



# Northern Iron Corp.

## **NORTHERN IRON CORP. AND OMC INVESTMENTS LIMITED ENTER INTO INVESTMENT AGREEMENT**

Investment Agreement and related documents provide for:

- Private placement of 19,048,000 shares @ 0.05 cents to raise \$952,400 representing 19.90 % of Northern Iron Corp;
- OMC Investments will progressively earn equity in the project upon provision of additional capital as follows:
  - Phase 1. \$8.2 million in funding for resource delineation and environmental permitting;
  - Phase 2. \$2.0 million in funding for preliminary economic study;
  - Phase 3. \$20 million in funding for a feasibility study.

**Vancouver, British Columbia, Canada – October 16, 2014.**

**Northern Iron Corp.** ("Northern Iron") (**TSX-V: NFE**) (**FRANKFURT: N8I**) today announced that it has entered into an investment agreement (the "**Investment Agreement**") with OMC Investments Limited, of Hong Kong ("**OMC**").

Pursuant to the terms of the Investment Agreement, on closing of the intended transaction, the Company has agreed to issue 19,048,000 units to OMC (a "**Unit**") by way of private placement at a price of \$0.05 per Unit, for aggregate gross proceeds of \$952,400 (the "**Private Placement**"). Each Unit will consist of one common share in the capital of Northern Iron ("**Common Share**") and one Common Share purchase warrant, with each warrant ("**Warrant**") being exercisable by OMC for a period of three years from the date of closing of the Private Placement at a price of \$0.05 per Common Share.

The completion of the Private Placement is conditional on (i) the TSX Venture Exchange ("**TSXV**") completing standard background (PIF searches) on certain principals of OMC and (ii) satisfactory due diligence by OMC. It is anticipated that closing ("**Closing**") of the transactions will be contemplated prior to the end of November 2014.

The TSXV has conditionally approved the transactions contemplated herein.

Basil Botha, President and CEO of Northern Iron said; "The Investment Agreement entered into today is significant for the following reasons:

- The Private Placement is being done at a 152% premium to the 20 day volume weighted average price of NFE shares.
- The initial tranche of capital from the Private Placement, when completed, is expected to secure Northern Iron's short-term working capital needs.
- The \$30.2 million in further capital provided for in the underlying agreements to be entered into on Closing is expected to bring the project to the completion of the bankable feasibility study stage.
- These transactions provide Northern Iron with a clear path forward at a time when financing for juniors is extremely difficult.
- Northern Iron is now aligned with Danieli Centro Metallics, one of the world's leading equipment suppliers to the steel industry, (see press release dated May 7, 2014 regarding Co-operation Agreement with Danieli) and with OMC, a firm that has access to major Chinese steel producers."

"Globally, steel mills are looking for a reliable source of value added raw materials that can assist in the production of quality and speciality steels, while reducing emissions, being more energy efficient and producing less waste. Canadian HBI produced in Northern Ontario can accomplish this and the transportation infrastructure is in place to make it happen."

Further details of the structure of the agreements include:

### ***Transfer of Mining Claims to Subsidiaries***

In connection with the anticipated closing of the Private Placement, Northern Iron has incorporated three subsidiaries under the *Business Corporations Act* (Ontario), namely Canadian Iron Metallics Inc. ("**CIM**"), Griffith Iron Metallics Inc. ("**GIM**") and Karas Iron Metallics Inc. ("**KIM**"). In addition, in connection with the anticipated closing of the Private Placement, Northern Iron has made application to the Ministry of Northern Development and Mines, has received consent and has transferred (i) 23 unpatented contiguous mining claims comprising the Griffith property (the "**Griffith Claims**") to GIM, and (ii) 21 unpatented contiguous mining claims comprising the Karas property (the "**Karas Claims**") to KIM. Northern Iron's remaining unpatented mining claims relating to its El Sol property, Papaonga property and Whitemud property remain in the name of Northern Iron.

### ***Investment of OMC in CIM; Shareholders' Agreement***

The Parties will enter into a shareholders agreement that contemplates the construction of a fully integrated operation to product Hot Briquetted Iron (HBI) and or Direct Reduced Iron (DRI) comprising the mine, concentration plant, pelletizing plant, direct reduction plant, briquetting plant and related auxiliary systems.

Concurrent with the Closing of the Private Placement, and subject to the terms of a subscription agreement to be dated as of Closing, OMC has agreed to subscribe for 15% of the common shares in the capital of CIM, with Northern Iron holding the remaining 85%.

The shareholders agreement addresses the organization and affairs of CIM and the funding of key developmental steps in relation to the Griffith Claims and the Karas Claims. The shareholders agreement provides for three phases of funding and allows OMC to progressively earn equity in the project. On the provision of:

- \$8.2 million in funding for dewatering, resource drilling and environmental permitting (“Resource Definition Funding”), OMC will earn an additional 30% in the project;
- \$2.0 million in funding for a preliminary economic assessment, OMC will earn an additional 5% in the project;
- \$20 million in funding for a feasibility study, OMC will earn an additional 20% in the project, assuming feasibility study establishes technical and economic viability.

Northern Iron will be required to contribute pro-rata to both the Preliminary Economic Assessment and Feasibility Study but receives a free carry up to completion of Resource Definition Funding.

### ***El Sol Option Agreement***

In connection with the Private Placement, Northern Iron has also agreed to enter into an option agreement with OMC (the “**Option Agreement**”) pursuant to which OMC or an affiliate thereof has:

- the right to acquire up to 80% of the issued and outstanding shares of a wholly-owned subsidiary of the Company (the “**Subsidiary**”) to be incorporated by the Company to hold the mineral rights comprising the Company’s El Sol property, Whitemud property or Papaonga property if and only if OMC funds the entirety of the \$8.2 million Resource Definition Funding (the “**80% Interest**”); and
- if OMC earns the 80% Interest, the further right to increase its interest in the Subsidiary to 90% of the issued and outstanding shares if, within the five year period during which OMC earns the 80% Interest, OMC funds an additional \$1.5 million of exploration work on such property.

### ***Appointment of Felipe Carvalho to Board of Directors***

Northern Iron also announces that, in connection with the Closing of the Private Placement, Felipe Carvalho will be appointed to the Board of Directors of Northern Iron to hold office until the next annual general meeting.

As stated, the Private Placement is subject to the final approval of the TSX Venture Exchange. Pursuant to applicable securities laws, all securities issued pursuant to the Private Placement will be subject to a four month and one day statutory hold period running from Closing.

### **About Northern Iron Corp.**

Northern Iron is a 100% owner of five iron (magnetite) properties in the Red Lake district. The Red Lake district is an established mining area in Ontario, where the Northern Iron has two near term development projects, the past producing [Griffith](#) mine and the [Karas](#) property.

Northern Iron is currently working towards the production of [HBI](#), a transportable form of direct reduced iron. HBI is complementary and a viable metallic supplement to scrap steel. Quality scrap is a critical raw material in the steel making process. With the diminishing supply of quality scrap steel and ever increasing market demand, steel producers around the world will be looking to secure alternative supplies of metallic products.

As part of the business plan, Northern Iron has acquired the past producing Griffith mine, which produced pellets and sponge iron (Direct Reduced Iron/DRI) from 1968 to 1986. The mine was owned and operated by STELCO and supplied pellets and sponge iron to the Hamilton and Nanticoke steel mills in Ontario. The metallurgy of the deposit has been proven over eighteen years of production.

Almost the entire transportation infrastructure is currently in place to both produce HBI and to ship produced HBI into the North American market via rail and lake barges and into Asian markets via rail through the port of Prince Rupert. Existing infrastructure includes all weather roads, 115kV power line, natural gas line, rail bed and port facilities.

To date the Northern Iron has focused on de-risking the project by seeking out potential joint venture partners, off-take agreements or a combination thereof.

Neither the TSX Venture Exchange nor its Regulation Service Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release. No stock exchange, securities commission or other regulatory authority has approved or disapproved the information contained herein.

### ***About OMC Investments Limited***

OMC Investments Limited (“OMC”) is a Hong Kong incorporated investment company focusing on iron ore, steel and agricultural investments with a connection to China and Asia.

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