ECU and will participate in dividend out of profits earned by ECU from time to time. Subject to the rights of holders of shares of any special preferential or qualified rights attaching thereto, the profits of ECU are divisible amongst the holders of ECU Shares in proportion to the ECU Shares held by them. Dividends paid to holders of partly paid shares are to be paid pro rata on the basis of the amount paid up on the ECU Share (not credited as paid up). The ECU Board may from time to time pay to ECU Shareholders such interim dividends as in their judgment the position of ECU justifies.

Transfer of the Shares

Uncertificated System

Transfer of ECU Shares may be effected by an instrument of transfer in accordance with any system recognised by the ASX Listing Rules and effected in accordance with the ASTC Settlement Rules or by an instrument of transfer in any usual form or by another form approved by the directors or recognised by the *Corporations Act* or the ASX Listing Rules.

Certificated System

Subject to the Constitution and the *Corporations Act*, an ECU Shareholder's ECU Share may be transferred by instrument in writing in any form authorised by the *Corporations Act* and the ASX Listing Rules or in any other form authorised by the *Corporations Act* and the ASX Listing Rules or in any other form that the directors approve. No fee shall be charged by ECU on the transfer of any ECU Shares.

Refusal to Register

The directors may, in their absolute discretion, refuse to register any transfer of ECU Shares or other securities where permitted to do so by the *Corporations Act*, the ASX Listing Rules or the ASTC Settlement Rules. The directors must refuse to register any transfer of ECU Shares or other securities when required to do so by the *Corporations Act* or the ASX Listing Rules. If the directors decline to register a transfer, ECU must within 5 business days after the date of lodgement of such transfer give to the lodging party written notice of the refusal and the reasons for it.

Winding up

Upon accepting the Offer, GEL Shareholders will have no further liability to make payments to ECU in the event of ECU being wound up pursuant to the provisions of the *Corporations Act*.

Future increases in Capital

The allotment and issue of any new shares is under the control of the ECU Board. Subject to the Listing Rules, the Constitution and the *Corporations Act*, the ECU Board may allot or otherwise dispose of new shares on such terms and conditions as they see fit.

Variation of Rights

At present, ECU has only ordinary shares on issue. If the shares of another class were issued, the rights and privileges attaching to ordinary shares could only be altered with the approval of a resolution passed at a separate general meeting of the holders of ordinary shares by a three quarter majority of such holders or the written consent of the holders of at least three quarters of the ordinary shares.

General Meeting

Each holder of ECU Shares will be entitled to receive notice of and to attend and vote at general meetings of ECU and to receive notices, accounts and other documents required to be furnished to ECU Shareholders under the Constitution, the *Corporations Act* and the Listing Rules.

For more particular details of the rights attaching to ordinary shares in ECU, GEL Shareholders should refer to the Constitution of ECU, a copy of which may be inspected at ECU's registered office being Level 2, 895 Ann Street, Fortitude Valley, Queensland.

10.2 No Brokerage

You will not incur brokerage if you accept the Offer.

10.3 Further information

Further information about ECU can be found on ECU's website at www.easterncorp.com.au.

10.4 Costs and expenses

All costs and expenses of the preparation and circulation of this Offer Document and the Offer, and all transfer duty or brokerage charges payable on transfer of your GEL Shares will be paid by ECU.

10.5 Governing Law

This Offer Document and Offer and any contract that results from your acceptance of this Offer are governed by the laws in force in Queensland.

Dated 20 April 2010



Richard May
Chairman

SECTION 11 DEFINITIONS AND INTERPRETATION

11.1 Defined Terms

In this Offer, the following words have these meanings unless the contrary intention or the context otherwise requires:

Acceptance Form means the form of acceptance and transfer enclosed with this Offer Document and forms part of the Offer (the Instructions on which are for guidance only and do not form part of this Offer);

ASIC means Australian Securities & Investments Commission;

ASX means ASX Limited;

ASX Listing Rules means the Official Listing Rules of ASX;

AUD\$ or \$ means Australian dollars;

Board of ECU or ECU's Board means the board of directors of ECU;

Board of GEL or GEL's Board means the board of directors of GEL;

Business Day means a day on which banks are open for business in Brisbane excluding a Saturday, Sunday or public holiday;

CGT means Capital Gains Tax;

Corporations Act means the *Corporations Act 2001* (Cth);

ECU means Eastern Corporation Limited ACN 064 957 419;

ECU Share means a fully paid ordinary share in the capital of ECU;

Foreign Shareholder has the meaning set out in Section 9.9 (Foreign Shareholders);

Galilee Project means GEL's interest in ATP 529P and ATP 799P;

GEL means Galilee Energy Limited ACN 067 998 323;

GEL Shareholder means a holder of GEL Shares;

GEL Shares means the issued fully paid ordinary shares in the capital of GEL and includes all Rights attaching to them and the term **GEL Share** shall have a corresponding meaning;

Government Agency means any foreign or Australian government or governmental, semi-governmental, administrative, fiscal or judicial body, department, commission, authority, tribunal, agency or entity, or any minister of the Crown in right of the Commonwealth of Australia or any state;

Group means ECU and its subsidiaries;

Independent ECU Directors means those members of the ECU Board who are not directors of GEL and do not hold any GEL Shares;

Instructions means those instructions on how to accept the Offer set out more particularly on the Acceptance Form;

Merged Group means ECU and its subsidiaries (including GEL and GEL's subsidiaries) which will exist as a result of the Offer, should the Offer be successful;

Offer means ECU's offer to acquire GEL Shares as contained in Section 9 of this Offer Document;

Offer Date means the date on which the Offer was first made to shareholders of GEL, namely 20 April 2010;

Offer Document means this document;

Offer Period means the period during which the Offer will remain open for acceptance in accordance with Section 9.5 of this Offer Document;

Prescribed Occurrence means the occurrence of any of the following:

- (a) GEL converting all or any of its GEL Shares into a larger or smaller number of GEL Shares;
- (b) GEL or a subsidiary of GEL resolving to reduce its share capital in any way or reclassifying, combining, splitting or redeeming or repurchasing directly or indirectly any of its shares;
- (c) GEL or a subsidiary of GEL:
 - (1) entering into a buy-back agreement; or
 - (2) resolving to approve the terms of a buy-back agreement under the *Corporations Act*;
- (d) GEL declaring, paying or distributing any dividend, bonus or other share of its profits or assets which has not been declared on or before the date of this Offer;
- (e) GEL or a subsidiary of GEL issuing shares, or granting an option over its shares, or agreeing to make such an issue or grant such an option;
- (f) GEL or a subsidiary of GEL issuing or agreeing to issue, securities convertible into GEL Shares or debt securities;
- (g) GEL or a subsidiary of GEL making any change to its constitution;
- (h) GEL or a subsidiary of GEL disposing, or agreeing to dispose, of the whole, or a part, of its business or property;
- (i) GEL or a subsidiary of GEL:
 - (1) acquiring or disposing of;
 - (2) agreeing to acquire or dispose of; or,
 - (3) offering, proposing, announcing a bid or tendering for,
any business, assets, entity or undertaking (**Acquisition or Disposal Event**), the value of which, when aggregated with any other Acquisition or Disposal Event, exceeds \$100,000, without ECU's prior written consent otherwise than in the ordinary course of business;
- (j) GEL or a subsidiary of GEL creating, or agreeing to create, any mortgage, charge, lien or other encumbrance over the whole, or a substantial part, of its business or property otherwise than:
 - (1) in the ordinary course of business; and
 - (2) a lien or other encumbrance which arises by operation of law or legislation securing an obligation that is not yet due;
- (k) GEL or a subsidiary of GEL:
 - (1) entering into any contract or commitment requiring payments by GEL and its subsidiary taken as a whole (**Contract**), when aggregated with any other Contracts in excess of \$100,000; or

- (2) accepting as a settlement or compromise of a material matter (relating to an amount in excess of \$100,000), less than the full compensation due to GEL or a subsidiary of GEL,

otherwise than in the ordinary course of business except with the prior written consent of ECU;

- (l) GEL or a subsidiary of GEL resolving that it be wound up;
- (m) a liquidator or provisional liquidator of GEL or of a subsidiary of GEL being appointed;
- (n) the Court making an order for the winding up of GEL or of a subsidiary of GEL;
- (o) an administrator of GEL or of a subsidiary of GEL being appointed under the *Corporations Act*;
- (p) GEL or a subsidiary of GEL being deregistered as a company or otherwise dissolved;
- (q) GEL or a subsidiary of GEL executing a deed of company arrangement;
- (r) a receiver, or a receiver and manager, being appointed in relation to the whole, or a substantial part, of the property of GEL or of a subsidiary of GEL; or
- (s) GEL or a subsidiary of GEL changing any accounting policy applied by them to report their financial position other than as required by law;

Previous Offer means the offer by ECU dated 10 February 2010 to acquire all GEL Shares it did not hold on the basis of 1 ECU Share for every 9 GEL Shares, which lapsed on 19 April 2010;

Regulatory Approvals means any consent, registration, filing, agreement, notarisation, certificate, licence, approval, permit, authority or exemption from, by or with a Governmental Agency necessary to implement the Offer;

Rights means all accretions, rights or benefits of whatever kind attaching to or arising from GEL Shares directly or indirectly after the date of this Offer Document, including, without limitation, all dividends or other distributions and all rights to receive any dividends or other distributions, or to receive or subscribe for shares, stock units, notes, bonds, options or other securities, declared or paid by GEL or any of its subsidiaries; and

subsidiary shall have the meaning ascribed to it in the *Corporations Act*.

11.2 Interpretation

In this Offer unless the context otherwise requires:

- (a) headings are for convenience of reference only and do not affect the meaning of the sections they introduce;
- (b) the singular includes the plural and vice versa;
- (c) words importing any gender include all other genders;
- (d) references to persons include corporations;
- (e) appendices and annexures to this Offer form part of this Offer;
- (f) references to paragraphs are to paragraphs in this Offer; and,
- (g) references to "dollar" or "\$" are references to Australian currency.

Corporate Directory

Directors	Solicitors to ECU	Auditors
<p>Mr Richard May (Non-Executive Chairman) Mr Campbell Smith (Managing Director) Mr Steven Koroknay (Non-Executive Director) Mr John McIntyre (Non-Executive Director)</p>	<p>HopgoodGanim Lawyers Level 8, Waterfront Place 1 Eagle Street Brisbane QLD 4000</p>	<p>BDO Audit (QLD) Pty Ltd Level 18 300 Queen Street Brisbane QLD 4000</p>
Administration and Registered Office	Share Registry	
<p>Level 2 895 Ann Street Fortitude Valley QLD 4006</p> <p>Phone: (07) 3216 1155</p>	<p>Computershare Investor Services Pty Limited Level 19 307 Queen Street Brisbane QLD 4000</p> <p>Phone: Within Australia: 1300 552 270 Outside Australia: +61 3 9415 4000</p>	

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