NORTHERN IRON LIMITED (ASX: “NFE” “Company”)

Update on Primary Mill Failure

1 August 2011

Northern Iron Limited wishes to advise that production has not yet recommenced at its Sydvaranger Project as repairs to the Primary Mill are taking longer than expected.

Production was disrupted in the second week of July after lightning cut power to the primary mill resulting in it stopping suddenly while running at a high operating rate. The sudden stop aggravated a minor known fault with the mill resulting in damage to the main bearing and the subsequent repairs have taken longer and have been more complicated than was initially expected. The attempted restart of the Primary Mill on the 29th July was only partly successful and further work has been identified as necessary before another restart can be attempted, expected in the next couple of days.

The Company has been working very closely with the original manufacturer of the primary mill, Outotec, who had international experts on site 2 days after the initial failure. The Company is also mobilising additional technical support to site for further support and to complete an investigation into the root cause of the incident.

The primary and secondary milling circuit is the last part of the Sydvaranger plant yet to demonstrate nameplate capacity, and as previously discussed works completed in the June quarter enabled significantly higher throughput rates to be achieved in the primary mill in the second half of June. The Company remains confident these current issues are fixable, and are unlikely to be a significant obstacle to the plant achieving nameplate capacity of 2.8 Mtpa.

In the event the production disruption unexpectedly extends into the middle of August, or the ongoing investigation shows that the nature of the problem is more complex than what is presently indicated the Company will be required to review its working capital position. The Company is investigating if it has grounds for an insurance claim.

Updated production guidance of 1.7 Mt provided on the 29th July with the June Quarterly Activities Report was based on the expectation that production would resume on the 29th July. The Company expects to renew its guidance for 2011 once the mill has returned to production.

For and on behalf of the Board.

John Sanderson
Managing Director / CEO

This report contains some references to forward looking assumptions, estimates and outcomes. These are uncertain by nature and no assurance can be given by Northern Iron Limited that its expectations, estimates and forecast outcomes will be achieved.

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