Northland to Address Funding Shortfall Due to Higher Initial Opex and Capex and Subsequently Expects Its Kaunisvaara Project to Be Fully-Financed

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In Addition Northland Provides a Financial and Operational Update

LUXEMBOURG, LUXEMBOURG -- (Marketwire - Jan. 24, 2013) - Northland Resources S.A. (TSX:NAU) (OSLO:NAUR) (FRANKFURT:NPK) (OMX:NAURo) ("Northland" or the "Company") announces that it had identified a funding shortfall, and intends to strengthen its financial position. The Company expects to launch an offering consisting of a combination of new debt and new equity, for total gross proceeds up to USD 375 million. In addition, the Company announces its sixth bi-monthly operational and construction update on the Kaunisvaara project.

HIGHLIGHTS

Identified Funding Shortfall

- Additional funding is required due to:
-- Higher than expected operating costs in the production ramp-up phase
-- Higher capital expenditures than expected
-- Lower operating assumption for iron ore price, and adverse movements in exchange rates.

- Planned USD 375 million combined equity and bond offering to secure the planned long-term financing, consisting of:
-- Planned USD 250 million of new equity
-- Planned USD 125 million bond tap

- Term sheet signed with Stemcor UK Limited ("Stemcor") for a prepayment facility of up to USD 50 million

- On completion of the financing the Company is expected to be fully funded through the minimum cash point and to full production in the third quarter of 2014

- Operational expenditures life of mine supported by the revised budget

Forecasted production

- 1.5 million dry metric tonnes ("dmt") in 2013

- 3.1 million dmt in 2014

- Full production rate of 4 million dry metric tonnes per annum ("dmtpa") as of the third quarter of 2014

- 69 percent iron ore concentrate with very low impurities expected to position Northland's product in the top 5 per cent of global iron ore production from a quality perspective.

Operational update - Commissioning according to plan

- The Kaunisvaara process plant is working according to its design and no modification has been necessary

- In December 2012, the Kaunisvaara project produced its first iron ore concentrate which was transported by truck and rail to its Fagernes Terminal in the Port of Narvik. The entire logistical chain works well.

- To-date 18,500 tonnes of iron ore concentrate have been produced in Kaunisvaara

- Approximately 4,500 tonnes of concentrate is currently stored in Narvik

- Approximately 5,000 tonnes of concentrate is currently stored in Pitkäjärvi

- The first customer shipment is expected to leave Narvik for Tata Steel in the Netherlands in mid February 2013

- Road and rail interchange work has been completed at Pitkäjärvi

- Permits necessary for a temporary solution for the Fagernes Terminal in the Port of Narvik are in place

- The announcements of the Hannukainen and Pellivuoma DFSs, have been postponed until the contemplated financing transaction has been completed.

Karl-Axel Waplan, President and CEO of Northland Resources S.A. said, "Northland has progressed the Kaunisvaara project from bog to mine in less than two years. We are now preparing for the next major step to reach full production from our Tapuli mine in the third quarter of 2014. To achieve this we unfortunately need to raise additional financing due to cost overruns and higher initial operating costs. We are comfortable with the estimates for the remaining investments and our forecasted Life of Mine operating cost per tonne."

"The production ramp-up has been successful and to date Northland has produced approximately 18,500 dmt of iron ore concentrate with Fe-grade and quality well in accordance with specifications. Simultaneously, we have been carefully assessing the long-term financing needs of the Kaunisvaara project. We have devoted significant effort to verifying the numbers, pursuing possible mitigating activities and have identified an additional financing requirement of USD 425 million, which is required to cover higher than expected capital and higher initial operating expenditures for the first two years. The Company has estimated that Life of Mine ("LoM") Opex/tonne will be USD 67 and is in line with the Definite Feasibility Study, adjusted for the currency effect".

The Company has retained Arctic Securities ASA and Pareto Securities AS as Joint Lead Managers and Bookrunners, and Ocean Equities Limited and SpareBank 1 Markets AS as Co-lead managers to advise the Company in connection with the expected equity and bond offerings.

This press release has been disseminated to mitigate any risks of information leakage. A separate press release with transaction details will be released shortly to the market as soon as all relevant documents are completed. Upon completing this funding, the Company expects to be fully funded through the minimum cash point and until the anticipated full production is achieved in third quarter of 2014.

Conference Call

Tomorrow, Friday, January 25, 2013, Northland will host a webcast presentation and conference call scheduled to begin at 3.30 pm Central European Time / 9.30 am Eastern Standard Time that will be chaired by Anders Hvide, Executive Chairman and Karl-Axel Waplan, Chief Executive Officer.

Details about the webcast and conference call will be provided in separate press release and under the Investor section on www.northland.eu prior to the call.

FINANCING UPDATE

At this time, the Company announces that it has identified an additional funding need of approximately USD 425 million to enable it to reach the Kaunisvaara project's expected minimum cash point which is expected to occur in the second half of 2014, and until the anticipated full production is achieved in third quarter of 2014. The funding is required due to higher than expected operating costs in the production ramp-up phase, higher capital expenditures than expected and adverse movements in iron ore prices and exchange rates. The funding need is expected to be covered by an increase in the listed 13 per cent Northland Resources AB (publ.) Senior Secured Bond Issue 2012/2017 of up to USD 125 million and up to USD 250 million in new equity in the Company and utilizing the pre-payment facility from Stemcor of up to USD 50 million.

As previously announced, Northland Resources AB (publ) executed the third and final drawdown from the USD 350 million 13 per cent Northland Resources AB (publ.) Senior Secured Bond Issue 2012/2017 on November 29, 2012, of approximately USD 25 million.

In addition, the Company announced on December 11, 2012 that Northland Resources AB (publ) had completed the subscription for the USD 20 million 12.25 per cent Northland Resources AB (publ.) Senior Secured Bond Issue 2012/2016. The Company announced on December 21, 2012 that the USD 20 million bond loan had closed. The bond loan is senior debt, secured on a pari passu basis with the 13 per cent Northland Resources AB (publ.) Senior Secured Bond Issue 2012/2017, but with no voting or enforcement rights. The proceeds from the USD 20 million bond loan will finance capital expenditure ("Capex") investments for Kaunisvaara project as well as working capital purposes.

Funding shortfall

During the fourth quarter 2012, the Company finalized its bottom-up budgeting process for 2013. The first consolidation of the budget indicated a lower operating cash flow during 2013-2014 than previously expected, due to higher than previously expected operating costs in the ramp-up phase, adverse movements in the USD/SEK foreign exchange rate, and a lower iron ore price estimate. However, the effect of expected increased production volumes and quicker ramp-up partly balanced the higher operating costs.

Simultaneously, the Company received notifications from contractors of increases in capital expenditure in the period until final completion of the second process line, mostly due to higher "open book" costs and higher than expected material uses.

The Company has conducted extensive diligence reviews of the numbers and considered alternative and mitigating options, but has now concluded that further financing is needed to cover a funding shortfall of approximately USD 425 million. The Company is in the process of finalizing certain financing sources, including a pre-payment facility from Stemcor of up to USD 50 million, which is subject to satisfaction of, amongst other things, certain production and delivery milestones (for which credit approval has been obtained and term sheet has been signed). A ship loader lease facility (expected net value USD 18 million) is expected to be completed in due course, but has not yet been signed. The delay in finalizing the other financing sources has led to a short-term pressure on the Company's liquidity.

Upon completing the equity and bond issue and the pre-payment facility with Stemcor, the Company expects to be fully funded through the minimum cash point and until full production from Tapuli is expected to be achieved in the third quarter of 2014.

Changes to operational expenditures ("Opex")

A breakdown of the operating assumptions and variance between the DFS update from February 2012 and the new assumptions are shown below:

Main operating assumptions

	DFS Update Feb 2012	January 2013
Realized price FOB Narvik (USD/dmt)	151	130
Production volume 2013-2014 (million dmt)	3.7	4.5
USD/SEK	8.125	6.90
Opex/dmt 2013 (USD)	62	118
Opex/dmt 2014 (USD)	55	83

The expected realized price FOB Narvik has been reduced from USD 151/ dmt to USD 130/dmt, while the expected production volume in the 2013-2014 period has been increased from 3.7 million dmt to 4.6 million dmt. The SEK/USD foreign exchange rate has been revised from 8.125 to 6.90. The estimated Opex for 2013 is revised up from USD 62/dmt to USD 118/dmt, and from USD 55/dmt to USD 83/dmt in 2014.

Based on these new assumptions, the net EBITDA effect in 2013 and 2014 (calculated as the difference between the original budget and the management's current budget for the period 2013-2014) is estimated to be negative USD 181 million, consisting of the following items:

Total EBITDA* variance breakdown 2013-2014

	USD million
Price	(76)
Volume	106
Opex	(211)
Total	(181)

** Variance is based on the budget price assumption, and does not represent a forecast. Realized price depends on market prices, and price and EBITDA variance may therefore differ substantially from the budget assumption. EBITDA variance differs from operating cash flow variance due to differences in time period and change in working capital.*

The details of the estimated negative USD 211 million in Opex effect in 2013-2104 are described below:

Opex variance breakdown 2013-2014

	USD million
USD/SEK	(64)
Volume	(44)
Logistics chain	(36)
Logistics G&A	(13)
Mining & Processing	(54)
Total	(211)

Update on operating costs expectations

In the budgeting process, the Company has rebuilt its Opex budget bottom-up, taking into account actual mining cost experiences and actual cost-structures derived from signed contracts.

The budget shows a higher operating cost in the ramp-up phase as a larger share of operating costs than anticipated were fixed costs, which will be split on lower volumes in the ramp-up phase, and added costs of intermediary solutions in the logistics chain. However, the budget also supports the long-term operating cost (in SEK) from the DFS, and LoM Opex approximately equals DFS cash cost adjusted for USD/SEK exchange rate changes. See below table for expected development of operating cost (USD/dmt) during the ramp up and LoM:

To view the graph "Operating cost during ramp-up (USD/dmt)", please click the following link:
http://media3.marketwire.com/docs/nau0124a.pdf

The revised total Opex per ton following the up date in January 2013 for the LoM operation is estimated to be USD 67.1 per dmt of concentrate) delivered Free On Board ("FOB") to the Port of Narvik, Norway. This compares to USD 64.4 per dmt in the DFS Update February 2012 (both numbers assuming USD/SEK 6.90). A comparison of the current and previous estimates is shown in the table below:

Life of mine operating costs (USD/dmt)

	February 2012 Update (USD/SEK 8.125)*	January 2013 (USD/SEK 6.90)
Mining	18.4	21.9
Processing	12.5	14.4
Maintenance	0.4	0.9
G&A	1.4	1.3
Logistics	22.4	28.3
Royalties	0.4	0.4
Total	55.4	67.1

**DFS 2012 LoM operating costs USD 55.4 adjusted for USD/SEK of 6.90 is USD 64.4*

Update on total capital expenditure changes since February 2012

By way of background, the Company elected to commence construction two years ago before all detailed engineering work was finalized and before the entire logistics chain was fully contracted. This was done to secure the delivery of key long lead time items in a tight market environment, allowing production to start 12-18 months earlier than otherwise achievable. While the Company continues to believe this was the right decision, cost overruns in Capex have been identified.

The projected Kaunisvaara project and associated logistics Capex is now expected to be USD 1,096 million (including USD 11 million in Capex contingency), versus USD 875 million as communicated in February 2012, resulting in an increase of USD 222 million. Please see also the graph below:

To view the graph "Projected Kaunisvaara project and logistics development Capex until December 31, 2014", please click the following link: http://media3.marketwire.com/docs/nau0124b.pdf

The increased Capex of USD 222 million relates primarily to the decision not to undertake detailed engineering prior to commencing construction in order to accelerate execution and enable ordering of key lead time equipment, scope and engineering adjustments, as well as increased material quantities and unit prices.

The main contractual variances are described below:

Main contractual variances since DFS Update 2012

- USD 51m Civil works
- USD 57m Various logistical works
- USD 42m Installation and infrastructure works
- USD 33m Norwegian rail upgrade
- USD 23m Overburden removal Tapuli mine
- USD 5m Electrical installation
- USD 222m Total Capex variance*

* Including USD 11 million in additional contingency on unawarded works to end of 2014

As at year end 2012, USD 675 million had been spent on Capex. The total remaining Capex in 2013 is estimated to be USD 283 million, and USD 138 million in 2014, for an estimated total Capex of USD 421 million, including contingencies, as shown in the graph below:

To view the graph "Projected Kaunisvaara project and logistics development Capex until 2014", please click the following link:
http://media3.marketwire.com/docs/nau0124c.pdf

In addition, the Company estimates additional Capex in 2015 and 2016 related to the development of Sahavaara mine (including flotation circuit, overburden removal, civil works, crushing station and conveyors), estimated to be between USD 120-130 million.

Of the estimated USD 421 million in 2013 and 2014 Capex, USD 328 million has been committed mainly to fixed price contracts in USD, while USD 82 million remains uncommitted. See table below:

Breakdown of expected remaining Capex until end of 2014

Committed Capex	Contract Currency	USD million
Process systems and electrical installation	USD	124
Mobile mine equipment	USD/EUR/SEK	55
Civil works Kaunisvaara	SEK	40
Civil works Narvik	NOK	38
Tapuli mine overburden	SEK	15
Shiploader	EUR	32
Norwegian rail upgrade	NOK	24
Total committed		328

Uncommitted Capex	Contract Currency	USD million
Process system installation, increased costs	USD	31
Water systems, phase 2	EUR	4
Tailings Management Facility	SEK	15
Civil Works second process line	SEK	10
Investments operations	SEK	10
Project team	SEK	12
Total uncommitted		82
Additional contingency		11
Total Capex		421

Note: USD million is based on FX USD:SEK 6.90, USD:EUR 0.77, USD:NOK 5.73

The USD 11 million in contingency amounts to 13 percent of the uncommitted Capex. 48 percent of expected remaining Capex is denominated in USD. Capex excludes rail car Capex of USD 33 million, assumed to be financed on an operating lease for which a term sheet has been signed, which is subject to inter alia credit committee approval and documentation.

Financing breakdown

Please see expected sources and uses table below

(from January 1, 2013 to December 31, 2014):

Sources and Uses (January 1, 2013 - December 31, 2014)

As of December 31, 2012	USD million
Opening cash balance 1	37
Capex excluding contingency 2	(410)
Interest and fees of current financing	(101)
Net release from debt service reserve account ("DRSA")	25
Operating cash flow until July 31, 2014	94
Net drawdown and repayments current leases	43
Cash pre financing	(312)
Cost of new leases	(5)
Added interest cost and transaction fees	(48)
Additions DSRA	(14)
Contingency	(46)
Total funding need	(425)
Stemcor prepayment facility	50
Bond tap issue	125
New equity issue	250
Total funding sources	425
Shiploader lease (net of fees and leasing costs)	18

Notes to expected sources and uses table:

1) Including remaining group cash and new USD 20 million bond from December 2012

2) Excluding rail car Capex of USD 33 million

USD 5 million cost of new leases is Opex for rail car operating lease

USD 48 million added interest cost and transaction fees includes USD16 million equity, legal, advisors; USD 6 million bond and consent fee to bondholders; USD 24 million Bond interest /tap issue DSRA; and USD 2 million pre-payment interest and fees.

USD 46 million contingency includes USD 28 million foreign exchange contingency (current USD/SEK spot rate of 6.50 vs. budgeted 6.90); USD 11million additional contingency for uncommitted Capex; and USD 7 million of additional contingency.

Stemcor prepayment facility: Signed term sheet for a prepayment facility of up to USD 50 million, whereby Stemcor will immediately forward payment for 80 percent of the volume (subject to certain conditions) for the following quarter based on invoices sent from the Company.

Shiploader lease: Signed term sheet in place, awaiting credit committee approval and documentation. If approved, would add USD 18 million of contingency.

Standard Bank Cost Overrun Facility: A signed agreement for USD 40 million is in place, but would as a result of the contemplated USD 125 million bond tap require renewed credit committee approval.

Based on the above, the full expected sources and uses is presented below (Kaunisvaara Sources & Uses is compared to what was presented in February 2012)

Northland Resources S.A. Equity Issue Sources & Uses

Sources(USDm) Amount Uses (USDm) Amount
Equity January 2013 250 Kaunisvaara project 204
Group cash balance 20 General & Administration 40
Exploration and Hannukainen 10
Transaction costs 16
Total 270 Total 270

Kaunisvaara Sources & Uses from Project Start to December 31, 2014

Sources (USDm) Feb 2012 Jan
2013 Uses (USDm) Feb 2012 Jan 2013
Contributed equity to Kaunisvaara1
262
542 Acquisition, exploration and development6
82 82
New equity to Kaunisvaara1
250
204 Capex Kaunisvaara7
629 825
Intercompany Loan (to be converted to equity)1
38
- Capex logistics8
Additional contingency9 179
67 260
11
Total equity 550 746 Total Capex 875 1,096
Existing Bond2 - 370 Transaction costs10 26 40
New Bond2 350 125 Prepayment facilities11 - 2
Equipment leases3 58 73 Bond DSRA and interest12 152 194
Prepayment facilities4 - 50 Equipment leases13 29 33
Total debt 408 618 Contingency14 56 35
Net operating cash flow5 262 118
Total 1,220 1,482 Total 1,220 1,482

Notes to sources and uses:

1. Total cash from equity raised by Northland in the form of capital contributions and intercompany loans
2. USD 350 million bond raised in February 2012 and USD 20 million bond raised in December 2012.
USD 125 million new bond tap
3. Caterpillar USD 65 million and Atlas Copco USD 8 million
4. Stemcor pre-payment facility of up to USD 50 million (subject to certain conditions), term sheet signed but

not final
5. Net operating cash flow generated by operations from project start to 2014E
6. Pre-construction phase costs, exploration, preliminary economic assessment studies, definitive feasibility studies
7. Investments related to the Kaunisvaara area development including mine stripping, civil works, buildings, infrastructure, process and water systems
8. Investments related to the full development of the logistical chain including re-loading terminal in Pitkäjärvi, storage facilities, Narvik port infrastructure, rail works and shiploader
9. Additional contingency used to cover accrued apex increases, approx. 13 percent of uncommitted Capex added as additional apex contingency
10. Fees, legal and other costs related to historical and current financing transactions
11. Fees and interest related to the Stemcor pre-payment facility
12. Interest and escrowed cash for the USD 350 million bond and the USD 20 million bond. Including escrowed cash for interest and amortization in March 2015
13. Interest, fees and repayments for Caterpillar and Atlas Copco
14. Additional headroom for uncommitted Capex, FX risk and other headroom

PRODUCTION UPDATE

The Tapuli mine commenced production during the fourth quarter of 2012, while still in commissioning phase, with expected production of 1.5 million dmt of concentrate in 2013 and 3.1 million dmt of concentrate in 2014. These production figures are significantly increased since the 2011 DFS and the 2012 DFS update production schedule as a result of further detailed mine planning and the shortened plant ramp up for the second process line.

Production in 2015 is forecast to be 3.9 million dmt of concentrate and in 2016, Tapuli production is expected to be 3.1 million dmt, while Sahavaara is expected to produce 0.7 million dmt. From 2017, the combined production is expected to be approximately 4.4 million dmtpa of concentrate from the two mines. See figure below for the full planned project sequence over the initial years. By applying this sequence to the project the Company is expected to achieve almost full planned concentrate production through 2015 while benefiting from delayed Capex and mitigated exposure to any possible delay in the Sahavaara permit.

To view the graph "Expected - New Plan Jan 2013 - concentrate production sequence, million of dry metric tonnes", please click the following link:
http://media3.marketwire.com/docs/nau0124d.pdf

Production assumptions

	Expected - February 2012		Expected - New Plan Jan 2013	
Year ending December 31	Total ore mined (million dmt)	Concentrate produced (million dmt)	Total ore mined (million dmt)	Concentrate produced (million dmt)
2012	-	-	0.14	-
2013	4.49	1.33	4.60	1.47
2014	8.20	2.29	9.18	3.06
2015	11.12	3.93	11.12	3.93
2016	12.00	3.80	12.00	3.80

Possible increase in production from Tapuli

The Company has, in cooperation with suppliers and external engineering consultants examined the possibility of increasing production from Tapuli above the production targets set out above. This can take place by upgrading the VertiMills, magnetic separators and filters, as well as other smaller adjustments to the process line.

Based on the current estimates, the Company believes that for a minimal increase in capital expenditure for upgrading the process, the Kaunisvaara project can produce additional 0.65 million dmtpa concentrate as of November 2013. See also the section "Further Growth Potential" below.

Based on the current estimates, the upgrade is expected to cost approximately USD 10 million in total, and the upgrade can take place in the third quarter of 2013. The mining review for the study has been done internally and is based on the existing reserve and resource report for the Tapuli mine. No decision regarding this investment and upgrade has been taken at this stage, and a separate news release will be given in due course once decided.

OPERATIONAL UPDATE

- Cold commissioning of the process plant is completed

- First production of concentrate has occurred

- Commissioning is ongoing, including rectification of minor items

- First concentrate has been trucked to new re-loading terminal in Pitkäjärvi, outside Svappavaara

- First concentrate has been transported by rail from Pitkäjärvi to Narvik, with the concentrate carried in rented box cars. As of the date of this release, approximately 4,500 tonnes of concentrate is stored in Narvik in a temporary storage shed

- About 30,000 tonnes of concentrate is expected to be loaded onboard the first vessel for shipment to Northland's off-take partner Tata Steel UK Limited. The vessel is scheduled to depart Narvik for IJmuiden in mid-February 2013

Mine and process plant

- The first production blast occurred on October 18, 2012

- The first Kaunisvaara process line was completed on schedule. Cold commissioning has been completed, and first concentrate has been produced. The second Kaunisvaara process line is 60 per cent complete as of mid-January and expected to be completed in third quarter of 2014

- During the ongoing commissioning the quality produced are meeting the specification achieved during the test works during the project study

- Three haul trucks, one wheel loader, two dozers and one grader have been installed at the mining site. Atlas Copco has delivered the second of the two drill rigs. Early in 2012, Northland awarded a contract for the purchase of the mine mobile equipment to PON Equipment AB for the supply of Caterpillar mine mobile equipment. The first batch of equipment has been delivered in line with ramp-up of mining operations. This contract covered the supply of the first batch of the mining haulage trucks, loading shovels as well as ancillary equipment. Subsequent to this contract, Northland procured adequate tires for the haulage trucks to mitigate the risk of potential supply shortages. The truck workshop has been completed.

The logistics chain

- The complete logistics chain is working well

- Road and rail interchange work has been completed at Pitkäjärvi

- Northland and its contractor Cliffton have obtained dispensation (to be renewed on annual basis) for operating 90 tonnes truck from the Swedish Transport Administration ("STA")

- STA has also allocated the four rail slots on the rail line from Pitkäjärvi to Narvik as was requested by Northland

- At the Pitkäjärvi re-loading terminal, all road works and the connection to the main rail line, including signals and monitoring systems, as well as the restorative work, have been completed. The concrete foundation for the storage area is completed and the storage tent has been raised

- Kiruna Wagon is continuing the manufacturing of the railcars contracted by Northland in accordance with the contracted time schedule. To allow for a quicker production ramp-up, the Company will during an initial period rent additional rail cars from a third party supplier

- The first wagon is expected to be delivered to Northland in first quarter 2013 with an estimated delivery of two rail cars per week thereafter

- The first 90 tonnes (gross weight) truck left Kaunisvaara on December 7 2012, loaded with concentrate destined for Pitkäjärvi

- The first train loaded with concentrate left Pitkäjärvi destined for Narvik during the weekend December 15-16, 2012

- The Swedish Government has committed to invest SEK 1.3 billion in the upgrading of the road 395, from Kaunisvaara to the re-loading terminal in Pitkäjärvi. The Swedish Government has also allocated in total SEK 1.3 billion to ensure sufficient capacity on the Malmbanan railway to accommodate for the expected increase in volumes from Northland, Luossavaara-Kiirunavaara AB and other customers.

The Port

- Permits necessary for a temporary solution for the Fagernes Terminal in the Port of Narvik are in place.

- Construction of the permanent jetty in the Port of Narvik(1) is progressing according to plan, and construction of the storage building is nearing completion

- First shipments of conveyors for moving concentrate into and out of bulk storage arrived on site in December 2012

- The Fagernes ship loader is expected to be delivered in July 2013

- The Fagernes Terminal will be operated by Grieg Logistics AS

- Boom stackers are expected to be delivered at end of January 2013

- Northland has signed an agreement with the Norwegian National Rail Administration (Nw.: Jernbaneverket) to invest in the upgrade and capacity increase of the Fagernes rail line, connecting Northland's terminal, as well as the tracks in the terminal area. The investment will speed up the construction work, allowing the use of longer and heavier trains earlier than previously planned.

Health & Safety

Northland's main focus in 2012 has been to implement our policies into practice as a part of preparations for the commencement of production phase at Kaunisvaara. All of the Company's suppliers and contractors have been informed of the Safety & Environmental standards and evaluated against our social and environmental requirements. All contractors have agreed to comply with these standards.

Lost Time Injury Frequency Rate ("LTIFR") according to the Swedish standard(2)from the end of December 2011 until end of December 2012 was 3.81 (4.33) for the previous period that ended October 31.

- The corresponding number according the international standard(3) for the same period was 0.52 per 200,000 worked hours (previous period: 0.72)

- There was one LTIFR incident reported for both the International and Swedish standards during this period, November 1-December 31 (previous two-month period: three LTIFR incidents)

- A total of 40 near hits were reported for the same period (previous two-month period: 85 near hits).

FURTHER GROWTH POTENTIAL

The Hannukainen project

The Company is currently evaluating the possibilities of developing the brown-field Hannukainen project in Finland, which was acquired in 2005. The Company has since focused on exploring the potential for additional economic iron, copper and gold mineralization at Hannukainen. In May 2010, Northland announced a positive preliminary economic assessment ("PEA") on Hannukainen(4). The Company plans to produce approximately two million tonnes per annum of iron ore concentrate per year and an average of 35,000 tonnes per year of Copper/Gold concentrate based on the PEA, based on an assessment of Hannukainen's NI 43-101 compliant resources.

Additional exploration target near Kaunisvaara

A third iron ore deposit, Pellivuoma, is located adjacent to Kaunisvaara. In the long term, Northland plans to develop this deposit in order to extend the Kaunisvaara project's life of mine materially, increase production or do a combination of both.

The Pellivuoma deposit is located approximately 18 km west of Kaunisvaara. The Company has reported, in the NI 43-101 compliant report "Mineral Resource Estimate for the Pellivuoma iron deposit, Pajala Municipality, Norrbotten County, Sweden, March 26, 2010 by SRK Consulting (UK) Ltd.", that Pellivuoma contains 38.5 Mt with 30.1 percent iron in the measured mineral resource category and 18.8 Mt with 29.9 percent iron in the indicated category. Additionally, the deposit contains 37.8 Mt with 29.3 percent iron classified as inferred mineral resources.

Postponed Hannukainen and Pellivuoma DFS release

Due to the current fund raising activities, the previously announced release dates for the Hannukainen DFS, as well as the Pellivuoma DFS, have been postponed until the contemplated financing transaction has closed. The Company expects to publish the Hannukainen DFS in the end of first quarter 2013 and the Pellivuoma DFS is expected to be published early in the second quarter of 2013.

Next Operational Update

The Operational Update for the most recent period is expected to be published on or about March 22, 2013.

Financial Statements and MD&A for the fourth quarter 2012

The Company will publish its financial statements and management's discussion and analysis for the period ending December 31, 2012, on February 12, 2013.

Data on Reserves and Resources

Information contained in this press release relating to estimated mineral resources for the Tapuli and Sahavaara ore bodies is taken from a press release prepared by SRK Consulting (UK) Ltd. dated October 3, 2010. Information relating to estimates of the mineral reserves for the Tapuli and Sahavaara ore bodies is taken from a technical report prepared by SRK Consulting (UK) Ltd. dated June 1, 2011 (the SRK Technical Report). SRK has not undertaken any further technical work subsequent to publication of the said technical report.

Qualified Person (QP)

Matthew J. Blattman, PE, Managing Director for Blattman Brothers Consulting LLC, is the Qualified Person as defined by the Canadian National Instrument 43-101 and the companion policy 43-101CP being responsible for approving that the information presented in this press release is accurate and has approved such information. Mr. Blattman is a Registered Member of the Society of Mining, Metallurgy & Exploration (SME) (RM #4059667) and Registered Professional Engineer in the State of Nevada, USA (MINE # 015254). Mr. Blattman is retained as a consultant of the Company and has verified that the results presented in this press release have been accurately summarized from the results reported to Northland.

Karl-Axel Waplan, President & CEO, Northland Resources S.A.

Northland is a producer of iron ore concentrate, with a portfolio of production, development and exploration mines and projects in northern Sweden and Finland. The first construction phase of the Kaunisvaara project is complete and production ramp-up started in November 2012. The Company expects to produce high-grade, high-quality magnetite iron concentrate in Kaunisvaara, Sweden, where the Company expects to exploit two magnetite iron ore deposits, Tapuli and Sahavaara. Northland has entered into off-take contracts with three partners for the entire production from the Kaunisvaara project over the next seven to ten years. The Company is also preparing a Definitive Feasibility Study ("DFS") for its Hannukainen Iron Oxide Copper Gold ("IOCG") project in Kolari, northern Finland and for the Pellivuoma deposit, which is located 15 km from the Kaunisvaara processing plant.

Cautionary Statement

This press release may include "forward-looking" statements within the meaning of applicable securities laws. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "anticipates", "expects", "intends", "may", "will" or "should" or, in each case, their negative, or other variations or comparable terminology. These forward-looking statements include all matters that are expectations concerning, among other things, Northland's results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which it operates, projected capital and operating expenditures, production and price forecasts, assumed exchange rates and the company's anticipated funding requirements and sources thereof. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Such factors include, among others, those factors discussed in the section entitled "Risk Factors" in the Company's annual information form dated March 23, 2012, and the managements discussion and analysis of results of operations and financial condition ("MD&A") for the year ended December 31, 2011, and the MD&As for subsequent interim periods, and as updated in this press release. Readers are cautioned that forward-looking statements are not guarantees of future performance and that Northland's actual results of operations, financial condition and liquidity, and the development of the industry in which it operates may differ materially from those made in or suggested by the forward-looking statements contained in this press release. In addition, even if Northland's results of operations, financial condition and liquidity, and the development of the industry in which Northland operates are consistent with the forward-looking statements contained in this press release, those results or developments may not be indicative of results or developments in subsequent periods.

The distribution of this press release may be restricted by law in certain jurisdictions. The Company assumes no responsibility in the event there is a violation by any person of such restrictions. Persons into whose possession this announcement should come are required to inform themselves about and to observe any such restrictions.

This announcement is not for distribution, directly or indirectly in or into any jurisdiction in which it is unlawful to make any such distribution or where prior registration or approval is required for that purpose. No steps have been taken or will be taken in any jurisdiction outside of Norway or Canada in which such steps would be required. The publication of this announcement shall not under any circumstances imply that there has been no change in the affairs of the Company or that the information contained herein is correct as of any date subsequent to the earlier of the date hereof and any earlier specified date with respect to such information.

This press release is not an offer to sell, or the solicitation of an offer to buy or subscribe for securities in the United States. Securities may not be offered or sold in the United States absent registration under the U.S. Securities Act or an exemption from, or in a transaction not subject to registration. The offer and sale of any securities referred to herein has not been and will not be registered under the Securities Act or under the applicable securities laws of the United States.

This press release does not constitute an offering circular or prospectus in connection with any offering of securities of the Company. Investors must neither accept any offer for, nor acquire, any securities to which this announcement refers, unless they do so on the basis of separate documentation prepared for the purpose of such offerings. This press release does not constitute an offer to sell, or the solicitation of an offer to buy or subscribe for, any securities and cannot be relied on for any investment contract or decision.

This information is subject of the disclosure requirements according to section § 5-12 of the Norwegian Securities Trading Act (Norwegian: verdipapirhandelloven)

APPENDIX - RELEVANT RISK FACTORS RELATING TO THE COMPANY AND ITS BUSINESS OPERATIONS

A number of risks may adversely affect the Company (together with its subsidiaries the "Group"). Below is a summary of some of the most relevant risks relating to the Group and its business operations. The risks listed below are not the only ones facing the Group. Additional risks not presently known to the Group currently deemed immaterial may also adversely affect the Group's business, financial position and operating results. If any of the risks facing the Group should actually occur, the Group's business, financial position and operating results could be materially and adversely affected. Further description of certain risk factors are included in its annual report and financial statements as at and for the periods ended December 31, 2010 and December 31, 2011, the annual information form for the period ended December 31, 2011, the management's discussion and analysis of results of operations and financial condition for the year ended December 31, 2011 and the management's discussion and analysis of results of operations and financial condition as at and for the nine and three months ended September 30, 2012.

Cost overruns

Whilst the Company has extensively diligenced its funding requirements, it has in the past experienced significant cost overruns and higher than expected capital and operating expenditures on its Kaunisvaara project compared to its previous expectations and budgets and there is no guarantee that it will not experience similar cost overruns in the future. Among other things, the Group has applied certain assumptions in determining its future funding requirements and sources of capital, and such assumptions may turn out to be incorrect. The funds available to the Group may not be sufficient and/or the Company may be unable to finalize agreement on the equipment leases and pre-payment facility and, consequently, further financing may be required. There is a risk that such alternative financing may not be available or sufficient. Any failure to obtain any further required funding could materially and adversely affect the Group's business, results of operations and financial condition or prospects and the Group's ability to make payments could be impaired.

Fulfillment of requirements and conditions precedent for financing

Even if the Group obtains the herein anticipated financing and enters into binding equipment leases and pre-payment facility, such financing will include terms and conditions to be satisfied in order for the Group to draw down any amounts thereunder, and no assurance can be made that such terms and conditions will or will be capable of being satisfied in the future. If the Group is unable to draw down or access the funds from the anticipated financing or escrow accounts, it will have a material adverse effect upon the Group's ability to complete the Kaunisvaara project and the Group will have to seek other debt and equity financing options, which may not be available at that time. In addition to the above, with regard to the pre-payment facility of up to USD 50 million intended to be entered into with Stemcor (for which credit approval has been obtained and term sheet has been signed), it should be noted that no assurance can be given that the Group will be able to successfully reach final binding agreement with Stemcor or that such agreement will be finalized in a timely manner and on terms and conditions that are currently contemplated and are reflected in the project financing plan. Moreover, the intercreditor agreement entered into between, among others, the Share Issuer, the Bond Issuer, Norsk Tillitsmann as security agent and bond trustee and the Standard Bank of South Africa as cost overrun facility creditor, contains provisions restricting the Group from incurring additional senior secured debt above a certain defined maximum debt load (calculated on basis of the aggregate debt permitted to be incurred under the bond agreement). This defined debt load does not provide for the herein anticipated financing, and, consequently, such financing will require consent under and certain amendments to the intercreditor agreement and no assurance can be made that such consent will be obtained and such amendment be made in a timely manner or at all.

Material financial and operating leases

The sources of financing described herein include a number of leases for the acquisition and financing of material items of equipment. The Group has or will be required to enter into such leases in order to be able to successfully fund and operate the Kaunisvaara project. With regard to the financial lease intended to be entered into with Nordea of up to net USD 18 million for the financing of the shiploader and part of conveyer system being delivered by Sandvik (where the Group has entered into a term sheet and is currently awaiting final credit committee approval), no assurance can be given that the Group will be able to successfully reach final agreement with Nordea or that any such agreement will be finalized in a timely manner and on terms and conditions that are currently contemplated and are reflected in the project financing plan. With regard to the operating lease intended to be entered into with Beacon Rail for the financing of iron ore carrying wagons which will be delivered by Kiruna Wagon (where the Group has entered into a term sheet and is currently reviewing and negotiating the final lease documentation), no assurance can be given that the Group will be able to successfully reach final agreement with Beacon Rail or that such agreement will be finalized in a timely manner and on terms and conditions that are currently contemplated. If the Group is unable to successfully reach agreements with third parties for the financial or operational leases of material items of equipment, the Group may be required to purchase the relevant assets, which would require significant capital expenditure not presently contemplated. Moreover, there is a risk that existing lenders to the Group would declare a default under their respective loan facility agreement which could delay or materially affect the Group's possibility to operate its business.

Liquidity risk and insolvency

Liquidity risk encompasses the risk that the Group may not be able to meet its financial obligations as they fall due. Insolvency risk is the risk that as a consequence of not being able to meet its financial obligations as they fall due, the Group may be placed into insolvency. The Group is currently in a distressed liquidity situation and is actively seeking additional financing in order to be able to meet its financial obligations in a due and timely manner and to be fully funded until sustainable production in the third quarter of 2014. There is a risk that the Group will not be able to obtain such financing. In addition, the Group may become unable to pay its liabilities as they fall due. If the Group does not obtain additional financing or if it is significantly delayed, the Group may have insufficient funds to meet its obligations as they fall due and will, unless alternative funding becomes available or alternative solutions are found, likely become insolvent. Even if the Group does obtain additional financing, there is no guarantee that the Group would not face a similar situation in the future. In the event of insolvency, liquidation or a similar event relating to one of the members of the Group, all creditors of such member would be entitled to payment in full out of the assets of such member before the shareholders would be entitled to any payments. The amount available to meet claims of creditors, including bondholders, may also be insufficient to meet the demands of all creditors. The proceeds which could be raised from a sale of the Group's assets or business in an insolvency situation may be considerably less than the current value of such assets and business. Defaults by, or the insolvency of, certain subsidiaries could result in the obligation of other members of the Group to make payments under parent company financial or performance guarantees in respect of such obligations or the occurrence of cross defaults on certain borrowings of the Group. There can be no assurance that the Group's assets would be protected from any actions by its creditors, whether under bankruptcy law, by contract or otherwise. In addition, a large number of the commercial contracts entered into by the Group include provisions entitling the counterparties to terminate or renegotiate upon the insolvency, liquidation, bankruptcy or similar event of the other party. These are customary provisions and usually not considered a material risk, however, in light of the Group's current financial constraint there is a potential risk for termination or renegotiation of some or all of such commercial contracts which could negatively affect the continued business operation.

Capital expenditures risks related to the future cash flows

The Group's funding plan envisages certain levels of cash flows from the Group's production. There is a risk that the amount of such cash flows generated from Tapuli's production (together with other funds available for the financing of the Kaunisvaara project, if any) may not be sufficient to fund the full completion of the Kaunisvaara project. As a result the Group may be required to cease, slow or delay certain or all further construction works until it was able to raise additional funds or increase operating cash flows. Any such cessation or delay could, among other things, result in third parties exercising their rights of termination under certain material agreements and/or the Group being required to pay liquidated damages or other amounts to third parties under such agreements or obtain further financing. The amount of operating cash flows required for the duration of the Kaunisvaara project depends upon a number of factors, many of which are entirely outside the Group's control. Such factors include, but are not limited to, the prevailing iron ore price, currency fluctuations, the quality of the produced iron ore concentrate and the ability to deliver iron ore concentrate to its customers in a timely manner and the level of operating and ongoing capital expenditures incurred by the Group. Accordingly, there can be no assurance that the operating cash flows derived from the Kaunisvaara project will be equal to or greater than the amounts assumed in the Group's funding plan. In the event of a shortfall in actual or anticipated operating cash flows, there can be no assurance that the Group will be able to obtain or raise the additional funds necessary for continued operation and development of the Kaunisvaara project.

Additional financing

In addition to the financing requirements identified herein, the exploration, development, mining and processing of the Group's projects will require additional external financing in the future. Failure to obtain the required financing on terms and conditions acceptable to the Group could result in the delay or indefinite postponement of exploration, development or production on any or all of Group's projects. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favorable. The failure to secure suitable additional financing may have a material and adverse effect on the Group's business, results of operations and financial condition or prospect.

Commodity prices risk

The Group operates in a highly volatile commodity market and commodity prices for the Group's products may as such decline. The factors giving rise to this volatility are generally out of the Group's control, being largely driven by external global economic factors. The market price for iron ore, and other metals is volatile and cannot be controlled. There is no assurance that, if commercial quantities of iron ore, and other metals are discovered, a profitable market may continue to exist for a production decision to be made or for the ultimate sale of the metals. Unfavourable levels of commodity prices may have a material and adverse effect on the Group's business, results of operations and financial condition or prospect. The prices to be achieved and pricing mechanism to be applied under each off-take contracts may change over time due to changes of world market prices and the way reference prices are established. Factors that tend to put downward pressure on the price of iron ore include (i) a reduction in the demand for steel in China; (ii) exchange rates, inflation rates, forward sales of iron ore and steel by producers and speculators as well as other geo-political, social or economic conditions; (iii) increased production and the development of new sources of iron ore supply; and (iv) consolidation in the steel industry, leading to a weaker position for iron ore suppliers in price negotiations. Any significant or sustained reduction in iron ore prices generally, or in the reference prices for iron ore concentrates used in the Group's off-take contracts, could require the Group to restate or reduce its estimated mineral reserves and would, in any event, materially and adversely affect the Group's business, results of operations, financial condition or prospects.

Currency risk

The Group's balance sheet, earnings and cash flow are, and, particularly once full production commences at the Kaunisvaara project, will be, influenced by movements in the exchange rates of the USD, SEK and NOK. Revenue from sales and the majority of financing for the Kaunisvaara project will be denominated in USD, but, a significant portion of the capital expenditures of construction and operating costs for the Kaunisvaara project will be incurred in SEK. One of the reasons for the currently budgeted operating cash flows being lower than previously budgeted, which contributed to the funding shortfall described herein, was adverse movements in the USD/SEK exchange rate. The Group has obtained significant financing denominated in NOK and USD, which further expose the Group to currency risk. Accordingly, appreciation of the SEK against the USD has in the past and could in the future materially adversely affect the Group's business, results of operations, financial condition or prospects. The Group monitors all currency exposure, but has currently no hedge positions.

Risk related to off-take contracts and future sale of iron ore concentrate

The Group is dependent on future sales of iron ore concentrate. Although the Group has entered into off-take contracts for the sale of up to 100 per cent of the iron ore produced from the Kaunisvaara project for the expected production the first seven years of operation there is no assurance that the Group will be able to produce and deliver the agreed quantities, qualities or meet any other terms, or that such off-take parties will be willing or able to purchase or take delivery of the same on satisfactory terms. The Group may in the future enter into further such off-take agreements for the Kaunisvaara project or other projects. Such agreements have, and may in the future have, certain representations, terms and conditions which need to be satisfied before an off-take party is committed to acquiring iron ore that may not be satisfied. Further, no assurance can be made that the Group is able to maintain such existing or new off-take agreements, nor replace or obtain such agreements on satisfactory terms. Failure of this may have an adverse effect for the Group's operations and financial position. If the Group, for whatever reason, is not able to produce the products in accordance with the terms of such agreements, such noncompliance or violation of these agreements may have adverse effect for the Group's operations and financial position. If a off-take counterparty defaults or if the contract is otherwise terminated in accordance with its terms, there can be no guarantee that the Group will be able to find a new counterparty willing to enter into a replacement off-take contract with similar pricing, quantity and quality terms or at all, which could materially and adversely affect the Group's business, results of operations and financial condition or prospects. The price currently being agreed with the of-take parties under the off-take contracts is different from that which is specified in the off-take contracts. This is because at the time of entry into such contracts, the pricing of iron ore concentrate was changing from fixed annual prices to prices referenced to market spot prices, and it was not clear at that time of negotiation of the contracts how pricing would evolve. The Company expects to enter into new agreements or amend the existing agreements to reflect its current pricing methodology. Current pricing is agreed with the off-take parties by reference to reference prices with grade, freight and value in use adjustments. However, there is no guarantee of the amount of the iron content premium or of the value in use in respect thereof. In addition, the reference prices used under the off-take contracts are comparatively new, and have been used in the iron ore market only for a period of approximately two to three years. A failure to amend the off-take contracts in a way satisfactory to the Company, lower than expected grade premiums and value in uses, or unexpected changes in the reference prices and currency fluctuations, taken together or individually, could materially and adversely affect the Group's business, results of operations and financial condition or prospects.

Renegotiation and termination of material project agreements

The Group is dependent on a number of material project agreements, some of which are described herein. In the event that certain of the risks described herein would materialize, such as insolvency, bankruptcy, cross-default, cessation or delay, counterparties to such agreements could, among other things, exercise their rights of renegotiation, termination and/or right to payment liquidated damages or other amounts.

Competition risk

The mining industry is highly competitive in all of its phases. The Group faces strong competition from other mining and exploration companies in connection with the acquisition and exploration of properties capable of profitably producing the commodities it seeks. Many of these companies have greater resources than the Group and, as a result, the Group may be unable to acquire or maintain attractive properties on terms it considers acceptable, in which case its exploration activities, development activities and financial condition could be affected adversely.

Exploration, development and operating risk

The Group is from time to time engaged in searching for additional exploration projects in Sweden and Finland. Mineral exploration and development involves a high degree of risk, which even a combination of careful evaluation, experience and knowledge cannot eliminate. While the discovery of an ore body may result in substantial rewards, few properties that are explored are ultimately developed into producing mines. Major expenses may be required to locate and establish mineral reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. There is no assurance that the Group's mineral exploration activities will result in any discoveries of new bodies of ore that will be economically feasible for commercial production. There can be no assurance that the Group will successfully acquire additional mineral rights.

Iron ore processing risk

The Group will operate an iron ore processing plant on the Kaunisvaara project site. The Group may experience practical or technical problems in the commissioning or further construction of the plant or in the application of its processing technology to the iron ore. Any prolonged outage or shutdowns at the plant due to technical problems or otherwise could substantially increase production costs. The Group's inability to efficiently process iron ore into iron ore concentrate in a cost effective manner and in the grades that it currently anticipates and as required under its off-take contracts could materially adversely affect the saleability of the product and the Group may not be able to realize the anticipated premiums or may even be required to apply discounts to its prices, which could materially and adversely affect its business, results of operations, contractual obligations under various supply contracts and its financial condition or prospects.

Nature of operations

The Group's operations are capital intensive and involves inherent risks. The Group is in the process of exploring and developing its mineral resource properties. To date, the Group has not earned any revenues and is considered to be in the development stage, but moving into the production phase with the first concentrate produced in December 2012. The realization of amounts shown for resource properties is dependent upon the discovery of economically recoverable reserves, the ability of the Group to obtain the necessary financing to develop these properties, and future profitable production or proceeds of disposition from these properties.

Construction costs and delays of the Kaunisvaara project

The mines, the processing plant and their related infrastructure and logistics have not yet been completely constructed and are in the commissioning phase. Furthermore, with respect to certain parts of the logistics chain, the Group has implemented and is relying on temporary solutions. The Group is highly dependent on its and its contractors ability to develop, construct, commission and operate the Kaunisvaara project within the planned timeframe and in accordance with the capital cost estimated by the Group. The Group did not engaged a single contractor to construct the Kaunisvaara project on a fixed-price, turn-key basis and the contracting strategy has been and is to engage component contractors separately, which as such exposes the Group for further risk of cost overruns. Accordingly, the Group will only have recourse against individual contractors who have failed or in the future may fail to perform their separate tasks rather than against one single overarching contractor, though several contractors such as Metso and Peab are responsible for a substantial amount of the work on the Kaunisvaara project and the impact of their failure to perform their obligations is significant. The Group's estimations of construction and commissioning costs are based on estimates relevant to the information and level of design and engineering studies, the accuracy of which cannot be assured due to the inherent uncertainty of future projections. Accordingly, the cost estimates on which the Group is relying do not represent fixed costs and may still vary as construction and implementation progresses. Completion of construction and commencement of production of iron ore concentrate may be delayed, or require the expenditure of significant additional funds, by factors outside the Group's control. Any delay in the construction or commencement of production or increase in estimated costs could materially and adversely affect the Group's business, results of operations, financial condition or prospects. While the Group has in place appropriate insurance in respect of the Kaunisvaara project as it stands today, the failure of a particular contractor to perform their obligations may not trigger the terms of that insurance or the Group's insurance may not be sufficient to fully ameliorate the harm. While the Group has in place an insurance policy for the current and near planned operations, there can be no assurance that the Group will be able to enter into full complement of insurance policies for expanded and/or future operations. If the counterparties to the contracts relating to the Kaunisvaara project fail to fulfill their obligations, the Group will bear the full risk of such failure as opposed to a third party, which may affect the Group's ability to complete the Kaunisvaara project. Failure to complete the Kaunisvaara project would materially and adversely affect the Group's business, results of operations, financial condition or prospects.

Risks in the transportation and logistics solution

The commercial viability of the Kaunisvaara project depends to a large extent on an integrated and fully functioning transportation and logistics solution from Kaunisvaara to the port of Narvik: the iron or concentrate is to be transported by truck using public roads from the processing plant at the Kaunisvaara site to a railhead in Pitkäjärvi and then by rail from Pitkäjärvi to the port of Narvik. Due to the fact that completion of the shiploader and facilities in the port of Narvik are scheduled to be completed by end of the third quarter of 2013, the Group will during the earlier ramp-up and until such time the shiploader the facilities in the port are completed be using a temporary solution in the port of Narvik for the unloading, loading and storage of iron ore concentrate. Furthermore, the port at Narvik will be operated under a lease until 2021 (with a possible extension under certain conditions for another five years). Any delay to the implementation of a permanent solution to the unloading, loading and storage of iron ore concentrate at Narvik will increase costs and thereby have a negative impact on the Company's operating profit and cash flow and the Company's liquidity position. In addition, any failure by the Company to extend the lease at Narvik in 2021 or to find an alternative permanent port solution in Narvik may have a material adverse effect on the Company's ability to ship iron ore concentrate and the cost of doing so. Although the road and rail infrastructure currently exists, such infrastructure will need to be upgraded and/or expanded in certain respects to accommodate increased use by the Group and other parties. The Group has obtained the rights to land, and has constructed facilities in Pitkäjärvi that will enable the Group to transfer iron ore concentrate from trucks onto rail cars. The Group will use standardized rail cars until the constructions in the port of Narvik have been finalized, and thereafter the Group expect to use rail cars which are designed specifically for the Group's use. In addition, pursuant to certain construction contracts regarding the construction of the shipment facility at the port of Narvik, Northland Logistics AS has agreed to be responsible for 75% of the costs related to certain defects. Any defects, delays or inability to move the logistic operations into the anticipated permanent solutions may be detrimental to the Group's ability to efficiently and cost effectively run the logistics, which may materially and adversely affect the Group's business, results of operations, financial condition or prospects. The operator of the trucks, Clifton, has been granted a dispensation from the Swedish Transport Administration (Sw.: Trafikverket) for heavier trucks than the current maximum allowable of 60 tonnes gross weight. The dispensation granted is for a gross weight of 90 tonnes with a duration for renewal every year, however there is no guarantee that this will be renewed. A smaller truck size will entail higher costs than anticipated in the DFS for the Kaunisvaara project. As the combination of road, rail and port facilities on which the Kaunisvaara project will rely has never been previously used in the manner proposed and the detailed arrangements for access to such road and rail facilities have not been finalized with the relevant owners/operators, it is possible that additional work of which the Group is not currently aware may be required and/or that the costs of maintaining such facilities may be greater than it is currently contemplating. The railway that the Group intends to use to transport its iron ore concentrates is a public railway, access to which is regulated by the Swedish Transport Administration in Sweden and the Norwegian National Rail Administration (Nw.: Jernbaneverket) in Norway. The Group has been granted four train slots for 2013, matching the application from the Group. For future years, if demand were to exceed supply on the railway, the available slots would be allocated considering the socio-economic benefits of the transports or, in the event that such demand arises after the annual allocation has been made, with regards to the time when the conflicting applications were made. The allocation is made without regard to previous years' allocations among the parties requesting slots. In such circumstances, it is possible that the Kaunisvaara project may not have sufficient access rights to transport all the iron ore concentrates the Group is capable of producing with the result that it may be forced to temporarily find alternative routes for transportation or reduce production of iron ore concentrates and/or deliveries of iron ore concentrates to the customers.. Any failure to implement in a timely manner or maintain continuous operations of the intended logistics solution, particularly if such were to occur repeatedly or for a prolonged period of time, could disrupt the timely delivery of iron ore concentrates to customers which would adversely affect the Group's revenues and could result in the termination of one or more of the off-take contracts which the Group currently have in place and/or claims by customers under those contracts for damages for breach of the supply obligations. While the Group might, in such a case, be able to sell its iron ore concentrates to alternative third parties, there can be no guarantee that such a price would not be materially worse than under the supply contracts or that the Group could sell its supply at all. In addition, the Group could be required to incur unexpected capital or operating costs to rectify such failures, and such expected costs could materially and adversely affect the Group's business, results of operations, financial condition or prospects.

Insurance and uninsured risk

The Group's business is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, labor disputes, unusual or unexpected geological conditions, ground failures, drill hole cave-ins, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods, snow falls and avalanches. Such occurrences could result in damage to exploration equipment, personal injury or death, environmental damage to the Group's properties or the properties of others, delays in exploration and production activities, monetary losses and possible legal liability. Although the Group maintains insurance policies to protect against certain risks in such amounts as it considers reasonable, its insurance will not cover all the potential risks associated with the Group's business and operations and may not be adequate to cover any particular liability. It is not always possible to obtain insurance against all such risks and the Group may decide not to insure against certain risks because of high premiums associated with insuring against those risks or for other reasons. Furthermore, insurance coverage may not continue to be available at economically feasible premiums, or at all. Losses arising from events that are not insured or are not adequately insured may cause the Group to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

Legal and regulatory risk

Exploration, development, mining and construction operations in Sweden, Norway and Finland are subject to a variety of general and industry-specific laws, regulations and permits concerning the environment, the health and safety of employees, land access, infrastructure creation and access, royalties, taxation, accounting policies and other matters. In addition, certain types of operations require the use of certain mining and construction methods and equipment, submission of impact statements and approval thereof by government authorities. Compliance with such existing laws, regulations and permits may cause delays or require capital outlays in excess of those anticipated, which, in turn, could have a material adverse effect on the Group's operations. Environmental legislation is evolving in a manner which may result in stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in laws, regulations or permitting will not adversely affect the Group's activities, e.g. delay, add material additional expenditures or cause the Kaunisvaara and Hannukainen projects to become uneconomic. The Group's operations may be affected in varying degrees by government regulations with respect to, for example, restrictions on exploration, development, processing, production, price controls, export controls, currency remittance, income taxes, expropriation of property, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety. However, substantially all of the Group's activities are subject to environmental permitting and regulation. These regulations and subsequent permits regulate, among other things, emissions to air and water as well as noise, vibrations and land reclamation. They also set forth regulations for management of solid and hazardous waste. Various competent authorities' approvals and permits are required in connection with the Group's activities. To the extent approvals and permits are required and not obtained, the Group may be curtailed or prohibited from proceeding with planned exploration or development of mineral properties. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions, including orders issued by regulatory or judicial authorities, pursuant to which the Group may be required to cease or curtail its operations or take corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties, such as the Group, engaged in mining operations or in the exploration or development of mineral properties may be required to compensate those suffering loss or damage by reason of their operations and exploration and development activities and may be subjected to civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Amendments to current laws, regulations and permits governing operations and activities of mining and exploration companies, or more stringent implementation thereof, could have a material adverse impact on the Group and cause increases in operation and exploration expenses or require abandonment of or delays in the exploration and development of new mining properties. In addition, the Group has obtained and may in the future require further building permits, dispensations and authorizations in relation to certain aspects of its logistics solution for the Kaunisvaara project. If the Group is unable to obtain these permits and authorizations, or if they are revoked or not renewed once issued, its ability to complete its logistics solution may be materially impaired, with the consequence that it would be unable to deliver its iron ore concentrate to its customers. There can be no assurance that future changes in environmental regulation will not adversely affect the Group's activities. Any delays or increased costs as a result of existing regulations, new regulations or fines for a breach of such regulations could materially and adversely affect the Group's business, results of operations, financial condition or prospects. Further, failure to comply strictly with applicable laws, regulations and local practices relating to mineral right applications and tenure, could result in loss, reduction or expropriation of entitlements, or the imposition of additional local or foreign parties as joint venture partners with carried or other interests.

Dependence on key personnel

The success of the Group is dependent on its senior management and other key personnel. The experience of these individuals will be a factor contributing to the Group's continued development and growth. The loss of one or more of these individuals could have a material adverse effect on the Group's business prospects.

Permits

Although the Group has or will receive title opinions in relation to its concessions, exploration permits, environmental licenses and other property that has been considered as material to the Group, there is no guarantee that title to such assets will not be challenged or impugned. The Group's concessions, permits and licenses may be subject to prior unregistered agreements, transfers, leases or native land claims and title may be affected by such unidentified or unknown claims or defects. Furthermore, any concession, permit or license may be withdrawn or the terms and conditions therefore be changed by the relevant authority in case the Group does not comply with its obligations under applicable laws or such specific concession, permit or license or if there otherwise are compelling reasons, e.g. effects of the operations that could not have been foreseen at the time of authorization of such concessions, permits and licenses. There can be no assurance that the Group will be able to maintain or obtain all necessary licenses and permits that may be required to carry out exploration, development and mining operations at its projects. Each of the Tapuli and Sahavaara mines, requires certain permits for its development, including an environmental permit for each mine. Additionally, permits for the processing of the ore from each mine in a two line processing plant are required. To date, the Group has received all the principal permits that are required in order to operate Tapuli and Sahavaara except for an environmental permit for the Sahavaara mine. The permit for the Tapuli mine and the Kaunisvaara mill allows mining of up to 20 Mt per annum of ore and the processing of ore in the Kaunisvaara mill from Tapuli or similar ore with other origin. The permit also approved the construction of the mill with two processing lines and a nominal capacity of 12 Mt per annum of ore and 5 Mt of concentrate. This permit is independent of additional applications and permits related to the Kaunisvaara operations. The ongoing construction work is following the conditions stipulated in the Tapuli mine and the Kaunisvaara mill permit issued by the Border River Commission in August 2010. A comprehensive application for an environmental permit covering the Tapuli mine with the necessary processing and the planned activities in the Sahavaara mine was filed in June 2011. The Sahavaara environmental permit also, when and if granted, provides for a right to process the ore from the Sahavaara pit with increased sulphide levels. Unless and until the Group obtains such environmental permit, it will not be able to commence the development of the Sahavaara mine. An application was made on December 7, 2010 and amended in June 2011 to the relevant authorities in Sweden to obtain this environmental permit for the Sahavaara mine. Management believes that the Sahavaara environmental permit will be granted during by the second half of 2013, but no assurance can be given that granting of the permit will not be delayed or granted at all. While the Group does not currently anticipate any difficulty in obtaining the Sahavaara environmental permit in a timely manner, the relevant authority in Sweden handling the permit application is not the same as the authority that granted the Tapuli environmental permit. The Sahavaara orebody contains sulphide, and hence is not included in the application for the Tapuli environmental permit because those sulphides are not present in the Tapuli orebody. No assurance can be given that the outstanding environmental permit for the Sahavaara mine will be granted in a timely manner or at all, or that if granted such permit will not be subject to one or more conditions that the Group would be unable to meet or that could require the Group to change the plans for the Sahavaara mine, delay the completion of the Sahavaara mine, or increase the cost of constructing and/or operating the Sahavaara mine. To mitigate the risk of the Sahavaara environmental permit is not granted by the end of the second half of 2013, the Group has now resolved to construct both lines of the processing plant as planned and to delay the development of the Sahavaara orebody. Tapuli ore will be processed in both lines of the processing plant. The Group is confident that it will be able to operate in this manner for up to approximately 24 months, after which it would be necessary to reduce the rate of production at the Tapuli orebody. Accordingly, it should be possible to achieve and maintain economically viable levels of production from the Kaunisvaara project should there be a delay in obtaining the Sahavaara environmental permit of at least 24 months beyond the date on which the Group currently expect to obtain the permit. However, should there be any significant further delay in obtaining, or should the Group fail to obtain, the Sahavaara environmental permit this would materially and adversely affect its business, results of operations, financial condition or prospects.

Health and safety hazards

The Group cannot guarantee that none of its employees will ever be injured or become ill from any occupational disease related to the workplace, or that such injuries or diseases may not have any implications on the Group. The materialization of any of the foregoing may have a material and adverse effect on the Group's business, results of operations and financial condition or prospect.

Estimation of ore/mineral reserves, mineral resources and metallurgical sampling and studies

The figures for ore/mineral reserves and mineral resources contained herein, or otherwise disclosed by the Group, are estimates only and no assurance can be given that the anticipated tonnages and grades will be achieved, that the indicated level of recovery will be realized or that ore/mineral reserves can be mined or processed profitably, if at all. There are numerous uncertainties inherent in estimating ore/mineral reserves and mineral resources, including many factors beyond the Group's control. Such estimation is a subjective process, and the accuracy of any reserve or mineral resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. Short-term operating factors relating to the ore/mineral reserves, such as the need for orderly development of the ore bodies or the processing of new or different ore grades, may cause any ore body to be unprofitable in any particular accounting period. In addition, there can be no assurance that recoveries derived from small scale laboratory tests will be duplicated in larger scale tests under on-site conditions or during production. Fluctuation in commodity prices, results of drilling, metallurgical testing and production and the evaluation of mine plans subsequent to the date of any estimate of ore/mineral reserves or mineral resources may require revision of such estimates. The actual volume and grade of reserves mined and processed and recovery rates may not be the same as currently anticipated. Any material reductions in estimates of ore/mineral reserves and mineral resources, or of the Group's ability to extract these ore/mineral reserves, could have a material adverse effect on the Group's results of operations and financial condition. The Group has not disclosed updated figures for ore/mineral reserves and mineral resources since 1 June 2011. No assurance can be made that the aforementioned report provides an accurate or complete description of the Group's ore/mineral reserves and mineral resources. While there has been metallurgical testing of the Kaunisvaara and Hannukainen projects' iron ore from samples, by its very nature, mineralization is not homogeneous and the samples may not be representative of the broader orebody. The test work conducted to date has been on samples, which the Group believes to be representative of the orebody at the Tapuli and Sahavaara and Hannukainen mines. However, there is a risk that this may not be the case. If the ore mined at the Tapuli, Sahavaara and Hannukainen mines does not perform in the iron ore processing plant as expected based on trials that have been conducted, or if it has a materially different percentage of iron ore or other chemical composition than currently expected, the Group's ability to process the iron ore in the processing plant or to attract the price for its iron ore concentrate that the Group anticipates may be adversely impacted. This may, in turn, materially and adversely affect the Group's business, results of operations, financial condition or prospects.

Measured, indicated and inferred mineral resources

There is risk that measured, indicated and inferred mineral resources cannot be converted into mineral reserves as the ability to assess geological continuity is not sufficient to demonstrate economic viability. Due to the uncertainty of measured, indicated and inferred mineral resources, there is no assurance that inferred mineral resources will be upgraded to proven and probable mineral reserves as a result of continued exploration. The disclosure herein of a scientific or technical nature of the Group's material properties, including disclosure of mineral reserves and resources, is based on technical reports prepared for those properties in accordance with NI 43-101 and other information that has been prepared by or under the supervision of "qualified persons" (as such term is defined in NI 43-101) and included herein with the consent of such persons. The technical reports have been filed on SEDAR and can be reviewed at www.sedar.com. Actual recoveries of mineral products may differ from reported mineral reserves and resources due to inherent uncertainties in acceptable estimating techniques. In particular, "indicated" and "inferred" mineral resources have a great amount of uncertainty as to their existence, economic and legal feasibility. It cannot be assumed that all or any part of an "indicated" or "inferred" mineral resource will ever be upgraded to a higher category of resource. Mineral resources that are not mineral reserves do not have demonstrated economic viability. It cannot be assumed that all or any part of the mineral deposits in these categories will ever be converted into proven and probable reserves, or that any proven or probable reserves will lead to economically viable production or production at all.

Additional ore/mineral reserves

Because mines have limited lives based on proven and probable ore/mineral reserves, the Group must continually replace and expand its ore/mineral reserves in order for a mine to continue production. The life-of-mine estimates for the Group's anticipated operations may not be correct, and ultimately, the Group's ability to maintain or increase its anticipated annual production will be dependent on its ability to bring new mines into production and/or to expand ore/mineral reserves at its then existing mines.

Title to assets and titles

The Group's title to its properties may be subject to disputes or other claims. Although the Group has exercised reasonable due diligence with respect to determining title to properties in which it has a material interest, there is no guarantee that title to such properties will not be challenged or impugned. Although the Group do not have knowledge of any valid challenges to the title of the Group's properties, no assurance can be given that no such challenges may exist, which, if successful, could impair the Group's ability to explore, develop and/or operate its properties or to enforce its rights with respect to its properties. The Group's title may be subject to prior unregistered or native land claims by the indigenous Sami people, and its title may be adversely affected by unidentified or unknown defects. If the Group's title to its material real properties required for the development of the Kaunisvaara and Hannukainen projects were to be challenged or impugned, this could increase the costs associated with the two projects and, if the Group was unable to settle or resolve such issues, require the Group to cease such developments in whole or in part, or change the manner in which the Kaunisvaara and Hannukainen projects are developed. Any changes in the Group's planned development of the Kaunisvaara and Hannukainen projects could materially and adversely affect the Group's business, results of operations, financial condition or prospects. Other parties may dispute the Group's title to the properties in which it has an interest and such properties may be subject to prior unregistered agreements or transfers and title may be affected by undetected encumbrances or defects or government actions. An impairment to or defect in the Group's title to its properties could have a material adverse effect on the Group's business, financial condition or results of operations. In addition, such claims, whether or not valid, will involve additional costs and expenses to defend or settle which could adversely affect the Group's profitability.

Risks in the results from current definitive feasibility studies

According to normal practice in the industry, the Group is performing definitive feasibility studies ("DFS") for its projects. Currently the Group is preparing DFS on its Hannukainen project as well as its Pellivuoma deposit, and these are expected to be completed in the first quarter of 2013. There is no assurance that the Group's activities and assessments in connection with the DFS will verify the preliminary results of the Group's feasibility studies communicated previously to the market. The commercial viability of a mineral deposit is dependent upon a number of factors that are beyond the Group's control as described above and could result in the Group not receiving an adequate return on invested capital.

Credit risk

The Group considers that the following financial assets are exposed to credit risk: cash, accrued interest receivable, prepaid expenses and deposits. 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 Group does not currently generate any revenues from sales to customers nor does it hold derivative type instruments that would require a counterparty to fulfil a contractual obligation. The Group has never held any asset backed paper instruments. The Group seeks to place its cash with reputable financial institutions. Accordingly, the Group believes that it is exposed to minimal credit risks at the current time, although the current concerns surrounding financial institutions globally have increased the risk of a credit default by a major financial institution impacting the Group. The Group only deposits cash surpluses with major banks of high quality credit standing.

Changes in critical accounting estimates could adversely affect financial results

The Group's most significant accounting estimates relate to the carrying value of the Group's mineral property assets. The accounting policies in relation to metal and mineral properties are set out in full in the Group's annual financial statements. Management regularly reviews the net carrying value of each metal and mineral property. Where estimates of future net cash flows are not available and where other conditions suggest impairment, management assesses if carrying value can be recovered. Management's estimates of mineral prices, mineral resources and operating, capital and reclamation costs are subject to certain risks and uncertainties which may affect the recoverability of mineral property costs. Although management has made its best estimate of these factors, it is possible that changes could occur in the near term, which could adversely affect the future net cash flows to be generated from the properties. Another significant estimate relates to accounting for stock based compensation. Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Group's stock options granted/vested during the year.

Restrictive covenants under the terms of debt facilities

The Group has pledged substantially all of its assets related to the Kaunisvaara project as security for its obligations under the existing bond agreements and certain other debt facilities. The terms of the agreements governing the bonds and such other debt facilities, among other things, restrict the ability of certain members of the Group to (i) incur or guarantee additional indebtedness, subject to certain exceptions; (ii) make certain restricted payments, including dividends or other distributions; (iii) make certain investments; and (iv) provide financial assistance to third parties. While the covenants in the abovementioned agreements do not presently prevent the Group from conducting its business in the normal course or meeting the Group's debt servicing obligations, the need to observe these covenants nevertheless hinder the Group's ability to incur additional debt and restrict its business. In addition, if the Group does not generate sufficient cash flows from its operations in order to meet the debt service obligations or there are other events of default under the said agreements, the Group may have to refinance or restructure its debt or reduce or delay its capital expenditures which may materially adversely affect the Group's business and prospects. The Group's ability to refinance or restructure its debt and to do so on commercially reasonable terms depends on the level and stability of the cash flows as well as many factors beyond its control, including the condition of the financial markets and global economy and there can be no assurance that the Group will be able to do so on acceptable terms, in a timely manner or at all. In addition, if an event of default occurs under the said agreements, the respective creditors or their respective representatives or security agents, if such has been duly authorized and appointed, could, in certain circumstances, foreclose on the assets pledged to the bondholders. Any of the foregoing could have a material adverse effect on the Group's business, results of operations and financial condition.

(1) Refer to the section "Risks in the transportation and logistics solution" in the Risk Appendix for further details.

(2) Lost Time Injury Swedish standard as adopted by SveMin members: Absence of one shift or more from regular duty following the accident. Reference period: 1 million worked hours.

(3) International Lost Time Injury definition: Absence of three shifts or more from regular duty following the accident. Reference period: 200,000 worked hours.

(4) Technical Report on the mineral resource estimates and Preliminary Assessment of the Hannukainen Project, June 28, 2010

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