



Eastern Corporation Limited

Quarterly Report

**For the Period Ended
31 March 2008**

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

Overburden removal has continued in the Gravel Pit blocks. The overburden has been dumped within the mined out voids of the Fire Pit and Mill Creek areas. Topsoil and vegetation has been recovered separately where practicable using an excavator and will be transported to the overburden placement areas. This material has been placed onto the face of the overburden dumps to help prevent erosion and to provide a suitable natural regeneration material.

A new mine site access road has been completed for road trucks hauling coal from the mine to the Denniston stockpile area. Rerouting of the mine access road has allowed access to coal within the Gravel Pit Block. The new alignment is underlain by coal resources which are targeted for mining in the future and it is constructed on the top bench of the final highwall.

Cascade's major customer continues to be the Holcim cement plant at Cape Foul Wind.

- **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. In September 2008 it will commence supply of up to 130,000 tonnes per annum to Fonterra's processing plant at Clandeboye.

Quarter Activities

Coal winning in Block 1 extended beyond the end of March with better than expected recoveries from the Upper Morley 3 seam.

In Block 2 overburden removal remains on target at 75,000 cubic metres per month to expose the next 50,000 tonnes of coal in readiness for the Fonterra supply.

The major excavation work for the new product coal stockpile and load out area has now finished. Earthworks have also been completed for the haul road to the new rail load out.

The weighbridge upgrade and office extension is also nearing completion.

Subsequent to period end a contract has been signed with Toll NZ to rail coal contracted to Fonterra to their Clandeboye plant at Temuka, near Timaru.

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	9,847	99,472	8,298	801,534
Takitimu	9,426	227,461	7,271	423,594
<u>Totals</u>	19,273	326,933	15,569	1,225,128

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.

Quarter Activities

No activities were undertaken at Whareatea West for the quarter.

Further exploration drilling and coal quality testing is planned to be undertaken in conjunction with a joint venture partner. Discussions are still underway with several parties to this effect.

- **Ohai / Orepuki / Takitimu**

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.

No immediate activity is planned whilst the Takitimu mine is in development phase however once the planned infrastructure improvements are in place focus will switch to devising exploration programmes for these areas with particular emphasis on the Ohai permit.

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).

The Company is currently in negotiations with several parties to sell the shares of its wholly owned subsidiary, Broughton Coal Mining Pty Ltd, which holds 90% of the joint venture.

COAL SEAM METHANE – QUEENSLAND

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

Galilee Energy Limited holds Authorities to Prospect ATP 529P and ATP 799P near Longreach in Central Queensland. The areas are prospective for coal seam methane and conventional hydrocarbons. To meet the relinquishment requirements under the terms of the tenement holdings, 25 sub-blocks were handed back earlier this year. The total acreage now held in the tenements is 9,950 sq km.

Coal Seam Methane

Drilling was completed at Rodney Creek 8 in July 2007 with encouraging results.

Initial conclusions based on the observed coal thicknesses and the measured gas contents of the coals indicate that the methane resource in place is in excess of 20 TJ.

Following extensive technical evaluation by its consultants, Galilee proposes that its 2008/09 programme be a combined production and exploration programme, consisting of a five well production pilot and four exploration wells.

The programme has two key objectives:

- Demonstrate the feasibility of commercial production; and
- Certification of a significant level of 2P (Proved and Probable) Reserves.

Establishing feasibility of commercial gas flows is a pre-requisite of certifying 2P reserves so the five well production pilot will be drilled as a matter of priority.

Following completion of the production pilot, four cored exploration wells will be drilled. This drilling pattern will allow results to be correlated with results from earlier drilling at Rodney Creek 3 - 7 and Crossmore 1 & 2. The objective is to maximise the potential level of 2P and 3P reserves.

Conventional Hydrocarbons

A desktop study has indicated the possibility for conventional oil and gas to exist in a structure known as Bromvil which occurs over both ATP 529P and 799P. It presents as a well defined topographic feature that has potential as a hydrocarbon trap however additional exploration is required to determine its subsurface characteristics. Further work on this study has been deferred pending the completion of the current CSM production and exploration programme.

FUNDING

Subsequent to period end, Eastern has arranged overdraft funding of \$2 million with the NAB. This facility will provide sufficient funds to satisfy ECU's projected ongoing commitments through the next financial year.

FINANCIALS

The attached 5B statement provides the cash flows for Eastern Corporation Limited and its subsidiaries for the quarter ended 31 March 2008.

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 2008

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (9months) \$A'000
1.1	Receipts from product sales and related debtors	1,405	4,010
1.2	Payments for (a) exploration and evaluation	(578)	(1,886)
	(b) development	-	(118)
	(c) production	(833)	(3,233)
	(d) administration	(182)	(2,833)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	12	92
1.5	Interest and other costs of finance paid	(119)	(348)
1.6	Income taxes paid	5	5
1.7	Other	45	45
	Net Operating Cash Flows	(245)	(4,266)
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a)prospects	-	-
	(b)equity investments	-	-
	(c)other fixed assets	(163)	(315)
1.9	Proceeds from sale of:		
	(a)prospects	-	-
	(b)equity investments	-	-
	(c)other fixed assets	-	4
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)	65	-
	(b) Joint venture equity contribution	-	-
	(c) Payments for bonds and deposits	38	38
	(d) Other	(4)	(2)
		-	-
	Net investing cash flows	(64)	(275)
1.13	Total operating and investing cash flows (carried forward)	(309)	(4,541)

1.13	Total operating and investing cash flows (brought forward)	(309)	(4,541)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc. - OEI	-	726
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	2,642
1.17	Repayment of borrowings	(44)	(203)
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	Net financing cash flows	(44)	3,165
	Net increase (decrease) in cash held	(353)	(1,376)
1.20	Cash at beginning of quarter/year to date	365	1,104
1.21	Exchange rate adjustments	(304)	(20)
1.22	Cash at end of quarter	(292)	(292)

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	93
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 \$93k per 1.23 above represents fees and salaries paid to directors who were full time employees for the 3 months to 31/03/08..

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

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	4,595	4,320
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	150
4.2 Development	-
Total	150

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	432	618
5.2 Deposits at call	115	175
5.3 Bank overdraft	(839)	(428)
5.4 Other	-	-
Total: cash at end of quarter (item 1.22)	(292)	365

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>	-		<i>Exercise price</i>	<i>Expiry date</i>
7.8 Issued during quarter	-			
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 2008
(~~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.