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NORTHERN IRO

10 May 2012

Mr Wade Baggott
Senior Advisor – Listings (Perth)
Australian Securities Exchange
Level 8, 2 The Esplanade
PERTH WA 6000

By email: wade.baggott@asx.com.au

Dear Wade,

RESPONSE TO ASX PRICE AND VOLUME QUERY

In response to your letter dated 10 May 2012, Northern Iron Limited (ASX: NFE, "Company") responds to each of your questions as follows:

1. Subject to 3 below, the Company is not aware of any information concerning it that has not been announced which, if known, could be an explanation for recent trading in the securities of the company.
2. Not applicable.
3. The Company notes a report in The Economic Times (India) dated 10 May 2012 which speculates that Aditya Birla Group has submitted a non-binding bid for NFE.

   On 30 November 2011, NFE announced that the Board had decided to conduct a strategic review which would, among other things, consider a review of ownership options available to NFE and that the strategic review was expected to take several months to complete.

   In the context of a first stage of that review and based on high level information provided within a standard confidentiality regime, NFE confirms that a subsidiary of Aditya Birla Group ("Aditya Birla Group") has submitted an indicative, non-binding proposal for all of the shares in NFE. This proposal is highly conditional and remains subject to due diligence. NFE notes that the reference in the article which states "NFE is expecting a valuation of close to $500m" has no foundation.

   NFE is disappointed that, notwithstanding the confidentiality agreement with Aditya Birla Group, confidentiality appears to have been lost.

   NFE continues to engage with Aditya Birla Group to determine whether there is a change of control proposal that the NFE Board would support and ultimately recommend to NFE shareholders.

   The strategic review, including the engagement with Aditya Birla Group, may or may not result in a proposal being made that is capable of being put to NFE shareholders with the recommendation of the NFE Board.

NFE will inform the market on further developments as appropriate.

4. The Company is in compliance with the listing rules and, in particular, listing rule 3.1.

Yours sincerely

Alex Neuling
Company Secretary

ASX Compliance Pty Limited
ABN 26 087 780 489
Level 8 Exchange Plaza
2 The Esplanade
PERTH WA 6000

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PERTH WA 6840

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10 May 2012

Mr Alex Neuling
Company Secretary
Northern Iron Limited
Level 3, 3 Ord Street
WEST PERTH WA 6005

By email:

Dear Alex

Northern Iron Limited (the "Company")

PRICE AND VOLUME QUERY

We have noted a change in the price of the Company's securities from a closing price of $0.96 on Wednesday 9 May 2012 to an intra-day high of $1.14 at the time of writing today, Thursday 10 May 2012. We have also noted an increase in the volume of trading in the securities over this period.

In light of the price and volume change, please respond to each of the following questions.

1. Is the Company aware of any information concerning it that has not been announced which, if known, could be an explanation for recent trading in the securities of the Company?

   Please note that as recent trading in the Company's securities could indicate that information has ceased to be confidential, the Company is unable to rely on the exceptions to listing rule 3.1 contained in listing rule 3.1A when answering this question.

2. If the answer to question 1 is yes, can an announcement be made immediately? If not, why not and when is it expected that an announcement will be made?

   Please note, if the answer to question 1 is yes and an announcement cannot be made immediately, you need to contact us to discuss this and you need to consider a trading halt (see below).

3. Is there any other explanation that the Company may have for the price change in the securities of the Company?

4. Please confirm that the Company is in compliance with the listing rules and, in particular, listing rule 3.1.

Your response should be sent to me by email to wade.baggott@asz.com.au or on facsimile number +61 8 9221 2020. It should not be sent to ASX Market Announcements.

Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event, not later than 1:00pm (WST) today Thursday 10 May 2012.

Under listing rule 18.7A, a copy of this query and your response will be released to the market, so your response should be in a suitable form and separately address each of the questions asked. If you have any queries or concerns, please contact me immediately.

Listing rule 3.1

Listing rule 3.1 requires an entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. The exceptions to this requirement are set out in listing rule 3.1A.

In responding to this letter you should consult listing rule 3.1 and Guidance Note 8 – Continuous Disclosure: listing rule 3.1.

If the information requested by this letter is information required to be given to ASX under listing rule 3.1 your obligation is to disclose the information immediately.

Your responsibility under listing rule 3.1 is not confined to, or necessarily satisfied by, answering the questions set out in this letter.

Trading halt

If you are unable to respond by the time requested, or if the answer to question 1 is yes and an announcement cannot be made immediately, you should consider a request for a trading halt in the Company's securities. As set out in listing rule 17.1 and Guidance Note 16 – Trading Halts, we may grant a trading halt at your request. We may require the request to be in writing. We are not required to act on your request. You must tell us each of the following:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted. If a trading halt is requested and granted and you are still unable to reply to this letter before the commencement of trading, suspension from quotation would normally be imposed by us from the commencement of trading if not previously requested by you. The same applies if you have requested a trading halt because you are unable to release information to the market, and are still unable to do so before the commencement of trading.

If you have any queries regarding any of the above, please do not hesitate to contact me.

Yours sincerely

[sent electronically without signature]

Wade Baggott
Senior Adviser, Listings (Perth)