

22 May 2012

Entitlement Offer of Shares

Dear Shareholder/Optionholder

On 21 May 2012, Eastern Iron Limited (**Company**) announced a non-renounceable pro-rata issue of 2 new ordinary shares (**New Shares**) for every 3 fully-paid ordinary shares (**Shares**) recorded in the Company's register at 5.00pm (AEST) on 30 May 2012 (**Entitlement Offer**).

Terms of the Entitlement Offer

The New Shares are offered at an issue price of \$0.055 per New Share to eligible shareholders. The New Shares will have the same terms as, and will rank equally with, the 68,807,419 Shares on issue at the date of this letter.

Based on the capital structure of the Company as at the date of the Prospectus, 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 to raise up to \$2.52 million before offer costs.

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 Shares at the date of this letter, 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.

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

Please note that shareholders who have a registered address outside of Australia or New Zealand on 30 May 2012 will not be entitled to participate in the Entitlement Offer.



Prospectus

On 22 May 2012, the Company lodged a prospectus dated 22 May 2012 (**Prospectus**) with the Australian Securities and Investments Commission (**ASIC**) in relation to the Entitlement Offer.

The Prospectus sets out, amongst other things:

1. full details of the Entitlement Offer;
2. the purpose and effect of the Entitlement Offer;
3. the prospective use of funds raised under the Entitlement Offer;
4. the risks involved in participating in the Entitlement Offer; and
5. the rights and liabilities attaching to New Shares.

The Prospectus may be viewed on the ASX's website (www.asx.com.au), as well as on the Company's website (www.easterniron.com.au).

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

Entitlement Offer period

If you are a shareholder as at 5pm on 30 May 2012, you may be eligible to participate in the Entitlement Offer. The Entitlement Offer closes at 5.00pm (AEST) on 20 June 2012.

Timetable

The indicative timetable for the Entitlement Offer is set out below.

Event	Date*
Lodgement of Prospectus with ASIC	22 May 2012
Notice to Shareholders	22 May 2012
"Ex" date	24 May 2012
Record date for determining Shareholder entitlements	30 May 2012
Opening Date and dispatch of Prospectus to Shareholders	5 June 2012
Closing Date of 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.

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.

Shareholders have, to date, shown great loyalty to the Company and the Directors believe you will see the merit in supporting this fundraising initiative. All shareholders are encouraged to consider the terms of the Entitlement Offer and, if eligible, to participate. We look forward to your continued support.

Yours sincerely

A handwritten signature in blue ink, appearing to read "G. De Ross".

Greg De Ross
Managing Director