EASTERN
IRON LIMITED

Annual Report 2014

Contents

Chairman's Letter

Dear Fellow Shareholder,

This has been a year of both progress and frustration for Eastern Iron. We have been focussed on advancing the Nowa Nowa project as being the most appropriate means to enhance the value of the Company.

On the positive side, we have considerably advanced our knowledge of the mineralisation, and have derived a practicable and relatively inexpensive processing path for the iron ore. The proposed open pit mining appears straight-forward, considerably assisted by the high in-situ grade of the magnetite. We have been much encouraged by the level of support we have received from the local community to our development proposal, and are indebted to the Gunaikurnai People with whom we have signed a Native Title Agreement. The Company is especially delighted by the support we have received at this early stage from the Victorian Government, which included a grant to complete the infrastructure component of our feasibility study.

On the negative side, we are disappointed that SEFE, the owner of the woodchip port facility in Twofold Bay, has withdrawn from the agreement outlined in our Memorandum of Understanding. The Company is actively progressing its assessment of alternative options. It remains uncertain at this time whether accepting an alternative will add to or subtract from the anticipated cost structure, as certain offsets and changes in product sizing may be required. The fall in iron ore price has also not assisted our cause.

The feasibility study has progressed much more slowly than your Board anticipated. A number of conceptual operational changes were required mid-stream, particularly when it became apparent that resource delineation drilling at the north end of the pit did not support anticipated improvements to the mining plan. On the other hand, the large-scale pilot plant testwork delivered improved beneficiation results and enhanced final product specification. The baseline study is now complete, although of course we cannot present it as a completed DFS (definitive feasibility study) until we have resolved the port issue.

Of special interest is the potential for copper-rich massive sulphide mineralisation within the Nowa Nowa tenement. We did not consciously set out to become a diversified explorer, and we still do not intend to do so elsewhere, but we would be foolish to ignore this opportunity on our doorstep. The historical results, which include drill intercepts which would be considered generically payable if sufficient tonnages can be delineated, and the results from the recent Eastern Iron aerial geophysics are enticing and require follow-up.

I take this opportunity to thank staff and consultants for their persistence and professionalism throughout the year, but most of all I thank you for your continuing support and confidence in the project and the Company.

Yours sincerely,

Steve Gemell

Chairman

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Highlights

Nowa Nowa Iron

- Definitive Feasibility Study (DFS) investigations have confirmed many Scoping Study outcomes, indicating a low capital cost and low mine production costs.
- The Company is examining alternative lower cost options for transport of iron to market.
- A Mining Licence has been granted by the Victorian Government.
- The Victorian Government provided grant funds of $300,000 towards the cost-of-infrastructure study.
- The total Measured and Indicated Resource for Five Mile deposit increased 13% from 5.8Mt to 6.57Mt.
- The total Resource for Five Mile is estimated at 9.05Mt @ 50.8% Fe at a lower cutoff of 40% total Fe.
- Native Title Agreement signed with the Gunaikurnai People.

Nowa Nowa Copper

- VTEM survey completed in the search for massive sulphide copper-gold deposits.

Introduction

Over the past year Eastern Iron has made substantial progress towards its goal of becoming an iron ore producer. The objective has been to deliver value to shareholders by building the Company's asset base and leveraging up from low capital cost, high margin mine developments. The Company identified the Nowa Nowa project as such an opportunity and the completion of the DFS and grant of the Mining Licence have been major steps toward realising this goal.

Nowa Nowa Project

The Nowa Nowa project is based on the potential development of the Five Mile magnetite iron deposit by upgrading the ore to a beneficiated product at site and then transporting this product to market by the most efficient and cost effective means.

In July 2012 Eastern Iron entered into an MOU with South East Fibre Exports Pty Ltd (SEFE) to investigate the use of the SEFE bulk ship loader and wharf facility at the Port of Eden for the loading of iron ore from Eastern Iron's planned development at Nowa Nowa. In July 2014 SEFE advised that despite reaching advanced negotiations for the finalisation of a commercial agreement between the parties, their Japanese shareholders had directed SEFE not to enter into an agreement with Eastern Iron, thereby denying use of the SEFE facility. Although the Company is examining several alternative product transport solutions, none of these are as yet at a sufficiently advanced stage to be included in the DFS. As a result, the outcomes of the DFS have been released without a specified transport solution and without the financial model and an analysis of the project investment criteria.

Victorian Government Grant

During the year the Company was the beneficiary of a $300,000 grant from the Victorian Government, through Regional Development Victoria. The grant represents the Government's contribution towards studies undertaken during the Nowa Nowa DFS and related to infrastructure requirements for the project.

Grant of Mining Licence

The Department of State Development, Business and Innovation granted a Mining Licence, MIN 5571, covering the Nowa Nowa iron project to Gippsland Iron Pty Ltd, a wholly owned subsidiary of Eastern Iron on 22 April 2014. The area covered by the Mining Licence is approximately 484Ha.

Review of Operations

Native Title

Late in 2013 Eastern Iron reached agreement with the Gunaikurnai Land and Waters Aboriginal Corporation ('GLaWAC') regarding the granting of the Mining Licence covering the Nowa Nowa iron ore project in East Gippsland, Victoria. A Project Consent Deed was signed between Gippsland Iron Pty Ltd, a wholly owned subsidiary of Eastern Iron and GLaWAC, which is the native title group for the Gunaikurnai People of Gippsland.

The agreement recognises the cultural and environmental significance of the area for the Gunaikurnai People, and aims to deliver significant employment, financial and social outcomes through commercial and community development opportunities. The Section 31 Deed signed by both GLaWAC and Gippsland Iron was also signed on behalf of the State of Victoria fulfilling the legislative requirements of the *Native Title Act* 1993 (Commonwealth). This opened the way for the mining licence to be granted by the Victorian Government.

Definitive Feasibility Study

The DFS with detailed capital and operating cost estimates but minus the transport solution has now been completed. The major outcomes are summarised below.

The study was compiled for Eastern Iron by Engenium Pty Ltd (Engenium) as an independent consultant. It is based in part on information supplied by Eastern Iron, specialist consultants, contract service operators, vendors of equipment and Engenium's engineering and project personnel.

Areas of responsibility in the preparation of this Study have been:

	Company
Executive Summary	Engenium
Introduction	Engenium
Geology and Mineral Resource	Eastern Iron
Metallurgy Test Work	Engenium
Mining	Coffey / Engenium
Processing	Engenium
Infrastructure and Utilities	Engenium
Logistics	Engenium
Port Facilities	Engenium
Operations Management	Engenium
Human Resources	Engenium
Health and Safety Management	Engenium
Environmental and Social Impact Assessment	Earth Systems
Project Approvals Process – Mine and Port	Planning and Property Partners
Cultural Heritage and Native Title	Planning and Property Partners
Capital and Operating Cost Estimation	Engenium / Eastern Iron
Financial Analysis	Engenium / Eastern Iron
Risk Management	Engenium
Project Execution	Engenium
Project Status and Forward Work Program	Engenium
Study document preparation	Engenium

Mineral Resource

An updated JORC compliant resource of 9.05 Mt @ 50.8% Fe has been prepared by H&S Consultants for the Five Mile deposit. The estimate shown below uses historical drilling data compiled by Eastern Iron and results from recent drilling programmes and has been reported at a lower cutoff of 40% Fe.

Prospect	Measured		Indicated		Inferred		Total	
	Mt	*Fe%*	*Mt*	*Fe%*	*Mt*	*Fe%*	*Mt*	*Fe%*
Five Mile	2.25	52.8	4.32	50.4	2.49	49.7	9.05	50.8

This information is extracted from the report entitled “Resource Upgrade at Nowa Nowa Iron Project” announced to the ASX on 21 May 2014 and is available to view on www.easterniron.com.au. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of estimates of Mineral Resources, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person’s findings are presented have not been materially modified from the original market announcement.

Mining

The Scoping Study was based on a conventional pit where the haul ramp system spirals down to the bottom of the pit and all waste is stockpiled on external waste dumps. The DFS mining model was developed by Coffey Mining Consultants in conjunction with Woodhawk Mining Consultants. This model identified the option of accessing the orebody by means of an external box-cut, which would allow both the southern and northern sections of the pit to be mined independently. This in turn would facilitate backfill of the northern section of the pit, whilst maintaining access to the southern section of the pit as shown in Figure 1. This modification reduces waste haulage distances and results in substantial savings in unit mining costs.

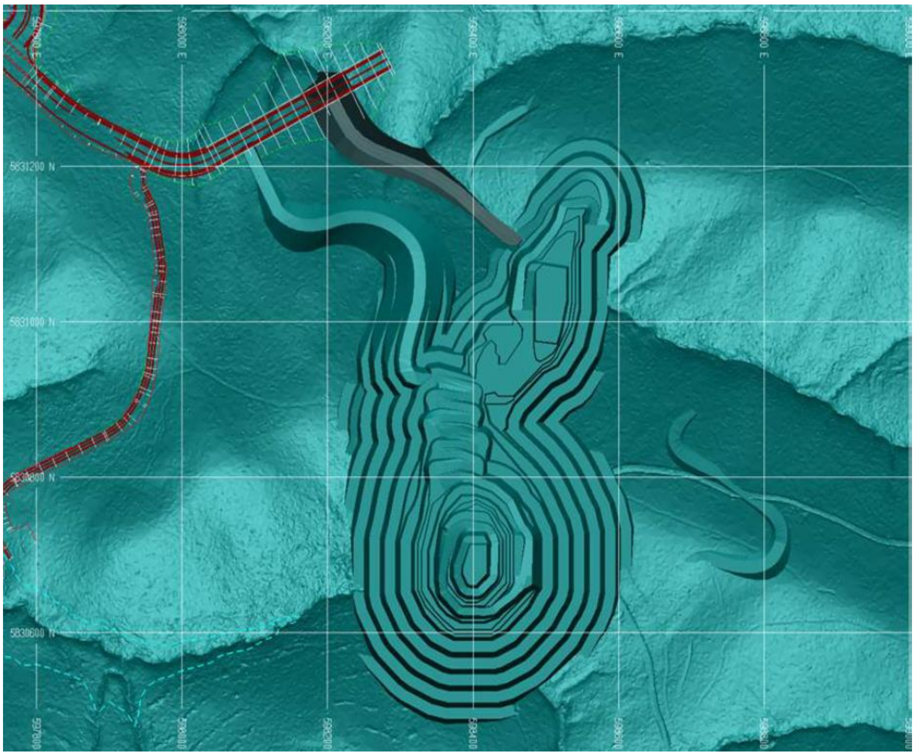

Figure 1. Proposed Pit Design

The pit design was based on the total resource provided by H&S Consultants and included both measured and indicated as well as a portion of inferred resource (see below). The final designed pit was marginally larger than the optimised pit due to the incorporation of separate pit accesses.

Resource Classification	Mill Feed	
	Tonnes (Mt)	Grade (% Fe)
Measured	2.04	52.8
Indicated	3.54	50.4
Sub Total	5.58	51.2
Inferred	1.23	49.0
Grand Total	6.81	50.8

The mine production schedule is based on providing an average of 1Mtpa mill feed at an average grade of at least 50% Fe. Waste mining decreases substantially from Year 5 as the overburden is largely removed. Life of mine waste to ore is 4.2 and includes material from the external ramps and box cut. It is estimated that the pre-production period would be approximately 6-8 months which would allow a sufficiently sized ROM stockpile to be built to supply the mill at the designed rate.

The almost flat, tabular attitude of the ore body allows for the use of surface miners for mining ore and waste. Two Wirtgen 2500 units would be supplied and operated by a contract mining group. This has several advantages including:

- Drill and blast requirements are eliminated.
- No requirement for storage of explosives and operating licences for handling and storage of blasting materials.
- The surface miners reduce the broken ore size so that a primary crusher is not required.
- Significant reduction to the unit mining cost.

Metallurgy

Magnetic beneficiation testwork was carried out using large pilot-scale dry low intensity magnetic separation (Dry LIMS) equipment at Western Process Equipment (WPE) and supervised by ALS Global and Engenium in Perth, WA.

The results were a significant improvement on earlier test results completed for the scoping study which used smaller “laboratory scale” equipment. Highlights were as follows:

- Average iron recovery exceeding 90% suggests little of the low magnetic hematite is being lost to the non-magnetic fraction.
- Average product grade of 58% Fe is a significant improvement to the 56% Fe product grade realised from previous testwork.
- Upgrade factors (ie from feed grade to product grade) are significantly improved and confirm that the Dry LIMs is highly effective in its application to the Nowa Nowa ore, even at a relatively coarse feed size of -6mm.
- The Dry LIMS has been highly successful at reducing sulphur from feed grades usually in excess of 2% to well below 1%.

The testwork was performed with larger composite drill core samples feeding onto a 914mm diameter, variable speed rotating drum magnet. The effects of varying the drum speed together with moisture content and sizing of the feed were measured. Selected intervals of drill holes were composited into five samples with grades distributed across the range of expected ROM feed.

Initial tests on selected samples established a preferred drum speed of 2.5m/sec and a crush size of -6mm. Using these settings Dry LIMS test results from the five sample composites were as follows:

Sample ID	Head Fe %	Yield %	Conc Fe %	Fe Rec %	Conc SiO_2%	Conc S%	Upgrade factor %
HS 1	44.6	71.3	54.8	88.6	15.1	0.64	22.9
HS 2	47.4	75.9	56.3	89.0	13.1	0.68	18.8
HS 3	48.8	79.9	56.0	91.5	13.2	0.76	14.8
HS 4	56.2	88.2	60.1	94.2	10.8	0.59	6.9
HS 5	57.4	89.0	62.0	94.0	9.1	0.59	7.9
Average	50.9	80.9	57.8	91.5	12.2	0.65	14.3

It is expected that further optimisation of drum speed and magnetic intensity should be possible under operating conditions to further improve product specifications.

Processing

The processing plant consists of a fairly conventional two-stage gyratory crushing circuit producing a -6mm product feeding a rotating magnetic drum and producing a magnetic product and non-magnetic waste. The magnetic product is loaded from one of two stockpiles directly into trucks for transport to the export point. The waste product is conveyed back to the waste stockpile for storage pending disposal in the mined-out pit at the end of the mining operation.

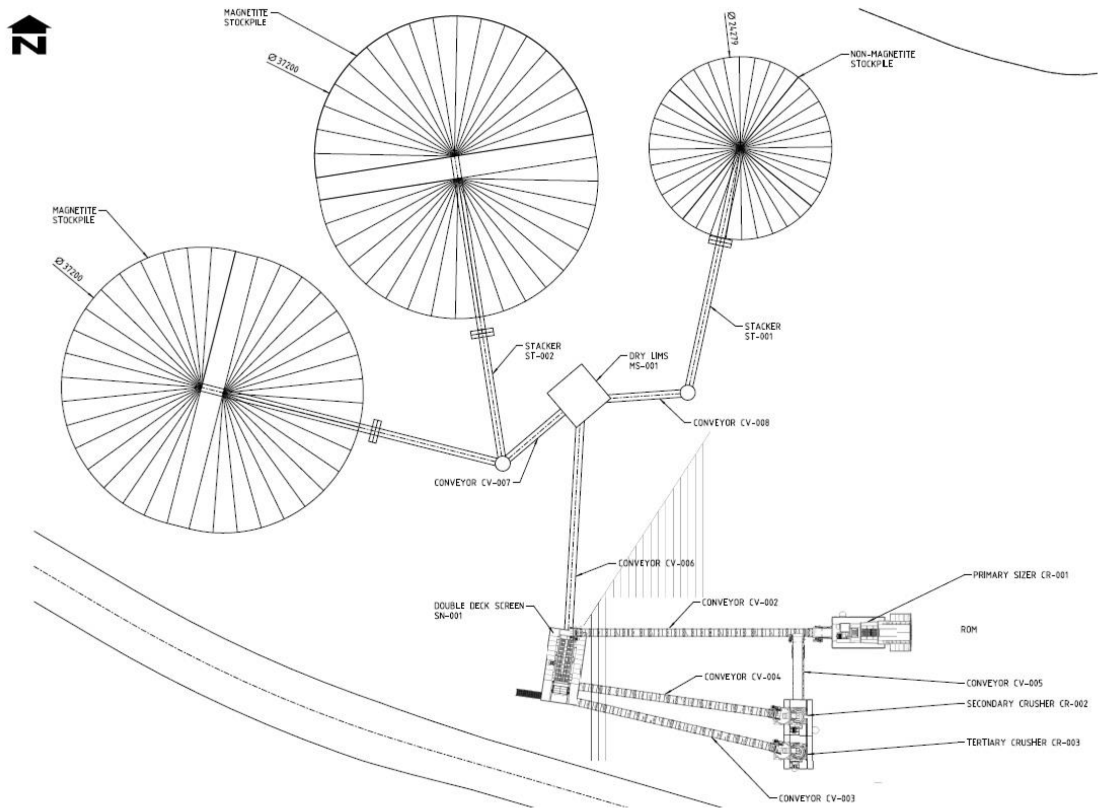

Figure 2. Proposed Crushing Circuit and Stockpiles

Operations Management

It is anticipated that the operations would be undertaken all year round, 12 hours per day, 7 days per week. Mining operations would be performed by a contractor but all other site-based activities including processing would be performed by Eastern Iron.

The total site-based workforce would be 52 with a potentially similar number dedicated to transport of the product depending on the transport solution adopted.

It is anticipated that the workforce would be largely sourced from the local communities without a requirement for fly-in fly-out. As the mine site is central to a number of medium-sized and small towns it is anticipated that the workforce would return to their homes after their shift so there is no provision for an accommodation village.

Environmental and Social Impact Assessment

The project is subject to assessment under the Environmental Effects Act (1978) (EE Act) which provides the legislative framework for assessment of proposed projects that are capable of having a significant effect on the environment.

The process under the EE Act is not an approval process in its own right, rather it enables statutory decision makers (e.g. Ministers, local government and statutory authorities) to make decisions about whether a project with potentially significant environmental effects should proceed.

A referral was submitted to the Minister for Planning on the 8th November 2013 for advice as to whether an Environmental Effects Statement (EES) is required in accordance with the EE Act. On 19th December 2013, the Victorian Minister for Planning decided that Gippsland Iron should prepare an EES under the EE Act for the project.

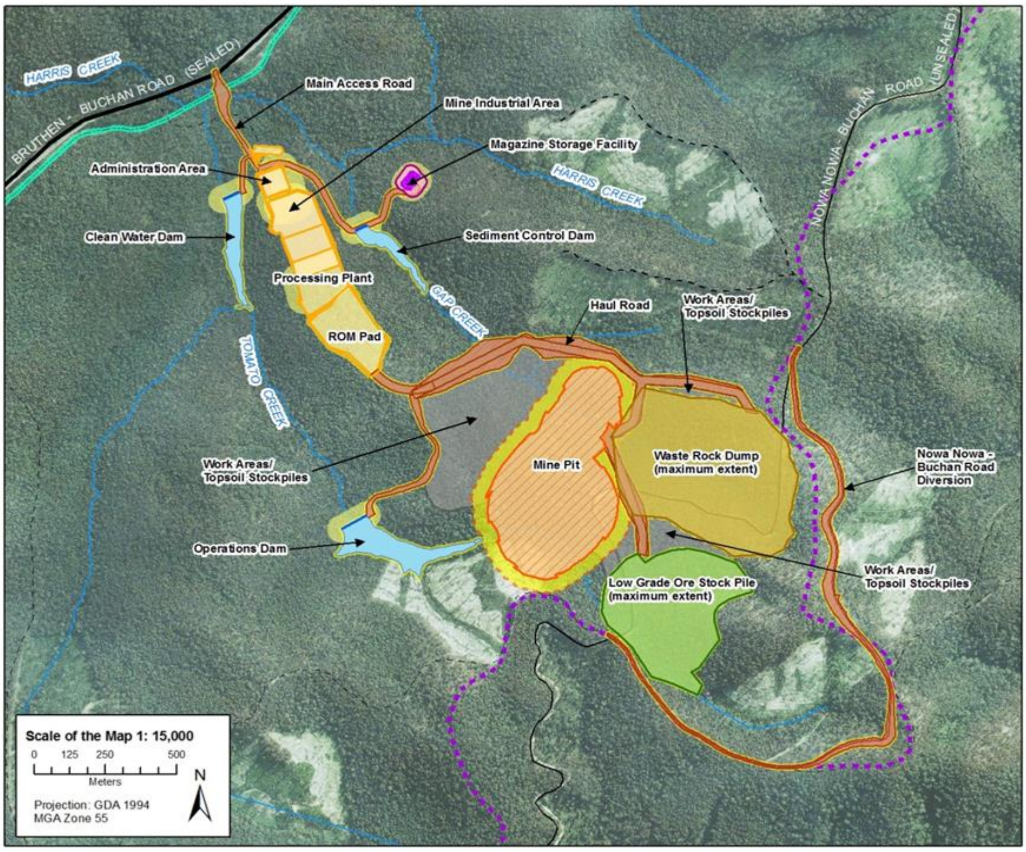

Figure 3. Nowa Nowa Project – proposed site layout

Draft Scoping Requirements for the EES were placed on public exhibition from 9 April 2014 to 2 May 2014. After considering public submissions on the Draft Scoping Requirements, the Minister issued final Scoping Requirements for the EES on 4 June 2014.

The EES preparation is ongoing although activities have been temporarily suspended pending a resolution of the outstanding transport issue.

Transport

The DFS was carried out on the assumption that the finished iron ore product would be trucked to the SEFE wharf and ship loading facility at the port of Eden and loaded onto bulk carriers for dispatch to market. The recent decision by SEFE's shareholders not to allow access by Eastern Iron to the port facilities has caused the Company to examine other options for transport of the product to market.

Among other options is an indicative proposal from Qube Logistics, a division of Qube Holdings Limited (ASX: QUB) for a full service truck and ship loading solution using Qube's Rotabox technology and based on using the multi-user Naval wharf which is adjacent to the SEFE wharf. Eastern Iron will investigate this option in greater detail including the size and type of ship that can be accommodated at the Naval wharf.

Assuming this option was adopted, the trucking route would be the same as that which was examined in the DFS for the for the SEFE wharf option.

Total trucking distance is 234km utilising existing sealed roads and in particular the Princes Highway between Nowa Nowa and the turnoff to the SEFE facility. The only modification required would be the entrance from the mine road to the Bruthen-Buchan road which would require turn-in and merging lanes.

The DFS assumed standard B-double trucks with a gross mass limit of 62.5 tonnes and a normal payload of around 42 tonnes. Prior to any potential development the Company would apply to the National Heavy Vehicle Regulator for permission to operate under higher mass limits (up to 68 tonnes gross) which should provide some savings on the assumed trucking cost.

Figure 4. Nowa Nowa project location and trucking route to Eden

Capital Costs

The DFS has confirmed capital and operating estimates broadly in line with those previously quoted for the scoping study completed in late 2012 as follows:

Capital Cost Summary	Costs (AUD $)
Direct Costs	
Mine	$3,005,028
Processing Plant and Materials handling	$10,651,812
Site Works	$9,815,417
Total Direct Costs	$23,472,257
Indirect Costs	
Owners Costs	$2,907,294
EPCM	$2,679,308
Contingency	$4,509,523
Total Indirect Costs	$10,159,125
Total	**$33,631,382**

Note: Working capital is not included. Contingency has been included at 10% of Capex.

The capital cost shown in the table above has been estimated to an accuracy of +/- 15% and assumes all new equipment is purchased apart from the mining fleet which would be supplied by the mining contractor. It also includes the capital cost of a processing plant which in the scoping study was assumed to be provided by a contractor.

Site works include the cost of a major water management system to ensure no discharge from the site during the life of the operation. This includes three water management dams around the site including an operations dam which will contain water from pit dewatering and runoff from the waste rock stockpile.

The capital costs shown above include no allowance for any new works which may be associated with the final product transport solution.

Operating Costs

The operating costs shown in the table below are similar to those from the scoping study. Again the Company is of the view that further reductions will be made through a process of optimisation prior to development. The mining cost is a large component of the site based operating costs due to a 4.2 waste to ore ratio. Since the scoping study there has been significant progress made in reducing the unit mining cost through adopting a more efficient pit and dump design which reduced waste haul distances and the application of continuous miners for waste and ore mining which removes the requirement for drill and blast.

	Costs (AUD $/t conc)
Mining Cost	$18.67
Processing	$3.48
Indirects	$3.95
Total (Mine gate)	$26.1

Revenue

Revenue assumptions are based on the index price for iron ore less a discount for contaminants. The formula has been provided by marketing consultant Fundmax Pty Ltd and is based on extensive discussions with potential offtake groups. For the purpose of the DFS an index price of US$110/t for 62% Fe Pilbara Blend fines was assumed together with an exchange rate of 1AUD to 0.85USD. On this basis the CNF price for the 58% Fe Nowa Nowa product was assumed to be A$107/t.

Nowa Nowa Copper

In August 2014 the Company carried out a detailed heli-borne electromagnetic VTEM survey over the Nowa Nowa tenement (EL 4509) in eastern Victoria. The survey was completed following a review of previous exploration and the identification of extensive Silurian volcanics believed to be the same rocks that host important VMS deposits in Victoria and southern NSW.

Drilling carried out by previous explorers within the Nowa Nowa area intersected significant copper, lead, zinc and gold mineralisation in altered volcanics and sediments, with a best intersection of 13.6m assaying 3.8% Cu at the Three Mile prospect in the south eastern corner of the licence. Although final processing of the survey data has yet to be completed, preliminary results are most encouraging and indicate the VTEM survey has defined three strong conductors, one of which is located at the Three Mile prospect.

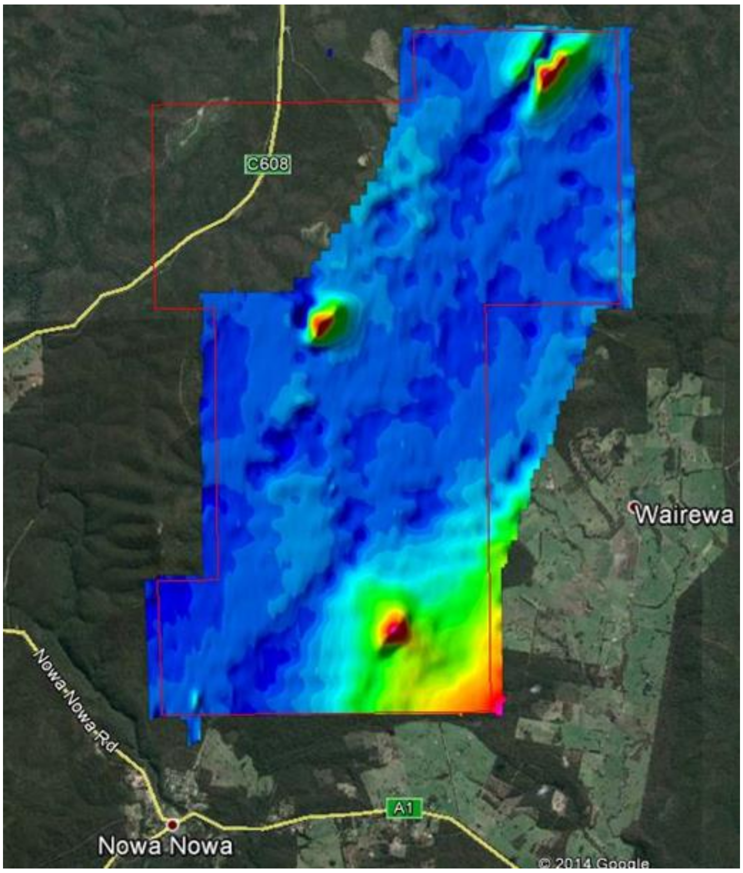

Figure 5. Channel 35, Z component VTEM image from Nowa Nowa

PROGRAM FOR 2014 – 2015

Nowa Nowa

Although the DFS has been completed the Board are not in a position to consider a potential development without the identification of a viable transport option. Over the remaining months of 2014 the Company will be examining other options with a view to advancing one to the DFS level as soon as possible. The transport cost (trucking + port + shipping) is around 70% of the total cost to market for the iron product and the Company is aware that with the deterioration of the iron ore price over the first half of 2014 the transport solution must be a low cost one.

Once the DFS and transport solution has been finalised the Company will proceed with the completion of the EES and permitting arrangements.

Nowa Nowa Copper

The VTEM data will be processed prior to selecting targets for follow up. These priority targets will be field checked and where warranted ground geophysics (EM) will be used to properly delineate the target prior to investigatory drilling.

Central Queensland Iron Project

The Company has been unable to find a partner to fund continued assessment of the Eulogie project in Central Queensland and with the prospect of incurring ongoing very high tenement fees the Company has decided to relinquish the tenement.

During the year Eastern Iron came to an agreement with joint venture partner, Rugby Mining Ltd to transfer Rugby's interest in the Hawkwood project to Eastern Iron for a deferred royalty. This has been completed and the Company now holds 100% interest in this project. The Company is seeking interested farm in partners to continue work in this area.

Greg De Ross

Chief Executive Officer

The information in this report that relates to Exploration Results, Mineral Resources and 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 Chief Executive Officer and an 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 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr De Ross consents to the inclusion in the report of the matters based on this information in the form and context in which it appear.

Tenement Schedule

As at 18 September 2014

Tenement	Tenement Number	Interest	Joint Venture Details
Queensland			
Hawkwood	EPM 15289	100%	
Victoria			
Nowa Nowa	EL 4509	100%	
Nowa Nowa Mining Licence	MIN 5571	100%	
Tara South	EL 5405	100%	
Tara	EL 5530	100%	

EL Exploration Licence

EPM Exploration Permit for Minerals

MIN Mining Licence

Resource Summary

As at 30 June 2014

The information in this table that relates to Mineral Resources is a compilation of previously published data for which Competent Persons consents were obtained. This compilation has been prepared by Greg De Ross, BSc, who is a Fellow of the Australasian Institute of Mining and Metallurgy, Chief Executive Officer and an employee of Eastern Iron Limited. There is no new information or data that materially affects the original market announcements and the same information is presented in the same context. The information is extracted from the public reports to the ASX which are listed below and available to view on www.easterniron.com.au.

Nowa Nowa, Victoria

Prospect	Measured		Indicated		Inferred		Total	
	Mt	*Fe %*	*Mt*	*Fe%*	*Mt*	*Fe %*	*Mt*	*Fe %*
Five Mile	2.25	52.8	4.32	50.4	2.49	49.7	9.05	50.8

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

Resource is estimated at a lower cutoff of 40%.

Full details of the Nowa Nowa Resource estimate including Table 1 details were announced on 21 May 2014 under the guidelines of the JORC 2012 Code. This was released to the ASX in a report titled "Resource Upgrade at Nowa Nowa Iron Project". The Mineral Resource Estimation was carried out by Rupert Osborn of H&S Consultants and relies on data compiled by Greg De Ross of Eastern Iron.

Compared with the previous (June 2013) estimate, total tonnes in the current estimate are slightly lower. This is partly a result of more accurate positioning of the western boundary fault in the northern part of the resource but also largely due to a reinterpretation of historic GSV drillhole positions used in this latest estimate and derived from newly acquired LIDAR DTM. The total Measured and Indicated Resource has increased from 5.8 Mt to 6.57 Mt as a result of the conversion of 'inferred' resource in the north to a 'measured and indicated' category which was the objective of the drilling program undertaken this year.

Eulogie, Queensland

Inferred					Indicated					Total				
Mt	*Fe%*	*TiO_2%*	*V%*	*DTR*	*Mt*	*Fe%*	*TiO_2%*	*V%*	*DTR*	*Mt*	*Fe%*	*TiO_2%*	*V%*	*DTR*
311	14.2	3	0.1	13.1	154	14	3	0.1	12.8	465	14.2	3	0.1	13.1

Resource estimated at a lower cutoff of 10% DTR.

Full details of the Eulogie Resource estimate were announced on 19 October 2011 in a report titled "Maiden Resource of 465 Mt for Eulogie Magnetite Iron Project, Queensland". This estimate was reported under the guidelines of the JORC 2004 Code. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported. The Mineral Resource Estimation was carried out by Arnold van der Heyden of Hellman & Schofield and relies on data compiled by Greg De Ross of Eastern Iron.

Hawkwood, Queensland

Inferred					Total				
Mt	*Fe%*	*TiO_2%*	*V%*	*DTR*	*Mt*	*Fe%*	*TiO_2%*	*V%*	*DTR*
103.7	13.8	1.8	0.05	12.2	103.7	13.8	1.8	0.05	12.2

Resource estimated at a lower cutoff of 10% DTR.

Full details of the Hawkwood Resource estimate were announced on 19 May 2012 in a report titled "100 Mt Maiden Resource for Hawkwood Iron Project". This estimate was reported under the guidelines of the JORC 2004 Code. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported. The Mineral Resource Estimation was carried out by Arnold van der Heyden of Hellman & Schofield and relies on data compiled by Greg De Ross of Eastern Iron.

Your Directors submit their report for the year ended 30 June 2014.

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.

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

Non-executive chairman of the board

Director since January 2010

Steve is a consulting mining engineer with more than 35 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:

- Argent Minerals Limited - appointed July 2010, appointed Chairman May 2013
- Golden Cross Resources Limited – appointed Chairman June 2012
- UXA Resources Limited - appointed March 2005, retired December 2011
- Indochine Mining Limited – appointed March 2011, resigned 7 June 2013
- UCL Resources Limited (formerly Union Resources Limited) – appointed September 2011, resigned July 2013
- Dateline Resources Limited – appointed October 2013, resigned August 2014

Wendy Corbett, BSc, Dip Ed, FAIG

Non-executive director

Director since November 2007

Wendy has 40 years of 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 33 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 Mining 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:

- Variscan Mines Limited - appointed April 2009
- Silver City Minerals Limited – appointed April 2009
- Thomson Resources Ltd – appointed July 2009
- Moly Mines Limited – appointed August 2014

Ivo Polovineo, FIPA

Non-executive director

Director since April 2011

Ivo has over 30 years of 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 Variscan Mines Limited, Thomson Resources Ltd, Silver City Minerals Limited and KBL Mining Limited.

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

Adrian Critchlow, BSc, FRSA, MAICD

Non-executive director

Director since October 2012

Adrian was appointed as a Non-Executive Director of the Company effective 1 October 2012.

Adrian holds a Bachelor of Science degree with an engineering major and has a background in the development of start-up technology companies including founding Active Hotels/Booking.com which is now a significant part of Priceline.com, the largest hotel online booking engine in the world. He is also the founder of the Australian Solar Group Ltd which is developing alternative energy projects in Australia. Adrian brings to the Board connections to various financial institutions in Australia and the UK and brings value in assisting the Company to secure funding for future developments.

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

Michael Giles, MEI

Non-executive director

Director since March 2014

Michael was appointed as a Non-Executive Director of the Company effective 11 March 2014.

Michael is a Director of Pennaluna & Company, the oldest independent stock brokerage in Idaho, United States, founded in 1926, and the Founder & CEO of Harland Group, an investment and advisory company with investments in filmed entertainment, mining, financial services and technology, founded in 2004. He holds a Diploma of Financial Services (Financial Planning), a Master of Entrepreneurship & Innovation (MEI) and FINRA Series 7 and 79 licenses. He is based in the United States and is currently not a director of any other ASX listed company.

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

Greg De Ross, BSc, FAusIMM

Managing director (resigned 31 July 2014)

Director since July 2010

Greg resigned as Managing Director on 31 July 2014 and is now the CEO of the Company.

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
S Gemell	544,769	450,000
W Corbett	674,142	450,000
G Jones	1,522,101	450,000
I Polovineo	407,142	450,000
A Critchlow	23,356,948	450,000
M Giles	16,734,780	-

Company secretary

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

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 36 years 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 $1,496,365 (2013: $1,157,557) which includes the write-off of exploration expenditure during the year of $2,917,820 (2013: $1,401,611).

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 commence on page 2 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 2014 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:

- In September 2014 the Company lodged its R&D tax concession claim for the year ended 30 June 2014. The Company is expecting to receive $1,015,588.

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
1,200,000	Ordinary	$0.18	09/03/2015
3,700,000	Ordinary	$0.10	23/11/2015
1,000,000	Ordinary	$0.062	26/11/2016
5,900,000			

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 and its wholly owned subsidiaries hold exploration licences, mineral development licences and a mining licence issued by New South Wales Department of Trade and Investment - Resources and Energy, the Victorian Department of State Development, Business and Innovation and the Queensland Department of Natural 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 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 2014 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	
Steve Gemell	Non-executive Chairman
Wendy Corbett	Non-executive Director
Greg Jones	Non-executive Director
Adrian Critchlow	Non-executive Director
Ivo Polovineo	Non-executive Director
Michael Giles	Non-executive Director (appointed 11 March 14)
Key management personnel	
Greg De Ross	Managing Director (resigned 31 July 14) CEO (appointed 31 July 14)
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. (2013: $54,000) and NED fees at $36,000 p.a. (2013: $36,000) for the year ended 30 June 2014. In addition, members of the Board Committees are paid 10% of NED fees.

From 1 May 2014 the Directors have temporarily reduced their fees by 50% and have temporarily stopped receiving committee fees.

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.

Non-Executive Chairman – Steve Gemell

- Contract term: Rolling contract. No notice is required from either party to terminate the agreement.
- Remuneration: $200 (2013: $200) per hour plus GST for consultancy services as at 30 June 2014.
- Termination payments: Nil.

Non-Executive Director – Wendy Corbett

- Contract term: Rolling contract. Either party may terminate the agreement with one months' notice.
- Remuneration: $108.16 (2013: $108.16) per hour plus GST for consultancy services as at 30 June 2014.
- Termination payments: Nil.

Non-Executive Director – Greg Jones

- Contract term: Rolling 12 months contract with Variscan Mines Limited (36.74% shareholder of Eastern Iron) of which Greg is an employee. No notice is required from either party to terminate the agreement.
- Remuneration: $163 (2013: $163) per hour plus GST for consultancy services as at 30 June 2014. Greg's fees were paid directly to Variscan Mines Limited.
- Termination payments: Nil.

CEO – Greg De Ross

- Contract term: No fixed term. Either party may terminate the letter of employment with two months' notice.
- Remuneration: $284,572 p.a. as at 30 June 2014 (2013: $283,920). Commencing 1 August 2014 Greg's remuneration is $142,611.
- Termination payments: A three month severance pay with an additional three months after more than five years. Greg resigned as Managing Director on 31 July 2014 and the above contract was terminated on that date. Greg was appointed as CEO of the Company on 31 July 2014.

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 per hour (2013: $2,400 plus $150) plus GST for services outside the initial scope of work as at 30 June 2014.
- Termination payments: Nil.

Financial Controller – Michelle Lilley

- Contract term: Rolling 12 months contract with Variscan Mines Limited (36.74% shareholder of Eastern Iron) of which Michelle is an employee. No notice is required from either party to terminate the agreement.
- Remuneration: $112 (2013: $112) per hour plus GST for consultancy services as at 30 June 2014. Michelle's fees were paid directly to Variscan Mines Limited.
- Termination payments: Nil.

Directors and key management personnel remuneration for the year ended 30 June 2014

	Short-term benefits		Post employment	Share-based payments		
	Cash salary and fees $	Consulting fees $	Superannuation $	Options $	Total $	Consisting of options %
Directors						
S Gemell	50,917	-	4,710	-	55,627	-
G De Ross (b)	260,477	-	24,094	10,580	295,151	4%
W Corbett	33,028	61,759	3,055	-	97,842	-
G Jones	33,028	-	3,055	-	36,083	-
I Polovineo	36,000	-	-	-	36,000	-
A Critchlow	30,275	-	2,801	-	33,076	-
M Giles (a)	8,071	-	-	-	8,071	-
Total Directors	451,796	61,759	37,715	10,580	561,850	
Other - key management personnel						
I White	-	31,750	-	-	31,750	-
M Lilley (c)	-	26,012	-	-	26,012	-
Total KMP	-	57,762	-	-	57,762	-
Totals	451,796	119,521	37,715	10,580	619,612	

No performance based remuneration was paid in the 2014 and 2013 financial period.

a) Appointed 11 March 2014.

b) G De Ross resigned as Managing Director on 31 July 2014 and was appointed as CEO.

c) M Lilley's fees are paid directly to Variscan Mines Limited (formerly PlatSearch NL).

Directors and key management personnel remuneration for the year ended 30 June 2013

	Short-term benefits		Post employment	Share-based payments		
	Cash salary and fees $	Consulting $	Superannuation $	Options $	Total $	Consisting of options %
Directors						
S Gemell	50,642	11,166	4,558	3,510	69,876	5%
G De Ross (b)	259,642	-	23,368	7,800	290,810	3%
W Corbett	36,330	61,214	3,270	3,510	104,324	3%
G Jones	36,330	-	3,270	3,510	43,110	8%
I Polovineo	35,229	-	3,171	3,510	41,910	8%
A Critchlow	24,771	-	2,229	3,510	30,510	12%
Total Directors	442,944	72,380	39,866	25,350	580,540	
Other - key management personnel						
M Lilley (c)	-	26,727	-	-	26,727	-
Total KMP	-	26,727	-	-	26,727	-
Totals	442,944	99,107	39,866	25,350	607,267	

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.

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 De Ross	26 Nov 13	1,000,000	1,000,000	100%	10,580	-	-	-

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						
S Gemell	13	13	1	-	3	3
G De Ross	13	12	-	-	-	-
W Corbett	13	13	-	-	3	3
G Jones	13	11	1	1	-	-
I Polovineo	13	12	-	-	3	3
A Critchlow	13	12	1	1	-	-
M Giles	3	3	-	-	-	-

The duties of the Corporate Governance Committee were carried out by the full Board at Board meetings for the 2014 financial year.

Auditor's independence and non-audit services

bdjpartners
incorporating Boulter Partners
CHARTERED ACCOUNTANTS

partners
A J Dowell CA
M Galouzis CA
A N Fraser CA
G W Cliffe CA
B Kolevski CPA (Affiliate ICAA)

associate
M A Nakkan CA

consultant
C H Barnes FCA

north sydney office
Level 13, 122 Arthur St
North Sydney NSW 2060

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

all correspondence
PO Box 1664
North Sydney NSW 2059

t 02 9956 8500

f 02 9929 7428

e bdj@bdj.com.au

www.bdj.com.au

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 2014, 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

....

Gregory W Cliffe

Partner

22 September 2014

Non-audit services

The Company’s auditor, BDJ Partners provided non-audit services totalling $3,500 (2013: Nil) for Eastern Iron during the financial year ended 30 June 2014. 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 30th day of September 2014 in accordance with a resolution of the Directors.

Steve Gemell
Chairman

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 (2^{nd} Edition) ("the Recommendations") applicable to ASX-listed entities.

The Company will transition to reporting this framework in accordance with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3^{rd} Edition) during the 2015 financial year.

This section addresses each of the Corporate Governance Principles and where the Company has not followed a Recommendation, provides 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 and or Chief Executive Officer (or equivalent), including approving the remuneration of that person and the remuneration policy and succession plans for that person;

(3) Ratifying the appointment and, where appropriate, the removal of the Chief Financial Officer (or equivalent) and the Company Secretary;

(4) Input to, and the final approval of management's corporate strategy and performance objectives;

(5) Reviewing and ratifying systems of risk management, internal control, compliance, code 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 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 2014 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 one of its six non-executive directors is 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. Mr Gemell is 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 Variscan Mines Limited, or in the case of Mr Critchlow, his substantial shareholding and in the case of Mr Giles, his control of a substantial holding.

All non-executive directors may also undertake consultancy work for the company.

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 Gemell, 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 Chairman and Managing Director were not and will not be exercised by the same individual. The Board charter summarises the roles and responsibilities of the Chairman, Mr Gemell and the Managing Director. Since his resignation as a Director and appointment as Chief Executive Officer, Mr De Ross continues to act independently of the Chairman.

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 up to 30 June 2014 is as follows:

Name	Term in office
S Gemell	4.4 years
G De Ross	4.0 years
G Jones	5.2 years
W Corbett	6.6 years
I Polovineo	3.2 years
A Critchlow	1.8 years
M Giles	0.7 years

(3) The reasons why Messrs Jones, Polovineo, Critchlow, Giles and Ms Corbett, are considered not to be independent Directors are disclosed in the response 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 the response to Recommendation 8.2 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 Nomination and Remuneration Committee Charter 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 Nomination and Remuneration Charter. A copy of the Nomination and Remuneration Committee Charter 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 Diversity Policy.

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 on 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 one employee, the Chief Executive Officer who is male.

The Company has a services contract with Variscan Mines Limited ("Variscan"), a major shareholder, whereby Variscan provides the Company with technical, accounting and administrative services. Four of the persons involved in the provision of these services are female.

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 does not comply with all of the requirements of Recommendation 4.2. Details are as follows:

(1) The Audit Committee consist of three non-executive directors however only one of the members is an independent director. The members of the Audit Committee are Messrs Polovineo, Gemell, and Ms Corbett.

(2) Ms Corbett and Mr Polovineo are not considered to be independent directors for the reasons given under Recommendation 2.1.

(3) The Audit Committee is chaired by Mr Polovineo, who is not an independent director. Mr Polovineo is however the director most qualified in financial matters and not the Chairman of the Board.

Although not all of the members of the Audit Committee are independent and the Chairman of the Committee is not an independent director, 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, under the supervision of the Chief Executive Officer, manages financial risks.

(3) A Risk Committee will oversee the Company's other material business risks as the company grows.

Recommendation 7.2 – Risk management and internal control system

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 receives a signed statement from each of the Financial Controller and the Chief Executive Officer in accordance with section 295A of the Corporations Act. This statement confirms that 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 and that nothing has occurred since the year-end that would materially change the position.

Recommendation 7.4 – Additional information concerning risk management

The Board has received assurance from the Chief Executive Officer and the Financial Controller 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 – Structure of the remuneration committee

The Company's Nomination and Remuneration Committee does not comply with all of the requirements of Recommendation 8.2. Details are as follows:

(1) The Nomination and Remuneration Committee consist of three non-executive directors however only one of the members is an independent director. The members of the Nomination and Remuneration Committee are Messrs Jones, Gemell, and Critchlow.

(2) Mr Jones and Mr Critchlow are not considered to be independent directors for the reasons given under Recommendation 2.1.

(3) The Nomination and Remuneration Committee is chaired by Mr Jones, who is not an independent director. Mr Jones however is not the Chairman of the Board.

Although not all of the members of the Nomination and Remuneration Committee are independent and the Chairman of the Committee is not an independent director, the Board has nevertheless determined that the composition of the Nomination and Remuneration 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 8.3 – 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 8.4 – 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 2014

	Note	2014 $	2013 $
Revenue	3	2,183,794	1,272,040
ASX and ASIC fees		(31,488)	(23,119)
Audit fees	18	(32,000)	(23,000)
Conferences and training		-	(19,464)
Contract administration services		(131,419)	(169,577)
Directors fees		(191,319)	(205,189)
Employee costs (net of costs recharged to exploration projects)		(194,826)	(267,064)
Exploration expenditure expensed	9	(2,917,820)	(1,401,611)
Marketing costs		(9,611)	(73,862)
Rent		(25,662)	(25,685)
Share based payments	14	(10,580)	(28,860)
Travel and accommodation		(15,832)	(71,735)
Other expenses from ordinary activities		(119,602)	(120,431)
Loss before income tax expense		(1,496,365)	(1,157,557)
Income tax expense	4	-	-
Loss after income tax expense	13	(1,496,365)	(1,157,557)
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		(1,496,365)	(1,157,557)
Basic loss per share (cents per share)	15	1.21	1.06
Diluted loss per share (cents per share)	15	1.21	1.06

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

Consolidated Statement of Financial Position

As at 30 June 2014

	Note	2014 $	2013 $
Current assets			
Cash assets	5	247,153	1,673,146
Receivables	6	1,065,083	82,592
Tenement security deposits	7	-	130,000
Total current assets		1,312,236	1,885,738
Non-current assets			
Tenement security deposits	7	12,500	15,850
Property, plant and equipment	8	12,478	26,950
Deferred exploration and evaluation expenditure	9	5,931,671	5,546,961
Total non-current assets		5,956,649	5,589,761
Total assets		7,268,885	7,475,499
Current liabilities			
Payables	10	476,798	436,920
Provisions	11	48,673	48,907
Total current liabilities		525,471	485,827
Non-current liabilities			
Provisions	11	-	22,356
Total non-current liabilities		-	22,356
Total liabilities		525,471	508,183
Net assets		6,743,414	6,967,316
Equity			
Contributed equity	12	11,865,045	10,603,162
Accumulated losses	13	(5,246,511)	(3,984,816)
Reserves	14	124,880	348,970
Total equity		6,743,414	6,967,316

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

Consolidated Statement of Cash Flows

For the year ended 30 June 2014

	Note	2014 $	2013 $
Cash flows from operating activities			
Payment to suppliers and employees		(725,376)	(970,687)
R&D tax concession offset		690,574	1,135,769
Consulting fees		9,999	43,329
Victorian government infrastructure grant		300,000	-
Interest received		24,889	90,143
Net cash flows (used in) operating activities	25	300,086	298,554
Cash flows from investing activities			
Purchase of motor vehicle and fixed assets		-	(19,476)
Sale of fixed assets		-	9,867
Expenditure on mining interests (exploration)		(2,890,925)	(1,954,870)
Sale of tenements		150,000	-
Tenement security deposits		133,350	(27,500)
Net cash flows (used in) investing activities		(2,607,575)	(1,991,979)
Cash flows from financing activities			
Proceeds from issue of shares/share applications received		908,900	2,503,661
Equity raising expenses		(27,404)	(54,400)
Net cash flows from financing activities		881,496	2,449,261
Net increase/(decrease) in cash held		(1,425,993)	755,836
Add opening cash brought forward		1,673,146	917,310
Closing cash carried forward	25	247,153	1,673,146

The Consolidated 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 2014

	Attributable to the shareholders of Eastern Iron Limited				
	Note	Issued capital $	Accumulated losses $	Reserves $	Total equity $
At 1 July 2012		8,031,695	(2,941,825)	434,675	5,524,545
Loss for the period		-	(1,157,557)	-	(1,157,557)
Other comprehensive income		-	-	-	-
Total comprehensive income/(loss) for the period		-	(1,157,557)	-	(1,157,557)
Transactions with owners in their capacity as owners:					
Cost of share based payments taken directly to Equity	14	-	-	28,860	28,860
Issue of share capital, net of transaction costs	12	2,595,745	-	-	2,595,745
Share capital applications received		(19,278)	-	-	(19,278)
Value of options expired during the year		(5,000)	-	-	(5,000)
Expired option value transferred to Accumulated Losses		-	114,566	(114,565)	1
At 30 June 2013		10,603,162	(3,984,816)	348,970	6,967,316
At 1 July 2013		10,603,162	(3,984,816)	348,970	6,967,316
Loss for the period		-	(1,496,365)	-	(1,496,365)
Other comprehensive income		-	-	-	-
Total comprehensive income/(loss) for the period		-	(1,496,365)	-	(1,496,365)
Transactions with owners in their capacity as owners:					
Cost of share based payments taken directly to Equity	14	-	-	10,580	10,580
Issue of share capital, net of transaction costs	12	1,261,883	-	-	1,261,883
Expired option value transferred to Accumulated Losses		-	234,670	(234,670)	-
At 30 June 2014		11,865,045	(5,246,511)	124,880	6,743,414

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

1. Corporate information

The financial report of Eastern Iron Limited (the Company) for the year ended 30 June 2014 was authorised for issue in accordance with a resolution of the Directors on 30 September 2014.

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 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 he 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 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 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:

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.

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.
- 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.

Going concern

The financial report has been prepared on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Directors believe that the Company will have sufficient working capital to meet its minimum project development and administrative expenses in the next twelve months following the date of signing of the financial report.

The Directors are investigating options to raise additional funds to allow the Company to pursue its project opportunities and reduce its working capital requirements with the intent that the consolidated group continues as a going concern.

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 2014. The Consolidated Entity plans to adopt these standards at their application dates as detailed below.

AASB 9 Financial Instruments (Application date 1 January 2018)

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 2018)

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.

3. Revenue from ordinary activities

	2014 $	2013 $
Interest received – other persons/corporation	17,633	96,275
R&D tax concession offset	1,706,162	1,135,769
Sale of tenements	150,000	-
Victorian government infrastructure grant	300,000	-
Consulting fees	9,999	39,996
	2,183,794	1,272,040

4. Income tax

	2014 $	2013 $
Prima facie income tax (credit) on operating (loss) at 30%	448,909	347,267
Future income tax benefit in respect of timing differences – not recognised	(448,909)	(347,267)
Income tax expense	-	-

No provision for income tax is considered necessary in respect of the Company as at 30 June 2014.

The Company has a deferred income tax liability of $115,413 (2013: $252,048) associated with exploration costs deferred for accounting purposes but expensed for tax purposes. This liability has been brought to account and offset by deferred tax assets attributed to available tax losses. No recognition has been given to any deferred income tax asset which may arise from available tax losses, except to the extent offset against deferred tax liabilities. The Company has estimated its losses at $6,755,993 (2013: $7,358,489) as at 30 June 2014.

A benefit of 30% of approximately $2,026,798 (2013: $2,207,547) associated with the tax losses carried forward will only be obtained if:

The Company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised.

The Company continues to comply with the conditions for deductibility imposed by the law.

No changes in tax legislation adversely affect the Company in realising the benefit from the deductions for the losses.

5. Cash and cash equivalents

	2014 $	2013 $
Cash at bank	223,063	262,104
Money market securities – bank deposits	24,090	1,411,042
	247,153	1,673,146

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

	2014 $	2013 $
R&D tax concession offset	1,015,588	-
Other debtors	2	3,568
GST receivables	30,238	49,195
Interest receivable	-	7,257
Prepayments	19,255	22,572
	1,065,083	82,592

7. Tenement security deposits

	2014 $	2013 $
Cash at bank – bank deposits	10,000	140,000
Cash with government mines departments and other	2,500	5,850
	12,500	145,850

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

8. Property, plant and equipment

	Motor vehicle	Plant and equipment	Total
Year ended 30 June 2013			
Opening net book amount	8,494	23,003	31,497
Additions	-	19,476	19,476
Disposals	-	(9,867)	(9,867)
Depreciation expense	(4,027)	(10,129)	(14,156)
Closing net book amount	4,467	22,483	26,950
At 30 June 2013			
Cost	24,166	51,557	75,723
Accumulated depreciation	(19,699)	(29,074)	(48,773)
Net book amount	4,467	22,483	26,950
Year ended 30 June 2014			
Opening net book amount	4,467	22,483	26,950
Additions	-	-	-
Disposals	-	-	-
Depreciation expense	(4,028)	(10,444)	(14,472)
Closing net book amount	439	12,039	12,478
At 30 June 2014			
Cost	24,166	51,557	75,723
Accumulated depreciation	(23,727)	(39,518)	(63,245)
Net book amount	439	12,039	12,478

9. Deferred exploration and evaluation expenditure

	2014 $	2013 $
Costs brought forward	5,546,961	4,711,801
Costs incurred during the period	3,302,530	2,241,771
Expenditure written off during period	(2,917,820)	(1,401,611)
Value of options expired during the year	-	(5,000)
Costs carried forward	5,931,671	5,546,961
Exploration expenditure costs carried forward are made up of:		
▶ Expenditure on joint venture areas	-	1,533,312
▶ Expenditure on non joint venture areas	5,931,671	4,013,649
Costs carried forward	5,931,671	5,546,961

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.

10. Payables – current liabilities

	2014 $	2013 $
Trade creditors	436,239	321,567
Accrued expenses	30,801	100,451
PAYG and superannuation payable	9,758	14,564
GST payable	-	338
	476,798	436,920

11. Provisions – liabilities

	2014 $	2013 $
Current		
Annual leave	48,673	48,907
Non-current		
Long Service Leave	-	22,356

12. Contributed equity

	2014 $	2013 $
Share capital		
143,872,706 fully paid ordinary shares (2013: 115,892,475)	12,250,013	10,960,725
Fully paid ordinary shares carry one vote per share and carry the right to dividends.		
Share issue costs	(384,968)	(357,563)
	11,865,045	10,603,162

		Number	$
Movements in ordinary shares on issue			
At 1 July 2012		68,807,419	8,364,980
Shares issued	(i)	23,028,507	1,266,568
Shares issued	(ii)	22,843,106	1,256,371
Shares issued	(iii)	1,213,443	72,806
At 30 June 2013		115,892,475	10,960,725
Shares issued	(iv)	21,640,446	908,900
Shares issued	(v)	6,339,785	380,388
At 30 June 2014		143,872,706	12,250,013

(i) The Company issued 23,028,507 shares at $0.055 under its pro-rata non-renounceable Entitlement Offer.

(ii) The Company issued 22,843,106 shares at $0.055 being the shortfall for its pro-rata non-renounceable Entitlement Offer mentioned above in (i).

(iii) The Company issued 1,213,443 shares at $0.06 to a creditor as settlement for services provided.

(iv) The Company issued 21,640,446 shares at $0.042 in placements.

(v) The Company issued 6,339,785 shares at $0.06 to a creditor as settlement for services provided.

		Number	$
Movements in options on issue			
At 1 July 2012		5,000,000	5,000
Expired	(i)	(5,000,000)	(5,000)
At 30 June 2013		-	-
Issued		-	-
At 30 June 2014		-	-

(i) 5,000,000 options issued in January 2008 expired on 19 December 2012.

An additional 5,900,000 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.

13. Accumulated losses

	2014 $	2013 $
Balance at the beginning of period	3,984,816	2,941,825
Operating loss after income tax expense	1,496,365	1,157,557
Expired option value transferred to Accumulated Losses	(234,670)	(114,566)
Balance at the end of period	5,246,511	3,984,816

14. Reserves/share-based payments

Reserves

	2014 $	2013 $
Balance at 1 July	348,970	434,675
Share-based payment expense during the financial year	10,580	28,860
Expired option value transferred to Accumulated Losses	(234,670)	(114,565)
Balance at 30 June	124,880	348,970

The share-based payment plans are described below. There have been no cancellations or modifications to any of the plans during 2014 and 2013.

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

	2014 no.	2013 no.
Outstanding at the beginning of the year	8,400,000	4,700,000
Granted during the year	1,000,000	3,700,000
Forfeited during the year	-	-
Exercised during the year	-	-
Expired during the year	(3,500,000)	-
Outstanding at the end of the year	5,900,000	8,400,000

The outstanding balance as at 30 June 2014 is represented by:

- 1,200,000 options exercisable at $0.18, expiry 9 March 2015
- 3,700,000 options exercisable at $0.10, expiry 23 November 2015
- 1,000,000 options exercisable at $0.062, expiry 26 November 2016

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)
Nov 12	3,250,000	$0.10	23 Nov 15	60.44%	2.38%	3	$0.0078	Binomial	(b)
Jan 13	450,000	$0.10	23 Nov 15	60.44%	2.38%	3	$0.0078	Binomial	(c)
Nov 13	1,000,000	$0.062	26 Nov 16	60.00%	2.71%	3	$0.0105	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) 3,250,000 options were issued to Directors and approved by shareholders at the AGM held in November 2012. The options vested on grant date.

(c) 450,000 options were issued to a creditor as settlement for services provided. The options vested on grant date.

(d) 1,000,000 options were issued to Greg De Ross and approved by shareholders at the AGM held in November 2013. The options vested on grant date.

Weighted average disclosures on options

	2014	2013
Weighted average exercise price of options at 1 July	$0.15	$0.19
Weighted average exercise price of options granted during period	$0.06	$0.10
Weighted average exercise price of options outstanding at 30 June	$0.11	$0.15
Weighted average exercise price of options exercisable at 30 June	$0.11	$0.15
Weighted average contractual life	1.43 years	1.47 years
Range of exercise price	$0.06 - $0.18	$0.10 - $0.20

15. Earnings per share

	2014	2013
Net profit/(loss) used in calculating basic and diluted gain/(loss) per share	(1,496,365)	(1,157,557)
	Number	**Number**
Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	123,694,877	108,995,168
	Cents per share	**Cents per share**
Basic earnings (loss) per share	(1.21)	(1.06)
Diluted earnings (loss) per share	(1.21)	(1.06)

16. Key management personnel

Key management personnel compensation

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

	2014 $	2013 $
Short term employee benefits	571,317	551,440
Post-employment benefits	37,715	41,550
Other long term benefits	-	-
Termination benefits	-	-
Share-based payments	10,580	25,350
	619,612	618,340

Shareholdings of key management personnel

Fully paid ordinary shares held in Eastern Iron Limited

	Balance at 1 July no.	Granted as compensation no.	Additions no.	Net other change no. *	Balance at 30 June no.
2014					
S Gemell	544,769	-	-	-	544,769
G De Ross	75,000	-	-	-	75,000
W Corbett	317,000	-	357,142	-	674,142
G Jones	1,164,959	-	357,142	-	1,522,101
I Polovineo	50,000	-	357,142	-	407,142
A Critchlow	22,883,106	-	473,842	-	23,356,948
M Giles	-	-	16,734,780	-	16,734,780
	25,034,834	-	18,280,048	-	43,314,882
2013					
S Gemell	-	-	544,769	-	544,769
G De Ross	45,000	-	30,000	-	75,000
W Corbett	75,000	-	242,000	-	317,000
G Jones	698,975	-	465,984	-	1,164,959
I Polovineo	-	-	50,000	-	50,000
A Critchlow	-	-	22,883,106	-	22,883,106
	818,975	-	24,215,859	-	25,034,834

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.
2014									
S Gemell	900,000	-	-	(450,000)	450,000	450,000	-	450,000	-
G De Ross	2,800,000	1,000,000	-	(600,000)	3,200,000	3,200,000	-	3,200,000	1,000,000
W Corbett	900,000	-	-	(450,000)	450,000	450,000	-	450,000	-
G Jones	900,000	-	-	(450,000)	450,000	450,000	-	450,000	-
I Polovineo	900,000	-	-	(450,000)	450,000	450,000	-	450,000	-
A Critchlow	450,000	-	-	-	450,000	450,000	-	450,000	-
M Lilley	150,000	-	-	(150,000)	-	-	-	-	-
	7,000,000	1,000,000	-	(2,550,000)	5,450,000	5,450,000	-	5,450,000	1,000,000
2013									
S Gemell	450,000	450,000	-	-	900,000	900,000	-	900,000	450,000
G De Ross	1,800,000	1,000,000	-	-	2,800,000	2,800,000	-	2,800,000	1,000,000
W Corbett	450,000	450,000	-	-	900,000	900,000	-	900,000	450,000
G Jones	450,000	450,000	-	-	900,000	900,000	-	900,000	450,000
I Polovineo	450,000	450,000	-	-	900,000	900,000	-	900,000	450,000
A Critchlow	-	450,000	-	-	450,000	450,000	-	450,000	450,000
M Lilley	150,000	-	-	-	150,000	150,000	-	150,000	-
	3,750,000	3,250,000	-	-	7,000,000	7,000,000	-	7,000,000	3,250,000

*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:

		% Equity interest	
Name	**Country of incorporation**	**2014**	**2013**
Queensland Iron Pty Ltd	Australia	100	100
Gippsland Iron Pty Ltd	Australia	100	100
Eastern Resources PNG Limited	Papua New Guinea	100	100

Transactions with other related parties

Variscan Mines Limited (formerly PlatSearch NL)

Variscan Mines Limited (Variscan) is a 36.74% shareholder of Eastern Iron. The Company engaged Variscan to provide the technical services of Mr Greg Jones with Nil payments for the year ended 30 June 2014 (2013: $9,367).

The Company has paid Variscan rent of $25,500 (2013: $25,500) for the financial year ended 30 June 2014 which includes reimbursement of office costs. The contract with Variscan is based on normal commercial terms and conditions.

18. Auditors' remuneration

	2014 $	2013 $
Total amounts receivable by the current auditors of the Company for:		
Audit of the Company's accounts	32,000	23,000
Other services	3,500	-
	35,500	23,000

19. Joint ventures

The Company is no longer a party to any joint venture agreements to explore for iron ore. There are no assets and liabilities attributable to the Company at the balance date resulting from previous joint ventures, other than exploration expenditure costs carried forward as detailed as in Note 9.

Percentage equity interests in joint ventures at 30 June 2014 were as follows:

	Percentage interest 2014	Percentage interest 2013
New South Wales		
Eastern Tenement Block (4 Exploration Licences)	-	49%
Western Tenement Block (13 Exploration Licences)	-	100%
Queensland		
Hawkwood	100%	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.

21. Contingent liabilities

The Company has provided guarantees totalling $12,500 in respect of exploration tenements in Victoria and Queensland. These guarantees in respect of exploration tenements are secured against deposits with Victorian Department of State Development, Business and Innovation and various banking institutions. 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.

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:

	2014 $	2013 $
Cash and cash equivalents	247,153	1,673,146
Receivables	1,065,083	82,592
Deposits with Government Departments and banks	12,500	145,850
	1,324,736	1,901,588

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 $
2014				
Payables	476,798	476,798	-	-
	476,798	476,798	-	-
2013				
Payables	436,920	436,920	-	-
	436,920	436,920	-	-

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

Financial assets	Carrying amount $	<12 months $	1-3 years $	>3 years $
2014				
Cash at bank and term deposits	247,153	247,153	-	
Receivables	1,065,083	1,065,083	-	
Deposits with banks and Government Departments	12,500	-	-	12,500
	1,324,736	1,312,236	-	12,500
2013				
Cash at bank and term deposits	1,673,146	1,673,146	-	
Receivables	82,592	82,592	-	
Deposits with banks and Government Departments	145,850	130,000	-	15,850
	1,901,588	1,885,738	-	15,850

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:

	2014 $	2013 $
Weighted average rate of cash balances	0.01%	0.35%
Cash balances	$223,063	$262,104
Weighted average rate of term deposits	2.5%	3.87%
Term deposits	$24,090	$1,411,042

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:

		+1.0% of AUD IR		-1.0% of AUD IR	
Sensitivity analysis	Carrying amount	Profit $	Other equity $	Profit $	Other equity $
2014					
Cash and cash equivalents	247,153	2,472	-	(2,472)	-
Tax charge of 30%	-	(741)	-	741	-
After tax profit increase/(decrease)	247,153	1,731	-	(1,731)	-
2013					
Cash and cash equivalents	1,673,146	16,731	-	(16,731)	-
Tax charge of 30%	-	(5,019)	-	5,019	-
After tax profit increase/(decrease)	1,673,146	11,712	-	(11,712)	-

The above analysis assumes all other variables remain constant.

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.

	2014 $	2013 $
Payable not later than one year	0	33,853
Payable later than one year but not later than two years	433,985	50,000
	433,985	83,853

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. These commitments can be negotiated.

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 2014 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:

- In September 2014 the Company lodged its R&D tax concession claim for the year ended 30 June 2014. The Company is expecting to receive $1,015,588.

25. Statement of cash flows

	2014 $	2013 $
Reconciliation of net cash outflow from operating activities to operating loss after income tax		
(a) Operating (loss) after income tax	(1,496,365)	(1,157,557)
Depreciation	14,472	9,927
Share based payments	10,580	28,860
Exploration costs expensed	2,917,820	1,401,611
Other – Non operating costs in creditors	-	(154,694)
Sale of tenements in investing activities	(150,000)	-
Other	-	(771)
Change in assets and liabilities:		
(Increase)/decrease in receivables	(982,492)	(39,537)
(Decrease)/increase in trade and other creditors (excluding exploration costs in creditors)	8,661	183,956
(Decrease)/increase in provisions	(22,590)	26,759
Net cash outflow from operating activities	300,086	298,554
(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 2014 comprised:		
Cash assets	223,063	262,104
Bank deposits (Note: 5)	24,090	1,411,042
Cash on hand	247,153	1,673,146

26. Parent entity information

	2014 $	2013 $
Current assets	1,312,236	1,755,736
Total assets	9,460,052	7,475,911
Current liabilities	525,471	508,183
Total liabilities	525,471	508,183
Issued capital	11,865,045	10,603,162
Accumulated losses	(3,055,344)	(3,984,404)
Share based payment reserve	124,880	348,970
Total shareholders' equity	8,934,581	6,967,728
Profit/(loss) of the parent entity	694,390	(1,157,557)
Total comprehensive income/(loss) of the parent entity	694,390	(1,157,557)

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 Group are in accordance with the Corporations Act 2001, including:

- (i) Giving a true and fair view of the Group financial position as at 30 June 2014 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 Group 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 ended 30 June 2014.

On behalf of the Board

Steve Gemell
Chairman

Sydney, 30 September 2014

bdjpartners
incorporating Boulter Partners
CHARTERED ACCOUNTANTS

partners
A J Dowell CA
M Galouzis CA
A N Fraser CA
G W Cliffe CA
B Kolevski CPA (Affiliate ICAA)

associate
M A Nakkan CA

consultant
C H Barnes 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 2014, the statements of profit or loss and other 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 2, 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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incorporating Boulter Partners
CHARTERED ACCOUNTANTS

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 2014 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 2.

Going Concern

Without modifying our opinion, we draw attention to Note 2 "Going Concern" which states that the directors are investigating options to raise additional funds and reduce the working capital requirements of the business. Should these measures be unsuccessful, it would indicate a material uncertainty which may cast doubt about the consolidated entity's ability to continue as a going concern.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2014. 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 2014 complies with section 300A of the *Corporations Act 2001*.

BDJ Partners
Chartered Accountants

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Gregory W Cliffe
Partner

30 September 2014

Shareholder Information

Additional information required by the Australian Securities Exchange Limited and not shown elsewhere in this report is as follows. The information is current as at 31 August 2014.

Ordinary shares

There are 146,246,644 fully paid ordinary shares on issue.

Options

There are 7 holders of a total of 5,900,000 unquoted options on issue.

Substantial shareholders	Shareholding
Variscan Mines Limited (Formerly PlatSearch NL) - Group	52,857,142
Mr Adrian Critchlow	23,356,948
Harland Capital Fund LLC	16,734,780
Planning & Property Partners Pty Ltd	9,903,357

Top 20 shareholders of ordinary shares as at 31 August 2014	Number	%
Variscan Mines Limited (Formerly PlatSearch NL)	40,357,142	27.6%
Mr Adrian Critchlow	23,356,948	16.0%
Harland Capital Fund LLC	16,734,780	11.4%
Bluestone 23 Limited	12,500,000	8.5%
Planning & Property Partners Pty Ltd	9,903,357	6.8%
Aotea Minerals Ltd	2,251,939	1.5%
Mr Chris Carr & Mrs Betsy Carr	2,000,000	1.4%
Mr Malcolm James Hill	1,722,000	1.2%
Mr Neville John Holz & Mrs Lynette Holz	1,600,000	1.1%
Mr Gregory Francis Patrick Jones	1,522,101	1.0%
Warman Investments Pty Ltd	1,500,000	1.0%
Belmont Park Investments Pty Ltd	1,250,000	0.9%
Panorama Ridge Pty Ltd	1,250,000	0.9%
Mrs Annette Sylvia Mizon (The Bobbin Super Fund a/c)	800,000	0.5%
Mrs Fiona Lee Butler	749,203	0.5%
GK & LM Lee Investments Pty Ltd	737,500	0.5%
Hart Financial Services Pty Ltd	725,000	0.5%
Right Angle Business Services Pty Ltd	650,000	0.4%
Budberth Pty Limited (Ipseity Super Fund a/c)	645,000	0.4%
Davalik Pty Ltd (Gemell Family Super Fund a/c)	544,769	0.4%
Total of top 20 holdings	**120,799,739**	**82.6%**
Other holdings	25,446,905	17.4%
Total fully paid shares issued	**146,246,644**	**100%**

Shareholder Information

Distribution of shareholders		
Range of shareholding	**No of shareholders**	**Ordinary shares**
1 – 1,000	23	10,311
1,001 – 5,000	58	190,026
5,001 – 10,000	87	777,329
10,001 – 100,000	311	11,510,186
100,001 – and over	87	133,758,792
	566	**146,246,644**

There are 207 shareholders with less than a marketable parcel of shares.

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.

Distribution of optionholders		
Range of optionholding	**No of optionholders**	**No of options**
1 – 1,000	-	-
1,001 – 5,000	-	-
5,001 – 10,000	-	-
10,001 – 100,000	-	-
100,001 – and over	7	5,900,000
	7	**5,900,000**

Corporate Directory

Board of Directors	Steve Gemell Non-Executive Chairman Gregory Jones Non-Executive Director Wendy Corbett Non-Executive Director Adrian Critchlow Non-Executive Director Ivo Polovineo Non-Executive Director Michael Giles Non-Executive Director
Chief Executive Officer	Greg De Ross
Company Secretary	Ian White
Registered Office and Place of Business	Level 1, 80 Chandos Street St Leonards, NSW 2065 PO Box 956, Crows Nest NSW 1585 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
Securities Exchange Listing	Australian Securities Exchange ASX Code: EFE
ACN	126 678 037

EASTERN IRON LIMITED
Level 1, 80 Chandos Street
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