NORTHERN IRON LIMITED
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NORTHERN IRON

[name]
[address]

8 October 2012

Dear [optionholder]

Entitlement Offer

As you know, on 4 October 2012, Northern Iron Limited (**Northern Iron** or **Company**) announced that it was conducting an accelerated non-renounceable pro-rata entitlement offer to eligible shareholders (**Entitlement Offer**) to subscribe for 1 new fully paid ordinary share (**New Share**) for every 3 existing fully paid ordinary shares held at 7.00pm (AEST) on the record date (being 9 October 2012) (**Record Date**) at an price (**Offer Price**) of $0.45 per New Share (**Entitlement**). The Entitlement Offer has an institutional component, which is fully underwritten, and a retail component, which is not underwritten. The Entitlement Offer will raise approximately A$55.5 million[1].

The retail component of the Entitlement Offer is being made pursuant to the prospectus dated 8 October 2012 issued in reliance on section 713 of the Corporations Act 2001 (Cth) (**Prospectus**) which has been lodged today with the Australian Securities and Investments Commission (**ASIC**) and the Australian Securities Exchange (**ASX**) and is being mailed to eligible retail shareholders today.

The Retail Entitlement Offer is open only to eligible retail shareholders with registered addresses in Australia, New Zealand and Norway as at the Record Date.

The ASX Listing Rules and the terms of employee options require the Company to notify you of your right to participate in an entitlement offer of shares and the record date for the entitlement offer.

Your options do not entitle you to participate in the entitlement offer. To participate in the entitlement offer in respect of your options you would need to exercise your options (if vested) and be entered onto the Company's share register as a shareholder on or before the Record Date.

Given the exercise price of your options, the Company suggests that you seek financial advice before exercising any of your options.

The ASX Listing Rules and the terms of your options provide for the exercise price of your options to be adjusted in accordance with a formula set out in Listing Rule 6.22.2 as a result of the entitlement offer. Such adjustment will take effect on and from the date of the final date of allotment of the New Shares (being 6 November 2012).

[1] Assuming that there is 100% take up of Entitlements by eligible retail shareholders under the retail component of the Entitlement Offer.

If you wish to discuss any of the above matters, please contact me.

Yours sincerely

NORTHERN IRON LIMITED

Alex Neuling
Company Secretary