



Eastern Corporation Limited

Quarterly Report

**For the Period Ended
31 March 2009**

COAL – NEW ZEALAND

Operations

- **Cascade coal mine**

The Cascade open cut coal mine, producing low ash, low sulphur coal with a high calorific value, is situated in the historical Buller Coalfields region approximately 25 kilometres north-east of the township of Westport on the west coast of New Zealand's South Island.

Quarter Activities

Coal winning continued in the Gravel Pit area and the use of an outside contractor has ensured that stripping is ahead of schedule in Block 4.

The second stage of construction of the new access road has commenced. The road realignment has enabled access to areas not included in the original mine plan. The current stage will allow access to the area known as the Durkins block.

An additional HM 400 Komatsu has been ordered to replace two of the older dump trucks which will reduce labour and maintenance costs. A new vehicle has also been purchased for the road haulage from the mine to the Denniston stockpile area. This was previously carried out by an external contractor.

- **Takitimu coal mine**

The Takitimu coal mine in the Ohai / Nightcaps area is situated in the far south of the South Island of New Zealand. The mine supplies sub bituminous coal to a range of local industrial applications. Its major contract is to supply up 130,000 tonnes per annum to Fonterra's dairy processing plant at Clandeboye.

Quarter Activities

Coal winning and overburden removal were on schedule for the quarter. Whilst supply to the major dairy producers will decline over winter reflecting the seasonal drop in milk production, indications are that production for the year will exceed the 140,000 tonnes forecast.

A coal testing laboratory has 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.

Successful coal trials have been conducted at Fonterra's milk processing plant at Stirling, near Balclutha. A proposal has been submitted to Fonterra for ongoing supply to this plant from August 2009.

A 4 hole drilling programme at Takitimu has now been completed to confirm resources as part of the next phase of mine planning.

Production

Cascade & Takitimu mines

<u>Mine</u>	<u>Coal Extracted</u> (tonnes)	<u>Overburden</u> (bcm)	<u>Sales</u> (tonnes)	<u>Sales</u> (NZ\$)
Cascade	10,683	202,015	8,688	1,201,338
Takitimu	56,327	273,331	52,957	2,804,217
<u>Totals</u>	67,010	475,346	61,645	4,005,555

Exploration

- **Whareatea West**

The Whareatea West Exploration Permit (EP 40-591) is held by Rochfort Coal Mining Ltd, a wholly-owned subsidiary of Eastern. 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 resource.

Options are currently under consideration for either development of the project in conjunction with a joint venture partner or divestment of the asset.

Quarter Activities

No activities were undertaken at Whareatea West for the period.

Ohai / Orepuki

The Orepuki Permit (PP 39-319) is located on the coast, south west of Takitimu. The Ohai Permit (PP 39-321) covers an extensive area immediately surrounding the Takitimu mining tenements. Both areas are prospective for sub-bituminous coal.

Quarter Activities

Applications for the upgrade of both permits to Exploration Permit status have been lodged with the Department of Crown Minerals.

A drilling programme has now been completed at Ohai with a view to extending the existing resource at Takitimu beyond the current licence boundary. Results from the 10 hole programme are currently being assessed. Once results have been received negotiations will commence with the adjoining landowner to obtain access to the area in question for future development.

A drilling programme for Orepuki will be considered later in the year. Preliminary desktop studies are underway as part of this programme.

COAL - QUEENSLAND

- **Broughton Coal Joint Venture**

The Broughton Coal project in Queensland's Bowen Basin is held in joint venture with Mitsui Coal Holdings Pty Ltd (Mitsui).

In December, Queensland Coal Pty Limited, a subsidiary of Rio Tinto Limited withdrew its offer to purchase Eastern's 90% interest in the tenement.

Quarter Activities

The company is continuing to work with advisors to secure divestment of the asset.

COAL SEAM METHANE – QUEENSLAND

- **Galilee Energy Limited (Eastern 67%)**

Galilee Energy Limited (Galilee) 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 80 km north west of the Barcaldine gas power station which is linked by a gas pipeline to Moomba and Brisbane. ATP 799P is the adjoining tenement to the north. The total acreage held in the permits is 9,950 sq km.

Quarter Activities

ATP 529P

In July 2008 a farmin agreement was signed with AGL Energy Limited (AGL) to take up 50% of 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 7hole exploration and appraisal programme.

Drilling of the Glenaras 5 spot CSG production pilot was completed in November 2008. Five wells were drilled to depths of approximately 1100 metres each using Ensign Rig 20.

The next stage of the production pilot is stimulating and completing the wells and installing water handling facilities prior to commencing a production test. Application has been made for the appropriate regulatory approvals for the water management facilities.

Two of the Glenaras wells have been under-reamed and three will be fracture stimulated. Progressive cavity pumps (PCPs) have been ordered and will be installed to dewater the coals.

The second phase of the exploration work programme for ATP 529P, funded by AGL, will commence in 2009. The work programme consists of 7 core holes and approximately 500km of 2D seismic acquisition. 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.

ATP 799P

Galilee has recently re-focused efforts to progress the CSG exploration of ATP 799P. The 2009 proposed work programme includes two core holes and approximately 150km of new seismic acquisition.

Aerial photography is complete and a ground survey has commenced to clarify environmental restrictions within the permit. 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.

Conventional Hydrocarbons

A desktop study has indicated the possibility for conventional oil and gas to exist in the Galilee tenements. A work programme and budget have been devised to include seismic and the drilling of a cored exploration hole to basement depth however commencement of this work has been deferred pending the completion of the CSG exploration programme.

CORPORATE

Mr Glenn Haworth has joined the Brisbane office on a consultancy basis as General Manager, Operations for Galilee. He is working in conjunction with Cam Rathie overseeing the joint venture with AGL on ATP 529P and developing the exploration programme for ATP 799P.

Mr Haworth has a strong technical background having worked with oil and gas services company, AGR on various projects in Australia and internationally. Over the last three years, his focus has been on consulting related to new business ventures, project management, engineering and coal seam gas technology.

FINANCIALS

The attached 5B statement provides the cash flows for Eastern Corporation Limited and its subsidiaries for the quarter ended 31 March 2009.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

Eastern Corporation Limited

ABN

11 064 957 419

Quarter ended ("current quarter")

31 March 2009

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date \$A'000
1.1	Receipts from product sales and related debtors	3,437	16,984
1.2	Payments for (a) exploration and evaluation	(421)	(1,588)
	(b) development	-	-
	(c) production	(929)	(13,620)
	(d) administration	(1,427)	(2,841)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	34	94
1.5	Interest and other costs of finance paid	(257)	(702)
1.6	Income taxes paid	-	316
1.7	Other	8	8
	Net Operating Cash Flows	445	(1,349)
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a)prospects	-	-
	(b)equity investments	-	-
	(c)other fixed assets	80	(2,254)
1.9	Proceeds from sale of:		
	(a)prospects	-	-
	(b)equity investments	-	-
	(c)other fixed assets	-	109
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)		
	(a) exploration and evaluation expenditure (net of refunds)	-	-
	(b) Joint venture equity contribution	-	-
	(c) Payments for bonds and deposits	(5)	52
	(d) Other	-	-
	Net investing cash flows	75	(2,093)
1.13	Total operating and investing cash flows (carried forward)	520	(3,442)

1.13	Total operating and investing cash flows (brought forward)	520	(3,442)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc. - OEI	-	1,833
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	37	4,832
1.17	Repayment of borrowings	(229)	(402)
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	(21)	-
Net financing cash flows		(213)	6,263
Net increase (decrease) in cash held		307	2,821
1.20	Cash at beginning of quarter/year to date	1,453	(1,269)
1.21	Exchange rate adjustments	(199)	9
1.22	Cash at end of quarter	1,561	1,561

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	233
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

The amounts paid to the directors in this quarter of \$233k per 1.23 above represents fees and salaries paid to non-executive directors and directors who were full time employees for the 3 months to 31/03/2009

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

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Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	8,676	7,278
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	50
4.2 Development	-
Total	50

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	963	951
5.2 Deposits at call	2,040	2070
5.3 Bank overdraft	(1,443)	(1,570)
5.4 Other	1	2
Total: cash at end of quarter (item 1.22)	1,561	1,453

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	-		
6.2	Interests in mining tenements acquired or increased	-		

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference + securities <i>(description)</i>	-			
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	-			
7.3 + Ordinary securities	71,785,401			
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 + Convertible debt securities <i>(description)</i>	-			
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	-			
7.7 Options <i>(description and conversion factor)</i>	- Non-executive director options – convertible to 1 ordinary share each		<i>Exercise price</i>	<i>Expiry date</i>
7.8 Issued during quarter	2,000,000 2,000,000	- -	30c 35c	04-12-2011 04-12-2011
7.9 Exercised during quarter	-			
7.10 Expired during quarter	-			
7.11 Debentures <i>(totals only)</i>	-			
7.12 Unsecured notes <i>(totals only)</i>	-			

Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).

2 This statement does ~~does not~~* (*delete one*) give a true and fair view of the matters disclosed.

Sign here: Date: 30 April 2009
(~~Director~~/Company secretary)



Print name: William G Lyne

Notes

1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.

5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.