NORTHERN IRON LIMITED
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Share Purchase Plan

21 October 2010

Dear Shareholder

Offer to participate in the Share Purchase Plan

The Directors of Northern Iron Limited (**Northern Iron**) are pleased to offer you the opportunity to participate in the Northern Iron Share Purchase Plan (**SPP**).

The SPP offers eligible shareholders an opportunity to purchase shares in Northern Iron (**New Shares**) to a value of A$1,000, A$5,000, A$10,000 or A$15,000 at $1.58 per share free from brokerage and transaction costs.

The SPP forms part of a broader capital raising which also includes the placement of shares to institutional investors announced to the market on 13 October which raised A$69.3 million before costs (**Placement**) (together the **Capital Raising**) at an issue price of $1.58 per share.

The purpose of the Capital Raising is to fund modifications and enhancements to Northern Iron's Sydvaranger Project, reduce outstanding debt and creditors and fund on-going working capital requirements and offer costs.

Participation in the SPP is entirely optional and open to shareholders who are holders of fully paid ordinary shares in Northern Iron as at 5pm WST on Tuesday, 12 October 2010 and whose registered address is in Australia or New Zealand.

The offer price of the New Shares will be the same as the Placement price, that is A$1.58 per share. This represents 12.3% discount to the closing price on 12 October 2010 being the last trading date prior to the trading halt on 13 October 2010.

New Shares issued under the SPP will have the same entitlements as other shares in Northern Iron.

Northern Iron reserves absolute discretion regarding the amount raised under the SPP and the exercise of its right to scale back applications. Should this happen, you may be allocated New Shares to a value which is less than the parcel of New Shares you applied for and the difference will be refunded to you.

The SPP will be open on Friday, 22 October 2010 and will remain open until 5pm WST on Monday, 22 November 2010. As soon as practicable after the close of the SPP, Northern Iron will make an ASX announcement as to the outcome of the SPP and the number of New Shares to be issued.

To apply for a parcel of New Shares, please follow the instructions on page 4.

I encourage you to read the attached SPP Terms and Conditions carefully. If you are unsure about whether to participate, please contact your professional adviser. If you require further information, please contact our Share Registry (contact details are in the enclosed instructions).

On behalf of the Board, I invite you to consider this opportunity to increase your investment in Northern Iron.

Yours sincerely

David Griffiths
Chairman

Key Dates*

Date (and time if relevant)	Event
5pm WST, Tuesday, 12 October 2010	Record Date The date and time on which Northern Iron determines who is eligible to participate in the SPP.
Friday, 22 October 2010	Opening Date
5pm WST, Monday, 22 November 2010	Closing Date Application Forms and BPAY payments must be received by this time and date.
Monday 29 November 2010	Allotment Date The date on which the New Shares are expected to be allotted.
Monday 29 November 2010	Trading Date The date on which the New Shares are expected to begin trading.
Monday 29 November 2010	Despatch Date Transaction confirmations / holding statements will be sent to shareholders on or around this date.

* Northern Iron may change any of the Key Dates at its discretion (even if the offer has opened or applications have been received).

Instructions

The SPP opens on Friday, 22 October 2010 and under the offer, you may apply for a parcel of New Shares to a value of A$1,000, A$5,000, A$10,000 or A$15,000.

To apply and pay, you have two options:

Option 1: BPAY®[1]

You can make a payment by BPAY if you have an Australian bank account enabled for this purpose. BPAY customers must use the customer reference number shown on the Application Form which is required to identify your holding. If paying by BPAY, you do not need to return your Application Form.

Option 2: Application Form and cheque or money order

You can complete the Application Form and return it to Computershare Investor Services Pty Limited (**Share Registry**), Level 2 45 St Georges Terrace Perth, WA 6000 Australia, together with a cheque or money order, in accordance with the instructions on the Application Form.

Cheques and money orders must be made payable to "Northern Iron Limited" in Australian dollars and drawn on an Australian bank for the correct amount. Northern Iron will not accept payment by cash.

Timing

All payments and applications must be received before 5pm WST, Monday 22 November 2010. You cannot withdraw or cancel your application or BPAY payment once you have sent it in.

Questions

If you have any questions, please contact Northern Iron's Share Registry any time between 6am and 5pm WST Monday to Friday:

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

Registry information line (Australia): **1300 764 285**

Registry information line (outside Australia): **+61 3 9415 4874**

No offer outside Australia and New Zealand

This document may not be released or distributed in any country other than Australia and New Zealand. This document does not constitute an offer to sell, or a solicitation of an offer to buy, securities in any country other than Australia and New Zealand. In particular, any securities described in this document have not been, and will not be, registered under the US Securities Act of 1933 (as amended) and may not be offered or sold in the United States except in transactions exempt from, or not subject to, registration under the US Securities Act and applicable US state securities laws.

[1] ® Registered to Bpay Pty Ltd ABN 69 079 137 518.

Terms and Conditions

IMPORTANT NOTICE: The market price of Northern Iron shares may rise or fall from now to when the New Shares are allotted to you under the SPP. Therefore, if you apply for and we allot to you New Shares under the SPP, the offer price for those New Shares may be more than, or less than, the market price of Northern Iron's shares you could buy at that time. By completing and returning the Application Form or making a BPAY payment, you acknowledge this risk. We encourage you to contact your professional adviser regarding whether to participate in the SPP and how much to contribute.

Offer timetable

(a) The offer timetable is set out in the Key Dates above and is included in these Terms and Conditions.

(b) Payment by BPAY, Application Forms, cheques and money orders may not be processed and may not be valid if they have not been received by Northern Iron by the time and date specified for the Closing Date. You must allow adequate time for Application Forms and cheques or money orders forwarded by post to be received by the Share Registry.

(c) Northern Iron expects to send a transaction confirmation or holding statement to you on or around the Despatch Date.

(d) Northern Iron expects that the New Shares will be allotted under the SPP on the Allotment Date and will commence trading on ASX on the Trading Date. You must confirm your holding before trading in any New Shares you believe have been allotted to you under the SPP.

(e) At any time, Northern Iron can change the Closing Date, Allotment Date, Despatch Date and the Trading Date (even if the offer has opened, or BPAY payments and Application Forms have been received) by lodging a revised timetable with ASX.

Eligible Shareholders

You are an Eligible Shareholder and may participate in the SPP if you were a registered holder of Northern Iron ordinary shares with a registered address in Australia or New Zealand as at 5pm WST on Tuesday, 12 October 2010, unless you hold Northern Iron shares on behalf of another person who resides outside Australia or New Zealand.

For New Zealand shareholders, you must still be a shareholder at the date of this offer, that is Thursday, 21 October 2010.

Northern Iron has determined that it is not practical for holders of Northern Iron shares with registered addresses in other countries to participate.

- **Holders receiving more than one offer:** If you are the only registered holder of a holding of Northern Iron shares, but you receive more than one offer under the SPP (due to multiple registered holdings), you may only contribute a maximum of A$15,000 in applying for New Shares.

- **Joint Holders:** If 2 or more persons are recorded in the register of members of Northern Iron as jointly holding Northern Iron shares, they are considered to be a single registered holder for the purpose of the SPP and they are entitled to participate in the SPP in respect of that single holding only. If as joint holders you receive more than one offer under the SPP due to multiple identical holdings, you may still only contribute a maximum of A$15,000 in applying for New Shares.

- **Custodians, trustees and nominees:** If you are a custodian, trustee or nominee within the definition of "custodian" in ASIC Class Order [CO 09/425] (**Custodian**), you may contribute a maximum of A$15,000 in applying for New Shares for each beneficiary on whose behalf you or a downstream custodian hold Northern Iron shares (but joint holders are taken to be a single holder), subject to providing us with a certificate in accordance with paragraph (d) of "Significance of applying for New Shares" below. If you are not a

Custodian, the rules for multiple single holdings apply and you may only contribute a maximum of A$15,000 in applying for New Shares. You are not eligible to participate on behalf of a person who resides outside Australia and New Zealand.

Participation is optional

Participation in the SPP is entirely optional. If you are an Eligible Shareholder, you can choose whether or not to participate.

How much can you invest?

(a) If you are an Eligible Shareholder, you may apply to buy a parcel of New Shares by contributing a set amount of either A$1,000, A$5,000, A$10,000 or A$15,000.

(b) This parcel may be subject to a scaleback and rounding.

(c) Unless you are applying as a Custodian, the maximum amount of A$15,000 applies even if you receive more than one Application Form or if you hold shares in Northern Iron in more than one capacity (for example, if you are both a sole and joint holder of shares in Northern Iron - see "Eligible Shareholders" above) and irrespective of the number of Northern Iron shares you hold on the Record Date. We can reject any application for New Shares if we believe you have not complied with this condition.

How to apply for New Shares

If you would like to participate in the SPP, you have two options:

Option 1: BPAY

Provided you are not a Custodian, you can make a payment by BPAY if you have an Australian bank account enabled for this purpose. BPAY customers must use the customer reference number shown on the Application Form which is required to identify your holding. If paying by BPAY, you do not need to return your Application Form.

NOTE: By using this BPAY facility to apply for New Shares, you represent that the total of the application price for the following does not exceed A$15,000:

(a) the shares you are applying for;

(b) any other shares you are applying for under this SPP, or shares or interests in the class issued under a similar arrangement in the 12 months before this application;

(c) any other shares or interests in the class which you have instructed a custodian to acquire on your behalf under this SPP; and

(d) any other shares or interests in the class issued to a custodian under an arrangement similar to this SPP in the 12 months before this application as a result of you instructing the custodian or another custodian, which resulted in you holding a beneficial interest in the shares or interests.

Option 2: Application Form and cheque or money order

You must complete an Application Form and return it with a cheque or money order in accordance with the instructions on the Application Form.

Cheques and money orders must be payable to "Northern Iron Limited", in Australian dollars and drawn on an Australian bank for the correct amount. Northern Iron will not accept payment by cash.

Northern Iron's discretion regarding applications

Northern Iron may accept or reject applications for New Shares under the SPP, including if:

(a) an Application Form is incorrectly completed, incomplete or otherwise determined by Northern Iron to be invalid;

(b) if you are a Custodian, and we are not satisfied with your certification for any reason;

(c) a cheque is dishonoured or has not been completed correctly;

(d) the correct amount corresponding to your application is not provided with the Application Form or BPAY payment;

(e) a BPAY payment is not received or is incomplete or invalid;

(f) unless you are applying as a Custodian, an applicant appears to be contributing more than A$15,000 under the SPP;

(g) an application is received after the time and date specified as the Closing Date. Northern Iron has a discretion whether or not to accept late BPAY payments, Application Forms and cheques or money orders; or

(h) Northern Iron believes you are not an Eligible Shareholder,

and Northern Iron must reject applications if required to do so under ASIC Class Order [CO 09/425].

Northern Iron reserves the right to return your cheque or money order or refund your BPAY payment and not allot you any New Shares.

Offer price

The offer price of the New Shares is A$1.58, which is the same as the Placement price. The offer price represents a discount to the closing price of A$1.80 on 12 October 2010, being the last trading date prior to the trading halt on 13 October 2010.

Applications may be scaled back

(a) Northern Iron reserves the right to determine the amount it raises through the SPP, including the right to scale back applications (**Scaleback**).

(b) If there is a Scaleback you may not receive all the New Shares for which you have applied. Each applicant will be treated equally and scaled back on a pro rata basis. If a Scaleback produces a fractional number when applied to your parcel, the number of New Shares you will be allotted will be rounded down.

(c) Northern Iron will refund to you by direct credit deposit to your nominated bank account or by cheque, the difference between your application money and the total offer price for the New Shares allotted to you.

Rounding of New Shares

(a) If you apply for New Shares under the SPP, you agree to contribute a certain amount to buy New Shares rather than to apply for a certain number of New Shares. The number of New Shares you receive will be determined by:

- if there is no Scaleback applied to your allotment, dividing the amount you agree to contribute for New Shares by the offer price (A$1.58); or
- if there is a Scaleback applied to your allotment, dividing the amount you are taken to have contributed by the offer price(A$1.58).

(b) If this calculation produces a fractional number, the number of New Shares you will be allotted will be rounded down to the nearest whole number of New Shares and:

- if there is no Scaleback applied to your allotment, any residual balance will form part of the assets of Northern Iron. You will not receive a refund of this amount, which will always be less than the price of one share issued under the SPP; or

- if there is a Scaleback applied to your allotment, the residual balance from rounding down will be added to the refund you receive from the Scaleback.

No other participation costs

No brokerage, commission or other participation costs are payable by you to acquire New Shares under the SPP.

No interest

No interest will be paid on any application money returned to you.

You cannot transfer your rights under this SPP

Your rights under this offer are personal to you and non-renounceable. This means, if you are eligible, you cannot transfer your right to purchase New Shares under this SPP to anyone else.

Equal ranking and rights to dividends

New Shares issued under the SPP will, at the time of issue, rank equally with existing New Shares quoted on ASX, with the same voting rights, dividend rights and other entitlements.

Significance of applying for New Shares

If you apply to participate in the SPP:

(a) you agree that once you have sent in your application or made your BPAY payment, you cannot withdraw or cancel your application and your application is unconditional;

(b) you confirm that you are an Eligible Shareholder and that you are lawfully permitted to accept the offer under the SPP and participate in the SPP in accordance with these Terms and Conditions and any applicable laws;

(c) you certify that, even if you have received more than one offer under the SPP or received offers in more than one capacity, the aggregate application money paid by you in any capacity (except as a Custodian) for:

- the New Shares the subject of the Application Form or BPAY payment; and
- any other Northern Iron shares issued to you, or to a Custodian on your behalf and at your instruction, under the SPP or any similar arrangement operated by Northern Iron in the 12 months before the date we received your application,

is not more than A$15,000;

(d) if you are a Custodian and are applying for New Shares with a total application price exceeding A$15,000, you agree to certify to us in writing the matters required by ASIC Class Order [CO 09/425] condition 9. Custodians should request a Custodian Certificate when making an application on behalf of participating beneficiaries. To request a Custodian Certificate or if you would like further information on how to apply, you should contact the Share Registry;

(e) you agree to these Terms and Conditions and you agree not to do anything which would be contrary to the spirit, intention or purpose of the SPP;

(f) you agree to be bound by the Constitution of Northern Iron;

(g) you authorise Northern Iron (and its officers or agents) to correct any error or omission in your Application Form and to complete the Application Form by inserting missing details if we elect to do so;

(h) you agree that Northern Iron may determine that your Application Form is valid and in accordance with these Terms and Conditions, even if it is incomplete, contains errors or is otherwise defective;

(i) you agree that your application is only effective when received by us and not when posted;

(j) you accept the risk associated with any refund that may be sent to you by direct credit or cheque to your address shown on Northern Iron's register;

(k) you are responsible for any dishonour fees or other costs which Northern Iron may incur if your cheque for payment is dishonoured;

(l) you agree that if there is a rounding down of the number of New Shares and no Scaleback, any remaining balance of your payment after your allotment will form part of the assets of Northern Iron and will not be refunded;

(m) you agree that Northern Iron and the Share Registry named in the Directory below have not provided you with investment or financial product advice, and that they have no obligation to provide advice to you about your decision to apply for and buy New Shares; and

(n) you agree that Northern Iron is not liable for any exercise of its discretions referred to in these Terms and Conditions.

Notice to shareholders in New Zealand

The New Shares are not being offered or sold to the public within New Zealand other than to existing shareholders of the Company with registered addresses in New Zealand to whom the offer of New Shares is being made in reliance on the Securities Act (Overseas Companies) Exemption Notice 2002 (New Zealand).

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Securities Act 1978 (New Zealand). This document is not an investment statement or prospectus under New Zealand law and is not required to, and may not, contain all the information that an investment statement or prospectus under New Zealand law is required to contain.

No US offer

If you apply to participate in the SPP, you acknowledge and agree that:

(a) the New Shares have not, and will not be, registered under the US Securities Act of 1933, as amended (**US Securities Act**), or the securities laws of any state or other jurisdiction in the United States, or in any other jurisdiction outside Australia and New Zealand;

(b) you must not send copies of these Terms and Conditions or any other material relating to the SPP to any person in the United States or elsewhere outside Australia and New Zealand;

(c) you must not submit an Application Form or make payment by BPAY for any person resident outside Australia or New Zealand; and

(d) if you do not comply with these restrictions, it may result in violations of applicable securities laws.

Withdrawal, waiver, suspension and termination

Northern Iron reserves the right to withdraw the offer at any time up to the Allotment Date.

Northern Iron reserves the right at any time to:

(a) waive compliance with any provision of these Terms and Conditions;

(b) amend or vary these Terms and Conditions; and

(c) suspend or terminate the SPP.

Any amendment, variation, suspension or termination is binding on all Eligible Shareholders even if Northern Iron does not notify you of the event.

Settling disputes

Northern Iron may settle in any manner it sees fit, any difficulties, anomalies or disputes which may arise in connection with the operation of the SPP whether generally or in relation to any participant or any application for Northern Iron shares. Northern Iron's decision is conclusive and binding on all participants and other persons to whom the determination relates. These rights may be exercised by Northern Iron's Board or any delegate of the Board.

Governing Law

These Terms and Conditions are governed by the laws in force in Western Australia. By accepting this offer, you submit to the non-exclusive jurisdiction of the courts in Western Australia.

No underwriting

The SPP will not be underwritten.

Interpretation

The term “these Terms and Conditions” includes terms and conditions in the Application Form, Instructions and Key Dates.

Directory

Registered Office

Northern Iron Limited
Level 3, 3 Ord Street
West Perth, Western Australia 6005
Telephone: 61 8 9321 9334
Facsimile: 61 8 9321 9335

Share Registry

Computershare Investor Services Pty Limited
Level 2
45 St Georges Terrace
Perth, WA 6000 Australia
Registry information line (Australia):
1300 764 285

Registry information line (outside Australia):
61 3 9415 4874

Legal Advisers

Cochrane Lishman Carson Luscombe