NORTHERN IRON

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED 30 SEPTEMBER 2011

12 JANUARY 2011

(Unaudited)

Canadian Funds

Report to Shareholders and Management Discussion and Analysis

To Our Shareholders:

This Management Discussion and Analysis ("MD&A") supplements, but does not form part of, the Audited Financial Statements for the year ended 30 September 2011. Consequently, the following discussion and analysis of the financial condition and results of operations for Northern Iron Corp. ("Northern Iron" or the "Company"), should be read in conjunction with the Audited Financial Statements for the Year ended 30 September 2011, and related notes therein, which have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"), consistently applied.

Discussion of the Company, its operations and associated risks are further described in the Company's filings, available for viewing at www.sedar.com. A copy of this MD&A will be provided to any applicant upon request.

Forward-Looking Statements

Certain statements contained in the following MD&A and elsewhere constitute forward-looking statements. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements in light of the risks set forth in the Company's filings and herein. Additional information regarding the Company, including copies of the Company's continuous disclosure materials is available through the SEDAR website at www.sedar.com.

The table below sets forth the significant forward-looking information included in this MD&A:

Forward-Looking Information	Key Assumptions	Most Relevant Risk Factors
Future funding for ongoing operations	The Company will be able to raise these funds	The Company has disclosed that this may be difficult and failure to raise these funds will materially impact the Company's ability to continue as a going concern
The progress in adoption of International Financial Reporting Standards	Adoption will be successful due to the planning and changeover governing the last fiscal year	The Company's ability to meet the future obligations for compliance reporting requirements. The Company's management team has the necessary proficiency in IFRS reporting to complete the transition, reducing this risk

Report to Shareholders and Management Discussion and Analysis

General

Northern Iron Corp. is a mineral exploration company focused on developing high quality iron ore opportunities in the Red Lake Mining Division of Ontario, Canada, which is a past-producing iron ore district. The Company holds 100% interest in minerals claims covering approximately 14,672 hectares, comprised of the El Sol Property, the Griffith Property, the Karas Property, the Papaonga Property and the Whitemud Property. Northern Iron has an aggressive objective to upgrade resources to NI 43-101 compliance and evaluate economic viability as soon as possible. Northern Iron Corp. is listed on the TSX Venture Exchange and commenced trading on 26 August 2011.

Significant Events and Transactions During the Period

On 01 June 2011 the Company deployed operation staff to commence field operations on the Karas property situated in close proximity to Ear Falls, Ontario. The exploration program undertakes to drill approximately 10,000 metres on the Karas property. In addition, further assessment work will be undertaken to determine the potential to dewater the Griffith property in order to commence an exploration program in 2012.

On 25 August 2011 the Company announced that on 23 August 2011 it closed its initial public offering (the "Offering") of Non Flow-Through Units and Flow-Through Units for aggregate gross proceeds of $14,140,190 pursuant to a prospectus of the Company dated 11 August 2011. Pursuant to the Offering, 27,967,299 Non Flow-Through Units were sold at $0.30 per unit for gross proceeds of $8,390,190 and 17,424,243 Flow-Through Units were sold at $0.33 per unit for gross proceeds of $5,750,000. The number of securities sold includes 2,272,728 Flow-Through Units and 2,967,299 Non Flow-Through Units that were sold pursuant to the exercise of a 15% overallotment option that was included in the Offering.

Each Non Flow-Through Unit is comprised of one common share in the capital of the Company (a "Common Share") and one common share purchase warrant (a "Warrant"). Each Warrant entitles the holder thereof to purchase one Common Share at a purchase price of $0.50 for a period of 24 months from the closing of the Offering. Each Flow-Through Unit is comprised of one Common Share that qualifies as a "flow-through share" pursuant to the Income Tax Act (Canada) and one-half of one Warrant.

The Company became a reporting issuer in the Provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and Labrador on 11 August 2011.

The Company's Common Shares have been approved for listing and trading on the TSX Venture Exchange, and the Company has been advised that the listing will take effect on Friday, 26 August 2011, with the Company's Common Shares to be listed under the trading symbol “NFE”.

The syndicate for the Offering was led by MGI Securities Inc. and included Stonecap Securities Inc. (MGI Securities Inc. and Stonecap Securities Inc. being collectively referred to as the “Agents”) The Agents received a total cash commission of $1,131,215.19, equal to 8% of the gross proceeds from the Offering. The Company also granted to the Agents 3,631,323 agent warrants (the "Agent Warrants"), equal to 8% of the total number of Non Flow-Through Units and Flow-Through Units sold under the Offering. Each Agent Warrant will be exercisable for one Non Flow-Through Unit at a price of $0.30 for a period of 24 months from the closing of the Offering. The Company also paid MGI Securities Inc. a work fee of $25,000 and a corporate finance fee that consisted of $100,000 and 333,333 Agent Warrants. The Common Shares have not been, and will not be, registered under the United States Securities.

Events Subsequent to 30 September 2011

On 11 November 2011, the Company commenced trading on the OTCQX International Marketplace under the symbol “NHRIF”.

On 13 October 2011, the Company appointed Paul Sarjeant to its board of directors. On the same date, the Company issued 200,000 options to Paul Sarjeant. These options allow the holder to purchase one common share of the Company at a price of $0.30 before expiration on 13 October 2016.

On 25 October 2011, the Company issued 500,000 common shares pursuant to the option agreement for the Papaonga claims, as disclosed in Note 4.

On 21 December 2011, the Company announced that it signed an agreement with Larry Herbert, a private individual, whereby the Company will acquire a 100% interest in five mineral claims totalling 848 hectares. The Claims are adjacent to the past producing Griffith mine, situated east and south of the claims acquired by the Company in January, 2010. The Griffith mine produced iron pellets and sponge iron from 1968 to 1986 before being shut down due to uneconomic iron prices. In consideration for the 100% interest in the claims, Northern Iron will pay the Vendor $6,000 in cash and issue 100,000 common shares of the Company at a deemed price of $0.30 per share.

On 21 December 2011, the Company announced that it has approved the grant of 1,125,000 stock options to officers, directors and consultants of Northern Iron. 700,000 of these options were granted to two directors of Northern Iron, namely Brian Thurston and Paul Sarjeant, and to Grant T. Smith, who acts as Chief Financial Officer of the Company. 425,000 stock options were granted to Consultants. Each option has a five-year term, and is exercisable for one common share of the Company at an exercise price of $0.30 per share.

Mineral Exploration

Details of mineral property activities are as follows:

20 November 2009	**$**	**-**	
Acquisition		1,398,249	
Geological and consulting		92,980	
Contractor services		27,530	
Transportation		17,031	
Staking		14,940	
Survey		3,342	
Admin and camp		2,537	
Assaying		2,282	
30 September 2010	**$**	**1,558,891**	
Drilling		945,452	
Admin and camp		272,835	
Geological and consulting		209,871	(i)
Assaying		70,662	
Survey		68,226	
Acquisition		25,000	(ii)
Transportation		35,313	
Geochemical		9,100	
Staking		8,230	
Total expenditures during the period	**$**	**1,644,689**	
Total cumulative as at 30 September 2011	**$**	**3,203,580**	

(i) Included in geological and consulting is stock-based compensation in the amount of $8,000.

(ii) Included in acquisition is stock-based compensation in the amount of $5,000.

The increase in exploration expenditures during the year ended 30 September 2011 results from the drill program on the Karas property, as well as general exploration work on the other properties in the Red Lake Mining Division of Ontario, Canada as discussed in Note 4 of the Financial Statements.

Selected Annual Information

Financial Data since Inception:

	GAAP	GAAP
Fiscal Year Ended	Sep-11	Sep-10
Total Revenues	-	-
Loss from Continuing Operations	(642,651)	(601,173)
Loss and Comprehensive Loss for the Year	(577,276)	(601,173)
Loss per Share (Basic and Diluted)	(0.02)	(0.04)
Total Assets	14,446,456	2,337,488
Working Capital (Deficit)	10,627,040	671,295

The Company's Total Assets and Working Capital have increased significantly from the comparative period as a result of the completion of the Initial Public Offering. The loss from Continuing Operations has remained consistent with the comparative period despite a dramatic increase in exploration activity in the current year. This is a result of the Company's policy to capitalize all mineral property expenditures.

Results of Operations

The loss for the year ended 30 September 2011 was $577,276 which compares to a loss of $601,173 in the period ended 30 September 2010. The loss for the three month period ended 30 September 2011 was $291,790, which compares to a loss of $601,173 in same period of 2010. The main fluctuations in costs are as follows:

Consulting fees	3 months	3 months	12 months	10 months
(rounded to the nearest '000)	2011	2010	2011	2010
	$ 75,000	$ 275,000	$ 209,000	$ 275,000
Variance increase (decrease)	$ (200,000)		$ (66,000)	

Consulting fees in the prior period were inflated as a result of various start-up costs during the first year of operations. All amounts are within the scope of management's expectations.

Professional fees	3 months	3 months	12 months	10 months
(rounded to the nearest '000)	2011	2010	2011	2010
	$ 94,000	$ 30,000	$ 153,000	$ 30,000
Variance increase (decrease)	$ 64,000		$ 123,000	

The increase in professional fees is a result of the legal fees incurred in preparation for the Initial Public Offering, as well as increased accounting throughout the period and IFRS support moving forward. All amounts are within the scope of management's expectations.

Stock-based compensation	3 months	3 months	12 months	10 months
(rounded to the nearest '000)	2011	2010	2011	2010
	$ -	$ 203,000	$ -	203,000
Variance increase (decrease)	$ (203,000)		$ (203,000)	

No stock-based compensation was incurred during the period as a result of timing related to the granting and vesting of options.

Travel	3 months	3 months	12 months	10 months
(rounded to the nearest '000)	2011	2010	2011	2010
	$ 97,000	$ 26,000	$ 142,000	$ 26,000
Variance increase (decrease)	$ 71,000		$ 116,000	

Travel expenses have increased during the period ended as key management personnel were co-ordinating the Company's Initial Public Offering. Additionally, growing exploration activity calls for key management to travel on location more frequently than in the past. All amounts are within the scope of management's expectations.

Shareholder relations	3 months	3 months	12 months	10 months
(rounded to the nearest '000)	2011	2010	2011	2010
	$ 35,000	$ 53,000	$ 44,000	$ 53,000
Variance increase (decrease)	$ (18,000)		$ (9,000)	

The decrease in investor relations expense results from a one-time transaction in the prior period. The current period expense is consistent with management's expectations.

Summary of Quarterly Results

Financial Data since Inception:

	GAAP	GAAP	GAAP	GAAP	GAAP
Three Months Ended	Sep-11	Jun-11	Mar-11	Dec-10	Sep-10
Total Revenues	-	-	-	-	-
Loss from continuing operations	(357,165)	(58,191)	(125,717)	(101,578)	(601,173)
Income (loss) for the period	(291,790)	(58,191)	(125,717)	(101,578)	(601,173)
Loss per share (Basic and diluted)	(0.02)	(0.03)	(0.01)	(0.01)	(0.04)
Total assets	14,446,456	2,537,164	2,210,589	2,244,792	2,337,488
Working capital (deficit)	10,627,040	(285,740)	118,134	399,915	671,295

The losses reported in the three month period ended 30 September 2011 are higher than comparative periods as a result of the Company completing its initial public offering allowing the Company to begin its exploration activity.

The losses reported in the three month period ended 30 June 2011 is less than the loss incurred in the three month period ended 31 March 2011 as a result timing variances related to the drilling activity on the Company's resource properties.

The losses reported in the three month period ended 31 March 2011 and six month period ended 31 December 2010 are consistent with management's expectations considering the level of operations at that time.

The period ended 30 September 2010 displays higher than typical losses that result from various start-up costs and intense initial operations.

Share Capital

Details of the Company's share capital activity during the year ended 30 September 2011 is as follows:

On 23 August 2011 the Company closed its initial public offering (the "Offering) of Non Flow-Through Units and Flow-Through Units for aggregate gross proceeds of $14,140,190. Pursuant to the Offering, 27,967,299 Non Flow-Through Units were sold at $0.30 per unit for gross proceeds of $8,390,190 and 17,424,243 Flow-Through Units were sold at $0.33 per unit for gross proceeds of $5,750,000. Each Non Flow-Through Unit is comprised of one common share in the capital of the Company (a "Common Share") and one common share purchase warrant (a "Warrant"). Each Warrant entitles the holder thereof to purchase one Common Share at a purchase price of $0.50 for a period of 24 months from the closing of the Offering. Each Flow-Through Unit is comprised of one Common Share that qualifies as a "flow-through share" and one-half of one Warrant. The funds raised include an 8% cash commission and 8% agent's warrants. Each Agent Warrant will be exercisable for one Non Flow-Through Unit at a price of $0.30 for a period of twenty-four months from the closing of the Offering. The Company also paid cash fees of $125,000 and 333,333 Agent Warrants.

On 31 January 2011 the Company issued 50,000 shares at a value of $0.10 for a total value of $5,000 for the acquisition of resource property.

On 16 November 2010 the Company issued 80,000 shares at a value of $0.15 for a total value of $12,000 for agent fees paid as commission to Scott Robinson.

On 15 November 2010 the Company completed the third tranche of a flow-through share private placement 300,000 shares at $0.15 per share for gross proceeds of $45,000.

On 08 October 2010 the Company completed the second tranche of a flow-through share private placement 43,333 shares at $0.15 per share for gross proceeds of $6,500.

As at 30 September 2011, the Company had 74,029,875 common shares issued and outstanding compared to 28,165,000 common shares issued and outstanding at 30 September 2010. The fully diluted amount of 116,973,952 represents options of 2,300,000 and warrants of 40,644,077.

As at the date of this report, the Company had 74,629,875 common shares issued and outstanding resulting from the closing of the Company's Initial Public Offering. The fully diluted amount of 118,898,952 represents options of 3,625,000 and warrants of 40,644,077.

Financial Position and Liquidity

The Company's financial instruments consist of cash, receivables and accounts payable and accrued liabilities. The Company has no speculative financial instruments, derivatives, forward contracts or hedges.

As at 30 September 2011 the Company had a working capital surplus of $10,627,040 compared to a working capital deficit of $671,295 as at 30 September 2010. Working capital has increased as the Company completed its Initial Public Offering in the fourth quarter of 2011.

Cash used in operating activities during the year ended 30 September 2011 totalled $(197,566). Cash used in operating activities for the ten month period ended 30 September 2010 totalled $(17,366).

Cash used for investing activities during the year ended 30 September 2011 totalled $(1,317,942). Cash used for investing activities during the ten month period ended 30 September 2010 totalled $(236,072). This increase results from the Company's mineral exploration program and the increase in available funds in 2011.

Cash raised in financing activities during the year ended 30 September 2011 totalled $12,305,408. Cash raised in financing activities for the ten month period ended 30 September 2010 totalled $976,700. This increase is attributable to the funds raised in the Company's IPO in the fourth quarter of 2011.

Currency & credit risk – All of the Company's Canadian cash is held in an interest bearing account at a major bank and such balances earn interest at market rates. The cash balances and payables that are denominated in foreign currencies are subject to currency risk due to fluctuations in the exchange rate between the currencies. To manage this risk the Company maintains only the minimum amount of foreign cash required to fund its on-going exploration expenditures.

Fair Value – As at 30 September 2011 the carrying values of receivables, accounts payable and accrued liabilities and notes payable approximate their fair values due to their short term to maturity.

It is management's opinion that the Company is not exposed to significant credit, interest rate, liquidity or market risks in respect of these financial instruments. The Company's policies and processes of managing all risks associated with its financial instruments have not changed during the period.

Capital Resources

Northern Iron has no recent history of profitable operations. Therefore, it is subject to many risks common to comparable companies, including under-capitalization, cash shortages and limitations with respect to personnel, financial and other resources as well as a lack of adequate revenues.

It will be necessary for Northern Iron to arrange for additional financing to meet its on-going exploration and overhead requirements.

Management believes it will be able to raise equity capital as required in the long term, but recognizes the risks attached thereto. Although Northern Iron successfully completed financing in the year ended September 30, 2011, there can be no assurance that it will be able to obtain adequate financing in the future or that the terms of such financing may be favourable.

Capital Management

Northern Iron identifies capital as cash and share capital. Northern Iron manages its capital in a manner consistent with the risk characteristics of the assets it holds. All sources of financing are analysed by management and approved by the Board. To maintain or adjust its capital structure, Northern Iron may issue Common Shares, acquire or dispose assets or adjust the amount of cash.

Northern Iron's objective when managing capital is to safeguard Northern Iron's ability as a going concern.

Northern Iron is meeting its objective of managing capital through its detailed review and performance of the due diligence on all potential acquisitions, preparing short-term and long-term cash flow analysis to ensure an adequate amount of liquidity and monthly review of financial results. There are no externally imposed capital restrictions and there has been no change in management's approach in capital management for the year ended 30 September 2011.

Off-Balance Sheet Arrangements

The Company had no off-balance sheet arrangements as at 30 September 2011 and as at the date hereof.

International Financial Reporting Standards

On 13 February 2008, the Canadian Accounting Standards Board confirmed that International Financial Reporting Standards will replace Canada’s current generally accepted accounting principles for publicly accountable profit oriented enterprises effective 01 January 2011. The Company is presently considering the effect these standards will have on its accounting statements.

The Canadian Accounting Standards Board ("AcSB") has confirmed that publicly accountable enterprises will be required to adopt IFRS effective for fiscal years beginning on or after 01 January 2011. The Company will therefore be required to report using IFRS commencing with its unaudited interim financial statements for the three months ended 31 December 2011, with comparative statements, as required, being restated in accordance with IFRS presentation.

Based on management’s assessment of the Canadian Securities Administrators (“CSA”) Notice 52-320, "Disclosure of Expected Changes in Accounting Policies Relating to Changeover to IFRS," the following areas may be impacted:

- Accounting policies, financial statement preparation, and implementation decisions, including selecting amongst policies permitted under IFRS and whether to apply specific changes retrospectively or prospectively;
- Information technology and data systems;
- Internal control over financial reporting;
- Disclosure controls and procedures including investor relations and external communications plans;
- Training requirements and communications, and;
- Business activities, such as foreign currency activities, which may be influenced by Canadian GAAP measures.

The Company has established an implementation team to develop and implement the changeover plan to IFRS on a timely basis. The table below represents a current assessment of the Company’s efforts to name, understand and enact the required changes:

Area of Impact	Noted Key Activities	Anticipated Deadlines/Targets	Current Progress
Accounting policies and financial statement presentation	Identify differences between IFRS and Canadian GAAP Select IFRS 1 accounting policy choices Quantify the effects of IFRS 1 disclosures for 2011 financial statements Prepare financial statements and related note disclosures to comply with IFRS	Identification and quantification of significant effects is expected to be complete before the current year-end Final selection of accounting policy choices prior to close of the 1st quarter of the new year	Have not noted any identifiable material impacts that may appear in the IFRS interim financial statements for the period ended 30 September 2011 Management continues to monitor for further changes that be revealed during this process
Information technology and data systems	Identify and address IFRS differences that will impact financial systems	Changes have been finalized during the fourth quarter and we estimate they are completed	No material change has been noted at this time. Management continues to use accounting systems which provide access to up to date information
Internal control over financial reporting	Processes and procedures for measuring and reporting to be revised to accommodate significant changes Parallel reporting of 2011 under both systems required	The change-over was completed during the fourth quarter 2011 to be adjusted for IFRS during 2012	We do not see significant changes being required at this time.
Disclosure controls and procedures	See above	See above	This disclosure in the MD&A is the chief impact to date.
Training and communication	Provide team training where necessary Communicate progress to stakeholders	Training to be continued with continuous improvement meaning that this will always be an ongoing project	Such training and communication is ongoing.
Business activities	Identify any existing contractual arrangements that may be impacted	Nothing noted	No material impacts have been noted to date.

As at 30 September 2011 the Company has identified what it believes to be current GAAP applicable to the Company that will be affected by the changeover and differences with the corresponding IFRS and has outlined appropriate policy choices allowed under IFRS.

Management submitted a document outlining the differences between current GAAP and IFRS, appropriate policy choices and their impact on the Company's financial statements and business processes to the Audit committee for discussion. The Audit Committee is still in discussion but has accepted the proposed changes for consideration. The Audit Committee is overseeing the IFRS project, and hold Management accountable for a successful transition. Possible substantive impacts that management expects IFRS will have on the Company's financial position are summarized in the following table. IFRS will also have more extensive disclosure and analysis of balances and transactions in the notes to the financial statements.

Key areas	Canadian GAAP	IFRS	Preliminary analysis
Mineral properties and deferred exploration	Exploration, evaluation and development costs can be either capitalized or expensed when incurred	IFRS has only limited guidance on this topic and currently allows the Company to carry its current treatment	Recommend no change to the policies regarding the exploration evaluation and development costs
Stock-based compensation	Stock-based compensation is determined using the Black Scholes option pricing model. Allows the option to use straight-line method or accelerated method to account for graded vesting features	Stock-based compensation is determined using the Black Scholes option pricing model. For graded-vesting features, each installment is to be treated as a separate share option grant because each installment has a different vesting period, and hence the fair value of each Installment will differ	The recognition of the value of stock- based compensation will not necessarily create material differences
Functional currency	Similar, with less specificity	IFRS supplies a specific hierarchy for making this decision, which requires significant judgment in the application of the guidelines. This may require a review of functional currency by various parents or subsidiaries	Management has reviewed, considered and concluded that the functional currency is the Canadian dollar, which is consistent with GAAP This conclusion is subject to review and approval by both the Company's directors and auditors

Related Party Transactions

Transactions and balances with related parties not disclosed elsewhere in the financial statements are as follows for the year ended 30 September 2011:

RELATED PARTY DISCLOSURE

Name and Principal Position	Period [(1)]		Remuneration or fees[(2)]		Included in Accounts Payable	Share-based awards
Basil Botha - President CEO and Director	**2011**	$	65,000	$	28,383	-
	2010		30,000		-	61,671
G4G Resources Ltd. - a company owned or controlled by the CEO	**2011**		23,845		6,165	-
	2010		-		-	-
Peter Arendt Inc.– a company owned or controlled by the former President, CEO, and Director	**2011**		20,000		-	-
	2010		30,000		-	-
Golden Hammer, a company of which the VP of Exploration is an owner– consulting fees	**2011**		71,400		11,354	-
	2010		53,400		-	25,696
Clearline Chartered Accountants, a company of which the CFO is a director– professional fees	**2011**		51,840		16,419	-
	2010		-		-	-
OLF, a company in which the director of the company is a partner for legal services – professional fees	**2011**		386,172		13,789	-
	2010		100,000		-	35,975
Director	**2011**		-		-	-
	2010		-		-	35,975
Director	**2011**		-		-	-
	2010		-		-	35,975

(1) Twelve month periods ended 30 September 2011 and 30 September 2010

(2) Amounts disclosed were paid or accrued to the related party

These transactions were in the normal course of operations and are measured at their exchange amount, which is the amount of consideration established and agreed to by the related parties.

Disclosure for Venture Issuers Without Significant Revenue

Consistent with other companies in the mineral exploration industry, Northern Iron has no source of operating revenue. The Company's 30 September 2011 Financial Statements provide a breakdown of the general and administrative expenses for the period under review and an analysis of the capitalized and expensed exploration and development costs incurred on its mineral properties.

Investor Relations Activities

With respect to public relations, the Company's policy is to provide information from its corporate offices to investors and brokers directly.

Management

Northern Iron is dependent upon the personal efforts and commitments of its existing management. To the extent that management's services would be unavailable for any reason, a disruption to the operations of Northern Iron could result, and other persons would be required to manage and operate the Company.

Disclosure Controls and Procedures

The Chief Executive Officer and Chief Financial Officer of Northern Iron are responsible for designing internal controls over financial reporting in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Northern Iron's financial statements for external purposes in accordance with Canadian GAAP. The design of Northern Iron's internal control over financial reporting was assessed as of the date of this MD&A.

Based on this assessment, it was determined that certain weaknesses existed in internal controls over financial reporting. As indicative of many small companies, the lack of segregation of duties and effective risk assessment were identified as areas where weaknesses existed. The existence of these weaknesses is to be compensated for by senior management monitoring. The officers will continue to monitor very closely all financial activities of Northern Iron and increase the level of supervision in key areas. It is important to note that this issue would also require Northern Iron to hire additional staff in order to provide greater segregation of duties. Since the increased costs of such hiring could threaten Northern Iron's financial viability, management has chosen to disclose the potential risk in its filings and proceed with increased staffing only when the budgets and work load will enable the action. Northern Iron has attempted to mitigate these weaknesses, through a combination of extensive and detailed review by the CFO of the financial reports, the integrity and reputation of senior accounting personnel, and candid discussion of those risks with the audit committee.

Risk Factors

Companies operating in the mining industry face many and varied kinds of risks. While risk management cannot eliminate the impact of all potential risks, the Company strives to manage such risks to the extent possible and practical. Following are the risk factors most applicable to the Company:

Exploring and developing mineral resource projects bears a high potential for all manner of risks. Additionally, few exploration projects successfully achieve development due to factors that cannot be predicted or foreseen. Moreover, even one such factor may result in the economic viability of a project being detrimentally impacted such that it is neither feasible nor practical to proceed. The Company closely monitors its activities and those factors that could impact them, and employs experienced consulting, engineering, insurance and legal advisors to assist in its risk management reviews.

Although the Company has taken steps to verify the title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

At present the principal activity of the Company is the exploration and development of iron ore resource properties. The feasible development of such properties is highly dependent upon the price of iron ore commodities. A sustained and substantial decline in these commodity prices could result in the write-down, termination of exploration and development work or loss of its interests in identified resource properties. Although such prices cannot be forecasted with certainty, the Company carefully monitors factors that could affect these commodity prices in order to assess the feasibility of its resource projects.

Approval

The Board of Directors of the Company has approved the disclosure contained in this Annual Management Discussion and Analysis.

A Cautionary Tale

This document contains "forward-looking information" which may include, but is not limited to, statements with respect to the future financial or operating performance of the Corporation, its subsidiaries and its projects, the future supply, demand, inventory, production and price of minerals, the estimation of reserves and resources, the realization of reserve estimates, the timing and amount of estimated future production, costs of production, capital, operating and exploration expenditures, costs and timing of the development of new deposits, costs and timing of future exploration, requirements for additional capital, government regulation operations, environmental risks, reclamation expenses, title disputes or claims, limitations of insurance coverage and the timing and possible outcome of pending litigation and regulatory matters.

Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes" or variations (including negative variations) of such words and phrases, or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Corporation and/or its subsidiaries to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, general business, economic, competitive, political and social uncertainties; the actual results of current exploration activities; actual results of reclamation activities; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; future prices of resources; possible variations of ore grade or recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the resource industry; political instability, insurrection or war; delays in obtaining governmental approvals or financing or in the completion of development or construction activities. Although the Corporation has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. There can be no assurance that forward-looking statements will *prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.*

Respectfully submitted on behalf of the Board of Directors,

“Basil Botha”

Basil Botha

President & CEO