



NORTHERN IRON LIMITED (ASX: “NFE”)

Northern Iron Update on Strategic Review

15 May 2012

On 30 November 2011, NFE announced that the NFE Board had decided to conduct a strategic review which would, among other things, consider a review of ownership options available to NFE.

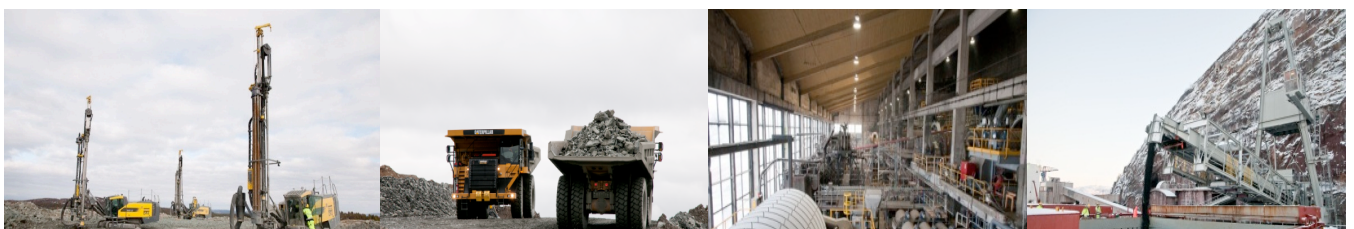
As part of the review and within a market practice confidentiality regime, NFE agreed to provide high level information to any bona fide interested party to allow that party to assess a preliminary value for NFE and submit a first stage indicative and non-binding proposal. The purpose of this first stage proposal was to allow NFE to consider whether there was justification for progressing to a more detailed second stage.

On 10 May 2012, NFE confirmed that in the context of the first stage of the strategic review, a subsidiary of Aditya Birla Group (“Aditya Birla Group”) had submitted an indicative, highly conditional, non-binding proposal for all of the shares of NFE. This proposal was in accordance with the requirements of the first stage of NFE’s process.

NFE notes that this indicative, non-binding stage one proposal submitted by Aditya Birla Group proposed a non-binding price range to acquire all of NFE’s shares for US\$1.28 – 1.35 per share (equivalent AUD consideration was noted in the proposal as A\$1.23 – 1.29 per share). This range of prices is based on a number of assumptions. NFE also notes that the proposal is uncertain, subject to due diligence and highly conditional including the condition that Aditya Birla would need to acquire all of the shares outstanding of NFE.

The NFE Board met yesterday afternoon to consider whether to allow Aditya Birla Group to conduct stage two detailed due diligence. The NFE Board has previously considered several indicative, non-binding proposals from other parties but, at this stage, no change of control proposal that the Board considered acceptable in its view has emerged. The NFE Board has given the indicative, non-binding and conditional proposal from Aditya Birla Group careful consideration and has concluded it will decline to allow Aditya Birla Group stage two detailed due diligence at the indicative price contained in its proposal. However, the NFE Board will allow access to certain limited due diligence information so that Aditya Birla Group may see fit to make a higher indicative, non-binding proposal, if it so wishes.

The NFE Board believes that Aditya Birla Group’s indicative non-binding proposal does not properly reflect the value of NFE and its prospects in the context of a change of control transaction as it does not adequately take into account the Board’s belief that NFE has a strong basis for continued improvement in concentrate quality and production rates given the



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management team's focus on, and recent success with, the improvement in plant reliability, product quality and production rates. Further, the NFE Board has confidence that work to prove up an expansion of the project is progressing well.

Further, feedback received from shareholders during the review process indicates to the NFE Board that the value expectations of many of our shareholders, accounting for a material proportion of the register, are higher than the valuation indicated by Aditya Birla Group's conditional non-binding proposal.

The strategic review may or may not result in a proposal being made that is capable of being put to NFE shareholders with the recommendation of the NFE Board. If it does not, the NFE Board believes that NFE has a strong foundation to continue to develop as a standalone company and is well positioned to deliver value to shareholders.

NFE has also received several indicative concepts and proposals for alternative transactions to a change of control transaction. No discussions on these concepts and proposals have progressed or developed beyond a highly preliminary and incomplete stage. In compliance with its continuous disclosure obligations, NFE will inform the market should any discussion progress to an extent that would warrant disclosure or should NFE receive a proposal for a control transaction that warrants recommendation to shareholders.

NFE will inform the market on further developments as appropriate.

For and on behalf of the Board.



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