



## **NORTHERN IRON LIMITED (ASX:“NFE”)**

### **Quarterly Activities Report: Period ended 30 June 2012**

#### **Highlights**

- **Concentrate production of 480 kt for the quarter, up 30% on the same quarter last year and down 4% on the previous quarter.**
  - The higher production rates compared to 2011 have been maintained in the June Quarter, with the 4% decrease compared to the March quarter caused by conveyor and tailings systems faults, and wet ore during the spring thaw causing crusher blockages. With a conveyor upgrade completed in early July and a revised mining schedule for spring next year these issues are not expected to reoccur.
  - At the end of July the Company completed installation of a new secondary crusher pre-screen which is expected to result in the attainment of a 2.8 million tonne per annum concentrate production rate. At the present time commissioning of the new screen is in progress and the improved production rate is expected to be achieved in August.
- **Concentrate sales of 464 kt for the quarter, up 16% on the same quarter last year and down 8% on the previous quarter.**
  - 6 vessels dispatched to Tata Steel Europe and 1 vessel to the Chinese spot market, with an average price of USD 107 / dry metric tonne FOB Kirkenes obtained, similar to the price obtained during the prior quarter of USD 108 / dmt, but down significantly from the average price of USD 136 / dmt achieved during the same period last year.
  - Additional offtake volume for 2012 agreed with Tata Steel for the purposes of conducting sintering trials of Sydvaranger concentrate in their European steel making facilities. If the trials are successful Sydvaranger concentrate could potentially gain access to the large and lower freight cost European market for sinter fines.
  - Full year shipped guidance of 2.2 million dry tonnes expected in 2012, down from previous guidance of 2.4 million dry tonnes due to later than planned commissioning of the new crusher screen, the lower than expected June quarter result, and a probable 10 day shut forecast for October to rectify a manufacturing fault in the primary mill that was the root cause of the four week outage in Q3 2011.
- **Concentrate quality significantly improved compared to prior periods, underpinning improved pricing and volume of European sales.**
  - Average grades for the quarter were 68.6% Fe and 4.2% Si.
  - Orders have been placed for additional equipment designed to deliver a sub 4% silica product.



- **Mine Production achieved a new record of 3.9 million tonnes mined**
  - Mine production continues to ramp up to meet the improved concentrator performance.
  - The Company is targeting achievement of a 20 million tonne per annum mining rate in the second half of 2012.
  
- **Unaudited EBITDA of approximately USD 12.0 million achieved for the quarter, a similar result for the prior quarter and same quarter last year.**
  - Direct operating unit costs (C2) were USD 79/dmt for the quarter, which is in line with guidance for a 2.0 million tonne per annum production rate, and improved on the USD 84 / dmt achieved in the last quarter. The costs are down 32% from the USD 116 / dmt achieved in the same quarter last year.
  - With the reduced volume now forecast for 2012, the Company expects full year average C1 costs of USD 70 / dmt, and C2 costs of USD 74 / dmt.
  
- **Corporate Activity**
  - The Company continued with its previously announced strategic review during the quarter.
  - On the 15<sup>th</sup> May 2012 the Company advised that it had received a highly conditional, non-binding indicative offer from a subsidiary of Aditya Birla Group of between AUD 1.23 and 1.29 per share for the Company. Subsequent to the end of the period, on the 23<sup>rd</sup> July, the Company received a revised highly conditional, non-binding indicative offer from the subsidiary of Aditya Birla Group of AUD 1.40 per share.
  - In addition, prior to market open on the 27<sup>th</sup> July, the Company received a highly conditional, non-binding indicative offer of AUD 1.42 per share from Prominvest SA, a Swiss based mineral trading company.
  - We refer to the Company's announcement of today's date for further details of the Board's response to these indicative, non-binding proposals.



**Corporate**
**Treasury and Finance**

Group cash balances at the end of the quarter were USD 21.9 million, which consisted of unrestricted cash of USD 21.2 million and restricted supplier guarantees of USD 0.7 million, while the balance of trade receivables were approximately USD 40.5 million (March 2012: USD 37.2 million). Funds on deposit earned an average interest rate of 1.2% per annum.

At the end of the quarter, the Company held the following cash balances in a combination of AUD, Euro, NOK, CHF and USD as presented in Table 1.

	AUD	EUR	NOK	CHF	USD
Amount (USD'000)	4,053	2,726	4,321	19	10,788
% Total	18.5%	12.5%	19.7%	0.1%	49.2%
Rate: USD to	0.98	0.79	5.98	0.96	1.00

**Table 1**

During the quarter, the company completed documentation with DNB Bank and Innovation Norge to increase the limit of the working capital facility from USD 25.0 million to USD 35.0 million for the period June through to 31<sup>st</sup> August 2012. The temporary increase in the available facility is aimed to allow the Company to access working capital on the basis of its sales receivables and inventory of iron ore concentrate in silo.

3

**Sales and Marketing**

Concentrate sales of 464,000 dry metric tonnes (dmt) in seven vessels were achieved during the quarter, representing an 8% decrease over the preceding quarter. Six vessels were sold to TATA Steel and one vessel was sold to a Chinese customer.

During the period the average price obtained for concentrate sales was USD 107 per dmt FOB Kirkenes, a slight decrease compared to the average price of USD 108 / dmt achieved in the previous quarter. During the same quarter of 2011, the average price achieved was USD 136 / dmt.

On the 23 May 2012 the Company advised it had agreed to increase its offtake volume with Tata Steel in the current contract year by an additional 275,000 wet tonnes of concentrate to facilitate sintering trials in Tata Steel's European operations. The trials, if they prove successful, may grant NFE access to the large European market for sinter fines, potentially boosting revenue by lowering freight costs to customers.



**Mining**

A record 3,942,000 tonnes of material was mined during the period, including 899,000 tonnes of ore and 3,043,000 tonnes of waste. Compared to the previous quarter this represents a 12% increase of total tonnes mined. The increase in strip ratio for the quarter was due to the increased pace of waste mining in Bjørnevatn, the deposit holding approximately 80% of the Company's reserves.

Table 2 contains a summary of mining activity for the quarter compared to the previous two quarters.

	Dec Qtr	Mar Qtr	Jun Qtr	Qtr Variance (from Mar Q)	Qtr Variance (% from Mar Q)
Ore Tonnes (kt)	570	1,059	<b>899</b>	-160	-15%
Waste Tonnes (kt)	1,313	2,456	<b>3,043</b>	587	24%
Total Tonnes (kt)	1,883	3,515	<b>3,942</b>	427	12%

**Table 2**

Production during the June quarter was impacted by availability and manning on both the drilling and load and haul fleets, and development of narrow working faces in Bjørnevatn which hindered equipment productivity. Significant recruiting activities undertaken during the June quarter coupled with wider working benches are expected to result in a material improvement in mining rates in the second half of 2012, with the objective being to achieve a rate of 20 million tonnes per annum.

**Bjørnevatn Resources / Reserves Update**

During this quarter an update was carried out of the Mineral Resource/Ore Reserve model for the Bjørnevatn deposit. Mining on the western pit ramp, south of the primary crusher showed a lack of mineralisation in this area conflicting with the previous geological model. The deviation was the result of two erroneous holes in the geological database. The geological database was corrected and the geological model updated by Wardell Armstrong International (WAI).

Table 3 shows the updated Bjørnevatn Mineral Resource Estimate at 15% Fe<sub>Total</sub> (WAI, 01 June 2012), (in accordance with the guidelines of the JORC Code (2004) inclusive of Reserves).

<b>Bjørnevatn Mineral Resource (WAI, 01 June 2012)</b>			
<b>Classification</b>	<b>Tonnage (Mt)</b>	<b>Fe<sub>Total</sub> (%)</b>	<b>Fe<sub>Mag</sub> (%)</b>
<i>Indicated</i>	146.2	32.01	29.34
<i>Inferred</i>	136.7	30.09	27.42
<b>Total</b>	<b>282.9</b>	<b>31.08</b>	<b>28.41</b>

**Table 3**


No material change has been made to the pit design parameters used in the previous May 2011 WAI pit design, as the changes made to the Mineral Resource model have had little impact on the Reserve pit design. The update to the model has resulted in a 5.8 million tonnes decrease in the reserves inventory stated on the 1<sup>st</sup> February, with 1.1 million tonnes due to mining depletion and 4.7 million tonnes due to the model update. The updated reserves have been incorporated into the Bjørnevatn mining schedule and no material impact on presentation of ore to the crushers within the next three years is anticipated.

Table 4 contains the Bjornevatn pit Probable Reserves at 15% Fe<sub>Total</sub> COG (WAI 01 June 2012), (in accordance with the guidelines of the JORC Code (2004)).

Bjornevatn Pit Probable Reserves at 15% Fe <sub>Total</sub> COG (WAI 01 June 2012),					
Scenario	Total Ore(Mt)	Average Grade		Waste (Mt)	StripRatio (t:t)
		(%Fe <sub>Mag</sub> )	(%Fe <sub>Tot</sub> )		
Probable Reserves	136.8	30.00	32.00	668.8	4.9

**Table 4**

The numbers quoted in Table 3 and Table 4 are based on the updated Bjørnevatn Mineral Resource model.

#### Quarterly Resource Model Reconciliation

5

Ore was mined from the Bjørnevatn and Kjellmansåsen pits during the quarter.

Actual tonnes mined versus those predicted from the resource model are outlined in Table 5. Development of the pits this quarter saw 39kt of Inferred Resources included in the Bjørnevatn pit development.

Ore Production from the Bjørnevatn and Kjellmansåsen Pits				
	Actual Ore Mined (kt)	Resource Model Estimate (kt)	Variance (kt)	Variance (%)
Bjørnevatn	624	673*	-49	-7
Kjellmansåsen	275	288*	-13	-5
Total	899	961*	-62	-6

**Table 5**

\*Total Reserve and Resources includes floor stocks carried over from previous Qtr minus the floor stocks left at the end of current quarter and represents the theoretical ore tonnage extracted from the pit.



Bjørnevatn pit displayed a -7% negative tonnage reconciliation for the quarter. Kjellmanåsen pit displayed a -5% reconciliation for the quarter. Total ore tonnage reconciliation for the period was a -6% negative variation.

The negative variance for Bjørnevatn is mainly due to mining recovery, particularly with regards to the western side of the pit, where structural geology reduced the mining recovery and increased dilution.

The negative variance exhibited in Kjellmannsåsen is due to the more complex geology in the southern part of the pit, which deviates from the Mineral Resource model. Mining also took place along the south west wall where the orebody is dipping away from the pit on a very shallow angle leading to limited recovery of ore.

Table 6 gives a comparison of the average ore grade for the quarter exiting the pits, compared to the average feed grade into the plant following primary crushing and upgrading through the cobbing plant.

<b>Comparison of Average Ore Grade for the Quarter</b>		
	<b>March Q1</b>	<b>June Q2</b>
	Fe <sub>total</sub>	Fe <sub>total</sub>
<b>Ore Mined (% Fe)</b>	33,86	33,68
<b>Ore Milled (% Fe)</b>	35,40	35,10

**Table 6**



**Processing**
**Production**

Production results from the processing facilities are outlined in Table 7

	Dec Qtr	Mar Qtr	Jun Qtr	Qtr Variance (tonnes)	Qtr Variance (%)
Crushed (kt)	1,045	1,110	<b>1,186</b>	76	7%
Milled (kt)	1,034	1,155	<b>1,104</b>	-51	-4%
Concentrate Produced (kt)	427	501	<b>480</b>	-21	-4%
Concentrate Shipped (kt) (dry metric tonnes)	426	507	<b>464</b>	-43	-8%

**Table 7**

7 Concentrate production maintained the higher rates achieved in the first quarter of 2012, with the result of 480kt being 30% higher than the same period last year, and 4% lower than that achieved during the March quarter.

The average production rate of 1.9 million tonnes per annum for the quarter was below the expected capacity of 2.2 million tonnes per annum, with the primary variance reasons being conveyor faults, tailings system faults, and wet feed due to the spring thaw in the mine. During the first week of July a planned seven day shut to reline the primary mill was successfully completed, during which significant upgrade work was performed on the conveyor systems which is expected to address the issues experienced in the June quarter. The granting of the new environmental permit by KLIF with increased flocculent allowances will assist with addressing the tailings system faults, and the Company expects to schedule different ore sources next spring to avoid the wet feed issues that impacted production this quarter, caused primarily by mining ore from the newly dewatered Bjørnevatn east pit.

Post the completion of the quarter the Company received delivery of the new secondary crusher pre-screen, and at the time of this report had commenced commissioning of the unit and had run the first ore across it (Figure 1). The screen has been delivered approximately one month later than scheduled due to vendor design, manufacturing and delivery delays. Commissioning of the screen is well advanced and it is now operating at 75% of its designed capacity, with 100% expected to be achieved within the next week. Once completed optimisation of the secondary and tertiary crushers will be undertaken which is expected to result in finer feed to the primary mill, resulting in achievement of the milling rates required for a 2.8 million tonne per annum concentrate production rate. This rate is expected to be achieved in August.





8

Figure 1 - new secondary crusher pre-screen in operation at Sydvaranger

The lower than expected production in the June quarter, the delayed installation of the new crusher screen, and the probable need to conduct a previously unplanned 10 day shut in October has resulted in NFE lowering its production guidance for 2012 to 2.2 million dry tonnes from the previous guidance in May of 2.35 million tonnes.

The additional shut in October has been scheduled to address a manufacturing fault with the primary mill that was the root cause of the 4 week outage experienced in July – August 2011. The Company is not aware of any immediate short term risk to the business by continuing to run the primary mill until October. The Company is exploring alternatives to the shut, or to reducing its length, but at this stage expects the shut to go ahead as planned with the subsequent impact on the full year production result.

### Quality

Average concentrate quality was significantly improved during the quarter, with the improvements achieved at the end of the March quarter sustained during the June quarter.

Table 8 summarises concentrate quality for the last four quarters, and compares the actual grade with the Company's published shipping specification for 2012.



During the quarter the Board approved an additional USD 7 million in capital expenditure to deliver a sub 4% silica product at a 2.8 million tonne per annum production rate. This project is expected to be completed in quarter 4 2012.

	Iron	Silica	Alumina	Phos	Sulphur	Mn
Jun'11 Qtr Actual (%)	67.0	5.7	0.2	0.01	0.01	0.04
Sep'11 Qtr Actual (%)	66.8	6.1	0.2	0.01	0.02	0.05
Dec'11 Qtr Actual (%)	66.9	5.7	0.2	0.01	0.02	0.08
Mar'12 Qtr Actual (%)	67.2	5.7	0.2	0.01	0.01	0.05
Jun'12 Qtr Actual (%)	68.6	4.2	0.2	0.01	0.01	0.06
<b>2012 Specification (%)</b>	<b>68.5</b>	<b>4.5</b>	<b>0.3</b>	<b>0.01</b>	<b>0.02</b>	<b>0.05</b>

**Table 8**

### Operational Financial Performance & Guidance

The unaudited EBITDA for the quarter from the Sydvaranger operations was approximately USD 12 million, in line with the earnings of the previous quarter due to similar production and sales volumes in both periods.

The C1 unit cash operating cost for the June 2012 quarter was USD 78 /dmt, being the same result as for the prior quarter, resulting in C1 unit cash operating cost for 1H 2012 also being USD 78 /dmt. After adjusting for stockpile movements and deferred mining expenses, the C2 direct operating unit costs <sup>(1)</sup> for the quarter were USD 79 /dmt, a reduction of USD 5 /dmt from the previous quarter, resulting in C2 direct operating unit costs being approximately USD 82 /dmt for 1H 2012.

With the reduction in production guidance for 2012 to 2.2 million tonnes, the Company now expects average C1 costs for the full year of USD 70 / dmt and C2 costs of USD 74 / dmt.

Expectations for sustaining capital expenditure during 2H 2012 have increased above previous guidance by approximately USD 4 million to a total of USD 34 million for the full year 2012. The increase in capital expense is primarily driven by planned improvements to the raw water supply, modifications to the process water system and to the tailings pipeline.

<sup>(1)</sup> Direct operating costs includes all costs associated with producing iron ore concentrate inclusive of deferred mining and ore stockpile movements though excluding depreciation and amortisation costs. Freight costs associated with sales have also been excluded from direct operating costs, with the expense netted directly against revenue. For statutory reporting purposes the freight from CFR shipments will be included in operating expenses.



**Growth Strategy**

During the March '12 quarter NFE outlined a four year growth strategy aimed at optimising revenue from the Sydvaranger Project. The strategy consists of three distinct stages outlined in Figure 2.

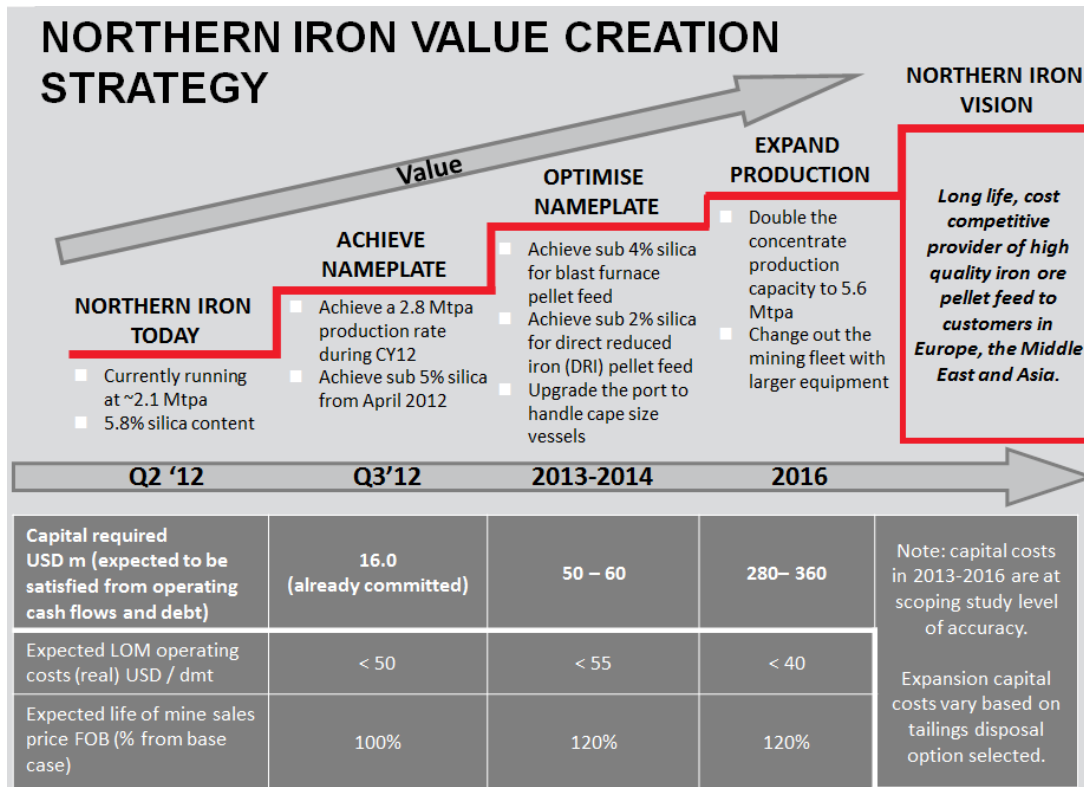


Figure 2 - NFE four year value creation strategy

Figure 2 outlines the projects and time frames in which they are expected to impact the Company's performance. An estimate of the capital cost and operating cost impact is provided, while an estimate of the benefit applied to the sales price is also outlined.

**2012 - Achieve Nameplate**

Subsequent to the end of the quarter the Company successfully completed the installation of a secondary crusher pre-screen and other associated works required to achieve a 2.8 Mtpa dry concentrate production rate from the Sydvaranger project.

The screen was installed approximately 4 weeks later than intended due to vendor delays, and the new screen commenced commissioning on the 25<sup>th</sup> July. Commissioning continues and is expected to be completed within a week, with the screen currently operating at 75% of its designed capacity.



**2013-2014 Optimise Nameplate**

The “Optimise Nameplate” stage consists of three projects that aim to enhance revenue by increasing the sales price received for Sydvaranger concentrate. Two projects aim to further improve product quality, while a third aims at upgrading the port at Kirkenes to handle Cape size bulk carriers, leading to a reduction in freight costs.

Improving the product quality further is expected to be achieved in two stages. The first objective is to reduce the silica content of the ore to below 4% at a 2.8 Mtpa dry concentrate production rate. During the quarter, the NFE board approved USD 7m to advance this project, resulting in orders being placed for key equipment and material. Sydvaranger remains on track to complete this project by the end of 2012.

The second stage will be to produce a Direct Reduced Iron (DRI) grade pellet feed concentrate, typically requiring a silica grade of less than 2% and iron of greater than 70%. The Company has engaged the same metallurgy and engineering team that successfully designed the sub 5% and sub 4% silica projects to produce a pre-feasibility study by March 2013. The key enabler for progressing this project will be the identification of an environmentally acceptable tailings disposal option. Provided the environmental requirements are met, the Company believes completion in 2014 is possible for this project.

During the quarter the Company received the preliminary results of a pre-feasibility study into upgrading the harbour facilities at Kirkenes to handle Cape size bulk carriers. The study has identified four possible options, ranging from a USD 22 million option that upgrades existing facilities with a possible commissioning date of Q3 2013, through to a USD 40 million project that uses a new shiploader and wharf with expected commissioning in Q3 2014. There is less certainty with the less expensive, shorter project than the more expensive, longer one, but the Company believes it can progress with an engineering study on the USD 22 million project, and if it proves unviable, can still switch to the more certain option and commission during 2014. Consequently, the company has authorised engineering studies to commence on the “upgrade existing facilities” option. NFE expects to know by the end of 2012 which option will be recommended to the Board for implementation.

**2016 Expand Production**

The Company is continuing to progress an expansion of the production capacity of the Sydvaranger facilities and completed a scoping study during the March quarter that expected a doubling of production could be achieved for a capital cost of approximately USD 280 – 360 million, depending upon the tailings disposal option selected.

During the quarter the scope of work for the environmental and social consequences investigation into the expansion was approved by the Planning Committee of the Sør-Varanger Kommune (local government). The document is now out for public review, and the Company hopes to have formal Kommune approval for the scope of work in October 2012.

NFE is targeting regulatory approval by December 2013 which would result in first production from the expansion by January 2016.



### Environmental Activities

In May 2012 Sydvaranger was granted a new environmental emissions permit by the Norwegian Climate and Pollution Control Agency (KLIF) that authorises the disposal of up to 60 tonnes per year of flocculent chemicals in the projects tailings. The Company believes this permit is now satisfactory for the life of the operation at the nameplate concentrate production rate of 2.8 million tonnes per year. A new permit would be required if the Company expands production or introduces additional chemicals to enhance product quality.

A number of groups have appealed KLIF's decision to grant Sydvaranger the new permit. While the appeal process is under way the Company is using the quantities specified in the new permit. The Company is unaware of any valid technical or legal reason for an appeal to be successful.

During the quarter the Company held preliminary discussions with a party interested in a commercial use for some of the tailings produced at Sydvaranger. The Company expects to continue these discussions in the second half of 2012.

### Strategic Review

12

In November 2011 the Company announced it was initiating a strategic review with an objective of maximising value for all shareholders. The review is considering corporate and operational strategies including a review of ownership options available to the Company. The Company has appointed Goldman Sachs to advise it on the review.

In March 2012 the Company outlined the first deliverable of the strategic review, the four year growth strategy outlined earlier in this update. The second aim was to conduct a review of the ownership options for the Company.

On the 15<sup>th</sup> May 2012 the Company advised that it had received a highly conditional, non-binding indicative offer from a subsidiary of Aditya Birla Group of between AUD 1.23 and 1.29 per share for the Company. Subsequent to the end of the period, on the 23<sup>rd</sup> July, the Company received a revised highly conditional, non-binding indicative offer from the subsidiary of Aditya Birla Group of AUD 1.40 per share.

In addition, prior to market open on the 27<sup>th</sup> July, the Company received a highly conditional, non-binding indicative offer of AUD 1.42 per share from Prominvest SA, a Swiss based mineral trading company.

We refer to the Company's announcement of today's date for further details of the Board's response to these indicative, non-binding proposals.



**Program for next quarter**

- *Improving mine production rates to support nameplate plant capacity.*
- *Continuing to improve plant reliability and production rates to achieve a 2.8 million tonne per annum production rate.*
- *Managing cash flows as production is ramped up in a more subdued pricing environment.*
- *Advance projects aiming to increase the size of vessel that can be handled by the port and produce sub 4% silica concentrate.*
- *Completion of the strategic review.*

*For and on behalf of the board.*



13

John Sanderson  
Managing Director / CEO

*Note:*

*The information in this report that relates to Mineral Resources is based on information compiled by Mark Owen, who is a Chartered Geologist with the Geological Society of London. Mark Owen is employed full time by WAI. Mark 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'. Mark 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 Lewis Meyer, who is a Fellow of the Institute of Materials, Minerals and Mining and is a Chartered Engineer. Lewis Meyer is employed full time by WAI. Lewis Meyer 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'. Lewis Meyer consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*

***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.***



# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

<b>NORTHERN IRON LIMITED</b>
------------------------------

ABN

<b>71 125 264 575</b>
-----------------------

Quarter ended ("current quarter")

<b>30 JUNE 2012</b>
---------------------

### Consolidated statement of cash flows

<b>Cash flows related to operating activities</b>	Current quarter \$US'000*	Year to date (6 months) \$US'000*
1.1 Receipts from product sales and related debtors	50,528	107,416
1.2 Payments for		
(a) exploration & evaluation	(413)	(689)
(b) development	(4,442)	(5,481)
(c) production	(36,518)	(79,159)
(d) administration	(3,992)	(6,460)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	49	60
1.5 Interest and other costs of finance paid	(969)	(3,121)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
<b>Net Operating Cash Flows</b>	<b>4,243</b>	<b>12,566</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(7,759)	(15,962)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other – security deposits (paid)/returned	(25)	(78)
<b>Net investing cash flows</b>	<b>(7,784)</b>	<b>(16,040)</b>
1.13 Total operating and investing cash flows (carried forward)	(3,541)	(3,474)

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(3,541)	(3,474)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Share issue costs	-	-
1.16	Proceeds from borrowings	7,780	7,780
1.17	Repayment of borrowings	(4,541)	(11,298)
1.18	Dividends paid	-	-
1.19	Other – sales prepayments	-	-
	<b>Net financing cash flows</b>	<b>3,239</b>	<b>(3,518)</b>
	<b>Net increase (decrease) in cash held</b>	<b>(302)</b>	<b>(6,992)</b>
1.20	Cash at beginning of quarter/year to date	24,039	28,618
1.21	Exchange rate adjustments to item 1.20	(2,487)	(376)
1.22	<b>Cash at end of quarter</b>	<b>21,250</b>	<b>21,250</b>

**Payments to directors of the entity and associates of the directors**  
**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$US'000
1.23	Aggregate amount of payments to the parties included in item 1.2	2,300
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Line 1.23 includes US\$66,604 for directors fees, and US\$2,233,099 for transactions with related parties of Sydvaranger Gruve AS, representing a leasing agreement for handling, storage and loading of iron ore concentrate, and administrative services.

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

+ See chapter 19 for defined terms.

### Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$US'000	Amount used \$US'000
3.1 Loan facilities	115,818	115,818
3.2 Credit standby arrangements	-	-

### Estimated cash outflows for next quarter

	\$US'000
4.1 Exploration and evaluation	(1,218)
4.2 Development	(1,083)
4.3 Production	(34,991)
4.4 Administration	(3,093)
<b>Total</b>	<b>(40,385)</b>

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$US'000	Previous quarter \$US'000
5.1 Cash on hand and at bank	21,250	24,039
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>21,250</b>	<b>24,039</b>

### Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased			

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

**Issued and quoted securities at end of current quarter**

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	<b>Preference +securities</b> <i>(description)</i>			
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions			
7.3	<b>+Ordinary securities</b>	369,980,113	369,980,113	
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs			
7.5	<b>+Convertible debt securities</b> <i>(description)</i>			
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted			
7.7	<b>Options</b> <i>(description and conversion factor)</i>		<i>Exercise price</i>	<i>Expiry date</i>
		500,000	A\$2.15	24 August 2013
		500,000	A\$2.50	24 August 2013
		500,000	A\$3.00	24 August 2013
7.8	Issued during quarter			
7.9	Exercised during quarter			
7.10	Expired during quarter		<i>Exercise price</i>	<i>Expiry date</i>
7.11	<b>Debentures</b> <i>(totals only)</i>			
7.12	<b>Unsecured notes</b> <i>(totals only)</i>			

+ See chapter 19 for defined terms.

7.13	<b>Performance rights</b> <i>(totals only)</i>	600,000  Various performance conditions and hurdle prices	nil
------	---	--	-----

## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:  ..... Date: 30 July 2012  
(Director/Company secretary)

Print name: ALEX NEULING

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

== == == == ==

---

+ See chapter 19 for defined terms.