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HIGHLIGHTS

NOWA NOWA IRON PROJECT

- Resource upgrade of 23% at Five Mile Iron Deposit based on recent drilling results
- New Five Mile resource of 11 Mt at 49.8% Fe includes 6.8Mt Indicated and 4.2Mt Inferred.

Eastern Iron is pleased to announce an upgrade in the resource estimate for the Five Mile Iron deposit at its wholly owned Nowa Nowa Project in Victoria. The upgrade is the result of further definition of the resource from the recent drilling and using higher values for specific gravity of the ore based on measurements taken during drilling.

Eastern Iron Managing Director, Greg De Ross commented: "This is a pleasing result and we look forward to further extending the resource base in drilling programs planned for later in the year."

NOWA NOWA IRON PROJECT

The Nowa Nowa Project is located in eastern Victoria close to the Princes Highway.



Resource Estimate

Four diamond drill holes were recently completed consisting of one at the Seven Mile deposit and three at the larger Five Mile deposit. All drill holes were vertical and details of the drilling program are shown in the table below:

Drill hole	Location	North (GDA)	East (GDA)	Dip °	Total Depth (m)
NDD011	7 Mile	599462	5832270	-90	124.1
NDD012	5 Mile	598407	5830862	-90	101.97
NDD013	5 Mile	598399	5830825	-90	119.4
NDD014	5 Mile	598378	5830801	-90	132.15

All assay results have now been received. Quarter core samples were collected and assayed by XRF on a down hole 2m basis except where obvious geological contacts were present.

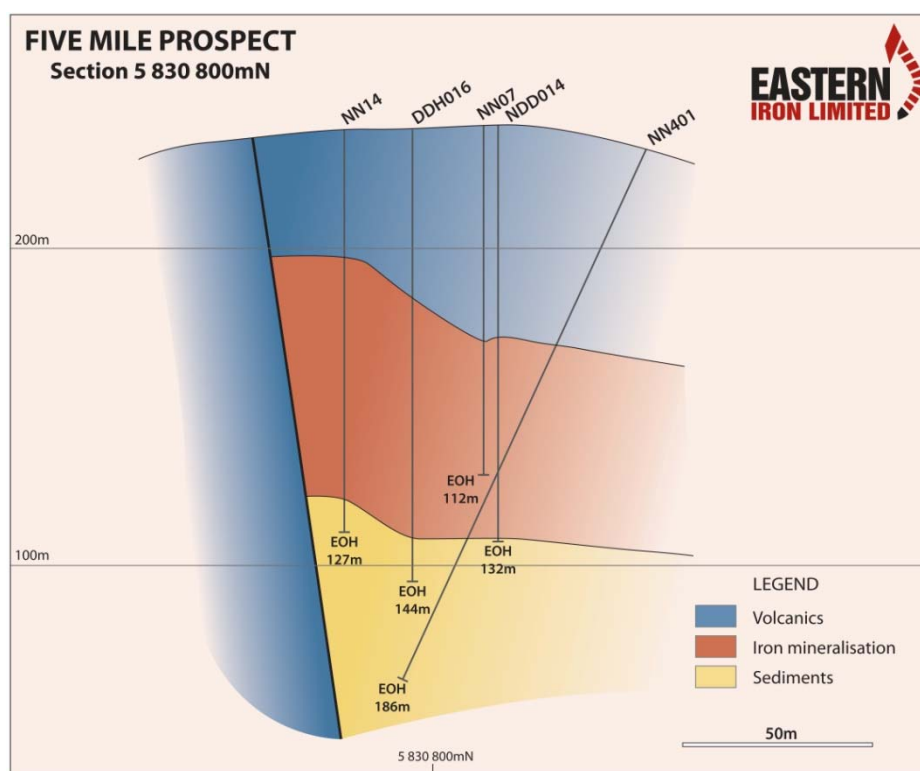
The resource estimate was compiled by H&S Consultants Pty Ltd (H&S) using data from 23 drillholes drilled by the Victorian Government in 1955 as well as results from holes drilled in the recent program.

The estimate, at a lower cutoff of 40% Fe, is shown in the table below. Information provided from the latest drilling has resulted in an increase of 23% in the Five Mile resource against that reported earlier in the year. Additionally confirmation of iron ore grades has been supported by twinning of some of the earlier holes by drillholes from the latest program. This has provided the basis for a portion of the resource to be upgraded to an Indicated category.

Prospect	Indicated		Inferred		Total	
	Mt	Fe %	Mt	Fe %	Mt	Fe %
Five Mile	6.8	50.4	4.2	49.0	11	49.8
Seven Mile			0.55	48.3	0.55	48.3
Total	6.8	50.4	4.75	48.9	11.55	49.8

Note decimals do not imply precision and are used to avoid rounding errors

The mineralised body at Five Mile has been faulted along its western and eastern boundaries but otherwise replaces conformable sedimentary layers lying below volcanic rocks. Reported estimates are constrained by wireframes of the sedimentary layer. A typical drill section including drillhole NND014 from the recent program is shown below:



The resource estimate reported earlier this year assumed a density of 3.9 t/m³. During the latest drilling program density measurements were taken from core samples enabling a relationship between rock density and iron grade to be defined. The density for each block was then derived from the estimated iron grade. The average density of material included in the resources at a cutoff of 40% iron is 4.1 t/m³.

Scoping Study

Eastern Iron has appointed Engenium to undertake a scoping study into a development at Nowa Nowa and this work is ongoing. The company has also recently executed an MOU with South East Fibre Exporters Pty Ltd, operators of the Eden woodchip and wharf facility to investigate the potential to load and export iron ore from this site. The scoping study is expected to be completed in November.

INVESTOR INFORMATION

Eastern Iron is investigating the potential for development of a high grade magnetite resource at Nowa Nowa in Eastern Victoria as well as a magnetite processing operation based on magnetite deposits it holds under permit in Central Queensland. The Company is also in joint venture with 3E Steel to investigate the potential for developing large, low cost, low grade iron deposits in central 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



**Mr Greg De Ross,
Managing Director
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Greg De Ross takes responsibility for the information that relates to Exploration Results in this report, the data that forms the basis of the Mineral Resource estimation and the assumption of reasonable prospects for eventual economic extraction (Section 19 JORC). Greg De Ross is Managing Director 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". The information in this report that relates to Mineral Resources is based on information compiled by Arnold van der Heyden, BSc, who is a Member of the Australasian Institute of Geoscientists. Mr van der Heyden is a full-time employee of H&S Consultants Pty Ltd 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" Both Messrs van der Heyden and De Ross consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.

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APPENDIX 1

RESOURCE STATEMENT NOTES

- Drill hole and assay data was in part compiled from information reported in Bulletin 57 of the Geological Survey of Victoria (1959) titled “The Iron Ore Deposits of Nowa Nowa, East Gippsland” by Geoffrey Bell, B.Sc..
- Fe resource estimates have been reported using a lower cut off of 40% Fe, no top cuts were applied.
- Ordinary kriging was used and checked independently by a different operator using a different resource estimation software package. Resource estimates were not constrained by depth but were constrained by the interpretation of the skarn-limestone body and search criteria. The maximum depth of resources reported here are around 200m below surface.
- Blocks 15 x 15 x 5m were created and sub-blocking was applied to honour the skarn-limestone bodies. Three search passes were used to populate blocks, the first two passes have been classified as Indicated and the third pass Inferred. Axes of the search passes and variogram models were aligned so that the short axes were perpendicular to the strike of the skarn-limestone bodies.
- The density of the material was derived from the estimated iron grades for each block. The relationship between iron grade and density is based on the regression ($SG = 2.7e^{0.0086 \text{ Fe grade}}$) produced from measurements carried out on drill core samples using the calliper method. The average density of material included in the resources at a cutoff of 40% iron is 4.1 t/m³.