EASTERN CORPORATION LIMITED

ABN 11 064 957 419

NOTICE OF ANNUAL GENERAL MEETING

and

EXPLANATORY MEMORANDUM

Date of Meeting:	12 November 2003
Time of Meeting:	3.00pm
Place of Meeting:	The offices of Hopgood Ganim Lawyers Level 7, Waterfront Place 1 Eagle Street BRISBANE QUEENSLAND 4000
	Following the meeting you are invited to join the directors for light refreshments

This Notice of Annual General Meeting and Explanatory Memorandum should be read in its entirety. If shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.

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EASTERN CORPORATION LIMITED
ABN 11 064 957 419

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the annual general meeting of shareholders of Eastern Corporation Limited ("**Company**") will be held at the offices of Hopgood Ganim Lawyers, Level 7, 1 Eagle Street Brisbane, on 12 November 2003 at 3.00pm (Brisbane time).

The Explanatory Memorandum which accompanies and forms part of this Notice of Annual General Meeting describes the various matters to be considered at the annual general meeting.

AGENDA

ORDINARY BUSINESS

To consider and, if thought fit, pass the following resolutions, with or without amendment, as ordinary resolutions of the Company:

1. FINANCIAL STATEMENTS AND REPORTS

"To receive, consider and adopt the Company's Annual Report comprising the Directors' and Auditor's Report, Directors' Declaration, Statement of Financial Performance for the year ended 30 June 2003, Statement of Financial Position for the year ended 30 June 2003, Statement of Cash Flows for the year ended 30 June 2003 and Notes to and forming part of the accounts for the year ended 30 June 2003."

2. RE-ELECTION OF DAVID KEITH BARWICK AS A DIRECTOR

"That Mr David Keith Barwick, who retires in accordance with Article 58 of the Company's constitution and being eligible, offers himself for re-election, be re-elected as a Director."

3. RE-ELECTION OF GORDON GEOFFREY SMITH AS A DIRECTOR

"That Mr Gordon Geoffrey Smith, who was elected as an additional Director in accordance with Article 56.1 of the Company's constitution, retires in accordance with the Company's constitution, and being eligible for re-election, be re-elected as a Director of the Company."

4. RE-ELECTION OF CAMPBELL GORDON SMITH AS A DIRECTOR

"That Mr Campbell Gordon Smith, who was elected as an additional Director in accordance with Article 56.1 of the Company's constitution, retires in accordance with the Company's constitution, and being eligible for re-election, be re-elected as a Director of the Company."

5. RE-ELECTION OF PAUL ROBERT WILLIAMS AS A DIRECTOR

"That Mr Paul Robert Williams, who was elected as an additional Director in accordance with Article 56.1 of the Company's constitution, retires in accordance with

the Company's constitution, and being eligible for re-election, be re-elected as a Director of the Company."

6. RE-ELECTION OF RICHARD VICKERY GAZZARD AS A DIRECTOR

"That Mr Richard Vickery Gazzard, who was elected as an additional Director in accordance with Article 56.1 of the Company's constitution, retires in accordance with the Company's constitution, and being eligible for re-election, be re-elected as a Director of the Company."

SPECIAL BUSINESS

To consider and, if thought fit, pass the following resolutions, with or without amendment, as ordinary resolutions of the Company:

7. APPROVAL OF ISSUE OF CONVERTING NOTES PURSUANT TO PROSPECTUS

"That in accordance with the provisions of Listing Rule 7.1 of the Official Listing Rules of the Australian Stock Exchange Ltd ("ASX Listing Rules"), and for all other purposes, the Company and the Directors of the Company be authorised to issue a maximum of sixteen million (16,000,000) secured converting notes at a face value of fifty cents ($0.50) each ("Notes") to raise up to eight million dollars ($8,000,000) pursuant to a prospectus to be dated on or about 9 October 2003 ("the Prospectus") and to be lodged with the Australian Securities & Investments Commission ("ASIC") on that date and on the terms and conditions described in the Explanatory Memorandum accompanying this Notice."

(a) The Company intends to issue the secured converting notes forthwith upon the close of the Prospectus and in any event no later than three (3) months from the date of the Meeting;

(b) The Company will disregard any votes cast on this resolution by:

- any member seeking to participate in the offer of Notes under the Prospectus ("the Participants"); or
- any associate of the Participant.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

8. APPROVAL FOR THE PARTICIPATION OF DIRECTORS AND OTHER RELATED PARTIES OF THE COMPANY IN THE PUBLIC OFFER OF CONVERTING NOTES

"That in accordance with the provisions of Listing Rule 10.11 of the ASX Listing Rules, and for all other purposes, the Company and the Directors of the Company be authorised to issue a maximum of 4,400,000 Notes to directors of the Company (or entities associated with them) pursuant to the Prospectus and on the terms and conditions and in the proportions described in the Explanatory Memorandum accompanying this Notice."

(a) The Company intends to issue the secured converting notes forthwith upon the close of the Prospectus and in any event no later than three (3) months from the date of the Meeting;

(b) The Company will disregard any votes cast on this resolution by:

- any director or related party of the Company seeking to participate in the offer of Notes under the Prospectus ("the Related Party Participants"); or
- any associate of any Related Party Participant.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

9. APPROVAL OF ISSUE OF ORDINARY SHARES TO GALILEE SHAREHOLDERS PURSUANT TO PROSPECTUS

"Subject to the approval of Resolution 7, that in accordance with Listing Rules 7.1 and 10.11 of the ASX Listing Rules, and for all other purposes, the Company and the Directors of the Company be authorised to issue 122,666,666 ordinary shares in the issued capital of the Company ("Shares") in favour of all shareholders (pro rata in accordance with their shares held) in Galilee Energy Limited ("Galilee") as at 5:00pm (Brisbane time) on 3 October 2003 with the exception of the Company ("Eligible Galilee Shareholders") on the terms and conditions described in the Explanatory Memorandum accompanying this Notice."

(a) The Company intends to issue the Shares forthwith upon the close of the Prospectus and in any event no later than one (1) month from the date of the Meeting;

(b) The Company will disregard any votes cast on this resolution by:

- any Eligible Galilee Shareholder seeking to participate in the offer of the Shares under the Prospectus ("the Participants"); or
- any associate of any Participant.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or

- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

10. APPROVAL OF ISSUE OF CONVERTING NOTES AND SHARES TO GALILEE LENDERS

"Subject to the approval of Resolution 7, that in accordance with Listing Rule 7.1 of the ASX Listing Rules, and for all other purposes, the Company and the Directors of the Company be authorised to issue up to one million two hundred thousand (1,200,000) Notes and twelve million (12,000,000) Shares ("the Lenders' Securities") in favour of those creditors of Galilee set out in the Explanatory Memorandum accompanying this Notice ("Eligible Galilee Lenders") and on the terms and conditions described in the Explanatory Memorandum."

(a) The Company intends to issue the Lenders' Securities forthwith upon close of the Prospectus and in any event no later than three (3) months from the date of the Meeting;

(b) The Company will disregard any votes cast on this Resolution by:

- any Eligible Galilee Lenders; or
- an associate of any Eligible Galilee Lenders.

However, the Company need not disregard a vote if:

- It is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- It is cast by the person chairing the meeting as proxy for a person who is entitled to vote in accordance with the directions on the proxy form to vote as the proxy decides.

11. DISPOSAL OF INTEREST IN SUR AMERICAN GOLD CORPORATION

"That for the purposes of Listing Rule 10.1 of the ASX Listing Rules, and for all other purposes, the Company and the Directors of the Company be authorised to transfer its holding of 5,000,000 common shares in the capital of Sur American Gold Corporation, to entities associated with Alan Phillips, Garry Clark and Brett Taylor ("Purchasers") on terms and conditions set out in the Explanatory Memorandum accompanying this Notice."

(a) A report prepared by Murdoch Corporate Finance Pty Ltd for the purposes of Listing Rule 10.1 accompanies this Notice of Meeting.

(b) The Company will disregard any votes cast on this Resolution by:

- any of the Purchasers; or
- an associate of any of the Purchasers.

However, the Company need not disregard a vote if:

- It is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- It is cast by the person chairing the meeting as proxy for a person who is entitled to vote in accordance with the directions on the proxy form to vote as the proxy decides.

12. ISSUE OF SHARES TO BARWICK INVESTMENTS PTY LTD

"Subject to the approval of Resolution 7 and completion of the offers under the Prospectus, that for the purposes of ASX Listing Rules 7.1 and 10.11, and Chapter 2E of the Corporations Act 2001 (Cwlth) and for all other purposes, the Company and Directors be hereby authorised to pay an amount of twenty five thousand dollars ($25,000.00) to Barwick Investments Pty Ltd ("Investments") in consideration for services rendered by David Barwick and Investments in assisting the Company in its capital raising activities and in relation to procuring acceptance of the Company's respective offers to Eligible Galilee shareholders and Eligible Galilee Lenders. The fee payable by the Company to Investments is to be satisfied by the issue of five hundred thousand (500,000) Shares in the Company at an issue price of 5 cents ($0.05) per Share."

(a) Investments is an entity associated with Mr David Barwick, a director of the Company.

(b) The shares to be issued to Investments will be issued by the Company within one (1) month from the date of this meeting.

(c) The Company will disregard any votes cast on this Resolution by:

- Barwick or Investments; or
- an associate of either Barwick or Investments.

However, the Company need not disregard a vote if:

- It is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- It is cast by the person chairing the meeting as proxy for a person who is entitled to vote in accordance with the directions on the proxy form to vote as the proxy decides.

13. RATIFICATION OF PREVIOUS ISSUE OF SHARES TO ALAN PHILLIPS AND GARRY CLARK

"That the previous issue of twelve million five hundred thousand (12,500,000) Shares to former directors of the Company, Garry Clark and Alan Phillips (or their nominees), as previously approved by the Company on 18 December 2002, be ratified on the terms and conditions described in the Explanatory Memorandum accompanying this Notice."

The Company will disregard any votes cast on this Resolution by:

- Mr Garry Clark and Mr Alan Phillips (or their nominees); or
- any associate of Garry Clark or Alan Phillips.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

14. APPROVAL OF INCREASE IN NON-EXECUTIVE DIRECTOR REMUNERATION FOR SUBSIDIARY COMPANIES

"That for the purposes of ASX Listing Rule 10.17, Article 61 of the Constitution of the Company, and for all other purposes, the maximum aggregate annual remuneration payable to non-executive directors of the Company or any subsidiaries of the Company be increased from $150,000 to $300,000 per annum, with such remuneration to be payable as follows:

(a) *an aggregate annual maximum of $150,000 per annum to non executive directors of the Company; and*

(b) *an aggregate annual maximum amount of $150,000 per annum to non executive directors of any subsidiaries of the Company,*

and otherwise upon the terms and conditions described in the Explanatory Memorandum accompanying this Notice."

The Company will disregard any votes cast on this Resolution by:

- Any director of the Company or a subsidiary of the Company ("Relevant Director");
- An associate of any Relevant Director;

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

GENERAL BUSINESS

To consider any other business as may be lawfully put forward in accordance with the constitution of the Company.

BY ORDER OF THE BOARD

Bill Lyne
Company Secretary
DATED: 2 October 2003

EASTERN CORPORATION LIMITED
ABN 11 064 957 419

NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY MEMORANDUM

1. Introduction

This Explanatory Memorandum has been prepared for the information of members of Eastern Corporation Limited ABN 11 064 957 419 (**"Eastern"** or **"Company"**) in connection with the business to be conducted at the Annual General Meeting of members to be held at the offices of Hopgood Ganim Lawyers, Level 7 Waterfront Place 1 Eagle Street, Brisbane, Qld 4000 on 12 November 2003 at 3.00pm (**"Meeting"**).

This Explanatory Memorandum should be read in conjunction with the accompanying Notice of Meeting and the Independent Report of Murdoch Corporate Finance Pty Ltd.

The Notice of Meeting sets out the details of proposals concerning fourteen (14) separate resolutions to be put to Shareholders comprising the following:

- Resolution 1 seeks the approval of the Annual Report, Directors' and Auditor's Report and Financial Statements of the Company for the financial year ended 30 June 2003;
- Resolution 2 seeks the approval to re-elect Mr David Barwick as a Director of the Company;
- Resolution 3 seeks the approval to re-elect Mr Gordon Smith as a Director of the Company;
- Resolution 4 seeks the approval to re-elect Mr Campbell Smith as a Director of the Company;
- Resolution 5 seeks the approval to re-elect Mr Paul Williams as a Director of the Company;
- Resolution 6 seeks the approval to re-elect Mr Richard Gazzard as a Director of the Company;
- Resolution 7 seeks the approval for the public offer of a maximum of 16,000,000 secured converting notes;
- Resolution 8 seeks the approval for the participation of directors and other related parties of the Company in the public offer of secured converting notes;
- Resolution 9 seeks the approval of the issue of ordinary shares to Eligible Galilee Shareholders;
- Resolution 10 seeks the approval of the issue of ordinary shares and secured converting notes to Eligible Galilee Lenders;
- Resolution 11 seeks approval for the disposal of Eastern's interest in Sur American Gold Corporation;
- Resolution 12 seeks approval for the issue of ordinary shares to Barwick Investments Pty Ltd;
- Resolution 13 seeks the ratification of a previous issue of shares to Alan Phillips and Garry Clark; and
- Resolution 14 seeks the approval for an increase in non-executive director remuneration payable to directors of the Company and of any subsidiaries of the Company.

Resolutions 1 to 6 are standard for an Annual General Meeting of the Company, and no further comments are required in that regard. Specific comments relating to the Resolutions 7 to 14 are set out below.

2. **Resolution 7 – Approval of Issue of Converting Notes Pursuant to Prospectus**

The Company proposes to lodge a prospectus with the Australian Securities and Investments Commission ("ASIC") on or about 9 October 2003 in relation to (among other things) a public offer of a maximum of 16,000,000 secured converting notes at a face value of $0.50 each ("Notes") ("Prospectus").

Under the Prospectus, the Company has agreed to issue the Notes on the terms as are set out below, subject to the receipt of shareholders approval. The purpose of Resolution 7 is to seek such approval from Eastern shareholders in relation to the issue of Notes pursuant to the public offer. Shareholder approval to the issue of Shares to Eligible Galilee Shareholders is the subject of Resolution 9 below.

The issue of the Notes is to proceed under the Prospectus constituting an offer pursuant to Section 710 of the *Corporations Act 2001 (Cth)* ("Corporations Act").

Terms of Issue of Notes

In summary, the Notes will be issued on the following terms:

(a) Successful applicants for Notes under the Prospectus ("Noteholders") will be issued Notes at a face value of $0.50 per Note;

(b) Unless the Notes have previously been redeemed or converted into Shares, the Notes shall automatically be converted into Shares by the Company on 31 January 2009 ("the Maturity Date");

(c) The Notes are convertible into ordinary fully paid shares in the Company, at a conversion price which is equal to the lesser of:

- a ten percent (10%) discount to the volume weighted average trading price of the Company's Shares trading on the ASX calculated over the preceding twenty (20) business days before the date on which the conversion is made ("the Conversion Price"); or
- 10 cents per Share ("Threshold Conversion Amount").

(d) Noteholders may convert their Notes into Shares on a quarterly basis in each year prior to the Maturity Date or on the Maturity Date. Conversion of the Notes must occur in multiples of 1,000 Notes;

(e) The Company shall pay interest on the Notes to the Noteholders at the rate of ten percent (10%) per annum ("the Interest"). Interest is payable until the conversion of Notes (or if not converted, until the Maturity Date) quarterly in arrears with the first interest payment due to be made on 31 January 2004 and subsequent payments on 30 April, 31 July and 31 October and in each subsequent year;

(f) Upon conversion of the Notes, the Shares of the Company issued as a result shall have the same rights and entitlements and shall rank equally with all existing issued ordinary shares in the capital of the Company except that those Shares issued upon conversion will not be entitled to any dividends declared but not yet paid as at the Conversion Date;

(g) Prior to conversion, Noteholders shall not be entitled to participate in any rights issues, returns of capital, bonus issues or capital reconstructions undertaken by the Company. However, in the event that the Company does undertake a capital reconstruction, the Threshold Conversion Amount of the formula for determining the conversion price will be adjusted in accordance with the ASX Listing Rules. Full details of the terms and conditions upon which the Notes will be issued, including the adjustment formula, will be set forth in the Prospectus which is anticipated to be lodged with ASIC before the Annual General Meeting;

(h) The Company is entitled to redeem all or part of the Notes on issue where any of the following occur:

- If at any time after the date of issue of the Notes, less than 1 million Notes remain on issue; or
- If a change in taxation laws occurs effecting the rights and incidents of the Notes in the hands of the Company, a takeover bid is made for Eastern shares, or the board of the company resolves to implement a "spin off".

Prior to any redemption, the Company is required to afford Noteholders the opportunity to convert their Notes into Shares;

(i) Subject to the Corporations Act and the ASX Listing Rules, the Notes will not carry any entitlement to vote at general meetings.

The funds to be raised under the Prospectus will be used by the Company as follows:

▪ payment to Eligible Galilee Shareholders	$3,066,000
▪ repayment of the Galilee Loan (See Resolution 10 below)	$ 600,000
▪ costs of the issue pursuant to the Prospectus	$ 760,000
▪ provision for first 18 months' Note interest	$1,320,000
▪ additional working capital	$2,254,000
TOTAL	$8,000,000

The obligations of Eastern in respect of the Notes (including its obligations to pay interest and redeem the Notes in accordance with their terms) are to be secured by way of a first ranking fixed and floating charge over all of the assets and undertaking of Galilee ("Charge"). The Company has reserved its rights under the Charge documentation to subordinate the Charge behind any project development finance that the Company may procure following from a bankable feasibility study being commissioned, and to replace the Charge with a mortgage over a cash deposit to the extent of Eastern's future monetary obligations in relation to the Notes.

In the event that:

(a) the public offer of Notes pursuant to the Prospectus is fully subscribed;

(b) the offer to acquire all of the remaining shares in Galilee (the subject of Resolution 9) is fully accepted;

(c) all the Notes are converted into ordinary shares in Eastern;

(d) outstanding options (22.5 million) held by Propwood Pty Ltd are exercised; and

(e) the Notes and ordinary shares in Eastern referred to in Resolution 10 are issued (and such Notes are converted into ordinary shares in Eastern),

the share capital structure of the Company will be as follows:

Description	No of Shares	% of Issued Shares
Ordinary Shares on issue	346,865,304	58.74%
Shares issued on exercise of the Propwood options	22,500,000	3.81%
Shares issued to Eligible Galilee Shareholders (See Resolution 9)	122,666,666	20.77%
Shares issued to pay the Galilee Loan (See Resolution 10)	12,000,000	2.03%
Shares issued to Barwick Investments Pty Ltd (see Resolution 12)	500,000	0.08%
Shares issued on conversion of Notes issued under the Prospectus*	80,000,000	13.55%
Shares issued on conversion of Notes issued in repayment of Galilee Loan*	6,000,000	1.02%
TOTAL	**590,531,970**	**100%**

[*Note: *Assumes a conversion ratio of 10 cents per Eastern Share, being the minimum number of Shares to be issued to Noteholders on conversion.*

The actual number of Shares to be issued by the Company on conversion of the Notes will be dependant upon the trading price of the Company's Shares on ASX at the time of conversion. The table below sets out the number of Shares which would be required to be issued by the Company at various weighted average trading prices of the Company's Shares.]

Trading Price of the Shares on ASX (¢) (Weighted Average)	Shares issued on conversion of Notes (Assuming 17,200,000 Notes on issue)
10 cents	86,000,000
8 cents	107,500,000
6 cents	143,333,333
4 cents	215,000,000
2 cents	430,000,000
1 cent	860,000,000

The Company intends to issue the Notes forthwith upon the closure of the Prospectus and in any event no later than three (3) months from the date of the Meeting. The Company intends to apply for quotation of the Notes on the ASX.

3. Resolution 8 - Approval for the Participation of Directors and Other Related Parties of the Company in the Public Offer of Secured Converting Notes

ASX Listing Rule 10.11 provides that a listed company must not, without the approval of ordinary shareholders, issue equity securities to a related party.

The Company's directors are entitled to apply for Notes under the Prospectus and, as at the date of this Explanatory Memorandum, the Company advises that directors (or entities associated with them) intend to apply for up to the following number of Notes pursuant to the Prospectus:

(a) David Barwick – 100,000;
(b) Gordon Smith – 4,000,000;
(c) Campbell Smith – 100,000;
(d) Richard Gazzard – 100,000;
(e) Paul Williams – 100,000.

Mr Gordon Smith (a director of the Company) has agreed to sub-underwrite the public offer of Notes pursuant to the Prospectus up to an amount of $2,000,000. Accordingly, depending upon the level of subscriptions received by the Company, Mr Smith may be issued with up to 4,000,000 Notes. Mr Smith will be entitled to receive a commission of 3% of the sub-underwritten amount, in consideration for committing to sub-underwrite part of the Note issue and ensuring its successful completion.

In compliance with Listing Rule 10.13, Shareholders are advised as follows:

- Other than amount of up to 4,000,000 Notes to be issued to Gordon Smith described above, the number of Notes to be issued to directors of the Company will be dependent upon the applications received from directors under the Prospectus. Based on the directors' current intentions, directors of the Company (or entities associated with them) intend to apply for up to the number of Notes described above, being an aggregate maximum of 4,400,000 Notes.

- The Company will issue the Notes to directors having successfully applied under the Prospectus not later than 3 months after the date of the meeting.

- Any Notes issued to directors will be issued on the same terms as any other applicant for Notes under the Prospectus, as described above.

4. Resolution 9 – Approval of Issue of Ordinary Shares to Galilee Shareholders Pursuant to Prospectus

Resolution 9 seeks approval for the issue of Shares to Eligible Galilee Shareholders pursuant to the Prospectus, as part of the consideration for the acquisition of all of the remaining shares in Galilee not already held by Eastern ("Galilee Shareholder Offer") totalling some 61,333,333 Galilee shares held by 26 separate Galilee shareholders.

Under the terms of the Galilee Shareholder Offer, Eastern has agreed to pay $0.05 per share held in Galilee plus issue a maximum of 122,666,666 Shares to Eligible Galilee Shareholders, pro rata according to their holding of shares in Galilee.

An entity associated with Gordon Smith, a director of the Company, holds 0.46% of the total issued shares in Galilee and accordingly will be entitled to participate in the Galilee Shareholder Offer to the extent of that holding. Mr Smith has indicated his intention to apply for Shares under the Galilee Shareholder Offer.

The rights attaching to the Shares to be issued will be identical in all respects to existing ordinary shares in the capital of the Company, save that all Eligible Galilee Shareholders will be required to agree, as part of the Galilee Shareholder Offer, to a restriction upon the tradability of the Shares on the ASX for a period of six (6) months from the date of their issue.

The Company intends to issue the Shares forthwith upon the closure of the Prospectus and in any event no later than one (1) month from the date of the meeting.

No funds will be raised from the issue of the Shares, though the Shares will be taken to be issued at $0.05 each. The Shares will be issued in consideration for the acquisition of the remaining shares in Galilee not already held by Eastern.

In compliance with Listing Rule 10.13, Shareholders are advised as follows:

- Under the Galilee Shareholder Offer, Gordon Smith (or an entity associated with him) will be issued 564,266 Shares, representing his 0.46% entitlement as an Eligible Galilee Shareholder.
- Any Shares issued to Gordon Smith (or entities associated with him) will be issued on the same terms as any other Eligible Galilee Shareholder applying for Shares under the Prospectus, as described above.
- The independent directors of Eastern have resolved that the terms of the benefit to be provided to Gordon Smith is on normal commercial terms for a transaction of this kind and what could be regarded as arm's length terms. As a consequence, approval is not being sought from shareholders pursuant to Chapter 2E of the Corporations Act.

5. Resolution 10 – Approval of Issue of Converting Notes and Shares to Galilee Lenders

On 25 August 2003, Eastern announced that it had secured agreement with various existing secured creditors of Galilee namely, Jade Securities Pty Ltd, Excess Pty Ltd and Dr Hans-Juergen Beck ("GEL Lenders") for the discharge of moneys owed by Galilee to those creditors (comprising, at the date of the Notice of Meeting, approximately $1.8 million), in consideration for a cash payment together with the issue of Notes and Shares. Of the funds owing, the breakdown of such moneys as between the GEL Lenders is as follows; Jade Securities Pty Ltd - approximately 50%, Excess Pty Ltd - approximately 49%, Dr Hans-Juegen Beck – less than 1%. (These moneys have been owed by Galilee to the GEL Lenders since before the time the Company acquired its 51% interest in Galilee). Resolution 10 seeks approval for the issue of such Shares and Notes in accordance with Listing Rule 7.1.

Under the terms of the agreement with the GEL Lenders, Eastern has agreed to:

(a) issue such number of Shares to GEL Lenders at an issue price of $0.05 each as equates to one-third of that GEL Lender's debt;
(b) issue such number of Notes to GEL Lenders at an face value of $0.50 each as equates to one-third of that GEL Lender's debt; and
(c) pay the balance of the GEL Lender's debt in cash.

The Company advises that the under the agreement with GEL Lenders, a maximum of 12,000,000 Shares and 1,200,000 Notes will be issued to GEL Lenders, pro-rata in accordance with the amounts owed to each individual GEL Lender.

The rights attaching to the Shares to be issued will be identical in all respects to existing ordinary shares in the capital of the Company. The rights attaching to the Notes to be issued will be identical in all respects to those Notes to be issued pursuant to the Prospectus.

The Company intends to issue the Notes and Shares forthwith upon the closure of the Prospectus and in any event no later than three (3) months from the date of the meeting.

No funds will be raised from the issue of the Notes and Shares. The Notes and Shares will be issued in consideration for the discharge of the moneys owing by Galilee to the GEL Lenders.

6. Resolution 11 – Disposal of Interest in Sur American Gold Corporation

On 28 July 2003, the Company announced that it had reached agreement with former directors (and entities associated with them) of Eastern and Sabena Limited, Alan Phillips, Garry Clark and Brett Taylor ("Purchasers") for the disposal by Eastern of its entire shareholding in Sur American Gold Corporation ("Sur American").

If Shareholders approve Resolution 11, that will have the effect of the Company disposing of a "substantial asset" of the Company for the purposes of Chapter 10.1 of ASX Listing Rules to the Purchasers. The 5,000,000 common shares in Sur American held by Eastern ("Sur American Shares") represent a substantial asset, as their value (as set out in the latest accounts of the Company and provided to the ASX) was at least 5% of the equity interests of the Company.

In order for Alan Philips and Garry Clark to be entitled to acquire this interest, the transaction must be approved by a general meeting of the Company. This Explanatory Memorandum proposes to provide sufficient detail for the Shareholders of the Company to appropriately consider such a resolution and should be read in conjunction with the independent report of Murdoch Corporate Finance Pty Ltd which is enclosed with the Notice of Meeting.

The Directors shall attend to the transfer of the Sur American Shares as soon as possible following the Meeting and, in any event, no later than 12 December 2003.

In consideration for the disposal of the Sur American Shares, Eastern is entitled to the cash proceeds of a parcel of 10,000,000 ordinary shares in Eastern held by the Purchasers, following an orderly sale of such Shares by the Purchasers over a 12-month period commencing five business days following the approval of this Resolution 11 at the meeting.

The independent directors of Eastern have resolved that the terms of the benefit to be provided to the Alan Phillips and Garry Clark is on normal commercial terms for a transaction of this kind and what could be regarded as arm's length terms. As a consequence, approval is not being sought from shareholders pursuant to Chapter 2E of the Corporations Act.

To enable Shareholders to fully consider Resolution 11, and in compliance with Chapter 10.1 of the ASX Listing Rules, Shareholders are directed to the independent report of Murdoch Corporate Finance Pty Ltd which is attached to the Notice of Meeting. The recommendation of Murdoch Corporate Finance Pty Ltd is that the proposed transaction is not fair but reasonable to the non-associated shareholders of Eastern.

7. Resolution 12 – Issue of Shares to Barwick Investments Pty Ltd

6.1 Introduction

The Company proposes to pay to Barwick Investments Pty Ltd ("Investments"), an entity associated with Mr David Barwick, a director of the Company ("Interested Director") an amount of twenty five thousand dollars ($25,000.00) in consideration for services rendered by David Barwick and Investments in assisting the Company in its capital raising activities and in relation to procuring agreement in respect of the Galilee Shareholder Offer and offer to GEL Lenders. The fee payable by the Company to Investments is to be satisfied by the issue of five hundred thousand (500,000) Shares in the Company at an issue price of five cents ($0.05) per Share.

The Shares issued to Investments will rank equally with existing issued Shares in the Company. The Company intends to issue the Shares forthwith on completion of the Prospectus and in any event no later than one (1) month from the date of the meeting.

No funds will be raised by the issue of the Shares to Investments.

6.2 Chapter 2E of the Corporations Act

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a related party of the public company unless the benefit falls within one of various exceptions to the general prohibition or where the company first obtains the approval of its shareholders in general meeting in circumstances where the requirements of Chapter 2E in relation to the convening of that meeting have been met.

A "related party" for the purposes of the Corporations Act is defined widely and it includes a director of the public company.

A "financial benefit" for the purposes of the Corporations Act has a very wide meaning. It includes the public company paying money or issuing securities to the related party. In determining whether or not a financial benefit is being given, it is necessary to look to the economic and commercial substance and effect of what the public company is doing (rather than just the legal form). Any consideration which is given for the financial benefit is to be disregarded, even if it is full or adequate.

This proposed resolution, if passed, will confer a financial benefit to the Interested Director and the Company seeks to obtain member approval in accordance with the requirements of Chapter 2E of the *Corporations Act* and for this reason and for all other purposes the following information is provided to shareholders.

(a) The related party to whom the resolution would permit the financial benefit to be given

Barwick Investments Pty Ltd, being an entity associated with Mr David Barwick, a director of the Company.

(b) The nature of the financial benefit

The nature of the proposed financial benefit to be given is the issue of 500,000 Shares in the capital of the Company.

(c) Directors' Recommendation

Each of the directors of the Company, apart from the Interested Director, recommend that shareholders vote in favour of this resolution for the reasons set out in this Explanatory Memorandum.

Mr Barwick makes no recommendation because of his interest in the subject matter of the resolution.

(d) Costs and Detriments of Providing Financial Benefit

The opportunity costs and benefit foregone by the Company issuing the Shares to the Interested Director, is the dilutionary impact on the issued share capital of the Company. If approved, 500,000 Shares will be issued to Investments, which in the context is the total issued capital of the Company represents a relatively negligible dilutionary impact. To the extent this impact is detrimental to the Company, this is far outweighed by the benefits to be derived by the Company from acquiring full control of Galilee, to which Mr Barwick has played a central role in finalising.

(e) Directors' Interest

Mr Barwick has a material personal interest in the outcome of the resolution, as a total of 500,000 Shares would be issued to Investments, an entity associated with him, under the resolution. As a result of the Issue to Investments, the total shareholding of entities associated with Mr Barwick in the Company will be increased from 1,000,000 to 1,500,000 Shares.

(f) Any other information that is reasonably required by shareholders to make a decision and that is known to the Company or any of its Directors

There is no other information known to the Company or any of its directors save and except as follows:

- Opportunity Costs

  Whilst there is an opportunity cost to the Company in issuing Shares to Mr Barwick, it is considered that any disadvantage arising from the loss of opportunity costs in respect of the issue, is more than offset by the advantages accruing from the Company having at its disposal the services of experienced and skilled corporate advisers on appropriately incentivised terms. Additionally, the Company will receive the benefit of not being obliged to otherwise pay Investments the cash equivalent of the Shares being issued, thereby utilising the Company's cash reserves.

- Taxation Consequences

  In so far as the Company is aware, there are no adverse taxation consequences to the Company arising from the proposed issue of the Shares in accordance with Resolution 12.

8. Resolution 13 – Ratification of Previous Issue of Shares to Alan Phillips and Garry Clark

On 18 December 2002, shareholders in the Company approved the issue of a maximum of 6,250,000 shares in Eastern to each of Alan Phillips and Garry Clark (or their respective nominees) in consideration for the repayment of loan funding provided to the Company by each of Mr Phillips and Mr Clark (former directors of the Company).

Even though approval was obtained by the Company for the issue of 12,500,000 shares to entities associated with Mr Phillips and Mr Clark, rather than physically providing the cash loan funding to the Company (up to the full amount of $250,000) as was initially intended, Mr Phillips and Mr Clark agreed to forgive debts owing by Eastern to each of them (or their respective nominees) to an equivalent amount.

As the precise circumstances as set out in the explanatory notes to the previous approval (obtained on 18 December 2002) did not fully eventuate, the Company has sought, as a matter of good corporate governance and for the purpose of its 2003 audit, to clarify for the benefit of all shareholders the circumstances as they transpired.

Accordingly, the purpose of Resolution 13 is to ratify for the avoidance of any doubt, the previous approval obtained by the Company on 18 December 2002 to include approval for Eastern to issue the 12,500,000 Eastern shares to entities associated with Alan Phillips and Garry Clark in consideration for the forgiveness of loan moneys and debts owing to each of them totalling $250,000.

9. Resolution 14 – Approval of Increase of Non-Executive Director Remuneration for Subsidiary Companies

On 18 December 2002, shareholders in the Company approved an increase in the aggregate annual amount payable to non-executive directors from the previously approved amount of $130,000 per annum to $150,000 per annum. Subsequent to that approval, the Company acquired a 51% interest in Galilee (making it a "child entity" within the meaning of the ASX Listing Rules). As a result, the Company is required to obtain approval under ASX Listing Rule 10.17 to any increase in non-executive remuneration payable to directors of such child entities. Shareholder approval is therefore being sought by virtue of this Resolution 14 to an increase in the aggregate annual amount payable to non-executive directors of the Company and subsidiaries of the Company (such as Galilee) to $300,000 per annum (to take into account the fact that the Company must also now remunerate directors of Galilee, a subsidiary of the Company).

The effect of Resolution 14 when coupled with the previous resolution of 18 December 2002 is that:

(a) the aggregate annual amount payable to non-executive directors of the Company remains at $150,000 per annum; and

(b) the aggregate annual amount payable to non-executive directors of subsidiaries of the Company also is $150,000 per annum.

The current Directors take the view that it is appropriate to fairly remunerate its personnel (including the non-executive Directors of the Company and its subsidiaries).

As at the date of this Prospectus, Galilee is a 51% subsidiary of the Company, however depending upon whether the Galilee Shareholder Offer receives full acceptances, may become a 100% wholly owned subsidiary of the Company. Irrespective of the outcome, there will be a need to appropriately remunerate the non-executive Directors of the Company as well as its subsidiaries.

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On behalf of the Directors of Eastern Corporation, I commend the above resolutions for your favourable consideration.

David Barwick
Chairman
2 October 2003