

EASTERN IRON LIMITED

ABN 70 126 678 037

HALF YEAR FINANCIAL REPORT 31 DECEMBER 2019

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Board of Directors

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

Company Secretary

Ian White

ASX Share Register

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Securities Exchange Listing

Australian Securities Exchange
ASX Code: EFE

DIRECTORS' REPORT

Your directors submit their report for Eastern Iron Limited for the half year ended 31 December 2019.

Directors Report

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

| | |
|--|------------------------|
| Eddie King | Non-Executive Chairman |
| Myles Fang | Non-Executive Director |
| Therese Taylor | Non-Executive Director |
| Nathan Taylor (alternate Therese Taylor) | 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 \$207,561 (2018: \$302,378) which includes exploration write offs during the period of \$17,750 (2019: \$62,869).

Highlights

Eastern Iron has investigated the potential to mine and produce iron ore from its wholly owned Nowa Nowa Iron Ore Project ("Project").

Nowa Nowa Project

Eastern Iron has commenced a desktop review to re-visit the feasibility of the Project. This review has been driven by sustained improvement in global iron market and high level external interest in the Project.

Integral to the development and commercialisation of Nowa Nowa will be the identification of a suitable port for handling and loading of iron ore on to suitably sized ships for export. Eastern Iron has identified a number of options for potential export, including the wharf and loading facility operated by Pentarch Logistics Pty Ltd ("Pentarch") at the Port of Eden, New South Wales. The Port of Eden is located 234 km from the Project and is accessed via sealed all weather highway. The Company considers the Port of Eden to be its preferred port to allow it to access global iron markets should it choose to develop the Project.

The Company has entered into a non-binding Memorandum of Understanding (MOU) with Pentarch, which sets out the framework under which the parties can proceed with investigations into the suitability of Eastern Iron utilising the Edrom facility, prior to entering into a binding commercial agreement. Under the MOU, Pentarch will assist and provide technical data to Eastern Iron in its investigation.

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

Polish Cobalt Project

During the December quarter 2019, Eastern Iron mutually agreed with Ion Mining Ltd ("Ion Mining") and its major shareholders to a further extension of the Company's option to acquire Ion Mining and its Polish cobalt project. In light of delays with regard to granting of the Przecznicza concession ("Tenement") to Ion Mining's wholly owned Polish incorporated subsidiary, the parties have agreed to a floating extension of the option period until 30 days from the date Ion Mining provides written confirmation and relevant verification documents to Eastern Iron (if requested) that the Polish Ministry of Environment has granted the Tenement to Ion Mining ("Tenement Grant Date"). The satisfaction date for the conditions precedent has also been extended to 3 months after the Tenement Grant Date. During the quarter, Ion Mining was granted an exploration concession for the Przecznicza Cobalt Project by the Polish Ministry of Environment.

On February 2020, Eastern Iron elected not to proceed with the acquisition due to weak cobalt market.

New Projects Search and Acquisition

Eastern Iron has been actively reviewing opportunities during the year to acquire an exploration and advanced exploration project for base or precious metals.

DIRECTORS' REPORT

Principal activities

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

Dividends

No dividends were paid or proposed during the period.

Significant events after the balance date

On 12 February 2020, the Company announced to the ASX that it had elected not to exercise its option to acquire Ion Mining Pty Ltd and its Polish cobalt project. Please refer to Note 11 for further details.

Other than the foregoing, there were, at the date of this report, no matters or circumstances which have arisen since 31 December 2019 that have significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years other than already detailed in the report.

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 13 March 2020 in accordance with a resolution of the directors.



Eddie King
Chairman

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the half year ended 31 December 2019

| | Note | 31 Dec 2019 \$ | 31 Dec 2018 \$ |
|--|------|-------------------|-------------------|
| Revenue | 4 | 2,227 | 6,835 |
| ASX and ASIC fees | | (18,016) | (20,520) |
| Audit fee | | (10,500) | (10,000) |
| Contract administration services | | (44,239) | (53,790) |
| Directors fees | | (90,000) | (125,000) |
| Exploration expenditure written off | | (17,750) | (62,869) |
| Insurance | | (9,113) | (10,980) |
| Rent | | (2,800) | (3,418) |
| Other expenses from ordinary activities | | (17,370) | (22,636) |
| Loss before income tax expense | | (207,561) | (302,378) |
| Income tax income/(expense) | | - | - |
| Loss after income tax expense | | (207,561) | (302,378) |
| 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 | | (207,561) | (302,378) |
| Earnings per share | | | |
| Basic loss per share (cents per share) | 8 | (0.05) | (0.07) |
| Diluted loss per share (cents per share) | 8 | (0.05) | (0.07) |

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

| | Note | 31 Dec 2019 \$ | 30 Jun 2019 \$ |
|---|------|-------------------|-------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 5 | 228,828 | 479,389 |
| Receivables | | 8,431 | 17,476 |
| Total current assets | | 237,259 | 496,865 |
| Non-current assets | | | |
| Tenement security deposits | 7 | 20,000 | 10,000 |
| Plant and equipment | | 2,549 | 3,764 |
| Deferred exploration and evaluation expenditure | 6 | 3,113,533 | 3,104,370 |
| Investment | 11 | 120,000 | 120,000 |
| Total non-current assets | | 3,256,082 | 3,238,134 |
| Total assets | | 3,493,341 | 3,734,999 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | | 41,271 | 75,368 |
| Total current liabilities | | 41,271 | 75,368 |
| Total liabilities | | 41,271 | 75,368 |
| Net assets | | 3,452,070 | 3,659,631 |
| EQUITY | | | |
| Contributed equity | 9 | 15,037,353 | 15,037,353 |
| Reserves | 10 | - | 123,509 |
| Accumulated losses | | (11,585,283) | (11,501,231) |
| Total equity | | 3,452,070 | 3,659,631 |

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 2019

| | Contributed equity \$ | Accumulated losses \$ | Reserves \$ | Total equity \$ |
|--|-----------------------------|-----------------------------|----------------|--------------------|
| At 1 July 2018 | 15,022,251 | (10,943,489) | 123,509 | 4,202,271 |
| Loss for the period | - | (302,378) | - | (302,378) |
| Other comprehensive income | - | - | - | - |
| Total comprehensive income/(loss) for the period | - | (302,378) | - | (302,378) |
| Transactions with owners in their capacity as owners: | | | | |
| Issue of share capital, net of transaction costs | 15,102 | - | - | 15,102 |
| At 31 December 2018 | 15,037,353 | (11,245,867) | 123,509 | 3,914,995 |

| | Contributed equity \$ | Accumulated losses \$ | Reserves \$ | Total equity \$ |
|--|-----------------------------|-----------------------------|----------------|--------------------|
| At 1 July 2019 | 15,037,353 | (11,501,231) | 123,509 | 3,659,631 |
| Loss for the period | - | (207,561) | - | (207,561) |
| Other comprehensive income | - | - | - | - |
| Total comprehensive income/(loss) for the period | - | (207,561) | - | (207,561) |
| Transactions with owners in their capacity as owners: | | | | |
| Issue of share capital, net of transaction costs | - | - | - | - |
| Expired options | - | 123,509 | (123,509) | - |
| At 31 December 2019 | 15,037,353 | (11,585,283) | - | 3,452,070 |

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 2019

| | Note | 31 Dec 2019 \$ | 31 Dec 2018 \$ |
|--|------|-------------------|-------------------|
| Cash flows from operating activities | | | |
| Payment to suppliers and employees | | (193,879) | (254,952) |
| Interest received | | 2,227 | 6,765 |
| Net cash flows (used in) operating activities | | (191,652) | (248,187) |
| Cash flows from investing activities | | | |
| Expenditure on mining interests (exploration) | | (48,909) | (52,472) |
| Payment tenement security deposits | | (10,000) | - |
| Investments | | - | 548 |
| Net cash flows (used in) investing activities | | (58,909) | (51,924) |
| Cash flows from financing activities | | | |
| Proceeds from issue of shares | | - | - |
| Share issue costs | | - | - |
| Net cash flows (used in) from financing activities | | - | - |
| Net increase (decrease) in cash held | | (250,561) | (300,111) |
| Add opening cash brought forward | | 479,389 | 1,027,460 |
| Closing cash carried forward | 5 | 228,828 | 727,349 |

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 December 2019

1. Corporate information

The financial report of Eastern Iron Limited (the Company) for the half year ended 31 December 2019 was authorised for issue in accordance with a resolution of the directors on 13 March 2020. 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 2019.

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 2019 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 2019.

Management has reviewed and assessed the new accounting standards effective 1 July 2019 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 with the exception of deferred exploration and evaluation expenditure.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 December 2019

The Directors are investigating options to raise additional funds to meet the Group's minimum project development and administrative expenses in the next twelve months following the date of signing of the financial report.

The Directors believe that, subject to the ability to raise the required additional funds and the continued reduction in operating costs, the Group will have sufficient working capital to enable the Group to continue as a going concern.

If all of these options are unsuccessful, this may indicate there is a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

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 Board 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 2019 \$ | 31 Dec 2018 \$ |
|-------------------|-------------------|-------------------|
| Interest received | 2,227 | 6,835 |
| | 2,227 | 6,835 |

5. Cash and cash equivalents

| | 31 Dec 2019 \$ | 30 Jun 2019 \$ |
|---|-------------------|-------------------|
| Cash at bank | 10,562 | 11,123 |
| Money market securities – bank deposits | 218,266 | 468,266 |
| | 228,828 | 479,389 |

6. Deferred exploration and evaluation expenditure

| | 31 Dec 2019 \$ | 30 Jun 2019 \$ |
|---|-------------------|-------------------|
| Costs brought forward | 3,104,370 | 3,097,043 |
| Costs incurred during the period | 26,913 | 161,930 |
| Expenditure written off during the period | (17,750) | (154,603) |
| Costs carried forward | 3,113,533 | 3,104,370 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 December 2019

7. Contingent assets and liabilities

The Company has provided a guarantee totalling \$20,000 (30 June 2019: \$10,000) in respect of an exploration tenement in Victoria. This guarantee in respect of exploration tenements is secured against a deposit with a banking institution. The Company does not expect to incur any material liability in respect of the guarantees.

8. Earnings per share

| | 31 Dec 2019 | 31 Dec 2018 |
|---|------------------------|------------------------|
| | \$ | \$ |
| Net profit/(loss) used in calculating basic and diluted gain/(loss) per share | (207,561) | (302,378) |
| | Number | Number |
| Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS | 411,900,378 | 411,151,409 |
| | Cents per share | Cents per share |
| Basic earnings (loss) per share | (0.05) | (0.07) |
| Diluted earnings (loss) per share | (0.05) | (0.07) |

9. Contributed equity

| | 31 Dec 2019 | 30 Jun 2019 |
|---|-------------|-------------|
| | \$ | \$ |
| Share capital | | |
| 411,900,378 fully paid ordinary shares (30 June 2019: 411,900,378) | 15,843,203 | 15,843,203 |
| Fully paid ordinary shares carry one vote per share and carry the right to dividends. | | |
| Share issue costs | (805,850) | (805,850) |
| | 15,037,353 | 15,037,353 |

Movements in ordinary shares on issue

| | Number | \$ |
|----------------------------|-------------|------------|
| At 31 December 2018 | 411,900,378 | 15,843,203 |
| Shares issued | - | - |
| At 30 June 2019 | 411,900,378 | 15,843,203 |
| Shares issued | - | - |
| At 31 December 2019 | 411,900,378 | 15,843,203 |

10. Options

| Unlisted | Number of Options | Exercise Price | Expiry Date |
|----------------------------|-------------------|----------------|------------------|
| At 31 December 2018 | 34,541,702 | \$0.010 | 06 December 2019 |
| Option issued | - | - | - |
| Option expired | - | - | - |
| At 30 June 2019 | 34,541,702 | \$0.010 | 06 December 2019 |
| Option issued | - | - | - |
| Option expired | (34,541,702) | \$0.010 | 06 December 2019 |
| At 31 December 2019 | - | - | - |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 December 2019

Reserves (share based payments)

| | Number | \$ |
|--|--------------|-----------|
| Movements in share based payments | | |
| At 31 December 2018 | 20,000,000 | 123,509 |
| Options issued | - | - |
| Options expired | - | - |
| At 30 June 2019 | 20,000,000 | 123,509 |
| Options issued | - | - |
| Options expired | (20,000,000) | (123,509) |
| At 31 December 2019 | - | - |

11. Events after the balance sheet date

Since 31 December 2019, the Company has elected not to exercise its option to acquire Ion Mining Pty Ltd ("Ion Mining") and its Polish cobalt project. This was announced to the ASX on 12 February 2020. The Company previously paid \$120,000 to acquire this option and this amount is included as an investment in the Groups' balance sheet in this half-year report. Under the terms of the Option Agreement, the Company is able to recover part of this amount through the future issue by Ion Mining to the Company of fully paid ordinary shares. The Company has not yet determined a value for this recovery.

There were, at the date of this report, no other matters or circumstances which have arisen since 31 December 2019 that have significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years other than already detailed in the report.

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 2019 and of its performance for the half year ended on that date; and
 - (ii) Complying with Australian Accounting Standards AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) There are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Eddie King
Chairman

Sydney, 13 March 2020

Independent Auditor's Review Report

To the members of Eastern Iron Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Eastern Iron Limited and controlled entities (the consolidated entity), which comprises the consolidated statement of financial position as at 31 December 2019, 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 2019 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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scheme approved
under Professional
Standards Legislation.
Please refer to the
website for our
standard terms of
engagement.

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 2019 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*.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 "Going concern" which states that the directors are investigating options to raise additional funds. Should the fund raising be unsuccessful, it would indicate a material uncertainty which may cast doubt about the consolidated entity's ability to continue as a going concern and the consolidated entity's ability to pay its debts as and when they fall due. Our conclusion is not modified in respect of this matter.

BDJ Partners



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Gregory W Cliffe
Partner

13 March 2020

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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 2019 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

.....
Gregory W Cliffe
Partner

9 March 2020

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