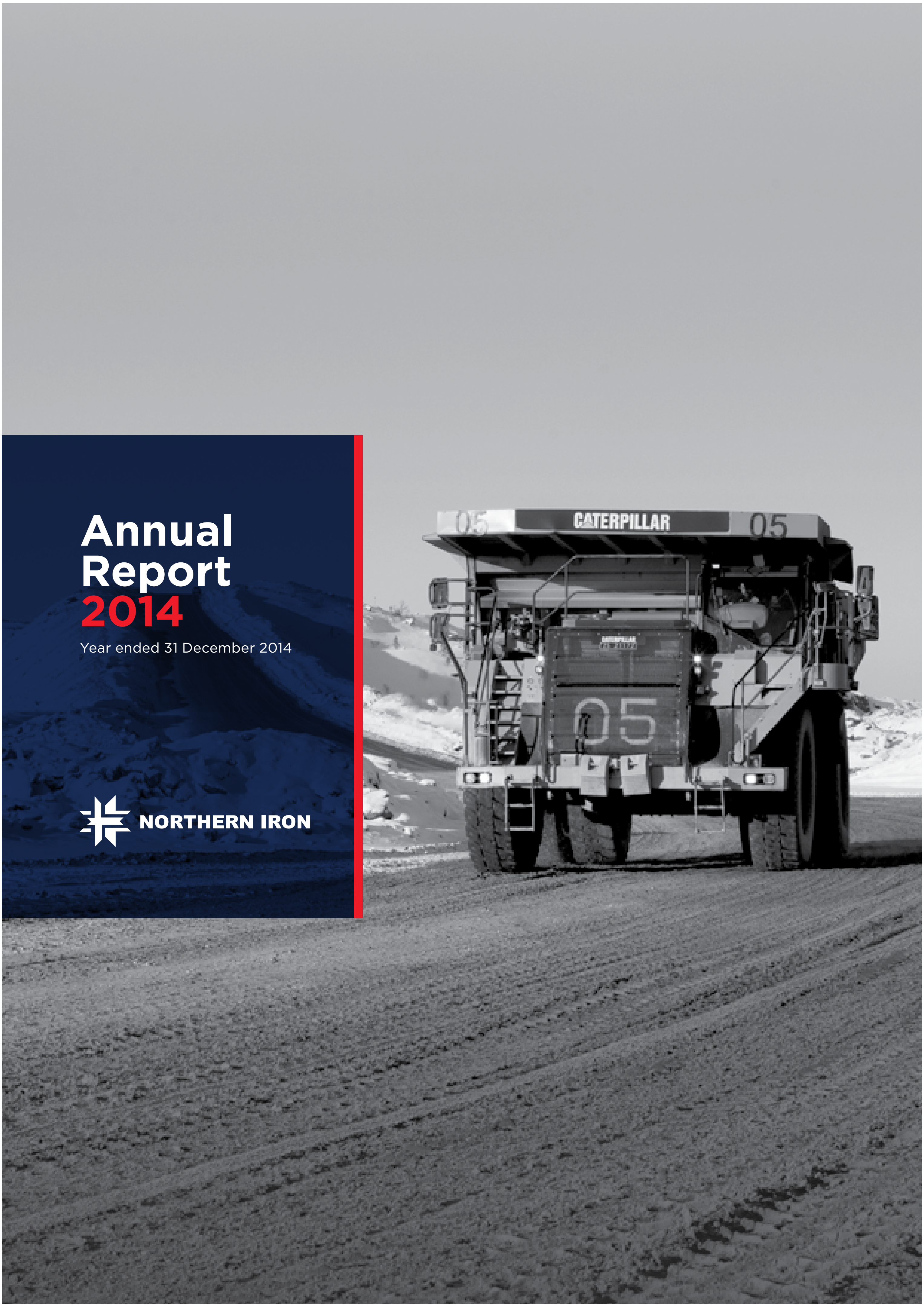
Annual Report 2014

Year ended 31 December 2014

NORTHERN IRON



NORTHERN IRON

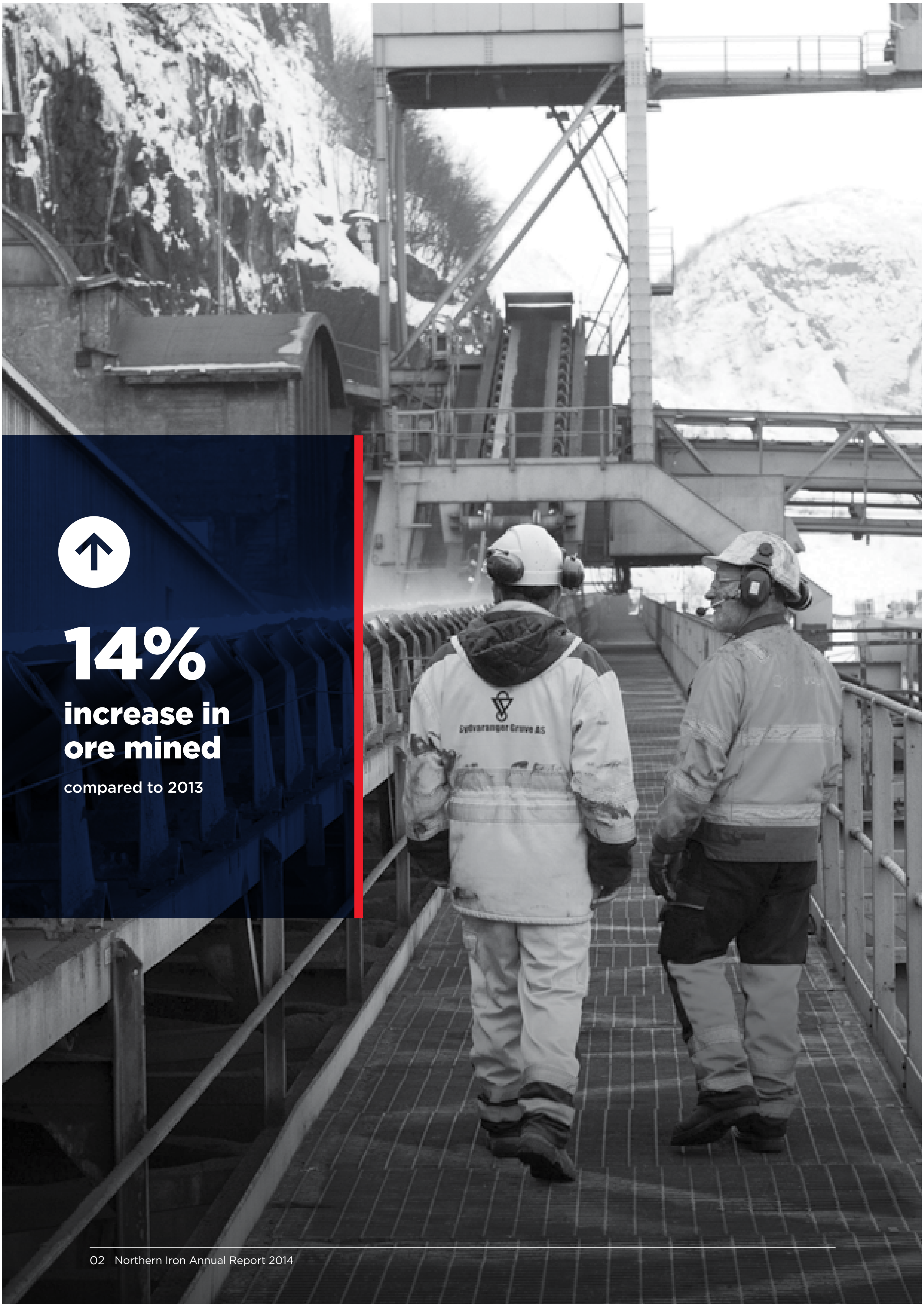
Contents

Northern Iron is an Australian listed company which is the 100% owner of Sydvaranger Gruve AS, a producer of high quality magnetite iron concentrate in Northern Norway. Sydvaranger uses world class mining, rail, processing and port assets to produce and export high quality iron ore concentrate to steel industry customers worldwide.

Northern Iron Limited
Level 1, 44 Ord Street
West Perth, WA 6005

Significant accomplishments in 2014 included:

- Sales of 2,385,000 dry metric tonnes of iron ore concentrate, a 24% increase over the prior year
- Production of 2,342,000 dry metric tonnes of iron ore concentrate, an 18% increase over the prior year
- Unit cash operating costs (C1) of approximately US$72/dmt, an improvement of 20% over the prior year result of US$90/dmt
- A record quarterly production result of 623kt of dry concentrate during the June 2014 quarter
- Record monthly production of 222kt of dry concentrate production in May 2014
- Improved processing and fine crushing reliability with increased run time due to the implementation of planned shutdowns in quarter four of 2013.



14%

increase in ore mined

compared to 2013

Chairman's Review

The Company continued to improve the reliability, stability and productivity of its operations over the course of the year.

Dear Shareholder,

The market conditions during the 2014 year were extremely volatile, with an oversupply situation in the iron ore market developing dramatically in the second half of the year. As a consequence, the market price for iron ore has collapsed both quickly and precipitously, falling by more than 50% across the year. Further, due to the recent strengthening of the US$ to NOK there has been a material negative influence on the 2014 result for the Company due to a mark-to-market loss on foreign currency transactions maturing during 2015 and 2016.

Significant effort has been applied towards preserving cash, reducing costs and securing financial support. Progress has been achieved on these measures and the Company continues to actively work with key stakeholders to restructure and improve the working capital and overall operating position of the Company for the longer term to ensure the operations continue as a going concern. The support received from the Company's financiers and main offtake partner, as announced by the Company on 25 March 2015, is an endorsement of the strong backing enjoyed from key stakeholders.

The Company continued to improve the reliability, stability and productivity of its operations over the course of the year, with a strong focus on safety and improvements to operational competency and particularly cost reduction. This planned approach has been developed with the acknowledgement that our business is our people and that people get things done. These achievements are closely aligned to our values and engaged behaviours.

Significant accomplishments in 2014 included:

- Sales of 2,385,000 dry metric tonnes of iron ore concentrate, a 24% increase over the prior year
- Production of 2,342,000 dry metric tonnes of iron ore concentrate, an 18% increase over the prior year
- Unit cash operating costs (C1) of approximately US$72/dmt, an improvement of 20% over the prior year result of US$90/dmt
- A record quarterly production result of 623kt of dry concentrate during the June 2014 quarter
- Record monthly production of 222kt of dry concentrate production in May 2014
- Improved processing and fine crushing reliability with increased run time due to the implementation of planned shutdowns in quarter four of 2013.

Safety performance improved year-on-year with 7 Lost Time Injuries being experienced versus 9 in 2013. We remain committed to further improvement in safety during the coming year which is a key business driver of reliability, productivity and overall operational success.

Looking ahead, the Company will continue to actively institute measures toward further cost reductions, improvements in efficiency as well as furthering the discussions with stakeholders with the aim of strengthening the Company's financial position and delivering a long term sustainable solution.

I would like to thank our stakeholders, including the local Kirkenes community, employees, customers and business partners for their continuing support during what has been a year that has seen both operational success and financial challenges, with further price falls during the first quarter 2015 and the iron ore price now at 6 year lows.

Peter Bilbe
Chairman

18%

increase in concentrate production

compared to 2013

Operating Review

Substantial progress has been made over the last 2 years to stabilise operations and align daily activities to strategic business drivers.

This approach has been fundamental to the demonstrated success of the Company during this period. During 2014 new quarterly and annual records were set for total ore mined, crushed tonnes, ore milled and both concentrate produced and shipped. In the current price environment challenges remain and the company continues to focus and work hard on improving the operational cost profile whilst maintaining a stable and safe operation.

Safety Performance

Safety performance challenges from 2013 have improved in 2014. The number of Total Recordable Injuries ("TRI") has decreased and Sydvaranger Gruve AS ("SVG") has a good understanding of the underlying aspects of the injuries. Table 1 summarises the number of injuries experienced in 2014 versus 2013.

Table 1

	2014	2013
Lost Time Injury (LTI)	7	9
Restricted work cases (RWC)	1	1
Medical Treatments (MTC)	6	5
First Aid (FAC)	30	24
TRIFR[i]	14	15

(i) TRIFR: Total Recordable Injuries Frequency Rate is the TRI divided per million annual actual work hours. TRI includes LTI, RWC and MTC (excludes FAC).

In 2014 the Company updated the Health, Safety, Environment and Quality ("HSEQ") policies. The updated policy is signed by the CEO Ismo Haaparanta. The new policy focuses on zero harm and that tasks will not be performed unless all risk controls are active. The policies were reviewed and approved by the SVG and NFE boards.

The Company set a TRIFR target for 2014 of less than 10. The result is 14 incidents which sets the incident rate at 13.25. None of the incidents involved serious injury. A considerable number of the incidents, especially the LTIs, involved subcontractors. An immediate action is to involve subcontractors more in HSE work to improve the safety performance.

A focus has been set up to reinforce the Health, Safety and Environment ("HSE") programs. The Walk, Observe, Communicate ("WOC") procedure has been changed to assist the focus on creating a HSE culture through conversation and observing positive aspects in the HSE work. Regular toolbox meetings have been introduced at the plant and mine areas. The general reaction is positive among the workforce. The safety walk program run by the safety representatives has been followed up more closely resulting in almost 100% execution of the program. The quality of the safety walks has also improved along with the closure of findings.

Working Environment Committee (WEC) meetings have been held regularly and the WEC continues to improve its function as the mandatory Health, Safety and Environment part of the business.

The cooperation with the local occupational health service has improved. A cooperation agreement has been made for the year 2015. A survey on underlying causes of sick leave was conducted by the service. The service interviewed a selection of the workforce in the mine to perform the survey. A report was made with recommendations. The major recommendation is to introduce consistent leader-employee dialog meetings in order to improve the working environment which greatly affects the sick leave rate.

A HSEQ steering committee was established in the year 2014. The purpose of the committee is to review safety performance and provide strategic guidance on improving the performance. A major conclusion from this first meeting was to analyse the functionality of the incident and non-conformance reporting system.

This year the Company has updated its Environmental Policy, and worked continuously towards fulfilling the objectives of the Policy.

Environmental Performance

This year the Company has updated its Environmental Policy, and worked continuously towards fulfilling the objectives of the Policy:

The Company will build a sustainable future by preventing or otherwise minimising harmful effects on the environment at all levels in its business.

Environmental sustainability will be achieved by complying with laws, regulations and permits, developing and implementing internationally recognised environmental management systems.

It is our aim to enhance environmental performance by working closely with our community in the Sør-Varanger municipality, our business partners and employees, by increasing environmental awareness and by establishing monitoring and controls.

Awareness

The community liaison group established in 2010 had a total of 3 meetings in 2014. Key topics of interest were; environmental monitoring; the toxicity testing of the flocculants; noise generation; dust from the mining operation, water levels in the Kirkenes lakes, plans for expanding production and the application for amended emission permit.

Monitoring

The Company's permanent monitoring program for discharges and runoff from the mining areas revealed no breaches of the relevant permits.

In response to several noise complaints from residents in Kirkenes, new noise measurements were conducted this summer. The measures confirmed that the source of the noise had been correctly identified and that the actions taken to mitigate the noise were effective.

In 2014, dust from the mining operation continued to be an issue in Bjørnevatn, even with intensified watering of roads and rock piles. The legal limit for mineral fall out dust from mining in Norway is 5g/m^2/30 days, measured at the nearest home. The company started measuring fall out dust at four locations in March. The dust measurements are done by NTNU (Norwegian University of Science and Technology) and will continue for 12 months. Measuring station 1 which was initially located by the ship loading facilities is now moved to the town centre resident area; station 2 is the nearest home in Kirkenes; station 3 is the nearest home in Bjørnevatn and station 4 is another home in Bjørnevatn considered to be a potential problem area. Station 3 stands out as the most dust exposed location. For 6 months of the 10 month period the measured value at station 3 was above 5g/m^2/30 days. NTNU have also estimated values for particulate matter (PM10). For 5 of the 10 months, it is estimated that PM10 values for station 3 has been above the daily average limit of 50µg/m^3. Fall out dust is considered a nuisance, but particulate matter can be harmful to people's health. The prevention methods for particulate matter are the same as for fall out dust. The Company will take further actions to reduce dust to the exposed areas.

In order to recycle the process water, SVG uses the flocculants; polyacrylamide and polyDADMAC. An investigation into the long-term toxicity on marine organisms of polyDADMAC, as well as degradation and leaching of flocculants in sediments, according to requirements in the emission permit, was finished in 2014 and the reports submitted to Miljødirektoratet (the Norwegian Environmental Agency). The studies were carried out by two Norwegian research institutions: Norwegian Institute for Water Research (NIVA) and SINTEF.

There was no observable indication that the addition of polyDADMAC at normal usage concentration and at 100 times higher concentrations affects growth of turbot or reproduction of the copepod Tisbe Battagliai. The highest concentration tested did not give observable effects on test organisms. The results of the leaching tests suggest a slight leaching of polyacrylamide, and possibly also of polyDADMAC in normal seawater pH is not significant. However, the uncertainty of the study also implies that one cannot completely rule out the possibility that some minute leaching might take place. In a situation where polyDADMAC has a very low toxicity, both in the short and long term, the use of the chemical will probably at worst represent a minor environmental problem. If polyDADMAC is dosed in the process before polyacrylamide this will help to bind Magnafloc 10 to the tailings. SINTEF, which investigated the degradation of polyDADMAC concluded that polyDADMAC bound to the mineral particles are not readily microbially degradable.

On 1 October 2014, a proposal for a new monitoring program for all water bodies potentially influenced by the Company's activities was submitted to the environmental authorities. All companies with emission permits to water have received identical requirements to meet new Water Regulations, i.e. the implementation of the EU Water Framework Directive, in Norway. The monitoring program is planned to be completed by 31 December 2015 and the results submitted to the authorities by 1 March 2016. Based on these results, the Company will later submit a proposal for the frequency of future monitoring.

Together with other mines in Norway, the Company has decided to take part in the NYKOS project, New Knowledge on Sea Deposits, a collaboration between several research institutions, The Research Council of Norway and Norwegian Mines. The two main objectives of the project are:

- To increase knowledge about environmental effect of submarine tailings deposits in Norwegian fjords.
- To enable the development of new environmentally sound criteria and monitoring technologies for sub-marine tailings deposits to facilitate a future-oriented and more sustainable minerals industry in Norway.

The Company took part in another research program, ImpTail – Improved Submarine Tailings Placement in Norwegian Fjords. The aim of this research program was to identify innovative strategies to improve and accelerate the rehabilitation of subsea areas impacted by tailing disposal. The main study was completed in late 2013, however, to get more results, the work on artificial reefs on old tailings deposits in Bøkfjorden has been extended.

Control

In 2014 the Company worked on further strengthening of internal control systems.

Internal audits are part of a program to keep the Company's Internal Control system up to date and in line with laws and regulations. In December, the Company conducted an overall audit to review how the company meets the requirements of the Norwegian Internal Control Act. The report from the audit is not yet completed; however, the audit did not find any major non-conformities. Work has already started to continue improving our performance and closing the non-conformities found in the internal audit.

Norwegian law requires that companies continuously seek to substitute current chemical use with less occupational hazardous and more environmentally friendly alternatives. The Company has a permanent program for substitution of chemicals and also during 2014 several process chemicals were tested in bench trails. There was also one full-scale plant trial; however, the tested chemical was not a sufficient alternative to justify a substitution.

Warm weather and lack of rain in 2013 drained the Company's fresh water reserves in the Kirkenes lakes and precipitation in 2014 was insufficient to refill the reserves to normal levels. Therefore, the Company was required to apply to the Norwegian Water Resources and Energy Directorate (NVE) to obtain a temporary permit to lower water levels in the Kirkenes lakes. The company was granted a limited license to drain Førstevann and Andrevann down 0.75 m below the normal limit, valid until August 2015.

To secure adequate water supply to meet current and future production, the Company has been working in parallel on two solutions:

1. To reopen the license to take process water from the Svartaksla Lake across the fjord to the east; and
2. Investigate the possibility to get water from the nearby Pasvik River.

An application to reopen the Svartaksla concession has been submitted to the NVE. The second solution, the Pasvik River, which also is the border between Norway and Russia, could give the Company unlimited volumes of water. There is an old agreement between Norway and Russia that gives the mine access to the water. This agreement is still recognised by both countries, however the process of accessing that water may prove to be more difficult.

Due to the increase in production and changes in ore blend an application for increased use of the water treatment chemical PolyDADMAC was submitted to Miljødirektoratet. The application was based on results of the studies of long-term toxicity of polyDADMAC and degradation and leaching of flocculants in sediments conducted by NIVA and SINTEF. The application was twofold; first an application for a temporary permit to use up to 15 tons of polyDADMAC in 2014. Secondly, an application for a permanent amendment of the permit to increase the limit to 22 tons of polyDADMAC per year. The temporary permit was granted in October and Miljødirektoratet is still processing the application for permanent amendment of the Company's emission permit. The deadline for the public hearing was 20 December 2014. A decision is expected during the first half of 2015.

Operating Review

Continued

Community Relations

2014 has been a very challenging year for the Company, and this was also reflected in community relations. It is however encouraging to observe the strong support by all key local stakeholders which emphasise the sound position the Company has established in the region. The strong operational performance has contributed to our improved standing.

The Company also had an extensive dialogue with the Ministry of Trade and Fisheries (NFD), and have in general become more visible on the national scene.

The global development has hit the region hard. Bilateral trade with Russia has dropped dramatically as a consequence of sanctions, and the strong drop in prices for oil and iron ore have made the industrial future more insecure.

The percentage of Company employees who live in the Sør-Varanger municipality have continued to increase throughout 2014. The Company's stated objective was to reach 80% by the end of 2014, which was very nearly reached.

The efforts will continue as it is in the best interest of both the municipality and the company to minimise the number of commuters. The biggest challenge is the very low unemployment rate in the municipality, and strong growth in other types of business such as oil and gas activities, hence making it difficult to find both skilled and non-skilled labour. This challenge is shared by all industries in the region. To meet the challenge and to source more of these skills locally, the Company continued its policy to engage local apprentices in what is a long term commitment to develop these skills in the local workforce. The cooperation with the key schools in the municipality was stepped up, and a reward program for exceptional students was institutionalised with strong support from the local community.

Due to the financial challenges facing the Company all year, the support to community cultural, development and sporting events in 2014 was reduced from previous years. The Company is actively participating in local business working groups such as Kirkenes Næringshage as well as participating in events organised by Finnmark Fylkeskommune to develop a mining and mineral strategy for the region.

Mining

Our mining strategy for 2014 comprised a very different path compared to 2013 and there was also a requirement to change strategies between the first half of the year and the last half. The strategies adopted in 2014 enabled a significant reduction in the stripping ratio while maintaining the ore feed requirements along with preserving the long-term integrity of the life of mine plan.

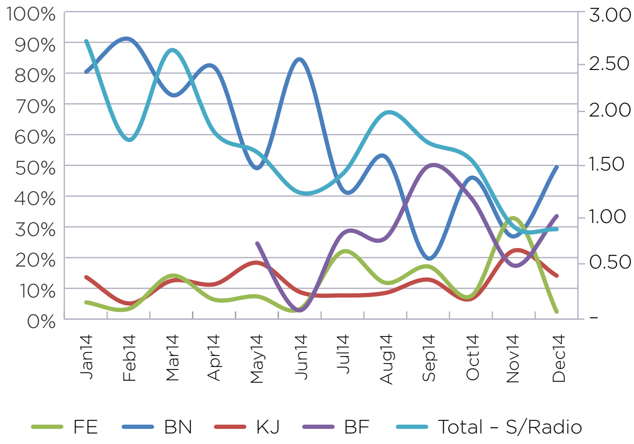
Throughout the entire year the focus was an increased reliance on the satellite pits Fisketind, Bjørnfell and Kjellmannsåsen to optimise recovery of the resource and blend with the main pit Bjørnevatn. This strategy allowed for increased flexibility of ore sources while selectively mining smaller and deeper pits and providing sufficient productive working areas. A strategic decision was made to defer rehabilitation of the Bjørnevatn West wall failure until later in the life of mine, with work practices adjusted to accommodate smaller working conditions to the North and South of Bjørnevatn with the support of the satellite pits.

During the second half of the year the significant Eastern ramp cut back in Bjørnevatn was also strategically delayed until later in 2015 to reduce stripping ratio and costs associated with this material movement. This volume was redirected into the Bjørnfell pit which has a much lower strip ratio compared to the natural strip ratio of the mine and allowed the business to plan this large stripping requirement to align with the cost innovations being identified and delivered. Figure 1 below highlights the outcome of the planned strategy to bring lower stripping ratio pits into the plan earlier than budget.

Ore production has increased 14% compared to 2013 to meet the stability and performance of the plant and the increased production targets resulted in the yearly record of more than 6Mt (Table 2). Ore supply from Bjørnevatn was reduced as mentioned above (65% of the ore feed for the year, coming from the North western ore zone, the saddle area and the Southern tunnel area) and partially substituted with material from satellite pits which became more active in 2014. The overall relative participation of pits in the ore supply to the Primary Crusher has significantly changed since previous years. Satellite pits increased their input in the ore supply to de-stress Bjørnevatn since the West wall failure occurred in September 2013 and the result of the new Blend Strategy is represented in the Table 3:

Figure 1

Waste mined % per pit and overall S/Ratio



2.4 MILLION TONNES OF DRY CONCENTRATE SHIPPED IN 2014.

2.4Mt

Operating Review

Continued

Table 2

	Actual 2014	Actual 2013	Actual 2012	Actual 2011
Ore Mined (kt)	6,042	5,288	4,239	4,214
Waste Mined (kt)	10,020	13,138	11,833	8,230
Total Mined (kt)	**16,062**	**18,426**	**16,071**	**12,444**

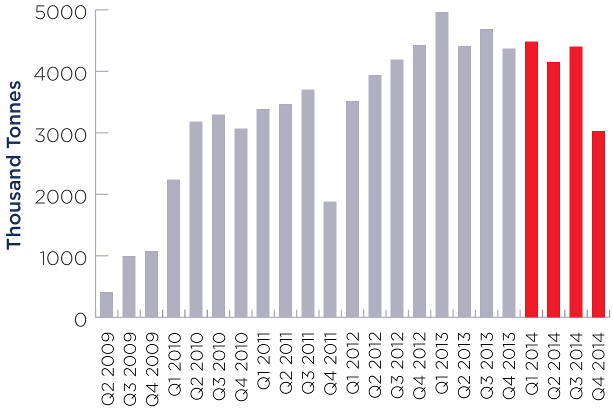
Table 3

Ore Blend	Actual 2014 (%)	Actual 2013 (%)
Bjørnevatn	65	82
Kjellmannsåsen	22	14
Fisketind	10	4
Bjørnefjell	4	0

Figure 2 below shows production levels by quarter since commencing mine operations:

Figure 2

Ex-pit Production



Resource and Reserve Statement

Total project Mineral Resources as of 1 February 2015 are shown in Table 4 below:

Table 4

Mineral Resource Summary as at 1 February 2014 (at 15% Fe total cut-off grade)

Prospect	Indicated (Mt)	Fe (Tot)%	Fe (Mag)%	Inferred (Mt)	Fe (Tot)%	Fe (Mag)%	Total Tonnes (Mt)	Fe (Tot)%	Fe (Mag)%
Bjørnevatn	136.7	32	29	136.7	30	27	273.4	31	28
Kjellmansåsen	10.2	32	27	4.2	30	24	14.4	32	26
Tverrdalen	20.4	32	23	26.4	31	20	46.8	31	21
Fisketind Øst (*)	26.1	28	19	23.3	29	20	49.4	29	20
Bjørnefjell	16.3	31	23	9.3	32	25	25.6	31	24
Oskarsmalmen/ Blixmalmen (*)(**)	52.2	31	27	15.7	31	26	67.9	31	27
Jerntoppen (*)	21.5	30	22	–			21.5	30	22
Søstervatn	–			4.7	37	31	4.7	37	31
Grundtjern	–			2.9	34	32	2.9	34	32
Total	**283.4**	**31**	**26**	**223.2**	**30**	**26**	**506.6**	**31**	**26**

(*) The mineral resources for Fisketind Øst, Jerntoppen and Oskarsmalmen/Blixmalmen were updated during 2012 and 2014.
(**) The portion of this resource that belongs to Blixmalmen has not been reported previously.

The mineral resources are reported inclusive of the ore reserves. During the period from 1 February 2014 to 1 February 2015, the total mineral resources have been increased from 466.9 Mton with 31% FeTot to 506.6 Mton with 31% FeTot.

Ore reserve summary as at 1 February 2015 are shown in Table 5 below:

Table 5

Ore Reserve Summary as at 1 February 2015 (at 15% Fe total cut-off grade)

Prospect	Probable Reserve (Mt)	Fe (Tot)%	Fe (Mag)%
Bjørnevatn	128.1	30	28
Tverrdalen	11.2	31	22
Fisketind Øst (***)	5.5	30	22
Kjellmannsåsen (****)	9.0	31	26
Total	**153.8**	**30.4**	**27.1**

(***) These reserves are based on a mineral resource estimate from 2008 and do not reflect the update reported in 2012.
(****) The 1 February 2014 reserves for Kjellmannsåsen were erroneously reported to be 6.9 Mton due to the use of an older version of the pit shell.

During the period from 1 February 2014 to 1 February 2015, the total ore reserves have been depleted, from 155.1 Mt with 32% FeTot down to 153.8 Mt with 30% FeTot. Total ore production during the year was 6.2 Mt with 33.3% FeTot.

The Company's estimates of mineral resources and ore reserves are subject to internal controls and governance arrangements which require that independent consultants with expert staff experienced in best practice modelling and estimation techniques are involved in the preparation and review of material estimates, underlying assumptions and methodologies.

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 GeoVista AB. 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.

Operational improvements were realised with a very minor capital commitment, with gains achieved through improved planning, practices and productivity of operational personnel.

Concentrate Production

The 2014 production result was a significant improvement over previous years representing an annualised increase of over 15% for both milled and concentrate volumes, as shown in Table 6:

Table 6

	Actual 2014	Actual 2013	Actual 2012
Ore Milled (kt)	5,555	4,791	4,725
Concentrate Produced (Dry kt)	2,342	1,992	1,980
Tonnes Shipped (Dry kt)	2,385	1,917	1,928

The results for 2014 were achieved through focus on integrated operations from mine pit through to logistics and processing, underpinning plant circuit stability and allowing significantly improved maintenance practices to be implemented. The implementation of regular, planned shutdowns resulted in increased run hours to be achieved in crushing, milling and filtration unit operations, which further allowed a clearer focus and improvement in unit operating rates.

Fine crushing rates were boosted through the introduction of mobile crushing by a third party contractor, ensuring an adequate and consistent supply of mill feed stocks. An increase to the milling rate was achieved with the resultant circuit stability and through a targeted optimisation program to revise operating parameters, along with implementation of minor design changes. Filtration unit rates were not significantly boosted, but the overall circuit and maintenance efficiency was significantly improved by simplifying to two standard filter types.

It is noteworthy that the operational improvements were realised with a very minor capital commitment, with gains achieved through improved planning, practices and productivity of operational personnel. These efforts were rewarded with several production records being set during 2014. Notably, two consecutive quarters above 600kt concentrate were achieved, with 626kt achieved in the quarter ending in June and 600kt achieved in the quarter ending September. In addition, a monthly record of 222kt concentrate was achieved in May.

Table 7 below shows the sustained product quality that continued to be delivered during 2014 in conjunction with steady and increased production volumes. During the last half of 2014, an increased focus was placed on control of sulphur and silica quality resulting from the ore blend available relative to the constrained mining path.

Table 7

	Iron (%)	Silica (%)	Alumina (%)	Phosphorus (%)	Sulphur (%)	Manganese (%)
2014	68.01	4.84	0.21	0.01	0.03	0.05
2013	68.15	4.77	0.20	0.01	0.03	0.06
2012	68.01	4.78	0.21	0.01	0.01	0.06
2011	66.90	5.75	0.22	0.01	0.01	0.05
2010	62.92	10.74	0.45	0.01	0.02	0.05

Sales and Marketing

The Company shipped a total amount of 2,385,000 tonnes of dry concentrate during the year with 2,193,000 tonnes shipped to Europe and 192,000 tonnes shipped to Bahrain. The average sale price achieved for the year was US$84 per dry metric tonne FOB Kirkenes.

Given the downward trend of the iron ore price this year, the Company announced during quarter three that it had reached an agreement with its largest customer to amend its offtake contract. Under the terms of the agreement the Company will supply additional volumes with the pricing applied to tonnage sold during the period from July 2014 to March 2015 being similar to spot pricing arrangements. The deferral of the previous contract pricing arrangement will be repayable should the market pricing environment improve materially, or else at the end of the contract term (31 March 2018). At year-end, the deferred liability owing to the customer as a result of the contract amendment is approximately US$5.8 million.

Expansion Study

Since 2010, SVG has been working on an expansion project which scope was to add an additional production line to the existing one. One of the assumptions behind this project was that the existing facilities would enable a production of 2.8 million tons per annum ("Mtpa") of iron ore concentrate. The expansion project was hence defined to double existing capacity to 5.6 Mtpa.

In parallel to the significant operational improvements over the last 18 months, it has become clear that the original expansion project would not be feasible for a number of reasons. Firstly the redefined capacity of the existing facilities is now estimated at 2.5 Mtpa, and the increase up to 2.8 Mtpa would require further investment. Secondly, given the current market situation and outlook for iron ore concentrate, it would be unrealistic to raise US$300 million to undertake a major expansion.

During the first months of 2014, management worked to change the scope and develop a more sustainable model for the necessary increase in production capacity over the coming years. This new approach, called Roadmap, was approved by the Company's board and is subject to further refinement. This concept calls for a step approach to expansion and is based on identifying the key bottlenecks at any stage. One of the major advantages is a totally different financial profile and hence also risk profile as any cash generated from the previous step change could be utilised to finance the next.

The Environmental and Social Impact Assessment study (ESIA) has not been affected by the changed scope and this process aimed to secure the necessary permits remains the most critical path for any expansion. The Company requires two key authority approvals to proceed with an expansion, a land use approval from the local Sør-Varanger municipality, and a permit for increased waste emissions from Miljødirektoratet (The Directorate for the Environment). In order to obtain both approvals an ESIA must be completed.

During 2014 the Company continued this work in close cooperation with the major Norwegian consulting company Norconsult, the Sør-Varanger municipality and other key stake holders both at a local, regional and national level. The scope of work is quite comprehensive, and particularly some of the marine activities require an all season approach to monitor and collect sufficient data. Some of these activities on the critical time line, were initiated in 2013 and continued throughout 2014, and will be completed in the first quarter of 2015.

Due to the difficult financial situation, the majority of other activities have been postponed, and it is unclear as to when the Company will be able to restart this work. As a consequence of this delay, the overall time schedule has been postponed. The Company is targeting completion of the ESIA field work in 2015 with the applications to the local and national regulators to be submitted in the fourth quarter. If this timeline is kept, the approvals should be issued in the first part of 2016. There is however, significant uncertainty related to the approval process, but the Company considers it realistic to assume that following the approval, it would be possible to commence construction activities promptly thereafter. This is however, under the proviso that improved market conditions will enable restarting the ceased work.

Financial Review

The consolidated loss from continuing operations for the year net of tax of US$180,695,000 (2013: US$1,654,000 loss) reflects:

- US$182,042,000 of sales revenue
- US$280,900,000 of operational and administration expenses, including US$23,337,000 of depreciation and amortisation expenses and US$71,300,000 of impairment write-downs
- US$4,041,000 interest expense and US$10,094,000 of finance charges relating to changes in provisions
- US$33,435,000 hedging loss
- US$31,445,000 income tax expense arising on the derecognition of a net deferred tax asset.

Significant accomplishments in 2014, compared to the prior year include:

Record achievements in monthly and quarterly operational results

14% increase in ore mined	**18%** increase in concentrate production	**24%** increase in concentrate sales	**20%** decrease in unit cash operating costs (C1)

Looking ahead, the Company will continue to actively institute measures toward further cost reductions, improvements in efficiency as well as furthering the discussions with stakeholders with the aim of strengthening the Company's financial position and delivering a long term sustainable solution.

Financial Report

Contents

Directors' Report

For the year ended 31 December 2014

The directors present the annual report of the Group consisting of the Company and the entities it controlled during the period for the financial year ended 31 December 2014. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows.

Directors

The names and details of the Company's directors in office at any time during or since the end of the financial year are as follows. Directors were in office for this entire period unless otherwise stated.

Current Directors

Peter R Bilbe
Chairman

BE (Mining) (Hons), MAusIMM

Appointed a director on 5 November 2007

Peter has 40 years' experience in senior operational and corporate roles in the resources sector both in Australia and overseas and previously was the Managing Director and Chief Executive Officer of Aztec Resources Limited which successfully developed the Koolan Island iron ore project.

Peter has significant experience as a mining engineer, and prior to his role with Aztec Resources Limited was General Manager of Operations for Portman Limited, managing the Koolyanobbing and Cockatoo Island iron ore projects.

Mr Bilbe is a member of the Audit Committee and the Remuneration, Nomination, and Governance Committee.

During the past three years Mr Bilbe has held the following listed company directorships:

Sihayo Gold Limited (Chairman)	From June 2010 to November 2013
Independence Group NL (Chairman)	Since March 2009

Antony Beckmand
Managing Director and Chief Executive Officer

CPA, BCom (Acc & Fin), GradDip AFI SIA

Appointed as Managing Director and Chief Executive Officer on 8 July 2013

Tony joined the Company in October 2008 and was appointed as Managing Director of Northern Iron Limited in July 2013, prior to which he held the role of Chief Financial Officer of NFE since October 2009. Tony is a qualified CPA with a B.Com from the University of Western Australia and a Grad. Dip in Applied Finance and Investment from the Securities Institute of Australia. Tony has more than 18 years' experience within the mining industry across a range of operations including iron ore, minerals sands, base metals and gold.

During his career he has held a variety of corporate and site based finance and accounting roles with resources companies including Exxaro Resources, Perilya Ltd and Robe River Iron Associates.

During the past three years Mr Beckmand has not been a director of any other listed entity.

Ashwath Mehra
Non-Executive Director

BSc (Econ)

Appointed a director on 22 May 2007

Ashwath is an economist and founded the MRI Group, a commodities group with annual turnover of approximately $3 billion. He is currently CEO of Astor Management AG, a holding company with interests in natural resources businesses. He has worked in the minerals industry for 29 years, starting his career with Philipp Brothers after which he spent 10 years with Glencore, where he was a senior partner and ran the Nickel and Cobalt Divisions. He has substantial experience in projects and project finance and has worked on equity and bond issues.

Mr Mehra is Chairman of the Audit Committee and a member of the Remuneration, Nomination and Governance Committee.

During the past three years Mr Mehra has held the following listed company directorships:

EMED Mining Limited	Since October 2008
Champion Minerals Inc.	From October 2010 to April 2013
Fancamp Exploration Limited	Since September 2013

Felix H Tschudi
Non-Executive Director

BSc (Econ), MBA

Appointed a director on 13 December 2007

Felix is the Chairman and owner of Tschudi Shipping Company AS, the holding company of the Tschudi Group. Tschudi Mining AS, a member company of the Tschudi Group, is the registered holder of 67,133,728 shares in the Company (13.86%).

Felix attended the Royal Norwegian Naval Academy and served as Sub-Lieutenant in the Royal Norwegian Navy. He earned a Second Mate's certificate from merchant navy colleges in the UK, a BSc (Econ) from London School of Economics, and an MBA from INSEAD, France.

Before joining the family shipping company Tschudi & Eitzen in 1989, Felix worked for the Vienna-based trading and finance house AWT specialising in trade structures in Eastern Europe and the former Soviet Union. Felix was the joint managing director of Tschudi & Eitzen from 1992 until 2002.

He worked as the managing director of the Oslo stock exchange listed company Tschudi & Eitzen Shipping ASA from 1995 until 1997.

Felix is the Chairman of the Centre for High North Logistics, a non-profit organisation focusing on transportation solutions in the Arctic and a member of the World Economic Forum's Global Agenda Council on the Arctic. He is Chairman of the board of Maritime Forum Oslofjorden, a member of the Committee of the P&I Club Skuld, the board of the Norwegian publishing house Aschehoug & Co., and a former president of the Oslo Shipowners' Association.

Mr Tschudi is Chairman of the Remuneration, Nomination and Governance Committee and a member of the Audit Committee.

During the past three years Mr Tschudi has not been a director of any other listed entity.

Peter Campbell Church OAM FAICD
Non-Executive Director

B.Com (UNSW), LLB (University of Sydney), LLM (University of London)

Appointed a director on 1 April 2014

Mr Church is an Australian commercial lawyer who resides in Singapore. Mr Church has had a career spanning more than 30 years encompassing significant experience throughout South East Asia and India, including providing legal and corporate services on numerous regional projects including many in the resources sector. Mr Church was a senior partner with the leading Australian and regional law firm now known as Herbert Smith Freehills, and was its Asian Regional Managing Partner at the time he retired from the firm. In 1994 Mr Church was awarded the Medal of the Order of Australia (OAM) by the Australian Government for his promotion of business between Australia and South East Asia.

In addition to his directorship of our Company, Mr Church's roles include non-executive director of OM Holdings Limited, Chairman of AFG Venture Group, Special Counsel to the English law firm of Stephenson Harwood, a non-executive director of the Singapore International Chamber of Commerce and a non-executive director of Elara Capital PLC. Mr Church is a Fellow of the Australian Institute of Company Directors. During the past three years Mr Church has been a director of the listed entity, OM Holdings Limited.

Peter S Larsen
Alternate Director for Felix Tschudi

MSc (Econ)

Appointed alternate director on 30 November 2010.

Peter, an economist, is currently the Chief Financial Officer of Tschudi Shipping Company AS. He has worked in the shipping and energy industries for 24 years, starting his career with Burmeister & Wain Shipyard, followed by 10 years in the European energy sector with a focus on project development and financing. He has considerable experience in risk management within the power and commodity sectors.

During the past three years he has not been a director of any other listed entity, however Mr Larsen is Chairman of the Company's unlisted subsidiary, Sydvaranger Gruve AS.

Company Secretary

Alex J Neuling

BSc, FCA (ICAEW), AGIA

Mr Alex Neuling was appointed company secretary on 1 January 2010. Alex is a Chartered Accountant and Chartered Secretary with more than 16 years' professional and corporate experience, including significant experience in the provision of company secretarial and financial management consultancy services to ASX listed companies.

Directors' Shareholdings

At the date of this report, the relevant interests of the directors in ordinary shares and options of the Company are as follows:

Name	Ordinary shares	Options over ordinary shares
PR Bilbe	215,288	–
A Beckmand	–	–
A Mehra	15,702,792	–
FH Tschudi	67,133,728	–
PC Church	–	–
PS Larsen	32,000	–

Directors' Report

For the year ended 31 December 2014

Dividends

No dividends were paid during the year and the directors do not recommend payment of a dividend in respect of the current financial year.

Principal Activities

The principal activities of the Group are included in the operating and financial review as set out on pages 5 to 14.

Operating and Financial Review

An operating and financial review of the Group for the financial year ended 31 December 2014 is set out on pages 5 to 14 and forms part of this report.

Significant Changes in State of Affairs

There were no significant changes in the state of affairs in the year under review.

Events Subsequent to Reporting Date

In January 2015, a new working capital facility in the amount of US$10.0 million from DNB was made available to the Company, subsequently increased to US$11.2 million during March 2015, of which the majority of the funding was reserved to cover foreign exchange hedging losses realised in the March 2015 quarter due to the weakness in the US$:NOK rate. This facility is available for the period 1 January 2015 to 31 March 2015.

In January 2015, the Company reached agreements with DNB, Innovasjon Norge and Tschudi Bulk Terminals for the deferral of interest payments associated with its debt facilities and lease payments for the period from 1 January 2015 to 31 March 2015. Subsequent agreements were reached in March 2015 where the deferral of payments has been extended up until 30 June 2015. Financial covenants associated with loan agreements were waived for the same period.

In March 2015, the Company reached an agreement with its main offtake partner according to which sales will be similar to spot pricing arrangements and improved payment terms will be applied for the period 1 April 2015 until 30 June 2015.

In March 2015, the Company reached an agreement with DNB on restructuring its debt facilities until 30 June 2015 which included an adjustment to the borrowing base mechanism of the working capital facility, to enable the Company to effectively manage its liquidity position.

In March 2015, DNB closed out the exposure on foreign exchange hedge contracts remaining in the 2015 year and provided funding to the Company of this position with the result that the close out of these hedging contracts will have no liquidity effect for the Company for the next 12 months.

Other than this, no matter or circumstance has arisen since 31 December 2014 that in the opinion of the directors has significantly affected, or may significantly affect in future financial years:

(i) the Group's operations;

(ii) the results of those operations; or

(iii) the Group's state of affairs.

Likely Developments

The likely developments for the 2015 financial year are contained in the operating and financial review as set out on pages 5 to 14.

The directors are of the opinion that further information as to the likely developments in the operations of the Group would prejudice the interests of the Company and the Group and it has accordingly not been included.

Environmental Regulation and Performance

The environmental regulation and performance of the Company for the financial year ended 31 December 2014 is contained in the operating and financial review as set out on pages 6 and 7 and forms part of this report.

Indemnification and Insurance of Directors and Officers

During the financial year, the Company paid a premium to insure the directors and officers of the Company and its controlled entities. The policy prohibits the disclosure of the nature of the liabilities covered and the amount of the premium paid.

Deeds of Access and Indemnity have been executed by the Company with each of the directors and the Company Secretary. The deeds require the Company to indemnify each director and the Company Secretary against any legal proceedings, to the extent permitted by law, made against, suffered, paid or incurred by the director or the Company Secretary pursuant to, or arising from or in any way connected with the director or the Company Secretary being an officer of the Company.

Remuneration Report

The Remuneration Report is set out on pages 19 to 26 and forms part of this Directors' Report.

Remuneration Report (Audited)

(all amounts in US$ unless otherwise stated)

Directors' and Executive Officers' Remuneration

The remuneration report as set out on pages 19 to 26 outlines the remuneration arrangements in place for the key management personnel of Northern Iron for the financial year ended 31 December 2014. The information contained in the remuneration report has been audited as required by Section 308(3C) of the Corporations Act. The remuneration report details the remuneration arrangements for key management personnel ("KMP") who are defined as those having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company.

Total remuneration paid or payable to Directors & Key Management Personnel during the year was $2,897,758 (2013: $3,547,287). Significant items driving the observed decrease in reported remuneration included a reduction in the number of key management personnel and the phasing out of retention payments which were previously introduced in 2011/12 at the time of the Company announced a Strategic Review process. Retention payments in the amount of $79,342 were incurred in the current year (2013: $623,030).

The Remuneration, Nomination, and Governance Committee determines remuneration policies and practices, evaluates the performance of senior management, and considers remuneration for those senior managers. This Committee assesses the appropriateness of the nature and amount of remuneration on an annual basis by reference to industry and market conditions, and with regard to the Company's financial and operational performance.

Total non-executive directors' fees are approved by shareholders and the Board is responsible for the allocation of those fees amongst the individual members of the Board.

The value of remuneration is determined on the basis of cost to the Company and Group.

Principles of Compensation

Remuneration of directors and other KMP is referred to as compensation, as defined in AASB 124.

Compensation levels for KMP of the Company and Group are competitively set to attract and retain appropriately qualified and experienced directors and senior executives. Compensation arrangements include a mix of fixed and performance based compensation. Short Term Incentive payments are made against predetermined metrics which included safety, production and cost targets with an adjustment to take into account movements in the iron ore price. A component of share-based compensation is awarded at the discretion of the Board, subject to shareholder approval when required.

Compensation structures take into account the overall level of compensation for each director and executive officer, the capability and experience of the directors and executive officers, the executive officers' ability to control the financial performance of the relative business segment, the Group's performance (including earnings and the growth in share price), and the amount of any incentives within each executive officer's remuneration.

The Company was incorporated in May 2007 and listed on ASX in December 2007 at an Initial Public Offer price of A$2.15 per share. Historical share price, earnings, and dividends were considered in determining remuneration during the reporting period.

	31/12/14	31/12/13	31/12/12
Share price	A$0.03	A$0.22	A$0.54
Consolidated net (loss)/ profit after tax from continuing operations (US$000)	(109,396)	(1,654)	(11,337)

Fixed Compensation

Fixed compensation consists of base compensation as well as any employer contributions to superannuation funds. Base compensation may be supplemented by an element of equity based compensation.

Equity-based compensation is set out in the *Equity Instruments* section of this Remuneration Report.

Non-Executive Directors

Total remuneration for all non-executive directors, last voted upon by shareholders at a General Meeting in November 2007, is not to exceed A$500,000 per annum.

A non-executive director's fee is currently A$42,500 per annum, having been reduced from $50,000 per annum towards the end of 2014. The Chairman's fee is currently A$106,250, having been reduced from A$125,000 towards the end of 2014. Non-executive directors do not receive any performance related remuneration. Directors' fees cover all main Board activities and membership of Board committees. The Company does not have any terms or schemes relating to retirement benefits for non-executive directors.

In November 2014 the Board agreed to a 15% reduction in the Directors' fees for a 6 month period commencing November 2014.

Non-executive directors may receive share-based compensation at the discretion of the Board, and subject to approval by shareholders.

Service Contracts

The contract duration, period of notice and termination conditions for directors and executive officers are as follows:

i. Antony Beckmand, Managing Director and Chief Executive Officer of Northern Iron Limited. Commenced employment with the Group in October 2008, appointed Chief Financial Officer of Northern Iron Limited on 30 September 2009, and appointed Managing Director and Chief Executive Officer on 8 July 2013 with no set term. Mr Beckmand will be paid a base salary of A$415,000 pa plus superannuation. Termination by the employee is with 6 months' notice and by the Company is with 1 months' notice with a payment equal to 6 months' base salary plus superannuation. The Company may terminate the contract at any time without notice if serious misconduct has occurred. A short-term incentive bonus is provided. The Board shall determine the KPIs and the bonus that the employee will be paid if his KPIs are achieved. Such a bonus will be set at a rate of no more than 50% of the base salary. A long-term incentive scheme is provided, being equity participation in the Company's Performance Rights Plan, subject to achievement of KPIs during the vesting period. The maximum number of shares is set at 1,000,000, vesting over a 3 year period. The Company may, at its discretion, make a cash-payment in lieu of issuing shares based on the 5 day VWAP market value of those shares. In October 2014, Mr Beckmand volunteered a 10% reduction in salary for an initial period of 6 months.

ii. Sissel Bækø, General Manager of Production Services of Sydvaranger Gruve AS. Commenced in this role 1 March 2012 with no set term. Termination by the Company or the employee is with three months' notice. The Company may terminate the contract at any time without notice if serious misconduct has occurred. Ms Bækø will be paid a base salary of NOK 1,400,000 pa plus statutory pension contributions as required under Norwegian law and the minimum National Insurance Scheme payable in Norway. A short-term incentive bonus is provided. The Board shall determine the KPIs and the bonus that the employee will be paid if her KPIs are achieved. Such a bonus will be set at a rate of no more than 50% of the base salary. A retention bonus of 50% of base salary was paid during the previous reporting period as Ms Bækø was still employed with SVG/NFE on 1 July 2013. A long-term incentive scheme is provided, being equity participation in the Company's Performance Rights Plan, subject to achievement of KPIs during the vesting period. The maximum number of shares is set at 150,000, vesting over a 3.5 year period. The parent Company may, at its discretion, make a cash-payment in lieu of issuing shares based on the 5 day VWAP market value of those shares. Pension is to be paid as required under Norwegian law. In October 2014, Ms Bækø volunteered a 5% reduction in salary for an initial period of 6 months.

iii. Aaron Maurer, General Manager of Operations of Sydvaranger Gruve AS. Commenced in this role 1 February 2014 with no set term. Mr Maurer will be paid a base salary of NOK 1,800,000 pa plus pension as required under Norwegian law and the minimum National Insurance Scheme payable in Norway. Termination by the Company or the employee is with six months' notice. The Company may terminate the contract at any time without notice if serious misconduct has occurred. Mr Maurer resigned during January 2015.

iv. Rob Brown, General Manager of Operations of Sydvaranger Gruve AS. Commenced 5 July 2011 with no set term. Mr Brown will be paid a base salary of A$275,000 pa plus pension as required under Norwegian law and the minimum National Insurance Scheme payable in Norway. Termination by the Company or the employee is with three months' notice. The Company may terminate the contract at any time without notice if serious misconduct has occurred. A short-term incentive bonus is provided. The Board shall determine the KPIs and the bonus that the employee will be paid if his KPIs are achieved. Such a bonus will be set at a rate of no more than 50% of the base salary. A retention bonus of 50% of base salary was paid during the previous reporting period as Mr Brown was still employed with SVG/NFE on 5 July 2013, which will continue annually at a rate of 25% of base salary if employed on subsequent anniversaries. A long-term incentive scheme is provided, being equity participation in the Company's Performance Rights Plan, subject to achievement of KPIs during the vesting period. The maximum number of shares is set at 150,000, vesting over a 3.5 year period. The Company may, at its discretion, make a cash payment in lieu of issuing shares based on the 5 day VWAP market value of those shares. Mr Brown resigned 31 March 2014.

v. Harald Martinsen, Chief Development Officer of Sydvaranger Gruve AS. Commenced 28 August 2011 with no set term. Mr Martinsen will be paid a base salary of NOK 1,800,000 pa plus pension as required under Norwegian law and the minimum National Insurance Scheme payable in Norway. Termination by the Company or the employee is with three months' notice. The Company may terminate the contract at any time without notice if serious misconduct has occurred. A short-term incentive bonus is provided. The Board shall determine the KPIs and the bonus that the employee will be paid if his KPIs are achieved. Such a bonus will be set at a rate of no more than 50% of the base salary. A retention bonus of 50% of base salary was paid during the previous reporting period as Mr Martinsen was still employed with SVG/NFE on 1 July 2013. A long-term incentive scheme is provided, being equity participation in the Company's Performance Rights Plan, subject to achievement of KPIs during the vesting period. The maximum number of shares is set at 150,000, vesting over a 3.5 year period. The Company may, at its discretion, make a cash-payment in lieu of issuing shares based on the 5 day VWAP market value of those shares. Mr Martinsen resigned 31 October 2014.

vi. Ismo Haaparanta, Chief Executive Officer of Sydvaranger Gruve AS. Commenced 1 May 2012 with no set term. Mr Haaparanta will be paid a base salary of NOK 2,400,000 pa plus pension as required under Norwegian law and the minimum National Insurance Scheme payable in Norway. Termination by the Company or the employee is with six months' notice. The Company may terminate the contract at any time without notice if serious misconduct has occurred. A short-term incentive bonus is provided. The Board shall determine the KPIs and the bonus that the employee will be paid if his KPIs are achieved. Such a bonus will be set at a rate of no more than 50% of the base salary. A retention bonus of 12.5% of base salary was paid during the reporting period as Mr Haaparanta was still employed with SVG/NFE on 1 May 2014. A long-term incentive scheme is provided, being equity participation in the Company's Performance Rights Plan, subject to achievement of KPIs during the vesting period. The maximum number of shares is set at 150,000, vesting over a 3.5 year period. The Company may, at its discretion, make a cash-payment in lieu of issuing shares based on the 5 day VWAP market value of those shares. In October 2014, Mr Haaparanta volunteered a 10% reduction in salary for an initial period of 6 months.

vii. Eric Evanson, General Manager of Business Improvement and Commercial. Commenced in this role 20 August 2014 with no set term. Mr Evanson will be paid a base salary of NOK 1,300,000 pa plus pension as required under Norwegian law and the minimum National Insurance Scheme payable in Norway. Termination by the Company or the employee is with three months' notice. The Company may terminate the contract at any time without notice if serious misconduct has occurred. In October 2014, Mr Evanson volunteered a 5% reduction in salary for an initial period of 6 months.

viii. Rod Lovelady, General Manager of Commercial and Technical Services. Commenced in this role 1 January 2014 with no set term. Mr Lovelady will be paid a base salary of NOK 1,560,000 pa plus pension as required under Norwegian law and the minimum National Insurance Scheme payable in Norway. Termination by the Company or the employee is with three months' notice. The Company may terminate the contract at any time without notice if serious misconduct has occurred. Mr Lovelady resigned 29 June 2014.

ix. Adrian Mills, General Manager of Finance and IT. Commenced in this role 1 January 2014 with no set term. Mr Mills will be paid a base salary of NOK 1,300,000 pa plus superannuation. Termination by the Company or the employee is with three months' notice. The Company may terminate the contract at any time without notice if serious misconduct has occurred. In October 2014, Mr Mills volunteered a 5% reduction in salary for an initial period of 6 months.

Directors' and Executive Officers' Remuneration

2014	Short Term			Post-employment	Share Based Payments				Value of options and
Name	Salary and fees ($)	Other ($)	Cash bonus[i] ($)	Super-annuation contributions ($)	Options ($)	Performance Rights ($)	Total ($)	% of remuneration performance related	rights as a proportion of remune-ration (%)
Directors									
Non-Executive									
Mr PR Bilbe (Chairman)	100,411	–	–	9,410	–	–	109,821	–	–
Mr A Mehra	43,929	–	–	–	–	–	43,929	–	–
Mr FH Tschudi	43,929	–	–	–	–	–	43,929	–	–
Mr PC Church (appointed 1 April 2014)	32,665	–	–	–	–	–	32,665	–	–
Mr PS Larsen (Alternate Director)	15,472	–	–	–	–	–	15,472	–	–
Executive									
Mr A Beckmand (MD & CEO – Northern Iron Limited)	365,542	17,752	46,745	34,259	–	69,936	534,234	9%	13%
Executive Officers									
Ms S Bækø (GM of Production Services – Sydvaranger Gruve AS)	238,202	10,759	13,885	10,655	–	–	273,501	–	–
Mr A Maurer (GM of Operations – Sydvaranger Gruve AS) (appointed 1 February 2014; resigned 15 June 2015)	275,791	50,213	19,042	7,975	–	–	353,021	5%	–
Mr R Brown (former GM of Operations – Sydvaranger Gruve AS) (resigned 31 March 2014)	53,759	9,294	–	1,914	–	–	64,967	–	–
Mr H Martinsen (CDO – Sydvaranger Gruve AS) (resigned 31 October 2014)	303,758	32,024	3,570	7,005	–	–	346,357	1%	–
Mr I Haaparanta (CEO – Sydvaranger Gruve AS)	444,193	61,916	39,671	8,429	–	–	554,209	7%	–
Mr E Evanson (GM Business Improvement and Commercial – Sydvaranger Gruve AS) (appointed 20 August 2014)	78,877	16,233	–	3,368	–	–	98,478	–	–
Mr R Lovelady (former GM Business Improvement and Commercial – Sydvaranger Gruve AS) (appointed 1 January 2014; resigned 29 June 2014)	137,858	10,102	–	–	–	–	147,960	–	–
Mr A Mills (GM Finance and IT – Sydvaranger Gruve AS) (appointed 1 January 2014)	209,088	41,256	9,521	19,350	–	–	279,215	3%	–
	2,343,474	**249,549**	**132,434**	**102,365**	**–**	**69,936**	**2,897,758**		

(i) In accordance with the Short Term Incentive Scheme, cash bonus payments totalling US$132,435 were made early in 2014, relating to the 2013 year, in respect of predetermined metrics which included safety, production and cost targets with an adjustment to take into account movements in the iron ore price. No payments have occurred related to performance in the 2014 year. In addition, retention bonus payments totalling US$79,342 were made to one employee under the terms of their service contract.

Directors’ and Executive Officers’ Remuneration (continued)

2013	Short Term			Post-employment	Share Based Payments				Value of options and rights as a proportion of remune-ration (%)
Name	Salary and fees ($)	Other ($)	Cash bonus(ii) ($)	Super-annuation contributions ($)	Options ($)	Performance Rights ($)	Total ($)	% of remuneration performance related	
Directors									
Non-Executive									
Mr PR Bilbe (Chairman)	81,196	–	–	7,446	–	–	88,642	–	–
Mr A Mehra	48,290	–	–	–	–	–	48,290	–	–
Mr FH Tschudi	48,290	–	–	–	–	–	48,290	–	–
Mr DC Griffiths (Former Chairman) (resigned 10 June 2013)	48,930	–	–	4,404	–	–	53,334	–	–
Mr PS Larsen (Alternate Director)	17,016	–	–	–	–	–	17,016	–	–
Executive									
Mr A Beckmand (MD & CEO – Northern Iron Limited) (appointed 8 July 2013)(i)	454,653	16,708	32,179	41,734	–	–	545,274	6%	–
Mr JS Sanderson (Former Managing Director) (resigned 8 July 2013)	352,152	–	275,604	56,900	–	–	684,656	–	–
Executive Officers									
Ms S Bækø (GM of Production Services – Sydvaranger Gruve AS)	363,767	9,803	24,633	10,595	–	–	408,798	6%	–
Mr R Brown (GM of Operations – Sydvaranger Gruve AS)	417,243	98,283	23,790	8,205	–	–	547,522	4%	–
Mr H Martinsen (CDO – Sydvaranger Gruve AS)	464,939	41,143	35,191	9,014	–	–	550,286	6%	–
Mr I Haaparanta (CEO – Sydvaranger Gruve AS)	430,812	76,707	39,101	8,559	–	–	555,178	7%	–
	2,727,288	**242,644**	**430,498**	**146,857**	**–**	**–**	**3,547,286**		

(i) Prior to 8 July 2013, previous role was Chief Financial Officer

(ii) In accordance with the Short Term Incentive Scheme, cash bonus payments totalling US$154,894 were made in respect of predetermined metrics which included safety, production and cost targets with an adjustment to take into account movements in the iron ore price. In addition, retention bonus payments totalling US$623,030 were made to six employees under the terms of their service contracts.

Equity Instruments and Share-Based Payments Granted as Compensation for the Current Financial Year

(i) Shares

There were no shares in the Company granted as compensation to directors and executive officers during the reporting period.

(ii) Share based payments

Options

During the 2014 or 2013 year no share-based payment arrangements were in existence.

No options have been granted since the end of the financial year, nor have any options been exercised during or since the end of the reporting period. During the reporting period, there was no forfeiture of options granted in previous periods.

In the event that the option holder ceases to be an employee, director or consultant of the Company, the Board may at its sole discretion resolve that all vested options held by that employee, director or consultant must be exercised within 21 days of that employee, director or consultant ceasing to be an employee, director or consultant (as applicable) of the Company. Any unvested options held by that employee, director or consultant will lapse.

Further details of share-based payments are set out in Notes 3(r) and 22.

Performance rights

During the 2014 year 1,000,000 performance rights were issued (2013: Nil).

No performance rights have been granted since the end of the financial year, nor have any performance rights been exercised during or since the end of the reporting period.

During the reporting period 250,000 (2013: 250,000) performance rights expired/lapsed.

In the event that the performance right holder ceases to be an employee, director or consultant of the Company, the Board may at its sole discretion resolve that all vested performance rights held by that employee, director or consultant must be exercised within 21 days of that employee, director or consultant ceasing to be an employee, director or consultant (as applicable) of the Company. Any unvested performance rights held by that employee, director or consultant will lapse.

Further details of share-based payments are set out in Notes 3(r) and 22.

(iii) Options over equity instruments granted as compensation

There were no options granted during the 2014 or 2013 year.

Options are recognised as an expense over their vesting period. No monies will be payable for the issue of the options.

No options have been granted since the end of the financial year, nor have any options been exercised during or since the end of the reporting period. During the reporting period there was no forfeiture of options granted in previous periods.

In the event that the option holder ceases to be an employee, director or consultant of the Company, the Board may at its sole discretion resolve that all vested options held by that employee, director or consultant be exercised within 21 days of that employee, director or consultant ceasing to be an employee, director or consultant (as applicable) of the Company. Any unvested options held by that employee, director or consultant will lapse.

(iv) Analysis of movements in options

There were no options granted during the 2014 or 2013 financial years.

The value of options granted in the year is the fair value of the options at grant date using the Black-Scholes Option Pricing Model. The total value of options granted is included in the table above, however this amount is allocated to expense over the vesting period.

(v) Analysis of options granted as compensation

There were no options granted as remuneration to directors and executive officers during the 2014 or 2013 years.

Loans to Key Management Personnel

At 31 December 2014 an amount of US$nil (2013: US$nil) is included in Group trade and other payables for outstanding director and executive officers' personnel fees and expenses.

Key Management Personnel Equity Holdings

(i) Shares

The movement during the current and prior reporting periods in the number of ordinary shares in Northern Iron Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

2014

	Held at 01/01/14	Net acquired/ (sold)	Held at 31/12/14
Directors			
PR Bilbe	215,288	–	215,288
A Beckmand	–	–	–
A Mehra	15,702,792	–	15,702,792
FH Tschudi	67,133,728	–	67,133,728
PS Larsen	32,000	–	32,000
PC Church	–	–	–

2013

	Held at 01/01/13	Net acquired/ (sold)	Held at 31/12/13
Directors			
PR Bilbe	215,288	–	215,288
A Beckmand	–	–	–
A Mehra	15,702,792	–	15,702,792
FH Tschudi	67,133,728	–	67,133,728
PS Larsen	32,000	–	32,000
DC Griffiths	612,090	–	612,090*
JS Sanderson	360,000	–	360,000*

* Balance when ceased being a director

(ii) Share options

The movement during the reporting period in the number of options in Northern Iron Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

2014

There were no options held during the 2014 year.

2013

	Held at 01/01/13	Granted as compen-sation	Expired	Vested in year	Held at 31/12/13	Vested and exercisable at 31/12/13
Directors						
JS Sanderson	1,500,000	–	(1,500,000)	–	–	–

All share options issued to key management personnel were in accordance with the provisions of the employee share option plan.

There were no options granted during the 2014 and 2013 years. Further details of the employee share option plan are contained in Note 22 and the Remuneration Report.

There were no options exercised during the 2014 and 2013 years.

(iii) Performance rights

The movement during the reporting period in the number of performance rights in Northern Iron Limited, held by each member of key management personnel is as follows:

2014

	Held at 01/01/14	Granted as compen-sation	Expired/ Lapsed	Vested in year	Held at 31/12/14	Vested and exercisable at 31/12/14
Directors						
A Beckmand	–	1,000,000	–	–	1,000,000	–
Executive officers						
S Bækø	100,000	–	(50,000)	–	50,000	–
R Brown	50,000	–	(50,000)	–	–	–
H Martinsen	100,000	–	(100,000)	–	–[(i)]	–
I Haaparanta	100,000	–	(50,000)	–	50,000	–

(i) Balance when ceased being an employee

2013

	Held at 01/01/13	Granted as compen-sation	Expired/ Lapsed	Vested in year	Held at 31/12/13	Vested and exercisable at 31/12/13
Directors						
A Beckmand	50,000	–	(50,000)	–	–	–
Executive officers						
S Bækø	150,000	–	(50,000)	–	100,000	–
R Brown	100,000	–	(50,000)	–	50,000	–
H Martinsen	150,000	–	(50,000)	–	100,000	–
I Haaparanta	150,000	–	(50,000)	–	100,000	–

Other Key Management Personnel Transactions

Apart from the details disclosed in this note, no director has entered into a material contract with the Group since the end of the previous financial year and there were no material contracts involving directors' interests existing at year-end.

End of Remuneration Report

Directors' and Committee Meetings

The number of directors' and committee meetings and the number of those meetings attended by each of the directors of the Company during the year are as follows:

	Board		Audit Committee		Remuneration, Nomination and Governance Committee[i]	
	(a)	(b)	(a)	(b)	(a)	(b)
A Beckmand	14	14	–	–	–	–
PR Bilbe	14	14	4	4	1	1
A Mehra	14	14	4	4	1	1
FH Tschudi	14	13	4	3	1	1
PS Larsen[i]	1	1	1	1	–	–
PC Church	9	8	–	–	–	–

(a) Number of meetings held during period of office
(b) Number of meetings attended
(i) As alternate for Mr Tschudi.

Remuneration, Nomination, and Governance Committee

The committee considers remuneration packages and policies applicable to the executive directors, senior executives, and non-executive directors. It is also responsible for share option schemes, Employee Share Plans, incentive performance packages, and retirement and termination entitlements. Many of these matters are also considered by the full Board rather than the Committee. Members of the committee are Mr Felix Tschudi (Chairman), Mr Peter Bilbe and Mr Ashwath Mehra.

Names and Qualifications of Audit Committee Members

The committee is to include at least three members. Current members of the committee are Mr Ashwath Mehra (Chair), Mr Peter Bilbe and Mr Felix Tschudi (with Mr Peter Larsen as his alternate). Qualifications of Audit Committee members are provided in the directors section of this Directors' Report.

Proceedings on Behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Rounding of Amounts

The Company is a company of the kind referred to in Class Order 98/100 issued by the Australian Securities and Investments Commission relating to the rounding off of amounts in the Directors' Report and financial report.

Amounts in the Directors' Report and financial report have been rounded-off to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

Directors' Report

For the year ended 31 December 2014

Non-Audit Services

Details of amounts paid or payable to the auditors for non-audit services provided during the year by the auditors are outlined in Note 5 to the financial statements.

The directors are satisfied that the provision of non-audit services, during the year, by the auditors (or by persons or firms on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services disclosed in Note 5 to the financial statements do not compromise the external auditor's independence, based on advice received from the audit committee, for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditors, and
- none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Lead Auditor's Independence Declaration

The lead auditor's independence declaration, as required under Section 307C of the Corporations Act, is set out on page 29 and forms part of the Directors' Report for the financial year ended 31 December 2014.

The directors' report is signed in accordance with a resolution of the directors made pursuant to S.292(2) of the Corporations Act 2001.

Antony Beckmand
Managing Director and Chief Executive Officer

Kirkenes, 31 March 2015

Peter Bilbe
Chairman

Perth, 31 March 2015

Auditor's Independence Declaration

For the year ended 31 December 2014

HLB Mann Judd

Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Northern Iron Limited for the year ended 31 December 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) any applicable code of professional conduct in relation to the audit.

Perth, Western Australia
31 March 2015

N G Neill
Partner, HLB Mann Judd

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Email: hlb@hlbwa.com.au. Website: http://www.hlb.com.au

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2014

	Notes	2014 US$000	2013 US$000
Continuing operations			
Revenue	4	182,042	204,554
Other operating income	4	689	478
Mining and processing expenses	4	(180,908)	(175,302)
Depreciation and amortisation		(23,337)	(22,288)
Impairment losses		(71,300)	–
Administration expenses	4	(5,430)	(7,372)
Foreign exchange (loss)/gain		(3,493)	3,162
Hedging loss	4	(33,435)	(6,702)
Share-based payments expense		(70)	–
Results from operating activities		**(135,242)**	**(3,470)**
Finance income	4	127	174
Finance expense	4	(14,135)	(4,705)
Net finance expense		(14,008)	(4,531)
Loss before income tax		**(149,250)**	**(8,001)**
Income tax (expense)/benefit	7	(31,445)	6,347
Loss from continuing operations		**(180,695)**	**(1,654)**
Other comprehensive income			
Items which may be reclassified to profit or loss			
Exchange differences arising on translation of foreign operations		(14,352)	(37,243)
Exchange differences arising on translation of foreign loan		14,191	36,231
Income tax on other comprehensive income		–	–
Other comprehensive loss for the year net of income tax		(161)	(1,012)
Total comprehensive loss for the year net of tax		**(180,856)**	**(2,666)**
Basic loss per share from continuing operations (cents per share)	6	(37.30)	(0.34)

The Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes to the financial statements.

Consolidated Statement of Financial Position

As at 31 December 2014

	Notes	2014 US$000	2013 US$000
Current assets			
Cash and cash equivalents	20(b)	6,618	19,446
Trade and other receivables	9	20,655	33,842
Derivative financial assets	10	–	534
Inventory	11	19,768	28,177
Prepayments		249	332
Total current assets		**47,290**	**82,331**
Non-current assets			
Trade and other receivables	9	1,505	1,181
Mine properties	12	39,537	60,071
Property, plant and equipment	13	157,411	230,066
Deferred tax asset	8	3	31,309
Total non-current assets		**198,456**	**322,627**
Total assets		**245,746**	**404,958**
Current liabilities			
Trade and other payables	15	24,928	31,437
Derivative financial liabilities	16	40,612	7,063
Provisions	17	5,739	365
Current tax liabilities	7	129	340
Interest bearing loans and borrowings	18	37,949	50,248
Total current liabilities		**109,357**	**89,453**
Non-current liabilities			
Provisions	17	12,096	1,847
Interest bearing loans and borrowings	18	28,391	36,970
Total non-current liabilities		**40,487**	**38,817**
Total liabilities		**149,844**	**128,270**
Net assets		**95,902**	**276,688**
Equity			
Issued capital	19	380,761	380,761
Reserves		16,722	16,813
Accumulated losses		(301,581)	(120,886)
Total equity		**95,902**	**276,688**

The Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes to the financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Issued capital US$000	Foreign currency translation reserve US$000	Share based payments reserve US$000	Accumulated losses US$000	Total US$000
Balance at 1 January 2013	**380,761**	**13,778**	**4,047**	**(119,232)**	**279,354**
Profit from continuing operations	–	–	–	(1,654)	(1,654)
Other comprehensive income	–	(1,012)	–	–	(1,012)
Total comprehensive income	**–**	**(1,012)**	**–**	**(1,654)**	**(2,666)**
Balance at 31 December 2013	**380,761**	**12,766**	**4,047**	**(120,886)**	**276,688**
Profit from continuing operations	–	–	–	(180,695)	(180,695)
Other comprehensive income	–	(161)	–	–	(161)
Total comprehensive income	**–**	**(161)**	**–**	**(180,695)**	**(180,856)**
Share based payments	–	–	70	–	70
Balance at 31 December 2014	**380,761**	**12,605**	**4,117**	**(301,581)**	**95,902**

The Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes to the financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	Notes	2014 US$000	2013 US$000
Cash flows from operating activities			
Receipts from customers		192,508	207,688
Payments to suppliers and employees		(176,463)	(183,969)
Income tax paid		(320)	–
Finance income		127	174
Finance expense		(3,856)	(5,336)
Net cash flows provided by operating activities	20(a)	**11,996**	**18,557**
Cash flows from investing activities			
Payments for mine property		(2,637)	(2,703)
Payments for exploration and evaluation		–	(35)
Payments for deferred waste		–	(7,987)
Payments for property, plant and equipment		(2,847)	(6,369)
Net security deposits lodged		(632)	(712)
Net cash flows used in investing activities		**(6,116)**	**(17,806)**
Cash flows from financing activities			
Proceeds from interest bearing loans and borrowings		–	3,772
Payment of interest bearing loans and borrowings		(16,658)	(18,504)
Net cash flows (used in)/provided by financing activities		**(16,658)**	**(14,732)**
Net (decrease)/increase in cash and cash equivalents		**(10,778)**	**(13,981)**
Cash and cash equivalents at the beginning of the financial year		19,446	32,379
Effect of foreign exchange on the balances of cash and cash equivalents held in foreign currencies at the beginning of the year		(2,050)	1,048
Cash and cash equivalents at the end of the year	20(b)	**6,618**	**19,446**

The Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes to the financial statements.

Notes to the Financial Statements

For the year ended 31 December 2014

Note 1. Reporting Entity

The consolidated financial report of the Company for the financial year ended 31 December 2014 comprises the Company and its subsidiaries (the "Group").

Note 2. Basis of Preparation of the Financial Report

The financial report is a general purpose financial report prepared in accordance with Australian Accounting Standards ("AASBs") (including Australian Accounting Interpretations), as adopted by the Australian Accounting Standards Board ("AASB"), and the Corporations Act 2001.

The financial report has also been prepared on a historical cost basis, except for derivative financial instruments which have been measured at fair value. Cost is based on the fair values of the consideration given in exchange for assets.

The financial report is presented in United States dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated under the option available to the Company under ASIC Class Order 98/100. The Company is an entity to which the class order applies.

The Company is a listed public company, incorporated in Australia and operating in Norway and Switzerland. The entity's principal activities are included in the operating and financial review as set out on pages 5 to 14.

Statement of compliance

The financial report was authorised for issue on 31 March 2015.

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

Going concern

The financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The current economic environment is difficult and the Company has recorded a net loss after tax of US$180,695,000 for the year. As at 31 December 2014, the Group had cash reserves of US$6,618,000 and a net working capital deficit of US$62,067,000. Net loss after tax has been calculated after deducting non-cash items totalling US$128,072,000 (see also Note 20) including impairment losses of US$71,300,000 and unrealised hedging losses of US$33,435,000 as well as depreciation of property, plant and equipment and other non-current assets of US$23,337,000.

Whilst the Directors have instituted measures to preserve cash, reduce costs and secure additional finance, material uncertainties over future results and cash flows exist. At the time of issuing the financial statements, the Group has yet to negotiate a long-term extension of the maturity of its debts and further negotiation with the Group's major offtake partner are also considered necessary. A temporary extension until the end of June 2015 has been agreed with all financiers.

Significant efforts have been made to engage with stakeholders to provide additional working capital for the business. In the third quarter of 2014, the Group agreed with its main offtake customer a variation to the existing long-term agreement resulting in higher prices being realised. Negotiations with financiers and the Group's main offtake partner continued towards the end of the calendar year, with the aim of further bolstering the Group's financial position.

Subsequent to year-end the Group received further support from its financiers with a new working capital facility being established in the amount of US$10 million, largely to cover anticipated losses under foreign exchange hedge contracts, as well as granting a repayment and interest holiday initially to the end of March 2015. During March 2015 the Group agreed with its financiers to extend the repayment and interest holiday until 30 June 2015. In addition, the financiers of the Group, granted additional working capital funding and an undertaking to fund anticipated future losses under foreign exchange hedge contracts for the year 2015.

On 25 March 2015 the Group signed an addendum with its major offtake partner, according to which the pricing support agreed in the third quarter of 2014 has been extended until 30 June 2015. In addition to this extension of the pricing support, improved payment terms have been agreed until 30 June 2015.

In addition, specific actions taken by the Group to improve liquidity include:

- Termination of certain major contracts and insourcing of work, which is expected to offer significant savings for the Group materialising over the coming months.
- Identification of low cost improvements to increase output.
- Optimising the mine plan to reduce short to medium term stripping requirements.
- Working closely with key suppliers to deliver further cost savings.
- Voluntary payroll reduction across all levels of the Group.

The Group is implementing continuous restructuring and working actively on both structural and operational measures. This work is in co-operation with the Group's financiers and major offtake partner. Discussions between the Group and stakeholders are underway with the aim of finding a long term sustainable solution ensuring the continued operation of the Group. Based on negotiations conducted and agreements reached to date, the Directors have a reasonable expectation that a successful solution can be achieved. This work will continue, and is in line with the stated aim and continued support from stakeholders, as demonstrated by the additional funding and liquidity support received in the first quarter of 2015.

In summary, the Group is actively working to streamline operations, cut costs further where possible, achieving prolongation on the maturity of its debt, while working actively with potential strategic investors.

The main liquidity risk facing the Group is that it may be unable to find a lasting solution to the Group's debt maturing 30 June 2015 or to conclude a long term solution with potential investors and its major offtake partner. Other factors, including the potential for further weakness in the iron-ore price environment and/or operational factors affecting the Group's ability to maintain and build upon recent improvements in production and performance also have the potential to impact negatively on the ability of the Group to continue as a going concern.

Notwithstanding this, the financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and liabilities in the ordinary course of business.

After considering the circumstances described above, and given the continuing efforts to secure new funding and a strategic long-term solution, the Directors continue to adopt the going concern basis of accounting. However, should such solution not be found, the Directors will need to reassess the Group's ability to continue as a going concern.

The Directors consider the Group is a going concern, recognising that the Group will require additional funding, and the successful completion of the initiatives stated above to enable the Group to continue to fund its operations during the twelve month period from the date of signing this Financial Report. If the Group is unable to successfully secure additional funding and complete these initiatives there is a material uncertainty that may cast doubt on the Group's ability to continue as a going concern, and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial statements.

Basis of measurement

The financial report is prepared on a historical cost basis, except for derivative financial instruments that have been measured at fair value.

Functional and presentation currency

The consolidated financial statements are presented in United States dollars (US$), which is the Company's presentation currency.

Use of estimates and judgements

The preparation of the financial report requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year and judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements, are as follows:

(i) Impairment

The recoverability of the carrying amount of property, plant and equipment and mineral interests has been reviewed by the Company. In conducting the review, the recoverable amount has been assessed by reference to the higher of 'fair value less costs to sell' and 'value in use'. In determining value in use, future cash flows are based on estimates of:

- Quantities of ore reserves and mineral resources;
- Future production levels and sales;
- Timing of future production;
- Future exchange rates;
- Future commodity prices; and
- Future cash costs of production and capital expenditure.

The recoverable amount is sensitive to the discount rate used in the discounted cash flow model as well as the expected cash inflows. Additionally the recoverability of the Company's investments in its subsidiaries has been reviewed. Variations to the expected future cash flows, and timing thereof, could result in significant changes to the impairment test results, which could in turn impact future financial results.

Note 2. Basis Of Preparation Of The Financial Report (continued)

The Company has prepared a budget for the life of the mine which indicates that the impairment loss recorded in the financial statements as at 31 December 2014 is sufficient based on the internal assumptions, estimates and judgements. This budget assumes that production targets will be met and iron ore prices will be in line with market prices of quarter 4 2014 and that the concentrate tonnage produced will be sold. The Company cannot foresee developments in prices or that the concentrate tonnage will be produced and sold as contemplated under the sales arrangements in place. In the event that production targets were not met or prices were to fall significantly further and/or customers were unable to take the committed tonnage, the Company may need to raise additional funding to be a going concern.

(ii) Deferred tax asset

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The Group's carrying value of recognised deferred tax assets at 31 December 2014 was US$nil (2013: US$31,309,000). The estimated value of Group unrecognised deferred tax assets at 31 December 2014 was US$86,672,000 (2013: US$14,763,000). For reasons of prudency, the deferred tax asset has been derecognised as a direct consequence of the falling iron ore prices and the comprehensive requirements in IAS 12 for recognition of tax assets.

(iii) Provisions

The Group has recognised provisions for an onerous sales contract, environmental restoration, post-closure tailings monitoring, and mining fleet and automobile insurance. These provisions are measured based on the management's estimates of:

- probable amount of resources that will be required to settle the obligation; and
- timing of settlement.

Such estimates are subjective and there may be a need to correct the book value of the provisions as a result of changes in estimates.

(iv) Exploration for, evaluation of and development of mineral resources

Expenses for exploration, evaluation and development of mineral resources are capitalised in accordance with the accounting policy in Notes 3(g) and 3(i). Determining the amount to be capitalised requires management to estimate in which phase the project is and make assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits. At 31 December 2014, the Group's carrying amount of capitalised mine properties was US$39,537,000 (2013: US$60,071,000).

(v) Functional currency

Companies in the Group have to determine their functional currencies based on the primary economic environment in which each entity operates. In order to do that, the management has to analyse several factors, including which currency mainly influences sales prices of product sold by the entity, which currency influences the main expenses of providing services, in which currency the entity has received financing, and in which currency it keeps its receipts from operating activities.

For Sydvaranger Gruve AS, the above indicators are mixed and the functional currency is not obvious. Management used its judgment to determine which factors are most important and concluded the US$ is the functional currency for that company.

For Northern Iron Marketing AG, management have determined that the US$ is the functional currency for that company given that its revenue will mostly be in US$ and it has very few expenses in other currencies.

For Northern Iron Limited, management have determined that the Australian dollar is the functional currency for that company given that its revenue and expenses will mostly be in A$.

The presentation currency of Northern Iron Limited and the Group is US$.

(vi) Deferred waste

The Group has adopted a policy of deferring all waste development costs and amortising them in accordance with the accounting policy in Note 2(vii) below. Significant judgement is required in determining the amortisation rate. Factors that are considered include:

- Any proposed changes in the design of the mine;
- Estimates of the quantities of ore reserve and mineral resources for which there is a high degree of confidence of economic extraction;
- Future production levels;
- Future commodity prices; and
- Future cash costs of production and capital expenditure.

(vii) Unit of production method of depreciation

The Group applies the units of production method of depreciation to its mine assets based on ore tonnes mined. These calculations require the use of estimates and assumptions. Significant judgement is required in assessing the available reserves and resources and the production capacity of the operations to be depreciated under this method. Factors that are considered in determining reserves and resources and production capacity are the Group's history of converting resources to reserves and the relevant time frames, the complexity of metallurgy, markets, and future developments. The Group uses economically recoverable mineral resources (comprising proven and probable reserves plus, where appropriate, a portion of measured resources) to depreciate assets on a unit of production basis. However, where a mineral interest has been acquired, and an amount has been attributed to the fair value of resources not yet designated as reserves, the additional resources have been taken into account. When these factors change or become known in the future, such differences will impact pre-tax profit and carrying values of assets.

(viii) Leased assets and finance lease liability

Sydvaranger Gruve AS has a finance lease agreement with a related company, Tschudi Bulk Terminal AS, regarding concentrate storage, handling and ship loading facilities. These assets were initially recorded in the financial statements with an amount of US$27,900,000 together with an equivalent finance lease liability. Payments of principal and interest amounting to US$3,115,000 were made toward the lease obligation during 2014. The lease payment ends in December 2018. However, the lease will be in effect until 31 December 2034 with the option to extend for two periods each of ten years. Repayments on the facility are in NOK, payable monthly and include interest at a rate of 8.42% per annum.

Note 3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial report. The accounting policies have been applied consistently by all entities in the Group.

Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Basis of consolidation

(a) Subsidiaries

The consolidated financial report comprises the financial statements of the Company and its controlled entities. A controlled entity is any entity controlled by the Company whereby the parent entity has the power to control the financial and operating policies of an entity so as to obtain benefits from its activities.

All inter-company balances and transactions between entities in the Group, including any unrealised profits or losses, have been eliminated on consolidation.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those applied by the parent entity.

Where a subsidiary enters or leaves the Group during the year, its operating results are included or excluded from the date control was obtained or until the date control ceased.

Investments in subsidiaries are carried at cost in the Company's financial statements.

Northern Iron Marketing AG was established in April 2009 for the purpose of sales and marketing of iron ore concentrate from the Sydvaranger iron project.

In July 2012 Sydvaranger Gruve AS registered a new subsidiary, Sydvaranger Malmtransport AS (SMT) to manage and operate the railway between Kirkenes and Bjørnevatn. Due to Sydvaranger Gruve's 100% ownership of SMT and itself being owned 100% by the parent company, Northern Iron Limited, the Company was successful in its application to the tax authorities (Skattedirektoratet) to avoid consolidation at the SVG/SMT level. SMT has remained mostly inactive during the 2014 year with mainly accounting fees and taxation assistance being expensed during the period. Therefore the carrying amount of the investment in the subsidiary of US$19,000 remains unchanged from inception.

(b) Business combinations

All business combinations are accounted for by applying the purchase method which includes the reverse acquisition method. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the Group's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the Statement of Comprehensive Income, but only after a reassessment of the identification and measurement of the net assets acquired.

Note 3. Significant Accounting Policies (continued)

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange using the entity's incremental borrowing rate.

Goodwill on business combination

Goodwill represents the differences between the cost of the acquisition and the fair value of the identifiable net assets acquired. Goodwill is stated at cost less any accumulated impairment losses.

Goodwill is not amortised but is allocated to cash generating units and tested annually for impairment.

(c) Income tax

The charge for current income tax expense is based on the result for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by balance date.

Deferred tax is accounted for using the liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is recognised in the Statement of Comprehensive Income except where it relates to items recognised directly in equity, in which case it is recognised in equity. Deferred income tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and tax losses. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law. The carrying amount of deferred tax assets is reviewed at each balance date and only recognised to the extent that sufficient future assessable income is expected to be obtained.

(d) Recoverable amount of assets and impairment testing

Assets that have an indefinite useful life are not subject to depreciation and are tested annually for impairment by estimating their recoverable amount.

Assets that are subject to depreciation are reviewed annually to determine whether there is any indication of impairment. Where such an indicator exists, a formal assessment of recoverable amount is then made. Where this is in excess of carrying amount, the asset is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. Value in use is the present value of the future cash flows expected to be derived from the asset or cash generating unit. In estimating value in use, a pre-tax discount rate is used which reflects the current market assessments of the time value of money and the risks specific to the asset. Any resulting impairment loss is recognised immediately in the Statement of Comprehensive Income.

(e) Trade receivables

Trade receivables are stated at fair value and subsequently measured at amortised cost, less impairment losses. Impairment testing is carried out in accordance with Note 3(d).

(f) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less any estimated selling costs. Cost includes those costs incurred in bringing each component of inventory to its present location and condition.

(g) Mine properties

Mine property and development assets include costs transferred from exploration and evaluation assets once technical feasibility and commercial viability of an area of interest are demonstrable, together with subsequent costs to develop the asset to the production phase. Where the directors decide that specific costs will not be recovered from future development, those costs are charged to the Statement of Comprehensive Income during the financial period in which the decision is made.

Depreciation of mining property and development costs is calculated on a unit of production basis so as to write off the costs in proportion to the depletion of the estimated recoverable reserves.

(h) Property, plant and equipment

Recognition and measurement
All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an item also includes the initial estimate of the costs of dismantling and removing an item and restoring the site on which it is located.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

Impairment
The carrying amount of property, plant and equipment is reviewed at each balance date to determine whether there are any objective indicators of impairment that may indicate the carrying values may not be recoverable in whole or in part. Impairment testing is carried out in accordance with Note 3(d). Where an asset does not generate cash flows that are largely independent it is assigned to a cash generating unit and the recoverable amount test applied to the cash generating unit as a whole.

If the carrying value of the asset is determined to be in excess of its recoverable amount, the asset or cash generating unit is written down to its recoverable amount.

Depreciation
Depreciation on plant and equipment is calculated on a straight line basis over expected useful life to the Group commencing from the time the asset is held ready for use. The following useful lives are used in the calculation of depreciation:

Buildings	20 years
Plant and equipment	15 to 20 years
Railway and rolling stock	15 to 20 years
Mobile fleet	4 to 10 years
Furniture, fixtures and office equipment	3 to 10 years
Licenses	5 years

Assets held under a finance lease are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at least annually.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the Statement of Comprehensive Income.

(i) Intangible assets

Exploration and evaluation expenditure
Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that the Group's rights of tenure to the area are current and that the costs are expected to be recouped through the successful development of the area, or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Each area of interest is assessed for impairment to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Impairment testing is carried out in accordance with Note 3(d). Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from intangible assets to mine properties.

(j) Provisions
Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions are determined by discounting the expected future cash flows at a pre-tax discount rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Restoration costs
The amount of the provision for future restoration and rehabilitation costs is capitalised and depreciated in accordance with the policy set out in Note 3(g). The unwinding of the effect of discounting on the provision is recognised as an interest cost.

Note 3. Significant Accounting Policies (continued)

(k) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments that are operating in other economic environments.

(l) Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. Leases which transfer to a lessee substantially all the risks and benefits incidental to ownership of the leased asset are classified as finance leases. Other lease agreements are treated as operating leases.

Finance leases are capitalised at the inception of the lease at the fair value of the leased assets or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income except for borrowing costs related to the financing of the assets constructed for own use (during the construction period). Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the Statement of Comprehensive Income on a straight-line basis over the lease term.

(m) Investments and other financial assets

The Group determines the classification of its financial instruments at initial recognition and re-evaluates this designation at each reporting date.

Fair value is the measurement basis, with the exception of held-to-maturity investments and loans and receivables which are measured at amortised cost. Fair value is inclusive of transaction costs. Changes in fair value are either taken to the Statement of Comprehensive Income or to an equity reserve (refer below).

Fair value is determined based on current bid prices for all quoted investments. If there is not an active market for a financial asset fair value is measured using established valuation techniques.

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets are impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists, the cumulative loss is removed from equity and recognised in the Statement of Comprehensive Income.

(i) Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the Statement of Comprehensive Income in the period in which they arise.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method, less any impairment losses.

(iii) Held-to-maturity investments

These investments have fixed maturities, and it is the Group's intention to hold these investments to maturity. Held-to-maturity investments are stated at amortised cost using the effective interest rate method.

(iv) Available-for-sale financial assets

Available for sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not included in any of the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity in an available-for-sale investments revaluation reserve. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the Statement of Comprehensive Income as gains and losses from investment securities.

(v) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

(n) Foreign currency

Functional and presentation currency
The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates (the "functional" currency). The consolidated financial statements are presented in US$ which is the parent entity's presentation currency.

Transactions and balances
Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary assets and liabilities are translated at the exchange rate at Statement of Financial Position date. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction.

Exchange differences arising on the translation of monetary items are recognised in the Statement of Comprehensive Income, except where deferred in equity as a qualifying cash flow or net investment hedge.

Translation differences arising on non-monetary items, such as equities held at fair value through profit and loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

Foreign operations
The financial performance and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at exchange rates prevailing at Statement of Financial Position date.
- income and expenses are translated at average exchange rates for the period.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve as a separate component of equity. These differences are recognised in the Statement of Comprehensive Income upon disposal of the foreign operation.

(o) Share capital

Incremental costs directly attributable to an equity transaction are shown as a deduction from equity, net of any recognised income tax benefit.

(p) Earnings per share

The Group presents basic and diluted earnings per share ("EPS") for its ordinary shares.

Basic EPS is calculated by dividing the result attributable to equity holders of the Company by the weighted number of shares outstanding during the period.

Diluted EPS is determined by adjusting the result attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all potential ordinary shares, which comprise share options granted.

(q) Employee benefits

Wages and salaries, annual leave
Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled wholly within one year have been measured at the undiscounted amounts expected to be paid when the liability is settled, plus related on-costs.

(r) Share based payments – shares, options and performance rights

The fair value of shares, share options and performance rights granted is recognised as an expense with a corresponding increase in equity. Fair value is measured at grant date and recognised over the period during which the grantees become unconditionally entitled to the shares or share options.

The fair value of share grants at grant date is determined by the share price at that time.

The fair value of share options at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, any vesting and performance criteria, the share price at grant date, the expected price volatility of the underlying share, the expected dividend yield and the risk free rate for the term of the option. Upon the exercise of the option, the balance of the share-based payments reserve relating to the option is transferred to share capital.

The fair value of performance rights at grant date is calculated on assumptions in respect of market based vesting conditions, probabilities of achieving non-market based performance hurdles, and volatility in Northern Iron's share price.

(s) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held at call with banks, and other short-term highly liquid investments.

Note 3. Significant Accounting Policies (continued)

(t) Goods and services tax

Revenues, expenses, and assets are recognised net of the amount of Australian goods and services tax ("GST") and Norwegian value added tax ("VAT"), except where the amount of GST or VAT incurred is not recoverable from the taxation authorities. In these circumstances the GST or VAT is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST and VAT.

Cash flows are presented in the Statement of Cash Flows on a gross basis, except for the GST or VAT components of investing and financing activities, which are disclosed as operating cash flows.

(u) Trade and other payables

Trade and other payables are stated at amortised cost. The amounts are unsecured and usually paid within 45 days of recognition.

(v) Financial liabilities

Financial liabilities within the scope of AASB 39 are classified as financial liabilities at fair value through the profit or loss, borrowings, or as derivatives as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, borrowings and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depend of their classification as follows:

Financial liabilities at fair value through the profit or loss

Financial liabilities at fair value through the profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by AASB 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the Statement of Comprehensive Income.

Borrowings

After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the Statement of Comprehensive Income when the liabilities are derecognised as well as through the Effective Interest Rate method (EIR) amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR is included in finance expense in the Statement of Comprehensive Income.

The EIR is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled, or expired.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include recent arm's length market transactions, references to the current fair value of another instrument that is substantially the same, discounted cash flow analysis or other valuation models.

(w) Interest expenses

Interest expenses comprise interest expense on borrowings and the unwinding of the discount on provisions.

(x) Derivative financial instruments

The Group may use foreign currency contracts to hedge its risks associated with foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date the derivative contract is entered into and are subsequently remeasured to fair value.

Any gains and losses arising from changes in the fair value of derivatives, except those that relate to the effective portion of cash flow hedges, are taken directly to the profit or loss for the year.

The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

For the purpose of hedge accounting, hedges are classified as either fair value hedges when they hedge exposure to changes in the fair value of a recognised asset or liability; or cash flow hedges where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction.

Cash flow hedges – forward foreign currency contracts

In relation to cash flow hedges (forward foreign currency contracts) to hedge firm commitments which meet the conditions for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in other comprehensive income and the ineffective portion is recognised directly in profit or loss.

When the hedged firm commitment results in the recognition of an asset or liability, then at the time the asset or liability is recognised, the associated gains or losses that had previously been recognised in equity are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability.

For all other cash flow hedges, the gains or losses that are recognised in equity are transferred to the Statement of Comprehensive Income in the same year in which the hedged firm commitment affects the net profit and loss, for example, when the sale occurs.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting.

At that point in time, any accumulated gain or loss on the hedging instrument recognised in equity is kept in equity until the forecast transaction occurs.

If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the Statement of Comprehensive Income.

(y) Revenue

Revenue is recognised and measured at the fair value of consideration received or receivable to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably.

Interest

Revenue is recognised as interest accrues using the effective interest rate method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(z) Contingent liabilities

Contingent liabilities are defined as:

- possible obligations resulting from past events whose existence depends on future events;
- obligations that are not recognised because it is not probable that they will lead to an outflow of resources; or
- obligations that cannot be measured with sufficient reliability.

Contingent liabilities are not recognised in the Statement of Financial Position, but are disclosed in the notes to the financial statements, with the exception of contingent liabilities where the probability of the liability occurring is remote.

(aa) Adoption of new and revised standards

For the year ended 31 December 2014, the directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 January 2014.

It has been determined by the directors that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

The directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 31 December 2014. As a result of this review, the directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Group accounting policies.

Notes to the Financial Statements

For the year ended 31 December 2014

Note 4. Revenue and Expenses

	Notes	2014 US$000	2013 US$000
Revenue and expenses from continuing operations has been arrived at after (charging)/crediting:			
Revenue			
Sale of ore		182,042	204,554
Other operating income		689	478
Mining and processing expenses			
Net ore inventory movement	11	(10,245)	913
Operational expenses of mining and production activities		(81,368)	(83,875)
Freight costs		(5,893)	(5,149)
Utilities, maintenance		(35,305)	(39,249)
Real estate expenses		(4,060)	(4,014)
Personnel expenses		(42,435)	(43,609)
Other expenses		(1,602)	(319)
		(180,908)	(175,302)
Depreciation and amortisation			
Depreciation of property, plant and equipment	13	(19,589)	(20,946)
Amortisation expensed	12	(3,748)	(1,342)
		(23,337)	(22,288)
Impairment losses			
Impairment of property, plant and equipment	14	(56,972)	–
Impairment of mine properties	14	(14,328)	–
		(71,300)	–
Administration expenses			
Advisory services and other similar fees		(1,949)	(3,099)
Directors' fees		(244)	(289)
Travel and accommodation		(462)	(471)
Other		(2,768)	(3,505)
Depreciation of non-current assets	13	(7)	(8)
		(5,430)	(7,372)
Hedging loss(i)		(33,435)	(6,702)
Finance income			
Interest – external parties		127	174
Finance and borrowing costs			
Interest – external parties		(4,041)	(4,600)
Finance charges – changes in provisions	17	(10,094)	(105)
Total finance and borrowing costs		(14,135)	(4,705)
Operating expenses above includes			
Operating lease rental – minimum lease payments		(4,356)	(4,103)

(i) Hedging losses for the 2014 year of US$33,435,000 (2013: US$6,702,000) consists of realised gains of US$121,000 (2013: US$nil) and unrealised losses of US$876,000 (2013: US$1,267,000) on electricity hedging contracts, a net gain of US$7,246,000 (2013: US$5,300,000) on iron ore price hedging contracts, and realised losses of US$132,000 and unrealised losses of US$39,794,000 on foreign exchange contracts.

Note 5. Auditors' Remuneration

	2014 US$	2013 US$
Audit services		
Auditors of the Company (HLB Mann Judd)		
– for an audit or review of the financial report	78,396	83,300
Other auditors (Ernst & Young AS)		
– for an audit or review of subsidiary Sydvaranger Gruve AS in Norway	146,677	125,746
Other auditors (Ernst & Young Ltd)		
– for an audit or review of subsidiary Northern Iron Marketing AG in Switzerland	42,286	38,935
Other services		
Auditors of the Company		
– other services	3,852	–
– taxation services	4,686	4,056
Other Auditors (Ernst & Young AS)		
– taxation services	18,334	25,787
	294,231	277,824

Note 6. Earnings Per Share

The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:

	2014 US$000	2013 US$000
Basic loss per share from continuing operations (cents per share)	(37.30)	(0.34)
Loss used in calculating basic and diluted earnings per share	(180,695)	(1,654)

	Number of shares	
Weighted average number of ordinary shares used in calculating the basic earnings per share(i)	484,405,314	484,405,314

(i) Options on issue are not considered dilutive in the current and prior year as they are anti-dilutive.

Note 7. Income Tax Expense

	Notes	2014 US$000	2013 US$000
Income tax expense/(benefit) recognised in profit or loss			
The major components of the tax expense/(benefit) are:			
Current tax payable		129	340
Movement in deferred tax		31,316	(6,687)
Income tax (benefit)/expense		31,445	(6,347)
The prima facie income tax benefit on pre-tax accounting profit from operations reconciles to the income tax (benefit)/expense in the financial statements as follows:			
Loss before income tax		(149,250)	(8,001)
Income tax benefit calculated at 30%		(44,775)	(2,400)
Tax effect of:			
Expenses that are not deductible in determining taxable profit		4,231	375
Unrealised derivative loss, representation, gifts and union membership fees		11,671	8
Unrealised permanent difference due to taxable income from currency gain/(loss) on interest bearing borrowings (unrealised)		(9,716)	(5,497)
Change in tax rate of subsidiaries operating in other jurisdictions		–	1,159
Derecognition of net deferred tax asset		31,309	–
Unrecognised deferred tax assets		34,376	138
Share-based payments expense		18	–
Different tax rates of subsidiaries operating in other jurisdictions		4,323	(130)
Under provision for income tax		8	–
Income tax (benefit)/expense		31,445	(6,347)
Unrecognised net deferred tax assets			
Deferred tax assets have not been recognised in respect of the following items:			
Statement of Financial Position			
Deductible temporary differences		5,866	8,026
Tax losses		80,806	6,737
Accrued income		–	–
	2	86,672	14,763
Statement of changes in equity			
Share issue costs		–	10

Note 8. Deferred Tax

	Notes	2014 US$000	2013 US$000
Recognised net deferred tax assets			
Deferred tax assets and liabilities have been recognised in respect of the following items:			
Deferred tax assets, comprising:			
Deductible temporary differences		3	501
Tax losses		–	68,335
		3	68,837
Deferred tax liabilities, comprising:			
Property, plant and equipment		–	33,214
Finance lease		–	4,313
		–	37,527
Net deferred tax asset recognised	2	3	31,309
Change in deferred income tax relates to the following:			
Balance at beginning of the year		31,309	24,622
Provisions		(493)	(17)
Losses carried forward		(68,335)	3,018
Others		(5)	(3)
Property, plant and equipment		33,214	4,674
Finance lease – concentrate storage, handling and ship loading facility		4,313	175
Change in tax rate		–	(1,160)
Balance at end of the year		3	31,309

Deferred tax assets are recognised for the carry-forward of unused tax losses and unused tax credits to the extent that it is probable taxable profits will be available against which the unused tax losses/credits can be utilised. For reasons of prudency, the deferred tax asset has been derecognised as a direct consequence of the falling iron ore prices and the comprehensive requirements in IAS 12 for recognition of tax assets.

The Group has recognised deferred tax assets amounting to US$3,000 as of 31 December 2014 (2013: US$31,309,000). The tax losses and credits, from which deferred tax assets arise, relate to Norwegian tax regulations under which tax losses are available indefinitely for offset against future taxable profits.

Note 9. Trade and Other Receivables

	2014 US$000	2013 US$000
Current		
Trade and other receivables(i)	14,886	28,455
VAT Refundable	1,092	4,500
Security deposit(ii)	218	262
Other receivable(iii)	–	247
Accrued income(iv)	4,459	378
	20,655	33,842
Non-Current		
Security deposits(v)	1,505	1,181
	1,505	1,181

(i) The average credit period on sales of iron ore is 43 days, and is interest free. No allowance for unrecoverable trade receivables has been made, determined by reference to past experience.

(ii) Guarantee for operational payments.

(iii) The receivable from EPC Norge AS in 2013 was received during 2014.

(iv) Accrued income relates to carbon dioxide compensation for increased electricity prices as a result of the European Union's emissions trading system. Also included is income from sales of ore concentrate.

(v) Security deposits consist of accommodation rent agreement deposits and long-term deposits that can only be used for restoration works of mineral properties and post-closure monitoring of re-established marine life in the tailings deposit area of the fjord.

Note 10. Derivative Financial Assets

	2014 US$000	2013 US$000
Current		
Derivatives that are carried at fair value		
Currency forward contracts	–	534

Note 11. Inventory

	2014 US$000	2013 US$000
Production supplies		
Balance at the beginning of the year	10,449	10,639
Increase/(Decrease) in Production supplies	367	(190)
Balance at the end of the year	10,816	10,449
Work in progress		
Balance at the beginning of the year	6,094	4,017
Increase/(Decrease) in Inventory volume	471	2,170
Increase/(Decrease) in Inventory valuation	(2,289)	(93)
Balance at the end of the year	4,276	6,094
Finished goods		
Balance at the beginning of the year	11,634	7,815
Increase/(Decrease) in Inventory volume	(4,104)	4,603
Increase/(Decrease) in Inventory valuation	(2,854)	(784)
Balance at the end of the year	4,676	11,634
Total inventory		
Balance at the beginning of the year	28,177	22,471
Increase/(Decrease) in Production supplies	367	(190)
Increase/(Decrease) in Inventory volume	(3,632)	6,773
Increase/(Decrease) in Inventory valuation	(5,144)	(877)
Balance at the end of the year	19,768	28,177

Inventories are stated at the lower of cost and net realisable value. At 31 December 2014 production supplies, were stated at cost whilst work-in-progress and finished goods were stated at net realisable value. At 31 December 2013 production supplies, work-in-progress and finished goods were stated at cost. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Write downs of inventories to net realisable value recognised as an expense during the period to 31 December 2014 amounted to US$5,144,000 (2013: US$nil) and are included in Note 4 "Net ore inventory movement".

DNB Bank and Innovasjon Norge share a fixed and floating charge over all inventories.

Notes to the Financial Statements

For the year ended 31 December 2014

Note 12. Mine Properties

	2014 US$000	2013 US$000
Non-Current		
Exploration and evaluation(i)	–	17
Mine property(ii)	39,537	56,055
Deferred waste(iii)	–	3,999
Balance at the end of the year	39,537	60,071

(i) Exploration and evaluation

	2014 US$000	2013 US$000
Non-Current		
Exploration and evaluation		
Balance at beginning of the year	17	14
Additions	–	35
Amortisation	(17)	(32)
Balance at the end of the year	–	17

The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective areas.

(ii) Mine property

	2014 US$000	2013 US$000
Non-Current		
Mine property		
Balance at beginning of the year	56,055	54,662
Additions	1,541	2,703
Write-offs(i)	(1,906)	–
Amortisation	(1,825)	(1,310)
Impairment(ii)	(14,328)	–
Balance at the end of the year	39,537	56,055

(iii) Deferred waste

	2014 US$000	2013 US$000
Non-Current		
Deferred waste		
Balance at beginning of the year	3,998	9,609
Additions	1,098	745
Amortisation – included in net ore inventory movement	(5,096)	(6,355)
Balance at the end of the year	–	3,999

(i) Mine property write-offs relates to a project for which the outcome of the work is uncertain, and to have economic benefit would likely require significant further capital investment.

(ii) Refer to Note 14 for details of impairment.

Note 13. Property, Plant and Equipment

	Land & Buildings US$000	Plant & Equipment (Owned) US$000	Plant & Equipment (Finance Lease) US$000	Railway & rolling stock US$000	Mobile Equipment (Owned) US$000	Mobile Equipment (Finance Lease) US$000	Furniture fixtures & office equipment US$000	Other items (Licenses) US$000	PPE under construction US$000	Pre-payments US$000	Total US$000
Gross carrying amount - at cost											
As of 1 January 2013	29,397	155,441	33,090	4,688	586	52,394	926	1,551	32,613	198	310,884
Additions	180	2,221	–	397	185	–	71	9	6,618	–	9,681
Disposals/ Transfers	–	(30)	–	–	–	–	(1)	–	(3,050)	(198)	(3,279)
As of 31 December 2013	**29,577**	**157,632**	**33,090**	**5,085**	**771**	**52,394**	**996**	**1,560**	**36,181**	**–**	**317,286**
As of 1 January 2014	29,577	157,632	33,090	5,085	771	52,394	996	1,560	36,181	–	317,286
Additions	1,023	28,388	–	–	63	–	3	1,398	1,426	–	32,301
Disposals/ Transfers	–	–	–	–	–	–	–	–	(28,388)	–	(28,388)
As of 31 December 2014	**30,600**	**186,020**	**33,090**	**5,085**	**834**	**52,394**	**999**	**2,958**	**9,219**	**–**	**321,199**
Accumulated depreciation											
As of 1 January 2013	(3,633)	(25,501)	(4,964)	(862)	(467)	(29,621)	(556)	(662)	–	–	(66,266)
Depreciation expense	(1,442)	(9,047)	(1,646)	(231)	(51)	(8,066)	(163)	(308)	–	–	(20,954)
As of 31 December 2013	**(5,075)**	**(34,548)**	**(6,610)**	**(1,093)**	**(518)**	**(37,687)**	**(719)**	**(970)**	**–**	**–**	**(87,220)**
As of 1 January 2014	(5,075)	(34,548)	(6,610)	(1,093)	(518)	(37,687)	(719)	(970)	–	–	(87,220)
Depreciation expense	(1,462)	(10,439)	(1,655)	(255)	(37)	(5,220)	(115)	(413)	–	–	(19,597)
Impairment write-off	(6,394)	(37,480)	(6,597)	(993)	(74)	(2,521)	(44)	(419)	(2,450)	–	(56,972)
As of 31 December 2014	**(12,931)**	**(82,467)**	**(14,862)**	**(2,341)**	**(629)**	**(45,428)**	**(878)**	**(1,802)**	**(2,450)**	**–**	**(163,788)**
Net book value											
As of 31 December 2013	24,502	123,084	26,480	3,992	253	14,707	277	590	36,181	–	230,066
As of 31 December 2014	17,669	103,553	18,228	2,744	205	6,966	121	1,156	6,769	–	157,411

The decrease in the value of PPE under construction for the year ended 31 December 2014 reflects activities developing the mining and processing facilities being completed and reclassified.

Note 13. Property, Plant and Equipment (continued)

The amount of acquisitions in the cash flow statement has also been influenced by the changes in payables for property, plant and equipment in the amount of US$1,067,000 (2013: US$3,312,000).

The Company also has approximately 20 million square meters of land with an acquisition cost of zero.

At the end of December 2014, the balance of property, plant and equipment includes US$9,487,000 (2013: US$14,707,000) of mining equipment under the DNB equipment financing facility and US$24,828,000 (2013: US$26,480,000) of goods storage and handling equipment under Tschudi Bulk Terminal AS finance lease.

Refer Note 18 (g) for details of assets used as security against borrowings. Refer Note 14 for details of impairment.

Note 14. Impairment of Assets

The Group reviews the carrying amount of its assets at each balance date. During the year ended 31 December 2014 the following material events occurred which were considered indicators for impairment:

- The benchmark China CFR 62% price of iron ore (which is an indicator of the Company's realisable price) significantly decreased in value from US$135 per dry metric tonne (dmt) as at 31 December 2013 to US$72/dmt as at 31 December 2014 - a reduction of 47%

Accordingly, the Group has performed an impairment test and based on this assessment, the following impairment amounts have been proportionately recognised on the following non-current assets.

	2014 US$000	2013 US$000
Mine properties	14,328	–
Property, plant and equipment	56,972	–
Total impairment of non-current assets	**71,300**	**–**

The Group assessed the recoverable amount of the Cash Generating Unit ("CGU") as at 31 December 2014 using the Value in Use ("VIU") method, where VIU is assessed as the present value of future cash flows expected to be derived from the CGU.

The following assumptions were used when determining the VIU for the CGU:

- Cash flow forecasts for the life of mine were based on recent actual performance, forecasts and anticipated revenues and estimated operating and sustainable capital costs
- Cash flows are presented in nominal pre-tax form with a 12% discount rate applied
- Inflation estimate of 2% per annum
- CFR China 62% price (in real terms) of 2015 at US$64, trending towards a long-term price of US$80
- Exchange rates used are 2015: 7.88 NOK/US$ trending towards a long term rate of 7.12 NOK/US$.

Note 15. Trade and Other Payables

	2014 US$000	2013 US$000
Current		
Trade payables – third parties	13,603	18,149
Trade payables – related parties	922	1,138
Non-trade payables and accrued expenses – third parties	10,403	12,150
	24,928	31,437

(i) Trade payables are non-interest bearing and are normally settled on 30-day terms.

(ii) Information regarding the effective interest rate and credit risk of current payables is set out in Note 28.

Note 16. Derivative Financial Liabilities

	2014 US$000	2013 US$000
Current		
Derivatives that are carried at fair value		
Iron ore contracts	–	5,717
Electricity contracts	818	1,346
Currency forward contracts	39,794	–
	40,612	7,063

Note 17. Provisions

	2014 US$000	2013 US$000
Current		
Other(iii)	103	89
Long service leave and bonus provision(iv)	–	276
Provision for onerous contract(vi)	5,636	–
Balance at end of the year	5,739	365
Non-Current		
Concentrate offtake agreement provision(i)	5,786	–
Environmental restoration provision(ii)	1,893	1,805
Long service leave and bonus provision(iv)	30	25
Post-closure tailings monitoring provision(v)	80	17
Provision for onerous contract(vi)	4,307	–
Balance at end of the year	12,096	1,847

(i) Concentrate offtake agreement provision

	2014 US$000	2013 US$000
Current		
Provision for concentrate offtake agreement		
Balance at the beginning of the year	–	1,575
Utilised	–	(1,575)
Balance at the end of the year	–	–
Non-Current		
Provision for concentrate offtake agreement		
Balance at the beginning of the year	–	–
Provision recognised	5,786	
Balance at the end of the year	5,786	–

In 2010 the Group recognised a provision for the settlement agreed with Tata, due to non-delivery of product meeting contract quality specifications. A final agreement was signed in June 2011 resulting in a repayment schedule based upon tonnes shipped under the contract. The final settlement of the provision occurred upon final invoicing for the December quarter shipments during January 2013. The estimate was denominated in US$ and discounted to present value.

Note 17. Provisions (continued)

During the September 2014 quarter, the Company announced it had reached an agreement with its largest customer to amend its offtake contract. Under the terms of the agreement, the Company will supply additional volumes with the pricing applied to tonnage sold during the period from July 2014 to March 2015 being similar to spot pricing arrangements. The deferral of the previous contract pricing arrangement will be repayable should the market pricing environment improve materially, or else following the end of the contract term in March 2018. For the year ended 31 December 2014, the deferred liability owing to the customer is approximately US$5.8 million.

(ii) Environmental Restoration Provision

	2014 US$000	2013 US$000
Non-current		
Site restoration:		
Balance at beginning of the year	1,805	1,879
Effects of movements in foreign exchange	–	(162)
Interest	88	88
Balance at end of the year	1,893	1,805

The Company has recognised provisions regarding environmental restoration obligations due to current and previous mining activities and mining assets used. The probable timing of the settlement of the obligation is 2042 based on an annual production rate of 2.3 million tonnes. The estimate for the environmental restoration provision has been reviewed for adequacy by the Group as at the reporting date and no material adjustment to the estimate was identified. The estimate is denominated in NOK and discounted to present value.

(iii) Other

	2014 US$000	2013 US$000
Current		
Other:		
Balance at the beginning of the year	89	445
Provision recognised	14	89
Utilised	–	(445)
Balance at the end of the year	103	89

Other provisions mainly comprise provisions for bank and legal fees, as well as mining fleet and automobile insurance.

(iv) Long service leave and bonus provision

	2014 US$000	2013 US$000
Current		
Long service leave and bonus provision:		
Balance at the beginning of the year	276	–
Provision recognised	–	276
Utilised	(276)	
Balance at the end of the year	–	276
Non-Current		
Long service leave and bonus provision:		
Balance at the beginning of the year	25	310
Provision recognised	5	168
Utilised	–	(177)
Reclassified as current	–	(276)
Balance at the end of the year	30	25

(v) Post-closure tailings monitoring provision

	2014 US$000	2013 US$000
Non-Current		
Post-closure tailings monitoring provision:		
Balance at the beginning of the year	17	–
Interest	63	17
Balance at the end of the year	80	17

During 2013, the Company has recognised provisions regarding post-closure monitoring of re-established marine life in the tailings deposit area of the fjord. The provision is according to a proposal submitted to and approved by the Norwegian Climate and Pollution Agency (KLIF) which is aligned with European Union Mineral Directive requirements. The estimate is denominated in NOK and discounted to present value.

(vi) Provision for onerous contract

	2014 US$000	2013 US$000
Current		
Provision for onerous contract:		
Balance at the beginning of the year	–	–
Provision recognised	5,636	–
Balance at the end of the year	5,636	–
Non-Current		
Provision for onerous contract:		
Balance at the beginning of the year	–	–
Provision recognised	4,307	–
Balance at the end of the year	4,307	–

During 2014, the Company has recognised a provision for potential future losses occurring under a contract for iron ore sales.

Note 18. Interest Bearing Liabilities and Borrowings

2014 US$000	Notes	Current	Non-Current	Borrowings in total	Financing arrangements credit lines	Facilities utilised at balance date	Facilities not utilised at balance date
Innovasjon Norge financing facility (b)	(b)	1,875	5,188	7,063	12,108	12,108	–
Finance lease – concentrate storage, handling and ship loading facility (a) & (c)	(c)	1,534	10,686	12,220	27,897	27,897	–
Equipment lease financing facility (a) & (d)	(d)	4,003	17	4,020	52,394	52,394	–
DNB working capital facility (e)	(e)	28,037	–	28,037	35,000	28,037	6,963
DNB US$ loan (f)	(f)	2,500	12,500	15,000	30,000	30,000	–
		37,949	**28,391**	**66,340**	**157,399**	**150,436**	**6,963**

2013 US$000	Notes	Current	Non-Current	Borrowings in total	Financing arrangements credit lines	Facilities utilised at balance date	Facilities not utilised at balance date
Innovasjon Norge financing facility (b)	(b)	2,466	7,555	10,021	14,794	14,794	–
Finance lease – concentrate storage, handling and ship loading facility (a) & (c)	(c)	3,671	13,056	16,727	34,085	34,085	–
Equipment lease financing facility (a) & (d)	(d)	5,463	4,051	9,514	52,394	52,394	–
DNB working capital facility (e)	(e)	33,648	–	33,648	35,000	33,648	1,352
DNB US$ loan (f)	(f)	5,000	12,308	17,308	30,000	30,000	–
		50,248	36,970	87,218	166,273	164,921	1,352

(a) Financing lease commitments in respect of finance leases – concentrate storage, handling and ship loading and equipment lease finance

Finance lease commitments

Minimum lease payments

	2014 US$000	2013 US$000
Not later than 1 year	6,651	10,626
Later than 1 year but not later than 5 years	12,130	18,948
Later than 5 years	–	–
Total future minimum lease payments	18,781	29,574
Less future finance charges	(2,540)	(3,333)
Present value of future minimum lease payments	16,241	26,241

Amounts repaid against the finance facilities are not able to be re-drawn except for the DNB working capital facility.

(b) Innovasjon Norge financing facility

In July 2009, Sydvaranger Gruve AS signed agreements with Innovasjon Norge for three separate loans with seven-year terms, and a total value of NOK 90 million. The repayment grace period which has been granted for the period September 2014 to June 2015 after which, repayments on each loan will resume and will be made biannually, with loan 1 and 2 expiring June 2018, and loan 3 expiring August 2018.

In April 2014, Innovation Norge agreed to amend the security terms of the facility to enable the Company to extend its increase on the DNB working capital facility for the period to 31 May 2015.

In December 2014, the Company accepted an offer to defer interest payments for the period 1 January 2015 to 31 March 2015.

The facility is not able to be re-drawn. Payments of dividends and changes to secured indebtedness require written approval from Innovasjon Norge. The facility incurs a fixed weighted nominal interest rate of 5.16%.

(c) Finance lease – concentrate storage, handling and ship loading facility

Sydvaranger Gruve AS has a NOK denominated finance lease agreement with a related company, Tschudi Bulk Terminal AS regarding goods storage and handling assets, initially established in the financial statements with an amount of US$33.7 million. The lease payment ends in December 2017. However, the lease will be in effect until 31 December 2034 with the option to extend for two periods each of ten years (without any further lease payments). Principal and interest on the facility is payable monthly at a rate of 8.42% per annum. The facility is not able to be re-drawn and there are no restrictions on dividends, further leasing or further borrowings.

In September 2014, the Company accepted an offer to defer lease repayments for 12 months effective from 1 July 2014 and to extent the lease period by the same length of time. The lease payment period now ends on 31 December 2018. In December 2014 the two parties agreed to defer interest repayments for the period 1 January 2015 to 31 March 2015.

(d) Equipment lease financing facility

Sydvaranger Gruve AS established in October 2008 a finance lease facility with DNB for the purpose of financing mining fleet equipment. In April 2009, the facility was converted from being denominated in NOK, to being denominated in US$. The total facility is US$52.4 million (31.12.2013: US$52.4 million) and has the ability to be drawn in a number of currencies. As at 31 December 2014, US$52.4 million (31.12.2013: US$52.4 million) of equipment had been accepted under the facility and included in property, plant and equipment. The period of each lease was initially five years however in September 2013, DNB agreed to extend the lease periods by one year and in December 2014, agreed to defer lease and interest payments for the period 1 January 2015 to 31 March 2015. Interest on the facility is payable quarterly at a floating rate based on the 3 month LIBOR rate plus 2.90%. As at 31 December 2014, the rate applied to drawings on the facility was 3.13% per annum (31.12.2013: 3.14% per annum). Under the terms of the agreement, interest cannot be charged on intercompany borrowings. The facility is not able to be re-drawn and there are no restrictions on dividends, further leasing or further borrowings.

Note 18. Interest Bearing Liabilities and Borrowings (continued)

(e) DNB working capital facility

During the second quarter of 2011, Sydvaranger Gruve AS signed an agreement with DNB for a US$25 million working capital facility which is to be renewed yearly. The borrowing base constituted 80% of receivables and 60% of inventory value. Effective from 1 May 2012 the current interest rate on drawn amounts for this facility was LIBOR plus 2.85% per annum (previously 3.50%), for the committed amount the commitment fee was 0.20% per quarter (previously 0.33%), both are payable quarterly in arrears.

The Company has in the past secured increases and extensions to the DNB working capital facility. As of April 2014, the Company has renewed the DNB working capital facility at a limit of US$35 million until 31 May 2015, with the borrowing base constituting 85% of receivables and 70% of inventory value.

Due to the impact from falling iron ore prices through quarter two 2014, a waiver on the financial covenants was granted by DNB and Innovasjon Norge for the quarter ending June 2014 and further extended in September 2014 until 30 September 2015.

The applicable interest rate on drawn amounts for the facility is currently the US$ Federal Funds effective rate plus 2.75% per annum, with a commitment fee of 0.25% per quarter on the committed amount. Both are payable quarterly in arrears. The facility can be redrawn on an ongoing basis up to the approved limit. Payments of dividends require approval from DNB.

(f) DNB US$ loan

During the second quarter of 2011, Sydvaranger Gruve AS signed an agreement with DNB for a US$30 million US$ loan. The facility was partly drawn (with US$21 million) in 30 June 2011 and was used to repay the Credit Suisse and a short term US$5 million DNB financing facilities. The second tranche of the loan (US$9 million) was made available in November 2011. This loan has a term of six years with semi-annual repayments with the first on 30 September 2011. Effective from 1 May 2012 the current interest rate is LIBOR plus 2.75% (previously 3.75%) per annum. The facility is not able to be re-drawn. Payments of dividends require approval from DNB.

In September 2014, the Company and DNB agreed to defer loan repayments for twelve months effective from 1 July 2014 and to extent the loan period by the same length of time, with the final due date then being 27 March 2018. In December 2014, the Company accepted an offer to defer interest payments for the period 1 January 2015 to 31 March 2015.

(g) Assets pledged as security

DNB and Innovasjon Norge share a fixed and floating charge over all the assets and undertakings of Sydvaranger Gruve AS with the exception of the assets under finance lease and cash at bank consisting of withheld employee tax.

Tschudi Bulk Terminal AS is the legal owner and has security over the concentrate storage, handling and ship loading facility assets under the finance leases.

DNB is the legal owner and has security over the mining fleet equipment assets under the finance lease.

Note 19. Capital and Reserves

	2014 Number	2014 US$000	2013 Number	2013 US$000
Issued capital				
Balance at beginning of the year	484,405,314	380,761	484,405,314	380,761
Shares cancelled	–	–	–	–
Share issue costs	–	–	–	–
Balance at end of the year	484,405,314	380,761	484,405,314	380,761

Ordinary shares have the right to one vote per share at meetings of the Company, to receive dividends as declared and, in the event of a winding-up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of, and amounts paid up on, shares held.

The Company does not have an authorised capital or par value in respect of its issued shares.

Translation reserve

Movements in the translation reserve are set out in the Statement of Changes in Equity on page 32. The translation reserve comprises all foreign exchange differences arising from the translation of non US$ denominated monetary assets and liabilities.

Share based payments reserve

Movements in the share based payments reserve are set out in the Statement of Changes in Equity on page 32. This reserve accumulates the fair value as at grant date of share options and performance rights issued. The fair value is recognised as an expense over the vesting period.

Note 20. Reconciliation of Cash Flows from Operating Activities

	2014 US$000	2013 US$000
(a) Cash flows from operating activities		
Loss from continuing operations	(180,695)	(1,654)
Adjustments for:		
Share-based payments expense	70	–
Foreign exchange loss/(gain)	1,449	2,380
Depreciation of property, plant and equipment	19,590	20,946
Amortisation expensed	3,998	7,697
Depreciation of non-current assets	7	8
Impairment of property, plant and equipment	56,972	–
Impairment of mine properties	14,328	–
Changes in assets and liabilities:		
(Increase)/decrease in trade and other receivables	17,299	2,650
(Increase)/decrease in inventory	8,409	(5,706)
Increase/(decrease) in trade and other payables	(5,037)	(5,978)
Increase/(decrease) in provisions	15,622	(1,722)
Accrued income	(4,081)	(379)
Accrued expenses	(1,375)	758
Prepayments	51	(67)
Derivative financial asset	534	(534)
Derivative financial liability	33,549	6,505
Deferred tax assets and liabilities	31,306	(6,347)
Net cash flows provided by operating activities	11,996	18,557
(b) Reconciliation of cash and cash equivalents		
Cash at bank and at call	6,618	19,446

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

In addition to these cash balances the Group has US$218,000 in lodged cash security deposits classified under trade and other receivables (2013: US$262,000) and US$1,505,000 (2013: US$1,181,000) included in non-current receivables.

Note 21. Operating Leases

Non-cancellable operating lease commitments

The future minimum lease payments under non-cancellable operating leases are as follows:

	2014 US$000	2013 US$000
Within 1 year	2,596	2,841
Between 2 and 5 years	1,324	3,764
More than 5 years	–	–
	3,920	6,605

Note 22. Share-Based Payments

Employee share option plan

There were no share-based payment arrangements in existence during the current reporting period.

The following share-based payment arrangements were in existence during the prior reporting period:

Option series	No. of options	Grant date	Expiry Date	Exercise Price	Revised Exercise Price(ii)	Fair value at grant date
J Sanderson	500,000(i)	14/05/2010	24/08/2013	A$2.15	A$2.06	A$0.50
J Sanderson	500,000(i)	14/05/2010	24/08/2013	A$2.50	A$2.41	A$0.44
J Sanderson	500,000(i)	14/05/2010	24/08/2013	A$3.00	A$2.91	A$0.38

(i) In accordance with the terms of the share based arrangement, options vest over the period of employment.

(ii) In accordance with Listing Rule 6.22.2 the exercise price of unlisted options were changed as a result of a non-renounceable pro-rata entitlement offer.

(a) Fair value of options granted in the year

There were no options granted during the 2014 and 2013 financial years.

(b) Movements in options during the period

The following table reconciles the number of options outstanding and the weighted average exercise price at the beginning and end of the year:

	2014		2013	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance at beginning of the year	–	–	1,500,000	A$2.55
Expired during the year	–	–	(1,500,000)	A$2.55
Balance at end of the year	–	–	–	–
Exercisable at end of the year	–	–	–	–

(c) Share options exercised during the year

There were no options were exercised during the 2014 and 2013 financial years.

(d) Share options outstanding at the end of the year

The share options outstanding at the end of the prior year had an exercise price of A$nil, and a weighted average remaining contractual life of nil days.

Further details of shares and options issued to directors are set out in the Remuneration Report set out on pages 19 to 26.

Performance rights

At the Company's 2010 Annual General Meeting shareholders approved the establishment of the Northern Iron Limited Employee Performance Rights Plan, to provide ongoing incentives to executives, key employees and consultants of the Company to deliver long–term shareholder returns. Under the plan, participants are issued performance rights which only vest should certain performance and vesting conditions be achieved. Participation in the plan is at the discretion of the Board of Northern Iron Limited and no individual has a contractual right to participate in the plan.

The number of shares issued at the end of the vesting periods depend on three key performance indicators ("KPI"). They are a share price KPI, a total shareholder return (%) KPI, and a production KPI. Once vested the performance rights will expire after a period of three months. The Performance Rights shall vest according to the following schedule:

	Hurdle Price		
Vesting Date	**A$1.25**	**A$2.00**	**Total**
01/09/2015	–	50,000	50,000
01/09/2015	–	50,000	50,000
31/12/2016	1,000,000	–	1,000,000
TOTAL	1,000,000	100,000	1,100,000
Weighted average fair value per performance right	A$0.07	A$0.29	

The fair value of performance rights was calculated based on the assumptions below:

	2014	**2013**
Fair value at measurement date (cents)	A$0.07 to A$0.29	A$0.29 to A$0.94
Share price at date of issue	A$0.18 to A$0.89	A$0.89 to A$2.02
Exercise prices	A$1.25 to A$2.00	A$1.50 to A$3.50
Performance right life	0.9 to 2.2 years	0.4 to 3.6 years
Share-based payments expense recognised	$70,000	–

For the year ended 31 December 2014 the total value of share-based payments expensed in the financial statements is US$70,000 (2013: US$nil). There were no shares issued or payments made during the year under the performance rights plan (2013: US$nil).

Note 23. Capital And Other Commitments

Property, plant and equipment commitments

There are no commitments contracted at balance date not recognised as liabilities.

Lease commitments

Finance lease commitments and non-cancellable operating lease commitments are disclosed in Note 18 and Note 21 respectively.

Note 24. Related Party Disclosures

Identity of related parties

The Company has a related party relationship with its legal subsidiaries (see below), as well as:

- Tschudi Mining Company AS, Tschudi Shipping Company AS and Tschudi Bulk Terminal AS which are controlled by Mr Felix Tschudi, a Director.

Note 24. Related Party Disclosures (continued)

The consolidated financial statements include the financial statements of Northern Iron Limited and the subsidiaries listed in the following table:

Group Companies	Country of Incorporation	Ownership interest 2014	2013
Legal parent			
Northern Iron Limited	Australia		
Legal subsidiaries			
Sydvaranger Gruve AS	Norway	100%	100%
Northern Iron Marketing AG	Switzerland	100%	100%
Legal subsidiary of Sydvaranger Gruve AS			
Sydvaranger Malmtransport AS	Norway	100%	100%

Transactions within the wholly owned Group

Sydvaranger Gruve AS

During the reporting period loans from the Company to the subsidiary totalled US$5,650,000 (2013: US$16,219,000). The carrying value of the Company's loans at 31 December 2014 was US$196,275,000 (2013: US$239,097,000). Advances were made in NOK, US$, EUR and A$.

The loans are secured by a second ranking fixed and floating charge over Sydvaranger Gruve AS's assets and are repayable by 31 December 2023 in accordance with the terms of a loan agreement. Under the terms of the loan agreement, borrowings are repayable after senior debt of the subsidiary is fully repaid.

The Group does not presently charge interest on the loan amount, being a restriction of the lease financing facility with DNB.

During the reporting period, goods and services were purchased, or paid for on behalf of Sydvaranger Gruve AS, in the amount of US$622,000 (2013: US$919,000). During the reporting period, goods and services were purchased, or paid for by Sydvaranger Gruve AS on behalf of the Company in the amount of US$62,000 (2013: US$nil).

During the reporting period Sydvaranger Gruve AS recorded sales of ore concentrate to Northern Iron Marketing AG in the amount of US$44,503,000 (2013: US$36,897,000), and purchased services from Northern Iron Marketing AG in the amount of US$222,000 (2013: US$1,667,000).

Northern Iron Marketing AG

During the reporting period, loans from the Company to the subsidiary totalled US$nil (2013: US$nil). The carrying value of the Company's loans to Northern Iron Marketing AG at 31 December 2014 was US$nil (2013: US$808,000).

Sydvaranger Malmtransport AS

In July 2012 Sydvaranger Gruve AS registered a new subsidiary, Sydvaranger Malmtransport AS (SMT) to manage and operate the railway between Kirkenes and Bjørnevatn. Due to SVG's 100% ownership of SMT and itself being owned 100% by the parent company, Northern Iron Limited, SVG was successful in its application to the tax authorities (Skattedirektoratet) to avoid consolidation at the SVG/SMT level. SMT has remained mostly inactive during the 2014 year with only business registration and accounting fees being expensed during the period. Therefore the carrying amount of the investment in the subsidiary of US$19,000 remains unchanged from inception. There were no purchases or sales between SVG and SMT during the year.

Transactions with key management personnel

During the reporting period, the Group paid US$57,000 (2013: US$147,000) to companies which are associated with Mr Ashwath Mehra, a Director, for services to provide office space, administration and ancillary support services. At balance date one quarter amounting to US$16,000 is payable.

During the reporting period services were purchased from PSL Invest AS, which is 100% owned by alternate director Mr Peter Steiness Larsen, for support in connection with securing financing for the Company and assisting with various treasury activities in the amount of US$31,000 (2013: US$30,000).

Transactions with other related parties

Sydvaranger Gruve AS had transactions in the following amounts with companies which are ultimately controlled by Tschudi Shipping Company AS. These transactions are in the normal course of business and on normal terms and conditions:

- services purchased in the amount of US$4,660,000 (2013: US$6,514,000) which includes leases for land and properties, contract labour services, freight, tugboat and harbour services and production of aggregate from waste rock;
- capitalised expenses and assets purchased in the amount of US$nil (2013: US$48,000), primarily being for contract labour services utilised on construction and capital installation projects; and
- repayments of principal and interest under the finance lease from Tschudi Bulk Terminal AS in the amount of US$3,115,000 (2013: US$5,136,000). This lease represents an agreement for handling, storage and loading of iron ore concentrate (included in the balance of borrowings – see Note 18). This facility was fully utilised in 2010 and therefore had no additional drawdowns in 2013 or 2014.

As a result of the transactions described above the Group has trade payables and accruals owing to subsidiaries of Tschudi Shipping Company AS for the amount of US$776,000 (2013: US$1,144,000).

Terms and conditions of transactions with related parties

Sales to and purchases from related parties are made in arm's length transactions both at normal market prices and on normal commercial terms.

With the exception of the loan to Sydvaranger Gruve AS, outstanding balances are unsecured, interest free and settlement occurs in cash.

Note 25. Segment Information

For management purposes, the Board of Directors of Northern Iron Limited has been defined as the Chief Operating Decision Maker. Segment information is presented in respect of the Group's business segments based on the Group's management and internal reporting structure.

The Group has three reporting segments, being Sydvaranger Iron Ore Project, marketing of ore concentrate and corporate office. Intersegment pricing is determined on an arm's length basis. Segment results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The following table presents the financial information regarding these segments provided to the Board of Directors for the year ended 31 December 2014 and 31 December 2013.

Note 25. Segment Information (continued)

Information on business segments

2014	Sydvaranger Iron Ore Project (US$000)	Marketing (US$000)	Corporate (US$000)	Inter-segment eliminations (US$000)	Consolidated (US$000)
Business Segments					
External revenue	131,344	51,387	–	–	182,731
Inter segment revenue[(i)]	49,213	5,298	91	(54,602)	–
	180,557	56,685	91	(54,602)	182,731
Segment (loss)/profit before income tax	(149,550)	974	13,472	(14,147)	(149,250)
Segment assets	241,763	3,578	2,139	(1,734)	245,746
Segment liabilities	(346,286)	(704)	(355)	197,501	(149,844)
Other segment information:					
Segment result before tax includes:					
Finance income	107	–	20	–	127
Finance expense	(14,133)	–	(2)	–	(14,135)
Depreciation and amortisation	(23,337)	–	–	–	(23,337)
Depreciation and amortisation – included in administration	–	–	(7)	–	(7)
Acquisition of property, plant and equipment	32,302	–	–	–	32,302

(i) Intersegment revenue is recorded at amounts equal to competitive market prices charges to external customers for similar goods and services and is eliminated on consolidation.

2013	Sydvaranger Iron Ore Project (US$000)	Marketing (US$000)	Corporate (US$000)	Inter-segment eliminations (US$000)	Consolidated (US$000)
Business Segments					
External revenue	239,065	2,386	–	(36,897)	204,554
Inter segment revenue[(i)]	(36,897)	36,897	–	–	–
	202,168	39,283	–	(36,897)	204,554
Segment (loss)/profit before income tax	(9,587)	2,219	35,751	(36,384)	(8,001)
Segment assets	396,137	17,678	7,811	(16,668)	404,958
Segment liabilities	(128,388)	(15,641)	(356)	16,115	(128,270)
Other segment information:					
Segment result before tax includes:					
Finance income	121	–	53	–	174
Finance expense	(4,828)	–	(1)	124	(4,705)
Depreciation and amortisation	(20,946)	–	(8)	–	(20,954)
Acquisition of property, plant and equipment	9,669	–	12	–	9,681

(i) Intersegment revenue is recorded at amounts equal to competitive market prices charges to external customers for similar goods and services and is eliminated on consolidation.

Note 26. Parent Entity Disclosures

Financial position

As at 31 December 2014

	2014 US$000	2013 US$000
Assets		
Current assets	2,155	7,800
Non-current assets	193,089	515,136
Total assets	195,244	522,936
Liabilities		
Current liabilities	(324)	(331)
Non-current liabilities	(30)	(25)
Total liabilities	(354)	(356)
Equity		
Issued capital	(541,135)	(541,135)
Accumulated losses	340,074	26,666
Reserves		
Share-based payments reserve	(4,117)	(4,047)
Foreign currency translation reserve	10,288	(4,064)
Total equity	(194,890)	(522,580)
Financial performance		
Loss for the year	313,408	(35,751)
Other comprehensive income	–	–
Total comprehensive income	313,408	(35,751)

As result of the impairment of the mine properties and carrying value of assets, a provision for impairment has been made against the loan to and investment in subsidiaries.

Guarantees entered into by the parent in relation to debts of its subsidiaries

Northern Iron Limited has signed a letter of financial support with Sydvaranger Gruve AS.

Northern Iron Limited has provided a guarantee for the Innovasjon Norge financing facility (Note 18 (b)) and equipment lease finance facility (Note 18 (d)).

Note 27. Key Management Personnel Disclosures

Key management personnel compensation

Key management personnel compensation is as follows:

	2014 US$	2013 US$
Short term benefits	2,725,457	3,400,429
Post-employment benefits	102,365	146,857
Share based payments	69,936	–
	2,897,758	3,547,286

Information regarding individual directors and executive officers compensation is provided in the Remuneration Report as set out on pages 19 to 26.

Note 28. Financial Instruments

(a) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The Group's overall strategy remains unchanged from 2013.

The capital structure of the Group consists of debt, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

Operating cash flows are used to maintain and expand operations, as well as to make routine expenditures such as tax, dividends, and general administrative outgoings.

Gearing levels are reviewed by the Board on a regular basis in line with its target gearing ratio, the cost of capital and the risks associated with each class of capital.

(b) Financial risk management objectives

The Group's activities expose it to market risk (including foreign currency risk, commodity price risk and interest rate risk), credit risk, and liquidity risk.

This note presents qualitative and quantitative information about the Group's exposure to each of the above risks, their objectives, policies, and procedures for managing risk, and the management of capital. The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

The Group's overall risk management approach focuses on the unpredictability of financial markets and seeks to minimise the potential adverse effects on the financial performance of the Group. The Group currently has a natural hedge from sales receipts in relation to certain foreign currency borrowings however it is generally exposed elsewhere to daily movements in exchange rates and interest rates.

The Group uses various methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange, and commodity price risk and ageing analysis for credit risk.

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor, and market confidence and to sustain future development of the business. Given the stage of the Group's development there are no formal targets set for return on capital. There were no changes to the Group's approach to capital management during the year.

During 2008, Sydvaranger Gruve AS entered into an equipment finance lease facility with DNB (refer Note 18). Under the terms of the facility, the subsidiary is required to maintain a minimum equity ratio of 50%, being equity divided by total assets. Equity, for this purpose includes the loan payable to the parent entity. Total assets, for this purpose, exclude unrestricted cash and the concentrate, storage, handling and ship-loading facility leased assets. The subsidiary was in compliance with this requirement throughout the reporting period. Covenants under other financing arrangements relate to financial results, for which the Group was in compliance except for the EBITDA covenant. The EBITDA covenant stipulates that the Company shall have an EBITDA greater than US$27.5 million on a yearly basis. However, the Company obtained a waiver from this covenant for a period of twelve months, until the 30 September 2013. A further waiver on the EBITDA covenant was granted by DNB and

Innovasjon Norge for the quarter ending June 2014 and extended in September 2014 until 30 September 2015. After this date the EBITDA debt covenant is to be re-established in increments of US$7 million per quarter from quarter four 2015.

(c) Market risk

(i) Foreign currency risk management

Currency risk currently arises from purchases, assets and liabilities that are denominated in a currency other than the functional currencies of the entities within the Group, and from purchases in currencies other than those in which cash balances are held.

The Group operates predominantly in Norway and is exposed to currency risk arising from various foreign currency exposures, primarily with respect to the US$ and Norwegian Kroner ("NOK"). The functional currency of its Norwegian operations is US$.

It is the Group's policy that management may hedge foreign currency exposure on capital purchases as they become known by purchasing the currency in which the exposure arises. The majority of the Group's capital expenditure is denominated in US$, A$, NOK, SEK and Euro.

The sale of iron ore is denominated in US$. The Group's management of currency risk will be monitored during the stabilising of operations as the denomination of expenditures becomes increasingly more consistent and known.

The Group's exposure to foreign currency risk at balance date was as follows, based on carrying amounts.

	NOK US$000	SEK US$000	US$ US$000	Euro US$000	CHF US$000	GBP US$000	DKK US$000	A$ US$000	Totals US$000
2014									
Cash and cash equivalents	5,546	–	587	22	56	–	–	407	6,618
Trade and other receivables	2,822	–	19,326	–	–	–	–	12	22,160
Trade and other payables	(23,799)	(730)	326	(1,695)	(16)	(19)	(33)	1,038	(24,928)
Tax liability	–	–	–	–	(129)	–	–	–	(129)
Borrowings	(19,283)	–	(47,058)	–	–	–	–	–	(66,341)
Gross exposure	(34,714)	(730)	(26,819)	(1,673)	(89)	(19)	(33)	1,458	(62,619)
2013									
Cash and cash equivalents	11,023	–	7,853	41	24	–	–	505	19,446
Trade and other receivables	7,775	1	27,174	–	–	55	–	18	35,023
Trade and other payables	(28,353)	(1,226)	(418)	(1,303)	(18)	(34)	(45)	(40)	(31,437)
Tax liability	–	–	–	–	(340)	–	–	–	(340)
Borrowings	(26,748)	–	(60,470)	–	–	–	–	–	(87,218)
Gross exposure	(36,303)	(1,225)	(25,861)	(1,262)	(334)	21	(45)	483	(64,526)

Note 28. Financial Instruments (continued)

The following significant exchange rates applied during the year:

US$ to:	Average rate 2014	Average rate 2013	Reporting date spot rate 2014	Reporting date spot rate 2013
1 Norwegian Kroner	0.159	0.170	0.135	0.164
1 AUD	0.901	0.966	0.819	0.892
1 Euro	1.326	1.329	1.216	1.378
1 Swedish Kroner	0.146	0.154	0.129	0.156

Sensitivity analysis

A 5% strengthening of the following currencies at 31 December would have changed equity and post-tax profit and loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates and the exchange rate between other currencies, remain constant. The analysis is performed on the same basis for 2013:

	Equity US$000	Profit and loss US$000
31 December 2014		
US$ to NOK	(1,417)	(1,417)
A$ to US$	90	(84)
31 December 2013		
US$ to NOK	(104)	(104)
A$ to US$	372	(21)

A 5% weakening of the following currencies at 31 December would have changed equity and post-tax profit and loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates and the exchange rate between other currencies, remain constant. The analysis is performed on the same basis for 2013:

	Equity US$000	Profit and loss US$000
31 December 2014		
US$ to NOK	4,293	4,293
A$ to US$	(90)	84
31 December 2013		
US$ to NOK	(626)	(626)
A$ to US$	(373)	21

Forward foreign exchange contracts

Forward foreign exchange contracts are valued at fair value through profit and loss. At 31 December 2014, the Company had 10 forward exchange contracts in place (2013: 18), the details of which were:

Period	Contract Amount US$000	Average contract rate US$/NOK	Reporting date spot rate US$/NOK	Change in fair value US$000
2015	168,000	6.30	7.43	(26,289)
2016	96,000	6.41	7.43	(13,505)
				(39,794)

(ii) Interest rate risk management

The significance and management of this risk on investments to the Group is dependent on a number of factors including:

- interest rates (current and forward) and the currencies that are held;
- level of cash and liquid investments and their term;
- maturity dates of investments; and
- proportion of investments that are fixed rate or floating rate.

The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate investments.

The Group is exposed to interest rate risk under its various borrowings outlined in Note 18 and continues to monitor opportunities to mitigate this interest rate risk.

At the reporting date, the effective interest rates of variable rate interest bearing assets and liabilities of the Group were as follows.

	2014 US$000	2013 US$000
Carrying amount		
Financial assets	8,341	20,889
Financial liabilities	66,340	87,218
Weighted average interest rate (%)		
Financial assets	0.75%	0.87%
Financial liabilities	4.23%	4.26%

Sensitivity analysis

An increase in 50 basis points from the weighted average year-end interest rates at 31 December would have increased/(decreased) equity and post-tax profit and loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2013:

	Equity US$000	Profit or loss US$000
31 December 2014	60	(60)
31 December 2013	(124)	(124)

A decrease in 50 basis points from the weighted average year-end interest rates at 31 December would have increased/(decreased) equity and post-tax profit and loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2013:

	Equity US$000	Profit or loss US$000
31 December 2014	60	60
31 December 2013	124	124

Note 28. Financial Instruments (continued)

(iii) Commodity price risk management

Commodity price risk is the risk of financial loss resulting from movements in the price of the Group's commodity output, being iron ore, which is denominated in US$ and not widely traded in derivative markets. The Group recorded sales of iron ore concentrate for the year of US$182,042,000. In 2013, there were sales of approximately US$204,554,000.

The Group's marketing strategy is to focus on long-term sales agreements with pellet producers in Europe and the Middle East for the majority of its production with the balance being sold into the spot market.

The Company has entered into a five year offtake agreement for up to approximately 50% of its nameplate production with TATA Steel Europe, primarily for use in their European steel operations. The product is primarily used at the Ijmuiden Pellet Plant. The contract runs until the end of March 2018 after TATA exercised their right to extend the contract by a further two years. The agreement provides TATA a minimum of 1.0 Mtpa per year from 2012-2015 and 1.5 Mtpa from 2015 to 2018. TATA agreed to increase its offtake volume during the contract year ending 31 March 2013 by 275,000 wet tonnes and by six shipments (approximately 420,000 wet tonnes) during the period 1 July 2014 to 31 March 2015. The pricing mechanism is in line with Vale's mechanism for iron ore fines (which is the prevailing market mechanism in the Atlantic basin) and the FOB price reflects the proximity of the Company to Tata Steel in Europe and the quality in terms of silica content. In quarter four 2011, TATA Steel requested that the pricing mechanism be moved to current quarter pricing in line with changes implemented by other iron ore producers. The Company agreed to this request.

The Company has entered into an exclusive agency agreement with OMH Ltd subsidiary OMS Pte Ltd, for sales into the Asian region (inclusive of India, but excluding the Middle East and CIS countries). No offtake quantities are guaranteed under this agreement, and so far all sales to Asia (100% to China) have been on a spot basis with no sales taking place in 2014. The Agency agreement with OMS may be terminated if OMH Ltd's ownership of NFE falls below 10%.

During the second half of 2013 the Company successfully diversified its sales amongst a variety of customers. New customers included ThyssenKrupp Steel and ArcelorMittal, while previous customer Bahrain Steel resumed purchases of concentrate. An important development has been the trialling of Sydvaranger concentrate at a number of sinter plants throughout Europe. The Company will monitor the results and feedback from these trial cargoes and will seek to further its discussions with the various offtake parties, focusing on the potential for a longer term offtake agreement. Sales to Europe are expected to result in optimal FOB pricing due to the lower freight costs associated with shipping from Norway to Europe compared to more distant markets.

Sensitivity analysis

An increase in 50 basis points from the change in fair value would have (decreased)/increased equity and post-tax profit and loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2013:

	Equity US$000	Profit and loss US$000
31 December 2014	(1,421)	1,421
31 December 2013	(229)	229

A decrease in 50 basis points from the change in fair value would have increased/(decreased) equity and post-tax profit and loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2013:

	Equity US$000	Profit and loss US$000
31 December 2014	1,421	(1,421)
31 December 2013	229	(229)

Forward iron ore price contracts

Forward iron ore price contracts are valued at fair value through profit or loss. As at 31 December 2014, the Company had nil (2013: 25) forward iron ore price contracts in place with the purpose of minimising the fluctuations in iron ore price, the details of which were:

2014

Nil

2013

No. of Contracts	Period	Expiry	Tonnes	Average Contract Rate US$	Change in Fair Value US$000
7	Quarter 4 2013	8 January 2014	210,000	121	(3,008)
11	Quarter 1 2014	7 April 2014	210,000	120	(2,375)
5	Quarter 2 2014	7 July 2014	135,000	123	(274)
2	Quarter 3 2014	7 October 2014	60,000	120	(60)
					(5,717)

Electricity price risk contracts

The Group is exposed to electricity price risk. As at 31 December 2014, the Group had 16 (2013: 14) electricity price contracts in place with the purpose of minimising the fluctuations in electricity price, the details of which are:

2014

No. of Contracts	Period	Expiry	Quantity (MWh)	Average Contract Rate (EUR/NO4)	Change in Fair Value US$000
7	2015 year	31 December 2015	78,843	35.63	(498)
6	2016 year	31 December 2016	61,489	34.34	(302)
2	2017 year	31 December 2017	17,569	30.62	(13)
1	2018 year	31 December 2018	8,784	30.37	(5)
					(818)

2013

No. of Contracts	Period	Expiry	Quantity (MWh)	Average Contract Rate (EUR/NO4)	Change in Fair Value US$000
5	2014 year	31 December 2014	87,600	38.47	(732)
5	2015 year	31 December 2015	61,320	36.53	(378)
4	2016 year	31 December 2016	43,920	35.40	(236)
					(1,346)

Note 28. Financial Instruments (continued)

(d) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group has not had any instances of uncollectable trade receivables during the current or prior reporting periods and credit risk arising from security deposits and receivables from taxation authorities is considered to be low.

Credit risk is reduced through diversification and through accepting counterparties with good credit rating. Exposure to credit risk is considered minimal though continues to be monitored on an ongoing basis. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the Statement of Financial Position. The Group's maximum exposure to credit risk at the reporting date was:

	2014 US$000	2013 US$000
Carrying amount:		
Cash and cash equivalents	6,618	19,446
Trade and other receivables	22,369	35,023
	28,987	54,469

(e) Liquidity risk management

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they fall due. The Group's approach to managing this risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due under a range of financial conditions.

The Group's borrowing facilities are set out in Note 18. The following are the contractual maturities of financial liabilities. These have been drawn up based on undiscounted contractual maturities of financial liabilities including interest that will be payable:

	Carrying amount US$000	Contractual cash flows(i) US$000	6 months or less US$000	6 to 12 months US$000	1 to 5 years US$000	Over 5 years US$000
2014						
Non-derivative financial liabilities						
Trade and other payables	24,928	24,928	24,928	–	–	–
Current tax liability	129	129	129	–	–	–
Interest bearing loans and borrowings	66,341	70,712	6,394	8,450	31,868	24,000
	91,398	95,769	31,451	8,450	31,868	24,000

	Carrying amount US$000	Contractual cash flows(i) US$000	6 months or less US$000	6 to 12 months US$000	1 to 5 years US$000	Over 5 years US$000
2013						
Non-derivative financial liabilities						
Trade and other payables	31,437	31,437	31,437	–	–	–
Current tax liability	340	340	340	–	–	–
Interest bearing loans and borrowings	87,218	92,878	9,551	15,094	40,196	28,037
	118,995	124,655	41,328	15,094	40,196	28,037

(i) Repayments towards the DNB Working Capital Facility are included in the contractual cash flows, however the facility has no specified requirements as to making regular fixed repayments. The expected year end closing balance is shown in the Over 5 years column.

(f) Fair value of financial instruments

This note provides information about how the Group determines fair values of various financial assets and liabilities.

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the group's financial assets and liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and liabilities are determined.

	Fair value at					
	2014 US$000	2013 US$000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Foreign currency forward contracts	Assets – nil; and Liabilities – 39,794	Assets – 534; and Liabilities – nil	Level 2	Marked-to-market based on published closing spot rate	N/A	N/A
Forward iron ore price contracts	Liabilities – nil	Liabilities – 5,717	Level 2	Marked-to-market based on published CFR 62% Fe prices	N/A	N/A
Electricity price risk contracts	Liabilities – 818	Liabilities – 1,346	Level 2	Marked-to-market based on published NO4 region closing prices	N/A	N/A

There were no transfers between Level 1 and Level 2 during the year

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

Note 29. Defined Contribution Plan

SVG is obliged to have a defined contribution plan for its employees and has fulfilled its obligations under the Norwegian mandatory occupational pension law.

SVG has a defined contribution plan, where SVG each year pays a fixed contribution into a separate entity/fund, and has no further obligations to pay contributions. The employees have the risk and benefit of return on the investments. The contribution by SVG during the reporting period is US$996,297 (2013: US$1,011,325).

SVG also has a mandatory agreement for early retirement with The Norwegian Confederation of Trade Unions and The Confederation of Norwegian Business and Industry. The contribution by SVG during the reporting period is US$632,871 (2013: US$660,529).

Note 30. Contingencies

The Company is in discussions with insurer AIG over the quantum payable under the confirmed coverage of business interruption due to the collision of two haul trucks in January 2014. AIG have valued the loss at US$1,906,000 and the Company values the loss at approximately US$8,000,000. The policy has a US$1,000,000 deductible amount.

Apart from the above, in the opinion of the directors, there are no contingent liabilities as at 31 December 2014 and no contingent liabilities were incurred in the interval between balance date and the date of this financial report.

Note 31. Subsequent Events

In January 2015, DNB made available a new working capital facility for the Company in the amount of US$10.0 million, subsequently increased to US$11.2 million during March 2015, of which the majority of the funding was reserved to cover foreign exchange hedging losses realised in the March 2015 quarter due to the weakness in the US$:NOK rate. This facility is available for the period 01.01.2015 to 31.03.2015.

In January 2015, the company reached agreements with DNB, Innovasjon Norge and Tschudi Bulk Terminals for the deferral of interest payments associated with its debt facilities and lease payments for the period from 1 January 2015 to 31 March 2015. Subsequent agreements were reached in March 2015 where the deferral of payments has been extended up until 30 June 2015. Financial covenants associated with loan agreements were waived for the same period.

In March 2015, the Company reached an agreement with its main offtake partner according to which, sales will be similar to spot pricing arrangements and improved payment terms will be applied for the period 1 April 2015 until 30 June 2015.

In March 2015, the Company reached an agreement with DNB on restructuring its debt facilities until 30 June 2015 which included an adjustment to the borrowing base mechanism of the working capital facility, to enable the Company to effectively manage its liquidity position.

In March 2015, DNB closed out the exposure on foreign exchange hedge contracts remaining in the 2015 year and provided funding to the Company of this position with the result that the close out of these hedging contracts will have no liquidity effect for the Company for the next 12 months.

Other than this, no matter or circumstance has arisen since 31 December 2014 that in the opinion of the directors has significantly affected, or may significantly affect in future financial years:

(i) the Group's operations;

(ii) the results of those operations; or

(iii) the Group's state of affairs.

Directors' Declaration

1. In the opinion of the directors of Northern Iron Limited (the Company):
   (a) the accompanying financial statements and notes set out on pages 30 to 74 are in accordance with the Corporations Act 2001, including:
      (i) giving a true and fair view of the Group's financial position as at 31 December 2014 and of its performance for the financial year ended on that date; and
      (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
   (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 31 December 2014.

Signed in accordance with a resolution of the Board of directors.

Antony Beckmand
Managing Director and Chief Executive Officer

Kirkenes, 31 March 2015

Peter Bilbe
Chairman

Perth, 31 March 2015

Independent Auditor's Report

To the members of Northern Iron Limited

HLB Mann Judd

Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REPORT
To the members of Northern Iron Limited

Report on the Financial Report

We have audited the accompanying financial report of Northern Iron Limited ("the company"), which comprises the consolidated statement of financial position as at 31 December 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for the consolidated entity. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In Note 2, the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the financial report complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

HLB Mann Judd (WA Partnership) ABN 22 193 232 714
Level 4, 130 Stirling Street Perth WA 6000. PO Box 8124 Perth BC 6849 Telephone +61 (08) 9227 7500. Fax +61 (08) 9227 7533.
Email: hlb@hlbwa.com.au. Website: http://www.hlb.com.au
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HLB Mann Judd (WA Partnership) is a member of HLB International, a worldwide organisation of accounting firms and business advisers.

HLB Mann Judd

Accountants | Business and Financial Advisers

Auditor's opinion

In our opinion:

(a) the financial report of Northern Iron Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 2 to the financial statements, which indicates that the Group will require additional funding, and the successful completion of the initiatives listed in Note 2 to enable the Group to continue to fund its operations. If the Group is unable to successfully secure additional funding and complete these initiatives, there is a material uncertainty that may cast doubt on the Group's ability to continue as a going concern, and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial statements.

Report on the Remuneration Report

We have audited the remuneration report included in the directors' report for the year ended 31 December 2014. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion the remuneration report of Northern Iron Limited for the year ended 31 December 2014 complies with section 300A of the *Corporations Act 2001*.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

N G Neill
Partner

Perth, Western Australia
31 March 2015

Corporate Governance Statement

Introduction

Northern Iron has in place corporate governance practices that are formally embodied in corporate governance policies and codes adopted by the Board (the Policies). The aim of the Policies is to ensure that the Company is effectively directed and managed, that risks are identified, monitored, and assessed and that appropriate disclosures are made.

In preparing the Policies, the directors considered the ASX Corporate Governance Council's "Corporate Governance Principles and Recommendations" (ASX Principles). The Board has adopted these ASX Principles, subject to the departures noted below.

The directors incorporated the ASX Principles into the Policies to the extent that they were appropriate, taking into account the Company's size, the structure of the Board, its resources, and its proposed activities. The Board has adopted the following policies and procedures.

Statement and Charters

- Corporate Governance Statement
- Board Charter
- Audit Committee Charter
- Remuneration, Nomination and Governance Committee Charter

Policies and Procedures

- Code of Conduct
- Trading in Company Securities
- Risk Management Policy (within the Board and Audit Committee Charters)
- Shareholder Communication Strategy
- Continuous Disclosure Policy
- Board Diversity Policy

As the Company and its activities grow, the Board may implement additional corporate governance structures and committees. The Company's corporate governance Policies are available on the Company's website at www.northerniron.com.au.

Number of Audit Committee meetings, names, and qualification of members

The number of Audit Committee meetings and the names of attendees are set out in the directors' report together with their qualifications.

Number of Remuneration, Nomination and Governance Committee meetings, names, and qualification of members

The number of Remuneration, Nomination and Governance Committee meetings and the names of attendees is set out in the directors' report together with their qualifications.

Remuneration, Nomination and Governance Committee matters may also, at the discretion of the Board, be dealt with at meetings of the full Board. Where this is the case voting is reserved for those members of the Board who are on the relevant committees.

Performance evaluation of the board, its committees, and senior executives

The Board reviews and evaluates the performance of the Board and its committees, which involves consideration of all the Board's key areas of responsibility.

A performance evaluation of senior executives was undertaken during the year. Evaluation of executives reporting to the Managing Director was undertaken by the Managing Director and subsequently approved by the Remuneration Committee and by the full Board. Evaluation of the performance of the Managing Director was undertaken by the Remuneration, Nomination and Governance Committee, reporting to the Chairman.

Skills, experience, expertise, and term of office of each director

A profile of each director containing the applicable information is set out in the directors' report.

Explanations for departures from best practice recommendations

From 1 January 2014 to 31 December 2014 (the Reporting Period"), the Company complied in all material respects with each of the Corporate Governance Principles and the corresponding Recommendations as published by the ASX Corporate Governance Council ("ASX Principles and Recommendations") except as noted below:

Principle	Recommendation	Description	Explanation for departure
2	2.1	A majority of the Board was not comprised of independent directors for the whole of the Reporting Period.	During the period from 1 January 2014 until 1 April 2014 the Board comprised four (4) directors, of whom two (2) were considered by the Board to be independent. On 1 April 2014, Mr Peter Campbell Church OAM was appointed as a non-executive director in accordance with the share subscription agreement dated 19 January 2010 between the Company and OM Holdings Ltd (OMH), which permits OMH to appoint a nominee to the Company's Board subject to maintaining a shareholding in excess of 10%. During the period from 1 April 2014 until 31 December 2014, the Board has comprised five (5) directors, of whom two (2) are considered by the Board to be independent. The Board (and Remuneration, Nomination and Governance Committee) continues to monitor its composition and the needs of the Company. Additional independent non-executive directors may be appointed in future.

Statement concerning availability of independent professional advice

If a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of his office as a director then, provided the director first obtains approval for incurring such expense from the Chairman, the Company will pay reasonable expenses associated with obtaining such advice.

Existence and terms of any schemes for retirement benefits for non-executive directors

The Company does not have any terms or schemes relating to retirement benefits for non-executive directors.

Company's remuneration policies

The Company's remuneration policies are set out in the Remuneration Report on pages 19 to 26 and in the Company's Remuneration, Nomination & Governance Committee Charter, as available on its website. The Company has separate remuneration policies for executive and non-executive directors.

Non-executive directors receive a fixed fee and, when appropriate may also be eligible to receive share options. Executive directors receive a salary or fee and, when appropriate, performance based remuneration and share options.

Identification of independent directors

The Company's independent directors are considered to be Mr Peter Bilbe and Mr Ashwath Mehra.

None of these directors was considered to have a material relationship with the Company or another group member (other than their directorships) during the Reporting Period as professional advisor, consultant, supplier, customer, or through any other contractual relationship, nor did they have any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company.

The Board considers "material" in this context to be where any director related business relationship represents the lesser of at least 5% of the Company's or the director-related business's revenue.

Corporate Governance Statement

Continued

Material business risks

Risk Management is a standing agenda item for consideration at Board meetings. Management of the Company is responsible for the preparation and maintenance of a register of material business risks and responses and is required also to report to the Board as to the effectiveness of the Company's management of its material business risks.

Commitment to Diversity

The Company is committed to workplace diversity and to ensuring a diverse mix of skills and talent exists amongst its directors, officers and employees, to enhance Company performance. The Board has adopted a Diversity Policy which addresses equal opportunities in the hiring, training and career advancement of directors, officers and employees. The Policy outlines the strategies and process according to which the Board, Nomination and Remuneration Committees will set measurable objectives to achieve the aims of its Diversity Policy, with particular focus on gender diversity within the Company and supporting the representation of women at senior levels. The Board is responsible for monitoring Company performance in meeting the Diversity Policy requirements, including the achievement of diversity objectives.

The Board and Remuneration Committee have now established appropriate measurable objectives and intend to report progress against them in the Company's 2014 Annual Report.

Information relating to the current representation of women employees in the Northern Iron Group, holding senior executive positions and on the Board is as follows:

	Number of Women Employees	%
Northern Iron Limited Group	56	13.3
Senior Executives	1	20
Board representation (Group companies)	1	10
Board representation (Parent Company)	–	–

ASX Recommendation	Compliance (Yes/No)	Explanation
PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT		
ASX Recommendation 1.1: Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	Yes	The Board has adopted a formal charter that details the respective board and management functions and responsibilities. A copy of the board charter is available in the governance section of the Company's website at www.northerniron.com.au.
ASX Recommendation 1.2: Companies should disclose the process for evaluating the performance of senior executives.	Yes	The Board has adopted a performance evaluation policy, which provides that the Remuneration, Nomination Committee and Governance Committee will carry out performance evaluation of senior executives of the Company and that an independent adviser may be used. This evaluation will be based on specific criteria, including the business performance of the Company and its subsidiaries, whether strategic objectives are being achieved and the development of management and personnel. Each senior executive's performance will be assessed against his or her designated roles and responsibilities.
ASX Recommendation 1.3: Companies should provide the information indicated in the Guide to reporting on Principle 1.	Yes	The Company has provided the information indicated in the Guide to reporting on Principle 1 in its annual report and on the Company's website.
PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE		
ASX Recommendation 2.1: A majority of the board should be independent directors.	No	During the period from 1 January 2014 until 1 April 2014 the Board comprised four (4) directors, of whom two (2) were considered by the Board to be independent. On 1 April 2014, Mr Peter Campbell Church OAM was appointed as a non-executive director in accordance with the share subscription agreement dated 19 January 2010 between the Company and OM Holdings Ltd (OMH), which permits OMH to appoint a nominee to the Company's Board subject to maintaining a shareholding in excess of 10%. During the period from 1 April 2014 until 31 December 2014, the Board has comprised five (5) directors, of whom two (2) are considered by the Board to be independent. The Board (and Remuneration, Nomination and Governance Committee) continues to monitor its composition and the needs of the Company. Additional independent non-executive directors may be appointed in future.
ASX Recommendation 2.2: The chair should be an independent director.	Yes	The Chairman of the Company, Mr Peter Bilbe, is considered to be an independent director by the Board.
ASX Recommendation 2.3: The roles of chair and chief executive officer should not be exercised by the same individual.	Yes	The role of chair of the Board is exercised by Mr Peter Bilbe. The role of Chief Executive Officer is exercised by Mr Antony Beckmand.

Corporate Governance Statement

Continued

ASX Recommendation	Compliance (Yes/No)	Explanation
ASX Recommendation 2.4: The board should establish a nomination committee.	Yes	The Board has established a Remuneration, Nomination & Governance Committee and adopted a charter that sets out the committee's role and responsibilities, composition and membership requirements. A copy of the committee charter is available in the governance section of the Company's website.
ASX Recommendation 2.5: Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Yes	The Company's board charter outlines the process for evaluating the performance of the Board, its committees and individual directors. The Board may decide to engage an independent adviser to undertake this review. A performance evaluation took place during the year to 31 December 2013 and was carried out by the Chairman. Copies of the board charter and the charter of the Remuneration, Nomination and Governance Committee are available in the governance section of the Company's website.
ASX Recommendation 2.6: Companies should provide the information indicated in the Guide to reporting on Principle 2.	Yes	The Company includes in its annual reports and on its website the information indicated in the Guide to reporting on Principle 2.
PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING		
ASX Recommendation 3.1: Companies should establish a code of conduct and disclose the code or a summary of the code as to: – the practices necessary to maintain confidence in the company's integrity; – the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and – the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Yes	The Company has established a code of conduct and a copy of the code is available in the governance section of the Company's website.
ASX Recommendation 3.2: Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.	Yes	The Company has established a diversity policy which addresses ASX Recommendation 3.2. A copy of the policy is available in the governance section of the Company's website.

ASX Recommendation	Compliance (Yes/No)	Explanation
ASX Recommendation 3.3: Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	Yes	The Company has a Diversity Policy endorsed by the Board and is committed to providing a diverse and inclusive work environment in which everyone is treated fairly and with respect. Measurable objectives have been established for achieving gender diversity, which are to be reviewed annually. The Remuneration, Nomination and Governance Committee has the responsibility of assessing and reporting to the Board on progress towards achieving the measurable objectives on an annual basis. The Remuneration, Nomination and Governance Committee has the responsibility of recommending to the Board the extent to which the achievement of measurable diversity objectives may be linked to the key performance indicators for the Board, Chief Executive Officer and senior executives. The measurable objectives relating to gender diversity, set by the Board are as follows: – Ensure recruitment policies and procedures reflect NFE's policy on diversity. Complete – Human Resources Manager to provide an initial status report, and then to report on a periodic basis including recommendations for future workplace participation rates. Partially complete, initial status report and periodic reporting has been implemented, recommendations for future participation rates expected during 2015. – Implement diversity education and training for all employees and contractors, and conduct awareness sessions on issues relating to equal opportunities in the workplace. In progress. Discussions were held among all employees based on employee survey results during 2014. Specific diversity education and training was not initiated during the year. Subject to budget allocation it is expected that this will be completed during 2015. – Issue guidance notes on the Company's commitment to diversity to all external agencies engaged to provide recruitment services. In progress. External agencies currently work in line with the Company's diversity policies and commitments. Formalisation of guidance is expected to be implemented during 2015.

Corporate Governance Statement

Continued

ASX Recommendation	Compliance (Yes/No)	Explanation
ASX Recommendation 3.4: Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	Yes	The Company has disclosed this information in the governance section of its annual report.
ASX Recommendation 3.5: Companies should provide the information indicated in the Guide to reporting on Principle 3.	Yes	The Company discloses in the corporate governance statement in its annual reports an explanation of any departure from ASX Recommendations 3.1, 3.2, 3.3, 3.4 or 3.5 (see above). Copies of the Company's diversity policy are available in the governance section of the Company's website.
PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING		
ASX Recommendation 4.1: The Board should establish an audit committee.	Yes	The Board has established an Audit Committee and adopted a charter that sets out the Audit Committee's purpose, composition, duties and responsibilities. The role of the Audit Committee is to assist the Board in monitoring and reviewing any matters of significance affecting financial reporting and compliance. A copy of the charter of the Audit Committee is available in the governance section of the Company's website.
ASX Recommendation 4.2: The audit committee should be structured so that it: – consists only of non-executive directors; – consists of a majority of independent directors; – is chaired by an independent chair, who is not chair of the board; and – has at least three members.	Yes	The structure of the Company's Audit Committee meets the requirements of Recommendation 4.2. The members of the committee are set out in the directors' report together with their qualifications.
ASX Recommendation 4.3: The audit committee should have a formal charter.	Yes	The Board has adopted a formal charter that details the Audit Committee's purpose, composition, duties and responsibilities. A copy of the charter of the Audit Committee is available in the governance section of the Company's website.

ASX Recommendation	Compliance (Yes/No)	Explanation
ASX Recommendation 4.4: Companies should provide the information indicated in the Guide to reporting on Principle 4.	Yes	The Company has disclosed in the Directors' Report the names and qualifications of those appointed to its audit committee, their attendance at meetings and the number of meetings of the audit committee. The Company has disclosed in this Corporate Governance section of its Annual Report an explanation of departures from Recommendations 4.1, 4.2, 4.3 and 4.4 (none). The Board has adopted a formal charter of the Audit Committee, which provides information on procedures for the selection and appointment of the external auditor, and for the rotation of external audit engagement partners. A copy of this charter is available in the governance section of the Company's website.
PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE		
ASX Recommendation 5.1: Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Yes	The Company has established a continuous disclosure policy which is designed to guide compliance with ASX Listing Rule disclosure requirements and to ensure that all directors, senior executives and employees of the Company understand their responsibilities under the policy. The Board has designated the Managing Director and the Company Secretary as the persons responsible for ensuring that this policy is implemented and enforced and that all required price sensitive information is disclosed to the ASX as required. In accordance with the Company's continuous disclosure policy, all information provided to ASX for release to the market will be posted to the Company's website once ASX has confirmed that an announcement has been released to the market. A copy of the continuous disclosure policy is available in the governance section of the Company's website.
ASX Recommendation 5.2: Companies should provide the information indicated in the Guide to reporting on Principle 5.	Yes	The Company includes in its annual reports an explanation of any departure from ASX Recommendations 5.1 or 5.2 (none). A copy of the Company's continuous disclosure policy is available in the governance section of the Company's website.

Corporate Governance Statement

Continued

<table>
<tr><th>ASX Recommendation</th><th>Compliance (Yes/No)</th><th>Explanation</th></tr>
<tr><td colspan="3">PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS</td></tr>
<tr><td>ASX Recommendation 6.1: Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.</td><td>Yes</td><td>The Company respects the rights of its shareholders and to facilitate the effective exercise of those rights the Company has designed a shareholder communication policy which outlines the Company's commitment to:
– communicating effectively with shareholders through releases to the market via ASX, information mailed to shareholders and the general meetings of the Company;
– giving shareholders ready access to balanced and understandable information about the Company and corporate proposals;
– encouraging shareholders to participate in general meetings of the Company; and
– requesting the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

A copy of the shareholder communication policy is available in the governance section of the Company's website.</td></tr>
<tr><td>ASX Recommendation 6.2: Companies should provide the information indicated in the Guide to reporting on Principle 6.</td><td>Yes</td><td>The Company includes in its annual reports an explanation of any departure from ASX Recommendations 6.1 or 6.2 (none) and a description of how it will communicate with its shareholders publicly.

The Company has provided information about the Company generally for the benefit of its shareholders and market participants (among others) on the Company's website and all information provided to ASX for release to the market is posted to its website once ASX has confirmed that an announcement has been released.</td></tr>
</table>

ASX Recommendation	Compliance (Yes/No)	Explanation
PRINCIPLE 7: RECOGNISE AND MANAGE RISK		
ASX Recommendation 7.1: Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes	The Company is committed to the identification, monitoring and management of risks associated with its business activities and has established policies in relation to the implementation of practical and effective control systems. Management of the Company is responsible for the preparation and maintenance of a register of material business risks and responses and is required also to report to the Board as to the effectiveness of the Company's management of its material business risks.
ASX Recommendation 7.2: The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Yes	Under the Company's risk management policy, the responsibility for undertaking and assessing risk management and internal control effectiveness is delegated to management. Management is required to assess risk management and associated internal compliance and control procedures and report back to the Board on whether those risks are being managed effectively. The Board has received the reports from management required by ASX Recommendation 7.2.
ASX Recommendation 7.3: The Board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Yes	The Board has received the assurances required by ASX Recommendation 7.3 in respect of its 2014 annual report.
ASX Recommendation 7.4: Companies should provide the information indicated in the Guide to reporting on Principle 7.	Yes	The Company includes in the corporate governance statement in its annual reports an explanation of any departure from ASX Recommendations 7.1, 7.2, 7.3 or 7.4 (none), whether the Board has received the report from management under ASX Recommendation 7.2, and whether the Board has received assurance from Managing Director and the Chief Financial Officer under ASX Recommendation 7.3. Management of the Company is responsible for the preparation and maintenance of a register of material business risks and responses and is required also to report to the Board as to the effectiveness of the Company's management of its material business risks.

Corporate Governance Statement

Continued

ASX Recommendation	Compliance (Yes/No)	Explanation
PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY		
ASX Recommendation 8.1: The board should establish a remuneration committee.	Yes	The Board has established a Remuneration, Nomination & Governance Committee to support and advise the Board in fulfilling its responsibilities to shareholders. The role of the committee includes attending to matters related to the Company's remuneration policy to enable the Company to attract and retain executives who will create value for shareholders and to arrange performance evaluations of those executives. The committee also attends to matters relating to succession planning and recommends candidates for election or re-election to the Board. The Board has adopted a charter that defines the committee's purpose, composition, duties and responsibilities. A copy of this charter is available in the governance section of the Company's website.
ASX Recommendation 8.2: The remuneration committee should be structured so that it: – consists of a majority of independent directors; – is chaired by an independent chair; and – has at least three members.	Yes	The structure of the Company's Remuneration, Nomination and Governance Committee meets the requirements of ASX Recommendation 8.2.
ASX Recommendation 8.3: Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Yes	Non-executive directors receive a fixed fee and, when appropriate may also be eligible to receive share options. Executive directors receive a salary or fee and, when appropriate, performance based remuneration and share options.

ASX Recommendation	Compliance (Yes/No)	Explanation
ASX Recommendation 8.4: Companies should provide the information indicated in the Guide to reporting on Principle 8.	Yes	The Company includes in its annual reports: – an explanation of any departure from ASX Recommendations 8.1, 8.2, 8.3 or 8.4 (none); – the existence and terms of any schemes for retirement benefits, other than superannuation, for non-executive directors; and – the names of the members of the remuneration committee and their attendance at meetings of the committee, or where a company does not have a remuneration committee, how the functions of a remuneration committee are carried out. The Board has adopted a formal charter of the Remuneration, Nomination and Governance Committee, which defines the committee's purpose, composition, duties and responsibilities. A copy of this charter is available in the governance section of the Company's website. The Company will determine, and then intends to make publically available on the Company's website a summary of, the Company's policy on prohibiting executives entering into transactions in associated products that limit the economic risk of participating in unvested entitlements under any equity-based remuneration schemes made available by the Company.

Additional Shareholder Information

Additional information required by the ASX Limited ("ASX") Listing Rules and not disclosed elsewhere in this report is set out below.

Shareholdings as at: 8 April 2015

Substantial shareholders

Set out below is an extract from the Company's register of last substantial shareholder notices as received by the company and/or lodged at the ASX. Shareholdings and percentages reported in the table are as reported in the most recent notifications received, however these may differ from current holdings as substantial holders are required to notify the Company only in respect of changes which act to increase or decrease their percentage holding by at least 1% of total voting rights:

Name of Shareholder	Date of notice	Number of Shares	% held
Dalnor Assets Ltd	24/06/14	96,637,800	19.95%
Tschudi Mining Company AS	14/10/13	67,133,728	13.86%
OM Holdings Limited	15/10/12	52,482,500	11.03%
Prominvest AG	16/12/14	28,329,939	5.85%

Voting Rights

The voting rights attaching to Ordinary Shares are governed by the Constitution. On a show of hands, every person present who is a member or representative of a member shall have one vote and on a poll, every member present in person or by proxy or by attorney or duly authorised representative shall have one vote for each share held. No options have any voting rights.

Twenty Largest Shareholders (as at 8 April 2015)

Rank	Name	No.	%
1.	J P MORGAN NOMINEES AUSTRALIA LIMITED	201,926,286	41.69
2.	TSCHUDI MINING COMPANY AS	67,133,728	13.86
3.	OM HOLDINGS LIMITED	52,482,500	10.83
4.	CITICORP NOMINEES PTY LIMITED	25,128,525	5.19
5.	DNU NOMINEES PTY LIMITED	20,200,000	4.17
6.	BNP PARIBAS NOMS PTY LTD <DRP>	11,551,368	2.38
7.	ASHWATH MEHRA	10,000,000	2.06
8.	INKESE PTY LTD	8,100,000	1.67
9.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	8,073,019	1.67
10.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 3	7,520,890	1.55
11.	NATIONAL NOMINEES LIMITED	6,440,519	1.33
12.	UBS NOMINEES PTY LTD	6,407,698	1.32
13.	MR ASHWATH MEHRA	5,702,792	1.18
14.	ZERO NOMINEES PTY LTD	5,335,592	1.10
15.	ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD <CUSTODIAN A/C>	2,990,047	0.62
16.	MR JAY EVAN DALE HUGHES <INKESE FAMILY A/C>	2,265,000	0.47
17.	MR YONG XU	2,000,000	0.41
18.	MR JAY HUGHES + MRS LINDA HUGHES <INKESE SUPER A/C>	1,500,000	0.31
19.	MR ALEXANDER JASON ELKS	1,390,000	0.29
20.	PAN AUSTRALIAN NOMINEES PTY LIMITED	1,170,000	0.24
	SUB-TOTAL - TOP 20 SHAREHOLDERS	**447,317,964**	**92.34**
	OTHER SHAREHOLDERS	**37,087,350**	**7.66**

Distribution of equity security holders (as at 8 April 2015)

Size of Holding	Number of shareholders	Number of fully paid shares
1 to 1,000	228	36,171
1,001 to 5,000	188	577,172
5,001 to 10,000	128	990,576
10,001 to 100,000	312	10,874,373
100,001 and over	91	471,927,022
	947	**484,405,314**

The number of shareholders holding less than a marketable parcel of ordinary shares is 770.

On-market buyback

There is no current on-market buyback.

Restricted securities

As at the date of this report, none of the Company's securities are subject to escrow restrictions.

Additional Shareholder Information

Continued

Schedule of permits

Tenement Name	Tenement Number	Tenement Type	Area (m²)	Grant Date	Registered Holder
Andehatten	FU-1/2009-FB	Claim	62,500	22/08/2001	Sydvaranger Gruve AS
Annahatten	G.UTV. 6/2011	Claim	175,000	18/03/2009	Sydvaranger Gruve AS
Annahatten N	0784/2009-FB	Preclaim	250,000	3/03/2010	Sydvaranger Gruve AS
Annahatten Ø	0783/2009-FB	Preclaim	175,000	3/03/2010	Sydvaranger Gruve AS
Bjørnefjell 1	3309/2007-FB	Claim	240,000	2/12/2013	Sydvaranger Gruve AS
Bjørnefjell 2	3310/2007-FB	Claim	250,000	2/12/2013	Sydvaranger Gruve AS
Bjørnefjell 3	0020/2009-FB	Claim	40,000	2/12/2013	Sydvaranger Gruve AS
Bjørnefjell 4	0021/2009-FB	Claim	100,000	2/12/2013	Sydvaranger Gruve AS
Bjørnefjell 5	0022/2009-FB	Claim	280,000	2/12/2013	Sydvaranger Gruve AS
Bjørnefjell 6	0023/2009-FB	Preclaim	245,000	18/03/2009	Sydvaranger Gruve AS
Bjørnevann 10	0785/2008-FB	Preclaim	80,000	22/10/2008	Sydvaranger Gruve AS
Bjørnevann 11	0786/2008-FB	Preclaim	190,000	22/10/2008	Sydvaranger Gruve AS
Bjørnevann 12	0015/2009-FB	Preclaim	225,000	18/03/2009	Sydvaranger Gruve AS
Bjørnevann 13	0016/2009-FB	Preclaim	180,000	18/03/2009	Sydvaranger Gruve AS
Bjørnevann 14	0017/2009-FB	Preclaim	245,000	18/03/2009	Sydvaranger Gruve AS
Bjørnevann 15	0018/2009-FB	Preclaim	280,000	18/03/2009	Sydvaranger Gruve AS
Bjørnevann 16	0019/2009-FB	Preclaim	245,000	18/03/2009	Sydvaranger Gruve AS
Bjørnevann 7	3311/2007-FB	Preclaim	297,600	7/10/2007	Sydvaranger Gruve AS
Bjørnevann 8	3312/2007-FB	Preclaim	240,000	7/10/2007	Sydvaranger Gruve AS
Bjørnevann 9	3313/2007-FB	Preclaim	225,000	7/10/2007	Sydvaranger Gruve AS
Bjørnevatn 1	1664/2006-FB	Preclaim	300,000	19/01/2007	Sydvaranger Gruve AS
Bjørnevatn 100	1672/2006-FB	Preclaim	250,000	19/01/2007	Sydvaranger Gruve AS
Bjørnevatn 101	1673/2006-FB	Preclaim	280,000	19/01/2007	Sydvaranger Gruve AS
Bjørnevatn 17	0798/2009-FB	Preclaim	200,000	3/03/2010	Sydvaranger Gruve AS
Bjørnevatn 18	0799/2009-FB	Preclaim	50,000	3/03/2010	Sydvaranger Gruve AS
Bjørnevatn 19	0800/2009-FB	Preclaim	150,000	3/03/2010	Sydvaranger Gruve AS
Bjørnevatn 2	1665/2006-FB	Preclaim	300,000	19/01/2007	Sydvaranger Gruve AS
Bjørnevatn 20	0801/2009-FB	Preclaim	300,000	3/03/2010	Sydvaranger Gruve AS
Bjørnevatn 3	1666/2006-FB	Preclaim	300,000	19/01/2007	Sydvaranger Gruve AS
Bjørnevatn 4	1667/2006-FB	Preclaim	250,000	19/01/2007	Sydvaranger Gruve AS
Bjørnevatn 5	1668/2006-FB	Preclaim	250,000	19/01/2007	Sydvaranger Gruve AS
Bjørnevatn 6	1669/2006-FB	Preclaim	250,000	19/01/2007	Sydvaranger Gruve AS

Tenement Name	Tenement Number	Tenement Type	Area (m^2)	Grant Date	Registered Holder
Bjørnevatn Ø	NU 11/1974	Claim	56,000	6/12/2002	Sydvaranger Gruve AS
Bjørnevatn Ø	NU 12/1974	Claim	112,000	6/12/2002	Sydvaranger Gruve AS
Bjørnevatn Ø	NU 13/1974	Claim	84,000	6/12/2002	Sydvaranger Gruve AS
Bjørnevatn Ø	NU 14/1974	Claim	84,000	6/12/2002	Sydvaranger Gruve AS
Bjørnevatn Ø	NU 15/1974	Claim	84,000	6/12/2002	Sydvaranger Gruve AS
Bjørnevatn V	NU 1/1974	Claim	140,000	6/12/2002	Sydvaranger Gruve AS
Bjørnevatn V	NU 2/1974	Claim	140,000	6/12/2002	Sydvaranger Gruve AS
Bjørnevatn V	NU 3/1974	Claim	140,000	6/12/2002	Sydvaranger Gruve AS
Bjørnevatn V	NU 4/1974	Claim	140,000	6/12/2002	Sydvaranger Gruve AS
Bjørnevatn V	NU 5/1974	Claim	140,000	6/12/2002	Sydvaranger Gruve AS
Bjørnevatn V	NU 6/1974	Claim	112,000	6/12/2002	Sydvaranger Gruve AS
Bjørnevatn V	NU 7/1974	Claim	84000	6/12/2002	Sydvaranger Gruve AS
Bjørnevatn V	NU 8/1974	Claim	84000	6/12/2002	Sydvaranger Gruve AS
Bjørnevatn V	NU 9/1974	Claim	84000	6/12/2002	Sydvaranger Gruve AS
Bjørnevatn V	NU 10/1974	Claim	56000	6/12/2002	Sydvaranger Gruve AS
Boris Gleb 1	0687/2001-FB	Preclaim	117,500	22/08/2001	Sydvaranger Gruve AS
Boris Gleb 1	FU-8/2009-FB	Claim	182,500	23/08/2001	Sydvaranger Gruve AS
Boris Gleb 2	0688/2001-FB	Preclaim	163,150	24/08/2001	Sydvaranger Gruve AS
Boris Gleb 2	FU-9/2009-FB	Claim	136,850	25/08/2001	Sydvaranger Gruve AS
Boris Gleb 3	FU-10/2009-FB	Preclaim	49,000	26/08/2001	Sydvaranger Gruve AS
Boris Gleb 3	0689/2001-FB	Claim	191,000	27/08/2001	Sydvaranger Gruve AS
Brattli 1	3138/2007-FB	Preclaim	140,000	7/10/2007	Sydvaranger Gruve AS
Brattli 2	3139/2007-FB	Preclaim	120,000	7/10/2007	Sydvaranger Gruve AS
Brattli 3	0771/2009-FB	Preclaim	32,400	3/03/2010	Sydvaranger Gruve AS
Brattli 4	0772/2009-FB	Preclaim	60,000	3/03/2010	Sydvaranger Gruve AS
Fisketd. S/Jernt. N	FU-4/2009-FB	Claim	45,000	22/08/2001	Sydvaranger Gruve AS
Fisketind	NU 31/1974	Claim	112,000	6/12/2002	Sydvaranger Gruve AS
Fisketind	NU 32/1974	Claim	112,000	6/12/2002	Sydvaranger Gruve AS
Fisketind	NU 33/1974	Claim	112,000	6/12/2002	Sydvaranger Gruve AS
Fisketind	NU 34/1974	Claim	112,000	6/12/2002	Sydvaranger Gruve AS
Fisketind	NU 35/1974	Claim	112,000	6/12/2002	Sydvaranger Gruve AS

Additional Shareholder Information

Continued

Tenement Name	Tenement Number	Tenement Type	Area (m²)	Grant Date	Registered Holder
Fisketind 1	0785/2009-FB	Preclaim	200,000	3/03/2010	Sydvaranger Gruve AS
Fisketind 10	0790/2009-FB	Preclaim	250,000	3/03/2010	Sydvaranger Gruve AS
Fisketind 11	0791/2009-FB	Preclaim	175,000	3/03/2010	Sydvaranger Gruve AS
Fisketind 3	0028/2009-FB	Preclaim	102,400	2/04/2009	Sydvaranger Gruve AS
Fisketind 4	0029/2009-FB	Preclaim	235,000	19/01/2007	Sydvaranger Gruve AS
Fisketind 5	0030/2009-FB	Preclaim	9,900	2/04/2009	Sydvaranger Gruve AS
Fisketind 6	0786/2009-FB	Preclaim	280,000	2/04/2009	Sydvaranger Gruve AS
Fisketind 7	0787/2009-FB	Preclaim	35,100	3/03/2010	Sydvaranger Gruve AS
Fisketind 8	0788/2009-FB	Preclaim	240,000	3/03/2010	Sydvaranger Gruve AS
Fisketind 9	0789/2009-FB	Preclaim	138,000	3/03/2010	Sydvaranger Gruve AS
Fisketind Syd 2	1662/2006-FB	Preclaim	300,000	3/03/2010	Sydvaranger Gruve AS
Grunntjern	NU 40/1974	Claim	84,000	6/12/2002	Sydvaranger Gruve AS
Grunntjern	NU 41/1974	Claim	84,000	6/12/2002	Sydvaranger Gruve AS
Grunntjern	NU 42/1974	Claim	84,000	6/12/2002	Sydvaranger Gruve AS
Grunntjern	NU 43/1974	Claim	84,000	6/12/2002	Sydvaranger Gruve AS
Grunntjern	NU 44/1974	Claim	84,000	6/12/2002	Sydvaranger Gruve AS
Grunntjern	NU 45/1974	Claim	84,000	6/12/2002	Sydvaranger Gruve AS
Grunntjern 1	0794/2009-FB	Preclaim	220,000	3/03/2010	Sydvaranger Gruve AS
Grunntjern 2	0795/2009-FB	Preclaim	299,750	3/03/2010	Sydvaranger Gruve AS
Hyttemalmen	NU 81/1974	Claim	56,000	6/12/2002	Sydvaranger Gruve AS
Hyttemalmen	NU 82/1974	Claim	56,000	6/12/2002	Sydvaranger Gruve AS
Jernhatten	NU 77/1974	Claim	140,000	6/12/2002	Sydvaranger Gruve AS
Jernhatten	NU 78/1974	Claim	140,000	6/12/2002	Sydvaranger Gruve AS
Jerntoppen 1	0787/2008-FB	Preclaim	250,000	22/10/2008	Sydvaranger Gruve AS
Jerntoppen 2	0766/2009-FB	Preclaim	25,000	3/03/2010	Sydvaranger Gruve AS
Jerntoppen 3	0781/2009-FB	Preclaim	100,000	3/03/2010	Sydvaranger Gruve AS
Jerntoppen 4	0782/2009-FB	Preclaim	120,000	3/03/2010	Sydvaranger Gruve AS
Kjellmannsåsen	LU 101/1903	Claim	lengdeutmål	6/12/2002	Sydvaranger Gruve AS
Kjellmannsåsen	LU 102/1903	Claim	lengdeutmål	6/12/2002	Sydvaranger Gruve AS
Kjellmannsåsen	LU 105/1903	Claim	lengdeutmål	6/12/2002	Sydvaranger Gruve AS
Kjellmannsåsen	LU 106/1903	Claim	lengdeutmål	6/12/2002	Sydvaranger Gruve AS
Kjellmannsåsen 1	1658/2006-FB	Preclaim	250000	19/01/2007	Sydvaranger Gruve AS
Kjellmannsåsen 2	1659/2006-FB	Preclaim	250000	19/01/2007	Sydvaranger Gruve AS
Kjellmannsåsen 3	1660/2006-FB	Preclaim	250000	19/01/2007	Sydvaranger Gruve AS
Kjellmannsåsen 4	1661/2006-FB	Preclaim	250000	19/01/2007	Sydvaranger Gruve AS
Kjellmannsåsen 5	3135/2007-FB	Preclaim	78,750	7/10/2007	Sydvaranger Gruve AS
Kjellmannsåsen 6	3136/2007-FB	Preclaim	275,000	7/10/2007	Sydvaranger Gruve AS
Kjellmannsåsen 7	3137/2007-FB	Preclaim	200,000	7/10/2007	Sydvaranger Gruve AS

Tenement Name	Tenement Number	Tenement Type	Area (m^2)	Grant Date	Registered Holder
Mattilamalmen 1	FU-6/2009-FB	Preclaim	88,150	22/08/2001	Sydvaranger Gruve AS
Mattilamalmen 1	0685/2001-FB	Claim	104,350	23/08/2001	Sydvaranger Gruve AS
Mattilamalmen 2	0686/2001-FB	Preclaim	280,000	22/08/2001	Sydvaranger Gruve AS
Ørnåsen	FU-5/2009-FB	Claim	252,000	22/08/2001	Sydvaranger Gruve AS
Ørnåsen 1	0779/2009-FB	Preclaim	90,000	3/03/2010	Sydvaranger Gruve AS
Ørnåsen 2	0780/2009-FB	Preclaim	250,000	3/03/2010	Sydvaranger Gruve AS
Ørnevann	NU 63/1974	Claim	84,000	6/12/2002	Sydvaranger Gruve AS
Ørnevann	NU 64/1974	Claim	84,000	6/12/2002	Sydvaranger Gruve AS
Ørnevann	NU 65/1974	Claim	84,000	6/12/2002	Sydvaranger Gruve AS
Ørnevann	NU 66/1974	Claim	84,000	6/12/2002	Sydvaranger Gruve AS
Ørnevannet 1	0773/2009-FB	Preclaim	230,000	3/03/2010	Sydvaranger Gruve AS
Ørnevannet 2	0774/2009-FB	Preclaim	297,000	3/03/2010	Sydvaranger Gruve AS
Ørnevannet 3	0775/2009-FB	Preclaim	261,000	3/03/2010	Sydvaranger Gruve AS
Ørnevannet 4	0776/2009-FB	Preclaim	299,750	3/03/2010	Sydvaranger Gruve AS
Reitan 3	3298/2007-FB	Preclaim	145,000	7/10/2007	Sydvaranger Gruve AS
Reitan 4	3299/2007-FB	Preclaim	266,000	7/10/2007	Sydvaranger Gruve AS
Reitan 5	3300/2007-FB	Preclaim	266,000	7/10/2007	Sydvaranger Gruve AS
Reitan 6	3301/2007-FB	Preclaim	280,000	7/10/2007	Sydvaranger Gruve AS
Reitan 7	3302/2007-FB	Preclaim	175,000	7/10/2007	Sydvaranger Gruve AS
Reitan 8	3303/2007-FB	Preclaim	250,000	7/10/2007	Sydvaranger Gruve AS
Reitanmalmen 1	FU-2/2009-FB	Claim	150,000	22/08/2001	Sydvaranger Gruve AS
Reitanmalmen 2	FU-3/2009-FB	Claim	137,500	22/08/2001	Sydvaranger Gruve AS
Søstervann	NU 46/1974	Claim	112,000	6/12/2002	Sydvaranger Gruve AS
Søstervann	NU 47/1974	Claim	112,000	6/12/2002	Sydvaranger Gruve AS
Søstervann	NU 48/1974	Claim	112,000	6/12/2002	Sydvaranger Gruve AS
Søstervann	NU 49/1974	Claim	112,000	6/12/2002	Sydvaranger Gruve AS
Søstervann 1	0796/2009-FB	Preclaim	247,500	3/03/2010	Sydvaranger Gruve AS
Søstervann 2	0797/2009-FB	Preclaim	247,500	3/03/2010	Sydvaranger Gruve AS
Teltbukt 1	0777/2009-FB	Preclaim	240,000	3/03/2010	Sydvaranger Gruve AS
Teltbukt 2	0778/2009-FB	Preclaim	200,000	3/03/2010	Sydvaranger Gruve AS
Teltbuktmalmen	FU-7/2009-FB	Claim	6,615	22/08/2001	Sydvaranger Gruve AS

Additional Shareholder Information

Continued

Tenement Name	Tenement Number	Tenement Type	Area (m^2)	Grant Date	Registered Holder
Tverrdalen	NU 24/1974	Claim	112,000	6/12/2002	Sydvaranger Gruve AS
Tverrdalen	NU 25/1974	Claim	112,000	6/12/2002	Sydvaranger Gruve AS
Tverrdalen	NU 26/1974	Claim	112,000	6/12/2002	Sydvaranger Gruve AS
Tverrdalen	NU 27/1974	Claim	112,000	6/12/2002	Sydvaranger Gruve AS
Tverrdalen	NU 28/1974	Claim	112,000	6/12/2002	Sydvaranger Gruve AS
Tverrdalen	NU 29/1974	Claim	168,000	6/12/2002	Sydvaranger Gruve AS
Tverrdalen	NU 30/1974	Claim	168,000	6/12/2002	Sydvaranger Gruve AS
Tverrdalen 1	0792/2009-FB	Preclaim	299,750	3/03/2010	Sydvaranger Gruve AS
Tverrdalen 2	0793/2009-FB	Preclaim	299,750	3/03/2010	Sydvaranger Gruve AS
Vakkeråsen 1	0690/2001-FB	Preclaim	160,000	22/08/2001	Sydvaranger Gruve AS
Vakkeråsen 2	0691/2001-FB	Preclaim	240,000	22/08/2001	Sydvaranger Gruve AS
Vakkeråsen 3	0692/2001-FB	Preclaim	240,000	22/08/2001	Sydvaranger Gruve AS
Vakkeråsen 4	0693/2001-FB	Preclaim	175,000	22/08/2001	Sydvaranger Gruve AS
Vakkeråsen 5	3304/2007-FB	Preclaim	90,000	7/10/2007	Sydvaranger Gruve AS
Vakkeråsen 6	3305/2007-FB	Preclaim	90,000	7/10/2007	Sydvaranger Gruve AS
Vakkeråsen 7	3306/2007-FB	Preclaim	150,000	7/10/2007	Sydvaranger Gruve AS
Vakkeråsen 8	3307/2007-FB	Preclaim	150,000	7/10/2007	Sydvaranger Gruve AS
Vakkeråsen 9	3308/2007-FB	Preclaim	120,000	7/10/2007	Sydvaranger Gruve AS
Varrevann 1	0694/2001-FB	Preclaim	250,000	22/08/2001	Sydvaranger Gruve AS
Varrevann 2	0695/2001-FB	Preclaim	250,000	22/08/2001	Sydvaranger Gruve AS
Varrevann 3	0696/2001-FB	Preclaim	250,000	22/08/2001	Sydvaranger Gruve AS
Varrevann 4	0697/2001-FB	Preclaim	60,000	22/08/2001	Sydvaranger Gruve AS
Varrevann 5	3296/2007-FB	Preclaim	170,000	7/10/2007	Sydvaranger Gruve AS
Varrevann 6	3297/2007-FB	Preclaim	280,000	7/10/2007	Sydvaranger Gruve AS

Corporate Directory

Directors

PR Bilbe	Chairman
A Beckmand	Managing Director
A Mehra	Non-Executive Director
FH Tschudi	Non-Executive Director
PC Church	Non-Executive Director
PS Larsen	Alternate Director for FH Tschudi

Company Secretary
AJ Neuling

Auditors
HLB Mann Judd
(WA Partnership)
Level 4, 130 Stirling Street
Perth WA 6000

Bankers
DNB Bank ASA
Innovasjon Norge
Westpac Banking Group Limited

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Norway

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Fax +47 78 97 78 00

Share Registry
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Level 2, 45 St Georges Terrace
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Australia

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Investor Enquiries
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(outside Australia)

Fax +61 8 9323 2033

Stock Exchange Listing
Securities of Northern Iron Limited are listed on ASX Limited.

ASX Code NFE – ordinary shares

ASX Limited Exchange Centre
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Sydney NSW 2000, Australia

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(within Australia)

Shareholder and Participant Enquiries: +61 2 9338 0000
(outside Australia)

Fax +61 2 9227 0885

Solicitors
Clifford Chance
Level 7, 190 St Georges Terrace
Perth WA 6000

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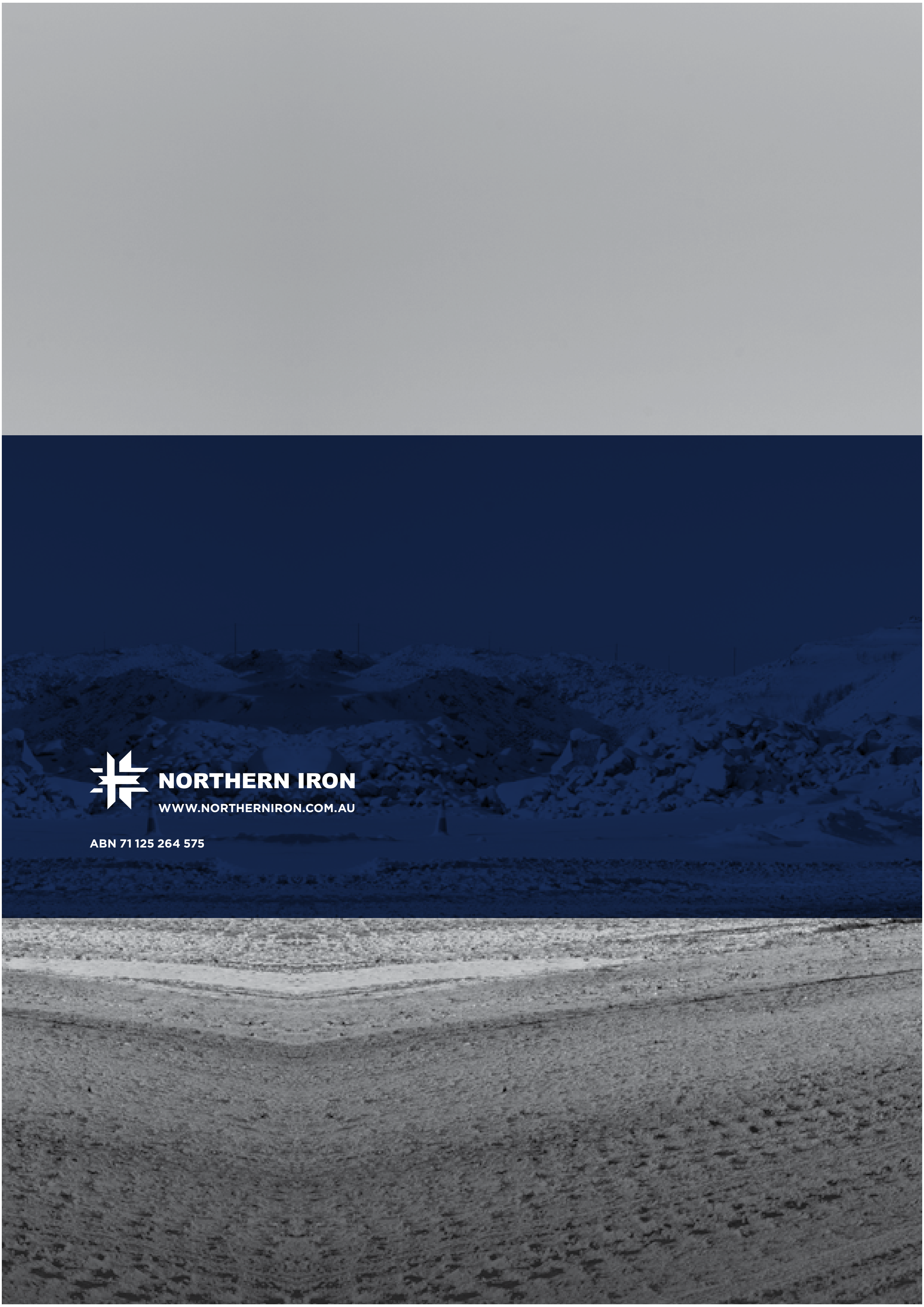

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