

QUARTERLY REPORT – JUNE 2005

INTRODUCTION

This report summarises the activities undertaken by Eastern Corporation Limited (“Eastern”) and its subsidiary companies for the quarter ended 30 June 2005.

BUSINESS ACTIVITIES

(a) Broughton

In June 2005, Eastern entered into a Joint Venture Agreement with Mitsui Coal Holdings Pty Ltd (“Mitsui”). Under the Joint Venture, Mitsui will acquire a 10% project interest in Eastern’s wholly-owned subsidiary Broughton Coal Mining Pty Ltd (BCM) for \$4 million. Mitsui has the right to acquire an additional 20% of the project for a further payment of \$11 million upon completion of a feasibility study. This study is expected to be completed in late 2006. Initial production is targeted for late 2007, subject to the outcome of the study and regulatory approvals. BCM will act as operator for the Joint Venture. The agreement is subject to approval from the Foreign Investment Review Board and the Queensland Department of Natural Resources and Mines.

(b) Cascade Mine, New Zealand

On 30 June 2005 Eastern completed its purchase of the operating Cascade open cut coal mine near Westport on the South Island of New Zealand. The purchase price of NZ \$3.5 million was comprised of a combination of cash and shares. The cash component of \$NZ \$3.2 million was funded by Eastern’s cash resources while the remaining NZ \$300,000 was by way of share issue.

Although a small resource (approximately 1.5 million tonnes) Cascade is a profitable operation. Strip ratios are as low as 1:1 and the mine produces a unique, high quality coal with low ash, low sulphur and high vitrinite content. Marketing is targeted toward high value export sales combined with contracts to supply domestic markets.

(c) Whareatea West, New Zealand

An initial 3 hole drilling programme has been completed at the company’s nearby exploration permit at Whareatea West (EP 40-591). This tenement is situated approximately 5 kilometres from the Cascade mine and early geological studies have identified the potential for a significant coking coal resource. Following the initial drilling, a further 12 hole programme has been scheduled and is currently awaiting government approval. This programme is aimed at identifying a JORC compliant resource, and to establish coal quality.



(d) Galilee Energy Limited ("Galilee")

Following a full technical review of the operations of the 5 well pilot programme at Galilee, a further series of exploration wells are to be drilled as part of the efforts to establish the commercial viability of a CSM resource in and around the site of the existing wells at Rodney Creek.

Expert advice has also suggested the potential for the existence of conventional hydrocarbons within the permit areas.

Galilee intends to raise funds from existing shareholders for the express purpose of carrying out exploration for both CSM and petroleum. These activities are intended to be carried out before the end of 2005. The company is also actively seeking joint venture participation for the Galilee project to fund the exploration programmes.

(e) Options

30 June 2005 was the expiry date for the Tranche 1 options, exercisable at 4 cents each. On exercise, one ordinary share and one further free attaching option (exercisable at 6 cents 30 June 2006) were issued. An EGM on June 27 approved the proposal for the company's largest shareholder, Propwood Pty Ltd ("Propwood"), to underwrite any shortfall at no additional fee.

EVENTS SUBSEQUENT TO PERIOD END

(a) Broughton/Mitsui Joint Venture

In late July approval was received from the Foreign Investment Review Board for Mitsui to acquire a 10% interest in the company's Broughton project. Approval from the Queensland Department of Natural Resources and Mines is expected shortly.

A drilling programme was also completed to upgrade the resource at Broughton to Measured Status under the JORC code, and to provide large core samples for pilot scale carbonisation tests. Final analysis and reporting of these results are expected by the end of the current quarter.

(b) Options Exercise

94,397,500 options were exercised in the June quarter, leaving a shortfall of 410,000. These were taken up by Propwood as per the resolution passed at the company's recent EGM. 97,860,000 ordinary shares were subsequently issued in conjunction with the same number of attaching options, exercisable at 6 cents by 30 June 2006 (Tranche 2 options). On 12 July 2005 all Tranche 2 options were listed for trading on the Australian Stock Exchange under the code ECUOA.

(c) CFO Appointment

Craig Smith has been appointed to the management team of Eastern as Chief Financial Officer for the company and its subsidiaries. Craig has held senior financial roles in a number of companies, more recently with a large contract mining group. His appointment allows the company to further enhance its financial and commercial systems in support of its expanding operations.

CORPORATE ACTIVITIES

(a) Top Ten Shareholders

Top Ten Shareholders as at 30 June 2005

	NAME	NUMBER OF SECURITIES
1	Propwood Pty Ltd	214,445,000
2	Allied Equipment Pty Ltd	15,093,298
3	Resource Capital Fund 111 LP	12,500,000
4	Auriferous Mining Limited	11,950,000
5	Jade Securities Pty Ltd	9,575,000
6	ANZ Nominees Limited Cash Income	8,176,255
7	Ujanta Pty Ltd <David Bird Family Acc>	7,641,000
8	Mr Richard Estens	5,100,000
9	Becamal Pty Ltd	5,000,000
10	ANZ Nominees Limited	4,470,000
	Total Ordinary Shares	292,950,553

These Top Ten Shareholders represent approximately 55.5% of the total shares on issue.

Propwood Pty Ltd holds 40.5% of total shares on issue and is the company's largest shareholder.

Total Ordinary Shares on Issue **528,826,478**
Total Options on Issue **94,807,500**

FINANCIAL INFORMATION

The attached 5B provides all of the up to date information on the financial position of Eastern Corporation Limited as at 30 June 2005.



GORDON SMITH

Chairman
29 July 2005

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 2005

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (12months) \$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	(456)	(1,352)
(b) development	-	-
(c) production	-	-
(d) administration	(106)	(2,535)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	39	77
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other – Tax R&D refund	527	660
Net Operating Cash Flows	4	(3,151)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a)prospects	-	(47)
(b)equity investments	-	-
(c)other fixed assets	(3,471)	(3,475)
1.9 Proceeds from sale of:		
(a)prospects	-	-
(b)equity investments	-	-
(c)other fixed assets	20	20
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	(3,451)	(3,502)
1.13 Total operating and investing cash flows (carried forward)	(3,447)	(6,653)

1.13	Total operating and investing cash flows (brought forward)	(3,447)	(6,653)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	3,918	6,442
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings		75
1.17	Repayment of borrowings	(75)	(79)
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	(45)	(45)
	Net financing cash flows	3,798	6,393
	Net increase (decrease) in cash held	351	(260)
1.20	Cash at beginning of quarter/year to date	1,889	2,500
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	2,240	2,240

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	950
4.2 Development	570
Total	1,520

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	1,233	249
5.2 Deposits at call	917	1,550
5.3 Bank overdraft	-	-
5.4 Other – DNRM Bond	90	90
Total: cash at end of quarter (item 1.22)	2,240	1,889

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	528,826,478 (94,807,500 ex option, deferred)			
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	6,673,928			
7.5 +Convertible debt securities (description)	-			
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	-			
7.7 Options (description and conversion factor)	3,612,500 Tranche 2 exercisable @ 6c on 30.6.06		<i>Exercise price .06c</i>	<i>Expiry date 30.6.06</i>
7.8 Issued during quarter	-			
7.9 Exercised during quarter	50,000 (Tranche 2)			
7.10 Expired during quarter	-			
7.11 Debentures (totals only)	-			
7.12 Unsecured notes (totals only)	-			

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: 
(Director/Company secretary)

Date: 29 July 2005

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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