NORTHERN IRON LIMITED
ABN 71 125 264 575

INTERIM FINANCIAL REPORT
30 JUNE 2009

CORPORATE DIRECTORY

Directors

ND Hamilton (Chairman)
MJ McMullen (Chief Executive Officer)
FH Tschudi (Non-Executive Director)
A Mehra (Non-Executive Director)
PR Bilbe (Non-Executive Director)
DC Griffiths (Non-Executive Director)
PS Larsen (Non-Executive Director)

Company Secretary

RA Anderson

Auditors

HLB Mann Judd (WA Partnership)

Bankers

Westpac Banking Group Limited
DnB NOR Bank ASA

Registered Office

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3 Ord Street
West Perth WA 6005

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Email:	info@northerniron.com.au
Website:	www.northerniron.com.au

Share Registry

Computershare Investor Services Pty Limited
Level 2
45 St Georges Terrace
Perth, WA 6000 Australia

Investor Enquiries:	1300 557 010 (within Australia)
Investor Enquiries:	+61 3 9415 4000 (outside Australia)
Facsimile:	+61 8 9323 2033

Stock Exchange Listing

Securities of Northern Iron Limited are listed on the ASX Limited.

ASX Code: NFE - Ordinary shares

CONTENTS

DIRECTORS' REPORT

The directors present their report together with the consolidated financial report for the half-year ended 30 June 2009, and the independent review report thereon.

Directors

The directors of the Company in office at any time during or since the end of the half-year and up to the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

ND Hamilton (Chairman)
MJ McMullen (Chief Executive Officer)
FH Tschudi (Non-Executive Director)
A Mehra (Non-Executive Director)
PR Bilbe (Non-Executive Director)
DC Griffiths (Non-Executive Director)
PS Larsen (Non-Executive Director)

Review of operations

Operations

Northern Iron has been developing the Sydvaranger Iron Project ("Project") in Norway, with commissioning of the complete plant to commence in September 2009. Upon successful commissioning of the Project the Company expects first ore shipments in November 2009 as it ramps-up production to 2.9Mtpa in 2010. Production is supported by off-take agreements with Corus (a subsidiary of Tata Steel) for 5 years (1.25Mtpa) and Sinosteel for the first year (0.5 Mtpa). Reserves and resources support a 19 year mine life at a competitive cost structure of US$36/t with expansion potential pending approval.

Management Changes

After an extensive international search for a Chief Executive Officer ("CEO") the Company has appointed John Sanderson, an internal candidate, as Chief Operating Officer, and who will assume the role of CEO in November 2009.

John has been the Manager of Mining since December 2008 and since that time has built a cohesive team that has delivered the mining operations on schedule and on budget. He had previously spent nine and half years with Rio Tinto in a variety of roles.

The current CEO, Mick McMullen, will remain until the end of October 2009 to ensure a smooth transition period and will be available for a period post 1 November to provide assistance as required.

Financial result

To finance the re-development of the Project the consolidated entity raised $48,124,000 in equity during the 6 month period as well as securing over $42,000,000 in debt facilities with Credit Suisse and Innovasjon Norge. In August 2009 the Company announced an underwritten non-renounceable entitlement offer to shareholders to raise approximately $61,400,000 to finance completion of the Project and for working capital purposes.

The consolidated entity's after tax loss for the half-year ended 30 June 2009 was $43,426,000 (2008: loss $821,000).

Mine operating expenses of $14,342,000 (2008: $1,538,000) have increased as a result of increased site activity associated with the redevelopment of the Project in Norway.

DIRECTORS' REPORT (CONTINUED)

Review of operations (continued)

Financial result (continued)

The unrealised foreign exchange loss of $27,312,000 mainly comprises losses on the intercompany loan recognised in both the holding company and the Norwegian subsidiary. The loan was funded from A$ but is denominated in Norwegian Kroner ("NOK"). The Norwegian subsidiary's functional currency is US$.

Given the US$ weakened 8.65% against the NOK over the 6 month period the US$ value of the NOK payable in the subsidiary increased over the period resulting in an exchange loss of $10,658,000.

The A$ / NOK exchange rate moved from 4.87 to 5.19 over the 6 months. The average achieved A$ / NOK funding rate over the same period was 4.73 given that the exchange rate fell sharply in January to March when significant cash advances were made. The effect has been to reduce the A$ value of the receivable in the holding company's accounts, generating an exchange loss of $12,878,000.

Events subsequent to reporting date

On 27 August 2009 the Company announced an underwritten non-renounceable entitlement offer to shareholders to raise approximately $61,400,000. On 28 August 2009 the Company announced $55,900,000 of this amount had been committed by institutional investors, for which settlement occurred on 9 September 2009. The proceeds of the entitlement offer will be utilized to finance completion of the Sydvaranger Iron Project and for working capital purposes.

No other matter or circumstance has arisen since 30 June 2009 that in the opinion of the directors has significantly affected, or may significantly affect in future financial years:

(i) the consolidated entity's operations, or

(ii) the results of those operations, or

(iii) the consolidated state of affairs.

Rounding of amounts

The company is of a kind referred to in Class Order 98/0100 issued by the Australian Securities and Investments Commission relating to the rounding off of amounts in the Directors' Report and financial report.

Amounts in the Directors' Report and financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

Auditor's Independence Declaration

The lead auditor's Independence Declaration, as required under section 307C of the Corporations Act 2001, is set out on page 6 and forms part of the directors' report for the half-year ended 30 June 2009.

Signed in accordance with a resolution of the directors.

MJ McMullen
Director

ND Hamilton
Chairman

Perth
11 September 2009

HLB Mann Judd

Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the half-year report of Northern Iron Limited for the period ended 30 June 2009, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Northern Iron Limited.

Perth, Western Australia
11 September 2009

W M CLARK
Partner, HLB Mann Judd

HLB Mann Judd (WA Partnership) ABN 22 193 232 714
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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Half-year 30 June 2009 $000	Half year 30 June 2008 $000
Continuing operations		
Revenue	-	-
Cost of sales	-	-
		-
Gross profit	-	-
Other income	-	23
Mine operating expenses	(14,342)	(1,538)
Depreciation	(920)	-
Share based payments	(178)	(685)
Administrative expenses	(620)	(306)
Foreign exchange (loss)	(27,312)	(1,162)
Cash flow hedges	421	-
Other expenses	(857)	(491)
Results from operating activities	(43,808)	(4,159)
Finance income	422	4,715
Finance expense	(464)	(48)
Net finance (expense) / income	(42)	4,667
(Loss) / profit before income tax	(43,850)	508
Income tax benefit / (expense)	424	(1,329)
Loss for the period from continuing operations	(43,426)	(821)
Other comprehensive income		
Exchange differences arising in translation of operations	1,617	55
Income tax on other comprehensive income	-	-
Other comprehensive income for the period net of income tax	1,617	55
Total comprehensive income for the period	(41,809)	(766)
Basic and diluted (loss) per share from continuing operations (cents per share)	(23.9)	(0.5)

The condensed consolidated statement of comprehensive income should be read in conjunction with the notes to the consolidated interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 June 2009 $000	31 December 2008 $000
Current assets		
Cash and cash equivalents	17,045	61,955
Trade and other receivables	12,090	14,377
Inventories	1,036	-
Derivative asset	342	-
Prepayments	28	80
Total current assets	30,541	76,412
Non-current assets		
Trade and other receivables	440	424
Mine properties	26,259	17,601
Property, plant and equipment	218,063	81,646
Deferred tax	-	398
Total non-current assets	244,762	100,069
Total assets	275,303	176,481
Current liabilities		
Trade and other payables	38,068	18,632
Borrowings	10,795	-
Current tax liability	1,161	982
Employee benefits	2	240
Total current liabilities	50,026	19,854
Non-current liabilities		
Provisions	1,726	1,789
Borrowings	77,755	12,566
Total non-current liabilities	79,481	14,355
Total liabilities	129,507	34,209
Net assets	145,796	142,272
Equity		
Issued capital	177,715	132,560
Reserves	10,738	8,943
Accumulated profits / (losses)	(42,657)	769
Total equity	145,796	142,272

The condensed consolidated statement of financial position should be read in conjunction with the notes to the consolidated interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the half-year ended 30 June 2009

	Issued capital	Accumulated profits / (losses)	Foreign Currency Translation reserve	Share based payments reserve	Total
	$000	$000	$000	$000	$000
Balance at 1 January 2008	131,209	(1,104)	230	1,495	131,830
Transaction costs on share issues	(20)	-	-	-	(20)
Share based payments expense	-	-	-	685	685
(Loss) for the period / total recognised income and expense for the period	-	(821)	-	-	(821)
Deferred tax effect of equity raising costs	2,338	-	-	-	2,338
Exchange differences on translation of foreign operations	-	-	55	-	55
Balance at 30 June 2008	133,527	(1,925)	285	2,180	134,067
Balance at 1 January 2009	132,560	769	5,995	2,948	142,272
Shares issued for cash net of transaction costs	46,158	-	-	-	46,158
Share based payments expense	-	-	-	178	178
(Loss) for the period / total recognised income and expense for the period	-	(43,426)	-	-	(43,426)
Deferred tax effect of equity raising costs	(1,003)	-	-	-	(1,003)
Exchange differences on translation of foreign operations	-	-	1,617	-	1,617
Balance at 30 June 2009	177,715	(42,657)	7,612	3,126	145,796

The condensed consolidated statement of changes in equity should be read in conjunction with the notes to the consolidated interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Half-year 30 June 2009 $000	Half-year 30 June 2008 $000
Cash flows from operating activities		
Net GST refunds from the Australian Taxation Office	85	661
Payments to suppliers and employees	(8,821)	(4,242)
Interest received	549	4,298
Interest paid	(415)	-
Net cash flows (used in) / from operating activities	(8,602)	717
Cash flows from investing activities		
Mine development expenditure	(11,153)	(1,399)
Acquisition of property, plant and equipment	(89,138)	(8,299)
Cash bond provided as security	1,493	(2,567)
Net cash flows used in investing activities	(98,798)	(12,265)
Cash flows from financing activities		
Shares issued for cash	48,124	-
Share issue costs	(1,965)	(210)
Proceeds from borrowings	16,639	-
Net cash inflows / (outflows) from financing activities	62,798	(210)
Net decrease in cash and cash equivalents	(44,602)	(11,758)
Cash and cash equivalents at beginning of the half-year	61,955	132,030
Foreign exchange effect on cash and cash equivalents	(308)	(81)
Cash and cash equivalents at end of the half-year	17,045	120,191

The condensed consolidated statement of cash flows should be read in conjunction with the notes to the consolidated interim financial report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Reporting entity

Northern Iron Limited ("Company") is a company domiciled in Australia.

The consolidated interim financial report of the Company as at and for the six months ended 30 June 2009 comprises the Company and its subsidiaries (together referred to as the "consolidated entity'). The half-year report has been prepared on an accruals basis and is based on historical costs.

The financial report was authorised for issue by the directors on 11 September 2009.

2. Statement of compliance

The consolidated interim financial report is a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001 and Accounting Standard AASB 134 "*Interim Financial Reporting*".

The consolidated interim financial report does not include all of the information required in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the consolidated entity as in the annual financial report. It is recommended that this financial report be read in conjunction with the annual financial report as at and for the year ended 31 December 2008.

The accounting policies applied by the consolidated entity in this consolidated interim financial report are the same as those applied by the consolidated entity in its consolidated financial report as at and for the year ended 31 December 2008 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001, except for the impact of standards and interpretations described below. These accounting polices are consistent with Australian Accounting Standards and with International Reporting Standards.

The Group has reviewed all new and revised accounting standards and interpretations issued by the Australian Accounting Standards Board ("AASB"). It has been concluded that the Presentation of Financial Statements (AASB 101), Interim Financial Reporting (AASB 134), and Operating Segments (AASB 8) standards have had a disclosure impact on the half-year report. However, there are no new and revised standards that are relevant to and effective for the current reporting period and accordingly there have been no changes to the consolidated entity's accounting policies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Issued capital

	2009 Number of shares	30 June 2009 $000	2008 Number of shares	30 June 2008 $000
Balance at beginning of half year	165,000,000	132,560	165,000,000	131,209
Placement at $1.00 per share	17.500,000	17,500	-	-
Placement at $1.05 per share	27,618,599	29,000	-	-
Share purchase plan at $1.00 per share	1,624,000	1,624	-	-
Deferred tax asset on equity raising costs	-	(1,003)	-	2,338
Share issue costs	-	(1,966)	-	(20)
Balance at end of half year	211,742,599	177,715	165,000,000	133,527

4. Contingent assets and liabilities

The Company's 100% subsidiary, Sydvaranger Gruve AS, currently has unsettled and disputed amounts claimed as owed by a contract labour supplier. The disputed amount is approximately NOK 2.2 million and largely relates to travel expenses incurred by the supplier's sub-contractor. It is likely the supplier will seek to go to arbitration on this issue during 2009. Should an unfavourable decision be determined at the completion of arbitration proceedings, the consolidated entity would be required to pay the amount in dispute. It is the Company's view that an unfavourable outcome is unlikely.

Other than the above there have been no changes of a material nature in contingent liabilities or contingent assets since the last annual reporting date.

5. Capital commitments

At 30 June 2009, the consolidated entity has commitments not reflected in the balance sheet of:

- $2,237,000 relating to operating leases for land and buildings, accommodation and light vehicles (December 08: $4,343,000);
- $17,520,000 under finance lease agreements relating to the mining fleet lease facility provided by DnB Nor Finans;
- Finance lease commitments associated with the provision of concentrate storage, handling and ship loading facilities;
- $18,390,000 of commitments to purchase equipment and services associated with the construction and refurbishment activities of the project (December 2008: $21,862,000).

6. Related party transactions

During the reporting period the consolidated entity had the following material transactions with related entities:

- services purchased from its related companies in the amount of $1,593,000 (December 2008: $2,325,000);
- assets (including capitalized expenses, excluding finance leases) purchased from related companies in the amount of $9,682,000 (December 2008: $8,337,000);
- a finance lease from a related company in the amount of $30,038,000 (December 2008: $Nil) representing a leasing agreement for handling, storage and loading of iron ore concentrate and included in borrowings. The asset represents expenditure on the port facilities, including newly installed equipment and refurbishment of pre-existing facilities.

As a result of the transactions described above the consolidated entity has trade payables to related parties of $3,381,000 (December 2008: $1,833,000) and accrued expenses payable to related parties of $948,000 (December 2008: $133,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Segment information

The group has two reporting segments, being the Sydvaranger Iron Project and corporate office. Segment profit / (loss) is not applicable as a performance measurement as the Sydvaranger Iron Project is still in the redevelopment phase. Inter-segment pricing is determined on an arm's length basis. There are no significant changes in the basis of segmentation or in the basis of measurement of segment profit or loss from the last annual financial report.

Analysis of the Group's revenue and results by reportable segment

	Mine redevelopment ($000)		Corporate($000)		Consolidated ($000)	
	30 June 2009	30 June 2008	30 June 2009	30 June 2008	30 June 2009	30 June 2008
External revenues	-	23	-	-	-	23
Inter segment revenue	-	-	-	339	-	339
Finance income	6	5	416	4,710	422	4,715
Finance expense	(464)	(48)	-	-	(464)	(48)
Mine operating expenses	(14,342)	(1,431)		-	(14,342)	(1,431)
Foreign exchange (loss)	(13,514)	(854)	(13,798)	(308)	(27,312)	(1,162)
Administration	-	(142)	(1,655)	(1,340)	(1,655)	(1,482)
Cash flow hedges	421	-	-	-	421	-
Depreciation and amortization	(917)	-	(3)	-	(920)	-
Reportable segment (loss) /profit before tax	(28,810)	(2,447)	(15,040)	3,401	(43,850)	954
Analysis of the Group's assets by reportable operating segment						
Reportable segment assets	271,793	22,171	3,510	120,220	275,303	142,391
Capital expenditure	145,995	13,883	-	16	145,995	13,899
Reportable segment liabilities	128,150	7,638	1,357	686	129,507	8,324

Reconciliation of reportable segment revenues, profit or loss, assets and liabilities and other material items

	30 June 2009 ($000)	30 June 2008 ($000)
Revenues		
Total revenue from reportable segments	422	5,077
Elimination of inter-segment revenue; interest income	-	(339)
Consolidated revenue	422	4,738
Profit or loss		
Total (loss) / profit from reportable segments	(43,850)	954
Elimination of inter-segment profit: interest income	-	(339)
Elimination of inter-segment profit: cost recharges	-	(107)
Consolidated (loss) / profit before income tax	(43,850)	508

Reportable segment total assets, total liabilities, capital expenditure and depreciation and amortization for both 2008 and 2009 are the same as the consolidated totals.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Segment information (continued)

Geographical segments

The Sydvaranger Iron Project is located in Norway. The group's corporate office is based in Australia.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customer. Interest income is recognized according to the country of residence of the recipient. Segment assets are based on the geographical location of the assets.

	June 2009 ($000) Revenues	June 2009 ($000) Non-current assets
Norway	6	244,739
Australia	416	23
Total	422	244,762

	June 2008 ($000) Revenues	June 2008 ($000) Non-current assets
Norway	28	16,050
Australia	4,710	1,428
Total	4,738	17,478

8. Cash flow information

	Half-year 30 June 2009 $000	Half-year 30 June 2008 $000
Acquisition of property, plant and equipment by way of finance lease	62,298	-

9. Subsequent events

On 27 August 2009 the Company announced an underwritten non-renounceable entitlement offer to shareholders to raise approximately $61,400,000. On 28 August 2009 the Company announced $55,900,000 of this amount had been committed by institutional investors, for which settlement occurred on 9 September 2009. The proceeds of the entitlement offer will be utilized to finance completion of the Sydvaranger Iron Project and for working capital purposes.

No other matter or circumstance has arisen since 30 June 2009 that in the opinion of the directors has significantly affected, or may significantly affect in future financial years:

(i) the consolidated entity's operations, or
(ii) the results of those operations, or
(iii) the consolidated state of affairs

DIRECTORS' DECLARATION

In the opinion of the directors of Northern Iron Limited (the "Company"):

(a) the financial statements and notes as set out on pages 7 to 14 are in accordance with the *Corporations Act 2001* including:

   (i) giving a true and fair view of the financial position of the consolidated entity as at 30 June 2009 and of its performance for the half-year ended on that date; and

   (ii) complying with Accounting Standards, the *Corporations Regulations 2001,* and other mandatory reporting requirements; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

MJ McMullen	**ND Hamilton**
Director	Chairman

Perth
11 September 2009

HLB Mann Judd

Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of
Northern Iron Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report, which comprises the condensed consolidated statement of financial position as at 30 June 2009, the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows and notes to the condensed consolidated financial statements for the half-year ended on that date, and the directors' declaration, of Northern Iron Limited and the entities it controlled during the half-year ended 30 June 2009 ("consolidated entity").

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001*, including giving a true and fair view of the consolidated entity's financial position as at 30 June 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB *134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Northern Iron Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half year financial report of Northern Iron Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2009 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*.

HLB Mann Judd.

HLB MANN JUDD
Chartered Accountants

WMClark

Perth, Western Australia
11 September 2009

WM CLARK
Partner, HLB Mann Judd