NOWA NOWA PROJECT UPDATE

MODIFIED TRANSPORT PLAN DRIVE COSTS DOWN FURTHER

- **Combined use of a slurry pipeline and self-decanting bulk carriers shows the potential to deliver an upgraded 62% Fe iron product at an FOB cash cost of approximately A$32/t (US$24/t).**
- **Use of concentrate line from mine site delivers further significant cost savings by eliminating all road transport requirements.**
- **Lower oil price potentially reduces shipping rates to approximately A$15/t (US$12/t).**
- **Forecast cash cost for delivered product (CFR) now projected to be A$47/t (US$36/t) showing the potential for Eastern Iron to be the lowest cost junior iron ore producer in Australia.**

Eastern Iron Limited (Eastern Iron) initially acquired the Nowa Nowa Iron Project in eastern Victoria in early 2012 and since that time the Company has been focussed on advancing the project to development. Key milestones have been achieved including completion of a Native Title Agreement with the Gunaikurnai Land and Waters Aboriginal Corporation in December 2013 and the grant of the mining licence in April 2014.

The Company has also completed a Definitive Feasibility Study (DFS) with the results announced in September 2014 (ASX release 29 Sept 2014).

Since the completion of the DFS and in view of the decline of the iron ore price, Eastern Iron has sought avenues to further reduce the cost of production of the delivered product. In November the Company announced the results of a study completed on the Company's behalf by independent shipping consultants, Innovative Shipping Group Pty Ltd (ISG), into the potential to load iron concentrate on suitably configured bulk carrying vessels directly off the Victorian coast some 20km from the mine site.

Since the completion of the study the Company has considered further options to reduce costs and improve the value of the final product.

NOWA NOWA IRON PROJECT

The Nowa Nowa Iron Project is located some 250 kilometres east of Melbourne close to the Princes Highway, which provides ready access to several nearby towns and possible export sites (Figure 1).

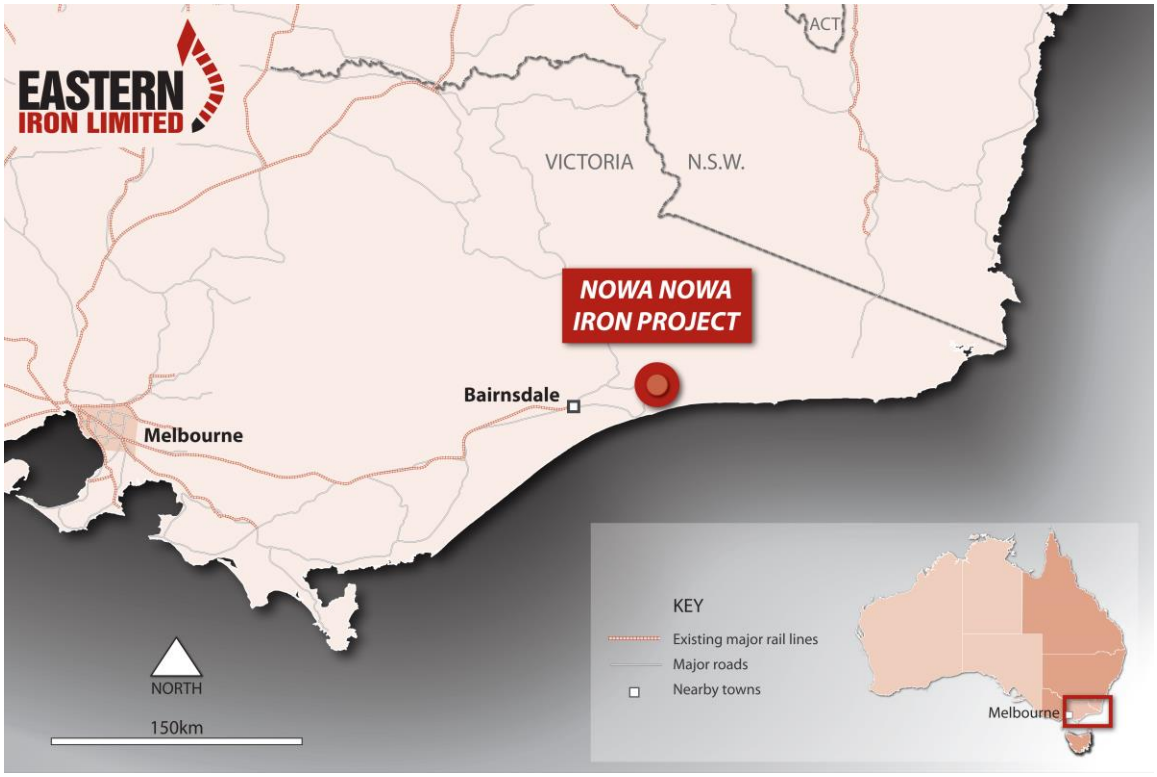


Figure 1 - Nowa Nowa Locality Plan

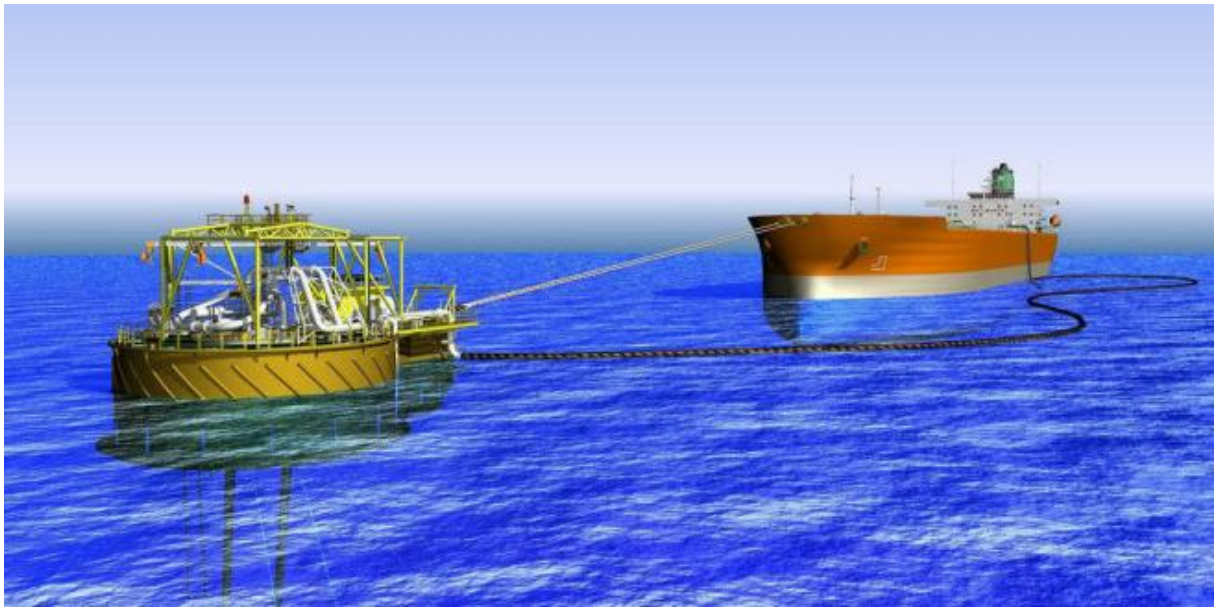
It is proposed that massive magnetite from the Five Mile deposit will be mined in an open cut using continuous miners. ROM ore will be fed to a crushing and grinding plant producing a -1.5mm feed to a two stage dry and wet magnetic separation plant. Resultant wet 62% Fe concentrate will be pumped via a concentrate pipeline some 18km to a site adjacent to the coastline in preparation for shiploading. The iron ore will then be stockpiled and during ship loading, mixed with water at a specified solid to water ratio, loaded into a slurry line and pumped offshore directly onto +100,000 tonne vessels. The bulk carrier would be attached to a single-point bottom-anchored mooring. The slurry line is secured to the sea floor and enters the vessel at the mooring point. The iron ore solids are relatively coarse with low slimes which enables the water to decant rapidly from the slurry and be returned to the shore facility for storage until the next shipment. It is estimated that the concentrate would be shipped at less than 10% moisture content.

Estimates of operating and capital costs are based on the results of the DFS but modified to include estimates from the ISG November 2014 study for the slurry pipeline, estimates for the increased cost of grinding and wet magnetic separation and allowances for handling of wet tailings from wet processing at the mine site.

Geological Resource	9.05Mt @ 50.8% Fe[1]
Crushing Plant Feed	1 Mtpa ore
Mine Life	9.5 years
Mass yield (average)	64%
Iron recovery	81%
Production (average)	600,000tpa
Product	62% Fe magnetite
FOB Cost[2]	A$31.4/t product
Capital Cost[3]	A$65.2 million

Notes 1. Resource calculated at 40% Fe lower cutoff
2. Site costs including mining, processing and indirect costs
3. Capital costs include contingency, owners and EPCM costs

The proposed slurry to ship concentrate loading system is based on an existing operation at the Taharoa iron sands operation in New Zealand and overcomes the need for otherwise cost prohibitive trucking operations to the nearest port at Eden (220km) or Melbourne (320km). Selected shipping operators have been involved in the study and have advised that minimal modifications would be required to existing +100,000 tonne ore-bulk-oil vessels for the purpose. The single mooring and loading point also overcomes the need for expensive and invasive coastal infrastructure.

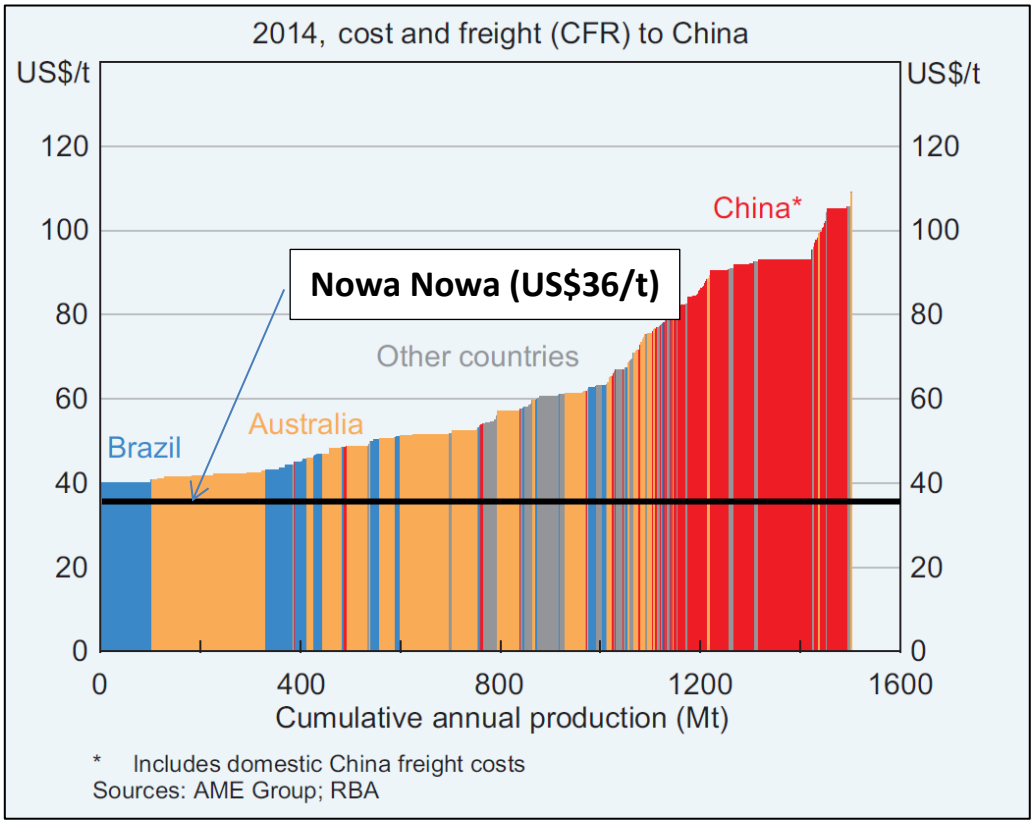


Single Point Mooring and Loading System (with permission from SKS OBO Ltd & SKS Tankers Ltd)

The major benefits of this proposal include:

- No Permanent wharf, jetty or other port related facility required.
- Low capital cost compared with standard port related infrastructure.
- Loading at around 3km offshore onto bulk carriers that are larger than those operating at existing bulk ports elsewhere in Victoria.
- Greatly reduced trucking requirement compared to the former proposal of transporting ore to Eden with reduced cost and impact on roads and other road users.

The lower oil price has resulted in bulk shipping rates from Australian ports dropping by up to 50% over the last twelve months. Shipping costs for the Nowa Nowa project have been estimated at A$15/t (US$12/t) including amortisation of the cost of any modifications to the selected vessels. At this rate the total CIF cost of the iron product landed in China would be A$46/t (US$36/t) well below even the current depressed price for 62% Fe Pilbara fines of A$86/t (US$63/t). This will place Nowa Nowa at the bottom of the cost curve and potentially amongst the lowest cost production in Australia.



NEXT STEPS

Technical studies and more detailed evaluation is required to bring the various enhancements included in the project plan to the feasibility level. These include:

- Expanded metallurgical testwork for producing a +62% Fe product using low intensity wet magnetic separation in addition to what has already been conducted.
- Crush and grindsize optimisation.
- Concentrate pipeline engineering and design.
- Detailed design of slurry pipeline, stockpile area and associated headworks.
- Water supply studies.
- Detailed capital and operating cost estimates.

Total cost of these works is estimated at around $800,000.

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 exploring for high grade copper deposits in the region.

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 and 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 Chief Executive officer and an 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 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr De Ross consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.

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