NORTHERN IRON

MANAGEMENT DISCUSSION AND ANALYSIS

OF THE FINANCIAL POSITION AND RESULTS OF OPERATIONS

FOR THE SIX AND THREE MONTH PERIOD ENDED 31 MARCH 2016

Stated in Canadian Funds

Dated: 25/05/2016

NORTHERN IRON CORP.

Canadian Funds
Unaudited

REPORT TO SHAREHOLDERS AND MANAGEMENT DISCUSSION AND ANALYSIS

TO OUR SHAREHOLDERS

This Management Discussion and Analysis ("MD&A") supplements, but does not form part of, the Condensed Interim Consolidated Financial Statements for the six and three month period ended 31 March 2016. 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 Condensed Interim Consolidated Financial Statements for the six and three month period ended 31 March 2016, 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

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. 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 will be required on the south-west and north-east. Fence drilling can be carried out from the East side, and fan drilling farther South.

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. In an effort to preserve capital, the Company has ceased all field activity and deep cost cutting measures have been adopted. In addition to the reduction in field work, these cost cutting measures include significant reductions in consulting, travel, and shareholder relation expenditures. At the current burn rate the Company has sufficient cash reserves until mid-2016. There were additional cost cutting measures that came about in May 2014 that will provide the Company with additional cash into fiscal 2017.

REPORT TO SHAREHOLDERS AND MANAGEMENT DISCUSSION AND ANALYSIS

The Company is focusing the majority of its efforts in introducing the Griffith mine project to prospective industry partners in North America. It is the intention of management to attract a large industry partner into the project to provide expertise and capital to advance the project.

In order to attract large industry partners the Company undertook the completion of Bench scale testwork on historic drill core from the Griffith mine, Red Lake, Ontario. The test work was completed by the SGS Lakefield laboratory in Peterborough. The metallurgical report from Hatch Ltd., (Hatch) has determined that a concentrate with less than 3% silica has been achieved, which is a requirement for Electric Arc Furnaces (EAF) using direct reduced iron pellets (DRI).

The report concludes that an iron ore concentrate grading 69.4% Fe and 2.76% SiO2 is feasible with the Griffith iron ore.

The pre-set target was achieved and obtained an iron concentrate grading 69.4% Fe, 2.76% SiO2 with overall recoveries of 54% Fe in ~24.8% of weight.

- Dry cobbing test results show that 13.5% of non-magnetic was rejected.
- Low intensity magnetic separation (LIMS) concentrate graded 51.8% Fe with 94% iron recovery. The combined Cobber and wet LIMS operation upgraded the iron grade from 31.7% Fe to 51.8% Fe with approximately 9% iron losses into the combined cobber and wet LIMS tailings, the performance was as expected. The LIMS concentrate still contains 24.5% SiO2 and other impurities, which likely makes the desliming and reverse flotation more challenging.
- Desliming is very efficient for removing silica and other impurities. An aggressive settling & decanting step was conducted in test F4 compared to test F2. The removed ~79.4% SiO2 in 26.8% of slime weight with only ~6.4% iron losses. The results suggest the developed flowsheet should include desliming stage (hydroseparation).
- After desliming, the sand (flotation feed material) contains 66.2% Fe, 6.73% SiO2 with iron distribution of ~93.6%. Each stage of the subsequent reverse flotation
- (Rougher + Scavenger) floated a product varying from 9.90-14.4% SiO2indicating slow kinetics of reverse floatation, but the cumulative SiO2 grade of the iron product continuously decreased with subsequent stages.

With the completed bench scale tests in hand, it now provides the Company with the relevant technical data, which the EAF manufactures require in order to determine the quality of DRI that the ore from the past producing mine could potentially produce.

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 significant historical resources with grades ranging from 22% to 31% Fe_2O_3. Northern Iron is listed on the TSX Venture Exchange and commenced trading on 26 August 2011.

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

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

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

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

SIGNIFICANT EVENTS AND TRANSACTIONS DURING THE PERIOD

On 1 October 2015, the Company announced the appointment of Tom Klaimanee as corporate secretary.

EVENTS SUBSEQUENT TO 31 MARCH 2016

No reportable events have occurred subsequent to 31 March 2016.

RESULTS OF OPERATIONS

The comprehensive loss reported during the six month period ended 31 March 2016 was $95,357 compared to $378,162 in the comparative period. The main fluctuations in costs are as follows:

Consulting fees (rounded to the nearest '000)	**6 months** **2016**	6 months 2015	**3 months** **2016**	3 months 2015
	$ 166,000	$ 144,000	**$ 83,000**	$ 73,000
Variance increase	**$ 22,000**		**$ 10,000**	

Consulting fees reported have increased by $10,000 per quarter during the six and three month periods ended 31 March 2016.

Travel (rounded to the nearest '000)	**6 months** **2016**	6 months 2015	**3 months** **2016**	3 months 2015
	$ 32,000	$ 60,000	**$ 4,000**	$ **29,000**
Variance (decrease)	**$ (28,000)**		**$ (25,000)**	

The historic periods included international trips relating to ongoing funds, which have not recurred this year. Management is committed to minimizing cash expenditures, but acknowledges that there may be a future need.

Shareholder relations (rounded to the nearest '000)	**6 months** **2016**	6 months 2015	**3 months** **2016**	3 months 2015
	$ 29,000	$ 16,000	**$ 11,000**	$ 11,000
Variance increase	**$ 13,000**		**$ -**	

The increase in shareholder relations expense results from the sponsorship and attendance of two mining conferences in China where management promoted the Company's mineral assets. In the three month period transaction have normalized.

Amortization expense (rounded to the nearest '000)	**6 months 2016**	6 months 2015	**3 months 2016**	3 months 2015
	$ 1,000	$ 92,000	**$ (10,000)**	$ **46,000**
Variance (decrease)	**$ (91,000)**		**$ (56,000)**	

Durning the three month period the Company sold certain assets and in the prior quarter those assets had amortized. That amortization was reversed, this quarter, since it is our policy not to amortize in the year of disposition. Without the reversal the gain would have been overstated.

SUMMARY OF QUARTERLY RESULTS

Three months ended	Mar-16	Dec-15	Sep-15	Jun-15	Mar-15	Dec-14	Sep-14	Jun-14
	$	$	$	$	$	$	$	$
Total revenue	-	-	-	-	-	-	-	-
Profit (loss) for the period	74,593	(169,950)	(199,107)	(227,270)	(200,461)	(177,701)	(259,782)	(188,313)
Loss per share	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Total assets	10,713,249	10,671,024	10,830,559	11,023,937	11,258,587	11,460,900	10,800,384	11,047,892
Working capital surplus	507,430	432,210	601,294	846,476	1,114,840	1,329,365	555,037	859,158

In the quarter under review, the Company sold certain assets, resulting in a gain on disposition, which exceeded the expense in the period.

The decreased loss reported during the quarters ended 31 March 2016 and 30 September 2015 results from reducded administrative expenses as the Company returns its focus to cost control.

The increased loss reported during the quarters ended 30 June 2015 and 31 March 2015 results from an increase in operations as the Company returns its focus to exploration of the Karas and Griffith properties.

The losses reported from December 2014 to March 2015 are generally lower than the preceding periods as a result of the Company's focus on cost control.

The increased loss during the quarter ended 31 March 2014 results from the grant of 1,550,000 incentive stock options and the corresponding recognition of $29,000 in stock-based compensation expense. This is a non-cash item.

Exploration and Evaluation Assets

		Karas		Whitemud		Griffith		El Sol		Papagonga		Total
Acquisition												
Balance as at 1 October 2014	$	188,650	**$**	138,600	$	375,749	$	1,060,000	$	105,000	$	1,867,999
Additions		-		-		-		-		-		-
Balance as at 30 September 2015	**$**	188,650	$	138,600	$	375,749	$	1,060,000	$	105,000	$	1,867,999
Balance as at 31 March 2016	**$**	**188,650**	**$**	**138,600**	**$**	**375,749**	$	**1,060,000**	**$**	**105,000**	$	**1,867,999**
Exploration Expenditures												
Balance as at 1 October 2014	$	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
Balance as at 30 September 2015	$	4,505,365	$	377,843	$	2,995,961	$	3,120	$	111,846	$	7,994,135
Assaying		**-**		**-**		**6,000**		**-**		**-**		**6,000**
Geological and consulting		**-**		**-**		**2,331**		**-**		**-**		**2,331**
Admin and camp		**-**		**-**		**2,100**		**-**		**-**		**2,100**
Balance as at 31 March 2016	**$**	**4,505,365**	**$**	**377,843**	**$**	**3,006,392**	**$**	**3,120**	**$**	**111,846**	**$**	**8,004,566**
Carrying Amounts												
Balance at 30 September 2015	$	4,694,015	$	516,443	$	3,371,710		1,063,120	$	216,846	$	9,862,134
Balance at 31 March 2016	**$**	**4,694,015**	**$**	**516,443**	**$**	**3,382,141**		**1,063,120**	**$**	**216,846**	**$**	**9,872,565**

OUTSTANDING SHARES

As at 31 March 2016 and the date of this report, the Company had 95,727,875 common shares issued and outstanding. The fully diluted amount of 118,850,875 includes options of 4,075,000 and warrants of 19,048,000.

FINANCIAL POSITION AND LIQUIDITY

As at 31 March 2016, the Company's financial instruments consist of cash, amounts receivable, and accounts payable and accrued liabilities. The Company has no speculative financial instruments, derivatives, forward contracts or hedges.

The following discussion relates to the year to date period and compares that to the same period in fiscal 2015.

As at 31 March 2016 the Company had a working capital surplus of $507,430 compared to a working capital of $601,294 as at 30 September 2015.

Cash used in operating activities during the period ended 31 March 2016 totalled $317,419 (Comparative period: $319,029). This is consistent with expectations of management.

Cash provided by investing activities during the period ended 31 March 2016 totalled $207,404 (Comparative period: $(50,596). This is a result of a one time sale of assets.

Cash raised in financing activities during the period ended 31 March 2016 totalled $nil (Comparative period: $913,219). In the comparative period there was an equity placement and there was no such placement in this period.

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 31 March 2016 or 30 September 2015. 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, accounts payable and accrued liabilities, and taxes payable. As at 31 March 2016 and 30 September 2015, the carrying value of cash is 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.

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 31 March 2016 and 30 September 2015, 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 are due. The Company controls liquidity risk by ensuring that it has sufficient cash resources to pay for its financial obligations. As at 31 March 2016, the Company had a cash balance of $513,230 to settle current liabilities of $24,991. The Company is not exposed to significant liquidity risk.

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 a financing during the year ended 30 September 2015, 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

The Company's capital consists of 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.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements as at 31 March 2016 and as at the date hereof.

RELATED PARTY TRANSACTIONS

Transactions and balances with related parties not disclosed elsewhere in the condensed interim consolidated financial statements are as follows for the six month periods ended 31 March 2016 and 2015.

RELATED PARTY DISCLOSURE

Name and Principal Position	Period(i)		Remuneration or fees(ii)	Share-based awards	Amounts Payable
Basil Botha – President, CEO and Director,	**2016**	**$**	72,000	-	-
consulting fees	2015	$	72,000	-	-
Clearline – a company of which the CFO is a	**2016**	**$**	18,225	-	-
director, professional fees	2015	$	24,000	-	3,150
Directors (2), director fees	**2016**	**$**	-	-	-
	2015	$	-	-	-
Director, director fees	**2016**	**$**	-	-	-
	2015	$	250	-	-
Director, director and consulting fees	**2016**	**$**	-	-	-
	2015	$	500	-	-

(i) For the fiscal six month periods ended 31 March 2016 and 31 March 2015.
(ii) 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.

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 March 2016 Condensed Interim Consolidated Financial Statements provide a breakdown of the general and administrative expenses for the year 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.

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.

REPORT TO SHAREHOLDERS AND MANAGEMENT DISCUSSION AND ANALYSIS

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