

NORTHERN IRON LIMITED

ABN 71 125 264 575

**ANNUAL REPORT
31 DECEMBER 2010**

CORPORATE DIRECTORY

Directors

DC Griffiths (Chairman)
JS Sanderson (Managing Director)
PR Bilbe (Non-Executive Director)
A Mehra (Non-Executive Director)
FH Tschudi (Non-Executive Director)

Company Secretary

AJ Neuling

Auditors

HLB Mann Judd (WA Partnership)
Level 4
130 Stirling Street
Perth WA 6005

Bankers

Westpac Banking Group Limited
Australia and New Zealand Banking Group Limited
DnB NOR Bank ASA
Credit Suisse
Innovasjon Norge
UBS

Registered Office

Level 3
3 Ord Street
West Perth WA 6005
Telephone: +61 8 9321 9334
Facsimile: +61 8 9321 9335
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 ASX Limited.

ASX Code: NFE - ordinary shares

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Dear Shareholder,

In 2010, Northern Iron has been able to significantly improve the grades at its Sydvaranger Iron ore project so that it is now exporting a premium grade iron ore concentrate. However, it still has to complete a substantial work program before the project can achieve its 2.8 million tonne p.a. nameplate capacity.

The first phase rectification was completed ahead of time and under budget and while it resulted in improved grade, it did not significantly improve the volume of concentrate produced. After a technical review the Company decided in to refinance its balance sheet with a \$69 million issue and use part of the proceeds to embark on a US\$25 million debottlenecking program which is expected to deliver a plant that is capable of sustaining a production rate of 2.8 million tonnes per year by April 2012.

Notwithstanding the fact that the Company operated at a loss in 2010 primarily due to low throughput, significant progress has been made in a number of areas of the Company's operations during the year. The highlights have been:

- Production of premium iron ore concentrate from Quarter 4 2010 onwards.
- The commencement of regular shipments to Tata Steel Europe and significant progress with the negotiation of a new contract which is expected to be finalised shortly.
- Appointment of OM Holdings Ltd subsidiary OMS Pte Ltd as the exclusive agent for the sale of uncommitted Sydvaranger iron ore concentrate in the Asian market.
- Recruitment of a Norwegian based management team with experience in cold weather mining and processing to operate and optimize the project.
- Establishment of training initiatives and programs to develop a skilled maintenance and operations team in Norway, and maximize the potential for members of the local community to start a career in the mining industry.
- Implementation of an extensive environmental monitoring program around the Company's operations.
- Completion of the first phase of the plant improvement project three months ahead of schedule and US\$7 million under budget.

The Company expects to make steady progress improving production volumes in 2011, and believes Northern Iron will be well positioned to benefit from the high iron ore prices expected to be generated by a shortfall in supply for the next three to five years. Good progress is being made de-watering and re-opening the key Bjørnevatn pit which holds 70% of the projects reserves and production is expected to commence late in 2011. Based on historical performance this ore is expected to be softer than the material currently being processed which is expected to assist in milling performance.

In order to safeguard the Company's performance in future years, the Company will complete the necessary environmental work and a full engineering study required to enable the board to make an investment decision on expanding the operation by the end of 2013. This work will include a drilling program and the re-optimization of the Bjørnevatn at a price which reflects current long-term projections rather than the US\$48 per tonne which was used at the time the Company was listed on the Australian Stock Exchange in 2007. The drill program and the re-optimisation together are expected to produce a material increase in tonnes.

On behalf of our Board I would like to express thanks to the local Kirkenes community for their continued support of the mine redevelopment, and to all of our employees, customers and business partners for their contributions during 2010, and ask them for their continued support and energy in what we expect to be an exciting 2011.

Sincerely



David Griffiths
Chairman

OPERATING REVIEW

2010 was a year of progress for the Company. Although production volumes were below guidance for 2010 as a result of the ongoing rectification works, by the end of the year the Company was producing a premium iron ore product meeting target grade specifications and had made significant operational and maintenance improvements that remain on track to deliver improved volumes in 2011 and 2012.

Specific areas of performance during the year are highlighted below:

Safety Performance

The Company is committed to maintaining a healthy and safe working environment for its employees.

Sydvaranger Gruve AS ("SVG") had a challenging year in respect to safety performance. Ten lost time injuries were experienced by employees or contractors involved in construction or operations during the period.

The Company finds this level of performance unsatisfactory. In 2011, the Company will focus on creating a safety culture that positively influences employee behaviour towards improved safety performance. The Company is implementing a safety management strategy based on risk management that will result in the implementation of critical procedures and systems, backed up by proactive leadership and engaged employees.

Environmental Performance

The Company believes it operated within the conditions of its environmental permits during the year. Local interest in the environmental performance of the Company remains high, and to reflect the importance of this matter to the Company and to enable close communication with interested parties the Company formed a community liaison group during the year. This group meets to discuss the Company's environmental performance and serves as a forum for questions related to the Company's current operations and future plans.

During the year, the Company was required to introduce a new chemical flocculent for cleaning of the process water used in the concentrator. This was due to a previously unidentified gangue mineral contained in the Kjellmannsåsen ore body that the existing flocculent was unable to remove. The Company assessed that the introduction of the new chemical was possible under the terms and conditions of its existing environmental permit issued by the Norwegian regulator in 2008. In late October 2010, the Norwegian Climate and Pollution Control Authority (KLIF) advised the Company that in its opinion use of the new cleaning agent was not covered under the existing permit, and that an application to modify the existing permit would be required. This application was submitted by the Company in early November, and temporary permission to continue using the agent was granted by KLIF immediately. The Company expects a decision from KLIF on this application in the first half of 2011, and is not aware of any reasons as to why it should not be granted.

In August 2010, the Company was visited by KLIF for the purpose of conducting a planned audit of the Company's compliance with its environmental permit. The audit was concluded successfully with the two relatively minor non-conformances identified corrected within one month of the audit date.

The Company conducted environmental monitoring around its operations during 2010, including testing water quality, conducting noise surveys, and measurement of the impact of tailings deposition. Test work was also undertaken before the commencement of dewatering the main Bjørnevatn pit, and to support the Company's application for the reintroduction of the flotation circuit.

The Company expects to further strengthen its environmental management in 2011 by completing ISO 14001 certification of its environmental management systems in the second half of the year. This standard provides the Company with a systemised approach to the management of its activities to ensure the impact on the environment is minimised.

Community Relations

In 2010, the Company increased the proportion of its employees that live locally from 50% at the start of the year to 63% by the end. In December 2010, the Company had a total of 350 employees, with 221 of these employees living in the local community. The Company has a stated goal of achieving a minimum of 80% of its employees living locally by 2014.

To support this objective the Company has entered into a number of training arrangements to maximise opportunities for local people to participate in a mining career. In 2010, the Company trained a large number of employees to be equipment operators in co-operation with the local technical college. Many of these people had never worked in mining or construction before. By the end of 2010, the Company had become an approved training establishment for apprentices in five trades, and expects to engage its first apprentices in 2011.

During the year, the Company maintained a dialogue with the Ørnevatn Cabin Owners Association and the Reindeer Husbandry Association. Both of these groups conduct recreational and business activities in close proximity to the Company's mining operations. At the end of the year, the Company commenced a dialogue with the Bjørnevatn community to inform them of the restart of mining operations at the historic adjacent open cut mine.

During the year, the Company progressed an option to build an alternative access road to the mine that would bypass most of the Bjørnevatn community. The present public access road to the mine traverses built up residential areas and passes the Bjørnevatn primary school. It is believed a significant improvement to community amenity and safety could be achieved by building a new access road from the Pasvik Valley highway directly to the mine. The distance required for this diversion is relatively short (a few hundred metres), and it is expected most of the work could be performed by the Company's own mining equipment. The Company is hopeful of obtaining the necessary regulatory approvals to complete this project in the second half of 2011.

Mining

Mining during the year focused on the two southern pits, Kjellmannsåsen and Hyttemalmen. Total material mined from the two pits in 2010 is summarised in Table 1.

	Actual 2010
Ore Mined (kt)	3,722
Waste Mined (kt)	8,067
Total Mined (kt)	11,789

Table 1

Substantial progress was made during the year preparing for mining to commence in the historic Bjørnevatn mine, which contains more than 70% of the Company's reserves. By the end of the year, drill and blast development of upper benches had commenced and dewatering of water accumulated at the base of the mine since the cessation of operations in 1997 had commenced.

During the year, the mining team oversaw a major increase in the size of the team, with a large number of new operators employed to assist with increased mining rates required with the commencement of the Bjørnevatn pre-strip. Many of these new team members had never worked in the industry before, nor had experience in operating earthmoving equipment. The introduction of such a significant number of new employees without a serious safety incident was a notable achievement for the mining team.

Towards the end of the year, the Company commenced discussions with heavy equipment suppliers to look at changing the 95t dump truck fleet with a smaller number of 190t dump trucks. If implemented this improvement would be expected to make an improvement to operating costs.

Resource and Reserve Statement

In February and March 2011 the SVG Resource and Reserve models which were originally produced during the first Quarter of 2009 by Coffey Mining were comprehensively reviewed and revisited by Wardell Armstrong International (WAI). Bjørnevatn, Hyttemalmen, Kjellmannsåsen, Fisketind Øst, and Tverrdalen reserves were reviewed and updated taking into account mining depletion which has occurred since mining commenced in 2009. Resource models were also reviewed and mining depletion accounted for. The company's resource models are based on historical data and the results of an exploration campaign carried out in 2007 and 2008 by the Company to expand on the resource estimates carried out by RSG Global Consulting Pty Ltd (RSG Global) in August 2007. The exploration campaign contributed to validating the historical data and previous resource estimates. The exploration works added an additional 71 drill holes totalling 1099m.

Following the updates in the first Quarter of 2009, no additional exploration works were carried out, with the emphasis at the mine shifting to production. An audit and review of the resource and reserve models was undertaken in the first Quarter of 2011 by WAI.

The resource and reserves estimated and reported herein are based on the company's resource and reserve models and account for mining depletion up to the 1 March 2011.

Total project resources as of 1 March 2011 are shown in Table 2 below.

Mineral Resource Summary as at 1 March 2011 (at 15% Fe total cut-off grade)									
Prospect	Indicated (Mt)	Fe(Tot) %	Fe(Mag) %	Inferred (Mt)	Fe(Tot) %	Fe(Mag) %	Total Tonnes (Mt)	Fe(Tot) %	Fe(Mag) %
Bjørnevatn	152.3	32	29	138.3	30	27	290.6	31	28
Kjellmannsåsen	15.6	33	28	4.4	30	24	20	33	27
Fisketind Øst	11.1	31	22	19.2	31	21	30.3	31	21
Tverrdalen	20.4	32	23	26.4	31	20	46.8	31	21
Hyttemalmen	1.6	35	32	1	32	29	2.6	33	31
Bjornfell				13.6	32	26	13.6	32	26
Söstervann				4.7	37	31	4.7	37	31
Grundtjern				2.9	34	32	2.9	34	32
Fisketind SW				17.5	33	30	17.5	33	30
Jerntoppen				17	31	24	17	31	24
Total	201	32	28	245	31	26	446	31	27

Table 2

Mining commenced in both Hyttemalmen and Kjellmannsåsen in 2009. Since mining began up until 1 March 2011, approximately 2.8Mt of ore has been mined from Hyttemalmen and 2.6Mt from Kjellmannsåsen. The resources reported in Table 1 take into account this depletion, as does Table 2 for the Reserves.

Indicated resources at the Bjørnevatn, Kjellmannsåsen, Hyttemalmen, Tverrdalen, and Fisketind Øst deposits enabled the estimation of reserves. After applying suitable modifying factors, the reserve statement for these five deposits is shown in Table 3.

Ore Reserve Summary as at 1 March 2011 (at 15% Fe total cut-off grade)		
Prospect	Probable Reserve (Mt)	Fe(Tot) %
Kjellmannsåsen	14.3	34
Hyttmalmen	1.5	35
Bjørnevatn	90.5	32
Tverrdalen	11.2	31
Fisketind Øst	6.7	30
Total	124.2	32

Table 3

Note:

The information in this report that relates to mineral resources is based on information compiled by Mr Mark Owen, who is a Chartered Geologist with the Geological Society of London. Mr Owen is employed full time by Wardell Armstrong International (WAI). Mr Owen has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Owen consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to Ore Reserves is based on information compiled by Mr Bruce Pilcher, who is a Member of the Australasian Institute of Mining and Metallurgy and is a Chartered Engineer under the Institute of Materials, Minerals and Mining. Mr Pilcher is employed full time by Wardell Armstrong International (WAI). Mr Pilcher has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Pilcher consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Concentrate Production

During the year work continued to debottleneck the concentrator and improve both product quality and volume. The production results for the processing function are outlined in Table 4.

	Actual
Ore Railed (kt)	3,401
Ore Milled (kt)	3,260
Concentrate Produced (Dry kt)	1,438
Tonnes Shipped (Dry kt)	1,436

Table 4

During the year, the Company worked on a number of initiatives to increase the volume produced by the plant. Significant progress has been made in improving systems and efficiency of the maintenance team. Consequently, the duration of concentrator downtime during Quarter 4 was half that experienced in Quarters 2 and 3.

Improvements being implemented as part of the product quality improvement program were completed and installed. As discussed below most parts of this project were successful, however a simple and inexpensive fix to the fine crushing circuit did not produce the expected result. A permanent fix is the subject of a supplementary capital investment program being executed in 2011 and 2012.

Product quality of the concentrate produced displayed steady improvement during the year as the Company continued to optimise the grinding and filtration circuits. A significant improvement was achieved late in the year

when the final component of the plant improvement program was implemented. From mid-November onwards the Company began screening 100% of the concentrate produced which resulted in the production of a premium iron ore product, meeting 2011 target specifications. Results by Quarter during the year are outlined in Table 5.

	Iron (%)	Silica (%)	Alumina (%)	Phos (%)	Sulphur (%)	Manganese (%)
Q1	61.9	12.4	0.46	0.01	0.02	0.06
Q2	62.1	12.0	0.56	0.01	0.02	0.05
Q3	62.7	10.4	0.50	0.01	0.02	0.04
Q4	64.6	8.3	0.34	0.01	0.01	0.05

Table 5

During 2011, the Company expects to ship a concentrate with quality of 66% Iron, 6 % Silica, and very low levels of other impurities. Further improvements to product quality are expected by the end of 2011 as elements of the plant debottlenecking project are commissioned.

Plant Debottlenecking Project

During the year the first phase of the plant improvement project was completed, three months ahead of schedule and for a cost of US\$18 million versus a budget of US\$25 M. Significant improvements to product quality were delivered by this project, however as described above the expected gain in throughput rates was not realised. Consequently, in October 2010 the Company advised shareholders that additional capital investment is required to lift concentrate production.

Table 6 outlines the additional work identified in October 2010 to address the remaining bottlenecks.

Project	Estimated Completion	Estimated Cost US\$ M	Improvement after implementation
Temporary re-crush equipment	Jan 11	No Capital	80% of nameplate capacity
Concentrator modifications	Oct 11	5.9	90% nameplate capacity achieved and removal of additional 1% of silica. Introduces more flexibility into the mine schedule.
Electrical and infrastructure upgrade	Oct 11	5.6	Additional power infrastructure
New tertiary crushing circuit	Apr 12	10.0	100% nameplate capacity achieved.
EPCM and Contingency	Apr 12	3.3	
Total Cost	US\$	24.8	

Table 6

As of the date of this report the project is on track to deliver the planned material improvements in 2011 and 2012. A restriction in filtering capacity in the first Quarter has meant the temporary re-crush project has not been necessary to implement, and a permanent re-crush system is now scheduled to be installed during April 2011, at a capital cost of less than US\$ 1.0 million. The additional capital cost is being funded from the project's contingency amount and the total project cost is expected to remain within the US\$24.8 million previously estimated.

Sales and Marketing

The Company shipped a total of 1.436 million tonnes of concentrate during the year, and as product quality improved so did interest in the product from existing and potential customers. The price of iron ore and freight costs fluctuated significantly during the year, and as Sydvaranger Gruve is located a significant distance from the Chinese market movements in the freight price can have a significant impact on the FOB price realised by the Company. During the year, all but one 70,000t cargo was sold to Chinese customers.

In 2008, the Company signed a five-year offtake agreement with Corus (a wholly owned subsidiary of Tata Steel) with an expectation that high quality iron ore would be available from the Company's operations from July 2009. The delayed commissioning of the project, and the subsequent production of lower quality concentrate than expected, meant that shipments to Tata at the contracted volume have not been achieved. The Company has maintained a close dialogue with Tata and during Quarter 1 2011 shipments at an approximate rate of one per month have commenced as the Company is finalising the terms of a new sales agreement with Tata. The new contract is expected to include a term which will mean that the Company will pay about US\$ 15 million compensation for any disruption caused to Tata due to the Company's slow ramp up, by way of a discount on ore delivered. The probable timing of settlement of the obligation is in line with expected shipments to the counterparty in the period 2011 to 2013.

In mid-2010, the Company entered into a sales agreement with OM Holdings Ltd subsidiary, OMS Pte Ltd, for it to act as its exclusive sales agent for new sales into the Asian market. Initially agreed as a nine-month contract, in early 2011 the Company agreed to extend this to a five-year agreement. The Company expects this relationship is of strategic benefit as it enables NFE to access OMS' marketing expertise and contacts within the Chinese steel industry to achieve competitive prices through long-term partnerships with reliable steel producers.

In late 2010, the Company commenced discussions with potential offtake partners for sales into the Middle Eastern and eastern European markets. These discussions are aimed at agreeing trial cargoes in 2011 which may result in longer-term offtake contracts in markets which result in a lower freight price than servicing the Chinese market. Post balance date the Company has agreed to the sale of a cargo to GIIC, a pellet producer located in the Middle East.

Expansion Study

In order to progress the Company's expansion plans, during the year, the Company engaged an experienced Norwegian consulting firm to start the process that is anticipated to result in the granting of the necessary planning and environmental approvals.

The governmental approval process is the critical path for the project and is expected to take until the end of 2013 to complete. While this is in progress a full engineering study will occur in parallel to ensure the expansion works are fit for purpose. An announcement about the engagement of an engineering firm to conduct this work is expected to be made in the second half of 2011.

To support the financial justification for the expansion case the Company will be conducting additional resource definition drilling in 2011 and 2012 to maintain a long project life despite the production rate which is expected to double after implementation of the expansion. In addition to this work, the Company will be revisiting the now out-dated pricing assumptions used previously to assess whether any expansion of the pits is possible, potentially resulting in further conversion of resources to reserves.

FINANCIAL REVIEW

The consolidated loss from continuing operations for the year net of tax of \$30,963,000 (2009: \$100,479,000) reflects:

- \$112.0 million of sales revenue
- \$162.2 million of site based operational costs, travel, personnel, and administration costs
- \$3.5 million of foreign exchange gains, primarily unrealised, arising on consolidation of the Norwegian subsidiary, Sydvaranger Gruve AS, due to significant A\$/US\$ and NOK/US\$ exchange rate fluctuations during the reporting period
- \$10.4 million interest expense
- \$26.0 million income tax benefit arising on the recognition of a deferred tax asset

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DIRECTORS' REPORT

The directors present the annual report of the consolidated entity consisting of the entities it controlled during the period for the financial year ended 31 December 2010. In order to comply with the provisions of the Corporations Act, the directors' report as follows.

Northern Iron Limited is a listed public company incorporated and domiciled in Australia.

Directors

The names and details of the Company's directors in office at any time during or since the end of the financial year are as follows. Directors were in office for this entire period unless otherwise stated.

Current Directors

David C Griffiths

Chairman

BEC (Hons), MEd, Hon.Dec. FAICD

Appointed a director on 5 November 2007

David has over 28 years' experience in senior financial and executive roles in a wide range of industries, and is a former Division Director of Macquarie Bank. Prior to this role, David was Executive Chairman of Perth stockbroking firm Porter Western.

David holds an Honours Degree in Economics and an Honorary Doctor of Economics from The University of Western Australia, a Masters Degree in Economics from Australian National University and is a Fellow of the Australian Institute of Company Directors. David also sits on the Board of the Perth International Arts Festival.

Mr Griffiths is a member of the Remuneration, Nomination, and Governance and Audit Committees.

During the past three years Mr Griffiths has held the following listed company directorships:

Automotive Holdings Group Limited (Chairman)	Since February 2007
Thinksmart Limited	Since November 2000
ARC Energy Limited (Chairman)	From July 2005 to August 2008
Great Southern Limited (Chairman)	From July 2005 to September 2009
Antaria Limited (formerly Advanced Nanotechnology Limited)	From December 2003 to November 2008

John S Sanderson

Managing Director

BEng (Hons) Geological, MAICD

Appointed as Managing Director on 17 February 2010

John has been the Chief Executive Officer of the Company since 1 November 2009, prior to which he held the roles of Chief Operating Officer and Manager of Mining within the Company. Mr Sanderson is a mining engineer with over 17 years experience and his previous positions include that of Manager, Mine Operations for Rio Tinto's Brockman iron ore mine and Manager Technical Services East Pilbara for Rio Tinto.

During the past three years Mr Sanderson has not been a director of any other listed entity.

Peter R Bilbe

Non-Executive Director

BE (Mining) (Hons), MAusIMM

Appointed a director on 5 November 2007

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Peter has over 30 years' experience in senior operational and corporate roles in the resources sector both in Australia and overseas and until January 2007 was Managing Director and Chief Executive Officer of Aztec Resources Limited which successfully developed the Koolan Island iron ore project.

Peter has significant experience as a mining engineer, and prior to his role with Aztec Resources Limited was General Manager of Operations for Portman Limited, managing the Koolyanobbing and Cockatoo Island iron ore projects.

Mr Bilbe is a member of the Remuneration, Nomination, and Governance Committee, and Chairman of the Audit Committee.

During the past three years Mr Bilbe has held the following listed company directorships:

Sihayo Gold Limited	Since June 2010
Independence Group NL	Since March 2009
Norseman Gold Plc	Since July 2009
RMA Energy Limited	From March 2007 to April 2010
Aurox Resources Limited	From September 2007 to August 2010
Mount Gibson Iron Limited	From February 2007 to November 2007
Aztec Resources Limited	From February 2006 to February 2007

Ashwath Mehra

Non-Executive Director

BSc (Econ)

Appointed a director on 22 May 2007

Ashwath, an economist, is the CEO of the MRI Group, a commodities group with annual turnover of approximately \$3 billion. He has worked in the minerals industry for 25 years, starting his career with Philipp Brothers after which he spent 10 years with Glencore, where he was a senior partner and ran the Nickel and Cobalt Divisions. He has substantial experience in projects and project finance and has worked on equity and bond issues.

Mr Mehra is a member of the Audit Committee.

During the past three years Mr Mehra has held the following listed company directorships:

EMED Mining Limited	Since October 2008
Champion Minerals Inc.	Since October 2010

Felix H Tschudi

Non-Executive Director

BSc (Econ), MBA

Appointed a director on 13 December 2007

Felix is the Chairman and sole owner of Tschudi Shipping Company AS, the holding company of the Tschudi Group. Tschudi Mining AS, a member company of the Tschudi Group, is the registered holder of 89,137,931 shares in the Company (26.52%).

Felix attended the Royal Norwegian Naval Academy and served as Sub-Lieutenant in the Royal Norwegian Navy. He earned a Second Mate's certificate from merchant navy colleges in the UK, a BSc (Econ) from London School of Economics, and an MBA from INSEAD, France.

Before joining the shipping company Tschudi & Eitzen in 1989, Felix worked for a subsidiary of the Vienna-based Creditanstalt Group focusing on trade finance and counter trade structures in Eastern Europe and the former Soviet Union. Felix was the joint managing director of Tschudi & Eitzen from 1992 until 2003. He worked as the managing director of the Oslo stock exchange listed company Tschudi & Eitzen Shipping ASA from 1993 until 1997. Felix is the former president of the Oslo Shipowners Association, a Norwegian representative at the Executive Council of Intertanko, a member of the Committee of the P&I Club Skuld and a member of the board of Oslo Maritime Network and the publishing house Aschehoug & Co.

Mr Tschudi is a member of the Remuneration, Nomination, and Governance Committee.

During the past three years Mr Tschudi has not been a director of any other listed entity.

Former Directors

Peter S Larsen

Alternate Director

MSc (Econ)

Appointed a director on 13 December 2007 and resigned as a director on 30 November 2010

Peter, an economist, is currently the Chief Financial Officer of Tschudi Shipping Company AS. He has worked in the shipping and energy industries for 20 years, starting his career with Burmeister & Wain Shipyard, followed by 10 years in the European energy sector with a focus on project development and financing. He has considerable experience in risk management within the power and commodity sectors.

Mr Larsen was a member of the Audit Committee.

During the past three years he has not been a director of any other listed entity, however Mr Larsen is Chairman of the Company's unlisted subsidiary, Sydvaranger Gruve AS.

Neil D Hamilton

Former Chairman

LLB

Appointed a director and Chairman on 5 November 2007 and retired as a director on 22 April 2010

Neil has over 27 years' experience in the law and in business with substantial experience in a number of industries including investment/funds management, insurance, banking, and resources. Neil commenced his professional career at Robinson Cox (now Clayton Utz) as an Articled Clerk, and became Partner in 1977. His legal experience includes mergers and acquisitions, resources and mining, banking and finance, and general corporate/commercial law.

Mr Hamilton was Chairman of the Remuneration, Nomination, and Governance Committee.

During the past three years Mr Hamilton held the following listed company directorships:

OZ Minerals Limited	Since February 2010
Miclyn Express Offshore Limited	Since March 2010
Mount Gibson Iron Limited (Chairman)	Since April 2007 to November 2010
IRESS Market Technology Limited (Chairman)	Since September 2000 to May 2010
Metcash Limited	Since February 2008
Insurance Australia Group Limited	From June 2000 to August 2008
Integrated Group Limited	From August 1999 to June 2007
Programmed Maintenance Services Limited	From June 2007 to February 2009

Peter I Toth

Former Non-Executive Director

BBus (IB), MIB

Appointed a director on 1 February 2010 and resigned on 21 May 2010

Peter is the Chief Executive Officer of OM Holdings Limited ("OMH"), an independent, internationally diversified minerals group and a constituent of the S&P/ASX 200. Since September 2008, he has been spearheading the OMH Group's operating, growth and diversification strategies.

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Peter studied International Business and Japanese at Monash University, Management at Deakin University and received a Master of International Business from the University of Melbourne, in addition to undertaking executive development programs at INSEAD and Stanford University. Following a period of work and study in Japan, he held various management roles with BHP Steel and BHP Manganese in Australia. Following Billiton's acquisition of BHP's manganese business in 1998, he joined Billiton and held senior commercial roles in Australia and The Netherlands. Following the BHP and Billiton merger in 2001, he moved to Singapore as Vice President Manganese Marketing and later Vice President Iron Ore Marketing. In 2006, he became the Marketing Director of BHP Billiton's Carbon Steel Materials responsible for managing the group's total marketing and logistics activities.

Company Secretary

Mr Alex Neuling was appointed company secretary on 1 January 2010. Alex is a Chartered Accountant and Chartered Secretary with significant experience in the provision of company secretarial and financial management consultancy services to ASX listed companies.

Directors' and committee meetings

The number of directors' and committee meetings and the number of those meetings attended by each of the directors of the Company during the period are as follows:

	Board		Audit Committee		Remuneration, Nomination and Governance Committee ¹	
	(a)	(b)	(a)	(b)	(a)	(b)
DC Griffiths	21	21	5	5	1	1
JS Sanderson	16	16	-	-	-	-
PR Bilbe	21	21	5	5	1	1
A Mehra	21	21	-	-	-	-
FH Tschudi	21	16	-	-	1	1
ND Hamilton	8	8	-	-	-	-
PS Larsen	21	21 ²	5	5	-	-
PI Toth	5	4	-	-	-	-

(a) Number of meetings held during period of office

(b) Number of meetings attended

¹The Remuneration, Nomination, and Governance Committee matters were dealt with at meetings of the full Board.

²Includes attendance as alternate for Mr Tschudi

Remuneration, Nomination, and Governance Committee

The committee considers remuneration packages and policies applicable to the executive directors, senior executives, and non-executive directors. It is also responsible for share option schemes, Employee Share Plans, incentive performance packages, and retirement and termination entitlements. Members of the committee are FH Tschudi (Chairman), DC Griffiths, and PR Bilbe.

The independent directors are identified in the Corporate Governance Statement section of this Annual Report as set out on pages 72 to 73.

Remuneration report

The Remuneration Report is set out on pages 18 to 23 and forms part of this Directors' Report.

Names and qualifications of Audit Committee members

The committee is to include at least three members. Current members of the committee are Mr Peter Bilbe (Chair), Mr David Griffiths and Mr Ashwath Mehra. Qualifications of Audit Committee members are provided in the Directors section of this Directors' Report.

Principal activities

The principal activities of the Group are included in the operating and financial review as set out on pages 4 to 9.

Non-audit services

Details of amounts paid or payable to the auditors for non-audit services provided during the year by the auditors are outlined in Note 5 to the financial statements.

The directors are satisfied that the provision of non-audit services, during the year, by the auditors (or by persons or firms on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services disclosed in Note 5 to the financial statements do not compromise the external auditor's independence, based on advice received from the audit committee, for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the other auditor, and
- none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Directors' shareholdings

At the date of this report, the relevant interests of the directors in ordinary shares and options of the Company are as follows:

Name	Ordinary shares	Options over ordinary shares
DC Griffiths	412,193	-
JS Sanderson	40,000	1,500,000
PR Bilbe	138,028	-
A Mehra	11,777,093	-
FH Tschudi	89,137,931	-

Likely developments

The likely developments for the 2011 financial year are contained in the operating and financial review as set out on pages 4 to 9.

The directors are of the opinion that further information as to the likely developments in the operations of the Group would prejudice the interests of the Company and the Group and it has accordingly not been included.

Operating and financial review

An operating and financial review of the Group for the financial year ended 31 December 2010 is set out on pages 4 to 9 and forms part of this report.

Dividends

No dividends were paid during the year and the directors do not recommend payment of a dividend in respect of the current financial year.

Lead auditor's independence declaration

The lead auditor's independence declaration, as required under Section 307C of the Corporations Act, is set out on page 25 and forms part of the Directors' Report for the financial year ended 31 December 2010.

Significant changes in state of affairs

There were no significant changes in the state of affairs in the year under review.

Environmental regulation and performance

The Group's mining development and exploration activities are carried out through its 100% Norwegian subsidiary, Sydvaranger Gruve AS.

The environmental objective of the Group is to take account of the environment, incorporate environmental awareness among employees in all processes, and that requirements following licenses issued by the Climate and Pollution Control Directorate (KLIF) are adhered to. The significant environmental aspects of the business are assessed and monitored continuously. The Group aims to protect the external environment by taking responsibility to reduce emissions, and work for, among other things, to optimise processes at all levels, from the mining area in Bjørnevatn and refining processes in Kirkenes. This is achieved under the framework of the following objectives:

- Set clear environmental standards at the procurement of goods and services, and follow up requirements;
- Promote our work environment for our employees and visitors and to facilitate the environmentally correct behaviour in all processes; and
- Minimise the environmental impact, and contribute to a good utilisation of energy and other resources.

The Group believes it operated within the conditions of its environmental permits during the year. Local interest in the environmental performance of the Group remains high, and to enable close communication with interested parties the Group formed a community liaison group during the year. This group meets to discuss the Group's environmental performance and acts as a forum for questions related to the Group's current operations and future plans.

During the year, the Group was required to introduce a new chemical flocculent for cleaning of the process water used in the concentrator. This was due to a previously unidentified gangue mineral contained in the Kjellmannsåsen ore body that the existing flocculent was unable to remove. The Group assessed that the introduction of the new chemical was possible under the terms and conditions of its existing environmental permit issued by the Norwegian regulator in 2008. In late October 2010, the Norwegian Climate and Pollution Control Authority (KLIF) advised the Group that in its opinion use of the new cleaning agent was not covered under the existing permit, and that an application to modify the existing permit would be required. This application was submitted by the Group in early November, and temporary permission to continue using the agent was granted by KLIF immediately. The Group expects a decision from KLIF on this application during 2011, and is not aware of any reasons as to why it should not be granted.

In August 2010, the Group was visited by KLIF for the purpose of conducting a planned audit of the Group's compliance with its environmental permit. The audit was concluded successfully with the two relatively minor non-conformances identified which were corrected within one month of the audit date.

The Group conducted environmental monitoring around its operations during 2010, including testing water quality, conducting noise surveys, and measurement of the impact of tailings deposition. Test work was also undertaken before the commencement of dewatering the main Bjørnevatn pit, and to support the Group's application for the reintroduction of the flotation circuit.

The Group expects to further strengthen its environmental management in 2011 by completing ISO 14001 certification of its environmental management systems in the second half of the year.

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DIRECTORS' REPORT

To the knowledge of the Directors, there have been no breaches of licenses in compliance with relevant environmental regulations and applicable legislation.

Options granted to directors and executive officers

Options granted to directors and executive officers of the Group

During and since the end of the financial year, the Company granted options for no consideration over unissued ordinary shares of the Company to the following director as part of his remuneration.

Director	Number of options granted	Exercise price per option	Expiry date
JS Sanderson	500,000	\$2.15	24/08/13
JS Sanderson	500,000	\$2.50	24/08/13
JS Sanderson	500,000	\$3.00	24/08/13

Shares under option or issued on exercise of options

The following unissued ordinary shares of the Company are under option.

Expiry Date	Exercise Price	Revised Exercise Price*	Number				31/12/2010
			1/01/2010	Issued	Exercised	Expired	
13/12/2010	\$2.15	\$2.08	1,150,000	-	-	1,150,000	-
13/12/2010	\$3.01	\$2.94	1,150,000	-	-	1,150,000	-
13/06/2010	\$3.01	\$2.94	2,000,000	-	-	2,000,000	-
04/08/2011	\$4.12	\$4.05	200,000	-	-	-	200,000
04/08/2011	\$4.80	\$4.73	200,000	-	-	-	200,000
24/08/2013	\$2.15	-	-	500,000	-	-	500,000
24/08/2013	\$2.50	-	-	500,000	-	-	500,000
24/08/2013	\$3.00	-	-	500,000	-	-	500,000
			4,700,000	1,500,000	-	4,300,000	1,900,000

* In accordance with Listing Rule 6.22.2 the exercise price of unlisted options were changed as a result of a pro-rata entitlement offer.

No options have been granted since the end of the financial year, nor have any options been exercised during or since the end of the reporting period. During the reporting period, there was no forfeiture of options granted in previous periods.

In the event that the option holder ceases to be an employee, director or consultant of the Company, the Board may at its sole discretion resolve that all vested options held by that employee, director or consultant must be exercised within 21 days of that employee, director or consultant ceasing to be an employee, director or consultant (as applicable) of the Company. Any unvested options held by that employee, director or consultant will lapse.

Insurance of directors and officers

During the financial year, the Company paid a premium to insure the directors and officers of the Company and its controlled entities. The policy prohibits the disclosure of the nature of the liabilities covered and the amount of the premium paid.

Indemnity of directors

Deeds of Access and Indemnity have been executed by the parent entity with each of the directors and the Company Secretary. The deeds require the Company to indemnify each Director and the Company Secretary against any legal proceedings, to the extent permitted by law, made against, suffered, paid or incurred by the Director or the Company Secretary pursuant to, or arising from or in any way connected with the Director or the Company Secretary being an officer of the Company.

Proceedings on behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Rounding of amounts

The Company is a company of the 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, unless otherwise indicated.

Events subsequent to reporting date

The Company's subsidiary Sydvaranger Gruve AS, has entered into a long term marketing agreement with OMH's Singapore based marketing and trading subsidiary, OM Materials (S) Pte Ltd (OMS), for the sale of uncommitted product into the Asian market. This agreement is structured as an agency agreement, and has a five-year term, subject to annual performance review.

On 14 May 2010, shareholders approved the establishment of a Company Performance Rights Plan. During February 2011, four senior executives, none of whom are Directors or related parties of the Company, became eligible to be offered Performance Rights. A total of 650,000 Performance Rights have been issued subject to vesting periods and performance conditions and are further subject to Hurdle Prices of between \$2.15 and \$3.00.

Other than this no matter or circumstance has arisen since 31 December 2010 that in the opinion of the directors has significantly affected, or may significantly affect in future financial years:

- (i) the Group's operations;
- (ii) the results of those operations; or
- (iii) the Group's state of affairs.

Directors' and executive officers' remuneration

Details of the nature and amount of each major element of the remuneration of each director of the Company and each of the named executive officers receiving the highest remuneration are set out on pages 20 and 21.

Remuneration Report (Audited)

The Remuneration, Nomination, and Governance Committee determines remuneration policies and practices, evaluates the performance of senior management, and considers remuneration for those senior managers. This Committee assesses the appropriateness of the nature and amount of remuneration on an annual basis by reference to industry and market conditions, and with regard to the Company's financial and operational performance.

Remuneration, Nomination and Governance Committee matters were dealt with at meetings of the full Board.

Total non-executive directors' fees are approved by shareholders and the Board is responsible for the allocation of those fees amongst the individual members of the Board.

The value of remuneration is determined on the basis of cost to the Company and Group.

Principles of compensation

Remuneration of directors and executive officers' is referred to as compensation, as defined in AASB 124.

Compensation levels for key management personnel of the Company and group are competitively set to attract and retain appropriately qualified and experienced directors and senior executives. The Remuneration, Nomination, and Governance Committee obtains, when required, independent advice on the appropriateness of remuneration packages, given trends in comparative companies both locally and internationally. Compensation arrangements include a mix of fixed and performance based compensation. A component of share-based compensation is awarded at the discretion of the Board, subject to shareholder approval when required.

Compensation structures take into account the overall level of compensation for each director and executive officer, the capability and experience of the directors and executive officers, the executive officers' ability to control the financial performance of the relative business segment, the group's performance (including earnings and the growth in share price), and the amount of any incentives within each executive officer's remuneration.

The Company was incorporated in May 2007 and listed on ASX in December 2007 at an Initial Public Offer price of \$2.15 per share. Historical share price, earnings, and dividends were not relevant factors in determining remuneration during the reporting period.

	31/12/10	31/12/09	31/12/08
Share price	\$1.69	\$1.25	\$0.90
Consolidated net profit / (loss) after tax from continuing operations (\$000)	(30,963)	(100,479)	1,874

Fixed compensation

Fixed compensation consists of base compensation as well as any employer contributions to superannuation funds. Base compensation may be supplemented by an element of equity based compensation.

Equity-based compensation is set out in the *Equity Instruments* section of this Remuneration Report.

Non-executive directors

Total remuneration for all non-executive directors, last voted upon by shareholders at a General Meeting in November 2007, is not to exceed \$500,000 per annum.

A non-executive director's fee is currently \$50,000 per annum. The Chairman's current fee has been set by the board at the equivalent on \$200,000 p.a. to reflect the higher level of activity undertaken by the Chairman at present. This fee is expected to be revised downwards sometime during 2011. Non-executive directors do not receive any performance related remuneration. Directors' fees cover all main Board activities and membership of Board committees. The Company does not have any terms or schemes relating to retirement benefits for non-executive directors.

Non-executive directors receive share-based compensation at the discretion of the Board, and subject to approval by shareholders.

Service contracts

The contract duration, period of notice and termination conditions for directors and executive officers are as follows:

- (i) John Sanderson, Managing Director of Northern Iron Limited. Commenced employment with the Group on 24 August 2009 appointed Chief Executive Officer on 1 November 2009 and appointed to the Board as Managing Director on 17 February 2010 with no set term. The total remuneration package is \$420,000 pa of base salary plus pension as required under Norwegian law and the minimum National Insurance Scheme payable in Norway. Termination by the Company is with 1 months' notice with a payment equal to 6 months' base salary. The Company may terminate the contract at any time without notice if serious misconduct has occurred. Termination by the employee is with 6 months' notice unless otherwise agreed by the Board. A short term incentive (STI) bonus is provided. The Board shall determine the KPIs and the bonus that the employee will be paid if his KPIs are achieved. Such a bonus will be set at a rate of no more than 50% of the base salary. A long term incentive scheme (LTI) is provided, being equity participation in the shares of the parent entity, Northern Iron Ltd, equivalent to:
- 500,000 options with an exercise price of \$2.15
 - 500,000 options with an exercise price of \$2.50
 - 500,000 options with an exercise price of \$3.00
- The options vest on 24 August 2012.
- (ii) Antony Beckmand, Chief Financial Officer of Northern Iron Limited. Commenced 30 September 2009 with no set term. Mr Beckmand will be paid a base salary of \$267,286 inclusive of superannuation. Termination by the Company or the employee is with 3 months' notice. The Company may terminate the contract at any time without notice if serious misconduct has occurred. A short term incentive (STI) bonus is provided. The Board shall determine the KPIs and the bonus that the employee will be paid if his KPIs are achieved. Such a bonus will be set at a rate of no more than 50% of the base salary. A long term incentive scheme (LTI) is provided, being equity participation in the Company's Performance Rights Plan, subject to achievement of KPI's during the vesting period. The maximum number of shares is set at 150,000, vesting over a 3.5 year period. The parent Company may, at its discretion, make a cash-payment in lieu of issuing shares based on the 5 day VWAP market value of those shares.
- (iii) Sissel Bækø, Finance Manager of Sydvaranger Gruve AS. Commenced 1 July 2009 with no set term. Ms Bækø will be paid a base salary of NOK 900,000 pa plus statutory pension contributions as required under Norwegian law and the minimum National Insurance Scheme payable in Norway. Termination by the company or the employee is with 3 months' notice. The company may terminate the contract at any time without notice if serious misconduct has occurred.
- (iv) Dale Ekmark, Chief Operating Officer of Sydvaranger Gruve AS. Commenced 9 July 2010 for a 2 year term. Mr Ekmark will be paid a base salary of US\$350,000 pa, pension as required under Norwegian law and the minimum National Insurance Scheme payable in Norway. Termination by the Company is with 3 months' notice. The company may terminate the contract at any time without notice if serious misconduct has occurred. Termination by the employee is with 3 months' notice unless otherwise agreed by the Board. A short term incentive (STI) bonus is provided. The Board shall determine the KPIs and the bonus that the employee will be paid if his KPIs are achieved. KPIs are agreed before the start of Q3 each year and apply for 12 months. Such a bonus will be set at a rate of no more than US\$150,000 pa. A long term incentive scheme (LTI) is provided, being equity participation in the Company's Performance Rights Plan, subject to the achievement of KPI's during the vesting period. The maximum number of shares is set at 200,000, vesting over a 2 year period. The Company may, at its discretion, make a cash-payment in lieu of issuing shares based on the 5 day VWAP market value of those shares.

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DIRECTORS' REPORT

Directors' and executive officers' remuneration

Name	Short Term		Cash bonus (\$)	Post-employment	Share Based	Total (\$)	% of remuneration performance related	Value of options as a proportion of remuneration (%)
	Salary and fees (\$)	Other (\$)		Superannuation contributions (\$)	Options (\$)			
Directors								
<i>Non-Executive</i>								
Mr DC Griffiths (Chairman)								
2010	141,039	-	-	12,694	-	153,733	-	-
2009	45,871	-	-	4,129	-	50,000	-	-
Mr PR Bilbe								
2010	45,872	-	-	4,128	-	50,000	-	-
2009	45,596	-	-	4,404	-	50,000	-	-
Mr A Mehra								
2010	50,000	-	-	-	-	50,000	-	-
2009	50,000	-	-	-	-	50,000	-	-
Mr FH Tschudi								
2010	50,000	-	-	-	-	50,000	-	-
2009	50,000	-	-	-	-	50,000	-	-
Mr ND Hamilton								
2010 (resigned 22 April 2010)	30,581	-	-	2,752	-	33,333	-	-
2009	91,743	10,000	-	8,256	-	109,999	-	-
Mr PS Larsen								
2010 (resigned 30 November 2010)	45,833	-	-	-	-	45,833	-	-
2009	50,000	-	-	-	-	50,000	-	-
Mr PI Toth								
2010 (appointed 1 February 2010, resigned 21 May 2010)	15,188	-	-	-	-	15,188	-	-
<i>Executive</i>								
Mr MJ McMullen (CEO - Northern Iron Limited)								
2009 (resigned 4 November 2009)	405,391	-	-	-	-	405,391	-	-
Mr JS Sanderson (Managing Director)								
2010 (appointed 17 February 2010)	490,777	37,209	-	-	183,438	711,424	-	25.8
Total compensation: directors								
2010	869,290	37,209	-	19,574	183,438	1,109,511	-	-
2009	738,601	10,000	-	16,789	-	765,390	-	-

NORTHERN IRON LIMITED
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DIRECTORS' REPORT

Directors' and executive officers' remuneration (continued)

Name	Short Term		Cash bonus (\$)	Post- employment	Share Based Payments	Total (\$)	% of remuneration performance related	Value of options as a proportion of remuneration (%)
	Salary and fees (\$)	Other (\$)		Superannuation contributions (\$)	Options (\$)			
Executive Officers								
Mr D Hunter (COO - Sydvaranger Gruve AS) 2009 (resigned 29 August 2009)	236,841	-	-	16,494	264,726	518,061	-	51.1
Mr J Sanderson (CEO - Sydvaranger Gruve AS) 2009 (appointed 24 August 2009)	149,589	-	-	-	-	149,589	-	-
Mr RA Anderson (CFO/Company Secretary - Northern Iron Limited) 2009 (resigned 31 December 2009)	112,500	-	-	-	-	112,500	-	-
Mr A Beckmand 2010	203,469	14,800	10,000*	28,487	-	256,756	-	-
2009 (CFO - Northern Iron Limited, appointed 30/09/2009)	48,696	-	-	-	-	48,696	-	-
2009 (CFO - Sydvaranger Gruve AS, resigned 30/09/2009)	170,211	-	-	-	-	170,211	-	-
Mr D Ekmark (COO - Sydvaranger Gruve AS) 2010 (appointed 9 July 2010)	199,170	13,493	-	-	-	212,663	-	-
Ms S Bækø (Finance Manager - Sydvaranger Gruve AS) 2010	148,525	-	-	9,479	-	158,004	-	-
2009 (appointed 01 July 2009)	78,864	-	-	450	-	79,314	-	-
Total compensation: executive officers 2010	551,164	28,293	10,000	37,966	-	627,423		
2009	796,701	-	-	16,944	264,726	1,078,371		

* Cash bonus awarded to recognise contribution to the Company which exceeds expected role

Equity instruments

(i) Shares

There were no shares in the Company granted as compensation to directors and executive officers during the reporting period.

(ii) Share-based payments

During the financial year, the following share-based payment arrangements were in existence.

Option series	Number of Options	Grant date	Expiry Date	Fair value at grant date	Vesting Dates
Directors	1,150,000	13/12/2007	13/12/2010	\$0.63	13/12/2007
Directors	1,150,000	13/12/2007	13/12/2010	\$0.87	13/12/2008
D Hunter	200,000	4/08/2008	4/08/2011	\$1.14	11/08/2009
D Hunter	200,000	4/08/2008	4/08/2011	\$0.98	11/02/2010
J Sanderson	500,000	14/05/2010	24/08/2013	\$0.50	24/08/2012
J Sanderson	500,000	14/05/2010	24/08/2013	\$0.44	24/08/2012
J Sanderson	500,000	14/05/2010	24/08/2013	\$0.38	24/08/2012

(iii) Options over equity instruments granted as compensation

During the year the Company granted options for no consideration over unissued ordinary shares of the Company to the following director as part of his remuneration and represent unvested options on issue

Director	Number of options granted	Grant date	Fair value per option at grant date	Exercise price per option	Expiry date
JS Sanderson	500,000	14/05/10	\$0.50	\$2.15	24/08/13
JS Sanderson	500,000	14/05/10	\$0.44	\$2.50	24/08/13
JS Sanderson	500,000	14/05/10	\$0.38	\$3.00	24/08/13

Options are recognised as an expense over their vesting period.

No options have been granted since the end of the financial year, nor have any options been exercised during or since the end of the reporting period. During the reporting period there was no forfeiture of options granted in previous periods.

In the event that the option holder ceases to be an employee, director or consultant of the Company, the Board may at its sole discretion resolve that all vested options held by that employee, director or consultant be exercised within 21 days of that employee, director or consultant ceasing to be an employee, director or consultant (as applicable) of the Company. Any unvested options held by that employee, director or consultant will lapse.

2009

There were no options granted during the period.

(iv) Analysis of movements in options

The movement during the reporting period, by value, of options over ordinary shares for directors and executive officers and granted as part of remuneration is detailed below:

NORTHERN IRON LIMITED
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DIRECTORS' REPORT

2010

Director	Value of Options			Total option value in year (\$)
	Granted in year (\$)	Exercised in year (\$)	Forfeited in year (\$)	
JS Sanderson	661,488	-	-	661,488

2009

There were no options granted during the period.

The value of options granted in the year is the fair value of the options at grant date using the Black-Scholes Option Pricing Model. The total value of options granted is included in the table above, however this amount is allocated to expense over the vesting period.

(v) Analysis of options granted as compensation

Details of vesting profiles of the options granted as remuneration to directors and executive officers are detailed below:

Director	Number of options granted	Grant date	% vested in current year	Financial year in which grant vests	Value to vest minimum (\$)	Value to vest maximum (\$)
JS Sanderson	1,500,000	14/05/10	0%	2012	-	661,488

Executive Officer	Number of options granted	Grant date	% vested in current year	Financial year in which grant vests	Value to vest minimum (\$)	Value to vest maximum (\$)
D Hunter	200,000	04/08/08	0%	2009	-	-
D Hunter	200,000	04/08/08	6%	2010	-	-

The minimum value of options yet to vest is \$nil as the service criteria may not be met and consequently the options may not vest. The maximum value of remaining options yet to vest is \$661,488. There were no options forfeited during the year.

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DIRECTORS' REPORT**

The directors' report is signed in accordance with a resolution of the directors made pursuant to S.292(2) of the Corporations Act 2001.



J Sanderson
Managing Director

Kirkenes, 31 March 2011



David Griffiths
Chairman

Perth, 31 March 2011

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Northern Iron Limited for the year ended 31 December 2010, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) any applicable code of professional conduct in relation to the audit.



Perth, Western Australia
31 March 2011

W M CLARK
Partner, HLB Mann Judd

NORTHERN IRON LIMITED
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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	Notes	2010 \$000	2009 \$000
Continuing operations			
Revenue	4	112,012	5,832
Operating expenses	4	(154,452)	(50,372)
Administration expenses	4	(7,834)	(5,636)
Foreign exchange gain / (loss)	4	3,484	(49,100)
Share based payments expense		(195)	(265)
Results from operating activities		(46,985)	(99,541)
Finance income	4	398	786
Finance expense	4	(10,418)	(2,516)
Net finance expense		(10,020)	(1,730)
Loss before income tax		(57,005)	(101,271)
Income tax benefit	7	26,042	792
Loss from continuing operations		(30,963)	(100,479)
Other comprehensive income			
Exchange differences arising on translation of foreign operations		(722)	3,866
Exchange differences arising on translation of foreign loan		(23,911)	-
Income tax on other comprehensive income		-	-
Other comprehensive income for the year net of income tax		(24,633)	3,866
Total comprehensive result for the year net of tax		(55,596)	(96,613)
Basic loss per share from continuing operations (cents per share)	6	(10.40)	(47.60)
Diluted loss per share from continuing operations (cents per share)	6	(10.40)	(47.60)

The Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes to the financial statements.

NORTHERN IRON LIMITED
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

	Notes	2010 \$000	2009 \$000
Current assets			
Cash and cash equivalents	18(b)	26,278	10,251
Trade and other receivables	9	11,949	5,353
Inventory	10	16,101	10,900
Prepayments		1,142	503
Total current assets		55,470	27,007
Non-current assets			
Trade and other receivables	9	381	438
Mine properties	11	42,594	43,959
Property, plant and equipment	12	242,665	258,678
Deferred tax asset	8	25,428	-
Total non-current assets		311,068	303,075
Total assets		366,538	330,082
Current liabilities			
Trade and other payables	13	29,208	51,032
Derivative financial liabilities	14	-	3
Provisions	15	4,495	-
Current tax liabilities		11	1,161
Interest bearing loans and borrowings	16	35,350	41,742
Total current liabilities		69,064	93,938
Non-current liabilities			
Provisions	15	10,814	1,760
Interest bearing loans and borrowings	16	75,279	86,039
Total non-current liabilities		86,093	87,799
Total liabilities		155,157	181,737
Net assets		211,381	148,345
Equity			
Issued capital	17	353,418	234,981
Reserves		(11,364)	13,074
Accumulated losses		(130,673)	(99,710)
Total equity		211,381	148,345

The Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes to the financial statements.

NORTHERN IRON LIMITED
ANNUAL REPORT 31 DECEMBER 2010
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

	Issued capital \$000	Accumulated losses \$000	Foreign currency translation reserve \$000	Share based payments reserve \$000	Total \$000
Balance at 1 January 2009	132,560	769	5,995	2,948	142,272
(Loss) from continuing operations	-	(100,479)	-	-	(100,479)
Other comprehensive income	-	-	3,866	-	3,866
Total comprehensive income	-	(100,479)	3,866	-	(96,613)
Shares issued for cash, net of transaction costs	103,791	-	-	-	103,791
Share based payments	-	-	-	265	265
Deferred tax asset on equity raising costs	(1,370)	-	-	-	(1,370)
Balance at 31 December 2009	234,981	(99,710)	9,861	3,213	148,345
(Loss) from continuing operations	-	(30,963)	-	-	(30,963)
Other comprehensive income	-	-	(24,633)	-	(24,633)
Total comprehensive income	-	(30,963)	(24,633)	-	(55,596)
Shares issued for cash, net of transaction costs	118,437	-	-	-	118,437
Share based payments	-	-	-	195	195
Deferred tax asset on equity raising costs reversed	-	-	-	-	-
Balance at 31 December 2010	353,418	(130,673)	(14,772)	3,408	211,381

The Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes to the financial statements.

NORTHERN IRON LIMITED
ANNUAL REPORT 31 DECEMBER 2010
CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2010

	Notes	2010 \$000	2009 \$000
Cash flows from operating activities			
Receipts from customers		105,496	5,832
Payments to suppliers and employees		(150,442)	(9,065)
Finance income		398	931
Finance expense		(10,676)	(2,429)
Net cash flows used in operating activities	18(a)	(55,224)	(4,731)
Cash flows from investing activities			
Payments for mineral properties		(5,979)	(37,251)
Payments for property, plant and equipment		(38,280)	(171,394)
Net security deposits repaid		86	4,060
Net cash flows used in investing activities		(44,173)	(204,585)
Cash flows from financing activities			
Proceeds from issue of share capital		124,596	109,529
Payment of share issue costs		(6,159)	(5,737)
Proceeds from interest bearing loans and borrowings		29,536	53,147
Payment of interest bearing loans and borrowings		(31,278)	-
Net cash flows from financing activities		116,695	156,939
Net increase / (decrease) in cash and cash equivalents		17,298	(52,377)
Cash and cash equivalents at the beginning of the financial year		10,251	61,955
Effect of foreign exchange on cash and cash equivalents		(1,271)	673
Cash and cash equivalents at the end of the financial year	18(b)	26,278	10,251

The Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes to the financial statements.

NOTE 1 REPORTING ENTITY

The consolidated financial report of the Company for the financial year ended 31 December 2010 comprises the Company and its subsidiaries (the "Group").

The financial report was authorised for issue by the directors on 31 March 2010.

NOTE 2 BASIS OF PREPARATION OF THE FINANCIAL REPORT

Statement of compliance

The financial report is a general purpose financial report prepared in accordance with Australian Accounting Standards ("AASBs") (including Australian Accounting Interpretations), as adopted by the Australian Accounting Standards Board ("AASB"), and the *Corporations Act 2001*.

Compliance with Australian Accounting Standards ensures that the financial report is prepared in accordance with International Financial Reporting Standards ("IFRSs") and interpretations adopted by the International Accounting Standards Board.

Going concern

The financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business.

As at 31 December 2010, the Group had cash reserves of \$26,278,000 and a net working capital deficiency of \$13,584,000, having recorded a net loss after tax of \$30,963,000 and net cash outflows from operating activities of \$55,224,000 for the year ended 31 December 2010. In addition, the Company's subsidiary, Sydvaranger Gruve AS obtained waivers of loan covenants.

Notwithstanding the above, the financial report has been prepared on a going concern basis, which the Directors consider to be appropriate based on:

- Expected improvements in cash flows based upon expected prices and improved production resulting from the implementation of capital rectification projects expected to debottleneck throughput and further improve quality;
- The expectation that the Group will be able to obtain waivers on loan covenants or restructure its debts or raise additional funds through further debt or equity raisings if required.

During 2011 and 2012, the Group is scheduled to install new items of plant and make modifications that are expected to improve both product quality and throughput, enabling the process plant to ramp-up to achieve production at nameplate capacity at a rate equivalent to 2.8 Mtpa by April 2012. The further improvement to product quality is expected to support the continuation of strong prices being achieved for the product, further underpinned by expected strong demand in world iron ore markets. The directors are confident that production volumes will improve throughout 2011 and 2012 and the Group will return to a position of net working capital surplus. Considering this, the Director's consider the equity situation of the Group is sound.

As at the date of this report and having considered the above factors, the directors are confident that the Group will be able to continue as a going concern for the foreseeable future.

Basis of measurement

The financial report is prepared on a historical cost basis, except for derivative financial instruments that have been measured at fair value.

Functional and presentation currency

The consolidated financial statements are presented in Australian dollars, which is the Company's functional currency.

Use of estimates and judgements

The preparation of the financial report requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year and judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements, are as follows:

(i) Impairment

The recoverability of the carrying amount of property, plant and equipment and mineral interests under development has been reviewed by the Company. In conducting the review, the recoverable amount has been assessed by reference to the higher of 'fair value less costs to sell' and 'value in use'. In determining value in use, future cash flows are based on estimates of:

- Quantities of ore reserves and mineral resources for which there is a high degree of confidence of economic extraction;
- Future production levels and sales;
- Timing of future production;
- Future exchange rates;
- Future commodity prices; and
- Future cash costs of production and capital expenditure.

The recoverable amount is most sensitive to the discount rate used in the discounted cash flow model as well as the expected cash inflows. Additionally the recoverability of the Company's investments in its subsidiaries has been reviewed. Variations to the expected future cash flows, and timing thereof, could result in significant changes to the impairment test results, which could in turn impact future financial results.

The Company has prepared a budget for the life of the mine which indicates that existing cash reserves will be sufficient to meet relevant financial covenants and to pay costs as and when they fall due. This budget assumes that production targets will be met and iron ore prices for the 2011 will be in line with market prices of Quarter 4 2010 and that the concentrate tonnage produced will be sold. The Company cannot guarantee by what percentage the benchmark price may rise or fall or that the concentrate tonnage will be produced and sold as contemplated under the sales arrangements in place. In the event that production targets were not met or prices were to fall significantly and/or customers were unable to take the committed tonnage, the Company may need to raise additional funding to be a going concern.

(ii) Deferred tax asset

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The Group's carrying value of recognised deferred tax assets at 31 December 2010 was \$25,428,000 (2009: \$nil). The estimated value of Group unrecognised deferred tax assets at 31 December 2010 was \$16,121,000 (2009: \$24,190,000).

(iii) Provisions

The Group has recognised provisions for environmental restoration and for the settlement of losses incurred by a counterparty to an offtake sales contract due to non-delivery of product to meet contract quality specifications. These provisions are measured based on the management's estimates of:

- probable amount of resources that will be required to settle the obligation; and
- timing of settlement.

Such estimates are subjective and there may be a need to correct the book value of the provisions as a result of changes in estimates.

(iv) Exploration for, evaluation of, and development of mineral resources

Expenses for exploration for, evaluation of, and development of mineral resources are capitalised in accordance with the accounting policy in Notes 3(g) and 3(i). Determining the amount to be capitalised requires management to estimate in which phase the project is and make assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits. At 31 December 2010, the Group's carrying amount of capitalised mine properties was \$42,594,000 (2009: \$43,959,000).

(v) Functional currency

Companies in the Group have to determine their functional currencies based on the primary economic environment in which each entity operates. In order to do that, the management has to analyse several factors, including which currency mainly influences sales prices of product sold by the entity, which currency influences the main expenses of providing services, in which currency the entity has received financing, and in which currency it keeps its receipts from operating activities.

For Sydvaranger Gruve AS, the above indicators are mixed and the functional currency is not obvious. Management used its judgment to determine which factors are most important and concluded the US dollar is the functional currency for that company.

For Northern Iron Marketing AG, management have determined that the US dollar is the functional currency for that company given that its revenue will mostly be in US\$ and it has very few expenses in other currencies.

For the Company, Northern Iron Limited management have determined that the Australian dollar is the functional currency for that company given that its revenue and expenses will mostly be in A\$.

(vi) Deferred waste

The Group has adopted a policy of deferring all waste development costs and amortising them in accordance with the accounting policy in Note 2(vii) below. Significant judgement is required in determining the amortisation rate. Factors that are considered include:

- Any proposed changes in the design of the mine;
- Estimates of the quantities of ore reserve and mineral resources for which there is a high degree of confidence of economic extraction;
- Future production levels;
- Future commodity prices; and
- Future cash costs of production and capital expenditure

(vii) Unit of production method of depreciation

The Group applies the units of production method of depreciation to its mine assets based on ore tonnes mined. These calculations require the use of estimates and assumptions. Significant judgement is required in assessing the available reserves and resources and the production capacity of the operations to be depreciated under this method. Factors that are considered in determining reserves and resources and production capacity are the Group's history of converting resources to reserves and the relevant time frames, the complexity of metallurgy, markets, and future developments. The Group uses economically recoverable mineral resources (comprising proven and probable reserves plus, where appropriate, a portion of measured resources) to depreciate assets on a unit of production basis. However, where a mineral interest has been acquired, and an amount has been attributed to the fair value of resources not yet designated as reserves, the additional resources have been taken into account. When these factors change or become known in the future, such differences will impact pre-tax profit and carrying values of assets.

(viii) Leased assets and finance lease liability

Sydvaranger Gruve AS has a finance lease agreement with a related company, Tschudi Bulk Terminal AS, regarding concentrate storage, handling and ship loading facilities. These assets are recorded in the financial statements with an amount of US\$35.4 million (equivalent to A\$34.8 million) together with an equivalent finance

lease liability. Payments of US\$1.4 million (equivalent to A\$1.5 million) were made toward the lease obligation during 2010. The final value of the assets and lease liability as of 31 December 2010 was independently verified and a final agreement between the parties has been concluded. The period of lease is 7 years. Repayments on the facility are payable monthly including interest at a rate of 8.42% per annum.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial report. The accounting policies have been applied consistently by all entities in the Group.

Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Basis of consolidation

(a) Subsidiaries

The consolidated financial report comprises the financial statements of the Company and its controlled entities. A controlled entity is any entity controlled by the Company whereby the parent entity has the power to control the financial and operating policies of an entity so as to obtain benefits from its activities.

All inter-company balances and transactions between entities in the Group, including any unrealised profits or losses, have been eliminated on consolidation.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those applied by the parent entity.

Where a subsidiary enters or leaves the Group during the year, its operating results are included or excluded from the date control was obtained or until the date control ceased.

Investments in subsidiaries are carried at cost in the Company's financial statements.

Northern Iron Marketing AG was established in April 2009 for the purpose of sales and marketing of iron ore concentrate from the Sydvaranger iron project.

(b) Business combinations

All business combinations are accounted for by applying the purchase method which includes the reverse acquisition method. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the Group's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the statements of comprehensive income, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange using the entity's incremental borrowing rate.

Goodwill on business combination

Goodwill represents the differences between the cost of the acquisition and the fair value of the identifiable net assets acquired. Goodwill is stated at cost less any accumulated impairment losses.

Goodwill is not amortised but is allocated to cash generating units and tested annually for impairment.

(c) Income tax

The charge for current income tax expense is based on the result for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by balance date.

Deferred tax is accounted for using the statements of financial position liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is recognised in the Statement of Comprehensive Income except where it relates to items recognised directly in equity, in which case it is recognised in equity. Deferred income tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and tax losses. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law. The carrying amount of deferred tax assets is reviewed at each balance date and only recognised to the extent that sufficient future assessable income is expected to be obtained.

(d) Recoverable amount of assets and impairment testing

Assets that have an indefinite useful life are not subject to depreciation and are tested annually for impairment by estimating their recoverable amount.

Assets that are subject to depreciation are reviewed annually to determine whether there is any indication of impairment. Where such an indicator exists, a formal assessment of recoverable amount is then made. Where this is in excess of carrying amount, the asset is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. Value in use is the present value of the future cash flows expected to be derived from the asset or cash generating unit. In estimating value in use, a pre-tax discount rate is used which reflects the current market assessments of the time value of money and the risks specific to the asset. Any resulting impairment loss is recognised immediately in the Statement of Comprehensive Income.

(e) Trade receivables

Trade receivables are stated at fair value and subsequently measured at amortised cost, less impairment losses. Impairment testing is carried out in accordance with Note 3(d).

(f) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less any estimated selling costs. Cost includes those costs incurred in bringing each component of inventory to its present location and condition.

(g) Mine properties

Mine property and development assets include costs transferred from exploration and evaluation assets once technical feasibility and commercial viability of an area of interest are demonstrable, together with subsequent costs to develop the asset to the production phase. Where the directors decide that specific costs will not be recovered from future development, those costs are charged to the statement of comprehensive income during the financial period in which the decision is made.

Depreciation of mining property and development costs is calculated on a unit of production basis so as to write off the costs in proportion to the depletion of the estimated recoverable reserves.

(h) Property, plant and equipment

Recognition and measurement

All property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. The cost of an item also includes the initial estimate of the costs of dismantling and removing an item and restoring the site on which it is located.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

Impairment

The carrying amount of property, plant and equipment is reviewed at each balance date to determine whether there are any objective indicators of impairment that may indicate the carrying values may not be recoverable in whole or in part. Impairment testing is carried out in accordance with Note 3(d). Where an asset does not generate cash flows that are largely independent it is assigned to a cash generating unit and the recoverable amount test applied to the cash generating unit as a whole.

If the carrying value of the asset is determined to be in excess of its recoverable amount, the asset or cash generating unit is written down to its recoverable amount.

Depreciation

Depreciation on plant and equipment is calculated on a straight line basis over expected useful life to the economic entity commencing from the time the asset is held ready for use. The following useful lives are used in the calculation of depreciation:

Buildings	20 years
Plant and equipment	15 to 20 years
Railway and rolling stock	15 to 20 years
Mobile fleet	4 to 10 years
Furniture, fixtures and office equipment	3 to 10 years
Licenses	5 years

Assets held under a finance lease are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at least annually.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the Statement of Comprehensive Income.

(i) Intangible assets

Exploration and evaluation expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that the Group's rights of tenure to the area are current and that the costs are expected to be recouped through the successful development of the area, or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Each area of interest is assessed for impairment to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Impairment testing is carried out in accordance with Note 3(d). Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from intangible assets to mine properties.

(j) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions are determined by discounting the expected future cash flows at a pre-tax discount rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Restoration costs

The amount of the provision for future restoration and rehabilitation costs is capitalised and depreciated in accordance with the policy set out in Note 3(g). The unwinding of the effect of discounting on the provision is recognised as an interest cost.

(k) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments that are operating in other economic environments.

(l) Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. Leases which transfer to a lessee substantially all the risks and benefits incidental to ownership of the leased asset are classified as finance leases. Other lease agreements are treated as operating leases.

Finance leases are capitalised at the inception of the lease at the fair value of the leased assets or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income except for borrowing costs related to the financing of the assets constructed for own use (during the construction period). Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the Statement of Comprehensive Income on a straight-line basis over the lease term.

(m) Investments and other financial assets

The Group determines the classification of its financial instruments at initial recognition and re-evaluates this designation at each reporting date.

Fair value is the measurement basis, with the exception of held-to-maturity investments and loans and receivables which are measured at amortised cost. Fair value is inclusive of transaction costs. Changes in fair value are either taken to the Statement of Comprehensive Income or to an equity reserve (refer below).

Fair value is determined based on current bid prices for all quoted investments. If there is not an active market for a financial asset fair value is measured using established valuation techniques.

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets are impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists, the cumulative loss is removed from equity and recognised in the Statement of Comprehensive Income.

(i) Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the Statement of Comprehensive Income in the period in which they arise.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method, less any impairment losses.

(iii) Held-to-maturity investments

These investments have fixed maturities, and it is the Group's intention to hold these investments to maturity. Held-to-maturity investments are stated at amortised cost using the effective interest rate method.

(iv) Available-for-sale financial assets

Available for sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not included in any of the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity in an available-for-sale investments revaluation reserve. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the Statement of Comprehensive Income as gains and losses from investment securities.

(v) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

(n) Foreign currency

Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates (the "functional" currency). The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary assets and liabilities are translated at the exchange rate at Statement of Financial Position date. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction.

Exchange differences arising on the translation of monetary items are recognised in the Statement of Comprehensive Income, except where deferred in equity as a qualifying cash flow or net investment hedge.

Translation differences arising on non-monetary items, such as equities held at fair value through profit and loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

Foreign operations

The financial performance and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at exchange rates prevailing at Statement of Financial Position date.
- income and expenses are translated at average exchange rates for the period.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve as a separate component of equity. These differences are recognised in the Statement of Comprehensive Income upon disposal of the foreign operation.

In prior periods, exchange differences arising on translation of loans to subsidiaries in foreign currencies were recognised in the Statement of Comprehensive Income. In the current period, these differences have been transferred to the Group's foreign currency translation reserve due to a reassessment of the likely timing of repayment.

(o) Share capital

Incremental costs directly attributable to an equity transaction are shown as a deduction from equity, net of any recognised income tax benefit.

(p) Earnings per share

The Group presents basic and diluted earnings per share ("EPS") for its ordinary shares.

Basic EPS is calculated by dividing the result attributable to equity holders of the Company by the weighted number of shares outstanding during the period.

Diluted EPS is determined by adjusting the result attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all potential ordinary shares, which comprise share options granted.

(q) Employee benefits

Wages and salaries, annual leave

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

(r) Share based payments – shares and options

The fair value of shares and share options granted is recognised as an expense with a corresponding increase in equity. Fair value is measured at grant date and recognised over the period during which the grantees become unconditionally entitled to the shares or share options.

The fair value of share grants at grant date is determined by the share price at that time.

The fair value of share options at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, any vesting and performance criteria, the share price at grant date, the expected price volatility of the underlying share, the expected dividend yield and the risk free rate for the term of the option. Upon the exercise of the option, the balance of the share-based payments reserve relating to the option is transferred to share capital.

(s) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held at call with banks, and other short-term highly liquid investments.

(t) Goods and services tax

Revenues, expenses, and assets are recognised net of the amount of Australian goods and services tax ("GST") and Norwegian value added tax ("VAT"), except where the amount of GST or VAT incurred is not recoverable from the taxation authorities. In these circumstances the GST or VAT is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST and VAT.

Cash flows are presented in the Statement of Cash Flows on a gross basis, except for the GST or VAT component of investing and financing activities, which are disclosed as operating cash flows.

(u) Trade and other payables

Trade and other payables are stated at amortised cost. The amounts are unsecured and usually paid within 45 days of recognition.

(v) Financial liabilities

Financial liabilities within the scope of AASB 39 are classified as financial liabilities at fair value through the profit or loss, borrowings, or as derivatives as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, borrowings and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depend of their classification as follows:

Financial liabilities at fair value through the profit or loss

Financial liabilities at fair value through the profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by AASB 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the Statement of Comprehensive Income.

Borrowings

After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the Statement of Comprehensive Income when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR is included in finance expense in the Statement of Comprehensive Income.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled, or expired.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include recent arm's length market transactions, references to the current fair value of another instrument that is substantially the same, discounted cash flow analysis or other valuation models.

(w) Interest expenses

Interest expenses comprise interest expense on borrowings and the unwinding of the discount on provisions.

(x) Derivative financial instruments

The Group may use foreign currency contracts to hedge its risks associated with foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date the derivative contract is entered into and are subsequently remeasured to fair value.

Any gains and losses arising from changes in the fair value of derivatives, except those that relate to the effective portion of cash flow hedges, are taken directly to the profit or loss for the year.

The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

For the purpose of hedge accounting, hedges are classified as either fair value hedges when they hedge exposure to changes in the fair value of a recognised asset or liability; or cash flow hedges where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction.

Cash flow hedges – forward foreign currency contracts

In relation to cash flow hedges (forward foreign currency contracts) to hedge firm commitments which meet the conditions for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in other comprehensive income and the ineffective portion is recognised directly in profit or loss.

When the hedged firm commitment results in the recognition of an asset or liability, then at the time the asset or liability is recognised, the associated gains or losses that had previously been recognised in equity are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability.

For all other cash flow hedges, the gains or losses that are recognised in equity are transferred to the Statement of Comprehensive Income in the same year in which the hedged firm commitment affects the net profit and loss, for example, when the sale occurs.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting.

At that point in time, any accumulated gain or loss on the hedging instrument recognised in equity is kept in equity until the forecast transaction occurs.

If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the Statement of Comprehensive Income.

(y) Revenue

Revenue is recognised and measured at the fair value of consideration received or receivable to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably.

Interest

Revenue is recognised as interest accrues using the effective interest rate method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(z) Contingent liabilities

Contingent liabilities are defined as:

- possible obligations resulting from past events whose existence depends on future events;

- obligations that are not recognised because it is not probable that they will lead to an outflow of resources;
- obligations that cannot be measured with sufficient reliability.

Contingent liabilities are not recognised in the Statement of Financial Position, but are disclosed in the notes to the financial statements, with the exception of contingent liabilities where the probability of the liability occurring is remote.

(aa) Adoption of new and revised standards

For the year ended 31 December 2010, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 January 2010.

It has been determined by the Group that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 31 December 2010. As a result of this review, the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Group accounting policies

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NOTE 4 REVENUE AND EXPENSES

Revenue and expenses from continuing operations has been arrived at after (charging) / crediting:

	Notes	2010 \$000	2009 \$000
Revenue			
Sale of ore		112,012	1,231
Shipping recharges		-	4,601
Total Revenue		<u>112,012</u>	<u>5,832</u>
Operating expenses			
Depreciation of property, plant and equipment		(20,445)	(7,468)
Amortisation expensed – deferred waste		-	(3)
Amortisation expensed - other		(1,151)	(304)
Net ore inventory movement		4,603	8,903
Mining development related expenses not capitalised		-	(10,988)
Operational expenses of mining and production activities		(61,156)	(13,594)
Utilities, maintenance		(19,828)	(4,576)
Real estate expenses		(4,413)	(1,967)
Personnel expenses		(37,432)	(14,297)
Transport expenses		-	(4,601)
Other expenses		(14,630)	(1,477)
Total operating expenses		<u>(154,452)</u>	<u>(50,372)</u>
Administration expenses			
Advisory services and other similar fees		(4,581)	(1,258)
Directors' fees		(398)	(360)
Travel and accommodation		(182)	(1,487)
Other		(2,652)	(2,525)
Depreciation of non-current assets		(21)	(6)
Total administration expenses		<u>(7,834)</u>	<u>(5,636)</u>
Finance income			
Interest - external parties		398	786
Finance and borrowing costs			
Interest - external parties		(10,336)	(2,421)
Finance charges - environmental restoration provision	15	(82)	(95)
Total finance and borrowing costs		<u>(10,418)</u>	<u>(2,516)</u>
Operating expenses above includes			
Operating lease rental – minimum lease payments		(4,443)	(5,391)
Individually significant items			
Foreign currency exchange gain/(loss)		3,484	(49,100)
Provision for concentrate offtake agreement	15	(13,863)	-

NOTE 5 AUDITORS' REMUNERATION

	2010	2009
	\$	\$
Audit services		
Auditors of the Company		
– for an audit or review of the financial report	75,088	63,000
Other auditors (Ernst & Young AS)		
– for an audit or review of subsidiary Sydvaranger Gruve AS in Norway	272,958	206,000
Other auditors (Ernst & Young Ltd)		
– for an audit or review of subsidiary Northern Iron Marketing AG in Switzerland	39,523	-
Other services		
Auditors of the Company		
– capital raising report , due diligence services and advice regarding Accounting Standards	5,994	20,000
– taxation services	5,044	-
Other Auditors (Ernst & Young AS)		
– taxation services	17,185	14,000
	415,792	303,000

NOTE 6 EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:

	2010	2009
	\$000	\$000
Loss used in calculating basic and diluted earnings per share	(30,963)	(100,479)
	Number of shares	
Weighted average number of ordinary shares used in the calculating the diluted earnings per share*	297,811,716	211,013,854

* Options on issue are not considered dilutive in the current year as the Group has recorded a loss.

NOTE 7 INCOME TAX EXPENSE

The benefit for the year can be reconciled to the accounting loss as follows:

	Notes	2010	2009
		\$000	\$000
Loss before income tax		(57,005)	(101,271)
Income tax benefit calculated at 30%		(17,101)	(30,381)
Tax effect of:			
Non-deductible expenses		58	
Lower foreign income tax rate		911	1,369
Temporary differences not brought to account		22	19,221
Share based payment expense		59	79
Tax losses and timing differences not previously brought to account		(8,627)	
Other deferred tax assets and liabilities not recognised		(1,327)	8,740
Prior year losses not previously brought to account		(36)	-
Under provision in prior year		-	180
Income tax benefit		(26,042)	(792)
Income tax benefit comprises:			
Movement in equity – capital raising costs		-	(1,370)
Current tax payable		11	-
Movement in deferred tax		(26,053)	398
Under provision in prior year		-	180
Income tax benefit		(26,042)	(792)
Unrecognised net deferred tax assets			
Deferred tax assets have not been recognised in respect of the following items:			
Deductible temporary differences	3(c)	13,307	(16,398)
Tax losses	3(c)	2,814	40,588
Unrecognised net deferred tax assets		16,121	24,190
Income tax expense not recognised directly in equity			
Share issue costs		5,908	4,064

NOTE 8 DEFERRED TAX

The following deferred tax assets and liabilities have been brought to account:

	2010	2009
	\$000	\$000
<i>Deferred tax assets comprise</i>		
Deductible temporary differences	4,347	-
Tax losses	64,470	-
	<u>68,817</u>	<u>-</u>
<i>Deferred tax liabilities comprise:</i>		
Property, plant and equipment	42,641	-
Lease value	748	-
	<u>43,389</u>	<u>-</u>
Net deferred tax asset recognised	<u>25,428</u>	<u>-</u>

NOTE 9 TRADE AND OTHER RECEIVABLES

	2010	2009
	\$000	\$000
Current		
Trade and other receivables	9,545	2,644
Security deposits	2,404	2,709
	<u>11,949</u>	<u>5,353</u>
Non-Current		
Security deposits	381	438
	<u>381</u>	<u>438</u>

NOTE 10 INVENTORY

	2010	2009
	\$000	\$000
Production supplies at cost	4,979	2,794
Work in progress at net realisable value	4,380	3,586
Finished goods at net realisable value	6,742	4,520
	<u>16,101</u>	<u>10,900</u>

NOTE 11 MINE PROPERTIES

	2010	2009
	\$000	\$000
Mine development expenditure	43,860	44,231
Accumulated amortisation	(1,266)	(272)
	<u>42,594</u>	<u>43,959</u>
Cost:		
Balance at beginning of financial year	44,231	17,601
Additions	1,939	31,875
Deferred waste capitalised during the year	3,709	2,414
Effects of movements in foreign exchange	(6,019)	(7,659)
Balance at the end of the year	<u>43,860</u>	<u>44,231</u>
Accumulated amortisation:		
Balance at beginning of financial year	(272)	-
Amortisation expensed – deferred waste	-	(2)
Amortisation expensed – other	(1,137)	(267)
Effects of movements in foreign exchange	143	(3)
Balance at end of financial year	<u>(1,266)</u>	<u>(272)</u>
Carrying amount	<u>42,594</u>	<u>43,959</u>

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NOTE 12 PROPERTY, PLANT AND EQUIPMENT

	Land & Buildings	Plant & Equipment	Railway & rolling stock	Mobile Equipment	Furniture fixtures & office equipment	Other items (Licenses)	PPE under construction	Prepayments	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Gross carrying amount - at cost									
As of 1 January 2009	-	-	-	-	171	-	57,935	23,560	81,666
Additions	28,205	129,195	5,166	63,861	584	845	-	-	227,856
Disposals/Transfers	-	60,344	269	-	(5)	-	(43,924)	(16,629)	(5)
Effects of movements in foreign exchange	(3,180)	(21,370)	(643)	(7,201)	(97)	(95)	(8,140)	(3,464)	(44,190)
As of 31 December 2009	25,025	168,169	4,792	56,660	653	750	5,811	3,467	265,327
As of 1 January 2010	25,025	168,169	4,792	56,660	653	750	5,811	3,467	265,327
Additions	-	11,098	3,549	75	72	331	22,224	-	37,349
Disposals/Transfers	1,691	7,613	-	(935)	(6)	-	(6,569)	(1,800)	(6)
Effects of movements in foreign exchange	(3,229)	(22,411)	(930)	(6,859)	(82)	(124)	(2,224)	(251)	(36,110)
As of 31 December 2010	23,487	164,469	7,411	48,941	637	957	19,242	1,416	266,560
Accumulated depreciation									
As of 1 January 2009	-	-	(9)	-	(11)	-	-	-	(20)
Depreciation expense	(248)	(1,637)	(13)	(5,415)	(136)	(24)	-	-	(7,473)
Effects of movements in foreign exchange	28	184	3	611	15	3	-	-	844
As of 31 December 2009	(220)	(1,453)	(19)	(4,804)	(132)	(21)	-	-	(6,649)
As of 1 January 2010	(220)	(1,453)	(19)	(4,804)	(132)	(21)	-	-	(6,649)
Depreciation expense	(1,168)	(9,256)	(493)	(8,770)	(156)	(146)	-	-	(19,989)
Effects of movements in foreign exchange	140	1,072	50	1,436	28	17	-	-	2,742
As of 31 December 2010	(1,248)	(9,637)	(462)	(12,138)	(260)	(150)	-	-	(23,895)
Net book value									
As of 31 December 2009	24,805	166,716	4,773	51,856	521	729	5,811	3,467	258,678
As of 31 December 2010	22,239	154,832	6,949	36,803	377	807	19,242	1,416	242,665

Refer Note 16(i) for details of assets used as security against borrowings.

NOTE 13 TRADE AND OTHER PAYABLES

	2010	2009
	\$000	\$000
<i>Current</i>		
Trade payables – third parties	20,396	28,793
Trade payables – related parties	1,014	4,184
Non-trade payables and accrued expenses – third parties	7,798	18,055
	<u>29,208</u>	<u>51,032</u>

NOTE 14 DERIVATIVE FINANCIAL LIABILITIES

	2010	2009
	\$000	\$000
<i>Current</i>		
Derivatives that are designated and effective as hedging instruments and carried at fair value		
Currency forward contracts	-	3
	<u>-</u>	<u>3</u>

NOTE 15 PROVISIONS

	2010	2009
	\$000	\$000
<i>Current</i>		
Concentrate offtake agreement provision (i)	4,495	-
Balance at end of financial year	<u>4,495</u>	<u>-</u>
<i>Non-Current</i>		
Environmental restoration provision (ii)	1,444	1,760
Concentrate offtake agreement provision (i)	9,368	-
Long service leave provision	2	-
Balance at end of financial year	<u>10,814</u>	<u>1,760</u>

(i) Provision for costs – offtake agreement

	2010	2009
	\$000	\$000
<i>Current</i>		
<i>Provision for concentrate offtake agreement</i>		
Balance at the beginning of the year	-	-
Provision recognised	4,495	-
Balance at the end of the year	<u>4,495</u>	<u>-</u>

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	2010	2009
	\$000	\$000
<i>Non-Current</i>		
<i>Provision for concentrate offtake agreement</i>		
Balance at the beginning of the year	-	-
Provision recognised	9,368	-
Balance at the end of the year	<u>9,368</u>	<u>-</u>

The Group has recognised a provision for the settlement of any losses which may have been incurred by TATA, counterparty to an offtake sales contract resulting from the non-delivery of product to meet contract quality specifications. The provision reflects an estimated liability of US\$15 million. The probable timing of settlement of the obligation is in line with expected shipments to the counterparty in the period 2011 to 2013. The matter was reported as a contingent liability in 2009. A final agreement may result in changes to the provision in future reporting periods.

(ii) Environmental Restoration Provision

	2010	2009
	\$000	\$000
<i>Non-current</i>		
<i>Site restoration:</i>		
Balance at beginning of financial year	1,760	1,789
Effects of movements in foreign exchange	(398)	(124)
Interest	82	95
Balance at end of financial year	<u>1,444</u>	<u>1,760</u>

The estimate for the environmental restoration provision has been reviewed for adequacy by the Group as at reporting date and no material adjustment to the estimate was identified. During 2011, a mine closure plan will be submitted to the Norwegian mining regulator for approval which may result in changes to the provision in subsequent reporting periods.

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NOTE 16 INTEREST BEARING LIABILITIES AND BORROWINGS

2010

	\$000	Current	Non-Current	Borrowings in total	Financing arrangements credit lines	Facilities utilised at balance date	Facilities not utilised at balance date
Innovasjon Norge financing facility		2,296	12,761	15,057	15,099	15,099	-
Finance lease - concentrate storage, handling and ship loading facility		8,336	25,171	33,507	34,789	34,789	-
Equipment lease financing facility		10,530	27,938	38,468	51,945	51,306	639
Credit Suisse export financing facility		8,594	6,892	15,486	29,475	29,475	-
DnB Nor financing facility		2,517	2,517	5,034	5,033	5,033	-
Prominvest prepayment facility		3,077	-	3,077	3,077	3,077	-
Totals		35,350	75,279	110,629	139,418	138,779	639

2009

\$000	Current	Non-Current	Borrowings in total	Financing arrangements credit lines	Facilities utilised at balance date	Facilities not utilised at balance date
Innovasjon Norge financing facility	2,315	15,081	17,396	17,445	17,445	-
Finance lease - concentrate storage, handling and ship loading facility	4,304	21,604	25,908	28,234	28,234	-
Equipment lease financing facility	11,229	40,026	51,255	59,198	56,139	3,059
Credit Suisse export financing facility	12,265	9,328	21,593	22,394	22,394	-
DnB Nor financing facility	11,629	-	11,629	11,629	11,629	-
Prominvest prepayment facility	-	-	-	-	-	-
Totals	41,742	86,039	127,781	138,900	135,841	3,059

(a) Financing arrangements

Amounts repaid against the finance facilities are not able to be re-drawn.

Finance lease commitments

Minimum lease payments

	2010	2009
	\$000	\$000
Not later than 1 year	21,286	16,306
Later than 1 year but not later than 5 years	51,320	70,088
Later than 5 years	10,084	603
Total future minimum lease payments	82,690	86,997
Less future finance charges	(10,714)	(9,834)
Present value of future minimum lease payments	71,976	77,163

(b) Innovasjon Norge

In July 2009, Sydvaranger Gruve AS signed agreements with Innovation Norge for three separate loans with 7 year terms for a total loan facility of NOK 90 million (being equivalent to A\$15.1 million). There was initially a repayment grace period of 12 months ending June 2010, and the fixed weighted nominal interest rate is 5.4%. During the second Quarter of 2010 Innovasjon Norge agreed to vary the security terms of the facility with the Company to enable the increase and extension of the Credit Suisse facility and establishing of the DnB NOR facility to occur. Furthermore, Innovasjon Norge has extended the grace period by 12 months on the NOK 90 million facility to June 2011. The facility is guaranteed by the parent entity, Northern Iron Limited.

(c) Concentrate storage, handling and ship loading facility

Sydvaranger Gruve AS has a finance lease agreement with a related company, Tschudi Bulk Terminal AS, regarding goods storage and handling assets. These assets are recorded in the financial statements with an amount of US\$35.4 million (equivalent to A\$34.8 million) together with an equivalent finance lease liability. Payments of US\$1.4 million (equivalent to A\$1.5 million) were made toward the lease obligation during 2010. The final value of the assets and lease liability as of 31 December 2010 was independently verified and a final agreement between the parties has been concluded. The period of lease is 7 years. Repayments on the facility are payable monthly, including interest at a rate of 8.42% per annum.

(d) Equipment lease financing facility

Sydvaranger Gruve AS established in October 2008 a finance lease facility with DnB Nor Finans for the purpose of financing mining fleet equipment. In April 2009, the facility was converted from being denominated in NOK, to being denominated in US\$. The total facility is US\$52.9 million (equivalent to A\$59.2 million) and has the ability to be drawn in a number of currencies. As at 31 December 2010, US\$52.2 million (equivalent to A\$51.3 million) (2009: A\$50.3 million) of equipment had been accepted under the facility and included in property, plant and equipment. The period of each lease is be 5 years. Interest on the facility is payable quarterly at a floating rate based on the 3 month LIBOR rate plus 1.90%. As at 31 December 2010, the rate applied to drawings on the facility was 2.44% per annum (2009: 2.16% per annum). The lease finance facility is guaranteed by the parent entity, Northern Iron Limited.

(e) Credit Suisse secured export finance facility

In July 2009, Sydvaranger Gruve AS signed an agreement with Credit Suisse for a US\$20 million facility (being equivalent to A\$22.4 million). The initial term of the borrowing was for 2 years with a 9 month principal repayment grace period ending May 2010. The Company reached agreement with Credit Suisse during July 2010 to increase the secured export finance facility from US\$20 million to US\$30 million, and to extend the repayment terms by an additional 12 months. In November 2010, a prepayment of US\$6.6 million was made toward the facility and the Company obtained a waiver of compliance for certain covenants for the prepaid period. The prepayment extends to 30 April 2012. Interest is applicable on the facility at a rate of LIBOR (1 month) plus 5.50%. The facility is guaranteed by the parent entity, Northern Iron Limited.

(f) DnB Nor facility

In December 2009, Sydvaranger Gruve AS signed an agreement with DNB Nor Bank for a NOK 60 million facility. The term of the borrowing is for 9 months with interest applicable on the facility at a rate of NIBOR (3 months) plus 3.00%. The Company renegotiated the terms of this short-term facility so that repayment would be in six quarterly instalments commencing in March 2011, however in November 2010, the first two instalments totalling NOK 30 million were prepaid. The facility is guaranteed by the parent entity, Northern Iron Limited.

(g) Prominvest prepayment facility

In January 2010, the Company concluded a US\$5 million prepayment facility with Prominvest SA, a Swiss based metals trader. Under the terms of this facility, 410,000 wet metric tonnes of concentrate will be sold to Prominvest on an FOB basis with pricing of the product referenced to a published index price, adjusted for quality and grade. Delivery of shipments to Prominvest under the prepayment facility commenced during the third Quarter of 2010. Interest is applicable on the facility at an effective rate of 6.5% per annum.

(h) OM Materials

During the second Quarter of 2010, the Company completed documentation on a US\$10 million finance facility with OM Materials (S) Pte Ltd, a subsidiary of OM Holdings Ltd. The agreement is guaranteed by the parent entity and repayment occurs in six monthly instalments commencing in January 2011. The facility was fully drawn during July 2010 and subsequently repaid during October 2010.

(i) Assets pledged as security

Innovation Norge and Credit Suisse have a fixed and floating charge over all the assets and undertakings of Sydvaranger Gruve AS with the exception of the assets under finance lease.

Tschudi Bulk Terminal AS is the legal owner and has security over the concentrate storage, handling and ship loading facility assets under finance lease.

DnB Nor Finans is the legal owner and has security over the mining fleet equipment assets under finance lease.

NOTE 17 CAPITAL AND RESERVES

	2010	2010	2009	2009
	Number	\$000	Number	\$000
<i>Issued capital</i>				
Balance at beginning of financial year	254,091,119	234,981	165,000,000	132,560
Issued for cash at \$1.00 per share	-	-	19,124,000	19,124
Issued for cash at \$1.05 per share	-	-	27,618,599	28,999
Issued under a prospectus at \$1.45 per share	-	-	42,348,520	61,405
Issued for cash at \$1.45 per share	38,113,667	55,265	-	-
Issued for cash at \$1.58 per share	43,830,717	69,253	-	-
Issued for cash at \$1.58 per share	49,360	78	-	-
Deferred tax asset on equity raising costs	-	-	-	(1,370)
Share issue costs	-	(6,159)	-	(5,737)
Balance at end of financial year	336,084,863	353,418	254,091,119	234,981

Ordinary shares have the right to one vote per share at meetings of the Company, to receive dividends as declared and, in the event of a winding-up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of, and amounts paid up on, shares held.

The Company does not have authorised capital or par value in respect of its issued shares.

Translation reserve

Movements in the translation reserve are set out in the Statement of Changes in Equity on page 28. The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations where their functional currency is different to the presentation currency of the reporting entity.

Share based payments reserve

Movements in the share based payments reserve are set out in the Statement of Changes in Equity on page 28. This reserve accumulates the fair value as at grant date of share options issued. The fair value is recognised as an expense over the vesting period. The reserve is reversed against share capital when shares are issued on exercise of the options.

NOTE 18 RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	2010	2009
	\$000	\$000
<i>(a) Cash flows from operating activities</i>		
Loss for the year	(30,963)	(100,479)
<i>Adjustments for:</i>		
Share based payments expense	195	265
Accrued income	(757)	-
Accrued expenses	(11,317)	-
Prepayments	(95)	-
Foreign exchange (gain) / loss	(2,213)	44,224
Derivative financial liability	(3)	-
Depreciation and amortisation	21,596	7,781
Loss on disposal of property, plant and equipment	4	-
Finance expense	-	88
Income tax benefit	(26,042)	(792)
Outflow before changes in working capital and provisions:	<u>(49,595)</u>	<u>(48,913)</u>
Changes in assets and liabilities:		
(Increase) / decrease in trade and other receivables	(6,667)	(9,632)
(Increase) / decrease in inventory	(5,201)	-
Increase / (decrease) in trade and other payables	(7,310)	53,814
Increase / (decrease) in provisions	13,549	-
	<u>(5,629)</u>	<u>44,182</u>
Net cash flows (used in) operating activities	<u>(55,224)</u>	<u>(4,731)</u>
<i>(b) Reconciliation of cash and cash equivalents</i>		
Cash at bank and at call	<u>26,278</u>	<u>10,251</u>

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Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

In addition to these cash balances the Group has \$2,785,000 in lodged cash security deposits classified under trade and other receivables (2009: \$3,147,000).

NOTE 19 OPERATING LEASES

Operating lease commitments

The future minimum lease payments under non-cancellable operating leases are as follows:

	2010	2009
	\$000	\$000
Within 1 year	5,438	1,426
Between 2 and 5 years	5,475	4,740
More than 5 years	452	579
	11,365	6,745

NOTE 20 SHARE BASED PAYMENTS

Employee share option plan

The following share-based payment arrangements were in existence during the current and prior reporting periods:

Option series	No. of options	Grant date	Expiry Date	Exercise Price	Revised Exercise Price*	Fair value at grant date
Directors	1,150,000	13/12/2007	13/12/2010	\$2.15	\$2.08	\$0.63
Directors	1,150,000	13/12/2007	13/12/2010	\$3.01	\$2.94	\$0.87
Consultants	2,000,000	13/12/2007	13/06/2010	\$3.01	\$2.94	\$0.54
D Hunter	200,000 *	4/08/2008	4/08/2011	\$4.12	\$4.05	\$1.14
D Hunter	200,000 *	4/08/2008	4/08/2011	\$4.80	\$4.73	\$0.98
J Sanderson	500,000 *	14/05/2010	24/08/2013	\$2.15	-	\$0.50
J Sanderson	500,000 *	14/05/2010	24/08/2013	\$2.50	-	\$0.44
J Sanderson	500,000 *	14/05/2010	24/08/2013	\$3.00	-	\$0.38

* In accordance with the terms of the share based arrangement, options vest over the period of employment

(a) Fair value of options granted in the year

The fair value of services received in return for options is measured by reference to the fair value of options granted using the Black-Scholes model, as set out below.

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Inputs into model	J Sanderson		
Grant date share price	\$1.43	\$1.43	\$1.43
Exercise price	\$2.15	\$2.50	\$3.00
Expected volatility	60.5%	60.5%	60.5%
Option life	3 years	3 years	3 years
Dividend yield	60.5%	60.5%	60.5%
Risk-free interest rate	5.7%	60.5%	60.5%

(b) Movements in options during the period

The following reconciles the options outstanding at the beginning and end of the year:

	2010		2009	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance at beginning of year	4,700,000	\$3.09	4,700,000	\$3.09
Granted during the year	1,500,000	\$2.55	-	-
Expired during the year	(4,300,000)	\$(2.58)	-	-
Balance at end of year	1,900,000	\$3.06	4,700,000	\$3.09
Exercisable at end of year	1,900,000	\$3.06	4,700,000	\$3.09

(c) Share options exercised during the year.

No options were exercised during the year (2009: nil).

(d) Share options outstanding at the end of the year

The share options outstanding at the end of the year had an exercise price of \$2.15 - \$3.00 (2009: \$2.15 - \$4.80), and a weighted average remaining contractual life of 707 days.

Further details of shares and options issued to directors are set out in Note 25, and in the Remuneration Report set out on pages 18 to 23.

NOTE 21 CAPITAL AND OTHER COMMITMENTS

	2010	2009
	\$000	\$000
<i>Capital expenditure commitments</i>		
Property, plant and equipment		
Not later than 1 year	-	725
Later than 1 year but not later than 5 years	-	-
	-	725

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Lease commitments

Finance lease liabilities and non-cancellable operating lease commitments are disclosed in Note 16 and Note 19 respectively.

The Company has provided a letter of support to Sydvaranger Gruve AS, its subsidiary that it will provide the necessary financial support to that subsidiary.

NOTE 22 RELATED PARTY DISCLOSURES

Identity of related parties

The Company has a related party relationship with its legal subsidiaries (see below), as well as:

- Tschudi Mining Company AS, Tschudi Shipping Company AS and Tschudi Bulk Terminal AS which are controlled by Mr Felix Tschudi, a Director.

<i>Group Companies</i>	Country of Incorporation	Ownership interest	
		2010	2009
<i>Legal parent</i>			
Northern Iron Limited	Australia		
<i>Legal subsidiaries</i>			
Sydvaranger Gruve AS	Norway	100%	100%
Northern Iron Marketing AG	Switzerland	100%	100%

Transactions within the wholly owned group

Sydvaranger Gruve AS

During the reporting period \$50,330,000 (2009: \$56,826,000) of loans to the subsidiary were converted into equity.

During the reporting period loans from the Company to the subsidiary totalled \$104,255,000 (2009: \$101,284,000) excluding the equity component noted above. The carrying value of the Company's loans to the controlled entity at 31 December 2010 was \$166,239,000 (2009: \$136,225,000). Advances were made in NOK, US\$, EUR and A\$. In July 2009 the loan denomination was converted from NOK to US\$ in order to match the functional currency of the subsidiary, with the loan converted at the exchange rate prevailing on the date. During a prior reporting period, in October 2008 the loan denomination was converted from A\$ to NOK with the loan converted at the exchange rate prevailing on that date.

During the reporting period, goods and services were purchased, or paid for on behalf of Sydvaranger Gruve AS, in the amount of \$2,456,000 (2009: \$4,826,000).

The loans are being secured by a second ranking fixed and floating charge over Sydvaranger Gruve AS's assets and are repayable by 31 December 2014 in accordance with the terms of a loan agreement. Under the terms of the loan agreement, borrowings are repayable after senior debt of the subsidiary is fully repaid.

The Group does not presently charge interest on the loan amount, being a restriction of the lease financing facility with DnB Nor Finans.

During the reporting period Sydvaranger Gruve AS recorded sales of ore concentrate to Northern Iron Marketing AG in the amount of \$115,126,000 (2009: \$1,341,000). Intercompany sales amounts during 2010 have been recorded at the realised sales price to final customers of the Group.

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Northern Iron Marketing AG

During the reporting period, the Group made an equity investment in its subsidiary, Northern Iron Marketing AG in the amount of \$nil (2009: \$126,000).

During the reporting period, loans from the Company to the subsidiary totalled \$250,000 (2009: \$86,000). The carrying value of the Company's loans to Northern Iron Marketing AG at 31 December 2010 was \$303,000 (2009: \$86,000).

Transactions with other related parties

Directors

During the reporting period, the Group paid \$405,000 to companies which are associated with A Mehra, a Director, for services to provide marketing, administration and ancillary support services for the sale of products. Services provided are on a basis of cost plus a 15% margin.

During the reporting period, a subsidiary Company paid \$66,000 to Thon Hotel for use of conference facilities, corporate functions, and events, seminars and accommodation, a company which employs the spouse of the Chief Executive Officer, Mr John Sanderson.

Tschudi Shipping Company AS and its subsidiaries

Sydvaranger Gruve AS had transactions in the following amounts with companies which are ultimately controlled by Tschudi Shipping Company AS. These transactions are in the normal course of business and on normal terms and conditions:

- services purchased in the amount of \$3,331,000 (2009: \$3,689,000) which includes leases for land and properties, contract labour services and temporary hire of mobile crushing equipment..
- capitalised expenses and assets purchased in the amount of \$1,507,000 (2009: \$14,628,000), primarily being for contract labour services utilised on construction and capital installation projects;
- finance lease in the amount of \$34,789,000 (2009: \$28,234,000) representing a leasing agreement for handling, storage and shiploading of iron ore concentrate (included in the balance of borrowings – refer Note 16). Repayments of principal and interest under the finance lease were \$5,678,000 (2009: \$2,326,000).

As a result of the transactions described above the Group has trade payables and accruals owing to subsidiaries of Tschudi Shipping Company AS for the amount of \$1,064,000 (2009: \$4,184,000).

NOTE 23 SEGMENT INFORMATION

For management purposes, the Board of Directors of Northern Iron Limited has been defined as the Chief Operating Decision Maker. Segment information is presented in respect of the Group's business segments based on the Group's management and internal reporting structure.

The Group has three reporting segments, being Sydvaranger Iron Ore Project, marketing of ore concentrate and corporate office. Intersegment pricing is determined on an arm's length basis. Segment results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The following table presents the financial information regarding these segments provided to the Board of Directors for the interim period ended 31 December 2010 and 31 December 2009.

Information on business segments

2010	Sydvaranger Iron Ore Project (A\$000)	Marketing (A\$000)	Corporate (A\$000)	Inter-segment eliminations (A\$000)	Consolidated (A\$000)
<i>Business Segments</i>					
External revenue	-	112,012	-	-	112,012
Inter segment revenue	115,077	-	-	(115,077)	-
	115,077	112,012	-	(115,077)	112,012
Segment loss before income tax	(55,842)	1,027	(26,100)	23,911	(57,005)
Segment assets	356,257	13,139	479,679	(482,538)	366,538
Segment liabilities	(322,188)	(12,976)	83	179,923	(155,157)
<i>Other segment information:</i>					
Segment result before tax includes:					
Finance income	180	304	217	(304)	398
Finance expense	(10,467)	(304)	(15)	369	(10,418)
Depreciation and amortisation	21,575	-	21	-	21,596
Acquisition of property, plant and equipment	38,271	-	9	-	38,280

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2009	Sydvaranger Iron Ore Project (A\$000)	Marketing (A\$000)	Corporate (A\$000)	Inter-segment eliminations (A\$000)	Consolidated (A\$000)
<i>Business Segments</i>					
External revenue	-	5,832	-	-	5,832
Inter segment revenue	1,341	-	-	(1,341)	-
	1,341	5,832	-	(1,341)	5,832
Segment loss before income tax	(68,456)	(393)	(32,422)	-	(101,271)
Segment assets	329,581	299	136,513	(136,311)	330,082
Segment liabilities	(316,357)	(320)	(1,371)	136,311	(181,737)
<i>Other segment information:</i>					
Segment result before tax includes:					
Finance income	269	-	517	-	786
Finance expense	(2,516)	-	-	-	(2,516)
Depreciation and amortisation	7,769	-	6	-	7,775
Acquisition of property, plant and equipment	171,386	-	8	-	171,394

NOTE 24 PARENT ENTITY DISCLOSURES

Financial position

As at 31 December 2010

	2010	2009
	\$000	\$000
Assets		
Current assets	11,197	177
Non-current assets	468,737	388,425
Total assets	<u>479,934</u>	<u>388,602</u>
Liabilities		
Current liabilities	(170)	(1,372)
Non-current liabilities	(2)	-
Total liabilities	<u>(172)</u>	<u>(1,372)</u>
Equity		
Issued capital	(536,060)	(417,623)
Accumulated losses		
Opening balance	33,606	1,976
Movement	26,100	31,360
Reserves		
Share-based payments reserve	(3,408)	(3,213)
Total equity	<u>(479,762)</u>	<u>(387,230)</u>

Financial performance

For the year ended 31 December 2010

	2010	2009
	\$000	\$000
Loss for the year	26,100	31,630
Other comprehensive income	-	-
Total comprehensive income	<u>26,100</u>	<u>31,630</u>

NOTE 25 KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Key management personnel compensation

Key management personnel compensation is as follows:

	2010	2009
	\$	\$
Short term benefits	1,495,956	1,545,302
Post-employment benefits	57,540	33,733
Share based payments	183,438	264,726
	1,736,934	1,843,761

Information regarding individual directors and executive officers compensation is provided in the Remuneration Report as set out on pages 18 to 23.

Apart from the details disclosed in this note, no director has entered into a material contract with the Group since the end of the previous financial year and there were no material contracts involving directors' interests existing at year-end.

(b) Other key management personnel transactions

At 31 December 2010 an amount of \$11,719 (2009: \$2,182) is included in Group trade and other payables for outstanding director and executive officers' personnel fees and expenses.

(c) Shares

The movement during the current and prior reporting periods in the number of ordinary shares in Northern Iron Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

Directors	Held at 01/01/09	Net acquired / (sold)	Held at 31/12/09	Net acquired / (sold)	Held at 31/12/10
DC Griffiths	325,583	77,117	402,700	9,493	412,193
JS Sanderson	-	-	-	40,000	40,000
PR Bilbe	110,023	28,005	138,028	-	138,028
A Mehra	10,372,093	1,405,000	11,777,093	-	11,777,093
FH Tschudi	85,000,000	4,137,931	89,137,931	-	89,137,931
ND Hamilton	247,558	55,512	303,070	-	303,070
PS Larsen	20,000	4,000	24,000	-	24,000
M McMullen	5,015,691	142,971	5,158,622*	-	-

* Being shares held when ceased being a director on 4 November 2009.

Executive Officers	Held at 01/01/09	Net acquired / (sold)	Held at 31/12/09	Net acquired / (sold)	Held at 31/12/10
RA Anderson	93,023	-	93,023*	-	-

* Being shares held when ceased being an Executive Officer on 31 December 2009.

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(d) Share options

The movement during the reporting period in the number of options in Northern Iron Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

2010

Directors	Held at 01/01/10	Granted as compensation	Expired	Held at 31/12/10	Vested in year	Vested and exercisable at 31/12/10
DC Griffiths	300,000	-	(300,000)	-	-	-
JS Sanderson	-	1,500,000	-	1,500,000	-	-
PR Bilbe	300,000	-	(300,000)	-	-	-
A Mehra	300,000	-	(300,000)	-	-	-
FH Tschudi	-	-	-	-	-	-
ND Hamilton	300,000	-	(300,000)	-	-	-
PS Larsen	300,000	-	(300,000)	-	-	-
PI Toth	-	-	-	-	-	-

* Being options held when ceased being a director on 4 November 2009.

Executive Officers	Held at 01/01/10	Granted as compensation	Held at 31/12/10	Vested in year	Vested and exercisable at 31/12/10
RA Anderson	400,000*	-	-	-	-

* Being options held when ceased being a director on 31 December 2009.

2009

Directors	Held at 01/01/09	Granted as compensation	Held at 31/12/09	Vested in year	Vested and exercisable at 31/12/09
DC Griffiths	300,000	-	300,000	-	300,000
PR Bilbe	300,000	-	300,000	-	300,000
A Mehra	300,000	-	300,000	-	300,000
ND Hamilton	300,000	-	300,000	-	300,000
PS Larsen	300,000	-	300,000	-	300,000
M McMullen	300,000	-	-	-	-

Executive Officers	Held at 01/01/09	Granted as compensation	Held at 31/12/09	Vested in year	Vested and exercisable at 31/12/09
RA Anderson	400,000	-	400,000	-	400,000*

* Being options held when ceased being an Executive Officer on 31 December 2009.

All share options issued to key management personnel were in accordance with the provisions of the employee share option plan.

During the year, options with an assessed value of \$661,488 (2009: nil options) were granted. Further details of the employee share option plan and the number of options granted during the 2010 and 2009 financial years are contained in Note 20 and the Remuneration Report.

During the year, nil options (2009: nil) were exercised.

NOTE 26 FINANCIAL INSTRUMENTS

(a) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The Group's overall strategy remains unchanged from 2009.

The capital structure of the Group consists of debt, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

Operating cash flows are used to maintain and expand operations, as well as to make routine expenditures such as tax, dividends, and general administrative outgoings.

Gearing levels are reviewed by the Board on a regular basis in line with its target gearing ratio, the cost of capital and the risks associated with each class of capital.

(b) Financial risk management objectives

The Group's activities expose it to market risk (including foreign currency risk, commodity price risk and interest rate risk), credit risk, and liquidity risk.

This note presents qualitative and quantitative information about the Group's exposure to each of the above risks, their objectives, policies, and procedures for managing risk, and the management of capital. The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

The Group's overall risk management approach focuses on the unpredictability of financial markets and seeks to minimise the potential adverse effects on the financial performance of the Group. The Group currently has a natural hedge from sales receipts in relation to certain foreign currency borrowings however it is generally exposed elsewhere to daily movements in exchange rates and interest rates.

The Group uses various methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange, and commodity price risk and ageing analysis for credit risk.

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor, and market confidence and to sustain future development of the business. Given the stage of the Group's development there are no formal targets set for return on capital. There were no changes to the Group's approach to capital management during the year.

During 2008, a subsidiary entered into an equipment finance lease facility with DnB Nor Finans (refer Note 16). Under the terms of the facility, the subsidiary is required to maintain a minimum equity ratio of 50%, being equity divided by total assets. Equity, for this purpose includes the loan payable to the Company's parent entity. Total assets, for this purpose, exclude unrestricted cash and the concentrate, storage, handling and ship-loading facility leased assets. The subsidiary was in compliance with this requirement throughout the reporting period. Covenants under other financing arrangements relate to production levels, cash flow and financial ratios, for which the Company was in compliance, or had obtained waivers in writing from the financier.

(c) Market risk

(i) Foreign currency risk management

Currency risk currently arises from purchases, assets and liabilities that are denominated in a currency other than the functional currencies of the entities within the Group, and from purchases in currencies other than those in which cash balances are held.

The Group operates predominantly in Norway and is exposed to currency risk arising from various foreign currency exposures, primarily with respect to the US\$ and Norwegian Kroner ("NOK"). The functional currency of its Norwegian operations is considered to be the US\$.

It is the Group's policy that management may hedge foreign currency exposure on capital purchases as they become known by purchasing the currency in which the exposure arises. The majority of the Group's capital expenditure is denominated in US\$, A\$, NOK, SEK and Euro.

The sale of iron ore is denominated in US\$. The Group's management of currency risk will be monitored during the stabilising of operations as the denomination of expenditures becomes increasingly more consistent and known.

The Group's exposure to foreign currency risk at balance date was as follows, based on carrying amounts.

	NOK	SEK	US\$	Euro	CHF	A\$	Totals
	A\$000	A\$000	A\$000	A\$000	A\$000	A\$000	A\$000
<i>2010</i>							
Cash and cash equivalents	2,407	-	12,410	3,943	(3)	7,521	26,278
Trade and other receivables	5,061	-	6,939	-	-	330	12,330
Trade and other payables	(29,743)	(981)	1,117	(512)	-	911	(29,208)
Tax liability	-	-	-	-	(11)	-	(11)
Borrowings	(53,610)	-	(57,019)	-	-	-	(110,629)
Gross exposure	<u>(75,885)</u>	<u>(981)</u>	<u>(36,553)</u>	<u>3,431</u>	<u>(14)</u>	<u>8,762</u>	<u>(101,240)</u>
<i>2009</i>							
Cash and cash equivalents	8,490	-	1,153	179	-	429	10,251
Trade and other receivables	5,744	-	-	-	-	47	5,791
Trade and other payables	(42,493)	(3,541)	(1,012)	(2,024)	-	(1,962)	(51,032)
Tax liability	-	-	-	-	-	(1,161)	(1,161)
Borrowings	(54,936)	-	(72,845)	-	-	-	(127,781)
Gross exposure	<u>(83,195)</u>	<u>(3,541)</u>	<u>(72,704)</u>	<u>(1,845)</u>	<u>-</u>	<u>(2,647)</u>	<u>(163,932)</u>

The following significant exchange rates applied during the year:

AUD to:	Average rate		Reporting date spot rate	
	2010	2009	2010	2009
1 Norwegian Kroner	0.180	0.203	0.168	0.193
1 USD	1.088	1.281	0.983	1.120
1 Euro	1.440	1.776	1.311	1.605

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Sensitivity analysis

A 5% strengthening of the following currencies at 31 December would have changed equity and pre-tax profit and loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates and the exchange rate between other currencies, remain constant. The analysis is performed on the same basis for 2009:

	Equity	Profit and loss
	\$000	\$000
<i>31 December 2010</i>		
US\$ to NOK	(2,994)	(2,994)
A\$ to US\$	(1,621)	(1,728)
<i>31 December 2009</i>		
US\$ to NOK	(4,227)	(4,227)
A\$ to US\$	(7,149)	3,249

A 5% weakening of the following currencies at 31 December would have changed equity and pre-tax profit and loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates and the exchange rate between other currencies, remain constant. The analysis is performed on the same basis for 2009:

	Equity	Profit and loss
	\$000	\$000
<i>31 December 2010</i>		
US\$ to NOK	2,413	2,413
A\$ to US\$	1,791	(530)
<i>31 December 2009</i>		
US\$ to NOK	3,825	3,825
A\$ to US\$	7,889	(3,603)

(ii) Interest rate risk management

The significance and management of this risk on investments to the Group is dependent on a number of factors including:

- interest rates (current and forward) and the currencies that are held;
- level of cash and liquid investments and their term;
- maturity dates of investments; and
- proportion of investments that are fixed rate or floating rate.

The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate investments. The Group is exposed to interest rate risk under its various borrowings outlined in Note 16 and continues to monitor opportunities to mitigate this interest rate risk.

At the reporting date, the effective interest rates of variable rate interest bearing assets and liabilities of the Company and the Group were as follows.

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	2010	2009
	\$000	\$000
<i>Carrying amount</i>		
Financial assets	29,020	13,398
Financial liabilities	110,629	127,781
<i>Weighted average interest rate (%)</i>		
Financial assets	1.89%	1.49%
Financial liabilities	5.30%	5.22%

Sensitivity analysis

An increase in 50 basis points from the weighted average year-end interest rates at 31 December would have (decreased)/increased equity and post-tax profit and loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2009:

	Equity	Profit and loss
	\$000	\$000
31 December 2010	(186)	(186)
31 December 2009	(575)	(575)

A decrease in 50 basis points from the weighted average year-end interest rates at 31 December would have increased/ (decreased) equity and post-tax profit and loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2009:

	Equity	Profit and loss
	\$000	\$000
31 December 2010	186	186
31 December 2009	575	575

(iii) Commodity price risk management

Commodity price risk is the risk of financial loss resulting from movements in the price of the Group's commodity output, being iron ore, which is denominated in US\$ and not widely traded in derivative markets. The consolidated entity commenced concentrate production during October 2009 and recorded one sale for that period of \$5,823,000 including delivery charges of \$4,480,000. In 2010, there were sales of approximately \$112,011,000.

The Group's marketing strategy is to enter into long term sales agreements directly with pellet producers in Europe and the Middle East for the majority of its production with the balance of production being sold into the spot market.

The Group entered into an off-take agreement for an initial term of 5 years from 1 July 2009 with contracted sales of 6Mt of concentrate representing approximately 45% of the planned base case production over the contract term. The contract provides for sales of up to an additional 2.25Mt of concentrate at the mutual option of both parties. Pricing for the concentrate is to be based on the Vale benchmark for similar products delivered into Europe on a Free on Board (FOB) basis. The Group has been unable to deliver into this long-term contract because it has not met quality specifications with its production. Spot sales to the customer were carried out in Quarter 4 of 2010 as a result of the improved product quality in that period. The contract has been subject to negotiation and a revised contract is expected to be completed which will result in contract terms for a 5-year duration commencing from 2011 and similar tonnage levels to those originally anticipated. All sales during 2010 have been successfully made into the spot market. Negotiations with other potential off-take partners are ongoing.

(d) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group has not had any instances of uncollectable trade receivables during the current or prior reporting periods and credit risk arising from security deposits and receivables from taxation authorities is considered to be low.

Credit risk is reduced through diversification and through accepting counterparties with good credit rating. Exposure to credit risk is considered minimal though continues to be monitored on an ongoing basis. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the Statement of Financial Position. The Group's maximum exposure to credit risk at the reporting date was:

	2010	2009
	\$000	\$000
<i>Carrying amount:</i>		
Cash and cash equivalents	26,278	10,251
Trade and other receivables	12,330	5,791
	38,608	16,042

(e) Liquidity risk management

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they fall due. The Group's approach to managing this risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due under a range of financial conditions.

The Group's borrowing facilities are set out in Note 16. The following are the contractual maturities of financial liabilities. These have been drawn up based on undiscounted contractual maturities of financial liabilities including interest that will be payable:

	Carrying amount	Contractual cash flows	6 months or less	6 to 12 months	1 to 5 years	Over 5 years
	\$000	\$000	\$000	\$000	\$000	\$000
<i>2010</i>						
<i>Non-derivative financial liabilities</i>						
Trade and other payables	29,208	29,208	29,208	-	-	-
Current tax liability	11	11	11	-	-	-
Interest bearing loans and borrowings	110,629	125,346	19,113	19,551	74,870	11,811
	139,848	154,565	48,332	19,551	74,870	11,811
	Carrying amount	Contractual cash flows	6 months or less	6 to 12 months	1 to 5 years	Over 5 years
	\$000	\$000	\$000	\$000	\$000	\$000
<i>2009</i>						
<i>Non-derivative financial liabilities</i>						
Trade and other payables	51,032	51,032	51,032	-	-	-
Current tax liability	1,161	1,161	1,161	-	-	-
Interest bearing loans and borrowings	127,781	138,969	14,757	31,804	84,867	7,541
	179,974	191,162	66,950	31,804	84,867	7,541

(f) Fair value of financial instruments

The fair values of financial assets and financial liabilities, together with their carrying amounts are shown in the Statement of Financial Position.

The basis for determining fair values is disclosed in Note 3(m). Trade and other receivables / payables with a life of less than one year are carried at their notional amount which is deemed to reflect their fair value.

NOTE 27 CONTINGENCIES

In the opinion of the Directors, there are no contingent liabilities as at 31 December 2010 and no contingent liabilities were incurred in the interval between balance date and the date of this financial report.

NOTE 28 EVENTS SUBSEQUENT TO REPORTING DATE

The Company has entered into a long term marketing agreement with OMH's Singapore based marketing and trading subsidiary, OM Materials (S) Pte Ltd (OMS), for the sale of uncommitted product into the Asian market. This agreement is structured as an agency agreement, and has a five-year term, subject to annual performance review.

On 14 May 2010, shareholders approved the establishment of a Company Performance Rights Plan. During February 2011, four senior executives, none of whom are Directors or related parties of the Company, became eligible to be offered Performance Rights. A total of 650,000 Performance Rights have been issued subject to vesting periods and performance conditions and are further subject to Hurdle Prices of between \$2.15 and \$3.00.

**NORTHERN IRON LIMITED
ANNUAL REPORT 31 DECEMBER 2010
DIRECTORS' DECLARATION**

In the opinion of the directors of Northern Iron Limited:

- (a) the accompanying financial statements and notes of the Group (including the audited remuneration disclosures contained in the Remuneration Report contained in the Directors' Report) set out on pages 26 to 68 are in accordance with the Corporations Act 2001, including:
- (i) giving a true and fair view of the Group's financial position as at 31 December 2010 and of its performance for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; 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 has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 31 December 2010.

Signed in accordance with a resolution of the directors.



J Sanderson
Managing Director

Kirkenes, 31 March 2011



D Griffiths
Chairman

Perth, 31 March 2011

INDEPENDENT AUDITOR'S REPORT

To the members of Northern Iron Limited

Report on the Financial Report

We have audited the accompanying financial report of Northern Iron Limited ("the company"), which comprises the consolidated statement of financial position as at 31 December 2010, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*, and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In Note 2, the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Independence

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

Opinion

In our opinion:

- (a) the financial report of Northern Iron Limited is in accordance with the *Corporations Act 2001*, including:
 - i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the year ended on that date; and
 - ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 31 December 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Northern Iron Limited for the year ended 31 December 2010 complies with section 300A of the *Corporations Act 2001*.



HLB MANN JUDD
Chartered Accountants



Perth, Western Australia
31 March 2011

W M CLARK
Partner

Introduction

Northern Iron has in place corporate governance practices that are formally embodied in corporate governance policies and codes adopted by the Board (the Policies). The aim of the Policies is to ensure that the Company is effectively directed and managed, that risks are identified, monitored, and assessed and that appropriate disclosures are made.

In preparing the Policies, the directors considered the ASX Corporate Governance Council's "Corporate Governance Principles and Recommendations" (ASX Principles). The Board has adopted these ASX Principles, subject to the departures noted below.

The directors incorporated the ASX Principles into the Policies to the extent that they were appropriate, taking into account the Company's size, the structure of the Board, its resources, and its proposed activities. The Board has adopted the following policies and procedures.

Statement and Charters

- Corporate Governance Statement
- Board Charter
- Audit Committee Charter
- Remuneration, Nomination and Governance Committee Charter

Policies and Procedures

- Code of Conduct
- Trading in Company Securities
- Risk Management Policy (within the Board and Audit Committee Charters)
- Shareholder Communication Strategy
- Continuous Disclosure Policy
- Board Diversity Policy

As the Company and its activities grow, the Board may implement additional corporate governance structures and committees. The Company's corporate governance Policies are available on the Company's website at www.northerniron.com.au.

Number of Audit Committee meetings, names, and qualification of members

The number of Audit Committee meetings and the names of attendees are set out in the directors' report together with their qualifications.

Number of Remuneration, Nomination and Governance Committee meetings, names, and qualification of members

The number of Remuneration, Nomination and Governance Committee meetings and the names of attendees is set out in the directors' report together with their qualifications.

Remuneration, Nomination and Governance Committee matters were dealt with at meetings of the full Board.

Performance evaluation of the board, its committees, and senior executives

The Board reviews and evaluates the performance of the Board and its committees, which involves consideration of all the Board's key areas of responsibility.

A performance evaluation of senior executives was undertaken during the year by the full Board.

Skills, experience, expertise, and term of office of each director

A profile of each director containing the applicable information is set out in the directors' report.

Explanations for departures from best practice recommendations

From 1 January 2010 to 31 December 2010 (the Reporting Period), the Company complied with each of the Corporate Governance Principles and the corresponding Recommendations as published by the ASX Corporate Governance Council ("ASX Principles and Recommendations").

Statement concerning availability of independent professional advice

If a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of his office as a director then, provided the director first obtains approval for incurring such expense from the Chairman, the Company will pay reasonable expenses associated with obtaining such advice.

Existence and terms of any schemes for retirement benefits for non-executive directors

The Company does not have any terms or schemes relating to retirement benefits for non-executive directors.

Company's remuneration policies

The Company's remuneration policies are set out in the Remuneration Report on pages 18 to 23. The Company has separate remuneration policies for executive and non-executive directors.

Non-executive directors receive a fixed fee and, when appropriate, share options. Executive directors receive a salary or fee and, when appropriate, performance based remuneration and share options.

Identification of independent directors

The Company's three independent directors are considered to be Mr David Griffiths, Mr Peter Bilbe and Mr Ashwath Mehra.

None of these directors was considered to have a material relationship with the Company or another group member (other than their directorships) during the Reporting Period as professional advisor, consultant, supplier, customer, or through any other contractual relationship, nor did they have any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company.

The Board considers "material" in this context to be where any director related business relationship represents the lesser of at least 5% of the Company's or the director-related business's revenue.

Material business risks

Risk Management is a standing agenda item for consideration at Board meetings. Management of the Company is responsible for the preparation and maintenance of a register of material business risks and responses and is required also to report to the Board as to the effectiveness of the Company's management of its material business risks.

NORTHERN IRON LIMITED
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ADDITIONAL SHAREHOLDER INFORMATION

Additional information required by the ASX Limited ("ASX") Listing Rules and not disclosed elsewhere in this report is set out below.

Shareholdings as at 25 March 2011

Substantial shareholders

Set out below is an extract from the Company's register of last substantial shareholder notices as received by the company and/or lodges at the ASX:

Name of Shareholder	Date of notice	Number of Shares	% held
Felix Tschudi	22/10/10	89,137,931	26.52%
OM Holdings Limited	08/02/10	42,801,565	14.6%
IOOF Holdings Limited	08/03/11	28,936,767	8.6%
Commonwealth Bank of Australia	26/10/11	18,774,549	5.6%

Voting Rights

The voting rights attaching to Ordinary Shares are governed by the Constitution. On a show of hands, every person present who is a member or representative of a member shall have one vote and on a poll, every member present in person or by proxy or by attorney or duly authorised representative shall have one vote for each share held. No options have any voting rights.

Twenty Largest Shareholders (as at 24 March 2011)

Rank	Name	No.	%
1	Tschudi Mining Company AS	89,137,931	26.52
2	O M Holdings Limited	52,482,500	15.62
3	National Nominees Limited	35,893,414	10.68
4	Citicorp Nominees Pty Limited	29,174,148	8.68
5	HSBC Custody Nominees (Australia) Limited	28,936,473	8.61
6	J P Morgan Nominees Australia Limited	25,880,196	7.70
7	Zero Nominees Pty Ltd	15,863,132	4.72
8	Mr Ashwath Mehra	11,777,094	3.51
9	Cogent Nominees Pty Limited	9,032,679	2.69
10	RBC Dexia Investor Services Australia Nominees Pty Limited <Pipooled A/C>	7,708,990	2.29
11	Cogent Nominees Pty Limited <SMP Accounts>	5,799,818	1.73
12	UBS Nominees Pty Ltd	2,736,231	0.81
13	AMP Life Limited	2,132,396	0.63
14	RBC Dexia Investor Services Australia Nominees Pty Ltd <Piselect A/C>	1,016,687	0.30
15	Citicorp Nominees Pty Limited <Cwlth Small Co Fd 9 A/C>	910,954	0.27
16	RBC Dexia Investor Services Australia Nominees Pty Limited <Bkcust A/C>	805,452	0.24
17	JP Morgan Nominees Australia Limited <Cash Income A/C>	721,341	0.21
18	Queensland Investment Corporation	702,265	0.21
19	Mr Timothy Guy Lyons + Mrs Heather Mary Lyons <Gnowellen Super Fund A/C>	527,758	0.16
20	Societe Generale (Canada Branch)	474,186	0.14
		321,713,645	95.72

NORTHERN IRON LIMITED
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Distribution of equity security holders

Size of Holding			Number of shareholders	Number of fully paid shares
1	to	1,000	210	58,954
1,001	to	5,000	260	747,801
5,001	to	10,000	165	1,297,937
10,001	to	100,000	271	7,463,133
100,001 and over			44	326,517,038
			1,267	336,084,863

The number of shareholders holding less than a marketable parcel of ordinary shares is 125.

Unlisted option holdings as at 25 March 2011

	Unlisted \$2.15 options expiring 24/08/13	Unlisted \$2.50 options expiring 24/08/13	Unlisted \$3.00 options expiring 24/08/13	Unlisted \$4.12 options expiring 4/08/11	Unlisted \$4.73 options expiring 4/08/11
Number on issue	500,000	500,000	500,000	200,000	200,000
Number of holders	1	1	1	1	1

Those holding more than 20% of the class:

John Sanderson	500,000	500,000	500,000		
Donald Hunter				200,000	200,000

On-market buyback

There is no current on-market buyback.

Restricted securities

As at the date of this report, none of the Company's securities are subject to escrow restrictions.

NORTHERN IRON LIMITED
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ADDITIONAL SHAREHOLDER INFORMATION

Schedule of permits

Tenement Name	Tenement Number	Tenement Type	Area (m²)	Grant Date	Registered Holder
Bjørnevatn Ø	NU 11/1974	Claim	56,000	6/12/02	Sydvaranger Gruve AS
Bjørnevatn Ø	NU 12/1974	Claim	112,000	6/12/02	Sydvaranger Gruve AS
Bjørnevatn Ø	NU 13/1974	Claim	84,000	6/12/02	Sydvaranger Gruve AS
Bjørnevatn Ø	NU 14/1974	Claim	84,000	6/12/02	Sydvaranger Gruve AS
Bjørnevatn Ø	NU 15/1974	Claim	84,000	6/12/02	Sydvaranger Gruve AS
Bjørnevatn V	NU 1/1974	Claim	140,000	6/12/02	Sydvaranger Gruve AS
Bjørnevatn V	NU 2/1974	Claim	140,000	6/12/02	Sydvaranger Gruve AS
Bjørnevatn V	NU 3/1974	Claim	140,000	6/12/02	Sydvaranger Gruve AS
Bjørnevatn V	NU 4/1974	Claim	140,000	6/12/02	Sydvaranger Gruve AS
Bjørnevatn V	NU 5/1974	Claim	140,000	6/12/02	Sydvaranger Gruve AS
Bjørnevatn V	NU 6/1974	Claim	112,000	6/12/02	Sydvaranger Gruve AS
Bjørnevatn V	NU 7/1974	Claim	84,000	6/12/02	Sydvaranger Gruve AS
Bjørnevatn V	NU 8/1974	Claim	84,000	6/12/02	Sydvaranger Gruve AS
Bjørnevatn V	NU 9/1974	Claim	84,000	6/12/02	Sydvaranger Gruve AS
Bjørnevatn V	NU 10/1974	Claim	56,000	6/12/02	Sydvaranger Gruve AS
Fisketind	NU31/1974	Claim	112,000	6/12/02	Sydvaranger Gruve AS
Fisketind	NU 32/1974	Claim	112,000	6/12/02	Sydvaranger Gruve AS
Fisketind	NU 33/1974	Claim	112,000	6/12/02	Sydvaranger Gruve AS
Fisketind	NU 34/1974	Claim	112,000	6/12/02	Sydvaranger Gruve AS
Fisketind	NU 35/1974	Claim	112,000	6/12/02	Sydvaranger Gruve AS
Grunntjern	NU 40/1974	Claim	84,000	6/12/02	Sydvaranger Gruve AS
Grunntjern	NU 41/1974	Claim	84,000	6/12/02	Sydvaranger Gruve AS
Grunntjern	NU 42/1974	Claim	84,000	6/12/02	Sydvaranger Gruve AS
Grunntjern	NU 43/1974	Claim	84,000	6/12/02	Sydvaranger Gruve AS
Grunntjern	NU 44/1974	Claim	84,000	6/12/02	Sydvaranger Gruve AS
Grunntjern	NU 45/1974	Claim	84,000	6/12/02	Sydvaranger Gruve AS
Hyttemalmen	NU 81/1974	Claim	56,000	6/12/02	Sydvaranger Gruve AS
Hyttemalmen	NU 82/1974	Claim	56,000	6/12/02	Sydvaranger Gruve AS
Jernhatten	NU 77/1974	Claim	140,000	6/12/02	Sydvaranger Gruve AS
Jernhatten	NU 78/1974	Claim	140,000	6/12/02	Sydvaranger Gruve AS
Kjellmannsåsen	LU 101/1903	Claim	N/A	6/12/02	Sydvaranger Gruve AS
Kjellmannsåsen	LU 102/1903	Claim	N/A	6/12/02	Sydvaranger Gruve AS
Kjellmannsåsen	LU 105/1903	Claim	N/A	6/12/02	Sydvaranger Gruve AS
Kjellmannsåsen	LU 106/1903	Claim	N/A	6/12/02	Sydvaranger Gruve AS
Ørnevann	NU 63/1974	Claim	84,000	6/12/02	Sydvaranger Gruve AS
Ørnevann	NU 64/1974	Claim	84,000	6/12/02	Sydvaranger Gruve AS
Ørnevann	NU 65/1974	Claim	84,000	6/12/02	Sydvaranger Gruve AS
Ørnevann	NU 66/1974	Claim	84,000	6/12/02	Sydvaranger Gruve AS
Søstervann	NU 46/1974	Claim	112,000	6/12/02	Sydvaranger Gruve AS
Søstervann	NU 47/1974	Claim	112,000	6/12/02	Sydvaranger Gruve AS
Søstervann	NU 48/1974	Claim	112,000	6/12/02	Sydvaranger Gruve AS
Søstervann	NU 49/1974	Claim	112,000	6/12/02	Sydvaranger Gruve AS
Tverrdalen	NU 24/1974	Claim	112,000	6/12/02	Sydvaranger Gruve AS
Tverrdalen	NU 25/1974	Claim	112,000	6/12/02	Sydvaranger Gruve AS
Tverrdalen	NU 26/1974	Claim	112,000	6/12/02	Sydvaranger Gruve AS

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Tenement Name	Tenement Number	Tenement Type	Area (m ²)	Grant Date	Registered Holder
Tverrdalen	NU 27/1974	Claim	112,000	6/12/02	Sydvaranger Gruve AS
Tverrdalen	NU 28/1974	Claim	112,000	6/12/02	Sydvaranger Gruve AS
Tverrdalen	NU 29/1974	Claim	168,000	6/12/02	Sydvaranger Gruve AS
Tverrdalen	NU 30/1974	Claim	168,000	6/12/02	Sydvaranger Gruve AS
Andehatten	FU-1/2009-FB	Claim	62,500	22/08/01	Sydvaranger Gruve AS
Boris Gleb 1	0687/2001-FB	Preclaim	117,500	22/08/01	Sydvaranger Gruve AS
Fisketd. S / Jernt. N	FU-4/2009-FB	Claim	45,000	22/08/01	Sydvaranger Gruve AS
Mattilamalmen 1	0685/2001-FB	Preclaim	104,350	22/08/01	Sydvaranger Gruve AS
Mattilamalmen 2	0686/2001-FB	Preclaim	280,000	22/08/01	Sydvaranger Gruve AS
Ørnåsen	FU-5/2009-FB	Claim	252,000	22/08/01	Sydvaranger Gruve AS
Reitanmalmen 1	FU-2/2009-FB	Claim	150,000	22/08/01	Sydvaranger Gruve AS
Reitanmalmen 2	FU-3/2009-FB	Claim	137,500	22/08/01	Sydvaranger Gruve AS
Teltbuktmalmen	FU-7/2009-FB	Claim	6,615	22/08/01	Sydvaranger Gruve AS
Vakkeråsen 1	0690/2001-FB	Preclaim	160,000	22/08/01	Sydvaranger Gruve AS
Vakkeråsen 2	0691/2001-FB	Preclaim	240,000	22/08/01	Sydvaranger Gruve AS
Vakkeråsen 3	0692/2001-FB	Preclaim	240,000	22/08/01	Sydvaranger Gruve AS
Vakkeråsen 4	0693/2001-FB	Preclaim	175,000	22/08/01	Sydvaranger Gruve AS
Varrevann 1	0694/2001-FB	Preclaim	250,000	22/08/01	Sydvaranger Gruve AS
Varrevann 2	0695/2001-FB	Preclaim	250,000	22/08/01	Sydvaranger Gruve AS
Varrevann 3	0696/2001-FB	Preclaim	250,000	22/08/01	Sydvaranger Gruve AS
Varrevann 4	0697/2001-FB	Preclaim	60,000	22/08/01	Sydvaranger Gruve AS
Boris Gleb 1	FU-8/2009-FB	Claim	182,500	23/08/01	Sydvaranger Gruve AS
Mattilamalmen 1	FU-6/2009-FB	Claim	88,150	23/08/01	Sydvaranger Gruve AS
Boris Gleb 2	0688/2001-FB	Preclaim	163,150	24/08/01	Sydvaranger Gruve AS
Boris Gleb 2	FU-9/2009-FB	Claim	136,850	25/08/01	Sydvaranger Gruve AS
Boris Gleb 3	0689/2001-FB	Preclaim	191,000	26/08/01	Sydvaranger Gruve AS
Boris Gleb 3	FU-10/2009-FB	Claim	49,000	27/08/01	Sydvaranger Gruve AS
Bjørnevatn 1	1664/2006-FB	Preclaim	300,000	19/01/07	Sydvaranger Gruve AS
Bjørnevatn 100	1672/2006-FB	Preclaim	250,000	19/01/07	Sydvaranger Gruve AS
Bjørnevatn 101	1673/2006-FB	Preclaim	280,000	19/01/07	Sydvaranger Gruve AS
Bjørnevatn 2	1665/2006-FB	Preclaim	300,000	19/01/07	Sydvaranger Gruve AS
Bjørnevatn 3	1666/2006-FB	Preclaim	300,000	19/01/07	Sydvaranger Gruve AS
Bjørnevatn 4	1667/2006-FB	Preclaim	250,000	19/01/07	Sydvaranger Gruve AS
Bjørnevatn 5	1668/2006-FB	Preclaim	250,000	19/01/07	Sydvaranger Gruve AS
Bjørnevatn 6	1669/2006-FB	Preclaim	250,000	19/01/07	Sydvaranger Gruve AS
Fisketind Syd 2	1662/2006-FB	Preclaim	300,000	19/01/07	Sydvaranger Gruve AS
Kjellmannsåsen 1	1658/2006-FB	Preclaim	250,000	19/01/07	Sydvaranger Gruve AS
Kjellmannsåsen 2	1659/2006-FB	Preclaim	250,000	19/01/07	Sydvaranger Gruve AS
Kjellmannsåsen 3	1660/2006-FB	Preclaim	250,000	19/01/07	Sydvaranger Gruve AS
Kjellmannsåsen 4	1661/2006-FB	Preclaim	250,000	19/01/07	Sydvaranger Gruve AS
Bjørnefjell 1	3309/2007-FB	Preclaim	240,000	7/10/07	Sydvaranger Gruve AS
Bjørnefjell 2	3310/2007-FB	Preclaim	250,000	7/10/07	Sydvaranger Gruve AS
Bjørnevann 7	3311/2007-FB	Preclaim	297,600	7/10/07	Sydvaranger Gruve AS
Bjørnevann 8	3312/2007-FB	Preclaim	240,000	7/10/07	Sydvaranger Gruve AS
Bjørnevann 9	3313/2007-FB	Preclaim	225,000	7/10/07	Sydvaranger Gruve AS
Brattli 1	3138/2007-FB	Preclaim	140,000	7/10/07	Sydvaranger Gruve AS
Brattli 2	3139/2007-FB	Preclaim	120,000	7/10/07	Sydvaranger Gruve AS

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Tenement Name	Tenement Number	Tenement Type	Area (m ²)	Grant Date	Registered Holder
Kjellmannsåsen 5	3135/2007-FB	Preclaim	78,750	7/10/07	Sydvaranger Gruve AS
Kjellmannsåsen 6	3136/2007-FB	Preclaim	275,000	7/10/07	Sydvaranger Gruve AS
Kjellmannsåsen 7	3137/2007-FB	Preclaim	200,000	7/10/07	Sydvaranger Gruve AS
Reitan 3	3298/2007-FB	Preclaim	145,000	7/10/07	Sydvaranger Gruve AS
Reitan 4	3299/2007-FB	Preclaim	266,000	7/10/07	Sydvaranger Gruve AS
Reitan 5	3300/2007-FB	Preclaim	266,000	7/10/07	Sydvaranger Gruve AS
Reitan 6	3301/2007-FB	Preclaim	280,000	7/10/07	Sydvaranger Gruve AS
Reitan 7	3302/2007-FB	Preclaim	175,000	7/10/07	Sydvaranger Gruve AS
Reitan 8	3303/2007-FB	Preclaim	250,000	7/10/07	Sydvaranger Gruve AS
Vakkeråsen 5	3304/2007-FB	Preclaim	90,000	7/10/07	Sydvaranger Gruve AS
Vakkeråsen 6	3305/2007-FB	Preclaim	90,000	7/10/07	Sydvaranger Gruve AS
Vakkeråsen 7	3306/2007-FB	Preclaim	150,000	7/10/07	Sydvaranger Gruve AS
Vakkeråsen 8	3307/2007-FB	Preclaim	150,000	7/10/07	Sydvaranger Gruve AS
Vakkeråsen 9	3308/2007-FB	Preclaim	120,000	7/10/07	Sydvaranger Gruve AS
Varrevann 5	3296/2007-FB	Preclaim	170,000	7/10/07	Sydvaranger Gruve AS
Varrevann 6	3297/2007-FB	Preclaim	280,000	7/10/07	Sydvaranger Gruve AS
Bjørnevann 10	0785/2008-FB	Preclaim	80,000	22/10/08	Sydvaranger Gruve AS
Bjørnevann 11	0786/2008-FB	Preclaim	190,000	22/10/08	Sydvaranger Gruve AS
Jerntoppen 1	0787/2008-FB	Preclaim	250,000	22/10/08	Sydvaranger Gruve AS
Andehatten S	0024/2009-FB	Preclaim	168,000	18/03/09	Sydvaranger Gruve AS
Bjørnefjell 3	0020/2009-FB	Preclaim	40,000	18/03/09	Sydvaranger Gruve AS
Bjørnefjell 4	0021/2009-FB	Preclaim	100,000	18/03/09	Sydvaranger Gruve AS
Bjørnefjell 5	0022/2009-FB	Preclaim	280,000	18/03/09	Sydvaranger Gruve AS
Bjørnefjell 6	0023/2009-FB	Preclaim	245,000	18/03/09	Sydvaranger Gruve AS
Bjørnevann 12	0015/2009-FB	Preclaim	225,000	18/03/09	Sydvaranger Gruve AS
Bjørnevann 13	0016/2009-FB	Preclaim	180,000	18/03/09	Sydvaranger Gruve AS
Bjørnevann 14	0017/2009-FB	Preclaim	245,000	18/03/09	Sydvaranger Gruve AS
Bjørnevann 15	0018/2009-FB	Preclaim	280,000	18/03/09	Sydvaranger Gruve AS
Bjørnevann 16	0019/2009-FB	Preclaim	245,000	18/03/09	Sydvaranger Gruve AS
Fisketind 3	0028/2009-FB	Preclaim	102,400	2/04/09	Sydvaranger Gruve AS
Fisketind 4	0029/2009-FB	Preclaim	235,000	2/04/09	Sydvaranger Gruve AS
Fisketind 5	0030/2009-FB	Preclaim	9,900	2/04/09	Sydvaranger Gruve AS
Annahatten N	0784/2009-FB	Preclaim	250,000	3/03/10	Sydvaranger Gruve AS
Annahatten Ø	0783/2009-FB	Preclaim	175,000	3/03/10	Sydvaranger Gruve AS
Bjørnevann 17	0798/2009-FB	Preclaim	200,000	3/03/10	Sydvaranger Gruve AS
Bjørnevann 18	0799/2009-FB	Preclaim	50,000	3/03/10	Sydvaranger Gruve AS
Bjørnevann 19	0800/2009-FB	Preclaim	150,000	3/03/10	Sydvaranger Gruve AS
Bjørnevann 20	0801/2009-FB	Preclaim	300,000	3/03/10	Sydvaranger Gruve AS
Brattli 3	0771/2009-FB	Preclaim	32,400	3/03/10	Sydvaranger Gruve AS
Brattli 4	0772/2009-FB	Preclaim	60,000	3/03/10	Sydvaranger Gruve AS
Fisketind 1	0785/2009-FB	Preclaim	200,000	3/03/10	Sydvaranger Gruve AS
Fisketind 10	0790/2009-FB	Preclaim	250,000	3/03/10	Sydvaranger Gruve AS
Fisketind 11	0791/2009-FB	Preclaim	175,000	3/03/10	Sydvaranger Gruve AS
Fisketind 6	0786/2009-FB	Preclaim	280,000	3/03/10	Sydvaranger Gruve AS
Fisketind 7	0787/2009-FB	Preclaim	35,100	3/03/10	Sydvaranger Gruve AS
Fisketind 8	0788/2009-FB	Preclaim	240,000	3/03/10	Sydvaranger Gruve AS
Fisketind 9	0789/2009-Fb	Preclaim	138,000	3/03/10	Sydvaranger Gruve AS

NORTHERN IRON LIMITED
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ADDITIONAL SHAREHOLDER INFORMATION

Tenement Name	Tenement Number	Tenement Type	Area (m2)	Grant Date	Registered Holder
Grunntjern 1	0794/2009-FB	Preclaim	220,000	3/03/10	Sydvaranger Gruve AS
Grunntjern 2	0795/2009-FB	Preclaim	299,750	3/03/10	Sydvaranger Gruve AS
Jerntoppen 2	0766/2009-FB	Preclaim	25,000	3/03/10	Sydvaranger Gruve AS
Jerntoppen 3	0781/2009-FB	Preclaim	100,000	3/03/10	Sydvaranger Gruve AS
Jerntoppen 4	0782/2009-FB	Preclaim	120,000	3/03/10	Sydvaranger Gruve AS
Ørnåsen 1	0779/2009-FB	Preclaim	90,000	3/03/10	Sydvaranger Gruve AS
Ørnåsen 2	0780/2009-FB	Preclaim	250,000	3/03/10	Sydvaranger Gruve AS
Ørnevannet 1	0773/2009-FB	Preclaim	230,000	3/03/10	Sydvaranger Gruve AS
Ørnevannet 2	0774/2009-FB	Preclaim	297,000	3/03/10	Sydvaranger Gruve AS
Ørnevannet 3	0775/2009-FB	Preclaim	216,000	3/03/10	Sydvaranger Gruve AS
Ørnevannet 4	0776/2009-FB	Preclaim	299,750	3/03/10	Sydvaranger Gruve AS
Søstervann 1	0796/2009-FB	Preclaim	247,500	3/03/10	Sydvaranger Gruve AS
Søstervann 2	0797/2009-FB	Preclaim	247,500	3/03/10	Sydvaranger Gruve AS
Teltbuk 1	0777/2009-FB	Preclaim	240,000	3/03/10	Sydvaranger Gruve AS
Teltbuk 2	0778/2009-FB	Preclaim	200,000	3/03/10	Sydvaranger Gruve AS
Tverrdalen 1	0792/2009-FB	Preclaim	299,750	3/03/10	Sydvaranger Gruve AS
Tverrdalen 2	0793/2009-FB	Preclaim	299,750	3/03/10	Sydvaranger Gruve AS