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21 May 2012

Entitlement Offer of Shares

The Directors of Eastern Iron Limited ("**Eastern Iron**" or "**Company**") (ASX: EFE) are pleased to advise that the Company intends to undertake a pro-rata non-renounceable issue of new ordinary shares ("**New Shares**") at an offer price of \$0.055 ("**Offer Price**") per New Share on the basis of two New Shares for every three ordinary shares held by eligible shareholders ("**Entitlement Offer**").

It is expected that the Entitlement Offer will raise up to \$2.52 million before offer costs and the Company intends to apply these proceeds primarily towards the ongoing work program and scoping study on its Nowa Nowa project. This has become a key project for our Company and over the next 6-12 months we will be focussed on assessing the potential for Nowa Nowa exporting high grade iron ore at a low cost. Specifically, it is intended that the work program will include:

- Large diameter diamond drilling to confirm earlier resource drilling and obtain samples for metallurgical testwork
- Confirming arrangements for product transport and shipping
- Completing a scoping study with related engineering studies including project costing
- Preliminary environmental and heritage assessment

Should the results of the scoping study be sufficiently encouraging it will be our intention to progress the project to a definitive feasibility study.

The Company's major shareholder, PlatSearch NL, which has a relevant interest in 45.78% of the Company's voting shares at the date of this announcement, has indicated in writing to the Company that it intends to take up its entitlement of approximately 21 million New Shares at a cost of \$1.16 million.

Entitlement Offer

Under the proposed Entitlement Offer, eligible shareholders will be invited to subscribe for two New Shares for every three existing ordinary shares held at 30 May 2012 ("**Record Date**") at an Offer Price of \$0.055 per New Share. The Offer Price of \$0.055 per New Share represents an approximate 7% discount to the closing market price of the Shares on 18 May 2012 (being the last trading day prior to the day on which the Entitlement Offer was announced).



The Offer Price of \$0.055 represents an approximate 11% discount to the average closing market price over the last five trading days on which the Shares traded prior to the announcement of the Entitlement Offer on 21 May 2012 and an approximate 16% discount to the volume weighted average price (**VWAP**) of the shares over the past thirty days and an approximate 24% discount to the VWAP of the shares over the past three months.

Based on the capital structure of the Company as at the date of this announcement, and assuming no current options in the Company (**Options**) are exercised prior to 30 May 2012; a maximum of 45,871,613 New Shares will be issued pursuant to the Entitlement Offer.

Persons who currently hold Options are only eligible to participate if they exercise their Options before 5.00pm (AEST) on 30 May 2012.

Only shareholders that have a registered address in Australia or New Zealand and who are registered on the Company's share register at the Record Date will be entitled to participate in the Entitlement Offer.

The Entitlement Offer will be made to eligible shareholders pursuant to a prospectus ("**Prospectus**"), which will include a personalised Entitlement and Acceptance Form. The Prospectus will provide further details on how to participate in the Entitlement Offer.

The Prospectus, together with the Entitlement and Acceptance Form, will be mailed to all eligible shareholders on or before 5 June 2012.

Closing Date

The Entitlement and Acceptance Forms, together with payment, must be received by the Company's Share Registrar, Boardroom Pty Limited, by no later than 5:00pm AEST on 20 June 2012.

Payment for the subscriptions under the Entitlement Offer and Shortfall Offer (as defined below) can be made by BPAY®, cheque, bank draft or money order.

Shortfall Offer

The Company, in its sole discretion, may conduct a shortfall offer in respect of any New Shares not subscribed for pursuant to the Entitlement Offer ("**Shortfall Offer**"). In these circumstances, eligible shareholders may also apply for New Shares under the Shortfall Offer. The Company may also issue New Shares under the Shortfall Offer to institutions and/or sophisticated and professional investors.

The Entitlement and Acceptance Form contains information on how to apply for New Shares under the Shortfall Offer.

Should the number of New Shares applied for under the Shortfall Offer exceed the amount of New Shares available for subscription, the allocation of New Shares forming part of the Shortfall Offer will be determined at the sole discretion of the Company.

Indicative Timetable for Entitlement Offer

Event	Date*
Lodgement of Prospectus with ASIC	22 May 2012
Notice to Share and Option holders ⁺	22 May 2012
“Ex” date	24 May 2012
Record date for determining Entitlements	30 May 2012
Opening Date and dispatch of Prospectus to Shareholders	5 June 2012
Closing Date of Entitlement Offer	20 June 2012
New Shares quoted on a deferred settlement basis	21 June 2012
Notify ASX of under subscriptions	25 June 2012
Despatch date	28 June 2012

Notes:

* These dates are the latest dates on which each relevant event may take place.

⁺ Optionholders must be advised by this date of the Entitlements Offer and their inability to participate unless they exercise their options.

This timetable is indicative only and the Company reserves the right to vary it at any time without prior notice, subject to the Listing Rules and the Corporations Act.

An Appendix 3B for the proposed issue of the New Shares is attached.



**Mr Greg De Ross,
Managing Director
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For further information please contact:

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Appendix 3B

New issue announcement, application for quotation of additional securities and agreement

Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.

Introduced 1/7/96. Origin: Appendix 5. Amended 1/7/98, 1/9/99, 1/7/2000, 30/9/2001, 11/3/2002, 1/1/2003, 24/10/2005.

Name of entity

Eastern Iron Limited

ABN

70 126 678 037

We (the entity) give ASX the following information.

Part 1 - All issues

You must complete the relevant sections (attach sheets if there is not enough space).

- | | | |
|---|--|--|
| 1 | +Class of +securities issued or to be issued | Fully paid ordinary shares |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued | 45,871,613
A small number of additional shares may be issued where option holders who decide to participate in the Entitlement Offer exercise their options |
| 3 | Principal terms of the +securities (eg, if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion) | Fully paid ordinary shares |

+ See chapter 19 for defined terms.

Appendix 3B
New issue announcement

4	Do the ⁺ securities rank equally in all respects from the date of allotment with an existing ⁺ class of quoted ⁺ securities? If the additional securities do not rank equally, please state: - the date from which they do - the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment - the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment	The share rank equally with EFE fully paid ordinary shares	
5	Issue price or consideration	\$0.055 per fully paid ordinary share	
6	Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)	Funding for the Company’s ongoing work program and scoping study on Nowa Nowa project.	
7	Dates of entering ⁺ securities into uncertificated holdings or despatch of certificates	28 June 2012	
8	Number and ⁺ class of all ⁺ securities quoted on ASX (including the securities in clause 2 if applicable)	Number	⁺ Class
		114,679,032	Fully paid ordinary shares
9	Number and ⁺ class of all ⁺ securities not quoted on ASX (including the securities in clause 2 if applicable)	Number	⁺ Class
		5,000,000	\$0.35 Options expire 19 Dec 2012
		1,200,000	\$0.18 Options expire 9 Mar 2015
		1,850,000	\$0.20 Options expire 23 Nov 2013
		1,650,000	\$0.18 Options expire 23 Nov 2013
10	Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)	Full participation in future dividends	

⁺ See chapter 19 for defined terms.

Part 2 - Bonus issue or pro rata issue

11	Is security holder approval required?	No
12	Is the issue renounceable or non-renounceable?	Non-Renounceable
13	Ratio in which the +securities will be offered	Ratio 2:3 - 2 new shares will be offered for every 3 existing shares
14	+Class of +securities to which the offer relates	Fully paid ordinary shares
15	+Record date to determine entitlements	30 May 2012
16	Will holdings on different registers (or subregisters) be aggregated for calculating entitlements?	N/A
17	Policy for deciding entitlements in relation to fractions	Fractional entitlements are rounded up to the nearest whole
18	Names of countries in which the entity has +security holders who will not be sent new issue documents Note: Security holders must be told how their entitlements are to be dealt with. Cross reference: rule 7.7.	China, Isle of Man, Singapore, United Kingdom, USA.
19	Closing date for receipt of acceptances or renunciations	20 June 2012

+ See chapter 19 for defined terms.

Appendix 3B
New issue announcement

20	Names of any underwriters	N/A
21	Amount of any underwriting fee or commission	N/A
22	Names of any brokers to the issue	N/A
23	Fee or commission payable to the broker to the issue	N/A
24	Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of +security holders	N/A
25	If the issue is contingent on +security holders' approval, the date of the meeting	N/A
26	Date entitlement and acceptance form and prospectus or Product Disclosure Statement will be sent to persons entitled	5 June 2012
27	If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders	22 May 2012
28	Date rights trading will begin (if applicable)	N/A
29	Date rights trading will end (if applicable)	N/A
30	How do +security holders sell their entitlements <i>in full</i> through a broker?	N/A
31	How do +security holders sell <i>part</i> of their entitlements through a broker and accept for the balance?	N/A

+ See chapter 19 for defined terms.

- | | | |
|----|---|--------------|
| 32 | How do ⁺ security holders dispose of their entitlements (except by sale through a broker)? | N/A |
| 33 | ⁺ Despatch date | 28 June 2012 |

Part 3 - Quotation of securities

You need only complete this section if you are applying for quotation of securities

- 34 Type of securities
(tick one)
- (a) ☒ Securities described in Part 1
- (b) ☐ All other securities
- Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

Entities that have ticked box 34(a)

Additional securities forming a new class of securities

Tick to indicate you are providing the information or documents

- 35 ☐ If the ⁺securities are ⁺equity securities, the names of the 20 largest holders of the additional ⁺securities, and the number and percentage of additional ⁺securities held by those holders
- 36 ☐ If the ⁺securities are ⁺equity securities, a distribution schedule of the additional ⁺securities setting out the number of holders in the categories
- 1 - 1,000

1,001 - 5,000

5,001 - 10,000

10,001 - 100,000

100,001 and over
- 37 ☐ A copy of any trust deed for the additional ⁺securities

Entities that have ticked box 34(b)

Questions 38 to 43

Not applicable

⁺ See chapter 19 for defined terms.

Quotation agreement

1 +Quotation of our additional +securities is in ASX's absolute discretion. ASX may quote the +securities on any conditions it decides.

2 We warrant the following to ASX.

- The issue of the +securities to be quoted complies with the law and is not for an illegal purpose.
- There is no reason why those +securities should not be granted +quotation.
- An offer of the +securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.

Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty

- Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any +securities to be quoted and that no-one has any right to return any +securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the +securities be quoted.
- If we are a trust, we warrant that no person has the right to return the +securities to be quoted under section 1019B of the Corporations Act at the time that we request that the +securities be quoted.

3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.

4 We give ASX the information and documents required by this form. If any information or document not available now, will give it to ASX before +quotation of the +securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.

Sign here:



(~~Director~~/Company secretary)

Date: 21 May 2012

Print name: **Michelle Lilley**

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+ See chapter 19 for defined terms.