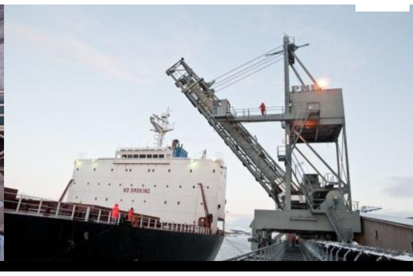


NORTHERN IRON LIMITED (ASX: “NFE”)

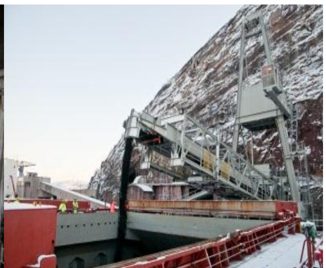
Interim Financial Results: 30 June 2012

Northern Iron Limited (NFE) is pleased to announce its interim financial results for the half year ending 30th June 2012.

Highlights

- Revenue of US$116.5 million, up 19% from US$97.6 million for the comparative prior half year.
- Sales of 971,000 dry metric tonnes of iron ore concentrate, an increase of 31% over the prior half year.
- Consolidated profit net of tax from continuing operations of US$5.0 million, up US$8.0 million from a loss of US$3.0 million in the comparative prior half year.
- Profit from operating activities of US$10.2 million, compared to US$5.9 million for first half 2011.
- Product quality continues to be maintained at an iron content of greater than 68 percent. Further quality improvement is anticipated during quarter 4 following installation and commissioning of additional magnetic separation capacity and other processing enhancements.
- Production performance has improved further during July and August, with the installation of a new secondary crusher pre-screen unit. The Company has identified a number of minor modifications which it expects to have substantially complete by the end of August, at which point the plant is expected to be operating at a 2.7 Mtpa rate. By the end of September it is expected the final modification to achieve a 2.8Mpta rate will be complete.
- The average sales price for first half of 2012 was approximately US$107 / dry metric tonnes FOB Kirkenes.
- The Company is maintaining its full year production sales guidance of 2.2 million dry tonnes, but expects reduced revenue in Q3 due to the recent decline in the iron ore spot price. Consequently the Company is reviewing its operating and capital costs for the remainder of 2012 with the objective of minimising both whilst maintaining forward momentum on projects which will deliver enhanced cash flows in the near term.



Discussion of Financial Result

- The consolidated profit from operating activities was US$10.2 million, incorporating US$116.5m of sales revenue, US$105.1 million of operational expenses and administration costs, US$0.9m of hedging losses mainly attributable to losses incurred on iron ore CFR price hedge instruments and mark-to-market adjustments on future electricity purchase contracts, and US$0.3m of expenses recognised in respect of share based payments.
- After including US$3.0 million of net finance expenses and income tax expense of US$2.2m, NFE's consolidated profit from continuing operations for the half-year was US$5.0m (compared of a loss of US$3.0m in the first half of 2011).

Operational Performance

- The Company successfully commissioned additional equipment to further improve product quality during the half year, and from April has been shipping concentrate with an iron grade of greater than 68% and a silica grade of less than 5%.
- During the half year the Company continued to work on the throughput debottlenecking project, and in July commissioned a new secondary crusher prescreen which has resulted in a significant reduction in the size of the crusher product, thereby facilitating higher mill throughput rates, however the nameplate production rate of 2.8 Mtpa has not yet been achieved.
- Subsequent to the commissioning of the new prescreen, the Company identified a number of minor modifications required to the secondary grinding circuit necessary to achieve the nameplate production rate of 2.8 Mtpa. Most of these modifications are in the process of being implemented in the last week of August, which when complete are expected to result in a plant capable of producing 2.7 Mtpa. The final component is expected to be installed by the end of September, whereupon the plant is expected to be at a rate of 2.8 Mtpa.
- The concentrator has experienced a higher than expected amount of downtime during July and August due to stoppages associated with the debottlenecking project, and breakdowns on process equipment, therefore the Company expects to achieve a production result of between 500-525kt for quarter 3. The Company nevertheless maintains guidance of full year sales of 2.2 million dry tonnes based on the higher expected operating rates from September onwards.
- With the recent decline in the iron ore spot price the Company is reviewing its operating and capital cost forecast and expects to make reductions in both by deferring non-essential capital expenditure, and implementing a range of operating cost savings in non-essential areas, including possible reductions in employee numbers. The emphasis will be on conserving working capital while maintaining forward momentum on operational and cost improvements.

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Market Update

Quarter to date, 3 vessels have been dispatched to Tata Steel Europe and 1 vessel to the Chinese spot market, while a further Tata vessel is currently scheduled to be loaded at the end of August/early September. With the decline in market pricing during the quarter, it is estimated that this may result in an average realised price for the quarter of between US$ 85-US$ 95 / dry metric tonnes FOB Kirkenes, based on a continuation of current market price levels.

Strategic Review

As foreshadowed in our announcements of 30 July and 3 August, the Company has agreed terms with each of Aditya Birla and Prominvest to govern the stage two due diligence process. Both groups have been invited into a data room as well as to management meetings and site visits, a process which is expected to take approximately eight weeks. NFE will continue to update shareholders in relation to this process as appropriate.

For and on behalf of the board.

John Sanderson
Managing Director / CEO

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This report contains some references to forward looking assumptions, estimates and outcomes. These are uncertain by nature and no assurance can be given by Northern Iron Limited that its expectations, estimates and forecast outcomes will be achieved.