



Eastern Corporation Limited

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**EASTERN CORPORATION LIMITED
QUARTERLY REPORT- JUNE 2004**

INTRODUCTION:

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

BUSINESS ACTIVITIES:

(a) Galilee Energy Limited

Significant progress has been made on the Galilee Energy Limited (Galilee) pilot program at Rodney Creek, near Longreach in Central Queensland.

The target is to move from resource to reserve status for the Rodney Creek area by mid 2005. Approximately twelve months of continuous gas flow is required to achieve this. Reserve status will enable discussions to progress with potential end users and prospective joint venture partners to take the project forward to development.

The board of Galilee is now working on options to secure further funding for the program which include potential joint venture and farm-in proposals.

Since the previous report in April 2004, the mechanical performance of the pumping equipment has improved substantially. The pumps have proved well matched to water inflow allowing control over water levels and, more importantly, the rate at which water level can be reduced. This control is particularly important as it impacts on the permeability of the coal seams and resultant gas flow. A controlled steady drop in water level is the aim and to date this has been achieved.

Another planned workover has been completed on schedule and on budget. The objective of the workover was to install new tubing in four of the wells, check all of the down hole equipment for wear and if necessary replace or repair worn components. The condition of the down hole equipment was as expected, requiring only minor adjustments. Operation of all five wells recommenced on the 3rd of July 2004 and is running to plan.

It is now the intention to continue to draw down the water level in a controlled manner using the outlying wells to cut off water recharge to the centre well (RC4) and to create constructive interference between the wells. Constructive interference will be evident by decreased water inflow or recharge of the RC4 well, in turn allowing the reduction in pumping rate of RC4 and a continued decrease in water levels to the point where gas desorption occurs. A further reduction in water inflow is then expected as gas flows into the well bore from the adjacent coal seams.

Over the last few months a degree of certainty has been added to the Authority to Prospect (ATP) tenure with the granting of a four year renewal commencing 1 December 2004. The renewal is over 100 blocks equivalent to approximately 8,000 km², the maximum size now available under the Petroleum Act. This extension also allows the ATP to maintain its

Native Title status, an important issue when the prospect moves to the development stage.

From an environmental aspect, a good record in environment management has been established and, on the basis of this, Galilee is now progressing discussions with the Department of Natural Resources and Mines to extend its authority to discharge water to be concurrent with the current ATP tenure period.

(b) Other

Options to acquire coal assets signed

On 19 April 2004 Eastern announced it had signed options to acquire coal assets in Queensland's Bowen Basin and in New Zealand. Eastern has taken options to purchase The Peak and Wonbindi coal projects and technical information from the Eastern Coal Joint Venture (unrelated to Eastern Corporation Limited), and the shares in Restpine Pty Ltd which holds an exploration permit for Broughton, adjoining The Peak, and also at Whareatea West in New Zealand.

Eastern then commenced an extensive technical due diligence with Brisbane firm, The Minserve Group, which identified the requirement for further drilling and analysis to fully ascertain coal quality and washability and to determine the extent of a coking coal resource.

EVENTS SUBSEQUENT TO PERIOD END

Commencement of drill program

A drilling program has commenced at the Broughton coal exploration tenement (EPC 818) designed to establish a measured coking coal resource. A further extension of the option to purchase the shares in Restpine Pty Ltd, which owns Broughton, has been granted to enable sufficient time for the analysis of this drilling to be completed before a decision is made to exercise the option.

Board Changes

John McIntyre joined the board of Eastern in early July as non-executive director. Mr McIntyre is a professional mining engineer, and is the managing director of mining consultancy, Behre Dolbear Australia. He has over 34 years experience in engineering, operations and management of mines and mining projects in Australia and overseas. Rick Gazzard resigned from the board on July 7.

CORPORATE ACTIVITIES:

(a) Capital Raising

A placement of 55 million Eastern share at 4 cents each with free attaching options was fully subscribed, raising an amount of \$2.2 million. A shareholders' meeting in May 2004 approved the issue of these shares and options.

(b) Share Purchase Plan

The company undertook a Share Purchase Plan, which closed on 4 June with a total of \$67,000 in share applications having been received. 1,675,000 new shares were issued under this plan at a price of 4 cents per share. Further to this, ABN Amro Morgan facilitated the placement of a further 1,500,000 ordinary shares to sophisticated investors, as part of

the shortfall under the Share Purchase Plan. These were also issued at 4 cents per share, together with a free attaching option, raising an additional \$60,000.

(c) Major Shareholders

A placement of 11,820,000 ordinary shares to Propwood Pty Ltd was completed at an issue price of 4 cents per share, together with 11,820,000 free attaching options. This was effected pursuant to the resolution of shareholders of Eastern in late May 2004 and as a result increased the holding of Propwood Pty Ltd to 214,445,000.

(d) Top Ten Shareholders as at 30th June 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
Mr David Bird	7,200,000
Ujanta Pty Ltd <David Bird Super Fund Acc>	2,800,000
Mr A Furst <A & J Furst Family A/C>	2,500,000
Danwild Pty Ltd	2,418,790
Mr W W Brown & Mrs M H Brown	2,312,500
Mr W W Brown & Mrs M H Brown <WWB Investments S/F A/C>	2,312,500
Total Shareholding	268,213,790
Total Ordinary Shares on Issue	439,360,304

Note : These Top 10 Shareholders represent approximately 61% of the total shares on issue.

FINANCIAL INFORMATION:

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



GORDON SMITH
Chairman
23 July 2004

Appendix 5B

Rule 5.3

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 JUNE 04

Consolidated statement of cash flows

		Current quarter \$A'000	Year to date (.12... 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	(318)	(1,373)
	(c) production	-	-
	(d) administration	(715)	(1,735)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	20	49
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		(1,013)	(3,059)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a)prospects	-	(20)
	(b)equity investments	-	-
	(c) other fixed assets	(10)	(143)
1.9	Proceeds from sale of: (a)prospects	-	-
	(b)equity investments	-	318
	(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		(10)	154
1.13	Total operating and investing cash flows (carried forward)	(1,023)	(2,905)

1.13	Total operating and investing cash flows (brought forward)	(1,023)	(2,905)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	2,800	4,700
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	(1)	(4)
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
Net financing cash flows		2,799	4,695
Net increase (decrease) in cash held		1,775	1,790
1.20	Cash at beginning of quarter/year to date	724	710
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	2,500	2,500

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	350
4.2 Development	100
Total	450

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	2,277	519
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	223	205
Total: cash at end of quarter (item 1.22)	2,500	724

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 (description)	-			

7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	-			
7.3	+Ordinary securities	439,360,304			
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	69,995,000			
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>	78,470,000 On exercise, a further option issued on 1:1 basis exercisable @ 6c on 30.6.06		<i>Exercise price .04c</i>	<i>Expiry date 30.6.05</i>
7.8	Issued during quarter	78,470,000			
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 ~~not~~* (*delete one*) give a true and fair view of the matters disclosed.

Sign here:



Date: 23 July 2004

(Director/~~Company secretary~~)

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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