

# Update on operational and financing developments

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## NORTHLAND

Luxembourg / TNW=ACCESSWIRE / September 30, 2014 / [Northland Resources SE](#) (OSE: NAUR, Frankfurt: NPK, Nasdaq OMX/First North: NAURo - together with its subsidiaries "Northland", "NRSE" or the "Company") is progressing towards its target to reach a significantly reduced cost level from ongoing and concluded cost-cutting initiatives. However, the recent deterioration in iron ore prices has put further pressure on Northland's liquidity. The Board of Directors (the "Board") will now request that funds currently held in escrow be made available to the Company.

"Since the reorganization process was initiated in June, the reference price for iron ore has fallen by more than USD 15 per ton. The challenging market puts pressure on our liquidity, which is now highly constrained. At the same time, our cost-cutting efforts and ongoing discussions with key stakeholders have proceeded well. All things considered, I remain convinced that Northland, after implementing the new strategy and completing the reorganization, has a long term ability to generate positive cash flow," commented Johan Balck, CEO.

On June 30, 2014, Northland announced a revised strategy focused on reducing cost and achieving maximum operational flexibility, with the aim of positioning the Company to better cope with high volatility in iron ore prices. Over the past months, Northland has launched several cost-cutting initiatives as a part of the ongoing reorganization. These actions include a reduction in headcount, the closing of Northland's Finnish operations, moving the corporate jurisdiction from Luxembourg to Sweden, renegotiating key supplier and customer contracts, as well as adjusting the mine production plan to a normalized run rate supporting one processing line in the plant. In addition, an optimization study of mine equipment usage has been conducted and implemented. The main suppliers have also taken operational action to optimize production costs in all parts of the production and supply chain. The production in Q3 2014 is expected to be at approximately the same level as that in Q2 2014.

Several of the cost-cutting initiatives have been successfully concluded, while others are progressing in line with targets. Pending the conclusion of negotiations and the formalization of agreements, Northland expects that the initiatives will result in a cash cost which is 20% lower than the current level with one processing line in production, and approximately USD 63 per dry metric ton ("DMT") at full production with two processing lines at current foreign exchange rates.

In addition to cost reductions, an important element of the initiatives regarding key supplier contracts has been to increase flexibility. In order to maximize flexibility, and partly create a hedge for iron ore price volatility, Northland's main supply contracts will now include a correlation to the iron ore price and consequently result in a variable cash cost where suppliers share the risks and opportunities associated with iron ore price fluctuations. Certain agreements with suppliers are conditional upon Northland securing long-term funding. The discussions with the strategic partner continues, but are challenging as a result of constrained timing and the lower iron ore prices.

In parallel with the actions described above, Northland is engaged in a number of constructive discussions with investors and stakeholders as a part of the ongoing financing process. However, since the reorganization process was initiated on June 30, the prevailing reference price for iron ore has fallen by more than USD 15 per dry metric ton, to a level below USD 80 per ton. This decline, in combination with revised production targets, has put additional pressure on Northland's short term liquidity. The current available liquidity, excluding restricted cash in escrow, is not expected to suffice until Northland secures long-term

financing. The Board will therefore request from the holders of the Super Senior Bridge Bond ("SSBB") that funds currently held in escrow be made available to the Company through a drip feed mechanism.

The Board monitors the ongoing financing discussions and the liquidity situation very closely. Should the release of funds from escrow not be supported by the SSBB holders, the Board maintains maximum preparedness to make necessary operational decisions accordingly. With access to funds in escrow, the Board expects that Northland will have sufficient liquidity to conclude the ongoing financing process.

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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 has also finalized 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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