

# Eastern Corporation Limited

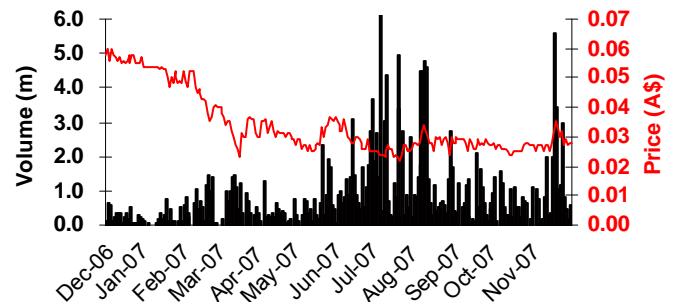
November 2007

Listing code .....	ECU (ASX)
GICS Industry Group .....	MATERIALS
Principal activities .....	Coal production and coal gas exploration
Share price (19/11/07) .....	A\$0.032
Market Capitalisation .....	A\$22.9 million
12 Months price range .....	A\$0.02 – A\$0.06
Shares on issue (19/11/07) ...	717 million
No. of Shareholders .....	approx. 1880
Substantial shareholders .....	Becamal 19.3% AMP Life Limited 10.2%
Cash (end Sept 2007) .....	A\$1.45 million
Debt (end Sept 2007) .....	A\$4 million
Web site .....	www.easterncorp.com.au



ABN: 11 064 957 419

## Share price trading history



## ENCOURAGING COAL SEAM GAS RESULTS IN GALILEE BASIN

***Galilee Energy Limited, majority owned by Eastern Corporation, has announced encouraging results from its recent drilling programme at Rodney Creek 8 in Queensland's Galilee Basin. The company will pursue further drilling and a pilot production programme, and is considering funding options for the next stages of the programme.***

In May 2007, Galilee Energy Ltd (67% owned by Eastern) initiated a coal seam gas exploration programme on the 12,000 km<sup>2</sup> ATP 529P held by the company in the Galilee Basin near Longreach. On 1 November 2007, the company reported encouraging preliminary results from Rodney Creek Number 8 well drilled to 1,110m total depth. Results are being analysed and, where possible, reconciled with data from previous exploration. In summary, the coal is present in thick, permeable seams containing 97%-98% methane that is within normal commercial gas specifications. Preliminary drill results received to date demonstrate:

- *An aggregate 24.77m of coal measures, potential commercial producers of coal seam gas*
- *Coal seams are low in ash and permeable due to strong cleating (thus facilitating gas flow)*
- *Moderate coal permeability that is high compared with other gas producing fields*
- *A gas content median value of 4.4m<sup>3</sup>/t on a raw data basis*
- *97-98% methane - pipeline quality gas*
- *Moderately high degree of seam continuity within the ATP although some seam splitting is present*

The Barcardine power station, 80 km south-east, provides a potential initial market for coal seam gas from Rodney Creek. The power station is currently fed by a pipeline from the Moomba gas fields.

Future planning for the Galilee Basin comprises:

- *Further analysis of test data and core samples, including running of adsorption isotherms and actual seam permeabilities*
- *Continuing rework and analysis of available seismic data for the ATP*
- *Final report in early 2008*
- *Decision to proceed with an additional five exploration wells and a five-spot pilot production programme*
- *Continue a desktop study of the prospectivity of the area for conventional hydrocarbons (oil and gas)*

Consideration is being given to future funding options, including farm ins, share placements and a float/IPO. Preliminary discussions are being held with interested parties.

## **New Zealand Coal**

Eastern has become established as a coal producer in New Zealand with two operating mines and a coal distribution centre—initial stages of a strategy to provide cashflow to fund opportunities in Australia and New Zealand. Eastern sees growth opportunities in New Zealand for domestic coal as the market expands to meet an increasing energy requirement, and for export coking coal.

The **Cascade mine**, on the west coast of the South Island, was acquired in 2005 and produces low ash, low sulphur coal with a high calorific value. Production is being increased to more than 50,000 tonnes a year at the open cut operation which has a four to five year mine life.

Cascade provides an ideal lead-in to the future development of the potentially larger coal resource at the nearby **Whareatea West prospect**, where coking and thermal quality coals have been identified. However, only 40% of the permit area has been explored. Eastern is seeking joint venturers to progress the next stages of exploration of the permit.

The **Takitimu coal mine** was acquired in 2006. Located in the far south of the South Island, mine production is being increased to meet demand for its sub-bituminous thermal coal. Sales of 40,000 tonnes are forecast for 2007/08, 140,000 tonnes in 2008/09 and up to 220,000 tonnes in subsequent years. The mine is contracted to supply major dairy products coop Fonterra from September 2008.

Eastern holds extensive exploration tenements, prospective for sub-bituminous coal, surrounding Takitimu (**Ohai**) and to the south-west (**Orepuki**).

**Eastern Coal Supplies Limited**, at the South Island port of Timaru, is being developed as a strategically important coal stockpiling, blending and distribution centre for large industrial customers based in the region.

## **Queensland Coal**

The **Broughton Coal** tenement (Eastern 90%) adjoins Rio Tinto's operating open cut coking coal mine at Hail Creek in the Bowen Basin. While the coking/thermal coal project will not sustain a stand-alone development, it holds considerable value and Eastern is pursuing the sale of its interest. Mitsui Coal Holdings Pty Ltd has confirmed that it intends to maintain its 10% interest in Broughton. Eastern plans to relinquish its other Bowen Basin coal tenement at Dorben.

## **Corporate**

Eastern has a strong board and management team: **Campbell Smith**, appointed Managing Director in July 2007, previously headed the NZ operations during their successful establishment; non-executive director **John McIntyre**, Australian MD of mining consultancy Behre Dolbear and former Bowen Basin coal mine manager; **Richard May**, former partner with KPMG. In a recent corporate restructure, Eastern's corporate office has been downsized and the New Zealand management increased to meet expansionary needs.

## **Financial**

Increasing cash flows from the New Zealand coal operations and a NZ\$4m debt facility put Eastern in a strong financial position. The current coal seam gas exploration program is being funded by the proceeds of a Galilee Energy rights issue that raised \$2.6M in October 2007.

## **Shareholders**

Propwood Pty Ltd redistributed its 33% holding in 2007, resulting in Becamal Pty Ltd being the largest shareholder at 19%. AMP Life Limited invested \$4.2M in 2005 and remains the second largest shareholder at 10.2%.

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