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Northland in magnetite at Tapuli satellites

Vancouver - With its latest round of drilling in Sweden, **Northland Resources** (NAU-T) has confirmed good iron grades at Pellivuoma, 15 kilometres west of its planned Tapuli iron-ore mine.

"This is one more beat of the drum to our story," chief operating officer Bill Wagener says.

Northland Resources drilled 7 holes at Pellivuoma this summer, a property the company likens in size to Tapuli. Hole 5 hit 56.8 metres grading 30.7% iron from 13 metres downhole and hole 7 returned 38.7 metres grading 33.9% iron starting 67 metres below the surface.

On news of the drill results, Northland's share price gained 5¢ to close at \$1.50.

Wagener says Pellivuoma, where Northland Resources has so far outlined a magnetite mineralization about 500 metres long, 250 metres wide and tapering to the northwest, is one of at least 25 targets that Northland Resources has geophysical signatures for and some historical data on in the area.

So in planning to drill this year, "The question became which ones do you hit first?" he says.

Pellivuoma "popped to the surface" when Northland Resources prioritized the geophysics and historical data from the over two dozen targets. That included a non-NI 43-101 compliant 43 million tonnes resource grading 32.7% iron at Pellivuoma.

He characterizes it and Northland Resources' other properties as potential satellite deposits that may one day feed a central milling facility it plans on building for the Tapuli and Stora Sahavaara projects.

Northland Resources put its foot in its mouth earlier this summer when it announced a positive preliminary economic assessment (PEA) for its three main magnetite resources, Tapuli and Stora Sahavaara in northern Sweden and Hannukainen in northern Finland.

But a day after that announcement Northland Resources had to cancel a planned conference call about the assessment.

In a statement Northland Resources said "the Company discovered an error in the financial model developed by its consulting engineers which may affect the revenue calculations in the PEA."

Over the next four days Northland Resources pried through the details and then re-released the PEA. Apparently the revenue calculation was off in the original PEA and it had double counted some contingency funds.

The net effect, however, was small.

"At the project level," the company wrote in a statement, "the EBIT (earnings before interest and tax) has increased for Hannukainen, and decreased slightly for Tapuli and Stora Sahavaara but was not great enough to affect the overall IRR (internal rate of return) or NPV (net present value)."

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With the hiccup behind Northland Resources, it could focus on the outcome of the PEA. The assessment found that of the three potential projects, all of which came out positive, Tapuli would cost less to build and get more bang for buck than either of the other two.

President and CEO of Northland Resources Buck Morrow said the company would focus its near-term efforts on bringing medium grade iron ore at Tapuli to market, and in effect, keep Sahavaara and Hannukainen on the backburner.

The PEA estimates that there is 65.9 million tonnes of iron ore grading 28.34% Fe at Tapuli, versus 101.9 million tonnes grading 43.32% Fe at Sahavaara, and 117.6 million tonnes grading 31.69% Fe at Hannukainen.

Respectively this equates with 22.5, 52.7, and 36.9 million tonnes of iron concentrate that could be produced. An additional 54.7 million tonnes of iron pellets would be churned out at Sahavaara, and 38.52 million tonnes of pellets at Hannukainen – none at Tapuli.

But despite the larger production potential at Sahavaara and Hannukainen, Northland Resources favours Tapuli because the low sulphur iron ore there needs only simple processing. What's more, the PEA found capital costs at Tapuli of €147 million versus capital costs of €337 and €55 million at Sahavaara and Hannukainen. Making up about half of the capital costs at Sahavaara and Hannukainen is pelletizing.

The result is an IRR of 34% and a net present value (NPV) of €117 million at Tapuli, versus an IRR of 27% and an NPV of €67 million at Sahavaara and an IRR of 26% and an NPV of €30 million at Hannukainen.

The PEA envisions an open-pit mine at Tapuli to extract magnetite found from near surface to about 300 metres depth. The plan aims to remove 8.5 million tonnes of iron ore a year to produce 3 million tonnes of iron concentrate.

Processing would entail conventional crushing, screening, grinding and low intensity magnetic separation. (Whereas processing ore from Sahavaara and Hannukainen requires flotation technology).

To get the iron concentrate out of Scandinavia, Northland Resources says it can depend on the port of Kemi in Finland and Narvik in Norway, and also mentions the possibility of developing a port at Kalix, Sweden.

With about \$130 million dollars in the bank, Northland Resources is also in the enviable position of having just over half the funds needed to bring a large iron ore mine such as Tapuli on line.

But Wagener is clear on one thing, "We don't want to dump everything into developing the mine."

He says Northland Resources wants to keep some liquidity to continue development of its other exploration properties, mostly in Scandinavia. This includes the Barsele property where the company has defined a 7.6 million tonne indicated resource grading 1.6 grams gold.

In fact it was Barsele and gold that got Northland Resources – then named North American Gold – into Sweden. Northland Resources didn't mean to move into iron exploration, but it kept turning up at its properties. And Wagener doesn't seem to mind the switch.

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"All you need to do is touch it with a magnet," he says. "You don't have to get out the divining rods."

But if Northland Resources doesn't want to spend its money in the bank on developing Tapuli, how does it intend to raise needed capital? Wagener says Northland Resources doesn't have an answer to that question yet.

"We're interested in the whole gamut," he says. That includes strategic partnerships, debt financing and making a leasing agreement.

At the moment Northland Resources is focused on acquiring long lead-time equipment, especially front end circuits. To that end three weeks ago the company acquired its first piece of major equipment, a used FL Schmidt Fuller Traylor 54x74 gyratory crusher, for what Wagener considers a steal.

"In the scoping study we valued that at something like \$5.5 million," he says. "We got it for about \$2.5 million including transportation (from Australia)." It also comes with about a million dollars worth of spare parts.

He says the next purchases will be an autogenous grinding circuit and then on to secondary grinding circuits. "We wouldn't be shopping for magnetic cobbles right now. We can get those fast."

Wagener says the speed at which Northland Resources has moved in the four years since acquiring its Scandinavian projects – not to mention the amount of money it has raised – has been "a very exciting ride."

The key, he says, has been getting good people on its team.

"I don't think – no – I know we've finally hit the radar screen of the industry. They're calling us now. That wasn't the case before."