Eastern Iron Limited

ACN 126 678 037

2009 ANNUAL REPORT

...iron's new horizon

Contents

CHAIRMAN'S REPORT

Eastern Iron, along with most other mineral explorers, has endured very challenging economic conditions over the past 12 months. I am pleased to say that we have emerged with over $3 million in cash reserves at 30 June 2009 after completing sufficient drilling on our iron ore exploration tenements to give us a good idea of the scale, grade and quality of the iron-bearing product under our control.

An overview of work undertaken to date together with detailed results are dealt with more fully in Peter Buckley's Managing Director's Report. It can be said that we now believe our Cobar tenements have a target of many hundreds of millions, if not billions of tonnes of low grade iron ore with some challenging processing issues.

Eastern Iron is in the preliminary stages of evaluating the possible benefits of value adding to the product in New South Wales as an alternative to either possibly direct shipping the product to Asian customers or crushing and pelletising the product before sale. Each alternative has vastly differing capital expenditure requirements and likely revenue and Net Present Values. The skill set needed to execute these alternatives varies markedly, so Eastern Iron has held preliminary discussions with a number of potential business partners. Each would bring skills relevant to the development route. That said, I must emphasis that Eastern Iron's Cobar areas still require significant work in order to establish whether any of the possible development routes is economic.

Naturally, the above commercial deliberations are dramatically impacted by the price of iron ore, which has fluctuated wildly over the past 12 months. The iron ore spot market price fell from all-time highs in 2008 to levels that were clearly uneconomic for our project during the first half of calendar 2009. At the time of writing, iron ore prices had firmed significantly from their lows, but were still well below the levels of 2008. This pricing uncertainty has not been unique to iron ore and will probably continue to impact our commercial studies going forward.

In addition to the ongoing work to establish the economic status of the Cobar areas, it is important to mention that Eastern Iron is continuing to evaluate other opportunities involving iron ore, other steel-related minerals and precious metals projects. An assessment of the gold potential within the Main Line project area is being undertaken. Our geographic focus remains Australasia and our project generation/evaluation team gives us a healthy chance to identify further worthwhile projects over time.

Bob Richardson retired from the Eastern Iron Board on 15 August 2009 as a result of the prevailing attitudes regarding corporate governance, notably the need for companies to avoid having too many non-independent directors, in this case directors associated with Platsearch NL, our 45% shareholder. Fortunately, we still have a consulting arrangement with Bob that will enable him to continue to assist Eastern Iron. We thank Bob for his contribution at Board level since 2007.

The Board is looking forward to a productive but hopefully less volatile year of exploration and project evaluation work on our existing and potential new projects.

We wish to thank our shareholders for their patient support and hope that they will be well rewarded in due course.

Yours sincerely

Glenn Goodacre

Chairman

REVIEW OF OPERATIONS

Highlights

- Completed 6,586 metres of exploration drilling in 446 holes at 18 different prospect areas since June 2008.
- Delineated in excess of 600Mt of resource above the 5% Fe cut-off grade,and reported in accordance with the 2004 JORC Code.
- Scout drill tested between 5 and 10% of the 1,100 km of palaeochannel originally identified.
- Four deposits have estimates of dry magnetic recovery tonnages and recovered mine gate grades.
- Evaluated a number of other promising exploration and development projects.

Business Strategy

Eastern Iron's initial exploration strategy has been based on the existence of very large quantities of shallow, low-grade, yet easily extractable iron in central western NSW. These deposits are Channel Iron Deposits (CID) formed by the weathering and alluvial concentration of lateritic (iron-rich) soil material in old river beds (palaeochannels). It is the process of mechanical concentration and chemical upgrading of the lateritic material that provides this type of deposit with the economic potential that may be suitable for direct shipping, blend feed or further beneficiation.

As the pioneer in CID iron ore exploration in eastern Australia, Eastern Iron holds approximately 4,500 square kilometres of prospective exploration tenements. The exploration targets are large tonnage, easily extractable maghemite deposits in shallow palaeochannels. The deposits are accessed by road from the major public-access rail infrastructure that connects with the deepwater, bulk-export ports of Newcastle and Port Kembla.

Due to the extensive scale of the potential targets, exploration was initially carried out on a broad scale, aimed at identifying priority palaeochannel systems and areas within those systems which have potential to produce iron-rich magnetic concentrates with minimum handling and beneficiation. The objective was to identify prospects that have economic resource potential and are capable of providing an early cash flow through the development of a low capital, small to medium size mining operation.

Eastern Iron also aims to investigate opportunities to add value to projects by evaluating downstream processing, marketing and production infrastructure options in Australia and overseas on the basis of project technical merit, potential economics, available infrastructure and government policies.

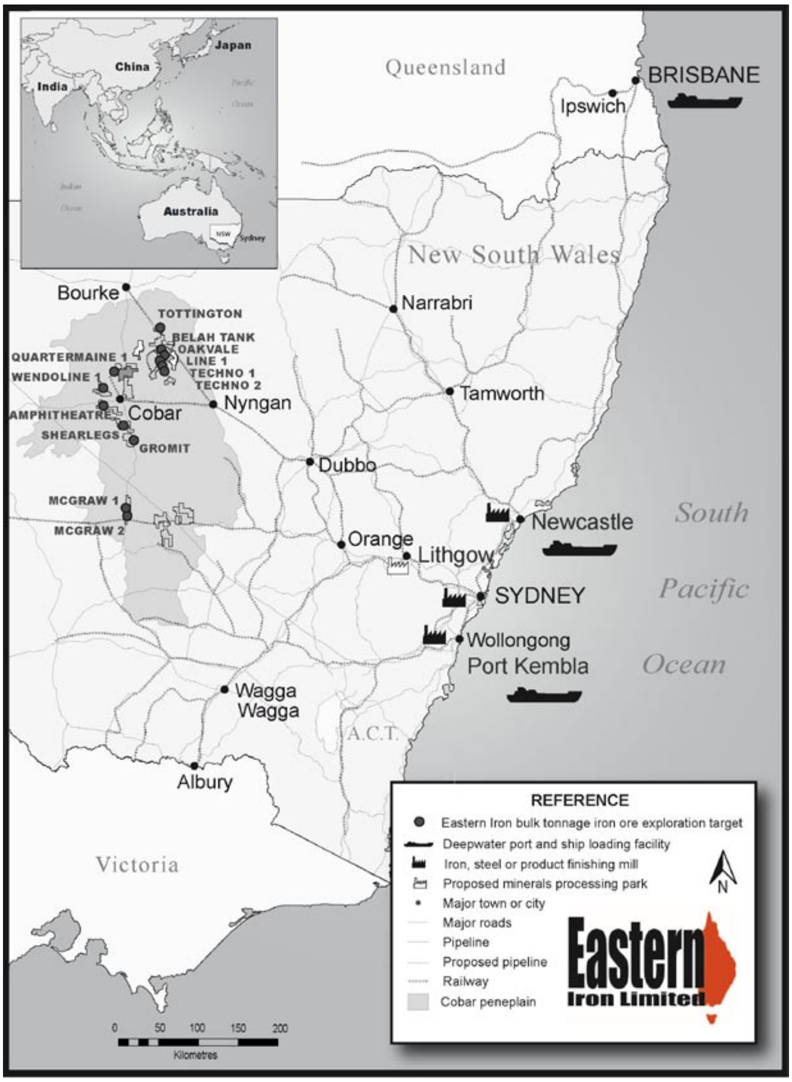


Figure 1 Regional Location of Eastern Iron's Projects

REVIEW OF OPERATIONS

Exploration

In 2008-09 Eastern Iron completed the initial program of scout drilling at 28 separate channel iron prospects covering an extensive area of central western NSW. The specific targets were selected on the basis of either the most favourable geophysical signature or attractive logistical considerations.

Exploration activities were widespread, extending from just south of Bourke, through Cobar, south to Mount Hope and east to Euabalong. The extent of this exploration is shown in Figure 1.

The 2008-09 scout drilling program of 6,586m was completed in 446 aircore drill holes. Since commencing work Eastern Iron has drilled 8,494m in 553 holes on its prospect areas. Despite this substantial program, less than 10% of the originally identified 1,100 km of palaeochannel length was investigated, leaving vast areas with further potential tonnages untested. Encouragingly, prospects with resource potential were identified at 13 of the 28 palaeochannel areas drilled. Details of the scout drilling program are found in Table 1.

Prospect	Licence Name	Licence Number	Number of Drillholes	Metres Drilled
Bimbella 2	Bimbella	EL 6671	2	72
Line 1	Coolabah West	EL 6711	27	465
Line 2	Coolabah West	EL 6711	9	174
Line 3	Coolabah West	EL 6711	8	156
Curlew	Euabalong	EL 6672	4	154
Euabalong 2	Euabalong	EL 6672	1	60
Laneway	Euabalong	EL 6672	9	223
St Omar	Flamingo	EL 6952	6	245
Wonganong	Flamingo	EL 6952	2	66
Gromit	Gromit	EL 6960	44	466
Hutch	Hutch	EL 6751	45	1,104
McGraw 1	McGraw	EL 6961	14	189
McGraw 2	McGraw	EL 6961	22	269
Belah Tank	Oakvale	EL 6706	95	1,152
Bendy	Oakvale	EL 6706	6	109
Carpenters	Oakvale	EL 6706	11	156
Gadsbys	Oakvale	EL 6706	6	90
Oakvale 3	Oakvale	EL 6706	26	332
Power Line	Oakvale	EL 6706	7	114
Preston 2	Preston	EL 6962	7	120
Preston 1	Preston	EL 6962	2	56
Quartermaine 1	Quartermaine	EL 6953	27	353
Shaun	Shaun	EL 6958	20	222
Techno 1	Techno	EL 6954	41	531
Techno 2	Techno	EL 6954	57	1,034
Tottington	Tottington	EL 6956	11	194
Fishnet	Wallace	EL 6959	11	147
Wendoline	Wendoline	EL 6957	33	241
TOTAL			**553**	**8,494**

Table 1. Scout drilling completed at each prospect

REVIEW OF OPERATIONS

The scout drilling included a cross and a long section of the paleochannel at most prospects and has revealed that there is a regional variance in occurrence style, with channels in the northeast of the Cobar Project area, such as Oakvale and Coolabah West being relatively long and narrow, whilst channels around Cobar and areas to the south being shallower and broader.

All operations were carried out in compliance with environmental and safely requirements with no reportable incidents occurring during the exploration programs.

The Belah Tank prospect (south of Bourke), was selected for further resource trial drilling with potential to produce product grading at least 50% Fe, “magnet direct ore” with minimal processing. At Belah Tank a total 1,052m was drilled in 85 holes on 13 separate drill sections. This program tested approximately 20% of the total Belah Tank area of interest.

Eastern Iron also completed the initial requirements of the Hutch Joint Venture agreement with Drysdale Resources on a prospective palaeochannel system, close to Cobar rail infrastructure. In the Hutch Joint Venture area 1,104m was drilled in 45 aircore holes.

Eastern Iron continues to evaluate other exploration and development projects that have the possibility of adding value to the Company’s assets. These opportunities include the potential for discovery of lower tonnage yet higher grade iron deposits and an assessment of the gold potential in the Main Line project area.

Prospect	Drillhole	Interval (m)		XRF Assay (%)										*LOI 1000
		From	To	Fe	SiO2	Al2O3	TiO2	Cao	Mn	P	S	MgO	K2O	
Belah Tank EL 6706	**EIAC0178**	**2**	**3**	**52.4**	**12.5**	**7.5**	**0.72**	**0.10**	**0.02**	**0.05**	**0.09**	**0.23**	**0.84**	**2.08**
	Average of 659 samples			47.4	16.6	9.2	0.84	0.10	0.03	0.04	0.05	0.29	0.95	3.38
Carpenters EL 6706	**EIAC0061**	**0**	**1**	**45.0**	**18.4**	**10.9**	**0.96**	**0.16**	**0.01**	**0.04**	**0.03**	**0.31**	**1.58**	**2.92**
	Average of 15 samples			41.9	19.8	12.2	1.08	0.11	0.03	0.02	0.02	0.46	1.58	4.25
Power Line EL 6706	**EIAC0032**	**4**	**5**	**48.2**	**18.1**	**7.7**	**0.85**	**0.07**	**0.00**	**0.03**	**0.02**	**0.27**	**0.76**	**2.88**
	Average of 54 samples			42.8	22.8	9.2	0.91	0.09	0.03	0.03	0.04	0.38	1.05	3.53
Gadsbys Tank EL 6706	**EIAC0041**	**7**	**8**	**48.8**	**14.5**	**8.4**	**1.16**	**0.04**	**0.02**	**0.03**	**0.02**	**0.31**	**0.77**	**4.57**
	Average of 47 samples			42.9	22.2	9.4	0.93	0.08	0.03	0.03	0.03	0.37	1.08	3.85
Gromit EL6960	**EIAC0396**	**5**	**6**	**53.8**	**11.6**	**6.2**	**0.88**	**0.08**	**0.00**	**0.02**	**0.03**	**0.29**	**0.38**	**3.17**
	Average of 198 samples			42.3	25.5	8.5	0.64	0.09	0.02	0.04	0.04	0.36	1.08	2.74
Quartermaine EL6953	**EIAC0356**	**4**	**5**	**49.2**	**16.9**	**7.4**	**1.12**	**0.11**	**0.01**	**0.03**	**0.03**	**0.28**	**0.66**	**2.60**
	Average of 264 samples			37.9	31.2	8.4	0.79	0.10	0.01	0.04	0.03	0.36	1.28	3.13
Shaun EL 6958	**EIAC0081**	**5**	**6**	**44.2**	**24.0**	**7.3**	**0.64**	**0.11**	**0.01**	**0.03**	**0.03**	**0.28**	**0.68**	**3.25**
	Average of 100 samples			37.7	32.9	7.3	0.55	0.11	0.01	0.06	0.05	0.34	1.04	3.20
Wendoline EL 6957	**EIAC0329**	**5**	**6**	**49.2**	**17.4**	**6.4**	**0.91**	**0.07**	**0.03**	**0.04**	**0.03**	**0.24**	**0.52**	**3.57**
	Average of 123 samples			42.7	27.6	6.0	0.85	0.09	0.02	0.05	0.06	0.23	0.52	2.77
Fishnet EL 6959	**EIAC0068**	**5**	**6**	**48.1**	**18.3**	**7.6**	**0.77**	**0.21**	**0.02**	**0.04**	**0.02**	**0.36**	**0.93**	**2.38**
	Average of 49 samples			40.2	26.9	8.4	0.67	0.27	0.01	0.05	0.04	0.42	1.20	3.91
Techno 1 EL 6954	**EIAC0236**	**7**	**8**	**46.6**	**20.1**	**8.2**	**0.64**	**0.02**	**0.01**	**0.04**	**0.03**	**0.30**	**1.00**	**2.51**
	Average of 103 samples			38.2	28.8	10.0	0.69	0.07	0.03	0.04	0.02	0.40	1.52	3.35

Table 2. Summary of magnetic separation test work results completed at each prospect to date with a selection of results from better individual metre samples and a summary of the average at each prospect from scout drilling. All samples have been processed dry, without crushing and passed over a fixed magnet, barrel separator and the proportion of rejected material and magnetic product measured. Magnetic products were then subjected to XRF analysis. (*Analyses conducted by ALS using X-Ray Fluorescence Spectrometry with Loss on Ignition (LOI) determined using Thermo-Gravimetric Analyses at 1,000°C.)

REVIEW OF OPERATIONS

Mineralogical Testwork

The iron deposits discovered by Eastern Iron have some similarities with Western Australian CID and Detrital Iron Deposits. However, there are many differences and a program of ore classification was conducted at the University of Western Sydney to better understand the mineralogy. Three samples of magnetic pisolites (wheat-sized iron ore pebbles) and two samples of crushed and ground concentrate were provided for mineralogical study.

This work confirmed that for all samples, irrespective of the presence of hematite, maghemite is the dominant iron oxide mineral. Quartz is the major silicate contaminant and is a major constituent in most pisolite samples with less quartz and muscovite present in the rounded pisolites. Kaolinite is present as a minor component in most pisolite samples and is present as a visible coating on some pisolites. Rounded pisolites are richer in maghemite and hematite than the angular pisolites.

Beneficiation Testwork

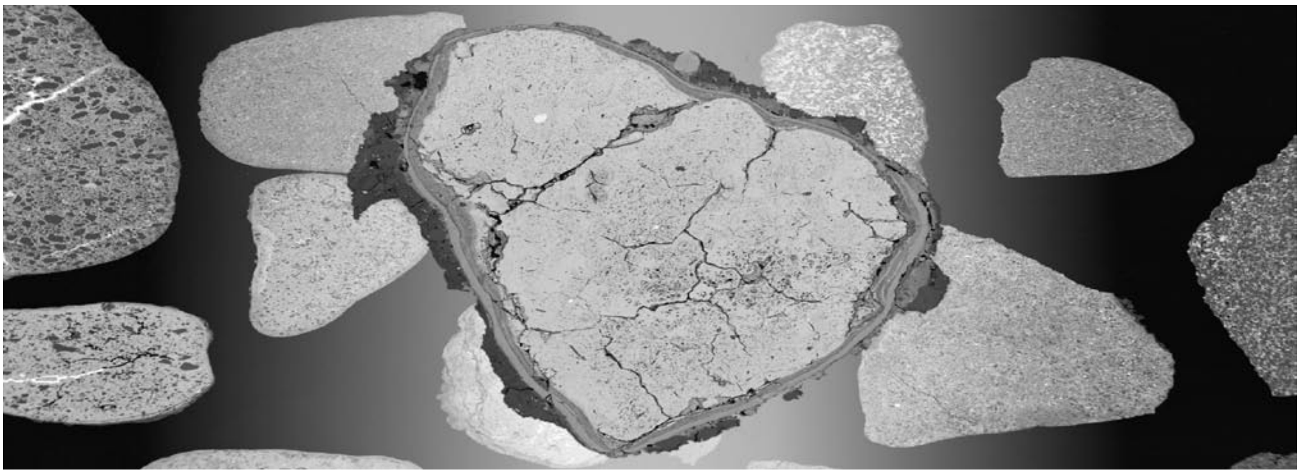
Iron gravel samples collected during the major scout drilling programs have been subjected to dry magnetic separation testing and subsequent analysis of bulk oxide and minor elements by X-Ray Fluorescence (XRF) methods. These samples were screened and then passed over a barrel magnetic separator. This relatively simple dry processing step aims to replicate a low unit cost, bulk mining operation which could be completed without process water and results in a rapid upgrade of iron content and reduction in contaminant mineralogy, without the need for on site blasting, crushing or grinding.

To date, samples have been processed from 10 of the 13 prospective areas, with four areas being complete. Overall, in excess of 60% of the samples have been processed. Table 2 shows the best XRF results of magnetic products at each prospect as well as an average of all samples taken at that prospect. Magnetic product recovery generally varies between 5% and 30% with little correlation between head grade of gravel and quality of magnetic iron product. One result of the testwork to date has been the identification of possible regional trends in iron and contaminant mineralogy. Generally, the magnetic product has a simple mineralogy of iron, silica and alumina with minor amounts of other contaminants, such as phosphorous, sulphur and alkalis. The recognition of varying mineralogy between prospect areas may assist in developing a "tailored" approach to beneficiation for individual prospect areas.

A small trial sample from the Belah Tank Prospect was submitted to gravity separation trials. This process was designed to test the viability of relatively inexpensive gravity separation methods. Encouragingly a high specific gravity concentrate produced from lightly crushed feed stock returned an iron grade of 58.3%.

Additional preliminary work on Belah Tank material also tested differential magnetic separation methods. In this program a sample of magnetic material grading 51% Fe was submitted to differential magnetic separation testing. The material was lightly crushed (to sand-sized particles) and fed across a magnetic conveyer roller, set to a very low magnetic flux, and a product collected. The process was repeated a further three times with increasing magnetic flux, with four magnetic product fractions and a non-magnetic discard produced. Significantly, a product grading 55% Fe was produced from 27% of the "head grade" sample.

Further testwork has commenced seeking to further refine the differential magnetic separation methods.



Scanning electron microscope images of a variety of pisolites – average size 5mm

REVIEW OF OPERATIONS

Resources Estimation

Hellman and Schofield Pty Ltd (H&S) were engaged to produce resource estimates for the 13 prospect areas.

Complete data sets of magnetic recovery testwork were available to model magnetically recoverable resources for four of these prospect areas. The remaining nine prospect areas were modelled and reported only on the basis of total iron resources.

The additional drilling undertaken around the Belah Tank prospect has confirmed that there is good continuity of total iron grades between drill holes and along the channel. As a result of this tighter drill spacing and continuity, the Belah Tank Resources can be reported to a combination of Indicated and Inferred levels.

The current resource estimates of 627Mt above the 5% Fe cut-off for the 13 prospect areas are shown in Table 3 with full details of drilling and estimation methods detailed below. This resource has been determined on the basis of exploration of less than 10% of the identified palaeochannels.

Prospect	Class	Mt	Fe head grade %
Belah Tank	Indicated	8	11.9
Belah Tank	Inferred	5	11.7
Gromit	Inferred	81	13.3
Wendoline	Inferred	28	10.0
Quartermaine	Inferred	31	12.3
Techno 1	Inferred	75	9.1
Techno 2	Inferred	158	8.0
McGraw 1	Inferred	48	11.5
McGraw 2	Inferred	72	8.4
Line 1	Inferred	29	13.2
Tottington	Inferred	52	10.1
Amphitheatre	Inferred	9	15.3
Shearlegs	Inferred	5	15.4
Oakvale 3	Inferred	25	12.2
Total	**Indicated**	**8**	**11.9**
Total	**Inferred**	**619**	**10.2**
TOTAL		**627**	**10.3**

Table 3: Resource Estimates above 5% Fe Cut-Off grade total iron (H&S)

In terms of tonnage, these resources exceed the original reported exploration targets for these prospects by approximately 45%. The current total iron resource estimates for the 13 prospect areas above a 10% Fe cut-off is 286 Mt at an iron grade of 13.7%.

Estimates of magnetically recoverable resources (post dry magnetic separation) are reported for four prospects: Belah Tank, Gromit, Quatermaine and Wendoline in Table 4. The best results were obtained at the Belah Tank prospect where a 47% iron gravel product was estimated to be recoverable by simple dry methods. Work is ongoing to determine resource estimates of magnetically recoverable iron for the remaining projects.

A total of 4,918 samples from 417 aircore holes were used in the resource estimate which has been projected up to 400m laterally from the base of drilling. All prospects have a line of holes drilled down the approximate centre of the channel at intervals between 200m and 400m and most also have a section line of holes across the channel at 80m hole spacing. At Belah Tank the drill hole spacing is 80 x 80m over 960m of channel length with three central lines at 40 x 80m. All holes are vertical. Most holes were sampled at one metre intervals with a spear sample taken from each interval for chemical analysis and the remainder kept for any future work. Each interval selected for magnetic separation was riffle split, sieved (600 microns) and passed over a magnetic separation barrel with the magnetic fraction weighed as a percentage of the original sample split. The magnetic fraction was then analysed for the standard iron ore suite of elements by XRF, at ALS Laboratories in Perth. Holes were geologically logged including textural logging of chips, stratigraphy, colour and magnetic susceptibility of each interval.

Resource estimates were generated using ordinary kriging of head grade and magnetic gravel product grades, trimmed to the channel outlines. Interpretation of aeromagnetic data was used to assist in the definition of the channel outlines. Block size was 80 x 80 x 1m and 1m sample intervals were used for interpolation. Magnetic gravel product grades of Fe, SiO_2 and Al_2O_3 were estimated for four deposits (Belah Tank, Gromit, Wendoline and Quartermaine). The estimates used search radii up to 400m laterally to define Inferred mineral resources and a small Indicated resource was defined at Belah Tank using 100 x 200m search radii.

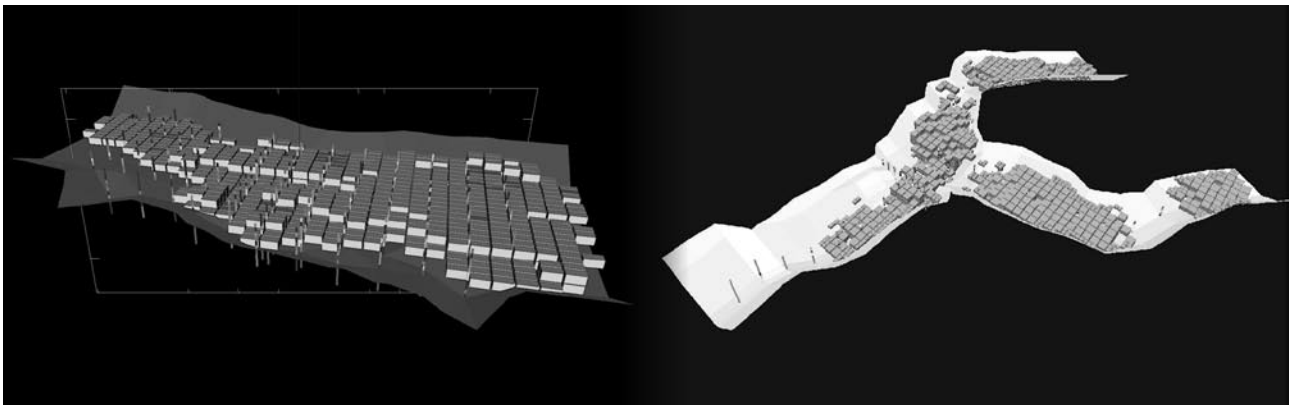
The spatial continuity of the attributes of interest (head Fe grade, magnetic recovery and magnetic gravel product grades – Fe, SiO_2 and Al_2O_3) was examined through variography. They all showed good lateral continuity and very limited vertical continuity.

		Resource		Magnetic Gravel Product			
Deposit	Class		Fe head grade	Magnetic Recovery	Fe product grade	SiO_2	Al_2O_3
		Mt	%	%	%	%	%
Belah Tank	Indicated	8.5	11.9	11.4	47.4	16.7	9.2
Belah Tank	Inferred	4.5	11.7	11.4	47.8	16.8	8.9
Gromit	Inferred	80.9	13.3	12.2	41.5	26.4	8.6
Wendoline	Inferred	27.9	10.0	7.8	41.9	28.9	4.4
Quartermaine	Inferred	31.4	12.3	14.2	37.4	31.8	8.5
Total	**Inferred**	**144.8**	**12.4**	**11.8**	**40.9**	**27.8**	**7.8**
Total	**Indicated**	**8.5**	**11.9**	**11.4**	**47.4**	**16.7**	**9.2**
TOTALl	**Total**	**153.2**	**12.4**	**11.8**	**41.3**	**27.2**	**7.9**

Table 4: Inferred and Indicated Resource Estimates of Total and Magnetically Recoverable Iron above 5% Total Iron (or Head Fe) Cut-Off Grade

The available density data, comprising 18 samples from two holes tested by Metcon, was examined and showed a reasonable relationship between head Fe grade and bulk density. With the exclusion of one outlier, the data was consistent with a mixture of iron pisolites and silicates with porosity between 30 and 40%. A theoretical formula using 35% porosity was derived and used to estimate bulk density from head Fe grade for the resource estimates.

All drill hole data is collected and stored in a digital format with appropriate validation checks to ensure integrity of the database. Based on sample density and confidence in the predictability of the distribution of maghemite, the resource has been reported as Indicated and Inferred as per the 2004 JORC Code.



Resource block models (H&S) for Belah Tank (left) and Techno 1 (right). Block size is 80 x 80 x 1 metre. The Belah Tank image illustrates blocks grading better than 15% total iron in a continuous zone of mineralisation open in both directions along the channel. The better than 15% total iron blocks at the much larger Techno 1 prospect occur in four discrete zones. Potential for further resource extensions exists at most resource areas.

REVIEW OF OPERATIONS

Commercial Evaluation

Scoping level investigations are being undertaken to understand the economic potential of Eastern Iron's iron deposits. This process is intended to assess the relative commercial position and future development options for the exploration tenements and is expected to be completed in late 2009.

The maghemite deposits discovered by Eastern Iron generally occur at the surface as free-digging gravels without the goethite cement that in many cases requires drill, blast and stripping operations in the Pilbara. The poorly consolidated gravels make mining of the Eastern Iron deposits a relatively straightforward option. Similarly "first step" upgrade beneficiation of the magnetic pisolites should be achievable, on site by using single or multiple-pass dry magnetic separation.

The commercial investigation will incorporate the recently completed work on resource evaluation and metallurgical recovery as a basis for conceptual business options analysis. The logistical issues and costs associated with transporting ore are significant and will represent a major component of the cost of the delivered product to either domestic or international customers

Preliminary market analysis to determine the likely value range of the ore is also underway. The ore value will be impacted by the relatively low iron grade and the elevated levels of the various "impurity components". This work is intended to determine the market pricing level required for commercial viability and therefore enable future project development effort to focus on the more prospective customers and markets. This work also enables appropriate potential beneficiation processes and upgrading options that have the most commercial potential to be identified.

The completion of this scoping work will enable an assessment of future exploration, testwork, marketing and development strategies for Eastern Iron's central western NSW iron ore deposits.

Peter Buckley
Managing Director

The information in this report that relates to mineral resources for Eastern Iron Limited is based on information compiled by Mr Arnold van der Heyden who is a Member of the Australian Institute of Mining and Metallurgy and a full time employee of Hellman & Schofield Pty Ltd. The data used to derive the mineral resource estimate was supplied by Eastern Iron Limited and compiled by Mr Peter Buckley who is a Member of the Australian Institute of Geoscientists and a full time employee of PlatSearch NL. Mr van der Heyden, and Mr Buckley have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as "Competent Persons" as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr van der Heyden and Mr Buckley consent to the inclusion in this Report of the information compiled by them in the form and context in which they appear.

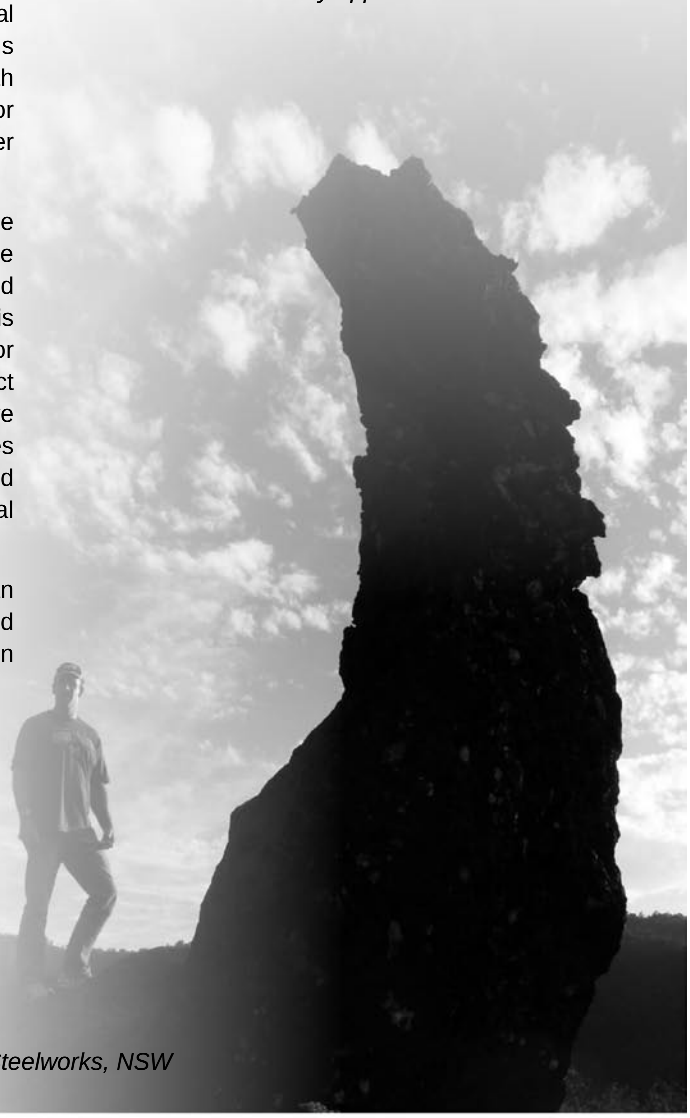


Photo: The remains of the last iron pour at the Lithgow Steelworks, NSW

SCHEDULE OF TENEMENTS

Tenement	Tenement Number	Interest	Joint Venture Details
Cobar Project Area			
Cobar East	EL 6710	80%	PlatSearch 20%
Coolabah West	EL 6711	80%	PlatSearch 20%
Oakvale	EL 6706	80%	PlatSearch 20%
Hutch	EL 6751	0% *	Drysdale Resources 100%
Quartermaine	EL 6953	80%	PlatSearch 20%
Techno	EL 6954	80%	PlatSearch 20%
Tottington	EL 6956	80%	PlatSearch 20%
Wendoline	EL 6957	80%	PlatSearch 20%
Shaun	EL 6958	80%	PlatSearch 20%
Wallace	EL 6959	80%	PlatSearch 20%
Gromit	EL 6960	80%	PlatSearch 20%
Gorgonzola	ELA 3596	100%	-
Camembert	ELA 3597	100%	-
Main Line Project Area			
Bimbella	EL 6671	80%	PlatSearch 20%
Euabalong	EL 6672	80%	PlatSearch 20%
McGraw	EL 6961	80%	PlatSearch 20%
Flamingo	EL 6952	80%	PlatSearch 20%
Preston	EL 6962	80%	PlatSearch 20%

* Eastern Iron can earn 85%

DIRECTORS' REPORT

Your Directors present the financial report of the Company for the period ended 30 June 2009.

The names and particulars of the Directors of the Company during or since the end of the financial year are:

Glenn Goodacre, BA (Macquarie)

Non-Executive Chairman of the Board

Director since November 2007

Glenn Goodacre has a background as an investor in resources and private equities having commenced investing in resources in the late 1960s, worked in the industry in the 1980s and having been a director of a listed explorer from 1987 till 2003. His experience encompasses the pre-float stages of mineral explorers through to management roles in established mining and exploration companies in Australia and the Pacific.

Glenn has participated in the private equity industry since 1990 and he brings broad business strategy and commercial experience to the Board of Eastern Iron. He is currently a director of several unlisted businesses including Accord Capital Investors Pty Ltd and Swift Electroplaters (NSW) Pty Ltd.

Peter Buckley, BSc, Hons (New England), MAIG

Managing Director

Director since July 2007

Peter Buckley has 16 years experience in minerals exploration, resource development, project generation, geoscience research and administration. His career includes gold, base and ferrous metal exploration in Western Australia and New South Wales, working with companies including Plutonic Resources Limited, Lachlan Resources NL and Homestake Gold of Australia Limited.

Peter has also worked in government geological research, regional geological mapping, geoscience data provision and management within the Geological Survey of New South Wales. He is the Exploration Manager of PlatSearch NL.

Wendy Corbett, BSc, Dip Ed (Sydney), MAIG

Non-Executive Director

Director since November 2007

Wendy Corbett has 36 years experience in mineral exploration and administration. Since 1995 Wendy has specialised in the application of computer technology to tenement management, databases, mapping and GIS applications. She has developed and maintains database systems to manage the Company's large quantity of technical data. She has considerable experience in exploration, project and joint venture management.

She is a member of the New South Wales Geological Advisory Committee that advises the Minister for Mineral Resources on matters relating to the Geological Survey of New South Wales and is a councillor of the Australian Institute of Geoscientists.

Gregory F P Jones, BSc (Hons 1) (UTS), MAusIMM

Non-Executive Director

Director since April 2009

Greg Jones is a geologist with 30 years of exploration and operational experience gained in a broad range of metalliferous commodities both within Australia and overseas. Greg has held senior positions in a number of resource companies including Western Mining Corporation and Sino Gold and his experience spans the spectrum of exploration activity from grass-roots exploration through to resource definition and new project generation, as well as mine geology, ore resource/reserve generation and new mine development.

Greg was awarded the Institute Medal for academic excellence whilst at university and is credited with several economic discoveries including the Blair nickel and the Orion gold deposits in Western Australia. He is a Director of PlatSearch NL and associated companies Silver City Mining Limited and Thomson Resources Ltd.

Bob Richardson, BSc (Sydney), BE (Hons) (Sydney), MAusIMM, MASEG

Non-Executive Director

Director since July 2007, retired August 2009

Bob Richardson has 42 years experience in mineral exploration management, geophysics and exploration technology. His career includes 16 years with the Peko-Wallsend Group as Chief Geophysicist and Exploration Manager.

He was a founder in 1976 and Managing Director of Austirex Aerial Surveys Pty Ltd that became a major international airborne geophysical contractor. Bob was a co-founder and Managing Director of Lachlan Resources NL in 1986 and PlatSearch NL in 1987. He is a Non-Executive Director of Western Plains Resources Ltd and Crossland Uranium Mines Limited.

DIRECTORS' REPORT

Directorships in Other Listed Companies

Name	Company	Period of Directorship
G Jones	PlatSearch NL	Since 2009
R Richardson	Western Plains Resources Ltd	Since 2004
	PlatSearch NL	Since 1987
	Crossland Uranium Mines Limited	Since 2006

Directors' Interests in Shares and Options

Directors' interests in shares and options as at the date of this report are set out in the table below.

Director	Shares Directly and Indirectly Held	Options
G Goodacre	320,000	660,000
P Buckley	100,000	1,050,000
W Corbett	50,000	275,000
G Jones	-	-

Remuneration of Directors and Senior Management

Information about the remuneration of directors and senior management is set out in the remuneration report of this Directors' Report on pages 12 to 16.

Share Options Granted to Directors and Senior Management

There were no share options granted directly or indirectly to Directors or Officers as part of their remuneration during and since the end of the financial year.

Company Secretary

Michelle Lilley, Chartered Accountant, is the Company Secretary and Financial Controller of Eastern Iron since November 2007. Michelle is an experienced financial accountant who holds a Bachelor of Business (Accounting). Her experience has been gained over 15 years in financial and management accounting and includes Finance Manager for an ASX listed company in the bioscience industry and as a financial accountant for an ASX listed iron ore development company. Michelle previously held the Company Secretary position for an ASX listed company in the educational software industry.

Principal Activities

The principal activity of the Company is the discovery and delineation of iron ore resources and reserves in eastern Australia and the development of those resources into economic, cash flow generating businesses.

Results

The net result of operations after applicable income tax expense was a loss of $302,081.

Dividends

No dividends were paid or proposed during the period.

Review of Operations

A review of the operations of the Company during the financial period and the results of those operations are contained in pages 2 to 8 in this report.

Corporate Structure

Eastern Iron Limited is a limited company that is incorporated and domiciled in Australia.

Employees

The Company had no employees as at 30 June 2009. The Company uses contract geologists and other consultants as required.

Significant Changes

The Directors are not aware of any significant changes in the state of affairs of the Company occurring during the financial period, other than as disclosed in this report.

Matters Subsequent to the End of the Financial Period

There were, at the date of this report, no matters or circumstances which have arisen since 30 June 2009 that have significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company.

DIRECTORS' REPORT

Likely Developments and Expected Results

As the Company's areas of interest are at an early stage of exploration, it is not possible to postulate likely developments and any expected results. The Company is hoping to identify other iron and possibly precious and base metal exploration and evaluation targets.

Shares Under Option or Issued on Exercise of Options

Details of unissued shares or interests under option for Eastern Iron Limited as at the date of this report are:

Number of Shares Under Option	Class of Share	Exercise Price of Option	Expiry Date of Options
5,000,000	Ordinary	$0.35	19 December 2012
4,270,000	Ordinary	$0.25	19 December 2010
23,000,011	Ordinary	$0.12	19 December 2010

The holders of these options do not have the right, by virtue of the option, to participate in any share issue of the Company or of any other body corporate or registered scheme.

There were no shares issued during or since the end of the financial year as a result of exercise of the above options.

Remuneration Report (Audited)

This remuneration report, which forms part of the Directors' Report, sets out information about the remuneration of Eastern Iron Limited's Directors and its senior management for the financial year ended 30 June 2009. The prescribed details for each person covered by this report are detailed below.

Director and Senior Management Details

The following persons acted as Directors of the company during or since the end of the financial year:

Mr Glenn Goodacre

Mr Peter Buckley

Mr Bob Richardson

Ms Wendy Corbett

Mr Greg Jones

The term "senior management" is used in this remuneration report to refer to the following person:

Ms Michelle Lilley (Company Secretary and Financial Controller)

Policy and Principles Used to Determine the Nature and Amount of Remuneration

The objective of the Company's remuneration framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders. The Board believes that executive remuneration satisfies the following key criteria:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage/alignment of executive compensation
- transparency
- capital management

These criteria result in a framework which can be used to provide a mix of fixed and variable remuneration, and a blend of short and long-term incentives in line with the Company's limited financial resources.

Board and Senior Management

Fees and payments to the Company's Non-Executive Directors and Senior Executives reflect the demands which are made on, and the responsibilities of, the Directors and the senior management. Such fees and payments are reviewed annually by the Board. The Company's Executive and Non-Executive Directors, Senior Executives and Officers are entitled to receive options under the Company's Employee Share Option Scheme.

Remuneration of Directors and Senior Management

Directors are entitled to remuneration out of the funds of the Company but the remuneration of the Non-Executive Directors may not exceed in any year the amount fixed by the Company in general meeting for that purpose. The aggregate remuneration of the Non-Executive Directors has been fixed at a maximum of $250,000 per annum to be apportioned among the Non-Executive Directors in such a manner as the Board determines. Directors are also entitled to be paid reasonable travelling, accommodation and other expenses incurred in consequence of their attendance at Board meetings and otherwise in the execution of their duties as Directors.

DIRECTORS' REPORT

The Directors have resolved that the Chairman's annual fee be $30,000 and that Non-Executive Directors fees be $24,000 per annum.

Details of the nature and amount of each element of remuneration for each of the Directors of Eastern Iron Limited and Senior Management of the Company who received the highest emoluments during the year ended 30 June 2009 are set out in the following table.

Director and Senior Management remuneration 2009

2009	Cash salary and fees $	Super-annuation $	Options $	Total $	% value of remuneration that consists of options %
Directors					
G Goodacre	50,183	2,477	-	52,660	-
P Buckley (a)	159,770	-	-	159,770	-
W Corbett	64,390	1,982	-	66,372	-
R Richardson (b)	48,828	1,982	-	50,810	-
G Jones (c)	5,382	369	-	5,751	-
	328,553	6,810	-	335,363	
Other key management personnel					
M Lilley	53,475	-	-	53,475	-
	53,475	-	-	53,475	

(a) The Company engaged PlatSearch NL (PlatSearch) to provide the services of Peter Buckley, the Company's Managing Director. Peter Buckley is a full time employee of PlatSearch and fees totalling $159,770 were paid to PlatSearch. PlatSearch is a 46% shareholder in Eastern Iron.

(b) Resigned 15 August 2009. The Company engaged PlatSearch to provide the technical services of Bob Richardson and Directors fees until 31 December 2008. Fees totalling $31,169 were paid to PlatSearch. PlatSearch is a 46% shareholder in Eastern Iron.

(c) Appointed 24 April 2009. The Company engaged PlatSearch to provide the services of Greg Jones. Fees totalling $5,382 were paid to PlatSearch. PlatSearch is a 46% shareholder in Eastern Iron.

Director and Senior Management remuneration 2008

2008	Cash salary and fees $	Super-annuation $	Options $	Total $	% value of remuneration that consists of options %
Directors					
G Goodacre	47,500	-	833	48,333	1.7
P Buckley (a)	79,400	-	1,667	81,067	2.1
W Corbett	32,808	-	417	33,225	1.3
R Richardson (b)	38,074	-	333	38,407	0.9
R Waring (c)	72,047	-	18,273	90,320	20.2
	269,829	-	21,523	291,352	
Other key management personnel					
M Lilley	19,295	-	167	19,462	0.9
	19,295	-	167	19,462	

(a) The Company engaged PlatSearch NL (PlatSearch) to provide the services of Peter Buckley, the Company's Managing Director. Peter Buckley is a full time employee of PlatSearch and fees totalling $79,400 were paid to PlatSearch. PlatSearch is a 46% shareholder in Eastern Iron.

(b) Resigned 15 August 2009. The Company engaged PlatSearch NL (PlatSearch) to provide the technical services of Bob Richardson and Directors fees. Fees totalling $38,074 were paid to PlatSearch. PlatSearch is a 46% shareholder in Eastern Iron.

(c) Resigned 13 November 2007.

Share-based Compensation

Employee Share Option Plan

The Company has established the Eastern Iron Employee Share Option Plan ("Plan") to assist in the attraction, retention and motivation of employees of the Company. No options have been granted under the Plan as at the date of this report. The Plan will be administered by the Board in accordance with the rules of the Plan, and the rules are subject to the Listing Rules.

A summary of the Rules of the Plan is set out below. All full-time employees will be eligible to participate in the Plan. The allocation of options to each employee is in the discretion of the Board. The options will be issued for nil consideration and are non-transferable, except with the consent of Directors. However, at the time of accepting the offer to participants of the Plan, the eligible employee may nominate another person in whose favour the options should be granted. If permitted by the Board, options may be issued to an employee's nominee (for example, a spouse or family company).

Each option is to subscribe for one fully paid ordinary share in the Company and will expire five years from its date of issue. An option is exercisable at any time from its date of issue. Options will be granted free. The exercise price of options will be determined by the Board. The total number of shares the subject of options issued under the Plan, when aggregated with issues during the previous five years pursuant to the Plan and any other employee share plan, must not exceed 5% of the Company's issued share capital.

If, prior to the expiry date of options, a person ceases to be an employee of a Group company for any reason (other than termination with cause), the options held by that person (or that person's nominee) must be exercised within one month thereafter otherwise they will automatically lapse. The Plan may be terminated or suspended at any time.

Except with the consent of the Directors, options may not be transferred. The Company will not apply for official quotation of any options. Shares issued as a result of the exercise of options will rank equally with the Company's previously issued shares.

If there is a bonus share issue to the holders of shares, the number of shares over which an option is exercisable will be increased by the number of shares which the optionholder would have received if the option had been exercised before the record date for the bonus issue. The options or exercise price of the options will be adjusted if there is a pro-rata issue, bonus issue or any reconstruction in accordance with the Listing Rules. If there is a pro-rata issue (other than a bonus share issue) to the holders of shares, the exercise price of an option will be reduced to take account of the effect of the pro-rata issue. If there is a reorganisation of the issued capital of the Company, unexercised options will be reorganised in accordance with the Listing Rules.

Subject to obtaining required members' approval to authorise the granting of financial assistance to a participant the Directors can make loans to eligible employees in connection with shares to be issued upon exercise of options under the Plan.

The Board may amend the Plan Rules subject to the requirements of the Listing Rules.

Share-based Payment Granted as Compensation for the Current Financial Year

The Company did not grant any options as share-based payment compensation to Directors and Senior Management during the financial year. There were no options exercised during the year. The following options previously granted vested during the financial year.

Share-based payments as compensation to Directors and Senior Management

	Number Granted	Number Vested	Value of Options Granted at the Grant Date (Note 15)	Number of Options Exercised	Value of Options Exercised at the Exercise Date	Value of Options Lapsed at the Date of Lapse
2009			**$**		**$**	**$**
G Goodacre	-	250,000	-	-	-	-
P Buckley	-	500,000	-	-	-	-
R Richardson	-	100,000	-	-	-	-
W Corbett	-	125,000	-	-	-	-
G Jones	-	-	-	-	-	-
M Lilley	-	50,000	-	-	-	-

The value of options granted during the period is recognised in compensation over the vesting period of the grant, in accordance with Australian Accounting Standards.

For details on the valuation of the options, including models and assumptions used, please refer to Note 13.

There were no alterations to the terms and conditions of options granted as remuneration since their grant date. There were no forfeitures during the period.

Service Agreements

Remuneration and other terms of employment for the directors and executives are formalised in Service/Appointment agreements.

Glenn Goodacre

Glenn Goodacre is paid director's fees through Goro Investments Pty Limited (a company of which Mr Goodacre is a Director). In November 2007 the Company engaged Goodacre Trading Company Pty Ltd (Goodacre) (a company of which Mr Goodacre is a Director) through a consultancy agreement with no fixed term to provide consultancy services related to strategic, due diligence, business advice and assistance with the commercial and corporate development of the business at the rate of $220 per hour. The Company may terminate the Agreement by notice in writing to Mr Goodacre if it breaches the Agreement and fails to remedy such a breach with 14 days of receipt of the notice.

Peter Buckley

The Company engaged PlatSearch NL to provide the services of Mr Peter Buckley as Managing Director with no fixed term.

Mr Buckley is required to devote approximately 70% of his time (155 days per annum or 14 days per month) as Managing Director of the Company. The Company will reimburse PlatSearch monthly in arrears for the time spent by Mr Buckley at the rate of $100 per hour. One month's notice is required by either party to terminate the Agreement.

Wendy Corbett

Wendy Corbett is paid director's fees through DT Corbett Engineering Pty Ltd (a company of which Ms Corbett is a Director). In November 2007 the Company entered into an agreement with no fixed term with DT Corbett Engineering Pty Ltd (DT Corbett) to provide technical services relating to the targeting, exploration, interpretation and understanding of iron ore resources in Australia as well as maintenance of the existing exploration Tenements.

In consideration for its technical services, the Company will pay DT Corbett fees at the rate of $99 per hour. One month's notice is required by either party to terminate the Agreement.

Greg Jones

The Company engaged PlatSearch NL to provide the services of Mr Greg Jones as Non-Executive Director of Eastern Iron and to provide general geological and management services including exploration advice, resource estimation and scoping/mine studies. The Agreement has no fixed term. The Company will reimburse PlatSearch monthly in arrears for the time spent by Mr Jones at the rate of $160 per hour. One month's notice is required by either party to terminate the Agreement.

DIRECTORS' REPORT

Bob Richardson

The Company engaged PlatSearch NL commencing 1 January 2008 for one year to provide the services of Mr Bob Richardson as a technical consultant. The Company reimbursed PlatSearch monthly in arrears for the time spent by Mr Richardson at the rate of $165 per hour. Mr Richardson's Non-Executive Director's fees were paid to PlatSearch until 31 December 2008.

Bob Richardson's Director fees and consulting services were payable through GeoTangent Pty Ltd (a company of which Mr Richardson is a Director) commencing 1 January 2009. The Company agreed to pay GeoTangent a retainer of $1,050 per quarter to guarantee Bob's availability of services, additional services are charged at $187.50 per hour. The Agreement has no fixed term and one month's notice is required by either party to terminate the Agreement.

Michelle Lilley

Michelle Lilley, Company Secretary and Financial Controller, provides company secretarial services and accounting services through her company, Bluefish Consulting Pty Ltd, of which she is a Director. The Agreement has no fixed term.

In consideration for its services, the Company will pay Bluefish Consulting Pty Ltd fees at the rate of $93 per hour. One month's notice is required by either party to terminate the Agreement.

Meetings of Directors

The following table sets out the number of Directors' meetings (including meetings of committees of Directors) held during the financial year and the number of meetings attended by each director:

	Board of Directors		Corporate Governance Committee		Remuneration and Nomination Committee		Audit Committee	
Director	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**
G Goodacre	5	5	2	2	2	2	3	3
P Buckley	5	5	2	1	-	-	-	-
R Richardson	5	4	2	2	2	2	3	1
W Corbett	5	5	-	-	-	-	3	3
G Jones	1	1	-	-	-	-	-	-

Indemnification and Insurance of Directors and Officers

Indemnification

The Company has not, during or since the end of the financial period, in respect of any person who is or has been an officer of the Company or a related body corporate indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer, including costs and expenses in successfully defending legal proceedings.

Insurance Premiums

During the financial period the Company has paid premiums to insure each of the directors and officers against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director or officer of the Company, other than conduct involving a wilful breach of duty in relation to the Company.

The premiums paid are not disclosed as such disclosure is prohibited under the terms of the contract.

Proceedings

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the company for all or part of the proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

DIRECTORS' REPORT

Environmental Performance

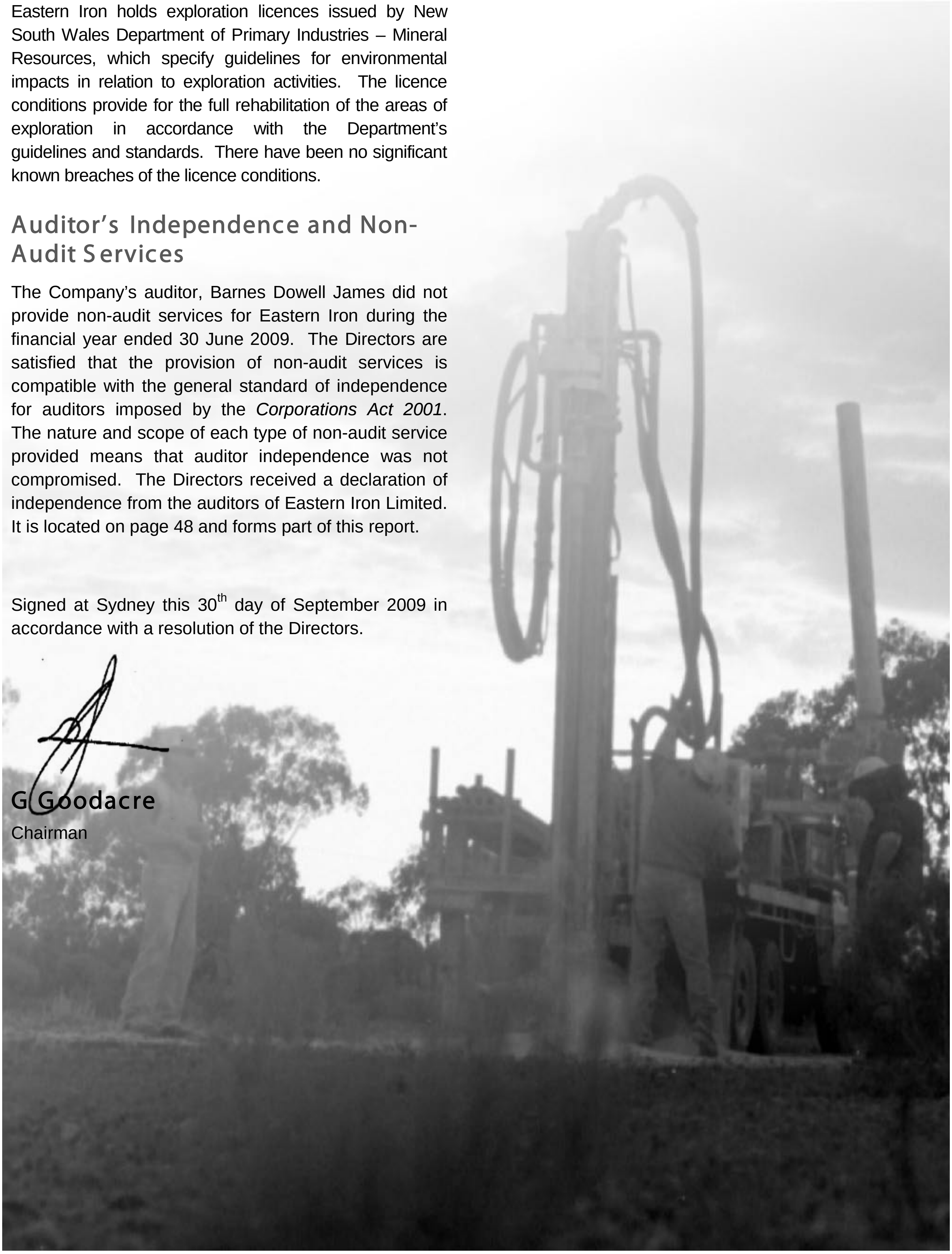
Eastern Iron holds exploration licences issued by New South Wales Department of Primary Industries – Mineral Resources, which specify guidelines for environmental impacts in relation to exploration activities. The licence conditions provide for the full rehabilitation of the areas of exploration in accordance with the Department's guidelines and standards. There have been no significant known breaches of the licence conditions.

Auditor's Independence and Non-Audit Services

The Company's auditor, Barnes Dowell James did not provide non-audit services for Eastern Iron during the financial year ended 30 June 2009. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised. The Directors received a declaration of independence from the auditors of Eastern Iron Limited. It is located on page 48 and forms part of this report.

Signed at Sydney this 30th day of September 2009 in accordance with a resolution of the Directors.

G Goodacre
Chairman



CORPORATE GOVERNANCE

The Board of Directors of Eastern Iron is responsible for the corporate governance of the Company and is committed to maintaining a high standard of governance.

The Board monitors the management, business and affairs of Eastern Iron on behalf of the shareholders by whom they are elected and to whom they are accountable. The Board draws on relevant best practice principles, particularly the ASX revised *Corporate Governance Principles and Recommendations (2nd edition)* issued by the ASX Corporate Governance Council (the Principles).

The Principles are reviewed on a periodic basis and Eastern Iron endeavours to adhere to the Principles, mindful that there may be some instances where compliance is not practicable for a company of its size and level of operations.

In many cases, the Company is achieving the standards required by the Principles. In a number of instances, the Company may not meet certain standards set out in the Principles. Where the Company does not meet the recommendations, the Board anticipates that, as the Company's operations grow, it will adjust its structure over time to satisfy the relevant Principles.

This statement addresses each of the eight ASX Corporate Governance Recommendations. Each Recommendation is set out and followed with an explanation of our corporate governance practices. The extent to which Eastern Iron has followed the recommendations is addressed and the Company has identified any Principles that have not been followed (and provided reasons for not doing so).

Principle 1: Lay solid foundations for management and oversight

The Company has established the functions reserved to the Board and those delegated to Senior Executives. A summary of the Board's role is stated below:

The role and responsibility of the Board

The Board Charter outlines the roles and responsibilities of the Board and, in conjunction with the Constitution, allows the Board to determine those matters to be delegated to its Committees and Senior Executives.

The Board's responsibilities include:

- Approval and review of corporate strategic direction and major operating plans;
- Approval of budgets. Monitoring the operational and financial positions and performance of the Company and other reporting;
- Appointment and removal of the CEO;
- Evaluating the performance of the CEO;
- Review and approve the Company's policy on risk oversight and management of material business risks;
- Monitoring the effectiveness of the risk management and internal control systems through oversight and management reports;
- Approving and monitoring major capital expenditure, acquisitions and divestitures above the authority level delegated to management;
- Determining dividend policy;
- Ensuring appropriate resources are available to Senior Executives;
- Appointment and removal of external auditor including terms of appointment and remuneration.

The Constitution and Board Charter is available on Company's website 'www.easterniron.com.au'.

Directors' appointment letter

A formal letter is provided to Directors upon appointment setting out the key terms and conditions of their appointment. The Company's appointment letter to Directors contains the elements suggested in Box 1.1 of the ASX principles.

Authority delegated to CEO/Managing Director

The CEO/Managing Director is responsible for the day to day management of the Company and its operations. Further details of responsibilities are set out in the Company's Board Charter.

Management performance evaluation

The Board, in conjunction with the Remuneration Committee, is responsible for approving the performance objectives and measures for the CEO/Managing Director. Performance evaluations are conducted annually against individual and Company performance objectives. Performance evaluations of management are conducted by the CEO/Managing Director. The management performance evaluations for the current financial year were conducted in June 2009 in accordance with Company's policy.

To ensure that management are able to participate fully and actively in management decision making and to be able to meet their performance objectives, management are provided with an induction package on appointment.

CORPORATE GOVERNANCE

Principle 2: Structure the Board to add value

The composition of the Board has been determined on the basis of providing the Company with an appropriate range of technical, administrative and financial skills, combined with an appropriate level of experience at a corporate management level. The Board comprises of one Executive and three Non-Executives. For details on the skills, experience and expertise of each Director, as well as the period of office held by each Director, please refer to page 10 of the Directors' Report.

Director independence

The Board regularly assesses the independence of each Director. Directors are considered to be independent if they are free of any business or other relationship that could materially interfere with or could reasonably be perceived to materially interfere with the independent exercise of their judgement.

The Board has applied the points set out in ASX Box 2.1 "Relationships affecting independent status" of the Principles in determining director independence. In the context of director independence, a relationship is considered "material" if the payment made to a director or related party is greater than 10 percent of the Company's expenses for that financial year.

In accordance with the definition of independence above, the following Director is considered to be independent:

Mr Glenn Goodacre (Non-Executive Chairman)

Mr Goodacre undertakes consultancy work for the Company, however, it is under the Company's materiality threshold of 10 percent and therefore, is not considered to affect his independence.

The remaining Directors of the Company are not considered to be independent due to their association with a substantial shareholder of the Company, PlatSearch NL. All Directors also undertake consultancy work for the Company. The Board has discussed the importance of independent directors and will continue to work towards increasing the number of independent directors on the Board. The Board considers that the skills and experience of the current non-independent Directors are essential in this current phase of operations, in light of the nature and size of the Company and its business interests. The Board is of the view that its members have a sufficiently broad mix of skills and that the Directors level of experience enables them to be aware of and capable of acting in an independent manner and in the best interests of shareholders.

All Directors, whether independent or not, are expected to bring an independent judgement to Board decisions. To facilitate this, each Director may obtain independent experts advice to enable them to fulfil their obligations at the expense of the Company after obtaining approval by the Chairman.

Independence and role of Chairman

The Board considers the Chairman, Mr Glenn Goodacre to be independent as per the guidelines of director independence stated in this principle.

The role of the Chairman is described in the Company's Board Charter which is available on the Company's website 'www.easterniron.com.au'. The role of the Chair and the CEO is not exercised by the same individual as recommended by the ASX Principles.

Board Remuneration and Nomination Committee

The Remuneration and Nomination Committee was established to make recommendations on selection, competencies and re-election of Directors as well as assisting the Board in the oversight of the Company's remuneration policies. Further details of the responsibilities of the Committee can be found on the Company's website 'www.easterniron.com.au'. The Remuneration and Nomination Committee consists of two members, their names and attendance at meetings are detailed on page 16 of the Directors Report.

Board performance review

The Board reviews its performance annually to ensure that individual Directors and the Board as a whole work efficiently and effectively in achieving their functions and duties. The Chairman meets annually with the Board to conduct a review of individual Directors and the Board as a whole. The Board's performance was reviewed against its responsibilities as stated in the Company's Board Charter in June 2009 in accordance with the Company's policy. On appointment a new director is given an induction pack to ensure that new directors gain an overall understanding of the Company and their role as a director.

Principle 3: Promote ethical and responsible decision-making

Code of ethics and conduct

The Company's Code of Ethics and Conduct promotes ethical and responsible decision making by Directors and employees. The Code requires high standards of honesty, integrity, fairness and equity in all dealings internally and externally. The Code of Ethics and Conduct is available on the Company's website 'www.easterniron.com.au'.

CORPORATE GOVERNANCE

Securities trading policy

The Company's Securities Trading Policy governs when Eastern Iron's Directors, employees and key consultants may deal in the Company's securities and the procedures that must be followed for such dealings.

Trading in the Company's securities is permitted only during trading windows, which are open for a period of up to five weeks commencing the day after the announcement of the half year financial results, full year financial results and the AGM, quarterly report or a major announcement leading, in the opinion of the Board, to an informed market.

All staff are required to seek approval before trading in the Company's shares during the trading window with the Chairman of the Board or the Executive Director.

The Company prohibits Directors, employees and key consultants from using derivatives or entering into transactions that operate, or are intended to operate, to limit the economic risk of security holdings over unvested Eastern Iron shares.

Directors, employees and key consultants are prohibited from buying or selling Company shares at any time if they are aware of price sensitive information that has not been made public.

Principle 4: Safeguard integrity in financial reporting

Audit Committee

The Audit Committee consists of two Non-Executive Directors. The current members of the Audit Committee are Ms Corbett (Chairperson) and Mr Goodacre. The Committee members are considered to have appropriate expertise and skills required for an Audit Committee.

Due to the small size of the Company and current stage of operations, the Company does not comply with the recommendation of having at least three members, chaired by an independent director and consisting of a majority of independent directors. Mr Goodacre is considered independent as described under Principle 1. Further details on the qualifications of the Directors are on page 10 and the number of meetings held and attendance of members are on page 16 of the Directors' Report.

The Audit Committee reviews the external auditor's term of engagement and audit plan, and assesses the independence of the external auditor. The Company is satisfied that the level of non-audit work carried out by the external auditor is compatible with maintaining audit independence.

The Audit Committee's Charter sets out its role, responsibilities, membership requirements, auditor selection and rotation and is available on the Company's website 'www.easterniron.com.au'.

Principle 5: Make timely and balanced disclosure

Continuous disclosure

The Company is committed to maintaining a level of disclosure that meets the highest standards and provides all investors with timely and equal access to information. The Company's Continuous Disclosure Policy is designed to ensure compliance with ASX Listing Rule requirements and has considered suggestions made in Box 5.1 of ASX Principle 5.

The Continuous Disclosure Policy is available on the Company's website 'www.easterniron.com.au'.

Principle 6: Respect the rights of shareholders

Shareholder communications policy

The Company strives to communicate effectively and transparently with shareholders and the community. The Company's Shareholder Communication Policy includes the following elements to ensure shareholders receive timely and equal access to balanced information:

- Material announcements released to the market are posted on the Company's website as soon as it is practical after it is released to the ASX;
- Information provided to analysts or media during briefings are released to ASX and then posted on the Company's website;
- The full text of Notice of Meetings, Explanatory Notes and the last three years of material ASX announcements and financial reports are posted on the Company's website.

Further information about the Shareholder Communication Policy is available on the Company's website 'www.easterniron.com.au'.

Annual General Meeting (AGM)

The Company's AGM is considered an important opportunity for communicating with shareholders and encouraging active shareholder participation. Shareholders are encouraged to attend the AGM and the Company's external Auditor will be available at the AGM to answer shareholder questions about the conduct of the audit, and the preparation and content of the Independent Audit Report.

CORPORATE GOVERNANCE

Principle 7: Recognise and manage risk

It is the Company's belief that an effective risk management system is integral to the Company's strategic objectives and maintaining shareholder value. The Company's Risk Management Policy reflects the Company's risk profile and tolerance levels.

Risk management roles and responsibilities

The Board is responsible for reviewing the Company's policies for the oversight and management of material business risks and satistying itself that management has developed and implemented a sound system of risk management and internal control.

Management is responsible for the design, implementation and development of risk management and internal control systems to manage material business risks. The Board reviews the effectiveness of the implementation of the risk management system annually.

The Board does not have a formal Risk Committee and issues normally covered by a Risk Committee are discussed at each Board meeting.

Managing Director and Financial Controller assurance

The Board receives reports about the financial condition and operational results of the Company from management.

The Managing Director and the Financial Controller annually provide formal statements to the Board, and have done so for the year ended 30 June 2009. The statements declare that the Company's financial reports give a true and fair view, in all material respects, of the Company's financial position and comply in all material respects with relevant accounting standards. The statement also provides that declarations made are provided in accordance with section 295A of the Corporations Act are founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

The Managing Director and the Financial Controller have reported to the Board in accordance with ASX Principle 7.2, that the risk management and internal control systems are operating effectively in relation to material business risks for the period.

A summary of the Risk Management Policy is available on the Company's website 'www.easterniron.com.au'.

Principle 8: Remunerate fairly and responsibly

Remuneration and Nomination Committee

The Board has a Remuneration and Nomination Committee. The Committee assists the Board by reviewing and recommending to the Board on the Company's remuneration policies and practices.

The Committee consists of two members and is chaired by an independent director. Due to the small size of the Company and current stage of operations, the Company does not comply with the recommendation of having at least three members and a majority of independent directors.

Details of the names and attendance of members at meetings are on page 16 of the Directors Report.

The summary of the Remuneration and Nomination Committee Charter is available on the Company's website 'www.easterniron.com.au'.

Remuneration of Directors and Executives

Non-Executive Directors are paid an annual fee and do not receive performance related payments or bonuses. Options have been issued to Non-Executive Directors in the period ended 30 June 2008 and are set out in the Directors' Report.

Executive remuneration packages are formulated to align executive reward with achievement of strategic objectives and the creation of value for shareholders.

The Company has an Employee Share Option Plan which is summarised in the Directors' Report. The Company believes that its measures of equity-based remuneration are appropriate and shareholder approval is not required for payment of equity-based executive remuneration.

There are no schemes for retirement benefits other than statutory superannuation. The Company prohibits the entering into transactions in products which limit the economic risk of participating in unvested entitlements under any equity-based remuneration schemes.

Further details on the remuneration of Directors and Executives are disclosed on pages 12 to 16 of the Directors' Report.

INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 $	2008 $
REVENUE	3	234,645	69,895
Annual report and other shareholder costs		10,117	-
ASX and ASIC fees		20,294	20,445
Audit fees		13,000	5,000
Contract administration services		170,689	156,395
Directors fees		82,471	8,790
Exploration expenditure expensed		145,313	-
Insurance		13,411	3,378
Rent		32,067	9,500
Other expenses from ordinary activities		49,364	37,587
		536,726	241,095
(LOSS) BEFORE INCOME TAX EXPENSE		302,081	171,200
INCOME TAX EXPENSE	4	-	-
(LOSS) AFTER INCOME TAX EXPENSE	12	302,081	171,200
NET (LOSS) ATTRIBUTABLE TO MEMBERS OF EASTERN IRON LIMITED		302,081	171,200
Basic loss per share (cents per share)	14	0.66	1.24
Diluted loss per share (cents per share)	14	0.66	1.24

BALANCE SHEET

AT 30 JUNE 2009

	Note	2009 $	2008 $
CURRENT ASSETS			
Cash assets	5	3,306,689	4,428,843
Receivables	6	45,109	93,102
TOTAL CURRENT ASSETS		3,351,798	4,521,945
NON-CURRENT ASSETS			
Tenement security deposits	7	120,000	100,000
Property, plant and equipment	8	25,975	21,308
Deferred exploration and evaluation expenditure	9	1,429,648	498,225
TOTAL NON-CURRENT ASSETS		1,575,623	619,533
TOTAL ASSETS		4,927,421	5,141,478
CURRENT LIABILITIES			
Payables	10	179,567	53,984
TOTAL CURRENT LIABILITIES		179,567	53,984
TOTAL LIABILITIES		179,567	53,984
NET ASSETS		4,747,854	5,087,494
EQUITY			
Contributed equity	11	5,106,570	5,146,937
Accumulated losses	12	(473,281)	(171,200)
Reserves	13	114,565	111,757
TOTAL EQUITY		4,747,854	5,087,494

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED TO 30 JUNE 2009

	Note	2009 $	2008 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payment to suppliers and employees		(322,213)	(263,575)
Interest received		263,181	29,503
NET CASH FLOWS (USED IN) OPERATING ACTIVITIES	24	(59,032)	(234,072)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of motor vehicle and fixed assets		(9,772)	(21,378)
Expenditure on mining interests (exploration)		(991,133)	(137,134)
Tenement security deposits		(20,000)	(100,000)
NET CASH FLOWS (USED IN) INVESTING ACTIVITIES		(1,020,905)	(258,512)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		-	5,200,090
Equity raising expenses		(42,217)	(278,663)
NET CASH FLOWS FROM FINANCING ACTIVITIES		(42,217)	4,921,427
Net increase/(decrease) in cash held		(1,122,154)	4,428,843
Add opening cash brought forward		4,428,843	-
CLOSING CASH CARRIED FORWARD	24	3,306,689	4,428,843

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED TO 30 JUNE 2009

	Attributable to the shareholders of Eastern Iron Limited			
	Issued Capital $	Accumulated Losses $	Reserves $	Total Equity $
AT 1 July 2007	-	-	-	-
Loss for the period	-	(171,200)	-	(171,200)
Cost of share based payments taken directly to Equity	-	-	111,757	111,757
Issue of share capital, net of transaction costs	5,146,937	-	-	5,146,937
AT 30 JUNE 2008	5,146,937	(171,200)	111,757	5,087,494
AT 1 July 2008	5,146,937	(171,200)	111,757	5,087,494
Loss for the period	-	(302,081)	-	(302,081)
Cost of share based payments taken directly to Equity	-	-	2,808	2,808
Issue of share capital, net of transaction costs	(40,367)	-	-	(40,367)
AT 30 JUNE 2009	5,106,570	(473,281)	114,565	4,747,854

NOTES TO AND FORMING PART OF THE ACCOUNTS

1. CORPORATE INFORMATION

The financial report of Eastern Iron Limited (the Company) for the year ended 30 June 2009 was authorised for issue in accordance with a resolution of the Directors on 30 September 2009.

Eastern Iron Limited is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange Ltd using the ASX code EFE.

The nature of the operations and principal activities of the Company are described in the Directors' Report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards. The financial report has been prepared on a historical cost basis. All amounts are presented in Australian dollars.

(b) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law. Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial statements and notes of the Company comply with International Financial Reporting Standards (IFRS).

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of Eastern Iron Limited (Eastern Iron or the "Company") and its subsidiaries if applicable ("the Group") as at 30 June each year. The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist. All inter-company balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Subsidiaries are fully consolidated from date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

(d) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

- Plant and equipment – 3 - 5 years
- Motor vehicle – 6 years

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. An item of plant and equipment is derecognised upon disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period the item is derecognised.

(e) Borrowing costs

Borrowing costs are recognised as an expense when incurred.

(f) Interest in jointly controlled operations – joint ventures

The Company has an interest in exploration joint ventures that are jointly controlled. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. A jointly controlled operation involves use of assets and other resources of the venturers rather than establishment of a separate entity. The Company recognises its interest in the jointly controlled operations by recognising the assets that it controls and the liabilities that it incurs. The Company also recognises the expenses that it incurs and its share of any income that it earns from the sale of goods or services by the jointly controlled operations.

(g) Recoverable amount of assets

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount. Recoverable amount is the greater of fair value less costs to sell and value in use.

(h) Investments

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment. After initial recognition, investments, which are classified as held-for-trading and available-for-sale, are measured at fair value. Gains or losses on investments held-for-trading are recognised in the income statement. Gains or losses on available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement. Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Company has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Other long-term investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost using the effective interest method.

Amortised cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity.

For investments carried at amortised cost, gains and losses are recognised in income when the investments are derecognised or impaired, as well as through the amortisation process. For investments that are actively traded in organised financial markets, fair value is determined by reference to Securities Exchange quoted market bid prices at the close of business on the balance sheet date. For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

Purchases and sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place are recognised on the trade date, being the date that the Company commits to purchase he asset.

(i) Exploration, evaluation, development and restoration costs

Exploration and evaluation

Exploration and evaluation expenditure incurred by or on behalf of the Company is accumulated separately for each area of interest. Such expenditure comprises net direct costs and an appropriate portion of related overhead expenditure, but does not include general overheads or administrative expenditure not having a specific connection with a particular area of interest.

Exploration and evaluation costs in relation to separate areas of interest for which rights of tenure are current are brought to account in the year in which they are incurred and carried forward provided that:

- such costs are expected to be recouped through successful development and exploitation of the area, or alternatively through its sale; or
- exploration and/or evaluation activities in the area have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

Once a development decision has been taken, all past and future exploration and evaluation expenditure in respect of the area of interest is aggregated within costs of development.

Exploration and evaluation – impairment

The Directors assess at each reporting date whether there is an indication that an asset has been impaired and for exploration and evaluation cost whether the above carry-forward criteria are met.

Accumulated costs in respect of areas of interest are written off or a provision made in the Income Statement when the above criteria do not apply or when the Directors assess that the carrying value may exceed the recoverable amount.

The costs of productive areas are amortised over the life of the area of interest to which such costs relate on the production output basis, provisions would be reviewed and if appropriate, written back.

Development

Development expenditure incurred by or on behalf of the Company is accumulated separately for each area of interest in which economically recoverable reserves have been identified to the satisfaction of the directors. Such expenditure comprises net direct costs and, in the same manner as for exploration and evaluation expenditure, an appropriate portion of related overhead expenditure having a specific connection with the development property.

All expenditure incurred prior to the commencement of commercial levels of production from each development property is carried forward to the extent to which recoupment out of revenue to be derived from the sale of production from the relevant development property, or from the sale of that property, is reasonably assured.

No amortisation is provided in respect of development properties until a decision has been made to commence mining. After this decision, the costs are amortised over the life of the area of interest to which such costs relate on a production output basis.

Restoration

Provisions for restoration costs are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Remaining mine life

In estimating the remaining life of the mine at each mine property for the purpose of amortisation and depreciation calculations, due regard is given not only to the volume of remaining economically recoverable reserves but also to limitations which could arise from the potential for changes in technology, demand, product substitution and other issues that are inherently difficult to estimate over a lengthy time frame.

(j) Mine property held for sale

Where the carrying amount of mine property and related assets will be recovered principally through a sale transaction rather than through continuing use, the assets are reclassified as Mine Property Held for Sale and carried at the lower of the assets' carrying amount and fair value less costs to sell – where such fair value can be reasonably determined, and otherwise at its carrying amount. Liabilities and provisions related to mine property held for sale are similarly reclassified as Liabilities – Mine Property Held for Sale and, Provisions – Mine Property Held for sale, as applicable, and carried at the value at which the liability or provisions expected to be settled.

(k) Trade and other receivables

Trade receivables, which generally have 7-30 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

(l) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of one year or less. For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of any outstanding bank overdrafts, if any.

(m) Trade and other payables and provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(n) Employee entitlements

Liabilities for wages and salaries are recognised and are measured as an amount unpaid at the reporting date at current pay rates in respect of an employee's services up to that date. Current employee contracts do not entitle them to annual leave and long service leave. A liability in respect of superannuation at the current superannuation guarantee rate has been accrued at the reporting date.

(o) Share-based payments

In addition to salaries, the Company provides benefits to certain employees (including Directors and Key Management personnel) of the Company in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ("equity-settled transactions"). There is currently an Employee Share Option Plan in place to provide these benefits.

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value of the options is determined by using the Black-Scholes option pricing model. In valuing transactions settled by way of issue of options, no account is taken of any vesting limits or hurdles, or the fact that the options are not transferable. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the vesting conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Company's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, at a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification. If an equity-settled award is cancelled, it is treated as if it had vested on the date of the cancellation, and any expense not yet recognised is recognised immediately. However, if a new award is substituted for the cancelled award and designated a replacement award on the date it is granted, the cancelled and the new award are treated as if there was a modification of the original award, as described in the previous paragraph. The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share except where such dilution would serve to reduce a loss per share.

(p) Leases

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as the lease income. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

NOTES TO AND FORMING PART OF THE ACCOUNTS

(q) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time of delivery of the goods to the customer.

Interest

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

Dividends

Revenue is recognised when the shareholders' right to receive the payment is established.

(r) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

NOTES TO AND FORMING PART OF THE ACCOUNTS

(s) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(t) Currency

Both the functional and presentation currency is Australian dollars (A$).

(u) Investment in controlled entities

The Company's investment in its controlled entities is accounted for under the equity method of accounting in the Company's financial statements.

(v) Impairment of assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(w) Significant accounting judgements, estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

NOTES TO AND FORMING PART OF THE ACCOUNTS

Share-based payment transactions

The Company measures the cost of cash-settled share-based payments at fair value at the grant date using the Black and Scholes formula taking into account the terms and conditions upon which the instruments were granted, as detailed in Notes 13 and 15.

Capitalisation and write-off of capitalised exploration costs

The determination of when to capitalise and write-off exploration expenditure requires the exercise of judgement based on various assumptions and other factors such as historical experience, current and expected economic conditions.

(x) Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(y) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the Company, adjusted to exclude any costs of servicing equity divided by the weighted average number of ordinary shares.

Diluted earnings per share is calculated as net profit attributable to members of the Company, adjusted for:

- costs of servicing equity;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

3. REVENUE FROM ORDINARY ACTIVITIES

	2009 $	2008 $
Interest received – other persons/corporation	233,463	69,895
Rental income	1,182	-
	234,645	69,895

4. INCOME TAX

	2009 $	2008 $
Prima facie income tax (credit) on operating (loss) at 30%	90,624	51,360
Future income tax benefit in respect of timing differences – not recognised	(90,624)	(51,360)
Income tax expense	-	-

No provision for income tax is considered necessary in respect of the Company for the year ended 30 June 2009.

The Company has a deferred income tax liability of $279,427 associated with exploration costs deferred for accounting purposes but expensed for tax purposes. This liability has been brought to account and offset by deferred tax assets attributed to available tax losses. No recognition has been given to any deferred income tax asset which may arise from available tax losses, except to the extent offset against deferred tax liabilities. The Company has estimated its losses at $1,287,907 as at 30 June 2009.

NOTES TO AND FORMING PART OF THE ACCOUNTS

A benefit of 30% of approximately $620,797 associated with the tax losses carried forward will only be obtained if:

- the Company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;
- the Company continues to comply with the conditions for deductibility imposed by the law; and
- no changes in tax legislation adversely affect the Company in realising the benefit from the deductions for the losses.

5. CASH AND CASH EQUIVALENTS

	2009 $	2008 $
Cash at bank	167,862	64,539
Money market securities – bank deposits	3,138,827	4,364,304
	3,306,689	4,428,843

Bank negotiable certificates of deposit, which are normally invested between 30 and 365 days were used during the period and are used as part of the cash management function.

6. RECEIVABLES – CURRENT

	2009 $	2008 $
Trade receivables	6,590	279
GST receivables	16,346	31,767
Interest receivable	10,674	40,392
Prepayments	11,230	11,210
Other receivables	269	9,454
	45,109	93,102

7. TENEMENT SECURITY DEPOSITS

	2009 $	2008 $
Cash at bank – bank deposits	120,000	-
Cash with government mines department	-	100,000
	120,000	100,000

These deposits are restricted so that they are available for any rehabilitation that may be required on exploration tenements (refer to Note 19). The bank deposits are interest bearing.

NOTES TO AND FORMING PART OF THE ACCOUNTS

8. PROPERTY, PLANT AND EQUIPMENT

	Motor Vehicle	Plant and Equipment	Total
Year ended 30 June 2008			
Opening net book amount	-	-	-
Additions	21,005	373	21,378
Disposals	-	-	-
Depreciation expense	-	(70)	(70)
Closing net book amount	21,005	303	21,308
At 30 June 2008			
Cost	21,005	373	21,378
Accumulated depreciation	-	(70)	(70)
Net book amount	21,005	303	21,308
Year ended 30 June 2009			
Opening net book amount	21,005	303	21,308
Additions	3,161	6,611	9,772
Disposals	-	-	-
Depreciation expense	(3,676)	(1,429)	(5,105)
Closing net book amount	20,490	5,485	25,975
At 30 June 2009			
Cost	24,166	6,984	31,150
Accumulated depreciation	(3,676)	(1,499)	(5,175)
Net book amount	20,490	5,485	25,975

9. DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	2009 $	2008 $
Costs brought forward	498,225	-
Costs incurred during the period	1,076,736	160,765
Mining tenements acquired (a)	-	337,460
Expenditure written off during period	(145,313)	-
Costs carried forward	1,429,648	498,225
Exploration expenditure costs carried forward are made up of:		
Expenditure on joint venture areas	1,418,506	498,225
Expenditure on non joint venture areas	11,142	-
Costs carried forward	1,429,648	498,225

The above amounts represent costs of areas of interest carried forward as an asset in accordance with the accounting policy set out in Note 2. The ultimate recoupment of deferred exploration and evaluation expenditure in respect of an area of interest carried forward is dependent upon the discovery of commercially viable reserves and the successful development and exploitation of the respective areas or alternatively sale of the underlying areas of interest for at least

NOTES TO AND FORMING PART OF THE ACCOUNTS

their carrying value. Amortisation, in respect of the relevant area of interest, is not charged until a mining operation has commenced.

	2009 $	2008 $
(a) Mining tenements acquired	337,460	337,460

The amount of $337,460 is included in the 2009 opening costs brought forward of $498,225. This amount represents a Sale and Joint Venture agreement with PlatSearch NL entered into on 30 January 2008 for the purchase by the Company of an 80% interest in 15 tenements in exchange for 11,000,000 shares in the Company at $0.03 per share ($330,000) and 5,000,000 options at $0.001 per option ($5,000) with an exercise price of 35 cents (refer to Note 11). Additionally, $2,460 was spent on registering the tenements.

10. CURRENT LIABILITIES – PAYABLES

	2009 $	2008 $
Trade creditors	133,731	18,861
Accrued expenses	45,236	35,123
GST payable	600	-
	179,567	53,984

11. CONTRIBUTED EQUITY

		2009 $	2008 $
Share capital			
46,000,000 fully paid ordinary shares (2008: 46,000,000)	(a)	5,530,090	5,530,090
Fully paid ordinary shares carry one vote per share and carry the right to dividends.			
Option Issue			
5,000,000 (2008: 5,000,000)	(b)	5,000	5,000
Share issue costs	(c)	(428,520)	(388,153)
		5,106,570	5,146,937

		Number	$
(a) Movements in ordinary shares on issue			
At 1 July 2007		-	-
Shares issued	(i)	10,000,000	200,090
Shares issued under IPO	(ii)	25,000,000	5,000,000
Shares issued for purchase of tenements	(iii)	11,000,000	330,000
At 30 June 2008		46,000,000	5,530,090
Shares issued		-	-
At 30 June 2009		46,000,000	5,530,090

(i) The Company issued 500 shares at $0.20 cents in July 2007 and 9,999,500 shares at $0.02 cents in December 2007 for Cash.

(ii) The Company issued 25,000,000 shares at $0.20 cents in an IPO in May 2008 for cash.

(iii) The Company issued 11,000,000 shares at $0.03 cents as consideration for the acquisition of 80% of 15 tenements (refer to Note 9) in January 2008.

		Number	$
(b) Movements in options on issue			
At 1 July 2007		-	-
Options issued for purchase of tenements	(i)	5,000,000	5,000
Options issued	(ii)	4,270,000	-
At 30 June 2008		9,270,000	5,000
Bonus options issued	(iii)	23,000,011	-
At 30 June 2009		32,270,011	5,000

(i) The Company issued 5,000,000 options at $0.001 cent as consideration for the acquisition of 80% of 15 tenements. The options were issued with an exercise price of $0.35 cents and expiry date of 19 December 2012.

(ii) During the financial year ended 30 June 2008 the Company issued 4,270,000 options with an exercise price of $0.25 cents and expiry date of 19 December 2010.

(iii) In December 2008, the Company issued to shareholders, one bonus option for every two shares held on the record date of 28 November 2008. The Company issued a total of 23,000,011 options with an exercise price of $0.12 cents and expiry date of 19 December 2010. These options are listed on the Australian Securities Exchange Ltd.

Terms and conditions of contributed equity

Ordinary Shares

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

Options

Options do not carrying voting rights or rights to dividend until options are exercised.

12. ACCUMULATED LOSSES

	2009 $	2008 $
Balance at the beginning of period	171,200	-
Operating loss after income tax expense	302,081	171,200
Balance at the end of period	473,281	171,200

NOTES TO AND FORMING PART OF THE ACCOUNTS

13. RESERVES

	2009 $	2008 $
Share-based compensation reserve	114,565	111,757

The share-based compensation reserve represents a valuation of options issued during the year ended 30 June 2009. The cost of these equity-settled transactions is measured by reference to the fair value at the date at which they are granted determined by using the Black and Scholes options valuation methodology model with the below assumptions.

Issue Date	Number of Options Issued	Exercise Price	Expiry Date	Expected Volatility	Risk-free Rate	Expected Life	Estimated Fair Value	Total $ Vested 2008	Total $ Vested 2009	
Dec 07	320,000	0.25	19 Dec 10	120%	6.51%	3 years	0.0025	533	800	(a)
Feb 08	2,150,000	0.25	19 Dec 10	120%	6.51%	3 years	0.0025	3,584	6,125	(b)
Apr 08	1,800,000	0.25	19 Dec 10	105.56%	6.395%	3 years	0.0598	107,640	107,640	(c)
	4,270,000							111,757	114,565	

(a) Issued to consultants of the company and expensed in the income statement. 50% of the options vested on 30 June 2008 with the remaining 50% vested on 30 June 2009.

(b) Issued to Directors and approved by shareholders at the General Meeting held on 13 February 2008. Expensed in the income statement. 50% of the options vested on 30 June 2008 with the remaining 50% vested on 30 June 2009.

(c) The total value of $107,640 was options issued to a broker and consultant in relation to capital raising, which has been included in share issue costs within contributed equity on the balance sheet. All options have vested.

No options have been exercised during the financial year.

The Company has established the Eastern Iron Employee Share Option Plan (“Plan”) to assist in the attraction, retention and motivation of employees of the Company and its related bodies corporate (“Group”). No options have been granted under the Plan as at the date of this report.

14. EARNINGS PER SHARE

		2009	2008
Basic earnings (loss) per share	cents	(0.66)	(1.24)
Diluted earnings (loss) per share	cents	(0.66)	(1.24)
Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	No	46,000,000	13,776,918
Earnings (loss) used in calculating basic and diluted EPS	$	(302,081)	(171,200)

15. RELATED PARTY DISCLOSURES

The names and positions held of entity key management personnel in office at any time during the financial year are:

Key management personnel	Position
Mr Glenn Goodacre (appointed November 2007)	Chairman, Non-Executive Director
Mr Peter Buckley (appointed July 2007)	Managing Director
Ms Wendy Corbett (appointed November 2007)	Non-Executive Director
Mr Bob Richardson (appointed July 2007, resigned 15 August 2009)	Non-Executive Director
Mr Greg Jones (appointed April 2009)	Non-Executive Director
Ms Michelle Lilley (appointed November 2007)	Company Secretary and Financial Controller

Key management personnel compensation policy

The objective of the Company's remuneration framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders. The Board believes that executive remuneration satisfies the following key criteria:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency
- capital management

These criteria result in a framework which can be used to provide a mix of fixed and variable remuneration, and a blend of short and long-term incentives in line with the Company's limited financial resources.

Board and Senior Management

Fees and payments to the Non-Executive Directors and Senior Executives reflect the demands which are made on, and the responsibilities of, the Directors and the Senior Management. Such fees and payments are reviewed annually by the Board. The Executive and Non-Executive Directors, Senior Executives and Officers are entitled to receive options under the Company's Employee Share Option Scheme.

Key management personnel compensation

The aggregate compensation made to key management personnel of the Company is set out below:

	2009	2008
Short-term employee benefits	382,028	289,124
Post-employment benefits	6,810	-
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	-	21,690
	388,838	310,814

NOTES TO AND FORMING PART OF THE ACCOUNTS

The compensation of each member of the key management personnel of the Company for the current year is set out below:

Director and Senior Management remuneration 2009

2009	Cash salary and fees $	Super-annuation $	Options $	Total $	% value of remuneration that consists of options %
Directors					
G Goodacre	50,183	2,477	-	52,660	-
P Buckley (a)	159,770	-	-	159,770	-
W Corbett	64,390	1,982	-	66,372	-
R Richardson (b)	48,828	1,982	-	50,810	-
G Jones (c)	5,382	369	-	5,751	-
	328,553	6,810	-	335,363	
Other key management personnel					
M Lilley	53,475	-	-	53,475	-
	53,475	-	-	53,475	

(a) The Company engaged PlatSearch NL (PlatSearch) to provide the services of Peter Buckley, the Company's Managing Director. Peter Buckley is a full time employee of PlatSearch and fees totalling $159,770 were paid to PlatSearch. PlatSearch is a 46% shareholder in Eastern Iron.

(b) Resigned 15 August 2009. The Company engaged PlatSearch to provide the technical services of Bob Richardson and Directors fees until 31 December 2008. Fees totalling $31,169 were paid to PlatSearch. PlatSearch is a 46% shareholder in Eastern Iron.

(c) Appointed 24 April 2009. The Company engaged PlatSearch to provide the services of Greg Jones. Fees totalling $5,382 were paid to PlatSearch. PlatSearch is a 46% shareholder in Eastern Iron.

The compensation of each member of the key management personnel of the Company for the prior year is set out below:

Director and Senior Management remuneration 2008

2008	Cash salary and fees $	Super-annuation $	Options $	Total $	% value of remuneration that consists of options %
Directors					
G Goodacre	47,500	-	833	48,333	1.7
P Buckley (a)	79,400	-	1,667	81,067	2.1
W Corbett	32,808	-	417	33,225	1.3
R Richardson (b)	38,074	-	333	38,407	0.9
R Waring (c)	72,047	-	18,273	90,320	20.2
	269,829	-	21,523	291,352	
Other key management personnel					
M Lilley	19,295	-	167	19,462	0.9
	19,295	-	167	19,462	

NOTES TO AND FORMING PART OF THE ACCOUNTS

(a) The Company engaged PlatSearch NL (PlatSearch) to provide the services of Peter Buckley, the Company's Managing Director. Peter Buckley is a full time employee of PlatSearch and fees totalling $79,400 were paid to PlatSearch. PlatSearch is a 46% shareholder in Eastern Iron.

(b) Resigned 15 August 2009. The Company engaged PlatSearch NL (PlatSearch) to provide the technical services of Bob Richardson and Directors fees. Fees totalling $38,074 where paid to PlatSearch. PlatSearch is a 46% shareholder in Eastern Iron.

(c) Resigned 13 November 2007.

Key management personnel equity holdings

Fully paid ordinary shares of Eastern Iron Limited

	Balance at 1 July Number	Granted as compensation Number	Received on exercise of options Number	Net other change Number	Balance at 30 June Number	Balance held nominally Number
2009						
G Goodacre	320,000	-	-	-	320,000	-
P Buckley	100,000	-	-	-	100,000	-
W Corbett	50,000	-	-	-	50,000	-
R Richardson	275,000	-	-	-	275,000	-
G Jones	-	-	-	-	-	-
M Lilley	-	-	-	-	-	-
2008						
G Goodacre	-	-	-	320,000	320,000	-
P Buckley	-	-	-	100,000	100,000	-
W Corbett	-	-	-	50,000	50,000	-
R Richardson	-	-	-	275,000	275,000	-
R Waring	-	-	-	100,000	100,000	-
M Lilley	-	-	-	-	-	-

NOTES TO AND FORMING PART OF THE ACCOUNTS

Share options of Eastern Iron Limited

	Balance at 1 July Number	Granted as compen-sation Number	Exercised Number	Net other change Number	Balance at 30 June Number	Balance vested at 30 June Number	Vested but not exercis-able Number	Vested and exercis-able Number	Options vested during year Number
2009									
G Goodacre	500,000	-	-	-	500,000	500,000	-	500,000	250,000
P Buckley	1,000,000	-	-	-	1,000,000	1,000,000	-	1,000,000	500,000
W Corbett	250,000	-	-	-	250,000	250,000	-	250,000	125,000
R Richardson	200,000	-	-	-	200,000	200,000	-	200,000	100,000
G Jones	-	-	-	-	-	-	-	-	-
M Lilley	100,000	-	-	-	100,000	100,000	-	100,000	50,000
2008									
G Goodacre	-	500,000	-	-	500,000	250,000	-	250,000	250,000
P Buckley	-	1,000,000	-	-	1,000,000	500,000	-	500,000	500,000
W Corbett	-	250,000	-	-	250,000	125,000	-	125,000	125,000
R Richardson	-	200,000	-	-	200,000	100,000	-	100,000	100,000
R Waring	-	500,000	-	-	500,000	400,000	-	400,000	400,000
M Lilley	-	100,000	-	-	100,000	50,000	-	50,000	50,000

Transactions with key management personnel

Glenn Goodacre

Glenn Goodacre is a Director of Goodacre Trading Company Pty Ltd, which was paid fees totalling $22,660 for consultancy services related to strategic, due diligence and business advice and assistance with the commercial and corporate development of the business. The contract is based on normal commercial terms and conditions.

Wendy Corbett

Wendy Corbett is a Director of DT Corbett Engineering Pty Ltd, which was paid fees totalling $42,372 for technical services relating to the targeting, exploration, interpretation and understanding of iron ore resources in Australia as well as maintenance of the existing exploration Tenements. The contract is based on normal commercial terms and conditions.

Bob Richardson

Bob Richardson is a Director of GeoTangent Pty Ltd, which was paid fees totalling $6,650 as a technical consultant since 1 January 2009. The contract is based on normal commercial terms and conditions.

Michelle Lilley

Michelle Lilley is a Director of Bluefish Consulting Pty Ltd, which was paid fees totalling $53,475 for company secretarial services and accounting services. The contract is based on normal commercial terms and conditions.

Transactions with other related parties

PlatSearch NL

PlatSearch NL (PlatSearch) is a 46% shareholder of Eastern Iron. The Company engaged PlatSearch to provide the services of Mr Peter Buckley as Managing Director, with payments as at 30 June 2009 totalling $159,770.

The Company engaged PlatSearch for the period until 31 December 2008 to provide the services of Mr Bob Richardson as a technical consultant, with payments as at 30 June 2009 totalling $17,160. Mr Richardson also acts as a Non-Executive Director of the Company and his Director fees of $15,000 were paid to PlatSearch until 31 December 2008.

NOTES TO AND FORMING PART OF THE ACCOUNTS

The Company engaged PlatSearch to provide the technical services of Mr Greg Jones with payments for the year ended 30 June 2009 totalling $1,280. Mr Jones also acts as a Non-Executive Director (appointed 24 April 09) of the Company and his Director fees of $4,102 were paid to PlatSearch.

The Company has paid PlatSearch rent of $14,500 and reimbursed office costs totalling $15,500 for the year ended 30 June 2009. The contract with PlatSearch is based on normal commercial terms and conditions.

16. AUDITORS' REMUNERATION

	2009 $	2008 $
Total amounts receivable by the current auditors of the Company for:		
Audit of the Company's accounts	13,000	5,000
Other services – Independent Accountant's Report for IPO Prospectus	-	5,000
	13,000	10,000

17. JOINT VENTURES

The Company is a party to two joint venture agreements to explore for iron ore. Under the terms of the agreements the Company will be required to contribute towards the exploration and other costs if it wishes to maintain or increase its percentage holdings. The joint ventures are not separate legal entities. There are contractual arrangements between the participants for sharing costs and future revenues in the event of exploration success. There are no assets and liabilities attributable to the Company at the balance date resulting from these joint ventures, other than exploration expenditure costs carried forward as detailed as in Note 9.

Percentage equity interests in joint ventures at 30 June 2009 were as follows:

	Percentage Interest 2009	Percentage Interest 2008
New South Wales		
Cobar and Main Line Project Tenements		
15 Exploration Licences	80%	80%
Hutch – earning 85%	0%	0%

18. FINANCIAL REPORT BY SEGMENT

The Company operates predominantly in the one business and in one geographical area, namely Australian mineral exploration and evaluation.

19. CONTINGENT LIABILITIES

The Company has provided guarantees totalling $120,000 in respect of exploration tenements. These guarantees in respect of mining tenements are secured against deposits with the relative State Department of Mines. The Company does not expect to incur any material liability in respect of the guarantees.

20. EMPLOYEE ENTITLEMENTS

An Employee Share Option Plan has been established where selected officers and employees of the Company can be issued with options over ordinary shares in Eastern Iron Limited. The options, issued for nil consideration, will be issued in accordance with a performance review by the Directors. The options cannot be transferred and will not be quoted on the ASX. The Company has not yet made an issue under the Plan.

NOTES TO AND FORMING PART OF THE ACCOUNTS

21. FINANCIAL INSTRUMENTS

The Board as a whole is responsible for reviewing the Company's policies on risk oversight and management and satisfying itself that Senior Management have developed and implemented a sound system of risk management and internal control. The Company's risk management policy has been designed to identify, assess, monitor and manage material business risks to ensure effective management of risk. These policies are reviewed regularly to reflect material changes in market conditions and the Company's risk profile.

The main risks identified in the Company's financial instruments are capital risk, credit risk, liquidity risk, interest rate risk and commodity price risk. Summarised below is information about the Company's exposure to each of these risk, their objectives, policies and processes for measuring and managing risk, the management of capital and financial instruments.

(a) Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern. The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the Company. In order to achieve this objective, the Company seeks to maintain a sufficient funding base to enable the Company to meet its working capital and strategic investment needs.

The Board ensures costs are not incurred in excess of available funds and will seek to raise additional funding through the issue of shares for the continuation of the Company's operations when required.

The Company considers its capital to comprise of its ordinary share capital, option reserve and accumulated losses. There were no changes in the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements.

(b) Financial risk management objectives

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

The Board has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function. The Company's risk management policies and objectives are designed to minimise the potential impacts of these risks on the results of the Company where such impacts may be material. The Board receives regular reports from the Financial Controller through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. These risks include credit risk, liquidity risk, interest rate risk and commodity price risk. The Company does not use derivative financial instruments to hedge these risk exposures.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these risks are set out below.

(c) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company.

The Company mitigates credit risk on cash and cash equivalents by dealing with banks that have high credit-ratings assigned by Standard and Poors. There are two counterparties for Cash and Cash equivalents which are Commonwealth Bank and Bank of Western Australia Limited. Credit risk of receivables is low as it consists predominantly of GST recoverable from the Australian Taxation Office and interest receivable from deposits held with regulated banks.

NOTES TO AND FORMING PART OF THE ACCOUNTS

The maximum exposure to credit risk at balance date is as follows:

	2009 $	2008 $
Cash and cash equivalents	3,306,689	4,428,843
Receivables	45,109	93,102
Deposits with Government Departments	120,000	100,000
	3,471,798	4,621,945

(d) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligation as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due.

Ultimate responsibility for liquidity risk rests with the Board of Directors, who have built an appropriate risk management framework for the management of the Company's short, medium and long-term funding and liquidity requirements. The Company manages liquidity by maintaining adequate cash reserves by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following table details the Company's contractual maturities of financial liabilities:

Financial Liabilities	Carrying amount $	< 12 months $	1-3 years $	>3 years $
2009				
Payables	179,567	179,567	-	-
	179,567	179,567	-	-
2008				
Payables	53,984	53,984	-	-
	53,984	53,984	-	-

The following table details the Company's expected maturity for financial assets:

Financial Assets	Carrying amount $	< 12 months $	1-3 years $	>3 years $
2009				
Cash at bank and term deposits	3,306,689	3,306,689	-	-
Receivables	45,109	45,109	-	-
Deposits with banks and Government Departments	120,000	-	-	120,000
	3,471,798	3,351,798	-	120,000
2008				
Cash at bank and term deposits	4,428,843	4,428,843	-	-
Receivables	93,102	93,102	-	-
Deposits with Government Departments	100,000	-	-	100,000
	4,621,945	4,521,945	-	100,000

NOTES TO AND FORMING PART OF THE ACCOUNTS

(e) Interest rate risk

The Company's exposure to the risks of changes in market interest rates relates primarily to the Company's cash holdings and short term deposits. These financial assets with variable rates expose the Company to cash flow interest rate risk. All other financial assets and liabilities in the form of receivables and payables are non-interest bearing. The Company does not engage in any hedging or derivative transactions to manage interest rate risk.

At balance date, the Company was exposed to floating weighted average interest rates as follows:

	2009	2008
Weighted average rate of cash balances	0.48%	1.47%
Cash balances	$167,862	$64,539
Weighted average rate of term deposits	3.71%	8.00%
Term deposits	$3,138,827	$4,364,304

The Company invests surplus cash in interest-bearing term deposits with financial institutions and in doing so it exposes itself to the fluctuations in interest rates that are inherent in such a market. Term deposits are normally invested between 30 to 365 days and other cash at bank balances are at call.

The Company's exposure to interest rate risk is set out in the table below:

	Carrying amount	+1.0% of AUD IR		-1.0% of AUD IR	
Sensitivity analysis	**$**	**Profit $**	**Other equity $**	**Profit $**	**Other equity $**
2009					
Cash and cash equivalents	3,306,689	33,067	-	(33,067)	-
Tax charge of 30%	-	(9,920)	-	9,920	-
After tax profit increase/(decrease)	3,306,689	23,147	-	(23,147)	-
2008					
Cash and cash equivalents	4,428,843	44,288	-	(44,288)	-
Tax charge of 30%	-	(13,286)	-	13,286	-
After tax profit increase/(decrease)	4,428,843	31,002	-	(31,002)	-

The above analysis assumes all other variables remain constant.

(f) Commodity price risk

The Company is exposed to commodity price risk. This risk arises from its activities directed at exploration and development of mineral commodities. If commodity prices fall, the market for companies exploring for these commodities is affected. The Company does not hedge its exposures.

(g) Net fair value of financial assets and liabilities

The carrying amount of financial assets and liabilities of the Company approximate their net fair values, given the short time frames to maturity and or variable interest rates.

NOTES TO AND FORMING PART OF THE ACCOUNTS

22. COMMITMENTS

Exploration licence expenditure requirements

In order to maintain the Company's tenements in good standing with the various mines departments, the Company will be required to incur exploration expenditure under the terms of each licence. The Company has commitments to expend funds towards earning or retaining an interest under its joint venture agreement with PlatSearch NL and Drysdale Resources Pty Ltd.

	2009 $	2008 $
Payable not later than one year	1,038,464	1,264,325
Payable later than one year but not later than two years	596,000	357,583
	1,634,464	1,621,908

It is likely that the granting of new licences and changes in licence areas at renewal or expiry will change the expenditure commitment to the Company from time to time.

23. SUBSEQUENT EVENTS

There have been no material events subsequent to 30 June 2009.

24. STATEMENT OF CASH FLOWS

		2009 $	2008 $
Reconciliation of net cash outflow from operating activities to operating loss after income tax			
(a)	Operating (loss) after income tax	(302,081)	(171,200)
	Depreciation	5,106	70
	Share based payments	2,808	4,117
	Non cash exploration capitalised	145,313	(26,091)
	Non cash share issue costs	-	(1,850)
	Change in assets and liabilities:		
	(Increase)/decrease in receivables	47,993	(93,102)
	(Decrease)/increase in trade and other creditors	41,829	53,984
	Net cash outflow from operating activities	(59,032)	(234,072)

(b) For the purpose of the Statement of Cash Flows, cash includes cash on hand, at bank, deposits and bank bills used as part of the cash management function. The Company does not have any unused credit facilities.

	2009	2008
The balance at 30 June 2009 comprised:		
Cash assets	167,862	64,539
Bank deposits (Note 5)	3,138,827	4,364,304
Cash on hand	3,306,689	4,428,843

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Eastern Iron Limited, I state that:

(1) In the opinion of the Directors:

(a) financial statements and notes of the Company are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Company's financial position as at 30 June 2009 and of its performance for the year ended on that date; and

(ii) complying with Accounting Standards and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

(2) This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2009.

On behalf of the Board

G Goodacre

Chairman

Sydney, 30 September 2009

AUDITOR'S INDEPENDENCE DECLARATION

BARNES DOWELL JAMES

CHARTERED ACCOUNTANTS

Partners
C H Barnes FCA
A J Dowell CA
M W James CA
B Kolevski (Affiliate ICAA)
M Galouzis CA

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(02) 9956 8500
Facsimile
(02) 9929 7428
Email:
bdj@bdj.com.au

AJD:KG

15 September, 2009

The Directors
Eastern Iron Limited
PO Box 956
CROWS NEST NSW 1585

Dear Board of Directors,

EASTERN IRON LIMITED

We declare that to the best of our knowledge and belief, during the year ended 30 June 2009, there have been:

i. No contraventions of auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit, and

ii. No contraventions of any applicable code of professional conduct in relation to the audit.

Kind regards,
BARNES DOWELL JAMES

....
Anthony Dowell
Partner

INDEPENDENT AUDITOR'S REPORT

BARNES DOWELL JAMES

CHARTERED ACCOUNTANTS

Partners
C H Barnes FCA
A J Dowell CA
M W James CA
B Kolevski (Affiliate ICAA)
M Galouzis CA

Associate
M A Nakkan CA

North Sydney
Level 13, 122 Arthur St
North Sydney NSW 2060

Manly
Level 5, 22 Central Ave
Manly National Building
Manly NSW 2095

Correspondence
PO Box 1664
North Sydney NSW 2059

Telephone
(02) 9956 8500
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(02) 9929 7428
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bdj@bdj.com.au

Independent Auditor's Report to the Members

Scope

We have audited the accompanying Financial Report of Eastern Iron Limited ("the Company"), including the Financial Statements of the Company, comprising the Balance Sheet as at 30 June 2009, and the Income Statement, Statement of Changes in Equity and Cash Flow statement for the period then ended, a Summary of Significant Accounting Policies, other explanatory Notes and the Directors' Declaration.

Directors' Responsibility for the Financial Report

The Directors of the Company are responsible for the preparation and fair presentation of the Financial Report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations), International Financial Reporting Standards, and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the Financial Report that is free of material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the Financial Report to the Members of the Company based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the Financial Report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Financial Report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Financial Report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the Financial Report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

BARNES DOWELL JAMES

CHARTERED ACCOUNTANTS

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm the independence declaration required by the Corporations Act 2001 previously provided to the Directors of the Company would be in the same terms if provided as at the date of this Auditor's report.

Auditor's Opinion

In our opinion, the Financial Report of the Company is in accordance with the Corporations Act 2001, including;

a. 1. Giving a true and fair view of the Company's financial position as at 30 June 2009 and of their financial performance for the year then ended; and

2. Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

b. The Financial Report complies with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in the Directors Report for the year. The Directors are responsible for the preparation and presentation of the Remuneration Report in accordance with the Australian Auditing Standards. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards as described above.

Auditor's Opinion

In our opinion the Remuneration Report of Eastern Iron Limited for the year ended 30 June 2009, complies with S300 A of the Corporations Act 2001.

BARNES DOWELL JAMES
Chartered Accountants

....
Anthony J Dowell
Partner
30 September 2009

SHAREHOLDER INFORMATION

Information relating to shareholders at 24 September 2009 (per ASX Listing Rule 4.10)

Ordinary shares

There were a total of 46,000,000 fully paid ordinary share on issue of shich 26,000,450 are quoted. The Company has 19,999,550 unquoted ordinary shares held by 2 shareholders under escrow until 16 May 2010.

Options

There were a total of 32,270,011 options on issue of which 23,000,011 were quoted and 9,270,000 unquoted. The Company has 9,150,000 options held by 9 holders under escrow until 16 May 2010.

Substantial Shareholders	Shareholding
PlatSearch NL – 15,499,550 ordinary shares escrowed	16,000,000
Bluestone 23 Limited – 4,500,000 ordinary shares escrowed	5,000,000

Top 20 Shareholders of Ordinary Shares as at 24 September 2009	Number	%
Mr Malcolm James Hill	1,722,000	6.62
Warman Investments Pty Ltd	1,000,000	3.85
Budberth Pty Ltd <Ipseity S/F A/C>	750,000	2.89
Mrs Annette Mizon <The Bobbin Super Fund A/C>	510,000	1.96
PlatSearch NL	500,450	1.93
Bluestone 23 Limited	500,000	1.92
Mr Chris Carr and Mrs Betsy Carr	500,000	1.92
Hart Financial Services Pty Ltd <Hart Super Fund A/C>	350,000	1.35
Kimbriki Nominees Pty Ltd <Kimbriki Hamilton S/F A/C>	300,000	1.15
Magnetic Mix Concrete Pty Ltd	300,000	1.15
Mr Michael Joseph McCauley	290,000	1.12
Nefco Nominees Pty Ltd	279,950	1.08
Mr Robert Lewis Richardson & Ms Susanne Brint	275,000	1.06
Mr Bruce Baker <Taylored Software S/F A/C>	250,000	0.96
Mr Maurice William Buckley	250,000	0.96
Ms Nadine May Buckley	250,000	0.96
Sal-Corporation Asia Pacific Pty Ltd	250,000	0.96
Mr John Gillis Broinowski	250,000	0.96
Accord MBO Pty Ltd <MBO Super Fund A/C>	250,000	0.96
Mr George Palermo	245,000	0.94
Total of top 20 holdings	**9,022,400**	**34.70**
Other holdings	16,978,050	65.30
Total fully paid shares issued	**26,000,450**	**100.00**

Distribution of Shareholders and Optionholders				
Range	No of Shareholders	Ordinary Shares	No of Optionholders	Options
1 – 1,000	20	15,285	45	31,102
1,001 – 5,000	80	235,347	209	826,837
5,001 – 10,000	160	1,481,591	99	820,634
10,001 – 100,000	312	11,895,564	219	6,295,463
100,001 – and over	41	32,372,213	21	15,025,975
	613	**46,000,000**	**593**	**23,000,011**

SHAREHOLDER INFORMATION

Top 20 Holders of $0.12 Options expiring 19 December 2010 as at 24 September 2009	Number	%
PlatSearch NL	8,000,000	34.78
Bluestone 23 Limited	2,500,000	10.87
Mr Malcolm James Hill	861,000	3.74
Warman Investments Pty Ltd	500,000	2.17
Mr Kevin Arthur Thomas and Mrs Barbara Thomas <The KBT Super Fund>	482,500	2.10
Budberth Pty Ltd <Ipseity S/F A/C>	375,000	1.63
Mrs Annette Mizon <The Bobbin Super Fund A/C>	255,000	1.11
Mr Chris Carr and Mrs Betsy Carr	250,000	1.09
Mr Carlo Chiodo	185,000	0.80
Hart Financial Services Pty Ltd <Hart Super Fund A/C>	175,000	0.76
Kimbriki Nominees Pty Ltd <Kimbriki Hamilton S/F A/C>	150,000	0.65
Magnetic Mix Concrete Pty Ltd	150,000	0.65
Nefco Nominees Pty Ltd	139,975	0.61
Mr Robert Lewis Richardson and Ms Susanne Brint	137,500	0.60
Mr Bruce Baker <Taylored Software S/F A/C>	125,000	0.54
Mr Maurice William Buckley	125,000	0.54
Ms Nadine May Buckley	125,000	0.54
Sal-Corporation Asia Pacific Pty Ltd	125,000	0.54
Mr John Gillis Broinowski	125,000	0.54
Accord MBO Pty Ltd <MBO Super Fund A/C>	125,000	0.54
Total of top 20 holdings	**14,910,975**	**64.80**
Other holdings	8,089,036	35.20
Total fully paid shares issued	**23,000,011**	**100.00**

At the prevailing market price of 12 cents per share, there are 83 shareholders with less than a marketable parcel of $500.

There is no current on-market buy-back.

Voting rights

There are no restrictions on voting rights. On a show of hands every member present or by proxy shall have one vote and upon a poll each share shall have one vote. Where a member holds shares which are not fully paid, the number of votes to which that member is entitled on a poll in respect of those part paid shares shall be that fraction of one vote which the amount paid up bears to the total issued price thereof. Optionholders have no voting rights until the options are exercised.

Statement under ASX Listing Rule 4.10.19

From the date of admission of the Company's shares on ASX (12 May 2008) to the date of this Annual Report, the Company has used the cash and assets in a form readily convertible to cash that it had at the time of admission in a way consistent with its business objectives. Expenditures have been in line with Prospectus estimates.

Board of Directors

Glenn E Goodacre	Non-Executive Chairman
Peter M Buckley	Managing Director
Wendy L Corbett	Non-Executive Director
Gregory F P Jones	Non-Executive Director
Bob Richardson	Non-Executive Director

Company Secretary
Michelle C Lilley

Registered Office
Level 1, 80 Chandos Street
St Leonards, NSW 2065
PO Box 956, Crows Nest, NSW 1585
Telephone: 02 9906 7551
Facsimile: 02 9906 5233
Website: www.easterniron.com.au
Email: info@easterniron.com.au

Auditors and Independent Accountants
Barnes Dowell James
Level 13, 122 Arthur Street
North Sydney, NSW 2060

Banker
Commonwealth Bank of Australia
Bank West

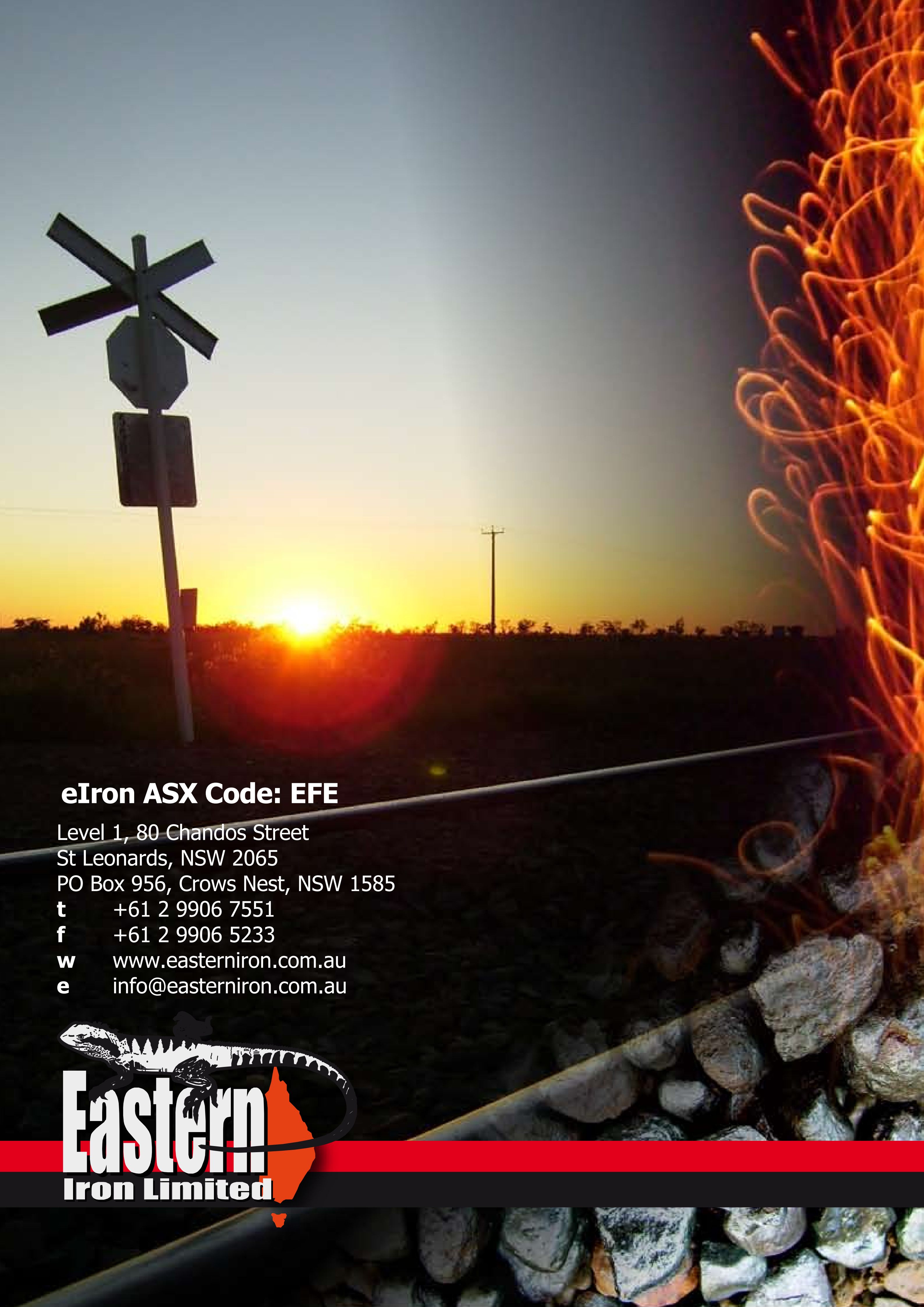
Securities Exchange Listing
Listing on Australian Securities Exchange
ASX Code: EFE

Share Capital
At 30 June 2009 there were 46,000,000 fully paid ordinary shares and 32,270,011 options

Share Registrar
Registries Limited
Level 7, 207 Kent Street, Sydney, NSW 2000
PO Box R67, Royal Exchange, NSW 1223
Telephone: 02 9290 9600
Facsimile: 02 9279 0664
Website: www.registries.com.au

Photographs, artwork and diagrams: Peter Buckley

Eastern
Iron Limited



eIron ASX Code: EFE

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Eastern Iron Limited