



**EASTERN
IRON LIMITED**



ANNUAL REPORT 2012

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CHAIRMAN'S LETTER

Dear Shareholder

It is pleasing to report that over the last 12 months Eastern Iron has made significant progress in upgrading its asset portfolio and we look forward to improved market conditions that might see this reflected in a better share price performance for the Company.

The most exciting recent development for your Company has been the acquisition of the Nowa Nowa project in eastern Victoria. This is possibly the highest grade magnetite iron project in Australia; it is located in an area with well developed infrastructure and, most importantly, has access to a deep water export port at Eden. Access to and availability of port capacity is critical to development of bulk commodity projects such as iron ore and sets Nowa Nowa apart from many other proposed iron ore developments around Australia. In this regard it is pleasing to note the recent MOU entered into between Eastern Iron and the operator of the Eden facility that will see the two companies working together to determine how best to accommodate the export of iron ore from this project.

Nowa Nowa has advanced rapidly since its acquisition in February 2012 and we are currently well on the way to completion of the Scoping Study later this year. Should the outcome of the study be sufficiently encouraging we will advance the project to a feasibility study in early 2013 and commence the permitting and approvals process that could see the project 'construction ready' in mid-2014. The next 12 months will present many welcome

challenges to the Company as we commence the transition from explorer to producer.

In Queensland we have advanced the large tonnage Hawkwood and Eulogie projects including the completion of a Concept Development Study for Eulogie. This study is a broad brush assessment of the technical and financial case for undertaking a mining development based on the currently defined iron resource. The outcomes suggest that while the project is potentially viable it will require a large capital input for the completion of more detailed pre-feasibility and feasibility studies as well as construction and an improvement in iron ore price from the levels that have existed over the last several months. It is the Company's objective to seek joint venture funding to advance the project further. Fortunately, since the holding costs are very low we are able to wait until an improvement in the iron ore market makes it possible to achieve this aim.

Earlier this year Eastern Iron undertook a rights issue to raise funds to support completion of the Nowa Nowa scoping study. The issue was successful in raising \$2.52 million, comprising \$1.27 million at the closing date and a further \$1.25 million in September 2012 from the shortfall offer. As a result of the rights issue and money recently received from the Federal Government by way of a Research and Development grant, Eastern Iron has adequate funds to support its activities, including completion of the Scoping Study and commencement of infill drilling at Nowa Nowa over the

CHAIRMAN'S LETTER

remainder of the 2012-2013 financial year. We anticipate having a prudent cash balance by the end of the financial year.

While our primary focus is very much on advancing Nowa Nowa, the Company will continue to look for opportunities to expand its asset base by identifying additional iron ore projects which have potential to become low capital cost, high margin mining operations with access to transport and port infrastructure. We believe that Nowa Nowa is one such project and the management team are searching for other similar projects.

The iron ore market has obviously been under pressure in recent months with international prices coming off by some 40 to 50% from those that existed earlier in the year and for most of 2011. We are hopeful that this is a short term change

primarily arising from destocking in China. We support the general long term view that continued growth in China and its need for iron will see prices firming from their recent lows.

I would like to thank the Managing Director and his staff for their high quality work and I look forward to the year ahead with great anticipation. On behalf of the Board, I would like to thank our shareholders for their continued support.

Yours Sincerely



Glenn Goodacre
Chairman



REVIEW OF OPERATIONS

HIGHLIGHTS

Nowa Nowa

- Finalised 100% acquisition of Nowa Nowa iron project.
- Maiden Resource of 9.4 Mt at 49.1% Fe announced 10 February 2012.
- Preliminary metallurgical testwork indicates potential to produce a low cost, high value iron product.
- Completed 477.6m large diameter diamond drilling program.
- Engenium undertaking Scoping Study for possible mining development.
- Updated Resource of 11.55 Mt at 49.8% Fe released 4 September 2012.

Eulogie

- Maiden 465 Mt Indicated and Inferred Resource based on drilling carried out by Eastern Iron announced 19 October 2011.
- Completed a Concept Development Study indicating capital costs of \$605 million for a mining development producing 3.2 Mt magnetite concentrate per year.
- Indicative magnetite concentrate grade of 61% Fe, 1.0% V₂O₅, and 6.5% TiO₂.

Hawkwood

- A 17 drillhole, 2,689m reverse circulation drilling program completed along northern limb of magnetic body.
- Maiden Inferred Resource of 103 Mt at 13.8% Fe, at a lower cutoff of 10% DTR (Davis Tube Recovery) released 18 May 2011.
- High quality magnetite concentrate grade of 64.6% Fe, 0.6% V₂O₅, and 1.6% TiO₂.

NSW 3E Steel Pisolite iron Joint Venture

- 3E Steel completed a further 566 drillholes for 6,270m over 21 identified project areas. Update to existing resource yet to be finalised.
- Beneficiation studies are ongoing.



REVIEW OF OPERATIONS

INTRODUCTION

Since its inception Eastern Iron has remained focussed on the identification and development of iron ore deposits on the east coast of Australia, taking advantage of a well developed network of open access transport and port infrastructure. The Company initially acquired tenements covering parts of central western NSW where it outlined a large resource of iron pisolite. This project has since been joint ventured to 3E Steel Pty Ltd who is endeavouring to develop beneficiation techniques capable of reducing the level of deleterious elements in the ore.

Early in 2010 the Company farmed into the Hawkwood project in Central Queensland, a large hard rock deposit of titaniferous magnetite, which is a potential feedstock for steel production. To increase its potential resource base the Company then acquired 100% of the Eulogie project which is geologically similar to Hawkwood but located only 80 kilometres west of a major export port at Gladstone. During the course of 2011 both of these projects were investigated with resource drilling and metallurgical testwork which culminated in the completion of a Concept Development Study for the Eulogie project. This study highlighted the potential for development of this project and Eastern Iron is now examining its options for advancing both the Hawkwood and Eulogie projects including seeking joint venture funding for a feasibility study at Eulogie.

Early in 2012 Eastern Iron announced that it had exercised an option to acquire a 100% interest in the Nowa Nowa iron deposit in eastern Victoria. Nowa Nowa, is a relatively small tonnage but high grade deposit. This is a change in focus for the Company as it seeks to develop projects which are potentially low capital cost with a high margin of profitability offering the potential for the Company to establish a cashflow in the near term. Eastern Iron is now concentrating work on Nowa Nowa and the project has been advanced to a scoping study which is currently underway. The Company is also seeking other similar opportunities in Australia and elsewhere as it seeks to build its production profile through the aggregation of product from several mines.

NOWA NOWA IRON PROJECT (EFE 100%)

The Nowa Nowa iron deposit is located some 250 kilometres east of Melbourne close to the Princess Highway which provides access to several nearby towns and a proposed export point at the Port of Eden some 200 kilometres to the east.

The iron mineralisation at Nowa Nowa occurs as several bodies of high grade magnetite skarn some of which were extensively drilled in the 1950's by the Victorian Government. Since that time little work has been carried out although the results of the Government drilling, which were published in a bulletin (GSV Bull 57, 1957) have been used on occasion to assess the deposits for their development potential. The magnetite bodies are well defined in surface and airborne magnetics. At the Five Mile deposit, the larger of the deposits tested by the government drilling, massive magnetite was intersected under variable cover of 20-60m depth over widths up to 80m. At the Seven Mile deposit massive magnetite/hematite occurs in a small wedge-shaped body which outcrops at surface. Drilling has intersected mineralisation, which has been almost completely oxidised to massive hematite, to depths of 70m from surface. Other magnetic targets such as Six Mile and Eight Mile remain to be tested by drilling.



REVIEW OF OPERATIONS



Nowa Nowa locality Plan

Resource Estimate

Early in 2012 Eastern Iron released a maiden Inferred Resource estimate for the Five and Seven Mile deposits at Nowa Nowa. In September 2012 Eastern Iron announced a 23% upgrade in the resource estimate for the Five Mile deposit. This upgrade is the result of further definition of the resource from recent drilling completed by Eastern Iron and on updated specific gravity values of the ore, based on actual measurements taken during drilling. The estimate was compiled by H & S Consultants Pty Ltd using data from both the Victorian Government and the recent Eastern Iron drilling. Estimates were based on assays from 2,755m of drilling in 27 drillholes. All but four of the drillholes are vertical and are on a nominal 30m X 30m grid with an average depth of 102m.

The estimate, at a lower cutoff of 40% Fe is shown in the table below:

Prospect	Indicated		Inferred		Total	
	Mt	Fe %	Mt	Fe %	Mt	Fe %
Five Mile	6.8	50.4	4.2	49.0	11.0	49.8
Seven Mile			0.55	48.3	0.55	48.3
Total	6.8	50.4	4.75	48.9	11.55	49.8

Note decimals do not imply precision and are used to avoid rounding errors

REVIEW OF OPERATIONS

Preliminary Metallurgical Study

Composite samples were collected by Eastern Iron from diamond core drilled by a previous explorer at the Five Mile deposit and used in preliminary metallurgical studies consisting of assay of head samples, crushing and grinding at various sizings, dry low intensity magnetic separation (LIMS), Davis Tube Recovery (DTR) and quantitative electron microscopy (QEMSCAN). The work was carried out in early 2012 by ALS AMMTEC and supervised by Resource Engineering Pty Ltd. The object of this limited program was to determine possible product characteristics for a potential mining development at Nowa Nowa.

Fresh unoxidised composite half core samples were taken from drill hole NND08002 which intersected a continuously mineralised interval from 45.8m to 113.5m (62.9m) and averaged 51% Fe. Samples taken from this core were as follows:

Sample ID	From (m)	To (m)	Interval (m)
Upper Comp	61	65	4
Middle Comp	91	93	2
Lower Comp	104	107	3

Head assay results from the three composite samples were as follows:

	Fe%	SiO ₂ %	Al ₂ O ₃ %	P%	S%
Upper Comp	62.3	6.75	0.9	0.010	0.540
Middle Comp	55.4	10.6	2.28	0.013	0.800
Lower Comp	60.0	8.24	1.11	0.008	2.560

The results confirmed the high iron content of the ore with low contaminant levels, apart from sulphur, and to a lesser extent silica. A reduction in these elements will be targeted in the beneficiation program.

The three samples were crushed to -6.3mm and separated by dry LIMS separation into a magnetic and non-magnetic product. Assay results and mass recoveries for the magnetic products from each sample are summarised in the table below:

Analysis of -6.3mm Dry LIMS product

-6.3mm	Wt.%	Fe%	SiO ₂ %	Al ₂ O ₃ %	P%	S%
Upper Comp	99.7	61.90	6.70	0.92	0.009	0.620
Middle Comp	35.5	58.90	9.31	1.34	0.007	0.410
Lower Comp	69.10	64.00	6.30	0.77	0.007	0.610

Although dry LIMS separation could be more applicable to lower grade material in the deposit the results suggest that the ore is highly amenable to this low cost beneficiation process producing a +61% Fe product at an average weight recovery of 68%.

REVIEW OF OPERATIONS

Samples from the three composite samples were also tested by Davis Tube Recovery (DTR) analysis at grind sizes of 80% passing 250, 106, 75, 53, and 38 micron. The results are summarised below and indicate that a high grade fines product can be produced at these coarse grind sizes:

Analysis of DTR magnetite concentrates at 250 micron grind

DTR Conc.	Wt.%	Fe%	SiO ₂ %	Al ₂ O ₃ %	P%	S%
Upper Comp	86.1	67.50	3.63	0.40	0.006	0.150
Middle Comp	15.5	67.60	3.30	0.35	0.003	0.092
Lower Comp	44.2	68.70	2.82	0.30	0.003	0.084

Product Transport

Critical to the successful development of a mining operation at Nowa Nowa will be identifying a relatively low cost transport option for getting iron ore product to export markets. Early in the assessment of the project Eastern Iron commissioned a study into product transport options by logistics consultants Innovative Shipping Pty Ltd. Innovative Shipping identified several possible transport options, these include:

- Trucking iron product from Nowa Nowa to one of two wharves at Eden on the NSW South Coast.

One of the wharves is owned by South East Fibre Exports Pty Ltd (SEFE) who operate a private terminal with its own jetty, ship loader and stockpile reclaim system on the southern side of Twofold Bay. This berth can accommodate vessels up to small panamax class of about 65,000 DWT and is designed for loading high volume woodchips. Eastern Iron has recently executed a Memorandum of Understanding with SEFE which commits the two companies to cooperatively assess the potential to use the SEFE facility for export of iron ore.

Close by the SEFE operation is a multi-user wharf built by the Australian Navy to handle munitions. The berth has capacity for vessels up to 36-38,000 DWT and apart from Naval use is used for other cargo including forest logs.

- Trucking from the mine site to a possible barge trans-shipping facility in the Port Anthony/Corner Inlet area of southern Victoria. A barging facility is currently under construction at Port Anthony and will be assessed for suitability closer to a development decision at Nowa Nowa.
- There are several port options at Westernport/Port of Hastings which have deep water anchorages and are serviced by an operating railway line. Further discussions will need to be conducted with the operators of these facilities before any decision is made as to their viability for export of iron product from Nowa Nowa.

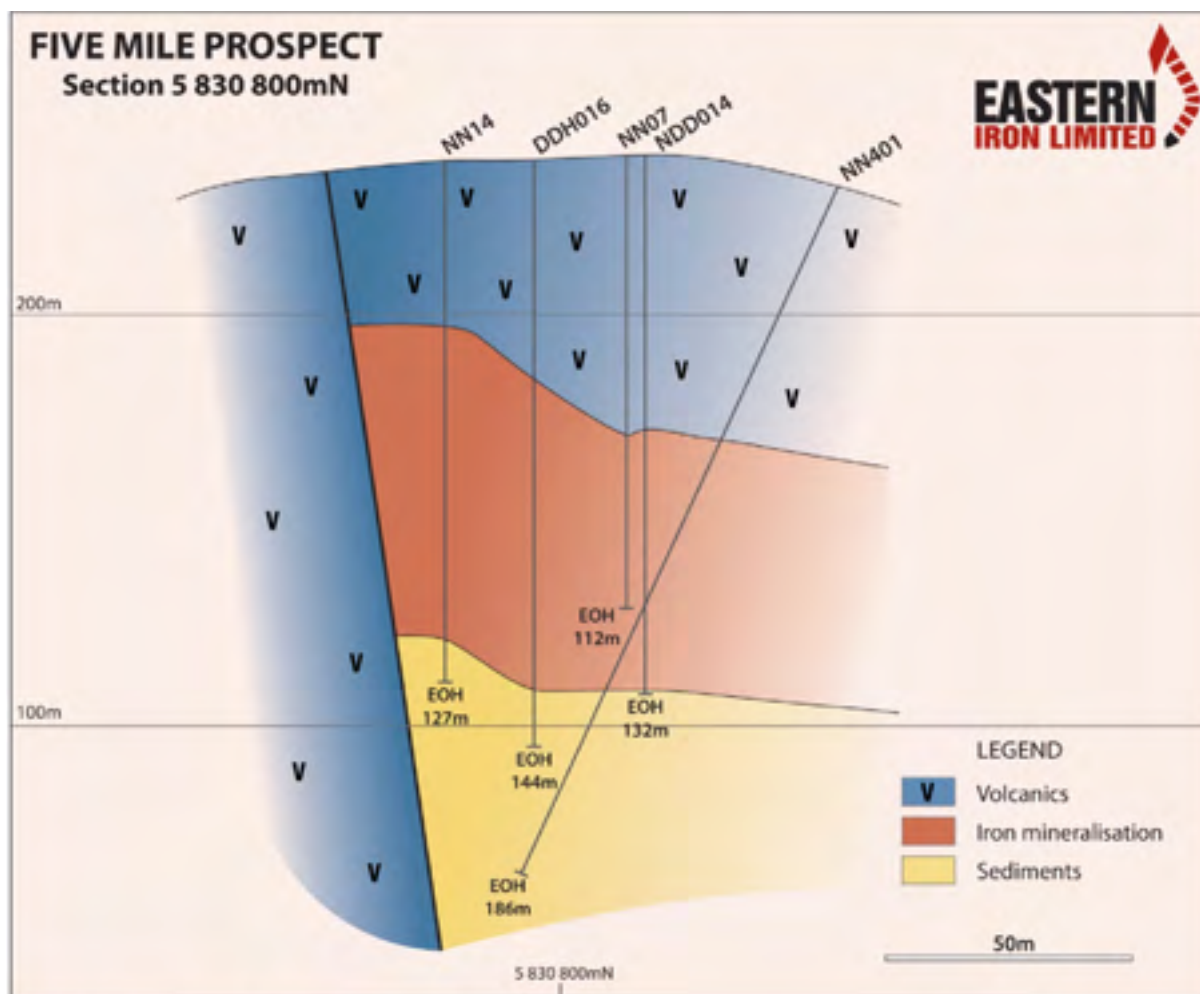
Scoping Study

Encouraged by the outcomes of the studies described above the Company commissioned Engenium Pty Ltd to undertake a scoping study into a mining development at Nowa Nowa. Engenium are a Perth-based engineering and project delivery group experienced in iron ore projects.

Engenium is evaluating options for the mining, processing and transport of the product. Various sub-studies will also be undertaken in relation to mining, infrastructure, environmental, logistics and metallurgical test work. Engenium will generate capital and operating cost estimates for the selected

REVIEW OF OPERATIONS

study options. The study, which is due for completion in the December quarter of 2012, will assist the Board in determining whether to proceed with a definitive feasibility study.



Nowa Nowa Drilling Cross Section Five Mile

Drilling Program

Eastern Iron has recently completed a diamond drilling program at Nowa Nowa which has confirmed the results of previous drilling carried out by the Victorian Government in the 1950's as well as providing drill core samples for beneficiation testwork.

Four drill holes were completed, one at the Seven Mile deposit and three at the larger Five Mile deposit. All drillholes were vertical and details of the drilling program are shown in the table below:

Drill hole	Location	North (GDA)	East (GDA)	Dip °	Total Depth (m)
NDD011	Seven Mile	599462	5832270	-90	124.1
NDD012	Five Mile	598407	5830862	-90	101.97
NDD013	Five Mile	598399	5830825	-90	119.4
NDD014	Five Mile	598378	5830801	-90	132.15

REVIEW OF OPERATIONS

Quarter core samples were collected on a down hole two metre basis except where obvious geological contacts were present and were analysed by XRF. Results were as follows:

	From (m)	To (m)	Total (m)	Fe%	SiO ₂ %	Al ₂ O ₃ %	P%	S%
NDD011	0.0	71.4	71.4	46.3	26.9	2.77	0.006	0.03
NND012	53.2	85	31.8	56.3	9.87	1.6	0.014	1.93
NND013	83	117.9	34.9	43.29	11.3	2	0.025	0.7
NND014	67.7	130.6	62.9	57.6	9.78	1.77	0.035	2.1

Drill core from all holes has been split and composited for metallurgical testwork at AMMTEC laboratories in WA. This work is designed to investigate optimum conditions for beneficiating the ore to a +60% Fe product by crushing, screening and low intensity magnetic separation.

EULOGIE PROJECT (EFE 100%)

The Eulogie project is located 80 kilometres west of Gladstone in Central Queensland and close to existing bulk tonnage transport infrastructure including sealed road and railway networks which provide direct access to the expanding, deepwater export port of Gladstone.



Location of Central Queensland Project - Eulogie and Hawkwood

Eastern Iron has completed an assessment of the project as a possible producer of magnetite concentrate. This has included resource drilling and metallurgical studies together with associated infrastructure, environmental and transport studies. These have formed the basis for a Concept Study into the development of a mining and processing operation based on mining of the defined resource at Eulogie.

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Concept Study

The Eulogie and Hawkwood deposits constitute Eastern Iron's Queensland Iron Project. Both have similar resource potential and magnetite content, however, the location of the Eulogie deposit within close trucking distance to an available export port at Gladstone gives the project the potential for a quicker and lower cost development hence becoming the focus for this study.

The study is based on open pit mining of the drill defined Indicated and Inferred resource of 465Mt at 14.6% Fe (for details of the resource estimate see announcement dated 19 October 2011). The mining operation has been scoped to mine around 20 million tonne of ROM ore per year. Capital costs are estimated at close to \$600 million for a project producing 3.2 million tonne per year of magnetite concentrate to be exported via Gladstone Port.

A summary of the key outcomes from the concept study are as follows:

Item	Units	Amount
Resource	Mt	465
Mill Feed	Mtpa	20
ROM Fe content	%	14.6
Concentrate Production	Mtpa	3.18
Capital Expenditure	A\$M	605
Cash cost (FOB) per tonne conc	A\$/t conc	76
NPV @ 8% DCF - (after tax inc MRRT)	A\$M	513
Internal Rate of Return (IRR)	%	19.5

Geology and Resources

At Eulogie, the magnetite is concentrated within multiple shallow dipping (30-40 degrees) layers (ferrigabbro) within a layered igneous complex. In 2011 Eastern Iron completed a resource drilling program at Eulogie which included 3,484m in 34 drillholes. Drillhole samples were analysed for total iron content and associated elements with drill hole composites analysed for magnetic recovery by Davis Tube Recovery. The drillhole and assay data was used to compile a total Indicated and Inferred Resource of 465Mt at 14.2% Fe. This resource was estimated to 200m depth and included some 35% of the total mapped area of the ferrigabbro which is consistent with earlier estimates of an exploration target tonnage for the total resource of 500-1,000Mt¹.

¹ Potential exploration target tonnages and grades in this report are conceptual in nature as there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource. Tonnages and grades are not to be quoted outside this context.



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Mining

The mining study assumes conventional open pit mining with the primary crusher located at the plant site. The current resource model was used to undertake pit optimisations using Whittle Four-X software to generate pit shells from which estimates of waste and ore mined were derived.

Metallurgy and Mineral Processing

Preliminary metallurgical testwork was carried out by consultant metallurgists, METS Pty Ltd. The study was completed in June 2011 using composite drill core samples from the earlier Thiess drilling. Davis Tube analysis was carried out on fresh (unoxidised) core at grind sizes of 100% passing 150, 75 and 45 micron. Further optimisation of the final product grade and grind size is anticipated. The iron grade of the concentrate is higher at finer grind sizes. However, the coarser 150 micron magnetic fraction DTR concentrate as shown in the following table is potentially of acceptable quality but may be subject to some discounting due to the titanium levels.

Mass (%)	Assay (%)										
	Fe	SiO ₂	Al ₂ O ₃	TiO ₂	S	P	MnO	K ₂ O	MgO	NaO ₂	V
71.6	61.4	1.44	3.29	6.81	0.63	0.00	0.29	0.002	1.37	0.039	0.571

Concentrate Transport

A transport options study identified several options, including road, rail or a combination of both, for transporting product to a multi-user wharf at Gladstone Port. The concept study assumes that concentrate will be transported via a dedicated haul road for some 50 kilometres east of the mine to the Pacific Highway and then an additional 30 kilometres via existing sealed roads to Gladstone. Preliminary discussions with the Gladstone Port Corporation have indicated the availability of dry bulk cargo capacity at multi-user wharves in time for a development at the Eulogie project.

Capital and Operating Cost Estimates.

Initial capital costs have been estimated at \$605 million. The table below summarises the operating cost estimates including mining, processing, transport and loading of the iron product on a vessel at Gladstone Port.

Cost Centre	Unit	Amount
Waste Mining	A\$/t mined	2.50
Ore Mining	A\$/t mined	3.50
Processing	A\$/t milled	5.18
Product transport	A\$/t conc	14.00
Port Loading	A\$/t conc	2.50
Admin	A\$/M/yr	5.00
Total	A\$/tonne conc.	76.00

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Financial Model and Analysis

The base case financial analysis assumes product revenue of US\$120/tonne magnetite concentrate FOB Gladstone, a long term exchange rate of A\$0.90:US\$1.00 and a WACOC of 8%. The model is ungeared, assuming 100% equity funding and does not include any price or cost escalation. A sensitivity analysis shows that the project NPV is most sensitive to changes in concentrate price and then in decreasing order of sensitivity, exchange rate and total operating costs and least sensitive to initial capital cost.

The base case has included the payment of the Mineral Resource Rent Tax (MRRT) which on current analysis becomes payable from the commencement of operations. If the MRRT is repealed, so that it is not payable, the project NPV will increase.

Development Time Frame

It is expected that under the standard permitting regime in Queensland it will take approximately two years from submission of an application to the grant of a mining lease. Eastern Iron has completed some activities, such as environmental baseline studies, which would allow this process to commence as soon as funding for the feasibility study is in place. On this basis it is projected that the project could be development ready by late 2015.

Next Steps

Eastern Iron is currently in discussions with the Gladstone Port Corporation with a view to securing an MOU covering the potential to ship concentrate from the port area. This is important for the project, differentiating it from other potential bulk tonnage iron ore projects elsewhere in Australia.

The Company has also undertaken preliminary discussions with parties interested in joining Eastern Iron in further evaluation of the project including funding to completion of the mine feasibility study.

HAWKWOOD IRON ORE JOINT VENTURE (EFE earning 80%)

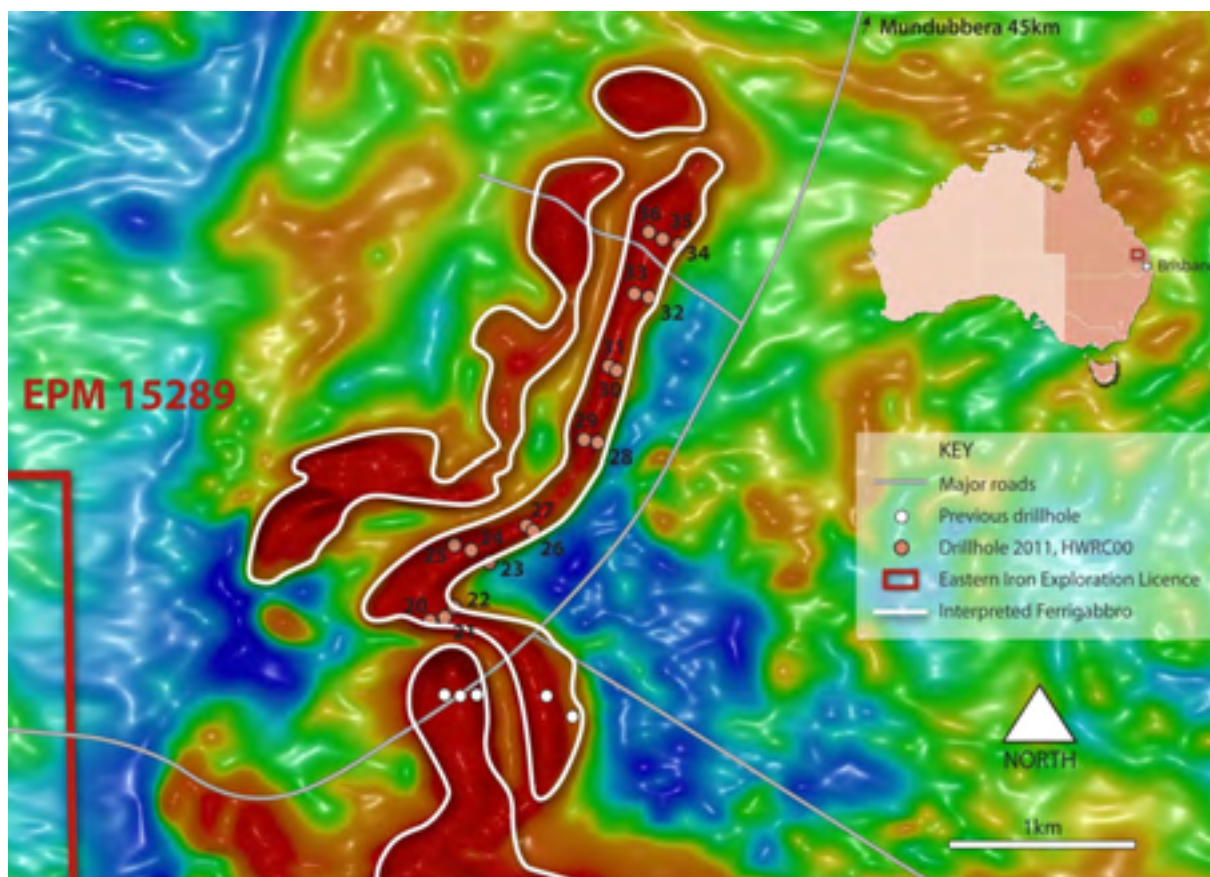
The Hawkwood iron-vanadium project is located in Central Queensland approximately 240 kilometres south east by rail from the port of Gladstone, Australia's third largest coal export port. Eastern Iron has previously carried out a low level airborne magnetic survey with a follow up preliminary drilling campaign. During 2011 the company completed a further program of RC drilling along the northern section of the magnetic feature which defines the underlying magnetite bearing gabbro. The results of this drilling were used to generate a maiden resource for the project.

Resource Estimate

The resource estimate was carried out by H&S Consultants Pty Ltd and was based on data from Eastern Iron's recently completed drilling programs and geophysical surveys which outlined the surface trace of the magnetite-bearing ferrigabbro units at Hawkwood.

Drilling used in the current estimate covers only approximately 10-20% of the area of magnetic anomaly associated with sub-cropping ferrigabbro which is consistent with earlier estimates of an exploration target tonnage of 500Mt-1000Mt.¹

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Hawkwood Drillhole Locality Plan

In summary (at a lower cutoff of 10% DTR) the Hawkwood resource is as follow:

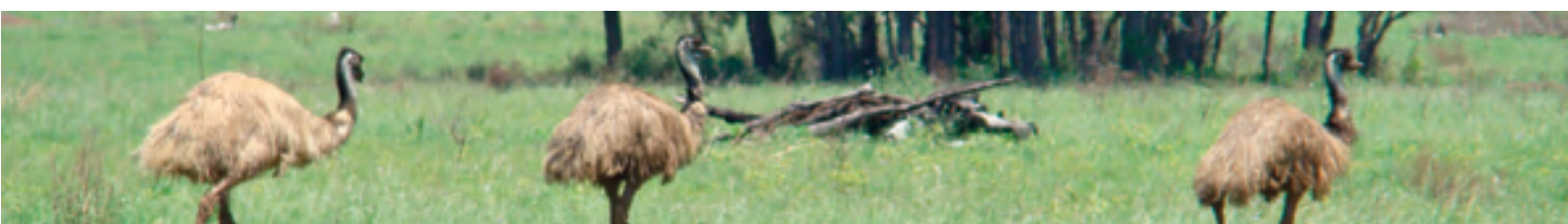
	Tonnes (Mt)	DTR	Fe%	TiO ₂ %	V%
Inferred	103.7	12.2	13.8	1.83	0.05

Note: decimals do not imply precision.

The Hawkwood iron (magnetite) concentrate is notably lower in titanium (TiO₂) and higher in iron than comparable titaniferous magnetite deposits elsewhere, as shown by the high quality concentrate (DTR) analysis for the resource as follows:

	Fe%	TiO ₂ %	V ₂ O ₅ %	SiO ₂ %	Al ₂ O ₃ %	S%
DTR Conc	64.6	1.63	0.6	3.26	1.96	0.65

¹ Potential exploration target tonnages and grades in this report are conceptual in nature as there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource. Tonnages and grades are not to be quoted outside this context.



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NSW IRON ORE PROJECT (EFE 100%, 3E Steel earning 77.5%)

Joint venture operators, 3E Steel Pty Ltd continued their assessment of the iron pisolite resource within the tenements held in the Cobar region by Eastern Iron. This work has consisted of further resource drilling with the completion of a further 6,270m in 566 drillholes. It is 3E's objective to increase the size of the resource to a level that would support an initial mine development.

Beneficiation testwork was coordinated through several testing agencies, including technical universities in China. This work was conducted at a laboratory bench scale and included various combinations of fine grinding, magnetic separation, reverse flotation and magnetic roasting. 3E is planning to advance this work by using larger size bulk samples from the defined resource areas.

3E is continuing to sole fund these activities with Eastern Iron free carried to the completion of the feasibility study.



REVIEW OF OPERATIONS

PROGRAM FOR 2012 – 2013

Nowa Nowa

The Company has met its targets for the initial assessment of Nowa Nowa and will progress the scoping study to completion in the December Quarter of 2012. Depending on the outcome of the study the activities over the 2012/13 year will include:

- initiation of the permitting and approvals process and an environmental effects statement
- additional more detailed resource definition drilling at Five and Seven Mile
- exploration drilling at Six and Eight Mile
- of completion a feasibility study.

Eulogie

The Concept Development Study has provided encouragement for a potential development at Eulogie, enhanced by the proximity of transport and port infrastructure. The project will require major development capital and commitment of a substantial amount towards the completion of a feasibility study. Given the prevailing market conditions and uncertainty over future iron ore prices the Company has decided to seek joint venture partner funding to complete the next stage of evaluation. Eastern Iron has made contact with potential partners in China and those discussions are likely to continue throughout the latter part of 2012.

Hawkwood

Further work at Hawkwood will include expanding the resource base and assessing various product transport options. Funding for this work is dependent on securing a joint venture partner.

NSW Pisolite Iron Project

Monitor progress of joint venture partner's activities.

Other

Actively seek and evaluate opportunities for investment in Australia and overseas for potentially valuable projects in commodities including iron and other commodities. The year ahead should see the company add significantly to the value of its project portfolio and make substantial progress towards its goal of being a producer at Nowa Nowa.



Greg De Ross
Managing Director

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Greg De Ross, BSc, who is a Fellow of the Australasian Institute of Mining and Metallurgy. Greg De Ross is Managing Director of Eastern Iron Limited and a full-time employee of Eastern Iron Limited and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Greg De Ross consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

SCHEDULE OF TENEMENTS

As at 4 September 2012

Tenement	Tenement Number	Interest	Joint Venture Details
Cobar Project Area NSW			
Cobar East	EL 6710	100%	3E can earn up to 77.5%
Coolabah West	EL 6711	49%	PlatSearch 51%
Oakvale	EL 6706	49%	PlatSearch 51%
Quartermaine	EL 6953	100%	3E can earn up to 77.5%
Techno	EL 6954	49%	PlatSearch 51%
Tottington	EL 6956	49%	PlatSearch 51%
Wendoline	EL 6957	100%	3E can earn up to 77.5%
Shaun	EL 6958	100%	3E can earn up to 77.5%
Wallace	EL 6959	100%	3E can earn up to 77.5%
Gromit	EL 6960	100%	3E can earn up to 77.5%
Gorgonzola	EL 7282	100%	3E can earn up to 77.5%
Camembert	EL 7283	100%	3E can earn up to 77.5%
Main Line Project Area NSW			
Bimbella	EL 6671	100%	3E can earn up to 77.5%
Euabalong	EL 6672	100%	3E can earn up to 77.5%
McGraw	EL 6961	100%	3E can earn up to 77.5%
Flamingo	EL 6952	100%	3E can earn up to 77.5%
Preston	EL 6962	100%	3E can earn up to 77.5%
Queensland			
Hawkwood	EPMs 15289 and 17099	0%	Rugby 100%, Note 1
Auburn and Redwood	EPMs 18566 and 18533	100%	-
Fairhill and Rolleston	EPCs 2175 and 2206	100%	-
Eulogie	MDL 362	100%	-
Victoria			
Nowa Nowa	EL 4509	100%	-
Nowa Nowa East	ELA 5405	100%	-

EL = Exploration Licence

EPM = Exploration Permit for Minerals

EPC = Exploration Permit Application for Coal Licence

MDL = Mineral Development Licence

Note 1: Joint Venture with Rugby Mining P/L and Rugby Mining Limited whereby Eastern Iron can earn up to 80% interest

Directors' Report

Your Directors submit their report for the year ended 30 June 2012.

Directors

The names and details of the Company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Glenn Goodacre, BA

Non-executive chairman of the board

Director since November 2007

Glenn has a background as an investor in resources and private equities having commenced investing in resources in the late 1960s. He worked in the mining industry in the 1980s with Alkane Resources NL, Nauru Phosphate Corporation and Lachlan Resources NL and has 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 as well as extensive networks with brokers and mining companies. He is currently a director of several unlisted industrial and investment businesses.

During the past three years Glenn has also served as a director of the following listed company:

- ▶ Convergent Minerals Limited- appointed December 2011

Greg De Ross, BSc, FAusIMM

Managing director

Director since July 2010

Greg is a geologist with over 30 years experience in corporate management, exploration and mining. His experience has included a variety of roles in areas covering exploration management, feasibility studies, resource development and mining in commodities such as base and precious metals, uranium, mineral sands, coal and iron ore. He has worked extensively in Central and South East Asia, Oceania and Australia.

Prior to joining Eastern Iron he was General Manager for a Chinese company seeking investment opportunities in the Australian and Chinese resources sector. Previous to this he spent 12 years with Highlands Pacific / Highlands Gold as General Manager Exploration where he had responsibility for exploration

and pre-development work on a variety of projects including the Ramu Nickel, Frieda Copper and Kainantu Gold projects. Greg has extensive commercial experience covering joint venture negotiation and project acquisition.

During the past three years Greg has not served as a director of any other listed companies.

Wendy Corbett, BSc, Dip Ed, MAIG

Non-executive director

Director since November 2007

Wendy has 39 years experience in mineral exploration management and administration. Wendy has strong commercial awareness assisting many explorers through their IPO and listing, specialising in tenement management and compliance, corporate agreements and liaison with government bodies and landholders. She has worked throughout Australia on numerous gold, base metals and iron projects for a variety of companies.

She is a founding director of Eastern Iron, a director of an unlisted business and Chair of the AMEC NSW Advisory Committee as well as being actively involved in the Australian Institute of Geoscientists.

During the past three years Wendy has not served as a director of any other listed companies.

Gregory Jones, BSc Hons, MAusIMM, MAIG

Non-executive director

Director since April 2009

Greg is a geologist with 32 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 Limited 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.

During the past three years Greg has also served as a director of the following listed companies:

Directors' Report

- ▶ PlatSearch NL - appointed April 2009
- ▶ Silver City Minerals Limited – appointed April 2009
- ▶ Thomson Resources Ltd – appointed July 2009

Steve Gemell, BE Mining (Hons), FAusIMM (CP), MAIME, MMICA

Non-executive director

Director since January 2010

Steve is a consulting mining engineer with more than 30 years of experience in the mining industry, both in Australia and overseas. He has previously held senior operating roles including CEO positions, and executive and non-executive Directorships in ASX-listed mining companies and unlisted mine operations or joint ventures. His experience has included a variety of roles in areas covering resource development, feasibility studies, mine planning, and operations in a large range of commodities including base and precious metals and uranium.

During the past three years Steve has also served as a director of the following listed companies:

- ▶ UXA Resources Limited - appointed March 2005, retired December 2011
- ▶ Argent Minerals Limited - appointed July 2010
- ▶ Indochine Mining Limited – appointed March 2011
- ▶ UCL Resources Limited (formally Union Resources Limited) – appointed September 2011
- ▶ Golden Cross Resources Ltd – appointed as Chairman June 2012

Ivo Polovineo, FIPA

Non-executive director

Director since April 2011

Ivo was appointed as a Non-Executive Director of the Company effective 5 April 2011.

Ivo has over 30 years experience in corporate accounting, finance and company secretarial work for a diverse range of companies. He has spent the past 20 years in senior management roles in the resources sector including 7 years as company secretary (and 5 years as CFO) of Sino Gold Mining Limited (a former ASX 100 company) until December 2009. He is also company secretary of Lynas Corporation Ltd, an ASX 100 company, PlatSearch NL, Thomson Resources Ltd and Silver City Minerals Limited.

During the past three years Ivo has also served as a director of the following listed company:

- ▶ Galaxy Resources Limited - appointed July 2010, resigned September 2011

Directors' interests in shares and options

As at the date of this report, the interests of the Directors in the shares and options of Eastern Iron Limited were:

Directors	Shares directly and indirectly held	Options
G Goodacre	640,000	650,000
G De Ross	45,000	1,800,000
W Corbett	75,000	450,000
G Jones	698,975	450,000
S Gemell	-	450,000
I Polovineo	-	450,000

Company secretary

Ian White, BBus, MBA, Grad Dip CSP, FCPA, CIA, JP

Ian is an experienced business professional who holds a Bachelor of Business, a Graduate Diploma in Company Secretarial Practise and an MBA specialising in Marketing. His experience has been gained over 35 years in including periods as CFO and Group Company Secretary for a number of large ASX listed companies. More recently, Ian has focused on the resources sector.

Ian was appointed as Company Secretary of Eastern Iron Limited on 14 August 2012 and is a Director of Professional Edge Pty Ltd, a company that provides legal, financial and company secretarial services to a number of ASX listed companies.

Principal activities

The principal activity of the Group is the exploration for and delineation of iron ore, precious and base metals resources in Australia/Asia Pacific region and the development of those resources into economic, cash flow generating mines.

Results

The net result of operations after applicable income tax expense was a loss of \$929,470 (2011: \$945,738) which includes the write-off of exploration expenditure during the year of \$41,765 (2011: \$488,975).

Directors' Report

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 3 to 15 in this report.

Significant changes in the state of affairs

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

Significant events after the balance date

There were, at the date of this report, no matters or circumstances which have arisen since 30 June 2012 that have significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years, other than:

- ▶ The Company completed a pro-rata non-renounceable Entitlement Offer of New Shares on 3 July 2012. The offer was for 2 shares for every 3 fully paid ordinary shares held in the Company on 30 May 2012 (Record date) at an issue price of \$0.055. The total amount raised under the Offer before costs was \$1,266,568 and the funds raised will be used for the ongoing work program and scoping study of the Nowa Nowa Project. A total of 23,028,507 shares at \$0.055 were issued on 5 July 2012 under the Rights Issue.
- ▶ On 26 September 2012 the Company issued 22,843,106 ordinary shares at \$0.055 per share for a total cash consideration of \$1,256,371. These shares were Shortfall Shares issued pursuant to clause 2.3 of the Replacement Entitlement Offer Prospectus dated 8 June 2012 and in accordance with ASX Listing Rule 7.2 Exception 3.
- ▶ In August 2012 the Company received \$429,668 for its R&D tax concession claim for the year ended 30 June 2011.

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 ore, 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:

No. shares under option	Class of share	Exercise price of option	Expiry date of options
5,000,000	Ordinary	\$0.35	19/12/2012
1,200,000	Ordinary	\$0.18	09/03/2015
1,850,000	Ordinary	\$0.20	23/11/2013
1,650,000	Ordinary	\$0.18	23/11/2013
<u>9,700,000</u>			

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.

Environmental performance

Eastern Iron holds exploration licences issued by New South Wales Department of Trade and Investment - Resources and Energy, the Victorian Department of Primary Industries and the Queensland Department of Resources and Mines 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 Departments' guidelines and standards. There have been no significant known breaches of the licence conditions.

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

Directors' Report

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 except for the Company Secretary who has been granted an indemnity for services provided under his contract.

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.

Remuneration report (audited)

This remuneration report for the year ended 30 June 2012 outlines the remuneration arrangements of the Company and the Group in accordance with the requirements of the Corporations Act 2001 (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

The remuneration report details the remuneration arrangements for key management personnel (KMP) who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company.

Details of key management personnel

Details of KMP including the top five remunerated executives of the Parent and Group are set out below.

Directors	
Glenn Goodacre	Non- executive Chairman
Greg De Ross	Managing Director
Wendy Corbett	Non-executive Director
Greg Jones	Non-executive Director
Steve Gemell	Non-executive Director
Ivo Polovineo	Non-executive Director
Key management personnel	
Michelle Lilley	Financial Controller

Remuneration philosophy

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.

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.

Non-executive director remuneration arrangements

Directors are entitled to remuneration out of the funds of the Company but the remuneration of the Non-Executive Directors (NED) may not exceed in any year the amount fixed by the Company in general meeting for that purpose. The aggregate remuneration of the NED's has been fixed at a maximum of \$250,000 per annum to be apportioned among the NED's 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.

The Chairman's fee was set at \$54,000 p.a. (2011: \$30,000) and NED fees at \$36,000 p.a. (2011: \$24,000) for the year ended 30 June 2012. In addition, members of the Board Committees are paid 10% of NED fees.

Directors' Report

Service agreements

Remuneration and other terms of employment for key management personnel are formalised in employment contracts and contractor agreements. Details of these agreements are set out below.

Managing Director – Greg De Ross

- ▶ Contract term: No fixed term. Either party may terminate the letter of employment with two months' notice.
- ▶ Remuneration: \$273,000 p.a. as at 30 June 2012 (2011: \$260,000) to be reviewed annually. Increased to \$283,920 from 1 August 2012.
- ▶ Termination payments: A 3 month severance pay with an additional 3 months after more than five years.

Chairman – Glenn Goodacre

- ▶ Contract term: Rolling contract. The Company may terminate the agreement if Mr Goodacre breaches the agreement and fails to remedy such a breach with 14 days of receipt of written notice.
- ▶ Remuneration: \$240 (2011: \$220) per hour plus GST for consultancy services as at 30 June 2012.
- ▶ Termination payments: Nil.

Non-Executive Director – Wendy Corbett

- ▶ Contract term: Rolling contract. Either party may terminate the agreement with one months' notice.
- ▶ Remuneration: \$104 (2011: \$99) per hour plus GST for consultancy services as at 30 June 2012.
- ▶ Termination payments: Nil.

Non-Executive Director – Greg Jones

- ▶ Contract term: Rolling 12 months contract with PlatSearch NL (45.78% shareholder of Eastern Iron) of which Greg is an employee. No notice is required from either party to terminate the agreement.

- ▶ Remuneration: \$153 (2011: \$145) per hour plus GST for consultancy services as at 30 June 2012. Greg's fees were paid directly to PlatSearch NL.
- ▶ Termination payments: Nil.

Non-Executive Director – Steve Gemell

- ▶ Contract term: Rolling contract. No notice is required from either party to terminate the agreement.
- ▶ Remuneration: \$200 (2011: \$180) per hour plus GST for consultancy services as at 30 June 2012.
- ▶ Termination payments: Nil.

Financial Controller – Michelle Lilley

- ▶ Contract term: Rolling contract. Either party may terminate the agreement with one months' notice.
- ▶ Remuneration: \$98 (2011: \$93) per hour plus GST for consultancy services as at 30 June 2012.
- ▶ Termination payments: Nil.

Company Secretary – Ian White

- ▶ Contract term: Rolling contract. Either party may terminate the agreement with one months' notice.
- ▶ Remuneration: Retainer amount of \$2,400 per month plus \$150 (2011: Nil) per hour plus GST for services outside the initial scope of work from 14 August 2012.
- ▶ Termination payments: Nil.

Directors' Report

Directors and key management personnel remuneration for the year ended 30 June 2012

	Short-term benefits		Post employment	Share-based payments	Total	Consisting of options %
	Cash salary and fees \$	Consulting fees \$	Superannuation \$	Options \$		
Directors						
G Goodacre	56,147	33,720	5,326	9,645	104,838	9%
G De Ross	250,459	-	22,541	38,580	311,580	12%
W Corbett	36,330	57,200	3,542	9,645	106,717	9%
G Jones	36,330	-	3,270	9,645	49,245	20%
S Gemell	39,633	1,820	3,567	9,645	54,665	18%
I Polovineo	34,266	-	1,651	28,935	64,852	45%
Total Directors	453,165	92,740	39,897	106,095	691,897	
Other key management personnel						
M Lilley	-	11,796	-	-	11,796	-
Total KMP	-	11,796	-	-	11,796	
Totals	453,165	104,536	39,897	106,095	703,693	

No performance based remuneration was paid in the 2012 and 2011 financial period.

Directors and key management personnel remuneration for the year ended 30 June 2011

	Short-term benefits		Post employment	Share-based payments	Total	Consisting of options %
	Cash salary and fees \$	Consulting fees \$	Superannuation \$	Options \$		
Directors						
G Goodacre	31,927	41,525	2,873	34,750	111,075	31%
G De Ross	238,532	-	21,468	28,480	288,480	10%
P Buckley (a)	16,758	53,160	1,508	20,850	92,276	23%
W Corbett	24,220	27,473	2,180	20,850	74,723	28%
G Jones (b)	24,771	6,163	2,229	20,850	54,013	39%
S Gemell	26,422	7,864	2,378	20,850	57,514	36%
I Polovineo (c)	5,229	-	471	-	5,700	-
Total Directors	367,859	136,185	33,107	146,630	683,781	
Other key management personnel						
M Lilley	-	31,759	-	10,425	42,184	25%
Total KMP	-	31,759	-	10,425	42,184	
Totals	367,859	167,944	33,107	157,055	725,965	

- a) The Company engaged PlatSearch NL to provide the services of Peter Buckley. Fees totalling 53,160 were paid to PlatSearch. PlatSearch is a 45.78% shareholder in Eastern Iron. Peter resigned as a Non-Executive Director of Eastern Iron in April 2011.
- b) The Company engaged PlatSearch to provide the services of Greg Jones. Fees totalling \$6,163 were paid to PlatSearch. PlatSearch is a 45.78% shareholder in Eastern Iron.
- c) Appointed April 2011

Directors' Report

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. There have been 1,350,000 options 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 at 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.

Directors' Report

Compensation options: granted and vested during the year

The following options were granted during the financial year.

Share-based payments awarded during the year to directors and key management

	Grant date	Granted no.	Vested no.	Vested %	Value of options granted at the grant dated (note 14) \$	Number of options exercised	Value of options exercised at the exercise date \$	Value of options lapsed at the date of lapse \$
Directors								
G Goodacre	23 Nov 11	150,000	150,000	100%	9,645	-	-	-
G De Ross	23 Nov 11	600,000	600,000	100%	38,580	-	-	-
W Corbett	23 Nov 11	150,000	150,000	100%	9,645	-	-	-
G Jones	23 Nov 11	150,000	150,000	100%	9,645	-	-	-
S Gemell	23 Nov 11	150,000	150,000	100%	9,645	-	-	-
I Polovineo	23 Nov 11	450,000	450,000	100%	28,935	-	-	-

The value of options granted during the period is recognised as compensation over the vesting period of the grant, in accordance with Australian Accounting Standards. There were no options exercised during the year.

For details on the valuation of the options, including models and assumptions used, please refer to Note 14.

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.

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		Remuneration and nomination committee*		Audit committee	
	Held	Attended	Held	Attended	Held	Attended
Directors						
G Goodacre	9	9	-	-	2	2
G De Ross	9	9	-	-	-	-
W Corbett	9	9	-	-	2	2
G Jones	9	9	-	-	-	-
S Gemell	9	9	-	-	2	2
I Polovineo	9	9	-	-	-	-

*The Remuneration and Nomination Committee met on 8 September 2012 but not within the financial year ended 30 June 2012.

The duties of the Corporate Governance Committee were carried out by the full Board at Board meetings for the 2012 financial year.

Auditor's independence and non-audit services



CHARTERED ACCOUNTANTS



Chartered Accountant
C-H Barnes FCA
A-J Dowell CA
B-Kolevski CPA (Affiliate-ICAA)
M-Galouzis CA
A-N Fraser CA
Associate
M-A Nakkas CA
Chartered Accountant
R-H-B Boulter FCA

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Auditor's Independence Declaration

To the directors of Eastern Iron Limited

As engagement partner for the audit of Eastern Iron Limited for the year ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been:

- i) → no contraventions of the independence requirements of 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.

BDJ Partners

Chartered Accountants



Anthony J. Dowell

Partner

21 September 2012



Liability limited by a scheme approved under Professional Standards Legislation. Please refer to the website for our standard terms of engagement.

Directors' Report

Non-audit services

The Company's auditor, BDJ Partners did not provide non-audit services for Eastern Iron during the financial year ended 30 June 2012. 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.

Signed at Sydney this 28th day of September 2012 in accordance with a resolution of the Directors.

A handwritten signature in black ink, consisting of a large, stylized 'G' followed by a horizontal line extending to the right.

Glenn Goodacre
Chairman

Corporate Governance

The Board has adopted a corporate framework for the Company which is underpinned by the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (2nd Edition) ("the Recommendations") applicable to ASX-listed entities.

This Section addresses each of the Corporate Governance Principles and, where the Company has not followed a Recommendation, this is identified with the reasons for not following the Recommendation.

Principle 1: Lay solid foundations for management and oversight

Recommendation 1.1 – Functions reserved to the board and delegated to senior executives

The Company has established functions reserved to the Board and functions delegated to senior executives.

The functions reserved to the Board include:

- (1) Oversight of the Company, including its control and accountability systems;
- (2) Appointing and removing the Managing Director (MD) (or equivalent), including approving remuneration of the MD and the remuneration policy and succession plans for the MD;
- (3) Ratifying the appointment and, where appropriate, the removal of the Chief Financial Officer (or equivalent) and the Secretary;
- (4) Input into the final approval of management's development of corporate strategy and performance objectives;
- (5) Reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance;
- (6) Monitoring senior management's performance and implementation of strategy, and ensuring appropriate resources are available;
- (7) Approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures;
- (8) Approving and monitoring financial and other reporting;
- (9) Appointment and composition of committees of the Board;
- (10) On recommendation of the Audit Committee, appointment of external auditors; and

- (11) On recommendation of the Nomination and Remuneration Committee, initiating Board and director evaluation.

The functions delegated to senior executives include:

- (1) Implementing the Company's vision, values and business plan;
- (2) Managing the business to agreed capital and operating expenditure budgets;
- (3) Identifying and exploring opportunities to build and sustain the business;
- (4) Allocating resources to achieve the desired business outcomes;
- (5) Sharing knowledge and experience to enhance success;
- (6) Facilitating and monitoring the potential and career development of the Company's people resources;
- (7) Identifying and mitigating areas of risk within the business;
- (8) Managing effectively the internal and external stakeholder relationships and engagement strategies;
- (9) Sharing information and making decisions across functional areas;
- (10) Determining the senior executives' position on strategic and operational issues; and
- (11) Determining the senior executives' position on matters that will be referred to the Board.

Recommendation 1.2 – Performance evaluation of senior executives

The Board reviews the performance of the Managing Director and executives to ensure they execute the Company's strategy through the efficient and effective implementation of the business objectives. The Managing Director and executives are assessed against the performance of the Company and individual performance.

Recommendation 1.3 – Performance evaluation of senior executives during the financial year

During the financial year ended 30 June 2012 a performance evaluation of the Managing Director and senior executives was carried out in accordance with the guide to reporting on Principle 1.

Principle 2: Structure the board to add value

Recommendation 2.1 – A majority of the board should be independent directors

Recommendation 2.1 requires a majority of the Board to be independent Directors. The Corporate Governance Council defines independence as being free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of unfettered and independent judgement.

The Board has determined that only two of its five non-executive directors are independent as defined under Recommendation 2.1. The Company is therefore at variance with Recommendation 2.1 in that a majority of directors are not independent. Messrs Goodacre and Gemell are the non-executive directors deemed to be independent. The other non-executive directors of the company are not considered to be independent due to their association with the company's major shareholder PlatSearch NL. All non-executive directors also undertake consultancy work for the company.

Mr De Ross is the Managing Director and Chief Executive Officer of the Company. As the Chief Executive Officer of the Company, Mr De Ross is not an independent Director of the Company in accordance with the definition above.

The Board has nevertheless determined that the composition of the current Board represents the best mix of directors that have an appropriate range of qualifications and expertise and that can understand and competently deal with current and emerging business issues.

Each individual member of the Board is satisfied that whilst the Company may not comply with Recommendation 2.1, all directors bring an independent judgment to bear on Board decisions.

Recommendation 2.2 – The chair should be an independent director

The Company's chairman, Mr Goodacre, is an independent director as defined under Recommendation 2.1.

Recommendation 2.3 – The roles of chair and managing director should be separated

The roles of the Chairman and the Managing Director are not exercised by the same individual. The Board charter summarises the roles and responsibilities of the

Chairman, Mr Goodacre and the Managing Director, Mr De Ross.

Recommendation 2.4 – Nomination committee

The Board has established a Nomination and Remuneration Committee. A copy of the charter of the Nomination and Remuneration Committee is available on the Company's website.

Recommendation 2.5 – Process for evaluating the performance of the board

In accordance with the charter of the Nomination and Remuneration Committee, the Committee is responsible for the:

- (1) Annual evaluation and review of the performance of the Board against both measurable and qualitative indicators established by the Committee;
- (2) Evaluation and review of the performance of individual directors against both measurable and qualitative indicators established by the Committee;
- (3) Review of and making of recommendations on the size and structure of the Board; and
- (4) Review of the effectiveness and programme of Board meetings.

Recommendation 2.6 – Additional information concerning the board and directors

- (1) The skills and experience of each Director is set out in the Directors section of the Directors' Report,
- (2) The period of office of each Director is as follows:

Name Term in office

G Goodacre – 4.6 years

G De Ross – 2.0 years

G Jones – 3.2 years

S Gemell – 2.4 years

W Corbett – 4.6 years

I Polovineo – 1.2 years

- (3) The reasons why Messrs De Ross, Jones and Polovineo and Ms Corbett, are considered not to be independent Directors are disclosed in relation to Recommendation 2.1,
- (4) There are procedures in place, agreed by the Board, to enable Directors, in furtherance of their duties, to seek independent professional advice at the company's expense,
- (5) Details of the names of members of the nomination and remuneration committee are disclosed in

Corporate Governance

relation to Recommendation 2.4 and attendances at meetings are set out in the Directors Meetings section of the Directors' Report,

- (6) An evaluation of the performance of the Board, its committees and individual Directors took place during the financial year. That evaluation was in accordance with the process disclosed,
- (7) The Nomination and Remuneration Committee is responsible for providing the Board with advice and recommendations regarding the ongoing development of:
 - (a) A plan for identifying, assessing and enhancing director competencies; and
 - (b) A succession plan that is designed to ensure that an appropriate balance of skills, experience and expertise is maintained on the Board.

The charter of the Nomination and Remuneration Committee requires that prior to identifying an individual for nomination for directorship, the Committee must evaluate the range of skills, experience and expertise currently existing on the Board to ensure that the Committee identifies the particular skills, experience and expertise that will most effectively complement the Board's current composition. If a new candidate is approved by the Nomination and Remuneration Committee, the appointment of that new candidate is ultimately subject to shareholder approval in accordance with the *Corporations Act 2001* and the Company's Constitution.

Further details are set out in the charter of the Nomination and Remuneration Committee. A copy of the charter of the Nomination and Remuneration Committee is available on the Company's website.

Principle 3: Promote ethical and responsible decision making

Recommendation 3.1 – Code of conduct

The Company has established a code of conduct as to the:

- (1) Practices necessary to maintain confidence in the Company's integrity;
- (2) Practices necessary to take into account the Company's legal obligations and the expectations of stakeholders; and
- (3) Responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

A copy of the code of conduct is available on the Company's website.

Recommendation 3.2 – Diversity policy

The Company has established a policy concerning diversity. The Company recognises the need to set diversity measures in each of its operating locations taking into account the differing diversity issues within each geographic location in which it operates. A copy of the diversity policy is available from the Company's website. The policy includes requirements for the Board, at the appropriate stage of its development, to establish measurable objectives for achieving gender diversity and for the Board to assess annually thereafter both the objectives and progress in achieving them.

Recommendation 3.3 – Measurable objectives for achieving gender diversity

Due to the size of the Company and its workforce the Board does not consider it appropriate to set measurable objectives at this time.

The Company intends to establish measurable objectives at the appropriate stage of its development.

Recommendation 3.4 – Proportion of women employees

Refer Recommendation 3.3 above.

At the date of this report the Company has only 2 employees (including the Managing Director) both of which are male.

The Company has a services contract with PlatSearch NL ("PlatSearch"), a major shareholder, whereby PlatSearch provides the Company with technical, accounting and administrative services.

The Board comprises of six directors of which one is female representing 16.7%.

Recommendation 3.5 – Documents on company website

Copies of the Code of Conduct and the Diversity Policy are available from the Company's website.

Principle 4: Safeguard integrity in financial reporting

Recommendation 4.1 – Audit committee

The Company has established an Audit Committee.

Recommendation 4.2 – Structure of the audit committee

The Company's Audit Committee complies with all of the requirements of Recommendation 4.2. Details are as follows:

Corporate Governance

- (1) The Audit Committee consist of three non-executive directors with a majority of members being independent. The members of the Audit Committee are Messrs Gemell, Goodacre and Ms Corbett.
- (2) Ms Corbett is not considered to be an independent director for the reasons given under Recommendation 2.1.
- (3) The Audit Committee is chaired by Mr Gemell, who is an independent director and not the Chairman of the Board.

Although not all of the members of the Audit Committee are independent the Board has nevertheless determined that the composition of the Audit Committee represents the only practical mix of directors that have an appropriate range of qualifications and expertise and that can understand and competently deal with current and emerging relevant business issues.

Recommendation 4.3 – Audit committee charter

The Company has adopted an Audit Committee charter which sets out its role, responsibilities and membership requirements and reflects the matters set out in the commentary and guidance for Recommendation 4.3.

Recommendation 4.4 – Additional information concerning the audit committee

The skills and experience of each member of the Audit Committee and the number of Audit Committee meetings attended by each member is set out in the Directors' Report.

In accordance with the guide to reporting on Principle 4, the Company's Audit Committee charter is available on the Company's website.

Principle 5: Make timely and balanced disclosure

Recommendation 5.1 – ASX listing rule disclosure requirements

The Company has established a Continuous Disclosure Policy which sets out the key obligations of directors and employees in relation to continuous disclosure as well as the Company's obligations under the Listing Rules and the Corporations Act. The policy also provides procedures for internal notification and external disclosures, as well as procedures for promoting understanding of compliance with disclosure requirements.

The policy reflects the matters set out in the commentary and guidance for Recommendation 5.1.

Recommendation 5.2 – Continuous disclosure policy

There were no departures from Recommendation 5.1 during the financial year.

A copy of the Company's Continuous Disclosure Policy is available on the Company's website.

Principle 6: Respect the rights of shareholders

Recommendation 6.1 – Shareholder communications policy

The Company has adopted a shareholder communications policy for:

- (1) Promoting effective communication with shareholders; and
- (2) Encouraging shareholder participation at annual and other general meetings.

A copy of the Company's shareholder communications policy is available on the Company's website.

Recommendation 6.2 – Availability of shareholder communications policy

A copy of the Company's shareholder communications policy is available on the Company's website.

Principle 7: Recognise and manage risk

Recommendation 7.1 – Risk management policies

The Company has established policies for the oversight and management of its material business risks as follows:

- (1) The Audit Committee oversees financial risks pursuant to the Audit Committee charter. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators.
- (2) The finance department of the Company manages financial risks.
- (3) A Risk Committee will oversee the Company's other material business risks.

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Recommendation 7.2 – Risk management and internal control system

The Company is in process of developing a risk management framework which will be supported by the Board of directors and management.

The Board has required management to design and implement a risk management and internal control system to manage the Company's business risks.

The Board has required management to report to it on whether those risks are being managed effectively.

Recommendation 7.3 – Statement from the chief executive officer and the chief financial officer

When considering the Audit Committee's review of financial reports the Board will receive a signed statement declaration in accordance with section 295A of the Corporations Act. This statement will also confirm whether the Company's financial reports 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 risks.

Similarly, in a separate written statement the Chief Executive Officer and the Chairman of the Audit Committee will also confirm to the Board whether the Company's risk management and internal control, and that the system is operating effectively in all material respects in relation to financial risks and that nothing has occurred since period-end that would materially change the position.

Recommendation 7.4 – Additional information concerning risk management

The Board has received the report from management under Recommendation 7.2 and the Board has received assurance from the Managing Director and the Chief Financial Officer under Recommendation 7.3.

The Company is in the process of developing a Risk Committee charter together with a risk management framework.

Principle 8: Remunerate fairly and responsibly

Recommendation 8.1 – Remuneration committee

The Company has established a Nomination and Remuneration Committee which has delegated responsibilities in relation to the Company's remuneration policies as set out in the Company's Nomination and Remuneration Committee charter. The

charter reflects the matters set out in the commentary and guidance for Recommendation 8.1.

Recommendation 8.2 – Remuneration of executive directors, executives and non-executive directors

The Company complies with Recommendation 8.2 by clearly distinguishing the structure of non-executive directors' remuneration from that of executive directors and senior executives. The commentary that follows each Recommendation does not form part of the Recommendation. 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.

Neither the non-executive directors nor the executives of the Company receive any retirement benefits, other than superannuation.

Recommendation 8.3 – Additional information concerning remuneration

The skills and experience of each member of the Nomination and Remuneration Committee and the number of Committee meetings attended by each member is set out in the Directors' Report.

A copy of the Company's Nomination and Remuneration Committee charter is available on the Company's website.

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2012

	Note	2012 \$	2011 \$
Revenue	3	162,376	484,150
ASX and ASIC fees		(28,405)	(21,803)
Audit fees	18	(19,900)	(16,900)
Conferences and training		(19,707)	(18,144)
Contract administration services		(180,347)	(141,710)
Directors fees		(202,707)	(129,327)
Employee costs (net of costs recharged to exploration projects)		(259,926)	(243,935)
Exploration expenditure expensed	9	(41,765)	(488,975)
Marketing costs		(73,318)	(57,279)
Recruitment expenses		-	(11,445)
Rent		(24,420)	(20,595)
Share based payments	14	(106,095)	(157,055)
Travel and accommodation		(34,925)	(11,810)
Other expenses from ordinary activities		(100,331)	(110,910)
Loss before income tax expense		(929,470)	(945,738)
Income tax expense	4	-	-
Loss after income tax expense	13	(929,470)	(945,738)
Other comprehensive income			
Other comprehensive income for the period, net of tax		-	-
Other comprehensive (loss)		-	-
Total comprehensive (loss) attributable to members of Eastern Iron Limited		(929,470)	(945,738)
Basic loss per share (cents per share)	15	1.37	1.16
Diluted loss per share (cents per share)	15	1.37	1.16

The Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 30 June 2012

	Note	2012 \$	2011 \$
Current assets			
Cash assets	5	917,310	3,618,543
Receivables	6	43,055	84,694
Total current assets		960,365	3,703,237
Non-current assets			
Tenement security deposits	7	118,350	105,850
Property, plant and equipment	8	31,497	37,897
Deferred exploration and evaluation expenditure	9	4,711,801	2,458,669
Total non-current assets		4,861,648	2,602,416
Total assets		5,822,013	6,305,653
Current liabilities			
Payables	10	252,964	418,519
Provisions	11	33,688	18,892
Total current liabilities		286,652	437,411
Non-current liabilities			
Provisions	11	10,816	-
Total non-current liabilities		10,816	-
Total liabilities		297,468	437,411
Net assets		5,524,545	5,868,242
Equity			
Contributed equity	12	8,031,695	7,552,017
Accumulated losses	13	(2,941,825)	(2,012,355)
Reserves	14	434,675	328,580
Total equity		5,524,545	5,868,242

The Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the year ended 30 June 2012

	Note	2012 \$	2011 \$
Cash flows from operating activities			
Payment to suppliers and employees		(985,261)	(715,245)
R&D tax concession offset		-	266,973
Consulting fees		48,442	7,310
Rental income		-	1,536
Interest received		146,810	171,909
Net cash flows (used in) operating activities	25	(790,009)	(267,517)
Cash flows from investing activities			
Purchase of motor vehicle and fixed assets		(9,321)	(18,784)
Expenditure on mining interests (exploration)		(1,811,181)	(786,779)
Purchase of tenements		(100,000)	-
Tenement security deposits		(10,000)	17,500
Net cash flows (used in) investing activities		(1,930,502)	(788,063)
Cash flows from financing activities			
Proceeds from issue of shares/share applications received		19,278	1,994,690
Equity raising expenses		-	-
Net cash flows from financing activities		19,278	1,994,690
Net increase/(decrease) in cash held		(2,701,233)	939,110
Add opening cash brought forward		3,618,543	2,679,433
Closing cash carried forward	25	917,310	3,618,543

The Statement of Cash Flows should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2012

Attributable to the shareholders of Eastern Iron Limited				
	Issued capital	Accumulated losses	Reserves	Total equity
Note	\$	\$	\$	\$
At 1 July 2010	5,557,326	(1,066,617)	171,525	4,662,234
Loss for the period	-	(945,738)	-	(945,738)
Other comprehensive income	-	-	-	-
Total comprehensive income/(loss) for the period	-	(945,738)	-	(945,738)
Transactions with owners in their capacity as owners:				
Cost of share based payments taken directly to Equity	14	-	157,055	157,055
Issue of share capital, net of transaction costs	12	1,994,691	-	1,994,691
At 30 June 2011	7,552,017	(2,012,355)	328,580	5,868,242
At 1 July 2011	7,552,017	(2,012,355)	328,580	5,868,242
Loss for the period	-	(929,470)	-	(929,470)
Other comprehensive income	-	-	-	-
Total comprehensive income/(loss) for the period	-	(929,470)	-	(929,470)
Transactions with owners in their capacity as owners:				
Cost of share based payments taken directly to Equity	14	-	106,095	106,095
Issue of share capital, net of transaction costs	12	460,400	-	460,400
Share capital applications received		19,278	-	19,278
At 30 June 2012	8,031,695	(2,941,825)	434,675	5,524,545

The Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2012

1. Corporate information

The financial report of Eastern Iron Limited (the Company) for the year ended 30 June 2012 was authorised for issue in accordance with a resolution of the Directors on 28 September 2012.

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 consolidated financial statements comprise the financial statements of Eastern Iron Limited and its subsidiaries (the Group or Consolidated Entity).

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

2. Summary of significant accounting policies

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.

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).

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.

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.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalised as part of the cost of that asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2012

the sale of goods or services by the jointly controlled operations.

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.

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 the asset.

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.
- ▶ 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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2012

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.

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.

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.

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.

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2012

discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

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 employees are entitled 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.

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:

- ▶ The extent to which the vesting period has expired.
- ▶ 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.

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.

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:

Notes to the Consolidated Financial Statements

For the year ended 30 June 2012

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 shareholder's right to receive the payment is established.

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.
- ▶ 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.
- ▶ 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.

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.
- ▶ 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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2012

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

Currency

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

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.

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 a 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.

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:

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-Scholes formula taking into account the terms and conditions upon which the instruments were granted, as detailed in Notes 14 and 16.

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.

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.

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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2012

- ▶ The after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses.
- ▶ 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.

Accounting standards issued but not yet effective

Australian Accounting Standards and interpretations that have been issued or amended but are not yet effective have not been adopted by the Consolidated Entity for the year ended 30 June 2012.

AASB 9 Financial Instruments (Application date 1 January 2013)

AASB 9 includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement).

These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes from AASB 139 are described below.

- (a) Financial assets are classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. This replaces the numerous categories of financial assets in AASB 139, each of which had its own classification criteria.
- (b) AASB 9 allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.
- (c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or

recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.

AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)[AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023, & 1038 and interpretations 2, 5, 10, 12, 19 & 127] (Application date 1 January 2013)

The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows:

- ▶ The change attributable to changes in credit risk are presented in other comprehensive income (OCI).
- ▶ The remaining change is presented in profit or loss.

If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.

Consolidated Financial Statements (Application date 1 January 2013)

IFRS 10 establishes a new control model that applies to all entities. It replaces parts of IAS 27 Consolidated and Separate Financial Statements dealing with the accounting for consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities.

The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. This is likely to lead to more entities being consolidated into the group.

Joint Arrangements (Application date 1 January 2013)

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly- controlled Entities – Non-monetary Contributions by Ventures. IFRS 11 uses the principle of control in IFRS 10 to define joint control, and therefore the determination of whether

Notes to the Consolidated Financial Statements

For the year ended 30 June 2012

joint control exists may change. In addition IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method. This may result in a change in the accounting for the joint arrangements held by the group.

Disclosure of Interests in Other Entities (Application date 1 January 2013)

IFRS 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structures entities. New disclosures have been introduced about the judgements made by management to determine whether control

exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.

Fair Value Measurement (Application date 1 January 2013)

IFRS 13 establishes a single source of guidance under IFRS for determining the fair value of assets and liabilities. IFRS 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value under IFRS when fair value is required or permitted by IFRS. Application of this definition may result in different fair values being determined for the relevant assets.

IFRS 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2012

3. Revenue from ordinary activities

	2012 \$	2011 \$
Interest received – other persons/corporation	110,601	185,109
R&D tax concession offset	-	266,973
Gain on tenement transfer	-	23,280
Consulting fees	51,775	7,251
Rental income	-	1,537
	162,376	484,150

4. Income tax

	2012 \$	2011 \$
Income tax expense		
The components of income tax are as follows:		
Current income tax	-	-
Deferred income tax	-	-
Underprovision for previous years	-	-
Income tax (benefit)/expense reported in the Statement of Comprehensive Income	-	-
Reconciliation of income tax expense to prima face tax payable		
Profit (loss) from operations before income tax expense	(929,470)	(945,738)
Tax at Australian tax rate of 30% (2011: 30%)	278,841	283,598
Tax effect of non-temporary differences	(31,829)	32,975
Tax effect of equity raising costs debited to equity	29,167	25,711
Over or underprovision from previous years	-	-
Tax effect of tax losses and temporary differences not recognised	(276,179)	(342,284)
Income tax (benefit)/expense	-	-

There is no amount of tax benefit recognised in equity as the tax effect of temporary differences has not been booked.

Tax losses		
Unused tax losses for which no tax loss has been booked as a DTA	5,368,094	2,261,766
Potential benefit at 30%	1,610,428	678,530
Unrecognised (non-booked) temporary tax differences		
Non-deductible amounts as temporary differences	(59,378)	(27,773)
Accelerated deductions for book compared to tax	4,712,927	2,496,003
Total at 100%	4,653,549	2,468,230
Potential effect on future tax expense at 30%	1,396,065	740,469
Net FITB	214,364	(61,939)
Unrecognised FITB's in equity raising costs	16,246	28,133

The parent entity and the group are not tax consolidated. The parent entity and each of the subsidiaries in the group are in tax loss for the year and have substantial tax losses carried forward. The Directors are of the view that there is insufficient probability that the parent entity and its subsidiaries will derive sufficient income in the foreseeable future to justify booking the tax losses and temporary differences as deferred tax assets and deferred tax liabilities.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2012

5. Cash and cash equivalents

	2012 \$	2011 \$
Cash at bank	401,183	221,792
Money market securities – bank deposits	516,127	3,396,751
	917,310	3,618,543

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

	2012 \$	2011 \$
Trade receivables	3,666	-
Other debtors	5,303	-
GST receivables	11,544	35,953
Interest receivable	1,125	37,334
Prepayments	21,417	11,407
	43,055	84,694

7. Tenement security deposits

	2012 \$	2011 \$
Cash with government mines departments	118,350	105,850
	118,350	105,850

These deposits are restricted so that they are available for any rehabilitation that may be required on exploration tenements (Note: 21).

Notes to the Consolidated Financial Statements

For the year ended 30 June 2012

8. Property, plant and equipment

	Motor vehicle	Plant and equipment	Total
Year ended 30 June 2011			
Opening net book amount	16,550	13,536	30,086
Additions	-	18,785	18,785
Disposals	-	-	-
Depreciation expense	(4,028)	(6,946)	(10,974)
Closing net book amount	12,522	25,375	37,897
At 30 June 2011			
Cost	24,166	36,857	61,023
Accumulated depreciation	(11,644)	(11,482)	(23,126)
Net book amount	12,522	25,375	37,897
Year ended 30 June 2012			
Opening net book amount	12,522	25,375	37,897
Additions	-	9,321	9,321
Disposals	-	-	-
Depreciation expense	(4,028)	(11,693)	(15,721)
Closing net book amount	8,494	23,003	31,497
At 30 June 2012			
Cost	24,166	46,178	70,344
Accumulated depreciation	(15,672)	(23,175)	(38,847)
Net book amount	8,494	23,003	31,497

9. Deferred exploration and evaluation expenditure

	2012 \$	2011 \$
Costs brought forward	2,458,669	1,861,682
Costs incurred during the period	1,676,897	1,062,682
Expenditure written off during period	(41,765)	(203,203)
Mining tenements acquired (discussed below)	618,000	-
Gain on transfer of tenements (discussed below)	-	23,280
Loss on transfer of tenements (discussed below)	-	(285,772)
Costs carried forward	4,711,801	2,458,669
Exploration expenditure costs carried forward are made up of:		
▶ Expenditure on joint venture areas	2,754,995	2,118,830
▶ Expenditure on non joint venture areas	1,956,806	339,839
Costs carried forward	4,711,801	2,458,669

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2012

Mining tenements acquired

The following mining tenements were acquired during the financial year:

- ▶ An amount of \$450,000 was paid as consideration for the purchase of the Eulogie Park project by the issue of 2,500,000 fully paid ordinary shares at \$0.18.
- ▶ An amount of \$168,000 was paid as consideration for the purchase of the Nowa Nowa project of which \$100,000 was paid in cash and 1,000,000 fully paid ordinary shares were issued at \$0.068.

Gain and loss on transfer of tenements

The gain and loss on transfer of tenements relates to the Eastern Iron and PlatSearch NL Joint Venture restructure approved by shareholders at the Company's EGM in November 2010. The net loss of \$262,492 relates to the write down of previously capitalised exploration expenditure on those tenements where the Company's interest reduced from 80% to 49%.

10. Payables – current liabilities

	2012 \$	2011 \$
Trade creditors	92,011	312,906
Accrued expenses	155,418	91,470
PAYG and superannuation payable	5,200	14,143
GST payable	335	-
	252,964	418,519

11. Provisions – liabilities

	2012 \$	2011 \$
Current		
Annual leave	33,688	18,892
Non-current		
Long Service Leave	10,816	-

12. Contributed equity

	2012 \$	2011 \$
Share capital		
68,807,419 fully paid ordinary shares (2011: 65,307,419) Fully paid ordinary shares carry one vote per share and carry the right to dividends.	8,364,980	7,846,980
Share capital applications received	19,278	-
Options on issue		
5,000,000 (2011: 5,000,000)	5,000	5,000
Share issue costs	(357,563)	(299,963)
	8,031,695	7,552,017

Notes to the Consolidated Financial Statements

For the year ended 30 June 2012

Movements in ordinary shares on issue

At 1 July 2010

Shares issued

At 30 June 2011

Shares issued for purchase of tenements

Shares issued for purchase of tenements

At 30 June 2012

	Number	\$
	48,685,000	5,852,290
(i)	16,622,419	1,994,690
	65,307,419	7,846,980
(ii)	2,500,000	450,000
(iii)	1,000,000	68,000
	68,807,419	8,364,980

- (i) The Company issued 16,622,419 fully paid ordinary shares during the period to 30 June 2011 on the exercise of 16,622,419 options at a price of \$0.12.
- (ii) The Company issued 2,500,000 shares at \$0.18 as consideration for the acquisition of the Eulogie Park project in August 2011 (refer note 9).
- (iii) The Company issued 1,000,000 shares at \$0.068 as consideration for the acquisition of the Nowa Nowa project in February 2012 (refer note 9).

Movements in options on issue

At 1 July 2010

Exercise of options

Expired

At 30 June 2011

Exercise of options

At 30 June 2012

	Number	\$
	25,315,011	5,000
(i)	(16,622,419)	-
(ii)	(3,692,592)	-
	5,000,000	5,000
	-	-
	5,000,000	5,000

- (i) The Company issued 16,622,419 fully paid ordinary shares during the period to 30 June 2011 on the exercise of 16,622,419 options at a price of \$0.12.
- (ii) 3,692,592 options expired on 19 December 2010.

An additional 4,700,000 options are on issue under Share based payments (Note: 14).

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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2012

13. Accumulated losses

	2012 \$	2011 \$
Balance at the beginning of period	2,012,355	1,066,617
Operating loss after income tax expense	929,470	945,738
Balance at the end of period	2,941,825	2,012,355

14. Reserves/share-based payments

Reserves

	2012 \$	2011 \$
Balance at 1 July	328,580	171,525
Share-based payment expense during the financial year	106,095	157,055
Balance at 30 June	434,675	328,580

The share-based payment plans are described below. There have been no cancellations or modifications to any of the plans during 2012 and 2011.

Types of share-based payment plans

Share-based payments

An Employee Share Option Plan (ESOP) 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. There have been 1,350,000 options granted under the Plan as at the date of this report.

Summary of options granted by the parent entity

	2012 no.	2011 no.
Outstanding at the beginning of the year	3,050,000	5,470,000
Granted during the year	1,650,000	1,850,000
Forfeited during the year	-	-
Exercised during the year	-	-
Expired during the year	-	(4,270,000)
Outstanding at the end of the year	4,700,000	3,050,000

The outstanding balance as at 30 June 2012 is represented by:

- ▶ 1,650,000 options exercisable at \$0.18, expiry 23 November 2013
- ▶ 1,850,000 options exercisable at \$0.20, expiry 23 November 2013
- ▶ 1,200,000 options exercisable at \$0.18, expiry 9 March 2015

There are an additional 5,000,000 options under contributed equity (Note: 12) which is represented by:

- ▶ 5,000,000 options exercisable at \$0.35, expiry 19 December 2012

Notes to the Consolidated Financial Statements

For the year ended 30 June 2012

Option pricing model and terms of options

The following table lists the inputs to the options model and the terms of options granted:

Grant date	Number of options issued	Exercise price	Expiry date	Expected volatility	Risk-free rate	Expected life years	Estimated fair value	Model used	
Mar 10	1,200,000	\$0.18	9 Mar 15	104.16%	5.01%	5	\$0.0712	Binomial	(a)
Sep 10	150,000	\$0.20	23 Nov 13	106.99%	4.87%	3	\$0.0695	Binomial	(b)
Nov 10	1,700,000	\$0.20	23 Nov 13	106.99%	4.87%	3	\$0.0695	Binomial	(c)
Nov 11	1,650,000	\$0.18	23 Nov 13	146.61%	3.64%	2	\$0.0643	Binomial	(d)

- (a) 1,200,000 options were issued to Greg De Ross. 600,000 options vested on grant date and 600,000 vested on 9 March 2011.
- (b) 150,000 options were issued to a consultant. The options vested on grant date.
- (c) 1,700,000 options were issued to Directors and approved by shareholders at the AGM held in November 2010. The options vested on grant date.
- (d) 1,650,000 options were issued to Directors and approved by shareholders at the AGM held in November 2011. The options vested on grant date.

Weighted average disclosures on options

Weighted average exercise price of options at 1 July
 Weighted average exercise price of options granted during period
 Weighted average exercise price of options outstanding at 30 June
 Weighted average exercise price of options exercisable at 30 June
 Weighted average contractual life
 Range of exercise price

	2012	2011
	\$0.19	\$0.23
	\$0.18	\$0.20
	\$0.19	\$0.19
	\$0.19	\$0.19
	1.73 years	2.91 years
	\$0.18 - \$0.20	\$0.18 - \$0.20

15. Earnings per share

Net profit/(loss) used in calculating basic and diluted gain/(loss) per share

Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS

Basic earnings (loss) per share

Diluted earnings (loss) per share

	2012	2011
	(929,470)	(945,738)
Number	Number	
	67,841,666	57,684,224
Cents per share	Cents per share	
	(1.37)	(1.16)
	(1.37)	(1.16)

Notes to the Consolidated Financial Statements

For the year ended 30 June 2012

16. Key management personnel

Key management personnel compensation

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

	2012 \$	2011 \$
Short term employee benefits	557,701	465,885
Post-employment benefits	39,897	31,599
Other long term benefits	-	-
Termination benefits	-	-
Share-based payments	106,095	136,205
	703,693	633,689

Shareholdings of key management personnel

Fully paid ordinary shares held in Eastern Iron Limited

	Balance at 1 July no.	Granted as compensation no.	Received on exercise of options no.	Net other change no. *	Balance at 30 June no.
2012					
G Goodacre	480,000	-	-	160,000	640,000
G De Ross	-	-	-	45,000	45,000
W Corbett	75,000	-	-	-	75,000
G Jones	698,975	-	-	-	698,975
S Gemell	-	-	-	-	-
I Polovineo	-	-	-	-	-
M Lilley	-	-	-	-	-
	1,253,975	-	-	205,000	1,458,975
2011					
G Goodacre	320,000	-	160,000	-	480,000
G De Ross	-	-	-	-	-
W Corbett	50,000	-	25,000	-	75,000
G Jones	-	-	698,975	-	698,975
S Gemell	-	-	-	-	-
I Polovineo	-	-	-	-	-
P Buckley	100,000	-	12,500	-	112,500
M Lilley	-	-	-	-	-
	470,000	-	896,475	-	1,366,475

*On market trade

Notes to the Consolidated Financial Statements

For the year ended 30 June 2012

Option holdings of key management personnel

Share options held in Eastern Iron Limited

	Balance at 1 July no.	Granted as compensation no.	Exercised no.	Net other change no. *	Balance at 30 June no.	Balance vested at 30 June no.	Vested but not exercisable no.	Vested and exercisable no.	Options vested during year no.
2012									
G Goodacre	500,000	150,000	-	-	650,000	650,000	-	650,000	150,000
G De Ross	1,200,000	600,000	-	-	1,800,000	1,800,000	-	1,800,000	600,000
W Corbett	300,000	150,000	-	-	450,000	450,000	-	450,000	150,000
G Jones	300,000	150,000	-	-	450,000	450,000	-	450,000	150,000
S Gemell	300,000	150,000	-	-	450,000	450,000	-	450,000	150,000
I Polovineo	-	450,000	-	-	450,000	450,000	-	450,000	450,000
M Lilley	150,000	-	-	-	150,000	150,000	-	150,000	-
	2,750,000	1,650,000	-	-	4,400,000	4,400,000	-	4,400,000	1,650,000
2011									
G Goodacre	500,000	500,000	-	(500,000)	500,000	500,000	-	500,000	500,000
G De Ross	1,200,000	-	-	-	1,200,000	1,200,000	-	1,200,000	600,000
W Corbett	250,000	300,000	-	(250,000)	300,000	300,000	-	300,000	300,000
G Jones	-	300,000	-	-	300,000	300,000	-	300,000	300,000
S Gemell	-	300,000	-	-	300,000	300,000	-	300,000	300,000
I Polovineo	-	-	-	-	-	-	-	-	-
P Buckley	1,000,000	300,000	-	(1,000,000)	300,000	300,000	-	300,000	300,000
M Lilley	100,000	150,000	-	(100,000)	150,000	150,000	-	150,000	150,000
	3,050,000	1,850,000	-	(1,850,000)	3,050,000	3,050,000	-	3,050,000	2,450,000

*Expired options

17. Related party disclosures

Subsidiaries

The consolidated financial statements include the financial statements of Eastern Iron Limited (the Parent Entity) and the following subsidiaries:

Name	Country of incorporation	% Equity interest	
		2012	2011
Queensland Iron Pty Ltd	Australia	100	100
Eastern Resources PNG Limited	Papua New Guinea	100	100

Queensland Iron Pty Ltd was incorporated on 18 November 2010. Eastern Resources PNG Limited was incorporated on 21 April 2009.

Transactions with other related parties

PlatSearch NL

PlatSearch NL (PlatSearch) is a 45.78% shareholder of Eastern Iron. The Company engaged PlatSearch to provide the technical services of Mr Greg Jones with nil payments for the year ended 30 June 2012 (2011: \$6,163).

Notes to the Consolidated Financial Statements

For the year ended 30 June 2012

The Company has paid PlatSearch rent of \$24,420 (2011: \$20,595) for the financial year ended 30 June 2012 which includes reimbursement of office costs. The contract with PlatSearch is based on normal commercial terms and conditions.

18. Auditors' remuneration

Total amounts receivable by the current auditors of the Company for:
Audit of the Company's accounts
Other services

	2012 \$	2011 \$
Audit of the Company's accounts	19,900	16,900
Other services	-	-
	19,900	16,900

19. 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 in the Queensland JV 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 2012 were as follows:

New South Wales

Eastern Tenement Block (4 Exploration Licences)
Western Tenement Block (13 Exploration Licences)

Queensland

Hawkwood – EFE can earn 80%

	Percentage interest 2012	Percentage interest 2011
Eastern Tenement Block (4 Exploration Licences)	49%	49%
Western Tenement Block (13 Exploration Licences)	100%	100%
Hawkwood – EFE can earn 80%	0%	0%

20. Financial report by segment

The operating segments identified by management are as follows:

Exploration projects funded directly by Eastern Iron Limited (“Exploration”)

Regarding the Exploration segment, the Chief Operating Decision Maker (the Board of directors) receives information on the exploration expenditure incurred. This information is disclosed in Note 9 of this financial report. No segment revenues are disclosed as each exploration tenement is not at a stage where revenues have been earned. Furthermore, no segment costs are disclosed as all segment expenditure is capitalised, with the exception of expenditure written off which is disclosed in Note 9.

Financial information about each of these tenements is reported to the Managing Director on an ongoing basis.

Corporate office activities are not allocated to operating segments as they are not considered part of the core operations of any segment and comprise of the following:

- ▶ Interest revenue.
- ▶ Corporate costs.
- ▶ Depreciation and amortisation of non-project specific property, plant and equipment.

The Group's accounting policy for reporting segments is consistent with that disclosed in Note 2.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2012

21. Contingent liabilities

The Company has provided guarantees totalling \$118,350 in respect of exploration tenements in NSW, Victoria and Queensland. These guarantees in respect of exploration tenements are secured against deposits with NSW Minerals and Energy, Victorian Department of Primary Industries – Energy and Resources, DERM Queensland and various banking institutions. Rugby Mining has been reimbursed \$850 by the Company for Eastern Iron's share of the security deposit on EPM 17099 in Queensland. The Company does not expect to incur any material liability in respect of the guarantees.

22. 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 risks, their objectives, policies and processes for measuring and managing risk, the management of capital and financial instruments.

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.

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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2012

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.

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

	2012 \$	2011 \$
Cash and cash equivalents	917,310	3,618,543
Receivables	43,055	84,694
Deposits with Government Departments and banks	118,350	105,850
	1,078,715	3,809,087

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations 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 \$
2012				
Payables	252,964	252,964	-	-
	252,964	252,964	-	-
2011				
Payables	418,519	418,519	-	-
	418,519	418,519	-	-

Notes to the Consolidated Financial Statements

For the year ended 30 June 2012

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

Financial assets	Carrying amount \$	<12 months \$	1-3 years \$	>3 years \$
2012				
Cash at bank and term deposits	917,310	917,310	-	-
Receivables	43,055	43,055	-	-
Deposits with banks and Government Departments	118,350	-	-	118,350
	1,078,715	960,365	-	118,350
2011				
Cash at bank and term deposits	3,618,543	3,618,543	-	-
Receivables	84,694	84,694	-	-
Deposits with banks and Government Departments	105,850	-	-	105,850
	3,809,087	3,703,237	-	105,850

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:

	2012 \$	2011 \$
Weighted average rate of cash balances	0.88%	1.47%
Cash balances	\$401,183	\$221,792
Weighted average rate of term deposits	4.02%	5.92%
Term deposits	\$516,127	\$3,396,751

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:

Sensitivity analysis	Carrying amount	+1.0% of AUD IR		-1.0% of AUD IR	
		Profit \$	Other equity \$	Profit \$	Other equity \$
2012					
Cash and cash equivalents	917,310	91,731	-	(91,731)	-
Tax charge of 30%	-	(27,519)	-	27,519	-
After tax profit increase/(decrease)	917,310	64,212	-	(64,212)	-
2011					
Cash and cash equivalents	3,618,543	36,185	-	(36,185)	-
Tax charge of 30%	-	(10,856)	-	10,856	-
After tax profit increase/(decrease)	3,618,543	25,329	-	(25,329)	-

The above analysis assumes all other variables remain constant.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2012

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.

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.

23. 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 Rugby Mining Pty Ltd.

	2012 \$	2011 \$
Payable not later than one year	14,149	939,283
Payable later than one year but not later than five years	120,000	189,250
	134,149	1,128,533

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.

24. Events after the balance sheet date

There were, at the date of this report, no matters or circumstances which have arisen since 30 June 2012 that have significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years, other than:

- ▶ The Company completed a pro-rata non-renounceable Entitlement Offer of New Shares on 3 July 2012. The offer was for 2 shares for every 3 fully paid ordinary shares held in the Company on 30 May 2012 (Record date) at an issue price of \$0.055. The total amount raised under the Offer before costs was \$1,266,568 and the funds raised will be used for the ongoing work program and scoping study of the Nowa Nowa Project. A total of 23,028,507 shares at \$0.055 were issued on 5 July 2012 under the Rights Issue.
- ▶ On 26 September 2012 the Company issued 22,843,106 ordinary shares at \$0.055 per share for a total cash consideration of \$1,256,371. These shares were Shortfall Shares issued pursuant to clause 2.3 of the Replacement Entitlement Offer Prospectus dated 8 June 2012 and in accordance with ASX Listing Rule 7.2 Exception 3.
- ▶ In August 2012 the Company received \$429,668 for its R&D tax concession claim for the year ended 30 June 2011.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2012

25. Statement of cash flows

	2012 \$	2011 \$
Reconciliation of net cash outflow from operating activities to operating loss after income tax		
(a) Operating (loss) after income tax	(929,470)	(945,738)
Depreciation	15,721	10,973
Share based payments	106,095	157,055
Tax benefit – deferred tax	-	-
Salary costs charged to exploration	(80,396)	(66,146)
Gain on tenements	-	23,280
Non cash exploration capitalised	-	488,975
Explorations costs in trade and other creditors	128,716	(251,084)
Other	67,629	(8,582)
Change in assets and liabilities:		
(Increase)/decrease in receivables	41,639	(33,266)
(Decrease)/increase in trade and other creditors	(165,555)	344,913
(Decrease)/increase in provisions	25,612	12,103
Net cash outflow from operating activities	(790,009)	(267,517)
(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.		
The balance at 30 June 2012 comprised:		
Cash assets	401,183	221,792
Bank deposits (Note: 5)	516,127	3,396,751
Cash on hand	917,310	3,618,543

26. Parent entity information

	2012 \$	2011 \$
Current assets	960,363	3,703,235
Total assets	5,822,425	6,306,065
Current liabilities	286,652	437,411
Total liabilities	297,468	437,411
Issued capital	8,031,695	7,552,017
Accumulated losses	(2,941,413)	(2,011,943)
Share based payment reserve	434,675	328,580
Total shareholders' equity	5,524,957	5,868,654
Profit/(loss) of the parent entity	(929,470)	(945,326)
Total comprehensive income of the parent entity	(929,470)	(945,326)

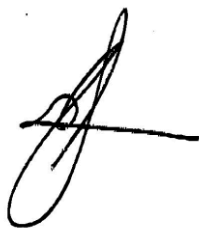
Directors' Declaration

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

In the opinion of the directors:

- (a) The 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 financial position as at 30 June 2012 and of its performance for the year ended on that date.
 - (ii) Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- (b) The financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2; and
- (c) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- (d) 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 ending 30 June 2012.

On behalf of the Board



Glenn Goodacre
Chairman
Sydney, 28 September 2012

Independent Auditor's Report



partner
C H Barnes FCA
A J Dowell CA
B Kolevski CPA (Affiliate
ICAA)
M Galouzis CA
A N Fraser CA

associate
M A Nakkan CA

consultant
R H B Boulter FCA

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Independent Auditor's Report

To the members of Eastern Iron Limited

Report on the Financial Report

We have audited the accompanying financial report of Eastern Iron Limited, which comprises the statements of financial position as at 30 June 2012, the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 company's preparation of the financial report that gives a true and fair view 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 company'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.



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Please refer to the website for our standard terms of engagement.

Independent Auditor's Report



Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Eastern Iron Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

- (a) the financial report of Eastern Iron Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's and the consolidated entity's financial position as at 30 June 2012 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

- (b) the consolidated financial statements and notes also comply with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Eastern Iron Limited for the year ended 30 June 2012 complies with section 300A of the *Corporations Act 2001*.

BDJ Partners
Chartered Accountants

A handwritten signature in black ink, appearing to read 'A. Dowell'.

.....
Anthony J Dowell
Partner

28 September 2012



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Shareholder Information

Information relating to shareholders at 20 September 2012 (per ASX Listing Rule 4.10)

Ordinary shares

There were a total of 91,835,926 fully paid ordinary shares on issue.

Options

There were a total of 9,700,000 unquoted options on issue. PlatSearch NL holds 5,000,000 of these options.

Substantial shareholders	Shareholding
PlatSearch NL	52,500,000

Top 20 shareholders of ordinary shares as at 20 September 2012	Number	%
PlatSearch NL	40,000,000	43.56
Bluestone 23 Limited	12,500,000	13.61
MR Neville John Holz & Mrs Lynette Holz	2,000,000	2.18
Mr Malcolm James Hill	1,722,000	1.88
Warman Investments Pty Ltd	1,500,000	1.63
Budberth Pty Ltd <Ipseity S/F A/C>	1,325,000	1.44
Belmont Park Investments Pty Ltd	1,250,000	1.36
Panorama Ridge Pty Ltd	1,250,000	1.36
Mr Gregory Jones <The Jones Family Account>	1,164,959	1.27
Accord Mbo Pty Ltd <Mbo Super Fund A/C>	1,025,000	1.12
Mrs Annette Sylvia Mizon <The Bobbin Super Fund A/C>	800,000	0.87
Mr Chris Carr & Mrs Betsy Carr	750,000	0.82
Mrs Fiona Lee Butler	749,350	0.82
Mr Gregory Lee & Mrs Lesley Lee & Miss Shanna Lee <Lee Family Super Fund>	737,500	0.80
Hart Financial Services Pty Ltd <Hart Super Fund Account>	725,000	0.79
G E Reveleigh & Co Pty Ltd <The Reveleigh S/F A/C>	500,000	0.54
Peter C Dreverman Pty Ltd <Peter C Dreverman S/Fund A/C>	500,000	0.54
Mr Christopher John Fone	420,511	0.46
Minatek Pty Ltd	400,000	0.44
Mr Maurice William Buckley	375,000	0.41
Total of top 20 holdings	69,694,320	75.90
Other holdings	22,141,606	24.10
Total fully paid shares issued	91,835,926	100.00

Distribution of shareholders		
Range of shareholding	No of shareholders	Ordinary shares
1 – 1,000	24	11,785
1,001 – 5,000	63	210,421
5,001 – 10,000	102	898,941
10,001 – 100,000	316	11,561,514
100,001 – and over	72	79,153,265
	577	91,835,926

Shareholder Information

At the prevailing market price of \$0.043 per share, there are 197 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.

CORPORATE DIRECTORY

Board of Directors

Glenn Goodacre
Non-Executive Chairman

Greg De Ross
Managing Director

Gregory Jones
Non-Executive Director

Wendy Corbett
Non-Executive Director

Steve Gemell
Non-Executive Director

Ivo Polovineo
Non-Executive Director

Company Secretary

Ian White appointed 14 August 2012

Registered Office and Place of Business

Level 1, 80 Chandos Street
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PO Box 956, Crows Nest
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Phone: (+61 2) 9906 7551
Email: info@easterniron.com.au
Website: www.easterniron.com.au

Share Registry

Boardroom Pty Limited
GPO Box 3993
Sydney, NSW 2001
Phone: (+61 2) 9290 9600
Website: www.boardroomlimited.com.au

Auditors

BDJ Partners
Level 13, 122 Arthur Street
North Sydney, NSW 2060

Solicitors

Dibbs Barker
Level 8, 123 Pitt Street
Sydney, NSW 2000

Bankers

Bank West
Commonwealth Bank
Macquarie Bank
Suncorp-Metway Ltd

Securities Exchange Listing

Australian Securities Exchange
ASX Code: EFE



EASTERN IRON LIMITED

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