



Eastern Corporation Limited

Quarterly Report

**For the Period Ended
31 December 2005**

1. ACTIVITY HIGHLIGHTS FOR THE QUARTER

- **Stage 1 of the Broughton Feasibility Study close to completion.** The main elements of stage 1 include preparation of a broad economic model, based on a costed mine plan; making recommendations for optimal strategies for the coal processing and its export; and identifying coal specifications in order to determine preliminary project revenue estimates.
- **Increased coal resources at Broughton.** A total combined Measured, Indicated, Inferred coal resource of 30 million tonnes has been identified at Broughton according to a report prepared by Queensland Geological Services Pty Ltd.
- **Galilee Energy coal seam methane programme is finalised.** In conjunction with US-based CSM expert Dr. Read Holland, Galilee management formulated an exploration drilling programme comprising of the drilling and coring of 2 further exploratory CSM wells.
- **Whareatea West exploration drilling programme imminent.** The New Zealand government Department of Conservation is expected to shortly approve access for the conduct of a further 10 exploration drilling holes and the collection of a full range of coal quality data and analysis from the Whareatea West Exploration Permit.
- **The first six months of mining operations at the Cascade mine under Eastern management.** Early production problems have been overcome, new equipment has been purchased and new mine plans have been implemented. Domestic sales are meeting expectation and increasing. Export sales are presently being constrained by port access issues which are in the process of resolution.
- **Bolstered Eastern's Senior Management Team with the appointments of Mr Mike O'Brien and Mr Kevin Poynter.** Mr O'Brien was General Manager of the Dawson Valley / Moura Mine (on behalf of the Anglo Coal / Mitsui Joint Venture) prior to joining Eastern. Mr Poynter was the South Island (NZ) Planning Manager for Solid Energy prior to joining Eastern as a Consultant during the quarter.

2. COAL - QUEENSLAND

(a) Broughton Coal Joint Venture

Project background

The Broughton Coal Joint Venture (BCJV) was formed in June 2005 between Eastern's wholly-owned subsidiary Broughton Coal Mining Pty Ltd (BCM) and Mitsui Coal Holdings Pty Ltd (Mitsui). The current Joint Venture interests are BCM 90% and Mitsui 10%, with Mitsui having the right to acquire a further 20% interest in the Joint Venture for a further \$11 million dollars.

The BCJV holds EPC818 which is an exploration permit situated immediately to the south of Rio Tinto's Hail Creek coal project, approximately 100km west of Mackay in the Northern

part of Queensland's Bowen Basin. The latter part of 2005 was directed towards the conduct of feasibility study work - Stage 1 of which is to be concluded in early 2006.

Quarter Activities

In early December 2005, the BCJV issued a revised resource estimate of the coal resources at Broughton. A total combined Measured Indicated Inferred Coal Resource of 30 million tonnes contained in 2 coal seams (Elphinstone and Hinds) was identified. A summary of the resource estimate prepared by Queensland Geological Services Pty Ltd is as follows:

Summary of Coal Resources

Seam	Measured (Mt)	Indicated (Mt)	Inferred (Mt)
Elphinstone	6.6m	1.8m	1.4m
Hynds	9.9m	6.7m	3.6
Total	16.5m	8.5m	5m

Stage 1 of the Broughton Feasibility is near completion and the main elements of that study stage are to:

- establish a broad economic model, based on a costed mine plan;
- provide recommended optimal strategies for coal processing and export;
- identify product coal specifications to determine preliminary project revenue estimate.

A key element of Broughton Feasibility study work is to contemplate the best means of preparing the coal for processing and export. These options could be by way of either:

- selling run of mine coal to nearby existing mining operations;
- arranging for run of mine coal to be toll washed at the nearby operations' coal preparation facilities;
- preparing and exporting the coal using only BCJV assets; or
- a combination of the above.

• Dorben

Project Background

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

The Dorben permit area is could be prospective for low volatile Pulverised Coal Injection (PCI) coal, but significant further work is required to be undertaken. Only preliminary desk-top studies have been conducted to date.

Quarter Activities

No activities to report for the quarter.

3. COAL – NEW ZEALAND

- **Cascade**

Project Background

On 30 June 2005, Eastern's wholly-owned subsidiary of Cascade Coal Pty Ltd acquired all the assets, plant, equipment, statutory permits and authorities of the Cascade Coal Mine for NZ \$3.5 million. This mining operation 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 – being a low ash and sulphur coal, with a high specific energy. Annual targeted coal production is in the order of 100,000 tonnes per annum – up from approximately 40,000 tonnes per annum under previous ownership.

Quarter Activities

During the December quarter, a primary focus of Cascade / Eastern Management has been to:

- implement and modify the existing mine operations and administering of systems;
- seek to optimise coal production levels;
- develop and refine existing geological models and mine plans;
- maintain close links with all stakeholders involved not only in the region but in the New Zealand coal industry generally;
- explore future coal export customers and expand the existing industrial customer base in New Zealand;
- participate in the emerging process of improving the New Zealand shipping logistics system, especially from the South Island West Coast region.

- **Whareatea West**

Project Background

Rochfort Coal Mining Pty Ltd (a wholly-owned subsidiary of Eastern) holds Exploration Permit EP40-591, known as Whareatea West. The Exploration 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 existing Cascade Mining operations.

Quarter Activities

Approval is imminent from the New Zealand Department of Conservation, for access to identified target areas to enable a proposed exploration drill-hole programme to be carried out. The drilling programme is likely to commence in February 2006 and will take 30-45 days to complete.

Eastern is also working up a detailed geological model for the Whareatea West permit, based on information obtained from earlier exploration programmes carried out in the area during the 1980's and 1990's, as well as the exploration programme conducted by Eastern in the middle of last year. Initial indications are that the permit contains export quality hard coking coal and the aim of this current programme is to assist in delineating a resource in the order 20 million tonnes.

4.0 COAL SEAM METHANE – QUEENSLAND

• Galilee Energy

Project Introduction

Eastern Corporation holds a shareholding interest of approximately 60% in Galilee Energy Limited, which is the holder of Authority to Prospect Interests near Longreach in Central Queensland. These permit interests are prospective for coal seam methane and conventional hydrocarbons.

Quarter Activities

In conjunction with US-based CSM expert Dr. Read Holland, Galilee Management has formulated an exploration drilling programme comprising the drilling and coring of 2 further exploratory CSM wells. This programme will commence in March this year and its primary objective will be to confirm the results of earlier programmes and studies of the Galilee area in terms of gas contents, adsorption isotherms and in-situ permeability's of the significant coal measures. The technical analysis to follow from the exploration drilling will involve:

- Running a full suite of electric logs throughout the well bore including temperature, neutron density, resistivity and sonic;
- Undertaking gas desorption tests and adsorption isotherms on the cores from the significant coal seams;
- Carry out in-situ permeability tests such as injection fall of tests on the coal measures as well as the adjacent sandstones;
- Performing an area-specific hydrologic study of the 2 drill site areas to determine location, source and size of local aquifers that may be of importance to determining coal measures' methane productivity.

It is estimated that exploration programme field work will conclude in May of this year and preliminary results available by the middle of the year.

5.0 CORPORATE

• Share Capital

No additional shares or options were issued by Eastern during the quarter.

Total ordinary shares on issue is 623,633,978 and a total options on issue (exercisable at 6 cents on or before 30 June 2006) is 98,420,000.

Propwood Pty Ltd is the only substantial shareholder of Eastern holding approximately 36% of the total shares on issue.

ASX trading price (period 1 October 05 to 31 December 05)

Ordinary Shares:	High	7.9c
	Low	6.1c
Options:	High	2.8c
	Low	2.2c

• Board / Senior Management Changes

Mr Mike O'Brien, agreed to join Eastern as its Group Operations Manager effective 21 November 2005. Prior to joining Eastern, Mr O'Brien was the General Manager of the Dawson Valley / Moura Mine operated in Joint Venture between Anglo Coal and Mitsui. Mr O'Brien is a qualified Mining Engineer and has had over 35 years experience in the Mining Industry.

Mr Kevin Poynter – joined Eastern as a New Zealand-based consultant. Based on the west coast of New Zealand's South Island, Mr Poynter has spent most of his working life in coal mining activities, becoming Mine Manager at Solid Energy's 2million tonne per annum Stockton coal mine, prior to being appointed South Island Planning Manager for Solid Energy.

6.0 OUTLOOK FOR THE CURRENT QUARTER

The proposed major activities to be undertaken by Eastern and its subsidiary entities during the quarter ending 30 March 2006 include:

- Finalising Stage 1 of the Broughton Coal Joint Venture Feasibility Study by mid-February 2006;
- Conducting preliminary geological analysis of the Dorben Coal Exploration Permit;
- Effecting the first export shipment of Cascade Coal;
- Commencing the Galilee coal seam methane exploration drilling programme in March 2006;
- Continuing to seek out and secure other opportunities (primarily in the coal sector) in both Australia and New Zealand.

7.0 FINANCIALS

The attached 5B statement provides all of the up to date information on the financial position of Eastern Corporation Limited and its subsidiaries as at 31 December 2005.

For and on behalf of Board of Directors



Paul Williams
Chief Executive Officer

For further information contact:

Miss Sam Arons
Manager, Business Development & Corporate Relations
Tel: 07 3832 0855
Fax: 07 3832 5424
Email: info@easterncorp.com.au
Website: www.easterncorp.com.au

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 2005

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (6 months) \$A'000
1.1	Receipts from product sales and related debtors	1,231	1,596
1.2	Payments for (a) exploration and evaluation	(64)	(54)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(1,156)	(2,224)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	10	94
1.5	Interest and other costs of finance paid	8	(33)
1.6	Income taxes paid	-	-
1.7	Other	-	-
Net Operating Cash Flows		29	(621)
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a)prospects	-	-
	(b)equity investments	-	-
	(c)other fixed assets	(120)	(326)
1.9	Proceeds from sale of:		
	(a)prospects	-	-
	(b)equity investments	-	-
	(c)other fixed assets – equity share of joint venture	-	4,000
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)		
	(a) exploration expenditure (net of refunds)	(662)	(485)
	(b) Joint venture equity contribution	900	-
	(c) Overburden advanced	(209)	(209)
	(d) Other	-	(36)
Net investing cash flows		(91)	2,944
1.13	Total operating and investing cash flows (carried forward)	(62)	2,323

1.13	Total operating and investing cash flows (brought forward)	(62)	2,323
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc. - OEI	26	230
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	(34)	(42)
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	Net financing cash flows	(8)	188
	Net increase (decrease) in cash held	(70)	2,511
1.20	Cash at beginning of quarter/year to date	4,731	2,150
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	4,661	4,661

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 SA'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	800
4.2 Development	-
Total	800

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	2,276	2,388
5.2 Deposits at call	2,385	2,343
5.3 Bank overdraft	-	-
5.4 Other	-	-
Total: cash at end of quarter (item 1.22)	4,661	4,731

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	-			

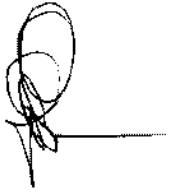
Issued and quoted securities at end of current quarter

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	623,633,978			
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>	98,420,000		<i>Exercise price .06c</i>	<i>Expiry date 30.6.06</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: 31 January 2006
(Director/~~Company secretary~~)

Print name: PAUL WILLIAMS

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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