

Highlights from ...iron's new horizon

CENTRAL QUEENSLAND IRON PROJECT

■ **Eulogie Iron - Vanadium Project**

- Commencement of a 3,500m resource drilling program consisting of 31 RC drill holes.
- Completion of preliminary metallurgical testwork program indicating an acceptable iron magnetite concentrate at a coarse grind size up to 150 micron.
- Completion of transport options study identifying several potential rail and road transport options for export via Gladstone .

■ **Hawkwood Iron – Vanadium Project**

- DTR results from recent drilling at Hawkwood confirm high grade iron concentrate: 66.6%Fe, 1.8% SiO₂, 1.7% Al₂O₃.
- Preliminary review of rail transport options completed.
- Resource drilling program scheduled to start in August 2011.

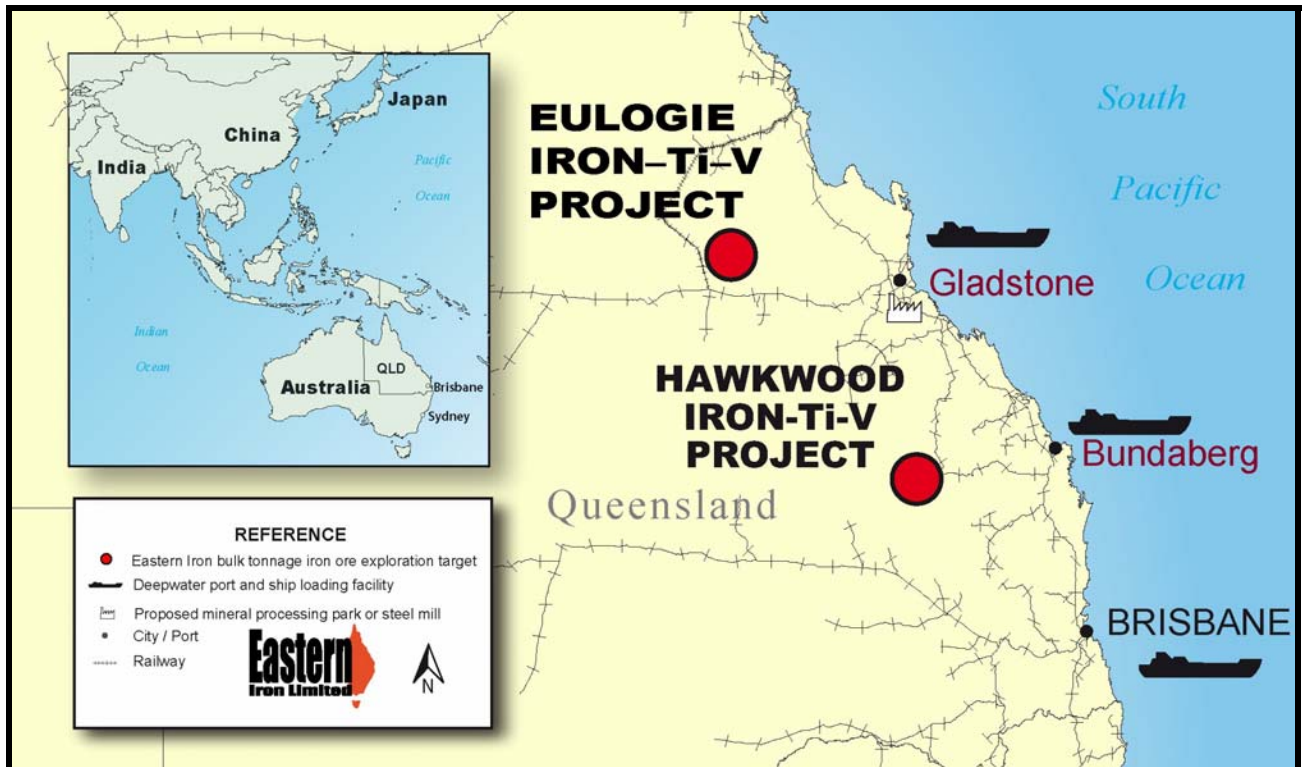
NSW PISOLITE IRON PROJECT

■ **Eastern Iron – 3E Joint Venture**

- Further resource drilling and bulk sampling scheduled to commence in August 2011.

CENTRAL QUEENSLAND IRON PROJECT

Eastern Iron is investigating the potential for the development of magnetite iron ore deposits at several locations in proximity to existing rail and port infrastructure on the central coast of Queensland. Principal among these are the Eulogie and Hawkwood projects.



Location of Central Queensland Iron Project – Eulogie and Hawkwood

Eulogie (EFE 100%)

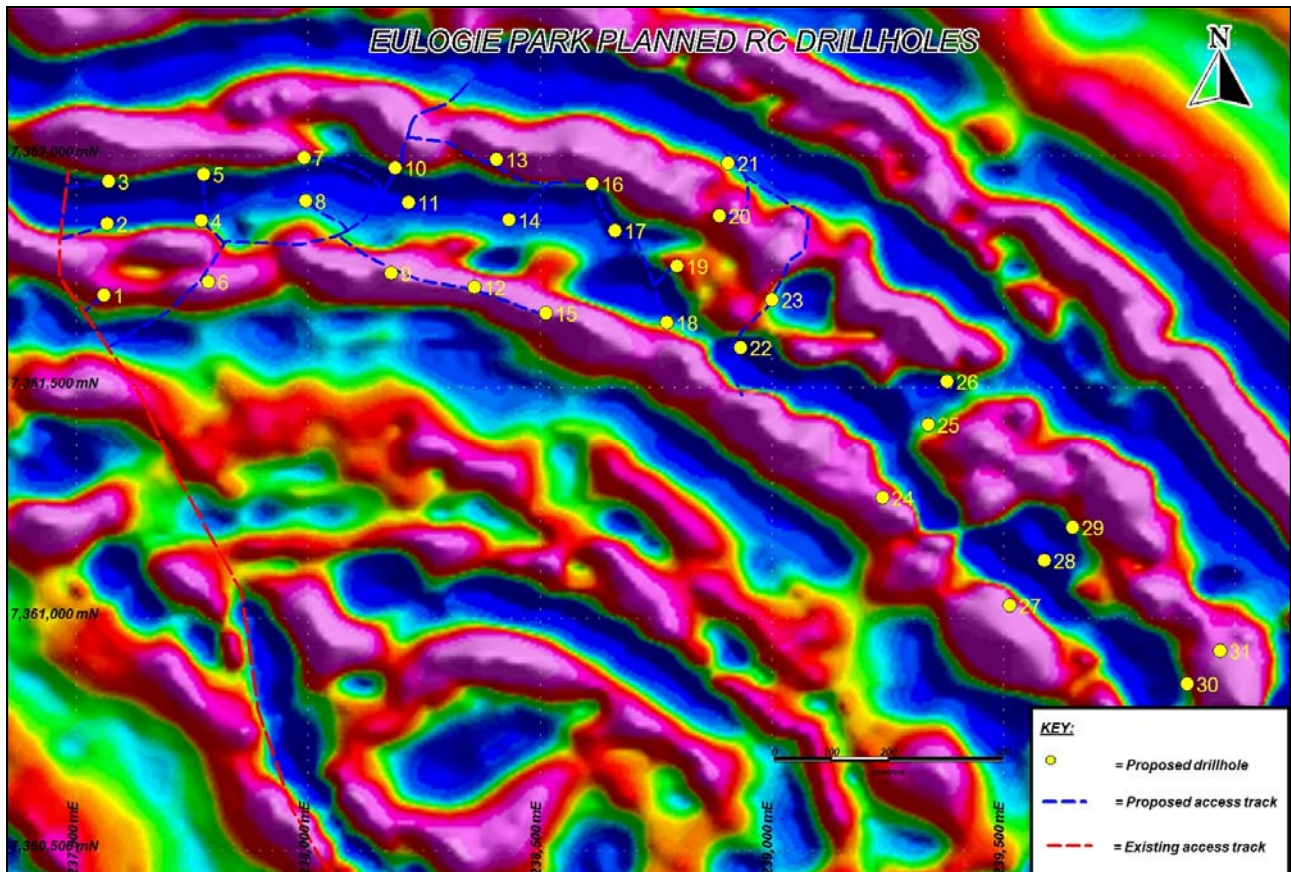
Resource Drilling

Eastern Iron has commenced a resource drilling program at its wholly owned Eulogie project. The drilling consists of 3,500m in 31 reverse circulation (RC) drill holes. To date 23 holes have been completed. The drilling is designed to test the mapped outcrop of magnetite-bearing ferrigabbro and provide an estimate of grade and tonnage in this portion of the resource.

The total exploration target resource has previously been estimated at approximately 500 – 1,000 million tonnes¹ of magnetite-bearing ferrigabbro to between 100 and 200m below surface. Whilst only a portion of the exploration target resource will be tested in this drilling program, sufficient information for concept development studies should be provided.

A resource estimate based on this drilling should be completed during the September quarter.

¹ Potential exploration target tonnages and grades in this report are conceptual in nature as there has been insufficient exploration to define a Mineral Resource and because it is uncertain if further exploration will result in the determination of a Mineral Resource. Tonnages and grades are not to be quoted outside this context.



Proposed drillholes (yellow) on an aeromagnetic image at Eulogie

Metallurgical Study

Mineral Engineering Technical Services (METS) has completed a preliminary metallurgical testwork program on drill core samples from previous drilling carried out at Eulogie. Drill core samples were composited into two samples representing oxidised and fresh ferrigabbro. Head assays for the two samples were 13.7% Fe and 15.1% Fe respectively.

Davis Tube Recovery (DTR) testwork was undertaken on the fresh sample for grind sizes at P_{100%} passing 150 micron, 75 micron and 45 micron. Results were as follows:

Grind Size	Wt %	Fe %	SiO ₂ %	Al ₂ O ₃ %	TiO ₂ %	P %	V %	S %
150 micron	17.6	59.34	2.72	3.61	7.03	0.002	0.541	0.65
75 micron	16.8	61.15	1.42	3.02	6.55	0.002	0.561	0.57
45 Micron	15.1	61.94	1.52	2.87	6.34	0.002	0.57	0.66

The titanium content, at 6-7% at Eulogie, is higher than at Hawkwood which reduces the iron content of the concentrate and is less favourable as an iron ore feedstock. On the positive side, around 70% of the iron is recovered to concentrate at a grind size of 150 micron. Coarser grind sizes will be examined to determine if magnetic separation could reduce the quantity of material required for finer grinding to a final product.

High intensity magnetic separation (WHIMS) and QEMSCAN testwork concluded that it is unlikely that an ilmenite by-product can be produced from the non-magnetic tail.

The results of the study are currently being assessed to determine the scope for further metallurgical testwork.

Product Transport Study

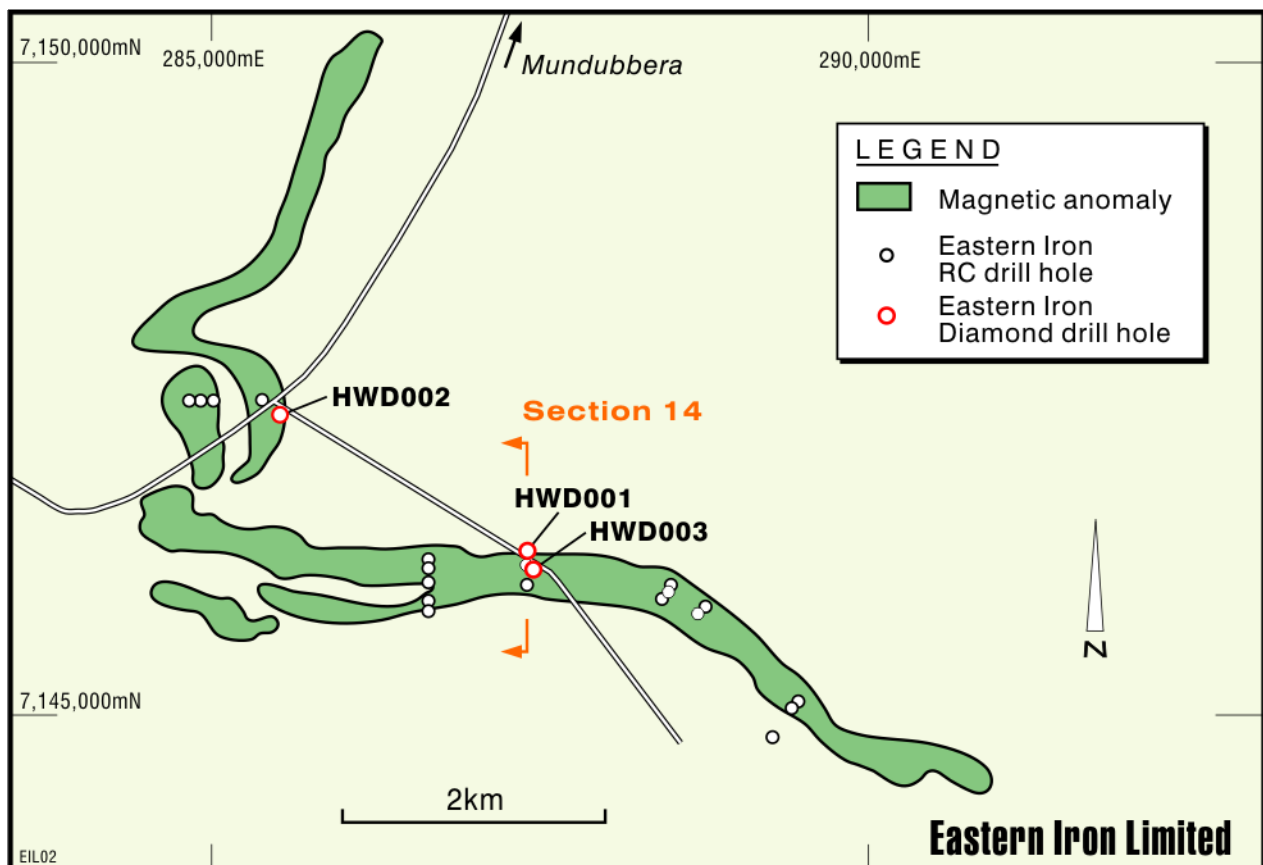
Innovative Shipping Pty Ltd has completed a preliminary study into options for transporting iron product from the project site to Gladstone Port.

The study concluded a range of options exist for product transport, including via either the Blackwater or Moura rail systems or a combination of rail and/or trucking options via existing road and rail infrastructure.

There are several options for bulk loading at Gladstone Port, some of which are tonnage and timing constrained, with the choice of a viable option dependent on the timing for development.

Hawkwood (EFE earning 80%)

A three hole, 637m diamond drilling program was completed at Hawkwood in March 2011. The drillholes provided information on the dip and thickness of the magnetite-bearing zones (ferrigabbro).



Hawkwood Project – Plan showing recent drilling

Half core was sent for analysis including Davis tube determinations, the results are summarised below.

Hole No	From (m)	To (m)	Interval (m)	Fe% (Head)	DTR%	DTC%
HWD001	174	221	47	15.6	15.2	66.6% Fe
HWD002	126	190	64	15	15	64.3% Fe
HWD003	88	128	40	13.5	14	67.0% Fe

The ferrigabbro units dip approximately 50 degrees north and the units represented in the table above outcrop at surface. The DTR results are a measure of the percentage of the ore recovered to concentrate, the DTC results are the iron content of the concentrate.

The average concentrate grade is shown in the table below. Of note are the low SiO₂, Al₂O₃, and TiO₂ concentrations.

Fe%	V ₂ O ₅ %	TiO ₂	SiO ₂	Al ₂ O ₃ %	P%	S%
66.6	0.67	2.2	1.8	1.7	<.001	0.14

Further resource drilling is planned for Hawkwood and is scheduled to commence in mid August.

North Burnett Rail Transport Options Study

Eastern Iron has contributed to a cooperative study into rail transport options for mineral transport in the North Burnett region of Queensland. The study has been jointly funded by Eastern Iron, the Queensland Government and other potential users, Macarthur Coal and Australian Bauxite Limited.

The study examined the potential options for upgrading the rail link to Gladstone port via the currently unused Maryborough rail line. A variety of options were examined for total hauled tonnage, line capacity and rail locomotives and wagons which flowed through to capital cost estimates for the upgrade and operating cost estimates for the individual users. In the case of producing around 5Mtpa product from Eastern Iron's Hawkwood project it was estimated that the cost would be around \$20-25/t delivered to Gladstone, including all rail user and operating costs and including a return on capital for the rail upgrade, wagons and locomotives and a spur line and loading facility at Hawkwood. This is a very preliminary estimate and further work will be required to define a more accurate cost.

FORWARD PROGRAM

It is planned to complete the current resource drilling program at Eulogie in the September quarter and finalise the resource estimate. Further metallurgical testwork may be undertaken depending on a more complete evaluation of the recently completed study. A concept study into a possible mining development at Eulogie will also be carried out together with initiation of baseline environmental work which ultimately would feed into an Environmental Impact Statement.

At Hawkwood the resource drilling program will be carried out.

NSW IRON ORE PROJECT

(EFE 100%, 3E Steel Pty Ltd may earn 77.5%)

3E made progress during the quarter towards commencing the resource drilling and bulk sampling program on several of the joint venture areas. The drilling aims to extend the known resource as well as collecting drill sample for metallurgical testwork to be carried out in China. All environmental approvals and permits have been obtained for this work to commence in August 2011.

FINANCIAL POSITION

Total exploration expenditure for the quarter was \$321,000. Cash balance at the end of the quarter was \$3.6 million.

INVESTOR INFORMATION

Eastern Iron is exploring and evaluating a number of mineral projects in eastern Australia, including the Hawkwood, Eulogie and the NSW Iron Projects and is also evaluating further new projects and exploration opportunities involving iron ore, gold and other minerals that have potential to create shareholder wealth.

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 targets for Eastern Iron Limited is based on information compiled by Mr Arnold van der Heyden who is a Member of the Australian Institute of Mining and Metallurgy and a full time employee of Hellman & Schofield Pty Ltd. The data used to derive the exploration target was supplied by Eastern Iron Limited and compiled by Mr Greg De Ross who is a Fellow of the Australian Institute of Geoscientists and a full time employee of Eastern Iron Limited. Mr van der Heyden, and Mr De Ross have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as "Competent Persons" as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr van der Heyden and Mr De Ross consent to the inclusion in this Report of the information compiled by them in the form and context in which they appear.

ASX: EFE

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