

Northland Resources AB (publ)
Company ID No 556656-1675

Northland Resources AB

Interim condensed consolidated financial statements for the six months ended June 30, 2012
and comparative figures for six months ended June 30, 2011.
(Unaudited)

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Administration report

Business of the company

The Company began its operations in 2004. Northland is a development-stage mining company with a portfolio of iron ore projects in northern Sweden. The Company's Kaunisvaara project will initially exploit two magnetite iron ore deposits. The process will yield a high-grade, high-quality magnetite iron concentrate.

Group Structure

The Company is a wholly-owned subsidiary of Northland Sweden AB, with its registered office in Sweden. The group top parent is Northland Resources S.A. with its registered office in Luxembourg. Information is available from the Canadian Securities Administrators homepage, <http://www.sedar.com>.

The Company has two wholly-owned subsidiaries; Northland Logistics AB, 556656-1717, and Northland Logistics AS, 997 117 050, the latter with registered office in Norway. Both of these companies are operational within the Kaunisvaara project with development and building the logistic infrastructure for road and rail transport as well as the material ship loading at the port of Narvik, Norway.

Disclosures for the reporting period

Construction of the Kaunisvaara project continued to advance according to the schedule during the second quarter. The process plant in Kaunisvaara is close to completion. Work is now focusing on the installation of the mills, crusher and magnetic separators and other long lead items. At the Tapuli mine, the overburden removal is close to completion and the first batch of mobile mining equipment from Atlas Copco and Caterpillar has arrived. The schedule for Kaunisvaara remains unchanged with the start of production from the Tapuli Mine during the fourth quarter of 2012 and with shipments of concentrate in first quarter of 2013.

Pellivuoma Project

Pellivuoma is located approximately 15 km west of Sahavaara. The Company controls 100% of the exploration permit, which totals 11,346 hectares. The deposit constitutes a significant addition to the potential tonnage in the Kaunisvaara area. The DFS is in progress during the reporting period and expected finalized in early 2013.

During the first quarter 2012, the Company and its group parent completed a bond and equity offering totalling USD 675 million. Northland Resources now believes that, in combination with the continuing support from Standard Bank through the Cost Over-run Facility of USD 40 million signed in May 2012, the Company has sufficient financing for the Kaunisvaara project to reach first production, which is expected in the fourth quarter this year.

The Senior Secured Bond issue 2017 is traded on Oslo Børs under the ticker NORES01 for the NOK 460,000,000 tranche and under ticker NORES02 for the USD 270,000,000 tranche. The final maturity date for both tranches is March 6, 2017.

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At the end of June 2012, the independent engineer, Turgis Consulting Ltd (“Turgis”), confirmed that Northland Resources had passed the “cost-of-complete” test allowing the Company to draw down USD 155 million from the USD 350 million Bond Loan Facility. The second drawdown is expected to be made at the end of August or early September 2012.

In April, Northland Resources finalized the agreements with its logistical partners Peab AB (“Peab”), Savage Services Corporation (“Savage”), Grieg Logistics AS (Grieg”) and the contractor Green Cargo. The Company also signed a contract with Pon Equipment to manage the maintenance of the Caterpillar equipment which will be used at Northland’s Kaunisvaara project.

Outlook for the next six months

Northland Resources activities are primarily directed towards exploration and the development of its exploration projects. The Company is also actively engaged in searching for additional exploration projects in Sweden. Mineral exploration and development involves a high degree of risk, which even careful evaluation, experience and knowledge may not eliminate.

Northland Resources’ expects to start the production at its Tapuli mine, the related processing plant and infrastructure during the last months of 2012. The facilities have not yet been completed, the planned logistics solution has not yet been implemented and its commercial operations have not yet commenced. The Company is dependent on its ability to develop, construct, commission and operate the Kaunisvaara project within the planned timeframe and in accordance with the capital cost estimated.

In addition to be in possession of all necessary permits to start production and utilize the planned logistic solution, Northland Resources are awaiting a dispensation from the STA for heavier trucks than the current maximum allowable of 60 tonnes gross weight and other various agreements to be entered into, arrangements to be put in place and permits to be obtained in order for Northland Resources continued work to upgrade, build or expand.

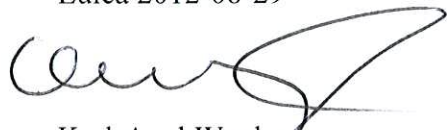
The Company’s bonds will be continuously monitored by Standard & Poor’s as well as Moody’s rating institutes.

Significant transactions with related parties

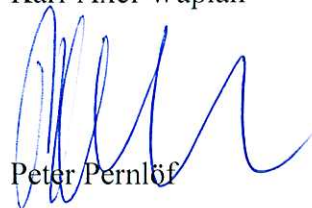
Within the normal business the main intercompany transactions are interest income and expense following intercompany lending and borrowings.

In June, 2012 the subsidiary Northland Logistics AB strengthen the equity in its Norwegian subsidiary Northland Logistics AS with NOK 124 million by increasing the share capital as well as the share premium reserve.

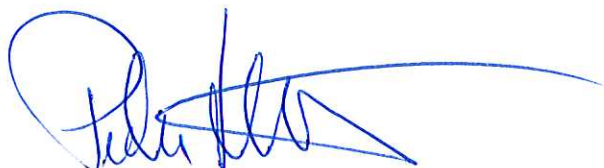
Luleå 2012-08-29



Karl-Axel Waplan



Peter Pernlöf



Peder Zetterberg

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| Income statement | Note | Group | | Parent Company | |
|---|-------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| | | 2012-01-01 -2012-06-30 | 2011-01-01 -2011-06-30 | 2012-01-01 -2012-06-30 | 2011-01-01 -2011-06-30 |
| | | SEK '000 | SEK '000 | SEK '000 | SEK '000 |
| Cost of sales | | <u>-31,350</u> | = | <u>-19,102</u> | = |
| Gross loss | | -31,350 | 0 | -19,102 | 0 |
| Marketing expenses | | -252 | -484 | -182 | -484 |
| General and administrative expenses | | -12,245 | -48,478 | -9,328 | -48,478 |
| Other operating income | | 37 | 340 | 37 | 340 |
| Other operating expenses | | <u>-52</u> | <u>-198</u> | = | <u>-198</u> |
| Operating loss | | -43,862 | -48,820 | -28,575 | -48,820 |
| Financial items | | | | | |
| Group contribution | | - | -8 | -10,759 | -8 |
| Finance income | | 2,109 | 17,454 | 16,322 | 17,455 |
| Finance expenses | 2 | <u>-143,015</u> | <u>-17,323</u> | <u>-137,679</u> | <u>-17,282</u> |
| Net expense from financial items | | <u>-140,906</u> | <u>123</u> | <u>-132,116</u> | <u>165</u> |
| Loss for the period | | <u>-184,768</u> | <u>-48,697</u> | <u>-160,691</u> | <u>-48,655</u> |

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| Balance sheets | Note | Group | | Parent Company | |
|-----------------------------------|-------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | | 2012-06-30 | 2011-12-31 | 2012-06-30 | 2011-12-31 |
| Assets | | SEK '000 | SEK '000 | SEK '000 | SEK .000 |
| Fixed assets | | | | | |
| Exploration and evaluation assets | | 93,484 | 86,595 | 93,484 | 86,595 |
| Mines under construction | 3 | 3 513,699 | 1,649,503 | 2,926,728 | 1,568,907 |
| Property, plant and equipment | | 14,730 | 19,051 | 14,730 | 17,854 |
| Intangible assets | | 685 | 1,580 | 685 | 788 |
| Financial assets | 4 | 132,309 | 258,426 | 626,048 | 260,031 |
| Total fixed assets | | <u>3,754,907</u> | <u>2,015,155</u> | <u>3,661,675</u> | <u>1,934,175</u> |
| Current assets | | | | | |
| Accounts receivable | | 143,690 | 116,053 | 133,846 | 206,838 |
| Other current assets | 5 | 2,563,181 | 56,688 | 2,545,289 | 40,567 |
| Cash and cash equivalents | | 241,123 | 153,759 | 213,638 | 147,888 |
| Total current assets | | <u>2,947,994</u> | <u>326,500</u> | <u>2,892,773</u> | <u>395,293</u> |
| Total assets | | <u>6,702 901</u> | <u>2,341,655</u> | <u>6,554,448</u> | <u>2,329,468</u> |

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| Balance sheets | Note | Group | | Parent Company | |
|-------------------------------------|-------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | | 2012-06-30 | 2011-12-31 | 2012-06-30 | 2011-12-31 |
| Equity and liabilities | | SEK '000 | SEK '000 | SEK '000 | SEK '000 |
| Equity | 6 | | | | |
| Share capital | | 500 | 500 | 500 | 500 |
| Reserves and cumulative losses | | 1,693,119 | 1,841,972 | 1,696,029 | 1,843,436 |
| Net loss for the year | | <u>-184,768</u> | <u>-147,566</u> | <u>-160,691</u> | <u>-147,407</u> |
| Total equity | | <u>1,508,851</u> | <u>1,694,906</u> | <u>1,535,838</u> | <u>1,696,529</u> |
| Long-term liabilities | | | | | |
| Borrowing | 7 | 4,223,234 | 150,000 | 4,224,171 | 150,000 |
| Provisions | | <u>6,235</u> | <u>2,264</u> | <u>6,235</u> | <u>2,264</u> |
| Total long-term liabilities | | <u>4,229,469</u> | <u>152,264</u> | <u>4,230,406</u> | <u>152,264</u> |
| Current liabilities | | | | | |
| Accounts payable - trade | | <u>964,581</u> | <u>494,485</u> | <u>788,204</u> | <u>480,675</u> |
| Total current liabilities | | <u>964,581</u> | <u>494,485</u> | <u>788,204</u> | <u>480,675</u> |
| Total equity and liabilities | | <u>6,702,901</u> | <u>2,341,655</u> | <u>6,554,448</u> | <u>2,329,468</u> |

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| | Group | Parent Company |
|---|---|---|
| Cash flow statement | 2012-01-01 -2012-06-30 SEK'000 | 2012-01-01 -2012-06-30 SEK'000 |
| Operating activities | | |
| Loss for the period | -184,768 | -160,691 |
| <i>Adjustments for non-monetary items</i> | | |
| Deprecation of property, plant and equipment | 223 | |
| Foreign exchange gain/loss | 36,431 | 31,170 |
| Other non-monetary items | <u>58</u> | <u>6</u> |
| | -148,056 | -129,515 |
| Changes in working capital | | |
| Accounts receivable | -29,310 | -29,809 |
| Other current assets | -2,494,236 | -2,492,465 |
| Trade and other payables | <u>103,739</u> | <u>68,690</u> |
| Net cash flow used in operating activities | -2,567,863 | -2,583,099 |
| Cash flows from investing activities | | |
| Investment in exploration and evaluation assets | -6,188 | -6,111 |
| Acquisition of property, plant and equipment | -1,490,385 | -1,149,271 |
| Long-term reciveble | <u>126,117</u> | <u>-220,987</u> |
| Net cash used in investing activities | -1,370,456 | -1,376,369 |
| Cash flows from financing activities | | |
| Proceeds from long-term borrowings | 4,217,201 | 4,217,201 |
| Transaction costs on long-term borrowings | -146,586 | -145,586 |
| Transaction costs prepaid on fund raising | <u>-15,222</u> | <u>-15,222</u> |
| Net cash flow from financing activities | 4,055,394 | 4,056,393 |
| Increase/Decrease in cash and cash equivalents | 117,075 | 96,925 |
| Cash and cash equivalents at beginning of the year | 153,759 | 147,888 |
| Effect of changes in exchange rates | <u>-29,711</u> | <u>-31,175</u> |
| Cash and cash equivalents at the end of the year | <u>241,123</u> | <u>213,638</u> |

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Notes to the Consolidated and Parent company Financial Statements

Note 1 Accounting policies

Basis of preparation

The unaudited interim consolidated financial statements of Northland Resources AB have been prepared in accordance with IAS 34 of International Financial Reporting Standards (IFRS).

The unaudited interim consolidated financial statements have been prepared under the historical cost convention. In addition these unaudited interim consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The preparation of the unaudited interim consolidated financial statements in conformity with IFRS, as endorsed by the European Union, requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience as adjusted for current market conditions and other factors. However, actual outcomes can differ from these estimates.

Northland has no seasonal activity, as it is still in a development stage.

Accounting principles

The accounting policies adopted in the preparation of the unaudited interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2011. The Group has not adopted any other standards, interpretations or amendments that were issued and endorsed after December 31, 2011 but not yet effective.

All numbers in the below notes are in SEK thousands.

Note 2 Finance expenses

| | Group | | Parent Company | |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
| | 2012-01-01 -2012-06-30 | 2011-01-01 -2011-12-31 | 2012-01-01 -2012-06-30 | 2011-01-01 -2011-06-30 |
| Interest expenses | 196,039 | - | 196,039 | - |
| Exchange rate differences | 36,431 | 41 | 31,170 | - |
| Financial costs | 41,991 | 17,282 | 41,916 | 17,282 |
| Capitalized interest and financial costs | <u>-131,446</u> | <u>-</u> | <u>-131,446</u> | <u>-</u> |
| Total | <u>143,015</u> | <u>17,323</u> | <u>137,679</u> | <u>17,282</u> |

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Note 3 Mines under construction

| | Group | | Parent Company | |
|---|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| | 2012-01-01 <u>-2012-06-30</u> | 2011-01-01 <u>-2011-12-31</u> | 2012-01-01 <u>-2012-06-30</u> | 2011-01-01 <u>-2011-12-31</u> |
| Cost as at December 31, 2011 | 1,649,503 | 511,167 | 1,568,907 | 507,167 |
| Additions | 1,864,196 | 1,150,671 | 1,357,821 | 1,074,075 |
| Transferred from exploration and evaluation assets | - | 591 | - | 591 |
| Write-offs | - | -12,926 | - | -12,926 |
| Cost as at June 30, 2012 | <u>3,513,699</u> | <u>1,649,503</u> | <u>2,926,728</u> | <u>1,568,907</u> |

Note 4 Financial assets

| | Group | | Parent Company | |
|-------------------------------|----------------|----------------|----------------|----------------|
| | 2012-06-30 | 2011-12-31 | 2012-06-30 | 2011-12-31 |
| Borrowings to group companies | - | - | 365,410 | - |
| Escrow accounts | 132,287 | 258,423 | 132,287 | 258,423 |
| Investment in group companies | - | - | 128,329 | 1,605 |
| Other items | <u>22</u> | <u>3</u> | <u>22</u> | <u>3</u> |
| Total | <u>132,309</u> | <u>258,426</u> | <u>626,048</u> | <u>260,031</u> |

Note 5 Other current receivables

| | Group | | Parent Company | |
|--|------------------|---------------|------------------|---------------|
| | 2012-06-30 | 2011-12-31 | 2012-06-30 | 2011-12-31 |
| Escrow accounts regarding Bond loan | 2,463,024 | - | 2,463,024 | - |
| Escrow accounts | 34,543 | - | 34,543 | - |
| Prepaid costs | 42,171 | 25,887 | 24,279 | 9,766 |
| Prepaid costs regarding financing | <u>23,443</u> | <u>30,801</u> | <u>23,443</u> | <u>30,801</u> |
| Total | <u>2,563,181</u> | <u>56,688</u> | <u>2,545,289</u> | <u>40,567</u> |

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Note 6 Change in equity

| Group | Share capital | Reserves and cumulative losses | Total equity |
|--|-------------------|--------------------------------------|-------------------------|
| Balance as at January 1, 2011 | 100 | -41,156 | -41,056 |
| New share issue | 400 | - | 400 |
| Unconditional shareholders contribution | - | 1,883,128 | 1,883,128 |
| Net loss for the year | - | <u>-147,566</u> | <u>-147,566</u> |
| Balance as at December 31, 2011 | 500 | 1,694,406 | 1,694,906 |
| Foreign currency translation | - | -1,287 | -1,287 |
| Net loss for the period | - | <u>-184,768</u> | <u>-184,768</u> |
| Balance as at June 30, 2012 | <u>500</u> | <u>1,508,351</u> | <u>1,508,851</u> |
| | | | |
| Parent | Share capital | Reserves and cumulative losses | Total equity |
| Balance as at January 1, 2011 | 100 | -39,692 | -39,592 |
| New share issue | 400 | - | 400 |
| Unconditional shareholder's contribution | - | 1,883,128 | 1,883,128 |
| Net loss for the year | - | <u>-147,407</u> | <u>-147,407</u> |
| Balance as at December 31, 2011 | 500 | 1,696,029 | 1,696,529 |
| Net loss for the period | - | <u>-160,691</u> | <u>-160,691</u> |
| Balance as at June 30, 2012 | <u>500</u> | <u>1,535,338</u> | <u>1,535,838</u> |

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Note 7 Borrowing

| | Group | | Parent Company | |
|-------------------------------------|-------------------|-------------------|-------------------|-------------------|
| | <u>2012-06-30</u> | <u>2011-12-31</u> | <u>2012-06-30</u> | <u>2011-12-31</u> |
| Interest-bearing liabilities | | | | |
| <u>Long-term liabilities</u> | | | | |
| Net Bond loan | 2,271,091 | - | 2,272,028 | - |
| Liabilities to Group companies | <u>1,952,143</u> | <u>150,000</u> | <u>1,952,143</u> | <u>150,000</u> |
| Total interest-bearing liabilities | <u>4,223,234</u> | <u>150,000</u> | <u>4,224,171</u> | <u>150,000</u> |

Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the results of operations and financial position of the Group, and the interim Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Luleå 2012-08-29



Karl-Axel Waplan



Peter Pernlöf



Peder Zetterberg