NORTHERN IRON

INTERIM REPORT TO SHAREHOLDERS AND MANAGEMENT DISCUSSION AND ANALYSIS

OF THE FINANCIAL POSITION AND RESULTS OF OPERATIONS

FOR THE PERIOD ENDED 31 DECEMBER 2011

Date: 30 March 2012

(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 Condensed Interim Financial Statements for the quarter ended 31 December 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 unaudited Interim Financial Statements for the quarter ended 31 December 2011, and related notes therein, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), 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 four quarters	The Company's ability to meet the future obligations for compliance reporting requirements.

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

With an effective date of 31 December 2011, the Company renounced $5,750,000 of flow-through share expenditures. This renunciation included all 17,424,243 flow-through shares issued in the Company's initial public offering.

On 21 December 2011, the Company announced that it signed an agreement whereby the Company will acquire a 100% interest in five mineral claims totaling 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. In consideration for the 100% interest in the claims, Northern Iron paid the Vendor $6,000 in cash and will 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 and the 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.

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

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 13 October 2011, the Company appointed a new director to its board. On the same date, the Company issued 200,000 options to this director. 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.

Events Subsequent to 31 December 2011

On 10 January 2012, the Company issued 100,000 shares for the acquisition of resource properties.

Mineral Exploration

Details of mineral property activities are as follows:

01 October 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	
Drilling		598,941	
Geological and consulting		149,248	(iii)
Acquisition		106,000	(iv)
Admin and camp		54,076	
Assaying		48,569	
Transportation		13,983	
Staking		13,394	
Total expenditures during the period	$	984,211	
Total cumulative as at 31 December 2011	$	4,187,791	

(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.
(iii) Included in geological and consulting is stock-based compensation in the amount of $6,578
(iv) Included in acquisition is stock-based compensation in the amount of $100,000

The increase in exploration expenditures during the period ended 31 December 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 5 of the Financial Statements.

Results of Operations

The loss for the three month period ended 31 December 2011 was $414,420 which compares to a loss of $101,578 in the three month period ended 31 December 2010. The main fluctuations in costs are as follows:

Consulting fees				3 months	3 months
(rounded to the nearest '000)				2011	2010
	$	$	$	213,000	$ 56,000
Variance increase	$		$	157,000	

The Company has retained the services of several consultants as operations have significantly increased subsequent to the initial public offering. The increase in consulting fees is within management's expectations.

Transfer agent and filing fees				3 months	3 months
(rounded to the nearest '000)				2011	2010
	$	$	$	22,000	$ -
Variance increase	$		$	22,000	

Since the comparative period, the Company has commenced trading on both the TSX Venture Exchange and the OTCQX. The corresponding increase in transfer agent and filing fees agrees to management's expectations.

Stock-based compensation				3 months	3 months
(rounded to the nearest '000)				2011	2010
	$	$	$	93,000	-
Variance increase	$		$	93,000	

The Company incurs stock-based compensation expense upon the vesting of options within the period. The expense incurred in the period reflects the fair value of options issued to officers, directors, and consultants during the period.

Travel				3 months	3 months
(rounded to the nearest '000)				2011	2010
	$	$	$	47,000	$ 9,000
Variance increase	$		$	38,000	

Travel expenses have increased during the period ended as 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.

Interest (income) expense				3 months	3 months
(rounded to the nearest '000)				2011	2010
	$	$	$	(34,000)	$ -
Variance (decrease)	$		$	(34,000)	

The Company holds the proceeds of its recent initial public offering in an interest-bearing account. Therefore, the increase in interest revenue in the current period is expected.

Summary of Quarterly Results

Financial Data since Inception:

Three Months Ended	IFRS Dec-11	GAAP Sep-11	GAAP Jun-11	GAAP Mar-11	GAAP Dec-10	GAAP Sep-10
Total Revenues	-	-	-	-	-	-
Loss from continuing operations	(414,420)	(357,165)	(58,191)	(125,717)	(101,578)	(601,173)
Income (loss) for the period	(414,420)	(291,790)	(58,191)	(125,717)	(101,578)	(601,173)
Loss per share (Basic and diluted)	(0.01)	(0.02)	(0.03)	(0.01)	(0.01)	(0.04)
Total assets	13,990,509	14,446,456	2,537,164	2,210,589	2,244,792	2,337,488
Working capital (deficit)	9,431,293	10,627,040	(285,740)	118,134	399,915	671,295

The losses reported in the three month periods ended 31 December 2011 and 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.

Outstanding Shares

As at 31 December 2011, the Company had 74,529,875 common shares issued and outstanding versus 28,588,333 common shares issued and outstanding at 31 December 2010. The fully diluted amount of 118,798,952 represents options of 3,625,000 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 an additional issuance of 100,000 shares pursuant to the terms of a property option agreement. 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 31 December 2011 the Company had a working capital surplus of $9,431,293, compared to a working capital deficit of $10,627,040 as at 30 September 2011. Working capital has increased as the Company completed its Initial Public Offering in the fourth quarter of fiscal 2011.

Cash used in operating activities during the three month period ended 31 December 2011 totalled $(736,540). Cash used in operating activities for the three month period ended 31 December 2010 totalled $(120,955).

Cash used for investing activities during the period ended 31 December 2011 totalled $(877,633). Cash used for investing activities during the three month period ended 31 December 2010 totalled $(224,598). 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 period ended 31 December 2011 totalled $Nil. Cash raised in financing activities for the three month period ended 31 December 2010 totalled $51,500.

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 31 December 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 period ended 31 December 2011.

Off-Balance Sheet Arrangements

The Company had no off-balance sheet arrangements as at 31 December 2011 and as at the date hereof.

Related Party Transactions

Transactions and balances with related parties not disclosed elsewhere in the financial statements are as follows for the three month period ended 31 December 2011:

ED 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**	$ 80,000	$ -	$ -
	2010	15,000	-	-
G4G Resources Ltd. - a company owned or controlled by the CEO	**2011**	6,092	-	-
	2010	-	-	-
Peter Arendt Inc.– a company owned or controlled by the former President, CEO, and Director	**2011**	-	-	-
	2010	15,000	-	-
Golden Hammer, a company of which the VP of Exploration is an owner– consulting fees	**2011**	80,000	-	-
	2010	13,600	-	-
Clearline Chartered Accountants, a company of which the CFO is a director– professional fees	**2011**	15,803	-	-
	2010	7,500	-	-
Grant T. Smith, CFO	**2011**	-	-	13,511
	2010	-	-	-
OLF, a company in which the director of the company is a partner for legal services – professional fees	**2011**	2,789	-	-
	2010	-	-	-
Director	**2011**	-	-	-
	2010	-	-	-
Director	**2011**	-	-	23,644
	2010	-	-	-
Director	**2011**	-	-	36,133
	2010	-	-	-

(1) Three month periods ended 31 December 2011 and 31 December 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 31 December 2011 Condensed Interim 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.

Financial Instruments

Fair Value – The carrying values of receivables and accounts payable and accrued liabilities approximate their fair values due to their short term to maturity. Cash is measured on the balance sheet at Level 1 of the fair value hierarchy.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Currency risk – All of the Company's Canadian cash is held in interest bearing accounts at major banks 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 ongoing exploration expenditures. Accounts payable are settled in a timely manner. It is management's opinion that the Company is not exposed to significant currency risk. The Company does not use derivative instruments to reduce upward and downward risk associated with foreign currency transactions.

Credit risk - Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its bank accounts. The Company's bank accounts are held with major banks in Canada accordingly the Company believes it not exposed to significant credit risk.

Liquidity risk - Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The Company has cash available to meet all current obligations.

Market risk - Market risk is the risk that changes in market prices will affect the Company's earnings or the value of its financial instruments. Market risk is comprised of commodity price risk and interest rate risk. The objective of market risk management is to manage and control exposures within acceptable limits, while maximizing returns.

Interest rate risk - Interest rate risk is the risk of losses that arise as a result of changes in contracted interest rates. The Company is not exposed to interest rate.

Price risk - Price risk is the risk that the value of a security will decline in the future. The Company is not exposed to price risk.

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 IFRS. 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