

Highlights from ...iron's new horizon

■ **Hawkwood Iron-Vanadium Project**

- **Low level, high resolution airborne magnetic survey defines +12km long highly magnetic zone.**
- **Ground magnetic traverses completed at intervals across the highly magnetic zone to better define the anomaly and assist in siting drill holes.**
- **Reverse circulation drilling program targeting magnetic anomaly commences in the last week of July 2010.**
- **Petrology on massive magnetite samples identifies coarse grain size and potential for low cost beneficiation to remove titanium.**

■ **Ongoing negotiations with potential joint venture parties to investigate downstream processing options for the large tonnage Cobar Iron Project.**



Hawkwood Project Area

HAWKWOOD IRON ORE JOINT VENTURE – QUEENSLAND

Airborne Magnetic Survey

The Hawkwood project area is prospective for magnetite iron deposits in a large layered intrusive complex.

Previous exploration has focussed on limited small outcrops of magnetite-bearing gabbro south of a prominent but poorly outcropping east-west trending magnetic feature apparent on regional scale geophysical surveys. Eastern Iron identified the magnetic anomaly as possibly representing a large body of magnetite obscured by recent cover sediments. A low level, high resolution airborne magnetic survey was completed by Eastern Iron earlier in 2010 to better define this anomaly. Processing and interpretation of this data during the last quarter has highlighted the intense and laterally extensive nature of the anomaly which is potentially related to massive magnetite layers in the intrusive. The processed magnetic images clearly show both the layering within the intrusive and the intensely magnetic layer (warm colours in Figure 1).

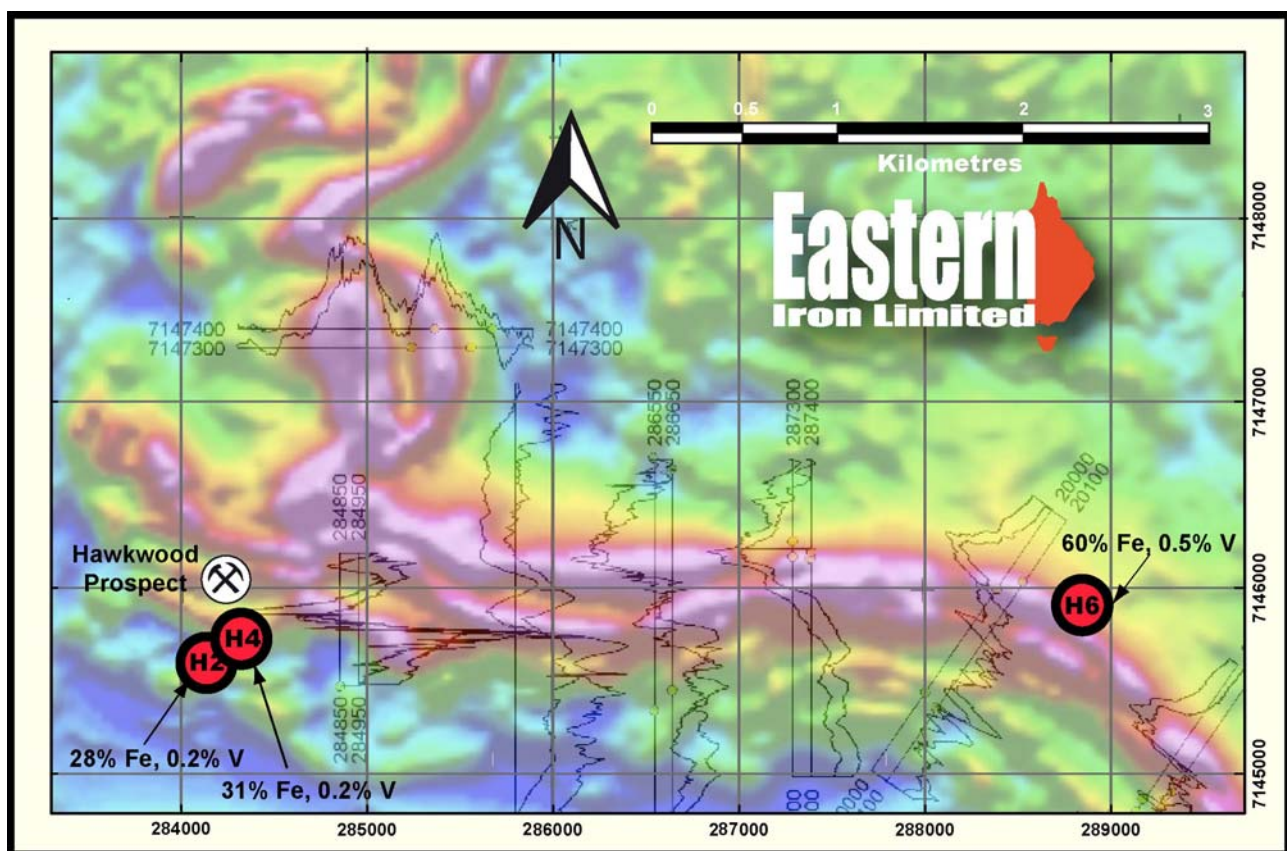


Figure 1: Airborne magnetic image showing location of ground magnetic traverses and ground magnetic profiles

Ground Magnetic Survey

Ground magnetic surveys were carried out on north-south lines across parts of the magnetic anomaly to provide better definition and assist in designing the follow up drilling program. Modelling of the magnetic data suggests a south-dipping magnetic layer or group of layers of around 200m thickness (Figure 2).

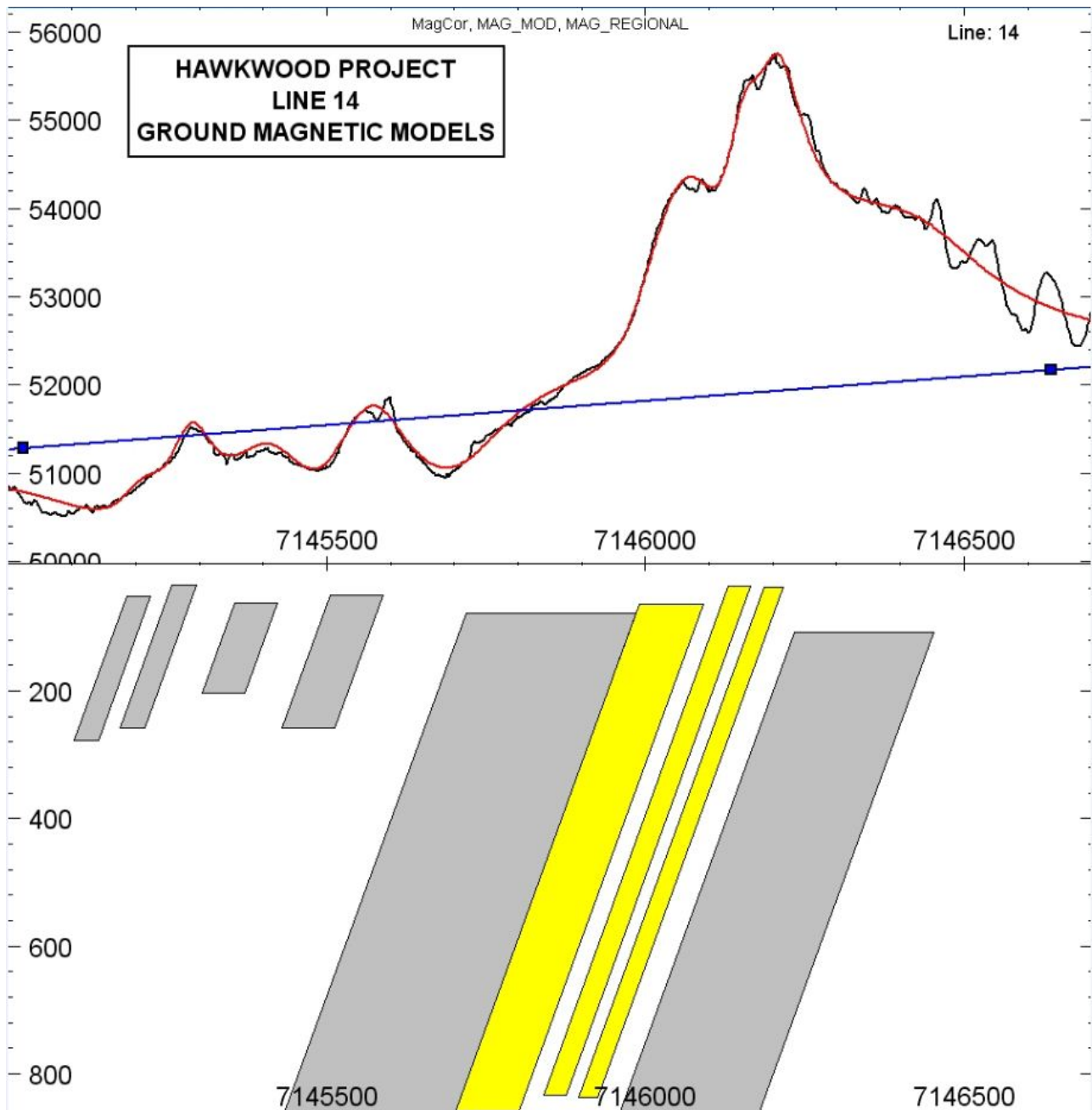


Figure 2: Ground magnetic profile 287400N looking west. Ground magnetic data (top profile) with interpreted strongly magnetic layers (yellow) and weakly – moderately magnetic layers (grey) in the bottom profile. Horizontal and vertical scales are in metres.

Drilling

A 2000m reverse circulation (RC) drilling program will commence in the last week of July 2010. Some 15-20 inclined holes of 100-150m depth will be drilled on the ground magnetic survey lines and are designed to intersect and test the source of the magnetic anomaly. The program is expected to be completed in late August 2010 with assay results available in September 2010.

Petrography

Preliminary petrographic analysis has been carried out for Eastern Iron by Paul Ashley Petrographic and Geological Services.

Polished sections of massive magnetite samples from Hawkwood show that magnetite grains are typically 1-5mm and intergrown with similar sized ilmenite (a titanium bearing mineral) and minor silicate minerals (Figure 3). This preliminary result indicates potential both for an unbeneficiated magnetite (DSO) product similar to assays previously reported for massive magnetite samples from Hawkwood (ie circa 60% Fe, 9% TiO₂, 0.5%V, 2% Al₂O₃, 1.7% SiO₂) and a beneficiated product of substantially lower TiO₂, SiO₂ and Al₂O₃ and higher Fe.



Figure 3: Slabbed surface sample of massive coarse magnetite from Hawkwood.

COBAR AND MAIN LINE PROJECTS – NSW

No further work was carried out on the NSW iron project during the quarter. The Board has previously decided to seek proposals from interested parties to acquire an interest in this project and discussions with potential joint venturers are at an advanced stage.

Financial position and exercise of options

During June 2010, PlatSearch NL advised Eastern Iron that they had exercised 2.7 million, 12 cent options resulting in a \$322,200 cash injection for Eastern Iron. There are now 20.3 million remaining listed 12 cent options on issue with an expiry date of 19 December 2010. The company had \$2.7 million in cash and similar assets at 30 June, 2010. The company has no debt.

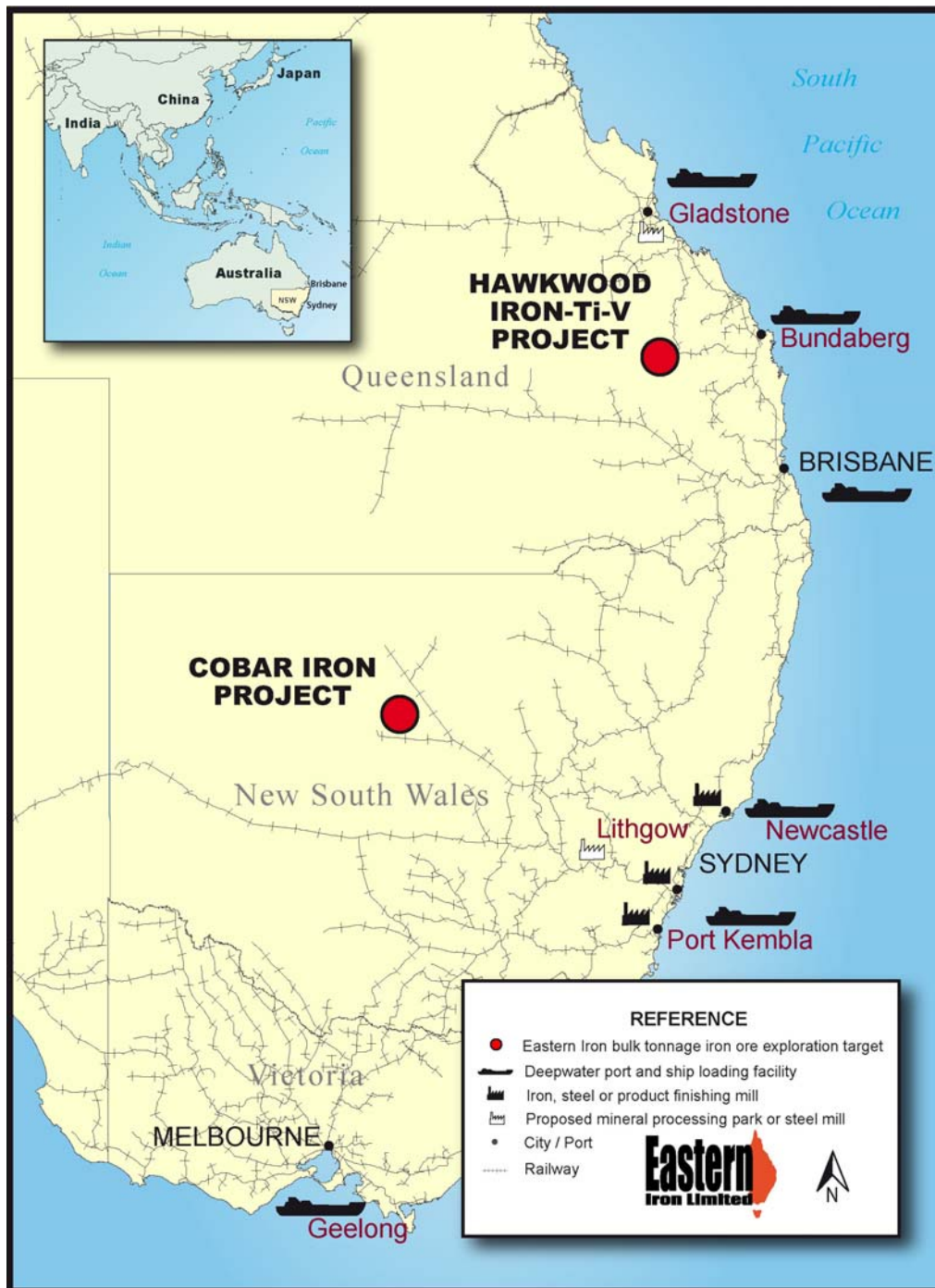


Figure 4: Location of Eastern Iron Projects

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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 CEO 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.