ASX Announcement

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EASTERN IRON ACQUIRES OPTION TO PURCHASE NOWA NOWA IRON PROJECT

- Eastern Iron secures option to purchase 100% of the Nowa Nowa Iron Project located in eastern Victoria.
- Nowa Nowa is ideally located close to infrastructure and is a high grade iron deposit.
- Previous drilling undertaken by the Victorian Government.
- Eastern Iron to assess historical drilling data to define a resource estimate

Eastern Iron Limited (ASX: EFE) today announced that the Company has been granted a two-year option by Waygara Mines Pty Ltd to acquire 100% of the Nowa Nowa high grade Iron Project, located in Eastern Victoria. As part of the agreement, Eastern Iron will acquire the associated exploration licence and all available data relating to previous drilling undertaken by Waygara and the Victorian Department of Mines. Over the coming months Eastern Iron will undertake a comprehensive assessment of the historical drilling data to calculate a resource estimate consistent with JORC guidelines.

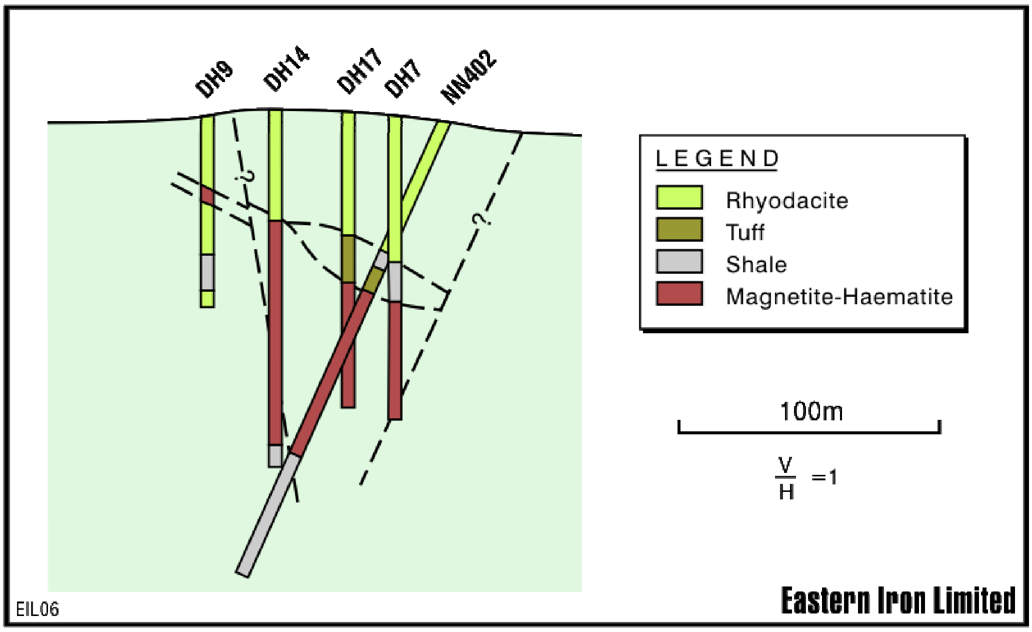
Nowa Nowa Iron Project

The Nowa Nowa project area is located north of the township of Nowa Nowa in eastern Victoria, which is in turn 270km east of Melbourne. The project area is well serviced with respect to infrastructure including a rail link from Melbourne to the major regional centre of Bairnsdale, 50km via sealed road from Nowa Nowa.

Occurrences of iron ore in the Nowa Nowa district have been known since 1876, however, it was not until 1955, that the Victorian Mines department carried out a program of test drilling. Most drilling was centred on the largest of the magnetic targets, the Five Mile Deposit, with 27 cored drill holes completed. Massive magnetite with lesser hematite occurs at 30-50m depth below tertiary sands and Devonian volcanic rocks. These appear to have formed mantos 40-80m in thickness associated with lesser coarse pyrite within altered sediments and are possibly skarns related to nearby, as yet unidentified intrusives. Other nearby magnetic targets including the Seven Mile, Six Mile and Three Mile deposits have received some exploratory drilling but not to the same extent as the Five Mile deposit. Nevertheless these are also potential sources of additional resource and will be explored further.

Drill holes from the Victorian Departmental drilling at the Five Mile deposit were assayed for iron content and DH14 as depicted on the section below provides a typical section through the mineralisation:

	From (m)	To (m)	Interval (m)	Fe %	SiO_2 %	Al_2O_3 %
DH14	39.6	121.92	82.28	56.9	13.1	1.3



Drill Section – Five Mile Iron Deposit (from GSV Bull 57, G Bell 1959)

Initially Eastern Iron will focus on recompiling the existing drill and assay data in order to recalculate a resource for the drilled areas in accordance with the JORC guidelines. The Company will also examine the possibility of using samples from the existing drill core to conduct some preliminary metallurgical testwork to determine the type and potential value of an iron product from these deposits.

The Company's objective at Nowa Nowa is to investigate the potential to develop a low capital cost operation producing a high grade iron ore which could be easily and cheaply beneficiated to a coarse, possibly lump, +65% Fe product for export. Integral to such a development is the transport and logistics chain and the Company will be investigating transport options as a priority.

Sale Terms

Eastern Iron have been granted a two year option to acquire 100% of the Nowa Nowa project, including the associated exploration licence and related project information, by payment to Waygara Mines Pty Ltd of $20,000. Eastern Iron may, at its option, extend the option period by a further twelve months by payment of an additional $40,000 to Waygara. Eastern Iron can exercise the option at any time by paying Waygara $300,000 or, at Eastern Iron's option, $100,000 plus 1 million Eastern Iron shares.

Once the option is exercised there remains an overriding 1.0% gross proceeds royalty on production from the EL which is payable to Waygara.

Location of Nowa Nowa Iron Project and infrastructure

Investor Information

Eastern Iron is investigating the potential for development of a magnetite processing operation based on magnetite deposits it holds under permit in Central Queensland. The Company is also in joint venture with 3ESteel to investigate the potential for developing large low cost low grade iron deposits in western NSW.

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.