

EASTERN IRON LIMITED

ABN 70 126 678 037

HALF YEAR FINANCIAL REPORT 31 DECEMBER 2017

Directors' Report

Your directors submit their report for Eastern Iron Limited for the half year ended 31 December 2017.

Directors

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

Eddie King	Non-Executive Chairman
Myles Fang	Managing Director (Appointed 12 Mar 18)
Therese Taylor	Non-Executive Director
Nathan Taylor (alternate Therese Taylor)	Non-Executive Director
Dahui Zhang	Non-Executive Director (Resigned 12 Mar 18)

Review and results of operations

Financial results

The net results of operations after applicable income tax expense for the half year was a loss of \$304,516 (2016: \$2,552,590) which includes exploration write off/impairments during the period of \$12,882 (2016: \$2,122,345).

Highlights

Eastern Iron entered into a binding heads of agreement to acquire a high grade cobalt sulphide project in Poland.

Eastern Iron commenced field work at its recently granted Nowa Nowa Copper tenement (EL006183) in Nowa Nowa, Victoria.

Polish Cobalt Project

In December 2017, Eastern Iron entered into a binding heads of agreement to purchase all of the issued capital of Ion Mining Pty Ltd, whose 100% owned subsidiary, Geograph Polska sp. z o.o. is the applicant for the Przecznicza concession (pending) and will be entitled to 100% interest in the concession upon granting. Acquisition consideration will consist of 250 million ordinary shares in the Company and 240 million performance shares. CPS Capital Group mandated to lead manage a placement to sophisticated investors to raise \$3,480,000 at \$0.012 per Share in two tranches. The first tranche of \$600,000 was completed in December 2017. Eastern Iron has mandated CPS Capital Group to raise second tranche of \$2,880,000 after completion of the transaction.

The Project is located in south-west Poland, approximately 85 km west of Wroclaw and 30 km west of the regional city of Jelenia Gora. The Project area is part of the historic Ore Mountains ("Erzgebirge") mining district and encompasses a number of historical cobalt and tin mines with the most significant cobalt mining occurring in the period between 1770 and 1840.

The Gierczyn – Przecznicza cobalt and tin ore deposits are hosted in a several kilometres wide and more than 25 kilometres long corridor of mica schists which is imbedded in, and forms part of the Iżera Massive gneiss in Poland. Cobalt mineralisation is found as cobaltite (CoAsS). The mineralised horizons contain a range of associated sulphide minerals such as pyrrhotite, chalcopyrite, sphalerite, arsenopyrite and others. The productive part of the mineralised layer begins at Krobica in the west and can be traced for approximately 7 km to the former cobalt mine "St. Maria Anna" at Przecznicza (Figure 1).

Directors' Report

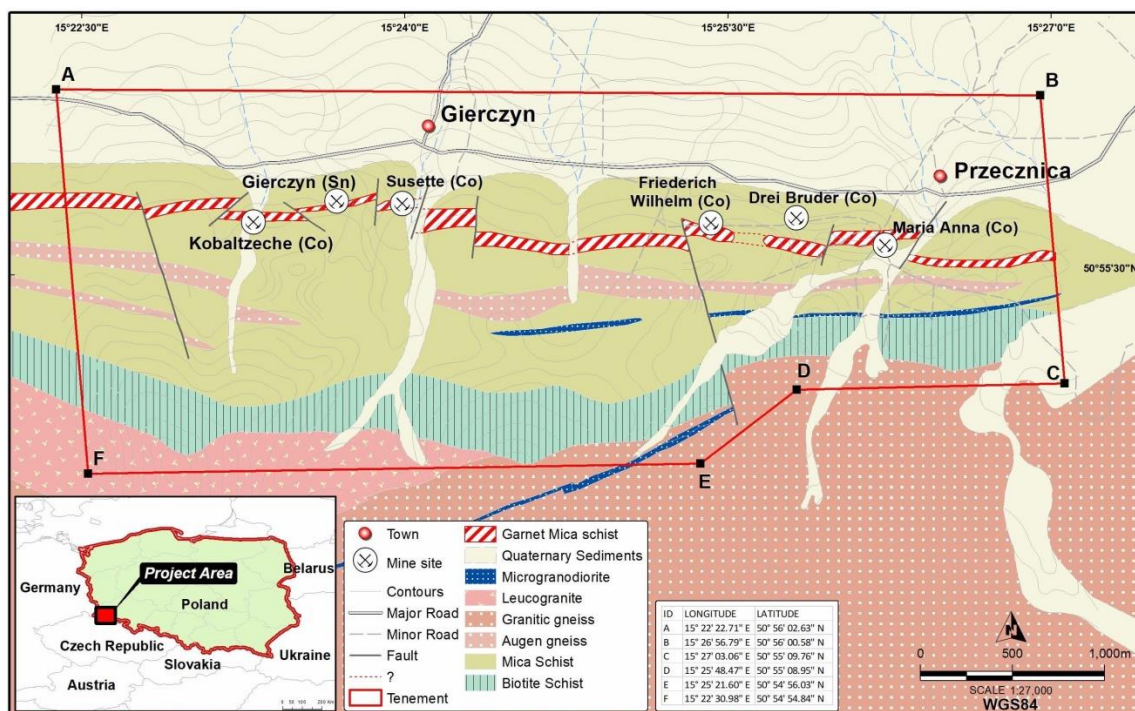


Figure 1: Project area (target mica-schist horizon highlighted in red and white).

Cobalt mineralisation was historically mined to produce “cobalt blue” pigment in a nearby plant in the period between 1770 and 1840. In the 1960s and 1970s, the Polish Geological Survey conducted intensive investigations focused on the tin mineralisation west of the Gierczyn – Przecznica area. A large number of holes (≈100 diamond drill holes for about ≈20,000 m) fall within the western half of the Project area. The Polish Geological Survey is reported to have tested the quartz-garnet-mica schist layer over a length of 21 km and down to a depth of 860 m.

Recently, field work was undertaken primarily from the Maria Anna area, and a small number of samples were collected from waste rock piles. The samples for the Maria Anna site range up to 0.97% Co. These results indicate that potentially high grade ore mineralisation was extracted from the mine. How these results relate to sub-surface ore width and strike length can only be established by systematic drilling.

It is noted that the Przecznica concession has not yet been awarded and the application is currently pending. The vendor, Ion Mining Pty Ltd has 100% beneficial interest in the concession application but the final grant of the concession is subject to a decision of the Polish Ministry of Environment.

Nowa Nowa Project

The decline in the iron ore price over the last few years has rendered the economics of the project problematic. Eastern Iron applied for a retention licence over its Nowa Nowa Iron Project. However, Eastern Iron will continue to monitor conditions in the global iron ore market to determine when work on the project should recommence.

In September 2017, Exploration Licence, EL006183 was granted to Eastern Iron. The tenement is 100% owned by Eastern Iron, covering an area of 55 km² in Nowa Nowa, Victoria. Previous surveys identified three highest priority VTEM targets, which are Three Mile, Five Mile and Blue Spur (Figure 2). The targets have been modelled by geophysical consultants to predict the target size, orientation and depth below surface. Eastern Iron commenced field work at Nowa Nowa Copper tenement in December 2017. The initial field work will include a ground survey with the aim to predict the target size, orientation and depth for further drill targeting.

Directors' Report

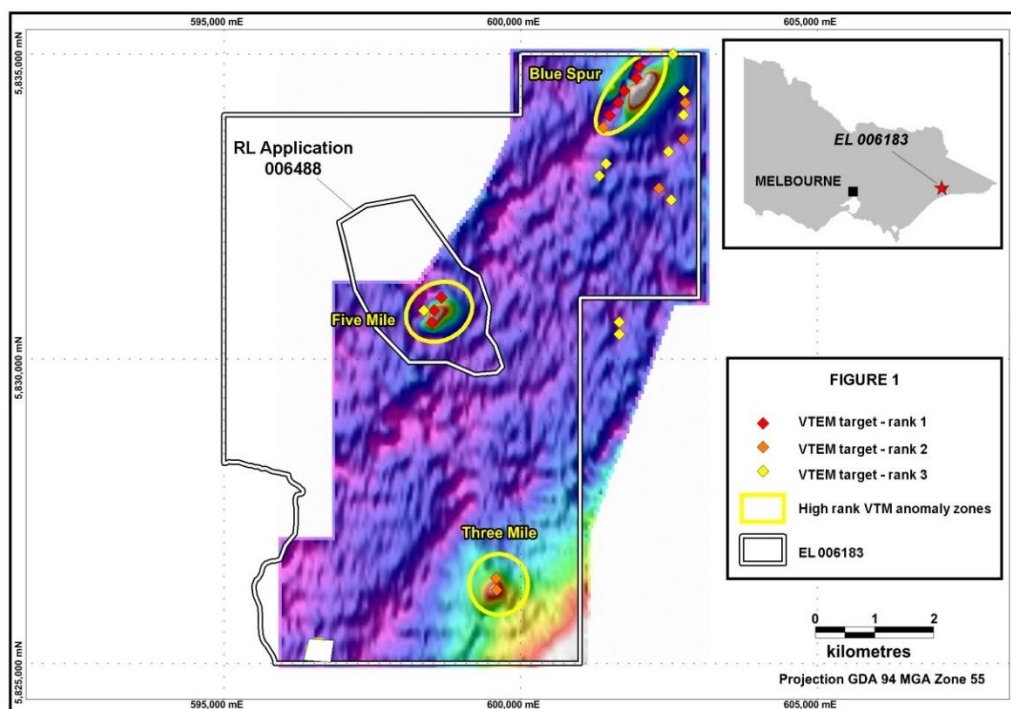


Figure 2: EL006183 – Priority VTEM Targets

Principal activities

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

Dividends

No dividends were paid or proposed during the period.

Significant events after the balance date

There were, at the date of this report, no matters or circumstances which have arisen since 31 December 2017 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.

Auditor's independence declaration

A copy of the Auditor's Independence Declaration to the Directors as required under section 307C of the *Corporations Act 2001* is set out on page 15.

Signed at Sydney this 14th day of March 2018 in accordance with a resolution of the directors.

Eddie King
Chairman

Consolidated Statement of Comprehensive Income

For the half year ended 31 December 2017

	Note	31 Dec 2017 \$	31 Dec 2016 \$
Revenue	4	9,674	14,127
ASX and ASIC fees		(18,441)	(16,204)
Audit fee		(10,000)	(10,500)
Contract administration services		(159,179)	(99,848)
Directors fees		(117,000)	(99,321)
Employee costs (net of costs recharged to exploration projects)		-	(124,627)
Exploration expenditure written off		(12,882)	(32,689)
Provision for impairment of exploration asset		-	(2,089,656)
Legal costs		-	(12,774)
Rent		(2,400)	(2,400)
Share based payments		(98,051)	-
Staff recruitment fees		-	(32,221)
Other expenses from ordinary activities		(24,793)	(46,477)
Loss before income tax expense		(433,072)	(2,552,590)
Income tax income/(expense)		128,556	-
Loss after income tax expense		(304,516)	(2,552,590)
Other comprehensive income			
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income for the period		-	-
Total comprehensive income for the period attributable to members of Eastern Iron Limited		(304,516)	(2,552,590)
Earnings per share			
Basic loss per share (cents per share)	8	(0.09)	(0.89)
Diluted loss per share (cents per share)	8	(0.09)	(0.89)

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

Consolidated Statement of Financial Position

As at 31 December 2017

	Note	31 Dec 2017 \$	30 Jun 2017 \$
ASSETS			
Current assets			
Cash and cash equivalents	5	1,566,840	1,299,336
Receivables		16,242	14,021
Total current assets		1,583,082	1,313,357
Non-current assets			
Tenement security deposits	7	10,000	10,000
Plant and equipment		6,842	5,164
Deferred exploration and evaluation expenditure	6	3,050,236	3,000,000
Total non-current assets		3,067,078	3,015,164
Total assets		4,650,160	4,328,521
LIABILITIES			
Current liabilities			
Trade and other payables		161,955	59,028
Total current liabilities		161,955	59,028
Non-current liabilities			
Provisions		-	-
Total non-current liabilities		-	-
Total liabilities		161,955	59,028
Net assets		4,488,205	4,269,493
EQUITY			
Contributed equity	9	15,026,581	14,626,862
Accumulated losses		(10,661,885)	(10,361,421)
Reserves	10	123,509	4,052
Total equity		4,488,205	4,269,493

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

Consolidated Statement of Changes in Equity

For the half year ended 31 December 2017

	Note	Contributed equity \$	Accumulated losses \$	Reserves \$	Total equity \$
At 1 July 2016		14,026,562	(6,148,719)	14,632	7,892,475
Loss for the period		-	(2,552,590)	-	(2,552,590)
Other comprehensive income		-	-	-	-
Total comprehensive income/(loss) for the period		-	(2,552,590)	-	(2,552,590)
Transactions with owners in their capacity as owners:					
Expired option value transferred to Accumulated Losses		-	10,580	(10,580)	-
At 31 December 2016		14,026,562	(8,690,729)	4,052	5,339,885

	Note	Contributed equity \$	Accumulated losses \$	Reserves \$	Total equity \$
At 1 July 2017		14,626,862	(10,361,421)	4,052	4,269,493
Loss for the period		-	(304,516)	-	(304,516)
Other comprehensive income		-	-	-	-
Total comprehensive income/(loss) for the period		-	(304,516)	-	(304,516)
Transactions with owners in their capacity as owners:					
Issue of share capital, net of transaction costs		528,275	-	-	528,275
Tax effect on share issue costs		(128,556)	-	-	(128,556)
Issue of unlisted options		-	-	123,509	123,509
Expired option value transferred to Accumulated Losses	10	-	4,052	(4,052)	-
At 31 December 2017		15,026,581	(10,661,885)	123,509	4,488,205

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

Consolidated Statement of Cash Flows

For the half year ended 31 December 2017

	31 Dec 2017	31 Dec 2016
Note	\$	\$
Cash flows from operating activities		
Payment to suppliers and employees	(268,647)	(476,486)
Interest received	10,027	19,663
Net cash flows (used in) operating activities	(258,620)	(456,823)
Cash flows from investing activities		
Expenditure on mining interests (exploration)	(42,636)	(46,845)
Purchase of plant and equipment	(2,972)	(1,022)
Net cash flows (used in) investing activities	(45,608)	(47,867)
Cash flows from financing activities		
Proceeds from issue of shares	611,905	-
Share issue costs	(40,173)	-
Net cash flows (used in) from financing activities	571,732	-
Net increase (decrease) in cash held	267,504	(504,690)
Add opening cash brought forward	1,299,336	1,514,352
Closing cash carried forward	5 1,566,840	1,009,662

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

Notes to the Consolidated Financial Statements

For the half year ended 31 December 2017

1. Corporate information

The financial report of Eastern Iron Limited (the Company) for the half year ended 31 December 2017 was authorised for issue in accordance with a resolution of the directors on 14 March 2018. Eastern Iron Limited is a company incorporated in Australia and limited by shares which are publicly traded on the Australian Securities Exchange using the ASX code EFE.

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

2. Summary of significant accounting policies

The half year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Company as the full financial report.

The half year financial report should be read in conjunction with the Annual Financial Report of Eastern Iron as at 30 June 2017.

It is also recommended that the half year financial report be considered together with any public announcements made by Eastern Iron during the half year ended 31 December 2016 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

Basis of preparation

The half year financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, applicable Accounting Standards, including AASB 134 Interim Financial Reporting and other mandatory professional reporting requirements. The half year financial report has been prepared on a historical cost basis.

For the purpose of preparing the half year financial report, the half year has been treated as a discrete report period.

Significant accounting policies

The half year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2017.

Management has reviewed and assessed the new accounting standards effective 1 July 2016 and these have been deemed to be not applicable to the Group.

Fair value measurement

The carrying amounts of the Group's assets and liabilities are a reasonable approximation of their fair values. The only exception to this is the carrying amount of deferred exploration and evaluation expenditure which is estimated to be not in excess of its fair value.

Basis of consolidation

The half year consolidated financial statements comprise the financial statements of Eastern Iron Limited and its subsidiaries (the Group). The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All inter-company balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. The subsidiaries are consolidated from the 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.

Going concern

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

Notes to the Consolidated Financial Statements

For the half year ended 31 December 2017

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

3. Financial report by segment

The operating segment identified by management is 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 6 of the half year 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 6 of the half year financial report.

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.

4. Revenue

	31 Dec 2017 \$	31 Dec 2016 \$
Interest received	9,674	14,127
	9,674	14,127

5. Cash and cash equivalents

	31 Dec 2017 \$	30 Jun 2017 \$
Cash at bank	740,512	130,853
New issue account – share applications	-	600,300
Money market securities – bank deposits	826,328	568,183
	1,566,840	1,299,336

6. Deferred exploration and evaluation expenditure

	31 Dec 2017 \$	30 Jun 2017 \$
Costs brought forward	3,000,000	6,439,981
Costs incurred during the period	63,118	78,433
Expenditure written off during the period	(12,882)	(3,518,414)
Costs carried forward	3,050,236	3,000,000

Notes to the Consolidated Financial Statements

For the half year ended 31 December 2017

7. Contingent assets and liabilities

The Company has provided a guarantee totalling \$10,000 (30 June 2017: \$10,000) in respect of an exploration tenement in Victoria. This guarantee in respect of exploration tenements is secured against a deposit with a banking institution. The Company does not expect to incur any material liability in respect of the guarantees.

8. Earnings per share

	31 Dec 2017	31 Dec 2016
	\$	\$
Net profit/(loss) used in calculating basic and diluted gain/(loss) per share	(304,516)	(2,552,590)
		Number
Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	357,795,353	285,857,734
		Cents per share
Basic earnings (loss) per share	(0.09)	(0.89)
Diluted earnings (loss) per share	(0.09)	(0.89)

9. Contributed equity

	31 Dec 2017	30 Jun 2017
	\$	\$
Share capital		
410,012,566 fully paid ordinary shares (30 June 2017: 285,857,734)	15,828,101	14,597,896
Fully paid ordinary shares carry one vote per share and carry the right to dividends.		
Share issue costs	(801,520)	(571,334)
Share capital applications	-	600,300
	15,026,581	14,626,862

	Number	\$
Movements in ordinary shares on issue		
At 31 December 2016	285,857,734	14,597,896
Shares issued	-	-
At 30 June 2017	285,857,734	14,597,896
Shares issued (i)	71,464,356	600,300
Shares issued (ii)	1,190,476	11,905
Shares issued (iii)	50,000,000	600,000
Shares issued (iv)	1,500,000	18,000
At 31 December 2017	410,012,566	15,828,101

- (i) The Company issued 71,464,356 shares at \$0.0084 per share under a share placement.
- (ii) A total of 1,190,476 shares were issued during the period on exercise of \$0.010 unlisted options.
- (iii) The company issued 50,000,000 shares at \$0.012 per share in a capital raising in connection with the Company's acquisition of Ion Mining Pty Ltd.
- (iv) A total of 1,500,000 shares were issued at \$0.012 per share to a creditor in settlement for services provided.

Notes to the Consolidated Financial Statements

For the half year ended 31 December 2017

10. Reserves (share based payments)

		Number	\$
Movements in share based payments			
At 31 December 2016		450,000	4,052
Options expired		-	-
At 30 June 2017		450,000	4,052
Options issued	(i)	12,000,000	76,374
Options issued	(ii)	4,000,000	25,457
Options issued	(iii)	4,000,000	21,678
Options expired	(iv)	(450,000)	(4,052)
At 31 December 2017		20,000,000	123,509

- (i) 12,000,000 options were issued to Directors of the Company and approved by shareholders at the Company's AGM held in November 2017. The options were issued with an exercise price of \$0.016 and an expiry date of 6 December 2019.
- (ii) 4,000,000 options were issued to a supplier for services to be provided. The options were issued with an exercise price of \$0.016 and an expiry date of 6 December 2019.
- (iii) 4,000,000 options were issued to Company's Acting CEO. The options were issued with an exercise price of \$0.020 and an expiry date of 13 December 2019.
- (iv) 450,000 options expired on 19 November 2017.

There are an additional 34,541,702 options on issue with an exercise price of \$0.010 and expiry date of 6 December 2019. These options were issued in December 2017, in relation to a capital raising in June 2017 where an attaching option was issued for every two Placement shares issued. These options were approved by shareholders at the Company's AGM held in November 2017.

11. Events after the balance sheet date

There were, at the date of this report, no matters or circumstances which have arisen since 31 December 2017 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.

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 consolidated entity are in accordance with the *Corporations Act 2001*, including:
 - (i) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half year ended on that date; and
 - (ii) Complying with Australian Accounting Standards AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) There are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Eddie King
Chairman

Sydney, 14 March 2018

Independent Auditor's Review Report



CHARTERED ACCOUNTANTS

Independent Auditor's Review Report

partners

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

associate

M A Nakkam CA

consultant

C H Barnes FCA

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To the members of Eastern Iron Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Eastern Iron Limited and controlled entities (the consolidated entity), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*. As the auditor of Eastern Iron Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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



Independent Auditor's Review Report

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Eastern Iron Limited and controlled entities is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting and Corporations Regulations 2001*.

BDJ Partners

Chartered Accountants



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Anthony J Dowell

Partner

14 March 2018

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Auditor's Independence Declaration



CHARTERED ACCOUNTANTS

partners

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A N Fraser CA
G W Cliffe CA
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Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of Eastern Iron Limited and Controlled Entities

I declare that, to the best of my knowledge and belief during the half year ended 31 December 2017 there have been:

- a. no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- b. no contraventions of any applicable code of professional conduct in relation to the review.

BDJ Partners
Chartered Accountants

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Anthony J Dowell
Partner

12 March 2018

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



Corporate Directory

Eastern Iron Limited

ABN 70 126 678 037

Directors

Eddie King	Non-Executive Chairman
Myles Fang	Managing Director
Therese Taylor	Non-Executive Director
Nathan Taylor	(alternate Therese Taylor)

Company Secretary

Ian White
Duncan Glasgow

Registered and Administration Office

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PO Box 956, Crows Nest, NSW 1585
Telephone: 02 9906 7551
Website: www.easterniron.com.au
E-mail: info@easterniron.com.au

Share Registry

Boardroom Pty Limited
GPO Box 3993
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Telephone: +61 2 9290 9600
Facsimile: +61 2 9279 0664
Website: www.boardroomlimited.com.au

Auditors

BDJ Partners

Bankers

Commonwealth Bank of Australia
Bank West
Macquarie Bank

Stock Exchange Listing

Listed on Australian Securities Exchange Limited
ASX Code: EFE