

NORTHLAND

Toronto Stock Exchange: NAU | Oslo Børs: NAUR / NAUR R | Börse Frankfurt: NPK

Northland Operational Update – May 2012

Luxembourg, May 22, 2012 – Northland Resources S.A. (TSX: NAU, OSE: NAUR and NAUR R, Frankfurt: NPK – “Northland” or the “Company”) **announces its second bi-monthly operational and construction update on its Kaunisvaara project. During this period, March 19 – May 22, one of the main focuses has been on completing the mine and processing infrastructure at Kaunisvaara as well as signing logistics contracts.**

- The schedule for Kaunisvaara remains unchanged, with production at the Tapuli Mine scheduled to commence during the fourth quarter of 2012 and with shipments of concentrate starting in first quarter of 2013.
- Northland has signed logistics agreements with Peab, Savage Service, Green Cargo, Grieg Logistics and Kiruna Wagons, thus completing the logistics chain from Kaunisvaara to the Port of Narvik.
- Northland has hedged its electricity price considerably lower than used in the Definitive Feasibility Study (DFS). The agreement is for “Base blocks”, equivalent to approximately 70 percent of the estimated required amount for 2013 production.

THE MINE

- Approximately 2,860,000 m³ of the Tapuli overburden has been removed so far, and the current average rate is 80,000 m³ per week.
- At the end of April, the first Kaunisvaara process line was 70% complete. The second Kaunisvaara process line was 39% complete at the end of April.
- At the end of April, the Sahavaara mine and related investments were 25% complete.
- 4 pieces of 23 mobile mining equipment will be delivered before the end of June.

THE LOGISTICS CHAIN

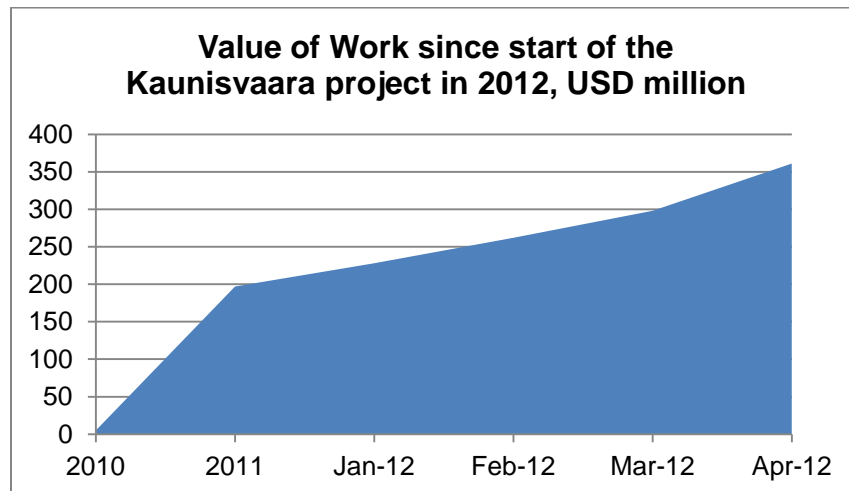
- The build-out of the logistics chain is on schedule for Northland to commence making deliveries to customers in the first quarter of 2013.
- Building Permit for storage building at Pitkäjärvi transloading terminal has been received.

THE PORT

- Construction of the Fagernes Terminal in the Port of Narvik began in mid-January 2012 and remains on schedule. The initial piling work has been successful.

Value of Work

At the end of April, Northland had committed USD 933 million of Capex for its Kaunisvaara project for the period up to 2016. At the end of April, the Value of Work done was USD 361 million.



*Services/Works measured in terms of actual physical progress based on the documentary evidence of the deliverables produced/installed. The VOWD is determined by applying the percentage of physical progress achieved to the current estimated value of the cost of that item, which is in general the contract value, including any approved changes or forecasts.

Kaunisvaara

Construction of the foundation for the primary crusher for the Tapuli ore is ongoing and is on schedule to be ready when the crusher is delivered in the second quarter of 2012. Construction of the ore sheds is also progressing well. Sections of the overland conveyor have now been mounted.

The ore sheds and the truck workshop are being constructed according to plan. The second construction phase, involving the administration premises, including locker rooms, laboratories and the simulator center, is also well underway.

The exterior of the process plant was finalized in mid-March. At the process plant, work is now focused on the interior structures, the delivery of these and other key equipment from Metso started in the second quarter of 2012 and are on time. The main items include crushers and mills from Metso.

Vattenfall Eldistribution AB has continued the erection of the 150 kV power line and the ground preparation for the substation has been initiated. Work is progressing on schedule. The steel structure for the electrical substation and the associated control room at the process plant are under construction.

The total length of the process water pipeline is approximately 40 km. The pipeline will run from the Muonio River to the process water pond and then to various locations around the site as well as to the construction of a number of pumping stations. Most of the water pipeline has now been laid and is progressing according to schedule.

The process water dam was brought into operation in the second quarter of 2012. It was inspected by the Swedish Dam Safety Inspectorate and received approval before it was brought into operation.

Starting in the second quarter of 2012, Northland will receive Caterpillar mining equipment. An agreement for the ongoing maintenance and repair of the mobile mining equipment for the Kaunisvaara project was signed on April 12, 2012.

On March 26, 2012, Northland signed a service contract with Metso to ensure a smooth start-up and running of the process plant. The service contract included staffing for commissioning and completion, performance-guarantee testing, scheduling and quality control, spare parts inventory-keeping and maintenance of the equipment related to the Kaunisvaara process plant.

Logistics

The trucking operation from Kaunisvaara to Pitkäjärvi will be operated by Peab/Cliffon.

Construction of transloading terminal in Pitkäjärvi:

- The road and rail interchange work is on schedule
- Land procurement and land rental has been finalized
- Work is ongoing with Peab and the Swedish Transport Authority for the construction works
- Preparation and construction work on the roads at the Pitkäjärvi site have started
- Received building permit from the Municipality of Kiruna

Rail operation between Pitkäjärvi and Narvik – to be operated by Savage

- Contract signed with Green Cargo for the operation of the locomotive, hauling of the iron ore concentrate and for shunting in Pitkäjärvi and Narvik/Fagernes

Terminal at Fagernes (Narvik) – Grieg Logistics the Operator:

- A permanent storage facility is planned for the fall of 2012
- Norconsult has been engaged for the terminal design and project support
- Peab has been engaged for the construction of the terminal
- The design of the jetty has been finalized and construction is ongoing
- The ship-loader contract has been signed
- The de-icing facility contract has been signed
- The construction work is progressing according to schedule, and the facility will be operational to handle the first shipment in 2013.

Health & Safety

The Lost Time Injury Frequency Rate (LTIFR) from the start of the project and until end of April 2012 was 1.79 per 200,000 worked hours.

In total 30 Near Hits were reported, 15 of which were reported by contractors and subcontractors.

At the end of the first quarter of 2012, 200 people were trained for the obligatory site safety program.

Northland took over the site safety coordination starting April 1, 2012. The operations staff are preparing for takeover from the project organization during third quarter 2012. Recruitment of permanent site EHS staff is underway, with a safety coordinator in place at the start of May.

Contracts

The total value of commitments made during April 2012 amounted to USD 76.4 million.

The following contracts have been finalized as of the end of April 2012.

Agreements		Description
<i>Construction and supply agreements</i>		
1	Process plant supply agreement with Metso Minerals (Sweden) AB	Agreement for the supply of mineral processing equipment and services for the two processing lines of the Kaunisvaara Project, and basic engineering for the process plant system of the Kaunisvaara Project.
2	Long lead items supply agreement with Metso Minerals (Sweden) AB	Agreement for the supply of long lead items in respect of the mineral processing plant for the Kaunisvaara Project.
3	Mobile mining equipment supply agreement with PON Equipment AB	Agreement for the supply of Caterpillar mobile mining equipment for use at the Kaunisvaara Project site.
4	Power connection agreement with Vattenfall Eldistribution AB	Agreement for the construction of new overhead power lines to the Kaunisvaara Project site.
5	Agreement for supply of explosives, accessories and services with Forcit Sweden AB	Agreement for the supply of explosives, accessories and services in connection with the Kaunisvaara Project.
6	Water system agreement with FineWeld Sverige AB	Agreement for the engineering and design of all pump stations and related civil works for the water and piping systems for the Kaunisvaara Project.
7	Industrial area civil and building agreement with Peab Sverige AB	Agreement for the civil works for the Kaunisvaara Project, including detailed engineering, earthworks, foundations, buildings and related works.
8	Main power supply line agreement with Vattenfall Eldistribution AB	Agreement for the main power supply with a capacity of 130 kV for the process plant.

Agreements	Description
9 Agreement with Peab Sverige AB for removal of overburden	Agreement to remove an overburden consisting of peat, moraine and waste rock at the Tapuli mine.
10 Port of Narvik lease agreement	Agreement with the Port of Narvik which grants the permit to lease the Narvik Terminal for a period of 10 years, plus extension options.
11 Agreement for the purchase of a ship loader with Sandvik Mining and Construction Norge AS	Agreement for the purchase of a shiploader at Narvik with a 3,600 tph loading capacity.
12 Mobile mining equipment maintenance agreement with PON Equipment AB	Agreement for the ongoing maintenance and repair of the mobile mining equipment for the Kaunisvaara Project.
13 Wagon manufacturing contract with Kiruna Wagon AB	Manufacturing contract in relation to the design and manufacture of rail wagons for the Kaunisvaara Project.
14 Rail operation agreement with Green Cargo	Agreement for the operation and management of the rail operations.
15 Port construction agreement with Peab Sverige AB NUF	Agreement for the construction of the port facilities terminal in Narvik.
16 Port operation and management agreement with Grieg Logistics AS	Agreement for the operation and management of the port operations.
17 Logistics operating agreement	Agreement between Northland Logistics AB and Northland Resources AB for the provision of transportation and logistics services.
18 Logistics management agreement	Agreement between Northland Logistics AB and Savage Logistics AB for the overall management and coordination of the Kaunisvaara Project logistics solutions.
19 Life cycle services agreement with Metso Minerals (Sweden) AB	Agreement regarding equipment services, maintenance and supply and repair of parts.
20 Materials handling and transportation services agreement with Swerock AB	Agreement for the provision of various materials handling and transportation services for the Kaunisvaara Project.
Off-take Contracts	
21 Iron ore supply agreement with Stemcor UK Ltd	Agreement for the supply of a certain percentage of the annual iron ore concentrate production of the Kaunisvaara Project.
22 Iron ore supply agreement with Standard Bank Plc	Agreement for the supply of a certain percentage of the annual iron ore concentrate production of the Kaunisvaara Project.
23 Iron ore supply agreement with Tata Steel UK Ltd	Agreement for the supply of a fixed amount of the annual iron ore concentrate production of the Kaunisvaara Project.

Finances

May 2, 2012, Northland entered a senior secured cost overrun facility with Standard Bank to finance potential cost overruns up to a maximum of USD 40 million. The facility will be senior secured but subordinated to the USD 350 million Senior Secured Bonds and will mature after the Bonds mature.

On May 7, 2012, Northland Resources AB, an indirect wholly owned subsidiary of Northland Resources S.A. published a prospectus in connection with the listing on Oslo Børs of its USD 270,000,000 (ISIN NO 001 063619.4) and NOK 460,00,000 (ISIN NO 001 063613.7) Senior Secured Bond Issue 2012/2017.

Pellivuoma

Pellivuoma is located approximately 15 km west of Sahavaara. The Company controls 100% of the exploration permit, which totals 11,346 hectares. The deposit constitutes a significant addition to the potential tonnage in the Kaunisvaara area.

Following a review of the ongoing DFS work at Pellivuoma, the Kaunisvaara management has resolved to change the scope of the DFS with the objective to ensure that Pellivuoma is linked in an optimal way to other parts of the Kaunisvaara mining site including the possible increase of the output of high grade concentrate or extending the life of the Kaunisvaara operation in combination with an increase of the production. The DFS is expected towards the end of 2012.

Other matters

Northland's ongoing effort to recruit operational managers as well as operational staff has thus far been successful. The Kaunisvaara senior operational management is in place and the recruitment process is focusing on the 100 positions that are still to be filled.

Next Operational Update

The Operational Update for July 2012 will be published on July 19, 2012.

Shareholders' Meetings in Oslo and Stockholm

Shareholders' Meetings will be held in Oslo (May 23, 5 p.m. CET) and in Stockholm (May 24, 6 p.m. CET). At the respective meeting the Executive Chairman, Mr. Anders Hvide, and the President and CEO, Mr. Karl-Axel Waplan, will comment on the latest Company developments. The presentation will be in the Norwegian and Swedish. Please contact the Northland IR department for further venue information for these meetings

Photos



In the foreground, the Kaunisvaara Process Plant and behind it, the ore stock pile for ore from the Tapuli mine.



Signing of Logistics Agreement in April – Karl-Axel Waplan, CEO of Northland Resources to the left and Jan Johansson, CEO of Peab, to the right.



Construction of the Tapuli ore stock pile.



Construction work on the transloading terminal in Pitkäjärvi.



Construction work on the jetty in Narvik.

Additional photos and video clips are available on Northland's website, www.northland.eu

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Or visit our website: www.northland.eu

Northland a development-stage mining company with a portfolio of iron ore projects in northern Sweden and Finland. The Company’s Kaunisvaara Project will initially exploit two magnetite iron ore deposits in Sweden. The process will yield a high-grade, high-quality magnetite iron concentrate. The construction of the Kaunisvaara project in Sweden is well underway and mining is planned to start in the fourth quarter of 2012. Northland has entered into off-take contracts for the entire production from Kaunisvaara. 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 its Pellivuoma deposit 15 km from the Kaunisvaara process plant.

Important Notice

Forward-Looking Statements

This announcement 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. 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. 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.