



Eastern Corporation Limited

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QUARTERLY REPORT – DECEMBER 2004

INTRODUCTION :

This report summarises the activities undertaken by Eastern Corporation Limited (“Eastern”) and its subsidiary companies for the quarter ended 31 December 2004.

BUSINESS ACTIVITIES

(a) Galilee Energy Limited (“Galilee”)

The board of Galilee engaged the consulting firm RISC to undertake a full technical review of the Rodney Creek pilot programme which included assessing the potential for coal seam methane in other parts of the ATP and investigating the prospectivity for conventional oil and gas within the permit area.

This report is expected by early 2005 at which time it will be reviewed by the board to determine the future direction for the project.

(b) Dorben

Advice was received from the Department of Natural Resources and Mines to the effect that of the original ATP application area (307 blocks), 226 blocks have been withdrawn from the application area as they have been designated national park, aboriginal land or state land, and thus excluded from coal seam methane exploration activity. A report was then commissioned on the prospectivity of the remaining 81 block area for coal seam methane development activities.

(c) Broughton/ Restpine

In November Eastern completed the purchase of the shares in Restpine Pty Ltd, a holder of coal exploration interests at Broughton (EPC 818) in the Bowen Basin, and Whareatea West in the Buller region on the south island in New Zealand.

In July a 33 hole drilling programme commenced which identified a 23.9 million tonne indicated coal resource at Broughton. An analysis of coal quality was undertaken with results indicating a coking coal product. Full results are due early 2005.

Negotiations have been initiated with several potential joint venture partners and a step out drilling programme was scheduled to identify additional coal resources within the tenement.

(d) Whareatea West, New Zealand

A drilling programme to identify the full extent of the coal resource to JORC standard was prepared and submitted to the New Zealand Department of Conservation for their consent to access which is a requirement for that area before any activity can commence. A decision from the Department is expected in early 2005.

(e) Share Placement

In November a placement of 50 million ordinary shares raised a total of \$2.5 million to be utilised in ongoing project development and working capital. As part of this placement a further 20 million free attaching options were also issued. These options (which are of the same class as the existing listed options) expire 30 June 05. On exercise, one ordinary share and a further attaching option (exp 30 June 06) will be issued.

EVENTS SUBSEQUENT TO PERIOD END

(a) Broughton Step Out Programme.

Since November the tenement area has experienced higher than average rainfall which has resulted in continued delays in the commencement of the step out drilling programme. A rig is on standby to start drilling immediately access becomes available.

(b) Cascade Mining

In January, Eastern announced it had signed an option to purchase the shares in Cascade Mining Limited, a company which owns an operating coal mine situated in the vicinity of the Eastern's Whareatea West tenement, on the south island of New Zealand. The agreement allows for a 90 day financial and technical due diligence during which a drilling programme will be undertaken to determine the full extent of the coal resource and its quality.

CORPORATE ACTIVITIES

(a) Top Ten Shareholders

Top Ten Shareholders as at 31st December 2004

	NAME	NUMBER OF SECURITIES
1	Propwood Pty Ltd	214,445,000
2	Jade Securities Pty Ltd	15,093,298
3	Ecarlate Pty Ltd	14,699,398
4	Resource Capital fund III LP	12,500,000
5	Auriferous Mining Limited	11,950,000
6	Jade Securities Pty Ltd BEK Unit Acc	9,575,000
7	Ujanta Pty Ltd <David Bird Family Acc>	7,841,000
8	ANZ Nominees Limited	5,110,000
9	Becamal Pty Ltd	5,000,000
10	CFSB Third Nominees Pty Ltd	3,832,387
	TOTAL ORDINARY SHARES	300,046,083

These Top Ten Shareholders represent approximately 57% of the total shares on issue.

Total Ordinary Shares on Issue **521,842,550**
Total Options on Issue **98,170,000**

FINANCIAL INFORMATION

The attached 5B provides all up to date information on the financial position of Eastern Corporation Limited as at 31 December 2004.

A handwritten signature in black ink that reads "Gordon Smith". The signature is written in a cursive style and is positioned above a solid horizontal line that underlines the text.

GORDON SMITH

Chairman
28 January 2005

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 2004

Consolidated statement of cash flows

		Current quarter \$A'000	Year to date (.6.. 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	(275)	(626)
	(c) production	-	-
	(d) administration	(1,141)	(2,067)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	11	31
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	133	133
Net Operating Cash Flows		(1,272)	(2,529)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a)prospects	-	-
	(b)equity investments	-	-
	(c) other fixed assets	-	(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)
1.13	Total operating and investing cash flows (carried forward)	(1,272)	(2,534)

1.13	Total operating and investing cash flows (brought forward)	(1,272)	(2,534)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	2,500	2,512
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	(1)	(3)
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
Net financing cash flows		2,499	2,509
Net increase (decrease) in cash held		1,227	(25)
1.20	Cash at beginning of quarter/year to date	1,248	2,500
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	2,475	2,475

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

-

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	1,204
4.2 Development	200
Total	1,404

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	565	955
5.2 Deposits at call	1,820	70
5.3 Bank overdraft	-	-
5.4 Other – DNRM Bond	90	223
Total: cash at end of quarter (item 1.22)	2,475	1,248

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	521,842,550			
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	82,182,246			
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>	98,170,000 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	20,000,000			
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 ~~does not~~* (*delete one*) give a true and fair view of the matters disclosed.

Sign here:



Date: 28 January 2005

(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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