



Eastern Corporation Limited

Quarterly Report

**For the Period Ended
31 December, 2007**

ACTIVITY HIGHLIGHTS FOR THE QUARTER

- **Encouraging results from Galilee drilling**

Preliminary results from the July 2007 drilling at Rodney Creek 8 indicate pipeline quality gas and excellent permeabilities

- **Agreement signed for Broughton sale at \$10 million**

Rio Tinto Coal has signed an MOU to purchase Eastern's interest in the Broughton Joint Venture for \$10 million.

- **New contracts in New Zealand**

Eastern's Takitimu mine has been awarded the contract to supply coal for the newly built NZ Dairies processing plant.

- **Share Consolidation completed**

A 1:10 share consolidation was completed in mid December reducing the number of shares on issue to 71.8 million.

COAL – NEW ZEALAND

Operations

- **Cascade coal mine**

The Cascade open cut coal mine, producing low ash, low sulphur coal with a high calorific value, is situated in the historical Buller Coalfields region approximately 25 kilometres north-east of the township of Westport on the west coast of New Zealand's South Island.

Quarter Activities

Coal winning in the Fire Pit area is now complete with approximately 30,000 tonnes extracted.

Realignment of the haul road is well underway to allow access to the next block of 50,000 tonnes of coal in the Gravel Pit area. Stage 1 stripping has exposed the first coal in this block.

Rehabilitation is continuing in the Mill Creek area where coal extraction activities have ceased.

- **Takitimu coal mine**

The Takitimu coal mine in the Ohai / Nightcaps area is situated in the far south of the South Island of New Zealand. The mine is building up production in line with demand.

Quarter Activities

Mining continues in Block 1 with final coal extracted by the end of March. In Block 2 overburden removal is on schedule to expose the increased volumes of coal required for the commencement of the Fonterra contract in the final quarter of 2008.

Takitimu has been awarded the contract to supply coal to the recently completed NZ Dairy plant at Studholme. This contract is for approximately 20,000 tonnes per annum. Several other contracts are currently under negotiation, resulting in further amendments being made to the design of the new processing plant for Takitimu to allow for increased capabilities.

Further infrastructure improvements are also underway including a weighbridge upgrade and office extension.

Production Cascade & Takitimu mines

<u>Mine</u>	<u>Coal Extracted</u> (tonnes)	<u>Overburden</u> (bcm)	<u>Sales</u> (tonnes)	<u>Sales</u> (NZ\$)
Cascade	14,970	113,580	10,544	925,907
Takitimu	9,835	133,882	8,501	565,363
<u>Totals</u>	24,805	247,462	19,045	1,491,270

Exploration

- **Whareatea West**

The Whareatea West Exploration Permit (EP 40-591) is held by Rochfort Coal Mining Ltd, a wholly-owned subsidiary of Eastern. The Permit covers an area of 820 hectares situated on the west coast of New Zealand's South Island approximately 5 kilometres north-west of the Cascade mining operation.

Quarter Activities

Whilst an extensive coal resource has been identified at Whareatea West, only 40% of the permit has currently been explored. The intention is to conduct further exploration drilling and coal quality testing during 2008 to fully determine the extent and nature of the resource. Analysis will include coke oven testing and coal washabilities.

The next stages of exploration will be conducted in conjunction with a joint venture partner and discussions are now underway with several parties to this effect.

The actual start date of the exploration programme will depend on the approvals process with the Department of Conservation who hold tenure over the land.

- **Ohai / Orepuki / Takitimu**

The Orepuki Permit (PP 39-319) is located on the coast, south west of Takitimu. The Ohai Permit (PP 39-321) covers an extensive area immediately surrounding the Takitimu mining tenements. Both areas are prospective for sub-bituminous coal.

No immediate activity is planned whilst the Takitimu mine is in development phase however once the planned infrastructure improvements are in place focus will switch to devising exploration programmes for these areas with particular emphasis on extending the resource base at Takitimu.

COAL - QUEENSLAND

- **Broughton Coal Joint Venture**

The Broughton Coal project in Queensland's Bowen Basin is held in joint venture with Mitsui Coal Holdings Pty Ltd (Mitsui).

The Company has signed a non-binding Memorandum of Understanding ("MOU") with Rio Tinto Coal Limited ("Rio") for the sale of the shares in Broughton Coal Mining Pty Ltd, the entity which holds 90% of the Broughton Coal Joint Venture. Rio owns and operates the adjoining Hail Creek Mine. Mitsui will retain their 10% of the Broughton project.

Under the terms of the MOU, Rio will pay \$10 million for 100% of the shares in Broughton Coal Mining Pty Ltd, subject to the completion of a due diligence by the end of February 2008.

- **Dorben**

Dorben (a wholly-owned Eastern subsidiary) held EPC861 situated in the Southern region of Queensland's Bowen Basin. Recent studies indicated that further exploration was not warranted. The permit has now been relinquished.

COAL SEAM METHANE – QUEENSLAND

- **Galilee Energy (Eastern 67%)**

Galilee Energy Limited holds Authorities to Prospect (ATP 529P and ATP 799P) covering an area of approximately 14,000 sq km near Longreach in Central Queensland. The areas are prospective for coal seam methane and conventional hydrocarbons. Eastern holds 67% of Galilee.

Coal Seam Methane

Drilling was completed at Rodney Creek 8 on July 20, 2007

The R1 seam, uppermost of the Betts Creek coal measures, was intercepted at approximately 907 metres with an aggregate of 24.7 metres of Betts Creek and Aramac coal measures encountered. Review of previous data in conjunction with coal seam sequences and gamma logs observed in Rodney Creek 8 indicate that there is continuity of the R1 coal seam across a large part of the Galilee tenement.

Results received to date are very encouraging. The coal seams are gassy, low in ash and strongly cleated. Gas contents range from 2.8 to 6.6 m³/t with a median value of 4.4 m³/t on a raw coal basis. The average permeability is 50 millidarcies which is moderate to high in comparison with other gas producing fields. Analysis indicates pipeline quality gas of 97 – 98% pure methane.

Gas contents and isotherms are yet to be received at which time the final report can be completed and an initial reserves certification issued. This is expected during the first quarter 2008.

The next phase of exploration is proposed to be a 5-spot production pilot and 4 appraisal wells although the programme won't be fully determined until the complete results of the current testing have been received.

Conventional Hydrocarbons

A desktop study has indicated the potential for conventional oil and gas to exist in the Galilee tenements however further work on this study will not be undertaken until the current CSM exploration programme has been finalised. An exploration plan and budget is being prepared for a possible petroleum appraisal hole.

CORPORATE

Following the approval of shareholders at the November AGM the Company completed a share consolidation on a 1:10 basis. This was finalised on December 13, 2007 at which time Eastern had 71,785,401 new ordinary fully-paid shares on issue held by 1,796 shareholders.

FINANCIALS

The attached 5B statement provides the cash flows for Eastern Corporation Limited and its subsidiaries for the quarter ended 31 December 2007.

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 December 2007

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (6months) \$A'000
1.1	Receipts from product sales and related debtors	1,325	2,605
1.2	Payments for (a) exploration and evaluation	(130)	(1,308)
	(b) development	(118)	(118)
	(c) production	(2,249)	(3,806)
	(d) administration	(666)	(1,971)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	54	80
1.5	Interest and other costs of finance paid	(99)	(229)
1.6	Income taxes paid	-	-
1.7	Other	-	-
	Net Operating Cash Flows	(1,877)	(4,021)
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a)prospects	-	-
	(b)equity investments	-	-
	(c)other fixed assets	(125)	(153)
1.9	Proceeds from sale of:		
	(a)prospects	-	-
	(b)equity investments	-	-
	(c)other fixed assets	5	5
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)		
	(a) exploration and evaluation expenditure (net of refunds)	(67)	(65)
	(b) Joint venture equity contribution	-	-
	(c) Payments for bonds and deposits	-	-
	(d) Other	2	2
		-	-
	Net investing cash flows	(185)	(211)
1.13	Total operating and investing cash flows (carried forward)	(2,062)	(4,232)

1.13	Total operating and investing cash flows (brought forward)	(2,062)	(4,232)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc. - OEI	369	726
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	70	2,642
1.17	Repayment of borrowings	(78)	(159)
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
Net financing cash flows		361	3,209
Net increase (decrease) in cash held		(1,701)	(1,023)
1.20	Cash at beginning of quarter/year to date	1,824	1,146
1.21	Exchange rate adjustments to item 1.20	242	242
1.22	Cash at end of quarter	365	365

Payments to directors of the entity and associates of the directors

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

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	\$84K
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

The amounts paid to the directors in this quarter of \$84k per 1.23 above represents fees and salaries paid to directors who were full time employees for the 3 months to 31/12/07.

Non-cash financing and investing activities

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

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

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	2,642	2,642
3.2 Credit standby arrangements	857	428

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	150
4.2 Development	-
Total	150

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	618	1,569
5.2 Deposits at call	175	255
5.3 Bank overdraft	(428)	-
5.4 Other	-	-
Total: cash at end of quarter (item 1.22)	365	1,824

Changes in interests in mining tenements

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

Issued and quoted securities at end of current quarter

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

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities <i>(description)</i>	-			
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	-			
7.3 +Ordinary securities	71,785,401			
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	Share consolidation on a 1:10 basis reduced shares on issue from 717,853,187 to 71,785,401			
7.5 +Convertible debt securities <i>(description)</i>	-			
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	-			
7.7 Options <i>(description and conversion factor)</i>	-		<i>Exercise price</i>	<i>Expiry date</i>
7.8 Issued during quarter	-			
7.9 Exercised during quarter	-			
7.10 Expired during quarter	-			
7.11 Debentures <i>(totals only)</i>	-			
7.12 Unsecured notes <i>(totals only)</i>	-			

Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).

2 This statement does ~~does not~~* (*delete one*) give a true and fair view of the matters disclosed.

Sign here: Date: 31 January 2008
(~~Director~~/Company secretary)



Print name: William G Lyne

Notes

1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.

5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.