Eastern Iron Limited

ABN 70 126 678 037

... ASX Announcement

3 August 2010

NSW IRON ORE PROJECT FARM OUT AGREEMENT WITH 3E STEEL PTY LTD and PROPOSED TENEMENT OWNERSHIP CHANGES WITH PLATSEARCH NL

Eastern Iron Limited is pleased to announce that it has reached conditional agreement with 3E Steel Pty Ltd (3E) which will allow 3E to earn up to a 77.5% interest in 13 tenements (out of 17) in Eastern Iron's NSW pisolite iron project. 3E may earn its interest by completing further investigations, including a bankable feasibility study, into the potential development of an iron ore project. Under an earlier agreement with PlatSearch NL, Eastern Iron had earned an 80% interest in the project tenements with obligations to sole fund project expenditure to the completion of a bankable feasibility study. The agreement with 3E includes a requirement that Eastern Iron and PlatSearch execute an agreement to restructure the ownership of the 15 project tenements in which the companies hold interests.

The terms of the agreement with 3E provide that:

- 3E will expend a minimum commitment of $600,000 in the first year to undertake bulk sampling and beneficiation testing of the iron resource, aimed at producing a saleable product from the ore.
- 3E can then earn up to a 77.5% interest by continuing to sole fund project expenditure including completing a bankable feasibility study into an iron ore processing operation producing at least 2 million tonnes per annum of iron ore concentrate.
- At the completion of these funding stages Eastern Iron may choose to fund its interest or, at its option, convert to a royalty of $2.00 per tonne of iron ore product when the prevailing spot FOB price for 58% iron ore is US$100 per tonne or greater or a royalty of $1.00 per tonne of iron ore product when the FOB price is less than this amount.
- The 3E agreement includes a condition that Eastern Iron and PlatSearch execute a Tenement Swap Agreement, details of which are summarised below and for which Eastern Iron shareholder approval is required.

Under the previous Eastern Iron – PlatSearch Joint Venture Agreement, Eastern Iron had earned an 80% interest in the project and had obligations to continue sole funding ongoing exploration including the completion of a bankable feasibility study to retain its interest. PlatSearch held a free-carried 20% interest. Exploration and drilling across the 15 tenements held under the joint venture had identified a global resource of 627 million tonnes of low grade channel iron grading 10.3% Fe (above a 5% total Fe cut-off grade).

The new agreement with PlatSearch will see the project tenements split into two groups, i.e. the Eastern Block, comprising four exploration licences containing 352 million tonnes of the identified iron resource and the Western Block comprising 13 tenements and 275 million tonnes of the resource. Under the new agreement PlatSearch will give up its 20% free-carried interest in the project tenements in favour of a 51% contributing interest in the four Eastern Block tenements, with Eastern Iron holding the balance 49% contributing interest. PlatSearch will retain no interest in the Western Tenements in which Eastern Iron will hold 100% and which are subject to the 3E joint venture arrangements.

The accompanying maps and table show the tenement ownership interests as they are at present and how they will be if the proposed transactions proceed.

PlatSearch and Eastern have also granted to 3E a right of first refusal over any product which may be produced from the Eastern Block tenements. 3E can retain this right indefinitely by meeting ongoing minimum expenditure conditions for the tenements and will include material from these tenements in their year one test work program.

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The Eastern Iron and PlatSearch restructure is subject to approval by Eastern Iron's shareholders at a meeting of shareholders which is tentatively scheduled for early September 2010. The independent Directors of Eastern Iron have briefed GEOS Mining to undertake an independent experts report on whether they consider the proposed transaction is fair and reasonable for Eastern Iron's shareholders other than PlatSearch NL, which currently owns 48.65% of Eastern Iron. Completion of the Eastern Iron - 3E joint venture agreement is also subject to this same condition.

3E is a company formed for the further development of iron resources. It has brought together expertise in resources, mining, steel production and logistics to assure the success of such development.

Managing Director, Greg De Ross, commented that "the joint venture with 3E Steel allows Eastern Iron to retain an exposure to the potential for large scale development of the NSW iron resource while at the same time allowing the Company to concentrate its management and financial resources on evaluating the exciting Hawkwood iron project in Central Queensland, where drilling has recently commenced".

	Interests of Parties before restructure			Interests of Parties after restructure		
	PlatSearch	Eastern	3E	PlatSearch	Eastern	3E
Eastern Tenements						
EL 6956	20%	80%	0%	51%	49%	0%
EL 6711	20%	80%	0%	51%	49%	0%
EL 6954	20%	80%	0%	51%	49%	0%
EL 6706	20%	80%	0%	51%	49%	0%
Western Tenements *						
EL 6957	20%	80%	0%	0%	100%	0%*
EL 6958	20%	80%	0%	0%	100%	0%*
EL 6959	20%	80%	0%	0%	100%	0%*
EL 6960	20%	80%	0%	0%	100%	0%*
EL 6961	20%	80%	0%	0%	100%	0%*
EL 6962	20%	80%	0%	0%	100%	0%*
EL 6710	20%	80%	0%	0%	100%	0%*
EL 6671	20%	80%	0%	0%	100%	0%*
EL 6672	20%	80%	0%	0%	100%	0%*
EL 6952	20%	80%	0%	0%	100%	0%*
EL 6953	20%	80%	0%	0%	100%	0%*
EL 7282	0%	100%	0%	0%	100%	0%*
EL 7283	0%	100%	0%	0%	100%	0%*

* 3E will have a right to earn up to 77.5% in all Western Block Tenements subject to completion of the proposed agreements.

Plan showing location of NSW Iron JV tenements.

Investor Information

Eastern Iron is exploring and evaluating a number of mineral projects in eastern Australia, including the Hawkwood Iron Vanadium Project in Queensland. Hawkwood is a joint venture between Eastern Iron, Rugby Mining Pty Ltd (Rugby) and Rugby Mining Limited (TSX Code: RUG) whereby Eastern Iron can earn an 80% interest in the exploration area.

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 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.