

NORTHERN IRON CORP.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE AND THREE MONTHS ENDED 30 JUNE 2016

Stated in Canadian Funds

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements.

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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 condensed interim 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 condensed interim 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.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with standards established by the Canadian Organization of Chartered Professional Accountants for a review of interim financial statements by an entity's auditor.

We draw attention to Note 1 in the condensed interim 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.

24/08/2016

"Basil Botha"

Basil Botha, CEO

"Grant T. Smith"

Grant T. Smith, CFO

Canadian Funds
(unaudited)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2016	30 September 2015
ASSETS			
Current Assets			
Cash		\$ 369,641	\$ 623,245
Amounts receivable	(6)	20,055	10,982
Prepaid amounts and other assets		6,985	14,011
		396,681	648,238
Non-current Assets			
Deposits	(7)	200,000	200,000
Property and equipment	(8)	76,759	120,187
Exploration and evaluation assets	(9)	9,915,349	9,862,134
		10,192,108	10,182,321
		\$ 10,588,789	\$ 10,830,559
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities		\$ 27,416	\$ 46,944
EQUITY (STATEMENT 3)			
Share capital		14,530,825	14,530,825
Options - Contributed surplus		431,100	431,100
Warrants - Contributed surplus		806,623	806,623
Deficit		(5,207,175)	(4,984,933)
		10,561,373	10,783,615
		\$ 10,588,789	\$ 10,830,559

Nature of operations and going concern	(1)	Capital management	(13)
Basis of preparation – Statement of Compliance	(2)	Subsequent events	(14)
Related party transactions	(11)		

The condensed interim consolidated financial statements were approved by the Board of Directors on 24/08/2016 and were signed on its behalf by:

“Paul Sarjeant”
Paul Sarjeant, Director

“Alberto Hassan”
Alberto Hassan, Director

Canadian Funds
(unaudited)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

	Note	Nine Months Ended 30 June 2016	Nine Months Ended 30 June 2015	Three Months Ended 30 June 2016	Three Months Ended 30 June 2015
CONTINUING OPERATIONS					
EXPENSES					
General and Administrative					
Consulting fees		\$ 253,700	\$ 234,301	\$ 87,250	\$ 90,750
Professional fees		57,731	65,403	17,500	28,777
Travel		38,269	96,373	6,231	36,610
Shareholder relations		31,431	24,732	2,906	9,135
Office		26,808	25,328	8,634	9,451
Transfer agent and filing fees		14,166	16,060	1,374	1,371
Insurance		6,093	6,235	2,023	2,032
Amortization	(8)	2,374	138,151	1,276	46,051
Interest (income)		(1,321)	(6,151)	(309)	(1,907)
Share-based payments	(10)	-	5,000	-	5,000
Loss from Operations		(429,251)	(605,432)	(126,885)	(227,270)
Gain on sale of assets	(8)	207,009	-	-	-
Net Loss being Comprehensive Loss for the Period		\$ (222,242)	(605,432)	\$ (126,885)	\$ (227,270)
Basic and Diluted Loss per Common Share		\$ (0.00)	(0.00)	\$ (0.00)	(0.00)
Weighted Average Number of Shares Outstanding		95,727,875	91,681,047	95,727,875	95,727,875

*Canadian Funds
(unaudited)*

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Shares	Amount	Options	Amount	Warrants	Amount	Deficit	Shareholders' Equity
BALANCE AT 01 OCTOBER 2014	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)
BALANCE AT 31 DECEMBER 2014	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)
BALANCE AT 31 MARCH 2015	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)
BALANCE AT 30 JUNE 2015	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)
BALANCE AT 30 SEPTEMBER 2015	95,727,875	\$ 14,530,825	4,075,000	\$ 431,100	19,048,000	\$ 806,623	\$ (4,984,933)	\$ 10,783,615
Net loss for the period	-	-	-	-	-	-	(169,950)	(169,950)
BALANCE AT 31 DECEMBER 2015	95,727,875	\$ 14,530,825	4,075,000	\$ 431,100	19,048,000	\$ 806,623	\$ (5,154,883)	\$ 10,613,665
Net loss for the period	-	-	-	-	-	-	74,593	74,593
BALANCE AT 31 MARCH 2016	95,727,875	\$ 14,530,825	4,075,000	\$ 431,100	19,048,000	\$ 806,623	\$ (5,080,290)	\$ 10,688,258
Cancellation of stock options	-	-	(1,050,000)	-	-	-	-	-
Net loss for the period	-	-	-	-	-	-	(126,885)	(126,158)
BALANCE AT 30 JUNE 2016	95,727,875	14,530,825	3,025,000	\$ 431,100	19,048,000	\$ 806,623	\$ (5,207,175)	\$ 10,561,373

Canadian Funds
(unaudited)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Nine Months Ended 30 June 2016	Nine Months Ended 30 June 2015	Three Months Ended 30 June 2016	Three Months Ended 30 June 2015
OPERATING ACTIVITIES					
Loss for the Period		\$ (222,242)	\$ (605,432)	\$ (126,885)	\$ (227,270)
Items not Affecting Cash					
Amortization	(8)	2,374	138,151	1,276	46,051
Share-based payments	(10)	-	5,000	-	5,000
Gain on sale of equipment	(8)	(207,009)	-	-	-
		(426,877)	(462,281)	(125,609)	(176,219)
Net Change in Non-cash Working Capital					
Amounts receivable		(9,073)	(12,288)	(8,384)	(13,486)
Prepaid amounts and other assets		7,026	2,445	535	3,403
Accounts payable and accrued liabilities		(19,528)	(28,829)	2,425	4,378
		(448,452)	(500,953)	(131,033)	(181,924)
INVESTING ACTIVITIES					
Proceeds on sale of equipment	(8)	250,000	-	-	-
Acquisition of equipment	(8)	(1,937)	-	(1,937)	-
Exploration expenditures	(9)	(53,215)	(159,499)	(10,619)	(108,903)
		194,848	(159,499)	(12,556)	(108,903)
FINANCING ACTIVITIES					
Proceeds from Unit issuances	(10)	-	952,400	-	-
Unit issuance costs	(10)	-	(39,181)	-	-
		-	913,219	-	-
Net (Decrease) Increase in Cash		(253,604)	252,767	(143,589)	(290,827)
Cash position – beginning of period		623,245	599,149	513,230	1,142,743
Cash Position – End of Period		\$ 369,641	\$ 851,916	\$ 369,641	\$ 851,916

NORTHERN IRON CORP.

Canadian Funds
(unaudited)

NOTES TO THE CONDENSED INTERIM 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 09 July 2010 the Company registered in British Columbia for extra provincial registration as the Company’s administrative office is located in British Columbia. 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 condensed interim 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 condensed interim consolidated statement of financial position classifications used and such adjustments could be material.

(Rounded ‘000’)	30 June 2016	30 September 2015
Working capital	\$ 369,000	601,000
Accumulated deficit	\$ (5,207,000)	(4,985,000)

NORTHERN IRON CORP.

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NOTES TO THE FINANCIAL STATEMENTS

2) Basis of preparation – Statement of Compliance

These Financial Statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and in accordance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting. The Financial Statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition, these Financial Statements have been prepared using the accrual basis of accounting except for cash flow information.

Since the Financial Statements do not include all disclosures required by the International Financial Reporting Standards (“IFRS”) for annual financial statements, they should be read in conjunction with the Company’s audited annual financial statements for the year ended 30 September 2015.

The policies set out were consistently applied to all the periods presented unless otherwise noted below. The preparation of Financial Statements in accordance with IAS 1 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company’s accounting policies.

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.

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 revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

3) Summary of significant accounting policies

The accounting policies and methods of computation followed in preparing these Financial Statements are the same as those followed in preparing the most recent audited annual financial statements. For a complete summary of significant accounting policies, please refer to the Company’s audited annual consolidated financial statements for the year ended 30 September 2015.

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.

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NOTES TO 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 periods ended 30 June 2016 or 30 September 2015.

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 June 2016 and 30 September 2015.

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.

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NOTES TO THE FINANCIAL STATEMENTS

5) Financial instruments and risk management

a) Financial instrument classification and measurement

Financial instruments of the Company carried on the condensed interim 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 June 2016 and 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, and accounts payable and accrued liabilities. As at 30 June 2016 and 30 September 2015, 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.

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 June 2016 and 30 September 2015, the Company holds no cash denominated in foreign currency and therefore is not exposed to significant foreign currency risk.

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NOTES TO THE FINANCIAL STATEMENTS

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 June 2016, the Company had a cash balance of \$369,641 to settle current liabilities of \$27,416 which are due within one year. The Company is not exposed to significant liquidity risk.

6) Amounts receivable

Amounts receivable are comprised of:

	30 June 2016	30 September 2015
Goods and services tax recoverable	\$ 20,055	\$ 10,982

7) 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.

	30 June 2016	30 September 2015
Deposits	\$ 200,000	\$ 200,000

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NOTES TO THE FINANCIAL STATEMENTS

8) Property and equipment

Details are as follows:

	Computer Equipment	Land	Field Equipment	Total
COST OR DEEMED COST				
Balance at 1 October 2014	\$ -	\$ 75,000	\$ 568,944	\$ 643,944
Additions	-	-	-	-
Balance at 30 September 2015	\$ -	\$ 75,000	\$ 568,944	\$ 643,944
Additions	1,937	-	-	1,937
Dispositions	-	-	(515,889)	(515,889)
Balance at 30 June 2016	\$ 1,937	\$ 75,000	\$ 53,055	\$ 129,992
DEPRECIATION				
Balance at 1 October 2014	\$ -	\$ -	\$ 339,556	\$ 339,556
Depreciation for the period	-	-	184,201	184,201
Balance at 30 September 2015	\$ -	\$ -	\$ 523,757	\$ 523,757
Depreciation for the period	727	-	1,647	2,374
Dispositions	-	-	(472,898)	(472,898)
Balance at 30 June 2016	\$ 727	\$ -	\$ 52,506	\$ 53,233
CARRYING AMOUNTS				
At 30 September 2015	\$ -	\$ 75,000	\$ 45,187	\$ 120,187
At 30 June 2016	\$ 1,210	\$ 75,000	\$ 549	\$ 76,759

During the nine month period ended 30 June 2016, the Company disposed of its dewatering pumps for gross proceeds of \$250,000, and recognized a gain on disposition of \$207,009.

Property and equipment are stated, in the condensed interim 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:

Field Equipment	3-5 years
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NOTES TO THE FINANCIAL STATEMENTS

9) 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	-
Total	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.

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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	-
Total	2,650,000	\$ 100,000

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.

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(unaudited)

NOTES TO THE FINANCIAL STATEMENTS

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 30 June 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
Staking	2,280	-	-	-	14,024	16,304
Geological and consulting	-	-	14,155	-	-	14,155
Assaying	-	-	12,303	-	-	12,303
Admin and camp	-	-	10,453	-	-	10,453
Balance as at 30 June 2016	\$ 4,507,645	\$ 377,843	\$ 3,032,872	\$ 3,120	\$ 125,870	\$ 8,047,350
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 30 June 2016	\$ 4,696,295	\$ 516,443	\$ 3,408,621	\$ 1,063,120	\$ 230,870	\$ 9,915,349

NORTHERN IRON CORP.

Canadian Funds
(unaudited)

NOTES TO THE FINANCIAL STATEMENTS

10) Share capital

a) Authorized:

Unlimited common shares without par value.

b) Issued or allotted and fully paid:

ISSUED SHARES	Number	Amount
Balance – 01 October 2014	76,679,875	\$ 13,769,327
Issued pursuant to private placement	19,048,000	763,598
Balance – 30 September 2015	95,727,875	14,530,825
Issued	-	-
Balance – 30 June 2016	95,727,875	\$ 14,530,825

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.

The amounts allocated to shares were \$763,598, net of recorded issuance costs of \$97,486 on the placement and the remainder \$91,316 was allocated to the warrants.

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 periods ended 30 June 2016 and 30 September 2015 are as follows:

STOCK OPTION ACTIVITY	30 June	Weighted	30 September	Weighted
	2016	Average Exercise price	2015	Average Exercise price
Balance – beginning of period	4,075,000	\$ 0.14	4,825,000	\$ 0.14
Issued	-	-	200,000	0.05
Expired	-	-	(950,000)	0.10
Cancelled	(1,050,000)	0.16	-	-
Balance – end of period	3,025,000	\$ 0.13	4,075,000	\$ 0.14

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Details of stock options outstanding as at 30 June 2016 are as follows:

Issuance Date	Expiry Date	Exercise Price	Fiscal 2016
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	600,000
10 July 2012	09 July 2017	0.15	400,000
28 February 2014	27 February 2019	0.05	1,350,000
10 April 2015	10 April 2020	0.05	200,000
			3,025,000

The outstanding options have a weighted average remaining life of 1.93 years and a weighted average exercise price of \$0.13 as at 30 June 2016. All of the outstanding options have vested. No options were in the money as at 30 June 2016.

d) Warrants

Warrant activity during the period is summarized as follows:

WARRANT ACTIVITY	30 June 2016	Weighted average exercise price	30 September 2015	Weighted average exercise price
Balance – beginning of period	19,048,000	\$ 0.05	-	\$ -
Issued	-	-	19,048,000	0.05
Balance – end of period	19,048,000	\$ 0.05	19,048,000	\$ 0.05

Details of warrants outstanding as at 30 June 2016 and 30 September 2015 are as follows:

Expiry Date	Exercise Price	30 June 2016	30 September 2015
28 November 2017	\$ 0.05	19,048,000	19,048,000

	30 June 2016	30 September 2015
The outstanding warrants have a weighted-average exercise price of:	\$ 0.05	\$ 0.05
The weighted average remaining life of the outstanding warrants is:	1.66	2.16

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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:

	30 June 2016	30 September 2015
Risk free interest rate	N/A	1.05%
Expected dividend yield	N/A	0.00%
Expected stock price volatility	N/A	135%
Expected option life in years	N/A	3.00

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 period ended 30 June 2016 and the year ended 30 September 2015 are as follows:

	30 June 2016	30 September 2015
Total options granted	-	200,000
Average exercise price	\$ N/A	\$ 0.05
Estimated fair value of compensation – Expense	\$ N/A	\$ 5,000
Estimated fair value per option	\$ N/A	\$ 0.03

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:

	30 June 2016	30 September 2015
Risk free interest rate	N/A	0.61%
Expected dividend yield	N/A	0.00%
Expected stock price volatility	N/A	153%
Expected option life in years	N/A	3.00

Share-based payments for the options that vested during the nine month period ended 30 June 2016 and the year ended 30 September 2015 are as follows:

	30 June 2016	30 September 2015
Number of options vested	-	200,000
Total share-based payment	\$ -	\$ 5,000

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.

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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 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 June 2016 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.

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11) Related party transactions

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

RELATED PARTY DISCLOSURE

Name and Principal Position	Period ⁽ⁱ⁾	Remuneration or fees ⁽ⁱⁱ⁾	Share-based awards	Amounts Payable
Basil Botha – President, CEO and Director, consulting fees	2016	\$ 108,000	\$ -	\$ -
	2015	\$ 108,000	\$ -	\$ -
Clearline – a company of which the CFO is a director, professional fees	2016	\$ 39,267	\$ -	\$ 3,692
	2015	\$ 39,567	\$ -	\$ 14,056
Director, director fees	2016	\$ -	\$ -	\$ -
	2015	\$ 541	\$ -	\$ -
Director, director fees	2016	\$ 2,000	\$ -	\$ 1,050
	2015	\$ 1,500	\$ -	\$ 1,050
Director, director fees	2016	\$ 500	\$ -	\$ -
	2015	\$ 1,000	\$ 5,000	\$ 750
Director, director and consulting fees	2016	\$ 2,831	\$ -	\$ 1,050
	2015	\$ 7,375	\$ -	\$ 1,050

⁽ⁱ⁾ For the fiscal nine month periods ended 30 June 2016 and 30 June 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.

12) Segmented disclosure

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

13) 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.

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14) Subsequent events

Nevada Property

On 26 July 2016, the Company signed an agreement (the "Nevada Agreement") to acquire an undivided 100% interest in a lithium property in Nevada (the "Nevada Property"). The Nevada Property represents 140 claims comprising 2,800 acres in Clark County, Nevada. The Company must complete the following conditions in accordance with the terms of the Nevada Agreement:

Date	Shares Issued	Cash Payment	Exploration Expenditures
26 July 2016	-	\$ 70,000 ⁽ⁱ⁾	-
Within 5 days of regulatory approval	22,000,000 ⁽ⁱⁱ⁾	-	-
22 January 2017	-	50,000	-
26 July 2017	-	100,000	-
26 January 2018	-	100,000	-
26 July 2018	-	125,000	-
26 July 2019	-	205,000	1,000,000
Total	22,000,000	\$ 650,000	\$ 1,000,000

⁽ⁱ⁾ Paid
⁽ⁱⁱ⁾ Issued

In addition, the Company is required to file all forms and pay all fees to keep the claims in good standing, including County Fees and BLM maintenance fees, on or before 1 September 2016. The owner has retained a 1.0% Gross Overriding Royalty of which 0.5% can be bought back for \$1,000,000 at any time.

Arizona Property

On 26 July 2016, the Company signed an agreement (the "Arizona Agreement") to acquire an undivided 100% interest in two lithium properties in Arizona (the "Arizona Property"). The Arizona Property includes two land packages consisting of 1,434 acres in the Wilcox Playa Basin and 289 acres in the Little Rock Target in Yavapai County. The Company must complete the following conditions in accordance with the terms of the Arizona Agreement:

Date	Shares Issued	Cash Payment
26 July 2016	-	\$USD 20,000 ⁽ⁱ⁾
Within 5 days of regulatory approval	18,000,000 ⁽ⁱⁱ⁾	-
29 July 2016	-	USD 50,000 ⁽ⁱ⁾
8 June 2017	-	USD 100,000
8 June 2018 ⁽ⁱⁱⁱ⁾	-	USD 300,000 ⁽ⁱⁱⁱ⁾
Total	18,000,000	\$USD 470,000

⁽ⁱ⁾ Paid
⁽ⁱⁱ⁾ Issued
⁽ⁱⁱⁱ⁾ The USD \$300,000 payment can be made in either cash or shares, at the election of Northern Iron.

In addition, the Company is required to file all forms and pay all fees to keep the claims in good standing, including County Fees and BLM maintenance fees, on or before 1 September 2016. The owner has retained a 2.5% Gross Overriding Royalty of which 1% can be bought back for \$1,000,000 at any time.

The Company paid a finder's fee of 2,650,000 common shares in connection with the Nevada and Arizona Agreements.