Eastern Iron Limited
ABN 70 126 678 037
Suite 3, Level 1, 80 Chandos Street
St Leonards, NSW 2065
PO Box 956, Crows Nest, NSW 1585
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www.easterniron.com.au

12 December 2008

Company Announcements Office
Australian Securities Exchange

Letter to Shareholders – Bonus Options

Attached is the cover letter mailed today with a prospectus to eligible shareholders of the Bonus Option issue.

Warm regards

Michelle Lilley
Company Secretary

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Dear Shareholder

BONUS ENTITLEMENTS ISSUE OF OPTIONS

Eastern Iron Limited is pleased to provide your holding statement for a pro rata bonus issue of options on the basis of one option for every two shares held at the record date of 28 November 2008 pursuant to the enclosed Prospectus. These bonus options are issued free with no requirement for you to take any action in relation to the issue. The bonus options will be exercisable at 12 cents each with an expiry date of 19 December 2010.

The primary purpose of the issue is to reward shareholders for their loyalty and support of the Company and to provide shareholders with an opportunity to participate in the continued growth of the Company. As the bonus options are being issued for no consideration, no funds will be raised under the issue. If all of the bonus options issued under the issue are exercised the Company will receive approximately $2,760,000. It is currently intended that any funds raised by the exercise of bonus options will be used to fund ongoing exploration operations, to augment the Company's general working capital and to provide funds for appropriate growth opportunities.

Your Company has made significant progress on its iron ore targets in infrastructure-rich eastern Australia since listing on 16 May 2008. Shareholders are encouraged to visit the Company's website to review current progress.

The Board regrets the uncertainty that existed while the proposed loyalty options issue was considered by ASX and trusts that shareholders will find the bonus options issue, which is on more generous terms than the proposed loyalty options issue, more appealing.

Yours faithfully
EASTERN IRON LIMITED

Peter Buckley
Managing Director