



**EASTERN
IRON LIMITED**



Annual Report 2019

Contents

| | |
|--|----|
| Review of Operations | 1 |
| Tenement Schedule and Resource Summary | 5 |
| Directors' Report | 6 |
| Auditor's Independence Declaration | 12 |
| Corporate Governance | 14 |
| Consolidated Statement of Comprehensive Income | 20 |
| Consolidated Statement of Financial Position..... | 21 |
| Consolidated Statement of Cash Flows | 22 |
| Consolidated Statement of Changes in Equity..... | 23 |
| Notes to the Consolidated Financial Statements..... | 24 |
| Directors' Declaration..... | 41 |
| Independent Auditor's Report | 42 |
| Shareholder Information..... | 46 |

Review of Operations

Highlights

New Projects Acquisition

On 28 August 2018, the Company entered into a Call Option Agreement with Heavy Metal Exploration Pty Ltd to acquire an interest in the Mt Cobalt Corridor Project, which is a copper cobalt sulphide project in NW Queensland. On 27 November 2018, the Company allowed the Call Option Agreement to lapse due to delays on the approval of the Heavy Metals' application and decreasing cobalt price.

Nowa Nowa Iron

The Company is in the preliminary stages of reviewing the feasibility of the Nowa Nowa Iron Ore project. As part of the review, the Company has commenced discussions with ANWE regarding the potential export of Nowa Nowa Iron Ore products at the Port of Eden.

New Projects Search and Acquisition

Przecznica Cobalt Project

The Company has negotiated to acquire 100% of the issued capital of Ion Mining Pty Ltd (**Ion Mining**) which is developing the Przecznica Cobalt Project in Poland. The Company has entered into a Deed of Variation to the Heads of Agreement dated 22 December 2017. Ion Mining's 100% owned subsidiary, Geograph Polska sp. z o.o. is the applicant for the Przecznica concession (pending) and if successful, it will be entitled to 100% interest in the concession. The progress of Ion Mining's application has taken considerably longer than originally anticipated. This has been partly due to the fact that Ion Mining is the first company in Poland to apply for an exploration concession for cobalt.

In April, the Polish Ministry of Environment (**MoE**) referred the Przecznica application and proposed Work Program to a panel of independent geological advisors *Komisja Zasobów Kopalin (Natural Reserves Commission) (KZK)* for comment. The KZK reviewed the Work Program and provided a number of technical comments and suggestions. In July 2018, Ion Mining submitted an expanded Work Program to address the comments and suggestions of the KZK. The expanded Work Program includes additional sampling, geophysics, mapping and drilling extending over a 3 year term. The Company awaited formal confirmation from the KZK that it was satisfied with the expanded Work Program.

The Company has negotiated an extension of the binding Option Agreement to acquire 100% of the issued capital of Ion Mining. Under the terms of the Deed of Variation, the Company's exclusive option to acquire Ion Mining has been extended to the earlier date of 28 December 2018 and that date which is 30 days from the date Ion Mining provides written confirmation and relevant verification documents to EFE (if requested) that the Polish Ministry of Environment has granted the Przecznica concession to Ion Mining.

Mt Cobalt Corridor Project

The Company on 28 August 2018 entered into a Call Option Agreement with Heavy Metal Exploration Pty Ltd ACN 163 155 913 to acquire an interest in the Mt Cobalt Corridor Project, located in the Selwyn-Mt Freda district, south of Cloncurry, NW Queensland (the "**Project**") (Figure 1).

Review of Operations

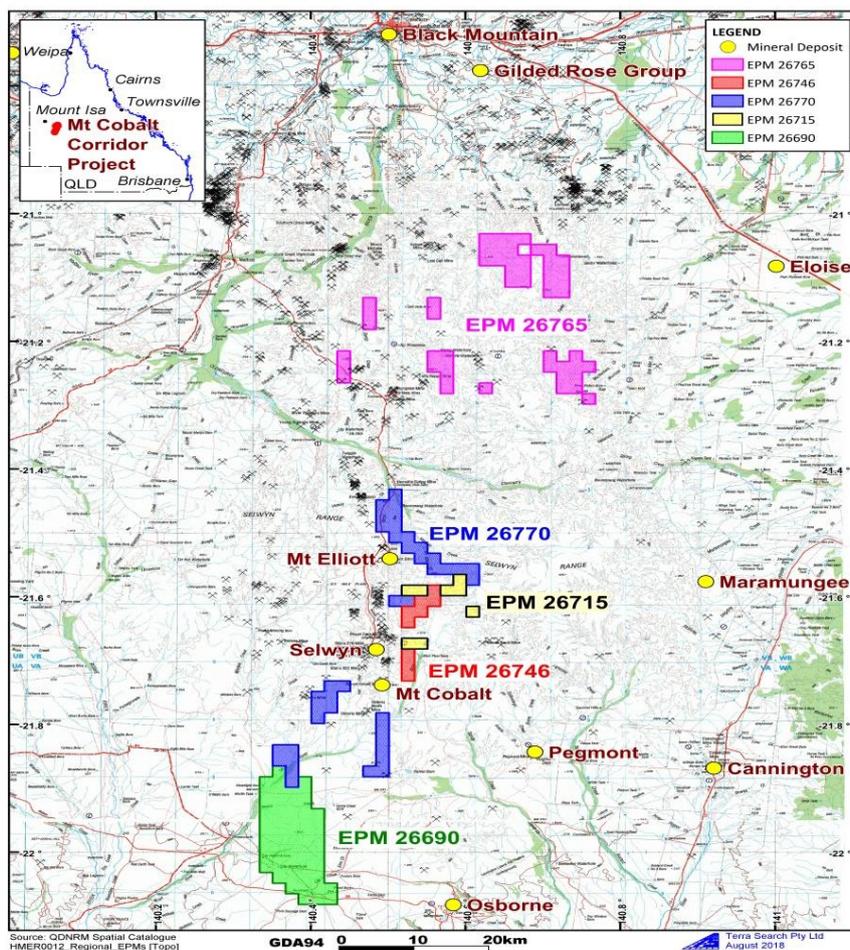


Figure 1: Mt Cobalt Corridor Project EPMAs coverage

The Project is located in NW Queensland and comprises 5 EPMAs which covers 161 sub-blocks. The EPMAs are expected to be granted in October 2018, and all have been applied for a period of 5 years. All applications are non-competitive.

| EPM No. | Permit Name | Status | Applied For | No. Sub-blocks |
|---------|-------------------|-------------|-------------|----------------|
| 26690 | Burnham | Application | 26-Oct-17 | 53 |
| 26715 | Mt Carol | Application | 27-Nov-17 | 8 |
| 26746 | Mt Carol Extended | Application | 2-Jan-18 | 9 |
| 26765 | Mt Freda South | Application | 29-Jan-18 | 51 |
| 26770 | Selwyn Range | Application | 2-Feb-18 | 40 |

Previous works in the region were mainly for copper and gold. However, cobalt mineralization was identified and cobalt production of about 800t at Mt Cobalt occurred in two periods 1919 to 1943 (778 t) and 1996 to 1997 (21.5t).

In the late 1990s an area south of Mt Cobalt was extensively drilled by previous explorers, as an aeromagnetic target called “The Plume”. This area was in alignment with the Mt Cobalt trend. Drilling at The Plume revealed appreciable cobalt mineralisation in several holes. Hole PLRCD-13 which in the 34m (231 – 255m) at 0.11 g/t Au, 0.54% Cu and 0.14% Co included 1m from 243m at 0.29 g/t Au, 0.11% Cu and 1.92% Co. The two magnetic trends for both the Mt Cobalt copper-cobalt and Starra copper-gold areas continue south into the Burnham EPMA26690.

Review of Operations

On 28 August 2018, the Company entered into a Call Option Agreement to acquire a 25% interest in the Project (which includes EPMA 26690, EPMA 26715, EPMA 26746, EPMA 26765 and EPMA 26770 (“**Tenements**”) and all environmental approvals, authorisations, mining information, plant and equipment and other assets relating to the Tenements) owned by Heavy Metal Exploration Pty Ltd ACN 163 155 913 (“**Heavy Metal**”).

The Call Option Agreement also contemplates the Company eventually acquiring a 100% interest in the Project:

- ▶ Through meeting staged expenditure requirements under a Farm-In Agreement to be negotiated and entered into by the Company and Heavy Metal in relation to the Project (discussed further below); and
- ▶ By the Company agreeing to enter into a Royalty Deed with Heavy Metal under which the Company will pay a royalty payment to Heavy Metal in respect of certain copper equivalent metal produced from the Tenements (discussed further below).

The Call Option Agreement contains the following key terms:

- ▶ The Company must pay Heavy Metal a call option fee of AUD\$10,000 (excluding GST) (“**Call Option Fee**”) by no later than 11 September 2018 to have an exclusive call option to acquire a 25% interest in the Project (“**Call Option**”).
- ▶ If the Company elects to exercise the Call Option, the sale of the 25% interest in the Project is conditional on satisfaction of the following two conditions:
 - The Minister of the Department of Natural Resources and Mines in Queensland giving indicative approval for the transfer of a 25% interest in the Tenements to the Company on terms acceptable to the Company (“**Indicative Approval**”); and
 - The Farm-In Agreement and NSR Royalty Deed being in agreed form.
- ▶ Within 10 business days after the date of receipt of Indicative Approval (“**Indicative Approval Date**”), as consideration for the acquisition of a 25% interest in the Project, the Company must:
 - Pay Heavy Metal the amount that is equal to AUD\$150,000 (excluding GST) less the Call Option Fee (“**Initial Acquisition Cash Payment**”); and
 - Subject to shareholder and any other approvals required under the Corporations Act 2001 (Cth) and the ASX Listing Rules, issue AUD\$200,000 worth of fully paid ordinary shares in the Company (“**Shares**”) of which the issue price is to be calculated on the basis of 20-day VWAP prior to the Indicative Approval Date.
- ▶ Within 30 days after the Indicative Approval Date, the Company and Heavy Metal must negotiate the Farm-In Agreement which is expected to include the following key commercial terms:
 - Stage 1: the Company must spend a total of AUD\$650,000 on the Project within the first 24 months of the commencement of the Farm-In Agreement (“**Stage 1 Period**”) in order to acquire an additional 35% interest in the Project.
 - Stage 2: the Company must spend an additional AUD\$1,500,000 on the Project within a period of 36 months commencing on the expiry date of the Stage 1 Period in order to acquire an additional 40% interest in the Project.
- ▶ Within 30 days after the Indicative Approval Date, the Company and Heavy Metal must also negotiate the Royalty Deed which is expected to include the following key commercial terms:
 - The Company agrees to pay a royalty payment to Heavy Metal equivalent to the value of 0.5% of net smelter return on copper equivalent metal production capped at 30,000 tonnes of copper equivalent metal produced from the Tenements.
 - The Company is not required to make the royalty payment when copper prices or the price of saleable copper equivalent metal products are at or below USD\$6,000 per tonne.
 - The Company has the right to buy back the royalty from Heavy Metal for AUD\$1,500,000.

On 27 November 2018, the Company allowed the Call Option Agreement to lapse due to delays on approval of Heavy Metals’ application and decreasing cobalt price.

Review of Operations

Nowa Nowa Project

Nowa Nowa Iron

Throughout the year, the Company has been monitoring conditions within the global iron ore market. Given the improvement in global iron markets, the Company is in the preliminary stages of review the feasibility of Nowa Nowa Iron Ore Project. As part of the review, the Company has commenced discussions with Allied Natural Wood Export Pty Ltd (ANWE) for the use of ANWE bulk ship loader and wharf facilities at the Port of Eden for the potential export of iron ore product from the Company's Nowa Nowa Iron Ore Project.

The Port of Eden is located 234km from the Company's Nowa Nowa Iron Ore Project and is accessed via sealed all weather highway. The Company considers the Port of Eden to be its preferred port to allow it to access global iron markets should it choose to develop the Nowa Nowa Iron Ore Project.

Nowa Nowa Copper

No exploration work was carried out on the Nowa Nowa Copper project.

Corporate Activities

Management Change

In the financial year, Mr Myles Fang has resigned from his executive role as Acting CEO as part of a cash conservation strategy and remains as a non-executive director of the Company.

In November 2018, Mr. Duncan Glasgow who was engaged as an additional Company Secretary resigned.

PROGRAM FOR 2019 – 2020

Nowa Nowa Iron

The Company will review the Nowa Nowa Iron Ore Project and discuss exporting of Nowa Nowa Iron Ore products with ANWE wharf and ship loader at the Port of Eden. The Company will consider works on the Nowa Nowa Iron Ore Project including updating feasibility study and permitting once the Port of Eden is available for export of Nowa Nowa Iron Ore products.

Nowa Nowa Copper

The Company will commence further exploration activities on the Nowa Nowa Copper prospects.



Myles Fang

Non-executive director

The information in the Mt Cobalt Corridor Project that relates to Exploration Results is based on information prepared by Dr Simon Beams, a full-time employee of geological consultants Terra Search Pty Ltd who are the owners of Heavy Metal Exploration Pty Ltd.

Dr. Beams has BSc Honours and PhD degrees in geology, he is a Member of the Australasian Institute of Mining and Metallurgy (Member #107121) and a Member of the Australian Institute of Geoscientists (Member # 2689). Dr. Beams has sufficient relevant experience in respect to the style of mineralization, the type of deposit under consideration and the activity being undertaken to qualify as a Competent Person within the definition of the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ("JORC Code).

Dr. Beams consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.

TENEMENT SCHEDULE AND RESOURCE SUMMARY

Tenement Schedule

As at 6 September 2019

| Tenement | Tenement Number | Interest | Joint Venture Details |
|--------------------------|-----------------|----------|-----------------------|
| Victoria | | | |
| Nowa Nowa EL | EL 6183 | 100% | Note 1 |
| Tara EL Application | EL 5545 | 100% | Note 1 |
| Five Mile RL Application | RL006488 | 100% | Note 1 |

EL Exploration Licence

RL Retention Licence

Note 1: Held by Gippsland Iron Pty Ltd, a wholly owned subsidiary of Eastern Iron.

Resource Summary

As at 30 June 2019

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 and a consultant of Eastern Iron Limited. There is no new information or data that materially affects the original market announcements and the same information is presented in the same context. The information is extracted from the public reports to the ASX which are listed below and available to view on www.easterniron.com.au.

Nowa Nowa, Victoria

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

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

Resource is estimated at a lower cutoff of 40%.

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

DIRECTORS' REPORT

Your Directors submit their report for the year ended 30 June 2019.

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.

Ariel Edward King BComm, BEng (Mining – Hons)

Non-executive Chairman

Director and Chairman since July 2017

Mr King holds a Bachelor of Commerce and Bachelor of Engineering (Mining Systems) from the University of Western Australia. His past experience includes being a manager for a boutique investment banking firm, where he specialised in the technical and financial analysis of global resource projects for equity research and mergers and acquisitions. He was also a representative for a stockbroking and corporate advisory firm where he specialised in providing corporate advisory services for micro-cap ASX-listed companies.

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

- ▶ European Cobalt Limited (ASX: EUC) – appointed October 2016
- ▶ Pure Minerals Limited (ASX: PM1) – appointed March 2018
- ▶ Ragnar Metals Limited (ASX: RAG), previously Drake Resources Limited – appointed February 2017
- ▶ Six Sigma Metals Limited (ASX: SI6) – appointed June 2018
- ▶ Axxis Technology Group Limited (ASX: AYG) – appointed January 2017, resigned March 2019
- ▶ Bowen Coking Coal Limited (ASX: BCB) – appointed April 2015, resigned December 2018
- ▶ Lindian Resources limited (ASX: LIN) – appointed October 2014, resigned January 2018
- ▶ Sultan Resources Limited (ASX: SLZ) – appointed June 2018, resigned March 2019

Myles Fang

Executive Director and Acting CEO (resigned 15 October 2018).

Non-executive Director (appointed 15 October 2018)

Director since March 2018

Mr Fang is an engineer with more than 20 years experience in business development, corporate & project management, project finance, and M&A, including 15 years experience in mining industry, both in Australia and overseas.

He has experience on all the aspects of project development through exploration, feasibility studies and resources development and mining in commodities such as iron ore, coal, base and precious metals, and mineral sands. His experience also includes setting up joint ventures between Australian mining companies and Chinese SOEs.

Mr Fang has been a senior executive of WPG Resources Ltd, and Aard Metals Ltd.

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

Therese-Marie Taylor

Non-executive Director

Director since July 2017

Ms Taylor is an accountant with extensive experience in the mining, energy and utilities sectors including a period with the Treasury and Commodities Division of Australia's largest investment bank. In this role, she provided accounting services and advice relating to mining and commodity related transactions.

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

Nathan Taylor

Alternate Director to Therese-Marie Taylor

Alternate Director since July 2017

Mr Taylor brings to the Board mergers, acquisitions and capital markets experience having worked on numerous domestic and cross border transactions throughout his career. Mr Taylor started his career as a corporate lawyer for Blake Dawson before working for UBS AG and Macquarie Bank Limited in their equity capital markets division. Most recently Mr Taylor was Head of Mergers and Acquisitions at BBY Limited. Mr Taylor was formerly a non-executive director of European Cobalt Ltd.

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

DIRECTORS' REPORT

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 |
|-----------|-------------------------------------|-----------|
| A King | - | 4,000,000 |
| T Taylor | 11,904,767 | 4,000,000 |
| N Taylor | - | - |
| M Fang | 70,000 | 4,000,000 |

Company secretary

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

Mr White 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 42 years including periods as CFO and Group Company Secretary for a number of large ASX listed companies. More recently, Mr White has focused on the resources and technology sectors.

Mr White 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.

Company secretary (alternate)

Duncan Glasgow BA, LLB, Grad Dip CM, FCIS (resigned 27 November 2018)

Mr Glasgow is a lawyer with over 30 years Board level corporate experience including roles of General Counsel and Company Secretary of ASX listed companies covering a diverse range of business activities from white goods manufacture, insurance broking, minerals and oil drilling to rural merchandising.

Mr Glasgow was until recently the General Counsel and Company Secretary of Wilmar Sugar Australia Limited (formerly CSR Sugar), Australia's largest miller and refiner of sugar, where he was involved in the demerger work and then the sale of that entity to Wilmar International Limited a listed Singaporean multinational. Through his association with Professional Edge, Duncan is currently the Chairman of both Hillgrove Mines Pty Ltd and Bracken Resources Pty Ltd.

Duncan has also held honorary board and senior advisory positions with the Governance Institute (formerly Institute of Chartered Secretaries), the Australian Corporate Lawyers Association and the Law Society of NSW.

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 \$557,742 (2018: \$586,120) which includes the write-off of exploration expenditure during the year of \$154,603 (2018: \$19,995).

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 1 in this report.

Significant changes in the state of affairs

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

Significant events after the balance date

There were, at the date of this report, no matters or circumstances which have arisen since 30 June 2019 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 already detailed in the report.

Likely developments and expected results

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

DIRECTORS' REPORT

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 |
|-------------------------|----------------|--------------------------|------------------------|
| 34,541,702 | Ordinary | \$0.010 | 6 Dec 2019 |
| 16,000,000 | Ordinary | \$0.016 | 6 Dec 2019 |
| 4,000,000 | Ordinary | \$0.020 | 13 Dec 2019 |

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 have been no shares issued during or since the end of the financial year as a result of exercise of the above options (2018: 1,190,476 shares)

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 Department's 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 2019 outlines the remuneration arrangements of the Company and the Group in accordance with the requirements of the Corporations Act 2001 (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

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

Details of key management personnel

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

| Directors | |
|--------------------------|--|
| Ariel King | Non-executive Chairman |
| Myles Fang | Executive Director and Acting CEO (resigned as Executive Director and Acting CEO and appointed as Non-executive Director on 15 October 2018) |
| Therese-Marie Taylor | Non-executive Director |
| Nathan Taylor | Alternate Director for Therese-Marie Taylor |
| Key management personnel | |
| Ian White | Company Secretary |

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.

DIRECTORS' REPORT

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 may be offered 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 Board resolved from 22 February 2018 to set Directors fees at \$60,000 p.a. for all Non-Executive Directors including the Chairman, with no additional payments for Chairing Board Committee's.

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.

Myles Fang in previous role as Executive Director and Acting CEO

- ▶ Contract term: Rolling contract. Either party may terminate the agreement with two months' notice.
- ▶ Remuneration: \$20,000 per month plus GST up to 30 September 2018 (2018: \$20,000 per month plus GST).
- ▶ Termination payments: Nil.

Company Secretary – Ian White

- ▶ Contract term: Rolling contract. Either party may terminate the agreement with one months' notice.
- ▶ Remuneration: Retainer amount of \$2,500 per month plus \$163 per hour (2018: \$2,500 plus \$163) plus GST for services outside of an agreed scope of work as at 30 June 2019.
- ▶ Termination payments: Nil.

Directors and key management personnel remuneration for the year ended 30 June 2019

| | Short-term benefits | | Post employment | Share-based payments | Total | Consisting of options % |
|---|-------------------------|--------------------|--------------------|----------------------|----------------|-------------------------|
| | Cash salary and fees \$ | Consulting fees \$ | Super-annuation \$ | Options \$ | | |
| Directors | | | | | | |
| A King | 60,000 | 24,000 | - | - | 84,000 | - |
| M Fang (a) | 95,000 | 10,417 | - | - | 105,417 | - |
| T Taylor | 60,000 | - | - | - | 60,000 | - |
| Total Directors | 215,000 | 34,417 | - | - | 249,417 | - |
| Other - Key Management Personnel | | | | | | |
| I White | - | 31,250 | - | - | 31,250 | - |
| Total KMP | - | 31,250 | - | - | 31,250 | - |
| Totals | 215,000 | 65,667 | - | - | 280,667 | - |

No performance based remuneration was paid in the 2019 and 2018 financial period.

- a) M Fang was paid as the Company's Executive Director and Acting CEO up to 30 September 2018. Thereafter, he was paid as Non-Executive Director.

DIRECTORS' REPORT

Directors and key management personnel remuneration for the year ended 30 June 2018

| | Short-term benefits | | Post employment | Share-based payments | Total | Consisting of options % |
|---|----------------------|-----------------|-----------------|----------------------|----------------|-------------------------|
| | Cash salary and fees | Consulting fees | Super-annuation | Options | | |
| | \$ | \$ | \$ | \$ | \$ | |
| Directors | | | | | | |
| A King | 60,000 | - | - | 25,458 | 85,458 | 29.8% |
| M Fang (a) | 80,000 | 160,000 | - | 21,678 | 261,678 | 8.3% |
| T Taylor | 60,000 | - | - | 25,458 | 85,458 | 29.8% |
| S Gemell (b) | 4,500 | 4,500 | - | - | 9,000 | - |
| G Jones (c) | 15,069 | - | 1,431 | - | 16,500 | - |
| M Giles (b) | 3,000 | - | - | - | 3,000 | - |
| Y Wu (b) | 3,000 | - | - | - | 3,000 | - |
| D Zhang (d) | 36,530 | - | 3,470 | 25,458 | 65,458 | 38.9% |
| Total Directors | 262,099 | 164,500 | 4,901 | 98,052 | 529,552 | |
| Other - key management personnel | | | | | | |
| I White | - | 42,884 | - | - | 42,884 | - |
| Total KMP | - | 42,884 | - | - | 42,884 | |
| Totals | 262,099 | 207,384 | 4,901 | 98,052 | 572,436 | |

- a) M Fang was paid as the Company's Acting CEO until 12 March 2018 when he was appointed Executive Director of the Company and Acting CEO.
- b) Resigned 10 July 2017.
- c) Resigned 27 November 2017.
- d) Resigned 12 March 2018.

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 follows. 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.

DIRECTORS' REPORT

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

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

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

Compensation options: granted and vested during the year

Share-based payments held by directors and key management as at 30 June 2019

| | Grant date | Balance at start of the year | 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 \$ | Balance at the end of the year |
|-------------------------------------|------------|------------------------------|-------------|------------|----------|--|-----------------------------|--|--|--------------------------------|
| Directors and key management | | | | | | | | | | |
| A King | 28 Nov 17 | 4,000,000 | - | - | 100% | 25,458 | - | - | - | 4,000,000 |
| M Fang | 13 Dec 17 | 4,000,000 | - | - | 100% | 21,678 | - | - | - | 4,000,000 |
| T Taylor | 28 Nov 17 | 4,000,000 | - | - | 100% | 25,458 | - | - | - | 4,000,000 |

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 and meetings of Committees of Directors, held during the financial year and the number of meetings attended by each Director:

| | Board of directors | | Audit committee | |
|----------|--------------------|----------|-----------------|----------|
| | Eligible | Attended | Eligible | Attended |
| A King | 6 | 6 | 2 | 2 |
| M Fang | 6 | 6 | - | - |
| T Taylor | 6 | 0 | 2 | 0 |
| N Taylor | 6 | 6 | 2 | 2 |

The duties of the Corporate Governance Committee were carried out by the full Board at Board meetings for the 2019 financial year. The Remuneration and Nomination Committee did not meet during the 2019 financial year as the Company has no employees.

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 2019, 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



.....
Anthony Dowell

Partner

25 September 2019

Tax

Accounting

**Financial
Advice**

Super

Audit

Loans

Phone
+61 2 9956 8500

Email
bdj@bdj.com.au

Office
Level 8, 124
Walker Street
North Sydney
NSW 2060

Postal
PO Box 1664,
North Sydney
NSW 2059

DIRECTORS' REPORT

Non-audit services

The Company's auditor, BDJ Partners did not provide non-audit services (2018: Nil) for Eastern Iron during the financial year ended 30 June 2019. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Signed at Sydney this 30th day of September 2019 in accordance with a resolution of the Directors.



Ariel Edward King
Chairman

CORPORATE GOVERNANCE

The Board has adopted a corporate framework for the Company which is underpinned by the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd 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 27 September 2019 and has been approved of the Board on this date.

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;
- Appointing and removing 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 that may be 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.

At the present the Company has no senior executives and undertakes these tasks itself.

CORPORATE GOVERNANCE

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 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;
 - 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 fulfill his or her responsibilities is informally determined by the Chairman through an interview process.

Recommendation 1.3 – Written agreements with Directors

The Company has a written agreement with each Director and senior executive setting 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.

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.

CORPORATE GOVERNANCE

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 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 female administration clerk.

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 in September 2018 and September 2019. 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) At present the Company has no full time senior executive staff.

Principle 2: Structure the board to add value

Recommendation 2.1 – Remuneration and nomination committee

- a) The Company has established a two member Remuneration and Nomination Committee which otherwise complies with Recommendation 2.1.
 - 1) The Remuneration and Nomination Committee consist of two non-executive Directors both of whom are independent Directors. The members of the Remuneration and Nomination Committee are Mr King and Ms Taylor.
 - 2) The Chairman of the Committee is Mr King, an independent director.
 - 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 Mr King and Ms Taylor.
 - 5) The number of meetings and attendance by each Committee member is included in the Directors' Report.

Directors consider that a two member Committee is sufficient for a three member Board.

CORPORATE GOVERNANCE

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 2019 is as follows:

| Name | Term in office |
|---|----------------|
| E King (appointed 10 July 2017) | 2.0 years |
| T Taylor (appointed 10 July 2017) | 2.0 years |
| N Taylor (Alternate for T Taylor) (appointed 17 July 2017) | 2.0 years |
| M Fang (appointed 12 March 2018) | 1.3 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.

Recommendation 2.3 – Director independence

- Using the ASX Corporate Governance Council independence factor guidelines, the Board has determined that Mr King, Ms Taylor, Mr Fang and Mr Taylor (alternate Director to Ms Taylor) are independent.
- 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 independent.

Recommendation 2.5 – The chair should be an independent director

The Company's Chairman, Mr King, 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.

Principle 4: Safeguard integrity in financial reporting

Recommendation 4.1 – Audit committee

- The Company has established a two member Audit Committee which otherwise complies with Recommendation 4.1.
 - The Audit Committee consist of two non-executive Directors both of whom are independent Directors. The members of the Audit Committee are Ms Taylor and Mr King.
 - The Chairman of the Committee is Ms Taylor who is an independent director.
 - A copy of the Charter of the Audit Committee is available on the Company's website.
 - The qualifications and experience of each Audit Committee member are shown in the Directors' Report.
 - The number of meetings and attendance by each Committee member is included in the Directors' Report.

Directors consider that a two member Committee is sufficient for a three member Board.

CORPORATE GOVERNANCE

Recommendation 4.2 – Chairman 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 Chairman and the Financial Controller 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. The Company does not have a CFO.

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 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 Chairman 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.

CORPORATE GOVERNANCE

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 and 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 two member Remuneration and Nomination Committee which otherwise complies with Recommendation 8.1.
 - 1) The Remuneration and Nomination Committee consist of two non-executive Directors both of whom are independent Directors. The members of the Remuneration and Nomination Committee are Mr King and Ms Taylor.
 - 2) The Chairman of the Committee is Mr King, an independent director.
 - 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 Mr King and Ms Taylor.
 - 5) The number of meetings and attendance by each Committee member is included in the Directors' Report.

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.

Directors consider that a two member Committee is sufficient for a three member Board.

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 is 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. The Company's Share Trading Policy prohibits the hedging of options.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2019

| | Note | 2019 \$ | 2018 \$ |
|---|------|------------------|------------------|
| Revenue | 3 | 11,528 | 16,883 |
| ASX and ASIC fees | | (29,397) | (20,459) |
| Audit fees | 18 | (25,100) | (22,800) |
| Contract administration services | | (89,107) | (248,803) |
| Directors fees | | (215,000) | (267,000) |
| Employee costs (net of costs recharged to exploration projects) | | - | - |
| Exploration expenditure expensed | 9 | (154,603) | (19,995) |
| Rent | | (7,018) | (4,800) |
| Share based payments | | - | (98,051) |
| Travel and accommodation | | (1,140) | (4,943) |
| Other expenses from ordinary activities | | (47,905) | (44,708) |
| Loss before income tax expense | | (557,742) | (714,676) |
| Income tax expense | 4 | - | 128,556 |
| Loss after income tax expense | 13 | (557,742) | (586,120) |
| Other comprehensive income | | | |
| Other comprehensive income for the period, net of tax | | - | - |
| Other comprehensive (loss) | | - | - |
| Total comprehensive (loss) attributable to members of Eastern Iron Limited | | (557,742) | (586,120) |
| Basic loss per share (cents per share) | 15 | 0.14 | 0.15 |
| Diluted loss per share (cents per share) | 15 | 0.14 | 0.15 |

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

| | Note | 2019 \$ | 2018 \$ |
|---|------|--------------|--------------|
| Current assets | | | |
| Cash assets | 5 | 479,389 | 1,027,460 |
| Receivables | 6 | 17,476 | 21,815 |
| Total current assets | | 496,865 | 1,049,275 |
| Non-current assets | | | |
| Tenement security deposits | 7 | 10,000 | 10,000 |
| Property, plant and equipment | 8 | 3,764 | 6,502 |
| Deferred exploration and evaluation expenditure | 9 | 3,104,370 | 3,097,043 |
| Investment | 10 | 120,000 | 120,000 |
| Total non-current assets | | 3,238,134 | 3,233,545 |
| Total assets | | 3,734,999 | 4,282,820 |
| Current liabilities | | | |
| Payables | 11 | 75,368 | 80,549 |
| Total current liabilities | | 75,368 | 80,549 |
| Total liabilities | | 75,368 | 89,549 |
| Net assets | | 3,659,631 | 4,202,271 |
| Equity | | | |
| Contributed equity | 12 | 15,037,353 | 15,022,251 |
| Accumulated losses | 13 | (11,501,231) | (10,943,489) |
| Reserves | 14 | 123,509 | 123,509 |
| Total equity | | 3,659,631 | 4,202,271 |

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 2019

| | Note | 2019 \$ | 2018 \$ |
|---|------|------------|------------|
| Cash flows from operating activities | | | |
| Payment to suppliers and employees | | (424,101) | (611,985) |
| Interest received | | 11,785 | 16,784 |
| Net cash flows (used in) operating activities | 24 | (412,316) | (595,201) |
| Cash flows from investing activities | | | |
| Expenditure on mining interests (exploration) | | (135,755) | (101,898) |
| Purchase of plant and equipment | | - | (4,179) |
| Investments | | - | (120,000) |
| Net cash flows (used in) investing activities | | (135,755) | (226,077) |
| Cash flows from financing activities | | | |
| Proceeds from issue of shares/share applications received | | - | 611,905 |
| Equity raising expenses | | - | (62,503) |
| Net cash flows from financing activities | | - | 549,402 |
| Net increase/(decrease) in cash held | | (548,071) | (271,876) |
| Add opening cash brought forward | | 1,027,460 | 1,299,336 |
| Closing cash carried forward | 24 | 479,389 | 1,027,460 |

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 2019

| Attributable to the shareholders of Eastern Iron Limited | | | | |
|--|----------------|--------------------|----------|--------------|
| | Issued capital | Accumulated losses | Reserves | Total equity |
| Note | \$ | \$ | \$ | \$ |
| At 1 July 2017 | 14,626,862 | (10,361,421) | 4,052 | 4,269,493 |
| Loss for the period | - | (586,120) | - | (586,120) |
| Other comprehensive income | - | - | - | - |
| Total comprehensive income/(loss) for the period | - | (586,120) | - | (586,120) |
| Transactions with owners in their capacity as owners: | | | | |
| Issue of share capital, net of transaction costs | 523,945 | - | - | 523,945 |
| Income tax expense adjustment | (128,556) | - | - | (128,556) |
| Share based payments | - | - | 123,509 | 123,509 |
| Expired option value transferred to Accumulated Losses | - | 4,052 | (4,052) | - |
| At 30 June 2018 | 15,022,251 | (10,943,489) | 123,509 | 4,202,271 |
| At 1 July 2018 | 15,022,251 | (10,943,489) | 123,509 | 4,202,271 |
| Loss for the period | - | (557,742) | - | (557,742) |
| Other comprehensive income | - | - | - | - |
| Total comprehensive income/(loss) for the period | - | (557,742) | - | (557,742) |
| Transactions with owners in their capacity as owners: | | | | |
| Issue of share capital, net of transaction costs | 12 15,102 | - | - | 15,102 |
| At 30 June 2019 | 15,037,353 | (11,501,231) | 123,509 | 3,659,631 |

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 2019

1. Corporate information

The financial report of Eastern Iron Limited (the Company) for the year ended 30 June 2019 was authorised for issue in accordance with a resolution of the Directors on 30 September 2019.

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 - 8 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

Restoration

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

Remaining mine life

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

Mine property held for sale

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

Trade and other receivables

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

Cash and cash equivalents

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

Trade and other payables and provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a

past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

Employee entitlements

Liabilities for wages and salaries are recognised and are measured as an amount unpaid at the reporting date at current pay rates in respect of an employee's services up to that date. Current employees are entitled to annual leave and long service leave.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

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

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

Leases

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

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases.

Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as the lease income. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Revenue

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

Sale of goods

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

Interest

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

Dividends

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

Income tax

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

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

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

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

Other taxes

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

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

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

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

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

Currency

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

Investment in controlled entities

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

Impairment of assets

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

When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

Significant accounting judgements, estimates and assumptions

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

Share-based payment transactions

The Company measures the cost of cash-settled share-based payments at fair value at the grant date using the Black-Scholes formula taking into account the terms and conditions upon which the instruments were granted, as detailed in Notes 14 and 16.

Capitalisation and write-off of capitalised exploration costs

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

Issued capital

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

Earnings per share

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

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

- ▶ Costs of servicing equity.
- ▶ The after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses.
- ▶ Other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares.
- ▶ Divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

Going concern

The financial report has prepared on the going concern basis which the Group ability to pay its debts as and when they become due and payable for at least the next 12 months from the date of issuing the financial report.

For the year ended 30 June 2019, the Group incurred a loss from continuing operations after tax of \$557,742 (2018: \$586,120). The Group had operating cash outflows of \$412,316 (2018: \$595,201).

The Directors are confident, based on past performance, that they will be able to raise additional funds from issue of equity.

From a cash flow forecast for the next 12 months prepared by management, the Directors believe that the Group will have sufficient working capital to meet its project development and administrative expenses as and when they are due, and therefore, the financial report has been prepared on the going concern basis.

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 2019. The Consolidated Entity plans to adopt these standards at their application dates as detailed below.

AASB 16 Leases (effective for reporting periods commencing after 1 January 2019)

AASB 16 removes the classification of leases as either operating leases or finance leases for the lessee effectively treating all leases as finance leases. Short term leases (less than 12 months) and leases of a low value are exempt from the lease accounting requirements. Lessor accounting remains similar to current practice. The directors are yet to assess the full impact of AASB 16 and will apply the new standard from 1 July 2019.

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

The director's assessment of the impact of all other new standards and interpretations is that they will not have a material impact on the financial report of the company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

3. Revenue from ordinary activities

| | 2019 \$ | 2018 \$ |
|---|------------|------------|
| Interest received – other persons/corporation | 11,528 | 16,883 |
| | 11,528 | 16,883 |

4. Income tax

| | 2019 \$ | 2018 \$ |
|---|------------|------------|
| Prima facie income tax (credit) on operating (loss) at 27.5% (2018: 27.5%) | 153,379 | 161,183 |
| Future income tax benefit in respect of timing differences – not recognised | (153,379) | (161,183) |
| Income tax expense adjustment | - | 128,556 |
| Income tax expense | - | 128,556 |

No provision for income tax is considered necessary in respect of the Company as at 30 June 2019.

The Company has a deferred income tax liability of Nil (2018: Nil) 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 \$10,040,547 (2018: \$9,615,305) as at 30 June 2019. There was no adjustment to deferred tax during the year (2018: \$128,556).

A benefit of 27.5% (2018: 27.5%) of approximately \$2,761,150 (2018: \$2,644,209) associated with the tax losses carried forward will only be obtained if:

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

5. Cash and cash equivalents

| | 2019 \$ | 2018 \$ |
|--|------------|------------|
| Cash at bank | 11,123 | 94,987 |
| Money market securities – bank deposits and at call accounts | 468,266 | 932,473 |
| | 479,389 | 1,027,460 |

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

| | 2019 \$ | 2018 \$ |
|---------------------|------------|------------|
| Other debtors | 2 | 2 |
| GST receivables | 2,942 | 5,783 |
| Interest receivable | 594 | 852 |
| Prepayments | 13,938 | 15,178 |
| | 17,476 | 21,815 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

7. Tenement security deposits

| | 2019 \$ | 2018 \$ |
|------------------------------|------------|------------|
| Cash at bank – bank deposits | 10,000 | 10,000 |
| | 10,000 | 10,000 |

These deposits are restricted so that they are available for any rehabilitation that may be required on exploration tenements (Note: 20).

8. Property, plant and equipment

| | Plant and equipment | Total |
|--------------------------------|---------------------|----------|
| Year ended 30 June 2018 | | |
| Opening net book amount | 5,164 | 5,164 |
| Additions | 4,180 | 4,180 |
| Depreciation expense | (2,842) | (2,842) |
| Closing net book amount | 6,502 | 6,502 |
| At 30 June 2018 | | |
| Cost | 44,209* | 44,209 |
| Accumulated depreciation | (37,707) | (37,707) |
| Net book amount | 6,502 | 6,502 |
| Year ended 30 June 2019 | | |
| Opening net book amount | 6,502 | 6,502 |
| Additions | - | - |
| Depreciation expense | (2,738) | (2,737) |
| Closing net book amount | 3,764 | 3,764 |
| At 30 June 2019 | | |
| Cost | 44,209 | 44,209 |
| Accumulated depreciation | (40,445) | (40,445) |
| Net book amount | 3,764 | 3,764 |

*Note: An amount of \$7,513 was written off for obsolete plant and equipment with a written down value of Nil at 30 June 2018.

9. Deferred exploration and evaluation expenditure

| | 2019 \$ | 2018 \$ |
|--|------------|------------|
| Costs brought forward | 3,097,043 | 3,000,000 |
| Costs incurred during the period | 161,930 | 117,038 |
| Expenditure written off during period | (154,603) | (19,995) |
| Costs carried forward | 3,104,370 | 3,097,043 |
| Exploration expenditure costs carried forward are made up of: | | |
| ▶ Expenditure on joint venture areas | - | - |
| ▶ Expenditure on non joint venture areas | 3,104,370 | 3,097,043 |
| Costs carried forward | 3,104,370 | 3,097,043 |

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 2019

10. Investment

Option agreement for acquisition of Ion Mining Pty Ltd

| | 2019 \$ | 2018 \$ |
|--|------------|------------|
| | 120,000 | 120,000 |

On 22 December 2017, the Company entered into an Option Agreement "Agreement" to acquire 100% of the issued capital of Ion Mining Pty Ltd "Ion". In consideration for entering into this Agreement, the Company paid an option fee of \$120,000 to Ion. The Agreement expired on 28 December 2018 however the Company has negotiated an extension of the Agreement until 30 days from the date that the Polish Ministry of Environment grants the relevant tenements to Ion. Ion has indicated its willingness to enter into this extension however as at the date of this Report, the extended Agreement had not been signed. Directors are confident that signing of the extended Agreement is imminent and on this basis have determined that the option fee should remain an asset of the Company.

11. Payables – current liabilities

Trade creditors
Accrued expenses

| | 2019 \$ | 2018 \$ |
|------------------|------------|------------|
| Trade creditors | 4,542 | 59,854 |
| Accrued expenses | 70,826 | 20,695 |
| | 75,368 | 80,549 |

12. Contributed equity

Share capital

411,900,378 fully paid ordinary shares (2018: 410,012,566)

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Share issue costs

| | 2019 \$ | 2018 \$ |
|-------------------|------------|------------|
| Share capital | 15,843,203 | 15,828,101 |
| Share issue costs | (805,850) | (805,850) |
| | 15,037,353 | 15,022,251 |

Movements in ordinary shares on issue

At 1 July 2017

| | Number | \$ |
|--------------------|-------------|------------|
| At 1 July 2017 | 285,857,734 | 14,597,896 |
| Shares issued (i) | 71,464,356 | 600,300 |
| Shares issued (ii) | 50,000,000 | 600,000 |
| Shares issued (ii) | 1,500,000 | 18,000 |
| Shares issued (iv) | 1,190,476 | 11,905 |

At 30 June 2018

| | | |
|-----------------|-------------|------------|
| At 30 June 2018 | 410,012,566 | 15,828,101 |
|-----------------|-------------|------------|

| | | |
|-------------------|-----------|--------|
| Shares issued (v) | 1,887,812 | 15,102 |
|-------------------|-----------|--------|

At 30 June 2019

| | | |
|-----------------|-------------|------------|
| At 30 June 2019 | 411,900,378 | 15,843,203 |
|-----------------|-------------|------------|

- (i) The Company issued 71,464,356 shares at \$0.0084 in a placement.
- (ii) The Company issued 50,000,000 shares at \$0.012 in connection with Company's acquisition of Ion Mining Pty Ltd.
- (iii) The Company issued 1,500,000 shares at \$0.012 in settlement of a creditors account.
- (iv) The Company issued 1,190,476 shares on exercise of \$0.01 options with an expiry of 6 December 2019.
- (v) The Company Issued 1,887,812 shares at \$0.008 each to a creditor in settlement for services provided.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

Terms and conditions of contributed equity

Ordinary shares

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

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

Options

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

13. Accumulated losses

| | 2019 \$ | 2018 \$ |
|--|------------|------------|
| Balance at the beginning of period | 10,943,489 | 10,361,421 |
| Operating loss after income tax expense | 557,742 | 586,120 |
| Expired option value transferred to Accumulated Losses | - | (4,052) |
| Balance at the end of period | 11,501,231 | 10,943,489 |

14. Reserves/share-based payments

Reserves

| | 2019 \$ | 2018 \$ |
|--|------------|------------|
| Balance at 1 July | 123,509 | 4,052 |
| Share-based payment expense during the financial year | - | 123,509 |
| Expired option value transferred to Accumulated Losses | - | (4,052) |
| Balance at 30 June | 123,509 | 123,509 |

The share-based payment plans are described below. There have been no cancellations or modifications to any of the plans during 2019 and 2018.

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

| | 2019 no. | 2018 no. |
|--|-------------|-------------|
| Outstanding at the beginning of the year | 20,000,000 | 450,000 |
| Granted during the year | - | 20,000,000 |
| Forfeited during the year | - | - |
| Exercised during the year | - | - |
| Expired during the year | - | (450,000) |
| Outstanding at the end of the year | 20,000,000 | 20,000,000 |

The outstanding balance as at 30 June 2019 is represented by:

- ▶ 16,000,000 options exercisable at \$0.016, expiry 6 December 2019
- ▶ 4,000,000 options exercisable at \$0.020, expiry 13 December 2019

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

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 17 | 16,000,000 | \$0.016 | 6 Dec 19 | 80.00% | 2.51% | 2 | \$0.0064 | Binomial | (a) |
| Dec 17 | 4,000,000 | \$0.02 | 13 Dec 19 | 80.00% | 2.51% | 2 | \$0.0054 | Binomial | (b) |

(a) 12,000,000 options were issued to Directors and 4,000,000 as part of a consultancy agreement for services provided. These options were approved by shareholders at the AGM held in November 2017.

(b) 4,000,000 options were issued the Acting CEO of the Company.

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

| | 2019 | 2018 |
|---|-----------------|-----------------|
| Weighted average exercise price of options at 1 July | \$0.02 | \$0.05 |
| Weighted average exercise price of options granted during period | - | \$0.02 |
| Weighted average exercise price of options outstanding at 30 June | \$0.02 | \$0.02 |
| Weighted average exercise price of options exercisable at 30 June | \$0.02 | \$0.02 |
| Weighted average contractual life | 0.45 years | 1.45 years |
| Range of exercise price | \$0.01 - \$0.02 | \$0.01 - \$0.02 |

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

| | 2019 | 2018 |
|---|---------------------------|---------------------------|
| Net profit/(loss) used in calculating basic and diluted gain/(loss) per share | (557,742) | (586,120) |
| Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS | Number 411,522,816 | Number 383,492,279 |
| Basic earnings (loss) per share | Cents per share (0.14) | Cents per share (0.15) |
| Diluted earnings (loss) per share | Cents per share (0.14) | Cents per share (0.15) |

16. Key management personnel

Key management personnel compensation

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

Short term employee benefits

Post-employment benefits

Share based payments

| | 2019 \$ | 2018 \$ |
|------------------------------|------------|------------|
| Short term employee benefits | 280,667 | 469,483 |
| Post-employment benefits | - | 4,901 |
| Share based payments | - | 98,052 |
| | 280,667 | 572,436 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

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. |
|--------------|-----------------------|-----------------------------|---------------|----------------------|------------------------|
| 2019 | | | | | |
| A King | - | - | - | - | - |
| M Fang | 70,000 | - | - | - | 70,000 |
| T Taylor | 11,904,767 | - | - | - | 11,904,767 |
| Total | 11,974,767 | - | - | - | 11,974,767 |
| 2018 | | | | | |
| A King | - | - | - | - | - |
| M Fang | 70,000 | - | - | - | 70,000 |
| T Taylor | - | - | - | 11,904,767 | 11,904,767 |
| Total | 70,000 | - | - | 11,904,767 | 11,974,767 |

Option holdings of key management personnel

Share options held in Eastern Iron Limited

| | Balance at 1 July no. | Granted as compensation no. | Exercised no. | Expired options 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. |
|--------------|-----------------------|-----------------------------|---------------|---------------------|------------------------|-------------------------------|--------------------------------|----------------------------|--------------------------------|
| 2019 | | | | | | | | | |
| A King | 4,000,000 | - | - | - | 4,000,000 | 4,000,000 | - | 4,000,000 | - |
| M Fang | 4,000,000 | - | - | - | 4,000,000 | 4,000,000 | - | 4,000,000 | - |
| T Taylor | 4,000,000 | - | - | - | 4,000,000 | 4,000,000 | - | 4,000,000 | - |
| Total | 12,000,00 | - | - | - | 12,000,000 | 12,000,00 | - | 12,000,00 | - |
| 2018 | | | | | | | | | |
| A King | | 4,000,000 | | | 4,000,000 | 4,000,000 | | 4,000,000 | 4,000,000 |
| M Fang | | 4,000,000 | | | 4,000,000 | 4,000,000 | | 4,000,000 | 4,000,000 |
| T Taylor | | 4,000,000 | | | 4,000,000 | 4,000,000 | | 4,000,000 | 4,000,000 |
| Total | - | 12,000,000 | - | - | 12,000,000 | 12,000,00 | - | 12,000,00 | 12,000,00 |

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 | |
|-------------------------|--------------------------|-------------------|------|
| | | 2019 | 2018 |
| Queensland Iron Pty Ltd | Australia | 100 | 100 |
| Gippsland Iron Pty Ltd | Australia | 100 | 100 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

18. Auditors' remuneration

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

Audit of the Company's accounts

Other services

| | 2019 \$ | 2018 \$ |
|---------------------------------|------------|------------|
| Audit of the Company's accounts | 25,100 | 22,800 |
| Other services | - | - |
| | 25,100 | 22,800 |

19. 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 Acting CEO 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.

20. Contingent liabilities

The Company has provided guarantees totalling \$10,000 in respect of an exploration tenement in Victoria. This guarantee in respect of an exploration tenement is 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.

21. Financial instruments

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

Financial risk management objectives

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

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

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

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

Credit risk

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

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

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

| | 2019 \$ | 2018 \$ |
|--|------------|------------|
| Cash and cash equivalents | 479,389 | 1,027,460 |
| Receivables | 17,476 | 21,815 |
| Deposits with Government Departments and banks | 10,000 | 10,000 |
| | 506,865 | 1,059,275 |

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 \$ |
|-----------------------|-----------------------|------------------|-----------------|----------------|
| 2019 | | | | |
| Payables | 75,368 | 75,368 | - | - |
| | 75,368 | 75,368 | - | - |
| 2018 | | | | |
| Payables | 80,549 | 80,549 | - | - |
| | 80,549 | 80,549 | - | - |

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

| Financial assets | Carrying amount \$ | <12 months \$ | 1-3 years \$ | >3 years \$ |
|--|-----------------------|------------------|-----------------|----------------|
| 2019 | | | | |
| Cash at bank and term deposits | 479,389 | 479,389 | - | - |
| Receivables | 17,476 | 17,476 | - | - |
| Deposits with banks and Government Departments | 10,000 | 10,000 | - | - |
| | 506,865 | 506,865 | - | - |
| 2018 | | | | |
| Cash at bank and term deposits | 1,027,460 | 1,027,460 | - | - |
| Receivables | 21,815 | 21,815 | - | - |
| Deposits with banks and Government Departments | 10,000 | 10,000 | - | - |
| | 1,059,275 | 1,059,275 | - | - |

Interest rate risk

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

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

| | 2019 \$ | 2018 \$ |
|--|------------|------------|
| Weighted average rate of cash balances | - | 0.04% |
| Cash balances | 10,978 | \$94,987 |
| Weighted average rate of term deposits | 1.45% | 1.93% |
| Term deposits | 468,411 | \$932,473 |

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 \$ |
| 2019 | | | | | |
| Cash and cash equivalents | 479,389 | 4,794 | - | (4,794) | - |
| Tax charge of 27.5% | - | (1,318) | - | 1,318 | - |
| After tax profit increase/(decrease) | 479,389 | 3,476 | - | (3,476) | - |
| 2018 | | | | | |
| Cash and cash equivalents | 1,027,460 | 10,275 | - | (10,275) | - |
| Tax charge of 27.5% | - | (2,826) | - | 2,826 | - |
| After tax profit increase/(decrease) | 1,027,460 | 7,449 | - | (7,449) | - |

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

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.

22. Commitments

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 expenditure under the terms of each licence. As at 30 June 2019 the Company holds one exploration licence, one exploration licence application and one retention licence application in Victoria. There is no expenditure requirement for title applications.

| | 2019 \$ | 2018 \$ |
|--|------------|------------|
| Payable not later than one year | 47,950 | 27,400 |
| Payable later than one year but not later than two years | 32,050 | 27,400 |
| Payable later than two year but not later than three years | 8,400 | - |
| | 88,400 | 54,800 |

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.

23. Events after the balance sheet date

There were, at the date of this report, no matters or circumstances which have arisen since 30 June 2019 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 already detailed in the report.

24. Statement of cash flows

| | 2019 \$ | 2018 \$ |
|--|------------|------------|
| Reconciliation of net cash outflow from operating activities to operating loss after income tax | | |
| (a) Operating (loss) after income tax | (557,742) | (586,120) |
| Depreciation | 2,738 | (4,672) |
| Exploration costs expensed | 154,603 | 19,995 |
| Non-cash share and option movements | - | 98,051 |
| Exploration adjustments and differences in closing creditors/accruals | - | (15,139) |
| Disposal of asset | - | 7,514 |
| Tax expense/(benefit) | - | (128,556) |
| Change in assets and liabilities: | | |
| (Increase) in receivables | 4,439 | (7,795) |
| (Decrease)/increase in trade and other creditors (excluding exploration costs in creditors) | (16,354) | 21,521 |
| Net cash outflow from operating activities | (412,316) | (595,201) |
| (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 comprised: | | |
| Cash assets | 10,978 | 94,987 |
| Bank deposits (Note: 5) | 468,411 | 932,473 |
| Cash on hand | 479,389 | 1,027,460 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

25. Parent entity information

| | 2019 \$ | 2018 \$ |
|---|------------------|-------------------|
| Current assets | 616,718 | 1,049,152 |
| Total assets | 9,683,104 | 10,230,686 |
| Current liabilities | 75,369 | 80,549 |
| Total liabilities | 75,369 | 80,549 |
| Issued capital | 15,037,353 | 15,022,251 |
| Accumulated losses | (5,553,127) | (4,995,623) |
| Share based payment reserve | 123,509 | 123,509 |
| Total shareholders' equity | 9,607,735 | 10,150,137 |
| Profit/(loss) of the parent entity | (557,504) | (585,568) |
| Total comprehensive income/(loss) of the parent entity | (557,504) | (585,568) |

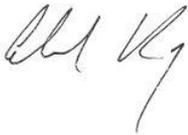
DIRECTORS' DECLARATION

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

In the opinion of the Directors:

- (a) The financial statements and notes of the Group are in accordance with the Corporations Act 2001, including:
 - (i) Giving a true and fair view of the Group financial position as at 30 June 2019 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 2019.

On behalf of the Board



Ariel Edward King
Chairman

30 September 2019

Independent Auditor's Report

To the members of Eastern Iron Limited,

Report on the Financial Report

Opinion

We have audited the accompanying financial report of Eastern Iron Limited (the company and its subsidiaries) ("the Group"), which comprises the consolidated statements of financial position as at 30 June 2019, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated 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.

In our opinion the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of the group's financial position as at 30 June 2019 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Tax

Accounting

Financial
Advice

Super

Audit

Loans

Phone
+61 2 9956 8500

Email
bdj@bdj.com.au

Office
Level 8, 124
Walker Street
North Sydney
NSW 2060

Postal
PO Box 1664,
North Sydney
NSW 2059

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key audit matter | How our audit addressed the key audit matter |
|--|---|
| <p>Capitalised Deferred Exploration and Evaluation Expenditure \$3.1 million Refer to Note 9</p> | |
| <p>The consolidated entity owns the rights to several exploration licenses in New South Wales and Queensland. Expenditure relating to these areas is capitalised and carried forward to the extent they are expected to be recovered through the successful development of the respective area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.</p> <p>This area is a key audit matter due to:</p> <ul style="list-style-type: none"> • The significance of the balance; • The inherent uncertainty of the recoverability of the amount involved; and • The substantial amount of audit work performed. | <p>Our audit procedures included amongst others:</p> <ul style="list-style-type: none"> • Assessing whether any facts or circumstances exist that may indicate impairment of the capitalised assets; • Performing detailed testing of source documents to ensure capitalised expenditure was allocated to the correct area of interest; • Performing detailed testing of source documents to ensure expenditure was capitalised in accordance with Australian Accounting Standards; • Obtaining external confirmations to ensure the exploration licences are current and accurate; and • Assessing the reasonableness of the capitalisation of employee's salaries. |

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2019 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibility for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

Tax

Accounting

Financial
Advice

Super

Audit

Loans

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Eastern Iron Limited for the year ended 30 June 2019 complies with section 300A of the Corporations Act 2001.

Responsibilities

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.

BDJ Partners

.....
Anthony Dowell
Partner

30 September 2019

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 1 September 2019.

Ordinary shares

There are 411,900,378 fully paid ordinary shares on issue.

| Substantial shareholders | Shareholding |
|-------------------------------|--------------|
| Citicorp Nominees Pty Limited | 133,544,803 |

| Top 20 shareholders of ordinary shares | Number | % |
|--|--------------------|----------------|
| CITICORP NOMINEES PTY LIMITED | 133,544,803 | 32.42% |
| MCNEIL NOMINEES PTY LIMITED | 27,170,632 | 6.60% |
| FIRST ONE REALTY PTY LTD | 16,314,692 | 3.96% |
| SARGON CT PTY LTD <ACACIA INVESTMENT FUND> | 12,267,867 | 2.98% |
| MRS THERESE-MARIE TAYLOR | 11,904,767 | 2.89% |
| PLANNING & PROPERTY PARTNERS PTY LTD | 11,413,003 | 2.77% |
| MS HELEN YU | 10,050,000 | 2.44% |
| MR GAVIN ANTHONY WATES | 10,000,000 | 2.43% |
| MR CHRIS CARR & MRS BETSY CARR | 8,000,000 | 1.94% |
| MR NEVILLE JOHN HOLZ & MRS LYNETTE HOLZ | 7,500,000 | 1.82% |
| DC & PC HOLDINGS PTY LTD <DC & PC NEESHAM SUPER A/C> | 7,428,882 | 1.80% |
| FUTURITY PRIVATE PTY LTD | 7,398,077 | 1.80% |
| MR YIZHOU GU | 5,965,000 | 1.45% |
| MRS FIONA LEE BUTLER | 5,325,000 | 1.29% |
| ALITIME NOMINEES PTY LTD <HONEYHAM FAMILY A/C> | 5,021,444 | 1.22% |
| JAMES WILLIAM TAYLOR & ERIN ANN TAYLOR <TAYLOR SUPER FUND A/C> | 5,000,000 | 1.21% |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 4,628,125 | 1.12% |
| BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP> | 4,300,027 | 1.04% |
| MR YULIANG FAN | 4,000,000 | 0.97% |
| MISS FALLON LEE FORMICA <FALLON FORMICA A/C> | 4,000,000 | 0.97% |
| Total of top 20 holdings | 301,232,319 | 73.12% |
| Other holdings | 110,668,059 | 26.88% |
| Total fully paid shares issued | 411,900,378 | 100.00% |

Shares

| Distribution of shareholders | | |
|------------------------------|--------------------|--------------------|
| Range | No of shareholders | Shares |
| 1-1,000 | 34 | 14,227 |
| 1,001-5,000 | 57 | 187,337 |
| 5,001-10,000 | 75 | 675,093 |
| 10,001-100,000 | 259 | 10,345,710 |
| 100,001-9,999,999,999 | 175 | 400,678,011 |
| Totals | 600 | 411,900,378 |

Options

SHAREHOLDER INFORMATION

| Distribution of optionholders | | |
|-------------------------------|---------------------|-------------------|
| Range | No of optionholders | Options |
| 1 – 1,000 | - | - |
| 1,001 – 5,000 | - | - |
| 5,001 – 10,000 | - | - |
| 10,001 – 100,000 | - | - |
| 100,001 – and over | 24 | 54,541,702 |
| | 24 | 54,541,702 |

No individual holder holds more than 20% of the total options granted. The options are not quoted on the ASX.

Voting rights

There are no restrictions on voting rights. On a show of hands every member present in person 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.

Other

There are 437 shareholders with less than a marketable parcel of shares.

There is no current on-market buy-back.

Corporate Directory

Board of Directors

Ariel Edward King
Non-Executive Chairman

Myles Fang
Non- Executive Director

Therese-Marie Taylor
Non-Executive Director

Nathan Taylor (alternate to Therese-Marie Taylor)

Company Secretary

Ian White

Principal and Registered Office

Level 1, 80 Chandos Street
St Leonards, NSW 2065
PO Box 956, Crows Nest
NSW 1585

Telephone: +61 2 9906 7551
Email: info@easterniron.com.au
Website: www.easterniron.com.au

ASX Share Register

Boardroom Pty Limited
GPO Box 3993
Sydney, NSW 2001

Telephone: +61 2 9290 9600
Website: www.boardroomlimited.com.au

Auditors

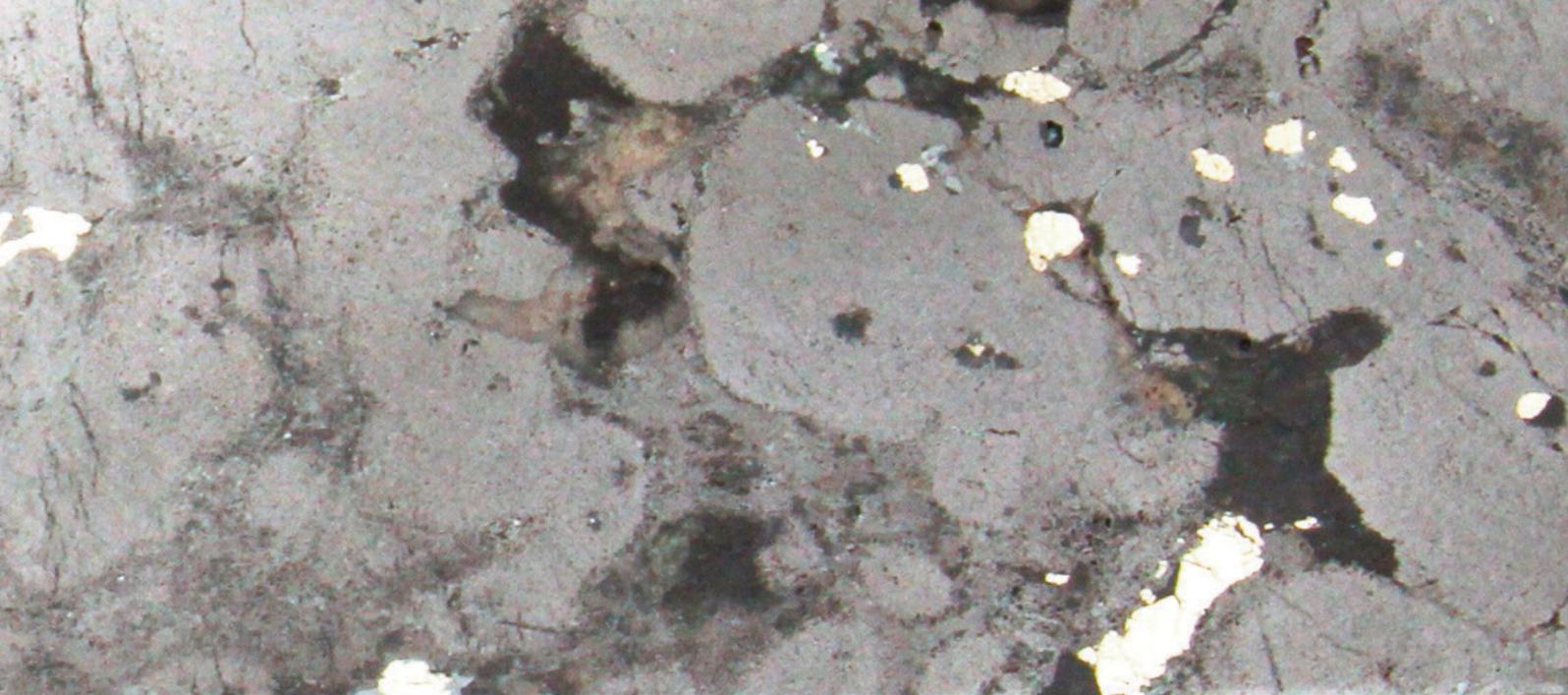
BDJ Partners
Level 13, 122 Arthur Street
North Sydney, NSW 2060

Bankers

Bank West
Commonwealth Bank
Macquarie Bank

Securities Exchange Listing

Australian Securities Exchange
ASX Code: EFE



EASTERN IRON LIMITED

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