

EASTERN CORPORATION LIMITED

Quarterly Activities Report : June 2009

OUTLOOK STATEMENT

Eastern Corporation has strengthened its position as an emerging Australian coal seam gas company, advancing a number of key coal seam gas exploration and development initiatives in the Galilee Basin of Central Queensland.

At the same time we are experiencing good financial returns from our successful New Zealand coal operations which have now developed into a solid, stand alone business. We are also continuing to pursue opportunities for the divestment of the Broughton coal project to enable us to concentrate our Australian activities wholly on the development of our coal seam gas tenements.

The Galilee Basin remains one of our strategic priorities and during the June quarter we reaffirmed our commitment to pursuing the potential of our tenements on behalf of shareholders and staff.

Most significant was the commencement of an exploration programme in ATP 799P, 100%-owned by Eastern subsidiary Galilee Energy Ltd, and funded in part from the proceeds of a successful Eastern non-renounceable rights issue in July which raised around \$5.0 million. Also subsequent to the end of the June quarter, Eastern increased its stake in Galilee Energy to 68% following a rights issue by Galilee which raised approximately \$5.48 million.

Funds raised in both issues will be directed to a comprehensive nine-month exploration campaign, initially focused on 150 kilometres of seismic fieldwork to be followed by a two core-hole drilling programme in late 2009.

With an option for an additional two core holes in the March quarter of 2010, the exploration programme will provide Eastern with valuable insights into the potential of ATP 799P and, ultimately, bolster our position as the leading explorer of coal seam tenements in the Galilee Basin.

We look forward to providing investors with an updated commentary on the prospectivity of ATP 799P once the exploration programme has been completed.

Eastern is also making good progress in its efforts to understand the potential of the adjacent ATP 529P tenement with the second phase of the AGL-led exploration programme currently underway including 500kms of seismic acquisition and 7 core wells.

Importantly, Eastern embarks on this next stage of growth in a secure financial position. Our New Zealand coal operations are now providing solid cashflow through profitable trading and are expected to continue to do so in the future.

As you are no doubt aware, the security afforded by regular cash flow is crucial in the current economic climate and its importance cannot be overemphasised amid the high costs of exploration.

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With this in mind, your Board has decided the divestment of our 90% interest in the Broughton coking coal asset in Queensland is a prudent course of action and we continue to work towards the sale of the asset on favourable terms.

Our commitment to Galilee reflects our long-held view that the Basin is one of Australia's most exciting frontiers for coal seam gas development, with the two tenements having the potential to become significant company-making assets.

The fact that Eastern's recent rights issue met with such strong retail support - attracting an 87% take up - was a solid endorsement of this view and we were also pleased to welcome a number of new institutional shareholders to our share register. It is also extremely pleasing to note that the share price of Eastern has appreciated considerably since the rights issue that was pitched at 24 cents per share.

Eastern is confident that our considerable exploration efforts, combined with the security of cash flow from our New Zealand operations, position us well as a leading coal seam gas explorer in the Galilee Basin.

In short, Eastern begins this next, exciting phase of exploration in its strongest position yet to realise the potential of these assets.

I look forward to keeping you up-to-date with our progress.

Yours sincerely,



Campbell Smith,
Managing Director

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NEW ZEALAND OPERATIONS

PRODUCTION

Cascade and Takitimu coal mines are expected to generate steady profits in the upcoming financial year, partly underpinning our coal seam gas exploration and development activities.

Cascade coal mine

The Cascade open cut coal mine in the historic Buller Coalfields region on the west coast of New Zealand's South Island continues to deliver steady production of 40,000 tonnes per annum to major contracted customer, Holcim.

Takitimu coal mine

Production at the Takitimu coal mine in the Ohai/Nightcaps area in the far South Island tracked ahead of expectations with sales for fiscal 2009 exceeding forecasts by approximately 30,000 tonnes at around 170,000 tonnes.

The mine commenced first shipments of coal to its largest customer, Fonterra's milk processing plant at Clandeboye, last September and will continue to supply the plant at a rate of 130,000 tonnes per annum.

Importantly, the recent closure of the nearby Solid Energy Ohai mine has strengthened the position of Takitimu in the Ohai/Nightcaps region where it is now the only major supplier of thermal coal to the many large industrial coal customers in the area.

Cascade & Takitimu mines – Year to Date

Mine	Coal extracted (tonnes)	Overburden (bcm)	Sales (tonnes)	Sales (NZ\$)
Cascade	51,704	608,546	43,564	5,109,660
Takitimu	188,472	1,208,663	170,534	9,035,629
Totals	240,176	1,817,209	214,098	14,145,289

EXPLORATION

Whareatea West

We continue to progress our plans to develop the highly prospective Whareatea West coking and thermal coal resource. Options for the site are currently being discussed with a joint venture partner which we hope will secure the funding for the next stage of exploration at the 820 hectare site.

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Ohai/Orepuki

Applications are pending with the Department of Crown Minerals for the upgrade of both the Ohai and Orepuki permits to Exploration Permit status.

After the completion of a successful drilling programme at the Ohai permit, the formal assessment of the results of the 10 hole programme is currently underway. Following this process the company expects to begin negotiations with the adjoining landowner with a view to extending the area under development.

At Orepuki, preliminary desktop studies are currently underway ahead of any consideration given to a drilling programme.

COAL – QUEENSLAND

Broughton Coal Joint Venture

In keeping with our strategy to concentrate on developing the coal seam gas assets, we continue to explore various options for the divestment of our 90% interest in the Broughton coking coal asset.

The Broughton Coal project in the Bowen Basin is a joint venture with Mitsui Coal Holdings.

COAL SEAM METHANE – QUEENSLAND

Galilee Energy Limited

The highly prospective coal seam gas and hydrocarbon tenements, ATP 529P and the adjoining ATP 799P tenement to the north, continue to be the focus of our exploration efforts.

ATP 799P

The next nine months of exploration works planned will see Eastern gain considerable insight into the prospectivity of ATP 799P, building on the already promising historic drill results gathered from the site.

The \$5.48 million raised in the Galilee Energy rights issue will fund a list of proposed work at the site which includes 150 kilometres of 2D seismic acquisition to be completed in the current quarter followed by a two well core-hole drill programme scheduled for the December quarter of 2009.

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The awarding of the contract for a minimum 150 kilometre of seismic survey is imminent, and we have commenced the tender process to identify a suitable rig to conduct the initial core-hole drilling.

Depending on the outcome of this fieldwork, there is an additional option for a further two core-holes to be drilled in the March quarter of 2010.

We believe that ATP 799P continues to offer excellent farm-in potential and represents a highly prospective frontier for coal seam gas production over the long-term. The potential of the Basin is aptly demonstrated by the huge increase in permit applications seen in recent years, joining Origin, Blue Energy and Comet Ridge among a growing list of coal seam gas explorers involved in nearby tenements.

ATP 529P

Eastern is making good progress in its efforts to understand the potential of ATP 529P after encouraging results from the 2007 Rodney Creek 8 drilling and the subsequent farm-in by AGL Energy as a 50% partner.

The second phase of the exploration work programme, funded by operator AGL, is underway with a view to progressing the production testing of the Glenaras 5 spot pilot.

Work on this programme will commence in the December quarter of 2009, this time to stimulate and complete the drilled wells, followed by the installation of a water handling facility.

AGL plans to accelerate work on an additional seven well core-hole programme which also includes plans for approximately 500 kilometres of 2D seismic acquisition.

It is hoped the pilot programme will be completed by the end of 2010 with a view to achieving reserve certification late in the September quarter next year.

Conventional Hydrocarbons

Although a desktop study has indicated the possible presence of conventional oil and gas at the Galilee tenements, any further work on this prospect has been deferred to allow us to concentrate on the CSG exploration programme.

CORPORATE

Subsequent to the end of the June quarter, Eastern increased its shareholding in Galilee Energy to 68% following a rights issue by Galilee which closed on 17 July 2009.

Under the terms of the offer, shareholders in Galilee were entitled to one new share at \$0.065 cents per share for every 10 existing shares held, to raise approximately \$5.48 million. Shareholders were also invited to subscribe for additional shares.

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Separately, in July Eastern raised approximately \$5 million from retail investors through a non-renounceable rights issue at \$0.24 per share. The rights issue was lead managed and fully underwritten by Paterson Securities, with Becamal Pty Ltd (an entity associated with Eastern Managing Director Campbell Smith) participating as sub-underwriter. In May, Eastern raised \$2.5 million from a placement to professional and sophisticated investors at \$0.24 per share that was lead managed by Paterson Securities.

Funds raised from the Galilee issue as well as those from the Eastern issue and placement will be directed to exploration and development of the company's coal seam gas assets in the Galilee Basin.

FINANCIALS

The attached statement provides further details of the cash flows for Eastern Corporation Limited.

For further information contact:

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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 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	5,820	22,804
1.2	Payments for (a) exploration and evaluation	(226)	(1,814)
	(b) development	-	-
	(c) production	(4,340)	(17,960)
	(d) administration	(47)	(2,888)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	35	129
1.5	Interest and other costs of finance paid	(233)	(935)
1.6	Income taxes paid	-	316
1.7	Other	2	10
Net Operating Cash Flows		1,011	(338)
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a)prospects	-	-
	(b)equity investments	-	-
	(c)other fixed assets	798	(3,052)
1.9	Proceeds from sale of:		
	(a)prospects	-	-
	(b)equity investments	-	-
	(c)other fixed assets	210	319
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	(22)	74
	(d) Other	-	-
Net investing cash flows		(566)	(2,659)
1.13	Total operating and investing cash flows (carried forward)	445	(2,997)

1.13	Total operating and investing cash flows (brought forward)	445	(2,997)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc. -	2,633	4,466
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	239	5,071
1.17	Repayment of borrowings	(357)	(759)
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
Net financing cash flows		2,515	8,778
Net increase (decrease) in cash held		2,960	5,781
1.20	Cash at beginning of quarter/year to date	1,561	(1,269)
1.21	Exchange rate adjustments	(165)	(156)
1.22	Cash at end of quarter	4,356	4,356

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	201
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 \$201k 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 30/06/2009

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	9,122	8,407
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	2,572
4.2 Development	-
Total	2,572

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	2,801	963
5.2 Deposits at call	1,534	2040
5.3 Bank overdraft	-	(1,443)
5.4 Other	21	1
Total: cash at end of quarter (item 1.22)	4,356	1,561

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	82,202,068			
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	10,416,667			
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	2,000,000 2,000,000	- -	30c 35c	04-12-2011 04-12-2011
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: 30 July 2009
(Director/~~Company secretary~~)



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.