

**ASX ANNOUNCEMENT**

25 May 2011

**CHAIRMAN'S ADDRESS TO AGM AND PRESENTATION****Chairman's Address**

The year ending 31 December 2010 was a very important one for the Sydvaranger Iron Ore Project. While still having its challenges, the Board believes that activities commenced during 2010 have set the base for bringing the Project decisively towards achieving its production and financial potential. The challenges for the year were evident in the \$30.96 million loss from continuing operations and the failure to hit production targets during 2010. The successes were set out in my Review in the Annual Report and included the production of premium iron ore being achieved on a sustainable basis in the 4th quarter of 2010, the development of marketing arrangements with Tata and OM Holdings, finishing the first phase of the plant improvement project 3 months ahead of schedule and US\$7 million under budget and most importantly making good progress in recruiting and developing our Norwegian based management team

A key goal of the Company has been to produce a safe working environment and while Northern Iron has made progress since the commencement of operations in achieving this goal there is more to be done and major safety programs will continue throughout the year. It is encouraging to see that in the year to date the Project has halved its lost time injuries and that the Plant and Rail team has operated for over 250 days without a lost time injury. At the end of the March quarter, the Company was able to report that good quality ore continued to be produced at greater than 66% Fe and less than 7% silica and while overall production was steady for the quarter, it was pleasing to see that production increased to a record 152 thousand tonnes in the month of March 2011. This production coupled with good ore prices, enabled the Company to achieve an EBITDA from the operations of just over US\$11 million in the March quarter. The plant has undergone a scheduled major shutdown in April during which a reline of the primary mill was completed, new screens in the fine crushing circuit were installed and a range of maintenance work was carried out.

The shutdown was completed on schedule with no lost time injuries. Since the shutdown a sustained improvement in production volumes has been achieved, and a further improvement in product quality has been obtained. The Company is confident that the previously announced improvements in production volumes which would see a 2.2 Mtpa production rate achieved by the end of the June quarter and a 2.8 Mtpa rate achieved in the second quarter of 2012 remain on track. Options are being pursued which may be able to accelerate this timetable.

The Company is confident that shipments for the balance of the year are expected to improve to a range of 66-68% Fe and 4-6% silica. The Company is also confident of achieving further declines in the silica content in the future. The premium product the Project is now producing has opened up a wider range of markets to Northern Iron and management is looking to conclude its contract with TATA shortly and further develop its marketing relationships throughout 2011.

The Company has completed its refinancing with DnBNor, Norway's largest commercial bank. The facility has a US\$30 million 6 year term tranche and a US\$25 million working capital facility tranche drawable against receivables and ore stockpiles. The term loan tranche is expected to be drawn down this week to refinance US\$21 million of more expensive shorter-term debt with the US\$9 million tranche to become drawable upon the achievement of certain production targets from September 2011. The working capital facility is also expected to be partially drawn this week. This facility, together with the cash and receivables currently being generated by the operations, leaves the Northern Iron in a comfortable working capital and debt position.

While focus very much remains on the important production goals that remain in front of Northern Iron, the Company is progressing the expansion project with the goal of bring a fully developed feasibility study to the board in the 4<sup>th</sup> quarter of 2013. To this end some longer lead time work has commenced, a senior management team is being set up to focus on the expansion and a resource definition drilling programme has started. As announced to the ASX earlier today a re-optimization of the Bjørnevatn pit has increased total reserves by 42% or 52.4 million tonnes. Further increases in reserves are expected over the next 12-24 months as the results from the infill drilling are received and incorporated in the Company's mining plans.

Northern Iron operates in a very beautiful and pristine environment and notwithstanding Sydvaranger's long history of mining in the area it will be important to ensure that the case to expand production can satisfy the Norwegian environmental agency's requirements and achieve a good level of community support. Northern Iron fully appreciates the importance of these issues and has established a team to work through this key work program.

Finally while we believe that we have made important progress for the Company, we understand that it has been a frustrating period for shareholders and a very busy and taxing time for our staff, contractors, the community in which we operate and all stakeholders. We thank you all for your faith and patience in the Company and the Sydvaranger Iron Ore Project and look forward to better times ahead.



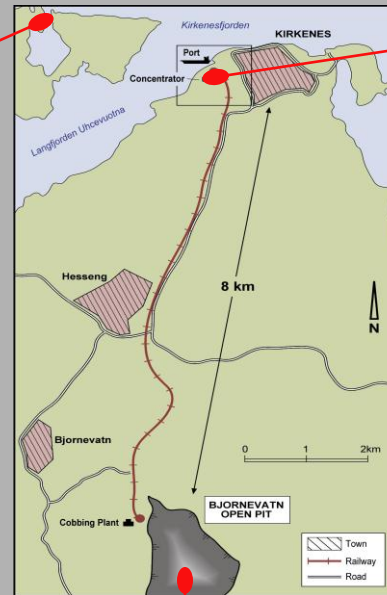
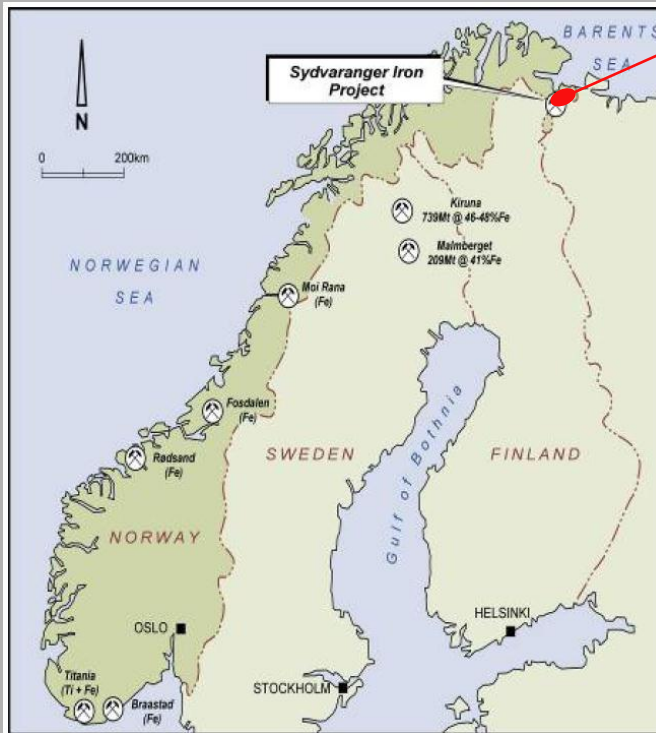
Annual General Meeting  
MD's Presentation

*25th May 2011*

***Forward-looking statements***

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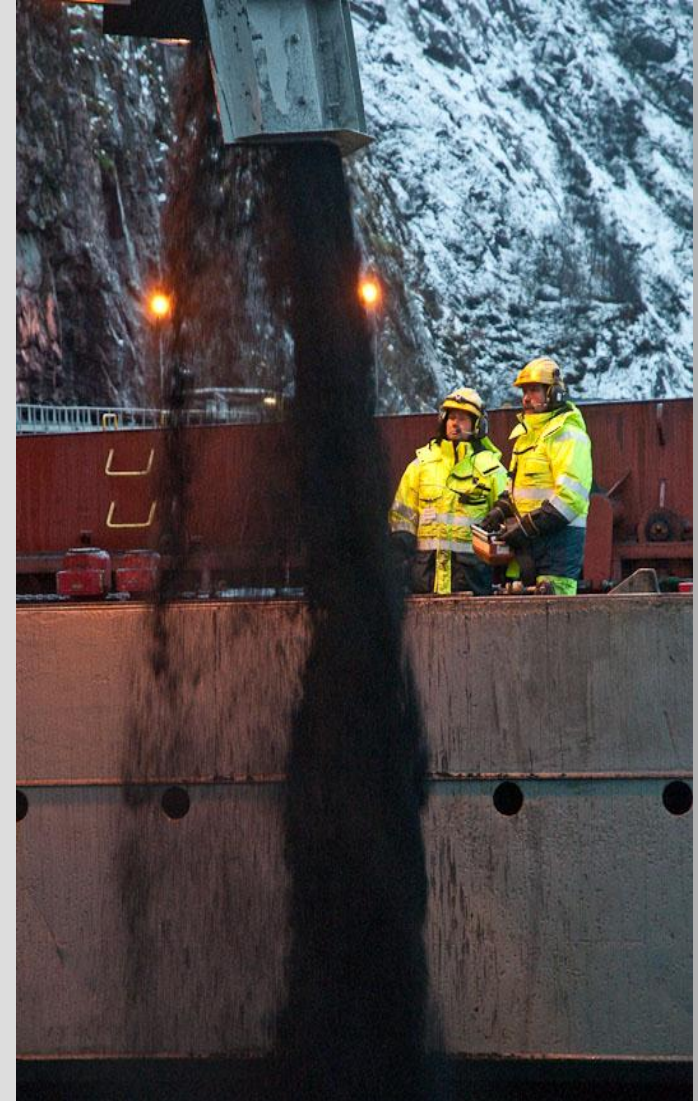


- 100% owner of Sydvaranger iron ore mine, Norway
- Operated from 1910 to 1997 before closing at end of Cold War (200Mt of ore mined)
- Listed on the ASX in 2007
- Mine reopened in May 2009 with the first shipment in Nov 2009
- High quality magnetite concentrate
- Long mine life expected



- **Market Overview**
  - Listed on the ASX
  - Ordinary Shares: 336.1 m
  - Market capitalisation @ A\$1.70 A\$571 m
  - Options and Performance rights outstanding : 2.55 m
  
- **Financial Overview**
  - Net Debt @ 30th April A\$87 m
  
- **Substantial Shareholders (as at 24th March 2011)**
  - Tschudi Mining: ~26.5 %
  - OM Holdings Ltd: ~15.6 %
  - IOOF Holdings Ltd: ~8.6 %
  - Commonwealth Bank of Australia: ~5.6 %

*The top 20 shareholders hold 89% of the stock on issue*



## 2010 – Key Highlights

### *Operational Highlights*

|                                                                          |                                                                                                                                                                     |
|--------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Product quality significantly improved                                   | Now positioned as a supplier of premium iron ore                                                                                                                    |
| Plant maintenance improved                                               | Systematic approach resulted in significant increase in operating hours during Q4'10 and Q1'11                                                                      |
| Experienced management team recruited                                    | Impact being felt throughout the operation                                                                                                                          |
| Key cornerstone off-take contract preserved                              | Close communication with TATA has preserved this important relationship and resulted in shipments occurring outside the contract while renegotiations are occurring |
| Quality rectification plan completed ahead of schedule and under budget. | First phase completed 3 months ahead of schedule and USD 7m under budget.                                                                                           |

### *Financial Results*

|                                        |                                                                                      |
|----------------------------------------|--------------------------------------------------------------------------------------|
| Improved the debt position by year end | Net debt reduced from a peak of USD 131m to USD 84m by the 31 <sup>st</sup> Dec 2010 |
| Loss from continuing operations        | AUD 30.96 m loss (down from AUD 100.5 m in 2009)                                     |

### *Maintaining Our Growth Strategy*

|                                                                          |                                                                                     |
|--------------------------------------------------------------------------|-------------------------------------------------------------------------------------|
| Throughput rectification plan to deliver higher production rates in 2011 | 2.2 Mtpa rate in Q2'11<br>2.5 Mtpa rate in Q4'11<br>2.8 Mtpa rate in Q2'12          |
| Expansion study underway                                                 | Environmental Impact Assessment commenced<br>Reserve and Resource Upgrade commenced |

## 2011 – Year to Date Highlights

### *Operational*

|                               |                                                                                                                                                                                                                                                |
|-------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Increase in Probable Reserves | Reoptimisation of the Bjørnevatn deposit with a current long term iron ore price has yielded a 42% increase in the reserves of the Sydvaranger Project.                                                                                        |
| Further Quality Improvements  | Modifications introduced into the plant in April 2011 have resulted in a 20% decrease in the Silica content of Sydvaranger concentrate. The Company now expects to ship grades of between 66-68% Fe and 4-6% Silica for the remainder of 2011. |
| Increasing Throughput Trend   | The Company has recently been consistently achieving improved primary mill throughput rates and remains confident a rate capable of sustaining a 2.2 Mt per annum concentrate production rate will be achieved in June.                        |
| Safety Performance            | The Company has reduced the number of injuries at its operation by 50% compared to the same period last year.<br>The Processing and Rail team have recently passed 250 days lost time injury free.                                             |

### *Financial*

|         |                                                                                                                                                                                                                                                                                                                                            |
|---------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Banking | US \$ 21 M in short term debt refinanced with a long term facility at approximately half the interest rate with DnB NOR – draw down expected by the end of this week.<br>A US\$ 25 M working capital facility agreed with DnB NOR, which can be drawn against receivables and inventory. Expect to draw US\$ 17 M by the end of this week. |
| Sales   | The Company expects to achieve a 10% price increase over the Q1'11 average price.<br>The first shipment to a new customer in the Middle East occurred in May.                                                                                                                                                                              |
| EBITDA  | First quarter of positive EBITDA achieved in Q1 2011 – USD 11.0 M.                                                                                                                                                                                                                                                                         |

- **Safety Performance**

- Additional focus was put onto safety management in the second half of 2010 which has begin to achieve results in 2011
- YTD 2011 the Company has reduced the number of injuries compared to the same period in 2010 by 50%
- Recently the Processing and Rail team surpassed 250 days LTI free

- **Environmental Performance**

- A community liasion group was formed to improve communication with stakeholders
- Extensive environmental monitoring was conducted during the year
  - The quality of runoff water from the mine was monitored
  - The noise impact from all operations was measured
  - The impact of tailings deposition was investigated

- **Community Relations**

- The Company has increased the number of employees who live in the local community from 50% to 66% during the year
  - Training programs, including apprentice schemes, have been established to maximise local employment
- A corporate philanthropy program will be implemented in 2011, financial performance permitting



- The prestrip of the Bjørnevatn deposit has commenced
- The Company has reoptimised the Bjørnevatn pit and is presently reassessing the mining schedule
  - Reserves have increased by 52.4 Mt with the adoption of current long term iron ore prices (US\$ 85 / DMT FOB). This represents at 42% increase of the total reserves at the Sydvaranger project.
  - Options are being pursued that may result in the presentation of Bjørnevatn ore ahead of schedule. This is expected to bring processing benefits in Q4 2011 and 2012.
- Discussions have commenced with the Scandinavian Caterpillar dealer on replacing the 95t dump trucks with 190t models
  - Expected to improve mining costs
  - Possible in 2012



**Mineral Resource Summary as at 1 March 2011**  
(at 15% Fe total cut-off grade)

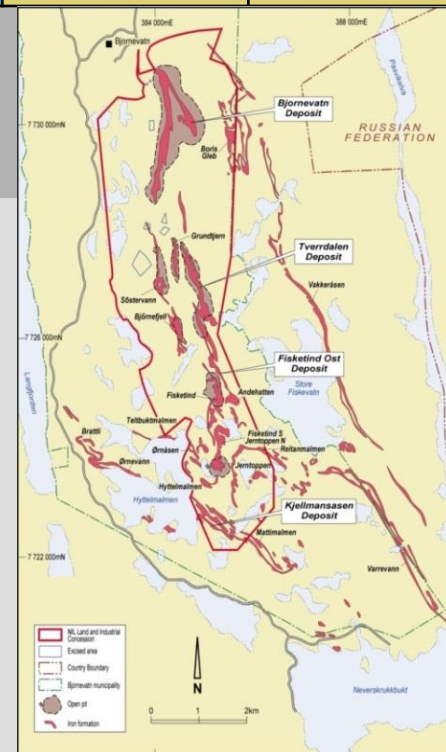
| Deposit        | Indicated (Mt) | Fe (Total%) | Inferred (Mt) | Fe (Total %) | Total Tonnes (Mt) | Fe (Total %) |
|----------------|----------------|-------------|---------------|--------------|-------------------|--------------|
| Bjørnevatn     | 152.3          | 32          | 138.3         | 30           | 290.6             | 31           |
| Kjellmannsåsen | 15.6           | 33          | 4.4           | 30           | 20.0              | 33           |
| Fisketind Øst  | 11.1           | 31          | 19.2          | 31           | 30.3              | 31           |
| Tverrdalen     | 20.4           | 32          | 26.4          | 31           | 46.8              | 31           |
| Hyttemalmen    | 1.6            | 35          | 1.0           | 32           | 2.6               | 33           |
| Bjornfell      |                |             | 13.6          | 32           | 13.6              | 32           |
| Söstervann     |                |             | 4.7           | 37           | 4.7               | 37           |
| Grundtjern     |                |             | 2.9           | 34           | 2.9               | 34           |
| Fisketind SW   |                |             | 17.5          | 33           | 17.5              | 33           |
| Jerntoppen     |                |             | 17.0          | 31           | 17.0              | 31           |
| <b>Total</b>   | <b>201</b>     | <b>32</b>   | <b>245</b>    | <b>31</b>    | <b>446</b>        | <b>31</b>    |

**Reserve Summary as at 01 March 2011**  
(at 15% Fe total cut-off grade)

| Deposit        | Probable Reserve (Mt) | Fe (Total%) |
|----------------|-----------------------|-------------|
| Kjellmannsåsen | 14.3                  | 34          |
| Hyttemalmen    | 1.5                   | 35          |
| Bjørnevatn*    | 142.9                 | 32          |
| Tverrdalen     | 11.2                  | 31          |
| Fisketind Øst  | 6.7                   | 30          |
| <b>Total</b>   | <b>176.6</b>          | <b>32</b>   |

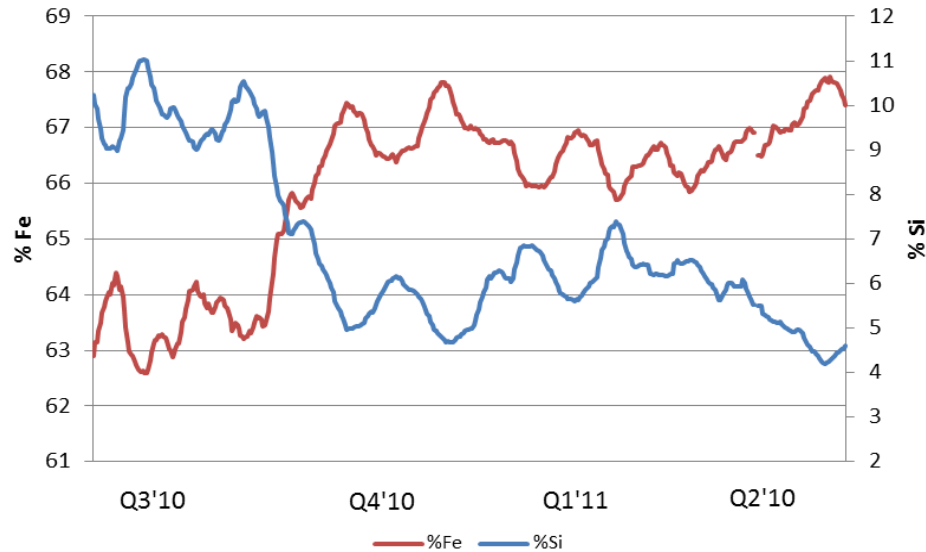
- A drilling program has commenced in May 2011 which aims to:
  - Provide infill drilling data
  - Test a number of greenfield targets within the existing concession area
- Additional resource and reserve upgrades are expected during 2012 as infill drilling converts Inferred to Indicated Resources

*\*Probable Reserves reported above are as of the 01 March 2011, with the exception of Bjørnevatn which is valid as of 19 May 2011. Mining activity at Hyttemalmen and Kjellmannsåsen has been ongoing since 01 March 2011 resulting in some depletion of these numbers.*

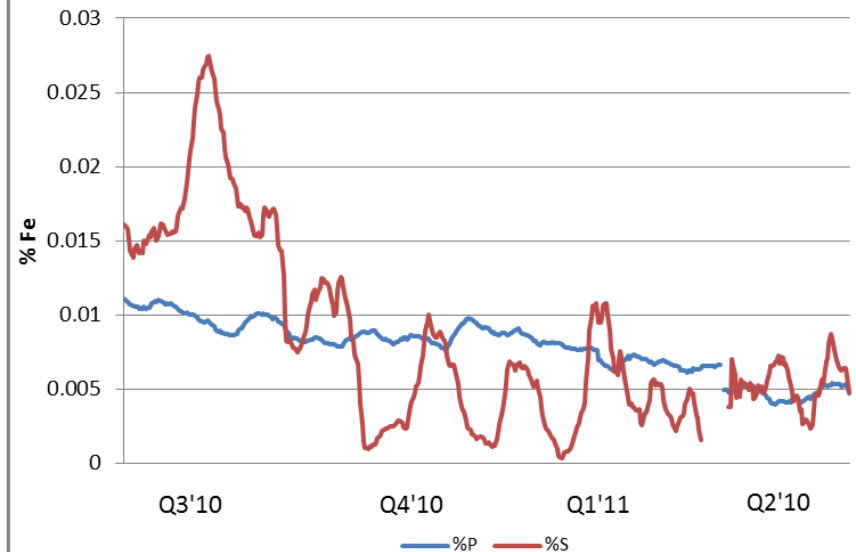


## Quality Update

7 Day moving Averages - Fe & Si



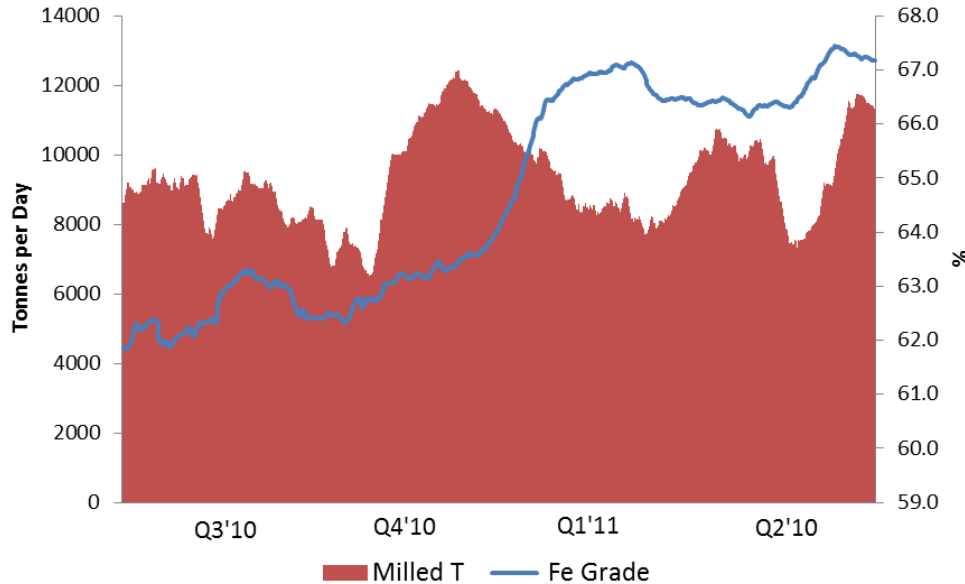
Other Contaminants - P & S



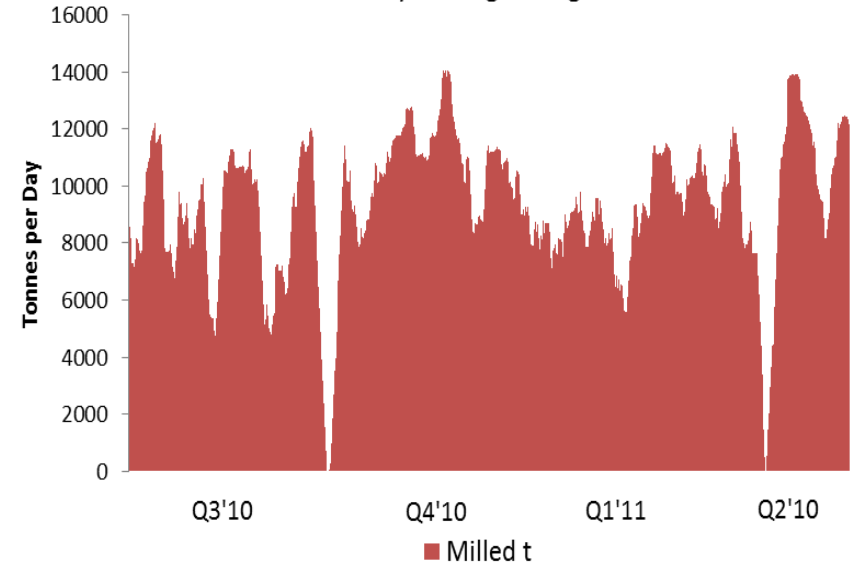
- Concentrate quality continues to improve.
- As a result of minor plant modifications made during the April shut, the Company is forecasting improved shipping grades for Q3 2011 of
  - 66-68% Fe, and 4-6% Silica.**
  - Previous guidance was 65-67% Fe & 5-7% Silica
- The Company remains confident that a sub 5% silica product will be produced consistently from Q4 2011, and believes further improvements to enable a sub 4% product may be possible in 2012.



4 Week Moving Averages: Jun'10 - May'11



7 Day Moving Averages



- Production results in Q2'11 expected to be higher than Q1'11
  - 8 day planned maintenance shut successfully concluded in April
  - Production volumes have been steadily improving in April and May since the shut. Recent performance has been at a 1.9 Mtpa rate
- The increase to a 2.2 Mtpa rate is expected to be achieved in June after the Company completes commissioning of recently installed screens and a primary mill oversize crusher.



**NFE announced in Oct 2010 it was embarking on a USD 25m investment program to increase the capacity of the plant to 2.8 Mt per annum**

- Noramco Engineering Corporation retained to provide design services
- Project Manager commenced in February 2011

| Project                                      | Status                                                                                                                                                                                                                                            | Performance Impact When Completed    | Performance Impact Achieved by:                                          |
|----------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|--------------------------------------------------------------------------|
| <b>Temporary re-crushing equipment</b>       | The crusher arrived on site mid-April, and is expected to be operational in June.                                                                                                                                                                 | 2.2 Mtpa production rate achieved    | End of Quarter 2, 2011.                                                  |
| <b>Concentrator modifications</b>            | The first modifications, consisting of changes to distributors and magnetic separators in the secondary grinding circuit were made in April. A 20% improvement in Silica was realised. Further modifications are expected to be introduced in Q3. | Production of sub 5% silica product. | Quarter 4 2011                                                           |
| <b>New tertiary crushing circuit</b>         | An alternative solution, new screens, were installed and commissioning began in April. The Company is currently assessing if this solution will be sufficient to achieve the desired performance improvement without additional equipment.        | 2.8 Mtpa production rate achieved.   | Quarter 2 2012, or possibly earlier if the new screens prove successful. |
| <b>Electrical and infrastructure upgrade</b> | Orders for long lead items have been placed.                                                                                                                                                                                                      | Project enabler                      |                                                                          |
| <b>EPCM and Contingency</b>                  | Project Manager and engineering firms have been engaged.                                                                                                                                                                                          | Project enabler                      |                                                                          |

- NFE has made substantial progress in renegotiating its supply contract with TATA Steel Europe (formerly Corus)
  - Advanced draft under review
  - Three cargoes expected to be shipped to TATA in Q2 2011, the terms of the draft agreement are being used as the basis for these shipments
- In January 2011 NFE signed a 5 year agency agreement with OM Holdings Ltd subsidiary OMS Pte Ltd, to act as its exclusive representative for sales to the Asian market
  - NFE controls allocation of tonnages and form of sales contracts
  - OMS can purchase as principal
- NFE continues to develop it's market in other regions
  - In May NFE sold it's first cargo to GIIC – a pellet plant operator in the Middle East
  - NFE is continuing a dialogue aimed at securing a long term offtake agreement
- NFE achieved an average price of USD 126 / DMT FOB in Q1 2011
  - Expect to achieve an approximate 10% increase in Q2 2011



**The Company is presently executing 7 streams of work aimed at doubling the production of concentrate at Sydvaranger**

- Recruitment of a Chief Development Officer
- Resource and Reserve Upgrade
- Mine Planning
- Process Design and Engineering
- Infrastructure Design and Engineering
- Permitting and Approvals (the critical path)
- Corporate Communications Strategy

*NFE is targeting board approval for the expansion project by the end of 2013*



- A steady increase in production during the year
- Concentrate is consistently  $> 66\%$  Fe and  $< 5\%$  Silica by year end
- Profit from continuing operations
- An expansion in our customer base, with a focus on long-term, nearby markets like Europe and the Middle East
- Progress is made in all 7 streams of the expansion project



*Thank you for your continued  
support !*

*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.*