



**EASTERN  
IRON LIMITED**



**Annual Report 2015**

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# Chairman's Letter

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Dear Fellow Shareholder,

As you are aware, iron ore prices have been savaged during the year. The contemporaneous expansion of low-cost production capability by the major iron ore producers has many observers predicting that iron ore prices will not rise substantially in the near- to medium-term.

Eastern Iron is in the midst of permitting the Nowa Nowa project with the relevant Victorian authorities. Consequently, the iron ore pricing in the immediate future is of less concern than that following permitting, as we will need to source significant capital to develop the project. Should we succeed in proceeding to development, the capital is likely to be provided from a judicious mix of debt and equity sources, and these sources – along with existing shareholders – will be watching carefully the trends in long-term iron ore price projections.

In the near term, the Nowa Nowa feasibility study needs to be updated. As you are aware, the study was completed with a product transport scenario involving trucking coarsely crushed and lightly beneficiated ore to Twofold Bay, with shiploading to have been undertaken by SEFE at its existing facility under a contracted rate. SEFE advised that it was unable to proceed with our agreement, and consequently the company investigated alternative options. We now consider that the most favourable option will be shiploading by slurry transfer from a coastal pumping station to be established nearer the mine. The technology for this is well established and is currently used by iron ore producers. We have investigated this option, and the subsequent changes it will require in our site beneficiation profile, at scoping study level and are encouraged by the results. It is this work that needs to be upgraded to feasibility study level.

However, it would be imprudent of us to rely on near-term market and iron ore pricing recovery. Your board is also rigorously investigating a number of other options with the objective of enhancing shareholder value in the nearer term. In the meantime, I once again wish to extend my thanks to my fellow directors, employees and consultants for their diligence and perseverance throughout the year, and to the shareholders for their ongoing support.

Yours sincerely,



Steve Gemell

Chairman

# Review of Operations

## Highlights

### Nowa Nowa Iron

- Definitive Feasibility Study has confirmed many of the Scoping Study outcomes including:
  - low capital cost - A\$33.6 million,
  - low production costs - A\$26.1 per tonne of finished product at the mine gate, and
- Combined use of a slurry pipeline and self-decanting bulk carriers shows the potential to deliver an upgraded 62% Fe iron product at a FOB cash cost of approximately A\$32/t (US\$24/t) and a CFR (China) cost of US\$36/t.

### Nowa Nowa Copper

- VTEM geophysical survey completed in the search for massive sulphide copper-lead-zinc deposits.
- Several high priority targets identified with drilling recommended.
- Drilling carried out by previous explorers intersected significant mineralisation including 13.6m @ 3.8% Cu at the Three Mile Prospect.

## Introduction

Over the past year the iron ore market has declined sharply with the price of benchmark 62%Fe Pilbara fines declining 46% in US dollar terms. The effects of the weakening Australia Dollar have offset this somewhat and in Australian dollar terms the iron ore price has declined 32%.

In the face of the worsening market conditions Eastern Iron has sought to enhance the development potential of the Nowa Nowa project by reducing the cost of delivering iron product to market. This has been achieved in part by the adoption of a low cost transport solution and improving the quality and value of the finished product.

These measures were not included in the completed 2014 definitive feasibility study (DFS) and will require further investigation prior to a development decision.

## Nowa Nowa Project

The Nowa Nowa Iron Project is located some 250 kilometres east of Melbourne close to the Princes Highway, which provides ready access to several nearby towns and possible export sites. The project is also located only 20 kilometres from the coast which also opens the potential for a coastal transport option close to the mine site (Figure 1).



Figure 1: Locality Nowa Nowa Project

# Review of Operations

After completion of the 2014 DFS the Company undertook a review and optimisation of the project examining areas where costs could be reduced. A number of items were identified which included adopting continuous miners in lieu of standard drill and blast and redesign of the pit to accommodate in-pit waste dumping were possible.

In November 2014 the Company announced the results of a study completed on the Company's behalf by independent shipping consultants, Innovative Shipping Group Pty Ltd (ISG), into the potential to load iron concentrate on suitably configured bulk carrying vessels directly off the Victorian coast some 20 kilometres from the mine site.

It is now proposed that massive magnetite from the Five Mile deposit will be mined in an open cut using continuous miners similar to those used by FMG at its iron operations in the Pilbara region of WA. ROM ore will be fed to a crushing and grinding plant producing a -1.5mm feed to a two stage dry and wet magnetic separation plant. The resultant 62% Fe slurry concentrate will be pumped via a pipeline some 18 kilometres to a site adjacent to the coastline for stockpiling in preparation for ship loading. During ship loading the iron product will be mixed with water at a specified solid-to-water ratio, loaded into a slurry pipeline and pumped offshore directly onto +100,000 tonne vessels.

The bulk carrier would be attached to a single-point bottom-anchored mooring. The slurry line is secured to the sea floor and enters the vessel at the mooring point. The iron ore solids are relatively coarse with low slimes which enables the water to decant rapidly from the slurry and be returned to the shore facility for storage until the next shipment. It is estimated that the concentrate would be shipped at less than 10% moisture content.

Estimates of operating and capital costs are based on the results of the optimised DFS, but modified to include estimates:

- from the ISG November 2014 study for the slurry pipeline,
- for the increased cost of grinding and wet magnetic separation, and
- allowing for handling of wet tailings from wet processing at the mine site.

<b>Crushing Plant Feed</b>	1 Mtpa ore
<b>Mine Life</b>	9.5 years
<b>Mass yield (average)</b>	64%
<b>Iron recovery</b>	81%
<b>Production (average)</b>	600,000tpa
<b>Product</b>	62% Fe magnetite
<b>FOB Cost<sup>1</sup></b>	A\$31.4/t product
<b>Capital Cost<sup>2</sup></b>	A\$65.2 million

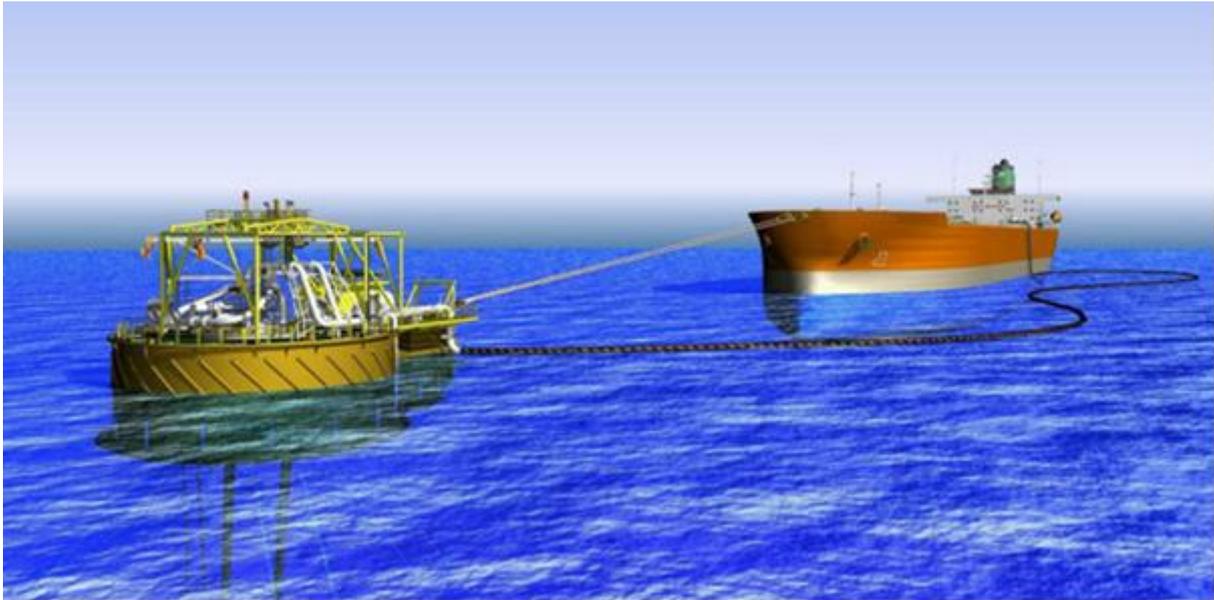
- Notes: 1. Site costs including mining, processing and indirect costs  
2. Capital costs include contingency, owners and EPCM costs

## Product Transport

The proposed slurry-to-ship concentrate loading system is based on an existing operation at the Taharoa iron sands operation in New Zealand and overcomes the need for otherwise cost prohibitive trucking operations to the nearest port at Eden (220 kilometres) or Melbourne (320 kilometres). Selected shipping operators have been involved in the study and have advised that minimal modifications would be required to existing +100,000 tonne ore-bulk-oil vessels for the purpose. The single mooring and loading point also overcomes the need for expensive and invasive coastal infrastructure.

# Review of Operations

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*Figure 2: Single Point Mooring and Loading System (with permission from SKS OBO Ltd & SKS Tankers Ltd)*

The major benefits of this proposal include:

- no permanent wharf, jetty or other port related facility is required,
- low capital cost compared with standard port related infrastructure,
- loading at around 3 kilometres offshore onto bulk carriers that are larger than those operating at existing bulk ports elsewhere in Victoria, and
- greatly reduced trucking requirement compared to the former proposal of transporting ore to Eden with reduced cost and impact on the community, roads and other road users.

The lower oil price has resulted in bulk shipping rates from Australian ports dropping by up to 50% over the last 12 months. Shipping costs for the Nowa Nowa project have been estimated at A\$15/t (US\$12/t) including amortisation of the cost of any modifications to the selected vessels. At this rate the total CFR cost of the iron product landed in China is estimated to be A\$46/t (US\$36/t) providing a comfortable operating margin even at the current depressed price for 62% Fe Pilbara fines. This will place Nowa Nowa at the bottom of the cost curve and potentially amongst the lowest cost iron production in Australia.

## 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.

Analysis of the final VTEM data identified 25 anomalous responses and these have been ranked on the basis of shape and geological setting for each anomaly. The four highest priority VTEM anomalies have been modelled using conductor plates to fit the observed data in order to predict the target size, orientation and depth below surface of the potential source. Ground EM has been recommended for the highest priority targets in order to better define their location and orientation prior to drilling.

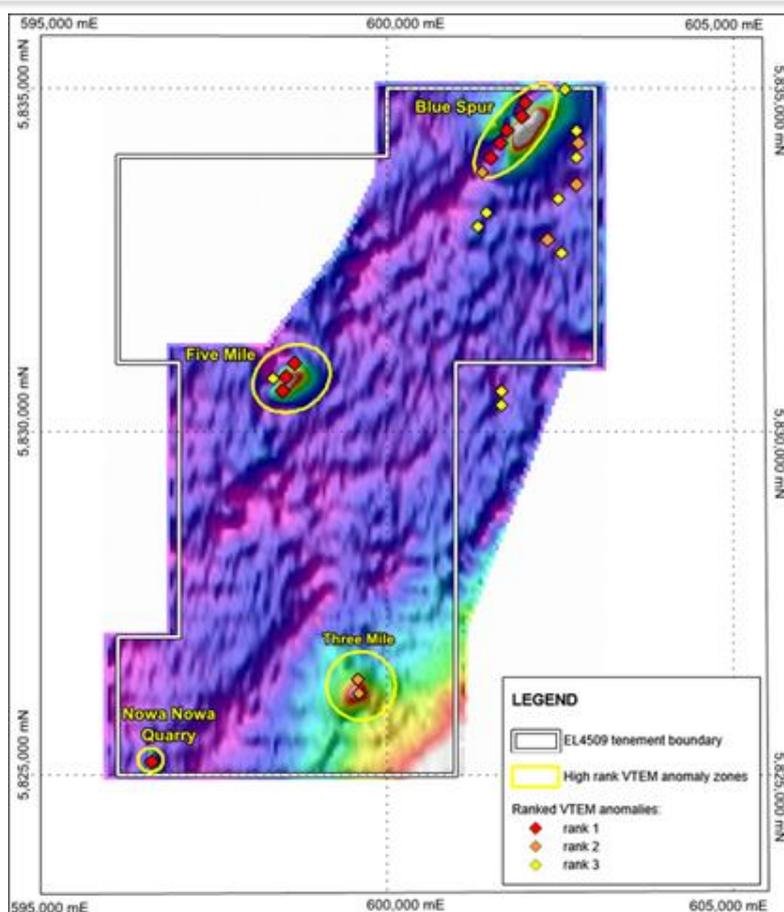


Figure 3: EL 4509 – Priority VTEM anomalies and rankings

The four highest ranked VTEM anomalous areas are as follows:

## Blue Spur

The Blue Spur area lies on the far northern boundary of the exploration licence. The VTEM anomaly has a strike length of over 1000m and has no known association with surface mineralisation but occurs close to a major structural contact with volcanic rocks. Ground exploration and follow up ground EM will be undertaken prior to any investigatory drilling. Eastern Iron has applied for adjoining tenements (EL 5545) to the north to cover potential strike extensions. This is a new target area previously unknown to Eastern Iron and represents an exciting prospect.

## Three Mile

The Three Mile VTEM anomaly is around 400-500m in strike length and is coincident with a strong magnetic feature. The anomaly occurs beneath more than 50m of younger sands and conductive clays which have partially masked the EM response from the bedrock source. Previous drilling targeting the magnetic feature has been carried out on a single line to the north of the VTEM target and intersected copper, lead, zinc, gold and magnetite mineralisation in association with altered volcanics and sediments of probable Upper Silurian age. A best intersection of 13.6m @ 3.8% Cu from 195.8m was recorded in drillhole HARD2 drilled in 1991 (discussed in more detail in Eastern Iron's announcement dated 2 September 2014). This intersection is open along strike and at depth. Ground EM will be used to better define the conductor beneath conductive overburden prior to follow up drilling.

## Five Mile

The Five Mile VTEM anomaly is a wide anomaly coincident with the magnetite body drilled by Eastern Iron. It is considered unlikely that the magnetite body is the source of the VTEM anomaly and the sulphide content in the magnetite does not appear high enough to account for the VTEM response. Drilling at Five Mile has only extended to depths of around 140m to the bottom of the magnetite body and it is possible that a separate sulphide body may be present at depth below the magnetite. The magnetite body is known to have a strong copper association with the highest grade intercept being 44m @ 0.46%Cu in NRC027 (see Eastern Iron's announcement dated 12 June 2013). Ground EM will be used to better model the shape and depth of the target conductor.

# Review of Operations

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## Nowa Nowa Quarry

This single line VTEM anomaly is also coincident with a small magnetic anomaly and occurs immediately north of a small quarry where extensively altered (sericite – pyrite) acid volcanics have been quarried in the past. It is possible that this is a cultural feature, however, there is little of the quarry infrastructure remaining at the site and a bedrock source for the conductor is more likely. Ground EM will again be used to resolve the source.

## Program for 2015 – 2016

### Nowa Nowa

Technical studies and more detailed evaluation are required to bring the various enhancements included in the project plan to the feasibility level. These include:

- expanded metallurgical testwork for producing a +62% Fe product using low intensity wet magnetic separation,
- crush and grind size optimisation,
- concentrate pipeline engineering and design,
- detailed design of slurry pipeline, stockpile area and associated headworks,
- water supply studies and
- detailed capital and operating cost estimates.

Subject to the funds being made available to complete this work it is estimated that the various studies could be completed over the coming year.

### Nowa Nowa Copper

The priority VTEM targets will be field checked and where warranted ground geophysics (EM) will be used to properly delineate the target prior to investigatory drilling.



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 and Resource Summary

## Tenement Schedule

As at 8 September 2015

Tenement	Tenement Number	Interest	Joint Venture Details
Victoria			
Nowa Nowa	ELA 6183	100%	-
Nowa Nowa Mining Licence	MIN 5571	100%	-
Tara	ELA 5545	100%	-

ELA Exploration Licence Application

MIN Mining Licence

## Resource Summary

As at 30 June 2015

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](http://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.

# Directors' Report

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Your Directors submit their report for the year ended 30 June 2015.

## 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, iron ore, industrial minerals 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, resigned October 2014
- ▶ 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 (resigned 13 February 2015)

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 over 30 years of exploration and operational experience gained in a broad range of metalliferous commodities within Australia and overseas. Greg has held senior positions in a number of resource companies including Western Mining Corporation and Sino Gold Mining Limited. 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 (resigned 13 February 2015)

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.

# Directors' Report

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 (resigned 13 February 2015)

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 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.

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

## **Greg De Ross, BSc, FAusIMM**

### **Managing director**

Director since July 2010 (resigned 31 July 2014)

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
G Jones	1,522,101	450,000
M Giles	20,401,378	450,000

## **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 38 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 \$370,900 (2014: \$1,496,365) which includes the write-off of exploration expenditure during the year of \$240,716 (2014: \$2,917,820).

## **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.

# Directors' 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 2015 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:

- ▶ Eastern Iron has agreed to issue approximately 133.3 million new ordinary shares at an issue price of \$0.015 per share to Fortune Future Holdings Ltd to raise \$2 million, subject to shareholder approval of both companies which is expected to be finalised by late November 2015.

## 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
3,700,000	Ordinary	\$0.10	23/11/2015
1,000,000	Ordinary	\$0.062	26/11/2016
450,000	Ordinary	\$0.045	19/11/2017
5,150,000			

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 licence applications and a mining licence issued by the Victorian Department of Economic Development, Jobs, Transport and Resources which specifies 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 2015 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.

# Directors' Report

## 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
Greg Jones	Non-executive Director
Michael Giles	Non-executive Director
Wendy Corbett	Non-executive Director (resigned 13 Feb 2015)
Adrian Critchlow	Non-executive Director (resigned 13 Feb 2015)
Ivo Polovineo	Non-executive Director (resigned 13 Feb 2015)
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. (2014: \$54,000) and NED fees at \$36,000 p.a. (2014: \$36,000) for the year ended 30 June 2015. In addition, members of the Board Committees are paid 10% of NED fees.

On 1 May 2014 the Directors temporarily reduced their fees by 50% and temporarily stopped receiving committee fees. On 15 December 2014, Directors temporarily stopped receiving all Directors fees. And on 15 March 2015 only Steve Gemell commenced receiving 100% of his Directors 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 (2014: \$200) per hour plus GST for consultancy services as at 30 June 2015.
- ▶ 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 (2014: \$108.16) per hour plus GST for consultancy services as at 30 June 2015.
- ▶ Termination payments: Nil.

# Directors' Report

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## **Non-Executive Director – Greg Jones**

- ▶ Contract term: Rolling 12 months contract with Variscan Mines Limited (34.78% shareholder of Eastern Iron) of which Greg is an employee. No notice is required from either party to terminate the agreement.
- ▶ Remuneration: \$163 (2014: \$163) per hour plus GST for consultancy services as at 30 June 2015. 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: \$142,611 p.a. as at 30 June 2015 (2014: \$284,572). Commencing 1 August 2014 Greg's remuneration reduced to \$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. 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 (2014: \$2,400 plus \$150) plus GST for services outside the initial scope of work as at 30 June 2015.
- ▶ Termination payments: Nil.

## **Financial Controller – Michelle Lilley**

- ▶ Contract term: Rolling 12 months contract with Variscan Mines Limited (34.78% shareholder of Eastern Iron) of which Michelle is an employee. No notice is required from either party to terminate the agreement.
- ▶ Remuneration: \$112 (2014: \$112) per hour plus GST for consultancy services as at 30 June 2015. Michelle's fees were paid directly to Variscan Mines Limited.
- ▶ Termination payments: Nil.

# Directors' Report

## Directors and key management personnel remuneration for the year ended 30 June 2015

	Short-term benefits		Post employment	Share-based payments	Total	Consisting of options %
	Cash salary and fees \$	Consulting fees \$	Superannuation \$	Options \$		
<b>Directors</b>						
S Gemell	25,737	-	2,445	-	28,182	-
G De Ross (b)	167,311	-	15,894	-	183,205	-
W Corbett (d)	7,569	25,795	719	-	34,083	-
G Jones	7,569	-	719	-	8,288	-
I Polovineo (d)	9,750	-	-	-	9,750	-
A Critchlow (d)	7,569	-	719	-	8,288	-
M Giles (a)	9,750	-	-	4,052	13,802	29%
<b>Total Directors</b>	<b>235,255</b>	<b>25,795</b>	<b>20,496</b>	<b>4,052</b>	<b>285,598</b>	
<b>Other - key management personnel</b>						
I White	-	28,800	-	-	28,800	-
M Lilley (c)	-	21,532	-	-	21,532	-
<b>Total KMP</b>	<b>-</b>	<b>50,332</b>	<b>-</b>	<b>-</b>	<b>50,332</b>	<b>-</b>
<b>Totals</b>	<b>235,255</b>	<b>76,127</b>	<b>20,496</b>	<b>4,052</b>	<b>335,930</b>	

No performance based remuneration was paid in the 2015 and 2014 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.
- d) Directors resigned on 13 February 2015.

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

	Short-term benefits		Post employment	Share-based payments	Total	Consisting of options %
	Cash salary and fees \$	Consulting fees \$	Superannuation \$	Options \$		
<b>Directors</b>						
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	-
<b>Total Directors</b>	<b>451,796</b>	<b>61,759</b>	<b>37,715</b>	<b>10,580</b>	<b>561,850</b>	
<b>Other - key management personnel</b>						
I White	-	31,750	-	-	31,750	-
M Lilley (c)	-	26,012	-	-	26,012	-
<b>Total KMP</b>	<b>-</b>	<b>57,762</b>	<b>-</b>	<b>-</b>	<b>57,762</b>	<b>-</b>
<b>Totals</b>	<b>451,796</b>	<b>119,521</b>	<b>37,715</b>	<b>10,580</b>	<b>619,612</b>	

# Directors' Report

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## 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 are no options granted under the Plan as at the date of this report. The Plan will be administered by the Board in accordance with the rules of the Plan, and the rules are subject to the Listing Rules.

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

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

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

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

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

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

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

# Directors' Report

## Compensation options: granted and vested during the year

The following options were granted during the financial year.

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

	Grant date	Granted no.	Vested no.	Vested %	Value of options granted at the grant dated (note 14) \$	Number of options exercised	Value of options exercised at the exercise date \$	Value of options lapsed during the year \$
<b>Directors</b>								
M Giles	19 Nov 14	450,000	450,000	100%	4,052	-	-	-
G De Ross	-	-	-	-	-	-	-	85,440

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
<b>Directors</b>						
S Gemell	11	11	1	1	3	3
G De Ross (a)	3	3	-	-	-	-
W Corbett (b)	7	6	-	-	1	1
G Jones	11	11	1	1	2	2
I Polovineo (b)	7	7	-	-	1	1
A Critchlow (b)	7	6	1	1	-	-
M Giles	11	11	-	-	2	2

The duties of the Corporate Governance Committee were carried out by the full Board at Board meetings for the 2015 financial year.

- Resigned as Managing Director on 31 July 2014 and was appointed as CEO.
- Directors resigned on 13 February 2015.

# Directors' Report

## Auditor's independence and non-audit services



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

### all correspondence

PO Box 1664  
North Sydney NSW 2059

t 02 9956 8500

f 02 9929 7428

e [bdj@bdj.com.au](mailto:bdj@bdj.com.au)

[www.bdj.com.au](http://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 2015, I declare that, to the best of my knowledge and belief, there have been:

- i) no contraventions of the independence requirements of the *Corporations Act 2001* in relation to the audit; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.

BDJ Partners

Chartered Accountants

.....  
Anthony J Dowell

Partner

16 September 2015

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



# Directors' Report

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## Non-audit services

The Company's auditor, BDJ Partners did not provide non-audit services (2014: \$3,500) for Eastern Iron during the financial year ended 30 June 2015. 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 24th day of September 2015 in accordance with a resolution of the Directors.



**Steve Gemell**  
Chairman

# Corporate Governance

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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 (3<sup>rd</sup> Edition) ("the Recommendations") applicable to ASX-listed entities.

This Corporate Governance Statement has been approved by the Board of Eastern Iron Limited for inclusion in this Annual Report and the framework it represents is current as at 3 September 2015.

The Statement 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 defined the role of the Board through its Board Charter, and established functions reserved to the Board and functions delegated to senior executives.

#### a) Roles of the Board and management:

The role and responsibility of the Board is set out in the Board Charter which is available on the Company's web-site.

#### b) Functions of the Board and management:

The functions reserved to the Board include:

- Oversight of the Company, including its control and accountability systems;
- 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;
- Ratifying the appointment and, where appropriate, the removal of the Chief Financial Officer (or equivalent) and the Company Secretary;
- Input to, and the final approval of management's corporate strategy and performance objectives;
- Reviewing and ratifying systems of risk management, internal control, compliance, code of conduct and legal compliance;

- Monitoring senior management's performance and implementation of strategy, and ensuring appropriate resources are available;
- Approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures;
- Approving and monitoring financial and other reporting;
- Appointment and composition of committees of the Board;
- On recommendation of the Audit Committee, appointment of external auditors; and
- On recommendation of the Remuneration and Nomination Committee, initiating Board and director evaluation.

The functions delegated to senior executives include:

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

### Recommendation 1.2 – Appointment, election and re-election of Directors

#### a) Director background checks:

The Board, through the Remuneration and Nominations Committee checks character, experience, education, criminal record and bankruptcy history of potential Directors. This is done informally through reference and background checks with mutually known persons and would be

# Corporate Governance

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undertaken on a more formal basis if these checks suggested that this was required. Appointments for a company the size of Eastern Iron generally come from a pool of potential directors well known in the industry.

- b) On election, or re-election of any Director, shareholders are provided with;
- Biographical details, including their relevant qualifications and experience and the skills they bring to the Board;
  - Details of any other material directorships currently held by the candidate;
  - In the case of a candidate standing for election as a director for the first time:
    - any material adverse information revealed by the checks the entity has performed about the Director;
    - details of any interest, position, association or relationship that might influence, or reasonably be perceived to influence, in a material respect his or her capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of the entity and its security holders generally; and
    - if the Board considers that the candidate will, if elected, qualify as an independent director, a statement to that effect.
  - In the case of a candidate standing for re-election as a Director:
    - the term of office currently served by the Director; and
    - if the Board considers the Director to be an independent director, a statement to that effect; and
    - a statement by the Board as to whether it supports the election or re-election of the candidate.

All Directors on appointment provide the Company with a Consent to Act form that includes sufficient information to satisfy all of the points above. The form also requires the Director to provide information on the Director's other commitments, details of the time involved with each of these commitments and an acknowledgement by the Director he or she will have sufficient time to fulfil his or her responsibilities is informally determined by the Chairman through an interview process.

## Recommendation 1.3 – Written agreements with Directors

The Company has introduced a written agreement to be used for all new Directors and senior executives which will set out the terms of their appointment including:

- The term of appointment;

- The time commitment envisaged, including any expectations regarding involvement with committee work and any other special duties attaching to the position;
- Remuneration, including superannuation entitlements;
- The requirement to disclose directors' interests and any matters which may affect the Director's independence;
- The requirement to comply with key corporate policies, including the entity's code of conduct and its trading policy;
- The Company's policy on when directors may seek independent professional advice at the expense of the Company;
- The circumstances in which the Director's office becomes vacant;
- Indemnity and insurance arrangements;
- Ongoing rights of access to corporate information; and
- Ongoing confidentiality obligations.

The Company has no executive Directors.

## Recommendation 1.4 – Company Secretary

The Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board. The Company Secretary's role includes:

- Advising the Board and its committees on governance matters;
- Monitoring that Board and committee policy and procedures are followed;
- Coordinating the timely completion and despatch of Board and Committee papers;
- Ensuring that the business at Board and Committee meetings is accurately captured in the minutes; and
- Helping to organise and facilitate the induction and professional development of Directors.

Each Director is able to communicate directly with the Company Secretary and vice versa.

The decision to appoint or remove a Company Secretary is a matter reserved for the Board.

## Recommendation 1.5 – Diversity policy

- a) The Company has a Diversity Policy which includes requirements for the Board or a relevant committee of the Board to set measurable objectives for achieving gender diversity and to

# Corporate Governance

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assess annually both the objectives and the Company's progress in achieving these. 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.

- b) The Company's Diversity Policy is available on its web-site.
- c) 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. The Company intends to implement its Diversity Policy in the event that the Company's employee numbers grow to a level where implementation becomes practicable.
  - 1) At present the Company has one part-time male Chief Executive Officer and one part-time female contracted Financial Controller and one part-time female contracted geologist. There are at present no women on the Board. At this stage in the Company's development, the Board does not consider it practicable to set measurable gender diversity objectives.
  - 2) The Company is not a "relevant employer" under the Workplace Gender Equality Act.

## **Recommendation 1.6 – Evaluation of the performance of the Board**

- a) In accordance with its Charter, the Remuneration and Nomination Committee is responsible for the:
  - Annual evaluation and review of the performance of the Board against both measurable and qualitative indicators established by the Committee;
  - Evaluation and review of the performance of individual Directors against both measurable and qualitative indicators established by the Committee;
  - Review of and making of recommendations on the size and structure of the Board; and
  - Review of the effectiveness and programme of Board meetings.
- b) 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. The evaluation determined that the Board was satisfied with the performance of each Director and itself as a whole.

## **Recommendation 1.7 – Evaluation of the performance of Senior Executives**

- a) The Company has a process for periodically evaluating the performance of its senior executives and this is undertaken through the Remuneration and Nomination Committee.
- b) A performance review of the Company's part-time Chief Executive Officer was undertaken during the financial year.

## **Principle 2: Structure the board to add value**

### **Recommendation 2.1 – Nominations Committee**

- a) The Company has established a Remuneration and Nomination Committee however the Committee does not comply with all of the Recommendation 2.1.
  - 1) The Remuneration and Nomination Committee consist of three non-executive Directors however only one of the members is an independent director. The members of the Remuneration and Nomination Committee are Messrs Jones, Gemell, and Giles. Messrs Jones and Giles are not considered to be independent directors for the reasons given under the response to Recommendation 2.3 (a).
  - 2) The Chairman of the Committee, Mr Jones, is not an independent director. As the Company has only three Directors and only the Chairman of the Board is independent, Chairmanship of the Company's Committees has been spread amongst the remaining Directors to spread administrative work load. Mr Jones is not the Chairman of the Board.
  - 3) A copy of the Charter of the Remuneration and Nomination Committee is available on the Company's website.
  - 4) The members of the Remuneration and Nomination Committee are Messrs Jones, Gemell, and Giles.
  - 5) The number of meetings and attendance by each Committee member is included in the Directors' Report.

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

# Corporate Governance

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the composition of the Remuneration and Nomination 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 2.2 – Director skills

The skills and experience of each Director is set out in the Directors section of the Directors' Report.

The period of office of each Director up to 30 June 2015 is as follows:

Name	Term in office
S Gemell	5.4 years
G Jones	6.2 years
M Giles	1.7 years

The Directors have 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. If the activities of the Company were to expand significantly the Company would consider additional Directors with legal and financial skills.

## Recommendation 2.3 – Director independence

- Using the ASX Corporate Governance Council independence factor guidelines, the Board has determined that Mr Gemell is the only one of its three non-executive directors who is independent. Mr Jones is not considered to be independent due to his association with the Company's major shareholder; Variscan Mines Limited and Mr Giles is not considered to be independent due to his association with the substantial shareholder; Harland Capital Fund LLC.
- The Company has no Directors that are not independent in terms of the ASX Corporate Governance Council's independence factors, but which it considers to be independent.
- The length of service of each Director is shown at the response to Recommendation 2.2.

## Recommendation 2.4 – A majority of the board should be independent directors.

The majority of the Directors of the Company are not independent. Mr Gemell is the only non-executive Director deemed to be independent. Two of the three non-executive directors are associated with substantial

shareholders of the Company and to have a majority of independent Directors would require an increase in the number of Directors which the Board does not favour at the current stage of the Company's development.

Each of the Directors is satisfied that whilst the Company may not comply with Recommendation 2.4, all Directors bring an independent judgment to bear on Board decisions.

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

## Recommendation 2.5 – The chair should be an independent director

The Company's Chairman, Mr Gemell, is an independent director and is not the CEO of the Company.

## Recommendation 2.6 – Programme for inducting directors

All new directors receive an induction into the Company and its activities by the Chairman and the Company Secretary. The Company Secretary provides details of all of the Company's Charters and Policies, and the Company's Board reporting practices. The Chairman provides background and details on the Company's projects and strategy.

There are procedures in place, and included in the Board Charter to enable Directors, in furtherance of their duties, to seek independent professional advice at the Company's expense, subject to the approval of the Chairman.

## Principle 3: Act ethically and responsibly

### Recommendation 3.1 – Code of conduct

- The Company has established a Code of Conduct covering:
  - Practices necessary to maintain confidence in the Company's integrity;
  - Practices necessary to take into account the Company's legal obligations and the expectations of stakeholders; and
  - Responsibility and accountability of individuals for reporting and investigating reports of unethical practices.
- The Code of Conduct is available on the Company's website.

# Corporate Governance

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## Principle 4: Safeguard integrity in financial reporting

### Recommendation 4.1 – Audit committee

- a) The Company has established an Audit Committee however the Committee does not comply with all of Recommendation 4.1.
- 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 Giles, Gemell, and Jones. Messrs Giles and Jones are not considered to be independent directors for the reasons given under the response to Recommendation 2.3 (a).
  - 2) The Audit Committee is chaired by Mr Giles, who is not an independent director. As the Company has only three Directors and only the Chairman of the Board is independent, Chairmanship of the Company's Committees has been spread amongst the remaining Directors to spread administrative work load. Mr Giles is the Director most qualified in financial matters and not the Chairman of the Board.
  - 3) The Company's Audit Committee Charter is available on the Company's web-site.
  - 4) The qualifications and experience of each Audit Committee member are shown in the Directors' Report.
  - 5) The number of meetings attended by each Audit Committee member is shown in the Directors' Report.

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 4.2 – CEO and CFO declarations

When considering the Audit Committee's review of half-year and full-year 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 also 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 period-end that would materially change the position.

### Recommendation 4.3 – Additional information concerning the audit committee

The Company's Auditor always attends the Company's AGM and is available to answer questions.

## Principle 5: Make timely and balanced disclosure

### Recommendation 5.1 – ASX listing rule disclosure requirements

- a) 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.
- b) 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 – Corporate governance communication

The Company has a corporate governance landing page on its web-site. This page includes the Company's Board Charter, Audit Committee Charter and Remuneration and Nominations Committee Charter as well as the Company's corporate governance policies. The web-site also includes Annual Reports, details on the Company's projects, biographical details for the Board and senior management and other relevant details consistent with Recommendation 6.1.

### Recommendation 6.2 – Investor relations program

The Company has adopted a Shareholder Communications Policy for promoting effective communication with shareholders and encouraging shareholder participation at annual and other general

# Corporate Governance

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meetings. A copy of this Policy is available on the Company's web-site.

## **Recommendation 6.3 – Availability of shareholder communications policy**

A copy of the Company's Shareholder Communications Policy is available on the Company's website.

## **Recommendation 6.4 – Electronic communications with shareholders**

All shareholders may communicate with the Company and its share registry electronically. Shareholders may elect not to receive a hard-copy Annual Report preferring to access the electronic version published on the Company's web-site. Shareholders may submit proxy votes electronically for general meetings of the Company.

All ASX announcements including Quarterly Reports, Half-yearly Reports and investor presentations are also published on the Company's web-site.

## **Principle 7: Recognise and manage risk**

### **Recommendation 7.1 – Risk management committee**

- a) The Company does not have a Risk Management Committee.
- b) 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.

Operational risks are considered by the CEO and the Board as a whole. For development projects the Company undertakes an in-house risk analysis, utilising the skills and experience of its Directors and staff. For large projects, external consultants may be engaged to provide assistance in this process.

A Risk Management Committee would be considered if the Company's activities were to significantly expand and additional Directors were appointed to the Board.

### **Recommendation 7.2 – Risk management framework review**

- a) The Company's financial risk management framework is included in its Audit Committee Charter which is reviewed annually by the Board.
- b) A review of this Charter was undertaken during the financial year.

The Company does not have a formal operational risk management framework but undertakes an in-house risk analysis of any projects it develops, utilising the skills and experience of its Directors and staff.

### **Recommendation 7.3 – Internal audit function**

The Company does not have an internal audit function. The Company's financial risk management framework is included in its Audit Committee Charter which is reviewed annually by the Board.

### **Recommendation 7.4 – Exposure to risk**

At its current stage of development the Company does not have any exposure to material environmental or sustainability risks. As the Company is a mineral exploration company not earning any revenue at this stage there is a risk that the Company may not be able to sustain its operations unless it sources additional finances.

## **Principle 8: Remunerate fairly and responsibly**

### **Recommendation 8.1 – Remuneration committee**

- a) The Company has established a Remuneration and Nomination Committee which has delegated responsibilities in relation to the Company's remuneration policies as set out in the Company's Remuneration and Nomination Committee Charter. The charter reflects the matters set out in the commentary and guidance for Recommendation 8.1.

The Company's Remuneration and Nomination Committee does not comply with all of the requirements of Recommendation 8.1. Details are as follows:

- 1) The Remuneration and Nomination Committee consist of three non-executive Directors however only one of the members is an independent director. The members of the Remuneration and Nomination Committee are Messrs Jones, Gemell, and Giles. Messrs Jones and Giles are not considered to be

independent Directors for the reasons given under the response to Recommendation 2.3 (a).

- 2) The Chairman of the Committee, Mr Jones, is not an independent director. As the Company has only three Directors and only the Chairman of the Board is independent, Chairmanship of the Company's Committees has been spread amongst the remaining Directors to spread administrative work load. Mr Jones is not the Chairman of the Board.
- 3) A copy of the Charter of the Remuneration and Nomination Committee is available on the Company's website.
- 4) The members of the Remuneration and Nomination Committee are Messrs Jones, Gemell, and Giles.
- 5) The number of meetings and attendance by each Committee member is included in the Directors' Report.

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

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

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

Details of the Company's policies and practices regarding the remuneration of non-executive directors and senior executives are included in the Remuneration Report in the Directors' Report.

The aggregate remuneration of the non-executive Directors has been fixed at a maximum of \$250,000 per annum to be apportioned among the non-executive Directors in such a manner as the Board determines.

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

## **Recommendation 8.3 – Equity based remuneration scheme**

The Company has issued share options as remuneration to its Directors and CEO. The Company's Share Trading Policy prohibits the hedging of options.

# Consolidated Statement of Comprehensive Income

For the year ended 30 June 2015

	Note	2015 \$	2014 \$
<b>Revenue</b>	3	284,263	2,183,794
ASX and ASIC fees		(29,122)	(31,488)
Audit fees	18	(25,000)	(32,000)
Contract administration services		(78,663)	(131,419)
Directors fees		(64,943)	(191,319)
Employee costs (net of costs recharged to exploration projects)		(112,024)	(194,826)
Exploration expenditure expensed	9	(240,716)	(2,917,820)
Marketing costs		-	(9,611)
Rent		(16,875)	(25,662)
Share based payments	14	(4,052)	(10,580)
Travel and accommodation		(14,122)	(15,832)
Other expenses from ordinary activities		(69,646)	(119,602)
<b>Loss before income tax expense</b>		(370,900)	(1,496,365)
Income tax expense	4	-	-
<b>Loss after income tax expense</b>	13	(370,900)	(1,496,365)
<b>Other comprehensive income</b>			
Other comprehensive income for the period, net of tax		-	-
<b>Other comprehensive (loss)</b>		-	-
<b>Total comprehensive (loss) attributable to members of Eastern Iron Limited</b>		(370,900)	(1,496,365)
Basic loss per share (cents per share)	15	0.25	1.21
Diluted loss per share (cents per share)	15	0.25	1.21

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

# Consolidated Statement of Financial Position

As at 30 June 2015

	Note	2015 \$	2014 \$
<b>Current assets</b>			
Cash assets	5	84,331	247,153
Receivables	6	294,907	1,065,083
<b>Total current assets</b>		<b>379,238</b>	<b>1,312,236</b>
<b>Non-current assets</b>			
Tenement security deposits	7	10,000	12,500
Property, plant and equipment	8	7,122	12,478
Deferred exploration and evaluation expenditure	9	6,389,930	5,931,671
<b>Total non-current assets</b>		<b>6,407,052</b>	<b>5,956,649</b>
<b>Total assets</b>		<b>6,786,290</b>	<b>7,268,885</b>
<b>Current liabilities</b>			
Payables	10	36,454	476,798
Provisions	11	8,379	48,673
<b>Total current liabilities</b>		<b>44,833</b>	<b>525,471</b>
<b>Non-current liabilities</b>			
Provisions	11	23,203	-
<b>Total non-current liabilities</b>		<b>23,203</b>	<b>-</b>
<b>Total liabilities</b>		<b>68,036</b>	<b>525,471</b>
<b>Net assets</b>		<b>6,718,254</b>	<b>6,743,414</b>
<b>Equity</b>			
Contributed equity	12	12,206,733	11,865,045
Accumulated losses	13	(5,531,971)	(5,246,511)
Reserves	14	43,492	124,880
<b>Total equity</b>		<b>6,718,254</b>	<b>6,743,414</b>

*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 2015

	Note	2015 \$	2014 \$
<b>Cash flows from operating activities</b>			
Payment to suppliers and employees		(436,475)	(725,376)
R&D tax concession offset		1,015,588	690,574
Consulting fees		-	9,999
Victorian government infrastructure grant		-	300,000
Interest received		924	24,889
<b>Net cash flows (used in) operating activities</b>	25	580,037	300,086
<b>Cash flows from investing activities</b>			
Expenditure on mining interests (exploration)		(892,359)	(2,890,925)
Sale of tenements		-	150,000
Tenement security deposits		2,500	133,350
<b>Net cash flows (used in) investing activities</b>		(889,859)	(2,607,575)
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares/share applications received		147,000	908,900
Equity raising expenses		-	(27,404)
<b>Net cash flows from financing activities</b>		147,000	881,496
<b>Net increase/(decrease) in cash held</b>		(162,822)	(1,425,993)
Add opening cash brought forward		247,153	1,673,146
<b>Closing cash carried forward</b>	25	84,331	247,153

*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 2015

Attributable to the shareholders of Eastern Iron Limited				
Note	Issued capital \$	Accumulated losses \$	Reserves \$	Total equity \$
<b>At 1 July 2013</b>	10,603,162	(3,984,816)	348,970	6,967,316
Loss for the period	-	(1,496,365)	-	(1,496,365)
Other comprehensive income	-	-	-	-
<b>Total comprehensive income/(loss) for the period</b>	-	(1,496,365)	-	(1,496,365)
<b>Transactions with owners in their capacity as owners:</b>				
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
Expired option value transferred to Accumulated Losses	14	234,670	(234,670)	-
<b>At 30 June 2014</b>	11,865,045	(5,246,511)	124,880	6,743,414
<b>At 1 July 2014</b>	11,865,045	(5,246,511)	124,880	6,743,414
Loss for the period	-	(370,900)	-	(370,900)
Other comprehensive income	-	-	-	-
<b>Total comprehensive income/(loss) for the period</b>	-	(370,900)	-	(370,900)
<b>Transactions with owners in their capacity as owners:</b>				
Cost of share based payments taken directly to Equity	14	-	4,052	4,052
Issue of share capital, net of transaction costs	12	-	-	341,688
Expired option value transferred to Accumulated Losses	14	85,440	(85,440)	-
<b>At 30 June 2015</b>	12,206,733	(5,531,971)	43,492	6,718,254

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

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

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## 1. Corporate information

The financial report of Eastern Iron Limited (the Company) for the year ended 30 June 2015 was authorised for issue in accordance with a resolution of the Directors on 24 September 2015.

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

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

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

## 2. Summary of significant accounting policies

### Basis of preparation

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

### Statement of compliance

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

### Basis of consolidation

The consolidated financial statements comprise the financial statements of Eastern Iron Limited (Eastern Iron or the "Company") and its subsidiaries if applicable ("the Group") as at 30 June each year. The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All inter-company balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Subsidiaries are fully consolidated from date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

### Property, plant and equipment

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

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

### Impairment

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

### Borrowing costs

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

### Interest in jointly controlled operations – joint ventures

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

The Company also recognises the expenses that it incurs and its share of any income that it earns from

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

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

## Recoverable amount of assets

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

## Investments

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

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

For investments carried at amortised cost, gains and losses are recognised in income when the investments are derecognised or impaired, as well as through the amortisation process. For investments that are actively traded in organised financial markets, fair value is determined by reference to Securities Exchange quoted market bid prices at the close of business on the balance sheet date.

For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the

expected cash flows of the underlying net asset base of the investment.

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

## Exploration, evaluation, development and restoration costs

### Exploration and evaluation

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

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

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

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

### Exploration and evaluation – impairment

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

Accumulated costs in respect of areas of interest are written off or a provision made in the Income Statement when the above criteria do not apply or when the Directors assess that the carrying value may exceed the recoverable amount. The costs of productive areas are amortised over the life of the area of interest to which such costs relate on the production output basis, provisions would be reviewed and if appropriate, written back.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

## 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

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

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

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

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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.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

## 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.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

## 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 have been investigating options to raise additional funds to allow the Company to pursue its project opportunities and reduce its working capital and have entered into an agreement to raise an additional \$2 million (refer to subsequent events note page 10 of this report).

## 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 2015. 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.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

**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.

It is anticipated that the application of these standards will not have a material effect on the Group's results or financial reports in future periods.

## 3. Revenue from ordinary activities

Interest received – other persons/corporation
R&D tax concession offset
Sale of tenements
Sale of asset
Victorian government infrastructure grant
Consulting fees

2015 \$	2014 \$
924	17,633
281,080	1,706,162
-	150,000
2,259	-
-	300,000
-	9,999
284,263	2,183,794

## 4. Income tax

Prima facie income tax (credit) on operating (loss) at 30%
Future income tax benefit in respect of timing differences – not recognised
Income tax expense

2015 \$	2014 \$
111,270	448,909
(111,270)	(448,909)
-	-

No provision for income tax is considered necessary in respect of the Company as at 30 June 2015.

The Company has a deferred income tax liability of Nil (2014: \$115,413) 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 \$7,282,310 (2014: \$6,755,993) as at 30 June 2015.

A benefit of 30% of approximately \$2,184,693 (2014: \$2,026,798) 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.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

## 5. Cash and cash equivalents

	2015 \$	2014 \$
Cash at bank	59,597	223,063
Money market securities – bank deposits	24,734	24,090
	84,331	247,153

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

	2015 \$	2014 \$
R&D tax concession offset	281,082	1,015,588
Other debtors	2,500	2
GST receivables	1,070	30,238
Prepayments	10,255	19,255
	294,907	1,065,083

## 7. Tenement security deposits

	2015 \$	2014 \$
Cash at bank – bank deposits	10,000	10,000
Cash with government mines departments and other	-	2,500
	10,000	12,500

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

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

## 8. Property, plant and equipment

	Motor vehicle	Plant and equipment	Total
<b>Year ended 30 June 2014</b>			
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
<b>At 30 June 2014</b>			
Cost	24,166	51,557	75,723
Accumulated depreciation	(23,727)	(39,518)	(63,245)
Net book amount	439	12,039	12,478
<b>Year ended 30 June 2015</b>			
Opening net book amount	439	12,039	12,478
Additions	-	-	-
Disposals	(14)	-	(14)
Depreciation expense	(425)	(4,917)	(5,342)
Closing net book amount	-	7,122	7,122
<b>At 30 June 2015</b>			
Cost	24,166	51,557	75,723
Disposals	(14)	-	(14)
Accumulated depreciation	(24,152)	(44,435)	(68,587)
Net book amount	-	7,122	7,122

## 9. Deferred exploration and evaluation expenditure

	2015 \$	2014 \$
Costs brought forward	5,931,671	5,546,961
Costs incurred during the period	698,975	3,302,530
Expenditure written off during period	(240,716)	(2,917,820)
Costs carried forward	6,389,930	5,931,671
<b>Exploration expenditure costs carried forward are made up of:</b>		
▶ Expenditure on joint venture areas	-	-
▶ Expenditure on non joint venture areas	6,389,930	5,931,671
Costs carried forward	6,389,930	5,931,671

The above amounts represent costs of areas of interest carried forward as an asset in accordance with the accounting policy set out in Note 2. The ultimate recoupment of deferred exploration and evaluation expenditure in respect of an area of interest carried forward is dependent upon the discovery of commercially viable reserves and the successful development and exploitation of the respective areas or alternatively sale of the underlying areas of interest for at least their carrying value. Amortisation, in respect of the relevant area of interest, is not charged until a mining operation has commenced.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

## 10. Payables – current liabilities

	2015 \$	2014 \$
Trade creditors	17,982	436,239
Accrued expenses	14,000	30,801
PAYG and superannuation payable	4,472	9,758
	36,454	476,798

## 11. Provisions – liabilities

	2015 \$	2014 \$
<b>Current</b>		
Annual leave	8,379	48,673
<b>Non-current</b>		
Long Service Leave	23,203	-

## 12. Contributed equity

	2015 \$	2014 \$
<b>Share capital</b>		
152,008,130 fully paid ordinary shares (2014: 143,872,706) Fully paid ordinary shares carry one vote per share and carry the right to dividends.	12,591,701	12,250,013
<b>Share issue costs</b>	(384,968)	(384,968)
	12,206,733	11,865,045

	Number	\$
<b>Movements in ordinary shares on issue</b>		
<b>At 1 July 2013</b>	115,892,475	10,960,725
Shares issued (i)	21,640,446	908,900
Shares issued (ii)	6,339,785	380,388
<b>At 30 June 2014</b>	143,872,706	12,250,013
Shares issued (iii)	4,635,424	194,688
Shares issued (iv)	3,500,000	147,000
<b>At 30 June 2015</b>	152,008,130	12,591,701

- (i) The Company issued 21,640,446 shares at \$0.042 in placements.
- (ii) The Company issued 6,339,785 shares at \$0.06 to a creditor as settlement for services provided.
- (iii) The Company issued 4,635,424 shares at \$0.042 to creditors as settlement for services provided.
- (iv) The Company issued 3,500,000 shares at \$0.042 in a placement.

## 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.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

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

## Options

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

### 13. Accumulated losses

	2015 \$	2014 \$
Balance at the beginning of period	5,246,511	3,984,816
Operating loss after income tax expense	370,900	1,496,365
Expired option value transferred to Accumulated Losses	(85,440)	(234,670)
Balance at the end of period	5,531,971	5,246,511

### 14. Reserves/share-based payments

#### Reserves

	2015 \$	2014 \$
Balance at 1 July	124,880	348,970
Share-based payment expense during the financial year	4,052	10,580
Expired option value transferred to Accumulated Losses	(85,440)	(234,670)
Balance at 30 June	43,492	124,880

The share-based payment plans are described below. There have been no cancellations or modifications to any of the plans during 2015 and 2014.

#### 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 are no options granted under the Plan as at the date of this report.

#### Summary of options granted by the parent entity

	2015 no.	2014 no.
Outstanding at the beginning of the year	5,900,000	8,400,000
Granted during the year	450,000	1,000,000
Forfeited during the year	-	-
Exercised during the year	-	-
Expired during the year	(1,200,000)	(3,500,000)
Outstanding at the end of the year	5,150,000	5,900,000

The outstanding balance as at 30 June 2015 is represented by:

- ▶ 3,700,000 options exercisable at \$0.10, expiry 23 November 2015
- ▶ 1,000,000 options exercisable at \$0.062, expiry 26 November 2016
- ▶ 450,000 options exercisable at \$0.045, expiry 19 November 2017

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

## 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	
Nov 12	3,250,000	\$0.10	23 Nov 15	60.44%	2.38%	3	\$0.0078	Binomial	(a)
Jan 13	450,000	\$0.10	23 Nov 15	60.44%	2.38%	3	\$0.0078	Binomial	(b)
Nov 13	1,000,000	\$0.062	26 Nov 16	60.00%	2.71%	3	\$0.0105	Binomial	(c)
Nov 14	450,000	\$0.045	19 Nov 17	60.00%	2.52%	3	\$0.0090	Binomial	(d)

- (a) 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.
- (b) 450,000 options were issued to a creditor as settlement for services provided. The options vested on grant date.
- (c) 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.
- (d) 450,000 options were issued to a Director and approved by shareholders at the AGM held in November 2014. The options vested on grant date.

## Weighted average disclosures on options

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

	2015	2014
	\$0.11	\$0.15
	\$0.05	\$0.06
	\$0.09	\$0.11
	\$0.09	\$0.11
	0.77 years	1.43 years
	\$0.05 - \$0.10	\$0.06 - \$0.18

## 15. Earnings per share

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

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

Basic earnings (loss) per share

Diluted earnings (loss) per share

	2015	2014
	(370,900)	(1,496,365)
<b>Number</b>	<b>Number</b>	
	149,156,338	123,694,877
<b>Cents per share</b>	<b>Cents per share</b>	
	(0.25)	(1.21)
	(0.25)	(1.21)

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

## 16. Key management personnel

### Key management personnel compensation

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

	2015 \$	2014 \$
Short term employee benefits	311,382	571,317
Post-employment benefits	20,496	37,715
Other long term benefits	-	-
Termination benefits	-	-
Share-based payments	4,052	10,580
	<b>335,930</b>	<b>619,612</b>

### 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.
<b>2015</b>					
S Gemell	544,769	-	-	-	544,769
G De Ross	75,000	-	-	-	75,000
W Corbett (a)	674,142	-	-	-	674,142
G Jones	1,522,101	-	-	-	1,522,101
I Polovineo (a)	407,142	-	-	-	407,142
A Critchlow (a)	23,356,948	-	-	-	23,356,948
M Giles	16,734,780	-	3,666,598	-	20,401,378
	<b>43,314,882</b>	<b>-</b>	<b>3,666,598</b>	<b>-</b>	<b>46,981,480</b>
<b>2014</b>					
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
	<b>25,034,834</b>	<b>-</b>	<b>18,280,048</b>	<b>-</b>	<b>43,314,882</b>

a) Directors resigned on 13 February 2015.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

## 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.
<b>2015</b>									
S Gemell	450,000	-	-	-	450,000	450,000	-	450,000	-
G De Ross	3,200,000	-	-	(1,200,000)	2,000,000	2,000,000	-	2,000,000	-
W Corbett (a)	450,000	-	-	-	450,000	450,000	-	450,000	-
G Jones	450,000	-	-	-	450,000	450,000	-	450,000	-
I Polovineo (a)	450,000	-	-	-	450,000	450,000	-	450,000	-
A Critchlow (a)	450,000	-	-	-	450,000	450,000	-	450,000	-
M Giles	-	450,000	-	-	450,000	450,000	-	450,000	450,000
	5,450,000	450,000	-	(1,200,000)	4,700,000	4,700,000	-	4,700,000	450,000
<b>2014</b>									
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

\*Expired options

a) Directors resigned on 13 February 2015.

## 17. Related party disclosures

### Subsidiaries

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

Name	Country of incorporation	% Equity interest	
		2015	2014
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

Variscan Mines Limited (Variscan) is a 34.78% 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 2015 (2014: Nil).

The Company has paid Variscan rent of \$16,875 (2014: \$25,500) for the financial year ended 30 June 2015 which includes reimbursement of office costs. The contract with Variscan is based on normal commercial terms and conditions.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

## 18. Auditors' remuneration

Total amounts receivable by the current auditors of the Company for:

Audit of the Company's accounts

Other services

	2015 \$	2014 \$
Audit of the Company's accounts	25,000	32,000
Other services	-	3,500
	25,000	35,500

## 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 2015 were as follows:

Queensland - Hawkwood

	Percentage interest 2015	Percentage interest 2014
Queensland - Hawkwood	-	100%

## 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 \$10,000 in respect of an exploration tenement in Victoria. These guarantees in respect of exploration tenements are secured against deposits with Victorian Department of Economic Development, Jobs, Transport and Resources with a banking institution. 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.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

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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.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

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

	2015 \$	2014 \$
Cash and cash equivalents	84,331	247,153
Receivables	294,907	1,065,083
Deposits with Government Departments and banks	10,000	12,500
	389,238	1,324,736

## 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 \$
<b>2015</b>				
Payables	36,454	36,454	-	-
	36,454	36,454	-	-
<b>2014</b>				
Payables	476,798	476,798	-	-
	476,798	476,798	-	-

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

Financial assets	Carrying amount \$	<12 months \$	1-3 years \$	>3 years \$
<b>2015</b>				
Cash at bank and term deposits	84,331	84,331	-	-
Receivables	294,907	294,907	-	-
Deposits with banks and Government Departments	10,000	-	-	10,000
	389,238	379,238	-	10,000
<b>2014</b>				
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

## 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.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

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

	2015 \$	2014 \$
Weighted average rate of cash balances	0.02%	0.01%
Cash balances	\$59,597	\$223,063
Weighted average rate of term deposits	2%	2.5%
Term deposits	\$24,734	\$24,090

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

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

Sensitivity analysis	Carrying amount	+1.0% of AUD IR		-1.0% of AUD IR	
		Profit \$	Other equity \$	Profit \$	Other equity \$
<b>2015</b>					
Cash and cash equivalents	84,331	843	-	(843)	-
Tax charge of 30%	-	(253)	-	253	-
After tax profit increase/(decrease)	84,331	590	-	(590)	-
<b>2014</b>					
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)	-

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.

	2015 \$	2014 \$
Payable not later than one year	0	0
Payable later than one year but not later than two years	0	433,985
	0	433,985

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.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

## 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 2015 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:

- ▶ Eastern Iron has agreed to issue approximately 133.3 million new ordinary shares at an issue price of \$0.015 per share to Fortune Future Holdings Ltd to raise \$2 million, subject to shareholder approval of both companies which is expected to be finalised by late November 2015.

## 25. Statement of cash flows

### Reconciliation of net cash outflow from operating activities to operating loss after income tax

(a) Operating (loss) after income tax	(370,900)	(1,496,365)
Depreciation	5,342	14,472
Share based payments	4,052	10,580
Exploration costs expensed	240,716	2,917,820
Provisions for annual and long service leave	(17,091)	(22,590)
Exploration adjustments and differences in closing creditors/accruals	388,070	-
Disposal of asset	(2,486)	-
Sale of tenements in investing activities	-	(150,000)
<b>Change in assets and liabilities:</b>		
(Increase)/decrease in receivables	772,677	(982,492)
(Decrease)/increase in trade and other creditors (excluding exploration costs in creditors)	(440,343)	8,661
Net cash outflow from operating activities	580,037	300,086

- (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 2015 comprised:

Cash assets	59,597	223,063
Bank deposits (Note: 5)	24,734	24,090
Cash on hand	84,331	247,153

## 26. Parent entity information

	2015 \$	2014 \$
Current assets	379,190	1,312,236
<b>Total assets</b>	9,218,127	9,460,052
Current liabilities	44,833	525,471
<b>Total liabilities</b>	68,036	525,471
Issued capital	12,206,733	11,865,045
Accumulated losses	(3,100,134)	(3,055,344)
Share based payment reserve	43,492	124,880
<b>Total shareholders' equity</b>	9,150,091	8,934,581
Profit/(loss) of the parent entity	(130,229)	694,390
<b>Total comprehensive income/(loss) of the parent entity</b>	(130,229)	694,390

# Directors' Declaration

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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 2015 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 2015.

On behalf of the Board



**Steve Gemell**  
Chairman

Sydney, 24 September 2015

# Independent Auditor's Report



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

## all correspondence

PO Box 1664  
North Sydney NSW 2059

t 02 9956 8500

f 02 9929 7428

e [bdj@bdj.com.au](mailto:bdj@bdj.com.au)

[www.bdj.com.au](http://www.bdj.com.au)

## 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 2015, 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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Please refer to the website for our standard terms of engagement.



# Independent Auditor's Report

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## *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 2015 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 2015. 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 2015 complies with section 300A of the *Corporations Act 2001*.

BDJ Partners  
Chartered Accountants



.....  
Anthony J Dowell  
Partner

24 September 2015

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



# 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 2015.

## Ordinary shares

There are 152,524,401 fully paid ordinary shares on issue.

## Options

There are 8 holders of a total of 5,150,000 unquoted options on issue.

Substantial shareholders	Shareholding
Variscan Mines Limited	52,857,142
Mr Adrian Critchlow	23,356,948
Harland Capital Fund LLC	20,401,378
Planning & Property Partners Pty Ltd	12,681,114

Top 20 shareholders of ordinary shares as at 31 August 2015	Number	%
Variscan Mines Limited	40,357,142	26.46
Mr Adrian Critchlow	23,336,948	15.30
Harland Capital Fund LLC	20,401,378	13.38
Planning & Property Partners	12,681,114	8.31
Bluestone 23 Limited	12,500,000	8.20
Mr Chris Carr & Mrs Betsy Carr	4,588,571	3.01
Aotea Minerals Ltd	2,251,939	1.48
Mr Neville John Holz & Mrs Lynette Holz	2,116,550	1.39
Mr Malcolm James Hill	1,722,000	1.13
Mr Gregory Francis Patrick	1,522,101	1.00
Buderim Panorama Pty Ltd	1,250,000	0.82
Mrs Fiona Lee Butler	1,128,726	0.74
Mrs Annette Sylvia Mizon	800,000	0.53
GK & LM Lee Investments Pty	737,500	0.48
Hart Financial Services	725,000	0.48
Right Angle Business Services	650,000	0.43
Bond Street Custodians Limited	645,000	0.42
Davalik Pty Ltd	544,769	0.36
Corbett Super Pty Ltd	537,142	0.35
Peter C Dreverman Pty Ltd	500,000	0.33
<b>Total of top 20 holdings</b>	<b>128,995,880</b>	<b>84.60</b>
Other holdings	23,528,521	15.40
<b>Total fully paid shares issued</b>	<b>152,524,401</b>	<b>100.00</b>

## Shareholder Information

Distribution of shareholders		
Range of shareholding	No of shareholders	Ordinary shares
1 – 1,000	26	10,538
1,001 – 5,000	56	183,337
5,001 – 10,000	83	741,329
10,001 – 100,000	296	10,666,777
100,001 – and over	85	140,922,420
	<b>546</b>	<b>152,524,401</b>

There are 344 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	8	5,150,000
	<b>8</b>	<b>5,150,000</b>

## Corporate Directory

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**Board of Directors**

Steve Gemell  
Non-Executive Chairman

Gregory Jones  
Non-Executive Director

Michael Giles  
Non-Executive Director

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**Chief Executive Officer**

Greg De Ross

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**Company Secretary**

Ian White

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**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](mailto:info@easterniron.com.au)  
Website: [www.easterniron.com.au](http://www.easterniron.com.au)

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**Share Registry**

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

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**Auditors**

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

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**Solicitors**

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

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**Bankers**

Bank West  
Commonwealth Bank  
Macquarie Bank

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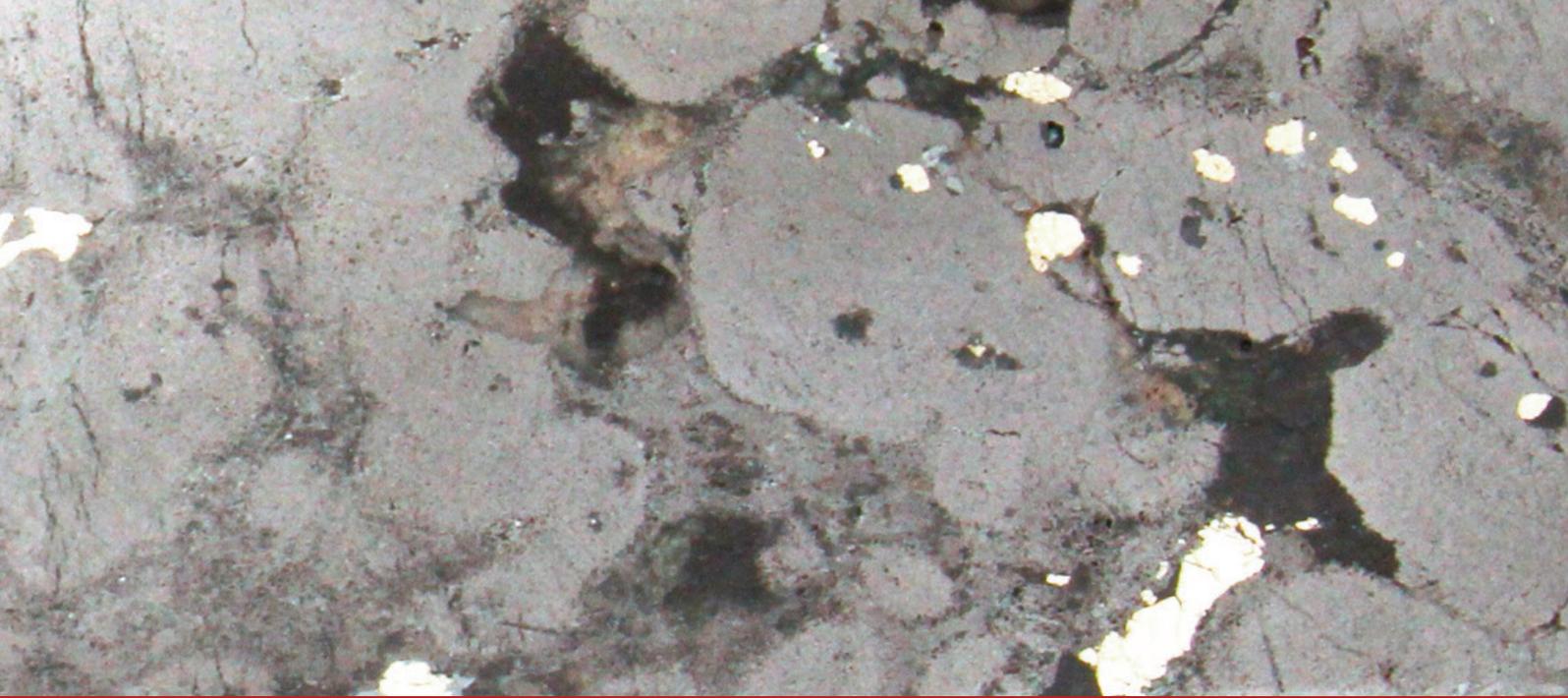
**Securities Exchange Listing**

Australian Securities Exchange  
ASX Code: EFE

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**ACN**

126 678 037



## **EASTERN IRON LIMITED**

Level 1, 80 Chandos Street  
St Leonards, NSW 2065 Australia  
ACN 126 678 037