

AMENDED THIS  
MODIFIÉ

MARCH 4, 2016

PURSUANT TO  
CONFORMÉMENT A

RÈGLE 26.02 (A)

THE ORDER OF  
L'ORDONNANCE DU  
DATED / FAIT LE

Court File No.: CV-13-48611-00CP

REGISTRAR  
SUPERIOR COURT OF JUSTICE

GREFFIER  
COUR SUPÉRIEURE DE JUSTICE

ONTARIO  
SUPERIOR COURT OF JUSTICE

BETWEEN:

BRAD LUNDELL

Plaintiff

- and -

NORTHLAND RESOURCES S.A., ANDERS HVIDE, and KARL-AXEL WAPLAN

Defendants

PROCEEDING UNDER THE *CLASS PROCEEDINGS ACT*, 1992, S.O. 1992, c.6

**SECOND FRESH AS AMENDED STATEMENT OF CLAIM**

TO THE DEFENDANTS

A LEGAL PROCEEDING HAS BEEN COMMENCED AGAINST YOU by the plaintiff. The claim made against you is set out in the following pages.

IF YOU WISH TO DEFEND THIS PROCEEDING, you or an Ontario lawyer acting for you must prepare a statement of defence in Form 18A prescribed by the Rules of Civil Procedure, serve it on the plaintiff's lawyer or, where the plaintiff does not have a lawyer, serve it on the plaintiff, and file it, with proof of service, in this court office, **WITHIN TWENTY DAYS** after this statement of claim is served on you, if you are served in Ontario.

If you are served in another province or territory of Canada or in the United States of America, the period for serving and filing your statement of defence is forty days. If you are served outside Canada and the United States of America, the period is sixty days.

Instead of serving and filing a statement of defence, you may serve and file a notice of intent to defend in Form 18B prescribed by the Rules of Civil Procedure. This will entitle you to ten more days within which to serve and file your statement of defence.

**IF YOU FAIL TO DEFEND THIS PROCEEDING, JUDGMENT MAY BE GIVEN AGAINST YOU IN YOUR ABSENCE AND WITHOUT FURTHER NOTICE TO YOU.**

If you wish to defend this proceeding but are unable to pay legal fees, legal aid may be available to you by contacting a local legal aid office.

Date: AUGUST 1, 2013

Issued by: "N. MOHAMMED"  
Registrar

393 University Avenue  
Toronto, ON M5G 1E6

10th floor ✓

**TO:** NORTHLAND RESOURCES S.A.  
7A rue Robert Stumper, L-2557  
Luxembourg, Grand Duchy

**AND TO:** ANDERS HVIDE  
c/o Northland Resources S.A.  
7A rue Robert Stumper, L-2557  
Luxembourg, Grand Duchy

**AND TO:** KARL-AXEL WAPLAN  
c/o Northland Resources S.A.  
7A rue Robert Stumper, L-2557  
Luxembourg, Grand Duchy

## THE RELIEF CLAIMED

1. **THE PLAINTIFF CLAIMS** on behalf of himself and the class:

- a) An Order pursuant to the *Class Proceedings Act, 1992*, S.O. 1992, CHAPTER 6, certifying this action as a class proceeding and appointing the plaintiff as the representative plaintiff;
- b) A declaration that the defendants made misrepresentations in breach of the Ontario *Securities Act* R.S.O. 1990, c.S.5 for the duration of the class period;
- c) A declaration that, during the class period, the defendants, conspired with each other and with others unknown to the plaintiff, to make the alleged misrepresentations and omissions;
- d) A declaration that the defendants made the alleged misrepresentations and omissions negligently or recklessly, caring not whether they were true or false;
- e) A declaration that Northland Resources S.A. is vicariously liable for the acts and/or omissions of its directors, officers, servants, employees and/or agents;
- f) Leave to assert the causes of action set out in s. 138.3 of the Ontario *Securities Act*, R.S.O. 1990, Chapter S.5 and to amend this statement of claim accordingly;
- g) General and special damages in an amount sufficient to compensate the plaintiff and the class members or such other sum as this court finds appropriate;
- h) Punitive damages in the amount of \$10,000,000 or such other sum as this court finds appropriate;

- i) An equitable rate of interest on all sums found due and owing to the plaintiff and the class members or, in the alternative, pre- and post-judgment interest pursuant to the *Courts of Justice Act*, R.S.O. 1990, Chapter C.43;
- j) Costs of notice to class members and administration pertaining to a plan of distribution;
- k) Costs of this action on a substantial indemnity basis; and,
- l) Such further and other relief as this Honourable Court deems just.

#### **THE PLAINTIFF AND THE CLASS**

- 2. The plaintiff, Brad Lundell, is an individual resident in the City of Cranbrook, in the Province of British Columbia. The plaintiff acquired securities in Northland Resources S.A. (“Northland” or the “Company”) during the class period and continued to hold those securities after January 23, 2013.
- 3. The plaintiff seeks to represent a class consisting of all persons and entities, wherever they may reside or be domiciled, who acquired Northland securities between April 1, 2012 and January 23, 2013 and who held some or all of those securities as of January 23, 2013, excluding the defendants and any of their subsidiaries, affiliates, officers, directors, senior employees, legal representatives, heirs, predecessors, successors or assigns.

#### **THE DEFENDANTS**

- 4. The defendant, Northland Securities S.A. (“Northland”), is a bankrupt corporation formerly with its registered head office in Luxembourg. Northland was incorporated on

March 13, 1987 under the laws of the Province of British Columbia under the name Genprobe Technologies Ltd. On November 6, 1989, the company changed its name to CBR International Biotechnologies Corp. On March 30, 1993, the company changed its name to Newen Enterprises Inc. On November 2, 1998, the company changed its name to Consolidated Newen Enterprises Inc. On April 7, 2003, the company changed its name to North American Gold Inc. On September 7, 2005, the company changed its name to Northland Resources Inc. and on January 18, 2010 to Northland Resources S.A.

5. Northland was a publicly traded company with its shares listed on the Toronto Stock Exchange (“TSX”) under the trading symbol NAU, until March 15, 2013 when its shares were delisted from the TSX. Northland’s shares were also traded on the Oslo Stock Exchange under the trading symbol NAUR until January 20, 2015, over the counter (“OTC”) on the Frankfurt Stock Exchange under the trading symbol NPK and on NASDAQ OMX Stockholm’s trading venue First North under the trading symbol NAURo.
6. The defendant, Anders Hvide (“Hvide”) was at all material times Executive Chairman of Northland until his resignation on May 3, 2013.
7. The defendant, Karl-Axel Waplan (“Waplan”) was at all material times President and Chief Executive Officer of Northland until his resignation on June 10, 2013.

#### **NATURE OF THE CLAIM**

8. Northland was a producer of iron ore concentrate, with a portfolio of production, development and exploration mines and projects in northern Sweden and Finland. As pleaded in paragraph 5 above, the shares of Northland were publically traded on the TSX and other international exchanges.

9. This case concerns serious and longstanding misrepresentations surrounding what is referred to as the “Kaunisvaara Project”, the principal endeavour of the defendant Northland. The Kaunisvaara Project comprises two iron ore deposits referred to as “Sahavaara” and “Tapuli”, located approximately 100 km north of the Arctic Circle in Norrbotten County, Sweden, in the municipality of Pajala and near the village of Kaunisvaara.
10. During the class period, the defendants made material misrepresentations and omissions with respect to massive and undisclosed cost overruns in connection with the Kaunisvaara Project. Specifically, the defendants failed to disclose that the Kaunisvaara Project was more than USD \$425 million dollars over its stated budget of USD \$956 million. The discrepancy between the stated budget and the actual budget was over 40%.
11. The defendants had knowledge at least at April 1, 2012 of the very substantial cost overruns, the fact that the earlier engineering work undertaken by Northland was not sufficiently detailed in order to establish accurate costing, and that the cost structure between Northland and its major service providers were created on an “open book” rather than a fixed cost basis, in whole or in part, among other things such that accurate costing for the mine project could be established.
12. Despite being aware of the cost escalations and overruns throughout the class period, and the other accumulation of facts and factors which materially impacted the project cost, the defendants failed to make timely disclosure of that information to class members. During the development of the project, the defendants made numerous sequential updates on the costing of the Kaunisvaara Project, all of which contained misrepresentations and omissions concerning the project costing.

13. When Northland made belated disclosure of the material misrepresentations and omissions on January 24, 2013, there was an immediate and significant adverse impact on the value of Northland's publicly traded securities. As a result, the class members have suffered damages.
14. The defendants Hvide and Waplan have admitted that Northland knew of the cost escalations and overruns and only disclosed the information due to a leak regarding the erroneous and massively understated costing for the project.
15. The plaintiff alleges that the defendants are liable to class members, purchasers of Northland securities on the secondary market, for misrepresentations and failure to disclose material changes and material facts during the class period, namely the erroneous and massively understated costing for the Kaunisvaara Project.

## **FACTUAL BACKGROUND**

16. A Definitive Feasibility Study ("DFS") on the Kaunisvaara Project was completed in September 2010 by SRK Consulting ("SRK"). On September 27, 2010, Northland announced the outcome of the DFS and on October 5, 2010 made the DFS available to the public. In the September 27, 2010 press release, Northland noted that "the costs associated with the logistics, such as road, trucking and shipping from Kaunisvaara to Narvik, have not been completed at the DFS level of accuracy, and work is ongoing to confirm the estimated costs ...".
17. As part of the DFS, the forecasted operating costs were USD \$3,590,000,000, including a 5% contingency over the life of mine while the forecast capital costs totalled USD \$913,000,000 and included a 10% contingency.

18. After the publication of the DFS, Northland provided numerous sequential updates on the costing of the Kaunisvaara Project, including an Updated DFS in June 2011 and numerous other representations concerning the cost of the Kaunisvaara Project. With the publication of the Updated DFS, Northland represented that it had achieved the required level of accuracy for the purposes of presenting the costing of the Kaunisvaara Project.

### ***Equity Offering***

19. On November 20, 2010, Northland announced that the filing of a preliminary prospectus for a possible equity offering (the “Equity Offering”). The net process of the offering, if completed, would be to fund the capital expenditures of the Kaunisvaara Project. The Equity Offering was launched on November 23, 2010.
20. On November 24, 2010, Northland announced that the Equity Offering had been fully subscribed. Northland issued 113 million shares at an issue price of CAD \$2.27 per share, raising gross proceeds of USD \$250 million. In the announcement, CEO Waplan is quoted as saying: “Having raised the necessary financing to start the development of our Kaunisvaara Project ..., we believe that we are in a position to deliver strong results for all Northland’s stakeholders.”
21. On December 6, 2010, the Final Short Form Prospectus was filed.
22. On December 10, 2010, Northland completed a C \$256.51 million offering of shares.

### ***Development and Updates of the Kaunisvaara Project***

23. On December 14, 2010, the Board of Directors of Northland approved the beginning of the implementation phase of the Kaunisvaara Project.

24. Throughout the class period, the defendants omitted to disclose material information known to them. At no time in making its public information releases did the defendants disclose their knowledge that the costing of the Kaunisvaara Project was erroneous and massively understated. These representations included without limitation affirmative statements that the Kaunisvaara Project was on budget, the project was advancing on schedule, and that it had financing in place to support the completion of the project. The defendants further omitted to disclose, as they were legally required to do, their knowledge of a massive cost escalation in excess of the stated total project budget.

***Senior Loan, Updated DFS and Second Equity Offering and Bond Offering***

25. Initially, Northland intended to pursue credit financing (the “Senior Loan”). On January 26, 2011, Northland announced that it had received final credit approval for the Senior Loan.
26. On May 18, 2011, Northland announced a “positive update” on the Kaunisvaara Project. As part of the announcement, Northland stated that the “update includes the results of the DFS on the logistics ... , the impact of recent optimization studies on engineering costs and operating estimates and revisions to CAPEX including sustainable capital, using current exchange rates.” The defendant Waplan is quoted as stating that “the optimization of the mining is positively impacting our capex requirements.”
27. As part of the May 18, 2011 announcement, Northland stated that “since completing the DFS study in September 2010, Northland has optimized operating and engineering costs which has resulted in a 27% decrease in the expected total mining costs over the LOM and 22% reduction in expected cost per tonne of ore.”
28. Also, Northland stated under the heading “DFS on Logistics” the following:

In the September 2010 DFS, the logistic costs were only presented at a scoping study level. Since that time, Northland and the Swedish Transport Administration have signed a Letter Of Intent on co-financing and an Agreement on cooperation covering the comprehensive transport solution, in other words, how the iron ore concentrate will be transported from the Kaunisvaara process plant to the port of Narvik, Norway (see also press release March 26, 2011).

29. Northland also stated that the “updated study has confirmed the viability of the [logistical] plan presented in the September 2010 DFS.”
30. As part of the May 18, 2011 announcement, Northland stated under the heading “Audit of the New Model” that SRK “has audited the updated capital and operating costs estimates for the Kaunisvaara Project. SRK’s estimates for IRR and NPV before tax and interest presented in the NI 43-101 are consistent in all material respects with the pre-tax estimates derived by Northland and presented in the DFS.”
31. SRK completed an updated DFS (the “Updated DFS”) with an effective date of June 1, 2011. The Updated DFS was made public on June 8, 2011. As part of the Updated DFS, the forecasted operating costs were reduced to USD \$3,491,000,000 (including a 5% contingency) over the life of mine while the forecasted capital costs (“Capex”) decreased to a total of USD \$899,000,000 (including a 10% contingency).
32. With the Updated DFS, the defendants represented that they had remedied any earlier limitations on their representations concerning costing and feasibility of the Kaunisvaara Project. The defendants represented in the Updated DFS that they had achieved the required level of accuracy with respect to the costing of the Kaunisvaara Project.
33. At page xi of the Updated DFS, SRK noted the following concerning the logistics of the Kaunisvaara Project: “In SRK’s opinion, the proposed method and route for the export of concentrates from Kaunisvaara to the port of Narvik has been established in principle

and in sufficient detail to determine the feasibility of the selected route and associated capital and operating costs.”

34. At page xii of the Updated DFS, SRK was of the opinion that sufficient detail had been provided about the logistical arrangements for the DFS to be reliable:

The options selected have been developed to a reasonable degree of detail enabling an estimate to be produced that has a degree of confidence that is suitable for the DFS. The capital costs required for the infrastructure and the transportation of concentrates have been assessed in detail and where the designs are conceptual reasonable allowances have been made. The estimated cost is US\$145m based on the Project exchange rate of SEK 8.125:US\$1.00.

35. As part of the Updated DFS, SRK confirmed that sufficient engineering work had been performed to establish the capital costs of the Kaunisvaara Project. These statements include the following:

- a) Page 100: “SRK considers that the amount of engineering performed for estimation of the work required is acceptable, and the capital cost developed is realistic. A 10% contingency has been included by SRK in its financial analysis presented later in this section.”
- b) Page 100: “Sufficient engineering has been performed to establish the plant capital cost assuming a contingency of 10%.”

36. On November 10, 2011, as part of the Management Discussion and Analysis for the period ending September 20, 2011, Northland stated that it expected to launch and complete the syndication for the Senior Loan during the fourth quarter of 2011.

37. On December 22, 2011, Northland announced that the Kaunisvaara Project was on time and on budget.

38. On February 2, 2012, Northland announced the launch of an equity offering of the equivalent of a minimum of USD \$225 million and maximum of USD \$250 million (the “Second Equity Offering”) and a senior secured bond offering for a minimum USD \$450 million (the “Bond Offering”). These offerings were done under various prospectus exemption provisions of the applicable securities legislation. Northland also stated that following this offering, it would “no longer pursue the previously announced [Senior Loan] Financing.”
39. As part of the February 2, 2012 announcement, Northland stated that “[f]ollowing a review of all significant future agreements, the Company has revised the total capital expenses (“Capex”) expected to be USD 807 million, compared to USD 765 million in the (“DFS”) update completed in May 2011”.
40. On February 10, 2012, Northland announced that the Second Equity Offering had been a fully subscribed.
41. On February 15, 2012, Northland announced that the Bond Offering had been fully subscribed.
42. On February 16, 2012, Northland closed the subscriptions for the Second Equity Offering for the equivalent of USD \$325 million.
43. On February 23, 2012, Northland completed the Second Equity Offering for USD \$325 million.
44. On March 17, 2012, Northland raised USD \$350 million from the Bond Offering.
45. On March 19, 2012, Northland commenced a series of updates called “Northland Operational Update”. In this update, Northland stated that the Capex had increased to

“USD \$875 million, adjusted for revised exchange rates and additional contingencies. The increase compared to the Capex of USD 765 million as presented in the DFS May 2011 is to be referred mainly to the inclusion of the logistics solution.” The “logistics solution” referred to the inclusion of truck transportation from Kaunisvaara to Pitkajarvi for reloading to railway wagons, rail transportation from Pitkajarvi to Narvik on the railway track, and the use of the Fagernes Terminal in Narvik.

46. On April 12, 2012, Northland announced that “the costs of the logistics chain is in line with the predictions made in the [DFS], although the final rail costs are still pending.”
47. On May 22, 2012, Northland issued the “Northland Operational Update – May 2012” wherein it increased the Capex to USD \$933 million.

#### ***Cost-to-Complete Tests***

48. In March and April 2012, Northland commenced work in connection with “cost-to-complete” testing. The purpose of a “cost-to-complete” test is to ensure that Northland had sufficient funds available to complete the Kaunisvaara Project (the “Cost-to-Complete Test”). The Cost-to-Complete Tests were prepared by Royal HaskoningDHV (formerly known as Turgis Consulting Ltd.).
49. Also in March and April 2012, Northland retained Turner & Townsend, a consulting firm with expertise in cost management and engineering, to assist in making the transition from an exploration to an operational mining company. According to Turner & Townsend’s web site, which was updated on May 16, 2012, Turner & Townsend was “ramping up efforts in the implementation phase, with an execution schedule baseline, cost control and procedures.” Also, Turner & Townsend noted that their mandate was to “provide confidence to project manager[s], executives and stakeholders of project cost and progress information.”

50. The plaintiff pleads that through their engagement on the Kaunisvaara Project, Turner & Townsend uncovered problems with both Northland's accounting systems and protocols and the quality of engineering detail and analysis upon which the project was based. The plaintiff pleads that the work of Turner & Townsend revealed to the defendants that the Kaunisvaara Project costing had been massively understated to security holders.
51. The retainer and involvement of Turner & Townsend as a consultant to Northland in respect of the Kaunisvaara Project in this timeframe has never been disclosed to Northland security holders. No reports, analysis or conclusions of Turner & Townsend in this timeframe have ever been publically filed.
52. On July 2, 2012, Northland announced that the Kaunisvaara Project passed a "defined 'cost-to-complete' test as well as to certify that the project is progressing according to schedule."
53. On September 17, 2012, Northland announced that it had successfully completed its second Cost-to-Complete Test.
54. On September 22, 2012, Northland issued the "Northland Operational Update – September 2012" wherein it increased the Capex to USD \$956 million. As part of the update, Northland stated:

The new Capex is 9% above prediction in the capital raising completed February 2012 due to increased civils and engineering work and building costs (including upgrades), as well as tires for mobile equipment and increased costs for rail upgrading. The costs of rail cars is now also included in the new Capex, which they were not in February, 2012. Northland's intention is to sign a lease/rental agreement for the rail cars and storages, which would further reduce Capex.

55. On September 25, 2012, Northland announced that it expected it had “sufficient resources within the February 2012 financing, the Cost Overrun Facility and the expected positive cash flow to cover the new Capex estimate.”
56. On November 29, 2012, Northland announced “satisfactory results” of a third Cost-to-Complete Test.
57. The author of the Cost-to-Complete Tests, Royal HaskoningDHV, did not sign a consent to release their report to shareholders. As a result, the Cost-to-Complete Tests are not available to class members.
58. As will be set out in more detail below, the plaintiff asserts that Northland’s representation to security holders concerning the results of Cost-to-Complete testing constituted misrepresentations.
59. The plaintiff pleads that the Cost-to-Complete testing have been exposed as wholly inaccurate. First, the third Cost-to-Complete Test was released on November 29, 2012 at a time when management of Northland admitted that they knew the costing for the project was USD \$425 million over budget. The plaintiff asserts that Northland, Waplan and the other defendants became aware, no later than April 1, 2012 that the costing was erroneous and constituted a misrepresentation to shareholders.
60. Second, management of Northland now admit that all the work undertaken at the Kaunisvaara Project was done on an improper foundation of insufficiently detailed engineering work, rendering the Cost-to-Complete Tests meaningless.
61. Third, all of the work concerning the Cost-to-Complete Tests was done within 8 months of Northland’s announcement of the USD \$425 million funding shortfall. Given the

proximity of the Cost-to-Complete Tests to the corrective disclosure, the cost overruns were well known to Northland, Hvide, Waplan and the other defendants.

62. The plaintiff asserts that the overriding consideration in conducting the Cost-to-Complete Tests was management's objective of being able to draw down the bond funds as these tests were necessary thresholds for which Northland had to cross in order to access those funds.

***Further Updates of the Kaunisvaara Project***

63. Following the Second Equity Offering and the Bond Offering, Northland continued to make representations, including but not limited to, the following:

- a) that the Kaunisvaara Project was on budget;
- b) that the project was advancing on schedule;
- c) that Northland had financing in place to support the completion of the Kaunisvaara Project as it had passed Cost-to-Complete Tests; and,
- d) Northland specifically omitted to disclose that there were massive costs escalations that were causing the Kaunisvaara Project to run significantly over the total project budget. In every disclosure made by Northland after April 1, 2012, it was obliged to make disclosure of those facts and it specifically failed to do so.

***Funding Shortfall Finally Revealed***

64. On January 24, 2013, Northland issued a press release disclosing for the first time a USD \$425 million funding shortfall (the "Funding Shortfall"). According to Northland, the Funding Shortfall was due to:

- a) higher than expected operating costs in the production ramp-up phase;
  - b) higher capital expenditures than expected; and,
  - c) lower operating assumption for iron ore price, and adverse movements in exchange rates.
65. The defendants knew, and it would have been impossible for them not to know, that they were withholding material information from the marketplace by making repeated affirmative representations about the Kaunisvaara Project being on budget and successfully passing Cost-to-Complete Tests when all the causes of the Funding Shortfall were well known and well-studied by management over a lengthy period of time.
66. In January 2013, Northland learned that there was a leak of internal information to an external source concerning the cost overruns at the Kaunisvaara Project. As a result of that leak, Northland was forced to make disclosure of the Funding Shortfall.
67. The defendant, Anders Hvide, Chairman of Northland, discussed the situation during an analysts' conference call held Friday, January 25, 2013 and is quoted in the media as having stated: "In the middle of the week we unfortunately were contacted by someone who was sitting on information they shouldn't have been sitting on."
68. It was reported in the media that during the analysts' conference call, Hvide was otherwise tight-lipped about the leak or the identity of the person who contacted Northland: "I can't give you further comment on that," Hvide is quoted as saying during the call.

69. Furthermore, Hvide admitted to analysts that Northland had knowledge about the Funding Shortfall since early December 2012 but had decided that it would be better to “contain value for investors” by preparing a solution to raise the needed cash before going public and that this non-disclosure was better “than coming out without a solution earlier...”. Also during the analysts’ conference call, Hvide stated that “It’s a very unfortunate situation ...” and the “... reaction is very dramatic and we’re very sorry for that.”
70. The plaintiff disputes the assertion that the defendants only became aware of the Funding Shortfall in early December 2012. The plaintiff asserts in fact that the defendant Hvide’s comments regarding the timing of Northland’s knowledge of the cost overruns is a further misrepresentation.
71. The plaintiff asserts that Northland, Waplan and the other defendants became aware, no later than April 1, 2012 through their participation in the Cost-to-Complete processes, that the costing was erroneous and constituted a misrepresentation to shareholders. Those misrepresentations and omissions include without limitation the deficiencies in the details of the engineering work undertaken and the fact that all costing estimates with respect to the project were erroneous and massively understated.
72. A media report concerning the analysts’ conference call summarized the explanation for the Funding Shortfall as a result of Northland’s efforts to fast-track the Kaunisvaara Project to production. This resulted in Northland’s projected costs as significantly off because it had not completed detailed engineering work. The defendant Waplan is quoted as saying that the capital costs, including the Funding Shortfall, would have been the same, regardless of the expedited mine build. But, had detailed engineering been in place, “we would have known about it earlier.”

73. As illustrated below, the price of Northland securities was immediately impacted by the corrective disclosure of January 24, 2013.



74. As illustrated above, on Wednesday, January 23, 2013, the last day of trading before the corrective disclosure, Northland's stock closed at \$1.07 per share. By the end of the day on Thursday, January 24, 2013, the day of the corrective disclosure, Northland's stock priced had dropped 65% to \$0.37.

***Particular Facts Underlying the Alleged Misrepresentations***

75. It is pleaded that the defendants were furnished with specific information stating that the cost to develop the mine had been grossly understated by April 1, 2012. In particular, it is pleaded that the defendants had specifically engaged a specialist consulting firm known as Turner & Townsend. Turner & Townsend was engaged to provide an engineering and costing analysis in and around March and April of 2012.

76. More specifically, an associate director of Turner & Townsend from Toronto, Ontario named Sarbjit Singh Bahra attended at the mine in Pajala, Sweden for a period of time in the months between February and April 2012. The purpose of Mr. Bahra's engagement at that time was to conduct a detailed review of project costing and to provide a report to management in that respect.
77. Mr. Bahra undertook the required review and it is pleaded that the results of his work showed that the publicly disclosed project costing figures were significantly understated and that the actual project cost would be approximately \$300 million dollars greater than had been previously disclosed.
78. It is pleaded that results of Turner & Townsend's detailed project costing review revealed to the defendants that the publicly disclosed costing information for the Kaunisvaara project was materially and grossly understated.
79. In or around the same time frame, the plaintiff pleads that a Northland employee made a "whistleblower" communication directly to senior management in respect of project costing. In particular, senior management received a specific communication from an employee warning that cost control for the project had been lost and that the actual expenses of the project would substantially exceed the publically reported figures.
80. At no time did the defendants disclose the fact of the engagement of Turner & Townsend, the fact that a cost and engineering review had been undertaken with the expert assistance of that firm, or the fact that a whistleblower communication had been received which indicated that project cost control had been lost and that the actual expenses of the project would substantially exceed publically reported figures. The plaintiff pleads that all of the above events were material events for securities law

reporting purposes and that each of such events were required to be disclosed on a timely basis to the class members.

81. Moving forward in time, in conjunction with the corrective disclosure made on January 23, 2013, senior management disclosed that a “bottom up” budget reconstruction process had been commenced within the company in August of 2012. The plaintiff pleads that no “bottom up” budget process would have been necessary unless the existing budget was the subject matter of concern respecting its reliability and accuracy.
82. The fact that a “bottom up” budget reconstruction process had been implemented was a material fact, which was required to be disclosed to the class members in a timely way. The defendants made no disclosure whatsoever to the class members in a contemporaneous and timely way respecting the budget reconstruction work, which had been implemented. The defendants made no disclosure of a “bottom up budget reconstruction” until January 24, 2013 when the \$425 million USD cost overrun and funding shortfall was revealed.
83. The defendants had also failed to disclose that the contractual arrangements between Northland and its major service providers in connection with the mine construction project provided for “open book” costing, which means that significant aspects of the work of those service providers was literally open and not subject to fixed costing for budget and other purposes. The nature of the open book contractual arrangements was a material fact respecting project costing and budgeting, which the defendants were required to disclose to the class members in a timely way.
84. After finally disclosing this information in the spring of 2013, Northland’s new management undertook to convert the open book contracts to fixed contracts, further

demonstrating that the open book contracts presented a material risk to project budget and costing analysis.

85. The plaintiff pleads that the defendants also began to encounter specific problems with major service providers for the mine construction project by no later than August of 2012 and likely earlier. In particular, the mine construction project was overwhelmingly dependent upon the work of two specific and substantial service providers, specifically the major construction and equipment services companies Peab and Metso.
86. Peab is a Swedish construction and civil engineering company that carried out work on the Kaunisvaara mine project. Metso is a Finnish industrial company serving several industries, including the mining industry with equipment and other specialized services. It provided such equipment and services to Northland in respect of their work in the Kaunisvaara mine project.
87. The plaintiff pleads that a dispute had arisen between the defendants and Metso at least by August of 2012 respecting charges to be made to the “open book” costing of its services. The plaintiff pleads that the quantum of increased costs relating to Metso’s open book contracts were known to Northland’s management in or around July or August of 2012, and were discussed by the Board of Directors in November 2012 at the latest. At no time during the class period did the defendants disclose to the class members the nature of its contractual arrangements or the fact of a substantial costing dispute with Metso as a major service provider to the mine project.
88. In the timeframe following the release of the corrective disclosure made on January 23, 2013, the defendants Hvide and Waplan admitted publicly that they knew of the substantial cost overruns at the mine and the need for significant additional financing by November 29, 2012. More particularly Hvide and Waplan participated in an investor

webcast and conference call on January 24, 2013 where their knowledge of the cost overruns was discussed and acknowledged. The defendants Hvide and Waplan further disclosed that they were forced to make the corrective disclosure due to the fact that information surrounding the cost overruns had been leaked to a member of the media.

89. Following the admission of knowledge of the cost overruns, management of Northland was required to disclose that they were working to convert the open book contracts to fixed contracts
90. The plaintiff pleads that notwithstanding the admission by Hvide and Waplan that they had knowledge of the cost overruns by November 29, 2012, that the defendants had in fact possessed direct knowledge of the cost overruns far earlier, namely by April 1, 2012 as pleaded herein.
91. Among other things, the plaintiff pleads that it was acknowledged at a meeting before the Board of Northland by November 13, 2012 at the earliest that the cost overruns would require additional financing. The plaintiff pleads that the defendants had knowledge of the cost overruns at far earlier points in time, as otherwise pleaded herein.
92. Hvide and Waplan also disclosed that they had undertaken confidential efforts to raise capital to fund the cost overruns in the latter part of 2012 without making any public disclosure of those efforts to the markets.

### ***Kaunisvaara Project Update***

93. Northland prepared a report entitled "Kaunisvaara Project Monthly Progress Report October 2012", which was filed with the Oslo Borse in conjunction with a violation charge relating to breach of duty to disclose insider information to the market relating to higher than expected operating costs and capital expenditures.

94. The plaintiff alleges that the October 2012 report, together with its supporting charts and spreadsheets, show very clearly that management was aware of the need for additional funding as of at least the date of the report. The plaintiff further alleges that total project budget and change control and project contingency figures show a series of material developments occurred in respect of project costing and risk relative to the disclosures made by Northland to shareholders.

***Enforcement Actions by TSX, OSC and the Oslo Stock Exchange and Resignation of Key Officers***

95. On February 11, 2013, the TSX announced that it was reviewing the shares of Northland with respect to meeting the requirements for continued listing pursuant to the Expedited Review Process. As part of this announcement, the TSX immediately suspended the trading of Northland's shares.
96. On February 18, 2013, the TSX announced that it had "determined to delist [Northland's shares] at the close of market on March 15, 2013 for failing to meet the continued listing requirements of TSX" and that the securities would remain suspended from trading.
97. On March 28, 2013, Northland announced that it expected the Ontario Securities Commission ("OSC") to note the company in default of its continuous disclosure obligations due to the fact that the company would not file by April 2, 2013 its audited financial statements and associated management discussion and analysis for the fiscal year ended December 31, 2012. As part of its announcement, Northland stated:

Since January 2013, Northland has faced serious liquidity issues. During this period the Company has published its Q4 2012 unaudited interim condensed financial statements. However, since the negotiations with potential investors are still ongoing, management of the Company is currently not in a position to evaluate the potential impacts of these negotiations on the Annual Financial Statements and to finalize its assessment of the going concern assumption. As a result, the Company

is not in the position to file its Audited Annual Financial Statements and MD&A by April 2, 2013.

98. As part of the announcement, Northland stated that as a result of the delay in filing its audited financial statements and associated management discussion and analysis, the company had submitted an application to the OSC pursuant to National Policy 12-203 (“NP 12-203”) – *Cease Trade Orders for Continuous Disclosure Defaults* requesting that a management cease trade order (a “MCTO”) be imposed upon the officers of the company in lieu of a general cease trade order in respect of the continuous disclosure default.
99. On April 11, 2013, Northland announced that the OSC issued a temporary MCTO which imposed certain restrictions on the issuance and acquisitions of securities of insiders and/or employees of Northland until the company filed its audited financial statements and associated management discussion and analysis.
100. On April 30, 2013, Northland filed its audited financial statements and management discussion and analysis for the fiscal year ended December 31, 2012.
101. On May 3, 2013, Anders Hvide resigned as Executive Chairman and was replaced by Matti Kinnunen.
102. On June 10, 2013, Northland announced the resignation of CEO Waplan. As part of the announcement, CEO Waplan is quoted as follows: “...I can express my deep regret that Northland ended up in such a pressed situation and, in hindsight, there are certainly things we could have done differently. ...”
103. Furthermore, the announcement also stated:

Northland Resources has been in an extremely tough situation for a long time. In making its assessment, the board of directors agrees with Mr

Waplan that the company needs a calm environment to focus on the next phase – the completion of the Kaunisvaara project – with a new CEO.

104. On June 14, 2013, Northland filed revised consolidated financial statements for the year ended December 31, 2012. The purpose of the revised and refilled annual financial statements was to make the following changes to the auditor's report:
- a) include the comparative period of December 31, 2011;
  - b) remove the reference to jurisdictional standards on auditing; and,
  - c) remove the reference to jurisdictional International Financial Reporting Standards ("IFRS").
105. On July 2, 2013, Northland announced that the Board of Directors of the Oslo Stock Exchange had resolved to impose a violation charge on Northland for a breach of duty to disclose inside information to the market. Specifically, the violation charge relates to Northland failing to publicly disclose in a timely manner information relating to the higher than expected operating costs and capital expenditures. According to Northland's news release, the Oslo Stock Exchange "is of the opinion that inside information in relation to higher costs was in existence in the company by 29 November 2012 at the latest."

***Bankruptcy of Northland and Summary of Key Events***

106. On December 17, 2014, Northland filed a request for bankruptcy. On December 19, 2014, the Luxembourg District Court approved that request for bankruptcy.
107. The following is a summary of the key events leading to the bankruptcy:
- a) September 27, 2010: Northland announces the positive outcome of the DFS;

- b) October 5, 2010: DFS is made available to the public showing forecasted operating costs of USD \$3,590,000 over the life of the mine and forecasted capital costs of USD \$913,000,000;
- c) June 1, 2011: Northland announces Updated DFS;
- d) June 8, 2011: Updated DFS is made available to the public showing a decrease in the forecasted operating costs of USD \$3,491,000 over the life of the mine and decrease in the forecasted capital costs of USD \$899,000,000;
- e) Between February 2, 2012 and January 2013: Northland continues to make representations that the Kaunisvaara Project was (i) on budget; (ii) on schedule; and, (iii) had financing in place to support the completion of the project;
- f) February 2, 2012: Northland announces an increase in capital expense to USD \$807 million compared to USD \$765 million contained in the DFS and Updated DFS;
- g) March 19, 2012: Northland announces a further increase in capital expense to USD \$875 million;
- h) May 22, 2012: Northland announces a further increase in capital expenses to USD \$933 million;
- i) July 2, 2012: Northland announces that it passed a Cost-to-Complete Test;
- j) September 17, 2012: Northland announces that it passed a second Cost-to-Complete Test;

- k) September 22, 2012: Northland announces a further increase in capital expenses to USD \$956 million;
- l) November 29, 2012: Northland announces that it passed a third Cost-to-Complete Test;
- m) January 24, 2013: Northland announces a USD \$425,000,000 Funding Shortfall and Northland's stock price falls by 65% to \$0.37 from \$1.07 per share;
- n) January 25, 2013: Northland holds a conference call with security analysts during which Hvide admitted that Northland had knowledge about the Funding Shortfall but decided that it would be better to "contain value for investors" by preparing a solution to raise the needed case before going public and that this non-disclosure was better "than coming out without a solution earlier ....";
- o) January 25, 2013: Northland announces that it would seek USD \$250,000,000 equity offering and USD \$125,000,000 bond issue to address Funding Shortfall;
- p) February 18, 2013: TSX announced that it would delist Northland's shares at the close of market on March 15, 2013 for failing to meet the continued listing requirements of the TSX;
- q) April 11, 2013: The OSC issued a temporary MCTO which imposed certain restrictions on the issuance and acquisition of securities by insiders and/or employees of Northland until the company filed its audited financial statements and associated management discussion and analysis;
- r) May 3, 2013: Hvide resigned as Executive Chairman;
- s) June 10, 2013: Waplan resigned as CEO;

- t) July 2, 2013: Oslo Stock Exchange resolved to impose a violation charge on Northland for a breach of duty to disclose insider information to the market relating to the higher than expected operating costs and capital expenditures;
- u) December 19, 2014: Northland is granted a request for bankruptcy in Luxembourg.

## **CAUSES OF ACTION**

### **SECURITIES PURCHASED ON THE SECONDARY MARKET**

#### ***Breach of the Ontario Securities Act***

- 108. Northland is a “Reporting Issuer” and a “Responsible Issuer” under the OSA with the obligation to make timely disclosure of material information to its shareholders and the public securities markets. Northland made consistent and affirmative misrepresentations and persistent omissions in its core corporate documents which include but are not limited to various Material Change Reports, MD&As, Annual Information Forms, Information Circulars, Annual Financial Statements, Interim Financial Reports and various news releases which they failed to correct at any material time during the class period.
- 109. The defendant, Waplan is an “Officer” of Northland who authorized, permitted or acquiesced in the release of a document that contained a misrepresentation and/or failed to make a timely disclosure.
- 110. The defendant, Hvide is a “Director” of Northland who authorized, permitted or acquiesced in the release of a document that contained a misrepresentation and/or failed to make a timely disclosure.

111. The plaintiff asserts, among other things, the statutory causes of action particularized in Part XXIII.1 of the Ontario *Securities Act*, against Northland, Hvide, and Waplan for material misrepresentations made during the class period and if granted, leave under s. 138.8(1) of the Ontario *Securities Act* to plead the causes of action set out in s. 138.3 of the Ontario *Securities Act*.
112. The plaintiff asserts the misrepresentations and omissions outlined above are persistent misrepresentations and omissions having common subject matters that can be treated as a single misrepresentation and omission under s. 138.3(6) of the Ontario *Securities Act*.

## **COMMON LAW CAUSES OF ACTION**

### ***Conspiracy***

113. The plaintiff pleads that the defendants wrongfully and unlawfully conspired and agreed together and with persons unknown to, among other things, omit to make required disclosures to shareholders of Northland and to make affirmative representations to those shareholders regarding the project financing costs of the Kaunisvaara Project.
114. Each conspiring defendant had an independent duty to disclose the misrepresentations and correct the omission. Each conspiring defendant failed to discharge that duty as required by law.
115. The defendants' predominant purposes, concerns and motivations in making the affirmative representations and omissions include, but were not limited to:
- a) maintaining an artificially high trading price for Northland securities;
  - b) maintaining control of Northland's Board of Directors;

- c) maintaining control of Northland's corporate strategy; and,
  - d) increasing the value of the Northland securities they held.
116. In furtherance of the conspiracy, the defendants, among other acts, omitted to make the disclosures required by law and issued statements, announcements, news releases, filings and other disclosure documents containing affirmative representations and omissions contrary to law.
117. The conspiracy was unlawful because the conspirators committed the foregoing acts in violation of the Ontario *Securities Act* and similar regulatory legislation in other jurisdictions, as well as the requirements of the TSX and the other security exchanges on which Northland's securities were traded.
118. The conspiracy was directed towards the plaintiff and the other class members. The defendants knew or ought to have known in the circumstances that the conspiracy would, and did, cause loss to the plaintiff and the class members.

***Negligence***

119. The plaintiff pleads that the defendants by virtue of their position of authority and responsibility owed a duty to the plaintiff and to class members, at law and/or under the provisions of the Ontario *Securities Act*, to disseminate promptly, or to ensure the prompt dissemination of truthful, complete and accurate statements regarding Northland securities and to promptly correct previously issued, materially inaccurate information so that the market price of Northland securities was based on complete, accurate and truthful information.

120. The defendants knew or ought reasonably to have known that the misrepresentations and omissions alleged herein were materially misleading and in violation of the defendants' duties to the plaintiff and to class members.
121. Further, and/or alternatively, the defendants knew or ought reasonably to have known that the misrepresentations and omissions would directly influence the price of Northland securities.
122. As such, the defendants knew or ought reasonably to have known that the misrepresentations and omissions would cause the price of Northland securities to become inflated, and thus would cause damage to persons who purchased Northland securities while the price remained inflated.
123. The plaintiff pleads that the reasonable standard of care expected in the circumstances required the defendants to act fairly, reasonably, honestly, candidly and in the best interests of the plaintiff and the other class members.
124. The plaintiff pleads that the defendants failed to meet the standard of care and breached the duty of care by issuing, consenting, authorizing, permitting or acquiescing to the release of documents which contained misrepresentations and/or omissions.
125. The defendants' further breaches include, but are not limited to:
  - a) failing to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances as required by law;
  - b) failing to design and/or have the proper internal controls over financial reporting in order to ensure the reliability and veracity of financial reporting;

- c) signing, consenting to, authorizing, permitting and/or acquiescing to the filing of various documents when they knew or reasonably ought to have known that the documents contained misrepresentations and/or omissions which were false;
  - d) authorizing statements, announcement, press releases, filings and other public documents which contained material misrepresentations and/or omissions which were false; and,
  - e) failing to maintain appropriate control procedures to ensure that Northland's disclosure documents adequately and fairly presented the business and affairs of the Company on a timely basis.
126. The negligence of the defendants, their servants, employees and/or agents resulted in an economic loss for the plaintiff and the class members and each class member.
127. The misrepresentations and/or omissions alleged herein caused the price of Northland securities to be artificially high during the class period, when the plaintiff and the class members purchased their securities.
128. When the misrepresentations and/or omissions were revealed, this artificial inflation was removed and the trading price of Northland securities was corrected to reflect this information.
129. As a result, the plaintiff and class members bought their securities at inflated prices and suffered a corresponding loss upon the disclosure of the material misrepresentations.

***Negligent or Reckless Misrepresentation***

130. The plaintiff pleads that the defendants by virtue of their position of authority and responsibility, owed a duty of care to the plaintiff and to each class member.

131. The relevant documents filed during the class period, which contained misrepresentations and/or omissions, were prepared, at least in part, for the purpose of attracting investment and with the intention that members of the investing public would rely upon the documents in making the decision to purchase and/or acquire Northland securities.
132. Each of the relevant documents filed during the class period contained a representation which was untrue, inaccurate and misleading.
133. The defendants were reckless in not knowing or, at a minimum, knew or ought reasonably to have known that, by making the misrepresentations and omissions alleged herein, the price of Northland securities would rise and/or remain at artificially high levels, and that investors would rely upon those misrepresentations and/or omissions in making their decision to purchase Northland securities.
134. The defendants made the misrepresentations and/or omissions negligently or, alternatively, recklessly, caring not whether they were true or false, intending that the plaintiff and the class members would rely upon them, which they did to their detriment, in making their decision to purchase Northland securities.
135. The representative plaintiff and each class member relied upon the misrepresentations and/or omissions by the act of purchasing and/or acquiring Northland securities.
136. The plaintiff and each class member suffered damages and loss as a result of their reliance on the misrepresentations and/or omissions in purchasing and/or acquiring Northland securities.

## **THE RELATIONSHIP BETWEEN THE DISCLOSURES AND THE PRICE OF NORTHLAND SECURITIES**

137. The relevant documents filed during the class period which contained misrepresentations and/or omissions were made available for review and inspection by the plaintiff, class members, members of the investing public, and financial analysts as they were filed with SEDAR, the TSX, the Oslo Stock Exchange, the Frankfurt Stock Exchange, the NASDAQ OMX Stockholm's trading venue First North, and further, they were made available on the internet and through financial publications.
138. Further and/or alternatively, Northland routinely transmitted the documents which contained misrepresentations and/or omissions to the financial press, financial analysts and certain prospective and actual holders of Northland securities.
139. Further and/or alternatively, Northland regularly communicated with the public investors and financial analysts via established market communication mechanisms, including regular disseminations of press releases on newswire services in Canada.
140. The defendants were at all material times aware that the price of Northland securities was directly affected during the class period by periodic disclosures regarding Northland's business and finances. The defendants were aware that correcting a misrepresentation would have a profoundly negative impact on the price of Northland securities.
141. Northland securities were at all material times traded on the TSX, the Oslo Stock Exchange, the Frankfurt Stock Exchange, and the NASDAQ OMX Stockholm's trading venue First North, all of which are efficient and automated markets. The price at which Northland securities were traded on this automated market promptly incorporated

material information disclosed by Northland with respect to its business and affairs, including the misrepresentations and/or omissions alleged herein, which were disseminated to the public through the documents described herein.

#### **VICARIOUS LIABILITY OF THE CORPORATE DEFENDANTS**

142. The plaintiff pleads that Northland is vicariously liable for the acts and omissions of their officers, defendants, servants, employees and/or agents.
143. The acts and omissions alleged herein to have been done by Northland were authorized, ordered and done by its officers, defendants, servants, employees and/or agents, while engaged in the management, direction, control and transaction of its business affairs and therefore are acts and omissions for which Northland is vicariously liable.
144. At material times during the class period, Hvide and Waplan were directors and/or officers of Northland. As their actions are independently tortious, they are personally liable to the plaintiff and to the other class members. Furthermore, Northland is vicariously liable for the acts and omissions of these defendants as particularized herein.

#### **RELIANCE**

145. Pursuant to s. 138.3(1) of the Ontario *Securities Act*, the plaintiff and class members are deemed to have relied upon the misrepresentations contained with the relevant documents filed during the class period.
146. Further, all of the defendants intended that the plaintiff and the other class members would rely upon the misrepresentations and omissions alleged herein, which they did to their detriment by purchasing Northland securities on the secondary market.

147. The plaintiff pleads that Northland's securities were traded on efficient public securities markets at all material times and that those markets quickly and efficiently impounded the information the defendants made available to those markets into the valuation of Northland's publicly traded stock price. The plaintiff pleads that the misrepresentations and omissions alleged herein caused Northland's securities to trade at artificially inflated levels during the class period.
148. Northland's securities could only be purchased at those artificially inflated levels during the class period. When the corrective disclosures were made, the information released was quickly and efficiently impounded into the valuation of the class member's securities, causing the losses to them as alleged herein.
149. Due to the efficient operation of the public securities markets on which Northland's securities traded, the plaintiff and the class members relied on the defendants to make full, true and plain disclosure of all material facts concerning the affairs of the company during the class period. The plaintiff and the class members relied to their detriment on the misrepresentations and omissions alleged herein.

## **DAMAGES**

150. As a result of the conduct of the defendants as pleaded, the plaintiff and each class member suffered loss and damage and the defendants or any one or more of them are liable to pay damages to the plaintiff and the other class members.
151. As a result of the defendants' misrepresentations, the plaintiff and the class members purchased Northland securities on the secondary market, at substantially inflated prices, and sustained losses when Northland belatedly disclosed the material misrepresentations alleged herein.

## **PUNITIVE DAMAGES**

152. By virtue of the high-handed conduct of the defendants and their disregard for the rights of class members to be provided with full, frank and plain disclosure of all material facts, the plaintiff requests this Court to award against the defendants or any of them, punitive damages in an amount deemed appropriate by this Court.

## **JOINT LISTING OF THE DEFENDANTS' SHARES ON THE TSX AND THE OSLO BORSE**

153. At all material times, the Defendants' shares traded publicly pursuant to a joint listing on the Toronto Stock Exchange ("TSX") and the Oslo Borse. The Defendants' senior public securities listing was on the TSX and its primary securities law regulator was at all material times the Ontario Securities Commission.

154. The TSX and the Oslo Borse entered into a partnership in 2010 pursuant to a memorandum of understanding. The purpose of that memorandum of understanding was to create a partnership between the two stock exchanges which would facilitate dual listings of public issuers jointly on the TSX and the Oslo Borse. The two exchanges engaged in cooperation in order to ease the process and workload for companies which sought to have dual listings. The partnership also facilitated electronic information distribution systems which mitigate, if not totally eliminate, the effect of different time zones in respect of the release and distribution of information and disclosure.

155. Most importantly, the dual listing arrangement between the TSX and the Oslo Borse required total compliance with Canadian securities law disclosure and reporting requirements as well as specific requirements under Canadian law in respect of

International Financial Reporting.

156. The Plaintiff pleads that as a result of the misrepresentations and omissions pleaded herein, the Defendants failed to comply with the standards required of them pursuant to the dual listing arrangement with the TSX and the Oslo Borse.
157. In addition or in the alternative, the Plaintiff also pleads that the Defendants specifically breached Norwegian securities law disclosure and financial reporting requirements.
158. As pleaded herein, on July 2, 2013, the Oslo Borse imposed a violation charge on Northland after finding that the company had breached its duty to disclose insider information to the market, relating to the significantly higher than expected operating costs and capital expenditures which are the subject matter of this action.
159. The Plaintiff also pleads that the Defendants were negligent and made false statements and or failed to disclose material financial information to investors, all of which amounted to securities law misrepresentations under applicable Norwegian securities legislation and tort law.
160. The Plaintiff pleads that the officers and directors of the defendant company have acted negligently under applicable Norwegian legislation and tort law. Shareholders of Northland suffered losses and damages as a result of the Defendants' actions and in the event that Norwegian legislation and tort law is found to be applicable the claims advanced herein in whole or in part, entitlement to compensation under Norwegian law is claimed for the losses suffered.

## THE RELEVANT STATUTES

161. The plaintiff pleads and relies upon the *Class Proceedings Act, 1992*, S.O. 1992, c.6 as amended, The *Negligence Act*, R.S.O. 1990, c.N.1 as amended and the *Ontario Securities Act*, R.S.O. 1990, c.S.5 as amended.
162. Strictly in the alternative, the plaintiff relies on Norwegian securities law, corporate governance, and reporting statutes.

## REAL AND SUBSTANTIAL CONNECTION WITH ONTARIO AND CANADA

163. The plaintiff pleads that Northland and all of its securities, wherever they traded, were at all material times regulated by Ontario securities law and regulation.
164. At all material times, the defendants have consistently reported to the class members in the company's public securities filings that the company is subject to continuous disclosure obligations under Ontario securities law and Canadian national securities law instruments; that the Ontario Securities Commission ("OSC") regulates the company and its securities; and that the company's primary public securities listing is on the TSX.

Statement	Location
<b>Canadian Securities Law - Corporate Governance</b>	
"Because the <b>TSX is the primary listing for the Company's common shares, the Company must comply with Canadian securities law, and in particular National Policy 101</b> , "Disclosure of Corporate Governance Practices", and National Policy 201, "Corporate Governance Guidelines."	Information Circular dated April 20, 2011 at p. ix-x; 2010 Annual Report dated May 10, 2011 at p. 51;
"Because the Company's shares have their primary listing on the TSX, the Company must	Management's Discussion and Analysis dated February 9, 2012 at

<p>comply with Canadian securities law, and in particular National Policy 101, “Disclosure of Corporate Governance Practices”, and National Policy 201, “Corporate Governance Guidelines”.</p>	<p>p. 23; Management Information Circular dated April 19, 2012 at p. 9; 2011 Annual Report dated April 26, 2012 at p. 43, 62;</p>
<p><b>“Because the Company is a reporting issuer in Canada, the Company must comply with Canadian securities laws</b>, and in particular National Policy 58-101 Disclosure of Corporate Governance Practices and National Policy 58-201 – Corporate Governance Guidelines.”</p>	<p>Management Information Circular dated April 17, 2013 at p. 10; Management Information Circular dated May 6, 2013 at p. 10; Management Information Circular dated May 30, 2013 at p. 15; Management Information Circular dated April 21, 2014 at p. 10;</p>
<p>“Because the <b>TSX was the primary listing</b> for the Company’s common shares, the Company has complied with Canadian securities law, and in particular National Policy 101, “Disclosure of Corporate Governance Practices”, and National Policy 201, “Corporate Governance Guidelines.”</p>	<p>Management’s Discussion and Analysis dated April 30, 2013 (re-filed June 14, 2013) at p. 20; Management’s Discussion and Analysis dated February 27, 2014 at p. 34; 2013 Annual Report dated April 30, 2014 at p. 25;</p>
<p>“...the Board must comply with conflict of interest provisions in Luxembourg law, as well as relevant <b>Canadian securities regulatory instruments</b>.”</p>	<p>Information Circular dated April 20, 2011 at p. xii; Management Information Circular dated April 19, 2012 at p. 12; Management Information Circular dated April 17, 2013 at p. 13; Management Information Circular dated May 6, 2013 at p. 18; Management Information Circular dated May 30, 2013 at p. 13; Management Information Circular dated April 21, 2014 at p. 15;</p>
<p><b>Canadian Securities Laws - Mineral Resource Reporting</b></p>	
<p><i>“Kaunisvaara Mineral Reserves</i> The Mineral Reserves reported in the DFS for the project <b>met the standards as defined by the Canadian Institute of Mining, Petroleum, and Metallurgy (CIM)</b>.”</p>	<p>2010 Annual Report dated May 10, 2011 at p. 10;</p>
<p>“Notably, Rautuoja and Cu-Rautuvaara prospects have proceeded into advanced</p>	<p>2011 Annual Report dated April 26, 2012 at p. 29;</p>

<p>stage during 2011, with NI43-101 resource reports being planned for 2012. <b>The National Instrument 43-101 is a Canadian mineral resource classification scheme used for the public disclosure of information relating to mineral properties.</b>”</p>	
<p>“The DFS report for Hannukainen is near publication and is currently subject to final review. <b>An NI 43-101 report is expected to be issued shortly after publication.</b>”</p>	<p>2013 Annual Report dated April 30, 2014 at p. 33; Management’s Discussion and Analysis dated February 27, 2014 at p. 15;</p>
<p><b>“The Group estimates and reports ore reserves in line with the principles contained in the Guidelines of National Instrument 43-101 and accompanying documents 43-101 F1 and 43-101 CP.”</b></p>	<p>2013 Annual Report dated April 30, 2014 at p. 45;</p>
<p>“Petri Peltonen, Ph.D., Vice President of Exploration for Northland Resources S.A, is the <b>Qualified Person as defined by the Canadian National Instrument 43-101 and the companion policy 43-101CP</b> being responsible for overseeing the execution of Northland’s exploration programs and for verifying that the information presented in this document is an accurate summary.”</p>	<p>Management’s Discussion and Analysis dated February 9, 2012 at p. 12; 2011 Annual Report dated April 26, 2012 at p. 58; Management’s Discussion and Analysis dated May 10, 2012 at p. 11; Management’s Discussion and Analysis dated August 9, 2012 at p. 10; Management’s Discussion and Analysis dated November 14, 2012 at p. 10;</p>
<p>“Matthew J. Blattman, PE, Managing Director for Blattman Brothers Consulting LLC, <b>is the Qualified Person as defined by the Canadian National Instrument 43-101 and the companion policy 43-101CP</b> being responsible for approving that the information presented in this press release is accurate and has approved such information.”</p>	<p>News Release: Northland to Address Funding Shortfall due to Higher initial Opex and Capex and subsequently expects its Kaunisvaara project to be fully-financed. In addition Northland Provides a Financial and Operational Update dated January 23, 2013 at p. 16; Management’s Discussion and Analysis dated May 8, 2013 at p. 9; Management’s Discussion and Analysis dated August 8, 2013 at p. 11;</p>
<p>“Mr. Thomas Lindholm, M.Sc., of GeoVista AB,</p>	<p>Management’s Discussion and</p>

<p>has been engaged by the <b>Company as Qualified Person as defined by the NI 43-101 and the companion policy 43-101CP responsible for verifying that the information presented in this report</b>, relating to Mineral Resources and Mineral Reserves, is an accurate précis of the contents of the original reports quoted.”</p>	<p>Analysis dated November 28, 2013 at p. 13;  Management's Discussion and Analysis dated February 27, 2014 at p. 16;  2013 Annual Report dated April 30, 2014 at p. 64;  Management's Discussion and Analysis dated May 14, 2014 at p. 14;  Management's Discussion and Analysis dated August 14, 2014 at p. 13;  Management's Discussion and Analysis dated November 28, 2014 at p. 18;</p>
<p><b>“The classification of Mineral Resources and Mineral Reserves used in this report conforms with the definitions provided in the final version of NI 43-101 (December 11, 2005) and WGM confirms that it has followed the standards and guidelines adopted by the Council of the Canadian Institute of Mining Metallurgy and Petroleum (“CIM”).”</b></p>	<p>Annual Information Form dated March 28, 2013 at p. 21;</p>
<p>“The work undertaken by SRK in compiling this report has been managed by Mr Howard Baker, a Principal Mining Geologist with SRK. <b>Mr Baker is a Qualified Person (QP) as defined by the Canadian Institute of Mining, Metallurgy and Petroleum (CIM) and outlined in National Instrument 43-101 of the Canadian Securities Administrators (NI 43-101)</b>. An appropriate certificate for Mr Baker accompanies this report. Mr Baker was also responsible for the Mineral Resource Estimates undertaken for the Sahavaara and Tapuli iron ore projects.”</p>	<p>Annual Information Form dated March 28, 2014 at p. 21;</p>
<p><b>Canadian Securities Laws - Communication with Beneficial Owners</b></p>	
<p>In accordance with <b>the requirements of the Canadian Securities Administrators and National Instrument 54-101, Communication with Beneficial Owners of Securities of a Reporting Issuer (“NI 54-101”)</b>, the <b>Company will have caused its agent to distribute copies of the Notice and this</b></p>	<p>Management Information Circular dated April 17, 2013 at p. 3;  Management Information Circular dated May 6, 2013 at p. 3;  Management Information Circular dated April 21, 2014 at p. 3;</p>

<p><b>Information Circular</b> (collectively, the “Meeting Materials”) as well as a proxy directly to those Beneficial Shareholders who have provided instructions to an intermediary that such Beneficial Shareholder does not object to the intermediary disclosing ownership information about the Beneficial Shareholder (“Non-Objecting Beneficial Owner” or “NOBO”).</p>	<p>Management Information Circular dated October 30, 2014 at p. 3;</p>
<p><b>Canadian Securities Laws - General Reporting Requirements</b></p>	
<p>“As required by the Multilateral Instrument 52-109 issued by the Canadian Securities Administrators, the Company’s Chief Executive Officer and Chief Financial Officer have made <b>certain certifications related to the information in the Company’s annual filings (as this term is defined in Multilateral Instrument 52-109, Certification of Disclosure in Issuers’ Annual and Interim Filings) with the provincial securities legislation.</b>”</p> <p>...</p> <p><b>“Management of the Company is responsible for designing internal controls over financial reporting for the Company as defined under Multilateral Instrument 52-109 issued by the Canadian Securities Administrators.”</b></p>	<p>Management’s Discussion and Analysis dated February 22, 2011 at p. 21;</p> <p>2010 Annual Report dated May 10, 2011 at p. 69;</p> <p>Management’s Discussion and Analysis dated February 9, 2012 at p. 21;</p> <p>2011 Annual Report dated April 26, 2012 at p. 62;</p> <p>Management’s Discussion and Analysis dated May 10, 2012 at p. 17;</p> <p>Management’s Discussion and Analysis dated August 9, 2012 at p. 15;</p> <p>Management’s Discussion and Analysis dated November 14, 2012 at p. 14-15;</p> <p>Management’s Discussion And Analysis dated April 30, 2013 (re-filed June 14, 2013) at p. 19</p> <p>Management’s Discussion and Analysis dated May 8, 2013 at p. 13-14;</p> <p>Management’s Discussion and Analysis dated August 8, 2013 at p. 15-16;</p> <p>Management’s Discussion and Analysis dated November 28, 2013 at p. 20;</p> <p>Management’s Discussion and Analysis dated February 27, 2014 at p. 33;</p> <p>2013 Annual Report dated April 30,</p>

	<p>2014 at p. 36;</p> <p>Management's Discussion and Analysis dated May 14, 2014 at p. 25;</p> <p>Management's Discussion and Analysis dated August 14, 2014 at p. 25;</p> <p>Management's Discussion and Analysis dated November 28, 2014 at p. 32;</p>
<p><b>“This MD&amp;A is drawn up in accordance with applicable Canadian law and regulations.”</b></p>	<p>Management's Discussion and Analysis dated May 14, 2014 at p. 16;</p> <p>Management's Discussion and Analysis dated August 14, 2014 at p. 15;</p> <p>Management's Discussion and Analysis dated November 28, 2014 at p. 2;</p>
<p>“the TSX has decided to delist the Company's common shares effective at the close of market on the TSX on March 15, 2013”</p> <p>...</p> <p><b>“the Company currently intends to apply to the TSX to have its common shares re-instated on the TSX.”</b></p>	<p>Material Change Report dated February 15, 2013 at p. 1;</p> <p>News Release: Northland Receives Notice from the Toronto Stock Exchange dated February 18, 2013 at p. 1;</p>
<p><b>“The Company expects that the OSC will note that the Company will remain in default until it files the Annual Financial Statements and MD&amp;A.”</b></p> <p>...</p> <p><b>“In the meantime, the Company has submitted an application to the Canadian securities regulatory authorities pursuant to National Policy 12-203 — Cease Trade Orders for Continuous Disclosure Defaults (“NP 12-203”) requesting that a management cease trade order be imposed upon the officers of the Company in lieu of a general cease trade order in respect of the Company's continuous disclosure default.”</b></p> <p>...</p> <p><b>Subsequently, the Company intends to satisfy the alternative information</b></p>	<p>News Release: Northland Announces Default Pursuant to National Policy 12-203 dated March 28, 2013 at p. 1-2;</p> <p>Material Change Report dated March 28, 2013 at p. 1-2;</p>

<p><b>guidelines prescribed by NP 12-203</b> by issuing bi-weekly default status reports in the form of news releases so long as it remains in default of continuous disclosure requirements.</p>	
<p>“As a result of this delay in filing the Annual Filings and the application by the Company for a management cease trade order (a “MCTO”), <b>the Ontario Securities Commission issued a temporary MCTO, which imposes certain restrictions on the issuance and acquisition of securities of insiders and/or employees of the Company until the Company files the Annual Filings and related CEO and CFO certificates. The MCTO will not affect the ability of persons who are not insiders or employees of Northland to trade their securities.</b>”</p> <p>...</p> <p>“Pursuant to the provisions of the alternative information <b>guidelines specified by NP 12-203</b>, the Company reports that, since the issuance of its default announcement on March 28, 2013, except as stated in this Default Status Report, there have not been any material changes to the information contained therein; nor any failure by the Company to fulfill its intentions as stated therein with respect to satisfying the provisions of the alternative information guidelines; and there are no additional defaults or anticipated defaults subsequent to the disclosure therein, other than the delay in filing the Annual Filings and related CEO and CFO certificates. Further, there is no additional material information respecting the Company and its affairs that has not been generally disclosed.”</p>	<p>News Release: Northland Provides its Second Default Status Update dated April 25, 2013 at p. 1;</p> <p>News Release: Northland Provides its Third Default Status Update dated May 9, 2013 at p. 1;</p> <p>News Release: Northland Provides its Forth Default Status Update dated June 13, 2013 at p. 1;</p>
<p><b>“The Company filed the Annual Filings and related CEO and CFO certificates on April 30, 2013 and has completed its discussions with the OSC in connection with those filings.”</b></p>	<p>News Release: Northland Provides its Forth Default Status Update dated June 13, 2013 at p. 1;</p>
<p><b>“The Company expects that the OSC will note the Company in default of its continuous disclosure obligations under Ontario securities law due to the Company not having filed its Interim Financial Statements and the associated MD&amp;A by November 14, 2013.”</b></p>	<p>Material Change Report dated November 14, 2013 at p. 1;</p> <p>News release: Northland postpones its third quarter results dated November 13, 2014 at p.1;</p>

<b>Share Rights</b>	
<p>“As at the date hereof, the Company has issued and outstanding ... fully paid and non-assessable shares, <b>each share carrying the right to one vote</b>. THE COMPANY HAS NO OTHER CLASSES OF VOTING SECURITIES.”</p>	<p>Information Circular dated April 20, 2011 at p. iii;                      Management Information Circular dated April 19, 2012 at p. 3;                      Management Information Circular dated October 30, 2014 at p. 3;                      Management Information Circular dated April 21, 2014 at p. 3;</p>
<p>“The Board is authorized, for a period of 5 years from the date of publication of the deed of incorporation to increase the current share capital in one or several times up to <b>CAD 950,000,000</b>, with the issue of <b>new shares having the same rights as the existing shares...</b>”</p>	<p>Management’s Discussion and Analysis dated February 9, 2012 at p. 23;</p>
<p>“<b>All shares traded under the tickers NAU, NAUR and NAUR R have full rights in the Company</b> with respect to voting, dividends and capital distributions.”</p>	<p>News Release: Northland Announces Merger of ISIN Numbers on the Oslo Børs dated June 18, 2012 at p. 1;</p>
<b>TSX Rules re: Compensation</b>	
<p>“<b>The rules of the Toronto Stock Exchange (the “Exchange”)</b> require, among other things, that a rolling stock option plan must be approved by shareholders three years after its implementation.”</p>	<p>Information Circular dated April 20, 2011 at p. xiii;                      Management Information Circular dated April 19, 2012 at p. 14;</p>
<p>“The grant and exercise of any options under the Plan (the “Options”) are <b>subject to compliance with the applicable requirements of the Toronto Stock Exchange</b> (the “Exchange”)”</p>	<p>Schedule “A” to the Information Circular dated April 20, 2011;                      Schedule “A” to the Management Information Circular dated April 19, 2012 at p. 14;</p>
<b>Functional/Reporting Currency</b>	
<p>“The Group’s <b>financial statements are presented in Canadian Dollar (CAD), which is the functional currency of the Company and the Group’s reporting currency</b>. All values are rounded to the nearest thousand dollars unless otherwise stated.”</p>	<p>2010 Annual Report dated May 10, 2011 at p. 75;</p>
<p>“The Group’s <b>financial statements up to December 31, 2010 were presented in Canadian Dollar (CAD), which is the functional currency of the Company and was the Group’s reporting currency</b>. Following the Board of Directors’ approval of</p>	<p>2011 Annual Report dated April 26, 2012 at p. 69;</p>

December 13, 2010, the Group's reporting currency has changed to US Dollar (USD) with effect from January 1, 2011."	
"Due to the significant changes in the Company's operations the functional currency of NRSA was changed from CAD to SEK with effect as from October 1, 2013."	2013 Annual Report dated April 30, 2014 at p. 44;
<b>Expressed Currency of Share Capital</b>	
"Northland had a total of 226,628,899 common shares issued and outstanding as of December 31, 2011, all of which were fully paid, for total issued share capital of <b>CAD 22,662,889.90.</b> "	Management's Discussion and Analysis dated February 9, 2012 at p.23;
"Northland had a total of 514,178,899 shares issued and outstanding as of December 31, 2012, all of which were fully paid, for a total issued share capital of <b>CAD 51,417,889.90.</b> "	Management Information Circular dated April 17, 2013 at p. 10;
"Northland had a total of 41,722,353 shares issued and outstanding as of December 31, 2013, all of which were fully paid, for a total issued share capital of <b>CAD 417,223.53.</b> "	Management Information Circular dated April 21, 2014 at p. 11;

**[Emphasis added]**

165. Even after the company was de-listed from the TSX on March 15, 2013, Northland continued to make reference to the fact that the company was subject to regulation by the OSC and that the company's publicly traded securities on the Oslo Borse were subject to cease trade orders by the OSC. On November 13, 2014, the company made the following release to its shareholders:

"The Company expects that the Ontario Securities Commission (the "OSC") will note the Company in default of its continuous disclosure obligations under Ontario securities law due to the Company not filing the Third Quarter Results, and the CEO and CFO certifications by November 14, 2014. It is furthermore expected that OSC will note that the Company will remain in default until it files these documents. The Company has voluntarily requested that the OSC and other Canadian securities regulatory authorities issue a temporary management cease trade order related to the Company's securities against certain officers of the Company for so long as such documents are not filed. However, the OSC, in its discretion, may determine that it would be appropriate to issue a general issuer cease trade order affecting all of the Company's securities."

166. At all material times, Northland was a “Reporting Issuer”, as defined in the *Ontario Securities Act* (“OSA”). Northland’s Initial Public Offering occurred on the TSX Venture exchange before the company graduated to the TSX. When the company undertook a dual listing on the Oslo stock exchange, Northland described itself as having a primary public securities listing on the TSX and a secondary listing on the Oslo Borse.
167. The defendant Waplan signed three Canadian securities law certifications which were disseminated to all of the company’s shareholders under Form 52-109F2 pursuant to Canadian National Instrument 52-109 *Certification of Disclosure in Issuer’s Annual and Interim Filings* (dated May 10, 2012, August 14, 2012, and November 14, 2012 respectively). The certificates stated:
- “2. No misrepresentations: Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings.
3. Fair presentation: Based on my knowledge, having exercised reasonable diligence, the interim financial report together with the other financial information included in the interim filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.”
168. At all material times Northland reported to its shareholders that the company had only one type of share and all of the company’s shares afforded their owners with the same full rights in the company.
169. Northland made all public securities law and disclosure filings on SEDAR, the Canadian public securities issuer’s electronic document database. All securities law disclosures were made contemporaneously to all of the company’s shareholders wherever the

company's securities were traded. All of the company's disclosures referenced SEDAR as the master database for all of the company's disclosures.

170. As pleaded above, the TSX and the Oslo Borse have had a Memorandum of Understanding ("MOU") since 2010 which applied to issuers who were jointly listed on the two stock exchanges. That MOU required Northland as a condition of its secondary listing of shares on the Oslo Borse to ensure that its conduct complied with Canadian securities law and financial reporting requirements.
171. All of Northland's share registration and shareholder communication services were undertaken by Computershare, a Canadian company, as transfer agent and by the Canadian depository for securities, CDS&Co., as registrar for all of the company's shares wherever they traded.
172. During the class period, Northland's stock option executive compensation package, which applied to all of the company's executives including the individual defendants Hvide and Waplan, was governed exclusively by rules, requirements, and protocols for executive compensation established by the TSX. The defendants' executive compensation plan used Canadian dollars as the functional currency and TSX trading prices to establish value for rolling stock options.
173. Northland made significant efforts to generate Canadian investment in their shares during the class period. It undertook at least one investor roadshow in Canada in 2012 to solicit investment, and also maintained a dedicated Canadian investor relations employee throughout the class period.
174. At all material times, and for the full duration of the class period, Northland publicly reported that the "functional currency" of the company was the Canadian dollar. The

company's share capital was at all material times calculated and expressed in Canadian dollars.

175. The plaintiff pleads that this action has a real and substantial connection with Ontario, and Canada, for all of the reasons mentioned above.

### **SERVICE OUTSIDE ONTARIO**

176. This originating process may be served without Court order outside of Ontario in that the claim is:

- a) in respect of a tort committed in Ontario (Rule 17.02 (g));
- b) in respect of damages sustained in Ontario arising from a tort or a breach of contract wherever committed (Rule 17.02 (h));
- c) against a person outside Ontario who is a necessary and proper party to this proceeding properly brought against another person served in Ontario (Rule 17.02(o)); and
- d) against a person carrying on business in Ontario (Rule 17.02 (p)).

**THE PLAINTIFF** proposes that this action be tried in the City of Toronto, in the Province of Ontario.

August 6, 2014

**HARRISON PENZA**<sup>LLP</sup>

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Plaintiff

-and- NORTHLAND RESOURCES S.A. et al.  
Defendants

Court File No. CV-13-486111-00CP

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**ONTARIO  
SUPERIOR COURT OF JUSTICE**

PROCEEDING COMMENCED AT TORONTO

Proceeding Under the *Class Proceedings Act, 1992*

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**Second Fresh as Amended Statement of Claim**

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