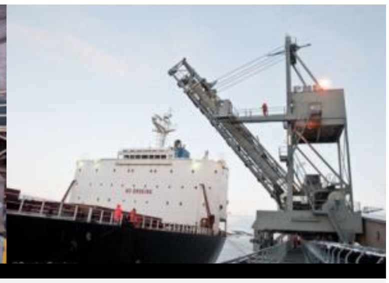


NORTHERN IRON LIMITED (ASX: "NFE")

Quarterly Activities Report: Period ended 30 September 2015

Key Points

- **Concentrate production of 509 dry kt, an increase of 5% on the previous quarter, and concentrate sales of 490 dry kt, an increase of 17% on the previous quarter.**
  - Primary ore crushed during the quarter was a record volume of 1,689 kt and milled ore volume of 1,457 kt was in line with the previous record of 1,458 kt set in the June 2014 quarter. The ore feed to the concentrator was however characterised by low magnetic iron grades, unfavourably impacting concentrate production. Nonetheless, a 5% increase in concentrate production was achieved compared to the prior quarter.
  - Concentrate sales of 490 dry kt were achieved for the quarter, an increase of 17% on the previous quarter, with 7 vessels dispatched to Tata Steel at an average realised price of USD 52 / dmt FOB Kirkenes.

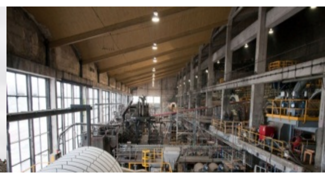
- **Mine Production of 3.2 million tonnes mined, 17% lower than the previous quarter.**
  - Mining operations continued to focus on minimising cost, with ore mined of 1.2 million tonnes at a strip ratio of 1.55, a decrease compared to the June quarter strip ratio of 1.82.

- **A quarterly C1 unit cash operating cost of USD 50 / dmt, a 14% improvement over the previous quarter and the lowest quarterly cost result since commissioning.**
  - The ongoing focus on pursuing and implementing cost improvements coupled with favourable exchange rates resulted in a C1 unit operating cost result of USD 50 / dmt for the quarter, a decrease of USD 8 / dmt or 14% compared to the June quarter.
  - The C1 unit operating cost result represents the lowest recorded quarterly cost since commissioning in 2009 and was assisted by the a C1 cost result of US$48 / dmt for the month of September, which provides encouragement that the Company remains on track with cost reduction programmes.

- **Unaudited EBITDA of USD 7.6 million.**
  - With the increased sales volumes for the quarter being subject to a fixed price offtake arrangement, combined with declining costs and adjustments to prior quarter mark-to-market revenue losses, an EBITDA gain of approximately USD 7.6 million was achieved for the quarter, partly offsetting losses incurred in the March and June quarters.

- **Continued deferral of debt service obligations.**
  - During the quarter, the Company continued to receive support from its financiers with agreements for the continuation of deferring debt service obligations through to 31 October 2015. During October these arrangements were further extended until 15 December 2015.






Quarterly Activities Report: period ended 30 September 2015

Corporate

Treasury and Finance

The Group cash balance at the end of the quarter was USD 6.1 million (Jun 2015: USD 6.9 million) which consisted of USD 4.6 million of unrestricted cash, and restricted supplier guarantees of USD 1.5 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)	19	4	5,758	32	327
% Total	0.31%	0.06%	93.79%	0.52%	5.33%
Rate: USD to	1.42	0.89	8.50	0.97	1.00

Table 1

As previously reported, during the quarter, the Company reached agreements with its financiers DNB and Innovation Norway for continued support during the period 1 July through 31 October 2015, including an extension of waivers on servicing debt facility obligations and associated covenants. During October, the Company announced that its financiers had offered an extension to this period of support up until 15 December 2015. The offers have been extended by the financiers on the basis that the work on securing new funding continues to demonstrate progress, and that a solution will be found during the extension period. The Company has accepted the offers.

During October, DNB also closed out the exposure on foreign exchange hedge contracts for the 2016 year in the amount of approximately NOK 162 million (equivalent to approximately USD 20 million), with the consequence that the Company's subsidiary, Sydvaranger Gruve AS, will have a defined loss to cover each month of 2016. Furthermore, DNB has proposed to novate the USD denominated loans to NOK at such time DNB deems it necessary, carried out in good faith and at general market terms.

Over the coming weeks the Company will continue to actively engage with key stakeholders, including its financiers, shareholders and potential new investors, to progress options to raise additional funding and restructure its liabilities to ensure it is able to continue as a going concern. Should these endeavours prove unsuccessful, there exists a material uncertainty on the Group's ability to continue as a going concern.

Sales and Marketing

Concentrate sales of 490,000 dry metric tonnes (dmt) across 7 vessels to Tata Steel were achieved during the quarter. Finished inventory stocks at the end of the quarter were approximately 128 kt, versus a balance of 110 kt at the end of the June quarter.

During the period the average sales price realised for concentrate sales was USD 52 / dmt FOB Kirkenes, being 18% higher than the USD 44 / dmt achieved in the previous quarter. The increase in realised prices is attributable to an agreement reached with the Company's main offtake customer for the period 1 July to 31 October 2015, where sales were fixed at a price based on normal production quality specifications. After this period, the parties agreed to terminate the long term contractual arrangements and consider new arrangements for the future.




Going forward, the Company will be selling its production on a spot basis while pursuing alternative sales options in a range of geographic markets in order to maximise the price achievable for its high grade magnetite concentrate.

Table 2 below shows a summary of the quarterly sales performance.

	Unit	Dec Qtr	Mar Qtr	Jun Qtr	**Sep Qtr**
Platts 62% Fe CFR price	USD/dmt	74	62	58	**54**
Kirkenes FOB avg price	USD/dmt	56	49	44	**52**
Sales of iron ore concentrate	Dmt	552,000	550,000	420,000	**490,000**

Table 2

Mining

During the quarter, total mine production of 3,150 kt represented a 17% decrease over the previous quarter. Table 3 contains a summary of mining activity for the quarter compared to prior periods.

	Dec Qtr	Mar Qtr	Jun Qtr	**Sep Qtr**	Qtr Variance (from Jun Q)	Qtr Variance (% from Jun Q)
Ore Tonnes (kt)	1,447	1,552	1,351	**1,234**	-117	-9%
Waste Tonnes (kt)	1,583	1,850	2,463	**1,916**	-547	-22%
Total Tonnes (kt)	3,030	3,402	3,815	**3,150**	-664	-17%

Table 3

Mining activities are currently focused around supplying ore from the Bjørnevatn, Fisketind East, Kjellmansåsen and Bjørnefjell pits. This is then blended to secure sustainable quality of ore feed to the Primary Mill.

Current production is sourced from both mining reserves as well as from inferred resources not yet subjected to the detailed studies required to declare them as reserves (e.g. the indicated and inferred resources in the Bjørnefjell deposit and inferred resources in the Bjørnevatn saddle).

The actual ore tonnages mined (defined as "delivered from the pits") versus those predicted from the Mineral Reserve and Resource models are shown in Tables 4 and 5 respectively.

	Actual Ore Mined (kt)	Reserve Model Estimate (kt)	Variance (kt)	Variance (%)
Bjørnevatn	174	249*	-75	-30%
Fisketind East	312	299*	13	4%
Kjellmansåsen	45	49*	-5	-9%
Total	531	598*	-67	-11%

Table 4

* 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.

	Actual Ore Mined (kt)	Resource Model Estimate (kt)	Variance (kt)	Variance (%)
Bjørnefjell	722	749*	-28	-4%
Total	722	749*	-28	-4%

Table 5

* Total Mineral Resources 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.

Mining in the Bjørnevatn pit has been focused on the -72 and -86 RL during the quarter. Actual ore recovered was 30% below that predicted in the reserve model. The main reason for this variation is that the actual location of the orebody is up to 14m east relative to its location in the reserve model. Although the actual location has been more accurately defined via subsequent geological investigations, the reserve model has not been updated at this stage.

The Fisketind East pit displayed a positive 4% ore tonnage variance for the quarter.

Mining in Kjellmansåsen has been focused on the 20 and 18 RL, as well as clean up on the 58 RL. The Kjellmansåsen Reserve Model to Mine reconciliation displayed -9% variance this quarter, accounting for 5 kt of ore.

Mining in Bjørnefjell has been focused on the 156 and 142 RL. The Bjørnefjell Resource Model to Mine reconciliation displayed a -4% variance this quarter.

Table 6 below gives a comparison of the forecast average ore grade from the resource model for the June and September quarters; compared to the actual average feed grade into the plant, following primary crushing and upgrading through the cobbing plant. The variance between the forecast grade and ore milled is due to the addition of material from wet, low grade stockpiles to the crusher feed during this quarter.

	June Q2 Fe_{total}	September Q3 Fe_{total}
Ore Mined (% Fe)	32.9	33.4
Ore Milled (% Fe)	32.3	31.2

Table 6

During 2015, ore mined has been characterised by lower magnetic ore grades than has been observed previously. This is due primarily to lower quantities of ore being available from high grade pits of Kjellmansåsen and Bjørnevatn, thus increasing reliance for ore supply from the lower grade satellite pits of Fisketind and Bjørnefjell. The Kjellmansåsen pit has been extensively mined, while the access to ore from Bjørnevatn has become restricted as focus on low cost mining and minimal stripping over the last 12-18 months has been a necessary measure to ensure the ongoing viability of the operations. As a result of the reduced stripping activities, maintaining continuity of the supply of ore to the concentrator will be difficult without the investment to develop the mine pits.

In the September quarter and into October, the Company has prepared permit applications for accessing additional ore sources including Blixmalmen, Fisketind South West and an extension to the Bjørnevatn southern pit around the historical underground entrance. Mining consultants have also been engaged to progress proposals for the remediation of the Bjørnevatn west wall failure. Work on mine pit permitting and stakeholder engagement will continue during the December quarter, which is considered important to ensure the availability of ore supply in the near and medium term.

Processing

Production

Production results from the processing facilities are outlined in Table 7 below.

	Dec Qtr	Mar Qtr	Jun Qtr	**Sep Qtr**	Qtr Variance (tonnes)	Qtr Variance (%)
Crushed (kt)	1,593	1,442	1,402	**1,689**	287	20%
Milled (kt)	1,402	1,298	1,281	**1,457**	176	14%
Concentrate Produced (kt)	563	501	483	**509**	25	5%
Concentrate Shipped (kt) (dry metric tonnes)	552	550	420	**490**	70	17%

Table 7

Primary ore crushed during the quarter was a record volume of 1,689 kt and a 20% increase over the previous quarter result. The milled ore volume of 1,457 kt was in line with the previous record of 1,458 kt set in the June 2014 quarter and a 14% increase over the prior quarter, supported by a new mill run time record achieved in August. Ore feed to the concentrator was however characterised by low magnetic iron grades and production for the quarter was 509kt, a 5% increase over the prior quarter.

Quality

Product quality for the quarter was in line with the expected annual specifications. Table 8 summarises concentrate quality for the last four quarters, and compares the actual grade with the Company's published shipping specification for 2015.

	Iron	Silica	Alumina	Phos	Sulphur	Mn
Dec'14 Qtr Actual (%)	67.7	5.2	0.2	0.01	0.03	0.05
Mar'15 Qtr Actual (%)	67.8	4.9	0.2	0.01	0.03	0.04
Jun'15 Qtr Actual (%)	67.9	4.9	0.2	0.01	0.04	0.07
Sep'15 Qtr Actual (%)	68.0	5.0	0.3	0.01	0.03	0.06
2015 Specification (%)	**68.0**	**5.0**	**0.2**	**0.01**	**0.03**	**0.07**

Table 8

Operational Financial Performance

Realised sales prices increased by approximately 18% quarter-on-quarter to an average price of USD 52 / dmt FOB Kirkenes, attributable to the agreement reached with Tata Steel in early July. At the same time, the iron ore market price declined of approximately 7% quarter-on-quarter.

A further 14% improvement in unit cash operating costs (C1) was achieved across the quarter compared to the prior quarter, with C1 of approximately USD 50 / dmt achieved. The improved result represents the lowest quarterly unit cost since commissioning the operations in 2009 and is attributable to the focus on implementing further cost reduction initiatives and a favourable exchange rate environment. Assisting the cost result was a C1 unit cash operating cost in the month of September of USD 48 / dmt, demonstrating the Company's cost reduction initiatives remain on track and continue to deliver an improving trend on cost performance. Sustaining capital expenditure also remained negligible during the quarter, further demonstrating the Company's tight control on cost and capital.

Program for next quarter

The Company continues to put its efforts and focus on:

- *Continuing to preserve cash and progress options to secure financial support through actively working with current stakeholders and potential new financiers to restructure and improve the working capital and overall operating position of the Company and ensure the operations remains a going concern.*
- *Continuing to implement cost improvement initiatives to drive lower unit operating costs.*
- *Progress applications with the Mining Directorate for access to mining areas to ensure continuity of ore supply to the concentrator.*
- *Maintain plant reliability and milling rates to achieve maximum concentrate production whilst optimising the mine plan to minimise stripping requirements whilst maintaining the integrity of the life of mine plan and ore delivery to the concentrator.*

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 2012 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 5.5

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/2013

Name of entity

NORTHERN IRON LIMITED

ABN	Quarter ended ("current quarter")
71 125 264 575	**30 SEPTEMBER 2015**

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	26,176	92,485
1.2	Payments for (a) exploration & evaluation	-	-
	(b) development	(1)	(1)
	(c) production	(29,777)	(105,992)
	(d) administration	(2,719)	(9,197)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	32	33
1.5	Interest and other costs of finance paid	(1,201)	(1,645)
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	-	-
	Net Operating Cash Flows	**(7,490)**	**(24,317)**
	Cash flows related to investing activities		
1.8	Payment for purchases of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	(3)	(631)
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	-	(606)
	Net investing cash flows	**(3)**	**(1,237)**
1.13	Total operating and investing cash flows (carried forward)	(7,493)	(25,554)

1.13	Total operating and investing cash flows (brought forward)	(7,493)	(25,554)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	13,258	36,997
1.17	Repayment of borrowings	(5,385)	(12,197)
1.18	Dividends paid	-	-
1.19	Other – share cancellations / refunds	-	-
	Net financing cash flows	**7,843**	**24,800**
	Net increase (decrease) in cash held	380	(754)
1.20	Cash at beginning of quarter/year to date	4,650	6,618
1.21	Exchange rate adjustments to item 1.20	(385)	(1,219)
1.22	**Cash at end of quarter**	**4,645**	**4,645**

Payments to directors of the entity, associates of the directors, 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	85
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$69,653 for directors fees, and US$15,108 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

Liabilities have decreased by US$8,452,232 due to deferred income as a result of an amendment to a customer offtake agreement.

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

+ See chapter 19 for defined terms.

3.1	Loan facilities	88,266	87,692
3.2	Credit standby arrangements	-	-

Estimated cash outflows for next quarter

		$US'000
4.1	Exploration and evaluation	-
4.2	Development	(776)
4.3	Production	(26,421)
4.4	Administration	(2,500)
	Total	**(29,697)**

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	4,645	4,650
5.2	Deposits at call	-	-
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
	Total: cash at end of quarter (item 1.22)	**4,645**	**4,650**

Changes in interests in mining tenements and petroleum tenements

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

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				
7.11	**Debentures** *(totals only)*				
7.12	**Unsecured notes** *(totals only)*				
7.13	**Performance rights** *(totals only)*	1,100,000 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 5).

2 This statement does /~~does not~~* *(delete one)* give a true and fair view of the matters disclosed.

+ See chapter 19 for defined terms.

Sign here: .... Date: 31 October 2015
(~~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 and petroleum 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 or petroleum 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 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.

5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting 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.

== == == == ==