



Eastern Corporation Limited

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14 March 2005

The Manager
Company Announcements Office
Australian Stock Exchange

DECEMBER 2004 HALF YEAR ACCOUNTS

Please find enclosed the half-yearly accounts for Eastern Corporation Limited (Eastern) for the six months ended 31 December 2004.

One item in the accounts to be noted is that the Board of Eastern has written off the investment in Dorben Pty Ltd. That company held an application for an ATP in north Queensland with potential for coal bed methane. The original ATP application area comprised more than 300 sub-blocks, but after further discussions with the Queensland Department of Natural Resources and Mines (DNRM), it became apparent that the most prospective areas for CBM were covered by a combination of National Park, State Forest and other dedicated areas as well as aboriginal lands. Based on this information, the Board elected to withdraw the ATP application and have notified the DNRM accordingly.

Yours sincerely

A handwritten signature in black ink, appearing to be "Paul Williams", with a horizontal line extending to the right.

PAUL WILLIAMS
Chief Executive Officer

For further information please contact :
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Eastern Corporation Limited

Half-year report to 31 December 2004

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2004 and any public announcements made by Eastern Corporation Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Directors' report

Your directors present their report on the consolidated entity consisting of Eastern Corporation Limited (Eastern or the Company) and the entities it controlled at the end of, or during, the half-year ended 31 December 2004.

Directors

The following persons were directors of Eastern Corporation Limited during the whole of the half-year and up to the date of this report (except where indicated otherwise):

GG Smith

PR Williams

JS McIntyre - was appointed as a non-executive director 7 July 2004 and continues in office at the date of this report.

RV Gazzard was a director from the beginning of the financial year until his resignation on 6 July 2004.

Review of operations

Galilee Energy Limited ("Galilee")

In September 2004 it was announced that Viking International Petroleum Plc ("Viking") did not intend to proceed with their proposed acquisition of 50% of Galilee Energy Limited on the basis that the current project did not fit its investment strategy, however Viking did not discount the possibility of considering future participation in the project as it progresses.

The board of Galilee then engaged the consulting firm RISC to undertake a full technical review of the Rodney Creek pilot programme which included assessing the potential for coal seam methane in other parts of the ATP and investigating the prospectivity for conventional oil and gas within the permit area.

As a result of the technical review, the board of Galilee has resolved to carry out further exploration drilling programmes for coal seam methane and conventional hydrocarbons and to seek joint venture and other funding partners to assist with the ongoing financial requirements for these Eastern activities.

Dorben Pty Ltd

Advice was received from the Department of Natural Resources and Mines to the effect that of the original ATP application area (307 blocks), 226 blocks have been withdrawn from the application area as they have been designated national park, aboriginal land or designated state land, and thus excluded from coal seam methane exploration activity. A report was then commissioned on the prospectivity of the remaining 81 block area for coal seam methane development activities and based on this report, the board of Eastern do not intend to proceed with the ATP application. Accordingly Eastern's investment in Dorben has been written down to \$Nil, the effect of which is reflected in this financial report.

Restpine Pty Ltd

In September 2004 Eastern announced it had exercised the option to buy the shares in Restpine Pty Ltd, (now called Broughton Coal Mining Pty Ltd), a holder of coal exploration interests at Broughton (EPC 818) in the Bowen Basin, and Whareatea West in the Buller region on the south island in New Zealand. This purchase was completed in November.

In July a 33 hole drilling programme commenced that identified a 23.9 million tonne indicated coking coal resource at Broughton. An analysis of coal quality was undertaken and initial results indicated a coking coal product.

Negotiations have been initiated with several potential joint venture partners and a step out drilling programme was scheduled to identify additional coal resources within the tenement.

Whareatea West, New Zealand

A drilling programme to identify the full extent of the coal resource to JORC standard was prepared and submitted to the New Zealand Department of Conservation for their approval as their consent for access to the affected land area is required. A decision from the Department is expected in the first half of 2005.

Share Placement

In November 2004 a placement of 50 million ordinary shares raised a total of \$2.5 million to be utilised in ongoing project development and working capital. As part of this placement a further 20 million free attaching options were also issued. These options (which are of the same class as the existing listed options) expire 30 June 05. On exercise, one ordinary share and a further attaching option (exp 30 June 06) will be issued.

Other Activities

- Mr Paul Williams was appointed CEO on 13 August 2004. Mr Williams was previously a partner in a Brisbane law firm with extensive experience in resources and mining law. He joined the board of Eastern in February 2003 as non-executive director.
- Settlement of shareholder loans in Galilee – In accordance with the Heads of Agreement dated 22 October 2002, Eastern issued on 31 December 2004, a total of 29,792,696 ordinary shares in full repayment of certain loan monies owing by Galilee Energy Limited.

Subsequent Events

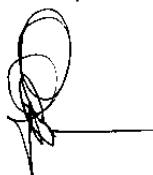
Broughton Coal Quality: In February 2005 a detailed report was received from ACIRL Coking Research Centre providing coal quality analysis from samples taken from the drilling programme undertaken late last year. These initial coal quality results indicate high rank, low-volatile bituminous coal which can be classified as a good quality blend coking coal product.

Broughton Step Out Programme: Since November the tenement area experienced higher than average rainfall, which has resulted in continued delays in the commencement of the step out drilling programme. A rig is on standby to start drilling immediately when access becomes available.

Cascade Mining: In January, Eastern announced it had signed an option to purchase the shares in Cascade Mining Limited, a company that owns an operating coal mine situated in the vicinity of the company's Whareatea West tenement, on the south island of New Zealand. The agreement allows for a 90 day financial and technical due diligence during which a drilling programme will be undertaken to determine the full extent of the coal resource and its quality.

In keeping with the strategy announced at the November 2003 AGM, the board of Eastern is currently working on expanding the Company's asset base across various parts of the energy sector. Negotiations are currently underway to secure projects within the coal and coal seam methane sector to enable the generation of cash flow from operating activities in the next 2 – 3 years.

This report is made in accordance with a resolution of the directors.



PR Williams
Director

Brisbane,
10 March 2005

Consolidated statement of financial performance

	31 December 2004 \$	31 December 2003 \$
Revenue from operating activities	30,833	24,383
Employee benefits expense	(250,180)	(62,436)
Depreciation and amortisation expenses	(4,205)	(5,023)
Administration expense	(117,666)	(165,824)
Insurance	(47,535)	(32,517)
Borrowing costs expense	(124,020)	(57,320)
Investment in Sur America Corporation written down	-	(50,000)
Investment in Dorben Pty Limited written down	(20,000)	-
Revaluation of debtors	-	(32,247)
Consulting fees expenses	(277,103)	(167,396)
Directors fee expenses	(102,947)	(58,939)
Other Expenses from ordinary activities	(95,853)	(118,941)
Loss from ordinary activities before related income tax expense	(1,008,676)	(726,260)
Income tax expense	-	-
Loss from ordinary activities after related income tax expense	(1,008,676)	(726,260)
Outside Equity Interest in Controlled Entities	243,142	109,481
Net loss attributable to members of Eastern Corporation Limited	(765,534)	(616,779)
	Cents	Cents
Basic earnings per share	(17.2)	(18.5)
Diluted earnings per share	(17.2)	(18.5)

The above consolidated statement of financial performance should be read in conjunction with the accompanying notes

Consolidated statement of financial position

	Note	31 December 2004 \$	30 June 2004 \$
Current assets			
Cash assets		2,405,979	2,276,802
Receivables		577	576
Other		50,361	89,006
Total current assets		<u>2,456,917</u>	<u>2,366,384</u>
Non-current assets			
Property, plant and equipment		733,783	822,184
Capitalised Exploration Expenditure	8	9,900,301	8,594,279
Bonds & Deposits		103,740	236,500
Total non-current assets		<u>10,737,824</u>	<u>9,652,963</u>
Total assets		<u>13,194,741</u>	<u>12,019,347</u>
Current liabilities			
Payables		200,833	949,131
Interest bearing liabilities		8,922	1,654,002
Total current liabilities		<u>209,755</u>	<u>2,603,133</u>
Non-current liabilities			
Interest bearing liabilities		14,466	17,236
Total non-current liabilities		<u>14,466</u>	<u>17,236</u>
Total liabilities		<u>224,221</u>	<u>2,620,369</u>
Net assets		<u>12,970,520</u>	<u>9,398,978</u>
Equity			
Contributed equity		30,233,780	25,653,563
Accumulated losses		(20,466,611)	(19,701,077)
Outside equity interests in controlled entities		3,203,351	3,446,492
Total equity		<u>12,970,520</u>	<u>9,398,978</u>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

	31 December 2004	31 December 2003
	\$	\$
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	-	-
Payments to suppliers and employees (inclusive of goods and services tax)	(1,670,229)	(280,164)
Interest Received	30,833	75,453
Interest Paid	-	-
Other	-	-
Net cash inflow from operating activities	(1,639,396)	(204,711)
Cash flows from investing activities		
Payments for property, plant and equipment	(24,514)	(399,093)
Payments for investments	4,708	-
Payments for exploration expenditure	(717,312)	(1,036,588)
Receipts/Payments for bonds & deposits	132,760	8,543
Proceeds from sale of investments	-	329,880
Net cash (outflow) from investing activities	(604,358)	(1,097,258)
Cash flows from financing activities		
Proceeds from issues of shares/options	2,375,700	1,900,000
Repayment of borrowings	(2,769)	(2,257)
Net cash inflow from financing activities	2,372,931	1,897,743
Net increase in cash held	129,177	595,774
Cash at the beginning of the reporting period	2,276,802	521,773
Cash at the end of the reporting period	2,405,979	1,117,547

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the consolidated financial statements

Note 1. Summary of Significant Accounting Policies

(a) Basis of preparation of half-year financial report

This general purpose financial report for the interim half-year reporting period ended 31 December 2004 has been prepared in accordance with Accounting Standard AASB 1029 *Interim Financial Reporting*, other mandatory professional reporting requirements (Urgent Issues Group Consensus Views), other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2004 and any public announcements made by Eastern Corporation Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Unless otherwise stated, the accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

(b) International Financial Reporting Standards (IFRS)

The Australian Accounting Standards Board (AASB) is adopting IFRS for application to reporting periods beginning on or after 1 January 2005. The AASB has issued Australian equivalents to IFRS, and the Urgent Issues Group will issue abstracts corresponding to IASB interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee. The adoption of Australian equivalents to IFRS will be first reflected in the consolidated entity's financial statements for the half-year ending 31 December 2005 and the year ending 30 June 2006.

Entities complying with Australian equivalents to IFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the application of IFRS to that comparative period. Most adjustments required on transition to IFRS will be made, retrospectively, against opening retained earnings as at 1 July 2004.

The consolidated entity's audit committee will manage the transition to Australian equivalents to IFRS, including training of staff, system and internal control changes necessary to gather all the required financial information. The audit committee, which reports to the Board, has prepared a detailed timetable for managing the transition and is currently on schedule. To date the audit committee has analysed most of the Australian equivalents to IFRS and has identified a number of accounting policy changes that will be required. In some cases choices of accounting policies are available, including elective exemptions under Pending Accounting Standard AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards. Some of these choices are still being analysed to determine the most appropriate accounting policy for the consolidated entity.

Major changes identified to date that will be required to the consolidated entity's existing accounting policies include the following:

(i) *Income tax*

Under the Australian equivalent to AASB 112, "Income Taxes", deferred tax balances are determined using the balance sheet method which calculates temporary differences based on the carrying amounts of an entity's assets and liabilities in the statement of financial position and their associated tax bases. In addition, current and deferred taxes attributable to amounts recognised directly in equity are also recognised directly in equity.

(ii) *Equity-based compensation benefits*

Under the Australian equivalent to AASB 102, "Share-based Payments", equity-based compensation to employees will be recognised as an expense in respect of the services received.

This will result in a change to the current accounting policy, under which no expense is recognised for equity-based compensation.

(iii) *Financial instruments*

Under the Australian equivalent to AASB 132, "Financial Instruments: Disclosure and Presentation", the current classification of financial instruments issued by entities in the consolidated entity will not change.

Under the Australian equivalent to AASB 139, "Financial Instruments: Recognition and Measurement", there may be major impacts as a result of financial assets held by the consolidated entity being subject to classification as either held for trading, held-to-maturity, available for sale or loans and receivables and, depending upon classification, measured at fair value or amortised cost. The most likely accounting change is that investments in equity securities will be classified as available for sale and measured at fair value, with changes in fair value recognised directly in equity until the underlying asset is derecognised.

(iv) *Share Capital*

Under the Australian equivalent to AASB 132, "Financial Instruments: Disclosure and Presentation", the value of options will recognised separately with a corresponding charge to issued capital. Total share capital amount will be maintained.

The above should not be regarded as a complete list of changes in accounting policies that will result from the transition to Australian equivalents to IFRS, as not all standards have been analysed as yet, and some decisions have not yet been made where choices of accounting policies are available. For these reasons it is not yet possible to quantify the impact of the transition to Australian equivalents to IFRS on the consolidated entity's financial position and reported results.

Note 2. Segment information

(a) Business segments

The consolidated entity's primary business is exploration and development of coal and coal seam methane projects in Queensland, Australia and New Zealand.

	Oil and Gas	Coal	Inter- segment eliminations	Consolidated
	\$	\$	\$	\$
Half-year 2004				
Total segment revenue	<u>8,225</u>	-	-	<u>8,225</u>
Unallocated				<u>22,608</u>
Revenue from ordinary activities				<u>30,833</u>
Segment result	<u>(512,927)</u>	-	-	<u>(512,927)</u>
Unallocated				<u>(492,469)</u>
Loss from ordinary activities before related income tax expense				<u>(1, 008,676)</u>
Half-year 2003				
Total segment revenue	<u>18,025</u>	-	-	<u>18,025</u>
Unallocated				<u>6,358</u>
Revenue from ordinary activities				<u>24,383</u>
Segment result	<u>(223,430)</u>	-	-	<u>(223,430)</u>
Unallocated				<u>(502,830)</u>
Loss from ordinary activities before related income tax expense				<u>(726,260)</u>

Expenses incurred in the coal development segment have been capitalised to capitalised exploration expenditure.

Note 3. Equity securities issued

Date	Details	Number of Shares	Issue Price	\$ net of Issue cost
30/06/2004	Balance	439,360,304		25,653,563
20/08/2004	Issue of ordinary shares	300,000	0.04	12,000
26/11/2004	Issue of ordinary shares	50,000,000	0.05	2,363,700
31/11/2004	Issue of ordinary shares	2,389,550	0.04	95,582
31/12/2004	Issue of ordinary shares	29,792,696	0.07	2,108,935
31/12/2004	Balance	521,842,550		30,233,780

Note 4 Capitalised exploration expenditure

Ultimate recoupment of exploration and evaluation expenditure carried forward is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas. In the absence of a sale at its carrying value or the availability of funding to continue its development to realise a value equivalent to carrying value, there is significant uncertainty whether the carrying value of exploration and evaluation expenditure will realise the amounts set out in the financial statements. However, the directors are confident that they will be successful in the foregoing matters and therefore believe the exploration and evaluation expenditure is appropriately carried forward.

Details of the economic entity's areas of interest are disclosed on pages 3 & 4. The financial statements do not include any adjustment to the carrying amount of exploration and evaluation expenditure that might be necessary due to the uncertainty set out above.

Note 5. Contingent liabilities

There were no contingent liabilities for the half-year period to 31 December 2004.

Note 6. Events occurring after reporting date

Cascade Mining

In January, Eastern announced it had signed an option to purchase the shares in Cascade Mining Limited, company that owns an operating coal mine situated in the vicinity of the company's Whareatea West tenement, on the south island of New Zealand. The agreement allows for a 90 day financial and technical due diligence during which a drilling programme will be undertaken to determine the full extent of the coal resource and its quality.

Note 7. Earnings per share

	31 December 2004 cents	31 December 2003 cents
Basic earnings per share	(17.2)	(18.5)
Diluted earnings per share	(17.2)	(18.5)

The calculation of earnings per share is based on a loss of \$765,534 (2003 loss \$616,779) and a weighted average of share of 444,490,119 (2003: 333,385,852).

Note 8. Non-current assets – Exploration and evaluation expenditure

	31 December 2004	30 June 2004
	\$	\$
Cost brought forward	8,594,279	6,399,273
Expenditure written off during the year	-	-
Expenditure incurred during the year	1,306,022	2,195,006
	<hr/>	<hr/>
Net exploration and evaluation expenditure	9,900,301	8,594,279
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Ultimate recoupment of exploration and evaluation expenditure carried forward is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas. In the absence of a sale at its carrying value or the availability of funding to continue its development to realise a value equivalent to carrying value, there is significant uncertainty whether the carrying value of exploration and evaluation expenditure will realise the amounts set out in the financial statements. However, the directors are confident that they will be successful in the foregoing matters and therefore believe the exploration and evaluation expenditure is appropriately carried forward.

Details of the economic entity's areas of interest are disclosed on page 11. The financial statements do not include any adjustment to the carrying amount of exploration and evaluation expenditure that might be necessary due to the uncertainty set out above.

Directors' Declaration

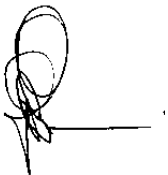
The directors declare that the financial statements and notes set out on pages:

- (a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
- (b) give a true and fair view of the consolidated entity's financial position as at 31 December 2004 and of its performance, as represented by the results of its operations and its cash flows, for the half-year ended on that date.

In the directors' opinion:

- (a) the financial statements and notes are in accordance with the Corporations Act 2001; and
- (b) there are reasonable grounds to believe that Eastern Corporation Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

A handwritten signature in black ink, appearing to be 'PR Williams', written over a horizontal line.

PR Williams
Director

Brisbane
10 March 2005

Independent review report to the members of Eastern Corporation Limited

Matters relating to the electronic presentation of the reviewed financial report

This review report relates to the financial report of Eastern Corporation Limited (Eastern or the Company) for the half-year ended 30 June 2005 included on Eastern Corporation Limited's web site. The Company's directors are responsible for the integrity of the Eastern Corporation Limited web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the financial report identified below. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on this web site.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of Eastern Corporation Limited:

- does not give a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of the Eastern Corporation Group (defined below) as at 30 June 2005 and of its performance for the half-year ended on that date, and
- is not presented in accordance with the *Corporations Act 2001*, Accounting Standard AASB 1029: *Interim Financial Reporting* and other mandatory financial reporting requirements in Australia, and the *Corporations Regulations 2001*.

This statement must be read in conjunction with the rest of our review report.

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for the Eastern Corporation Group (the consolidated entity), for the half-year ended 30 June 2005. The consolidated entity comprises both Eastern Corporation Limited (the company) and the entities it controlled during that half-year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review approach

We conducted an independent review in order for the company to lodge the financial report with the Australian Securities and Investments Commission. Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements. For further explanation of a review, visit our website <http://www.pwc.com/au/financialstatementaudit>.

We performed procedures in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report does not present fairly, in accordance with the *Corporations Act 2001*, Accounting Standard AASB 1029: *Interim Financial Reporting* and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the consolidated entity's financial position, and its performance as represented by the results of its operations and cash flows.

We formed our statement on the basis of the review procedures performed, which included:

- inquiries of company personnel/the responsible entity's personnel, and
- analytical procedures applied to financial data.

Our procedures include reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit, and accordingly, we do not express an audit opinion.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by directors or management.



PricewaterhouseCoopers



Stephen R Snook
Partner

Brisbane,
10 March 2005

Auditors' Independence Declaration

As auditor for the review of Eastern Corporation Limited for the half year ended 31 December 2004, I declare that to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Eastern Corporation Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'S Snook', with a horizontal line underneath the name.

Stephen R Snook
Partner
PricewaterhouseCoopers

Brisbane,
9 March 2005