



MANAGEMENT DISCUSSION AND ANALYSIS
OF THE FINANCIAL POSITION AND RESULTS OF OPERATIONS
FOR THE PERIOD ENDED 31 DECEMBER 2012

Date: 27 February, 2013

To OUR SHAREHOLDERS:

This Management Discussion and Analysis (“MD&A”) supplements, but does not form part of, the Financial Statements for the quarter ended 31 December 2012. 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 2012, 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

FUTURE OUTLOOK

Plans are in place to resume dewatering in the spring and will incorporate larger pumping equipment, capable of moving 30,000 gallons per minute (66,000 litres).

An application for a Permit To Take Water was submitted to the Ministry of Environment in the fourth quarter of 2012 and, once granted, will allow dewatering to continue below the 25m water level. Receipt of the Phase II permit is expected in early 2013.

The resource definition drilling program at the Griffith Mine commenced in August of 2012 and 11 holes totalling 3730m were completed by 21 September 2012. The holes were drilled around the perimeter of the North Pit. Drilling rigs are scheduled to return to the site in the summer of 2013 and will be placed on the old mining benches as a result of the Phase II dewatering program. Past production indicated the higher grades and larger resource are located towards the South end of the pit. This should be the priority area for delineation drilling. It is estimated that a minimum of 10,000 metres of drilling can be accomplished, to the North, south-west and north-east. Fence drilling can be carried out from the East side, and fan drilling farther South.

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Dillon Consulting has completed the Project Description of the Griffith Mine and will be submitting it to the Canadian Environmental Assessment Agency by the end of January 2013. After submission of the Project Description, Dillon will begin work on the Environmental Assessment required for reopening of the Griffith Mine.

Baseline environmental studies are underway and are being conducted by DST Consulting Engineers.

GENERAL

Northern Iron 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 is a 100% owner of five iron ore properties in the Red Lake district containing over 500 million tonnes of historical resources with grades ranging from 22% to 31% Fe₂O₃. Northern Iron is listed on the TSX Venture Exchange and commenced trading on 26 August 2011.

SIGNIFICANT EVENTS AND TRANSACTIONS DURING THE PERIOD

On 11 October 2012, the Company announced that it has acquired a 100% interest in four mineral claims located in the Red Lake mining district of Ontario (the "Karas Claims"). These claims are strategic and extend the Company's claims around the Karas property. In consideration for the 100% interest in the Karas Claims, the Company issued to a vendor 100,000 common shares. In addition, the Company has acquired a 100% interest in two mining claims, along with surface rights, adjacent to the past producing Griffith Mine Property. In consideration, the Company issued 1,500,000 common shares.

On 09 November 2012, the Company signed a purchase agreement with the optionors of the El Sol property Option Agreement whereby the Company purchased the 2% Net Smelter Royalty ("NSR") from the optionors for \$160,000. All liabilities to the optionors have been dispensed and the Company is free and clear of all obligations.

On 13 November 2012, the Company announced the signing of an asset purchase agreement under which Ontario Iron Mining Inc. ("OIMI") will acquire 100% of the El Sol and Whitemud Properties from the Company for \$5,000,000 cash. The full sale price will be paid on successful completion of OIMI's exclusive four month due diligence and transfer of property titles.

Northern Iron completed the Karas drill program in mid-November, with a total of 20,400m in 51 holes drilled on the property. Northern Iron's consultants are currently compiling the data and preparing a resource estimate. Completion and release of the estimate is anticipated in the first quarter of 2013.

Dewatering of the Griffith Mine North Pit began on 24 October 2012. Equipment and materials were mobilized on site in early October following the receipt of the Permit To Take Water, which was granted by the Ministry of Environment and allows Northern Iron to pump out the top 25m of water in the Griffith Pit. Despite the freezing of the Griffith Pit in late November, dewatering operations were able to continue until 03 January 2013, when the pumps were shut down and removed from the site. During the ten weeks of dewatering, approximately 4 billion liters of water was removed from the pit, lowering the water level by more than 16 feet.

Throughout the dewatering operations, Northern Iron staff implemented a water monitoring program designed to ensure there were no negative impacts on the receiving Bruce Lake.

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EVENTS SUBSEQUENT TO 31 DECEMBER 2012

On 06 February 2013, Northern Iron announced that their winter dewatering program of the Griffith Mine was halted on 03 January 2013 and will recommence during the spring. To date the dewatering process has removed 5 meters since 22 October 2012.

EXPLORATION AND EVALUATION ASSETS

Details of exploration and evaluation activities are as follows:

01 October 2011	\$ 3,203,580
Drilling	1,899,268
Geological and consulting	858,867 ⁽ⁱ⁾
Assaying	221,210
Acquisition	145,000 ⁽ⁱⁱ⁾
Admin and camp	126,073
Staking	84,998
Transportation	69,395
Reports and mapping	600
Total expenditures during the twelve month period	\$ 3,405,411
Total cumulative as at 30 September 2012	\$ 6,608,991
Drilling	464,615
Dewatering	447,276
Geological and consulting	204,782
Assaying	90,111
Acquisition	320,000⁽ⁱⁱⁱ⁾
Admin and camp	118,514
Staking	108,599
Transportation	36,884
Reports and mapping	-
Total expenditures during the three month period	\$ 1,685,117
Total cumulative as at 31 December 2012	\$ 8,294,108

⁽ⁱ⁾ Included in geological and consulting is stock-based compensation in the amount of \$6,578.

⁽ⁱⁱ⁾ Included in acquisition are stock issuances valued at \$114,000.

⁽ⁱⁱⁱ⁾ Included in acquisition are stock issuances valued at \$160,000.

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RESULTS OF OPERATIONS

The loss for the period ended 31 December 2012 was \$416,630 which compares to a loss of \$105,283 in the year ended 31 December 2011. The main fluctuations in costs are as follows:

	2012	2011
	3 Months	3 Months
	2012	2011
Consulting fees		
(rounded to the nearest '000)		
	\$ 165,000	\$ 213,000
Increase (decrease)	\$ (48,000)	

The consulting fees are lower as a result of a focus on cost control. Additionally, in the prior period management paid a performance based bonus, which did not recur.

	3 Months	3 Months
	2012	2011
Shareholder relations		
(rounded to the nearest '000)		
	\$ 78,000	\$ 22,000
Increase (decrease)	\$ 56,000	

The Company has now been trading actively for a year. The prior year period represents the beginning of the shareholder activities as a publicly traded company. It was expected that costs would increase and the current levels are expected to stabilize.

	3 Months	3 Months
	2012	2011
Stock-based compensation		
(rounded to the nearest '000)		
	\$ -	\$ 93,000
Increase (decrease)	\$ (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. The prior period had substantial grants unlike the current period.

	3 Months	3 Months
	2012	2011
Travel		
(rounded to the nearest '000)		
	\$ 82,000	\$ 47,000
Increase (decrease)	\$ 35,000	

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.

	3 Months	3 Months
	2012	2011
Amortization		
(rounded to the nearest '000)		
	\$ 16,000	\$ 3,000
Increase (decrease)	\$ 13,000	

Amortization for the period has increased as a result of current purchases of long-term assets. Specifically the Company invested \$523,000 in equipment acquisitions.

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SUMMARY OF QUARTERLY RESULTS

Financial Data since Inception:

	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
Three Months Ended	Dec -12	Sep-12	Jun-12	Mar-12	Dec-11	Sep-11	Jun-11	Mar -11
Total Revenue	-	-	-	-	-	-	-	-
Income (loss) for the period	(315,715)	(87,602)	(384,803)	(380,417)	(414,420)	(269,998)	(58,191)	(125,717)
Gain (loss) per share	(0.01)	(0.00)	(0.01)	(0.01)	(0.01)	(0.02)	(0.03)	(0.01)
Total assets	13,339,631	13,196,398	13,197,923	13,530,331	13,990,509	14,446,456	2,537,164	2,210,589
Working capital (deficit)	3,396,000	5,778,579	7,309,104	8,102,075	9,431,293	10,627,040	(285,740)	118,134

The losses reported during the three month period ended 31 December 2012 are higher than comparative period as a result of the Company's to the dewatering activity.

The losses reported in the three month period ended 31 December 2012 is are consistent with management's expectations considering the level of operations at that time.

OUTSTANDING SHARES

As at 31 December 2012, the Company had 76,579,875 common shares issued and outstanding versus 74,979,875 common shares issued and outstanding at 30 September 2012. The fully diluted amount of 121,737,952 represents options of 4,550,000 and warrants of 40,644,077.

As at the date of this report, there have been no subsequent changes to the number of shares, options, or warrants outstanding.

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 2012 the Company had a working capital surplus of \$3,396,000, compared to a working capital surplus of \$5,779,000 as at 31 September 2012. Working capital has decreased as there has been no fund raising activity recognized in the quarter, accordingly cash has decreased.

Cash used in operating activities during the period ended 31 December 2012 totalled \$142,305 (Preceding period: \$418,426). This is consistent with expectations of management.

Cash used in investing activities during the period ended 31 December 2012 totalled \$1,689,703 (Preceding period: \$877,633). This increase results from the Company's exploration and evaluation program which has been proactive and intense.

No cash was raised in financing activities during the period ended 31 December 2012.

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FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Fair values of financial assets and liabilities

The Company's financial instruments include cash, amounts receivable, accounts payable and due to related parties. At 31 December 2012, the carrying value of cash is fair value. Accounts receivable, accounts payable and due to related parties approximate their fair value due to their short term-nature.

b) 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. The Company is not exposed to significant market risk.

c) 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.

d) 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 nominally exposed to interest rate risk.

e) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. To manage this risk the Company maintains only the minimum amount of foreign cash required to fund its ongoing exploration expenditures. As at 31 December 2012, the Company holds no cash denominated in foreign currency and therefore is not exposed to significant foreign currency risk.

TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

IFRS represents standards and interpretations approved by the IASB, and are comprised of IFRSs, International Accounting Standards ("IASs"), and interpretations issued by the IFRS Interpretations Committee ("IFRICs") or the former Standing Interpretations Committee ("SICs").

Effective 01 October 2010, the Company prepares its financial statements in accordance with IFRS. The comparative information of 2011 in the MD&A has also been restated to conform with IFRS. This MD&A should be read in conjunction with Note 16 of the Company's condensed interim financial statements for the period ended 31 December 2012.

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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 30 September 2012.

OFF-BALANCE SHEET ARRANGEMENTS

The Company had no off-balance sheet arrangements as at 31 December 2012 and as at the date hereof.

RELATED PARTY TRANSACTIONS

RELATED PARTY DISCLOSURE

Name and Principal Position	Period	Remuneration or fees ⁽¹⁾	Share-based awards	Accounts Receivable
Basil Botha - President CEO and Director	2013	\$ 60,000	\$ -	\$ -
	2012	80,000	-	-
Golden Hammer – a company of which the VP of Exploration is an owner– consulting fees	2013	15,000	-	-
	2012	80,000	-	-
1514380 Ontario – a company owned for controlled by a Director	2013	37,500	-	-
	2012	-	-	-
Clearline – a company of which the CFO is a director, professional fees	2013	10,843	-	-
	2012	15,803	-	-

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

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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 2012 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.

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.

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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.

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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