

EASTERN CORPORATION LIMITED

Quarterly Activities Report : October 2009

OUTLOOK STATEMENT

Eastern Corporation ended the September quarter in a sound position, with solid progress made toward achieving the Company's strategic priorities in the Galilee Basin in Central Queensland and the fulfilment of a number of important financial objectives.

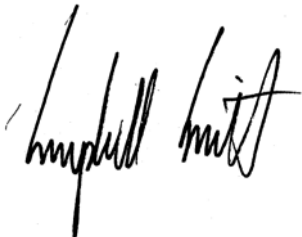
Eastern's exploration programmes continue to benefit from successful capital raisings. Funds raised from the Entitlements Offer which closed in July have been directed toward our exploration and development objectives in the Galilee Basin where Eastern is on track to achieve its calendar 2009 work programme and in some instances will meet objectives ahead of schedule.

In the ATP 799P tenement, which is operated by Eastern's 68%-owned subsidiary Galilee Energy Limited, the seismic survey which forms part of the 2009 drilling and exploration programme has been completed ahead of schedule and the drilling programme of two core holes will commence shortly. At ATP 529P, operated by AGL, the drilling programme scheduled for 2010 has been accelerated to commence in the current quarter. Muttaborra 2 has already spudded. This is the first of seven core holes scheduled to be drilled across the tenement.

The intensity of activity at these permits is very exciting and bears out our long-held view that the Galilee Basin remains one of Australia's most prospective frontiers for Coal Seam Gas development. We remain committed to transforming these tenements into significant production assets that will continue to reward our shareholders in the years to come.

During the latest quarter, Eastern also confirmed that it had signed a put and call option with Resource Portfolio Partners Pty Ltd to divest its 90% interest in the Broughton Coal Joint Venture. The sale of this asset will further strengthen the company's financial position.

In New Zealand the production from our two operating mines continues to meet targets. The cash flow generated from these coal operations contributed to a near halving of Eastern's net loss from \$4.34 million in 2007/08 to \$2.45 million for the 2008/09 financial year.



Campbell Smith

Managing Director

EASTERN CORPORATION LIMITED

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COAL SEAM METHANE - QUEENSLAND

ATP 529P (AGL 50% - Galilee 50%)

The past year has seen us significantly advance our goals for the tenement which is held in partnership with operator AGL Energy Limited (AGL) under a farm-in arrangement.

Work commenced during the quarter on construction of the water holding facility on the site of the Glenaras 5 spot production pilot. Two of the five pilot wells planned are already completed and will be fitted with downhole pumps ready for testing. We expect to complete the remaining three wells and install pumps in time to commence our six-month test programme in November.

Meanwhile, Phase 2 of the AGL farm-in has begun ahead of its scheduled start date with the spudding of Muttaborra 2. This is the first of 7 core holes scheduled to be drilled across the tenement. At the same time a 2D seismic survey of 540 kilometres has commenced.

ATP 799P (Galilee 100%)

The 2009 exploration programme at the Galilee Energy-operated ATP 799P tenement is progressing to schedule, with important seismic surveys completed and a core hole drilling programme underway.

Terrex have completed the 150 kilometre 2D seismic survey ahead of schedule and incident free, setting a new crew production record. Major Drilling will mobilise a rig on site shortly to drill Dunrossie-01, the first of two core holes targeting the Betts Creek coal measures.

This exploration programme will provide an advanced assessment of the Coal Seam Gas (CSG) potential of the site and allow the identification of any primary locations to proceed with gas reserve certification.

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NEW ZEALAND OPERATIONS

PRODUCTION

Cascade and Takitimu coal mines continue to offer exciting production potential in addition to the already solid production and sales being generated from both mines in New Zealand's South Island.

The New Zealand operations in the 2008/09 financial year returned a net profit of AUD 994k compared with a loss the previous year of AUD \$1.42m

Cascade coal mine

Cascade mine continues to meet targets for overburden removal and coal winning with mining activities continuing in the Gravel Pit area and stripping underway in the Durkins block. A drilling programme consisting of four holes has been designed to commence in early 2010 in the Adams Block to further delineate the recoverable resource in that area.

Takitimu coal mine

In September Takitimu successfully completed its first full year of supply to Fonterra's dairy processing plant at Clandeboye. During that time Eastern has firmly established itself as a leading supplier to the dairy and food processing plants in the Southland region.

As Takitimu gears up for its next peak supply period over the summer months additional plant upgrades are planned to further improve the production profile of the mine.

Additional drilling work is also planned to determine the potential to upgrade the existing resource base at Takitimu which will guide future decisions about the exploration and development of the surrounding Ohai permit.

Rehabilitation is now complete in the Mossbank pit which forms part of the Takitimu mine area. The reinstatement of this uneconomic mining pit was part of the original purchase agreement. A final drilling programme will be undertaken to confirm that no economically recoverable coal remains in this region prior to relinquishment of the permit.

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Cascade & Takitimu mines – Year to Date

Mine	Coal extracted (tonnes)	Overburden (bcm)	Sales (tonnes)	Sales (NZ\$)
Cascade	14,938	190,724	12,803	1,631,309
Takitimu	27,942	406,179	35,591	2,360,438
Totals	42,880	596,903	48,394	3,991,747

EXPLORATION

Whareatea West

Our exploration efforts at the highly prospective Whareatea West coking and thermal coal resource will intensify in the coming year.

We continue to have productive discussions with potential joint venture parties about the evaluation of the site, which will include plans for further drilling in the next 12-24 months.

Ohai/Orepuki

As previously mentioned, exploration work to-date has included an 11 hole drilling programme in an area immediately adjacent to the Takitimu mining permit. This programme identified prospective deposits which may eventually be incorporated into the resource base at Takitimu. Further drilling is planned for Ohai however there are no immediate plans to progress exploration of the Orepuki tenement at this stage.

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COAL – QUEENSLAND

Broughton Coal Joint Venture

An offer was received for the divestment of our 90% interest in the Broughton Coal Joint Venture in early September. The offer is a put and call option agreement with private coal and uranium miner Resource Portfolio Partners Pty Ltd.

The option agreement is for a consideration in the range of AUD\$8.5 million to \$12 million for a period of six months. The sale will provide additional financial support to sustain our important exploration activities in the Galilee Basin.

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 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	3,176	3,176
1.2	Payments for (a) exploration and evaluation	(722)	(722)
	(b) development	-	-
	(c) production	(3,171)	(3,171)
	(d) administration	(1,307)	(1,307)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	78	78
1.5	Interest and other costs of finance paid	(196)	(196)
1.6	Income taxes paid	-	-
1.7	Other	2	2
	Net Operating Cash Flows	(2,140)	(2,140)
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a)prospects	-	-
	(b)equity investments	-	-
	(c)other fixed assets	(192)	(192)
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	(401)	(401)
	(d) Other	-	-
	Net investing cash flows	(593)	(593)
1.13	Total operating and investing cash flows (carried forward)	(2,733)	(2,733)

1.13	Total operating and investing cash flows (brought forward)	(2,733)	(2,733)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc. -	5,647	5,647
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	(198)	198)
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	Net financing cash flows	5,449	5,449
	Net increase (decrease) in cash held	2,716	2,716
1.20	Cash at beginning of quarter/year to date	4,356	4,356
1.21	Exchange rate adjustments	(115)	(115)
1.22	Cash at end of quarter	7,187	7,187

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	160
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 \$160k 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 30/09/2009

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	8,939	8,302
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	2,055
4.2 Development	-
Total	2,055

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	482	2,801
5.2 Deposits at call	6,705	1,534
5.3 Bank overdraft	-	-
5.4 Other	-	21
Total: cash at end of quarter (item 1.22)	7,187	4,356

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	102,752,659			
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	20,550,591			
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		- -		
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: 29 October 2009
(Director/~~Company secretary~~)

A handwritten signature in black ink, appearing to read 'Campbell Smith', is written over a faint, illegible printed name.

Name : Campbell Smith

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.