



EASTERN
CORPORATION LIMITED

ABN 11 064 957 419

30 April 2008

**Eastern Corporation Limited
ASX Announcement**

GALILEE ENERGY UPDATE

The enclosed letter to Galilee Energy Limited ("GEL") shareholders regarding the preliminary Exploration and Well Completion Report for Rodney Creek 8 was received by the Board of Eastern Corporation Limited ("ECU") today.

ECU holds 67% of GEL.

For and on behalf of
The Board of Directors

Campbell Smith
Managing Director

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30 April 2008

The Directors
Eastern Corporation Limited
GPO Box 7145
Brisbane QLD 4001

Dear Shareholder,

Following on from the November 2007 announcements, the Board of Galilee Energy Ltd is pleased to report that further preliminary test results from the Rodney Creek 8 well have been received and reaffirm previous positive results.

J R Holland & Associates recently completed a preliminary Exploration & Well Completion Report for Rodney Creek 8 and conclude that based on the observed coal thicknesses and the measured gas content of the coals, the gas resource is substantial and is characterised by:

- ▶ 24 net metres of gassy coal measures (considered thick enough to enable coal seam gas production);
- ▶ Coal seams which are dull, low in ash and exhibit strong cleating;
- ▶ Gas contents ranging from 2.8 to 6.6 m³/t on a raw coal basis;
- ▶ Gas composition of pipeline quality with 97-98% methane; and
- ▶ Moderate to high coal permeability, with a weighted average of 50 millidarcies.

To elaborate further, the dry ash free average gas content is in excess of 5.5m³/t. Given the thicknesses and gas content of these coal groups the gas resource in place is substantial when compared with other successful coal seam gas projects.

The resource in place, ie. original gas in place, at the Rodney Creek 8 site is estimated to be 16 Bcf/mile². By way of comparison, in North America an overall gas in place estimate of 6 Bcf/mile² is considered, as a rule of thumb, to be the lower limit for economic recovery of coal seam gas.

Based on the observed coal thicknesses and the measured gas contents of the coals in Rodney Creek 8, the resource in place in ATP529 and ATP799, as currently held, is estimated to be greater than 20 TCF. This estimate will be revised up or down as more wells are drilled on these ATP's.



If an extrapolation is done over both ATP's the gas in place calculation from the results of Rodney Creek 8 and previously drilled wells, which show coal continuity across them, the result of the gas in place calculation would be in excess of two times the 20 TCF stated above.

As a matter of interest, the scale of Galilee's estimated resource, whilst recognising the qualifications of any such comparison, is compared below with resource estimates publicly available for other Australian CSM companies.

CSM Companies	GIP (TCF)	3P Reserves (TCF)	Acreage (km²)
Blue Energy	140	NA	27,000
Sydney Gas	63	NA	10,000
Pure Energy	50+	NA	31,000
Arrow Energy	35	2.6	75,000
Galilee Energy	20+	NA	10,000
Queensland Gas	19	3.0	8,000
Eastern Star Gas	14	1.2	5,000

The Board of Galilee continues to await the test results of the adsorption isotherms which will assist in predicting the production characteristics of the Rodney Creek 8 well. These final results are expected in the near term.

To meet the relinquishment requirements under the terms of ATP 529, renewed in 2004, Galilee Energy was required to relinquish 25 sub-blocks of the original 100 sub-blocks. As a result, the current area of ATP 529 is 75 sub-blocks (5,525 km²). Together with ATP 799, comprising 59 sub-blocks (4,425 km²), Galilee's total prospecting acreage is 9,950 km².

The future focus of Galilee must now be on the following two key objectives:

- ▶ Demonstrate feasibility of commercial production; and
- ▶ Certification of a significant level of 2P (proved & probable) Reserves.

Establishing feasibility of commercial gas flows is clearly the priority at this stage as Galilee operates in a frontier basin with no history of CSM production. For this purpose, a five well production pilot programme is to be undertaken. Final detailed costing is being prepared and preliminary estimates indicate that the drilling and completion of the five wells and a twelve month production test will cost in the vicinity of \$20,000,000. The cost of this programme has increased substantially due to increases in drilling costs (including fuel & labour), expected imminent steel price increases for casing steel and the requirement to establish evaporation ponds for water disposal.

Providing this testing programme is successful, Galilee Energy will also be able to establish initial 1P (proved), 2P (proved & probable) and 3P (proved, probable and possible) reserves.

The second stage for Galilee Energy, which focuses on an extensive reserve certification programme, requires drilling additional exploration wells (similar to Rodney Creek 8) over a wider area of ATP 529. Four additional wells are proposed to be drilled in a pattern that would allow correlation of results with those previously obtained from Rodney Creek 2 to 8 and Crossmore 1 and 2. The objective would be to maximise the level of 2P and 3P reserves by linking the new exploration effort with previous work.

The Board continues to be encouraged by the prospects of Galilee. It is presently investigating funding options for the production pilot programme and will report on its recommendations in due course.

Yours faithfully,

A handwritten signature in dark ink, appearing to read 'Rino Camarri', with a stylized flourish at the end.

Rino Camarri
Chairman