



# **Eastern Corporation Limited**

## **Quarterly Report**

**For the Period Ended  
30 September 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

Production has continued on target for the year to date. Operations are still focused on the Gravel Pit area with coal winning in Block 2 continuing and stripping of Block 3 underway.

In terms of plant, a new sizing screen was installed in August to enhance coal processing and two new 40 tonne HM400 articulated dump trucks have been ordered to be on site at the end of October.

- **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

Supply under the Fonterra contract commenced 1 September 2008. All site works in preparation for this were completed ahead of schedule including the rail load out area and product stockpile areas. The new processing plant was commissioned and is working to expectations. The freight operations have also proved to be successful; daily trains are being loaded and despatched well within the allocated time frames and the road freight system employed for ash disposal in pit on site at the mine has also run to schedule.

Coal winning in the Upper Morley sequences in Block 2 is continuing and stripping is commencing in Block 3. Coal extraction rates and overburden removal are on target and coal sales year to date have met budget.

## Production Cascade & Takitimu mines

<u>Mine</u>	<u>Coal Extracted</u> (tonnes)	<u>Overburden</u> (bcm)	<u>Sales</u> (tonnes)	<u>Sales</u> (NZ\$)
<b>Cascade</b>	14,532	135,840	12,685	1,247,657
<b>Takitimu</b>	32,281	306,543	21,855	1,175,243
<u>Totals</u>	<b>46,813</b>	<b>442,383</b>	<b>34,540</b>	<b>2,422,900</b>

## 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.

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

The extension to the Exploration Permit through to December 2011 was granted during the quarter. 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.

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

## **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 September, the Company accepted an offer to purchase its 90% interest for a consideration of \$10 million from Queensland Coal Pty Limited, a subsidiary of Rio Tinto Limited. A deposit has been received and the transaction, subject to certain conditions precedent, is expected to complete in December 2008.

## **COAL SEAM METHANE – QUEENSLAND**

- **Galilee Energy Limited (Eastern 66%)**

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 methane 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 an agreement was signed with AGL Energy Limited (AGL) to farm in to ATP 529P. AGL is an integrated energy company operating retail and merchant energy businesses and an upstream gas portfolio.

Under the terms of the agreement, AGL will take up 50% of the tenement for an expenditure of \$37 million. AGL will be the operator of the two stage programme comprising the 5 spot Glenaras production pilot at Rodney Creek and a 7hole exploration and appraisal programme in the immediate vicinity. The parties also entered into a 10 year gas marketing agreement.

In September a contract was signed between AGL and Ensign Australia Pty Ltd to secure a drill rig for the Glenaras production pilot. Ensign Rig 20 was mobilised to site on September 29. Subsequent to period end Glenaras 4 was spudded on October 7 and reached total depth of 1,103 metres on October 14. Glenaras 2 was spudded on October 18. The programme is scheduled for completion early December.

- **ATP 799P**

Galilee is now focused on progressing the exploration of ATP 799P and has devised a seismic and appraisal drilling programme to commence in 2009.

During the quarter, Galilee announced a non-renounceable rights issue to fund this programme. The intention was to raise approximately \$4,480,000 from shareholders. Under the terms of the issue shareholders could purchase one new ordinary share for every fifteen shares held at an issue price of 8.5 cents per share.

Shareholders were entitled to subscribe for additional shares over their 1 for 15 entitlement but the company reserved the rights to accept oversubscriptions should the value of the total shares applied for exceed the total of \$4,480,000, and to place any new shares not taken up with existing shareholders. The offer closed on 18 August 2008 with 21,562,026 shares subscribed, raising \$1,832,771 and diluting Eastern's interest to 66.12% The Board of Galilee then resolved to offer Eastern the shortfall of 312,152,892 shares for a consideration of \$2,647,996, taking its overall holding after issue to 568,573,470 shares, or 67.4%. By agreement, Eastern has until 18 November 2008 to complete this transaction.

### **Conventional Hydrocarbons**

A desktop study has indicated the possibility for conventional oil and gas to exist in the Galilee tenements. This is based on the Bromvil structure which occurs over both ATP 529P and 799P. It presents as a well defined topographic feature that holds potential as a hydrocarbon trap however additional exploration is required to determine its subsurface character and trapping capabilities.

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**

In New Zealand, Mr Craig Pilcher, previously NZ Marketing and Transport Manager, was appointed to the position of General Manager, New Zealand. Mr Pilcher was also appointed as director for the New Zealand subsidiary companies.

Subsequent to period end, Mr Richard May was appointed to the position of Chairman of the Board of Eastern.

## **FINANCIALS**

The attached 5B statement provides the cash flows for Eastern Corporation Limited and its subsidiaries for the quarter ended 30 September 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")

30 September 2008

## Consolidated statement of cash flows

<b>Cash flows related to operating activities</b>		Current quarter \$A'000	Year to date \$A'000
1.1	Receipts from product sales and related debtors	2,553	2,553
1.2	Payments for (a) exploration and evaluation	(765)	(765)
	(b) development	-	-
	(c) production	(2,293)	(2,293)
	(d) administration	(1,072)	(1,072)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	18	18
1.5	Interest and other costs of finance paid	(188)	(188)
1.6	Income taxes paid	316	316
1.7	Other		
	<b>Net Operating Cash Flows</b>	<b>(1,431)</b>	<b>(1,431)</b>
<b>Cash flows related to investing activities</b>			
1.8	Payment for purchases of:		
	(a)prospects	-	-
	(b)equity investments	-	-
	(c)other fixed assets	(1,509)	(1,509)
1.9	Proceeds from sale of:		
	(a)prospects	-	-
	(b)equity investments	-	-
	(c)other fixed assets	-	-
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	(7)	(7)
	(d) Other	-	-
	<b>Net investing cash flows</b>	<b>(1,516)</b>	<b>(1,516)</b>
1.13	Total operating and investing cash flows (carried forward)	<b>(2,947)</b>	<b>(2,947)</b>

1.13	Total operating and investing cash flows (brought forward)	(2,947)	(2,947)
<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc. - OEI	1,833	1,833
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	1,066	1,066
1.17	Repayment of borrowings	(99)	(99)
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
<b>Net financing cash flows</b>		2,800	2,800
<b>Net increase (decrease) in cash held</b>		(147)	(147)
1.20	Cash at beginning of quarter/year to date	(1,269)	(1,269)
1.21	Exchange rate adjustments	(45)	(45)
1.22	<b>Cash at end of quarter</b>	(1,461)	(1,461)

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	80
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 \$80k 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 30/09/08.

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	8,139	7,935
3.2 Credit standby arrangements	-	-

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	71
4.2 Development	21
<b>Total</b>	<b>92</b>

### 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	256	213
5.2 Deposits at call	984	-
5.3 Bank overdraft	(2,703)	(1,482)
5.4 Other	-	-
<b>Total: cash at end of quarter</b> (item 1.22)	<b>(1,461)</b>	<b>(1,269)</b>

### 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 <b>Preference securities</b> <i>(description)</i>	-			
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	-			
7.3 <b>+Ordinary securities</b>	71,785,401			
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 <b>+Convertible debt securities</b> <i>(description)</i>	-			
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	-			
7.7 <b>Options</b> <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 <b>Debentures</b> <i>(totals only)</i>	-			
7.12 <b>Unsecured notes</b> <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: 28 October 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.