

Northland Resources S.A.

Management's Discussion and Analysis For the period ending December 31, 2011

7A, rue Robert Stümper
L-2557 Luxembourg
R.C.S. Luxembourg: B 151 150

Northland Resources S.A.

MANAGEMENT'S DISCUSSION AND ANALYSIS

February 9, 2012

General

The following Management's Discussion and Analysis ("MD&A") of Northland Resources S.A. and its subsidiaries, ("Northland" or the "Company") is dated as at February 9, 2012 and it provides a review of the consolidated financial position, results of operations and performance of for the years ended December 31, 2011 and December 31, 2010. It should be read in conjunction with the Company's audited consolidated financial statements and notes to those statements. All dollar amounts are expressed in United States dollars, units are metric units and years are a calendar year for 2011 and a fiscal year for 2010.

Because the Company is an exploration and development company and is not in production, it does not generate operational income.

Business of the Company

Northland is a development-stage mining group, with two principal projects in northern Sweden and Finland. Kaunisvaara in Sweden is expected to be a near-term producer of high-quality iron ore concentrate. Construction on the 4.4 million dry metric tonnes ("dmtpa") per year project is advancing according to plan and mining is expected to begin fourth quarter of 2012, with the first shipment in the first quarter of 2013. Northland has entered into off-take contracts for 100% of future sales for the first seven to ten years of Kaunisvaara production. At the Hannukainen project in Finland, the DFS has commenced and it is expected to be completed in the first quarter of 2012.

About Northland Resources S.A.

Northland Resources S.A. (formerly Northland Resources Inc.) continued under the laws of Luxembourg on January 18, 2010. The Company's common shares trade on the Toronto Stock Exchange under the symbol NAU, on the Oslo Børs under the symbol NAUR and on a Frankfurt list under the symbol NPK.

As a Luxembourg-domiciled Company with shares listed on an exchange in the European Economic Area, the Company is subject to the rules and regulations of the Commission de Surveillance du Secteur Financier. These regulations include a requirement to file information in accordance with International Financial Reporting Standards ("IFRS") as endorsed by the European Union ("EU").

The board of directors carries out its responsibility by reviewing this disclosure, principally through the audit committee, and it approves this disclosure prior to publication.

This MD&A is based on various assumptions (see "Forward-looking Information" below).

Additional information relating to the Company is available on SEDAR at www.sedar.com or on the Company's website www.northland.eu.

OUTLOOK

2012 will be an important year for Northland as it aims to transition from a developer to a producer. The Company aims to complete the following:

1. *Finalize the Kaunisvaara financing*

On February 2, 2012, the Company launched an equity offering of the equivalent of minimum USD 225 million and maximum USD 250 million, as well as a senior secured bond offering for a minimum of USD 450 million, in total up to USD 700 million. The Company intends to use the net proceeds from these offerings towards funding the development of the Kaunisvaara Project, including the logistics solution for the transportation of iron ore concentrates from the mines in Kaunisvaara to the

Northland Resources S.A.

Port of Narvik and onwards shipment to customers, until it generates positive free cash flow. In addition, proceeds are intended to be used for the completion of the Hannukainen DFS, exploration expenditures in Sweden and Finland, working capital and general corporate purposes. These offerings are expected to be finalized in mid-February.

2. *The DFSs for Hannukainen and Pellivuoma*

The Company is preparing a DFS on its Hannukainen project and Pellivuoma deposit. The DFS for Hannukainen is expected to be published towards the end of first quarter of 2012, and the DFS for the Pellivuoma deposit is expected to be published during the second quarter of 2012.

3. *Start production of Kaunisvaara in the fourth quarter*

The Company has made a decision to further optimize the production sequence of the Tapuli and Sahavaara mines, starting the production from Tapuli in the end of 2012, ramping up to 4 million dmtpa as of 2015. Sahavaara is expected to come on stream in 2016, which will allow production of 12 mt ore to be maintained of the rest of the Life of Mine (“LOM”). This will ensure a targeted annual production of 4.4 million dmtpa high-quality concentrate as of 2017.

Comment from the President and CEO

“2011 was an eventful year and I am especially pleased that within the year, we built the lion’s share of the Kaunisvaara industrial area and started overburden removal at the Tapuli mine. Our partnership approach with suppliers which has included everything from project construction, engineering, logistics, procurement to financing has served us well. With the goal of starting production in the fourth quarter of this year, the Kaunisvaara project is on time and budget. In December 2011, we closed a bridge financing of USD 50 million, and the remaining financing for the project is expected to close during the first quarter of 2012.

In beginning of February 2012, Northland launched an equity offering as well as a senior secured bond offering for up to USD 700 million. This financial solution will give our Company the required capital to complete our Kaunisvaara Project and ensure a sound start of our Hannukainen Project. We expect to be able to announce the results of these offerings in mid-February 2012.”

The definitive feasibility study (“DFS”) including the scoping study on an underground mine for Hannukainen is also expected to be completed in the first quarter of 2012. Due to the focus on the DFS for Hannukainen, the Company has decided to publish the DFS for Pellivuoma into the second quarter of 2012.

The table below provides a summary of selected quarterly and annual data as at December 31, 2011 and 2010:

Selected Quarterly and Annual Information	12 months ended Dec 31, 2011	11 months ended Dec 31, 2010	Q4 (3 months) ended Dec 31, 2011	Q4 (2 months) ended Dec 31, 2010
Net Profit / (Loss) - per share, USDm	(38.1) (0.17)	(21.2) (0.18)	(34.3) (0.15)	(7.6) (0.05)
Mineral properties expenditures, Sweden, USDm	2.7	19.5	0.5	1.5
Mines under construction expenditures, Sweden and Norway, USDm	180.2	4.8	84.7	4.8
Mineral properties expenditures, Finland, USDm	20.1	6.9	5.2	0.7
Cash, end of period balance, USDm	38.3	251.4	38.3	251.4
Number of common shares	226,628,899	224,418,899	226,628,899	224,418,899

Northland Resources S.A.

2011 Operational Highlights (including subsequent events up to February 9, 2012):

CORPORATE

Financing

On February 2, 2012 the Company launched an equity offering of the equivalent of minimum USD 225 million and maximum USD 250 million (the "Equity Offering") as well as a senior secured bond offering for a minimum USD 450 million (the "Bond Offering") (together the "Offerings"), in total up to USD 700 million.

The Company has entered into guarantee agreements with certain existing shareholders and institutional investors who have guaranteed subscription of shares in the Equity Offering for an aggregate amount of the equivalent of USD 250 million at the minimum subscription price per share of NOK 7.0/CAD 1.20. However the final pricing per share in the Equity Offering will be determined through an accelerated book-building process based on a broader marketing of the Equity Offering.

Highlights from the press release dated February 2, 2012 include:

- Following the completion of the Offerings, the logistical solution from mine to port will be financed, controlled and managed by Northland's wholly-owned subsidiaries, allowing the Company to benefit from expected lower operating costs, as well as controlling a vital part of the value chain,
- The Company has made a decision to further optimize the production sequence of the Tapuli and Sahavaara mines, starting the production from Tapuli in the end of 2012, ramping up to 4 million dmt as of 2015. Sahavaara is expected to come on stream in 2016, which will allow production of 12 mt ore to be maintained for the rest of the Life of Mine ("LOM"). This will ensure a targeted annual production of 4.4 million dmt high quality concentrate as of 2017,
- Following the completion of the Offerings, Northland will no longer pursue the previously announced senior loan project financing from three MLA banks,
- Following the Company's decision to wholly-own and operate the logistical solution, operating expenses ("Opex") are expected to decrease by USD 3.2 per tonne, to USD 55.6 per tonne,
- Following a review of all significant future agreements, the Company revised the total capital expenses ("Capex"). The Capex is now expected to amount to USD 807 million, compared to USD 765 million in the DFS update completed in May 2011,
- Northland has, as previously announced, entered into long term off-take agreements for 100% of the production with well established partners, namely Tata Steel UK Ltd., Standard Bank Plc and Stencor UK Ltd.,
- The Kaunisvaara project is expected to be completed on time, and
- Standard Bank of South Africa Limited ("Standard Bank") will provide Northland with a cost overrun facility of USD 40 million.

Acting CFO

On January 23, 2012 the Company announced the appointment of Peder Zetterberg as its Acting Chief Financial Officer ("CFO"), effective January 23, 2012. Mr. Zetterberg will be acting CFO, reporting to the Chief Executive Officer ("CEO"), for the twelve-month period that the current CFO is on maternity leave. Mr. Zetterberg has more than 30 years of international experience from CEO and CFO positions. Prior to joining Northland, Mr. Zetterberg served as the CEO for the Swedish listed company Brio Group. Prior to that Mr.

Northland Resources S.A.

Zetterberg was CFO and Responsible for Business development at Sveaskog, Sweden's largest forest owner and a leading supplier of timber, pulpwood and bio-fuel.

SWEDEN

Kaunisvaara:

- Kaunisvaara is fully permitted for up to 20 Mt per annum of ore from the Tapuli mine and/or similar ore, and for the construction of a mill with two processing lines and a nominal capacity of 12 Mt per annum of ore and 5 Mt of concentrate.
- All the planning, organization and construction project goals for 2011 were completed on time and within the allocated budget.
The monitoring and documentation of the quality of daily construction work has reported a very high quality of materials delivery and construction performance, with no major deviation on quality.
- The Company has received the permit for test driving and has started to test a demo truck of 90 tonnes in order to evaluate the dispensation for heavier than the normal 60 tonne trucks which are typically allowed on Swedish roads.
- Northland has received approval to construct and operate an iron ore terminal in Narvik.
- Documents for a construction permit for the pumping station on the Muonio River have been approved by the Municipality of Pajala.
- On December 21, Northland signed a USD 50 million bridge financing for the Kaunisvaara project.
- The management team was strengthened at the end of the fourth quarter of 2011, there were 15 full time employees, 18 consultants and 329 contractors. These numbers are in line with plan proposed in the DFS.
- At the end of 2011, 30% of the construction and 100% of the pre-development work were completed.

FINLAND

Hannukainen:

- Significant progress was made on the technical work at Hannukainen, including the mineral resource numbers, pit design and production planning. The metallurgical flow sheet was also finalized.
- A decision was taken to initiate a scoping study on a possible underground mine at Hannukainen project, in addition to the DFS on the open pit mine.

KAUNISVAARA IRON CONCENTRATE PROJECT, SWEDEN

Earth Works

All the earthworks for the construction lay down areas, the roads and the dykes were completed according to the base plan. The process water pond was finished in the third quarter and has been tested by the Swedish authorities for commissioning. After a very rainy autumn, management is convinced that earth works were well designed and that they will be able to withstand aggressive weather conditions.

The overburden removal program is running according to the plan. The weekly capacity increased from 80,000 to little more than 100,000 cubic meters. During the third quarter, the final plan for the Tailing Management Facility ("TMF") was finished. Initial works for the TMF will start up in the first quarter of 2012.

Construction Works

By end of 2011, the foundations for the steel structures and the truck workshop were finished and the steel was delivered.

Concrete foundation for all of the process plant foundations was completed, and this is expected to be finished in time for Metso to start work on the first process line in the

Northland Resources S.A.

beginning of first quarter 2012. The steel structures were erected and the wall panel mounted and a large section of the roof is laid.

The ground works for the large primary crusher and preparations for the base foundations were started according to plan. The first stage (of ten) in the construction of the Tapuli crusher was completed during the fourth quarter. Work on the two stockpile buildings is on schedule.

The first step for the construction of the administration building was completed in the third quarter of 2011, and plans for step two have been moved three months earlier in order to benefit from using more company personnel on site from the second quarter of 2012.

Process Works

Detailed plans are expected in the first quarter of 2012 and the intention is to bring in the operational team in earlier to be involved in the final erection and commissioning of various elements of the project in order to ensure a much smoother transition to operations. The plan for final quality inspection of prioritized equipment was completed in the fourth quarter of 2011.

Mobile Mine Equipment

The mobile mine equipment all of which will be supplied by Caterpillar/PON remains on schedule for delivery in mid-2012.

Water Pipeline

At the end of the fourth quarter of 2011, eleven km out of the 11.5 km of pipeline from the Muonio River to the plant were laid, and the earth works for the two pumping stations were completed. Work on the pumping stations is ongoing as well as the preparation for the sand pipeline to the TMF area.

Power Supply

The 40 kV power line has been commissioned by Vattenfall. Excavation and construction for the concrete foundations for the 130 kV power line to the site was completed during the fourth quarter of 2011.

Process Water Dam

The process water pond was completed by the end of October, with some minor instrumentation works completed in November.

Organization

In the fourth quarter of 2011, the Company identified the need for additional personnel as the project advanced towards production. Areas where additional resources are required include safety personal as the ramp-up continues personal for engineering interface and more personal to manage the operational readiness element of the project.

A significant part of the Northland's operational team was in place at the end of the fourth quarter of 2011. Their focus is to coordinate with the contractors and secure a smooth handover as the project transitions from development to production.

The operational team will comprise an EHS function with safety and environmental coordinators and technicians.

Safety

In 2011, a total of 475,000 man-hours were worked on the Kaunisvaara project. At the end of the fourth quarter of 2011, close to 600 people were trained for the obligatory site safety program and the special Peab introduction training.

Northland Resources S.A.

At the end of 2011, reported incidents 20 and the total number of accidents totaled 11 where 4 lead to absence from work. Of these 4, 3 lost time injuries occurred on site and 1 traffic accident on public road. In total, 13 minor environmental incidents have been reported during 2011. To achieve the ambitious goal of 0 accidents, the Company has implemented one of Sweden's most comprehensive safety programs for both staff and the contractors.

The Kaunisvaara Project has started a safety action plan in preparation for the takeover by operations in the second quarter of 2012. It is expected that the number of safety personnel and personnel for environmental sampling will be increased.

Permitting

The Kaunisvaara construction 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 above-mentioned and already permitted operations and the planned activities in the Sahavaara mine was filed in June 2011. The application is entitled the Kaunisvaara Operational Permit, and it is now subject to management by the Environmental Court and reviewed by the reference authorities with the last response from the County Administration on December 17, 2011. Northland has delivered a preliminary response regarding the scope of the application, and intends to submit a comprehensive response before end of February 2012. The Company expects to receive the permit during third quarter 2012.

The existing exploitation concession for the Tapuli mine is being expanded to cover a southern extension of the ore body that has been identified as reserves in the mining plan. This is envisaged to be a routine procedure by the Mine Inspector, as an extension of the existing concession is already covered by the existing Tapuli mine environmental permit.

Kaunisvaara Logistics

- Reloading terminal in Pitkäjärvi
 - The procurement for the land for the terminal is expected to be finalized before end of February 2012
 - Pre-planning, design and resource requirement work continued
- Fagernes terminal in Narvik
 - Detailed design and resource requirement work continues
 - The permit for the Fagernes iron ore terminal in Narvik has been received
 - The jetty design has been finalized and construction has started
 - The ship loader contract has been finalized
- Logistics organization
 - Set up of two wholly owned logistics companies: Northland Logistics AB ("NLAB") and Northland Logistics AS ("NLAS")
 - The engineering firm Tyréns was engaged for Pitkäjärvi re-loaded terminal design and project support. The contract has been signed
 - Norconsult has been engaged for Narvik terminal design and project support. The contract has been signed.
 - A logistics project organization has been formed.

Kaunisvaara Marketing

The entire planned production of 4.4 million dry metric tonnes per annum was fully committed during 2010 in firm off-take agreements with three well-established global partners, for terms of up to 10 years. 20 percent of the production is committed to Stemcor and to Tata Steel UK Ltd. ("Tata Steel"), respectively. The remaining 60% is committed to Standard Bank Plc ("Standard Bank").

Northland Resources S.A.

The contract with Tata Steel includes technical cooperation for product verification and product development. This cooperation has started and has this far resulted in confirmation of Northland product properties and suitability for its purpose.

The contract with Standard Bank includes cooperation in identifying, evaluating and prioritizing of preferred end-users of the Kaunisvaara concentrate. This work has started and will be an ongoing process between Northland Resources and Standard Bank. Initial visits to potential end-users have provided us with valuable feed-back about the perception of our product from the Chinese end-use market.

Similar joint-marketing efforts have started with Stemcor with a focus primarily on European end-users.

In addition to the active marketing efforts, in cooperation with Standard Bank and Stemcor, there is a continuous flow of incoming Requests for Quotation ("REQ") for deliveries to India and the Middle East. Such requests will also be taken into consideration in the continuous dialogues with Standard Bank and Stemcor.

The preferred end-users for the Kaunisvaara concentrate are:

- those who can best benefit from the chemical and physical properties of the product and where Northland can gain additional value-in-use premium,
- those where Northland can benefit from freight advantages and
- those who for other strategic reasons provide the best long-term prospect as a "valued customer".

The Kaunisvaara concentrate is a high-grade magnetite concentrate, grading 69% Fe with low impurities in general, extremely low in particular for SiO₂ (1.10%) and Al₂O₃ (0.18%). Low levels of silica and alumina are valuable in all iron making as it reduces the requirements of flux additions, the particle size (80% passing 40 micron), the MgO content (2.65%) and the moisture content make it most suitable to be used as a pellet feed.

The advantages are:

- Energy from the magnetite oxidation lowers the pellet plant fuel consumption and reduces energy costs.
- The particle size is fine enough not to require any additional grinding resulting in energy cost savings for the customer.
- High MgO content reduces the requirement for other fluxes in the pelletizing and iron making processes.

Low levels of other elements such as K, Na, P and V are of great value in the downstream steelmaking process and the significant energy savings also result in lower overall CO₂ emissions.

The potential premium for the Kaunisvaara concentrate is based on the following factors:

1. Grade premium – The base price is sinter fines and concentrates with a typical grade of 62% Fe. The premium has traded between USD 3 and 7 per tonne for every 1% Fe above 62% Fe. Historically the premium has been from USD 3 per Fe-unit per tonne, in times of weak demand, to a high level of USD 11 per Fe-unit per tonne when demand has grown stronger.
2. Low impurity premium – The Kaunisvaara concentrate is expected to have low impurities (see above). In February 2011, the Steel Index launched a new iron ore index for a 62% Fe and 2% Al₂O₃ reference product CFR China. This was in order to better reflect the value of low alumina and the premium has since then varied between USD 1.60 and USD 3.30 per tonnes of Northland's quality. Noteworthy is that 2% alumina is considered "low" and the Kaunisvaara concentrate has an alumina content of 0.2%.

Northland Resources S.A.

3. In addition the Kaunisvaara concentrate will have an advantageous shipping cost per Fe-unit thanks to its high Fe-content and low moisture content. Northland also believes that the proximity to the ARA-area (Amsterdam-Rotterdam-Antwerp), where many Capesize vessels discharge, will be of an advantage for achieving better freight rates than for competitors relying on bringing ships in on much longer ballast voyages.

Looking at the potential value, the Company estimates the additional revenue to USD 49 per tonne, when compared to a 62% reference product as supported by Raw Materials Group's long term price forecast for a product of our quality. The high grade of the Kaunisvaara concentrate makes the product most competitive in the world market.

Northland and Standard Bank made a second joint round of visits to potential Chinese end-users in early December 2011 during which the appreciation of the product properties was confirmed by plant managers.

While the Kaunisvaara concentrate is better suited for use for pelletizing it should also be noted that potential European customers are showing a growing interest in high grade magnetite concentrates for their sinter plants. The quality of sinter feed being supplied to the steel makers has continuously deteriorated during the last ten years and the trend is expected to continue. It's a matter of both higher levels of harmful impurities, such as silica (SiO_2) and alumina (Al_2O_3), and finer particle size. Very fine particle size, which Northland's product has, is in general reducing productivity in the sinter plant but tests performed on Northland's concentrate show that up to between 5 and 10% of the material in a standard sinter feed mix is actually improving productivity when replacing hematite concentrates. These findings add additional opportunities for achieving significant value-in-use premiums when selling the product both as pellet feed and sinter feed.

In addition to the ongoing work in northern Scandinavia, Northland has recently met with off-take partners as well as end-use customers. The agreement with Standard Bank is the largest and also for the longest period of time. It covers 60% of the volume for 10 years after first production.

In a press release, published by the Company on December 23, 2011, Standard Bank commented on the joint marketing: "Standard Bank continues to work closely with Northland and has commenced the joint marketing effort, making initial contact with its extensive client base both in China and via its global network. While the market has shown recent turmoil in terms of premiums and changes in the pricing structure, there appears to be good interest in this high-grade product and we are confident in realizing good results through the marketing campaign in partnership with Northland," said Jim Coupland, Managing Director – Global Head of Base Metals and Bulk Commodities at Standard Bank.

Iron ore analysts are expecting iron ore prices to remain at high levels until at least 2015 due to continued strong demand in China and slower than expected ramp-up of large projects in Brazil and Africa.

Pellivuoma Project, Sweden

Pellivuoma is located approximately 15 km west of Sahavaara. The Company controls 100% of the exploration permit, which totals 11,346 hectares. In addition to the magnetite resource, banded iron formations plus multiple copper and gold anomalies occur within the permit boundaries.

During the fourth quarter of 2011, SRK Consulting ("SRK") and Jacobs, formerly Aker Solutions, made progress on the DFS. SRK finalized the mineral resources and the mine plan, and the production schedules were completed. It is currently envisioned that

Northland Resources S.A.

Pellivuoma will have a 10-year mine life with a production of approximately 6 million tonnes per year of ore, and that the ore will be transported by conveyor to the Kaunisvaara process plant that is currently under construction.

Due to the focus on completing the DFS for Hannukainen, the Company has decided to postpone the DFS for Pellivuoma and it is now expected to be finalized during second quarter of 2012.

The Hannukainen Iron-Ore Copper Gold (“IOCG”) Project, Finland

At the start of 2011, Northland commenced work on a DFS on the Hannukainen project. It continues to progress well. The Company has continued with many of the partners used for the Kaunisvaara project, such as Jacobs and a number of sub-consultants including SRK, Pöyry etc. This has allowed the Company to benefit from the lessons learned on the Kaunisvaara project as well as profit from the established relationships. The results of the DFS study are expected in the first quarter of 2012.

In the fourth quarter 2011, a number of key milestones were reached, including:

- Completion of all the lab testing and technical designs;
- Completion of the initial cost estimate with refinements underway; and
- Technical descriptions and documentation were underway.

The structure for the project financial model is being finalized. Good metallurgical results have been achieved to date in the pilot plant with good recoveries of gold and the production of an excellent quality of concentrate with approximately 70% Fe. The Company is also currently undertaking a parallel scoping level study on the possibility of an underground mine at Hannukainen. This is being managed by the same team that is currently undertaking the Hannukainen DFS. The work will be published jointly with the DFS in the first quarter of 2012.

During third quarter 2011, Northland initiated a drill program to confirm the existence of the inferred mineral resources which are the basis for the underground study. This work has been positive, confirming the validity of Northland’s geological modeling and it will guide the drilling program for 2012. Should the underground scoping study prove positive, a significant amount of drilling will be required to bring the deep mineralization from a inferred classification to measured or indicated. Northland has plans to initiate some drilling in the first quarter of 2012 in anticipation of positive scoping study results. When the DFS and scoping studies are published, Northland will then decide the drilling schedule and plans for the rest of the year.

Recent drilling results

During the fourth quarter of 2011, the Company continued the deep resources drilling program at Hannukainen. This is unrelated to, but is conducted under the management of the ongoing Hannukainen DFS. The drilling program consists of 17 long drill holes (totaling c. 7,000 meters) targeted to deep extensions of the Hannukainen Fe-Cu-Au deposit, in order to provide better constraints for the extent and grade of potential underground resources. To date, 13 of 17 drill holes (5,840 meters) have been completed.

As a follow-up study for the deep resources drilling program, the Company made a decision to conduct state-of-art “Titan MT” electromagnetic survey at Hannukainen, to support the near-mine exploration. The survey, operated by Quantec of Canada, was launched on January 16, 2012, is in progress at the Hannukainen mine site.

Environmental, Health and Safety

Work on the operational permit for the Hannukainen mine continues. The Hannukainen EIA report will be completed during first quarter of 2012, in parallel to the completion of the DFS

Northland Resources S.A.

report. Closely related to the EIA process, Land Use Planning is being developed in consultation with the local and regional authorities. After these documents have been filed and approved, the permitting process itself will continue into 2013 for ancillary permits, according the Finnish rules and regulations.

General

Senior Northland management in Finland continue to host a number of meetings with the federal and municipal governments, the Finnish Transport Agency, the reindeer herders and Reindeer herder's association, businesses in the region and local stakeholders providing them with an update and receiving feedback on the development of the Hannukainen IOCG project.

Northland has completed the final agreement for the purchase of the Äkäslompola lots. A total of 69 vacation house lots were bought from Metsähallitus. They were financed with a bank loan. The lots will be used as a part of compensation package for Hannukainen landowners. Land acquisition negotiations will commence during 2012 with preliminary agreements put in place.

Exploration

In 2011, the Company spent approximately USD 22.7 million on exploration and drilled 32,723 meters. The bulk of the drilling (25,809 meters or 79%) was focused on the DFS for Hannukainen; the balance was Pellivuoma (3,327 meters or 10%) and regional exploration (3,587 meters or 11%).

Regional exploration focused on the following deposits:

1. Marjarova Fe deposit (Pellivuoma satellite), Sweden

Marjarova is an iron ore exploration target, some 2 km SE from Pellivuoma. Due to its close proximity to Pellivuoma, Marjarova has potential to serve as a satellite deposit and could potentially provide additional feed for the Kaunisvaara plant. Small-scale drilling program is planned at Marjarova for early 2012.

2. Rautuoja Fe-Cu-Au deposit (Finland)

During the fourth quarter of 2011, exploration was completed on the step-out resource lineation drilling program at Rautuoja, one of Company's major near-Hannukainen mine exploration targets. The program consisted of geophysics and five drill holes totaling c. 1,500 meters. Holes targeted to increase the resources at depth returned tens of meters long intersections of Fe-Cu-Au magnetite-chalcopyrite mineralization. Rautuoja which is located 10 km from Hannukainen has potential to provide additional feed to the plant in the future.

3. Cu Rautuvaara (Finland)

The Cu Rautuvaara deposit is one of Northland's near-Hannukainen prospects. It belongs to Rautuvaara Mining Camp, which is comprised of the mined-out Rautuvaara iron ore and several smaller iron-copper-gold occurrences. Cu-Rautuvaara is located adjacent to the Rautuoja deposit. The bulk of the Cu-Rautuvaara iron-copper-gold ore is contained by a northeast-southwest trending ore lens, 40 meters thick and 800 meters long. An in-house resource model and preliminary pit optimization were completed for Cu Rautuvaara Fe-Cu-Au deposit during 2011.

4. Jolhikko and Kelontekemä (Kittilä Region, Finland)

The 2010 exploration program identified numerous geochemical gold and copper showings in the Jolhikko and Kelontekemä area, northeast to east of Hannukainen. During the 2011 field season, weathered bedrock or base of till sampling was used to verify and further delineate targets. The targets with the most potential were subsequently checked with trenching or diamond drilling. In both the Jolhikko and Kelontekemä areas, gold and copper bearing structures were identified in the bedrock under the glacial cover deposits. Some new

Northland Resources S.A.

potential areas were also discovered in 2011. Both of these targets will require follow-up work in order to better understand the mineralization.

5. Käymäjärvi (Sweden)

The Käymäjärvi area is located 15 km west of the Kaunisvaara project. Exploration targets in the area include two known occurrences of copper mineralization and several gold showings. The exploration program in 2011 was focused on following up work from 2010, as well as surveying the previously unexplored areas to the north. The work consisted of rock sampling, detailed geological mapping, till sampling and a heavy mineral survey.

Qualified Person ("QP") status

Petri Peltonen, Ph.D., Vice President of Exploration for Northland Resources S.A, is the Qualified Person as defined by the Canadian National Instrument 43-101 and the companion policy 43-101CP being responsible for overseeing the execution of Northland's exploration programs and for verifying that the information presented in this document is an accurate summary. Dr. Peltonen is an accredited Member of the Australasian Institute of Mining and Metallurgy, AusIMM(CP) (Member #306710), and Member of the European Federation of Geologist (EurGeol #961).

Northland Resources S.A.

Results from Operations

The financial year of the Company used to start on February 1 and end on January 31 each year. On August 23, 2010; the financial year was changed to the calendar year, beginning on January 1 and ending on December 31.

The historic period which the Group has presented started on January 1, 2011 and ended on December 31, 2011 whereas the comparative figures covered periods from February 1, 2010 to December 31, 2010 and from February 1, 2009 to January 31, 2010.

The Group's reporting currency was changed to US Dollar ("USD"), effective January 1, 2011. The comparative figures have been restated to reflect the change in the reporting currency. All values are rounded to the nearest thousand dollars unless otherwise stated.

The consolidated net loss for 2011 was USD 38.1 million (USD 0.17 per share) compared to a net loss of USD 21.2 million (USD 0.18 per share) for the year ending December 31, 2010.

The operating loss in 2011 was USD 28.1 million compared to a loss of USD 19.0 million in the previous year.

Net financial items were a negative USD 9.6 million in 2011, compared to a net cost of USD 3.4 million in 2010.

Quarterly Information

The following table provides information for the eight quarters ended December 31, 2011:

USD	4 th quarter ended Dec 31, 2011	3 rd quarter ended Sep 30, 2011	2 nd quarter ended Jun 30, 2011	1 st quarter ended Mar 31, 2011	4 th quarter ended Dec 31, 2010*	3 rd quarter ended Oct 31, 2010	2 nd quarter ended Jul 31, 2010	1 st quarter ended Apr 30, 2010
Total income '000	358	517	816	707	179	64	57	89
Net profit (loss) '000	(34,348)	(3,928)	(8,665)	8,872	(7,652)	1,226	(2,688)	(12,132)
Net profit (loss) per share	(0.15)	(0.02)	(0.04)	0.04	(0.06)	0.01	(0.02)	(0.11)

*2 months

Liquidity and Capital Resources

Liquidity risk encompasses the risk that the Group cannot meet its financial obligations as they fall due. The Group is currently in a development stage and thus is not expected to generate revenues until first quarter 2013 and consequently Management is trying to secure sufficient financing for the Group's operations until the moment it will start to generate revenues (refer to Note 2 in Financial Statements).

Surplus cash held by Group over and above balance required for working capital management are invested in short-time deposits. At the reporting date, the Group had a cash balance of USD 38.3 million (December 31, 2010 and January 31, 2010: USD 251.4 million and USD 52.0 million respectively).

As a result, management is focused on securing sufficient financing for the Group's operations until it will start to generate revenues. On December 20, 2011, the Company's wholly owned subsidiary, Northland Resources AB signed a USD 50 million bridge financing with Standard Bank of South Africa Limited. The bridge loan has a final maturity as at March

Northland Resources S.A.

31, 2012 and which includes various conditions for draw downs. The first draw down of USD 25 million was made on January 25, 2012.

As part of the loan agreement, warrants exercisable into less than 1 percent of the total issued shares of the Company with an exercise price of CAD 1.06 per share will be issued to Standard Bank or an affiliate, subject to the approval of the Toronto Stock Exchange. The loan will be drawn down in two tranches. The Company intends to replace the bridge loan with a long-term financing package, to include all logistics, during the first quarter of 2012.

Northland is still in a project development stage and is not expected to generate revenues until early 2013. As of December 31, 2011 the Group had a cash balance of USD 38.3 million and consequently Management is working on how to secure sufficient financing for the Group's operations until the moment it will start to generate revenues. On December 20, 2011, the Company's fully owned subsidiary Northland Resources AB signed a USD 50 million bridge financing with Standard Bank of South Africa Limited with a final maturity as of March 31, 2012 and which includes various conditions for draw downs. The first draw down of USD 25 million was made on January 25, 2012. On February 2, 2012 the Company launched an offering of new shares to institutional investors in the amount of USD 225-250 million (the "Equity Offering"). At the same time the Swedish subsidiary, Northland Resources AB, launched an offering of a secured bond loan in the amount USD 450 million (the "Bond Offering") in order to finance the development of the Kaunisvaara project. The subscription of the Bond and the Equity Offering are conditional to each other. The Company has attracted a demand in excess of USD 250 million for its Equity Offering from a broad range of high quality investors prior to launch and the guarantee was oversubscribed.

Although there is a material uncertainty as to whether the bridge financing is sufficient to finance the Group's operations until the settlement of the Equity Offering, the Bond Offering, or other sources of financing, whether the conditions for the second draw down of USD 25 million under the bridge financing can be complied with and whether the Group will be able to obtain sufficient financing through the Equity Offering and the Bond Offering to complete the development of the Group's projects, the Board of Directors and Management of the Company are confident that the financing of the Group can be assured based on the agreements it has entered into with certain existing shareholders and institutional investors who have guaranteed subscription of shares in the Equity Offering for an aggregate amount of the equivalent of USD 250 million at the subscription price per share of NOK 7.0/CAD 1.20 and feedback received from the market and concludes that it has sufficient basis to support the going concern assumption and that such going concern assumption is appropriate under the current circumstances (refer to Note 5.1 in Financial Statements).

Mineral Properties Expenditures

Sweden – During 2011, USD 2.7 million was spent on exploration in Sweden.

Finland - During 2011, USD 20.1 million was spent in Finland on exploration. Of that amount, the major expenditures included consulting fees, salaries and wages, drilling costs and travel and accommodation costs, mainly related to the Hannukainen DFS.

Northland Resources S.A.

Mines under Construction

	<u>USD '000</u>
Cost as of February 1, 2010	-
Transferred from exploration and evaluation assets	69,842
Additions	4,778
Net exchange differences	330
	<hr/>
Cost as at December 31, 2010	74,950
Transferred from exploration and evaluation assets	1,142
Transferred to exploration and evaluation assets	(1,457)
Transferred to PPE	(554)
Additions	180,210
Net exchange differences	(11,515)
Write-offs	(5,894)
Other	(88)
	<hr/>
Cost as at December 31, 2011	<u>236,794</u>

The total investment in the Kaunisvaara project was USD 180.2 million in 2011.

Related Party Transactions

Transactions with common key management and directors

The Group incurred charges with companies having common key management and directors in the normal course of operations as detailed below:

	Restated*		
	12 months ended December 31, 2011	11 months ended December 31, 2010	12 months ended January 31, 2010
	<u>USD '000</u>	<u>USD '000</u>	<u>USD '000</u>
Consultancy fees	637	381	275
Management fees	288	746	759
Share-based payments	411	530	258
Termination benefits	165	-	836
	<hr/>	<hr/>	<hr/>
Total	<u>1,501</u>	<u>1,657</u>	<u>2,128</u>

* The figures for the comparative periods have been amended to include all key management and personnel.

These charges were measured by the exchange amount, which is the amount agreed upon by the transacting parties.

The Company paid fees to a private company controlled by a director in the Company for consulting services performed outside of his capacity as a director.

Northland Resources S.A.

Compensation to key management personnel and Directors of the Group

	Restated*		
	12 months ended	11 months ended	12 months ended
	December 31, 2011	December 31, 2010	January 31, 2010
	USD'000	USD'000	USD'000
Salaries and directors fees	2,873	1,667	1,578
Share-based payments	2,086	1,925	600
Termination benefits	-	919	-
Total	4,959	4,511	2,178

* The figures for the comparative periods have been amended to include all key management and personnel.

Share-based payments are the fair value of options granted to key management personnel and directors.

Account receivable and payable

Accounts payable included amounts due to a director in the Group and to an entity with a common director. Accounts receivable included amounts due from an officer in the Group.

	December 31, 2011	December 31, 2010	January 31, 2010
	USD'000	USD'000	USD'000
Accounts receivable	71	-	83
Trade and other payables	(2)	(37)	-

Share Position including outstanding options

As at December 31, 2011, the Company had 226,628,899 common shares issued and outstanding and 8,845,000 stock options and 1,697,995 warrants, compared to 224,418,899 common shares and 10,515,000 options as at December 31, 2010.

As at February 9, 2012 the Company's outstanding share position included 226,628,899 common shares, and 8,645,000 share incentive stock options. The option breakdown is as follows:

Exercise Price (C\$ per option)	Exercise Price (US\$ per option)	Outstanding Options	Weighted Average Exercise Price (C\$ per Option)	Weighted Average Exercise Price (US\$ per Option)	Weighted Average Remaining Contractual Life
\$1.00 - \$1.39	\$0.98 - \$1.36	3,545,000	\$ 1.08	\$ 1.06	4.58
\$3.03-\$3.27	\$2.97 - \$3.20	700,000	\$ 3.13	\$ 3.07	3.84
\$3.36 - \$3.86	\$3.29 - \$3.78	4,400,000	\$ 3.46	\$ 3.39	3.34
		8,645,000	\$ 2.46	\$ 2.41	3.89

Northland Resources S.A.

Exercisable

Exercise Price (C\$ per option)	Exercise Price (U\$ per option)	Outstanding Options	Weighted Average Exercise Price (C\$ per Option)	Weighted Average Exercise Price (U\$ per Option)	Weighted Average Remaining Contractual Life
\$1.00 - \$1.39	\$0.98 - \$1.36	3,545,000	\$ 1.08	\$ 1.06	4.58
\$3.03-\$3.27	\$2.97 - \$3.20	350,000	\$ 3.13	\$ 3.06	3.84
\$3.36 - \$3.86	\$3.29 - \$3.76	1,900,000	\$ 3.40	\$ 3.33	3.20
		5,795,000	\$ 1.97	\$ 1.92	4.08

Warrants

As at December 31, 2011 and the date of this report, the weighted average fair value of outstanding warrants was determined by using the Black-Scholes valuation model. For the purpose of the calculation, the following weighted average assumptions were used:

	<u>Year ended December 31, 2011</u>	<u>Period ended December 31, 2010</u>	<u>Year ended January 31, 2010</u>
Expected dividend yield	0%	-	-
Expected stock price volatility	70.60%	-	-
Risk-free interest rate	0.99%	-	-
Expected life in years	3 years	-	-

	<u>Number of warrants issued</u>	<u>Weighted average exercise price</u>	<u>Weighted average exercise price</u>
		CAD	USD
Balance as at February 1, 2010 and December 31, 2010	-	-	-
Granted	1,697,995	1.06	1.08
Outstanding as at December 31, 2011	1,697,995	1.06	1.08
Fair market value of warrants granted (CAD' 000)	1,073		
Using the foreign exchange rate on December 23, 2011 (date of issuance) (USD' 000)	1,053		

Financial Instruments

The carrying value of the Company's financial instruments, consisting of cash held in interest bearing accounts with major bank institutions and accounts payable approximate their fair value due to the short-term maturity of such instruments. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Northland Resources S.A.

Statement of Compliance

The consolidated financial statements of Northland Resources S.A. have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”) and IFRS as adopted by the European Union (“EU”). With respect to Company’s consolidated financial statements for the year ended December 31, 2011, there is no difference between IFRS as adopted by the EU and IFRS as issued by the IASB as at the date of the approval of these consolidated financial statements.

Accounting Standards Adopted during the Period

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended IFRS and IFRIC interpretations as at January 1, 2011:

- IAS 24 amendments: *Revised definition of related parties*
- IFRIC 14 amendments: *Prepayments of a minimum funding requirement*
- IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments
- Improvements to IFRS (year 2011)

Adoption of these amendments and improvement to IFRS did not have any effect on the financial performance or position of the Group.

New standards issued but not yet effective

The following standards and interpretations are not effective up to the date of issuance of the Group’s consolidated financial statements and which are expected to be relevant for the Group at a future date is listed below. They may result in consequential changes to the accounting policies and other note disclosures. The Group is in the process of analyzing the impact of these standards on its operations.

- IFRS 1 amendments: Severe Hyperinflation and Removal of Fixed dates for First-time Adopters
- IFRS 7 amendments: Disclosures -Transfers of financial assets
- IFRS 9: Financial Instruments
- IFRS 10: Consolidated Financial Statements
- IFRS 11: Joint Arrangements
- IFRS 12: Disclosure of Interests in Other Entities
- IFRS 13: Fair Value Measurement
- IAS 1 amendments: Presentation of items in Other Comprehensive Income
- IAS 12 amendments: Deferred Tax - Recovery of the Underlying Asset
- IAS 19 (Revised): Employee Benefits
- IAS 27 amendments: Consolidated and Separate Financial Statements
- IAS 28 amendments: Investments in Associates

Risks and Uncertainties

The presentation of financial statements in conformity with IFRS requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities as at the date of the financial statements and reported amounts of revenues and expenses during the period. Significant areas requiring the use of estimates include valuation of share-based payment, the estimation of future income tax asset valuation allowances and the use of impairment analyses for property, equipment and resource properties. Actual results could differ from those estimates.

Exploration and Development

Mineral exploration and development involves a high degree of risk and few properties that are explored are ultimately developed into producing mines. The results of the DFS on the

Northland Resources S.A.

Kaunisvaara Project were released September 27, 2010 and an update was released on May 18, 2011. The Hannukainen project is a brown-field project with a positive PEA including a NI 43-101 compliant resource statement. There is no assurance that the Company's mineral exploration activities will result in any discoveries of new bodies of ore that will be economical for commercial production. Discovery of mineral deposits is dependent upon a number of factors and it can be significantly influenced by the technical skill of the exploration personnel involved. The commercial viability of a mineral deposit is also dependent upon a number of factors that are beyond the Company's control. Some of these factors are the attributes of the deposit, commodity prices, government policies and regulation and environmental protection.

Price Volatility – Iron Ore (Magnetite), Gold, Copper, and Other Metals

The market prices for iron ore (magnetite), gold, copper, and other metals are volatile and cannot be controlled. There is no assurance that, if commercial quantities of iron ore (magnetite), gold, copper, 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. As the Company is currently not in production, no sensitivity analysis for price changes has been provided or carried out.

Permits

The Company's current and anticipated future operations, including further exploration, development activities and commencement of production on the Company's properties, require permits from various governmental authorities in Sweden, Finland and Norway. There can be no assurance that all permits which the Company requires for the construction of the mining facilities and the conduct of mining operations will be obtainable on reasonable terms, or at all. Delays or a failure to obtain such permits, or a failure to comply with the terms of any such permits that the Company has obtained, could have a material adverse impact on the Company. There also can be no assurance that once permits are awarded that they will not be challenged at any time.

Impairment of Exploration and Evaluation Assets

The need to write-down exploration and evaluation assets is assessed in accordance with the requirements in IFRS 6 Exploration for and Evaluation of Mineral Resources, when facts and circumstances suggest that the carrying amount for an exploration and evaluation asset may exceed its recoverable amount. If there are indications of impairment, the Group performs an impairment test in accordance with IAS 36 Impairment of assets.

The major focus of exploration, Kaunisvaara (including the properties Tapuli and Sahavaara), Pellivuoma and Hannukainen are identified by the Group as cash generating units based on an impairment test which will be performed when needed. As at December 31, 2011, exploration and evaluation assets amounted to USD 64.2 million (December 31, 2010: USD 45.7 million) and mines under construction amounted to USD 236.8 million at December 31, 2011 (December 31, 2010: USD 75.0 million).

Liquidity Risk

Liquidity risk encompasses the risk that the Company cannot meet its financial obligations as they fall due. The investments made in the Kaunisvaara project up until December 31, 2011 were entirely funded by equity. However, additional funding is necessary to complete the project and there is no guarantee that the Group will be able to obtain the necessary financing.

Foreign Currency Risk

The Group is exposed to foreign currency risk mainly due to inter-company loans granted by the parent company and denominated in the functional currencies of the subsidiaries as well

Northland Resources S.A.

as to its cash balances that are denominated in currencies other than the functional currencies in which they are measured.

Share-based Payments

The Group measures the cost of equity-settled transactions with officers, directors, employees and consultants by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 17 to the financial statements.

Taxes

The tax expense for the period comprises current and deferred tax. Tax is recognized in the statement of comprehensive income, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the balance sheet method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available or that there are deferred income tax liabilities against which the temporary differences can be utilized.

Deferred income tax liability is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Other Risks

Other risks facing the Company include among others competition, environmental and insurance risks and share price volatility.

Northland Resources S.A.

Other Matters

Disclosure Controls and Procedures

As required by the Multilateral Instrument 52-109 issued by the Canadian Securities Administrators, the Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have made certain certifications related to the information in the Company's annual filings (as this term is defined in Multilateral Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings) with the provincial securities legislation.

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including to the Company's CEO and CFO, on a timely basis so that appropriate decisions can be made regarding public disclosure.

Management's Report on Internal Controls

Disclosure controls and procedures

Disclosure controls and procedures have been designed to provide reasonable assurance that all material information related to the Company is identified and communicated on a timely basis. Management, with the participation of the President and CEO and the CFO, have evaluated the effectiveness of the Company's disclosure controls and procedures and has concluded that they were effective as at December 31, 2011.

Internal control over financial reporting

Management of the Company is responsible for designing internal controls over financial reporting for the Company as defined under Multilateral Instrument 52-109 issued by the Canadian Securities Administrators.

The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with IFRS. However, due to inherent limitations, internal control over financial reporting may not prevent or detect all mis-statements and fraud. Management has used the Committee of Sponsoring Organizations of the Treadway Commission framework to assess the effectiveness of the Company's internal control over financial reporting. Management conducted an evaluation of the effectiveness of internal control over financial reporting and concluded that it was effective as at December 31, 2011.

Changes in internal control over financial reporting

There have been no changes in the Company's internal control over financial reporting during the fiscal year ended December 31, 2011 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Forward-looking Statement

Certain statements contained in this MD&A and elsewhere constitute forward-looking statements. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as at the date the statements were made, and readers are advised to consider such forward-looking statements in light of the risks set forth below.

Northland Resources S.A.

Coming Report Dates

Q1 Financial Statement and MD&A ended March 31, 2012: May 10, 2012

Q2 Financial Statement and MD&A ended June 3, 2012: August 9, 2012

Q3 Financial Statement and MD&A ended September 31, 2012: November 14, 2012

Annual General Meeting 2012

The 2012 Annual General Meeting of Northland S.A. will be held on Wednesday, May 16, 2012 in Luxembourg.

Northland Resources S.A.

CORPORATE GOVERNANCE REPORT – 2011

Northland Resources S.A. is a public limited liability company (*société anonyme*), domiciled in the Grand Duchy of Luxembourg, and governed by the Luxembourg law of August 10, 1915 on commercial companies, as amended. Northland Resources S.A. is the parent company, which in turn holds operating subsidiary companies in Sweden and Finland. The common shares of the Company are listed on the Toronto Stock Exchange (“TSX”) and the Oslo Stock Exchange (“Oslo Børs”).

Northland’s corporate governance is based primarily on Luxembourg corporate law. Northland’s Articles of Association, which were ratified by the shareholders of the Company at an EGM held January 15, 2010, and as amended at EGMs held August 23, 2010 and July 6, 2011, have been drafted to comply with Luxembourg law. The Articles determine, among other things, shareholder rights, how general meetings of the shareholders are convened, the role of the Board of Directors and how Board members are appointed. The Articles of Association can only be amended at an Extraordinary General Meeting of the shareholders; to obtain a quorum for an EGM under Luxembourg law, a minimum of 50% of the Company’s share capital needs to be present or represented at the meeting. If a quorum is not obtained, the next step under Luxembourg law is to reconvene the meeting, at which time there is no quorum requirement, and resolutions are decided by a 2/3 majority vote in favor of the resolutions. Because the TSX is the primary listing for the Company’s common shares, the Company must comply with Canadian securities law, and in particular National Policy 101, “Disclosure of Corporate Governance Practices”, and National Policy 201, “Corporate Governance Guidelines”. The Information Circular that is mailed by the Company to shareholders as part of the AGM materials includes disclosure concerning the Company’s corporate governance practices. In addition, the Company must adhere to the disclosure provisions of the EU Transparency Directive, as the Company’s common shares trade on the Oslo Børs. The Company is subject to other relevant laws and guidelines because of its operations in Sweden and Finland.

Ownership Structure

Northland had a total of 226,628,899 common shares issued and outstanding as of December 31, 2011, all of which were fully paid, for total issued share capital of CAD 22,662,889.90. The shares have no nominal value and an accounting par value of CAD 0.10 per share. The Company has only one class of shares and each share gives the holder one vote and a proportional interest in the Company. The Board is authorized, for a period of 5 years from the date of publication of the deed of incorporation to increase the current share capital in one or several times up to CAD 950,000,000, with the issue of new shares having the same rights as the existing shares or without any such issue; limit or withdraw the shareholders’ preferential subscription rights to the new shares, if any, and determine the persons authorized to subscribe to the new shares and record by way of notarial deed each share capital increase and amend the share register accordingly.

Annual General Meeting

The Annual General Meeting (“AGM”) is held at the registered office of the Company in Luxembourg, or at such other place in Luxembourg as may be specified on the meeting notice, on the third Wednesday of May of each year at 10:00 a.m.

Board of Directors

Composition

According to Northland’s Articles of Association, the Company is managed by the Board of Directors, composed of at least 3 members. The Directors are appointed at the AGM, and their remuneration is determined at the same time. Directors may be removed at any time by a resolution of an Extraordinary General Meeting (“EGM”). If the office of a Director becomes vacant, his or her successor may be appointed by the Board, to hold office until the

Northland Resources S.A.

next AGM or EGM. At the AGM held May 18, 2011, Anders Hvide (Executive Chairman), Tuomo Mäkelä, Stuart Pettifor and Birger Solberg were re-elected to the Board and Matti Kinnunen was elected to the Board.

Remuneration

At the AGM, the remuneration to the non-executive members of the Board was determined at CAD 40,000 per annum, with an additional CAD 10,000 per annum to those Directors serving as Committee Chairs. The Board also participates in the Company's incentive stock option program. A more detailed description of the compensation to the Board of Directors, including stock-based compensation, is detailed in the Company's Information Circular.

Independence

All the Directors are independent from the Company's large shareholders (being any shareholder holding more than 5% of the total number of issued and outstanding shares), and all Directors are independent from the Company's management, except Anders Hvide, who serves as Executive Chairman. Only independent Directors serve as Committee members.

Board Duties

The Board typically sets four meeting dates to coincide with the review and approval of financial results plus one meeting to follow the AGM, to reinstate the Board and appoint Committee members. Other meetings are scheduled when circumstances demand. The meetings are held in person and via conference call. During fiscal 2011, the Board held 19 meetings. The Board in turn determines the internal regulations governing the work of the President & CEO, who is responsible for the overall management of the business and affairs of the Company. The President & CEO maintains a close working relationship with the Executive Chairman.

Committee Memberships

The following Committees have been appointed by the Board.

Audit Committee

The Audit Committee is governed by the Audit Committee Charter which is reproduced in full in the Company's Annual Information Form. The Charter states that the primary function of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities by reviewing: the financial information to be provided to shareholders and others, the internal control systems and management information systems established by management, the Company's external audit process and the Company's compliance with the legal and regulatory requirements with respect to its financial statements. The Audit Committee makes recommendations to the Board regarding the external auditor and their compensation. The Audit Committee is responsible for overseeing the work of the external auditor and resolving any disputes between management and the external auditor regarding financial reporting. The Audit Committee also monitors the Company's Whistleblower line, which allows the anonymous submission of employee concerns about questionable accounting or auditing matters. The Audit Committee keeps minutes of its meetings, and the resolutions taken are communicated to the other members of the Board. During 2011, the Audit Committee held 4 meetings.

The members of the Audit Committee are Matti Kinnunen (Chair), Tuomo Mäkelä and Stuart Pettifor.

Compensation Committee

The Compensation Committee assists the Board in discharging its oversight responsibilities relating to compensation, including the compensation of key members of senior management. The Committee reviews the adequacy and form of compensation and benefits

Northland Resources S.A.

to all executive officers and directors. The Committee also makes recommendations to the Board regarding the Company's stock option plan and bonuses. The Committee reviews management's reporting on executive compensation as required in public disclosure documents.

The members of the Compensation Committee are Tuomo Mäkelä (Chair), Stuart Pettifor, and Birger Solberg.

Nomination Committee

The main task of the Nomination Committee is to propose candidates for election to the Board of Directors, including the Chairman. To date, the Committee has reviewed candidates for Board positions and made recommendations to the Board on these matters.

The members of the Nomination Committee are Birger Solberg (Chair), Tuomo Mäkelä and Stuart Pettifor

Environmental, Health and Safety (EHS) Committee

An EHS Committee was established during 2011 with the mandate of advising the Board of Directors on the Company's EHS strategy, policies and programs. The Committee was also tasked with supporting Company management in developing and implementing best practice standards and systems, conducting site audits and reviewing EHS reports.

The members of the EHS Committee are Stuart Pettifor (Chair), Birger Solberg, Manfred Lindvall (advisor only) and Shane Williams (advisor only).

Auditors

On behalf of shareholders and in accordance with current laws and regulations, the external auditors examine the financial statements, group accounts, annual report and administration and management of the Company by the Board of Directors and the President & CEO and CFO. The appointment of the auditors is ratified at the AGM. The Company's auditors are Ernst & Young S.A. A breakdown of the Auditors fees can be found in the Company's Annual Information Form.

Corporate Governance Policies

The Board and Management of Northland have put in place a number of policies covering key areas of Corporate Governance and Ethics. Links to the following policies can be found on our website:

Northland Whistleblower Policy
Northland Code of Business Ethics
Northland Sustainable Development Policy

Northland Resources S.A.

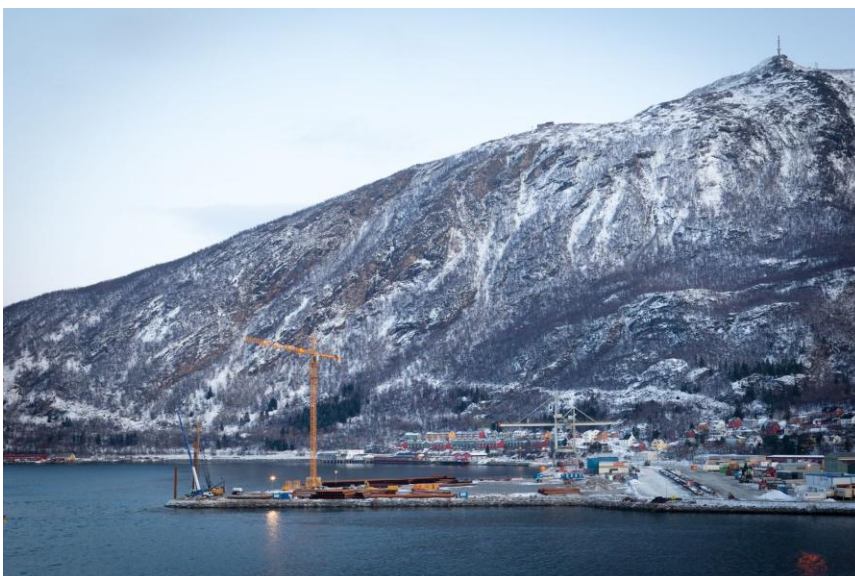
Recent developments of the Kaunisvaara project:



Aerial photo of the Kaunisvaara site, November 2011



Erection of the steel work of the truck shop, January 2012



Ongoing construction work at the Fagernes Terminal in Narvik, Norway, January 2012