



Eastern Corporation Limited

Quarterly Report

**For the Period Ended
31 December, 2006**

1. ACTIVITY HIGHLIGHTS FOR THE QUARTER

- **Interim report received on Broughton Joint Venture**
- **Significant progress on New Zealand coal strategy**
 - **First coal produced from newly acquired mine at Takitimu**
 - **Further exploration planned for Whareatea West**
 - **Coal Prospecting Permits granted for Ohai and Orepuki**
- **Galilee Drilling programme on schedule**

2. COAL - QUEENSLAND

- **Broughton Coal Joint Venture**

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.

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. A coal resource of 30 million tonnes* has been identified (Measured 16.5 mt, Indicated 8.5 mt, Inferred 5 mt) with a range of product options, the optimum split being a dual hard coking coal and PCI (Pulverised Coal Injection) product.

A feasibility study was undertaken to define a profitable development path for the Broughton project based on the data available, product coal pricing predictions and particular cost and risk assumptions. Whilst the full study remains to be finalised, an interim document was prepared by December end and provided to the joint venturers for their consideration before a review by the Eastern Board.

The increases in the costs of operations and capital expenditure, and a corresponding roll back in coal export prices since the feasibility study commenced have impacted on the economics of the various development strategies under consideration resulting in a delay in the announcement of the next phases of the project while the most suitable development option is determined.

- **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.

The Dorben permit area is believed to be prospective for low volatile PCI (Pulverised Coal Injection) coal.

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

4. COAL – NEW ZEALAND

- **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.

Production for the quarter was 6,300 tonnes. Equipment was diverted to overburden removal for the first part of the quarter and the mine then closed for the normal Christmas holiday shut down period however sales continued as scheduled from stockpiles.

Coal Extracted tonnes	Overburden tonnes	Sales tonnes	Sales \$
6,300	24,982	12,373	1,300,744

- **Takitimu coal mine**

The Takitimu coal mine in the Ohai / Nightcaps area in the far south of the South Island of New Zealand was acquired during the preceding quarter. A Measured Resource of 2.85 million tonnes* of sub-bituminous thermal coal has been defined.

Mining operations were successfully re-established at Takitimu with contractors stripping ahead of budget. Approximately 2,000 tonnes of coal were extracted during

the start up phase to December for trials into the local industrial markets. Production is expected to increase as trials continue and offtake agreements are secured.

5. 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.

Preliminary quality results from the 10 hole drilling programme completed in June 2006 indicate a band of coal exhibiting favourable coking characteristics and high swell numbers. Examination of the geophysical logs has also identified a seam, previously unexplored, lying quite close to the surface. Coal quality of this seam is yet to be determined. Further geological information is required before a full resource estimate can be prepared.

An exploration programme has been devised which will initially include Mini-Sosie, a non-invasive form of seismic, particularly useful for environmentally sensitive situations, which provides cost effective exploration of shallow targets. This will be followed by a series of shallow drill holes to obtain samples for quality analysis. These will be strategically located to minimise any environmental impact.

• Ohai / Orepuki

During the quarter Prospecting Permits 39 319 and 39 321 were granted for Orepuki and Ohai respectively. The Orepuki permit is located on the coast, south west of Takitimu. The Ohai permit covers an extensive area surrounding the Takitimu mining tenements. Both areas are prospective for sub-bituminous coal and initial work commenced identifying landowners prior to the development of exploration programmes.

6. COAL SEAM METHANE – QUEENSLAND

• Galilee Energy (Eastern 61%)

Galilee Energy 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.

Galilee originally planned a two-well exploration programme to determine gas contents, adsorption isotherms and in-situ permeabilities of the extensive coal seams

present in the Galilee Basin. One hole has now been deemed sufficient to provide the information required. Drilling is scheduled to commence in the second quarter of 2007, weather permitting.

Discussions have also commenced with potential farm-in partners who can assist with the development of the project through its next phase by providing financial support and technical expertise.

7. FINANCIALS

The attached 5B statement provides the cash flows for Eastern Corporation Limited and its subsidiaries for the quarter ended 31 December 2006.

For and on behalf of the Board of Directors



Mike O'Brien
Chief Executive Officer

For further information contact:

Miss Sam Aarons
Manager, Business Development & Corporate Relations

Tel: 07 3832 0855
Fax: 07 3832 5424
Email: info@easterncorp.com.au
Website: www.easterncorp.com.au

** The information in this report that relates to the estimated coal resource for Broughton is based on information compiled by Mr Barry Saunders of Queensland Geological Services Pty Ltd, who is a member of The Australasian Institute of Mining and Metallurgy. The information in this report that relates to the estimated coal resource for Takitimu 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 Saunders and Mr Poppitt have 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 Saunders and Mr Poppitt consent to the inclusion in this report of the matters based on their information in the form and context in which it appears.*

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 2006

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	1,126	2,352
1.2	Payments for (a) exploration and evaluation	(12)	(466)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(1,579)	(3,041)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	52	146
1.5	Interest and other costs of finance paid	(36)	(71)
1.6	Income taxes paid	1	(1)
1.7	Other	-	-
Net Operating Cash Flows		(448)	(1,081)
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a)prospects	-	-
	(b)equity investments	-	-
	(c)other fixed assets	(101)	(133)
1.9	Proceeds from sale of:		
	(a)prospects	-	-
	(b)equity investments	-	-
	(c)other fixed assets	215	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)	216	(158)
	(b) Joint venture equity contribution	-	-
	(c) Payments for bonds and deposits	(90)	(90)
	(d) Other – purchases of businesses	(469)	(4,325)
Net investing cash flows		(229)	(4,491)
1.13	Total operating and investing cash flows (carried forward)	(677)	(5,572)

1.13	Total operating and investing cash flows (brought forward)	(677)	(5,572)
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	(77)	(149)
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	Net financing cash flows	(77)	(149)
	Net increase (decrease) in cash held	(754)	(5,721)
1.20	Cash at beginning of quarter/year to date	3,857	8,775
1.21	Exchange rate adjustments to item 1.20	(55)	(6)
1.22	Cash at end of quarter	3,048	3,048

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	101
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 \$101k per 1.23 above represents fees for the 6 months to 31/12/06.

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	100
4.2 Development	-
Total	100

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	1,015	1,147
5.2 Deposits at call	2,033	2,710
5.3 Bank overdraft	-	-
5.4 Other	-	-
Total: cash at end of quarter (item 1.22)	3,048	3,857

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	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 (description)	-			
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	-			
7.7	Options (description and conversion factor)	-		Exercise price	Expiry date
7.8	Issued during quarter	-			
7.9	Exercised during quarter	-			
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 ~~/does not*~~ (*delete one*) give a true and fair view of the matters disclosed.

Sign here: Bne Date: 31 January 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.