



Eastern Corporation Limited

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QUARTERLY REPORT- SEPTEMBER 2004

INTRODUCTION:

This report summarises the activities undertaken by Eastern Corporation Limited (Eastern) and its subsidiary companies for the quarter ended 30th September 2004.

BUSINESS ACTIVITIES:

(a) Acquisition of coal assets in Queensland's Bowen Basin and New Zealand - Broughton & Whareatea West

During the quarter Eastern took further steps to develop coal projects in Queensland's Bowen Basin and in New Zealand.

In September 2004 Eastern exercised its option to acquire Restpine Pt Ltd, the holder of exploration permits for coal at Broughton (EPC 818) in the northern Bowen Basin, adjacent to Rio Tinto's Hail Creek coking coal mine, and at Whareatea West (EP 40-591) in the Buller region in the north west of New Zealand's south island. The Restpine acquisition will be completed in November.

Broughton – A drilling programme was undertaken to determine the quality and quantity of a coking coal resource amenable to open cut mining and to establish the resource to Measured Status in accordance with the JORC code*. This comprised 33 holes including 9 core holes. Initial results have indicated potential for export quality coking coal and PCI coal. Full analysis is expected by the end of November.

An additional drilling programme has been scheduled for early November to explore the possibility of a further resource to the west of the Elphinstone and Hynds seams within EPC 818.

Eastern has begun the process of progressing the exploration permit to a full mining lease. The company is also in discussions with potential joint venture partners to assist with funding for a feasibility study and the ongoing development of the project.

* Australasian Code for Reporting of Mineral Resources and Ore Reserves

Whareatea West – Initial studies have indicated the potential for good quality coking coal in this area. During the quarter permission was received from the New Zealand Department of Conservation to commence an initial test drilling programme in November, subject to rig availability. Eastern is also seeking to acquire further New Zealand coal assets and has initiated talks with particular interested parties and potential joint venture partners to this effect.

(b) Galilee Energy Limited

In August it was announced that UK petroleum company Viking International plc (Viking) and Eastern’s 51% subsidiary Galilee Energy Limited (Galilee) had entered into a Heads of Agreement whereby Viking would acquire a 50% interest in the Galilee project assets. In September Viking advised it did not intend to proceed with this acquisition given that the project at its current stage of development did not suit its present investment strategy. Viking did not however discount the possibility of participating in the project at a later, more advanced stage of its development.

Following the decision of Viking not to proceed with the acquisition, the board of Galilee has commenced a full technical review of the Rodney Creek pilot programme which is expected to be completed in late 2004. This review also includes an assessment of the potential for coal seam methane in other parts of Galilee’s ATP 529 P as well as investigating the prospectivity for conventional oil and gas within the permit area.

CORPORATE ACTIVITIES:

(a) Management Changes

In August Mr Paul Williams was appointed Chief Executive Officer for Eastern, replacing Mr Gordon Smith who remains as Executive Chairman.

Mr Williams, a former partner of Brisbane law firm, Hopgood Ganim, also continues as a director of the company. He has a sound background in resources and mining law and has played an integral part of the development of Eastern’s new energy strategy.

(b) Top Ten Shareholders as at 30th September 2004

NAME	NUMBER OF SECURITIES
Propwood Pty Ltd	214,445,000
Auriferous Mining Limited	12,500,000
Resource Capital fund III LP	12,500,000
Jade Securities Pty Ltd	9,225,000
Ujanta Pty Ltd <David Bird Family Acc>	7,441,000
Becamal Pty Ltd	5,000,000
Ujanta Pty Ltd <David Bird Super Fund Acc>	2,800,000
Mr Adam Furst <A & J Furst Family Acc>	2,500,000
Danwild Pty Ltd	2,418,790
Mr W W Brown & Mrs M H Brown	2,312,500
Total Shareholding	271,142,290

Note : These Top 10 Shareholders represent approximately 62% of the total shares on issue.

Total Ordinary Shares on Issue 439,660,304
Total Options on Issue 78,170,000

FINANCIAL INFORMATION:

The attached 5B provides all up to date information on the financial position of ECU as at 30th September 2004.

A handwritten signature in black ink, reading "Gordon Smith", is written over a solid black horizontal line.

GORDON SMITH
Chairman
27 October 2004

Appendix 5B

Mining exploration entity quarterly report

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

Name of entity

Eastern Corporation Limited

ABN

11 064 957 419

Quarter ended ("current quarter")

30 SEPTEMBER 2004

Consolidated statement of cash flows

		Current quarter \$A'000	Year to date (3 months) \$A'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration and evaluation	-	-
	(b) development	(351)	(351)
	(c) production	-	-
	(d) administration	(925)	(925)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	19	19
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	-	-
Net Operating Cash Flows		(1,257)	(1,257)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a)prospects	-	-
	(b)equity investments	-	-
	(c) other fixed assets	(5)	(5)
1.9	Proceeds from sale of: (a)prospects	-	-
	(b)equity investments	-	-
	(c)other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
Net investing cash flows		(5)	(5)
1.13	Total operating and investing cash flows (carried forward)	(1,262)	(1,262)

1.13	Total operating and investing cash flows (brought forward)	(543)	(1,882)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	12	12
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	(1)	(1)
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	Net financing cash flows	(11)	(11)
	Net increase (decrease) in cash held	(1,251)	(1,251)
1.20	Cash at beginning of quarter/year to date	2,500	2,500
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	1,248	1,248

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	-
Aggregate amount of loans to the parties included in item 1.10	-

Explanation necessary for an understanding of the transactions

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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	540
4.2 Development	100
Total	640

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	955	2,277
5.2 Deposits at call	70	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	223	223
Total: cash at end of quarter (item 1.22)	1,248	2,500

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	439,660,304			
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	300,000			
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>	78,170,000 On exercise, a further option issued on 1:1 basis exercisable @ 6c on 30.6.06		<i>Exercise price</i> .04c	<i>Expiry date</i> 30.6.05
7.8 Issued during quarter	-			
7.9 Exercised during quarter	300,000			
7.10 Expired during quarter	-			
7.11 Debentures <i>(totals only)</i>	-			
7.12 Unsecured notes <i>(totals only)</i>	-			

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 ~~not~~ ^{not} (delete one) give a true and fair view of the matters disclosed.

Sign here: 
(Director/Company secretary)

Date: 27 October 2004

Print name: GORDON SMITH

Notes

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

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

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

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

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

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