

Results of Preliminary Concept Study - Belah Tank Prospect

Background

As previously indicated Eastern Iron has commissioned a preliminary study of the overall economic potential of Eastern Iron's Cobar and Main Line projects. The study outlined the concepts behind the development of a low capital cost, 1.5Mtpa direct shipping operation at a specific Eastern Iron deposit within the Cobar project area - the Belah Tank prospect. The design concept proposed that the ore be dry screened and pre-concentrated through magnetic separation before being trucked to a rail siding at Hermidale and railed to the Port of Newcastle.

The Belah Tank deposit was selected for the study because it is both the best understood deposit and the dry separated ore generally contains a greater percentage of iron than the pre-concentrates from other prospects. It was acknowledged that road transport distance (and costs) to the rail loading point would be greater than at some other prospects. However, it was envisaged that the general concepts developed for Belah Tank would be utilised to assess other deposits.

The study concentrated on the viability of direct export of dry pre-concentrate grading approximately 50% Fe. Examination of the potential for further downstream ore processing at site (or near site) was outside the scope of this study.

Mining Operation and Ore Treatment

The mining concept envisaged involves:

- Excavators/loader and trucks mining all material.
- No drilling or blasting, although some material could require ripping.
- Haulage to a relatively mobile plant that could be moved regularly to keep haulage distances and costs to a minimum.
- Ore processing would be restricted to simple on-site screening and several stages of magnetic separation.
- The final plant design would be a compromise between throughput requirement, ease of relocation and efficiency.
- Plant services, especially power are required to be readily re-locatable, indicating the usage of gen-sets rather than main grid power.
- Front end loaders feeding the plant, loading ore containers and trucks returning the non-magnetic material to the mined out pit.

Transport

Transport assumptions included a concept of using half-height shipping containers, loaded at the mine site and road freighted to an existing container handling facility at Hermidale Siding. Investigation was made into the optimum number of containers required to handle ore throughput and optimise rail logistics. Once railed to the port of Newcastle the study assumed that the ore containers would be unloaded by forklift and stacked in a cargo assembly area. The ore in the containers would later be tipped onto an owner-operated mobile ship loader. Additional sets of containers would be required depending on the regularity of the shipping schedule. The use of cape-sized vessels was not considered to be a practical alternative due to logistic issues associated with managing the number of containers and the relatively slow ship loading process.

Conclusions

- The EFE tenements contain very large tonnages of ore but at very low grades. A comprehensive scout drilling program in 28 separate channels has to date delineated 627Mt of resources above the 5% Fe cut-off* with less than 10% of the channel system tested.
- The proposed mine is a substantial operation with the size dictated by economies of scale in the raiiling operation.
- Although unit mining costs are relatively low due to the shallow nature of the deposits and the ease of mining, product mining costs are impacted due to the combination of low grade and low recovery.
- The project area is very remote with total distances to port of ~750km. Transportation costs using largely existing road/rail systems are therefore very high.
- The low iron grade and the presence of contaminant phases within the dry pre-concentrate means that the likely value of the products would not support a direct shipping option and therefore there is no low-capital option for commencing commercial production.
- At current iron prices the project is uneconomic as a direct shipping producer.

In many respects the long, linear, shallow and unconsolidated style of mineralisation discovered by Eastern Iron is most similar to iron sands deposits and operations such as those in New Zealand, Papua New Guinea, Indonesia and South America. These low grade, bulk tonnage deposits are usually more suited to down-stream processing and in-situ value adding and therefore Eastern Iron is actively pursuing partners to fund a study of downstream processing options, which may include pyro-metallurgy.

Further information, previous Eastern Iron announcements and exploration updates are available at the information tab on the Company's website - www.easterniron.com.au



Peter Buckley
Managing Director

- * For full details of resource statement see "Initial Iron Ore Resource - Cobar and Main Line Projects" released to ASX 30 September 2009.

The information in this report that relates to exploration results and mineral resources for Eastern Iron Limited is based on information compiled by Mr Peter M Buckley, BSc (Hons), who is a member of the Australian Institute of geoscientists. Peter M Buckley is Managing Director of Eastern Iron Limited and a full-time employee of PlatSearch NL. Mr Buckley 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 "Competent Person" as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Buckley consents to the inclusion in this report of the information compiled by him in the form and context in which it appears.

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