

ASX Code: EFE

Issued Capital:
411,900,378

Directors

Eddie King (Chairman)
Therese-Marie Taylor (Non-executive Director)
Myles Fang (Non-executive Director)
Nathan Taylor (Alternate Director)

Address

Level 1, 80 Chandos Street
St Leonards, NSW 2065

Postal

PO Box 956, Crows Nest
NSW 1585

T: +61 2 9906 7751

Twitter: @EasternIronEFE
www.easterniron.com.au

HIGHLIGHTS

- Eastern Iron Limited has extended the binding option agreement to acquire the Przecznicza high grade Polish cobalt project.
- Eastern Iron Limited has entered into a Call Option Agreement with Heavy Metal Exploration Pty Ltd to acquire an interest in the Mt Cobalt Corridor Project, which is a copper cobalt sulphide project in NW Queensland.
- The Mt Cobalt Corridor Project is in one of the few areas globally with a history of high grade primary cobalt production

Eastern Iron Limited (ASX: EFE) is pleased to report on activities undertaken during the quarter ended 30 September 2018.

POLISH COBALT PROJECT

The Company has negotiated an extension of the binding Option Agreement to acquire 100% of the issued capital of Ion Mining. The Company entered into a Deed of Variation to the Heads of Agreement dated 22 December 2017. Under the terms of the Deed of Variation, the Company's exclusive option to acquire Ion Mining has been extended to the earlier date of 28 December 2018 and that date which is 30 days from the date Ion Mining provides written confirmation and relevant verification documents to EFE (if requested) that the Polish Ministry of Environment has granted the Przecznicza concession to Ion Mining (Tenement Grant Date). The satisfaction date for the conditions precedent has also been extended to 28 December 2018, and EFE's right to conduct due diligence in relation to Ion and its business, assets, and operations has been extended to the Tenement Grant Date.

As previously announced, Ion Mining's 100% owned subsidiary, Geograph Polska sp. z o.o. is the applicant for the Przecznicza concession (pending) and if successful, it will be entitled to 100% interest in the concession. The progress of Ion Mining's application has taken considerably longer than originally anticipated. This has been partly due to the fact that Ion Mining is the first company in Poland to apply for an exploration concession for cobalt. In April, the Polish Ministry of Environment (MoE) referred the Przecznicza application and proposed

Work Program to a panel of independent geological advisors *Komisja Zasobów Kopalnin (Natural Reserves Commission)* (KZK) for comment. The KZK reviewed the Work Program and provided a number of technical comments and suggestions. In July 2018, Ion Mining submitted an expanded Work Program to address the comments and suggestions of the KZK. The expanded Work Program includes additional sampling, geophysics, mapping and drilling extending over a 3 year term. The Company is now awaiting formal confirmation from the KZK that it is satisfied with the expanded Work Program.

MT COBALT CORRIDOR PROJECT

The Company on 28 August 2018 entered into a Call Option Agreement with Heavy Metal Exploration Pty Ltd ACN 163 155 913 to acquire an interest in the Mt Cobalt Corridor Project, located in the Selwyn-Mt Freda district, south of Cloncurry, NW Queensland (the “Project”) (Figure 1).

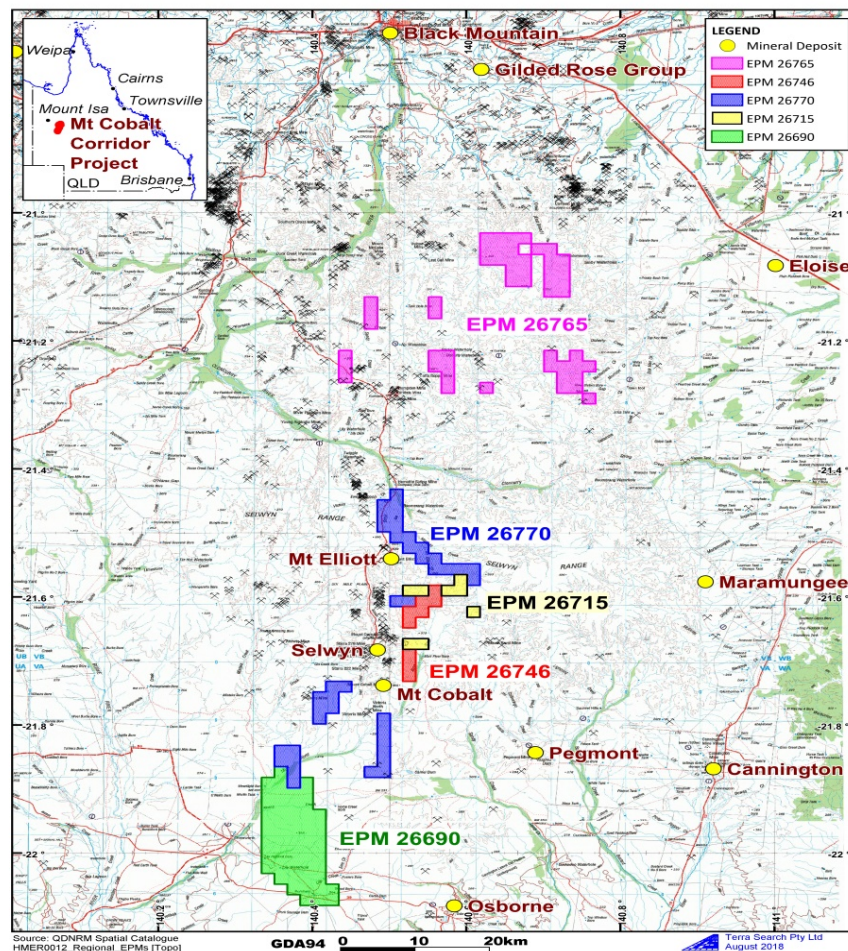


Figure 1: Mt Cobalt Corridor Project EPMA coverage

Location and tenures

The Project is located in NW Queensland and comprises 5 EPMA which covers 161 sub-blocks. The EPMA are expected to be granted in October 2018, and all have been applied for a period of 5 years. All applications are non-competitive.

EPM No.	Permit Name	Status	Applied For	No. Sub-blocks
26690	Burnham	Application	26-Oct-17	53
26715	Mt Carol	Application	27-Nov-17	8
26746	Mt Carol Extended	Application	2-Jan-18	9
26765	Mt Freda South	Application	29-Jan-18	51
26770	Selwyn Range	Application	2-Feb-18	40

Geology

The area lies within the largely Palaeo-Proterozoic Eastern Fold Belt of the Mt Isa block in NW Queensland. The area under application consists of outcrop from the Kuridala Formation which hosts a number of major deposits and mineral occurrences in the area, occurring to the west, south west and north west which include Starra (Cu,Au), Mt Dore (Cu,Au,Co), Merlin (Mo,Re), Mt Cobalt (Co,Cu,W), Swan (Cu,Au), Mt Elliott (Cu,Au) mines and The Plume (Cu,Au,Co). Dolerite is regarded as an important localiser of cobalt mineralisation at Mt Cobalt.

There are three main units in Mount Isa. These are the Western Fold Belt including Mt Isa, the Kalkadoon Leichhardt Belt and the Eastern Fold Belt that includes the three mines that produced cobalt, Mt Cobalt, Queen Sally and Success Mines. In the Eastern Fold Belt, cobalt is associated with copper. The Kuridala Formation, essentially consisting of Proterozoic metasediments such as schist, quartzite and dolerite/amphibolite conformable intrusives and its equivalent, the Soldiers Cap Group, is a major host-rock for cobalt in the area. Resources in the Eastern Fold Belt are large, particularly in the Cloncurry area, such as Las Minerale with 16,500t of cobalt, Greenmount with 11,000t of cobalt and Millennium with 4,298t cobalt.

Previous works in the region

Previous works in the region were mainly for copper and gold. However, cobalt mineralization was identified and cobalt production of about 800t at Mt Cobalt occurred in two periods 1919 to 1943 (778 t) and 1996 to 1997 (21.5t).

At Mt Cobalt the most important rock type that hosts the mineralisation is intrusive metadolerite/amphibolite. Cobaltite veins occur in a biotite schist/shear zone near the hanging wall of the amphibolite, close to the contact with quartzite. In 1957, drill hole intercepts included 4 holes that had over 1% cobalt in the ore zone where veins were up to 80 cm wide. The deposit was drilled in the late 1990s but this information is not available.

In the late 1990s an area south of Mt Cobalt was extensively drilled by previous explorers, as an aeromagnetic target called "The Plume". This area was in alignment with the Mt Cobalt trend. Drilling at The Plume revealed appreciable cobalt mineralisation in several holes. Hole PLRCD-13 which in the 34m (231 – 255m) at 0.11 g/t Au, 0.54% Cu and 0.14% Co included 1m from 243m at 0.29 g/t Au, 0.11% Cu and 1.92% Co. The two magnetic trends for both the Mt Cobalt copper-cobalt and Starra copper-gold areas continue south into the Burnham EPMA26690.

EPMA's

Mt Freda South (EPMA26765)

Mt Freda South is approximately 60km south southwest of Cloncurry in northwest Queensland, extending north east from the historic copper mining centers of Kuridala and Mt Freda.

The area consists of a diverse geology located in a north east trend extending from the copper gold historic producers of Kuridala to Mt Freda. Major structures transect the area, the most prominent is the NNW trending Cloncurry Fault which traverses through the north eastern sub blocks of the Mt Freda South EPMA. Copper-gold-cobalt anomalism occurs across the region, however the Mt Freda South EPMA is distinctly under-sampled, particularly for cobalt.

Selwyn Range (EPMA26770)

The Selwyn Range application is approximately 120km south southwest of Cloncurry. The Mt Cobalt deposit occurs within 5km of the application area and is the only historical producer of significant quantity of cobalt in the Mt Isa district.

The Selwyn Range EPMA is characterised by diverse Proterozoic geology of the Eastern Succession of the Mt Isa Block. The copper-cobalt trend of the Mt Cobalt Mine transects the sub-blocks of the EPMA. Most of the country rock in the area is mapped as Kuridala Group or equivalents which are hosts for the bulk of the cobalt mineral occurrences in the region. Another positive feature, in a similar fashion to Mt Cobalt, is that there are some large dyke-like intrusions of dolerite within the equivalents of the Kuridala Group within the Selwyn Range EPMA.

Burnham (EPMA26690)

The Burnham application is approximately 140km south of Cloncurry. The project area contains buried aeromagnetic targets suspected of being Mid-Proterozoic Kuridala Formation and Staveley Formation; host rocks of the Starra copper-gold mines to the north; and the copper-cobalt trend of the Mt Cobalt Mine to the north northeast. These aeromagnetic 'highs' are also associated with the Osborne copper-gold+/-cobalt Mine, only 20 kms to the southeast. The Plume Cu-Co prospect is approx. 5kms to the tenement. The area is highly prospective for copper, gold, cobalt and possibly molybdenum/rhenium mineralization as this type of mineralization has been discovered and mined in rocks to the north northeast (Starra, Mt Cobalt, Merlin, Mt Dore); as well as Osborne Mine to the southeast.

Mt Carol (EPMA26715) and Mt Carol Extended (EPMA26746)

The Mt Carol application and Mt Carol Extended application are approximately 100km south southwest of Cloncurry in northwest Queensland, a few km to the east of the Starra Mines. Mt Cobalt is less than 5km from Mt Carol Extended.

The area has been mapped as Kuridala Group, the host geological unit for the bulk of the cobalt mineral occurrences, with high stream sediment cobalt geochemistry (80 - 300 ppm Co) occurring within and adjacent to the tenements. Prospective dolerite is a conspicuous unit within the Mt Carol Extended tenement.

Commercial Terms

On 28 August 2018, the Company entered into a Call Option Agreement to acquire a 25% interest in the Project (which includes EPMA 26690, EPMA 26715, EPMA 26746, EPMA 26765 and EPMA 26770 (“**Tenements**”) and all environmental approvals, authorisations, mining information, plant and equipment and other assets relating to the Tenements) owned by Heavy Metal Exploration Pty Ltd ACN 163 155 913 (“**Heavy Metal**”).

The Call Option Agreement also contemplates the Company eventually acquiring a 100% interest in the Project:

- through meeting staged expenditure requirements under a Farm-In Agreement to be negotiated and entered into by the Company and Heavy Metal in relation to the Project (discussed further below); and
- by the Company agreeing to enter into a Royalty Deed with Heavy Metal under which the Company will pay a royalty payment to Heavy Metal in respect of certain copper equivalent metal produced from the Tenements (discussed further below).

The Call Option Agreement contains the following key terms:

- The Company must pay Heavy Metal a call option fee of AUD\$10,000 (excluding GST) (“**Call Option Fee**”) by no later than 11 September 2018 to have an exclusive call option to acquire a 25% interest in the Project (“**Call Option**”).
- If the Company elects to exercise the Call Option, the sale of the 25% interest in the Project is conditional on satisfaction of the following two conditions:
 - the Minister of the Department of Natural Resources and Mines in Queensland giving indicative approval for the transfer of a 25% interest in the Tenements to the Company on terms acceptable to the Company (“**Indicative Approval**”); and
 - the Farm-In Agreement and NSR Royalty Deed being in agreed form.
- Within 10 business days after the date of receipt of Indicative Approval (“**Indicative Approval Date**”), as consideration for the acquisition of a 25% interest in the Project, the Company must:
 - pay Heavy Metal the amount that is equal to AUD\$150,000 (excluding GST) less the Call Option Fee (“**Initial Acquisition Cash Payment**”); and
 - subject to shareholder and any other approvals required under the *Corporations Act 2001* (Cth) and the ASX Listing Rules, issue AUD\$200,000 worth of fully paid ordinary shares in the Company (“**Shares**”) of which the issue price is to be calculated on the basis of 20-day VWAP prior to the Indicative Approval Date.
- Within 30 days after the Indicative Approval Date, the Company and Heavy Metal must negotiate the Farm-In Agreement which is expected to include the following key commercial terms:
 - Stage 1: the Company must spend a total of AUD\$650,000 on the Project within the first 24 months of the commencement of the Farm-In Agreement (“**Stage 1 Period**”) in order to acquire an additional 35% interest in the Project.

- Stage 2: the Company must spend an additional AUD\$1,500,000 on the Project within a period of 36 months commencing on the expiry date of the Stage 1 Period in order to acquire an additional 40% interest in the Project.
- Within 30 days after the Indicative Approval Date, the Company and Heavy Metal must also negotiate the Royalty Deed which is expected to include the following key commercial terms:
 - The Company agrees to pay a royalty payment to Heavy Metal equivalent to the value of 0.5% of net smelter return on copper equivalent metal production capped at 30,000 tonnes of copper equivalent metal produced from the Tenements.
 - The Company is not required to make the royalty payment when copper prices or the price of saleable copper equivalent metal products are at or below USD\$6,000 per tonne.
 - The Company has the right to buy back the royalty from Heavy Metal for AUD\$1,500,000.

The Call Option Agreement provides that completion of the Company's acquisition of a 25% interest in the Project ("**Completion**") is expected to take place on the date that is 30 days after the Indicative Approval Date (or such other date as agreed by the Company and Heavy Metal in writing).

NOWA NOWA TENEMENT

Drill holes rehabilitation and related works were completed on Nowa Nowa Iron Project.

No exploration work was carried out on Nowa Nowa Copper project during the Quarter.

COMPETENT PERSONS STATEMENT

The information in the Mt Cobalt Corridor Project that relates to Exploration Results is based on information prepared by Dr Simon Beams, a full-time employee of geological consultants Terra Search Pty Ltd who are the owners of Heavy Metal Exploration Pty Ltd.

Dr. Beams has BSc Honours and PhD degrees in geology; he is a Member of the Australasian Institute of Mining and Metallurgy (Member #107121) and a Member of the Australian Institute of Geoscientists (Member # 2689). Dr. Beams has sufficient relevant experience in respect to the style of mineralization, the type of deposit under consideration and the activity being undertaken to qualify as a Competent Person within the definition of the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ("JORC Code).

Dr. Beams consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.

FINANCIAL POSITION

Total exploration and evaluation expenditure for the quarter was \$37,000. The cash balance at the end of the quarter was \$851,000.

INVESTOR INFORMATION

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

A handwritten signature in black ink, appearing to read "Myles Fang".

Mr Myles Fang,
Non-Executive Director
T: 02 9906 7551
Mob: 0404 869 892

ASX: EFE

For enquiries on your shareholding or change of address please contact:
Boardroom Limited, GPO Box 3993, Sydney NSW 2001, Phone: (02) 9290 9600