NORTHERN IRON

NORTHERN IRON LIMITED (ASX:"NFE")

ASX ANNOUNCEMENT 2nd November 2010 – *by e-lodgement*

Operations Update

Northern Iron Limited (NFE) operates the Sydvaranger iron ore mine in Northern Norway, through its wholly owned Norwegian subsidiary Sydvaranger Gruve AS. NFE wishes to provide an update on recent developments at the Sydvaranger Project.

Highlights

- Significant increase in tonnes milled
- Improved quality shipped
- Significant pricing increases achieved
- Balance sheet restructure commenced
- Commencement of engineering for improvement works

Operations Update

In October 2010 the Sydvaranger Project achieved a production result for the primary mill of 362 kt tonnes milled. This is 22% higher than the best previous month of 296 kt, achieved in July 2010. The Company believes this is an indication that recent improvements to maintenance practices are beginning to have a positive impact on the performance of the grinding circuit.

Concentrate production did not match the improved milling rate due to reduced recovery caused by introduction of the new concentrate screens and a focus on producing improved product quality. As previously disclosed, the screens will not be fully commissioned until mid November when magnetic separation units are installed and the company is confident both recovery and concentrate quality will improve once these units are complete.

The focus on improved product quality in October resulted in the first vessel to depart the Sydvaranger project with a sub 10% Silica cargo, with 73,100 tonnes dispatched grading 63.8% Fe and 9.8% Silica.

Sales and Marketing Update

The improvement in concentrate quality has had a positive impact on the sales prices that have been negotiated, which are expected to realise an approximate 19% increase on quarter 3 pricing,

As previously advised the Company is presently negotiating with OMH Ltd subsidiary OMS Pte Ltd for a long term marketing agreement for sales of uncommitted tonnage to the Asian market. As part of this negotiation, the CEO of Northern Iron Limited, John Sanderson, recently met with a number of potential Chinese customers in China to assess the attractiveness of Sydvaranger concentrate for long term supply agreements. The trip was organised and hosted by OMS Pte Ltd. The reception to the Company's expected concentrate grade from December 2010 onwards was very positive, and the Company is anticipating successful conclusion of negotiations with OMS Pte Ltd in the near future.

With the delivery of quality improvement following the successful capital quality improvement program, the Company has commenced preliminary discussions on penetrating the Eastern European market. Opportunities to further penetrate the European market will be investigated during 2011.

Financial Update

The Company's recently completed institutional placement indicated funds would be applied to the retirement of short term debt and the creditor balance. NFE wishes to advise the Company has now fully retired the USD 10m OMH debt facility, partially retired (50%) the NOK 60m working capital facility with DnB NOR, and expects to make a 6 month prepayment on a secured export finance facility provided by Credit Suisse by the middle of November. The repayments and prepayments are a significant milestone in the restructuring of the Company's balance sheet. The Company has also significantly reduced its creditor balance since completing the placement.

Capital Rectification Program

NFE wishes to advise that the recently outlined capital program has commenced with detailed engineering underway on the modifications to the secondary and tertiary grinding circuits. Sourcing of anticipated long lead items is also underway, as is sourcing of mobile crushing capacity to facilitate the interim throughput increase.

Environmental Permit Update

NFE advises that Company representatives have been in dialogue with the Norwegian Climate and Pollution Control Agency (KLIF) with regard to the continued use of flocculent chemicals at Sydvaranger. Pursuant to discussions, SVG has made a formal application for use of these chemicals, notwithstanding that it considers their use to be already covered by existing licence arrangements.

SVG takes its environmental responsibilities seriously and is not aware of any reason for the application not to be granted, given the widespread use of these chemicals elsewhere in Norway (& worldwide) and the environmentally neutral effect of the substitution of these flocculants for those anticipated to be used under SVGs original licence. KLIF has granted a temporary licence for the continued use of the chemical during the application period, this will also allow the Company time to investigate and test alternative chemicals and ore blending arrangements/schedules to mitigate the impact should the new application not be successful.

Share Purchase Plan Running until the 22nd November

As announced in the recent capital raising, NFE is currently running a share purchase plan which will close at 5.00pm on Monday the 22nd November. While this plan is open, the Company will provide regular updates on significant events ahead of normal quarterly reporting requirements.

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