ASX ANNOUNCEMENT
04 June 2013

**Primary Mill at Sydvaranger Returns to Operation**

Northern Iron Limited wishes to announce the primary mill at the Sydvaranger Project returned to normal operations on Monday 3rd June, 14 days after experiencing a radial bearing failure on Monday 20th May. Concentrate production has recommenced and the operations team is focused on ramping up production to the higher rates experienced in February and March 2013.

The Company has completed an investigation into the radial bearing failure in cooperation with Outotec - the original equipment manufacturer (OEM), their subcontractors, and independent engineers appointed by the Company. This investigation has identified the causes as being a combination of procedural and process deficiencies in the control of the hydraulic system temperatures. During the course of the investigation these issues were rectified and a reoccurrence of this type of failure is not expected.

As a result of this unplanned outage the Company now expects to produce approximately 400-425 kt of dry concentrate in the current quarter compared with the prior guidance of 550 kt. The reduction in volume plus the extra maintenance costs incurred during the repair of the primary mill is expected to have an unfavorable variance on unit operating costs for the quarter.

As a result of this production disruption and general price weakness in the iron ore market the Company is implementing further reductions in capital and operating expenditure to help maintain liquidity at adequate levels. The Company notes that its iron ore hedge book, established in Q4 2012 and Q1 2013, is currently valued at approximately USD 8m.

**Expansion Project Update**

The Company is pleased to advise that on the 29th May the Sør-Varanger Kommune, the local government authority in Kirkenes, formally approved the scope of the environmental and social impact assessment (ESIA) for the Sydvaranger Expansion project. This decision was the last regulatory approval required for the ESIA to commence, and is the result of two years of engagement and consultation with local, regional and national government and non-government bodies, with a particular focus on the opinions of the community adjacent to our operation.

Once the ESIA has commenced the next milestones in this project will be to submit an application to the Norwegian environmental regulator for a permit to increase waste disposal from an expanded operation, and an application to the Sør-Varanger Kommune for a land zone permit.

The timing of the attainment of these milestones is dependent upon the Company's ability to fund the study. Presently growth projects are on hold at Sydvaranger while the Company monitors the iron ore market and production performance, and the corresponding impact these have on the Company's liquidity position.

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Northern Iron Limited
Level 3, 3 Ord Street
West Perth, WA 6005
Australia

**Ph**: +61 8 9321 9334
**Fax**: +61 8 9321 9335
www.northerniron.com.au
ABN: 71 125 264 575