



11 October 2012

Dear Shareholder

Northern Iron Limited Entitlement Offer – Notification to Ineligible Shareholders

On 4 October 2012, Northern Iron Limited (**Northern Iron**) 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 Shares**) for every 3 existing fully paid ordinary shares held at 7.00pm (AEST) on the record date (being, 9 October 2012) (**Record Date**) at a price (**Offer Price**) of \$0.45 per New Share (**Entitlement**). The Entitlement Offer has both an institutional component, which is fully underwritten, and a retail component, which is not underwritten. The Entitlement Offer will raise up to approximately A\$55.5 million¹.

The retail component of the Entitlement Offer is being made pursuant to a prospectus prepared in reliance on section 713 of the Corporations Act 2001 (Cth) (**Prospectus**) which has been lodged on 8 October 2012 with the Australian Securities and Investments Commission (**ASIC**) and the Australian Securities Exchange (**ASX**) and is being mailed to Eligible Retail Shareholders (as defined below) on 11 October 2012.

Further details regarding Entitlement Offer

Eligible Institutional Shareholders were invited to subscribe for their Entitlement under the accelerated institutional component of the Entitlement Offer (**Institutional Entitlement Offer**). Eligible Institutional Shareholders and other institutional investors were also invited through a bookbuild process to subscribe, at the Offer Price, for New Shares in respect of institutional Entitlements not taken up under the Institutional Entitlement Offer and rights to subscribe for New Shares which would otherwise have been offered to Ineligible Shareholders (as defined below). No amount will be paid to Ineligible Shareholders in respect of these rights in the circumstances.

Eligible Retail Shareholders (as defined below) will be invited to subscribe for their Entitlement under a retail component of the Entitlement Offer (**Retail Entitlement Offer**).

Eligibility criteria

Northern Iron has determined, pursuant to Listing Rule 7.7.1(a) of the ASX Listing Rules, that it would be unreasonable to make offers to shareholders in all countries in connection with the Entitlement Offer having regard to the number of shareholders in those other countries, the number and value of New Shares the holders in those other countries would have been offered and the potential cost of complying with the legal requirements, and requirements of regulatory authorities in those places. Accordingly, in compliance with ASX Listing Rule 7.7.1(b), Northern Iron wishes to advise you that, as an Ineligible Shareholder (defined below), it will not be extending the Entitlement Offer to you and you will not be able to subscribe for New Shares under the Entitlement Offer.

Ineligible Shareholders are shareholders who did not receive an offer to participate (other than as a nominee, in respect of other underlying holdings) in the Institutional Entitlement Offer and who Northern Iron determines is not an Eligible Retail Shareholder. Eligible Retail Shareholders are shareholders who:

¹ Assuming that there is 100% take up of Entitlements by Eligible Retail Shareholders under the retail component of the Entitlement Offer.

- (a) are registered as a holder of ordinary shares as at 7.00pm (AEST) on the Record Date;²
- (b) have a registered address on the Northern Iron share register in Australia, New Zealand or Norway;
- (c) are not in the United States and are not acting for the account of a person in the United States;
- (d) did not receive an offer to participate (other than as nominee, in respect of other underlying holdings) in the Institutional Entitlement Offer; and
- (e) is eligible under all applicable securities laws to receive an offer under the Retail Entitlement Offer.

Shareholders that Northern Iron determines do not, or who otherwise do not, satisfy each of these criteria (and who did not receive an offer to participate in the Institutional Entitlement Offer as referred to above) are ineligible to participate in the Entitlement Offer and will not be sent offer materials in relation to the Entitlement Offer. (Northern Iron may, in its absolute discretion, extend the Retail Entitlement Offer to any shareholders in foreign jurisdictions who did not participate in the Institutional Entitlement Offer subject to applicable laws.)

No further action required

Unfortunately, according to our records, you do not satisfy the eligibility criteria for an Eligible Retail Shareholder and have been identified as an Ineligible Shareholder. Accordingly, in compliance with ASX Listing Rule 7.7.1(b), Northern Iron wishes to inform you that you will not be eligible to subscribe for New Shares under the Entitlement Offer.

This notice is to inform you about the Entitlement Offer. This letter is not an offer to issue New Shares to you, nor an invitation for you to apply for New Shares. **You are not required to do anything in response to this letter.**

Further information

If you have any queries regarding the Entitlement Offer please call the Northern Iron Entitlement Offer Information Line on 1300 764 285 (within Australia) or +61 3 9415 4000 (outside Australia). Further information in relation to the activities of Northern Iron is available on the company's website at www.northerniron.com.au.

On behalf of the Board and management of Northern Iron, thank you for your continued support.

Yours faithfully

NORTHERN IRON LIMITED



Alex Neuling
Company Secretary

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² In reliance on a confirmation provided by ASX, and for the purposes of determining Entitlements, Northern Iron may ignore changes in share holdings which occurred after the imposition of the trading halt in shares on 4 October 2012 (other than registrations of transactions which were effected through ASX Trade before the trading halt). Such transactions are to be ignored in determining holders and registered holders of shares at the Record Date, and references to such holders, registered holders, holdings and registered holdings are to be read accordingly

This notice does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States. Neither the Entitlements nor the New Shares have been, nor will be, registered under the US Securities Act of 1933 (**Securities Act**) or the securities laws of any state or other jurisdiction of the United States. The Entitlements may not be taken up by persons in the United States and the New Shares may not be offered or sold to persons in the United States, except in transactions exempt from, or not subject to, the registration requirements of the Securities Act and the applicable securities laws of any state or other jurisdiction of the United States. The New Shares to be offered and sold in the Retail Entitlement Offer may only be offered and sold outside the United States in 'offshore transactions' (as defined in Rule 902(h) under the Securities Act) in compliance with Regulation S under the Securities Act..

The provision of this document is not, and should not be considered as, financial product advice. The information in this document is general information only, and does not take into account your individual objectives, taxation position, financial situation or needs. If you are unsure of your position, please contact your accountant, tax advisor, stockbroker or other professional advisor.