

EASTERN IRON LIMITED

ABN 70 126 678 037

HALF YEAR FINANCIAL REPORT 31 DECEMBER 2016

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Your directors submit their report for Eastern Iron Limited for the half year ended 31 December 2016.

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.

Steve Gemell	Non-Executive Chairman
Greg Jones	Non-Executive Director
Michael Giles	Non-Executive Director
Dahui Zhang	Non-Executive Director
Yungang Wu	Non-Executive Director

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 \$2,552,590 (2015: \$258,607) which includes exploration write offs during the period of \$2,122,345 (2015: \$30,323).

Highlights

Eastern Iron actively reviews opportunities to acquire a substantial near-development or operating resource project for base or precious metals.

Several projects have been evaluated both within and external to Australia. However buoyant market conditions, particularly for precious metal projects, have created a highly competitive environment to secure quality projects. Nevertheless, with the continued support of its major shareholders, the company remains confident of acquiring a quality project.

Nowa Nowa Project

The Nowa Nowa Iron Project is located some 250 kilometres east of Melbourne close to the Princes Highway, which provides ready access to several nearby towns and possible export sites. Iron ore benchmark prices have fluctuated during the half year between US\$57/tonne in July 2016 and US\$79/tonne in December 2016, which made it difficult to raise funds to develop the project during the period. Little work has been undertaken on the Nowa Nowa project during the half year. However, the Company will continue to monitor conditions in the global iron ore market to determine when work on the project should recommence.

After Nowa Nowa EL was surrendered in mid-2015 and a replacement EL applied for over the Nowa Nowa project area, the Company was advised that the application was accepted in October 2015. The Company is confident that the tenement will in due course be granted.

Principal activities

The principal activity of the Group is the exploration for and delineation of iron ore, precious and base metals resources in the Australia/Asia Pacific region 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 2016 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 14.

Signed at Sydney this 14th day of March 2017 in accordance with a resolution of the directors.



Steve Gemell
Chairman

Consolidated Statement of Comprehensive Income



For the half year ended 31 December 2016

	Note	31 Dec 2016 \$	31 Dec 2015 \$
Revenue	4	14,127	339
ASX and ASIC fees		(16,204)	(17,678)
Audit fee		(10,500)	(12,500)
Contract administration services		(99,848)	(41,495)
Directors fees		(99,321)	(30,971)
Employee costs (net of costs recharged to exploration projects)		(124,627)	(65,073)
Exploration expenditure written off		(32,689)	(30,323)
Provision for impairment of exploration asset		(2,089,656)	-
Legal costs		(12,774)	(7,776)
Rent		(2,400)	(2,400)
Staff recruitment fees		(32,221)	-
Travel and accommodation costs		(21,492)	(23,075)
Other expenses from ordinary activities		(24,985)	(27,655)
Loss before income tax expense		(2,552,590)	(258,607)
Income tax expense		-	-
Loss after income tax expense		(2,552,590)	(258,607)
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		(2,552,590)	(258,607)
Earnings per share			
Basic loss per share (cents per share)	8	(0.89)	(0.17)
Diluted loss per share (cents per share)	8	(0.89)	(0.17)

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

Consolidated Statement of Financial Position



As at 31 December 2016

	Note	31 Dec 2016 \$	30 Jun 2016 \$
ASSETS			
Current assets			
Cash and cash equivalents	5	1,009,662	1,514,352
Receivables		8,083	21,718
Total current assets		1,017,745	1,536,070
Non-current assets			
Tenement security deposits	7	10,000	10,000
Plant and equipment		7,558	7,741
Deferred exploration and evaluation expenditure	6	4,368,011	6,439,981
Total non-current assets		4,385,569	6,457,722
Total assets		5,403,314	7,993,792
LIABILITIES			
Current liabilities			
Trade and other payables		63,429	63,853
Provisions		-	10,427
Total current liabilities		63,429	74,280
Non-current liabilities			
Provisions		-	27,037
Total non-current liabilities		-	27,037
Total liabilities		63,429	101,317
Net assets		5,339,885	7,892,475
EQUITY			
Contributed equity	9	14,026,562	14,026,562
Accumulated losses		(8,690,729)	(6,148,719)
Reserves	10	4,052	14,632
Total equity		5,339,885	7,892,475

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 2016

	Note	Contributed equity \$	Accumulated losses \$	Reserves \$	Total equity \$
At 1 July 2015		12,206,733	(5,531,971)	43,492	6,718,254
Loss for the period		-	(258,607)	-	(258,607)
Other comprehensive income		-	-	-	-
Total comprehensive income/(loss) for the period		-	(258,607)	-	(258,607)
Transactions with owners in their capacity as owners:					
Issue of share capital, net of transaction costs		6,195	-	-	6,195
Share capital applications, net of transaction costs		981,300	-	-	981,300
Expired option value transferred to Accumulated Losses		-	28,860	(28,860)	-
At 31 December 2015		13,194,228	(5,761,718)	14,632	7,447,142

	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	-	10,580	(10,580)	-
At 31 December 2016		14,026,562	(8,690,729)	4,052	5,339,885

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 2016

	31 Dec 2016	31 Dec 2015
Note	\$	\$
Cash flows from operating activities		
Payment to suppliers and employees	(476,486)	(217,106)
Interest received	19,663	339
R&D tax concession offset	-	281,080
Net cash flows (used in) operating activities	(456,823)	64,313
Cash flows from investing activities		
Expenditure on mining interests (exploration)	(46,845)	(64,997)
Purchase of plant and equipment	(1,022)	-
Net cash flows (used in) investing activities	(47,867)	(64,997)
Cash flows from financing activities		
Proceeds from issue of shares	-	1,000,000
Share issue costs	-	(15,000)
Net cash flows (used in) from financing activities	-	985,000
Net increase (decrease) in cash held	(504,690)	984,316
Add opening cash brought forward	1,514,352	84,331
Closing cash carried forward	5 1,009,662	1,068,647

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

1. Corporate information

The financial report of Eastern Iron Limited (the Company) for the half year ended 31 December 2016 was authorised for issue in accordance with a resolution of the directors on 14 March 2017. 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 2016.

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 2016.

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 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.

Notes to the Consolidated Financial Statements



For the half year ended 31 December 2016

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 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 2016 \$	31 Dec 2015 \$
Interest received	14,127	339
	14,127	339

5. Cash and cash equivalents

	31 Dec 2016 \$	30 Jun 2016 \$
Cash at bank	119,630	86,665
Money market securities – bank deposits	890,032	1,427,687
	1,009,662	1,514,352

6. Deferred exploration and evaluation expenditure

	31 Dec 2016 \$	30 Jun 2016 \$
Costs brought forward	6,439,981	6,389,930
Costs incurred during the period	50,375	129,723
Expenditure written off during the period	(32,689)	(79,672)
Provision for impairment of exploration asset	(2,089,656)	-
Costs carried forward	4,368,011	6,439,981

7. Contingent assets and liabilities

The Company has provided a guarantee totalling \$10,000 (30 June 2016: \$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.

Notes to the Consolidated Financial Statements



For the half year ended 31 December 2016

8. Earnings per share

	31 Dec 2016	31 Dec 2015
	\$	\$
Net profit/(loss) used in calculating basic and diluted gain/(loss) per share	(2,552,590)	(258,607)
	Number	Number
Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	285,857,734	152,491,869
	Cents per share	Cents per share
Basic earnings (loss) per share	(0.89)	(0.17)
Diluted earnings (loss) per share	(0.89)	(0.17)

9. Contributed equity

	31 Dec 2016	30 Jun 2016
	\$	\$
Share capital		
285,857,734 fully paid ordinary shares (30 June 2016 : 285,857,734)	14,597,896	14,597,896
Fully paid ordinary shares carry one vote per share and carry the right to dividends.		
Share issue costs	(571,334)	(571,334)
	14,026,562	14,026,562

	Number	\$
Movements in ordinary shares on issue		
At 31 December 2015		
Shares issued	152,524,401	12,597,896
	133,333,333	2,000,000
At 30 June 2016	285,857,734	14,597,896
Shares issued	-	-
At 31 December 2016	285,857,734	14,597,896

(i) The Company issued 133,333,333 shares at \$0.015 in a placement.

Notes to the Consolidated Financial Statements



For the half year ended 31 December 2016

10. Reserves (share based payments)

Movements in share based payments

At 31 December 2015

Options expired

At 30 June 2016

Options expired

At 31 December 2016

	Number	\$
	1,450,000	14,632
	-	-
	1,450,000	14,632
(i)	(1,000,000)	(10,580)
	450,000	4,052

(i) 1,000,000 options expired on 26 November 2016.

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 2016 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 2016 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

A handwritten signature in blue ink, appearing to read "Steve Gemell".

Steve Gemell

Chairman

Sydney, 14 March 2017

bdjpartners

CHARTERED ACCOUNTANTS

Independent Auditor's Review Report

To the members of Eastern Iron Limited

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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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 2016, 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 2016 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.



CHARTERED ACCOUNTANTS
AUSTRALIA • NEW ZEALAND



Tax agent
36730000

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 2016 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 2017

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CHARTERED ACCOUNTANTS

partners

A J Dowell CA
M Galouzis 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 2016 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

13 March 2017

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



Eastern Iron Limited

ABN 70 126 678 037

Directors

Steve Gemell	Non-Executive Chairman
Greg Jones	Non-Executive Director
Michael Giles	Non-Executive Director
Dahui Zhang	Non-Executive Director
Yungang Wu	Non-Executive Director

Company Secretary

Ian White

Registered and Administration Office

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Share Registry

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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