



Eastern Corporation Limited

Quarterly Report

**For the Period Ended
31 March 2006**

1. ACTIVITY HIGHLIGHTS FOR THE QUARTER

- **Announced a \$3.8million net profit for the December 05 half year.** Net profit for the consolidated Eastern group of companies for the six months ending 31 December 2005 was achieved.
- **Stage 1 of the Broughton Feasibility Study completed.** The joint venture between Eastern and Mitsui has completed stage 1 of the feasibility study and elected to proceed to stage 2. The primary focus of stage 2 of the feasibility study is to finalise a preferred mine plan and project development strategy.
- **Established hard coking coal resources at Broughton.** Analysis of coal quality and washability data from last year's exploration drilling programme has confirmed that the Broughton coal deposit includes coals suitable for the production of hard and semi-hard coking coal, with an option of producing a secondary thermal product.
- **Galilee Energy coal seam methane programme is delayed.** The programme for two holes has been finalised and drilling was scheduled to start at the end of the 1st Quarter. Demand for drill rigs in the minerals and coal seam gas industries is unprecedented and the resulting shortage has caused the Galilee programme to be delayed until the later in the year.
- **Whareatea West exploration drilling programme commences.** The New Zealand government's Department of Conservation in March approved access to the area allowing drilling to commence. The programme includes 10 exploration holes with coal coring and quality analysis from the Whareatea West Exploration Permit. Drilling activities are now well underway.
- **New share placement to AMP Capital Investors.** Eastern issued a further 70 million ordinary shares at an issue price of 6 cents per share to AMP Capital Investors (on behalf of its clients). This placement raised a further \$4.2million in funds which are to be utilised by Eastern in the proposed acquisition of coal interests in Australia and New Zealand that are presently under consideration.
- **Entered into a conditional contract to acquire a second New Zealand coal mine.** Eastern entered an agreement to purchase the coal mining operations of Straith Industries in the Ohai/Nightcaps area in the far south of New Zealand's south island, as part of its strategy to expand the coal mining operations in that country. Completion of the sale is subject to the satisfactory outcome of our due diligence investigations.
- **Applied for Prospecting Permits over extensive areas centred around the Straith properties near Ohai and also further south at Orepuki.** Through access to these areas we expect to extend our resource base and expand operations in Southern New Zealand.

2. COAL - QUEENSLAND

(a) Broughton Coal Joint Venture

Project background

The Broughton Coal Joint Venture (BCJV) was formed in June 2005 between Eastern's wholly-owned subsidiary Broughton Coal Mining Pty Ltd (BCM) and Mitsui Coal Holdings Pty Ltd (Mitsui). The current Joint Venture interests are BCM 90% and Mitsui 10%, with Mitsui having the right to acquire a further 20% interest in the Joint Venture for a further \$11 million dollars.

The BCJV holds EPC 818 which is an exploration permit situated immediately to the south of Rio Tinto's Hail Creek coal project, approximately 100km west of Mackay in the Northern part of Queensland's Bowen Basin. Work on a feasibility study commenced in the latter half of 2005 and stage 1 of that exercise has been completed.

Quarter Activities

Analysis of the coal quality and washability data from the exploration programme conducted during last year was completed during the quarter. The analysis confirmed expectations (as released to the market late last year) that there would be production of hard and semi hard coking coal, with the option of a secondary thermal product, from the Broughton deposit. The analysis also shows that there is significant benefit to be gained from selective mining and processing of the coal seams.

The Broughton joint venturers have elected to proceed with the next feasibility study stage, Stage 2, the primary objects of which will be to finalise the preferred mine plan and project development strategy. In addition, the Broughton Joint Venture plans to drill additional cored holes within the area of the inferred resources aimed at improving the resource category and also to increase confidence in the overall coal quality analysis that has been undertaken up to this time.

Stage 2 of the feasibility study work is expected to be completed later in the year.

- **Dorben**

Project Background

Dorben (a wholly-owned Eastern subsidiary) holds EPC 861 which is situated in and around the Dingo Project held by the recently ASX – floated Cockatoo Coal Limited in the Southern region of Queensland's Bowen Basin.

The Dorben permit area could be prospective for low volatile Pulverised Coal Injection (PCI) coal.

Quarter Activities

A preliminary geological review of existing data has been carried out during the quarter by Queensland Geological Services. A more detailed investigation including a seismic survey and drill holes is being planned.

3. COAL – NEW ZEALAND

- **Cascade**

Project Background

On 30 June 2005, Eastern's wholly-owned subsidiary, Cascade Coal Pty Ltd, acquired all the assets, plant, equipment, statutory permits and authorities of the Cascade Coal Mine for NZ \$3.5 million. This mining operation is situated in the historical Buller Coalfields region approximately 25 kilometres North-East of the township of Westport on the West Coast of New Zealand's South Island.

The coal produced at Cascade is commercially attractive – being a low ash and sulphur coal, with a high specific energy. Annual targeted coal production is in the order of 100,000 tonnes per annum – up from approximately 40,000 tonnes per annum under previous ownership.

Quarter Activities

During the March quarter, the primary focus of Cascade / Eastern Management continued to consolidate the operations of Cascade as an existing operating business unit within the Eastern Group by:

- implementing and modifying the existing mine operations and administering of systems;
- seeking to optimise coal production levels;
- developing and refining existing geological models and mine plans;
- maintaining close links with all stakeholders involved not only in the region but in the New Zealand coal industry generally;
- seeking future coal export customers and expanding the existing industrial customer base in New Zealand;
- participating in the emerging process of improving the New Zealand shipping logistics system, especially from the South Island's West Coast region.

- **Whareatea West**

Project Background

Rochfort Coal Mining Pty Ltd (a wholly-owned subsidiary of Eastern) holds Exploration Permit EP 40-591, known as Whareatea West. The Exploration Permit covers an area of 820 hectares, situated on the West Coast of New Zealand's South Island, approximately 5 kilometres North-West of the existing Cascade Mining operations.

Quarter Activities

Approval was obtained during the quarter from the New Zealand Department of Conservation for access to identified target areas to enable a proposed exploration drill-hole programme to be carried out. The drilling programme has commenced and is likely to be completed towards the end of May.

Eastern is also working up a detailed geological model for the Whareatea West permit, based on information obtained from earlier exploration programmes carried out in the area during the 1980's and 1990's, as well as the exploration programme conducted by Eastern in the middle of last year. Initial indications are that the permit contains export quality hard coking coal and the aim of this current programme is to assist in delineating a resource in the order 20 million tonnes.

- **Straith/ Ohai**

Project Background

Rochfort Coal Mining Pty Ltd (a wholly-owned subsidiary of Eastern) has entered into a contract for the purchase of a second New Zealand coal mine in the Ohai/ Nightcaps area in the far south of the South Island from Straith Industries Ltd. The mining tenements involved in the proposed purchase have been the subject of coal mining activities for many years, and are seen as an ideal component of Eastern's overall coal mine development strategy in New Zealand.

Quarter Activities

Key features of the agreement with Straith include:

- Eastern may acquire the mining plant, equipment, permits and related assets and approvals associated with the Straith operations for a purchase price of NZ\$2m.
- The purchase price is to be paid by Eastern out of existing cash reserves, on the basis of NZ\$1.5m on completion and the balance NZ\$500,000 within 12 months of completion.
- Completion of the purchase is scheduled to occur on or before 31 July 2006, and is subject to certain conditions being satisfied in the meantime, including:
 - The conduct of satisfactory due diligence investigations by Eastern in relation to the assets, mining resources and available markets for the Straith coal
 - Carrying out an exploration drilling programme in order to better identify the extent (and quality) of the coal resources, currently known to be in the order of 1.5million tonnes.
 - Obtaining the various statutory consents for the transfer of the mining permits and other resource consents/approvals associated with the operations
 - The conduct of satisfactory due diligence investigations by Eastern in relation to the assets, mining resources and available markets for the Straith coal.

- **Ohai and Orepuki Prospecting Permits**

Eastern has applied for Prospecting Permits over two extensive areas.

- The Ohai area centred on the Straith properties and,
- The Orepuki area, located further to the South

Eastern expects to be able to expand its resource base in the southern district through these two areas. Work has commenced on initial scoping studies following which exploration drilling programmes will be planned.

4.0 COAL SEAM METHANE – QUEENSLAND

- **Galilee Energy**

Project Introduction

Eastern holds a shareholding interest of approximately 60% in Galilee Energy Limited, which is the holder of Authority to Prospect interests near Longreach in Central Queensland. These permit interests are prospective for coal seam methane and conventional hydrocarbons.

Quarter Activities

Due to drilling unavailability until later in the year (for reasons outside of the control of Galilee), the proposed CSM exploration programme has been delayed until at least later this year. The nature and extent of the programme has been established, pending suitable arrangements being entered into with the drilling contractor. In February, Eastern was advised by its preferred drilling rig contractor that the rig they had allocated for the Galilee programme had been taken out of service, and they were not in a position to provide a replacement unit. The search for a replacement has shown that

- most operators experienced in CBM exploration are secured on long-term arrangements with the major players in the industry;
- the CBM industry itself is undergoing rapid expansion, and all drilling companies are experiencing strong demand for their rigs.

New rigs are being fabricated and imported and we are now aiming to contract a rig in the latter half of the year.

5.0 CORPORATE

- **Share Capital**

A further 70 million ordinary shares were issued by Eastern during the quarter, in relation to the placement in favour of AMP Capital Investors.

Total ordinary shares on issue is 693,633,978 and total options on issue (exercisable at 6 cents on or before 30 June 2006) is 98,420,000.

Propwood Pty Ltd is the only substantial shareholder of Eastern holding approximately 32% of the total shares on issue.

ASX trading price (period 1 January 06 to 31 March 06)

Ordinary Shares:	High	8.6c
	Low	5.5c
Options:	High	2.6c
	Low	1.2c

• **Board / Senior Management Changes**

Mr Paul Williams, has announced his retirement as Eastern's CEO and director, with effect as and from 24 April 2006.

Mr Mike O'Brien, has accepted the appointment as CEO to replace Paul Williams. Previously, Mike acted in the role as Eastern's Group Operations Manager.

Mr William (Bill) Lyne will fill the casual vacancy on the Eastern board. Bill holds a Bachelor of Commerce (Economics) degree and is a Chartered Accountant. He is a Fellow of Chartered Secretaries Australia and brings to Eastern a wealth of experience in corporate governance principles and practice.

6.0 OUTLOOK FOR THE CURRENT QUARTER

The proposed major activities to be undertaken by Eastern and its subsidiary entities during the quarter ending 30 March 2006 include:

- Proceeding with Stage 2 of the Broughton Coal Joint Venture Feasibility Study;
- Finalising the preliminary geological analysis of the Dorben Coal Exploration Permit;
- Continuing the exploration drilling programme at Whareatea West;
- Pursuing the Straith/Ohai coal acquisition in the southern region of New Zealand's south island; and
- Continuing to seek out and secure other opportunities (primarily in the coal sector) in both Australia and New Zealand.

7.0 FINANCIALS

The attached 5B statement provides all of the up to date information on the financial position of Eastern Corporation Limited and its subsidiaries as at 31 March 2006.

For and on behalf of Board of Directors



Gordon Smith
Chairman

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Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

Eastern Corporation Limited

ABN

11 064 957 419

Quarter ended ("current quarter")

31 March 2006

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (9 months) \$A'000
1.1	Receipts from product sales and related debtors	1,305	2,901
1.2	Payments for (a) exploration and evaluation	(46)	(100)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(1,730)	(3,954)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	84	178
1.5	Interest and other costs of finance paid	(40)	(73)
1.6	Income taxes paid	-	-
1.7	Other	-	-
	Net Operating Cash Flows	(427)	(1,048)
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a)prospects	-	-
	(b)equity investments	-	-
	(c)other fixed assets	(68)	(394)
1.9	Proceeds from sale of:		
	(a)prospects	-	-
	(b)equity investments	-	-
	(c)other fixed assets – equity share of joint venture	-	4,000
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)		
	(a) exploration expenditure (net of refunds)	(51)	(540)
	(b) Joint venture equity contribution	-	-
	(c) Overburden advanced	209	-
	(d) Other	-	(32)
	Net investing cash flows	90	3,034
1.13	Total operating and investing cash flows (carried forward)	(337)	1,986

1.13	Total operating and investing cash flows (brought forward)	(337)	1,986
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc. - OEI	4,100	4,330
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	(124)	(166)
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
Net financing cash flows		3,976	4,164
Net increase (decrease) in cash held		3,639	6,150
1.20	Cash at beginning of quarter/year to date	4,661	2,150
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	8,300	8,300

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

	Current quarter \$A'000
Aggregate amount of payments to the parties included in item 1.2	38
Aggregate amount of loans to the parties included in item 1.10	-

Explanation necessary for an understanding of the transactions

-

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

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Financing facilities available
Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	600
4.2 Development	-
Total	600

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	2,216	2,276
5.2 Deposits at call	6,084	2,385
5.3 Bank overdraft	-	-
5.4 Other	-	-
Total: cash at end of quarter (item 1.22)	8,300	4,661

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	-			
6.2 Interests in mining tenements acquired or increased	-			

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference +securities <i>(description)</i>	-			
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	-			
7.3 +Ordinary securities	693,633,978			
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	70,000,000			
7.5 +Convertible debt securities <i>(description)</i>	-			
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	-			
7.7 Options <i>(description and conversion factor)</i>	98,420,000		<i>Exercise price .06c</i>	<i>Expiry date 30.6.06</i>
7.8 Issued during quarter	-			
7.9 Exercised during quarter				
7.10 Expired during quarter	-			
7.11 Debentures <i>(totals only)</i>	-			
7.12 Unsecured notes <i>(totals only)</i>	-			

