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COMPANY UPDATE

Mining Update

Mining is underway using the Company's leased fleet and own operators at both the Kjellmannsåsen and Hyttemalmen open pits. These two pits will provide 100% of the ore for the operation over the first two years.

A total of 300,000 tonnes of material has been moved with 65,000 t of ore now stockpiled on the ROM pad. Total material movement is now at budgeted levels and will continue to ramp up to full mining production levels by September. The ore bodies have been encountered as expected.

Process Plant

The mill shell has arrived on site and the four sections have been bolted together and installed onto the foundations inside the concentrator building.

The primary crusher has been test run and will be commissioned with ore in the next week.

Delivery of some of the Motor Control Centres has been deferred by the supplier which has meant that the electrical installation is now the critical path for project completion. Additional supervision is being mobilised to site to effectively manage this activity.

Commissioning of the complete process plant is now expected to occur in early September.

The electrical utility has now installed the third 10Mva transformer required to upgrade the grid power supply, with commissioning of this unit expected in early July.

Concentrate Handling and Storage Facilities

The Tschudi Group has completed a US$24 million refurbishment and upgrade of the concentrate handling and storage facilities. This included the replacement of all conveyors in the system and an extensive refurbishment of the ship loader.

Sales

The Company has an offtake agreement with Corus for approximately 45% of production and continues to receive strong interest from other parties for the remaining offtake.

Finance

The Company has accepted an offer from Credit Suisse for a US$20 million Secured Export Finance Facility (CS Facility). The CS Facility replaces the previously announced DnB NOR working capital facility and will be put in place alongside the Innovasjon Norge facility (NOK 90 million, circa US$14 million).

Documentation for both the CS Facility and the Innovasjon Norge facility has been completed and the first tranche of the Innovasjon Norge facility has been drawn. Draw down on the CS Facility is expected to be available shortly.

The Company expects that these facilities will provide sufficient funds to complete the project and to meet working capital requirements.

Management Changes

As the Company moves towards completion of the development phase, a review of the management structure has been completed to optimise this for the operational phase.

A global search is now underway to recruit a predominately European based CEO which is considered more suitable than the current arrangement of having a CEO based in Perth. The current Managing Director/CEO of Northern Iron (Mr McMullen) will transition to a non executive director position and will remain available to act in a consulting role in a manner to ensure adequate hand over and as further required.

The CFO for the Company's Norwegian operating subsidiary has been promoted to Group CFO and will work in both the Perth office and site. The current CFO/Company Secretary for Northern Iron (Mr Anderson) will step down in September to enable a suitable transfer of responsibilities.

The Company continues to recruit the site management team in preparation for operations, with the mining team recruitment completed and the process plant recruitment well advanced.

For and on behalf of the Board

Mick McMullen
Managing Director and Chief Executive Officer