

# **NORTHERN IRON CORP.**

## **CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 SEPTEMBER 2015**

Stated in Canadian Funds

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## MANAGEMENT'S RESPONSIBILITY

To the Shareholders of Northern Iron Corp.:

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors and the Audit Committee are composed primarily of Directors who are neither management nor employees of the Company. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and the external auditors. The Audit Committee has the responsibility of meeting with management, and the external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Board is also responsible for recommending the appointment of Northern Iron's external auditors.

We draw attention to Note 1 in the consolidated financial statements which indicates the existence of a material uncertainty that may cast substantial doubt on the Company's ability to continue as a going concern.

26 January 2016

*"Basil Botha"*

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Basil Botha, CEO

*"Grant T. Smith"*

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Grant T. Smith, CFO

## INDEPENDENT AUDITORS' REPORT

To the Shareholders of Northern Iron Corp.:

We have audited the accompanying consolidated financial statements of Northern Iron Corp. and its subsidiaries, which comprise the consolidated statement of financial position as at September 30, 2015 and 2014, and the consolidated statements of comprehensive loss, changes in equity, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

### *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Northern Iron Corp. and its subsidiaries as at September 30, 2015 and 2014, and the results of its operations and its cash flows for the years then ended, in accordance with International Financial Reporting Standards.

### *Emphasis of Matter*

Without qualifying our opinion, we draw attention to Note 1 of these consolidated financial statements, which states that Northern Iron Corp. incurred significant losses from operations, negative cash flows from operating activities and has an accumulated deficit. This, along with other matters described in Note 1, indicates the existence of a material uncertainty which may cast significant doubt about the ability of Northern Iron Corp. to continue as a going concern.

Vancouver, British Columbia  
January 26, 2016



Chartered Professional Accountants

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at	
		30 September 2015	30 September 2014
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash		\$ 623,245	\$ 599,149
Amounts receivable	(6)	10,982	12,205
Prepaid amounts and other assets		14,011	13,727
		<b>648,238</b>	625,081
<b>Non-current Assets</b>			
Deferred financing costs	(7)	-	60,405
Deposits	(8)	200,000	200,000
Property and equipment	(9)	120,187	304,388
Exploration and evaluation assets	(10)	9,862,134	9,610,510
		<b>10,182,321</b>	10,175,303
		<b>\$ 10,830,559</b>	\$ 10,800,384
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities		\$ 46,944	\$ 70,044
<b>EQUITY (STATEMENT 3)</b>			
Share capital		14,530,825	13,769,327
Options - Contributed surplus		431,100	426,100
Warrants - Contributed surplus		806,623	715,307
Deficit		(4,984,933)	(4,180,394)
		<b>10,783,615</b>	10,730,340
		<b>\$ 10,830,559</b>	\$ 10,800,384

Nature of operations and going concern	(1)	Capital management	(14)
Basis of preparation – Statement of Compliance	(2)	Commitment	(15)
Related party transactions	(12)		

The consolidated financial statements were approved by the Board of Directors on 26 January 2016 and were signed on its behalf by:

*“Paul Sarjeant”*

Paul Sarjeant, Director

*“Alberto Hassan”*

Alberto Hassan, Director

## CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

		Year Ended 30 September 2015	Year Ended 30 September 2014
<b>CONTINUING OPERATIONS</b>			
<b>Operating Expenses</b>			
Consulting fees	(12)	\$ 321,551	\$ 311,967
Amortization	(9)	184,201	185,988
Travel		123,538	71,839
Professional fees	(12)	85,456	101,532
Office and general		36,059	54,150
Shareholder relations		30,661	21,025
Transfer agent and filing fees		17,728	38,882
Insurance		8,289	8,737
Share-based payments	(11)	5,000	29,000
Interest (income)		(7,461)	(8,029)
<b>Loss from Operations</b>		<b>\$ 805,022</b>	<b>\$ 815,091</b>
Deferred tax (recovery)	(16)	-	(73,477)
Bad debt (recovery) expense	(6)	(483)	80,793
Loss on sale of equipment	(9)	-	1,328
<b>Net Loss and Comprehensive Loss for the Year</b>		<b>\$ (804,539)</b>	<b>\$ (823,735)</b>
<b>Basic and Diluted Loss per Common Share</b>		<b>(0.01)</b>	<b>(0.01)</b>
<b>Weighted Average Number of Shares Outstanding</b>		<b>92,701,070</b>	<b>76,639,327</b>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	Shares	Amount	Options	Amount	Warrants	Amount	Deficit	Shareholders' Equity
<b>BALANCE AT 1 OCTOBER 2013</b>	76,629,875	\$ 13,767,827	4,025,000	\$ 397,100	-	\$ 715,307	\$ (3,356,659)	\$ 11,523,575
Stock options cancelled	-	-	(400,000)	-	-	-	-	-
Net loss for the period	-	-	-	-	-	-	(167,400)	(167,400)
<b>BALANCE AT 31 DECEMBER 2013</b>	76,629,875	\$ 13,767,827	3,625,000	\$ 397,100	-	\$ 715,307	\$ (3,524,059)	\$ 11,356,175
Stock options cancelled	-	-	(350,000)	-	-	-	-	-
Issuance of stock options	-	-	1,550,000	29,000	-	-	-	29,000
Net loss for the period	-	-	-	-	-	-	(208,240)	(208,240)
<b>BALANCE AT 31 MARCH 2014</b>	76,629,875	\$ 13,767,827	4,825,000	\$ 426,100	-	\$ 715,307	\$ (3,732,299)	\$ 11,176,935
Net loss for the period	-	-	-	-	-	-	(188,313)	(188,313)
<b>BALANCE AT 30 JUNE 2014</b>	76,629,875	\$ 13,767,827	4,825,000	\$ 426,100	-	\$ 715,307	\$ (3,920,612)	\$ 10,988,622
Issuance of shares for property	50,000	1,500	-	-	-	-	-	1,500
Net loss for the period	-	-	-	-	-	-	(259,782)	(259,782)
<b>BALANCE AT 30 SEPTEMBER 2014</b>	76,679,875	\$ 13,769,327	4,825,000	\$ 426,100	-	\$ 715,307	\$ (4,180,394)	\$ 10,730,340

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY - CONTINUED**

	Shares	Amount	Options	Amount	Warrants	Amount	Deficit	Shareholders' Equity
<b>BALANCE AT 01 OCTOBER 2014</b>	76,679,875	\$ 13,769,327	4,825,000	\$ 426,100	-	\$ 715,307	\$ (4,180,394)	\$ 10,730,340
Proceeds on Unit issuance	19,048,000	861,084	-	-	19,048,000	91,316	-	952,400
Unit issuance costs	-	(97,486)	-	-	-	-	-	(97,486)
Net loss for the period	-	-	-	-	-	-	(177,701)	(177,701)
<b>BALANCE AT 31 DECEMBER 2014</b>	95,727,875	\$ 14,532,925	4,825,000	\$ 426,100	19,048,000	\$ 806,623	\$ (4,358,095)	\$ 11,407,553
Expiration of stock options	-	-	(250,000)	-	-	-	-	-
Unit issuance costs	-	(2,100)	-	-	-	-	-	(2,100)
Net loss for the period	-	-	-	-	-	-	(200,461)	(200,461)
<b>BALANCE AT 31 MARCH 2015</b>	95,727,875	\$ 14,530,825	4,575,000	\$ 426,100	19,048,000	\$ 806,623	\$ (4,558,556)	\$ 11,204,992
Share-based payments	-	-	200,000	5,000	-	-	-	5,000
Net loss for the period	-	-	-	-	-	-	(227,270)	(227,270)
<b>BALANCE AT 30 JUNE 2015</b>	95,727,875	\$ 14,530,825	4,775,000	\$ 431,100	19,048,000	\$ 806,623	\$ (4,785,826)	\$ 10,982,722
Expiration of stock options	-	-	(700,000)	-	-	-	-	-
Net loss for the period	-	-	-	-	-	-	\$ (199,107)	\$ (199,107)
<b>BALANCE AT 30 SEPTEMBER 2015</b>	95,727,875	\$ 14,530,825	4,075,000	\$ 431,100	19,048,000	\$ 806,623	\$ (4,984,933)	\$ 10,783,615



## CONSOLIDATED STATEMENT OF CASH FLOWS

	Year Ended 30 September 2015	Year Ended 30 September 2014
<b>OPERATING ACTIVITIES</b>		
<b>Loss for the Year</b>	\$ (804,539)	\$ (823,735)
<b>Items not Affecting Cash</b>		
Amortization	184,201	185,988
Share-based payments	5,000	29,000
Bad debt expense	-	80,793
Deferred tax recovery	-	(73,477)
Loss on sale of equipment	-	1,328
	<b>(615,338)</b>	<b>(600,103)</b>
<b>Net Change in Non-cash Working Capital</b>		
Amounts receivable	1,223	2,690
Prepaid amounts and other assets	(284)	1,170
Accounts payable and accrued liabilities	(23,099)	(303,974)
	<b>(21,160)</b>	<b>(300,114)</b>
	<b>(637,498)</b>	<b>(900,217)</b>
<b>INVESTING ACTIVITIES</b>		
Exploration expenditures	(251,624)	(95,799)
Disposal of equipment	-	12,192
Deposits	-	4,614
	<b>(251,624)</b>	<b>(78,993)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from unit issuances	952,400	-
Unit issuance costs	(39,182)	-
Deferred financing costs	-	(31,154)
	<b>913,218</b>	<b>(31,154)</b>
<b>Net Increase (Decrease) in Cash</b>	<b>24,096</b>	<b>(1,010,364)</b>
Cash position – beginning of year	599,149	1,609,513
<b>Cash Position – End of Year</b>	<b>\$ 623,245</b>	<b>\$ 599,149</b>
<b>Schedule of Non-cash Investing and Financing Transactions</b>		
Shares issued for resource property acquisition	\$ -	\$ 1,500

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****1) Nature of operations and going concern**

Northern Iron Corp. (the “Company”, or “Northern Iron”) was incorporated pursuant to the Company Act (Ontario) by registration of its Memorandum and Articles on 20 November 2009. On 9 July 2010 the Company registered in British Columbia for extra provincial registration as the Company’s administrative office is located in British Columbia at 1001-409 Granville Street, Vancouver BC, V6C 1T2. The Company is classified as a Junior Natural Resource Mining company.

The Company is in the business of acquiring and exploring mineral properties in Red Lake Mining Division, Ontario and other locations. There has been no determination whether properties held contain ore reserves, which are economically recoverable. The recoverability of valuations assigned to mineral properties is dependent upon the discovery of economically recoverable reserves, confirmation of the Company’s interest in the properties, the ability to obtain the necessary financing to complete development, and future profitable production or proceeds from disposition.

These consolidated financial statements (the “Financial Statements”) have been prepared on the basis of the accounting principles applicable to a going concern, which assumes the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. There are several adverse conditions that cast significant doubt upon the soundness of this assumption. The business of mining and exploration involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of exploration and evaluation expenditures is dependent upon several factors. These include the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of these properties, and future profitable production or proceeds from disposition of mineral properties.

Consistent with other companies in the sector of mineral exploration, the Company has incurred operating losses since inception, has limited sources of revenue, is unable to self-finance operations and has significant cash requirements to meet its overhead and maintain its mineral interests.

For the Company to continue to operate as a going concern it must continue to obtain additional financing to maintain operations; although the Company has been successful in the past at raising funds, there can be no assurance that this will continue in the future. If the going concern assumption were not appropriate for these Financial Statements then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses and the consolidated statement of financial position classifications used and such adjustments could be material.

<b>(Rounded ‘000’)</b>	<b>30 September 2015</b>	<b>30 September 2014</b>
Working capital	<b>\$ 601,000</b>	555,000
Accumulated deficit	<b>\$ (4,985,000)</b>	(4,180,000)

## NOTES TO THE FINANCIAL STATEMENTS

### 2) Basis of preparation – Statement of Compliance

These Financial Statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and related IFRS Interpretations Committee (“IFRICs”) as issued by the International Accounting Standards Board (“IASB”).

These Financial Statements were authorised for issue by the Board of Directors on 26 January 2016 and have been prepared under the historical cost convention, except for certain financial instruments, as set out in the summary of significant accounting policies (note 3).

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, profit and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

### 3) Summary of significant accounting policies

#### a) Basis of presentation

These Financial Statements incorporate the financial statements of Northern Iron and the entities controlled by the Company, which consist of:

- Canadian Iron Metallics Inc. (“Canadian Iron”), which was incorporated on 11 September 2014 in Ontario, Canada, (owned 85% by Northern Iron).
- Griffith Iron Metallics Inc. (“Griffith Iron”), which was incorporated on 11 September 2014 in Ontario, Canada, (wholly owned by Canadian Iron).
- Karas Iron Metallics Inc. (“Karas Iron”), which was incorporated on 11 September 2014 in Ontario, Canada, (wholly owned by Canadian Iron).

Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the Financial Statements from the date that control commences until the date that control ceases. All significant intercompany transactions and balances have been eliminated.

Non-controlling interest in the net assets of consolidated subsidiaries are identified separately from the Company's equity. Non-controlling interest consists of the non-controlling interest at the date of the original business combination plus the non-controlling interest's share of changes in equity since the date of acquisition.

**NOTES TO THE FINANCIAL STATEMENTS****b) Business combinations**

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognized at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, which are recognized and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. If the Company's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognized immediately in profit or loss.

The interest of non-controlling shareholders in the acquiree is initially measured at the non-controlling shareholders' proportion of the net fair value of the assets, liabilities and contingent liabilities recognized.

**c) Foreign currency**

These Financial Statements are presented in Canadian dollars, which is the functional and presentation currency of the parent. Each entity determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Both the parent and its subsidiaries use the Canadian dollar as their functional currency.

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the end of reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the initial transaction dates. Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences and other changes in the carrying amount of the security. Translation differences are recognized in the income statement and other changes in carrying amount are recognized in equity.

Translation differences on non-monetary financial assets, such as investments in equity securities, classified as available-for-sale are reported as part of the fair value gain or loss and are included in equity.

**NOTES TO THE FINANCIAL STATEMENTS****d) Measurement uncertainty**

The preparation of these Financial Statements, in conformity with IFRS, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Significant areas that require estimates as the basis for determining the stated amounts include assumptions related to the recoverability of outstanding amounts receivable, the valuation of exploration and evaluation assets, the useful life of equipment, share-based payment valuation and the deferred tax asset not recognized of deferred tax assets.

Depreciation and depletion of property and equipment assets are dependent upon estimates of useful lives and reserve estimates, both of which are determined with the exercise of judgment. The assessment of any impairment of property and equipment is dependent upon estimates of recoverable amount that take into account factors such as reserves, economic and market conditions and the useful lives of assets. Provisions for environmental rehabilitations are recognized in the period in which they arise and are stated as the fair value of estimated future costs.

The Company bases its estimates and assumptions on current facts, historical experience, and various other factors that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from other sources. These estimates require extensive judgment about the nature, cost and timing of the work to be completed, and may change with future changes to costs, environmental laws and regulations and remediation practices. The actual results experienced by the Company may differ materially and adversely from the Company's estimates. To the extent there are material differences between the estimates and the actual results, future results of operations will be affected.

**e) Share-based payments**

The Company grants stock options to buy common shares of the Company to directors, officers, employees and service providers. The board of directors grants such options for periods of up to five years, with vesting periods determined at its sole discretion and at prices equal to or greater than the closing market price on the day preceding the date the options were granted.

The fair value of the options is measured at grant date, using the Black-Scholes option pricing model, and is recognized during the period that the employees earn the options. The fair value is recognized as an expense with a corresponding increase in equity. The amount recognized as expense is adjusted to reflect the number of share options expected to vest. Forfeitures of stock options are accounted for as incurred.

**f) Deferred financing costs**

Expenditures directly related to share issuances are recorded as a deferred financing cost until such time as the shares are issued. When the shares are issued, the deferred financing cost is recognized as a reduction of the net proceeds from the share issuance. If no shares are issued, these deferred financing costs are recognized as a component of comprehensive loss.

**NOTES TO THE FINANCIAL STATEMENTS****g) Loss per share**

Basic loss per share is computed by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the reporting year. Diluted earnings per share is computed similar to basic earnings per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

**h) Comprehensive income (loss)**

Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that would not normally be included in net profit/loss such as unrealized gains or losses on available-for-sale investments, gains or losses on certain derivative instruments and foreign currency gains or losses related to self-sustaining operations. The Company's comprehensive income (loss), components of other comprehensive income (loss), and cumulative translation adjustments are presented in the Statements of Comprehensive Income (loss) and the Statements of Shareholders' Equity.

**i) Exploration and evaluation assets**

The Company is currently in the exploration stage with all of its mineral interests. Exploration and evaluation costs include the costs of acquiring licenses, costs incurred to explore and evaluate properties, and the fair value, upon acquisition, of mineral properties acquired in a business combination.

Costs of acquisition and exploration of mineral properties are capitalized until either commercial production is established or a property is abandoned. Once commercial production has commenced, the net costs of the applicable property are charged to operations using the unit-of-production method based on estimated proven and probable recoverable reserves. The net costs related to abandoned properties are charged to income. Office and administration costs not specifically related to mineral projects are expensed in the year in which they occur.

The Company reviews the indicators of impairment of each property on an annual basis, at a minimum. This review generally is made by reference to the timing of exploration work, work programs proposed and the exploration results achieved by the Company and others. When the indicators of impairment exist, the carrying value of a property is compared to its net recoverable amount. An impairment adjustment is made for the decline in fair value.

The amounts shown for the exploration and evaluation assets represent costs incurred to date and do not reflect present or future values. Acquisition costs represent shares or cash paid to acquire the rights to the resource property, while exploration expenditures represent amounts paid to explore and develop the resource properties. The recoverability of these capitalized costs is dependent upon the existence of economically recoverable reserves and the ability of the Company to obtain necessary financing to successfully complete their exploration program.

From time to time, the Company may acquire or dispose of mineral interests pursuant to the terms of option agreements. Due to the fact that options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded in the period that the payments are made or received. The Company does not accrue costs to maintain mineral interests in good standing.

**NOTES TO THE FINANCIAL STATEMENTS****j) Cash**

The Company considers cash to include amounts held in banks and highly liquid investments with maturities at a point of purchase of three months or less.

**k) Intangible assets**

Intangible assets are stated, in the consolidated statement of financial position, at cost less accumulated depreciation and accumulated impairment losses. Depreciation is charged so as to write off the cost of the asset over their estimated useful lives using the straight-line method as follows:

Computer Software	1-3 years
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**l) Property and equipment**

Property and equipment are depreciated using the straight-line method based on estimated useful lives, which generally range from 1 to 5 years. Land is not depreciated.

Where an item of plant and equipment is comprised of major components with different useful lives, the components are accounted for as separate items of plant and equipment.

Expenditures incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized. Directly attributable expenses incurred for major capital projects and site preparation are capitalized until the asset is brought to a working condition for its intended use. These costs include dismantling and site restoration costs to the extent these are recognized as a provision.

The costs of day-to-day servicing are recognized in profit or loss as incurred. These costs are more commonly referred to as "maintenance and repairs."

Financing costs directly associated with the construction or acquisition of qualifying assets are capitalized at interest rates relating to loans specifically raised for that purpose, or at the average borrowing rate where the general pool of group borrowings is utilized. Capitalization of borrowing costs ceases when the asset is substantially complete.

The depreciation method, useful life and residual values are assessed annually.

Leased assets

Leases in which the Company assumes substantially all risks and rewards of ownership are classified as finance leases. Finance leases are recognized at the lower of the fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

Subsequent costs

The cost of replacing part of an item within property, plant and equipment is recognized when the cost is incurred if it is probable that the future economic benefits will flow to the Company and the cost of the item can be measured reliably. All other costs are recognized as an expense as incurred.

Impairment

The Company's tangible and intangible assets are reviewed for an indication of impairment at each statement of financial position date. If indication of impairment exists, the asset's recoverable amount is estimated.

**NOTES TO THE FINANCIAL STATEMENTS**

An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in profit and loss for the period.

Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

**Reversal of impairment**

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss with respect to goodwill is never reversed.

Depreciation is charged so as to write off the cost of the asset using the straight-line method over the estimated useful lives as follows:

Computer Equipment	1-3 years
Equipment	3-5 years
Camp Buildings	3-5 years

**m) Share capital**

Share capital issued for non-monetary consideration is recorded at an amount based on the quoted market value of the Company's shares at the time of issuance.



**NOTES TO THE FINANCIAL STATEMENTS****n) Provision for reclamation and remediation**

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of property, plant and equipment when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates is capitalized along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The rehabilitation asset is depreciated on the same basis as mining assets.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the rehabilitation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss for the period.

The costs of rehabilitation projects that were included in the rehabilitation provision are recorded against the provision as incurred. The cost of ongoing current programs to prevent and control pollution is charged against profit and loss as incurred.

The Company has determined that it has no restoration obligations as at 30 September 2015 and 2014.

**o) Provisions**

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

**p) Income Taxes**

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the consolidated statement of comprehensive loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax

**NOTES TO THE FINANCIAL STATEMENTS**

entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

**q) Financial instruments**

All financial instruments must be recognized, initially, at fair value on the statement of financial position. The Company has classified each financial instrument into the following categories: “held-for-trading,” “loans and receivables,” “other financial liabilities”, and “fair value through profit and loss”. Subsequent measurement of the financial instruments is based on their respective classification. Unrealized gains and losses on held-for-trading instruments are recognized in earnings. The other categories of financial instruments are recognized at amortized cost using the effective interest method. The Company had made the following classifications:

<b>Financial Assets or Liabilities</b>	<b>Category</b>
Cash	Loans and receivables
Amounts receivable	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities

**r) Flow-through shares**

The Company will, from time to time, issue flow-through common shares to finance a portion of its exploration and development program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through proceeds into i) share capital, and ii) a flow-through liability, equal to the estimated premium, if any, investors pay for the flow-through feature. Once related expenditures are incurred or on filing of the “renouncement”, the premium is recognized as other income. At this time, the Company also recognizes a deferred tax liability and tax provision at the enacted or substantively enacted tax rate, for the tax pool reduction renounced to the shareholders.

Proceeds received from the flow-through issue are restricted to be used only for Canadian resource property exploration expenditures within a two year period. The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable this tax is accrued as a financial liability until paid.

**s) Financial liabilities and equity**

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

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

## **NOTES TO THE FINANCIAL STATEMENTS**

The group derecognizes financial liabilities when, and only when, the group's obligations are discharged, cancelled or they expire.

### **4) Critical accounting judgements and key sources of estimation uncertainty**

In the application of the Company's accounting policies, which are described in note 3, management is required to make judgments, estimates and assumptions about the carrying amount and classification of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revisions affect only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

The following are the critical judgments and areas involving estimates, that management have made in the process of applying the Company's accounting policies and that have the most significant effect on the amount recognized in the Financial Statements.

#### **a) Key sources of estimation uncertainty**

##### Useful life of property and equipment

The Company reviews the estimated lives of its property and equipment at the end of each reporting period. There were no material changes in the lives of property and equipment for the fiscal years ended 30 September 2015 or 2014.

##### Income taxes

Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that probable that future taxable profit will be available against which the deductible temporary differences and carry-forward of unused tax assets and unused tax losses can be utilized. In addition, the valuation of tax credits receivable requires management to make judgements on the amount and timing of recovery.

#### **b) Key sources of judgement uncertainty**

##### Going concern evaluation

As discussed on note 1, these Financial Statements have been prepared under the assumptions applicable to a going concern. If the going concern assumption were not appropriate for these Financial Statements then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses and the statement of financial position classifications used and such adjustments could be material.

The Company reviews the going concern assessment at the end of each reporting period. There were no material changes to the assessment as at 30 September 2015.

**NOTES TO THE FINANCIAL STATEMENTS****c) Exploration evaluation assets**

The Company makes certain estimates and assumptions regarding the recoverability of the carrying values of exploration and evaluation assets. The amounts shown for exploration and evaluation assets do not necessarily represent present or future values. The recoverability of the assets' carrying values is dependent upon the determination of economically recoverable reserves, the ability of the Company to obtain the necessary financing and permits to complete development and future profitable production or proceeds from the disposition thereof.

The Company has taken steps to verify title to exploration and evaluation assets in which it has or is in the process of earning an interest, including review of condition of title reports, vesting deeds, mining claim location notices and filings, and property tax and other public records and is not presently aware of any title defects. The procedures the Company has undertaken and may undertake in the future to verify title provide no assurance that the underlying properties are not subject to prior agreements or transfers of which the Company is unaware.

**5) Financial instruments and risk management****a) Financial instrument classification and measurement**

Financial instruments of the Company carried on the consolidated statement of financial position are carried at amortized cost. There are no significant differences between the carrying value of financial instruments and their estimated fair values as at 30 September 2015 and 2014. There have been no changes in levels during the year.

The Company classifies the fair value of these transactions according to the following hierarchy:

- Level 1 – quoted prices in active markets for identical financial instruments.
- Level 2 – quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.
- Level 3 – valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

**b) Fair values of financial assets and liabilities**

The Company's financial instruments include cash, amounts receivable, and accounts payable and accrued liabilities. As at 30 September 2015 and 30 September 2014, the carrying value of cash is at fair value. Amounts receivable and accounts payable and accrued liabilities approximate their fair value due to their short-term nature.

**c) 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.

**d) 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.

**NOTES TO THE FINANCIAL STATEMENTS**

**e) 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 significant interest rate risk.

**f) 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 on-going exploration expenditures. As at 30 September 2015 and 2014, the Company holds no cash denominated in foreign currency and therefore is not exposed to significant foreign currency risk.

**g) Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company controls liquidity risk by ensuring that it has sufficient cash resources to pay for its financial obligations. As at 30 September 2015, the Company had a cash balance of \$623,245 to settle current liabilities of \$46,944 which are due within one year. The Company is not exposed to significant liquidity risk.

**6) Amounts receivable**

Amounts receivable are comprised of:

	<b>30 September 2015</b>	30 September 2014
Goods and services tax recoverable	<b>\$ 10,982</b>	\$ 12,205

During the year ended 30 September 2015, the Company recognized a bad debt recovery of \$483 compared to a bad debt expense of \$80,793 recognized during the year ended 30 September 2014, with respect to a related party balance.

**7) Deferred financing costs**

The Company entered into financing discussions with a private equity group to provide the funding to develop the Karas and Griffith properties. As at 30 September 2015, the Company had incurred \$nil (2014 - \$60,405) in financing costs with respect to this transaction. On 28 November 2014 the transaction closed and the deferred financing costs were charged to equity (note 11(f)).

**8) Deposits**

Deposits are comprised of non-current cash amounts prepaid to exploration vendors for work yet to be performed on the Company's exploration and evaluation assets.

**CARRYING AMOUNTS**

<b>Balance at 30 September 2014</b>	\$ 200,000
<b>Balance at 30 September 2015</b>	<b>\$ 200,000</b>

## NORTHERN IRON CORP.

Canadian Funds

### NOTES TO THE FINANCIAL STATEMENTS

#### 9) Property and equipment

Details are as follows:

	Land	Computer Equipment	Field Equipment	Total
<b>COST OR DEEMED COST</b>				
<b>Balance at 1 October 2013</b>	\$ 75,000	\$ 7,797	\$ 594,944	\$ 677,741
Additions (disposals)	-	-	(26,000)	(26,000)
<b>Balance at 30 September 2014</b>	\$ 75,000	\$ 7,797	\$ 568,944	\$ 651,741
Additions	-	-	-	-
<b>Balance at 30 September 2015</b>	<b>\$ 75,000</b>	<b>\$ 7,797</b>	<b>\$ 568,944</b>	<b>\$ 651,741</b>
<b>DEPRECIATION</b>				
<b>Balance at 1 October 2013</b>	\$ -	\$ 6,685	\$ 167,742	\$ 174,427
Depreciation for the year	-	1,112	184,294	185,406
Dispositions	-	-	(12,480)	(12,480)
<b>Balance at 30 September 2014</b>	\$ -	\$ 7,797	\$ 339,556	\$ 347,353
Depreciation for the year	-	-	<b>184,201</b>	<b>184,201</b>
<b>Balance at 30 September 2015</b>	<b>\$ -</b>	<b>\$ 7,797</b>	<b>\$ 523,757</b>	<b>\$ 531,554</b>
<b>CARRYING AMOUNTS</b>				
<b>At 30 September 2014</b>	\$ 75,000	\$ -	\$ 229,388	\$ 304,388
<b>At 30 September 2015</b>	<b>\$ 75,000</b>	<b>\$ -</b>	<b>\$ 45,187</b>	<b>\$ 120,187</b>

During the year ended 30 September 2015, the company recorded dispositions of \$nil. In 30 September 2014, the Company recorded dispositions of \$26,000 recognizing gross proceeds of \$12,192 and a realized loss on disposition of \$1,328.

Property and equipment are stated, in the consolidated statement of financial position, at cost less accumulated depreciation and accumulated impairment losses. Assets in the course of construction are carried at cost, less any recognized impairment loss. Depreciation of these assets commences when the assets are ready for their intended use. The cost of property and equipment includes directly attributed incremental costs incurred in their acquisition and installation.

Assets held under capital lease are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the term of the relevant lease. The gain or loss arising on the disposal or retirement of an item of equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognized in the statement of comprehensive loss.

Depreciation is charged so as to write off the cost of the asset using the straight-line method over the estimated useful lives as follows:

Computer equipment	1-3 years
Equipment	3-5 years

**NOTES TO THE FINANCIAL STATEMENTS**

**10) Exploration and evaluation assets**

The Company is running an exploration program in the following properties to define iron ore economic resources. The Company holds outright five contiguous mineral properties located in the Red Lake Mining Division.

**a) El Sol property**

100% interest in 6 mineral claims covering 1,024 hectares, known as the El Sol Property. This agreement was subject to a 2% Net Smelter Royalty (“NSR”) upon commencement of commercial production.

**b) Griffith Mine property**

100% interest in 24 mineral claims known as the Griffith Mine Property. The agreement is subject to a 1% NSR upon commencement of commercial production. On 17 December 2011, the Company entered into an agreement to acquire a 100% interest in 5 mineral claims located adjacent to the Griffith Mine property. These claims are also subject to a 1% NSR upon commencement of commercial production. The Company has completed all of the requirements of the agreement, as detailed below:

Date	Shares Issued	Cash Payment
05 January 2010	2,000,000	\$ 6,000
24 December 2011	-	6,000
31 January 2012	100,000	-
<b>Total</b>	2,100,000	\$ 12,000

Additionally, the Company 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 during the year ended 30 September 2013. This property is held in the Company’s subsidiary, Griffith Iron, in which Northern Iron holds an 85% controlling interest.

**c) Karas property**

100% interest in 21 mineral claims covering 3,200 hectares (“Karas A”). For details on requirements relating to this property, see the table included with Whitemud property, below.

Independent of the claims noted above, on 11 October 2012, the Company announced that it acquired a 100% interest in four mineral claims located in the Red Lake mining district of Ontario (“Karas B”). These claims are strategic and extend the Company’s claims around the Karas A property. In consideration for the 100% interest in the Karas B claims, the Company issued 100,000 common shares. This property is held in the Company’s subsidiary, Karas Iron, in which Northern Iron holds an 85% controlling interest.

## NORTHERN IRON CORP.

Canadian Funds

### NOTES TO THE FINANCIAL STATEMENTS

#### d) Whitemud property

100% interest in 33 mineral claims covering 5,168 hectares, known as Whitemud Property. The Company has completed all of the contractual requirements to keep the Karas A and Whitemud property in good standing, as detailed below:

Date	Shares issued	Cash
03 March 2010	2,500,000	\$ -
01 August 2010	-	15,000
31 January 2011	-	20,000
31 January 2012	-	25,000
30 June 2012	50,000	-
31 January 2013	-	40,000
31 May 2013	50,000	-
31 July 2014	50,000	-
<b>Total</b>	<b>2,650,000</b>	<b>\$ 100,000</b>

#### e) Papagonga property

100% interest in 10 mineral claims covering 2,096 hectares, known as the Papagonga Property. The Company has performed all of the requirements of the agreement, which included the issuance of 500,000 common shares and payment of \$5,000 cash.



## NORTHERN IRON CORP.

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### NOTES TO THE FINANCIAL STATEMENTS

	Karas	Whitemud	Griffith	El Sol	Papagonga	Total
<b>ACQUISITION</b>						
<b>Balance as at 1 October 2013</b>	\$ 187,150	\$ 138,600	\$ 375,749	\$ 1,060,000	\$ 105,000	\$ 1,866,499
Additions	1,500	-	-	-	-	1,500
<b>Balance as at 30 September 2014</b>	\$ 188,650	\$ 138,600	\$ 375,749	\$ 1,060,000	\$ 105,000	\$ 1,867,999
<b>Balance as at 30 September 2015</b>	\$ 188,650	\$ 138,600	\$ 375,749	\$ 1,060,000	\$ 105,000	\$ 1,867,999
<b>EXPLORATION EXPENDITURES</b>						
<b>Balance as at 1 October 2013</b>	\$ 4,456,176	\$ 338,570	\$ 2,757,585	\$ -	\$ 92,181	\$ 7,644,512
Staking	-	32,490	1,440	2,755	12,825	49,510
Admin and camp	-	-	19,174	-	-	19,174
Geological and consulting	-	-	8,262	365	-	8,627
Transportation	-	-	7,937	-	-	7,937
Assaying	5,564	-	-	-	-	5,564
Dewatering	-	-	4,533	-	-	4,533
Drilling	2,654	-	-	-	-	2,654
<b>Balance as at 30 September 2014</b>	\$ 4,464,394	\$ 371,060	\$ 2,798,931	\$ 3,120	\$ 105,006	\$ 7,742,511
Reports and mapping	-	-	123,302	-	-	123,302
Geological and consulting	32,062	-	41,880	-	-	73,942
Staking	2,430	4,060	13,597	-	6,840	26,927
Dewatering	-	-	14,144	-	-	14,144
Admin and camp	978	2,723	3,500	-	-	7,201
Transportation	5,501	-	-	-	-	5,501
Assaying	-	-	607	-	-	607
<b>Balance as at 30 September 2015</b>	\$ 4,505,365	\$ 377,843	\$ 2,995,961	\$ 3,120	\$ 111,846	\$ 7,994,135
<b>CARRYING AMOUNTS</b>						
<b>Balance at 30 September 2014</b>	\$ 4,653,044	\$ 509,660	\$ 3,174,680	\$ 1,063,120	\$ 210,006	\$ 9,610,510
<b>Balance at 30 September 2015</b>	\$ 4,694,015	\$ 516,443	\$ 3,371,710	\$ 1,063,120	\$ 216,846	\$ 9,862,134

**NOTES TO THE FINANCIAL STATEMENTS**

**11) Share capital**

**a) Authorized:**

Unlimited common shares without par value.

**b) Issued or allotted and fully paid:**

On 28 November 2014, the Company issued 19,048,000 Units of the Company (“Units”) by way of private placement at a price of \$0.05 per Unit, for aggregate gross proceeds of \$952,400. Each Unit consists of one common share in the capital of Northern Iron and one common share purchase warrant (a “Warrant”). Each Warrant is exercisable for a period of three years from the date of closing of the Private Placement at an exercise price of \$0.05.

On 24 July 2014, the Company issued 50,000 common shares in accordance with the Whitemud property agreement as detailed in Note 10(d).

**c) Summary of stock option activity**

The Company has adopted an incentive stock option plan to grant options to directors, officers, and consultants for up to 10% of the outstanding common shares. The Board of Directors determines the exercise price per share and the vesting period under the plan. The options can be granted for a maximum term of five years.

Stock option activity during the year ended 30 September 2015 and the year ended 30 September 2014 are as follows:

<b>STOCK OPTION ACTIVITY</b>	<b>30 September 2015</b>	<b>Weighted Average Exercise price</b>	<b>30 September 2014</b>	<b>Weighted Average Exercise price</b>
<b>Balance – beginning of year</b>	<b>4,825,000</b>	<b>\$ 0.14</b>	4,025,000	\$ 0.17
Issued	<b>200,000</b>	<b>0.05</b>	1,550,000	0.05
Cancelled	-	-	(750,000)	0.14
Expired	<b>(950,000)</b>	<b>0.10</b>	-	-
<b>Balance – end of year</b>	<b>4,075,000</b>	<b>\$ 0.14</b>	4,825,000	0.14

## NORTHERN IRON CORP.

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### NOTES TO THE FINANCIAL STATEMENTS

Details of stock options outstanding as at 30 September 2015 are as follows:

Issuance Date	Expiry Date	Exercise Price	Fiscal 2015
01 April 2010	17 February 2019	0.10	250,000
01 April 2010	17 February 2019	0.10	25,000
13 October 2011	12 October 2016	0.30	200,000
21 December 2011	20 December 2016	0.30	950,000
23 May 2012	22 May 2017	0.10	500,000
10 July 2012	09 July 2017	0.15	400,000
28 February 2014	27 February 2019	0.05	1,550,000
10 April 2015	10 April 2020	0.05	200,000
			4,075,000

The outstanding options have a weighted average remaining life of 2.47 years and a weighted average exercise price of \$0.14 as at 30 September 2015. All of the outstanding options have vested. No options were in the money as at 30 September 2015. On 31 March 2015, the Company extended the expiry dates of the 275,000 options issued on 01 April 2010 from 31 March 2015 to 17 February 2019.

#### d) Warrants

Warrant activity during the period is summarized as follows:

WARRANT ACTIVITY	30 September 2015	Weighted average exercise price	30 September 2014	Weighted average exercise price
Balance – beginning of year	-	\$ -	-	\$ -
Issued	19,048,000	0.05	-	-
Balance – end of year	19,048,000	\$ 0.05	-	\$ -

Details of warrants outstanding as at 30 September 2015 are as follows:

Expiry Date	Exercise Price	30 September 2015	30 September 2014
28 November 2017	\$ 0.05	19,048,000	-

	30 September 2015	30 September 2014
The outstanding warrants have a weighted-average exercise price of:	\$ 0.05	\$ -
The weighted average remaining life of the outstanding warrants is:	2.16	-

**NOTES TO THE FINANCIAL STATEMENTS**

The fair value of the warrants to be recognized in the accounts has been estimated using the Black-Scholes Option-Pricing Model with the following weighted-average assumptions:

	<b>30 September 2015</b>	30 September 2014
Risk free interest rate	<b>1.05%</b>	-
Expected dividend yield	<b>0.00%</b>	-
Expected stock price volatility	<b>135%</b>	-
Expected option life in years	<b>3.00</b>	-

**e) Share-based payments**

Details of the Company's issued stock options to its directors, officers, and consultants and recognized share-based payments during the years ended 30 September 2015 and 30 September 2014 are as follows:

	<b>30 September 2015</b>	30 September 2014
Total options granted	<b>200,000</b>	1,550,000
Average exercise price	<b>\$ 0.05</b>	\$ 0.05
Estimated fair value of compensation – Expense	<b>\$ 5,000</b>	\$ 29,000
Estimated fair value per option	<b>\$ 0.03</b>	\$ 0.02

The fair value of the share-based payments to be recognized in the accounts has been estimated using the Black-Scholes Option-Pricing Model with the following weighted-average assumptions:

	<b>30 September 2015</b>	30 September 2014
Risk free interest rate	<b>0.61%</b>	1.18%
Expected dividend yield	<b>0.00%</b>	0.00%
Expected stock price volatility	<b>153%</b>	116%
Expected option life in years	<b>3.00</b>	3.12

Share-based payments for the options that vested during the period are as follows:

	<b>30 September 2015</b>	30 September 2014
Number of options vested	<b>200,000</b>	1,550,000
Total share-based payment	<b>\$ 5,000</b>	\$ 29,000

The Black-Scholes Option Pricing Model was created for use in estimating the fair value of freely tradable, fully transferable options. The Company's stock options have characteristics significantly different from those of traded options, and because changes in the highly subjective input assumptions can materially affect the calculated values, management believes that the accepted Black-Scholes model does not necessarily provide a reliable measure of the fair value of the Company's stock option awards.

**NOTES TO THE FINANCIAL STATEMENTS****f) Non-controlling interest**

On 16 October 2014, the Company announced that it has entered into an investment agreement with OMC Investments Limited (“OMC”), of Hong Kong. The transaction closed on 28 November 2014, and the Company issued 19,048,000 units of the Company (“Units”) by way of private placement at a price of \$0.05 per unit, for aggregate proceeds of \$952,400. OMC now holds approximately 19.9% of the issued and outstanding shares of the Company. Each Unit consists of one common share in the capital of Northern Iron and one common share purchase warrant (a “Warrant”). Each Warrant is exercisable for a period of three years from the date of closing of the Private Placement at an exercise price of \$0.05. The Company also issued 15 common shares of its subsidiary Canadian Iron to OMC, reducing its ownership share from 100% to 85%. Canadian Iron holds a 100% interest in Karas Iron and Griffith Iron. The Company’s interests in the The Karas and Griffith properties are held in Karas Iron and Griffith Iron, respectively.

In addition, the shareholders’ agreement with OMC will allow OMC to progressively earn additional equity in Canadian Iron, up to a total of 70% of Canadian Iron’s issued and outstanding shares, as follows:

- an additional 30% for \$8.2 million in funding from OMC for dewatering, resource drilling and environmental permitting (“Resource Definition Funding”);
- an additional 5% for \$2 million in total funding for a preliminary economic assessment, funded 70% by OMC and 30% by Northern Iron; and
- an additional 20% for \$20 million in total funding for a feasibility study, funded 70% by OMC and 30% by Northern Iron, and assuming the feasibility study establishes technical and economic viability.

Should either party not fully contribute its share of funding to both the preliminary economic assessment and feasibility study, it may face dilution.

In connection with this transaction, Northern Iron has also agreed to enter into an option agreement with OMC on its other mineral properties. Should OMC fund the full \$8.2 million Resource Definition Funding, it has the right to acquire an 80% interest in either the El Sol, Whitemud and Papaonga properties. This may be increased to 90%, if within a five year period after earning 80%, OMC funds an additional \$1.5 million in expenditures on the property chosen.

The value attributed to the non-controlling interest in Canadian Iron on the closing date and at 30 September 2015 is nil. There have been no changes in equity attributable to OMC’s 15% interest in Canadian Iron since the closing date; accordingly, no loss or comprehensive loss has been attributed to the non-controlling interest in these Financial Statements.

**NOTES TO THE FINANCIAL STATEMENTS**

**12) Related party transactions**

Transactions and balances with related parties not disclosed elsewhere in the Financial Statements are as follows:

**RELATED PARTY DISCLOSURE**

<b>Name and Principal Position</b>	<b>Period<sup>(i)</sup></b>	<b>Remuneration or fees<sup>(ii)</sup></b>	<b>Share-based awards</b>	<b>Amounts Payable</b>
Basil Botha – President, CEO and Director, consulting fees	<b>2015</b>	<b>\$ 144,000</b>	-	-
	2014	\$ 132,000	6,548	-
Clearline – a company of which the CFO is a director, professional fees	<b>2015</b>	<b>\$ 51,567</b>	-	-
	2014	\$ 42,199	2,806	995
1514380 Ontario Ltd. – a company owned or controlled by a former Director, consulting fees	<b>2015</b>	<b>\$ -</b>	-	-
	2014	\$ 50,450	-	-
Golden Hammer – a company of which the VP of Exploration is an owner – consulting fees	<b>2015</b>	<b>\$ -</b>	-	-
	2014	\$ 500	-	-
Director, director fees	<b>2015</b>	<b>\$ 500</b>	-	-
	2014	\$ -	2,806	-
Director, director and consulting fees	<b>2015</b>	<b>\$ 7,900</b>	-	<b>525</b>
	2014	\$ 1,750	2,806	-
Director, director fees	<b>2015</b>	<b>\$ 2,025</b>	-	<b>525</b>
	2014	\$ 1,750	5,613	-
Directors, director fees	<b>2015</b>	<b>\$ 1,250</b>	5,000	<b>250</b>
	2014	\$ -	-	-

<sup>(i)</sup> For the fiscal years ended 30 September 2015 and 30 September 2014.

<sup>(ii)</sup> Amounts disclosed were paid or accrued to the related party.

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

**13) Segmented disclosure**

The Company operates in only one industry segment, the exploration and development of resource properties, and holds assets only in Canada.

**14) Capital management**

The Company's capital consists of cash and shareholders' equity. The Company's objective when managing capital is to maintain adequate levels of funding to support the development of its businesses and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financing, selling assets, and incurring debt. Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future. The Company invests all capital that is surplus to its immediate operational needs in short-term, highly liquid, high-grade financial instruments. There were no changes to the Company's approach to capital management during the period. The Company is not subject to externally imposed capital requirements. The Company does not currently have adequate sources of capital to complete its exploration plan, current obligations and ultimately the development of its business, and will need to raise adequate capital by obtaining equity financing, selling assets and incurring debt. The Company may raise additional debt or equity financing in the near future to meet its current obligations.

## NORTHERN IRON CORP.

Canadian Funds

### NOTES TO THE FINANCIAL STATEMENTS

#### 15) Commitment

During the year ended 30 September 2014, the Company entered into a contract for office rent which expires 30 April 2016. The following table summarizes the Company's total annual minimum lease payments under this agreement:

Fiscal 2016	\$	10,653
<b>Total</b>	<b>\$</b>	<b>10,653</b>

#### 16) Income taxes

The following table reconciles the expected income taxes (recovery) at the Canadian statutory income tax rates to the amounts recognized in the statements of financial position as at 30 September 2015 and 30 September 2014:

	30 September 2015	30 September 2014
Net loss and comprehensive loss for the year	\$ (804,539)	\$ (897,212)
Statutory tax rate	26.00%	26.00%
Deferred tax (recovery)	(209,180)	(233,275)
Non-deductible items	4,071	9,595
Change in estimates	5,542	(20,225)
Change in deferred tax asset not recognized	199,567	170,431
Income (loss) before tax	\$ -	\$ (73,474)

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax values. Deferred tax assets (liabilities) at 30 September 2015 and 30 September 2014 are comprised of the following:

	30 September 2015	30 September 2014
Non capital loss carryforwards	\$ 737,540	\$ 446,021
Exploration and evaluation assets	(463,524)	(463,524)
Cumulative eligible capital	403	403
Property and equipment	107,040	88,576
Financial instrument	(41,598)	(15,705)
Financing costs	30,137	114,660
Deferred tax asset not recognized	(369,998)	(170,431)
Net deferred tax asset (liability)	\$ -	\$ -

The Company has non-capital loss carryforwards of approximately \$2,836,630 (2014: \$1,715,464) which may be carried forward to apply against future year income tax for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

Year of Expiry	Taxable Loss
2032	\$ 216,365
2033	1,590,908
2034	1,029,357
<b>Total</b>	<b>\$ 2,836,630</b>