

**NOTICE IS HEREBY GIVEN** that the 2015 Annual General Meeting of Eastern Iron Limited (the “Company”) will be held on Thursday 10 December 2015 at 2:00pm (Sydney time) the offices of BDO East Coast Partnership, Level 11, No. 1 Margaret Street Sydney, New South Wales.

The business to be considered at the meeting is set out below. This Notice of Meeting should be read in conjunction with the accompanying Explanatory Memorandum, which contains information in relation to each of the following items of business. A Proxy Form also accompanies this Notice of Meeting.

## **ORDINARY BUSINESS**

### **1. Financial Statements and Reports**

To receive and consider the Reports of the Directors and the Auditors, and the Financial Statements for the period ended 30 June 2015.

A copy of the Company’s 2015 Annual Report (including the Reports of the Directors and Auditors, and the Financial Statements for the period ended 30 June 2015) has not been mailed to all shareholders with this Notice of Meeting. Shareholders may access these documents electronically at the following website: [www.easterniron.com.au](http://www.easterniron.com.au).

### **2. Adoption of the Remuneration Report**

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*“That the Remuneration Report for the financial period ended 30 June 2015 be adopted.”*

### **3. Re-election of Mr Gregory Jones as a Director**

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*“That Mr Gregory Jones who retires as a Director in accordance with the Company’s Constitution and, being eligible and offering himself for re-election, be elected as a Director of the Company.”*

The Directors (Mr Jones excepted) recommend that shareholders vote in favour of this resolution.

### **4. Ratification of a previous issue of shares**

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*“That, for the purposes of ASX Listing Rules 7.1 and 7.4 and for all other purposes, ratification be given to the Company for the issue of 807,500 fully paid ordinary shares in the Company at an issue price of \$0.042 per share and 516,271 fully paid ordinary shares in the Company at an issue price of \$0.012 per share to Planning & Property Partners Pty Ltd on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice.”*

The Directors recommend that shareholders vote in favour of this resolution.

### **5. Issue of shares**

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*“That, for the purposes of ASX Listing Rule 7.1, item 7 of section 611 of the Corporations Act 2001 and section 208 of the Corporations Act 2001 and for all other purposes, approval be given to the Company for this issue of 133,333,333 fully paid ordinary shares in the Company at an issue price of \$0.015 per share to Fortune Future Holdings Ltd on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice.”*

The Directors recommend that shareholders vote in favour of this resolution.

## **SPECIAL BUSINESS**

### **6. Issue of shares up to 10% of the Company's issued capital**

To consider, and if thought fit, to pass the following as a **special resolution**:

*"That pursuant to ASX Listing Rules 7.1A and 7.3A the Directors be authorised to issue and allot additional fully paid ordinary shares up to 10%, calculated in accordance with the formula in listing rule 7.1A.2, of the Company's issued fully paid ordinary capital by placement(s) within twelve months from the date hereof at an issue price not less than 75% of the volume weighted average price for the Company's existing shares over the fifteen trading days prior to the date of issue thereof."*

The Directors recommend that shareholders vote in favour of this resolution.

## **VOTING EXCLUSION STATEMENT**

### **Item 2**

A vote on Item 2 must not be cast (in any capacity) by or on behalf of a member of the Key Management Personnel, details of whose remuneration is included in the Remuneration Report, or a closely related party of that member.

The Company will disregard any votes cast on Item 2 by or on behalf of a person who is a member of the Key Management Personnel named in the Remuneration Report or their closely related parties (regardless of the capacity in which the vote is cast). The Company will disregard any votes cast on Item 2 as proxy by a person who is a member of the Key Management Personnel on the date of the Annual General Meeting or their closely related parties.

However, votes will not be disregarded if they are cast as proxy for a person who is entitled to vote, if the person does so as a proxy appointed by writing that specifies how the proxy is to vote on Item 2 or is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with express authorisation in the proxy form to exercise the proxy even though the resolution is connected with the remuneration of the Key Management Person.

### **Item 4**

Under ASX Listing Rule 14.11, the Company will disregard any votes cast on Item 4 by Planning & Property Partners Pty Ltd and any of its associates. However, the Company need not disregard any vote by any such persons on Item 4 if it is cast by any of them as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by any of them who is chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

### **Item 5**

Under ASX Listing Rule 14.11, the Company will disregard any votes cast on Item 5 by Fortune Future Holdings Ltd and any of its associates. However, the Company need not disregard any vote by any such persons on Item 5 if it is cast by any of them as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by any of them who is chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

### **Item 6**

The Company will disregard any votes cast on Item 6 by a person who may participate in any issue of the shares and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed and any associate of that person. However, the Company need not disregard any vote by any such persons on Item 6 if it is cast by any of them as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or It is cast by any of them who is chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

## **VOTING ENTITLEMENT**

In accordance with Regulation 7.11.37 of the *Corporations Regulations 2001*, the Board has determined that, for the purposes of the Annual General Meeting, shares will be taken to be held by the persons who are registered holders at close of business (7pm Sydney time) on 8 December 2015. Only those persons will be entitled to vote at the Annual General Meeting on 10 December 2015.

## **ADMISSION TO MEETING**

Corporate representatives are required to bring appropriate evidence of appointment as a representative in accordance with the constitution of the represented company. Attorneys are requested to bring the original or certified copy of the power of attorney pursuant to which they were appointed. Proof of identity will also be required for corporate representatives and attorneys.

## **PROXIES**

- Votes at the Annual General Meeting may be given personally, by proxy, attorney or representative;
- Each Shareholder has a right to appoint one or two proxies;
- A proxy need not be a Shareholder of the Company;
- Documents executed by Shareholders that are companies must be done under common seal or otherwise in accordance with the represented company's constitution and the Corporations Act.;
- Where a Shareholder is entitled to cast two or more votes, the Shareholder may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise;
- If a Shareholder appoints two proxies, and the appointment does not specify the proportion or number of the Shareholder's votes, each proxy may exercise half of the votes;
- If a proxy has two or more appointments that specify different ways to vote on a resolution, the proxy must not vote on a show of hands; and
- A proxy must be signed by the Shareholder or his or her power of attorney who has not received any notice of revocation of the authority. Proxies given by companies must be signed in accordance with the represented company's constitution and the Corporations Act.

To be effective, proxy forms must be received by the Company's share registry (Boardroom Pty Limited) no later than 24 hours before the commencement of the Annual General Meeting, that is no later than 2:00pm (Sydney time) on 9 December 2015. Any proxy form received after that time will not be valid for the scheduled meeting.

### **Hand Delivery**

Boardroom Pty Limited  
Level 12  
225 George St  
SYDNEY NSW 2000

### **By Mail**

Boardroom Pty Limited  
GPO Box 3993  
SYDNEY NSW 2001

### **By Facsimile**

(02) 9290 9655

## **BY ORDER OF THE BOARD**



**Ian K White**  
Company Secretary  
2 November 2015

# Explanatory Memorandum

These Explanatory Notes set out information in connection with the business to be considered at the 2015 Annual General Meeting.

## ORDINARY BUSINESS

### Item 1 – Financial Statements and Reports

The Corporations Act requires that the reports of the Directors, Auditor and the financial statements of the Company (collectively the “Annual Report”) be laid before shareholders at the Annual General Meeting. The Corporations Act does not require a vote of shareholders on these reports or statements.

The 2015 Annual Report was released to the ASX on 24 September 2015. As a result of the legislative changes, the 2015 Annual Report has not been automatically mailed to all Shareholders. The 2015 Annual Report can be accessed on the Company’s website at [www.easterniron.com.au](http://www.easterniron.com.au). Alternatively, printed copies can be supplied to shareholders on request.

Shareholders will be given a reasonable opportunity at the Annual General Meeting to ask questions of the Board in relation to the Annual Report and the management of the Company. Shareholders will also be given reasonable opportunity to ask the Auditor questions relevant to the conduct of the audit, the preparation and content of the Independent Auditor’s Report, the accounting policies adopted by the Company in relation to the preparation of its financial statements and the independence of the Auditor in relation to the conduct of the audit.

### Item 2 – Adoption of the Remuneration Report

The Remuneration Report for the year ended 30 June 2015 is set out in the Directors’ Report on pages 10 to 15 of the Annual Report.

The Remuneration Report:

- Explains the Board’s policies relating to remuneration of directors, secretaries and executives of the Company;
- Discusses the relationship between such policies and the Company’s performance;
- Provides details of any performance conditions attached to such remuneration; and
- Sets out remuneration details for each director and certain named executives.

The Chair of the meeting will allow a reasonable opportunity for shareholders to ask questions about or make comments on the Remuneration Report at the meeting.

In addition, shareholders will be asked to vote on the Remuneration Report. The vote on this Item is advisory only and does not bind the Directors or the Company. However, if at least 25% of the votes cast are against the adoption of the Remuneration Report, the Company’s next Remuneration Report must explain the Board’s proposed action in response or explain why no action has been taken.

In the following year, if at least 25% of the votes cast on the resolution that the Remuneration Report be adopted are against adoption, shareholders will then vote to determine whether the Directors, excluding any Managing Director, will need to stand for re-election. If more than 50% of the votes cast on the resolution are in favour, a separate re-election meeting must be held within 90 days.

A vote on this resolution must not be cast (in any capacity) by or on behalf of either of the following classes of persons:

- A member of the Key Management Personnel details of whose remuneration are included in the Remuneration Report; or
- A closely related party of such a member.

However such a person may cast a vote on the resolution if:

- The person does so as a proxy appointed by writing that specifies how the proxy is to vote on the proposed resolution; and
- The vote is not cast on behalf of such a person.

Votes will not be disregarded if they are cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with express authorisation in the proxy form to exercise the proxy even though the resolution is connected with the remuneration of the Key Management Person.

The Chair will vote undirected proxies in favour of Item 2.

### Item 3 – Re-election of Mr Gregory Jones as a Director

Mr Jones is a geologist with 33 years of exploration and operational experience gained in a broad range of metalliferous commodities both within Australia and overseas. Mr Jones has held senior positions in a number of resource companies including Western Mining Corporation and Sino Gold Limited and his experience spans the spectrum of exploration activity from grass-roots exploration through to resource definition and new project generation, as well as mine geology, ore resource/reserve generation and new mine development.

Mr Jones was awarded the Institute Medal for academic excellence whilst at university and is credited with several economic discoveries including the Blair nickel and the Orion gold deposits in Western Australia.

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

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

### Item 4 – Ratification of a previous issue of shares

Item 4 seeks that for the purposes of ASX Listing Rules 7.1 and 7.4 and for all other purposes, ratification be given to the Company for the issue on 26 February 2015 of 807,500 shares in the Company at an issue price of \$0.042 and on 14 July 2015 of 516,271 fully paid ordinary shares in the Company at an issue price of \$0.012 per share as consideration for services provided by Planning & Property Partners Pty Ltd (“PPP”).

PPP is a Melbourne based firm specialising in providing advice on a range of planning, environment and property development issues. PPP has been extensively involved in providing permitting and development advice to the Company in regard to its Nowa Nowa project.

In March 2013 PPP agreed to take part of its fees in shares in order to conserve the Company’s cash. Issues to pay these fees have been made progressively since this date at share prices generally reflective of the market price for the

Company's shares at the time of issue.

Since the last AGM and up to 30 September 2015, PPP had invoiced the Company fees of \$40,110. The Company offered in two tranches to settle this account by issues of the shares described above and PPP accepted this offer.

## Item 5 – Issue of shares

Item 5 seeks approval for the issue of 133,333,333 fully paid ordinary shares (the "Shares") in the Company to Fortune Future Holdings Ltd ("Fortune") at a subscription price of \$0.015 per share.

On 22 September 2015 the Board entered into a Share Subscription Agreement (the "Agreement") with Fortune where by the Company agreed to issue, and Fortune has agreed to subscribe for 133,333,333 fully paid ordinary shares in the Company at a subscription price of \$0.015 per share (the "Issue").

The Agreement is conditional upon:

- Fortune shareholders' approval, which the Company expects will be forthcoming prior to this AGM. The Company will announce this approval to the ASX as soon as it is available.
- Notice of no objection from the Commonwealth under the Foreign Acquisitions and Takeovers Act. This is expected prior to the forthcoming AGM and the Company will announce this notice to the ASX as soon as it is available.
- Approval of the shareholders of Eastern Iron Limited, which is the subject of the resolution at Item 5.

Key terms of the Agreement are:

- Subscription monies of \$2,000,000 will be paid to the Company by Fortune within 10 business days of the satisfaction of all of the conditions above including the resolution at Item 5 being passed by shareholders.
- The Company will allot and issue the 133,333,333 fully paid ordinary shares as soon as practicable after the subscription monies are received and in any case no later than 10 March 2016.
- The shares issued will rank equally with other fully paid ordinary shares.
- Following the Issue and for so long as Fortune hold greater than 10% of the shares in the Company Fortune may nominate one or more Directors to be appointed to the Board and may have that number of Directors proportionate to its shareholding in the Company. At the proposed level of investment Fortune is entitled to appoint 2 directors to the Board.

On completion of the share issue, Fortune will hold 46.64% of the voting shares in the Company.

Under section 606 of the Corporations Act 2001 there is a general prohibition against a person acquiring a relevant interest of more than 20% of a listed Company unless an exemption under section 611 applies.

The share issue contemplated in the resolution at Item 5 will be exempted under Exemption 7 to section 611 if it is passed by shareholders at this Annual General Meeting.

### Effect of Corporations Act 2001 Section 611 Exemption 7

Exemption 7 allows a person to acquire an interest of more than 20% if it is approved by resolution of the target provided that:

- a) no votes are cast in favour of the resolution by:
  - i. the person proposing to make the acquisition and their associates; or
  - ii. the persons (if any) from whom the acquisition is to be made and their associates; and

- b) the members of the Company were given all information known to the person proposing to make the acquisition or their associates, or known to the Company, that was material to the decision on how to vote on the resolution, including:
  - i. the identity of the person proposing to make the acquisition and their associates;
  - ii. the maximum extent of the increase in that person's voting power in the Company that would result from the acquisition;
  - iii. the voting power that person would have as a result of the acquisition;
  - iv. the maximum extent of the increase in the voting power of each of that person's associates that would result from the acquisition; and
  - v. the voting power that each of that person's associates would have as a result of the acquisition.

### Information Provided for Section 611 Exemption 7

The Company will disregard any votes cast on the resolution at Item 5 by Fortune Future Holdings Ltd and any of its associates. However, the Company need not disregard any vote by any such persons on the resolution at Item 5 if it is cast by any of them as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by any of them who is chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Fortune is a Chinese owned company registered in the British Virgin Islands. Fortune has a small number of shareholders and represents the interests of private Chinese investors who are also shareholders in some listed mining companies in China. Fortune is an active investor in the global mining industry and is currently the largest shareholder in Gowest Gold Ltd (TSX-V:GWA), a Toronto based gold explorer. With support from private banking interests in China, Fortune has the capacity to support major capital raisings associated with potential project developments.

Fortune is not currently a shareholder of the Company nor is any of its associates. On completion of the share issue, Fortune's holding will increase from 0% to 46.64% of the voting shares in the Company. None of Fortune's associates will hold shares in the Company.

Top 20 Holder Name	Before	After
Fortune Future Holdings Ltd	NA	46.64
Platsearch NL	26.46	14.12
Mr Adrian Critchlow	15.30	8.16
Harland Capital Fund LLC	13.38	7.14
Planning & Property Partners	8.31	4.44
Bluestone 23 Limited	8.20	4.37
Mr Chris Carr & Mrs Betsy Carr	3.01	1.61
Aotea Minerals Ltd	1.48	0.79
Mr Neville Holz & Mrs Lynette Holz	1.39	0.74
Mr Malcolm James Hill	1.13	0.60
Mr Gregory Francis Patrick Jones	1.00	0.53
Buderim Panorama Pty Ltd	0.82	0.44
Mrs Fiona Lee Butler	0.74	0.39
Mrs Annette Sylvia Mizon	0.53	0.28
GK & LM Lee Investments Pty	0.48	0.26
Hart Financial Services	0.48	0.25
Right Angle Business Services	0.43	0.23
Bond Street Custodians Limited	0.42	0.23
Davalik Pty Ltd	0.36	0.19
Corbett Super Pty Ltd	0.35	0.19
Peter C Dreverman Pty Ltd	0.33	NA
	<b>84.60</b>	<b>91.60</b>
Other holders	15.40	8.40
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

The preceding table shows the percentage holdings of the top 20 holders of shares in the Company before and after the Issue of 133,333,333 shares to Fortune. After the Issue, the top 20 shareholders will hold 91.6% of the voting shares of the Company and the top 6 holders will hold 84.87%.

As Fortune is acquiring its interest by an issue of new shares, Directors are of the opinion that this concentration of ownership will have little impact on the liquidity of shares traded on the ASX.

Neither Fortune nor its associates is in possession of any market sensitive information that has not been made available to the market generally and the Company has complied with all of its obligations under ASX Listing Rule 3.1.

#### **Eastern Iron's Reasons for the Proposed Transaction**

Shareholders will have seen from the Annual Report that as at 30 June 2015 the Company had cash of \$84k and current receivables of \$295k (of which \$285k are readily convertible to cash). The low level of these cash reserves severely limits the activities of the Company. Furthermore, without additional capital the ability of the Company to continue as a going concern is at risk.

Directors have for some time now, been actively seeking sources of additional capital to permit your Company to acquire and develop any number of under-valued mineral projects that are available in the current climate, as well as to continue to assess the Nowa Nowa Project.

Directors have considered a range of fund raising strategies including mergers and other methods of capital raising. In considering mergers, Directors have engaged with a number of potential partners however have not been able to agree terms that would in their opinion be sufficiently beneficial to existing shareholders. Directors have considered other capital raising strategies including a rights issue however in the current challenging financial environment for junior exploration companies such as Eastern Iron, Directors have formed the view that the substantial shareholders would be unlikely to participate and the amount of funds likely to be raised would be insufficient for the needs of the Company. The costs involved in this type of capital raising would also be financially challenging as they are more expensive than the Issue contemplated and would take much longer to complete.

The proposed investment by Fortune provides the Company with working capital and the means to continue assessment of the Nowa Nowa project. The funds will also provide the Company with the capacity to undertake detailed assessment of a number of advanced mineral resource projects in the region which are currently stalled due to the unavailability of development capital. With support from Fortune it is anticipated that the Company will undertake at least one such project acquisition over the next twelve months.

As a consequence, Directors have unanimously formed the view that the investment by Fortune provides the most inexpensive, expeditious and achievable method of raising sufficient capital for the Company to continue as a going concern, and to pursue its growth objectives.

#### **Fortune's Reasons for the Proposed Transaction**

Fortune has indicated to the Company that it has a strategy to invest in foreign gold and base metal projects through local operators.

In pursuing this strategy, they have become the largest shareholder in Gowest Gold Ltd ("Gowest"); a Toronto based gold exploration and development company. Gowest is focused on the exploration and development of its 100% owned Canadian Bradshaw Gold Deposit on the Frankfield Property, part of the Corporation's North Timmins Gold Project

On 30 September 2014 Fortune acquired 36,250,000 units (comprising one share and one purchase warrant entitling Fortune to purchase another share) in Gowest for C\$2.9m pursuant to a private placement. This brought Fortune's total holding in Gowest at that date to 42,500,000 shares or 19.97%

of Gowest's issued shares. If Fortune subsequently exercises all of its warrants to acquire further shares, it will hold 85,000,000 shares in Gowest, representing approximately 33.29% of Gowest issued shares.

Fortune has indicated that as part of its strategy it wished to expand its exposure to Australian resource projects. It specifically wanted to invest in an Australian listed mineral exploration company with a view to facilitating that Company's further investment into near-term gold and base metal operating and/or development projects.

Fortune has also indicated a willingness to progress the Company's Nowa Nowa project through permitting in the short term.

Representatives of Fortune together with the CEO of the Company have, during the negotiation of the Agreement, visited a number of advanced gold and base metals projects as well as the Company's Nowa Nowa iron project.

#### **Company Structure and Strategy Post Issue**

In pursuing the strategies of both companies, and with the support of Fortune, it is the Company's intention to use the proceeds of the subscription to:

- Undertake assessment of potential investment in and acquisition of near-term operating and/or development resource projects, focussing at this stage on gold and base metals;
- Continue to progress the Nowa Nowa Iron Project, through permitting and product transport studies; and
- Satisfy working capital requirements.

Fortune has stated that it does not wish to change the business of the Company from its present model or structure and has no intention to make any changes to the current employment arrangements in place.

Fortune has indicated a willingness to provide further funding to progress any project that may be acquired by the Company, or to acquire additional projects.

Fortune has stated that it does not wish to change any of the management or existing Directors of the Company at this time.

All assets of the Company will stay within the Company and there is no intention to transfer or otherwise redeploy any of the assets of the Company.

The Company does not currently pay dividends however Fortune has indicated that they have no intention to restrict the payment of dividends or other financial distributions that the Company may make in the future.

The Agreement provides that Fortune may in the current circumstances nominate two persons as Directors of the Company to hold office until the following AGM where they would be eligible for election by shareholders. The current Directors will remain on the Board, giving Fortune 2 seats on a 5-member Board.

As at the date of the preparation of this Notice of Meeting, Fortune has not indicated to the Company who its nominated Directors will be. It is anticipated that Fortune will advise the Company of the identity and other details of the two nominees before the AGM. If this is the case, the Company will announce details of these Nominees to the ASX as soon as practicable after receipt of these details, and will also provide shareholders with these details at the AGM.

There are no other agreements in place or contemplated between Fortune (and its associates) and the Company.

#### **Information provided for Chapter 2E of the Corporations Act**

Pursuant to Chapter 2E of the Corporations Act, the following information is provided in relation to the Issue of the Shares to Fortune:

- the Company believes that Fortune will become a related party of the Company as a result of the Issue of the Shares, particularly given that:
  - Fortune will hold an interest in 46.64% of the Company's ordinary shares; and
  - Fortune will be entitled to appoint two directors to the Board of the Company,
 if the resolution at Item 5 is passed and the Shares are issued; and
- the financial benefit being given to Fortune by the Company is the issue of 133,333,333 ordinary shares in the Company.

The Board does not consider there are any significant opportunity costs to the Company in issuing the Shares to Fortune.

An Independent Expert has been engaged to provide a report of the fairness and reasonableness of the transaction to non-associated shareholders. As part of this report the Independent Expert has undertaken a valuation of the shares in the Company. These valuations and their methodologies are discussed at section 3 of the attached Independent Expert's Report.

In his preferred asset-based valuation methodology, the Independent Expert has determined an underlying value for the Company's shares of \$0.002 per share. This value has been arrived at by dividing the net tangible assets (which excludes Deferred Exploration and Evaluation) of the Company as at 30 June 2015 of \$328,324 by the 152,524,401 shares currently on issue. This is detailed at section 4.3.2 of the Independent Expert's Report.

Using this valuation, the \$0.015 issue price for the Shares represents a premium of \$0.013 per share or 650% above the Independent Expert's valuation.

Adding the \$2,000,000 proceeds of the Issue to the \$328,324 net tangible assets and dividing the sum by the post Issue share total of 285,857,734 gives an underlying share value of \$0.008 per share. On the Independent Expert's preferred asset-based method of valuation, this is a four-fold increase in share value after the Issue of the Shares.

The Independent Expert does not prefer a market-based valuation due to the low turnover of the Company's shares. This is explained at section 4.3.1 of the Independent Expert's Report. Notwithstanding, a 5 day VWAP for the Company's shares as calculated in the following table is \$0.0138.

5 Day VWAP			
Date	Volume	Price	V x P
29-Jul	55,400	\$ 0.0150	831
12-Aug	5,000	\$ 0.0160	80
1-Sep	15,000	\$ 0.0120	180
18-Sep	10,307	\$ 0.0120	124
25-Sep	20,000	\$ 0.0120	240
<b>Total</b>	<b>105,707</b>	<b>\$ 0.0138</b>	<b>1,455</b>

On this valuation, the issue price for the shares represents a 9% premium to the downward trending VWAP.

All other information which is reasonably required by shareholders in order to decide whether or not it is in the Company's interest to pass the resolution at Item 5 is set out in this Explanatory Memorandum for Item 5 or contained in the Independent Expert's Report which accompanies this Notice. The recommendations of the Directors in respect of how shareholders should vote on the resolution at Item 5 are set out below.

#### Advantages of the Issue

- The offer of \$0.015 per share 650% above the Independent Expert's valuation.
- On the Independent Expert's preferred asset-based method of valuation, the addition of \$2m cash proceeds to net tangible results in a four-fold increase in share value.
- The Company will quickly have an injection of cash that will enable it to progress its Nowa Now project, undertake detailed assessment of a number of advanced mineral resource projects and continue as a going concern.
- The Company will have a substantial shareholder with a track record of investment in the resource sector and capacity to support major capital raisings associated with potential project developments.

#### Disadvantages of the Issue

There are a number of disadvantages that shareholders should consider when determining how to vote on the resolution at Item 5 including but not limited to:

- The Issue will dilute the holdings of existing shareholders and substantially reduce their influence and control of the Company.
- The addition of two extra Directors to the Board could increase Director's fees and other overheads by up to \$70k per annum.
- Acceptance of this offer may preclude the acceptance of other offers which may be more advantageous.
- There may be corporate cultural differences between Fortune and Eastern Iron that are yet to be identified.

#### Independent Expert's Report

An Independent Expert's Report has been prepared for the transaction and accompanies this Notice of Meeting.

The Independent Expert has determined that the Issue to Fortune is both fair and reasonable to shareholders.

In the opinion of the Independent Expert, it is fair because the \$0.015 per share consideration received for the Issue is greater than the \$0.002 valuation of the Company's shares.

In the opinion of the Independent Expert it is reasonable as the cash received could lead to the value of the Company's shares increasing through funding of the operations of the Company increasing returns to shareholders.

Shareholders are encouraged to read the Independent Expert's Report that accompanies this Notice of Meeting in its entirety.

#### Recommendations of the Directors

Mr Gregory Jones, who is associated with the Company's substantial shareholder; Variscan Mines Limited, (Platsearch) recommends that shareholders **vote in favour of this resolution.**

Mr Michael Giles, who is associated with the Company's substantial shareholder; Harland Capital Fund LLC recommends that shareholders **vote in favour of this resolution.**

Mr Steve Gemell, the Company's Chairman, who is an independent Director, recommends that shareholder's **vote in favour of this resolution.**

In making these recommendations, it is the opinion of each the Directors that the Issue of the Shares to Fortune represents the best strategy for the Company to continue as a going concern and to develop and acquire any number of under-valued mineral projects that are available in the current climate.

Apart from their holdings in shares of the company, as notified from time to time to the ASX, no Director of the Company has any interest in Fortune or any other aspect of the Agreement.

# Notice of Annual General Meeting

10 December 2015

## SPECIAL BUSINESS

### Item 6 - Issue of shares up to 10% of the Company's issued capital

Listing Rule 7.1A enables an eligible entity to seek shareholder approval to issue Equity Securities up to 10% of its issued share capital over a 12 month period commencing from the Annual General Meeting where shareholder approval is received. The 10% issue capacity allowed under Listing Rule 7.1A ("7.1A 10% Capacity") is in addition to the Company's 15% annual placement capacity under Listing Rule 7.1.

An eligible entity for the purposes of Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less. The Company is an eligible entity. The Company is now seeking shareholder approval by way of a special resolution to have the ability to issue Equity Securities under the 7.1A 10% Capacity. The exact number of Equity Securities to be issued under the 7.1A 10% Capacity will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2.

The Company may use the 7.1A 10% Capacity to acquire new resource assets or investments, to carry out further exploration on the Company's tenements, as part of the consideration for the acquisition of further tenements and/or for the working capital needs of the Company.

Item 6 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

#### a) Listing Rule 7.1A

##### Shareholder approval required

The ability to issue Equity Securities under Listing Rule 7.1A is subject to shareholder approval by way of special resolution at an Annual General Meeting.

##### Class of equity securities issued

Any Equity Securities issued under the 7.1A 10% Capacity must be in the same class as an existing quoted class of Equity Securities of the Company.

As at the date of this Notice, the Company has only one class of quoted Equity Securities – fully paid ordinary shares.

##### Calculating 7.1A 10% Capacity

Listing Rule 7.1A.2 provides that eligible entities which have obtained shareholder approval at an Annual General Meeting may issue or agree to issue during the period of the approval a number of Equity Securities calculated in accordance with the following formula:

$$(AxD)-E$$

Where:

**A** is the number of shares on issued 12 months before the date of issue or agreement:

- **Plus** the number of fully paid shares issued in the 12 months under an exception in Listing Rule 7.2;
- **Plus** the number of partly paid shares that became fully paid in the 12 months;
- **Plus** the number of fully paid shares issued in the 12 months with approval of holders of shares under Listing Rule 7.1 and 7.4. This does not include an issue of fully paid shares under the entity's 15% placement capacity without shareholder approval;
- **Less** the number of fully paid shares cancelled in the 12 months.

**D** is 10%.

**E** is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with the approval of shareholders under Listing Rule 7.1 or 7.4.

#### Effect of Listing Rule 7.1 with 7.1A

The ability of an entity to issue Equity Securities under Listing Rule 7.1A is in addition to the entity's 15% issue capacity under Listing Rule 7.1.

At the date of this Notice, the Company has on issue 152,524,401 shares and therefore will have a capacity to issue:

- (i) 22,878,660 Equity Securities under Listing Rule 7.1; and
- (ii) Subject to shareholder approval being sought under Item 6, 15,252,440 Equity Securities under Listing Rule 7.1A

The actual number of Equity Securities that the Company will have capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the Equity Securities in accordance with the formula prescribed in Listing Rule 7.1A.2.

#### Minimum Issue Price

The issue price of Equity Securities issued under Listing Rule 7.1A must be not less than 75% of the VWAP of Equity Securities in the same class calculated over the 15 trading days immediately before:

- The date on which the price at which the Equity Securities are to be issued is agreed; or
- If the Equity Securities are not issued within 5 trading days of the date referred to above, the date on which the Equity Securities are issued.

#### Approval Validity Period

Shareholder approval of the 7.1A 10% Capacity under Listing Rule 7.1A is valid from the date of the Annual General Meeting at which the approval is obtained and expires on the earlier to occur of:

- The date that is 12 months after the date of the Annual General Meeting at which the approved is obtained; or
- The date of the approval by shareholders of a transaction under Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking).

#### b) Specific Information required by Listing Rule 7.3A

The Equity Securities will be issued at an issue price of not less than 75% of the VWAP for the Company's Equity Securities over the 15 trading days immediately before:

- (i) The date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) If the Equity Securities are not issued within 5 trading days of the date in paragraph (i) above, the date on which the Equity Securities are issued.

If Item 6 is approved by Shareholders and the Company issues Equity Securities under the 7.1A 10% Capacity, the existing Shareholders' voting power in the Company will be diluted as shown in the table over page. There is a risk that:

- (i) The market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date of the Annual General Meeting; and
- (ii) The Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date or the Equity Securities are issued as part of consideration for the acquisition of a new asset, which may have an effect on the amount of funds raised by the issue of the Equity Securities.

The following table shows the dilution of existing Shareholders on the basis of the current market price of Shares and the current number of ordinary securities for variable 'A' calculated in accordance with the formula in



## Notice of Annual General Meeting

10 December 2015

Variable 'A' in Listing Rule 7.1A2		Issue Price Assumptions		
		Less: 50% \$0.006	Base \$0.012	Plus: 100% \$0.024
<b>Current</b>	10% issue	15,252,440	15,252,440	15,252,440
<b>152,524,401</b>	Funds raised	\$91,515	\$183,029	\$366,059
<b>Plus shares issued at Item 5</b>	10% issue	28,585,773	28,585,773	28,585,773
<b>285,857,734</b>	Funds raised	\$171,515	\$343,029	\$686,059
<b>Plus 50%</b>	10% issue	22,878,660	22,878,660	22,878,660
<b>228,786,601</b>	Funds raised	\$137,272	\$274,544	\$549,088
<b>Plus 100%</b>	10% issue	30,504,880	30,504,880	30,504,880
<b>305,048,802</b>	Funds raised	\$183,029	\$366,059	\$732,117

Listing Rule 7.1A(2) as at the date of this Notice with the resolution at Item 4 passed.

Variable 'A' is based on the number of ordinary securities the Company has on issue. The number of ordinary securities on issue may increase as a result of issues of ordinary securities that do not require Shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover offer) or specific placements under Listing Rule 7.1 that are approved at a future Shareholders' meeting.

The table shows three examples where variable 'A' has:

- increased by the issue contemplated at Item 5 of this Notice of Meeting;
- increased by 50%; and
- increased by 100%.

The table also shows two examples where the issue price of ordinary securities has:

- decreased by 50%; and
- increased by 100%,

against the current market price.

The table has been prepared on the following assumptions

- The Company issues the maximum number of Equity Securities available under the 7.1A 10% Capacity.
- The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
- The table does not show an example of dilution that may be caused to a particular shareholder by reason of placements under the 7.1A 10% Capacity, based on that Shareholder's holding at the date of the Meeting.
- The table shows only the effect of issues of Equity Securities under Listing Rule 7.1A and not under the 15% placement capacity under Listing Rule 7.1.
- The issue price is \$0.012 being the closing price of the Shares on ASX on 7 October 2015.

The Company will only issue and allot the Equity Securities during 12 months following the approval of Item 6. The approval under Item 6 for the issue of the Equity Securities will cease to be valid in the event that Shareholders approve a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities or Listing Rule 11.2 (disposal of main undertaking).

The Company may seek to issue the Equity Securities for the following purposes:

### Non-cash consideration

- For all or part of the cost of acquisition of new resources assets and investments (including expenses associated with such acquisition); and/or
- Exploration and feasibility study expenditure on any of the Company's resource assets; and/or
- For the payment of any creditors of any kind who may agree with the Company to accept Equity Securities in lieu of cash.

In all of the foregoing circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3;

### Cash consideration

- For all or part of the cost of acquisition of new resources assets and investments (including expenses associated with such acquisition); and/or
- Exploration and feasibility study expenditure on any of the Company's resource assets; and/or
- General working capital.

The Company will comply with the disclosure obligations under Listing Rules 7.1A (4) and 3.10.5A upon issue of any Equity Securities.

The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 7.1A 10% Capacity. The identity of the allottees of Equity Securities will be determined on a case-by-case basis having regard to the factors including but not limited to the following:

- The methods of raising funds that are available to the Company, including but not limited to, rights issues or other issues in which existing securities holders can participate;
- The effect of the issue of the Equity Securities on the control of the Company;
- The financial situation and solvency of the Company; and
- Advice from corporate, financial and broking advisers (if applicable).

The allottees under the 7.1A 10% Capacity have not been determined as at the date of this Notice but may include existing substantial shareholders and/or new shareholders who are not related parties or associates of a related party of the Company. Further, if the Company is successful in acquiring new resources assets or investments, it is likely that the allottees under the 7.1A 10% Capacity will be the vendors of the new resources assets or investments.

The following table shows details of all issues of Equity Securities in the 12 months preceding this Annual General Meeting and other information required under Listing Rule 7.3A. On 10 December 2014 the Company had on issue 147,700,630 ordinary shares and 6,350,000 options making a total of 154,050,630 Equity Securities. During the 12 months prior to this Annual General Meeting the Company issued 4,823,771 ordinary shares and no options making a total of 4,823,771 Equity Securities or 3.1% of the total on issue at 10 December 2014. The Company previously obtained Shareholder approval under Listing Rule 7.1A on 19 November 2014.

A voting exclusion statement is included in this Notice of Meeting. At the date of this Notice, the Company has not approached any particular existing Shareholder or security holder or an identifiable class of existing security holders to participate in the issue of the Equity Securities. No existing Shareholder's votes will therefore be excluded under the voting exclusion in the Notice.

## Notice of Annual General Meeting

10 December 2015



Date	Details	Consideration	Use of Cash Raised	Balance Remaining	Number	Class	Issue Price	Market	- Discount/ + Premium
19 December 2014	Share placement to Harland Capital Fund LLC.	\$147,000 cash	Nowa Nowa development & working capital	NIL	3,500,000	Fully paid ordinary shares	\$0.042	\$0.022	+91%
26 February 2015	Shares issued to Planning & Property Partners Pty Ltd in consideration for professional services provided.	Professional services provided to value of \$33,915	NA	NA	807,500	Fully paid ordinary shares	\$0.042	\$0.013	+223%
14 July 2015	Shares issued to Planning & Property Partners Pty Ltd in consideration for professional services provided.	Professional services provided to value of \$6,195	NA	NA	516,271	Fully paid ordinary shares	\$0.012	\$0.012	Nil
				<b>Total</b>	<b>4,823,771</b>				

Level 6, 350 Kent Street  
Sydney NSW 2000

75 Lyons Road  
Drummoyne NSW 2047

9 October 2015

# **K.S. Black & Co.**

**Chartered Accountants**

ABN 57 446 398 808

20 Grose Street  
North Parramatta NSW 2151

PO Box 2210  
North Parramatta NSW 1750

The Directors  
Eastern Iron Limited  
Level 1  
80 Chandos Street  
ST LEONARDS NSW 2065

Dear Board Members,

## **The Resolution at Item 5 – Issue of Shares**

### **Executive Summary**

#### **1. Purpose of the Report**

The Directors of Eastern Iron Limited ("the Company" or "Eastern Iron") have requested us to provide an Independent Experts Report to consider the fairness and reasonableness of the transaction as a whole to non-associated shareholders of the issue of shares to Fortune Future Holdings Ltd ("Fortune").

Such a report is required to be submitted to non-associated shareholders of the Company in accordance with the Corporations Act.

The Resolution at Item 5 is as follows:

*To consider and, if thought appropriate, pass the following resolution as an ordinary resolution:*

"That, for the purposes of ASX Listing Rule 7.1 and item 7 of section 611 of the Corporations Act 2001 and for all other purposes, approval be given to the Company for this issue of 133,333,333 fully paid ordinary shares in the Company at an issue price of \$0.015 per share to Fortune Future Holdings Ltd on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice."

#### **2. Conclusion**

In our opinion, and for the reasons set out in this Report, the transaction as a whole is fair and reasonable.

- a. The offer consideration is fair as it is greater than the value of the shares the subject of the offer.
- b. The offer consideration is reasonable as the Company is receiving cash flow which could lead to the value of the Company's shares increasing, through funding investment by and operational funding by Eastern Iron, which is restricted presently.



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## **Background Information**

### **1.1. Background to Issue of Shares**

The Resolution at Item 5 seeks Shareholder approval for the issue of 133,333,333 Shares to Fortune.

The funds raised from the issue of Shares will be used to undertake assessment of potential investments and acquisitions, continue progress on existing Projects and for working capital purposes.

Fortune is a Chinese owned company registered in the British Virgin Islands. On 22 September 2015 the Board entered into an Agreement with Fortune where by the Company agreed to issue, and Fortune has agreed to subscribe for 133,333,333 fully paid ordinary shares (the "Shares") in the Company at a subscription price of \$0.015 per share.

Fortune has a small number of shareholders and represents the interests of private Chinese investors who are also shareholders in some listed mining companies in China. Fortune is an active investor in the global mining industry and is currently the largest shareholder in Gowest Gold, Toronto based gold explorer.

The Agreement is conditional upon:

- a) Fortune shareholders' approval, which the Company expects will be forthcoming prior to this AGM. The Company will announce this approval to the ASX as soon as it is available;
- b) Notice of no objection from the Commonwealth under the Foreign Acquisitions and Takeovers Act. This is expected prior to the forthcoming AGM and the Company will announce this notice to the ASX as soon as it is available;
- c) Approval of the shareholders of Eastern Iron Limited, which is the subject of the Resolution at Item 5.

Under the Agreement, subscription monies of \$2,000,000 will be paid to the Company by Fortune within 10 business days of The Resolution at Item 5 being passed by shareholders. The Company will allot and issue 133,333,333 fully paid ordinary shares as soon as practicable after the subscription monies are received. The shares issued will rank equally with other fully paid ordinary shares.

The Agreement provides amongst other things that Fortune may in the current circumstances; nominate two persons as Directors of the Company to hold office until the following AGM where they would be eligible for election by shareholders.

Under section 606 of the Corporations Act 2001 there is a general prohibition against a person acquiring a relevant interest in more than 20% of a listed Company unless an exemption under section 611 applies. The share issue contemplated in The Resolution at Item 5 will be exempted under Exemption 7 to section 611 if it is passed by shareholders at the Annual General Meeting. In relying on this exemption:

- a) The Company will disregard any votes cast on the resolution by Fortune or any of its associates;
- b) The Company advises that Fortune or its associates is not in possession of any information that has not been made available to the market generally; and
- c) The Company advises that on completion of the share issue, Fortune will hold 46.6% of the voting shares in the Company.

## 1.2. Financial Information – Eastern Iron Limited

The financial information below has been prepared in accordance with International Financial Reporting Standards. There is no material difference between the latter and Australian Accounting Standards.

Below are Australian dollar extracts from the audited Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2015.

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2015.

	<b>\$A ,000</b>
Income	284
Less expenses;	<u>(654)</u>
Loss before taxation	<u>(370)</u>
Total comprehensive loss for the year	<u>(370)</u>

Below are extracts from the audited Consolidated Statement of Financial Position as at 30 June 2015.

Statement of Financial Position as at 30 June 2015.

	<b>\$A ,000</b>
<b>Assets</b>	
Current assets	
Cash and cash equivalents	84
Receivables	295
Non-current assets	
Deferred Exploration and Evaluation	6,390
Plant and equipment	7
Tenement security deposits	<u>10</u>
Total assets	<u>6,786</u>
	<b>\$A ,000</b>
<b>Liabilities</b>	
Current liabilities	
Payables	37
Provisions	8
Non-current liabilities	
Provisions	<u>23</u>
Total liabilities	<u>68</u>
Net assets	<u>6,718</u>
Shareholders equity	
Share capital	12,207
Reserves	43
(Accumulated losses)	<u>(5,532)</u>
Total shareholders equity	<u>6,718</u>

We have reviewed the Notes to the Financial Statements and all accounting policies adopted are appropriate to Eastern Iron, and follow generally accepted accounting policies for companies such as Eastern Iron.

In addition, no changes in the Company's position has occurred in the 4 months post balance date.

## **2. Requirement for an Independent Expert's Report**

ASIC Regulatory Guide 111 provides there is a general information requirement on directors which can be satisfied by providing an independent expert's report to consider the fairness and the reasonableness of the transaction as a whole.

The Directors have appointed KS Black Financial Advisory Pty Limited as the independent expert for the purposes of the Corporations Act.

We are required to:

- a. determine whether the offer consideration is fair and reasonable to non-associated shareholders; and
- b. address in our report any other information which we know which is material to shareholder decisions on the offer consideration.

What is fair and reasonable must be judged by the independent expert in all the circumstances of the offer. An offer is "fair" if the value of the consideration is equal to or greater than the value of the shares the subject of the offer. The offer consideration is "reasonable" if it is fair. It might also be reasonable if the expert believes there are sufficient reasons for shareholders to accept the offer. This means taking into account the likely advantages and disadvantages for non-associated shareholders and comparing them with the advantages and disadvantages for those shareholders if it is not accepted.

## **3. Valuation of Interest in Eastern Iron**

### **3.1. Valuation Methodologies**

To determine if the offer is fair, we must derive an appropriate value of the shares in the Company.

The primary valuation methods commonly used for valuing an interest in a company are the:

- a. Market Based Methods
- b. Income Based Methods; and
- c. Asset Based Methods

Each of these methodologies has application in different circumstances.

#### **a. Market Based Methods**

Market-Based Methods estimate a company's shares fair market value by considering the market price of transactions of Eastern Iron, or the market value of guideline publicly traded companies. As Eastern Iron is a public listing company, this market price is ascertainable, but not at present indicative, as turnover of shares is too small relative to total shares on issue. (refer Section 4.3.1 below).

#### **b. Income Methods: Discounted Cash Flow ("DCF") Method**

Under the DCF methodology, the value of shares is calculated as the net present value of the estimated future cash flows including a terminal value, if appropriate. In order to arrive at the net present value, cash flows are discounted using a discount rate, which reflects the risks associated with the cash flow stream.

This approach is commonly used to value an asset that has a finite life and the future cash flows can be forecast with a reasonable degree of confidence. Additionally, this methodology is adopted for the valuation of projects and assets where it is not possible to estimate "maintainable" earnings as the business is in a state of transformation, start-up or rapid growth.

**c. Asset Based Methods**

An Asset-Based methodology can be applicable in circumstances where neither a capitalisation of earnings nor a DCF methodology is appropriate. It is commonly used in circumstances where the earnings of the company do not support the net asset base, for example, loss-making, property or share holding companies.

Using this methodology, the value of an interest in a company would be adjusted for the time, cost and taxation consequences of realising the company's assets.

**4.2 Selection of Methodology**

As Eastern Iron is a mining exploration company, and as its operations are not yet cash flow positive, neither income nor cash inflows are consistent.

We have considered the Assets Based Method as an appropriate basis to value as Eastern Iron is loss-making.

We have also considered the Market Based Method as Eastern Iron is a listed public company having stock market turnover.

**4.3 Valuation of Shares of Eastern Iron**

**4.3.1 Market Based Method**

We have reviewed stock market prices and turnover for July through September 2015 in Table 1 below.

Table 1

Date	Turnover	Price
29 July	55,400	.015
12 August	5,000	.016
1 September	15,000	.012
18 September	10,307	.012
25 September	20,000	.012

First, the share price is trending so it is below the Fortune issue price of \$0.015. However, there are 152,524,401 shares on issue, so turnover has been relatively small. As a result, the value under the Market Based Method is not an indicative value of shares in Eastern Iron as turnover is too small relative to total shares on issue.

Consequently, we consider the Assets Based Method the more appropriate basis to value shares in Eastern Iron as the Market Based Method does not lead to an indicative value.

**4.3.2 Assets Based Method**

The audited net assets of Eastern Iron as at 30 June 2015 was \$6,718,254. Based on the number of shares on issue of 152,524,401, the net assets per share is calculated to be 4.4 cents. This amount exceeds the Fortune offer consideration of 1.5 cents per share.

#### 4.3.2 Assets Based Method (cont.)

However, Eastern Iron had a comprehensive loss for the year ended 30 June 2015 of \$370,900 (2014: \$1,496,365).

We have reviewed the market value of all assets held by the Company disclosed in Section 1.2 of this Report. We are satisfied their carrying value is indicative of their market value, with the exception of Deferred exploration and evaluation expenditure of \$6,389,930.

Eastern Iron is not yet in production. The iron ore market has declined 46% over the past year, and the iron ore price has declined by 32%. Hence the likelihood of Eastern Iron commencing production at present is unlikely as the business environment is not appropriate.

Deferred exploration and evaluation expenditure is an asset composed only of an accumulation of costs expected to be recouped through successful development and exploitation of the areas of interest, or sale; but which have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. The Nowa Nowa Project has not yet even been assessed to a Pre-feasibility stage.

We have engaged Terence Willsfeed & Associates , Consulting Mining Engineers to carry out a review of the value of the Nowa Nowa Project in the context of available resource estimates. Work has been by them to express a value for the project at the current stage and regarding the recoverability and sales potential of the ore available from the measured resources, which are calculated to be 2.3 million tonnes at 52.8%Fe. The minable resources are held within Tenement No. MIN 5571, available until April 2034.

At this time they have concluded **no value** is estimated from the available resources because of the low value of the iron price and the very limited size of the measured resources.

Coming from this review and conclusions, the value of the Project would lead to the carrying value of Deferred Exploration and Evaluation expenditure being significantly discounted to a nominal value. First, due to the conclusion of Terence Willstead & Associates that the minable resources have no value, the asset represented by Deferred exploration and evaluation expenditure consequently must be discounted to a nominal value only. Secondly, as none of this Deferred exploration and evaluation expenditure is represented by assets having a market value, this asset much be discounted to a nominal value only.

As a consequence, the calculation of Net Assets is much closer to \$328,324 than \$6,718,254. At \$328,324, net assets per share is calculated to be .2 cents per share.

As a result, using the Assets Based Method, the value of shares of Eastern Iron approaches .2 cents per share. This value is substantially below the Fortune issue consideration of 1.5 cents per share.

#### 5. Conclusion as to Fairness

In considering if an issuance of shares under section 611(7) is fair, we must compare the pre-transaction value of a share in Eastern Iron on a control basis, with the diluted post-transaction value of a share in Eastern Iron on a minority basis. This allows consideration of the actual position of non-associated shareholders before and after the transaction to reflect that the control is prima facie passing to Fortune. Notwithstanding that on completion of the \$2million share issue Fortune will have only 46.6% of the voting share issues of Eastern Iron (that is, less than 50%), and have only 2 seats on a 5 member Board (that is, less than 50%), as Fortune's holding is greater than 20%, it will gain significant influence over the Company, and Fortune's transaction could have a potential effect on any future takeover offers.



## 5. Conclusion as to Fairness (cont.)

Before the proposed issue, using the Assets Based Method, the value of Net Assets of \$328,324 determined above leads to a calculation of net assets per share of .2 cents per share in the Company.

After the proposed issue of shares, the \$2million in cash raised will increase the value of Net Assets of \$328,324 above to \$2,328,324. The number of shares on issue will increase from 152,524,401 to 285,857,734, leading to a calculated prima facie, post transaction value of a share in the Company of .8 cents per share.

As a result, the calculation of Net Assets per share will increase from .2 cents per share (pre-transaction value) to .8 cents per share (prima facie, post transaction value). Consideration needs then occur as to whether this latter prima facie figure should then include a minority discount on the diluted post-transaction value of Eastern Iron as a whole, as the issue of shares to Fortune would have its shareholding exceeding 20% to 46.6%. That is, the Company's existing Non-Associated Shareholders voting interest will decrease from 100% to 54.4%. So this transaction could have a potential effect on any future takeover offers.

As Fortune will hold close to 50% of the Company after completion of the \$2million share issue, Fortune's holding will significantly stifle the success of any future takeover offers. Hence, a significant minority discount should be applied to the Net Assets of the Company as a whole.

As noted by KPMG in their Valuation Practices Survey (2013), the Australian market is distinctly lacking in research on minority discounts. Notwithstanding the latter, their Survey indicated that the benchmark minority discount applied where the size of the stake being valued fell between 25% and 49% was 30%.

Divestopedia (which reviews the US market) concluded that historical studies have shown the minority discount typically ranged from 25-50%.

As a result, notwithstanding that after the proposed issue of shares, the value of the Net Assets of Eastern Iron will prima facie rise to \$2,328,324, if we apply a minority discount in the range of 25%-50%, the actual position of non-associated shareholders using an Assets Based Method will have their shares valued at between .4 cents (at 50%) and .6 cents (at 25%) based on discounted Net Assets of \$1,164,162. (\$2,328,324 x 50% discount) and \$1,746,243 (\$2,328,324 x 25% discount) respectively.

On neither an analysis of the value of a shareholder's shares on a pre or post transaction value of Eastern Iron as a whole does the value of shares determined above exceed the 1.5 cents offer price.

As a consequence, the offer consideration is fair to the non-associated shareholders of the Company.

## 6. Position if Offer is Accepted

ASIC Regulatory Guide 111 states that the independent expert needs to consider whether the Proposal is fair and reasonable to the members of the Company as a whole. Therefore, we have considered the position if the resolution is adopted and have taken into account the following advantages and disadvantages in this assessment.

We have weighed these advantages and disadvantages and have found the offer is reasonable.

### i. Advantages

Shareholders would have read from the Annual Report that the Company had cash and current receivables as at 30 June 2015 of \$379,000. These limited cash reserves severely limit the investment and operational funding of the Company.

Additional capital will permit the Company to acquire and develop under-valued mineral projects, as well as continue to assess the Nowa Nowa Project, potentially to Bankable Feasibility Stage. This could lead to an increase in the value of the Company's shareholders' shares.

## **6. Position if Offer is Accepted (cont.)**

### **ii. Disadvantages**

Due to Fortune's interest in the Company being 46.6% on completion of the share issue other investors may choose not to invest due to Fortune's interest and hence control over Company activities being less. This could restrict the Company accessing additional capital to permit the Company to make appropriate investments and fund the further assessment of the Nowa Nowa Project. This could lead to the value of the Company's shareholders shares not increasing.

## **7. Sources of Information**

We have relied on the following information for the purposes of preparing this Report:

- Audited Financial statements of Eastern Iron for the year ended 30 June 2015.
- Discussions with the Company management as well as management accounts.
- Australian Financial Review.
- ASX website.
- Review by Terence Willsteed & Associates.
- Divestopedia – Minority Discount.
- KPMG Valuation Practices Survey 2013.

## **8. Independence**

We are entitled to receive a fee of \$15,000 (excluding GST) for this Report. Except for the fee, we have not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this Report.

Prior to accepting this engagement, we considered our independence with respect to the Company with reference to the ASIC Regulatory Guide 112 titled "Independence of Experts". In our opinion, we are independent of the Company.

We do not have at the date of the Report, and have not had within the previous 2 years, any relationship with the Company beyond that of professional advisors.

A draft of this Report was provided to the Company and its advisers for confirmation of the factual accuracy of its contents. No significant changes were made to this Report as a result of this review.

In addition, we have been indemnified by the Company in respect of any claim arising from our reliance on information provided by the Company, including the non-provision of material information, in relation to the preparation of this Report.

## **9. Qualifications**

KS Black Financial Advisory Pty Limited has experience in the provision of corporate financial advice.

The director responsible for preparing the Report, Stuart Cameron, has degrees in economics and law from the University of Sydney, is a Fellow of The Institute of Chartered Accountants in Australia, and is a Certified Internal Auditor. He has given advice, including provision of Independent Experts and Investigating Accountants Reports, in connection with mining and exploration companies for many years.

## **10. Disclaimers and Consents**

This Report has been prepared at the request of the Company.

We hereby consent to this Report accompanying the Notice of Annual General Meeting. Apart from such use, neither the whole nor any part of this Report, nor any reference thereto may be included in or with, or attached to any document, circular resolution, statement or letter without prior written consent.

**10. Disclaimers and Consents (cont.)**

We take no responsibility for the contents of the Notice of Annual General Meeting other than this Report.

We have not independently verified the information and explanation supplied to us, nor have we conducted anything in the nature of an audit of the Company, but we have critically evaluated all relevant information obtained. However, we have no reason to believe that any of the information or explanation so supplied is false or that material information has been withheld.

The statements and opinions included in this Report are given in good faith and in the belief that they are not false, misleading or incomplete.

The terms of our engagement are such that we have no obligation to update this Report for events occurring subsequent to the date of this Report.

**11. Indemnity**

The Company has provided an indemnity for us for any claims arising out of any mis-statement or omission in any material or information provided to it in the preparation of this Report.

Yours sincerely  
KS Black Financial Advisory Pty Ltd

*KS Black Financial Advisory Pty Ltd*

## FINANCIAL SERVICES GUIDE

Dated 9 October 2015

KS Black Financial Advisory Pty Ltd ACN 604 130 529 ("KSB FA" or "we" or "us" or "ours" as appropriate) has been given authority to issue general financial product advice in the form of a report to be provided to you. We are an authorised representative of Alpha Securities Pty Ltd (ACN 124 327 064) ["Alpha"].

### 1. FINANCIAL SERVICES GUIDE

In the above circumstances we are required to issue to you, as a retail client, a Financial Guide ("FSG"). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees. This FSG includes information about:

- Who we are and how we can be contacted;
- The services we are authorised to provide are by way of authority under the Australian Financial Services Licence, Licence No 330757 of Alpha;
- Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- Any relevant associations or relationships we have; and
- Our complaints handling procedures and how you may access them.

### 2. FINANCIAL SERVICES WE ARE AUTHORISED TO PROVIDE

We are an authorised representative of Alpha. Alpha holds an Australian Financial Services Licence and is authorised to provide general financial product advice to retail and wholesale clients including the following classes of financial products:

- Derivatives limited to old law securities, options contracts and warrants;
- Securities; and
- Superannuation

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly, but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided under an authority given by a financial services licensee authorised to provide the financial product advice contained in the report.

### 3. GENERAL FINANCIAL PRODUCT ADVICE

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider the statement before making any decision about whether to acquire the product.

### 4. FEES, COMMISSIONS AND OTHER BENEFITS THAT WE MAY RECEIVE

We have charged \$15,000 (excluding GST) for providing this report.

Except for the fees referred to above, neither we, nor any of its directors, employees or related entities, have received any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

### 5. REMUNERATION OR OTHER BENEFITS RECEIVED BY OUR EMPLOYEES

All our employees receive a salary.

### 6. REFERRALS

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

### 7. ASSOCIATIONS AND RELATIONSHIPS

From time to time, we may provide professional services to financial product issuers in the ordinary course of our business under Alpha's authority.

### 8. COMPLAINTS RESOLUTION

#### 8.1 International Complaints Resolution Process

Having authority under a holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to The Complaints Officer, KS Black Financial Advisory Pty Limited, 20 Grose Street, North Parramatta NSW 2150.

When we receive a written complaint, we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than **45 days** after

receiving the written complaint, we will advise the complaint in writing of our determination.

## **8.2 Referral to External Dispute Resolution Scheme**

A complaint not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Industry Complaints Service Limited ("**FICS**"). FICS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Alpha is a member of the FICS Complaints Handling Tribunal No. E-473.

Further details about FICS are available at the FICS website [www.fics.asn.au](http://www.fics.asn.au) or by contacting them directly via the details set out below.

Financial Industry Complaints Service Limited

PO Box 579  
Collins Street West  
MELBOURNE VIC 8007

Toll free: 1300 780 808  
Facsimile: (03) 9621 2291

## **9. CONTACT DETAILS**

You may contact us using the details set out in paragraph 8.1 in this FSG.



#### All Correspondence to:

-  **By Mail** Boardroom Pty Limited  
GPO Box 3993  
Sydney NSW 2001 Australia
-  **By Fax:** +61 2 9290 9655
-  **Online:** [www.boardroomlimited.com.au](http://www.boardroomlimited.com.au)
-  **By Phone:** (within Australia) 1300 737 760  
(outside Australia) +61 2 9290 9600

## YOUR VOTE IS IMPORTANT

For your vote to be effective it must be recorded **before 2:00pm (Sydney Time) on Wednesday 9 December 2015**

### TO VOTE BY COMPLETING THE PROXY FORM

#### STEP 1 APPOINTMENT OF PROXY

Indicate who you want to appoint as your Proxy.

If you wish to appoint the Chair of the Meeting as your proxy, mark the box. If you wish to appoint someone other than the Chair of the Meeting as your proxy please write the full name of that individual or body corporate. If you leave this section blank, or your named proxy does not attend the meeting, the Chair of the Meeting will be your proxy. A proxy need not be a security holder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

#### Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the meeting and vote. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by contacting the company's securities registry or you may copy this form.

To appoint a second proxy you must:

- complete two Proxy Forms. On each Proxy Form state the percentage of your voting rights or the number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- return both forms together in the same envelope.

#### STEP 2 VOTING DIRECTIONS TO YOUR PROXY

To direct your proxy how to vote, mark one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of securities are to be voted on any item by inserting the percentage or number that you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item for all your securities your vote on that item will be invalid.

#### Proxy which is a Body Corporate

Where a body corporate is appointed as your proxy, the representative of that body corporate attending the meeting must have provided an "Appointment of Corporate Representative" prior to admission. An Appointment of Corporate Representative form can be obtained from the company's securities registry.

#### STEP 3 SIGN THE FORM

The form **must** be signed as follows:

**Individual:** This form is to be signed by the securityholder.

**Joint Holding:** where the holding is in more than one name, all the securityholders should sign.




**Power of Attorney:** to sign under a Power of Attorney, you must have already lodged it with the registry. Alternatively, attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** this form must be signed by a Director jointly with either another Director or a Company Secretary. Where the company has a Sole Director who is also the Sole Company Secretary, this form should be signed by that person. **Please indicate the office held by signing in the appropriate place.**

#### STEP 4 LODGEMENT

Proxy forms (and any Power of Attorney under which it is signed) must be received no later than 24 hours before the commencement of the meeting, therefore by **2:00pm (Sydney Time) Wednesday 9 December 2015**. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxy forms may be lodged using the enclosed Reply Paid Envelope or:

-  **By Fax** + 61 2 9290 9655
-  **By Mail** Boardroom Pty Limited  
GPO Box 3993,  
Sydney NSW 2001 Australia
-  **In Person** Level 12, 225 George Street,  
Sydney NSW 2000 Australia

#### Attending the Meeting

If you wish to attend the meeting please bring this form with you to assist registration.

**Your Address**

This is your address as it appears on the company's share register. If this is incorrect, please mark the box with an "X" and make the correction in the space to the left. Securityholders sponsored by a broker should advise their broker of any changes. **Please note, you cannot change ownership of your securities using this form.**

**PROXY FORM**

**STEP 1 APPOINT A PROXY**

I/We being a member/s of Eastern Iron Limited (Company) and entitled to attend and vote hereby appoint:

the Chair of the Meeting (mark box)

OR if you are **NOT** appointing the Chair of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered shareholder) you are appointing as your proxy below

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chair of the Meeting as my/our proxy at the Annual General Meeting of the Company to be held at the Office of BDO East Coast Partnership, Level 11, 1 Margaret Street, SYDNEY NSW 2000 on Thursday 10 December 2015 at 2:00pm (Sydney Time) and at any adjournment of that meeting, to act on my/our behalf and to vote in accordance with the following directions or if no directions have been given, as the proxy sees fit.

Chair of the Meeting authorised to exercise undirected proxies on remuneration related matters: If I/we have appointed the Chair of the Meeting as my/our proxy or the Chair of the Meeting becomes my/our proxy by default and I/we have not directed my/our proxy how to vote in respect of Item 2, I/we expressly authorise the Chair of the Meeting to exercise my/our proxy in respect of this Item even though Item 2 is connected with the remuneration of a member of the key management personnel for the Company.

The Chair of the Meeting will vote all undirected proxies in favour of all Items of business (including Item 2). If you wish to appoint the Chair of the Meeting as your proxy with a direction to vote against, or to abstain from voting on an item, you must provide a direction by marking the 'Against' or 'Abstain' box opposite that resolution.

**STEP 2 VOTING DIRECTIONS**  
 \* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your vote will not be counted in calculating the required majority if a poll is called.

**ORDINARY BUSINESS**

		For	Against	Abstain*
Item 2	Adoption of the Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 3	Re-election of Mr Gregory Jones as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 4	Ratification of a previous issue of shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 5	Issue of shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**SPECIAL BUSINESS**

Item 6	Issue of shares up to 10% of the Company's issued capital	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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**STEP 3 SIGNATURE OF SHAREHOLDERS**  
 This form must be signed to enable your directions to be implemented.

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director / Company Secretary

Contact Name.....

Contact Daytime Telephone.....

Date / / 2015