



EASTERN
CORPORATION LIMITED

ABN 11 064 957 419

16 September 2009

Ms Frances Finucan
Senior Adviser, Issuers (Brisbane)
Australian Securities Exchange
PO Box 7055
Riverside Centre
BRISBANE QLD 4000

Dear Frances,

RE: RESPONSE TO QUERY

I refer to your letter of 11 September 2009 which refers to the announcement made by Eastern Corporation Limited (**the Company**) on 10 September 2009 (**Announcement**) regarding the agreement entered in respect of the Company's interest in the Broughton Coal Joint Venture (**Broughton assets**). (I note that the Announcement is dated 10 June 2009 however this was an error and the correct date of the Announcement is in fact 10 September 2009.

In response to the matters you have raised, I advise as follows:

1. In November 2008, the Company announced that a previous agreement that the Company had entered in respect of the Broughton Assets would not be proceeding. As a result of this, and as noted in the Company's Interim Financial Report for the half-year ended 31 December 2008, the Company renewed its mandate with Patersons Securities Limited (**Patersons**) to secure the sale of the Broughton assets. Under this mandate, the Company understands that Patersons were dealing directly with a number of interested parties until late last week when the agreement was signed with Resources Portfolio Partners Pty Ltd (**RPP**). Representatives of the Company met with RPP on 9 September 2009 to negotiate the transaction and this resulted in the agreement being executed on 10 September 2009. The Company became aware of the information contained in the Announcement on 10 September 2009.
2. The Company considers the information contained in the Announcement, namely that the Company had entered the agreement with RPP, was material to the Company.
3. Not applicable in view of the response to item 2.



4. (a) The Company is aware that Listing Rule 3.1 requires an entity to immediately tell ASX information once the entity is or becomes aware of any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. As noted above, the Company became aware of the information at the time the agreement with RPP was entered and the Announcement was subsequently made in accordance with Listing Rule 3.1. Until that time, the Company believes that any negotiations in respect of the Broughton Assets in which the Company may have been involved were such that a reasonable person would not expect any details of negotiations to be disclosed. The Company had disclosed on a number of previous occasions that it was working towards a divestment of the Broughton assets and the Company continued on that course;

- confidential and remained so until the Announcement was made by the Company. The Company does not believe that the subsequent execution of the agreement with RPP had any impact on the recent increases in prices in securities in the Company, which in the Company's opinion is evidenced by the movement in the Company's share price immediately following the Announcement;
- in respect of an incomplete proposal or negotiation. Until such time as the agreement with RPP was executed on 10 September 2009, the Company had no certainty that the negotiations would amount to any arrangement or agreement being entered. This was particularly the case where in the past the Company has had agreements to divest of the Broughton assets which have not proceeded.

Accordingly, the Company believes that even if the Company became aware of the information in the Announcement prior to the Announcement being made (which is not the case), the information would not have required disclosure pursuant to Listing Rule 3.1A.

- (b) There have been a number of announcements made by the Company since December 2008 which confirm the Company's intention to divest of the Broughton assets. There has been no specific announcement of the agreement with RPP prior to 10 September 2009 as that information did not exist prior to that date.
- (c) Not applicable in view of the response to item 1.
- (d) Not applicable in view of the response to item 1.

5. The Company confirms that it is in compliance with the listing rules and, in particular, listing rule 3.1

For completeness, the Company operates in the CSG sector, which has been the subject of widespread investor interest and market speculation. It appears all companies in that sector are affected, to varying degrees, by ongoing speculation. It is likely that due to the current level of interest in CSG assets that speculation regarding the prospects of the Company and other participants in the sector may continue. The Company does not have any control or influence over that speculation and cannot meaningfully comment on the same. The Company does not intend to comment further on such speculation.

Yours sincerely

A handwritten signature in black ink, appearing to be 'SA', written over a horizontal line.

Sam Aarons

Manager – Business Development and Corporate Relations