

GREAT NORTHERN IRON ORE PROPERTIES
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Financial Report for the Quarterly Period Ended September 30, 2015
(Uploaded to Web site October 30, 2015)

GREAT NORTHERN IRON ORE PROPERTIES
CONDENSED BALANCE SHEETS

	September 30, 2015 <u>(Unaudited)</u>	December 31, 2014 <u>(Note)</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 9,819,070	\$ 899,283
United States Treasury securities	-	7,535,178
Royalties receivable	2,597,921	2,959,038
Prepaid expenses	<u>190,964</u>	<u>2,110</u>
TOTAL CURRENT ASSETS	12,607,955	11,395,609
PROPERTIES		
Mineral and surface lands	39,479,708	39,479,708
Accumulated depletion and amortization	<u>(39,461,607)</u>	<u>(39,288,577)</u>
	18,101	191,131
Building and equipment	335,767	335,767
Accumulated depreciation	<u>(330,767)</u>	<u>(317,865)</u>
	5,000	17,902
TOTAL PROPERTIES	23,101	209,033
TOTAL ASSETS	<u>\$ 12,631,056</u>	<u>\$ 11,604,642</u>
LIABILITIES AND BENEFICIARIES' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 122,842	\$ 287,934
Deferred compensation	-	270,300
Distributions	<u>-</u>	<u>3,000,000</u>
TOTAL CURRENT LIABILITIES	122,842	3,558,234
NONCURRENT LIABILITIES		
Liability for pension benefits	<u>-</u>	<u>978,566</u>
TOTAL LIABILITIES	122,842	4,536,800
BENEFICIARIES' EQUITY		
Certificate holders' equity, represented by 1,500,000 certificates (shares or units) of beneficial interest authorized and outstanding, and the reversionary interest	14,317,820	10,710,020
Accumulated other comprehensive loss	<u>(1,809,606)</u>	<u>(3,642,178)</u>
TOTAL BENEFICIARIES' EQUITY	12,508,214	7,067,842
TOTAL LIABILITIES AND BENEFICIARIES' EQUITY	<u>\$ 12,631,056</u>	<u>\$ 11,604,642</u>

Note: The balance sheet at December 31, 2014 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

See notes to condensed financial statements.

GREAT NORTHERN IRON ORE PROPERTIES
CONDENSED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended September 30		Nine Months Ended September 30	
	2015	2014	2015	2014
NET INCOME	\$ 1,224,542	\$ 3,943,478	\$ 5,557,800	\$ 11,757,716
Other comprehensive income:				
Defined benefit pension plan:				
Amortization of prior service cost included in net periodic pension cost	-	4,366	-	13,100
Amortization of net loss included in net periodic pension cost	610,858	-	1,832,572	-
Total other comprehensive income	610,858	4,366	1,832,572	13,100
TOTAL COMPREHENSIVE INCOME	<u>\$ 1,835,400</u>	<u>\$ 3,947,844</u>	<u>\$ 7,390,372</u>	<u>\$ 11,770,816</u>

See notes to condensed financial statements.

GREAT NORTHERN IRON ORE PROPERTIES
CONDENSED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended September 30	
	2015	2014
Cash flows from operating activities:		
Cash received from royalties and rents	\$ 10,507,764	\$ 14,399,694
Cash paid to suppliers and employees	(4,175,103)	(3,921,034)
Interest received	12,126	28,237
NET CASH PROVIDED BY OPERATING ACTIVITIES	6,344,787	10,506,897
Cash flows from investing activities:		
United States Treasury securities purchased	-	(4,500,000)
United States Treasury securities matured	7,525,000	5,300,000
NET CASH PROVIDED BY INVESTING ACTIVITIES	7,525,000	800,000
Cash flows from financing activities:		
Distributions paid	(4,950,000)	(11,100,000)
NET CASH USED IN FINANCING ACTIVITIES	(4,950,000)	(11,100,000)
Net increase in cash and cash equivalents	8,919,787	206,897
Cash and cash equivalents at beginning of year	899,283	712,197
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 9,819,070	\$ 919,094

See notes to condensed financial statements.

GREAT NORTHERN IRON ORE PROPERTIES
NOTES TO CONDENSED FINANCIAL STATEMENTS
(Unaudited)

Periods of Three and Nine Months ended September 30, 2015 and September 30, 2014

Note 1 – BASIS OF PRESENTATION

The accompanying unaudited condensed financial statements have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the periods stated above are not necessarily indicative of the results that may be expected for each respective full year. For further information, refer to the financial statements and footnotes included in the Great Northern Iron Ore Properties (“Trust”) Annual Report of the Trustees to Certificate Holders for the year ended December 31, 2014.

With the April 6, 2015 termination date of the Trust, revenues and expenses thereafter were allocated between the certificate holders and the reversioner. With respect to Royalties and other income, mining cutoffs were obtained as of April 6, 2015. Interest was credited to the certificate holders as it related to the monies on hand yet to be distributed to the certificate holders. Costs and expenses were generally allocated as follows: Items affecting the lands and their inspections after April 6, 2015 were charged to the reversioner. Examples include real estate taxes, a majority of the Hibbing Office (Iron Range) staff compensation and expenses, etc. Items affecting certificate holder interests only after April 6, 2015 were charged to the certificate holders. Examples include shareholder relations expenditures, pension expense (representing past service), etc. Items affecting both beneficiaries, which were generated from the wind-down activities as well as the ongoing operations, were generally split equally between the certificate holders and the reversioner. Examples include Trustees’ fees, St. Paul Office staff compensation and expenses, audit fees, etc. Certain costs and expenses were allocated based on the service provided, such as legal fees.

Note 2 – PENSION PLAN

The Trust has a noncontributory defined benefit pension plan that covers all employees. The Trustees are not eligible for pension benefits under the plan based on their services as Trustees. Although the termination date of the Trust was April 6, 2015, there has been no pension plan curtailment or settlement that would require the immediate recognition of certain amounts in other comprehensive income/loss. Immediate recognition of such amounts from accumulated other comprehensive income/loss will occur in the period that the pension plan is settled. The pension plan is expected to remain under the control of the Trustees until sometime in 2016, due to the length of time necessary to administer to the various tasks required to terminate a pension plan, including regulatory filings, securing an annuity provider to continue the benefits to retirees, etc. The pension accounting guidance requires employers with pension plans to recognize the funded (or unfunded) status of a plan on the face of the balance sheet. The funded status is determined by comparing the pension plan assets at fair value to the projected (future) benefit obligation.

A summary of the components of net periodic pension cost is as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2015	2014	2015	2014
Service cost	\$ -	\$ 77,583	\$ -	\$ 232,751
Interest cost	101,724	90,641	305,173	271,921
Expected return on assets	(77,955)	(56,453)	(233,864)	(169,360)
Amortization of net loss	610,858	-	1,832,572	-
Amortization of prior service cost	-	4,366	-	13,100
Net periodic pension cost	<u>\$ 634,627</u>	<u>\$ 116,137</u>	<u>\$ 1,903,881</u>	<u>\$ 348,412</u>

The pension plan’s annual actuarial valuation was performed as of its fiscal year-end, March 31. The actuarial recommended contribution to the pension plan for the year 2015 was \$1,174,377, which contribution was made in August 2015.

Note 3 – BENEFICIARIES’ EQUITY

Pursuant to the Court Order of November 29, 1982, the Trustees were directed to create and maintain an account designated as “Principal Charges.” This account constitutes a first and prior lien of certificate holders on any property transferable to the reversioner and reflects an allocation of beneficiaries’ equity between the certificate holders and the reversioner. This account is neither an asset nor a liability of the Trust. Rather, this account maintains and represents a balance which will be payable to the certificate holders of record from the reversioner at the end of the Trust. The balance in this account consists of (i) attorneys’ fees and expenses pursuant to Court Orders in connection with litigation commenced in 1972 and 2014 relating to the Trustees’ powers and duties under the Trust Agreement and (ii) the costs of homes and surface lands acquired in accordance with provisions of a lease with U.S. Steel Corporation, net of an allowance to amortize the cost of the land based on actual shipments of taconite and net of a credit for disposition of tangible assets.

Following is an analysis of this Principal Charges account for the period ended as of:

	Sept. 30, 2015
Attorneys’ fees and expenses	\$ 1,852,921
Costs of surface lands	6,606,815
Cumulative shipment credits	(2,560,538)
Cumulative asset disposition credits	(372,124)
Principal Charges account balance	<u>\$ 5,527,074</u>

Pursuant to the 1982 Court Order, the Trustees may either sell tangible assets or obtain a loan with tangible assets as security to provide monies for distribution to the certificate holders in the amount of the Principal Charges account balance. However, other arrangements are presently being made with the reversioner to settle the Principal Charges account balance nearer the date of the Trust’s final dissolution. Pursuant to the Court Order of January 26, 2015, expenses incurred after December 2013 and before the Trust’s termination date that are allocated to the reversioner will be charged to the Principal Charges account as of April 6, 2015. The Principal Charges account balance now reflects these post-2013 expenses that were allocated to the reversioner, which are included within the “Attorneys’ fees and expenses” line shown above.

Note 4 – ACCUMULATED OTHER COMPREHENSIVE LOSS

A summary of the component items (all affecting the “Costs and expenses” line item within the Condensed Statements of Income) showing the reclassifications out of “Accumulated other comprehensive loss” (“AOCL”) is as follows:

Component item	Amounts reclassified from AOCL Three Months Ended Sept. 30	
	2015	2014
Amortization of defined benefit pension items:		
Prior service cost	\$ -	\$ 4,366
Net loss	610,858	-
Total	<u>\$ 610,858</u>	<u>\$ 4,366</u>

Component item	Amounts reclassified from AOCL Nine Months Ended Sept. 30	
	2015	2014
Amortization of defined benefit pension items:		
Prior service cost	\$ -	\$ 13,100
Net loss	1,832,572	-
Total	<u>\$ 1,832,572</u>	<u>\$ 13,100</u>

A summary of the changes in AOCL by component item is as follows:

	Three Months Ended September 30, 2015		
	Prior Service Cost	Net Loss	Total
Defined benefit pension items:			
Balance at beginning of period	\$ -	\$ (2,420,464)	\$ (2,420,464)
Amounts reclassified from AOCL	-	610,858	610,858
Balance at end of period	\$ -	\$ (1,809,606)	\$ (1,809,606)

	Three Months Ended September 30, 2014		
	Prior Service Cost	Net Loss	Total
Defined benefit pension items:			
Balance at beginning of period	\$ (8,733)	\$ (844,444)	\$ (853,177)
Amounts reclassified from AOCL	4,366	-	4,366
Balance at end of period	\$ (4,367)	\$ (844,444)	\$ (848,811)

	Nine Months Ended September 30, 2015		
	Prior Service Cost	Net Loss	Total
Defined benefit pension items:			
Balance at beginning of period	\$ -	\$ (3,642,178)	\$ (3,642,178)
Amounts reclassified from AOCL	-	1,832,572	1,832,572
Balance at end of period	\$ -	\$ (1,809,606)	\$ (1,809,606)

	Nine Months Ended September 30, 2014		
	Prior Service Cost	Net Loss	Total
Defined benefit pension items:			
Balance at beginning of period	\$ (17,467)	\$ (844,444)	\$ (861,911)
Amounts reclassified from AOCL	13,100	-	13,100
Balance at end of period	\$ (4,367)	\$ (844,444)	\$ (848,811)

GREAT NORTHERN IRON ORE PROPERTIES

Management's Discussion and Analysis of Financial Condition and Results of Operations

Periods of Three and Nine Months ended September 30, 2015 and September 30, 2014

Royalties decreased \$2,419,342 and \$4,910,334 during the three and nine month periods ended September 30, 2015, respectively, as compared to the same periods in 2014, due mainly to a reduced taconite tonnage mined from the Trust's properties.

Interest and other income decreased \$36,479 during the three month period ended September 30, 2015, as compared to the same period in 2014, due mainly to less aggregate (sand and gravel) revenues received. Interest and other income increased \$80,764 during the nine month period ended September 30, 2015, as compared to the same period in 2014, due mainly to the higher aggregate (mineral rock) revenues received earlier in the year.

Costs and expenses increased \$263,115 and \$1,370,346 during the three and nine month periods ended September 30, 2015, respectively, as compared to the same periods in 2014, due mainly to greater net periodic pension cost associated with the Trust's defined benefit pension plan, offset, in part, by reduced expense associated with surface lands that are now fully amortized.

At their meeting held on March 9, 2015, the Trustees declared a distribution of \$1.30 per share, amounting to \$1,950,000 paid on April 30, 2015, to certificate holders of record at the close of business on March 31, 2015. This was the last regular quarterly distribution declared to certificate holders before the April 6, 2015 termination date of the Trust. This distribution reflected the estimated earnings for the first quarter and first six days of April 2015, offset, in part, by the estimated expenditures for the balance of the year allocable to the certificate holders, resulting in an approximate net taxable earnings amount to the certificate holders of record as of March 31, 2015. Unless otherwise directed by the Ramsey County District Court ("Court"), no further distributions are expected to be made to the certificate holders of record as of April 6, 2015, until the Court approves the final distribution. The 2014 first, second and third quarter distributions to certificate holders were \$2.25, \$2.50 and \$2.60 per share, respectively.

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