

Northland's Board of Directors Sets a Higher Target for Financial Headroom

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LUXEMBOURG, LUXEMBOURG--(Marketwired - Nov 14, 2013) - [Northland Resources S.A. \(OSLO:NAUR\)\(FRANKFURT:NPK\)\(OMX:NAURo\)](#) (together with its subsidiaries "Northland", "NRSA" or the "Company") **announces that the Board of Directors has decided to target a higher liquidity headroom and to evaluate the Company's long term financial structure. The company will no later than May 2014 present a comprehensive financing proposal that enables Northland to reach the targeted headroom.**

"Since the new Board of Directors was elected this summer we have, together with management, focused on the finalization of the remaining investments, the enhancement of the logistics chain and the ramp up of production. The Operational Update that was released today, November 14, 2014, indicates that we start to be very close to targeted levels. We still have some investments underway related to our logistics chain. These investments are expected to be finalized over the coming 2-3 months. The Board will naturally continue to monitor the ongoing production and the enhancement of the logistics chain, but will gradually focus more on securing the capacity expansion through the build-up of the second production line. Simultaneously the board will evaluate the Company's long term financial structure and will target to increase the financial headroom needed to secure company's liquidity at all times. This headroom is needed to cover periodical peaks in working capital requirements as well as normal volatility in iron ore prices and exchange rates," said Olav Fjell, Chairman of the Board.

At Northland's board meeting on November 13, 2013, the Board of Directors revised the Company's target for liquidity headroom. The Board recommends that the Company at all times has access to liquidity equal to two months of expenditures. This headroom should remain available for utilization during peaks in working capital requirements. Such peaks occur periodically due to delivery and inventory variations as well as other factors, and are a natural part of Northland's operations.

"Northland continues to ramp up production. This is of course very positive, not least since higher production over time leads to significantly lower costs per tonne of delivered iron ore concentrate. The finalization of our facilities in Narvik enables us to start shipping on larger vessels, improving realized revenue per tonne of concentrate while reducing handling costs for the port operations. However, higher production also requires higher working capital, as well as buffers for potential interruptions in operations. Northland will benefit operationally from the decision to increase the liquidity headroom," said CEO Peter Pernlöf.

"The Board of Directors is pleased to see that the Kaunisvaara project is proceeding in a manner consistent with the goal of reaching full production capacity in late 2014. The headroom target is set to ensure that the Company retains financial and operational flexibility," commented Olav Fjell.

To ensure that the targeted liquidity headroom is available during temporary peaks in working capital requirements, even in case of adverse movements in cost levels and production volumes combined with lower prices and unfavorable exchange rates, the Company would need additional funding of up to approximately USD 150 million. The Company will present further analyzes and detailed breakdown of the different components of this anticipated headroom in its third quarter result to be released November 28, 2013.

In the documentation for the reconstruction plan and the first lien bond agreement (the "First Lien Bond Agreement"), Northland identified a number of potential additional funding sources that, if materialized, would contribute to the financial headroom. These sources include financial equipment leases for a Ship Loader of USD 17 million and Caterpillar equipment of up to USD 35 million, pre-payment facilities from customers up to USD 50 million, a bond tap of up to USD 50 million, and a proposed repair issue of up to USD 50 million (the "Repair Issue"). Of the above mentioned funding sources, the Company currently anticipates that USD 50 million will materialize within the coming six months (excluding the bond tap).

With regard to the Repair Issue, presented in the Investor Presentation on May 30, 2013, the Company and the Board of Directors have decided not to proceed on the terms regulated by the first and second lien bond agreement (the "Bond Agreements"). According to these terms, the subscription price in the Repair Issue must be equal to or higher than the price implied by the conversion price of the second lien bonds at that time. Since the conversion price, currently approximately NOK 28, is significantly higher than the prevailing share price on the Oslo Stock Exchange, the Company has concluded that, under these circumstances, it is not in the interest of current or former shareholders to launch the Repair Issue under existing conditions.

The Company will continue to pursue the remaining additional funding sources described in the documentation for the reconstruction plan and the First Lien Bond Agreement. However, as discussed above, the Company does not expect these funding sources to cover the full amount of up to approximately USD 150 million required to meet the liquidity headroom target. The Company will therefore seek new external financing for the remaining funds.

"The higher headroom target and its financing implications have been decided and announced since the Board of Directors believes it is in the long-term interest of all stakeholders that Northland acts proactively and prudently in these matters. Therefore, the Company has also initiated the process of evaluating its long-term financial structure", said Olav Fjell.

Northland expects that it will be in a position to present a comprehensive financing proposal at the latest in May 2014. Swedbank First Securities and Arctic Securities have been retained as financial advisors to the Company in this respect.

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

Forward-Looking Information

This announcement may include "forward-looking" information within the meaning of applicable securities laws. This forward-looking information 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. This forward-looking information includes 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. By their nature, forward-looking information involves risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Readers are cautioned that forward-looking information is not a guarantee 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 information 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 information contained in this press release, those results or developments may not be indicative of results or developments in subsequent periods.

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