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NEW ACQUISITION TO ENHANCE CENTRAL QUEENSLAND IRON PROJECT

- Eastern Iron Limited has agreed to purchase a 100% interest in the Eulogie Magnetite project in Central Queensland.
- In consideration, Eastern Iron will issue 2.5 million shares to RMM Capital Pty Ltd (RMM) subject to the satisfactory completion of due diligence.
- Previous drilling at Eulogie defined a historic (pre-JORC Code) resource of magnetite bearing ferrigabbro, which formed the basis of a pre-feasibility study completed in 1989.
- Previous metallurgical testwork produced a magnetite concentrate containing 58-64%Fe, 2-5% TiO₂ and 0.87%V₂O₅.
- Eulogie is ideally located 20km from sealed roads and 40km from a possible loading point on the Moura–Gladstone rail line, 125km west of Gladstone, thereby providing ready access to Australia's third largest coal export port.
- Eastern Iron will assess how Eulogie might optimally fit into the company's strategy to develop a major iron ore production industry in Central Queensland based on the potential development of the Hawkwood and Eulogie magnetite projects.

Eulogie Magnetite Project

The Eulogie project lies within Mineral Development Licence (MDL) 362, located 23km south of Mount Morgan and close to sealed roads connected to the main Moura–Gladstone railway line. This line is rated for high tonnage loadings and is part of the Central Queensland coal network.

Titanium and vanadium-bearing magnetite is concentrated within shallow dipping (30-40 degrees) gabbroic layers (ferrigabbro) up to 100m thickness within a layered igneous complex. The geology and nature of the ferrigabbro layers is almost identical to those recently drilled at the Hawkwood project and it is expected that iron products from the two areas will have many similarities.

In 1989 Thiess Contractors Pty Ltd examined the project as a possible source of iron ore for a proposed steel plant located at Gladstone. A pre-feasibility study was completed and included 30 RC and cored drill holes. Thiess estimated a resource based on the drilling, which at this stage may not be considered as JORC compliant, and also identified additional potential beyond the areas tested by drilling.

Thiess also completed preliminary magnetic separation testwork which, at a final grind size of 100 micron, produced concentrates containing 58-64% Fe, 2-5% TiO₂ and 0.87% V₂O₅.

Sale Terms

In consideration of acquiring a 100% interest in the Eulogie project and associated Mineral Development Licence, Eastern Iron has agreed to issue 2.5 million shares to RMM. The transaction is subject only to the satisfactory completion of legal due diligence.

There remains an overriding 2.5% gross proceeds royalty on production from the MDL which is payable to the original vendors of the property.

Central Queensland Iron Project

The acquisition of the Eulogie project provides Eastern Iron with a potential additional source of iron ore product in the Central Queensland area supplying a common export point at Gladstone Port. Eulogie, whilst with less resource potential than Hawkwood, is even better placed with respect to existing rail, road and port infrastructure and potentially could be brought on stream at relatively low capital cost and within a shorter time frame. This provides a number of options including sequential or staggered development of the two projects using cashflow from Eulogie to support a development at Hawkwood.

Over the coming months Eastern Iron will continue evaluating the resource potential at both Hawkwood and Eulogie including further product sampling and testwork to better define the characteristics of the iron concentrate.

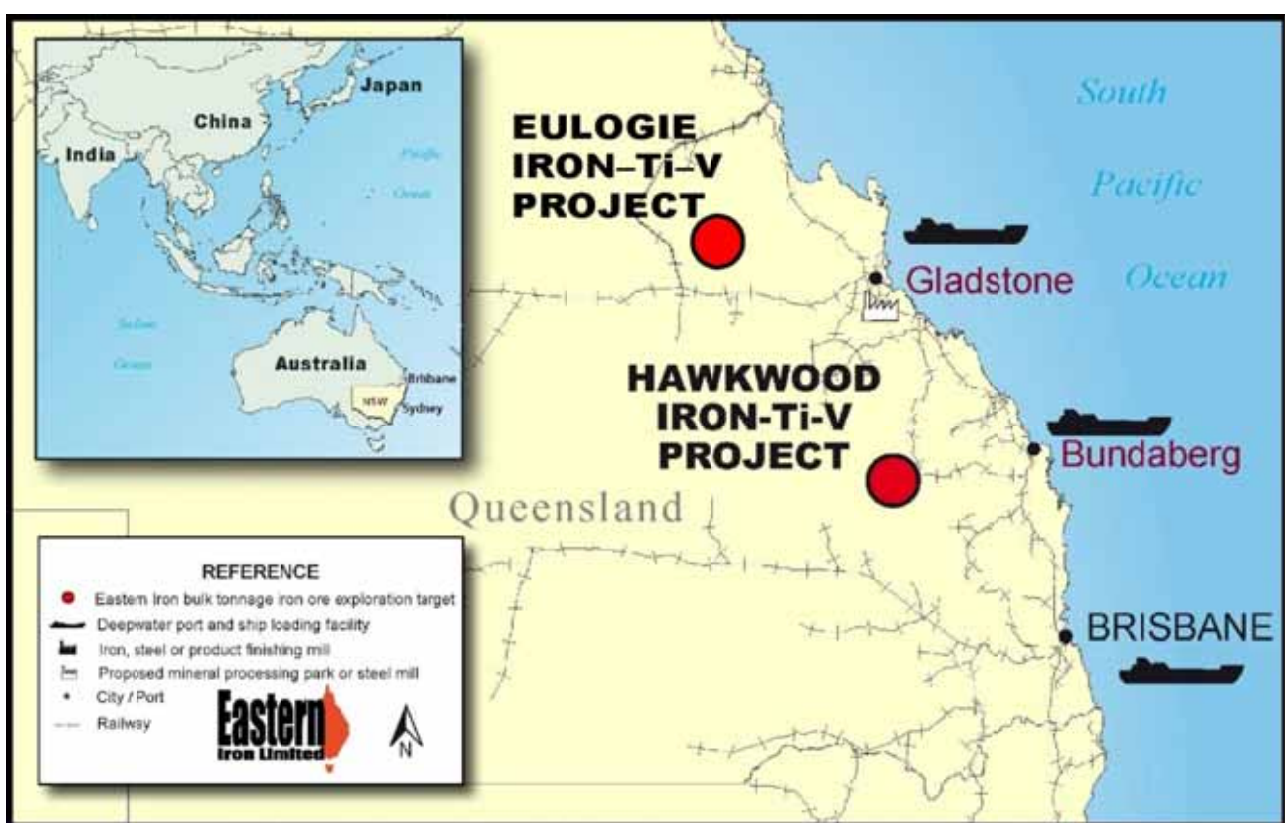


Figure 1 - Location of Eastern Iron's Hawkwood and Eulogie Projects

Investor Information

Eastern Iron is exploring and evaluating a number of mineral projects in eastern Australia, including the Hawkwood, Eulogie and Cobar Iron Projects and is also evaluating further new projects and exploration opportunities involving iron ore, coal, gold and other minerals that have potential to add value to our existing assets.

Further information, previous Eastern Iron announcements and exploration updates are available at the News and Reports tab on the Company's website - www.easterniron.com.au



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The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Greg De Ross, BSc, who is a Fellow of the Australasian Institute of Mining and Metallurgy. Greg De Ross is Managing Director and a full-time employee of Eastern Iron Limited and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Greg De Ross consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.