Eastern Corporation Limited

A.B.N. 11 064 957 419

PROSPECTUS

FOR

A non-renounceable rights issue to existing shareholders of one (1) New Share at $0.02 each for every two (2) Shares held to raise up to $1.65 million before costs of the Offer.

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION. IT SHOULD BE READ IN ITS ENTIRETY. THE NEW SHARES OFFERED BY THIS PROSPECTUS SHOULD BE CONSIDERED SPECULATIVE. IF YOU ARE IN DOUBT AS TO THE COURSE YOU SHOULD FOLLOW, YOU SHOULD CONSULT YOUR STOCKBROKER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISOR IMMEDIATELY.

Underwriters of the Issue
Propwood Pty Ltd
ACN 102 508 332
(As Trustee for the Propwood Unit Trust)

CORPORATE DIRECTORY

Directors

Current
David Keith Barwick, Chairman
Garry James Clark, Managing Director
Alan Spence Phillips

Proposed
Campbell Gordon Smith
Paul Robert Williams

Company Secretary
Peter Treston

Registered and Head Office
Level 8, Riverside Centre
123 Eagle Street
Brisbane Qld 4001

PO Box 7145
Riverside Centre
Brisbane Qld 4001

Tel: (07) 3230 6060
Fax: (07) 3230 6074

E-mail: eastgold@gil.com.au

Internet Website
www.easterncorp.com.au

Underwriter to the Issue

Propwood Pty Ltd
(as trustee for the Propwood Unit Trust)
C/- Hopgood Ganim Lawyers
Level 3
141 Queen Street
Brisbane QLD 4000

Securities Registry
Computershare Investor Services Pty Limited
Central Plaza One
345 Queen Street
Brisbane Qld 4000
Tel: 1300 552 270
Fax: (07) 3229 9860

Auditors of the Company
PricewaterhouseCoopers
Chartered Accountants
Waterfront Place
1 Eagle Street
Brisbane Qld 4001

Solicitors to the Issue
Hopgood Ganim Lawyers
Level 3
141 Queen Street
Brisbane Qld 4000

Stock Exchange Listing
Australian Stock Exchange Limited
ASX Code - ECU

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SUMMARY OF IMPORTANT DATES

Prospectus lodged with the ASIC	**19 December 2002**
Record Date to determine Entitlements	**2 January 2003**
Latest date for despatch of Prospectus and Entitlement and Acceptance Form	**7 January 2003**
Closing Date for acceptance and payment	**23 January 2003**
Latest date for despatch of holding statements for New Shares	**14 February 2003**

[These dates are indicative only. All or any of the dates may vary without prior notice]

IMPORTANT INFORMATION

This Prospectus is dated 19 December 2002. A copy of this Prospectus was lodged with the Australian Securities and Investments Commission on that date. The Australian Securities and Investments Commission and Australian Stock Exchange Limited take no responsibility for the contents of this Prospectus.

No securities will be allotted or issued on the basis of this Prospectus later than 13 months after the date of issue of this Prospectus. The Company has not made investigations as to the regulatory requirements that may prevail in the countries, outside of Australia, in which the Company's Shareholders reside. The distribution of this Prospectus in places outside of Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe those restrictions. Any failure to comply with those restrictions may violate applicable securities laws.

Definitions of certain terms used in this Prospectus appear in the Glossary on page 48.

1. LETTER FROM THE CHAIRMAN

Dear Eastern Shareholder

On 23 October 2002, Eastern announced that it had entered into a Heads of Agreement to acquire a 51% shareholding interest in Galilee Energy Limited ("Galilee"). Galilee is an unlisted public company which holds (through wholly-owned subsidiaries) an extensive onshore authority to prospect for oil and gas in the Galilee basin in Central Queensland. The area is especially prospective for coal bed methane and has potential for oil as described in the report of RA Meaney & Associates in Section 8.

At the Company's recent annual general meeting, shareholders approved the proposed acquisition of this shareholding interest by the Company in Galilee.

Under the Galilee acquisition, the Company is obliged to subscribe for new shares in Galilee for a total amount of $4 million, payable by way of instalments of $2 million (to be paid by the end of January 2003), and two further $1 million instalments in six months and twelve months time respectively. These funding requirements are to be satisfied by Eastern, by:

- effecting a placement to raise $1.2 million (arising from the issue of 60 million shares at $0.02 per share together with 60 million free-attaching options exercisable at $0.04 each on or before 31 December 2003), which placement has been approved by the shareholders of Eastern at the general meeting on 18 December 2002 and will be completed shortly;
- the proposed rights issue under this Prospectus to raise up to a further $1.65 million; and
- requiring a sufficient number of the 31 December 2003 options above, to be exercised by Propwood to meet the balance required.

These funds are to be used by Galilee for the development of its coal bed methane project, details of which are set out in Section 4. The Galilee acquisition provides the Company with an ideal opportunity to further its interests in resource-based projects and in particular, to acquire an interest in a project of considerable prospectivity for coal bed methane. There has been rapid growth in the number of coal bed methane participants in the Australian industry over the last 5 years. This has stemmed from international success of coal bed methane projects, domestic public policy changes, technology advancements and to the growing realisation of the potential economic value in coal bed methane itself. Rapid growth in the Australian market has been particularly prevalent in Queensland. The Queensland Government's Gas Energy Certificate Scheme and decision in April this year to select coal bed methane as the fuel for the Townsville Power Station to be developed in 2005/6, provided a much needed injection of support and confidence in the Queensland industry.

The Company continues to hold its Philippine mining interests through its wholly-owned subsidiary, Sabena Limited. As announced to the ASX on 29 November 2002, a heads of agreement has been entered into with Sur American Gold Corporation (a Canadian company listed on the Toronto Venture Exchange).

The rights issue is partially underwritten (to the extent of $1 million) by Propwood Pty Ltd (as trustee for the Propwood Unit Trust) and in addition, that company has the right (but not the obligation) as underwriter to take up any further shortfall that may arise.

If successfully completed, the rights issue offered under this Prospectus will enable Eastern to fulfil most of its funding obligations to acquire the 51% shareholding interest in Galilee. It is also proposed at this time to restructure the board with the appointment of Mr Paul Williams and Mr Campbell Smith as additional non-executive directors.

On behalf of the Board, I am delighted to be able to offer this Issue to you and recommend your participation.

Yours faithfully

David K Barwick
Chairman
19 December 2002

2. DETAILS OF THE OFFER

2.1 Offer to Shareholders

The Directors of Eastern have approved a non-renounceable rights issue of approximately 82.5 million New Shares (subject to the exercise of any options as described in Section 2.8) at two cents ($0.02) per New Share to raise approximately $1.65 million before expenses associated with the Issue are paid. Shareholders of Eastern are entitled to subscribe for one (1) New Share for every two (2) shares held. Only those Shareholders shown on the share register at 5.00 pm (Brisbane time) on the Record Date will be entitled to participate in the Issue.

Where fractions arise in the calculation of Entitlements, they will be rounded up to the nearest whole number of New Shares.

2.2 Purpose of the Issue

The proceeds of the Issue will be applied to the funding of the Company's obligation to acquire its 51% shareholding interest in Galilee, provide some additional working capital and to pay expenses associated with the Issue (which, as set out in Section 10.11, are estimated at $120,000). The funds injected by the Company to Galilee will be utilised by Galilee for its future coal bed methane development project.

2.3 ASX Listing

Application will be made to the ASX within seven (7) days of the date of issue of this Prospectus for the official quotation of the New Shares offered by this Prospectus.

If approval is not granted by the ASX within three (3) months after the date of this Prospectus, the Company will not allot or issue any New Shares and will repay all application monies (where applicable) within the time prescribed under the *Corporations Act*, without interest.

The fact that the ASX may grant official quotation of the New Shares is not to be taken in any way as an indication of the merits of the Company or the New Shares now offered for subscription.

2.4 Market price of Shares

The lowest and highest market sale prices of Eastern's Shares on the ASX during the three months immediately preceding the date of this Prospectus and the respective dates of those sales were **$0.009** on **2 October 2002** and **$0.023** on **28 October 2002**.

The latest available market sale price of Eastern's Shares on the ASX immediately before date of this Prospectus was **$0.014** on **18 December 2002**.

2.5 No rights trading

Entitlements to New Shares pursuant to the Issue are non-renounceable and accordingly will not be traded on the ASX.

2.6 No minimum subscription

There is no minimum subscription for the Issue.

2.7 Underwriting

The Issue is underwritten (to the extent of $1 million) by Propwood Pty Ltd (in its capacity as trustee for the Propwood Unit Trust) for an underwriting commission of 8.0% of the amount of funds subscribed by Propwood. Propwood has the right (but not the obligation) as Underwriter to subscribe for any additional Shortfall under the Issue (beyond $1 million) that may arise.

In the event of a Shortfall, Propwood will lodge applications and money for not less than the Shortfall amount (to the extent of $1 million) and any Shortfall beyond that amount, at its discretion.

Propwood is a substantial shareholder in the Company owning approximately 9% of the issued share capital of Eastern. Details of the Underwriting Agreement are set out in Section 9 of this Prospectus.

The voting power of the Underwriter could potentially increase to approximately 43% as a result of this Issue. This is based upon the following eventuating:

(a) No other Shareholder besides the Underwriter taking up their Entitlement under the Offer;

(b) No entitled Optionholders converting their Options to Shares prior to the Record Date;

(c) The Underwriter taking up its minimum underwriting commitment of $1million; and

(d) All shares approved at the general meeting of the Company on 18 December 2002, having been issued.

2.8 Optionholders

Optionholders will not be entitled to participate in the Issue unless they:

(a) have become entitled to exercise their Options under the terms of their issue and do so prior to the Record Date; and

(b) participate in the Issue as a result of being a holder of Shares registered on the share register at 5.00 pm (Brisbane time) on the Record Date.

If all entitled Optionholders elect to exercise their Options prior to the Record Date to participate in the Issue, a further 36,082,000 (approximately) New Shares may be issued under this Prospectus.

2.9 Independent Technical Expert

Section 8 contains an Independent Technical Report on the Galilee project by RA Meaney & Associates. The Report assesses the current status of the project as well as making certain recommendations as to the future conduct of activities and prospectivity of the Galilee project.

2.10 Overseas Shareholders

The Company has not made investigations as to the regulatory requirements that may prevail in the countries, outside of Australia, in which the Company's Shareholders reside.

The distribution of this Prospectus in places outside of Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe those restrictions. Any failure to comply with those restrictions may violate applicable securities laws.

2.11 CHESS

The Company participates in the Clearing House Electronic Subregister System, known as CHESS. ASX Settlement and Transfer Corporation Pty Ltd ACN 008 504 532 ("ASTC"), a wholly owned subsidiary of the ASX, operates CHESS in accordance with the Listing Rules and Securities Clearing House Business Rules. Under CHESS, Shareholders will not receive a certificate but will receive a statement of holding of New Shares.

Shareholders who elect to hold their New Shares on the issuer sponsored subregister will be provided on allotment with a holding statement (similar to a bank account statement), dispatched by Eastern's Share Registry, Computershare Investor Services Pty Limited, which sets out the number of New Shares allotted to each Shareholder under this Prospectus. For Shareholders who are broker sponsored, ASTC will send you a statement of your holding.

Shareholders will receive subsequent statements at the end of any month in which there has been a change to their holding on the register and as otherwise required under the ASX Listing Rules. Additional statements may be requested at any other time, though an administration fee may be charged for additional statements.

2.12 Opening and Closing Dates

The Issue will open for receipt of acceptances at 9.00 am (Brisbane time) on **8 January 2003** and will close at 5.00 pm (Brisbane time) on **23 January 2003** or such later date as the Board, in its absolute discretion and subject to compliance with the ASX Listing Rules, may determine and provided that the Company gives the ASX notice of the change at least five (5) Business Days prior to the Closing Date.

2.13 Allotment

The Company expects to allot the New Shares on or about **6 February 2003**. Holding statements in relation to the New Shares are expected to be dispatched on or before **14 February 2003**.

It is the responsibility of applicants to the Issue to determine their allocation prior to trading in New Shares. Acceptees who sell New Shares before they receive their holding statements will do so at their own risk.

2.14 Application monies held on trust

Until issue and allotment of the New Shares under this Prospectus, the acceptance monies will be held in trust in a separate bank account opened and maintained for that purpose only. Any interest earned on the acceptance monies will be for the benefit of the Company and will be retained by it irrespective of whether allotment of the New Shares takes place.

2.15 Risk Factors

An investment in New Shares should be regarded as speculative. In addition to the general risks applicable to all investments in listed securities, there are specific risks associated with an investment in the Company, which are set out in Section 7.

3. ACTION REQUIRED BY SHAREHOLDERS

Shareholders may accept their Entitlement either in whole or in part.

The number of New Shares to which you are entitled is shown on the Entitlement and Acceptance Form which accompanies this Prospectus.

If Shareholders take no action in respect of their Entitlement they will have no right to subscribe for the New Shares pursuant to this Offer.

3.1 If you wish to take up all of your Entitlement

Complete the accompanying Entitlement and Acceptance Form in accordance with the instructions set out on the Form. Forward your completed Form together with your cheque or bank draft for the full amount payable (refer to Section 3.3) in the enclosed reply paid envelope so as to reach the Share Registry by no later than 5.00 pm (Brisbane time) on the Closing Date. The address of the Share Registry is:

Computershare Investor Services Pty Limited
Central Plaza One
Level 27
345 Queen Street
Brisbane Qld 4000

OR: GPO Box 523
Brisbane Qld 4001

3.2 If you wish to take up only part of your Entitlement

Complete the accompanying Entitlement and Acceptance Form in accordance with the instructions set out on the Form, indicating the number of New Shares you wish to accept (being less than your Entitlement as specified on the Entitlement and Acceptance Form). Forward your completed Form together with your cheque or bank draft for the full amount payable (refer to Section 3.3) in the enclosed reply paid envelope so as to reach the Share Registry by no later than 5.00 pm (Brisbane time) on the Closing Date.

3.3 Payment for New Shares

The Issue Price of $0.02 per New Share is payable in full, on acceptance of your Entitlement.

All payments are to be made in Australian currency either by way of:

- a cheque drawn on and payable at any Australian bank;
- or a bank draft drawn on and payable at any Australian bank.

Other currency will not be accepted. Cash payments will not be accepted.

Cheques or bank drafts should be made payable to "Eastern Corporation Limited - Entitlement Offer" and crossed "Not Negotiable". Receipts for payments will not be issued.

3.4 Enquiries

For further information, please contact the Share Registry at:

Computershare Investor Services Pty Limited
Central Plaza One
Level 27
345 Queen Street
Brisbane Qld 4000
Telephone: 1300 552 270

or contact Mr Garry Clark, Managing Director of Eastern on (07) 3230 6000, mobile 0412 041 376 or contact your stockbroker or other professional adviser.

4. OVERVIEW OF COMPANY ACTIVITIES

4.1 Current Activities

(a) Galilee Acquisition

On 23 October 2002, Eastern announced that it had entered into a Heads of Agreement to acquire a 51% shareholding interest in Galilee. Galilee will issue 63,836,732 new shares to Eastern for a total subscription from Eastern of $4,000,000. As identified in Section 9.2, all of the conditions precedent in the Heads of Agreement have now been satisfied and the acquisition of shares by Eastern in Galilee will be completed within a short time after the Closing Date of the Issue.

History of Galilee

Galilee owns (through its wholly-owned subsidiaries, Capricorn Energy Pty Ltd and Beaconsfield Energy Developments Pty Ltd) 100% of the Authority to Prospect 529P ("the ATP"), in central Queensland, Australia. The previous owner of the ATP, the US energy company Enron Inc, commenced investigations in 1993 for the coal bed methane ("CBM") potential of all coal basins in eastern Australia. The study concluded that most bituminous coal basins were already under control of other operators and those coal basins accessed gas markets that were dedicated to long term contracts with little potential for near-term growth. The Galilee basin in central Queensland was unleased and strategic to potentially large, undedicated gas markets. The Galilee basin attracted little attention because conventional wisdom suggested low rank coals, similar to those in the Galilee basin, did not have the potential for commercial production. It was also thought that the gas markets at Mt Isa and Townsville, although potentially large, were too remote from markets for economic infrastructure development even if a gas supply could be established. Taking the contrarian position, Enron concluded that there were no technical reasons to prevent commercial production from low rank coals and the potential gas markets in Mt Isa and Townsville would in fact support necessary infrastructure development. There are now 10,000 CBM wells in the Powder River basin in the United States, producing gas from coals of considerably lower rank and gas content than the Galilee basin coals, supporting Enron's original conclusion that low rank coals were commercially viable.

Enron and its partners spent approximately $13 million evaluating Australian coal basins for the CBM potential in the mid 1990's. After acquiring the ATP interests, in January 2000, Galilee raised $4 million with the objective of transforming the Galilee project from purely exploration based to a commercially producing gas field. An additional $1.2 million was raised privately in August 2000 for this purpose.

Exploration History of the ATP

Enron's 1993-94 six well exploration program included the collection of 88 gas content measurements (to estimate the in-place reserves), more than 30 drill stem tests (to estimate the in-situ characteristics of the reservoir – permeability and stresses) and mini-fracs to assess the gas production response.

Analysis of the coal properties and computer reservoir simulations using all measurable coal properties including permeability, fracture incidence, thickness, methane content and depth in two of the initial wells (Rodney Creek #1 and Crossmore #1) indicated the likelihood that an economic success for developing coal bed methane could be achieved in both the Rodney Creek and Crossmore areas. The Rodney Creek #2 well confirmed the technical data.

In 1995 two production wells, Rodney Creek #3 and Crossmore #2 were drilled and completed as offsets to Rodney Creek #1 and Crossmore #1. Enron reported low levels of gas production but found that dewatering of a single well was difficult due to pump limitations and problems with sand production. This condition is not uncommon in CBM developments, which require multi-well patterns to effectively draw down the water and increase the rates of gas production.

During the pilot program in 2000, four new wells were drilled to their depth of approximately 1,100 metres and together with one existing well, successfully fracture stimulated. Prolific water production encountered during the five month dewatering period suggests that hydraulic stimulations have effectively connected the wellbore with the coal reservoir which, as gas production is usually proportional to water rates, is another indication of significant gas reserves. During the dewatering period all five wells responded with increasing gas production.

It is reasonable to assume that continued pressure drawdown that will occur with a successful pumping program will result in further increases in gas production. Sustained and continuous gas production over a period of up to 12 months is required to provide the level of confidence to predict ultimate gas recovery per well.

Actual water production of the newly drilled wells proved to be in excess of quantities expected from the established production trends of the existing well. As a consequence, the water lift system was unable to lift fluids more rapidly than delivered. Together with downhole mechanical failures and weather related access problems, this constrained gas production and operations were suspended.

Coal Bed Methane Gas – Overview

Methane is a clean-burning hydrocarbon gas which is naturally generated in vast quantities during the coal formation process. Methane in coal has traditionally presented mines with, at best, a nuisance and at worst, a major explosion hazard.

The process of coalification occurs when large amounts of organic matter, usually plant and/or algal remains are transformed by heat and pressure over time into carbon. Methane gas is generated as a by-product during this process. Gas can be retained within the coal seam through adsorption. The adsorptive capacity of the coal depends upon the type of coal and the pressure depth of the coal. This type of reservoir has a unique production profile with increased gas production during early time, which eventually reaches a stable production level and declines as the reservoir depletes usually over a twenty-year or greater life.

Under adsorption, methane gas is attached at a molecular level or "adsorbed" onto the coalface. The coal, by virtue of its micro-pores and micro-porosity, has a great amount of surface area and therefore has the capacity to adsorb a high amount of methane. Any free methane within the system will be stored in the conventional pressure/volume manner within porosity and the fracture and cleat systems that are typical of coal seams. By their chemical transformation, coal seams therefore provide a hydrocarbon source reservoir by entrapping the residual gas deposits.

The methane stored in these types of adsorptive reservoirs can be released by pressure reduction. Reduction of reservoir pressure allows the methane that has adsorbed onto the coalface to liberate from the coalface and migrate to the well bore. Coal beds generate the majority of natural gas found on the planet. CBM is the gas originally derived from the coal bed, which is subsequently retained within the source/reservoir bed by the adsorptive process. This natural gas may be produced by reducing the reservoir pressure of the coal bed to liberate this adsorbed gas.

CBM is a significant source of natural gas in the United States. A decade ago CBM was a negligible energy source but today contributes about 7% of the demand of the world's largest energy-using economy. In general, this form of natural gas has several advantages over conventional natural gas production. Wells are generally shallower than those for conventional natural gas and can be drilled using smaller and more mobile truck mounted rigs. CBM processing plants are usually less complex as this form of gas normally has less impurities than conventional natural gas.

Production and capture of methane (and ground water) minimises environmental damage. After drilling, the service equipment installed consists of only well-head equipment, a pumping unit, a water/gas separated and a gas flow metre. All arterial gas lines are of small diameter and can be buried in the same fashion as telecommunication cables.

Coal Bed Methane in Queensland

Interest in CBM as an energy source in Queensland has increased dramatically in recent years. According to research by the National Institute of Economic and Industry Research, Queensland has the largest forecast growth for gas consumption of any Australian State. The Australian Gas Association also reports on historical growth combined with future demand in natural gas consumption from 1996 to 2015, and Queensland again leads other States with 33.2% growth. Western Australia is the next highest growth State at 26.8%.

The future growth in demand for gas in Queensland is expected to be driven by industrial use and power generation. The bulk of current gas demand in Queensland comes from industrial customers. The Queensland gas supply market has traditionally been dominated by the Santos-led south west Queensland producers. However, over recent years, this traditional dominance has been challenged with smaller producers of natural gas emerging. Accordingly, CBM has come to be seen as a viable alternative.

The position of CBM in the Queensland energy market has been boosted by the announcement in June 2002 that the Queensland Government will prioritise CBM ahead of gas from the proposed PNG pipeline. The Government has further encouraged the development of CBM by mandating the use of gas for up to 13% of the State's power generation under the Gas Energy Certificate Scheme and also, by selecting a CBM-fuelled project as the successful candidate in the bid to develop a power station and associated infrastructure for the Townsville region.

Queensland's largest producer of CBM, Oil Company of Australia Limited (OCA), demonstrated its confidence in the future of CBM as a future energy source by spending $97 million to acquire interests in CBM projects during 2002. Part of the financing of these acquisitions came from the proceeds of the sale of its mature oil fields in south western Queensland.

OCA first acquired CBM interests in 1996 and currently produces about 40% of the current sales of CBM in Queensland and expects the CBM industry in Australia to experience the dramatic growth that characterised the industry in the United States in the early 90's when that country's industry was at a similar stage to that of Australia today.

Other companies seeking to develop CBM resources in Queensland are CH4 Pty Ltd (which recently announced an upgrade to its CBM reserves and a sales agreement to supply gas over a 15 year period to the Townsville market), Arrow Energy NL, Queensland Gas Company Limited, Sunshine Gas Limited and Molopo Australia NL. These companies have projects that are at varying stages of exploration and development.

The Galilee project is at the same level of development as some of these with five equipped production wells at Rodney Creek awaiting pumping and production tests necessary to evaluate the coal seams as a potential source of economically viable CBM.

Galilee Activities and Use of Funds

If Eastern's acquisition of the 51% shareholding interest in Galilee proceeds, the principal focus of activities by Galilee will be to undertake an extended dewatering program designed to continuously pump the existing wells for a period of up to twelve months. The report of RA Meaney & Associates in Section 8 identifies in detail, the activities to be conducted, namely:

- Increase fuel storage facilities on site;

- Purchase additional echo meters;
- Set retrievable bridge plugs above the Early Permian Aramac Coal Measures to minimise the influx of water from aquifers;
- Install the pumps in a sump below the upper coal seam which is the thickest and most gas saturated;
- Purchase larger volume, lower speed pumps; and
- Install a large output electrical generator with 100% backup and run distribution lines to each of the pumps.

These procedures are expected to achieve the following results:

- Prevent pump outages;
- Give better control on water levels within the bores;
- Shut off excess water infiltration;
- Stop violent desorption of gas and pump drive damage; and
- Prolong pump life.

Galilee plans to commence the pumping program in March 2003. Work will commence with the complete overhaul of equipment at the existing five wells. Discussions are underway with the Department of Primary Industries, Local Government authorities and landholders to establish an agreed method of disposal of water during the pumping program. The final disposal method will result in maximum utilisation of the water resource while minimising any effects on the normal drainage system of the area.

Galilee's present plans are for the pumping program to commence in late March or early April 2003 and to pump continuously for a period of up to 12 months.

The objective of this program is to develop a pumping regime that will permit the regular production of methane from the pilot wells. Once this has been established Galilee will be in the position to establish (by way of feasibility study) that methane can be produced in commercially viable quantities over a sustained period.

Set out below is the proposed budget of expenditure by Galilee on its project interest for the twelve (12) months commencing 1 January 2003 to 31 December 2003.

Description of Expenditure	**Anticipated Expenditure**
Administration	$773,000
Wages/Consulting Fees	$448,000
Equipment Purchase	$437,000
Operations (fuel, equipment hire, sundries etc)	$804,000
Site Works	$38,000
TOTAL	**$2,500,000**

[*Note: These funds will be derived from the $4m to be contributed to Galilee by Eastern, as Galilee has no other current sources of funding. This budget is subject to change, depending on the success of the dewatering program, in the sense that:*

- *if successful, it is likely that substantially more funds will be required to reach a stage of commercial gas production; or*

- *if unsuccessful, Galilee is likely to utilise its available funds on CMB and/or oil exploration activities throughout other areas of the ATP].*

Once Galilee has established that CBM can be produced in viable quantities and sustainable flow rates, the Company will then undertake a preliminary feasibility study to establish what further exploration will be required to establish a gas resource on which a full assessment of the commercial viability of the field can be justified.

As and when funds permit, Galilee also plans to carry out limited exploration of other parts of the ATP to assess the potential of further gas and petroleum targets. The report of RA Meaney & Associates in Section 8, addresses these activities (and their potential) in more detail.

The Directors of Eastern wish to point out that exploration for any natural resource is a speculative venture and that despite present indications of methane in the testing carried out to date, there can be no guarantee that gas is in commercially viable quantities and a resource capable of sustained gas production will be found.

(b) **Philippines**

Eastern also holds Philippine mining interests through its wholly-owned subsidiary, Sabena Limited ("Sabena") as described below.

Sabena's mineral interests comprise a 50% interest (through a joint venture agreement with Kematu Gold Corporation) in the T'Boli gold project in southeast Mindanao in the Philippines as well as an option to enter into an operating agreement which will entitle Sabena to a 100% interest in the net revenues attributable to mineral products derived from mineral tenements of Philco Mining Corporation ("Philco") in the Sabena copper-gold project in eastern Mindanao. Details of this joint venture agreement with Kematu Gold Corporation and the option to enter into an operating agreement with Philco are set out in Section 9 of this Prospectus.

For more than a year now, there has been very little activity undertaken by Sabena on these Philippine mineral interests, due largely to a lack of available funds, a more predominant focus on the OMG acquisition (which the Company has now fully divested its involvement in), as well as a generally negative investor appetite for development of a minerals project in the Philippines. The Board still believes there is significant potential for Sabena's mineral interests and remain hopeful that the proposed agreement with Sur American Gold Corporation (see below) will enable substantial exploration funds to be applied to these projects.

T'Boli Gold Project

The core of this project area (the TMC Zone) is held under a granted Mineral Production Sharing Agreement (MPSA) 090-97-X1 of 84.9 hectares. The surrounding area of 2790 hectares is covered by an MPSA application. This application has been lodged with the relevant Philippine authorities and formal approval is expected shortly.

Drilling and underground sampling of small scale miners' workings over a period of eighteen (18) months has established an Inferred Resource of 2,400,000 tonnes at 5.5 g/t Au and 21 g/t Ag (containing 420,000 ounces of gold and 1,600,000 ounces of silver) within the boundaries of the granted MPSA. The resource is contained in three main veins that are open at depth and in both directions along strike. The veins containing the resource cover a strike length of 850 metres and form part of an overall zone of alteration and veining with a strike length of 2,000 metres.

Immediately north of the area of the resource a further four veins have been identified by tunnel mapping and sampling. The additional veins represent major targets as they significantly increase the width of the mineralised zone and enhance the potential for an open pit resource.

Three other areas with concentrations of small scale miner's workings have been mapped. The most important of these is at Lam Asam, 1500 metres south of the established resource. Here tunnel sampling has returned high gold values with silver values in excess of 1,000g/t Ag. The Lam Asam zone of alteration and veining covers an area of 1,000 metres by 400 metres.

Sabena Copper/Gold Project

The Sabena Project is located in eastern Mindanao, at the northern end of a belt of mineralised porphyries extending over a strike length of 40 kilometres. The project consists of a granted exploration permit and two exploration permit applications, covering a total of 91 square kilometres. The project area covers the old Sabena copper/gold mine and a number of untested gold and copper/gold targets. The Sabena mine was a major porphyry copper and gold producer from 1978 to 1981.

Field work recently carried out by Philco has outlined alteration and veining in a zone some 11km long by 1-2km wide. This zone runs from Batoto in the south to Panag in the north and covers a number of areas of mineralisation not previously identified.

Sur American Heads of Agreement

As announced by Eastern to the ASX on 29 November 2002, a Heads of Agreement has been entered into with Sur American Gold Corporation (a Canadian company listed on the Toronto Venture Exchange), in relation to the Philippine mining interests held by Sabena.

Under this Agreement, Sur American will have the right to earn a 51% interest in Sabena Limited by spending CAN$2,000,000 in exploration on Sabena's Philippine mineral interests over the next 30 months and by issuing to Eastern, 5,000,000 common shares in Sur American. Sur American will have the option to increase its interest in Sabena to 70% by spending a further CAN$2,000,000 on exploration within the next 5 years.

Details of this Heads of Agreement are set out in Section 9 of this Prospectus.

Phillips/Clark Debt Swap

The Company has entered into a deed with two of its Directors, Alan Phillips and Garry Clark (and entities related to them) whereby all moneys owing by the Company to these persons on account of previously unpaid consulting and directors fees and other contributions made on behalf of the Company (totalling $609,468) and additional debts due by Sabena to third party suppliers (totalling approximately $103,700) are to be extinguished by the transfer of shares in Sabena. These shares shall represent 30% of the total issued share capital in Sabena and will be allocated to Mr Phillips and Mr Clark (or their related entities) in accordance with the extent of moneys owing to each of them. This deed is conditional on shareholders approving the transaction at a further general meeting of the Company proposed to be held on 28 March 2003.

4.2 Future Eastern Activities Generally

Upon completion of the Issue (as well as the Galilee acquisition and debt swap agreements referred to in Section 9.2 and 9.5 respectively), Eastern will hold controlling shareholding interests in entities, which will in turn, be carrying out resource-based activities. As a consequence, the principal focus of the board of Eastern will be to take appropriate steps to ensure that the value of its shareholding interests are maximised and in particular:

(a) to promote and assist the board of Galilee in their efforts to establish a commercially viable CBM field in central Queensland;

(b) seek to consolidate the Philippines' interests in Sabena, through the proposed arrangements with Sur American Gold Corporation; and

(c) finally, to seek out other potential resource-based opportunities that may present themselves from time to time.

4.3 **Eastern Board of Directors**

Details of the current Board of Eastern, together with proposed directors (to be appointed upon completion of the Galilee acquisition) are as follows:

David Keith Barwick, Chairman

Mr Barwick is an accountant by profession with 30 years experience in the management and administration of publicly listed companies both in Australia and North America. During this period he has held the position of Chairman, Managing Director or President of over 25 public companies and was successful in bringing four mining projects into production.

In addition to being Chairman of the Company, Mr Barwick is Chairman of Amlink Group Limited and of the public unlisted companies MDSnews.com Limited and Queensland Underwriters Limited. Mr Barwick is also a non-executive director of Maxe-tec Australia Limited and Apollo Gold Mining Limited.

Alan Spence Phillips

Mr Phillips has been a director, executive director and chairman of ASX listed public companies covering a period of 30 years, specialising in start-up and turn-around across a broad range of industries, but predominantly in the mining exploration and technology industries.

Mr Phillips has also been involved in a number of mergers, acquisitions, takeovers, joint ventures, alliances and fundraisings in Australia, Asia, Europe and the United States of America. He spent five years working in the United States as Chief Executive Officer of a large ethanol manufacturing company owned by Continental Asset Management of New York. The business experience gained in the United States has proved an invaluable basis for his Australian corporate interests.

Mr Phillips' current directorships include Jumbo Corporation Limited (Chairman), Apollo Gold Mining Limited (Chairman), Adex Holdings Limited, Central Kalgoorlie Gold Mines Limited and Michaelago Limited.

Garry James Clark

Mr Clark graduated from New England University with a B.Sc (Hons) in 1964. Since that time he has worked continuously in the Australian mining industry. He has more than 32 years experience in the Australian mining industry, working for Mount Isa Mines from 1964 to 1985. He gained broad mining industry management experience from 1977 to 1985 in his role as Safety Manager for Mount Isa Mines at its Mount Isa operations. Since 1985 he has been a consultant to exploration companies with operations in Australia, Malaysia and the Philippines. Mr Clark has been on the board of Eastern since listing in 1996, initially as Director of Exploration and more recently as Managing Director. He is also a director of Central Kalgoorlie Gold Mines Limited and Adex Holdings Limited.

Campbell Gordon Smith

Mr Smith has been involved in mining contracting for eight years. As Operations Manager for Brookfield Equipment Company, Mr Smith has been involved in a number of major mining operations such as the Ivanhoe Copper Company Limited 's mine in Myanmar as well as the Ernest Henry Mine in Queensland.

Mr Smith is a director of Restpine Pty Ltd, which is a privately owned mining exploration company (which holds coal exploration permits in Australia and New Zealand) and is also a director of Propwood Pty Ltd.

Mr Smith is 29 years of age.

Paul Robert Williams

Mr Williams is a solicitor with a Bachelor of Arts/Bachelor of Laws degree from the University of Queensland. He commenced his legal career with the Brisbane firm Hopgood Ganim, in 1987 and has remained with that firm since then, being admitted as a partner in June 1999.

Mr Williams has in his 15 year legal career advised and serviced corporate clients, and particularly those carrying out activities in the resources industry. He is a director of the unlisted public companies Shortcuts Software Limited, Comsports Capital Limited and Eagle Mineral Resources Limited, a committee member of the Queensland Racehorse Owners Association, as well as a director of Propwood Pty Ltd.

Mr Williams is 38 years of age and married.

4.4 Shareholder Approvals

As part of the Galilee acquisition, several shareholder meetings have taken place, details of which can be summarised as follows:

(a) **Eastern Annual General Meeting – 29 November 2002**

At this meeting, (among other things) the shareholders of Eastern approved the Galilee acquisition, for the purposes of Chapter 11 of the ASX Listing Rules;

(b) **Eastern General Meeting – 18 December 2002**

At this meeting, shareholders of Eastern approved:

- the placement of 60 million ordinary shares in Eastern at an issue price of $0.02 per share and an equal number of free options to subscribe for ordinary shares exercisable at $0.04 each on or before 31 December 2003, to Propwood Pty Ltd (as trustee for the Propwood Unit Trust);
- the issue by the Company of 2.5 million shares at an issue price of $0.02 cents per share to Queensland Underwriters Limited, a company associated with Mr David Barwick, a director of Eastern, in consideration for services rendered by that company to Eastern in assisting the introduction of and arranging the funding for the Galilee acquisition; and
- the issue of a total of 12.5 million shares to Eastern directors, Messrs Alan Phillips and Garry Clark (or entities associated with them) at an issue price of $0.02 per share.

(c) **Galilee General Meeting – 19 December 2002**

The shareholders of Galilee approved the Galilee acquisition at this meeting.

Following each of these approvals, the only matter now to be completed, before closure of the Galilee acquisition occurs, is completion of this Issue. As a consequence, the Galilee acquisition is expected to be completed by the parties on or about 31 January 2003.

5. SHARE CAPITAL STRUCTURE

5.1 Details of Shares

Set out below is a summary of Eastern's share capital structure, taking into account recent issues of shares as well as the New Shares to be offered under the Issue:

Description	No of Shares	% of Issued Shares*
Existing issued capital as at 30 June 2002	148,610,091	46.1%
Additional Shares issued during the period from 30 June 2002 to the date of this Prospectus	16,500,000	5.1%
Shares to be issued to Propwood Pty Ltd (as Trustee for the Propwood Unit Trust)**	60,000,000	18.6%
Issue of Shares to Directors – Alan Phillips and Garry Clark**	12,500,000	3.9%
Issue of Shares to Queensland Underwriters Limited **	2,500,000	0.7%
New Shares offered under this Prospectus	82,555,045*	25.6%
TOTAL	**322,665,136**	**100%***

[Note:

* *The total number of shares offered under this Prospectus and respective percentage of issued capital assumes that no entitled Options are exercised prior to the Record Date. A notification by Eastern shall be forwarded to each Optionholder entitling each Optionholder to participate in the Issue. If all entitled Optionholders elect to exercise their Options prior to the Record Date, a further 36,082,000 (approximately) New Shares may be issued under this Prospectus. However, in view of the Company's current trading price on the ASX (approximately 2 cents) and the exercise price for the Options (20 cents) the prospect of any Options being exercised must be considered to be remote.*

** *The issuance of shares to Propwood Pty Ltd (as trustee for the Propwood Unit Trust) (with respect to 60,000,000 Shares), the directors Alan Phillips and Garry Clark (12,500,000 shares) and Queensland Underwriters Limited (2,500,000 shares) was approved by Shareholders at the extraordinary general meeting of Eastern on 18 December 2002. However, these shares have yet to be issued and will not be entitled to participate in the Issue offered under this Prospectus.]*

5.2 Details of Options

Description of Options	No of Options	Expiry Date	Exercise Price
Listed Options as at the date of this Prospectus	72,163,386*	30 June 2003	20 cents
Options to be issued Propwood (as trustee for the Propwood Unit Trust)	60,000,000**	31 December 2003	4 cents
TOTAL	**132,163,386**		

[Note :

* *The above number of Options assumes that no Options are exercised prior to the Record Date.*

** *The options to be issued to Propwood Pty Ltd (as trustee for the Propwood Unit Trust) were approved by Shareholders at Eastern's extraordinary general meeting on 18 December 2002. These options are being issued as free-attaching options to subscribe for Shares in conjunction with the issuance of the 60,000,000 Shares, details of which are set forth in Section 5.1 above.]*

5.3 Potential increased control by major shareholder

Propwood owns, at the date of this Prospectus, approximately 9% of the issued share capital of Eastern.

As Underwriter to the Issue, Propwood has agreed to subscribe for a minimum of $1 million of any Shortfall under the Issue and then, at its election, the balance of the Shortfall.

The *Corporations Act* essentially prohibits (unless an exception is available) a person from acquiring a "relevant interest" in the issued voting shares of a company, if that person's (or someone else's) voting power in the company increases, from 20% or below to more than 20%, or from a starting point that is above 20% and below 90%. However, a person may acquire the relevant interest under one of the exceptions provided for under the *Corporations Act*. These exceptions include:

(a) an acquisition of securities where the company makes a pro-rata offer of securities in a particular class to all persons who hold securities of that class and all those persons have a reasonable opportunity to accept the offer; and

(b) an acquisition resulting from an issue of securities under a disclosure document where the issue is to the person as an underwriter or sub-underwriter to the issue and the disclosure document discloses the effect that the acquisition would have on the person's voting power in the company. Details of the Underwriting Agreement are set out in Section 9.1 of this Prospectus.

Propwood is a substantial shareholder in the Company. The potential effect of the acquisition on the Underwriter's voting power is set out in Section 2.7 of this Prospectus.

In accordance with these exceptions provided for in the *Corporations Act*, Propwood will be allowed to increase its voting power in the Company. The extent to which their interest (and voting power) in the Company may increase, will depend upon the extent of the Shortfall, all shares approved at the general meeting of the Company on 18 December 2002 (set forth in Section 5.1 above) being issued and upon the number of Options exercised (refer to Section 2.8).

6. FINANCIAL INFORMATION

Set out below is the proforma Statement of Financial Position of Eastern based on its audited consolidated Statement of Financial Position as at 30 June 2002 and assuming completion of the following transactions since 30 June 2002 and the proposed transactions set out in this Prospectus.

Transactions since 30 June 2002

(1) The placement of 15 million fully paid ordinary shares at $0.02 per share made to Propwood Pty Ltd (as trustee for the Propwood Unit Trust) on 17 October 2002. A fee of 8% of the funds raised has been paid in respect of this issue.

The issue of 1.5 million ordinary shares at $0.02 per share to Peter John Treston on 22 November 2002 in consideration for accounting services provided to Eastern.

(2) The following transactions were approved at a general meeting of Eastern on 18 December 2002:

(a) The placement of 60 million shares at an issue price of $0.02 per share made to Propwood. An 8% placement fee is to be paid.

(b) The issue of 2.5 million shares to Queensland Underwriters Limited as fees associated with the acquisition of Galilee.

(c) The issue of 12.5 million shares at $0.02 each to Alan Phillips and Garry Clark to repay loans advanced to Eastern of $250,000.

Proposed transactions

(3) A non–renounceable rights issue of 82.5 million shares at $0.02 to Eastern shareholders to raise approximately $1.65 million, which has been given an underwriting commitment by Propwood to an amount of $1 million. Costs of the Issue have been estimated at $120,000 including an underwriting fee of 8% of the funds subscribed by Propwood will apply to $1 million. The rights issue has been illustrated on the assumption that the full amount of $1.65 million is raised with underwriting fees based on $1 million. It is noted however that, if the rights issue only raises the amount underwritten of $1 million, then the effect would be that the cash balance, contributed equity and consequently net assets would be reduced by $650,000.

(4) The acquisition of 51% shareholding interest in Galilee for $4 million to be paid in instalments as set out in Section 9.2 of this Prospectus.

(5) The transferring of 30% of the shares held by Eastern in Sabena to creditors of Eastern in exchange for the discharge of debts of $609,468 owing to Alan Phillips, Garry Clark, Strategic Capital Ltd and Oakgrade Pty Ltd and assuming responsibility for approximately $103,700 of debt due by Sabena to third party suppliers. Details of this arrangement have been set out at Section 9.5 of this Prospectus.

EASTERN CORPORATION LIMITED

PROFORMA STATEMENT OF FINANCIAL POSITION INCORPORATING PROPOSED TRANSACTIONS

Item	Statement of Financial Position 1 Jul 02 $	Transactions post 30 June 2002 $ (1)	18 Dec 02 Meeting Transactions $ (2)	Rights Issue $ (3)	Galilee Energy Ltd Acquisition $ (4)	Sabena shares / debt swap $ (5)	Proforma Statement of Financial Position $
Current Assets							
Cash	19,868	276,000	1,354,000	1,530,000	39,000		3,218,868
Receivables	14,849				19,000		33,849
Other	2,028						2,028
Total Current Assets	36,745						3,254,745
Non-Current Assets							
Property, plant and equipment	3,130,085		50,000		6,194,610		9,374,695
Non-Current Deposits - Galilee					205,000		205,000
Total Non-Current Assets	3,130,085						9,579,695
Total Assets	**3,166,830**						**12,834,440**
Current Liabilities							
Payables	373,558	(30,000)			504,000	(119,039)	728,519
Interest bearing liabilities	101,262						101,262
Total Current Liabilities	474,820						829,781
Non-Current Liabilities							
Directors' Fees	292,500					(292,500)	-
Trade Creditors	282,629					(282,629)	-
Loans from Directors	19,000					(19,000)	-
Investor Loans	-				1,500,000		1,500,000
Total Non-Current Liabilities	594,129						1,500,000
Total Liabilities	1,068,949						**2,329,781**
Net assets	**2,097,881**						**10,504,659**
Equity							
Contributed equity	17,383,489	330,000	1,500,000	1,650,000			20,683,489
Contributed equity - OEI					4,453,610	900,000	5,353,610
Transaction Costs		(24,000)	(96,000)	(120,000)			(240,000)
Accumulated Losses	(15,285,608)					(186,832)	(15,472,440)
Total Equity	**2,097,881**						**10,504,659**

NOTE:
It is assumed that the Rights Issue (in point 3) raises the full amount of $1.65 million. If, however, the Rights Issue only raises the amount underwritten of $1 million, then the effect would be that the cash balance and contributed equity (and so consequently net assets) would be reduced by $650,000.

7. RISK FACTORS

7.1 General risks

Shareholders would be aware that owning securities listed on a stock exchange carries risks associated with general stock market performance as well as the performance of the Company. The price at which the New Shares trade on the ASX may be higher or lower than the Issue Price. Therefore, if a Shareholder decides to sell the New Shares, the amount received may be higher or lower than the amount of the original investment.

7.2 Specific risks - Galilee

The Company is also subject to risks associated with the resources industry which may affect its operating performance, financial position and profitability. Such risks include:

De-Watering Program

As identified elsewhere in this Prospectus, the principal objective of Galilee and its consultants, will be to devise and maintain a system of:

- pumping off sufficient water from the coal seams in order to reduce the back-pressure on the coals and enable the coal bed methane to flow into the well bores; and
- reducing the influx of water from wet sandstone aquifiers as a result of large vertical fractures.

Previous attempts on the part of Galilee to achieve this result have been unsuccessful due principally (as identified in the Report of RA Meaney & Associates in Section 8) to an inability to keep the pumps operating. RA Meaney & Associates expresses a great deal of confidence that the consulting expertise and techniques proposed to be used by Galilee will successfully contain the water production. However, it should be recognised that the problem may not ultimately be overcome to a sufficient degree of success or consistently enough to allow for commercial gas quantities to be identified. Remedies to address the above operational risks are set forth in the Report of RA Meaney & Associates in Section 8.

Resource Risk

Even if water production in the existing wells is successfully overcome by Galilee, there may still not be sufficient quantities of coal bed methane to justify commercial production of the field.

In both of the cases cited above, if either the water production cannot be contained or there are insufficient quantities of gas to justify commercial production, the Company will still hold a 51% interest in Galilee but at that time, the future prospects of Galilee may be somewhat uncertain. However, as identified in the report of RA Meaney & Associates in Section 8 of this Prospectus, there are other areas within the ATP area held by Galilee which could be the subject of further activity either in respect of coal bed methane or other reservoired hydrocarbons, particularly oil.

Timing

Risks in connection with timing are similar to those encountered in other resource development projects and are mainly limited to unknown geological conditions, availability of contractors and equipment, and weather. These risks could prevent or otherwise delay activities proposed to be conducted.

Reliance on Key Personnel

The ability of the Company or Galilee to achieve its objectives depends on being able to retain key management and technical personnel/external contractors engaged for purposes associated with development of the project.

Native Title

The advice received by the Company from Galilee (which in turn, has received advice from the Queensland Department of Natural Resources and Mines) is to the extent that ATP 529P was granted before proclamation of the Native Title Act 1993 and there are no native title implications regarding the ATP. If gas or petroleum is discovered within the area of the ATP (as renewed from time to time), a petroleum lease is capable of being granted as a pre-existing right based under Section 241B of the *Native Title Act 1993* without any native title implications.

Regulatory Risks – General

The activities of the Company and more particularly, Galilee, are subject to compliance with various laws including Queensland and Commonwealth laws relating to the protection of the environment, native title and heritage. The introduction of new legislation, amendments to existing legislation, changes in government policy or the interpretation of existing laws, could have a material adverse effect on the operations, financial performance and prospects of the Company or Galilee. Significant liability could be imposed on the Company or its subsidiaries for damages, clean-up costs or penalties in the event of certain discharges into the environment, environmental damage caused by non-compliance with environmental laws or regulations.

Regulatory Risks – The ATP

Pursuant to the terms of the ATP, Galilee is the subject of certain minimum expenditure commitments as well as mandatory relinquishment requirements associated with the ATP. Arrangements are currently under way with the Queensland Department of Natural Resources and Mines for Galilee to relinquish a further 90 blocks in the ATP (reducing the total area of the ATP to 181 graticular blocks). Furthermore, Galilee has a minimum expenditure commitment (for the 12 month period ending 30 November 2003) of approximately \$5.9 million. This expenditure commitment is currently in excess of the budgeted expenditure to be incurred by Galilee during that period. Unless Galilee is able to meet this minimum expenditure commitment or otherwise reach a satisfactory arrangement with the Department, there is a risk that with mandatory and penalty relinquishment requirements of the Department, virtually all of the remaining graticular blocks within the ATP will be surrendered. An inability on the part of Galilee to address this situation could have substantial impact on the Company's investment in Galilee. It is the intention of Galilee to liase closely with the Department with a view to reaching a satisfactory arrangement regarding the minimum expenditure commitment.

Available Markets

The principal focus of Galilee is to overcome existing water production levels and to at least establish commercially viable gas reserves. At this time, no concerted effort has been taken to identify available markets for the coal bed methane, if commercially viable quantities are established. However, the report of RA Meaney & Associates in Section 8 identifies the potential availability of markets in central and northern Queensland, particularly at Barcaldine, Townsville and Mt Isa. Nonetheless, an inability on the part of Galilee to identify, establish and maintain a reliable market for the sale of coal bed methane that is produced, may significantly impact on the viability of the project and the Company's prospects. In addition, alternative large-scale supplies with gas, whether from within or outside Queensland, such as would be available if the PNG Gas Pipeline is built, will be a significant determinant of demand and supply of gas in the Queensland market in the future.

Need for and Availability of Future Financing

Should Galilee be successful in its efforts to identify a commercially viable gas field, it is to be expected that a significant amount of additional funding would be required by Galilee to move into commercial production. As a majority shareholder of Galilee, the Company would be in a position of having to raise additional funds to meet its share of the further costs, should that be required. There is no assurance that the Company will be able to raise that finance, that the terms of the finance will be satisfactory to the Company or that the finance can be raised in a timely manner.

7.3 Specific Risks – Sabena (Philippines)

Access to Land

Immediate access to the tenements in which the Company or its subsidiaries have an interest cannot in all cases be guaranteed. Sabena may be required to seek the consent of the local land owners and holders or other persons or groups with an interest in the real property encompassed by the tenement. Compensation may be required to be paid by Sabena to land holders to allow the Company to carry out exploration and/or mining activities. Future judicial decisions and Philippine legislation could possibly restrict land access. Several of the tenements in which Sabena has an interest are at the application and processing stage only and access is dependent upon the tenement being granted.

Contractual Risks

Sabena's mineral interests in the Philippines are subject to and contingent upon various contracts and arrangements. Specifically, a number of these contracts and arrangements are subject to the performance of conditions which as at the date of this Prospectus are unable to be fulfilled and require re-negotiation or waiver to enable those contractual arrangements to proceed. Failure by a third party to re-negotiate those conditional contracts (on terms reasonably satisfactory to the Company), may have an adverse effect on Sabena's interest in those tenements. In addition, failure by a third party to honour those contracts, to perform material obligations under a contract, or determination of an existing contract, may have an adverse effect on Sabena's interest in those tenements.

Sovereign Risk – Philippines

The Philippines is a country that is subject to political, economic and other uncertainties, some of which may not be found in other countries such as Australia, the United Kingdom or the United States. Future Government actions concerning the economy or the operation and regulation of facilities such as mines or mineral exploration operations, could have a significant effect on the Company's interest in its Philippines' tenements.

Litigation is a tactic which is applied in the Philippines as part of the commercial culture. Parties threaten to file or file cases only to withdraw when an amicable resolution is finalised.

The Company's activities in the Philippines may be subject to political, economic and other uncertainties, including the risk of frivolous litigation, changes in corporation, mining, environment and indigenous peoples law or taxation policies, currency exchange restrictions, foreign ownership restrictions, changing political conditions and international monetary fluctuations.

Sur American Heads of Agreement

Under the heads of agreement the Company has entered into with Sur American Gold Corporation (as detailed more particularly in Section 9.4), if that agreement is completed (together with the Phillips/Clark debt swap agreement referred to in Section 9.5), the Company will retain only an indirect interest in Sabena, through the holding of 5 million common shares in Sur American. That indirect shareholding interest would remove any need on the part of the Company to provide additional funding to Sabena for advancement of its mineral interests in the Philippines. However, should the Sur American Agreement not be completed (for whatever reason), the Company will retain a direct 70% shareholding interest in Sabena and thereby, an ongoing responsibility for progressing the Philippines' interests.

Regulatory Risks

The activities of Sabena are subject to compliance with various Philippine laws relating to the protection of the environment, native title and heritage. The introduction of new legislation, amendments to existing legislation, changes in government policy or the interpretation of existing laws, could have a material adverse effect on the operations and prospects of Sabena. Significant liability could be imposed on Sabena for damages, clean up costs or penalties in the event of certain discharges into the environment, environmental damage caused by non-compliance with environmental laws or regulations. The Company (through Sabena) minimises and intends to minimise these risks by taking steps to ensure compliance with relevant environmental laws and regulations in the Philippines. There is also a risk that the environmental laws and regulations in the Philippines may be more onerous making Sabena's operations there, more expensive.

7.4 Speculative Nature of Investment

The above list of risk factors are not to be taken as exhaustive of the risks faced by the Company or by Shareholders in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the New Shares offered under this Prospectus.

The New Shares issued pursuant to this Prospectus carry no guarantee with respect to payment of dividends, return of capital or market value.

Shareholders should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for the New Shares.

8. INDEPENDENT TECHNICAL REPORT

R. A. Meaney & Associates
ACN 010 925 596 ABN 23 522 470 529

Geophysical and Geological Consultants

88 Pioneer Crescent, Bellbowrie QLD 4070 Tel/Fax: 07 3202 7750

20 November, 2002

The Directors
Eastern Corporation Limited
Level 8, Riverside Centre
123 Eagle Street
Brisbane QLD..4000

Gentlemen,

INDEPENDENT GEOLOGIST'S REPORT

Roger Anthony Meaney who is a consulting geophysicist with tertiary qualifications in Physics and Geology, prepared this report. It is intended for inclusion in the Prospectus for a Rights Issue on or about 19 December 2002, to be issued by Eastern Corporation Limited ("Eastern") offering for subscription, a Rights Issue of approximately 82 million ordinary shares at an issue price of 2 cents per share, payable in full upon subscription.

Introduction

Eastern is offering a Rights Issue to existing shareholders to raise approximately $1,650,000 to assist with its purchase of a 51 percent controlling interest in Galilee Energy Limited ("Galilee"), the holder of Authority to Prospect ("ATP") 529P in central Queensland. This permit contains the Rodney Creek Coal Bed Methane Field and Pilot Scheme. The ATP is located in the Longreach–Aramac–Barcaldine area of central Queensland as shown in Figure 1, a location map.

The ATP presently covers an area of 271 graticular blocks each of 5 minutes x 5 minutes. This equates to an area of approximately 19,650 km^2. The ATP is sited near to the gas-fired power station at Barcaldine which could present a market for any coal bed methane gas produced at the Rodney Creek Field.

A significant amount of money has already been spent by Galilee and the previous owner of the ATP, Enron Inc. ("Enron"), a major United States of America company which specialised in gas exploration, development, production and transmission. Approximately $18,000,000 has been spent to date. This expenditure covers the initial exploration of the permit, the drilling of full-cored exploratory wells and the establishment of the Rodney Creek Pilot Scheme, which consists of 5 development wells.

The Rodney Creek Field has never achieved commercial levels of production due to logistical shortcomings rather than any geological limitation. The fundamental shortcoming has been the failure to pump off sufficient water from the coal seams to reduce the back-pressure on the coals to enable the methane to flow into the well bores. The cause of this has been the inability to keep the pumps operating due to insufficient fuel storage on site and the impassability of the roads during the wet season. Another complication has been the failure to accurately and continuously monitor fluid levels within the well bores. These complications are capable, in my view, of being easily and relatively cheaply remedied and these form part of Galilee's plans to do so. A budget has been prepared by Galilee to rectify these deficiencies. It is in my opinion adequate to achieve the required improvements.

With a more focussed field effort the abovementioned shortcomings should be overcome and commercial production may be achieved from the Rodney Creek Pilot Scheme. Other potentially productive areas have been identified for future development.

Conventional hydrocarbon potential, particularly oil, is present within the ATP area away from the coal bed methane areas. This potential could be addressed in due course, in the event the Rodney Creek Coal Bed Methane Field is brought into commercial production.

Background

Central Queensland, particularly the area from Aramac south to Blackall, east to Jericho and west to Winton is characterised by hydrocarbon shows of both oil and gas which have been encountered in many petroleum wells and water bores.

In particular the area bounded by Aramac in the north, Isisford in the south, Longreach in the west and Barcaldine in the east, contains many such reportings of hydrocarbon shows.

The first recording of hydrocarbons is of oil in the Longreach Town Water Bore drilled by the Queensland Colonial Government in 1899 when oil was encountered in what is now known to be the Birkhead Formation of the Eromanga Basin sequence. This was followed by many other reports of the accidental recovery of hydrocarbons from water bores drilled without recourse to the presence of hydrocarbon traps. Several syndicates drilled, without seismic data, in the Lochinvar and Delta areas east of Barcaldine without success. However this and most other subsequent drilling did not test valid traps.

The first scientific exploration of the Longreach–Barcaldine area was that of Oil Search Limited who conducted surface mapping, which proved to be inappropriate, and shallow scout drilling in the 1930's. No deep tests were drilled and Oil Search in 1939 decided to concentrate their oil search in Papua New Guinea and withdrew from Queensland.

The first large scale exploration effort in the area was carried out by Longreach Oil Wells Limited ("LOW") who explored the Longreach–Aramac–Ilfracombe areas during the 1950's–1970's. This company drilled many deep wells, several of which encountered minor indications of oil but none were commercial.

LOW's efforts attracted the American consortium, Phillips Petroleum Company and Sunray Midcontinent DX Oil Company ("Phillips-Sunray") to the area in 1966 when they drilled the Glenaras 1 petroleum well, which was plugged and abandoned. However this well eventually uncovered the coal bed methane potential of the Rodney Creek area. It drilled through thick Permian coals with significant gas saturation. The large gas kicks in this well eventually led Enron to explore for coal bed methane in this area in the 1990's. In fact, the Rodney Creek Pilot Coal Bed Methane Pilot Scheme is sited on the flanks of the large Glenaras Anticline tested by Phillips-Sunray.

Coal Bed Methane

The exploration for and the development and production of coal bed methane is a relatively new industry. Like many others it was driven by experience in North America in the Black Warrior, San Juan and more recently, Powder River Basins. It is based on the premise that many coals have significant levels of gas (methane) saturation and that the coal seams are very extensive so whilst the flow rates are modest compared to that of conventional petroleum wells, the sheer volume of the coals ensures the presence of huge reserves of gas.

To ensure commercial production of coal bed methane several conditions have to be met. Firstly the coal has to have fractures or cleats to enable drainage to the well bore. This fracturing can be natural or induced by hydraulic fracture stimulation where the coals are fractured by pumping fluids into the well bore to induce fractures which are then held open by propants. A second condition is the dewatering of coals to reduce the pressure to enable the methane contained in the coals to flow to the well bore for collection and distribution. Finally, many wells have to be drilled to obtain commercially saleable amounts of methane.

A significant coal bed methane drainage program is underway in Queensland and several joint venture groups have established commercial production and in fact are selling coal bed methane in the State. The most successful groups have targeted coals which have natural fractures on the crests of large anticlines. In these locations the coals behave as conventional petroleum traps and contain gas in a gas cap similar to conventional reservoirs where gas is present without water and as such is cheaper to produce. As development wells are drilled down the flanks of these structures they invariably encounter water which has to be pumped off to initiate and sustain gas production. This is the case in the Fairview and Durham Ranch fields of the Denison Trough in the Injune region of Queensland, and the Peat and Scotia fields of the Eastern Bowen Basin in the Wandoan area of Queensland.

Viable coal bed methane drainage programs are also operating in the coal mining areas of the Sydney Basin in New South Wales around Camden and in the Bowen Basin around Moura in Queensland. For many years the coal mining companies have drilled wells in the gassy Permian coals of both the Sydney and Bowen Basins to remove methane from the mines to reduce the chance of explosions. The Galilee Basin of Central Queensland has huge reserves of Permian aged coals which are lateral equivalents of the coals of the Sydney and Bowen Basins.

Coal bed methane production has emerged as a viable industry in Australia, particularly Queensland which has been helped by the looming shortfall of gas in eastern Australia. It is predicted the demand will outstrip supply by 2004, hence any gas that can be produced can readily be sold. Other than the recent but expensive to develop gas discoveries in the offshore sector of the Otway Basin of Tasmania and Victoria, the exploration for reserves of conventional gas in the traditional areas of supply has been disappointing.

Whilst coal bed methane development requires more wells than conventional gas fields, the coals are shallower and the wells costs are lower. As a consequence of this shallower burial, the pressures are lower and hence the gathering systems are cheaper than those of conventional fields. However compression of coal bed methane is required to feed gas into main transmission lines. This is an additional cost.

Coal Bed Methane Exploration & Development in ATP 529P

After an extensive world wide study, Enron selected the Galilee Basin as prospective for coal bed methane exploration, development and production. In spite of the fact that the Permian coals were not as gas saturated as the premium coal bed methane production area of the USA, the San Juan Basin, Enron believed that the sheer volume of coal present over an extensive area and the thicker seams would more than compensate for the reduced gas saturation. Furthermore the dominant coal maceral, inertinite, is more predisposed to the development of cleats, both natural and induced than other types of macerals. The large unsatiated gas market in Queensland was another factor influencing their decision.

In 1992 Enron was awarded ATP 529P, a large permit covering all the Galilee Basin coal east of the Maneroo Platform basement high. They conducted a large scale exploration program after reviewing all available open file data. The company commenced a large scale, fully cored, slim hole drilling program to obtain additional data for their modelling. A total of six wells were drilled in this program which was designed to delineate the most prospective portions of the ATP for the placement of several pilot schemes to establish coal bed methane production.

This drilling high graded two areas namely, the Crossmore and Rodney Creek Structures. Additional wells were drilled on both anticlines in 1995 and the decision was made to proceed with the development of the Rodney Creek Pilot Scheme.

In 2000 Enron and Dominion Energy Inc., another large USA company who joined Enron in joint venture in the exploration of the ATP, decided to withdraw from the project. Their equity was taken up by Galilee. The consultants who were advising Enron continued to advise Galilee and the original Enron philosophy was continued. Galilee in 2000 drilled the final four wells of a 5 spot pattern when Rodney Creek 4, 5, 6 & 7 were completed for production adjacent to the earlier Rodney Creek 3 well. The location of all wells drilled by Enron and Galilee is shown on Figure 2, as are the early petroleum exploration wells.

Enron selected the flank of the Rodney Creek Anticline for their pilot scheme as they believed it would have enhanced fracturing hence maximising coal bed methane flow into the well bores. Empirical evidence indicates that this was unwise as the area of maximum fracturing, perianticlinal faulting, occurs near the crest of the structures. This is known to be the case in the Peat/Scotia and Fairview and Durham Ranch coal bed methane fields of the neighbouring Bowen Basin where the maximum methane flows with the least amount of water occur in crestal wells. The crest of the Glenaras (Rodney Creek) Anticline remains undeveloped as shown in Figure 3. In fact the Glenaras 1 petroleum well drilled in 1966 by Phillips-Sunray, encountered large gas kicks in heavy drillings mud from the Permian coals of the Belts Creek Beds, Enron's target.

Enron (and subsequently Galilee) proceeded to complete heavy fracture stimulations of the 5 wells in the Rodney Creek Pilot Scheme. The fracture program design was such that the large vertical growth of the fractures would interconnect coals and water wet sandstone aquifers, one of which flowed into the well bore whilst drilling was occurring. These aquifers are "drowning" the coals and subsequent water production was much higher than that modelled by Enron. This is not surprising given the non crestal location of the pilot scheme and the interconnection of aquifers and coals.

Galilee have to date been unable to pump off enough water to initiate significant methane flow into the well bores. Besides these complications, logistical short comings adversely affected Galilee's dewatering program. Inadequate fuel storage on site curtailed pumping operations during the wet season when roads became impassable. Without operational pumps the water levels rose and subsequent hydrostatic pressure on the coals rose cutting back on gas release. It should be noted that when all pumps were working the water levels fell and increases of methane production were recorded. There were several malfunctions of the echo meters used to monitor water levels hence the performance of the wells during these periods could not be reliably monitored. It is the author's view that had the pumps remained operational along with the echo meters, gas breakthrough would have occurred and production would have been established. As shown on Figure 4, any further drilling in the Pilot Scheme should be to the west of the existing wells in an area where potential for an Eromanga Basin oil pool also exists. The drilling by Enron and subsequently Galilee was not directed towards this objective.

Proposed Remedial Action

In spite of the difficulties mentioned above, it is the author's view that the Rodney Creek Pilot Scheme is still capable of commercial viability if the simple and relatively inexpensive steps detailed below are undertaken. I understand that Galilee proposes to undertake these procedures:

1. Increase fuel storage facilities on site.

2. Purchase additional echo meters.

3. Set retrievable bridge plugs above the Early Permian Aramac Coal Measures to minimise the influx of water from aquifers.

4. Install the pumps in a sump below the upper coal seam which is the thickest and most gas saturated.

5. Purchase larger volume, lower speed pumps.

6. Install a large output electrical generator with 100% backup and run distribution lines to each of the pumps.

These steps will in my view:

- prevent pump outages,

- give better control on water levels within the bores,
- shutoff excess water infiltration,
- stop violent desorption of gas and pump drive damage, and
- prolong pump life.

With these deleterious factors ameliorated commercial gas production should be achieved.

Conventional Hydrocarbon Potential

ATP 529P has considerable potential for conventionally reservoired hydrocarbons, particularly oil. As previously mentioned the large Glenaras (Rodney Creek) Anticline has not been crestally tested at the level of the Hutton Sandstone, the prime oil reservoir in western Queensland and north-east South Australia, for oil. However, more importantly, the oil potential of the Galilee Basin is also untested in spite of shows in several petroleum wells the most important being the recovery of 3m of oil from the pipe in Lake Galilee 1 in 1964. The oil was reservoired in deeply buried tight reservoirs of the Lake Galilee Sandstone and the well did not test a valid trap. A subsequent well in 1996, Carmichael 1, which tested a trap exhibited many hydrocarbon shows and minor recoveries of both oil and gas.

The oil recovered from Lake Galilee 1 has been identified by the Australian Geological Survey Organisation to be of a marine Devonian origin and is believed to have been generated in marine shales of the Drummond Basin Sequence in the Koburra Trough to the east of the permit. To clarify the geological picture, a stratigraphic column is included as Figure 5 and a structural elements map is included as Figure 6.

The Lake Galilee Sandstone rises to the west of the ATP and pinches out against the Maneroo Platform. It is expected to be encountered above 2000m against 3500m at Lake Galilee 1 hence reservoir quality should be markedly better.

Several anti regional dip reversals have been identified on regional seismic data. Detailed seismic surveying to define these possible traps near the punch-out edge is required to delineate a structural or stratigraphic trap. If traps are present indications are that they will be large. It is known that a charge of oil has passed through the Lake Galilee Sandstone and that the unit pinchesout hence the chances of oil entrapment are high.

In the event of the Rodney Creek Pilot Scheme proving successful, attention should be directed towards evaluating the oil potential of the Lake Galilee Sandstone in the ATP to the north east of Rodney Creek. The cash flow from oil is about 6 times that of gas and oil can be sold immediately on discovery, no high pressure pipelines are necessary as oil can be transported by road or rail to the refineries.

Markets

As indicated above, ready markets exist for any gas produced from the Permian aged Betts Creek Beds coals at Rodney Creek. Gas demand in eastern Australia is predicted to outstrip supply in 2004. The shortfall of gas will be particularly severe in South Australia and Queensland as the traditional supply centres of the Roma Shelf of the Bowen Basin and the Cooper Basin continue to decline. The Bass Strait reserves will be used primarily in Victoria and New South Wales. It is unlikely that the newly discovered reserves in the offshore sector of the Otway Basin will be developed in time to meet the short fall. The mooted gas pipeline from the Highlands of Papua New Guinea is still uncertain. Galilee should be able to obtain ready markets in central and northern Queensland particularly in Barcaldine and Townsville. A gas shortfall is also expected in north west Queensland at Mt Isa. Any gas produced by Galilee is well placed to supply these markets. Oil can be sold readily anywhere.

Reserves

It is premature to assign potential reserves to the Rodney Creek Field as the field has to first sustain consistent production. Enron have done potential reserves calculations which indicate huge reserves at Rodney Creek in particular and the ATP in general.

Conclusion

The Galilee Basin exhibits excellent coal bed methane potential, particularly the Crossmore and Rodney Creek Anticlines. A significant amount of money has been expended on the Rodney Creek Pilot Scheme. Due primarily to logistical shortcomings this field has not lived up to its potential. Other areas of the ATP also exhibit potential for coal bed methane production. Success at the Rodney Creek Field may access and unlock huge reserves of methane within the ATP. Portions of the ATP are also very prospective for oil. Galilee have a proposed budget which is in my view adequate to rectify the previously mentioned shortcomings which then should bring the field into commercial production.

Ready markets exist for any hydrocarbons produced from the ATP. Galilee has a rational and inexpensive program to produce coal bed methane from the permit. They will in due course, also have the opportunity to address the oil potential of the block.

The funds to be raised by this Rights Issue will assist to bring the Rodney Creek Field on stream. The cash flow from the sale of coal bed methane should fund an appropriate oil exploration program.

Sources of Information

This report is based upon information, discussions and reports made available by Eastern, Galilee, reports prepared by Enron and literature in the possession of the author. I have no reason to doubt the veracity of the data provided by Galilee.

Qualifications of the Undersigned

Roger Anthony Meaney received a Bachelor of Science (Hons) degree from La Trobe University, Victoria in 1972 and a Diploma of Education from the same institution in 1973. He majored in Physics and later completed the requirements for a Bachelor of Science in Geology form the same institution from 1977-1980. He has more than 23 years experience in petroleum exploration in Australia. He is a member of the following professional organisations:

- Petroleum Exploration Society of Australia
- Society of Exploration Geophysicists

Disclosure

R.A. Meaney has been, or will be paid a professional fee for the preparation of this report. Other than this fee, he will not receive, nor expect to receive, any other benefit from Eastern.

R. Meaney

R.A. Meaney B.Sc. (Hons) MPESA MSEG
Petroleum Geophysicist/Geologist

Figure 1

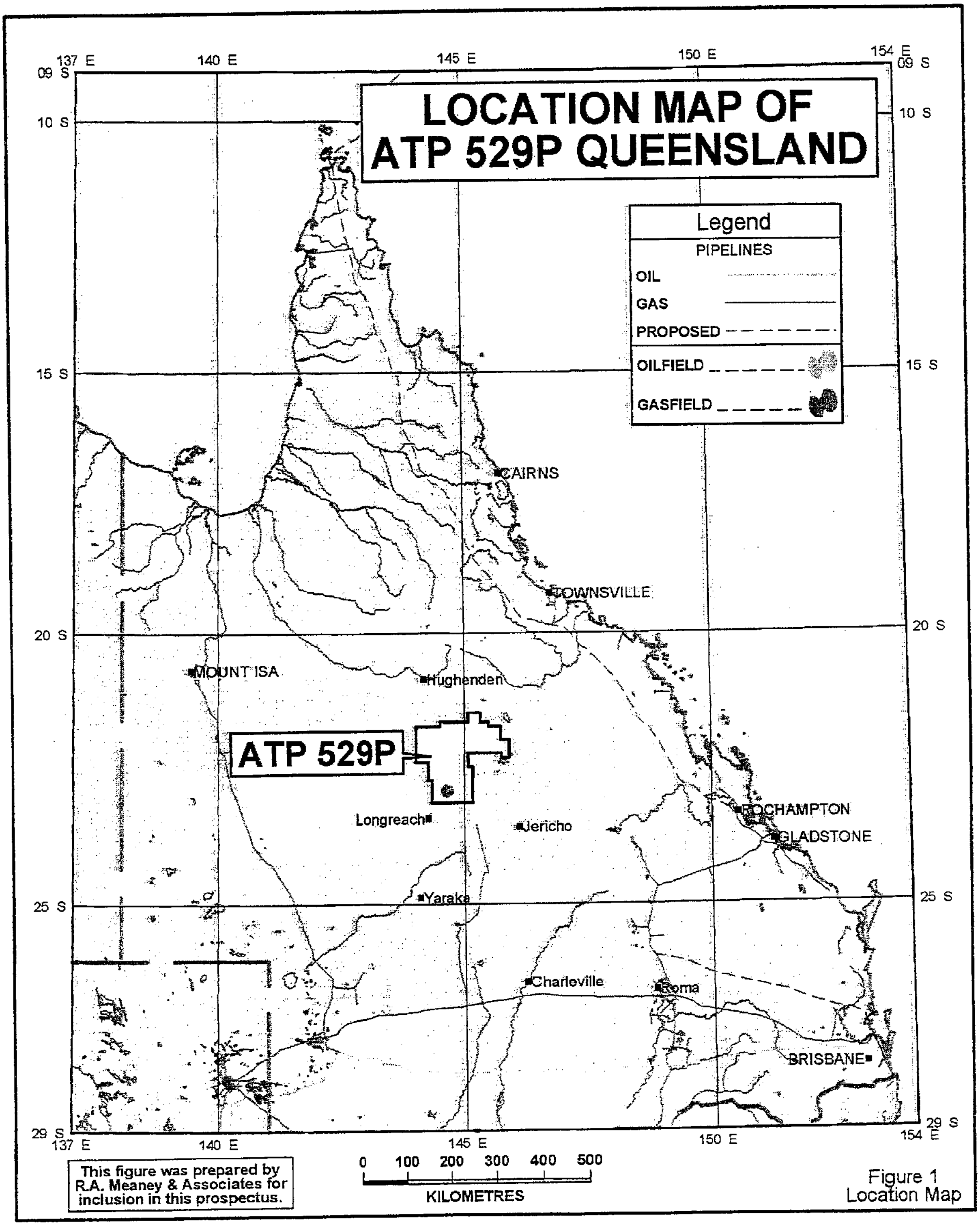

Figure 1
Location Map

Figure 2

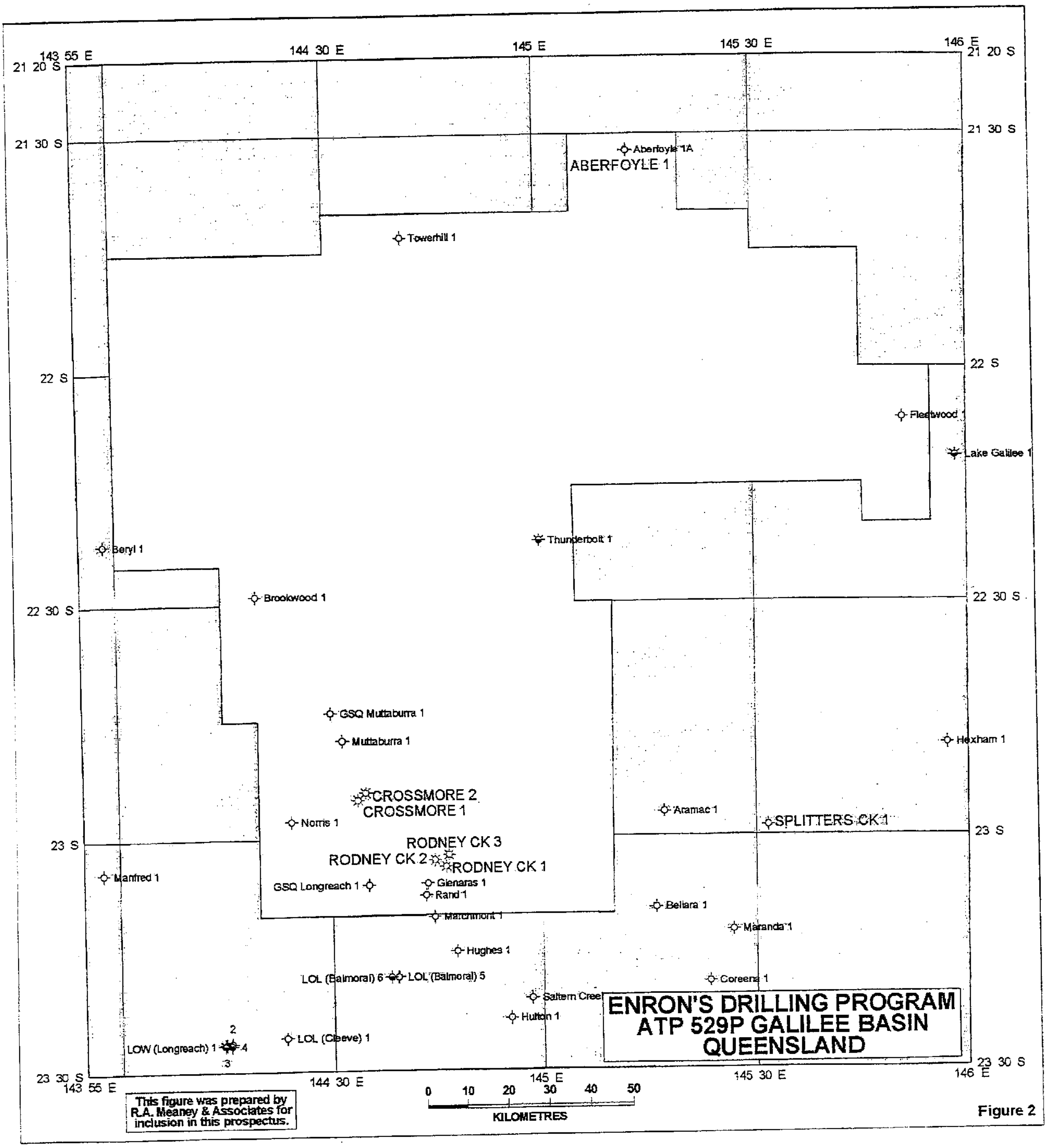

Figure 2

Figure 3

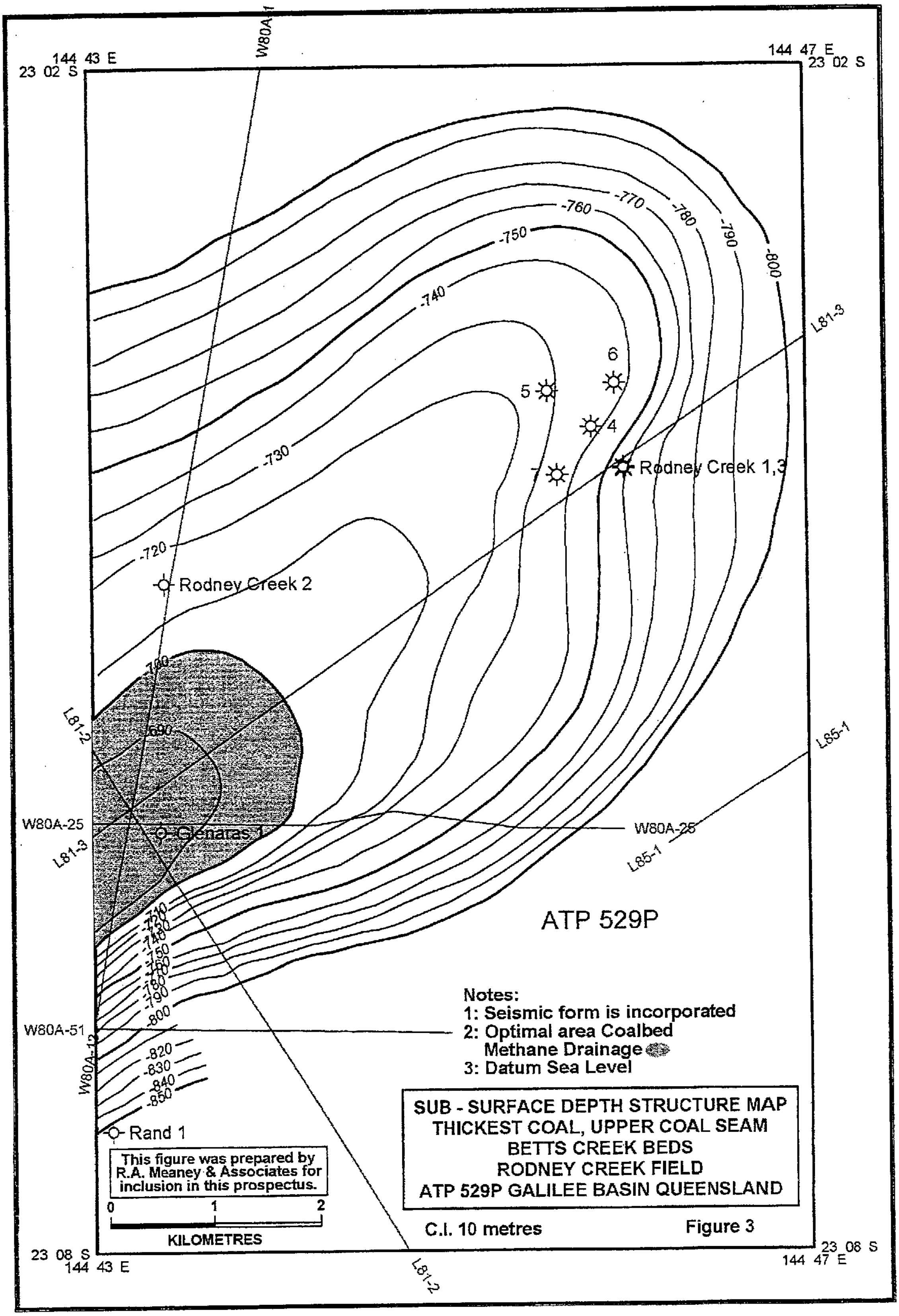
144 43 E
23 02 S
144 47 E
23 02 S
W80A-1
-760
-770
-780
-790
-800
-750
-740
L81-3
6
5
4
Rodney Creek 1,3
-730
-720
Rodney Creek 2
-700
-690
L81-2
L85-1
W80A-25
Glenaras 1
L81-3
W80A-25
L85-1
ATP 529P
-710
-720
-730
-740
-750
-760
-770
-780
-790
-800
Notes:
1: Seismic form is incorporated
2: Optimal area Coalbed
Methane Drainage
3: Datum Sea Level
W80A-51
W80A-12
-820
-830
-840
-850
Rand 1
This figure was prepared by R.A. Meaney & Associates for inclusion in this prospectus.
SUB - SURFACE DEPTH STRUCTURE MAP
THICKEST COAL, UPPER COAL SEAM
BETTS CREEK BEDS
RODNEY CREEK FIELD
ATP 529P GALILEE BASIN QUEENSLAND
0
1
2
KILOMETRES
C.I. 10 metres
Figure 3
23 08 S
144 43 E
L81-2
23 08 S
144 47 E

Figure 4

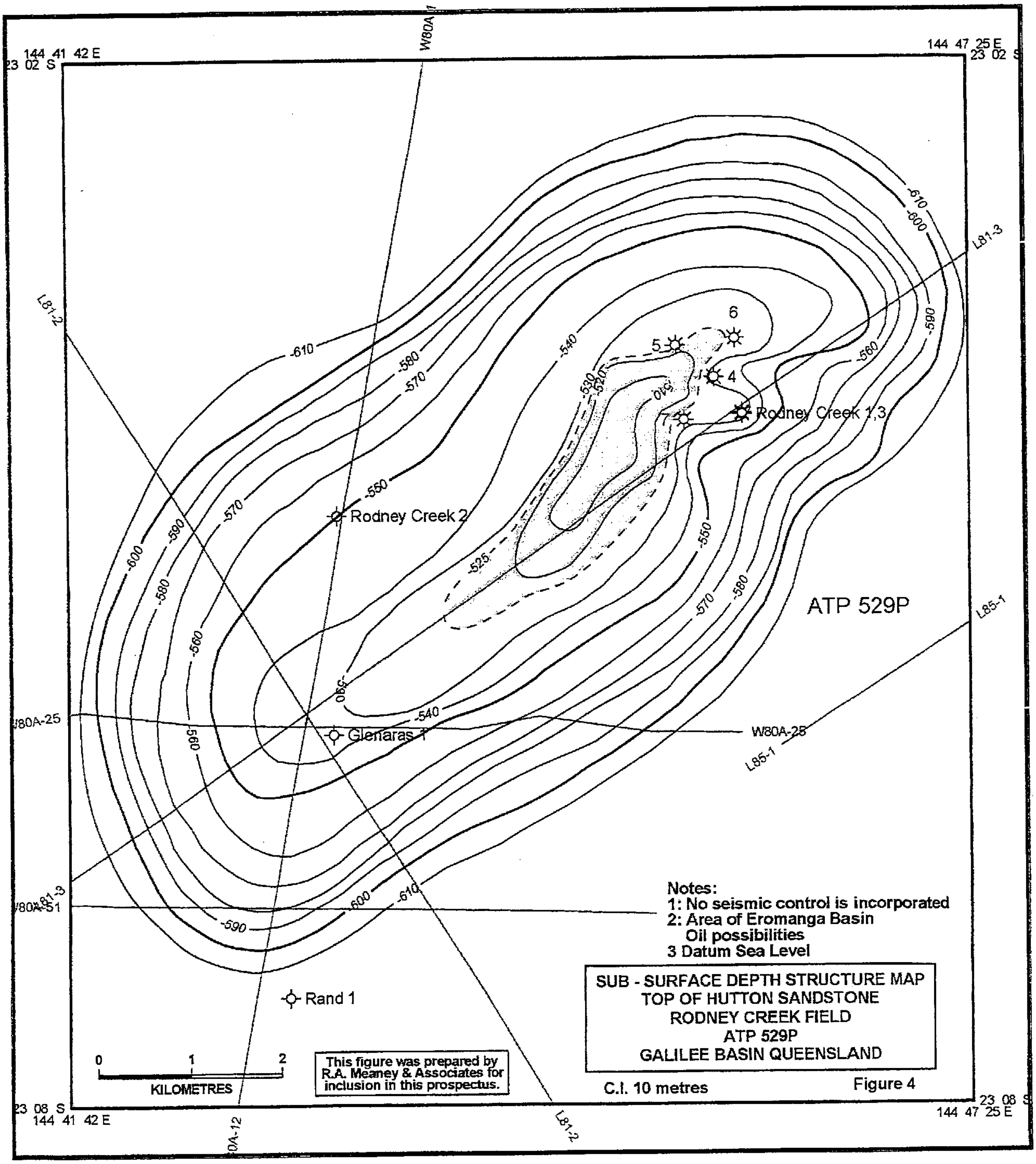
144 41 42 E
23 02 S
144 47 25 E
23 02 S
W80A-1
L81-2
L81-3
-610
-600
-590
-580
-570
-560
-550
-540
-530
-520
-525
-510
5
6
4
7
Rodney Creek 1,3
Rodney Creek 2
ATP 529P
L85-1
W80A-25
Glenaras 1
W80A-31
Rand 1
Notes:
1: No seismic control is incorporated
2: Area of Eromanga Basin
Oil possibilities
3 Datum Sea Level
SUB - SURFACE DEPTH STRUCTURE MAP
TOP OF HUTTON SANDSTONE
RODNEY CREEK FIELD
ATP 529P
GALILEE BASIN QUEENSLAND
0 1 2
KILOMETRES
This figure was prepared by R.A. Meaney & Associates for inclusion in this prospectus.
C.I. 10 metres
Figure 4
23 08 S
144 41 42 E
23 08 S
144 47 25 E
W80A-12

Figure 5

BASIN	AGE	ROCK UNIT	TYPICAL THICKNESS (metres) NORTH	TYPICAL THICKNESS (metres) SOUTH	LITHOLOGY AND DEPOSITIONAL ENVIRONMENT	NORTH	SOUTH
	TERTIARY	UNDIFFERENTIATED			Sandstone, conglomerate, silstone		
EROMANGA BASIN	Cretaceous	WINTON FORMATION	250	750	Sandstone, siltstone, mudstone; fluvial-lacustrine		
EROMANGA BASIN	Cretaceous	MACKUNDA FORMATION	100	165	Sandstone, siltstone, mudstone; paralic		
EROMANGA BASIN	Cretaceous	ALLURU MUDSTONE	50	250	Mudstone, siltstone; shallow marine		
EROMANGA BASIN	Cretaceous	TOOLEBUC FORMATION	30	30	Mudstone, siltstone, shale, limestone; shallow marine		
EROMANGA BASIN	Cretaceous	WALLUMBILLA FORMATION	200	220	Siltstone, mudstone, shale, sandstone; shallow marine		☼
EROMANGA BASIN	Cretaceous	CADNA-OWIE FORMATION	30	75	Siltstone, shale, claystone; sandstone: paralic		●
EROMANGA BASIN	Cretaceous	HOORAY SANDSTONE (MURTA MEMBER)	150	170	Sandstone, siltstone, shale; fluvial	◒	●
EROMANGA BASIN	Jurassic	Injune Creek Group: WESTBOURNE FORMATION	70	85	Sandstone, siltstone, shale; fluvial-lacustrine	◒	●
EROMANGA BASIN	Jurassic	Injune Creek Group: ADORI SANDSTONE	20	30	Sandstone, siltstone, shale; fluvial		●
EROMANGA BASIN	Jurassic	Injune Creek Group: BIRKHEAD FORMATION	60	95	Siltstone, shale, mudstone,sandstone; fluvial-lacustrine	◒	●
EROMANGA BASIN	Jurassic	HUTTON SANDSTONE	60	175	Sandstone, siltstone, shale; fluvial	◒	✹
EROMANGA BASIN	Jurassic	'BASAL JURASSIC'	20	90	Sandstone, siltstone, shale, mudstone; fluvial paralic		●
COOPER BASIN	Triassic	NAPPAMERRI GROUP	-	100	Sandstone, siltstone, shale, coal; fluvial-lacustrine	●	
COOPER BASIN	Permian	Gidgealpa Group: TOOLACHEE FORMATION	-	200	Sandstone, siltstone, shale, coal; fluvial-deltaic	✹	✹
COOPER BASIN	Permian	Gidgealpa Group: DARALINGIE BEDS	-	-	Sandstone, siltstone, shale, coal; fluvial-deltaic		✲
COOPER BASIN	Permian	Gidgealpa Group: ROSENEATH SHALE	-	-	Shale and siltstone; lacustrine		
COOPER BASIN	Permian	Gidgealpa Group: EPSILON FORMATION	-	-	Sandstone, siltstone, shale, coal; fluvial-deltaic		✲
COOPER BASIN	Permian	Gidgealpa Group: MURTEREE SHALE	-	-	Shale and siltstone; lacustrine		
COOPER BASIN	Permian	Gidgealpa Group: PATCHAWARRA FORMATION	-	50	Sandstone, siltstone, shale, coal; fluvial-deltaic	✲	✲
COOPER BASIN	Permian	Gidgealpa Group: TIRRAWARRA SST.	-	-	Sandstone; fluvial		✹
ADAVALE BASIN	Devonian - carboniferous	BUCKABIE FORMATION	1200	50	Sandstone. siltstone, shale; continental marine		
ADAVALE BASIN	Devonian - carboniferous	ETONVALE FORMATION	1000	450	Sandstone, evaporite, continental		
ADAVALE BASIN	Devonian - carboniferous	BURY LIMESTONE: COOLADDI DOLOMITE	50	400	Dolomite and limestone; Limestone, rare sandstone; shallow marine	☼	
ADAVALE BASIN	Devonian - carboniferous	BURY LIMESTONE: LISSOY SANDSTONE	120		Sandstone & shale; Limestone, rare sandstone; shallow marine		
ADAVALE BASIN	Devonian - carboniferous	LOG CREEK FORMATION	450	850	Sandstone, shale, fluvial - deltaic, marine	☼	
ADAVALE BASIN	Devonian - carboniferous	EASTWOOD BEDS	500	-	Sandstone, shale, continental		
ADAVALE BASIN	Devonian - carboniferous	GUMBARDO FORMATION	400	100	Volcanics, arkose, red beds, continental		
PALAEO-ZOIC		ECONOMIC BASEMENT	-	-	Volcanics, metamorphics, granite		

◒ Oil show (measured oil recovery on test)
☼ Gas show (gas flow on test)
● Oil well (cased for production)
✲ Gas well (cased for production)

EROMANGA / COOPER / ADAVALE/GALILEE BASINS STRATIGRAPHIC COLUMN

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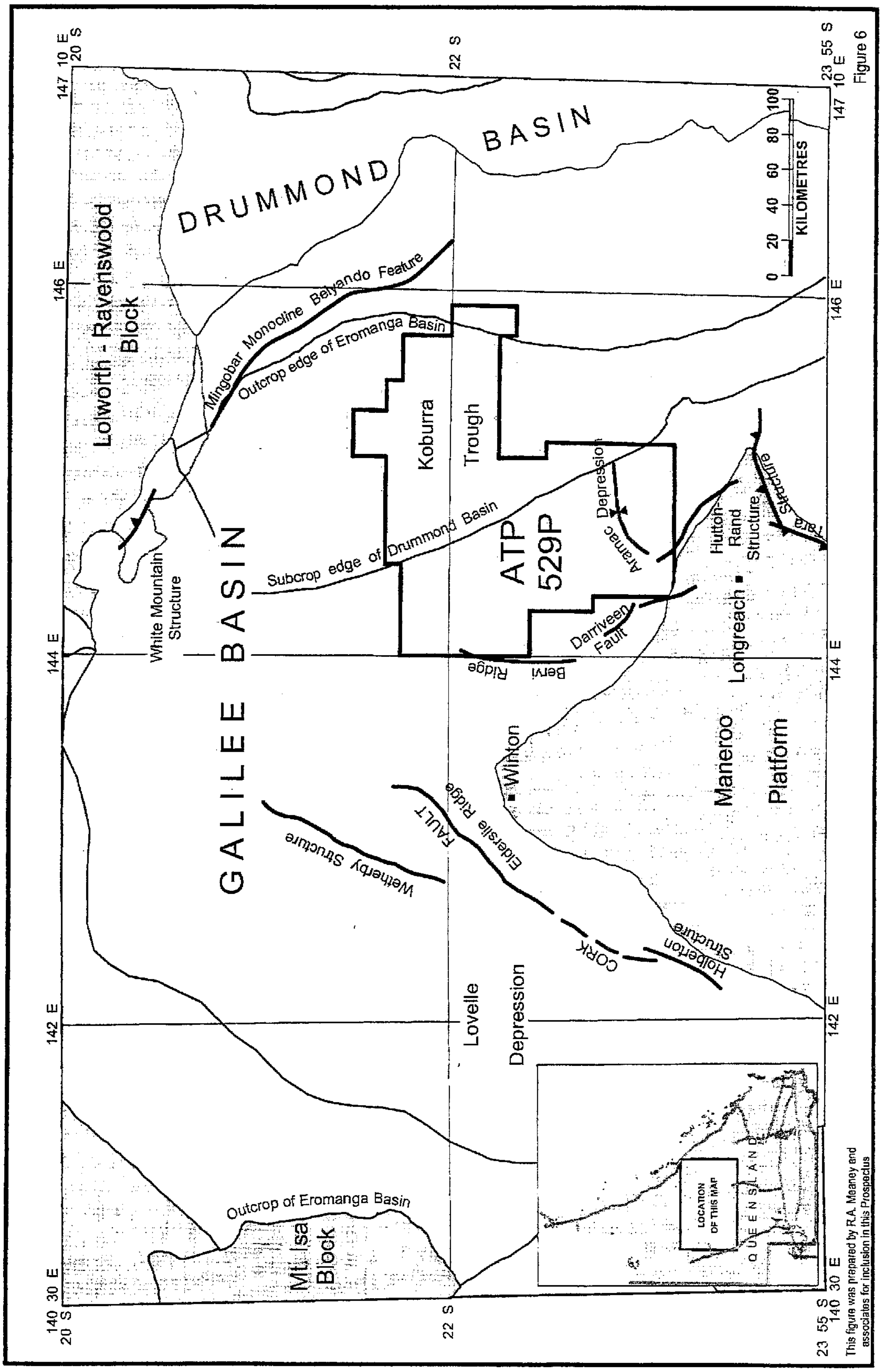
Figure 5

Figure 6


DRUMMOND BASIN
GALILEE BASIN
Lolworth - Ravenswood Block
Mt. Isa Block
Koburra Trough
ATP 529P
Lovelle Depression
Maneroo Platform
Mingobar Monocline
Belyando Feature
Outcrop edge of Eromanga Basin
Subcrop edge of Drummond Basin
White Mountain Structure
Aramac Depression
Hutton-Rand Structure
Tara Structure
Longreach
Winton
Darriveen Fault
Beryl Ridge
Weatherby Structure
CORK FAULT
Eldersile Ridge
Holberton Structure
Outcrop of Eromanga Basin
KILOMETRES
0 20 40 60 80 100
LOCATION OF THIS MAP
QUEENSLAND
140 30 E
142 E
144 E
146 E
147 10 E
20 S
22 S
23 55 S
Figure 6
This figure was prepared by R.A. Meaney and associates for inclusion in this Prospectus

GLOSSARY OF TECHNICAL TERMS

Listed below are the definitions of some technical terms used in this report.

Anticline	Rock strata contorted by folding or erosion to a hill like structure with older rocks in the core. A classic structural trap.
Anti-regional Dip Reversal	Counter to the regional dip the site of structural traps.
Biogenic	Of an organic origin, usually associated with the decay of organic matter at shallow depths of burial.
Bowen Basin	A Permian – Triassic aged depositional sequence in Queensland.
Bridge Plug	A plug inserted into a well bore to isolate sections of the bore.
Coal Bed Methane (Coal Seam Methane)	Methane of either biogenic or thermogenic origin that is generated and reservoired in coal beds.
Cooper Basin	A Permian-Triassic depositional sequence of south-west Queensland and north-east South Australia.
Crest	Top of a structure, generally an anticline.
Denison Trough	A sub-basin (sub-division) of the Bowen Basin.
Desorption	The release of water bound gas from coal faces.
Development Well	A well drilled to produce hydrocarbons which have been discovered by an exploratory well.
Devonian	A geologic era extending from 410-360 million years ago.
Drummond Basin	A late Devonian depositional sequence.
Echo-meter	A device to measure water level by the transmission of a acoustic pulse.
Eromanga Basin	A depositional sequence of south-western Queensland and north-east South Australia.
Exploratory Well	A well drilled to evaluate the prospectivity of a potential hydrocarbon trap.
Fully Cored	Pertains to obtaining a full core of the rocks being drilled. Used to study rock properties.
Galilee Basin	A Carboniferous – Triassic aged depositional sequence in Queensland.
Gas Saturation	The amount of gas adsorbed to the coal relatively to standard conditions.
Graticular Block	Area bounded by 5' of latitude and 5' of longitude, essentially 5 nautical miles by 5 nautical miles.
Hydrocarbons	Naturally occurring compounds composed primarily of carbon and hydrogen atoms with some oxygen, nitrogen and sulphur.
Hydrocarbon Trap	A feature with either structural or stratigraphic geometry suitable to trap migrating hydrocarbons.
Hydrostatic	The pressure exerted by a stationary water column.
Inertinite	A specific coal maceral.
Maceral	A type of kerogen relating to the composition of the coal.

Maneroo Platform	A structural element of the geology of Queensland. It is a long standing regional structural high.
Marine Source Rocks	Rocks deposited in a marine environment which are prone to the generation of oil rather than gas.
Methane	Essentially natural gas and is the simplest chemical formula for hydrocarbon, CH_4.
Oil Pool	Accumulation of oil.
Permeability	The connection of voids within a rock.
Permian	A period of geological time extending from 280-225 million years ago in which large scale coal deposits were laid down in eastern and central Australia.
Pinchout	The lateral disappearance of a reservoir unit encased in impermeable sealing units.
Porosity	Voids within rock which can fill with water, oil or gas.
Reservoir Unit	A rock with both porosity and permeability which can carry and trap hydrocarbons.
Roma Shelf	A sub-domain of the Bowen Basin.
San Juan Basin	A premium and pioneering coal bed methane producing basin in the south-west of the USA.
Sealing Unit	An impermeable rock with little porosity which will not readily transmit hydrocarbons.
Seismic	A method of surveying the sub-surface using shock waves.
Stratigraphic Trap	Trapping geometry established by changes of rock types often in a pinchout.
Structural Trap	Trapping geometry established by rock strata caused by structural events i.e. folding or erosion
Sydney Basin	A Permian – Triassic aged depositional sequence in New South Wales.
Thermogenic	As a result of the application of heat, usually at greater depths of burial.

9. MATERIAL AGREEMENTS

The Company is a party to a number of agreements that are material to this Issue as follows:

9.1 Underwriting Agreement

The Issue has been partially underwritten by the Underwriter pursuant to an Underwriting Agreement with the Company dated 18 November 2002.

The Underwriter has agreed to underwrite the Issue (to an amount of $1 million) for an underwriting fee of 8.0% of the amount of funds subscribed by the Underwriter under the Issue either as Underwriter or as the holder of shares. The Underwriter also has the right (but not the obligation) to take up further New Shares to the extent of any further Shortfall above $1 million.

The Company has represented and warranted to the Underwriter, amongst other things, that it has complied with its obligations under the *Corporations Act* and Listing Rules and is not in breach of those obligations.

The Company has agreed to indemnify the Underwriter against all losses that it and its officers, employees, advisers and Related Bodies Corporate suffer as a direct or indirect result of:

(a) any statement in the Prospectus or information announced to the ASX being misleading or deceptive or containing an omission;

(b) any representation or warranty given by the Company in the Underwriting Agreement not being true and correct;

(c) the distribution of the documents relating to, or the making of, the Issue; and

(d) any advertising or publicity of the Prospectus issued with the knowledge and consent of the Company.

This indemnity does not apply to any losses that are judicially determined to result primarily from any fraud, recklessness, wilful misconduct or gross negligence of the indemnified party or arising from an indemnified party acting in his or her capacity, as a director of the Company.

The Underwriting Agreement contains other general terms and conditions normally found in underwriting agreements for similar non-renounceable rights issues, save and except that there are none of the usual external "let out" provisions which underwriters normally have the right to rely upon.

9.2 Heads of Agreement

On 22 October 2002, the Company entered into a Heads of Agreement with Galilee, making provision for the acquisition by Eastern of a 51% shareholding interest in Galilee. This shareholding interest is to be acquired by the allotment of 63,836,732 new shares in Galilee for total subscription moneys of $4 million, payable as follows:

(a) $2 million on or before completion (expected to be on or about 31 January 2003);

(b) $1 million within six (6) months from completion; and

(c) a final instalment of $1 million within twelve (12) months of completion, or as otherwise agreed between the Company and Galilee.

The Heads of Agreement contains various conditions precedent before completion could occur (including, but without limitation, the conduct of due diligence enquiries, respective shareholder approvals etc). Each of those conditions have now been satisfied.

Under the Heads of Agreement, the board of directors of Galilee will be restructured so that it comprises three (3) representatives of Eastern and two (2) representatives from the existing board of directors of Galilee.

There are certain other special arrangements that have been entered into as part of the Heads of Agreement including:

(a) Provision is made for existing Galilee shareholder loans (totalling approximately $1.9 million) and owing by Galilee to those shareholders, to remain in place but those shareholders will not take action to seek recovery of those loans while funds are being expended on the ATP. Eastern has undertaken to take all reasonable and necessary steps to cause these loans to be retired within a period of 12-18 months and, in any event, before an application for a petroleum lease is made by Galilee. Until those loans are repaid, they will continue to incur interest at the rate of 9% per annum.

(b) It is also acknowledged by Eastern and Galilee that, in the event of the project moving to full scale commercial operation, substantial additional funding requirements will exist. Eastern has agreed to actively support an initial public offering of shares in Galilee as the best means of raising those additional funds subject to prevailing market conditions at the time.

(c) Furthermore, at a time of commercial development of the project, Eastern is to provide existing Galilee shareholders (where additional funding may be required) the option to either contribute their share of additional equity, not contribute any further equity (and simply be diluted), or try to dispose of their shares in Galilee, and failing disposal, permit Galilee to buy back all of their shares at an amount of 10 cents per share.

(d) Eastern has also acknowledged and agreed that until such time as the dewatering of existing wells at the project site has been successfully achieved, Eastern will not use its majority shareholding control (without first seeking approval from those directors of Galilee who are not associated with Eastern) to effect a farm-out of interests in the ATP, effect a sale of a project, incur excess borrowings, suspend the project (without reasonable cause), or otherwise permit general inactivity.

It is anticipated that the acquisition by Eastern of the 51% shareholding interest in Galilee will be completed on or about 31 January 2003, shortly after closure of the Issue.

9.3 Philippines Tenements

Option to Acquire Philco Shares

By an agreement dated 24 June 1999 (as varied on 23 May and 21 September 2000) between Sabena, Kringle Pty Ltd ("Kringle"), Jumbo Corporation Limited ("Jumbo") and the Company, Sabena was granted an option to acquire all of the issued shares in Kringle from Jumbo ("Option Agreement"). Kringle holds approximately 40% of the issued capital in Philco Mining Corporation - a Philippine mining and exploration entity. Among other matters (such as shareholder approval of Jumbo and the Company), the Agreement was conditional upon Sabena receiving conditional approval from the ASX to admission to the official list of the ASX at the time of Sabena's initial public offering in 2000. Sabena did not list on the ASX and as a result this condition was not satisfied. On 30 October 2000 Sabena gave notice to Jumbo of its intention to exercise the option, however as the conditions remain unsatisfied, the Option Agreement has not completed.

Under the terms of the Option Agreement, on completion Sabena was required to either issue 3,125,000 shares to Jumbo and pay the sum of $100,000 or (subject to agreement between the parties) pay the sum of $250,000 to Jumbo.

As certain conditions precedent to the Option Agreement were not satisfied within the time required by that agreement, the Company is in the process of renegotiating the terms of the agreement with each other party, with a view to finalising a further variation to the Option Agreement early in 2003. In this regard, please refer to the risk factor associated with contractual failure detailed in Section 7.3 of this Prospectus.

Philco Mineral Processing Option Agreement

By an agreement dated 20 July 2000 between Sabena and Philco Mining Corporation ("Philco"), Sabena has been granted an exclusive option to enter into a Mineral Processing Agreement with respect to Philco's Philippines mineral tenements in the Sabena copper-gold project in Eastern Mindanao.

The option expires five (5) years after Philco has become the registered permittee of all the exploration permits within the Sabena copper-gold area.

Upon exercise of the option, Sabena is exclusively entitled to process and market all minerals found in the area and is solely entitled to all of the net revenues earned from processing and mining operations in the area. Philco is entitled to a royalty of (not greater than) half of one (1) percent (0.5%) of the gross revenue earned from Sabena's operations.

Tacomo Arrangements

By an agreement between Kringle and Tacomo Pty Ltd ("Tacomo") dated 31 July 1997, Kringle (being a substantial shareholder in Philco) has agreed to procure Philco to grant to Tacomo an option to acquire a 49% interest in various exploration areas held by Philco ("the Areas"). Under the agreement, Kringle is obliged to fund all exploration and other costs which Philco is obliged to meet or pay in respect of the Areas. In conjunction with this agreement, Sabena entered into a sale of joint venture interest agreement with Tacomo and Kringle whereby Kringle has agreed to acquire Tacomo's interest in the above agreement, in consideration for the issue of 5,625,000 Sabena shares and payment of $100,000.

As with the Option Agreement (described above) this agreement was conditional (among other matters) on Sabena receiving conditional approval for admission to the official list of the ASX following from its initial public offering in 2000. As these conditions are unable to be fulfilled, this agreement will only be able to be completed upon renegotiation between the parties and variation documentation being entered into. In this regard, please refer to the risk factors associated with contractual failure as set forth in Section 7.3 of this Prospectus.

Kematu Arrangements

By agreements dated 19 June 1996 between Kematu and each of TMC Tribal Mining Corporation ("TMC") and Holon Mining Corporation ("Holon") (and supplementary agreements dated 10 March 1997) Kematu has been granted the exclusive right to explore the T'boli Gold Project area. Additionally, Kematu has the right to acquire up to 90% of the beneficial interest in the area upon the meeting of various expenditure requirements.

By a further agreement dated 19 June 1996, Sabena has been granted an option by Kematu to enter into a joint venture with Kematu pursuant to which, upon exercise of the option, Sabena is obliged to assume Kematu's rights and obligations under the agreements with TMC and Holon. Under the agreement with Kematu, Sabena is able to acquire up to a 90% interest in the joint venture by meeting certain expenditure requirements. Pursuant to a letter dated 28 May 1998, the parties have confirmed that Sabena is deemed to have earned a 50% interest in the joint venture.

Some of the time limits for exercising options under the joint venture agreement (to enable Sabena to increase its joint venture interest) have expired. Accordingly, Sabena will only be entitled to exercise these options to increase its joint venture interest upon re-negotiation with Kematu and subsequent variation to the terms of the agreement.

9.4 Sur American Heads of Agreement

Eastern and Sabena have entered into a Heads of Agreement dated 26 November 2002 making provision for Sur American Gold Corporation to have an option to earn up to 70% of the issued share capital in Sabena.

Under this proposed arrangement, Sur American firstly has an option to earn a 51% shareholding interest in Sabena by spending CAN$2 million in exploration of Sabena's projects over a 2 ½ year period and by the issue of 5 million common shares in Sur American. The total value of the option is CAN$2.5 million.

Under this arrangement, Sur American will advance funds to Sabena as and when required for planned exploration commitments.

It is intended that the agreement take effect after all necessary regulatory, shareholder and board approvals, as well as execution of a formal agreement, which is currently being prepared.

The shares to be issued to Eastern as part of the arrangement with Sur American are proposed to be issued in four separate instalments namely:

- 1.5 million Sur American shares once the agreement has become unconditional;
- a further 1 million shares after completion of Phase 1 exploration (estimated to take about 6 months to complete);
- a further instalment of 1.5 million shares after completion of the Phase 2 exploration program (estimated to take a further six months to complete after Phase 1); and
- a final instalment of 1 million shares after completion of the Phase 3 exploration program (which is estimated to take approximately 18 months to complete).

Sur American also has the option to increase its overall shareholding interest in Sabena to 70% of the total issued shares by an additional expenditure of CAN$2 million within 5 years from commencement of the agreement.

A formal agreement between Eastern, Sabena and Sur American is currently being prepared and it is anticipated the agreement will be finalised in the near future.

9.5 Phillips/Clark Debt Swap Deed

Eastern has entered into a deed with two of its directors, Alan Phillips and Garry Clark (and entities associated with those persons, namely Strategic Capital Limited and Oakgrade Pty Ltd respectively) whereby monies owing to Phillips/Clark (and/or related entities) totalling $609,468 are to be discharged by way of a transfer by Eastern of that number of shares in Sabena that represents 30% of the total issued share capital in Sabena.

Furthermore, under this deed, Mr Phillips and Mr Clark (and their related entities) have assumed responsibility for certain additional monies (totalling approximately $103,700) owing to consultants engaged in the Philippines who have assisted Sabena and provided services in relation to the Philippines' mineral interests of Sabena.

Provision is made for the terms of this deed to be conditional upon shareholders of Eastern approving the debt swap arrangements at a duly convened general meeting of Eastern to be held on or before 28 March 2003. Eastern will commission an independent expert's report for submission to shareholders as part of the material convening this general meeting.

10. ADDITIONAL INFORMATION

10.1 Disclosing entity

Eastern, as a disclosing entity under the *Corporations Act*, is subject to regular reporting and disclosure obligations.

These obligations include compliance with the requirements of the ASX Listing Rules concerning notification of information to the ASX. Those rules require Eastern to notify the ASX immediately of any information concerning the Company of which it is, or becomes, aware and which a reasonable person would expect to have a material effect on the price or value of securities of the Company. There are certain limited exceptions to this rule. Eastern must also provide to the ASX within 75 days of the end of its half and full year accounting periods, a half yearly report and preliminary final report respectively.

As a disclosing entity, Eastern is required to lodge with the ASX before the deadline after each accounting period, among other things, its financial statements for the accounting period. Due to a late lodgment of the financial statements for the financial period ending 30 June 2002, the ASIC has determined pursuant to Section 713(6) of the *Corporations Act* that the Company is prevented from relying upon Section 713 of the *Corporations Act* until 28 October 2003. In other words, Eastern is precluded from issuing what is known as a "short form prospectus" pursuant to Section 713 of the *Corporations Act* which entitles disclosing entities to issue such a Prospectus in relation to securities where the securities offered by the prospectus in a class of securities that were quoted securities at all times in the twelve (12) months before the issue of the Prospectus. Accordingly, this Prospectus is not a "short form prospectus" pursuant to Section 713 of the *Corporations Act*, rather it has been prepared under the general disclosure requirements set forth in Section 710 of the *Corporations Act*.

10.2 Rights Attaching to Shares and New Shares

The rights attaching to the Shares and New Shares of the Company are set out in the Company's Constitution, a copy of which is available for inspection at the registered office of the Company during business hours. The following is a summary of the principal rights of holders of the Shares and the New Shares, subject to any special rights attaching to any class of share at a future time.

(a) **Voting**

At a general meeting:

(i) on a show of hands, every member present has one vote; and

(ii) on a poll, every member present has one vote for each share held by the member and in respect of which the member is entitled to vote except on partly paid shares, each of which will confer on a poll only a fraction of one vote which the amount paid up on the share bears to the total issue price of the share.

(b) **General Meetings**

Each Shareholder is entitled to receive notice of and to attend and vote at general meetings of the Company.

(c) **Dividends**

Dividends are payable in proportion to the amounts paid or credited as paid during any portion of the period in respect of which the dividend is paid.

The Directors may retain from any dividend payment to a member all sums of money (if any) presently payable by the member to the Company in relation to Shares in the Company, whether on account of calls or otherwise and apply the amount retained in or towards satisfaction of the money owing.

(d) **Winding up**

If the Company is wound up, after all debts and liabilities of the Company and costs, charges and expenses of the winding up are paid, Shareholders will be entitled to any excess assets of the Company in proportion to the shares held by them, irrespective of the amounts paid or credited as paid on the shares. The excess that would otherwise be distributed to the holder of a partly paid share must be reduced by the amount unpaid on that share and if the effect of that reduction would be to reduce the distribution to a negative amount, the Shareholder must contribute that amount to the Company.

(e) **Transfer of Shares**

Shareholders may transfer all or any of their shares by proper SCH transfer or by an instrument in writing in any usual form or in any other form that the Directors approve.

(f) **Variation of Rights**

The Company may only modify or vary the rights attaching to any class of shares with the prior approval by a resolution of the holders of at least three-fourths of the issued shares of that class.

10.3 **Interests of Directors**

Except as disclosed in this Prospectus, no Director (whether individually or in consequence of a Director's association with any company or firm or in any material contract entered into by the Company) has now, or has had, in the two year period ending on the date of this Prospectus, any interest in:

(a) the formation or promotion of the Company; or

(b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the offer of securities; or

(c) the offer of securities.

Except as disclosed in this Prospectus, no amounts of any kind (whether in cash or shares or otherwise) have been paid or agreed to be paid to any Director or to any company or firm with which a Director is associated to induce him or her to become, or to qualify as, a Director, or otherwise for services rendered by hire or her or any company or firth with which the Director is associated in connection with the formation or promotion of the Company or offer of the securities.

Directors' Holdings

Set out below are details of Directors' interests in the securities of the Company as at the date of this Prospectus:

	Directly Held		Indirectly Held	
	Ordinary Shares	**Options**	**Ordinary Shares**	**Options**
A Phillips	200		3,725,478 6,250,000 *	
G Clark		22,858	609,073 6,250,000 *	
D Barwick			2,500,000 *	
C Smith (Proposed Director)			15,000,000 60,000,000 *	60,000,000 *
P Williams (Proposed Director)			15,000,000 60,000,000 *	60,000,000 *

*[*Note: The issue of these securities was approved by shareholders of the Company at the extraordinary general meeting on 18 December 2002, but will be issued after the Record Date, with the effect that none of those shares will be entitled to participate in the Issue]*

Directors' Remuneration

The Directors are entitled to payment of fees, remuneration and expenses as set out in the Company's Constitution. The Constitution provides, (among other things), that the Directors shall be paid such remuneration as the Directors determine, but the remuneration of non-executive Directors may not exceed $150,000 in aggregate in any year or such other amount fixed by the Company in general meeting.

In addition, executive Directors of the Company receive salary and benefits. The level of salary and benefits paid to executive Directors is determined by the Company's non-executive Directors, as disclosed in the Company's annual financial report.

10.4 Interests of Named Persons

Except as disclosed in this Prospectus, no expert, or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of the Prospectus, nor any firm in which any of those persons is or was a partner nor any company in which any of those persons is or was associated with, has now or has had, in the two year period ending on the date of this Prospectus, any interest in:

(a) the formation or promotion of the Company; or

(b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the offer of share ; or

(c) the offer of shares.

Except as disclosed in this Prospectus, no amounts of any kind (whether in cash or shares or otherwise) have been paid or agreed to be paid to any expert, or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of the Prospectus, or to any firm in which any of those persons is or was a partner or to any company in which any of those persons is or was associated with, for services rendered by that person in connection with the formation or promotion of the Company or offer of shares:

(a) Hopgood Ganim Lawyers will be paid approximately $25,000 excluding GST in fees for legal advice and professional services in relation to the Issue and preparation of this Prospectus.

(b) R A Meaney & Associates Pty Ltd will be paid approximately $6,000 excluding GST in fees for preparation of the independent technical report set out in Section 8 of this Prospectus.

(c) The Underwriter will receive a fee equal to 8% of the amount of funds subscribed by the Underwriter under the Issue as Underwriter.

(d) PricewaterhouseCoopers will be paid approximately $9,000 excluding GST for accounting advice and professional services in relation to the Issue and preparation of this Prospectus.

10.5 Limitation on Foreign Ownership

(a) The only limitations under Australian law on the rights of non-Australian residents to hold or vote the shares of an Australian company are set forth in the Foreign Acquisitions and Takeovers Act (the "FATA"). The FATA regulates acquisitions giving rise to ownership of substantial amounts of a company's shares.

(b) The FATA prohibits:

- any natural person not ordinarily resident in Australia; or
- any corporation in which either a natural person not ordinarily resident in Australia or a foreign corporation (as defined in the FATA); or
- two or more such persons or corporations which hold an aggregate substantial interest (defined below),

from entering into an agreement to acquire shares if after the acquisition such person or corporation would hold a substantial interest in a corporation, without first applying in the prescribed form for approval thereof by the Australian Treasurer and receiving such approval or receiving no response in the 40 days after such application was made.

(c) A holder will be deemed to hold a substantial interest in a corporation if the holder alone or together with any associates (as defined in the FATA) is in a position to control not less than 15% of the voting power in the corporation or holds interests in not less than 15% of the issued shares in that corporation. Two or more holders hold an aggregate substantial interest in a corporation if they, together with any associates (as so defined), are in a position to control not less than 40% of the voting power in that corporation or hold not less than 40% of the issued shares in that corporation.

(d) The Constitution of the Company contains no limitations on a non-resident's right to hold or vote the Company's shares.

10.6 Litigation

The Company is not engaged in any litigation which has or would be likely to have a material adverse effect on either the Company or its business.

10.7 Subsequent Events

There has not arisen, at the date of this Prospectus any item, transaction or event of a material or unusual nature not already disclosed in this Prospectus which is likely, in the opinion of the Directors of the Company to affect substantially:-

- the operations of the Company,
- the results of those operations; or

- the state of affairs of the Company.

10.8 Related Party Transactions

Certain transactions have recently been entered into by the Company with the Directors or entities associated with them as follows:

(a) At the Company's general meeting on 18 December 2002, shareholders approved the issue of a total of 12.5 million shares to Alan Phillips and Garry Clark (or entities associated with them) by way of repayment of moneys owed to those persons;

(b) Further, at the 18 December 2002 shareholder meeting, approval was also obtained for the issue of 2.5 million shares in the Company to Queensland Underwriters Limited (a company of which David Barwick is a director and major shareholder), being payment by the Company of a fee of $50,000 in respect of Mr Barwick's introduction of Galilee to the Company and his assistance in procuring the necessary financing arrangements to proceed with the acquisition; and

(c) Propwood Pty Ltd (as trustee for the Propwood Unit Trust) has taken up respective placements of ordinary shares in Eastern of 15 million shares (at an issue price of $0.02 per share) and 60 million ordinary shares (at an issue price of $0.02 per share, together with 60 million free-attaching options to subscribe for ordinary shares exercisable at $0.04 each on or before 31 December 2003). Both Campbell Smith and Paul Williams are directors of Propwood Pty Ltd and are (either themselves or through related entities) unitholders in the Propwood Unit Trust.

10.9 Consents

(a) Propwood Pty Ltd (as trustee for the Propwood Unit Trust) as the Underwriter, has given, and has not before lodgement of this Prospectus withdrawn, its written consent to the inclusion in this Prospectus of all statements attributed to the Underwriter by name in the form and context in which they appear.

(b) Hopgood Ganim Lawyers has given, and has not before lodgement of this Prospectus, withdrawn its written consent to being named in this Prospectus as solicitors to the Company in the form and context in which it is named. Paul Williams, a proposed director of the Company, is an equity partner at Hopgood Ganim. Hopgood Ganim Lawyers has not authorised or caused the issue of the Prospectus and accordingly to the maximum extent permitted by law, Hopgood Ganim Lawyers disclaims all liability for any part of the Prospectus.

(c) R A Meaney & Associates Pty Ltd has given, and has not before lodgement of this Prospectus, withdrawn its written consent to being named in this Prospectus as technical advisers to the Company in the form and context in which it is named. R A Meaney & Associates Pty Ltd has not authorised or caused the issue of the Prospectus and accordingly to the maximum extent permitted by law, R A Meaney & Associates Pty Ltd disclaims all liability for any part of the Prospectus.

(d) PricewaterhouseCoopers has given, and has not before lodgement of this Prospectus, withdrawn its written consent to being named in this Prospectus as Auditors of the Company in the form and context in which it is named. PricewaterhouseCoopers has not authorised or caused the issue of any part of this Prospectus and accordingly to the maximum extent permitted by law, PricewaterhouseCoopers disclaims all liability for any part of the Prospectus.

(e) Computershare Investor Services Pty Limited has given, and has not before lodgement of this Prospectus, withdrawn its written consent to being named in this Prospectus as the Company's securities registry, in the form and context in which it is named. Computershare Investor Services Pty Limited has not authorised or caused the issue of any part of this Prospectus and accordingly to the maximum extent permitted by law, Computershare Investor Services Pty Limited disclaims all liability for any part of the Prospectus.

10.10 Inspection of Documents

Copies of the following documents may be inspected free of charge at the registered office of the Company and at the offices of the Company's solicitors, Hopgood Ganim Lawyers, 3rd Floor, 141 Queen Street, Brisbane during normal business hours:

- the Material Contracts in Section 9;
- the Constitution of the Company;
- the Consents referred to in Section 10.9 of this Prospectus.

10.11 Expenses of the Issue

The estimated amount of the expenses of the issue including advisers' fees, printing and distribution costs and other miscellaneous expenses, is $120,000 (which includes the amounts payable to Hopgood Ganim Lawyers and to RA Meaney & Associates in respect of work associated with this Prospectus, as well as the Underwriter's fee, ASX listing costs for the New Shares, printing and postage), which has been paid or is payable by the Company.

10.12 Electronic Prospectus

An electronic version of this Prospectus is available from the Company at www.easterncorp.com.au.

The Entitlement and Application Form may only be distributed attached to a complete and unaltered copy of the Prospectus.. The Company will not accept a completed Application form if it has reason to believe that the investor has not received a complete paper copy or electronic copy of the Prospectus or if it has reason to believe that the Entitlement and Application form or electronic copy of the Prospectus has been altered or tampered with in any way.

While the Company believes that it is extremely unlikely that in the Issue period the electronic version of the Prospectus will be tampered with or altered in any way, the Company cannot give any absolute assurance that it will not be the case. Any investor in doubt concerning the validity or integrity of an electronic copy of the Prospectus ought immediately request a paper copy of the Prospectus directly from the Company or a financial adviser.

11. CONSENT TO LODGMENT

Each Director including the Proposed Directors has consented to the lodgement of this Prospectus with the ASIC and has not withdrawn that consent.

Dated this 19th day of December 2002

Signed for and on behalf of Eastern Corporation Limited:

....
David Keith Barwick
Chairman

....
Garry James Clark
Director

12. GLOSSARY

ASIC	Australian Securities & Investments Commission
ASX	Australian Stock Exchange Limited ACN 008 624 691
ATP	Authority to prospect 529P, which occupies area in the Eastern half of the Galilee basin in central Queensland
Board	Board of Directors of Eastern
Business Day	Any day on which the ASX is open for trading in securities
Closing Date	23 January 2003
Company or Eastern	Eastern Corporation Limited ACN 064 957 419 and includes, where the context permits, its subsidiaries
Corporations Act	*Corporations Act 2001 (Cwlth)*
Directors	The Directors of Eastern
ED Securities	Enhanced disclosure securities as defined in Section 111 AD of the *Corporations Act*
Entitlement	The number of Rights to which a Shareholder is entitled
Entitlement and Acceptance Form or Form	The form included with this Prospectus which sets out the number of New Shares which are the subject of each Entitlement and provides for the means for acceptance of all or part of the Entitlement
Galilee	Galilee Energy Limited ACN 067 998 323
Group	Eastern and its controlled entities
Issue or Offer	The issue of New Shares pursuant to this Prospectus
Issue date	The date of allotment of the New Shares
Issue Price	Two cents ($0.02)
Listing Rules	Any rules of the ASX which are applicable while Eastern is admitted to the official list of the ASX
New Shares	The shares to be offered under this Prospectus
Options	All issued options to take up Ordinary Shares
Ordinary Shares or Shares	Fully Paid ordinary shares in the capital of Eastern
Record Date	2 January 2003
Rights	Rights to subscribe for New Shares in this Issue
Sabena	Sabena Limited ACN 072 178 593 a wholly owned subsidiary of Eastern.
SCH	Securities Clearing House
Shareholder	The registered holder of Ordinary Shares or New Shares as the context requires
Share Registry	Computershare Investor Services Pty Limited ACN 005 273 647
Shortfall	Means the New Shares not taken up by Shareholders entitled to participate in the Offer
Underwriter	Propwood Pty Ltd ACN 102 508 332 (as trustee for the Propwood Unit Trust)
Underwriting Agreement	The Underwriting Agreement dated 18 November 2002 between Eastern and the Underwriter, referred to in Section 9.1 of this Prospectus
$	Australian dollars

Stock Broker Use Only Lodging Broker
$

Eastern Corporation Limited
ABN 11 064 957 419

Entitlement and Acceptance Form

Non-Renounceable Rights Issue of 1 New Share for every 2 Ordinary Shares held in Eastern Corporation Limited, at an Issue Price of $0.02 per New Share payable on acceptance.

Before completing this form you should read the Prospectus to which this form relates

Issue Closes 5.00 p.m., Brisbane time, on 23 January 2003

Name and Address

A

Entitlement Number	
Securities Sub-Register	
Shareholder Reference No. Holder Identification No.	

B

Class of Shares	Ordinary Shares held as at 2 January 2003	Entitlement to New Shares on a 1 for 2 basis	Amount Payable on acceptance at A$0.02 per New Share
Ordinary Shares			$

I accept the number of New Shares set out below and attach a personal/bank cheque or bank draft for the amount payable

C

		PLEASE FILL IN THE APPROPRIATE BOXES		
ACCEPTANCE INSTRUCTIONS (For further Instruction see back of this form)		No. of New Shares accepted	Application Money per New Share	Amount Enclosed
1.	To accept your FULL ENTITLEMENT		$0.02	$
2.	To accept PART of your entitlement		$0.02	$

PAYMENT INSTRUCTIONS: Please complete details of cheque/s enclosed (made payable to Eastern Corporation Limited – Entitlement Offer and crossed "Not Negotiable").

D

Drawer	Bank	Branch	Amount

Post to:
Eastern Corporation Limited
C/- Computershare Investor Services
GPO Box 523, Brisbane QLD 4001

OR

Deliver to:
Eastern Corporation Limited
C/- Computershare Investor Services
Level 27, Central Plaza One
345 Queen Street, Brisbane QLD 4000

My contact details in case of an enquiry are:

(Home)	(Work)	(Mobile)

For any enquiries concerning your entitlement please contact Computershare Investor Services on 1300 552 270 (if calling within Australia) or +61 3 9615 5970 (if calling outside Australia)

YOU CAN DEAL WITH YOUR ENTITLEMENT IN ANY OF THE FOLLOWING WAYS:

1. **ACCEPTANCE OF YOUR ENTITLEMENT IN FULL**

   If you wish to accept ALL of your Entitlement:

   (a) Complete the panel overleaf labelled C by inserting the number of shares in your Entitlement and the total payable

   (b) Complete the panel overleaf labelled D by inserting the details of your personal/bank cheque or bank draft.

   (c) Attach your personal/bank cheque or bank draft, made payable to 'Eastern Corporation Limited – Entitlement Offer' and crossed "Not Negotiable" to this Entitlement and Acceptance Form and post them to or deliver them to Computershare Investor Services Pty Limited.

2. **ACCEPTANCE OF PART OF YOUR ENTITLEMENT AND ALLOW THE BALANCE TO LAPSE**

   If you wish to accept PART ONLY of you Entitlement and to allow the balance to lapse:

   (a) Complete the panel overleaf labelled C by inserting the number of shares you wish to accept and the total payable.

   (b) Complete the panel overleaf labelled D by inserting the details of your personal/bank cheque or bank draft.

   (c) Attach your personal/bank cheque or bank draft, made payable to 'Eastern Corporation Limited – Entitlement Offer" and crossed "Not Negotiable" to this Entitlement and Acceptance Form and post them to or deliver them to Computershare Investor Services Pty Limited.

GENERAL INFORMATION

Section A contains details of your entitlement and Shareholder Reference Number or Holder Identification Number.

Section B contains details of your shareholding, entitlement and amount payable.

Section C is to be completed in accordance with instructions above.

Section D is to enter details of your personal/bank cheque or bank draft you are enclosing.

Payments must be made in Australian currency by cheques drawn on an Australian bank and be made payable to "Eastern Corporation Limited – Entitlement Offer" and crossed "Not Negotiable".

Entitlements not accepted in accordance with these instructions will lapse and you will receive no benefit.

Where acceptances and payment have not reached Computershare Investor Services Pty Limited by the closing date and time, the Offer herein contained shall lapse and be deemed to have been declined wholly or as to any number of shares not applied for.

Issue Closes 5.00 p.m., Brisbane time, on 23 January 2003

IF YOU HAVE ANY ENQUIRIES REGARDING YOUR ENTITLEMENT, PLEASE TELEPHONE COMPUTERSHARE INVESTOR SERVICES ON 1300 552 270 (WITHIN AUSTRALIA) OR +61 3 9615 5970 (OUTSIDE AUSTRALIA)

A DECISION TO INVEST SHOULD ONLY BE MADE AFTER CONSIDERING ALL OF THE MATERIAL CONTAINED IN THE PROSPECTUS

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