



Eastern Corporation Limited

Quarterly Report

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

ACTIVITY HIGHLIGHTS FOR THE QUARTER

- **New 130,000 t/yr coal supply contract for Takitimu**
- **Initial 25.7 Mt Coal Resource established at Whareatea West**
- **Galilee review of Petroleum Prospectivity received**
- **Broughton Joint Venture – development options under review**

The past quarter has been positive in terms of Eastern's growing New Zealand operations. A new coal supply contract was secured for Takitimu, one of Eastern's two coal mines, to supply Fonterra's Clandeboye plant. This contract puts the operations at Takitimu on a firm financial footing and further coal orders are being sought as local confidence in Eastern as a coal producer improves. Resulting cash flow will enable the NZ operations to be cash positive and to contribute to further development and expansion of operations within the country.

Galilee has now confirmed the drill rig for the exploration programme and the independent consultants retained for a strategic review of the tenements have completed the desktop study into the petroleum prospectivity of the area.

The company, in consultation with joint-venture partners, has announced that the Broughton project will not proceed as a stand alone project but is pursuing other options for development to optimise the value and expenditure to date.

COAL – NEW ZEALAND

Operations

- **Cascade coal mine**

The Cascade open cut coal mine 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. The coal produced at Cascade is commercially attractive – low ash and low sulphur coal with a high calorific value.

Quarter Activities

Mining continued during the quarter although, as expected, production and sales were down over the summer months.

Rehabilitation commenced of the Mill Creek area by final shaping of the remaining highwall and subsequent hydraseeding using alpine grasses mixed with recycled newspaper. The hydraseeding technique is a unique method of rehabilitation developed for West Coast coal operations and now employed throughout the country as a method of rehabilitation and stabilisation.

Stripping of overburden has commenced in the gravel pit area to uncover the next 12 months coal requirements.

Over 700 metres of 2D seismic was completed to confirm coal resource and geological structure to assist in the next stage of the mine planning.

- **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 still effectively in start up phase although recent sales successes are positive signs that the Takitimu coal is well accepted locally and that there is sound potential for additional sales into regional industrial applications.

Quarter Activities

During the quarter, phase one of the stripping contract was completed which has uncovered approx 50,000 tonnes of coal ready for extraction and processing.

In March Eastern announced it had signed a contract with New Zealand's largest company, Fonterra for the supply of coal from Takitimu to the dairy cooperative's Clandeboye manufacturing site near Timaru. Under the contract Eastern will supply approximately 130,000 tonnes of coal each year commencing September 2008. This offtake underpins the production from the Takitimu mine and is regarded as an important step in Eastern's New Zealand coal strategy.

Bulk samples of Takitimu coal have been also been placed with a number of potential industrial customers and production will be increased as further offtake agreements are secured.

The outlook for coal sales from both Cascade and Takitimu mines is expected to improve significantly for the next quarter with increased demand due to climatic conditions.

Coal Extracted (tonnes)	Overburden (tonnes)	Sales (tonnes)	Sales (NZ\$)
10,090	147,903	9,208	910,845

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

During the quarter Eastern announced an initial combined Measured and Indicated Coal Resource of 25.7 million tonnes* for Whareatea West. Results from initial coal quality testing indicate a range of coals from coking coal to a high ash thermal coal. Further exploration and coal quality testing is required.

The resource is contained within the Mangatini Seam at a depth of approximately 70 to 85 metres below surface. Currently about 40% of the Whareatea West Exploration Permit has been explored and there is potential to increase the initial coal resource.

Additional exploration is planned and will be carried out in stages. 1,000 metres of 2D seismic has been completed and additional drilling is now in the planning stages. Further drilling will be subject to approval from the New Zealand Department of Conservation. Eastern plans to seek joint venturers to share the costs of ongoing exploration.

- **Ohai / Orepuki / Takitimu**

The Orepuki Permit (EP 39-319) is located on the coast, south west of Takitimu. The Ohai Permit (EP 39-321) covers an extensive area surrounding the Takitimu mining tenements. Both areas are prospective for sub-bituminous coal and initial work has commenced identifying landowners prior to the development of exploration programmes.

Quarter Activities

Planning and design work for an exploration drilling programme at the former Mossbank coal mine, located within the Takitimu tenement area, was completed during the quarter. Mossbank contains a known resource of sub-bituminous coal and the drill programme is designed to determine whether there are sufficient coal resources to form the basis for further small-scale mining operations. The 3 hole drilling programme commenced earlier this month.

- **Funding for New Zealand Exploration**

Eastern plans to fund ongoing exploration in New Zealand through a combination of joint venture participation and debt funding secured against New Zealand coal production cashflows.

COAL - QUEENSLAND

- **Broughton Coal Joint Venture**

Eastern announced during the quarter that it would not be proceeding in the near term with the development of the Broughton coal resource, held in joint venture with Mitsui Coal Holdings Pty Ltd (Mitsui), as a stand alone project. Eastern considers that the projected development capital, operating costs and revenues for the options considered in the feasibility study do not justify commencing development of the resource.

Mitsui has confirmed its intention to maintain its current 10% interest in the project and retains the right to increase its interest by a further 20% if project feasibility is established.

The Joint Venture will continue to review development options for the project, including development in conjunction with adjoining tenement holders to maximise economics based on an expanded operation. It is also actively engaged in exploring options to increase the available product tonnes from the resource through mining by underground methods; production of a higher ash metallurgical product; and/or other blending options to increase coal yields.

- **Dorben**

Dorben (a wholly-owned Eastern subsidiary) holds EPC861 which is situated adjacent to the Dingo Project held by the recently floated Cockatoo Coal Limited in the Southern region of Queensland's Bowen Basin.

Preliminary work has been undertaken on an exploration programme. No further work has been planned in the short term until budgets have been approved and funds allocated.

COAL SEAM METHANE – QUEENSLAND

- **Galilee Energy (Eastern 61%)**

Galilee Energy (“Galilee”) 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.

Coal Seam Methane - Galilee has planned to drill a test hole in the Rodney Creek area in the current June quarter, weather permitting. The hole is aimed at providing fresh data to assist in determining gas contents, adsorption isotherms and in-situ permeabilities of the known extensive coal measures present in the Galilee Basin. This exploration programme will be funded through a capital raising via a rights issue to Galilee shareholders.

Galilee is investigating potential alternative funding options that would provide further financial support and technical expertise.

Conventional Hydrocarbons - Galilee has been working with US consultants Dr Read Holland and Dr Jim Applegate to evaluate the potential of the tenements for conventional hydrocarbons (oil and gas). The tenements are considered to be under explored and it has been determined that the Galilee Basin contains similar geological characteristics to those which exist in other gas and oil producing basins throughout the world, such as the Eromanga and Cooper Basins. These characteristics authenticate the prospectivity of the area for conventional hydrocarbons.

Board changes

Earlier this month the Board of Eastern announced with great regret the passing of Director Gordon Smith on Friday 30 March.

Mr Smith held the position of Executive Director for Eastern from February 2003, becoming Executive Chairman in December 2003. He had recently stepped down from this position due to ill health, remaining on the board as Non Executive Director.

The Board would like to acknowledge the contribution Mr Smith made to Eastern since his involvement in late 2002 and particularly his contribution to the development of the company’s New Zealand operations.

Existing Eastern director Mr Howard Stack was appointed Chairman of the Eastern Board effective from 19 March 2007.

Mr Campbell Smith was appointed to the Board of Eastern as Executive Director effective 5 April 2007. Mr Smith holds the position of General Manager – New Zealand. He was previously a director of Eastern from February 2003, resigning in December of that year to oversee the group’s coal seam methane exploration programme in Queensland, before assuming responsibilities for Eastern’s New Zealand operations.

7. FINANCIALS

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

For and on behalf of the Board of Directors



Mike O'Brien
Chief Executive Officer

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** The information in this report that relates to the estimated coal resource for Whareatea West is based on information compiled by Mr Ian Poppitt of Rockmode Proprietary Limited, who is a member of the Australasian Institute of Mining and Metallurgy. Mr Poppitt has sufficient experience which is relevant to the style and type of the deposits under consideration and to the activity which they have undertaken to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Poppitt consents to the inclusion in this report of the matters based on their information in the form and context in which it appears.*

Rule 5.3

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 March 2007

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (9 months) \$A'000
1.1	Receipts from product sales and related debtors	1,088	3,440
1.2	Payments for (a) exploration and evaluation	(372)	(838)
	(b) development	-	-
	(c) production	(691)	(2,279)
	(d) administration	(601)	(2,054)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	116	262
1.5	Interest and other costs of finance paid	(34)	(105)
1.6	Income taxes paid	(165)	(165)
1.7	Other	(1)	-
	Net Operating Cash Flows	(658)	(1,739)
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a)prospects	-	-
	(b)equity investments	-	-
	(c)other fixed assets	-	(133)
1.9	Proceeds from sale of:		
	(a)prospects	-	-
	(b)equity investments	-	-
	(c)other fixed assets	-	215
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)	(89)	(247)
	(b) Joint venture equity contribution	-	-
	(c) Payments for bonds and deposits	-	(90)
	(d) Other – purchases of businesses	(552)	(4,877)
	Net investing cash flows	(641)	(5,132)
1.13	Total operating and investing cash flows (carried forward)	(1,299)	(6,870)

1.13	Total operating and investing cash flows (brought forward)	(1,299)	(6,870)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc. – OEI	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	(91)	(240)
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	Net financing cash flows	(91)	(240)
	Net increase (decrease) in cash held	(1,390)	(7,110)
1.20	Cash at beginning of quarter/year to date	3,048	8,775
1.21	Exchange rate adjustments to item 1.20	174	167
1.22	Cash at end of quarter	1,832	1,832

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	\$53K
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 \$53k per 1.23 above represents fees for the 3 months to 31/03/07.

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

-

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	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	1,466
4.2 Development	-
Total	1,466

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	1,003	1,015
5.2 Deposits at call	829	2,033
5.3 Bank overdraft	-	-
5.4 Other	-	-
Total: cash at end of quarter (item 1.22)	1,832	3,048

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	717,853,187			
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	-			
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: 30 April 2007
(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.