



NORTHERNSHIELD
RESOURCES INC.

(A Development Stage Company)

Northern Shield Resources Inc.
Management Discussion and Analysis
for the year ended December 31, 2011

Set out below is a review of the activities, results of operations and financial condition of Northern Shield Resources Inc. ("Northern Shield", or the "Company") for the year ended December 31, 2011.

The following information should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2011. The policies applied in these consolidated financial statements are based on IFRSs issued and effective as at April 24, 2012 for periods ending on or before December 31, 2011.

All dollar figures included in the following Management Discussion and Analysis ("MD&A") are quoted in Canadian dollars unless otherwise indicated. This MD&A has been prepared as at April 24, 2012.

The Company is a reporting issuer in British Columbia, Quebec, Alberta and Ontario, and has its head office in Ottawa, Ontario and its registered office in Calgary, Alberta.

The Company is incorporated pursuant to the Canada Business Corporations Act and trades on the TSX Venture Exchange under the symbol "NRN" and on the Frankfurt (Germany) Stock Exchange under the symbol "N9S".

Additional information related to the Company is available on SEDAR at www.sedar.com.

1. DESCRIPTION OF BUSINESS

Northern Shield Resources Inc. (the "Company" or "Northern Shield") is an active junior mining company primarily engaged in the exploration of platinum group element (PGE) and associated metals in Canada and copper-zinc-silver at its Wabassi properties in northern Ontario. Northern Shield's mission is to create a successful mineral exploration company through technical excellence and efficient management, where success is measured by the identification and development of high-quality mineral exploration projects, which ultimately may be optioned, sold or developed for maximum return on investment.

The Company is focusing its exploration efforts on under-explored regions of northern Ontario and Quebec, as management believes the chances of success in finding significant ore deposits are greatly increased by exploring outside of existing mining camps. The majority of both provinces is underlain by "shield" rocks, a geologic terrain favourable for a variety of mineral deposits including platinum, diamonds, gold and base-metals. The two provinces also possess an attractive economic and investment climate, in particular due to the advent of the "super" flow-through tax structure and relatively advanced infrastructure. On a regional scale, the Company's grass roots exploration strategy is driven by the understanding and interpretation of geological and exploration modeling. That is, what should a deposit look like; where should it form; and what controls its formation or emplacement. The perspective of this model is then adapted to reflect the observed geological environment. The exploration programs that the Company then implements to test these models are a balance between aggressiveness and dynamism, which allows for cost effective exploration yet retains the ability to adapt the exploration programs as the Company's understanding of the target evolves.

The information in this Management Discussion and Analysis (MD&A) contains forward-looking statements. These statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those included in the forward-looking statements. See "Cautionary Statement" at the end of this MD&A. This MD&A has been prepared in accordance with the requirements of National Instrument 43-101, "Standards of Disclosure for Mineral Projects", and National Instrument 51-102, "Continuous Disclosure Obligations."

2. CORPORATE DEVELOPMENTS

On April 14th, 2011 the Company announced it had made a significant discovery of copper-zinc-silver mineralization on its Wabassi property in northern Ontario. This is the second such volcanogenic massive sulphide (VMS) type occurrence to be found on the property and strongly suggests the existence of a new VMS district or “camp” in northern Ontario. The discovery led the Company to stake a significant number of additional claims in the area. Approximately half of these were staked under the Wabassi joint venture with Discovery Harbour Resource Corp. The remainder are held 100% by Northern Shield (see Resource Asset Section for more details).

During the year, a total of 4,700,000 common shares were issued through private placements (2010 – 6,714,250) at an average of \$0.25 per share (2010 - \$0.15) for gross proceeds of \$1,175,000 (2010 - \$998,260).

During the year, a total of 4,306,704 flow-through common shares were issued (2010 – 341,111) at an average of \$0.32/share (2010 - \$0.18) for gross proceeds of \$1,398,812 (2010 - \$61,400). The difference between the issue price of the shares and the market price on the dates of issuance was recorded as Other Income, reflecting the Company’s renunciation of exploration expenditures made with the funds generated from the share issues.

During the year, the Company purchased a property for \$10,000 in cash and 50,000 shares, which were valued at \$9,000 (2010 - nil).

During the year, there were 852,500 warrants exercised (2010 – 4,411,111) at an average strike price of \$0.17 (2010 - \$0.15) for gross proceeds of \$144,925 (2010 - \$661,667).

Late in the year the Company conducted a drill program at Tempest to test the large Tempest 1 VTEM anomaly. Samples results included a 104-meter intersection of 20 g/t Ag in rocks consistent with those typically found on the flanks of copper-zinc VMS deposits.

Assays results from a reconnaissance of the newly acquired Idefix property in northern Quebec were also received during the reporting period. Of the 21 samples collected from the gabbro-norite sill, ten assayed greater than 1 g/t Pt+Pd+Au with three of them greater than 7 g/t Pt+Pd+Au.

The results to date from Wabassi and Tempest attracted the attention of HudBay Minerals, whom, subsequent to year-end, acquired a 9.9% equity stake in Northern Shield. HudBay is a Canadian integrated mining company with assets in North and South America principally focused on the discovery, production and marketing of base and precious metals.

Meanwhile, the results and prospectivity of the Idefix project resulted in a letter of intent for an option and joint venture agreement being signed with Impala Platinum Holdings Limited of South Africa also subsequent to year-end. Impala is the second largest platinum producer in the world. (Full terms of these arrangements can be found in the Subsequent Events section)

The Company welcomed two new geologists to staff during the period year. Growth of the Company had stretched the capacity of the professional staff too thin and the addition of the two new hires has allowed for the focus of the Company’s activities to broaden. The Company is in the process of expanding its premises to accommodate both the new staff and expected further additions necessary as planned major activities get underway.

3. MINERAL PROPERTIES



The Company conducts the majority of its exploration in northern Ontario and Quebec:

The Company has not yet determined whether its properties contain economically recoverable mineral reserves. Recoverability is dependent upon the reserve's existence, the ability of the Company to obtain the necessary financing to complete exploration and development, and upon future profitable production or proceeds from the disposition of the properties. Until such time as it is able to consistently monetize its mineral property holdings, the Company's ability to

continue its operations as a going concern is dependent on its ability to secure additional financing, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future.

PROPERTY	COMMODITIES	INTEREST	NUMBER OF CLAIMS/UNITS/AREA
<u>PRINCIPAL PROPERTIES</u>			
Highbank	PGEs, Ni-Cu, Cr, V	60%	111/1576/252 sq km
Wabassi	PGEs, Ni-Cu, Cu-Zn-Ag	49%	146/2196/351 sq km
Storm	PGEs, Ni-Cu, Cu-Zn-Ag	100%	93/1476/236 sq km
Max	PGEs, Ni-Cu	59%	30/555/98 sq km
Lac D'Argent	PGEs	100%	NA/65/29 sq km
Idefix	PGEs, Ni-Cu	100%	NA/30/13.6 sq km
<u>OTHER PROPERTIES</u>			
Milou	PGEs, Ni-Cu	100%	28/16.5 sq km

3.1 PRINCIPAL PROPERTIES

3.1.1 Highbank Lake – PLATINUM GROUP ELEMENTS

Northern Shield's Highbank Lake property currently consists of 111 claims (1,576 units) covering an area of 252 square kilometers and is located in the western James Bay Lowlands of northern Ontario.

The property covers a portion of the Highbank Igneous Complex (HIC), which the Company discovered in early 2003. The HIC is a mafic-ultramafic layered intrusion that extends for over 500 square kilometers, placing it amongst the top ten largest known layered intrusions in the world. Individual layers within the intrusion can be traced from airborne magnetic surveys for distances of 20-40 kilometres. Layered intrusions are highly sought after for the potential to host, large, high-grade PGE, chrome and vanadium deposits. The target is modeled on the Bushveld Layered Intrusive Complex in South Africa, which hosts approximately 75% of the world's known reserves of PGEs in association with chromite-rich layers or "reefs". Northern Shield currently owns a 60% interest in the Highbank Lake property with Impala Platinum Holdings Limited ("Impala") of South Africa owning the remaining 40%.

Under the Impala option agreement signed in 2005, Impala had the right to earn incrementally, up to a 60% interest in the Highbank Lake Property by funding \$5 million in exploration expenditures by July 2010. Upon the expiration of the term of the option agreement in July 2010, Impala had earned a 45% interest in the property having successfully met the conditions of the first two phases of the option agreement including by having spent over \$2,500,000 (the actual expenditures were approximately \$3,800,000) on the property. Under the terms of the option agreement, Impala's interest is diluted to nil by Northern Shield, or any third party, by funding an aggregate of \$2,375,000 in exploration expenditures on the property. Since the option agreement's expiration, the Company has diluted Impala down to 40%.

Q4'11 Update

One drill hole was completed on the property in the fourth quarter. The drill-hole was undertaken at the time, largely to meet expenditure requirements in order to keep the south block of the property in good standing for another year. The drill-hole intersected gneissic country rock.

Historical Exploration

Northern Shield originally identified the possibility of a large layered intrusive complex underlying the area by re-interpreting existing aeromagnetic data that showed a spatial relationship between a series of concentric magnetic bands and known mafic rocks nearby. Subsequent identification of magmatically layered mafic-ultramafic rocks on an outcrop within the property confirmed the discovery of a layered intrusive complex.

Very little bedrock is exposed in this region thus exploration relies heavily on soil, till and stream sediment sampling, litho geochemistry, geophysics, diamond drilling and a thorough understanding of the geological models for formation of PGE deposits in layered intrusive complexes. A wide variety of exploration work has been completed at the Highbank Lake Property since 2003 and includes studies on soil, till and stream sediment geochemistry, heavy mineral count and chemistry, litho geochemistry, diamond drilling, airborne and ground geophysical surveying and petrographic study of core and boulder samples, including mineral chemistry by scanning electron microscope (SEM).

Stream sediment sampling in the early years of the exploration program identified very high concentrations of chromite grains in the Attawapiskat River that cuts through the property. Follow-up prospecting located several boulders of chromitite in the till along the riverbank.

The discovery of the chromitite was very important as it, together with the abundance of chromite grains and chromitite fragments recovered from previous stream sediment samples on the property, provides further indication of the likelihood that chromitite layers or “reefs” are hosted within the layered intrusion. The presence of chromitite in the intrusion is critical as PGE mineralization is found within, or proximal to, chromite-rich layers in all the major known PGE deposits in the world (Merensky Reef, UG2, J-M Reef and Great Dyke). Chromite is also the source of chrome metal used in the metallurgical, refractory and chemical industries. The Bushveld Complex in South Africa, which is used as a model for exploration at the Highbank Lake property, contains numerous layers of chromitite, some of which are mined strictly for their chrome ore and one, the UG2, mined for its economic concentration of PGEs.

Further MMI (soil and till) sampling defined an extensive area of PGE and chrome enrichment, particularly in the Northern portion of the property. Grains of sperrylite (a platinum mineral) and pentlandite (nickel sulphide) have also been identified in heavy mineral concentrates from stream sediment samples collected along the river. Both these minerals generally do not survive long in the surficial environment and thus their presence suggests proximity to source.

The first significant drill program to be conducted on the layered intrusion at Highbank Lake was completed in two phases in 2006. A 2,000 meter drill program consisting of ten holes was conducted in June and July, with a follow-up 1,250-meter program of four holes completed in October and November. Of the fourteen drill holes, twelve intersected the intrusion, one (06HB-02) was abandoned in overburden and another (06HB-08) did not intersect the intrusion. No significant PGE mineralization was identified in either program. However, significant, vanadium (V_2O_5)-titanium (TiO_2)-iron (Fe) mineralization was encountered in a magnetite reef in hole 06HB-04. The grade and widths are comparable to similar mineralization found in the Bushveld Complex.

Iron/Vanadium/Titanium Sample Grades:

Hole	Sample	From	To	Interval (m)	Fe %	V_2O_5 %	TiO_2 %
06HB-04	315750	174.75	175.24	0.49	>50	0.93	9
06HB-04	315751	175.24	175.65	0.41	39.9	0.73	7.9
06HB-04	315752	175.65	176.13	0.48	43.3	0.79	8.47
06HB-04	315471	176.13	177.18	1.05	13	0.22	2.4
06HB-04	315753	177.18	177.48	0.3	39.3	0.68	7.4
06HB-04	315754	177.48	178.28	0.8	>50	0.95	9.4
06HB-04	315755	178.28	179.15	0.87	>50	0.98	9.6
06HB-04	315756	179.15	179.68	0.53	>50	0.98	9.3
Total interval		174.75	179.68	4.90	>40.2	0.75	7.56
Including		177.48	179.68	2.20	>50	0.97	9.45

During summer 2007, several drill holes were completed on the Highbank Lake property between June and September, for a total of 3,395 metres. The most significant mineralization was found in drill-hole 07HB-05 which intersected 0.53 grams/tonne Pt+Pd over 0.34 meters in association with trace amounts of pyrrhotite, chalcopyrite and pentlandite. Another zone of anomalous platinum (0.124 grams/tonne Pt over 1.09 meters) was intersected at the bottom of drill-hole 07HB-01. These mineralized intervals are very inconspicuous with little to no visible sulphides accompanying the platinum mineralization. Although these PGE grades are too low to be economic, the relative location of the mineralization within the layered intrusion at Highbank Lake is significant as they occur coincidentally with a distinct change in geochemical trends and ratios. Specifically, the trends and ratios measured in core at the bottom of hole 07HB-01 are similar to those found immediately above major PGE-bearing reefs in several mineralized intrusions including the Bushveld Complex. The mineralization is located in a sequence of layered rocks that bears resemblance to the Critical Zone in the Bushveld Complex, which contains approximately 75% of the world platinum reserves. The other five holes were drilled to provide stratigraphic and contact information and did not intersect any significant PGEs.

The geochemical trends identified by Northern Shield from the drill cores have been extremely useful in understanding the geometry and orientation of the intrusion. The geochemical pattern observed at Highbank Lake can be compared directly to that of the Bushveld and hence the stratigraphic position of the drill holes within a layered intrusion can be deduced. These comparisons by Northern Shield were supported by Dr. Wolfgang Maier of Perth, Australia, a renowned platinum expert, whom the Company has engaged to assist it in its analysis of the Highbank property.

In November 2008, a helicopter-borne VTEM survey was completed over a portion of the Highbank Lake property by Geotech Airborne Ltd. using different technology than what was available in 2005 when the first survey of the property was completed. The survey was completed over the area interpreted to cover the transition from the main Zone to the Critical Zone.

The survey at Highbank Lake also revealed a kimberlite target in the southern portion of the property as defined by a coincident circular magnetic and EM anomaly approximately 200 meters in diameter. Kimberlites are the host rocks for diamonds. Numerous kimberlite indicator minerals were recovered from till samples collected on the Highbank Lake property by Northern Shield in 2003-2005 and by the Ontario Geological Survey prior to such time.

During the third quarter of 2009, the Company carried out exploration activities in order to maintain six claims which were about to expire. Since Impala did not feel that maintaining these claims was important, the Company and Impala agreed that if the Company funded these activities, Impala would relinquish their interest in those claims to the Company. As a result, there are now six claims which are part of the Highbank Lake property which the Company holds a 100% interest in, while Impala maintains a 40% interest and the Company maintains a 60% interest in the remainder. In July of 2009, one drill hole was completed on the southern portion of the Highbank Lake property to meet assessment requirements and keep the claims in good standing.

In the third quarter of 2009 Northern Shield spent considerable time remodeling and re-interpreting the geophysics at Highbank Lake, in particular the Induced Polarization data. This interpretation is continuously evolving but the Company is very encouraged by the advancements in its understanding of the Highbank Lake Intrusive Complex.

In October 2010 the Company completed an IP geophysical survey conducted by Quantec Geoscience of Toronto, Ontario. Drilling in 2007 indicated that drill-holes 07HB-01 and 05 intersected what management believes to be the very top of the "Critical Zone" which marks the transition from mafic to ultramafic rocks. It is just below this transition in the Bushveld Complex in South Africa that the two main PGE-bearing reefs are located. The IP survey was conducted over several profiles in an area where the Critical Zone is projected to come near, or, to surface. Previous work by Northern Shield has identified grains of sperrylite (platinum sulphide) and pentlandite (nickel sulphide) along with chromite grains and boulders in stream sediment samples immediately adjacent to this target area.

3.1.2 WABASSI— PLATINUM GROUP ELEMENTS, NICKEL-COPPER-(PGEs) AND ZINC-COPPER-SILVER

The Wabassi property covers at least three copper-zinc-silver VMS occurrences that have been identified by the Company through drilling in 2010 and 2011 and numerous untested geophysical targets of VMS affinity. In 2011 the property was expanded from 56 square kilometers to 350 square kilometers. The property also includes a layered intrusion that the Company identified in fall 2007 and was the impetus for exploring the region. The layered intrusion still holds potential to host reef-type PGE mineralization.

The Wabassi and Wabassi North properties are 49% owned by Northern Shield; Discovery Harbour Resource Corp. having earned a 51% interest in the properties pursuant to the option agreement entered into between the two companies.

Q4'11 Update

No exploration was undertaken in the period ending December 31, 2011. However a new camp was constructed at Wabassi from which all further exploration is to be based

Historical Exploration

Northern Shield staked the Wabassi and the Wabassi North properties in 2007 based on the geophysical pattern observed on the magnetic survey published by the Ontario Geological Survey (OGS) in the Fort Hope area, which suggests a layered intrusion. Limited field observations and sampling confirmed the presence of cumulate gabbro-norites, olivine-gabbro-norites and olivine-norites, along with local layering at outcrop scale. These observations confirm that at least part of the Wabassi intrusive complex is a layered mafic to possibly ultramafic intrusion. The anomalous values of Pt and Pd (130 ppb Pt+Pd) found in one of the 3 samples analysed from the first sample collection in 2007 also confirms the potential for PGE and/or Ni-Cu-(PGE) deposits in the intrusive complex.

In 2010 the Company completed a 10 drill-hole/2,300 meter drill program at Wabassi to test a series of VTEM anomalies identified from the 2008 survey that were interpreted to be good Ni-Cu-PGE targets. This drill program was funded under the Discovery Harbour option agreement and was subsequently expanded to 13 holes and 3,100 meters based on the discovery of significant new mineralization in the first half of the drill program.

The drilling identified two distinct rock types and styles of mineralization along the “A Anomaly” zone. Drill-hole 10WA-07 intersected volcanic rocks and volcanogenic massive sulphide (VMS) zinc-silver-copper mineralization adjacent to the contact with the Wabassi Intrusive Complex at the “A2 Anomaly.” Drill-holes 10WA-04 to 10WA-06 intersected rock types predominantly consisting of mafic and ultramafic intrusive lithologies belonging to the Wabassi Intrusive Complex at the “A1 Anomaly.”

The 10WA-07 intersected 2.25% zinc (Zn), 31.7 g/t silver (Ag) (0.92 oz/ton) and 0.17% copper over 49.5 meters, including a higher grade section of 7.07% Zn over 7 meters. Three sample intervals from this drill-hole also contained over 100 g/t silver including a 0.7 meter interval grading 536 g/t silver (15.66 oz/ton) and three other intervals contained over 12% Zn. Follow-up drilling of this target (10WA-013) encountered a high of 705 g/t Ag and 1.8% Cu over 0.6 meters which was contained within a 33 meter intersection averaging 32 g/t Ag, 0.18 g/t Au, 0.43% Cu and 0.55% Zn including a higher grade section 0.82% Cu, 30.5g/t Ag and 0.44 g/t Au over 8.9 meters.

Drilling, in the A1 Zone, intersected pyrrhotite-dominated massive, semi-massive and disseminated and net-textured sulphides containing copper, silver, zinc and nickel mineralization. Eighty-five of the one hundred and thirty-four samples assayed from drill-hole 10WA-05 assayed greater than 5g/t silver. The assays results, mineralogy and textures suggest the A1 Anomaly may be hybrid mixing of VMS and magmatic (nickel-copper) systems. Drill-hole 10WA-12 encountered two mineralized zones. The upper zone contained 0.48% Cu and 35.6 g/t Ag over 22 meters including a higher grade interval of 1.14% Cu and 97.4 g/t Ag over 6.93 meters and the lower zone graded 0.86% Cu and 6.4 g/t Ag over 8.5 meters. (See Figure 1, below)

SIGNIFICANT DRILL INTERSECTIONS (FIGURE 1)

Drill Hole	From (m)	To (m)	Interval (m)	Ag (g/t)	Au (g/t)	Cu (%)	Zn (%)	Ni (%)
10-WA-05	123.86	138.78	14.92	14.4	-	0.13	-	-
	164.65	174.65	10.00	2.2	-	0.11	-	0.13
	188.40	196.50	8.10	9.25	-	0.19	-	-
	202.00	215.00	13.00	13.2	-	0.08	-	-
	251.69	264.50	6.98	12.53	-	-	-	-
	291.17	298.90	7.73	28.3	-	0.26	-	-
10-WA-06	83.77	86.79	3.02	7.4	-	0.92	-	-
	105.75	112.78	7.03	6.4	-	0.62	-	-
10-WA-07	37.90	87.38	49.48	31.7	-	0.18	2.25	-
<i>Including</i>	37.90	46.90	7.00	9.2	-	0.07	7.07	-
<i>and</i>	42.90	43.90	1.00	7.6	-	0.06	12.70	-
<i>and</i>	44.90	45.90	1.00	8.1	-	-	15.70	-
<i>and</i>	50.13	50.75	0.62	8.8	-	0.06	18.80	-
<i>and</i>	67.30	68.10	0.80	247	-	0.17	0.03	-
<i>and</i>	71.10	71.80	0.70	536	-	0.34	0.09	-
<i>and</i>	72.75	73.70	0.95	138	-	-	0.02	-
10-WA-09	23.00	31.00	8.00	-	0.39	-	-	-
	55.00	81.00	26.00	7.2	-	-	-	-
10-WA-10	75.26	145.00	69.74	5.7	-	0.15	-	0.04
<i>Including</i>	116.00	145.00	29.00	12.3	-	0.23	-	0.10
<i>and</i>	122.00	135.00	13.00	22	-	0.31	-	0.07
10-WA-12	126.00	148.00	22.00	35.6	-	0.48	-	-
<i>Including</i>	137.07	144.00	6.93	97.4	-	1.14	-	-
<i>and</i>	171.40	179.90	8.50	6.4	-	0.86	-	-
10-WA-13	53.40	86.40	33.00	32	0.18	0.43	0.55	-
<i>Including</i>	57.80	66.70	8.90	30.5	0.44	0.82	0.15	-
11WA-14	50.00	50.50	0.50	-	4.52	0.5	-	-
	62.00	73.02	11.02	-	0.01	0.3	-	-
	78.37	81.16	2.79	-	0.16	1.3	-	-
11WA-15	29.00	59.00	30.00	-	0.01	0.24	-	-
11WA-16	158.00	178.05	20.05	54	0.14	1.1	2.3	-
<i>including</i>	161.00	168.60	7.60	91	0.20	1.7	4.5	-
<i>including</i>	161.00	174.10	13.10	76	0.20	1.5	3.3	-
<i>including</i>	161.00	162.00	1.00	38	0.07	0.7	15.3	-
<i>and</i>	162.00	163.00	1.00	62	0.09	1.3	14.3	-
<i>and</i>	163.00	163.75	0.75	194	0.83	3.7	4.4	-
<i>and</i>	163.75	164.50	0.75	96	0.31	1.9	0.5	-
<i>and</i>	164.50	165.50	1.00	194	0.16	4.0	0.2	-
11WA-17	254.86	285.50	30.64	35	0.11	1.4	2.1	-
<i>including</i>	272.40	285.50	13.10	66	0.24	2.6	4.8	-
<i>including</i>	272.40	276.00	3.60	150	0.33	5.7	9.9	-
<i>including</i>	272.40	272.90	0.50	92	0.43	3.5	4.4	-
<i>and</i>	272.90	273.60	0.70	193	0.29	7.0	25.3	-
<i>and</i>	273.60	274.20	0.60	217	0.34	9.1	11.9	-
<i>and</i>	274.20	275.00	0.80	66	0.30	2.4	0.4	-
<i>and</i>	275.00	275.50	0.50	150	0.29	5.7	0.8	-
<i>and</i>	275.50	276.00	0.50	202	0.37	7.3	15.6	-

In April, 2011 the Company completed a 2100-meter drill program at Wabassi and identified a significant new copper-zinc-silver VMS occurrence at Anomaly E.

Anomaly E was first identified through an infill airborne VTEM survey completed in 2010 and followed up in February 2011 by a ground PEM survey conducted by Crone Geophysics Ltd. The survey confirmed the presence of a 500+ meter long target that has strong conductivity and plunges to the northeast to a depth of over 800 meters.

Drill-hole 11WA-16 intersected 1.1% Cu, 2.3% Zn, 54 g/t Ag and 0.14 g/t Au over 20.05 meters, which included higher grade sections of 1.5% Cu, 3.3% Zn, 76 g/t Ag and 0.2 g/t Au over 13.1 meters and 1.7% Cu, 4.5% Zn and 91 g/t Ag over 7.7 meters; and a deeper and separate mineralized zone assayed 1.2% Zn over 9.3 meters.

Drill-hole 11WA-17, located 100 meters along strike to the northeast, intersected 1.4% Cu, 2.1% Zn, 34 g/t Ag and 0.1 g/t Au over 30.24 meters, which included a higher grade section of 2.7% Cu, 4.9% Zn, 68 g/t Ag and 0.2 g/t Au over 12.7 meters and, 5.7% Cu, 9.9% Zn and 150 g/t Ag over 3.6 meters. Grades of up to 9.1% copper, 25.5% zinc and 217 g/t silver were intersected in this drill-hole.

Target E is the third VMS occurrence to be intersected on the Wabassi property and hence subsequent to the period ending March 31, 2011 the Company staked 180 additional claims. Over half of these claims fall under the Discovery Harbour option agreement and cover a 40-kilometre stretch of volcanic rocks that host the new copper-zinc-silver-gold VMS district at Wabassi. The remainder of the claims are held 100% by Northern Shield (see Storm Property for details). Northern Shield now maintains an interest in over 650 square kilometres of claims in the Wabassi area.

Based on the discovery of the three VMS discoveries, a 7,200 line-kilometer airborne VTEM survey was completed over the newly acquired claims at Wabassi and the Storm Claim Group. The survey identified over forty anomalies of which nineteen are considered high priority based on their geophysical signatures that replicate and exceed the intensities of the signatures that represent the VMS discoveries so far. Four of these new responses have strike lengths greater than 500 meters with two of them having signatures occurring over 1000 meters in length.

3.1.3 STORM CLAIM GROUP –NICKEL-COPPER-(PGES), COPPER-ZINC-SILVER

The Storm Claim Group was staked after the discovery of significant copper-zinc-silver VMS mineralization at Wabassi in 2011. The claim group, adjacent to the Wabassi property, consists of 6 claim blocks (Tempest, Typhoon, Blizzard, Squall, Monsoon and Gale) composed of 102 claims (1632 units).

Q4'11 Update

During the period ending December 31, 2011, the Company announced the discovery of VMS-type mineralization at Tempest including the intersection of 19 g/t Ag over 104.2 meters in drill-hole 11TP-02. The silver mineralization is associated with stringer, semi-massive and massive sulphides dominated by pyrite and pyrrhotite and hosted by intensely altered volcanic rocks commonly observed on the flanks of or capping copper-zinc VMS deposits. The top portion of the target appears to have undergone supergene enrichment, a beneficial weathering process not often observed in Canada.

Historical Exploration

In 2011 a 7,200 line-kilometer airborne VTEM survey was completed over the newly acquired claims at Wabassi and the Storm Claim Group. Full modeling of the data has been completed and the results from this survey clearly show the presence of 20 electromagnetic conductors on Tempest property alone with several other conductors occurring on the neighboring Typhoon property.

3.1.4 MAX –NICKEL-COPPER-(PGES), PLATINUM GROUP ELEMENTS

The Max property consists of 30 claims totaling 98 square kilometer and is located adjacent to Northern Shield's Wabassi property in northwestern Ontario. Northern Shield initially earned a 50% interest in the property by meeting the phase 1 requirements by the first anniversary date of the option agreement. The property is now under a joint venture with Rainy Mountain Resources (formerly East West Resources) and Northern Shield is the operator. Pursuant to the terms of the Joint Venture agreement, Northern Shield has increased its ownership to 59% by wholly funding exploration on the property which Rainy Mountain Resources elected not to participate in.

Q4'11 Update

No exploration was undertaken during the period.

Historical Exploration

Six drill holes totaling 2,998 meters were completed at Max over the summer and fall of 2008. The main target was a 3 x 1 km magnetic anomaly interpreted to represent an ultramafic body that could contain nickel-copper-(PGE) mineralization. Drilling confirmed the presence of an ultramafic intrusion composed mostly of olivine-rich peridotite. Five of the drill holes targeted this body with a sixth hole testing an EM anomaly to the east of the intrusion. Nickel and copper mineralization were seen in all holes drilled into the eastern contact of the intrusion (08MX-01, 02, 05 and 06). Anomalous to highly anomalous PGE values were seen throughout the intrusion.

During the quarter three drill-holes totaling 880 meters were drilled on the property, the first hole targeted a geophysical anomaly located on the southeastern edge of the Max peridotite body that partly coincides with a magnetic feature that has been interpreted by management to be a conduit or feeder system. The conduit appears to link a peridotite (ultramafic) body that Northern Shield drilled in 2008 that contained very high background levels of PGEs and nickel and the Wabassi North gabbro that shows below normal levels of PGEs and nickel. This drill hole deflected off-course and did not intersect the conductor as modeled. Two holes were drilled but did not encounter any mineralization of importance. The drill program was frustrated and delayed by on-going technical problems with the drill

3.1.5 LAC D'ARGENT –PGES

The Lac d'Argent property consists of 65 units totaling 2,925 hectares. The geology of the property is dominated by a 12-kilometer long layer of peridotite within a gabbro sill. In 1988 an Australian mining company completed a soil sample survey on the property and (publicly) reported three soil samples assaying over 100 ppb with a high of 237 ppb Pt. The property also contains highly anomalous nickel with soil samples up to 637 ppm Ni. No follow-up work was noted in the assessment report filed by the company that completed the soil sampling or any other exploration party.

Q4'11 Update

No exploration was undertaken during the period.

Historical Exploration

In August 2011 the Company completed a rock and soil sampling program at Lac d'Argent to try and reproduce the results from 1988. Ninety-one rock samples and twenty-nine till samples were collected. No significant results were obtained.

3.1.6 IDEFIX –PGEs

The Idefix property originally consisted of 7 units though the Company has since expanded the property to 30 units. The property covers a known PGE occurrences first identified in 2001 by a third party. The mineralization is associated with disseminated sulphides hosted by a differentiated gabbro sill.

Q4'11 Update

No exploration was undertaken during the period.

Subsequent to the year-end, the Company entered into an exploration agreement on the Idefix property, the details of which may be found in the Subsequent Events section.

Historical Exploration

A two-day reconnaissance of the Idefix property was conducted in early September. Twenty-five rock samples were collected from the property of which twenty-one were from the mafic-ultramafic sill with four coming from the country rock. Nine of the twenty-one samples returned assays greater than 1 g/t Pt+Pd+Au and 3 samples assayed greater than 7 g/t Pt+Pd+Au. The sample that contains the highest Pt+Pd+Au value of 8.8 g/t also returned 2.4% copper. The program was successful in confirming the presence of previously reported grades of PGEs from this occurrence as well as identifying new mineralization. Northern Shield's new analysis combined with previously reported data suggests a PGE-bearing zone with a strike length of 1,350 meters and is open at both ends. The width of the mineralized zone ranges from about 7 to 50 meters.

Sample #	Au (g/t)	Pt (g/t)	Pd (g/t)	PGEs+ Au(g/t)	Cu (%)	Ni (%)
ID11-04	0.3	1.7	5.3	7.3	1.03	0.24
ID11-06	0.1	0.6	1.7	2.4	0.24	0.07
ID11-12	0.8	2.1	5.9	8.8	2.40	0.03
ID11-13	0.2	1.9	5.7	7.8	0.69	0.11
ID11-24	0.1	0.1	3.2	3.4	0.60	0.03

4. FINANCIAL UPDATE

The Company's financial success is dependent upon the discovery of properties that could be economically viable to develop. Such development could take years to complete and the resulting income, if any, is difficult to determine. The sales value of any mineralization discovered by the Company is dependent upon factors beyond its control. The Company is not aware of any trends, uncertainties, demands, commitments, or events affecting Northern Shield in particular and not all junior mining companies, which are reasonably likely to have a material effect on the Company's capital resources or that would cause reported financial information not necessarily to be indicative of future operating results.

Selected Annual Information

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Total Revenues	-nil-	-nil-	-nil-	-nil-	-nil-
Gen. & Admin. Expenses*	\$1,050,740	\$922,543	\$847,291	\$1,054,244	\$893,572
Loss for the Year	1,361,924	1,042,703	1,614,946	927,611	1,797,892
Basic/Fully Diluted Loss/Share	(0.01)	(0.01)	(0.02)	(0.02)	(0.04)
Total Assets	7,449,460	5,582,866	4,587,937	4,885,456	2,934,244
Total Long-Term Liabilities	-nil-	-nil-	-nil-	-nil-	-nil-
Cash Dividends per Share	-nil-	-nil-	-nil-	-nil-	-nil-

*including Share-based compensation

4.1 Operational Results

The level of operational expenditures is related to the financing and exploration activities that are being conducted by the Company, which in turn may depend on the Company's recent exploration experience and prospects, as well as the general market conditions relating to the availability of funding for exploration-stage resource companies. Consequently, the Company does not acquire properties or conduct exploration work on a pre-determined basis and, as a result, there may not be predictable or observable trends in the Company's business activities and comparisons of financial operating results with prior years may not be meaningful.

The Company has no operating revenue to date as its mineral properties are all in the exploration and analysis stage.

The Company incurred a net loss of \$1,361,924 for the year ended December 31, 2011 (2010 - \$1,042,703).

4.1.1 MINERAL PROPERTY ACTIVITIES

As at December 31 2011, the Company's resource asset carrying value was \$6,096,687 (2010 - \$4,570,889).

Gross mineral property exploration expenditures were \$4,317,896 for the year ended December 31, 2011 (2010 - \$2,399,114).

The Company expensed \$60,491 of prospecting expenditures (2010 - \$95,443) and wrote-down previously capitalized mineral property assets by \$589,629 (2010 - \$31,539) during the year ended December 31, 2011.

The Company received \$2,141,978 of external funding for exploration on its Wabassi property during the year ended December 31, 2011 (2010 - \$1,702,059). At December 31, 2011 \$97,496 worth of reimbursable expenditures were recorded as unbilled receivable (December 31, 2010 - \$99,598).

	Highbank Lake	Faint Hope	Wabassi	Eastbank	Max	Hale Lake	Q-1	Storm	New Ppty's	Total
Percent Ownership	60%	100%	49%	100%	59%	100%	100%	100%	100%	
At January 1, 2010	\$ 1,005,637	\$ 342,095	\$ 605,094	\$ 219,925	\$ 1,769,722	\$ 31,539	\$ 15,605	\$ -	\$ 11,199	\$ 4,000,816
Expenditures										
Acquisition	26,658	-	36,934	-	-	-	-	-	17,456	81,048
Exploration	117,070	714	1,666,414	-	440,905	-	-	-	92,963	2,318,066
Total Expenditures	143,728	714	1,703,348	-	440,905	-	-	-	110,419	2,399,114
External Funding	-	-	(1,702,059)	-	-	-	-	-	-	(1,702,059)
Write-Down	-	-	-	-	-	(31,539)	-	-	(95,443)	(126,982)
At December 31, 2010	\$ 1,149,365	\$ 342,809	\$ 606,383	\$ 219,925	\$ 2,210,627	\$ -	\$ 15,605	\$ -	\$ 26,175	\$ 4,570,889
Expenditures										
Acquisition	-	7,200	169,925	-	-	-	-	100,656	22,341	300,122
Exploration	128,790	4,090	2,256,384	-	4,565	-	-	1,402,841	221,104	4,017,774
Total Expenditures	128,790	11,290	2,426,309	-	4,565	-	-	1,503,497	243,445	4,317,896
External Funding	-	-	(2,141,978)	-	-	-	-	-	-	(2,141,978)
Write-Down	-	(354,099)	-	(219,925)	-	-	(15,605)	-	(60,491)	(650,120)
At December 31, 2011	\$ 1,278,155	\$ -	\$ 890,714	\$ -	\$ 2,215,192	\$ -	\$ -	\$ 1,503,497	\$ 209,129	\$ 6,096,687

4.1.2 ADMINISTRATIVE ACTIVITIES

General and administrative expenses of \$1,050,740 were incurred during the year ended December 31, 2011 (2010 - \$922,543).

A G&A recovery of \$234,065 was generated in the year ended December 31, 2011 (2010 - \$159,756). The recoveries are pursuant to the Wabassi property exploration agreement with Discovery Harbour.

The details of the year-on-year comparative amounts for 2010 and 2011 are summarized in the following table:

	2011	2010	Change	As %
OPERATING EXPENSES				
General & Administrative (G&A)				
Office	127,386	115,098	12,288	10.7%
Remuneration & Benefits	476,006	435,263	40,743	9.4%
Travel	117,949	86,489	31,460	36.4%
Marketing & IR	96,927	81,107	15,820	19.5%
Professional Fees	95,851	87,326	8,525	9.8%
Insurance	14,038	14,702	(664)	-4.5%
Public Company Fees	28,437	30,396	(1,959)	-6.4%
Depreciation	19,211	22,418	(3,207)	-14.3%
<i>Gross G&A Expenses</i>	975,805	872,799	103,005	11.8%
G&A Expense Recovery	(234,065)	(159,756)	(74,309)	46.5%
Share-Based Compensation	309,000	209,500	99,500	47.5%
<i>Net Operating Expenses</i>	1,050,740	922,543	128,196	13.9%

- Office expenditures were up period-to-period because staffing levels were higher and business activity was up in general.
- Remuneration and benefits were higher due to higher staffing levels but partially offset by staff time charged to exploration projects.
- Administrative travel costs were higher as a result of higher marketing and tradeshow activities.
- Marketing and Investor Relations costs were higher due to increased activities.
- Professional fees were comparable period-to-period.
- Insurance costs were comparable period-to-period.
- Public Company expenses were lower due to market activity.
- Depreciation decreased as a result of field asset depreciation being charged directly to exploration in 2011.
- The G&A expense recovery was higher because of increased activity on the Wabassi property.
- Share-Based Compensation was higher as 2009, 2010 and 2011 option grant amortizations applied to 2011 whereas only 2009 and 2010 amortizations applied to 2010.

4.2 SUMMARY OF QUARTERLY RESULTS

The following table sets forth financial information for the Company's recently completed quarters:

	2011			
	Mar 31	Jun 30	Sept 30	Dec 31
Total Revenues	-	-	-	-
G & A Expense*	\$118,675	\$269,858	\$195,921	\$466,286
Expensed Exploration**	\$24,701	\$13,913	\$21,876	\$589,630
(Loss)/Income for the period	(\$143,376)	(\$283,771)	(\$217,797)	(\$716,980)
Basic and diluted loss per share	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.01)

	2010			
	Mar 31	Jun 30	Sept 30	Dec 31
Total Revenues	-	-	-	-
G & A Expense*	\$180,882	\$161,899	\$184,602	\$395,160
Expensed Exploration**	\$0	\$32,553	\$44,997	\$49,432
(Loss)/Income for the period	(\$180,882)	(\$194,452)	(\$229,599)	(\$437,770)
Basic and diluted loss per share	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.00)

* including Share-based Compensation

** including write-downs of previously capitalized property expenditures

4.3 Liquidity

The Company is presently exploring its projects for economically viable mineral deposits. None of the Company's projects are yet in production and consequently do not produce revenue. The Company currently funds all operations with its working capital. At April 24, 2012, the Company had working capital of approximately \$1,000,000.

At December 31, 2011 the Company had working capital of \$56,946 (2010 – \$621,921).

4.4 Capital Resources

The Company is not involved in any active property option agreements for which it has commitments to meet any expenditure requirements.

4.5 Acquisition and Disposition of Resources Properties and Write-offs

As detailed in the Mineral Properties section, during the year ended December 31, 2011 the Company added to its holdings of its Wabassi property and acquired, through staking, its Storm group of properties. It also acquired claims in northern Quebec.

During the year, the Company also decided to abandon its Faint Hope, Eastbank and Q-1 properties. Each of those three properties was written off for a total charge of \$589,629 (2010 – one property for a charge of \$31,539).

The Company also expensed \$60,491 of prospecting-type activities (2010 - \$95,443).

Subsequent to the end of the year, the Company acquired more claims in the northern Labrador Trough area of Quebec in the vicinity of the Idefix property and under the terms of the Impala Letter of Intent regarding the Idefix property.

4.6 Related Party Transactions

The following table presents the legal fees that the Company incurred with a law firm at which one of the Company's directors is a partner and the Company's corporate secretary is an associate. All transactions were made on terms equivalent to those that prevail in arm's length transactions.

	2011	2010
Fees incurred during the years ended December 31	44,231	46,326
Amounts payable as at December 31	8,877	10,691

4.7 Significant Accounting Estimates

The preparation of these annual consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The consolidated financial statements include estimates, which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the consolidated statement of financial position date, which could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- the recoverability of amounts receivable and prepayments which are included in the consolidated statement of financial position;
- impairment of non-financial assets;
- the estimated useful lives of property, plant and equipment which are included in the consolidated statement of financial position and the related depreciation included in the consolidated statement of comprehensive loss;
- the inputs used in accounting for share-based compensation expense in the consolidated statement of comprehensive loss; and
- the inputs used in determining the various commitments and contingencies accrued in the consolidated statement of financial position.

4.8 Changeover to International Financial Reporting Standards (IFRS)

The year ended December 31, 2011 is the first period for which the Company has prepared consolidated financial statements in accordance with IFRS. The consolidated financial statements, including comparatives, were prepared on the basis of IFRS standards that are published at the time of preparation and were effective on December 31, 2011, the Company's first annual reporting date.

In preparing the opening IFRS statement of financial position, comparative information, and the financial statements for the year ended December 31, 2010, the Company has adjusted amounts reported previously in financial statements prepared in accordance with Canadian GAAP ("CGAAP").

An explanation of how the transition from CGAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the tables which follow.

The guidance for the first time adoption of IFRS is set out in IFRS 1. IFRS 1 provides for certain mandatory exceptions and optional exemptions for first time adopters of IFRS. In preparing these financial statements, the Company has elected to apply the following transitional arrangements:

A) RECLASSIFICATION OF RESTRICTED CASH

For comparatives, the CGAAP amount "Restricted cash" was reclassified as "Cash" since IFRS 7 states that restrictions on the use of any cash does not alter its classification on the statements of financial position or cash flow.

B) RECLASSIFICATION WITHIN EQUITY SECTION

For comparatives, "Contributed surplus" was reclassified as "Share-based payment reserve" as certain terminologies are different under IFRS.

C) FLOW-TROUGH SHARES

Under previous Canadian GAAP, flow through shares were recorded to share capital at the gross amount. IFRS required that excess to market value upon issuance of flow through common shares be recorded in other income (deferred liability of flow through raised funds at time of issuance of flow through common shares and charged to income as the necessary expenditures to be renounced under flow through common shares are spent). This results in the reversal of \$15,350 and \$797,088 of future income tax recovery and the inclusion of \$6,822 and \$128,414 in other income for the year-ended December 31, 2010 and the opening balance as at January 1, 2010, respectively.

D) SHARE-BASED COMPENSATION

The Company has elected to apply IFRS 2 to all option grants unvested at the date of transition to IFRS. IFRS 2 and previous CGAAP are largely converged, with the exception of two main differences affecting the Company's stock option grants. IFRS 2 does not allow straight-line amortization of compensation expense related to stock options granted with a graded vesting schedule. The attribution method is instead required which effectively splits the grant into separate units for valuation purposes based on the vesting schedule. Additionally, IFRS 2 requires the incorporation of an estimate of forfeiture rates. Under previous CGAAP, the Company's policy was to account for forfeitures as they occurred. This results in an increase in share-based compensation expense and a resulting increase to deficit of \$31,000 at January 1, 2010, and an increase to share-based compensation of \$12,000 for the year-ended December 31, 2010.

Mandatory exceptions

The application of the following mandatory exemptions did not have a financial impact on the Company's consolidated statements of comprehensive loss for the year ended December 31, 2010.

A) DE-RECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

The Company has applied the de-recognition requirements in IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"), prospectively from the Transition Date. As a result, any non-derivative financial assets or non-derivative financial liabilities derecognized prior to the Transition Date in accordance with Previous CGAAP have not been reviewed for compliance with IAS 39.

B) ESTIMATES

The estimates made by the Company under Previous CGAAP were not revised for the application of IFRS except where necessary to reflect any difference in accounting policy. As a result, the Company has not used hindsight to revise estimates.

4.9 Financial Instruments

The fair value of the Company's cash, amounts receivable, and accounts payable and accrued liabilities approximates their carrying amount due to the short-term nature of these instruments.

4.10 Internal Controls Over Financial Reporting

During the year ended December 31, 2011, there have been no changes in the design of the Company's internal controls over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

4.11 Subsequent Events

On February 8, 2012 Northern Shield appointed Marcus Archer to the board of directors. Mr. Archer is a partner at Norton Rose Canada LLP (formerly Macleod Dixon LLP) and has been practicing corporate and securities law primarily for energy and resource companies, with a focus on mergers & acquisitions and corporate finance, since 1998. He is a director and officer of a number of private companies and had been Northern Shield's corporate secretary since 2003. James O'Sullivan, a senior securities associate at Norton Rose Canada LLP, replaces Mr. Archer as Northern Shield's corporate secretary.

Subsequent to the year-end, the Company closed two tranches of a private placement with a total of 14,254,544 units being sold for gross proceeds of \$3,136,000. Each unit comprised one common share and one-half of one share purchase warrant. Each warrant has a term of two years with an exercise price of \$0.40. If, however, the Company's stock price closes above \$0.50 for any 20 successive trading days, holders will have a 5-day period, starting the day after the 20th successive day, during which to exercise the warrants, after which the warrants will expire.

Hudbay Minerals was the principal investor in the private placement having subscribed for 11,300,000 units of Northern Shield. HudBay now owns 9.9% of the issued and outstanding common shares of Northern Shield on a non-diluted basis and 14.2% of the shares assuming full exercise of the warrants.

On March 26, 2012 the Company issued 1,850,000 stock options to directors, employees and consultants. The first third of each option grant vests immediately, the second third on the first anniversary of the grant and the final third on the second anniversary of the grant. The options expire on March 26, 2017, the fifth anniversary of the grant. Each vested option allows the holder to purchase one common share of the Company for \$0.25.

On January 23, 2012, the Company announced that it had signed a letter of intent ("LOI") with Impala Platinum Holdings Limited of South Africa ("Impala") regarding an option on Northern Shield's 100% owned Idefix PGE property in Quebec. The LOI contemplates the parties signing (subject to South African regulatory approval) an Option and Joint Venture Agreement that would allow Impala to earn a 50% interest in Idefix by making cash payments to Northern Shield totaling \$300,000 over two years and incurring \$3.2 million in exploration expenditures at Idefix or the surrounding area over three years, with total expenditures of \$1,950,000 committed for the first two years of the agreement. Impala can also earn a 50% interest in up to two additional "designated properties" within an agreed upon area of mutual interest in Quebec by incurring a further \$1.25 million of expenditures per additional property. The property expenditures to be incurred include a 10% project management fee to be paid to Northern who will be the operator of the projects. 50/50 joint ventures would be formed as interests are earned in each project.

5. RISK FACTORS

5.1 Exploration and Development

Exploration for PGEs and other ore minerals is a speculative venture involving substantial risk. There is no certainty that the expenditures to be made by the Company with respect to its properties will result in discoveries of diamonds or ore. Few properties that are explored for minerals are ultimately developed into producing mines.

The long-term profitability of the Company's operations will be in part directly related to the cost and success of its exploration programs, which may be affected by a number of factors which are beyond the control of the Company.

5.2 Financing

The Company is presently exploring its projects for economically viable PGE, Ni-Cu, Cu-Zn-Ag and other ore deposits. None of the Company's projects are yet in production and consequently do not produce revenue. Accordingly, the Company's ability to conduct operations, including the acquisition, exploration and development of mineral properties, when it doesn't have sufficient working capital to do so is based on its ability to raise funds, primarily through equity issuances and potentially through proceeds from the disposition of its properties.

There can be no assurance that the Company will succeed in obtaining required financing, now or in the future. Failure to raise additional financing could cause the Company to suspend exploration and eventually to sell or forfeit its interest in some or all of its properties and could result in the Company ultimately ceasing to continue as a going concern.

The ability of the Company to obtain financing is somewhat dependent on the equity market conditions. The trading price of the common shares of the Company may be subject to wide fluctuations in response to variations in operating results, results of exploration programs and other events and factors outside of the control of the Company. In addition, the stock market has experienced extreme price and volume fluctuations that have particularly affected the market price for many junior mining companies like the Company. These broad market fluctuations may adversely affect the market price of the common shares of the Company and hence its ability to raise funds or to create significant dilution from funds raised.

5.3 Mining Operations

Mining operations involve a high degree of risk. Hazards such as unusual or unexpected formations and other conditions may arise. The Company may become subject to liability for pollution, cave-ins and environmental or other hazards against which it cannot insure or against which it may elect not to insure. Such liabilities may have a material adverse effect on the Company's financial position and future prospects.

5.4 Economics of Developing Mineral Properties

Substantial expenditures are required to establish reserves through drilling, to develop metallurgical processes to extract metal from ore and to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineral deposit, no assurance can be given that minerals will be discovered in sufficient quantities or grades to justify development of the deposit, or that the funds required for development can be obtained at all or, if attainable, can be obtained on a timely basis.

5.5 Marketability of PGEs and Base Metals

PGE and base metal exploration and development are speculative businesses, which involve a high degree of risk. The marketability of PGEs and/or base metals which may be acquired or discovered by the Company (if sufficient amounts are acquired or discovered) will be affected by numerous factors beyond the control of the Company. These factors include market fluctuations, government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting and environmental protection. The exact effect of these factors cannot be accurately predicted, and the combination of these factors may result in the Company receiving insufficient returns on invested capital. Additionally, depending on the price of minerals produced, the Company may determine that it is not commercially feasible to commence or continue commercial production.

5.6 Prices for PGEs and Base Metals

The value of the Company and its common shares will depend in some degree on the prevailing prices obtainable for PGEs and base metals in the market. The price of those commodities can fluctuate, and is affected by numerous factors beyond the Company's control including international economic and political conditions, expectations of inflation, international currency exchange rates, interest rates, economic conditions globally and nationally, global or national consumption patterns, speculative activities, levels of supply and demand, increased production due to new mine developments and improved mining and production methods, stock levels maintained by producers and others and inventory carrying costs. The effect of these factors on the price of PGEs and base metals cannot be accurately predicted.

5.7 Environmental Requirements

The Company currently conducts all of its exploration activities in the provinces of Ontario and Quebec. All phases of its operations are subject to the environmental legislation of the provinces of Ontario and Quebec and of the Government of Canada. Even though the Company does not operate a mine and is not developing a mine, at the current 'exploration' stage of its business cycle it must still abide by numerous laws and regulations relating to the environment. Environmental legislation is evolving; more corporate responsibility, stricter fines and penalties, and more stringent guidelines, could in the future, adversely affect the Company's operations. The cost of compliance with these changes could have a material adverse effect on the Company, its financial condition and prospects.

5.8 Competition

The mining industry (exploration and development) is intensely competitive in all its phases. The Company competes with many companies possessing greater financial resources and technical facilities and expertise than itself for the acquisition and exploration of mineral concessions, claims, leases and other mineral interests as well as for the recruitment and retention of qualified management and employees.

5.9 Title

While the Company has registered its claims, licenses and leases with the appropriate mining authorities and has filed all pertinent information to industry standards, this should not be construed as a guarantee of title. The Company's properties may also be subject to prior unregistered agreements or transfers or native land claims, and the Company's title may be affected by these and other undetected defects. The Company's properties may include recorded third party mineral claims, which have not been surveyed, and therefore, the precise area and location of such claims and licenses may be in doubt. The Company may also lose entitlement to claims if certain exploration expenditures are not made by certain set dates as required by provincial mining regulators and regulations.

5.10 Mining Regulation

Mining operations in Canada are subject to extensive regulation by provincial and federal governments. Future changes in governments and regulation could adversely affect mining in Canada. The development of mines and related facilities is contingent upon government approval, which must be obtained through statutory review processes. The Company does not have and has not applied for approvals for the development of any of its properties.

5.11 Cashflow and Ongoing Business

The Company has not yet generated any earnings or cash flow to fund its operations and there can be no assurance that the Company will generate any earnings or cash flow in the future. If the Company does not generate cash flow in the future, additional external funding will be required to finance the Company's ongoing operations. This funding may not be available at all or, if available, may not be available on terms acceptable to the Company and could result in the Company ultimately ceasing to exist as a going concern.

5.12 Dilution

Shareholders will suffer dilution with respect to future private and/or public offerings of the Company's common shares (or securities convertible into common shares).

5.13 Key Management

The Company has not purchased any "key man" insurance with respect to any of its directors, officers or key employees to the date hereof. The loss of the Company's President and Chief Executive Officer could have an adverse impact on the Company and its business, financial position and prospects.

5.14 Conflicts of Interest

Certain of the directors and officers of the Company currently, and may in the future, serve as directors and officers of other companies, and therefore it is possible that a conflict may arise between their duties as a director or officer of the Company and their duties as a director and officer of such other companies. The directors and officers of the Company are aware of the existence of laws governing accountability of directors and officers for corporate opportunity and requiring disclosures by directors of conflicts of interest and the Company will rely upon such laws in respect of any directors' and officers' conflicts of interest or in respect of any breaches of duty by any of its directors or officers.

5.15 Market Volatility

In the past, there has been limited trading in the Company's common shares. Additionally the trading price of the common shares may be subject to wide fluctuations in response to variations in operating results, results of exploration programs, market conditions and other events and factors outside the control of the Company. In addition, the stock market has experienced extreme price and volume fluctuations, which have particularly affected the market price for many junior resource companies. During the year, the price of the Company's shares fluctuated between \$0.14 and \$0.48. There can be no assurance that significant price fluctuations will not continue.

5.16 Aboriginal Claims

Aboriginal rights may be claimed on Crown or other types of tenure with respect to which mining rights have been granted. The Company is fully aware of the mutual benefits afforded by cooperative relationships with indigenous people in conducting exploration activity and is fully supportive of measures established to achieve such cooperation.

Northern Shield currently has a signed Letter of Understanding (LOU) with the Marten Falls First Nations (MFFN) which is the closest Native reserve to the Highbank Lake property. The Highbank Lake property is located on Crown land and has been staked and is being explored under the Mining Act of Ontario.

The Company has conferred with the Ministry of Northern Development and Mines of Ontario (MNDM) regarding its exploration at Highbank Lake given the proximity of the MFFN and has received confirmation from the MNDM that the Company has acted and continues to be acting within the laws governing mining exploration in Ontario, including those laws which deal with Native rights and claims.

The July 2006 ruling by the Ontario Superior Court in the Platinex case (Platinex Inc. v. Kitchenuhmaykoosib Inninuwug First Nation) restraining Platinex Inc. from continuing its exploration activities on Crown lands which the Kitchenuhmaykoosib Inninuwug First Nation ("KI") claimed was their traditional territory pending consultation between the Province of Ontario and KI is evidence of, and highlights, the risks faced by mining companies exploring on Crown lands in Ontario, like the Company, where the Province of Ontario has not consulted with affected aboriginal groups in relation to such exploration as the Province is required to do. Accordingly, despite the fact that the Company has been proactive in consulting with the MFFN and requesting that the Province of Ontario do so, there is a risk that the Company could be restrained from its exploration activities at Highbank Lake or its other properties as a result of a failure to consult by the applicable provincial government.

Outstanding Share Data as of April 24, 2012

Common Shares

Issued and Outstanding	115,149,386
Options	8,440,000
Warrants	9,438,399
Fully Diluted	133,027,785

Options Outstanding

Exercise Price	Qty	Expiry Date	Potential Proceeds
\$0.59	150,000	21-Jul-13	88,500
\$0.185	1,660,000	3-Jun-14	307,100
\$0.14	175,000	26-Nov-14	24,500
\$0.175	2,055,000	29-Oct-15	359,625
\$0.25	2,550,000	5-Oct-16	637,500
\$0.25	1,850,000	26-Mar-17	462,500
	8,440,000		\$ 1,879,725

Warrants Outstanding

Exercise Price	Qty	Expiry Date	Potential Proceeds
\$0.25	1,169,376	29-Apr-12	292,344
\$0.17	962,584	26-Aug-12	163,639
\$0.17	179,167	31-Aug-12	30,459
\$0.40	6,672,727	1-Feb-14	2,669,091
\$0.40	454,454	2-Apr-14	181,818
	9,438,399		\$ 3,337,351

Additional information on the Company is available on its website www.northern-shield.com or on SEDAR www.sedar.com.

Cautionary Statements

Certain statements included in this Management Discussion and Analysis constitute forward-looking statements under applicable securities legislation. Forward-looking statements or information typically contain statements with words such as "anticipate", "believe", "expect", "plan", "intend", "estimate", "propose", or similar words suggesting future outcomes or statements regarding an outlook. Forward looking statements or information in this Management Discussion and Analysis include, but are not limited to, statements regarding:

- business objectives, plans and strategies;
- exploration objectives, plans and strategies; and
- certain geological interpretations and expectations.

Such forward-looking statements or information are based on a number of assumptions which may prove to be incorrect. In addition to other assumptions identified in this Management Discussion and Analysis, assumptions have been made regarding, among other things:

- the ability of Northern Shield to continue to fund its operations through financings, options and joint ventures;
- the ability of Northern Shield to obtain equipment, services and supplies in a timely manner to carry out its activities;
- the level of exploration activities;
- the ability of Northern Shield to retain and access its mineral claims; and
- current and future mineral commodity prices.

Although Northern Shield believes that the expectations reflected in such forward-looking statements or information are reasonable, undue reliance should not be placed on forward looking statements because Northern Shield can give no assurance that such expectations will prove to be correct. Forward-looking statements or information are based on current expectations, estimates and projections that involve a number of risks and uncertainties which could cause actual results to differ materially from those anticipated by Northern Shield and described in the forward looking statements or information. These risks and uncertainties include but are not limited to:

- the ability of management to execute its business and exploration objectives, plans and strategies;
- the risks of the mining industry, such as operational risks in exploring for minerals and market demand;
- risks and uncertainties involving geology of mineral deposits;
- potential delays or changes in plans with respect to exploration projects;
- Northern Shield's ability to retain and access its mineral claims;
- fluctuations in current and future mineral commodity prices;
- health, safety and environmental risks;
- uncertainties as to the availability and cost of financing;
- general economic and business conditions;
- the possibility that government policies or laws may change;
- aboriginal claims; and
- other risks and uncertainties described elsewhere in this Management Discussion and Analysis or in Northern Shield's other filings with Canadian securities authorities.

The forward-looking statements or information contained in this Management Discussion and Analysis are made as of the date hereof and Northern Shield undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

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Ian Bliss (President & CEO)
John Pederson
Dr. Neil Bliss
Jeffrey Boyce
Marcus Archer

Compensation Committee

Jeffrey Boyce (Chair)
William Kiff
John Pedersen
Marcus Archer

Officers

Ian Bliss (President and CEO)
Sam Legg (Chief Financial Officer)
James O'Sullivan (Corporate Secretary)

Audit Committee

William Kiff (Chair)
Dr. Neil Bliss
Jeffrey Boyce

Technical Committee

John Pederson
Dr. Neil Bliss

Listing

TSX Venture: "NRN"
Frankfurt (Germany) Exchange: "N9S"

Capitalization (April 24, 2012)

Shares Issued: 115,149,386
Fully Diluted: 133,027,785

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