



**NORTHERNSHIELD**  
RESOURCES INC.

*(A Development Stage Company)*

**Northern Shield Resources Inc.**  
Management Discussion and Analysis  
*for the year ended December 31, 2012*

*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, 2012.*

*The following information should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2012. The policies applied in these consolidated financial statements are based on International Financial Reporting Standards (IFRSs) issued and effective as at April 23, 2013 for periods ending on or before December 31, 2012.*

*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 23, 2013.*

*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](http://www.sedar.com).*

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## **1. DESCRIPTION OF BUSINESS**

Northern Shield Resources Inc. (the "Company" or "Northern Shield") is an active junior mining company primarily engaged in the exploration for platinum group element (PGE) and associated metals in Canada, for copper-zinc-silver at its Wabassi properties in northern Ontario, and most recently for nickel in Greenland (see section 4.10 Subsequent Events) 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 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.

During the first fiscal quarter, 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 20<sup>th</sup> 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. Subsequent to the placement, HudBay owned 9.9% of the issued and outstanding common shares of Northern Shield on a non-diluted basis and would own 14.2% of the shares assuming full exercise of the warrants.

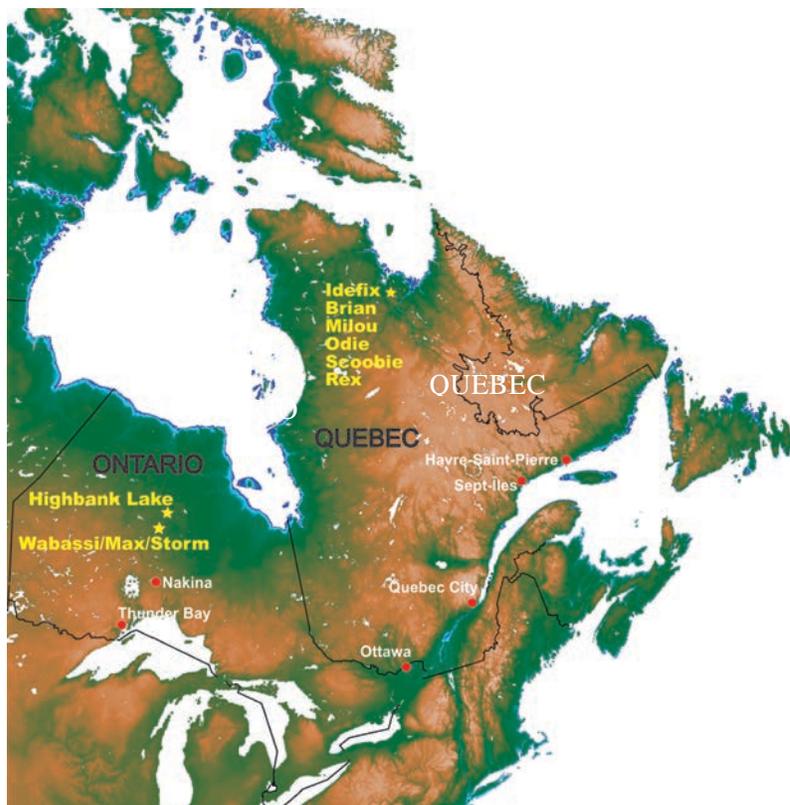
On May 5, 2012, the Company signed a definitive Option and Joint Venture Agreement with Impala Platinum Holdings Limited of South Africa ("Impala"), that would allow Impala to earn a 50% interest in its Idefix property in northern Quebec by making cash payments to Northern Shield totaling \$300,000 over 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.

On November 15, 2012, the Company completed a non-brokered private placement to two investors for gross proceeds of \$1,400,000 by issuing 12,727,272 units at \$0.11 per Unit. Each Unit consisted of one common share and one half of one common share purchase warrant. Each whole warrant is exercisable for one common share at a price of \$0.22 per common share for a period of 24 months.

The Company entered into a royalty option agreement with one of the two investors, Callinan Royalties (Callinan), whereby Callinan paid the Company \$300,000 to acquire a royalty option on one of six properties in the Company's Storm Claim Group located in northern Ontario. The royalty option allows Callinan to acquire a 1% Net Smelter Returns royalty by paying Northern \$2 million at any time up to the later of five years or the mine development stage. The Company will also grant to the Investor a Right of First Refusal on the sale of any royalties on the Storm property group.

On November 16, 2012 the Company appointed Dr. Scott Jobin-Bevans to the board of directors. Dr. Jobin-Bevans is the past President of the Prospectors and Developers Association of Canada (PDAC) and a founder and director of Caracle Creek International Consulting ("Caracle Creek"). Caracle Creek is a Canadian-South African geological consultant group with a strong background in PGE exploration. Scott replaced John Pederson who had elected to simultaneously step down from the board of Northern Shield after being a director for over 12 years.

### 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.

#### PRINCIPAL PROPERTIES

<u>PROPERTY</u>	<u>COMMODITIES</u>	<u>INTEREST</u>	<u>NUMBER OF CLAIMS/UNITS/AREA</u>
WABASSI	Cu-Zn-Ag, PGEs, Ni-Cu	49%	146/2196/351 sqkm
STORM	PGEs, Ni-Cu, Cu-Zn-Ag	100%	93/1476/236 sqkm
IDEFIX	PGEs, Ni-Cu	100%	NA/30/13.6 sqkm
LAC D'ARGENT	PGEs	100%	NA/65/29 sqkm
MAX	PGEs, Ni-Cu	59%	30/555/98 sqkm
HIGHBANK	PGEs, Ni-Cu, Cr, V	60%	111/1576/252 sqkm

#### OTHER PROPERTIES

<u>PROPERTY</u>	<u>COMMODITIES</u>	<u>INTEREST</u>	<u>NUMBER OF CLAIMS/UNITS/AREA</u>
MILOU	PGEs, Ni-Cu	100%	28/16.5 sqkm

### 3.1 PRINCIPAL PROPERTIES

#### 3.1.1 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 the fall of 2007, which was the impetus for exploring the region. The Company still considers the layered intrusion to hold potential to host reef-type PGE mineralization.

##### ***Title***

The Company holds a 49% interest in the Wabassi and Wabassi North properties.

Pursuant to an option agreement signed on March 15, 2010, Discovery Harbour Resources Corp. ("Discovery") earned a 51% interest in the Property by: (i) making a cash payment to Northern Shield of \$50,000; (ii) purchasing 800,000 Northern Shield shares at \$0.25 per share for proceeds to Northern Shield of \$200,000; (iii) funding \$1,250,000 of exploration expenditures on the property and issuing to Northern Shield 100,000 common shares of Discovery on or before March 31, 2011; and (iv) funding an additional \$2,150,000 of exploration expenditures on the property and issuing to Northern Shield an additional 150,000 common shares of Discovery on or before March 31, 2012. Discovery satisfied all of the preceding commitments in a timely manner.

During the second fiscal quarter of 2011, after Discovery had earned its 51% interest a 51/49 joint venture to develop the Property was formed between Northern Shield and Discovery. Since then all exploration costs have been and continue to be shared in the same 51/49 manner, maintaining each party's ownership stake.

##### ***Q4'12 Update***

No exploration was undertaken during the quarter ending December 31, 2012.

##### ***Historical Exploration***

Northern Shield originally 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.

However, in 2010 the Company completed a drill-hole 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 at the edge of the Wabassi intrusive complex. This drill program was funded under the Discovery option agreement and resulted in the discovery of significant new copper-zinc-silver mineralization in volcanic rocks at the edge of the Wabassi intrusion.

To date, three copper-zinc-silver VMS-type occurrences have been intersected at targets A1, A2 and Anomaly E. Numerous other VTEM anomalies remain to be tested within the property.

##### ***Drilling – A1 Zone***

Significant results include 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 a lower zone grading 0.86% Cu and 6.4

g/t Ag over 8.5 meters from the A1 Zone. Hole 12WA-30 intersected 8.08 g/t gold over 2.03 meters, including 16.3 g/t gold over 1.02 meters hosted within a shear zone in the A1 Zone. This is the fourth intersection of gold at the Wabassi-Tempest properties while drilling the VMS targets, which highlights the potential for lode gold mineralization in this portion of the greenstone belt as well

#### Drilling – A2 Zone

Noteworthy results from the A2 Zone include 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 one 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.

#### Drilling - Anomaly E

Anomaly E is the most significant VMS occurrences intersected to date within the Wabassi Property. The mineralization is hosted within quartz-eye rhyolites at the contact of mafic volcanics and a lens of ultramafic rock which is interpreted to be komatiite. Modeling of ground electromagnetic data shows a conductive body with a strike-length of up to 500 meters that may extend to depths below 800 meters.

### SIGNIFICANT DRILL INTERSECTIONS (FIGURE 1)

Drill Hole	From (m)	To (m)	Interval (m)	Ag (g/t)	Au (g/t)	Cu (%)	Zn (%)	Ni (%)
<b>11WA-16</b>	<b>158.00</b>	<b>178.05</b>	<b>20.05</b>	<b>54</b>	<b>0.14</b>	<b>1.1</b>	<b>2.3</b>	-
<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	-
<b>11WA-17</b>	<b>254.86</b>	<b>285.50</b>	<b>30.64</b>	<b>35</b>	<b>0.11</b>	<b>1.4</b>	<b>2.1</b>	-
<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	-
<b>11WA-27</b>	<b>169.00</b>	<b>193.95</b>	<b>24.95</b>	<b>11</b>	-	<b>0.2</b>	<b>4.2</b>	-
<i>including</i>	187.87	193.95	6.08	16	-	0.5	16.2	-
<i>including</i>	188.70	189.72	1.02	12	-	0.2	31.7	-
<i>including</i>	189.72	190.60	0.88	9	-	0.1	44.7	-
<b>11WA-28</b>	<b>211.65</b>	<b>296.13</b>	<b>84.48</b>	<b>4</b>	-	<b>0.4</b>	<b>4</b>	-

### **3.1.2 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).

#### ***Title***

The Company holds 100% ownership of all of the Storm properties.

On November 15, 2012 the Company entered into a royalty option agreement with Callinan Royalties Corporation ("Callinan") whereby Callinan paid the Company \$300,000 to acquire a royalty option on one of the six Storm properties of its choosing. The royalty option allows Callinan to acquire a 1% Net Smelter Returns royalty by paying the Company \$2 million at any time up to the later of five years or the mine development stage. The Company will also grant to Callinan a Right of First Refusal on the sale of any other royalties on the Storm property group owned by the Company.

#### ***Q4'12 Update***

A five drill-hole program, totaling 1650 meters was completed on the Tempest and Typhoon properties in the fourth quarter of 2012. The Tempest and Typhoon properties are part of the Storm Claim Group and are currently owned 100% by Northern Shield.

Approximately 40 grains of visible gold, hosted in a laminated quartz vein, were observed in the drill core from a short interval near the top of drill-hole 12TP-12 and assayed 134.5 g/t Au (4.3 ounces/tonne) from 65.45 m to 65.78 m and 58 g/t Au (1.9 ounces/tonne) from 65.78 m to 65.93 m. The same drill-hole also intersected 50.43 meters of 32.6 g/t Ag from 231.85 to 282.28 followed by a second 7.2 meter zone from 294.05 to 301.25 assaying 29.7 g/t Ag. The first zone included a 1.1 meter interval assaying 537 g/t Ag (17.3 ounces/tonne) and 0.82 g/t Au

#### ***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. The survey identified the presence of 20 electromagnetic conductors on the Tempest property alone with several other conductors occurring on the neighboring Typhoon property.

In October, 2011 the Company conducted the first drilling at Tempest which resulted in 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.

During the early summer of 2012 the Company completed a six drill-hole, 2,100-meter drill program at Tempest. The program was designed to follow-up from 2011 drill results at the tempest 1 Target and test several regional targets within the property.

Drill-holes 11TP-01 extension, 12TP-04 and 07 were completed on the Tempest 1A anomaly; 12-TP-08 was completed on the 1B anomaly immediately adjacent to 1A and 12TP-05 and 06 tested two other VTEM anomalies within the property.

Drill-hole 11TP-01 was extended a further 120 meters in the drill program to test a down-hole geophysical target that was identified beyond the end of hole as completed last year. The drill-hole intersected 1 meter of 3% Zn and 16.7 meters of 29.6 g/t Ag including 66.5 g/t Ag over 5.74 meters and 157 g/t Ag over 2 meters. This intersection is located approximately 260 meters down-dip from

where 11TP-02 intersected 104 meters of 19 g/t Ag last year and the continuity of this zone will be further tested in future drilling.

Drill-hole 12TP-07 intersected a first zone of 4.4 g/t Au and 36.2 g/t Ag between 127.1 and 131.1 meters including 12.4 g/t Au and 69.4 g/t Ag over one meter, and a second zone of 3.8 g/t Au over 1.6 meters between 143.25 and 144.83 meters. The gold mineralization is hosted in a silicified zone with minor quartz veining and associated with trace (less than 0.5%) sulphides. Such small amounts of sulphides not only make the mineralized zone very subtle but suggest the gold and silver may be in native form. Sampling has been undertaken on similar intervals from other holes at Tempest that may have been overlooked during the initial logging due to their inconspicuous nature. Drill results from last year suggest that gold is higher in the zone of supergene enrichment that caps the Tempest 1 target compared to the same rocks below it. Future drilling will test this new gold zone where it projects into the supergene cap.

Drill-hole 12TP-08 intersected short intervals of significant silver mineralization and contained elevated zinc hosted in a thick sequence of rhyolite. The geology, geochemistry and alteration are indicative of close proximity to VMS-type mineralization. Down-hole geophysics will be conducted on this hole when exploration continues after break-up to vector in on the target during follow-up drilling.

While no significant assays are reported for drill-holes 12TP-05 and 06, both holes intersected sulphides. Drill-hole 12TP-06 intersected sulphides, alteration and rock-types typical of gold and VMS bearing greenstone regions. A review of the assay data was made by Dr. Jim Franklin who concluded that the chemistry of drill-hole 12TP-06 was highly indicative of a Matagami-type VMS occurrence and encouraged further evaluation of this target. Down-hole geophysics shows an off-hole conductor at the same level of the intrusive rocks. Further drilling is currently being planned for the fall to continue to test Tempest 1 and other targets within the property

### **3.1.3 IDEFIX –PGEs**

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

#### ***Title***

The Company holds 100% ownership of the Idefix property.

On May 5, 2012 the Company signed an Option and Joint Venture Agreement with Impala Platinum Holdings Limited of South Africa (“Impala”) allowing 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. 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 of the projects.

Impala has not yet earned any interest in Idefix or any other designated property, however work is ongoing.

#### ***Q4'12 Update***

No exploration was conducted during the period. However, results from the previous period were compiled and interpreted during the three month period ending December 31, 2012.

Following the large-scale sampling, assay and lithochemical study in the Area of Mutual Interest, the Idefix Property continues to stand out as a target with potential to host a viable PGE deposit based on the presence of some high-grade PGE values and the continuous nature of the PGE mineralization. Grab and channel sampling along the grid at Idefix during 2012 has defined a zone of continuous PGE mineralization that can be traced for 1.3 kilometres. Two-thirds of the 332 samples collected at Idefix assayed greater than 0.1 g/t Pt+Pd and 27 of those assayed greater than 1 g/t. Importantly, many of the higher grade PGE assays from Idefix, were sawn channel samples taken over widths of 1 meter. These include assays of 15.6, 10.5, 7.6, and 6.4 g/t Pt+Pd, all over 1 meter width. All the mineralization is hosted within the Idefix Gabbro, which structurally underlies melagabbro, melanorite and pyroxenites of a differentiated unit.

Further grab sampling 1.8 kilometers further north of the grid has also identified high grade PGE mineralization (9.1 g/t Pt+Pd). A one kilometer stretch of Idefix Gabbro has also been sampled at 100-200 meter intervals south of the grid with results showing that the gabbro here is also continuously mineralized with grades between 0.1 and 2.3 g/t Pt+Pd. Thus the Idefix mineralization could have a total strike length of over 4 kilometers. It appears that the higher grade mineralization (over 3 g/t Pt+Pd) within this zone forms at specific magmatic horizon based on various geochemical signatures. However, at this point, it is unclear if these high grade zones represent a narrow continuous reef or a series of lenses with dimensions on the order of 100 x 1-5 meters along the same horizon.

### ***Historical Exploration***

A two-day reconnaissance of the Idefix property was conducted in early September 2011. 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. These results led to the option agreement signed with Impala Platinum Holdings Limited in May, 2012.

Under the terms of the Idefix option agreement signed with Impala on May 2, 2012, exploration was conducted at Idefix and within the Area of Mutual Interest (AMI) over three phases during the 2012 field season. In total, 914 samples were collected and assayed with a further approximately 50 sites visited and documented.

Numerous other claims were staked throughout the summer field program based on visual identification of prospective geology and helicopter activity nearby presumed to be competing mining companies. However, the sulphide at Snowball and Labradorite at Milou and small showings at Odie and Scooby returned disappointing PGE results despite the presence of significant and continuous sulphide mineralization in rock-types otherwise appearing attractive for PGE potential.

The Brian Property which was staked during the field program contains several areas of disseminated chalcopyrite-pyrrhotite mineralization often associated with patches or pegmatoidal gabbro. Although the mineralization appears to be continuous over a 600 meter strike length that was heavily sampled throughout the Brian Property, the grades were lower than expected, typically in the 0.25-0.5 g/t Pt+Pd. Of interest, are the high Pt/Pd ratios and the geochemical signature that suggests it may be related to the mineralized Idefix Gabbro. This is supported by a few rock samples on the eastern edge of the Idefix Property that display the "Brian Gabbro" signature. Hence, if the stratigraphy is consistent between Idefix and the Brian Property, then mineralized Idefix Gabbro might underlie the Brian Gabbro at Brian.

### **3.1.4 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.

**Title**

The Company holds 100% ownership of the Lac D'Argent property.

**Q4'12 Update**

No exploration was undertaken at Lac d'Argent 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.

**3.1.5 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.

**Title**

The Company holds 59% ownership of the Max property.

Under the terms of a now-completed option agreement signed on June 20, 2008 with Rainy Mountain Royalty Corp. ("Rainy Mountain", formerly East West Resources Corp.) the Company earned a 50% interest in the property by making an initial payment of \$75,000, issuing 300,000 shares, incurring \$1 million in exploration expenditures on the property within 2 years, and making an additional payment of \$50,000 and issuing an additional 100,000 shares on the first anniversary of the agreement.

The project is now governed by a joint-venture agreement with each party being deemed to have contributed \$1,000,000 to the project and assuming responsibility for 50% of the cost of further exploration. The Company has spent approximately \$440,000 under the joint-venture agreement, with Rainy Mountain choosing not to participate. This has resulted in the Company's contribution to the project being valued at \$1,440,000 while Rainy Mountain's remaining at \$1,000,000. The Company's stake in the property has consequently risen to 59%.

**Q4'12 Update**

No exploration was undertaken at Max 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.

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.

### **3.1.6 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".

#### ***Title***

The Company holds 60% ownership of the Highbank Lake property.

Under an option agreement signed on July 14, 2005 with Impala (see section 3.1.3 Idefix - PGEs), 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. This resulted in Impala being deemed to have spent \$2,375,000 on the project.

Under the terms of a continuing agreement, Impala's interest may be diluted, dollar-for-dollar, to nil by the spending of a further \$2,375,000 in exploration expenditures on the property. Since the expiration of the option agreement's expiration, the Company has diluted Impala down to 40%.

#### ***Q4'12 Update***

No exploration was undertaken at Highbank during the period.

#### ***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, lithogeochemistry, 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, lithogeochemistry, 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.

## 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

	2012	2011	2010	2009	2008
Total Revenues	-nil-	-nil-	-nil-	-nil-	-nil-
Gen. & Admin. Expenses*	\$1,562,198	\$1,050,740	\$922,543	\$847,291	\$1,054,244
Loss for the Year	1,636,799	1,361,924	1,042,703	1,614,946	927,611
Basic/Fully Diluted Loss/Share	(0.01)	(0.01)	(0.01)	(0.02)	(0.02)
Total Assets	10,371,781	7,449,460	5,582,866	4,587,937	4,885,456
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 comprehensive loss of \$1,636,799 for the year ended December 31, 2012 (2011 - \$1,361,924).

#### 4.1.1 MINERAL PROPERTY ACTIVITIES

Mineral property activities for the last two years are summarized in the following table:

	Highbank Lake	Wabassi	Max	Storm	Idefix	Lac D'Argent	Faint Hope	Eastbank	Q-1	Other Properties	Total
<i>Percent Ownership</i>	60%	49%	59%	100%	100%	100%	100%	100%	100%	100%	
<b>At December 31, 2010</b>	<b>\$ 1,149,365</b>	<b>\$ 606,383</b>	<b>\$ 2,210,627</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 342,809</b>	<b>\$ 219,925</b>	<b>\$ 15,605</b>	<b>\$ 26,175</b>	<b>\$ 4,570,889</b>
Expenditures											
Acquisition	-	169,925	-	100,656	3,341	19,000	7,200	-	-	-	300,122
Exploration	128,790	2,256,384	4,565	1,402,841	36,960	121,353	4,090	-	-	62,791	4,017,774
Total Expenditures	128,790	2,426,309	4,565	1,503,497	40,301	140,353	11,290	-	-	62,791	4,317,896
External Funding	-	(2,141,978)	-	-	-	-	-	-	-	-	(2,141,978)
Write-Down	-	-	-	-	-	-	(354,099)	(219,925)	(15,605)	(60,491)	(650,120)
<b>At December 31, 2011</b>	<b>\$ 1,278,155</b>	<b>\$ 890,714</b>	<b>\$ 2,215,192</b>	<b>\$ 1,503,497</b>	<b>\$ 40,301</b>	<b>\$ 140,353</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 28,475</b>	<b>\$ 6,096,687</b>
Expenditures											
Acquisition	5,095	1,682	234	16,880	43,513	-	-	-	-	25,506	92,910
Exploration	13,330	1,254,963	19,397	2,174,618	817,190	52	-	-	-	60,057	4,339,607
Total Expenditures	18,425	1,256,645	19,631	2,191,498	860,703	52	-	-	-	85,563	4,432,517
External Funding	-	(686,868)	-	(300,000)	(887,439)	-	-	-	-	-	(1,874,307)
Write-Down	-	-	-	-	-	-	-	-	-	(20,434)	(20,434)
<b>At December 31, 2012</b>	<b>\$ 1,296,580</b>	<b>\$ 1,460,491</b>	<b>\$ 2,234,823</b>	<b>\$ 3,394,995</b>	<b>\$ 13,565</b>	<b>\$ 140,405</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 93,604</b>	<b>\$ 8,634,463</b>

As at December 31 2012, the Company's resource asset carrying value was \$8,634,463 (2011 - \$6,096,687).

Gross mineral property exploration expenditures were \$4,432,517 for the year ended December 31, 2012 (2011 - \$4,317,896).

The Company expensed \$20,434 of prospecting activity expenses for the year ended December 31, 2012 (2011 - \$60,491). No property write-downs were recorded during the year ended December 31, 2012 (2011 - \$589,629).

Pursuant to the agreement with Discovery (see Section 3.1.1), the Company received \$686,868 of external funding for exploration on its Wabassi property during the year ended December 31, 2012 (2011 - \$2,141,978). At December 31, 2012 \$26,211 of unreimbursed expenses was due from Discovery and recorded as unbilled receivables (2011 - \$97,496).

Pursuant to the agreement with Impala (see Section 3.1.3), the Company received a \$200,000 up-front payment, which was accounted for as a reimbursement of all capitalized exploration costs of \$48,154. The remaining \$151,846 has been recorded as deferred exploration funding. The Company received a further \$839,285 of external funding for work performed during the remainder of the year. At December 31, 2012, \$79,520 of unreimbursed expenses was recorded as unbilled receivables.

Pursuant to the agreement with Callinan (see Section 3.1.2), the Company sold a royalty option on its Storm group of properties for \$300,000. The amount was recorded as a reimbursement of expenditures to date on the property group.

#### 4.1.2 ADMINISTRATIVE ACTIVITIES

Gross general and administrative expenses of \$1,734,043 were incurred during the year ended December 31, 2012 (2011 - \$1,284,805).

A G&A recovery of \$171,845 was generated during the year ended December 31, 2012 (2011 - \$234,065). These recoveries are pursuant to the Wabassi property exploration agreement with Discovery and the Idefix exploration agreement with Impala.

The details of the year-on-year comparative amounts for the year ended December 31, 2012 and 2011 are summarized in the following table:

	<b>2012</b>	2011	<b>Change</b>	as %
Remuneration and consulting fees	<b>529,318</b>	476,006	<b>53,312</b>	11%
Share-based compensation	<b>420,000</b>	309,000	<b>111,000</b>	36%
Office expenses	<b>273,405</b>	146,597	<b>126,808</b>	87%
Travel expenses	<b>161,531</b>	117,949	<b>43,582</b>	37%
Marketing expenses	<b>196,121</b>	96,927	<b>99,194</b>	102%
Professional fees	<b>108,072</b>	95,851	<b>12,221</b>	13%
Public company expenses	<b>31,792</b>	28,437	<b>3,355</b>	12%
Insurance expense	<b>13,804</b>	14,038	<b>(234)</b>	-2%
	<b>1,734,043</b>	1,284,805	<b>449,238</b>	35%
General and administration recovery	<b>(171,845)</b>	(234,065)	<b>62,220</b>	-27%
	<b>1,562,198</b>	1,050,740	<b>511,458</b>	49%

- A significant increase in staffing costs due to hiring was partially offset by an increase in the amount of staff time charged to exploration.
- Share-Based Compensation was significantly higher in 2012 as grant amortizations made 2009 through 2012 were applied whereas only 2009 through 2011 amortizations applied in 2011.
- Office expenditures increased because of an office space expansion.
- Administrative travel costs increased due to increased marketing activities.
- Marketing and Investor Relations costs were considerably higher as the Company intensified its retail marketing activities.
- Professional fees were up modestly due to increased transactional activities.
- Public Company expenses rose due to increased fees and AGM costs.
- Insurance costs were comparable from period to period.
- G&A recoveries were lower due to significantly reduced activity on the Wabassi property.

## 4.2 SUMMARY OF QUARTERLY RESULTS

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

	2012			
	Mar 31	Jun 30	Sept 30	Dec 31
Total Revenues	-	-	-	-
G & A Expense	\$503,466	\$413,810	\$241,076	\$403,846
Expensed Exploration*	\$12,099	\$8,335	-	-
(Loss)/Income for the period	(\$515,565)	(\$270,299)	(\$241,076)	(\$609,859)
Basic and diluted loss per share	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.00)

	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	(\$143,375)	(\$283,771)	(\$217,797)	(\$716,981)
Basic and diluted loss per share	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.01)

\* 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 23, 2013, the Company had working capital of approximately \$200,000.

At December 31, 2012 the Company had working capital of \$718,805 (December 31, 2011 – \$56,946).

## 4.4 Capital Resources

At December 31, 2012, the Company was not involved in any active property option agreements for which it had commitments to meet any expenditure requirements.

## 4.5 Acquisition and Disposition of Resources Properties and Write-offs

During the year, the Company substantially added to its Idefix property under the terms of the agreement with Impala. There were no write-downs made against any properties.

## 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.

	2012	2011
Fees incurred during the years ended December 31	94,703	44,231
Amounts payable as at December 31	6,557	8,877

#### 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;
- the inputs used in determining the various commitments and contingencies accrued in the consolidated statement of financial position; and
- the inputs used in accounting for warrant value associated to reserves.

#### 4.8 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.

#### 4.9 Internal Controls Over Financial Reporting

During the year ended December 31, 2012, 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.

#### 4.10 Subsequent Events

Subsequent to the period ending December 31, 2012 the Company announced that it has signed a binding Letter Agreement with Greenland Gold Resources Ltd., ("Greenland Gold") whereby Northern Shield has the option to earn a 50% interest in the Ikertoq nickel project in west Greenland. To earn a 50% interest, Northern Shield must incur €1,000,000 (C\$1,350,000) by February 25, 2014 and a further €1,750,000 (C\$2,400,000) of exploration expenditures on the project by February 25, 2016. The first year's exploration must include a minimum of 1,250 metres of diamond drilling. When Northern Shield earns a 50% interest, Northern Shield and Greenland Gold will explore the project under a 50/50 joint venture. Northern Shield will be the Operator of the 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, abandonment and reclamation 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 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**

To date the Company has conducted all of its exploration activities in the provinces of Ontario and Quebec. All phases of its operations have been 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. Since the Company will shortly commence exploration in Greenland, it will be subject to Greenland's environmental laws as well.

## **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 and Greenland are subject to extensive governmental. Future changes in government regulation could adversely affect mining in Canada and Greenland. 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 ended December 31, 2012, the price of the Company's shares fluctuated between \$0.07 and \$0.27. 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 23, 2013

#### Common Shares

Issued and Outstanding	127,876,658
Options	8,815,000
Warrants	13,490,908
<b>Fully Diluted</b>	<b>150,182,566</b>

#### 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
\$0.20	375,000	3-Jul-17	75,000
	<b>8,815,000</b>		<b>\$ 1,984,725</b>

#### Warrants Outstanding

Exercise Price	Qty	Expiry Date	Potential Proceeds
\$0.40	6,672,727	1-Feb-14	2,669,091
\$0.40	454,545	2-Apr-14	181,818
\$0.22	6,363,636	15-Nov14	1,400,000
	<b>13,490,908</b>		<b>\$ 4,250,909</b>

Additional information on the Company is available on its website [www.northern-shield.com](http://www.northern-shield.com) or on SEDAR [www.sedar.com](http://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, business and market 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.

## Head Office Address

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**FAX:** 613-232-0760

**Website:** [www.northern-shield.com](http://www.northern-shield.com)

**eMail:** [info@northern-shield.com](mailto:info@northern-shield.com)

## Directors and Officers

### *Board of Directors*

William Kiff (Chair)  
Ian Bliss (President & CEO)  
Scott Jobin-Bevans  
Dr. Neil Bliss  
Jeffrey Boyce  
Marcus Archer

### *Officers*

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

### *Compensation Committee*

Marcus Archer (Chair)  
William Kiff  
Scott Jobin-Bevans  
Jeffrey Boyce

### *Audit Committee*

William Kiff (Chair)  
Dr. Neil Bliss  
Jeffrey Boyce

### *Technical Committee*

Scott Jobin-Bevans  
Dr. Neil Bliss

## Listing

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

## Counsel

Norton Rose Canada LLP  
3700 Canterra Tower  
400 Third Avenue S.W.  
Calgary, Alberta T2P 4H2

## Banks

CIBC  
119 Sparks Street  
Ottawa, Ontario K1P 5B5

RBC  
90 Sparks Street  
Ottawa, Ontario K1P 5T6

## Capitalization (April 23, 2013)

Shares Issued: 127,876,658  
Fully Diluted: 150,182,566

## Auditor

Deloitte & Touche LLP  
800 – 100 Queen Street  
Ottawa, Ontario K1P 5T8

## Registrar/Transfer Agent

Computershare Trust Company of Canada  
600 - 530 8<sup>th</sup> Avenue S.W.  
Calgary, Alberta T2P 3S8