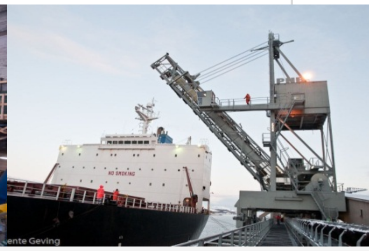
NORTHERN IRON



NORTHERN IRON LIMITED (ASX: “NFE”)

Quarterly Activities Report: Period ended 30 September 2013

Highlights

- **Concentrate production of 515 kt for the quarter, up 18% on the previous quarter.**
  - A new monthly production record of 201kt was set in July, whilst production levels in August and September where reduced by a planned mill reline shut and a harder ore feed caused by the move to alternative mining locations following the Bjørnevatn west wall failure.
  - The quarter result of 515 kt is the second best production quarter for Sydvaranger and compares favourably with the last two quarters that contained planned mill relines (March 2013 and September 2012) where production was 497kt and 469kt respectively. This demonstrates NFE’s continued focus on achieving gradual sustainable improvements in production rates.
- **Mine Production was 4.7 million tonnes mined, up 6% on the prior quarter and in line with the plan for the period.**
  - A significant change to the mining schedule was implemented in early September as a result of a wedge type wall failure on the west wall of the Bjørnevatn pit. Access to part of the pit is restricted until the failed area can be remediated and made safe for mining to recommence.
  - In response to this failure mining commenced in a number of the satellite deposits, namely Kjellmannsåsen and Fisketind, while a third deposit Bjørnfjell has been readied to be available for production pending final approval from the Directorate of Mining which is expected during quarter 4.
  - The impact of this schedule change during September has been to introduce harder ore with a lower Fe content from Kjellmannsåsen and Fisketind, which is a constraint in the short term to higher concentrate production volumes. However improvement is expected upon the introduction of Bjørnfjell ore to the blend, as this ore is expected to have similar characteristics to Bjørnevatn.
- **Concentrate sales of 486 kt for the quarter, up 4% on the previous quarter. Average hedged price realised of USD 96 / dry metric tonne FOB Kirkenes, in line with the prior quarter.**
  - 5 vessels dispatched to Tata Steel, 1 vessel to Bahrain Steel BSCC (formerly named GIIC) and 1 vessel to ThyssenKrupp Steel.
- **Unaudited EBITDA of USD 6.0 million for the quarter**
  - C1 unit cash operating costs decreased to USD 85 / dmt FOB Kirkenes for the quarter, USD 14 / dmt lower than the prior quarter primarily due to higher concentrate production volumes. The record production month of July (201kt) resulted in C1 costs of USD 70 / dmt FOB Kirkenes.




Corporate

Treasury and Finance

Group cash balances at the end of the quarter were USD 16.5 million, and as at the date of this report are approximately USD 21.1 million. The cash balances at 30 September consisted of unrestricted cash of USD 15.6 million and restricted supplier guarantees of USD 0.9 million. The balance of trade receivables was approximately USD 36.7 million.

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

	AUD	EUR	NOK	CHF	USD
Amount (USD'000)	1,026	44	7,366	7	8,083
% Total	6.21%	0.27%	44.57%	0.04%	48.91%
Rate: USD to	1.07	0.74	6.00	0.95	1.00

Table 1

During the quarter the Company agreed to temporarily increase its working capital facility with DNB by an additional USD 5.0 million to a limit of USD 40.0 million for the period up until 1 November 2013. As of the 30th September this facility was drawn to approximately USD 37.2 million.

The Company has also accepted an offer to extend the term of leasing contracts in the portfolio of the equipment lease financing facility provided by DNB with an additional one year period. As at 30 September the value of equipment finance leases under this facility is approximately USD 11.0 million. The majority of leases will now expire by Q3 2015.

At the date of this report, the Company had the following iron ore price swap agreements in place, referenced against the average TSI 62 percent Fe price for the quarter:

- Q4 2013 – 210 kt at an average price of USD 121/t for 62 percent Fe;
- Q1 2014 – 210 kt at an average price of USD 120/t for 62 percent Fe;
- Q2 2014 – 60 kt at an average price of USD 121/t for 62 percent Fe; and
- Q3 2014 – 30 kt at an average price of USD 120/t for 62 percent Fe.

Settlement of the agreements occurs at the start of the quarter following the contract period. The Company continues to monitor market conditions and if appropriate will take steps to further mitigate price risk volatility.

Sales and Marketing

Concentrate sales of 486,000 dry metric tonnes (dmt) in seven vessels were achieved during the quarter, representing a 4% increase over the preceding quarter. Five cargoes for the quarter were sold to TATA Steel, one to Bahrain Steel BSCC (formerly named GIIC), and one to inaugural customer ThyssenKrupp Steel Europe AG (TKSE).

The shipment to TKSE is a trial cargo to be used for sintering at their operations and that of Hüttenwerke Krupp Mannesmann (HKM). Should the trial prove successful the Company would seek to commence discussions regarding a longer term offtake agreement. The Company is continuing discussions with other European steel makers and expects another trial shipment to be made in the December quarter to a potential European customer.

During the period the average hedged price realised for concentrate sales was USD 96 / dmt FOB Kirkenes in line with the price achieved in the previous quarter of USD 99 / dmt. The pricing risk management strategy contributed to more stability and predictability in revenue during the quarter, with the unhedged price for the September quarter being USD 99 / dmt, and for the June quarter USD 93 / dmt. The average actual hedged price achieved across the last two successive quarters of USD 97 / dmt demonstrates the success in reducing the volatility in price movement and subsequent cash flows.

Mining

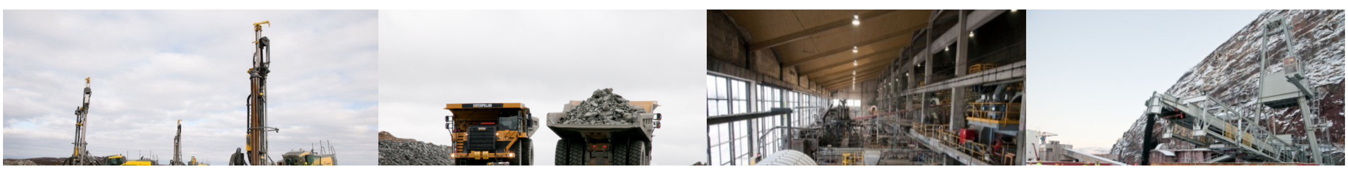
During the period 4,689,000 tonnes of material was mined, including 1,193,000 tonnes of ore and 3,496,000 tonnes of waste. Compared to the previous quarter this represents a 6% increase in total tonnes mined. This result is in line with the planned movement for the period. Table 2 contains a summary of mining activity for the quarter compared to the previous two quarters.

	Mar Qtr	Jun Qtr	**Sep Qtr**	Qtr Variance (from Jun Q)	Qtr Variance (% from Jun Q)
Ore Tonnes (kt)	1,466	1,017	**1,193**	+176	+17%
Waste Tonnes (kt)	3,495	3,393	**3,496**	+103	+ 3%
Total Tonnes (kt)	4,961	4,410	**4,689**	+279	+ 6%

Table 2

In early September the west wall of the Bjørnevatn pit experienced a wedge type wall failure which required operations in that area of the mine to be halted. This situation is expected to continue until the failure can be remediated. The failure was handled in a highly professionally manner by our team, resulting in continued safety performance and the immediate re-focus on satellite pits.

In the interim, mining activities in the northern pit of Bjørnevatn are continuing and Sydvaranger has recommenced mining in two of the satellite pits (Kjellmannsåsen and Fisketind) and is preparing a third pit, Bjørnfjell, for operations in the coming months. The material from Fisketind and Kjellmannsåsen is significantly harder than Bjørnevatn ore, therefore since the introduction of this material to the ore feed a decline in milling performance has occurred. The Bjørnfjell ore is expected



to be similar in milling performance to Bjørnevatn material, hence it is expected milling performance will return to previously demonstrated rates once this material is in the ore feed.

While the Company continues to evaluate available options for remediation, the alternative mining schedule provides comfort that concentrate production is expected to be unaffected in the short to medium term.

	Actual Ore Mined (kt)	Reserve Model Estimate (kt)	Variance (kt)	Variance (%)
Bjørnevatn	919	824*	95	11
Kjellmansåsen	194	148*	46	31
Fisketind East	114**	159*	-45	-28
Total	1,226**	1,113*	96	8

Table 3

*Total Mineral Reserves includes floor stocks carried over from previous quarter minus the floor stocks left at the end of current quarter and represents the theoretical ore tonnage extracted from the pit.
** To be able to report Fisketind East according to SVGs standards put in place in 2013, 33kt of already reported ore (Q3 and Q4 2012) has been added to the Actual Ore Mined.

Current production is sourced from both mining reserves and inferred resources.

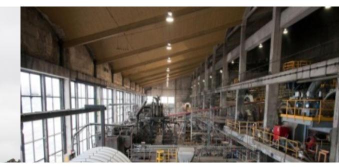
The Bjørnevatn pit displayed 11% positive ore tonnage reconciliation for the quarter. The positive difference was mainly due to the mining of approximately 40 kt of inferred mineral resources during the development of the saddle. The inferred horizons in the saddle are normally too narrow and difficult to retrieve but have an extended width in some areas due to folding. This has enabled ore recovery in this zone higher than expected.

The positive difference exhibited in Kjellmansåsen throughout the quarter was mainly due to mining the southern continuation of the eastern ore body in Kjellmansåsen. The southernmost part of this ore body extends outside of the modelled mineralised envelope, but is known to be mineable through grade control drilling and sampling.

The negative difference exhibited in Fisketind East throughout the quarter, was due to small discrepancies between the actual terrain surface and the modelled surface used to prepare the reserves. These discrepancies do not have any overall material impact and will reduce when early stage mine development is completed.

Table 4 below gives a comparison of the average ore grade for the quarter mined in the pits compared to the average feed grade into the plant following primary crushing and upgrading through the cobbing plant.






	June Q2 Fe$_{total}$	Sep Q3 Fe$_{total}$
Ore Mined (% Fe)	33.15	33,58
Ore Milled (% Fe)	33.63	34,03

Table 4

Figure 1- Bjørnevatn in September 2013

Processing

Production

Production results from the processing facilities are outlined in Table 5 below.

	Mar Qtr	Jun Qtr	**Sep Qtr**	Qtr Variance (tonnes)	Qtr Variance (%)
Crushed (kt)	1,360	1,117	**1,355**	+238	+21%
Milled (kt)	1,224	1,028	**1,238**	+210	+20%
Concentrate Produced (kt)	497	436	**515**	+79	+18%
Concentrate Shipped (kt) (dry metric tonnes)	482	467	**486**	+19	+4%

Table 5

Concentrate production of 515 kt is an improved result for a quarter in which a mill reline occurs. Typically this involves a 7 day shut once every six months, and the last two quarters in which this work was completed, September 2012 and March 2013, saw quarterly production of 469kt and 497kt respectively. The September 2013 result of 515kt demonstrates that steady improvement continues to be delivered in the underlying performance of the concentrator. This was further evidenced by a new monthly record set of 201kt set in July, the first time Sydvaranger has exceeded 200kt in a month.

Following the introduction of harder ore into the blend in September as a result of the Bjørnevatn west wall wedge failure, concentrate production rates have declined. This situation is expected to remain until ore from Bjørnfjell is introduced into the blend which is anticipated during the December quarter.

Quality

Average concentrate quality was similar to results achieved in prior periods, with a slight increase in sulphur from the 2nd quarter to the 3rd quarter attributable to the replacement of Bjørnevatn ore with Fisketind material in September. Table 6 summarises concentrate quality for the last three quarters, and compares the actual grade with the Company's published shipping specification for 2013.

	Iron	Silica	Alumina	Phos	Sulphur	Mn
Mar'13 Qtr Actual (%)	67.9	4.7	0.3	0.01	0.03	0.06
Jun'13 Qtr Actual (%)	68.0	5.0	0.2	0.01	0.02	0.06
Sep'13 Qtr Actual (%)	68.3	4.9	0.2	0.01	0.03	0.06
2013 Specification (%)	**68.5**	**4.5**	**0.3**	**0.01**	**0.02**	**0.05**

Table 6

Operational Financial Performance

The average hedged sales price for the September 2013 quarter was USD 96 / dmt, in line with the result for the prior quarter. The stability in prices achieved across the combined previous six months is largely due to the impact of the Company risk management strategy, with unhedged prices for the same period being equivalent to 99 and 93 respectively.

Unit operating costs (C1) of USD 85 / dmt were achieved during the quarter, comparing favourably with the prior period result of USD 99 / dmt. The decline in unit cost is largely attributable to the increase in concentrate production. Significantly, record July production of 201kt resulted in C1 costs of USD 70 / dmt, further demonstrating that higher production volumes result in a lower unit operating costs.

The resultant unaudited EBITDA from the Sydvaranger operations was approximately USD 6 million for the quarter, approximately USD 10 million higher than the previous quarter.

Close management of capital expenditure continued during the quarter with total costs of approximately USD 1 million, demonstrating the Company's disciplined approach of approving capital only when necessary to improve or sustain production volume and/or product quality.

Program for next quarter

The Company continues to put its efforts and focus on:

- *Successfully mitigating the effects of the Bjørnevatn wall failure by diversifying to other pits and the evaluation of remediation options for west wall.*
- *Continuing to improve plant reliability and milling rates to achieve higher concentrate production rates and lower unit costs.*
- *Diversifying sales amongst a variety of offtake partners including sale of product for use in sinter plants.*

For and on behalf of the Board.

Antony Beckmand
Managing Director / CEO

Note:

The information in this report that relates to Mineral Resources and Ore Reserves is based on information compiled by Thomas Lindholm, who is a Fellow of the Australasian Institute of Mining and Metallurgy. Thomas Lindholm is employed full time by GeoVistaAB. Thomas Lindholm 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'. Thomas Lindholm 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.

Rule 5.3

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

NORTHERN IRON LIMITED

ABN	Quarter ended ("current quarter")
71 125 264 575	**30 SEPTEMBER 2013**

Consolidated statement of cash flows

	Cash flows related to operating activities	Current quarter $US'000*	Year to date (9 months) $US'000*
1.1	Receipts from product sales and related debtors	41,675	145,019
1.2	Payments for		
	(a) exploration & evaluation	-	(2)
	(b) development	-	-
	(c) production	(37,716)	(128,505)
	(d) administration	(3,316)	(11,005)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	18	95
1.5	Interest and other costs of finance paid	(1,290)	(3,467)
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	-	-
	Net Operating Cash Flows	**(629)**	**2,134**
	Cash flows related to investing activities		
1.8	Payment for purchases of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	(922)	(5,781)
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	-	-
	Net investing cash flows	**(922)**	**(5,781)**
1.13	Total operating and investing cash flows (carried forward)	(1,551)	(3,646)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(1,551)	(3,646)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Share issue costs	-	-
1.16	Proceeds from borrowings	1,755	6,900
1.17	Repayment of borrowings	(5,593)	(14,926)
1.18	Dividends paid	-	-
1.19	Other – share cancellations/refunds	-	-
	Net financing cash flows	**(3,838)**	**(8,026)**
	Net increase (decrease) in cash held	(5,389)	(11,672)
1.20	Cash at beginning of quarter/year to date	22,372	32,380
1.21	Exchange rate adjustments to item 1.20	(1,373)	(5,098)
1.22	**Cash at end of quarter**	**15,610**	**15,610**

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	2,921
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$100,184 for directors fees, and US$2,820,560 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

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	94,302	94,302
3.2	Credit standby arrangements	-	-

Estimated cash outflows for next quarter

		$US'000
4.1	Exploration and evaluation	-
4.2	Development	(1,255)
4.3	Production	(40,004)
4.4	Administration	(3,379)
	Total	**(44,638)**

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	15,610	22,372
5.2	Deposits at call	-	-
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
	Total: cash at end of quarter (item 1.22)	**15,610**	**22,372**

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.

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	**Preference +securities** *(description)*				
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	**+Ordinary securities**	484,405,314	484,405,314		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5	**+Convertible debt securities** *(description)*				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	**Options** *(description and conversion factor)*			*Exercise price*	*Expiry date*
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter	500,000 500,000 500,000		*Exercise price* A$2.15 A$2.50 A$3.00	*Expiry date* 24 August 2013 24 August 2013 24 August 2013
7.11	**Debentures** *(totals only)*				
7.12	**Unsecured notes** *(totals only)*				
7.13	**Performance rights** *(totals only)*	500,000 Various performance conditions and hurdle prices	nil		

+ See chapter 19 for defined terms.

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: Alex Neuling .... Date: 29 October 2013
(~~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.

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