



Eastern Corporation Limited

Quarterly Report

**For the Period Ended
30 June 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

The access road has again been relocated to allow the second stage of stripping in the Gravel Pit area to commence. Overburden from this stripping is utilised in the formation of the road itself. It is envisaged that the road will be repositioned a further time to allow access to the Adams Block. The application for this easement has been submitted to the Department of Conservation.

In May the contract to supply the Holcim cement plant at Cape Foulwind was finalised. Holcim has always been the mine's largest offtake customer however under this contract the tonnage has increased to approximately 90% of the mine's production. To supply this increased tonnage operating hours have been extended to a 7 day a week operation. The mine continues to service several remaining industrial contracts in the Canterbury and South Canterbury regions.

A review of plant and equipment is currently underway to secure the most appropriate options for the particular processing needs of the mine going forward. A new sizing screen has been built to be installed during August.

- **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

In Block 2 overburden removal has increased to 80,000 cubic metres per month with 75% of the 50,000 tonne block of Upper Morley 1, 2 and 3 seams exposed for coal winning to commence the first week of August in readiness for the beginning of the Fonterra contract. First coal will be freighted to the contingency stockpile at the Timaru coal handling and distribution centre.

Following completion of the earthworks for the new product coal stockpile and haul road to the rail load out facility, base and top coarse gravel has been applied.

Earthworks have now commenced at the Wairio Stream crossing and container load out facility. These are due for completion mid August.

The weighbridge upgrade and office extension have been completed and the new coal handling and processing plant is scheduled to complete by August 4, for commissioning by the end of that week.

A coal testing laboratory is being established on site and staff trained to monitor coal quality prior to railing. This facility is due for completion September 08.

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	9,419	112,880	15,178	1,196,082
Takitimu	12,375	271,147	7,437	381,801
<u>Totals</u>	21,794	384,027	22,615	1,577,883

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.

Subsequent to period end the extension of the Exploration Permit through to December 2011 was granted by the Department of Crown Minerals.

- **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 has now retained Patersons Securities Limited for the divestment of its 90% interest in the tenement. Expressions of interest have been received from numerous parties and a timetable has been established to effect a sale by mid September.

COAL SEAM METHANE – QUEENSLAND

- **Galilee Energy (Eastern 68%)**

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. 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.

Coal Seam Methane

During the period discussions were held with various parties with a view to a farmin arrangement to progress the next stages of the Rodney Creek development programme. Subsequent to period end an agreement was signed with AGL Limited to farmin 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 joint venture under a Joint Operating Agreement. Stage 1 of the programme will be a 5 spot production pilot at Rodney Creek and Stage 2 will comprise a 7 hole exploration and appraisal programme in the immediate vicinity. The parties have also entered into a 10 year gas marketing agreement.

Under a separate programme, Galilee Energy Limited will progress exploration of ATP799P with seismic and appraisal drilling to commence early 2009.

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.

FUNDING

Subsequent to period end, Galilee Energy Limited has announced a rights issue to raise in excess of \$4 million to fund the next stages of exploration in ATP 799P. Eastern proposes to take up its full entitlement and will fund this by way of a placement to sophisticated investors in conjunction with a rights issue to Eastern shareholders. Details of the Eastern capital raising are to be finalised in the coming weeks.

FINANCIALS

The attached 5B statement provides the cash flows for Eastern Corporation Limited and its subsidiaries for the quarter ended 30 June 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 June 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	2,266	6,276
1.2	Payments for (a) exploration and evaluation	(399)	(2,285)
	(b) development	(88)	(206)
	(c) production	(1,869)	(5,102)
	(d) administration	(589)	(3,422)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	9	101
1.5	Interest and other costs of finance paid	(129)	(477)
1.6	Income taxes paid	395	400
1.7	Other	2	47
	Net Operating Cash Flows	(402)	(4,668)
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a)prospects	-	-
	(b)equity investments	-	-
	(c)other fixed assets	(258)	(572)
1.9	Proceeds from sale of:		
	(a)prospects	-	-
	(b)equity investments	-	-
	(c)other fixed assets	67	70
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	(19)	19
	(d) Other	4	2
		-	-
	Net investing cash flows	(206)	(481)
1.13	Total operating and investing cash flows (carried forward)	(608)	(5,149)

1.13	Total operating and investing cash flows (brought forward)	(608)	(5,149)
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	30	2,672
1.17	Repayment of borrowings	(238)	(441)
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
Net financing cash flows		(208)	2,957
Net increase (decrease) in cash held		(816)	(2,192)
1.20	Cash at beginning of quarter/year to date	(292)	1,104
1.21	Exchange rate adjustments	(160)	(180)
1.22	Cash at end of quarter	(1,268)	(1,268)

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	85
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 \$85k per 1.23 above represents fees and salaries paid to directors who were full time employees for the 3 months to 30/06/08.

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	7,719	5,484
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	300
4.2 Development	200
Total	500

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	214	432
5.2 Deposits at call	-	115
5.3 Bank overdraft	(1,482)	(839)
5.4 Other	-	-
Total: cash at end of quarter (item 1.22)	(1,268)	(292)

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.

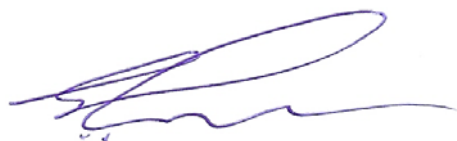
	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities <i>(description)</i>	-			
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	-			
7.3 +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: 31 July 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.