

**Northland Resources S.A.**  
*(formerly Northland Resources Inc.)*  
**Société Anonyme**

**Annual accounts**

**For the period from January 18, 2010 (the date which the Company has adopted the Luxembourg nationality) to January 31, 2010**

7A, rue Robert Stümper  
L-2557 Luxembourg  
**R.C.S. Luxembourg: B 150 150**  
*Subscribed capital: CAD 182,606,899*

# Northland Resources S.A.

## Contents

	<b>Page(s)</b>
Independent auditor's report	
Balance sheet as at January 31, 2010	5
Profit and loss account for the period January 18, 2010 (date the Company adopted the Luxembourg nationality) to January 31, 2010	6
Notes to the annual accounts as at January 31, 2010	7 - 16

## Report of the approved statutory auditor

To the Shareholders of,  
Northland Resources S.A., Luxembourg

Following our appointment by the General Meeting of the Shareholders, we have audited the accompanying annual accounts of Northland Resources S.A., which comprise the *balance sheet* as at 31 January 2010, the profit and loss account for the period from 18 January 2010 (date of transfer of the registered office, principal establishment and central administration of the Company from British Columbia, Canada to Luxembourg) to 31 January 2010, and a summary of significant accounting policies and other explanatory notes.

### *Board of Directors' responsibility for the annual accounts*

The Board of Directors is responsible for the preparation and fair presentation of these annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of annual accounts that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *Responsibility of the "réviseur d'entreprises agréé"*

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the judgement of the "réviseur d'entreprises agréé", including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the "réviseur d'entreprises agréé" considers internal control relevant to the entity's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

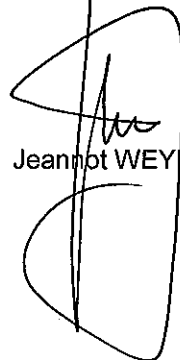
An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the annual accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the annual accounts give a true and fair view of the financial position of Northland Resources S.A. as of 31 January 2010, and of the results of its operations for the period from 18 January 2010 to 31 January 2010 in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts.

ERNST & YOUNG  
Société Anonyme  
Cabinet de révision agréé

A handwritten signature in black ink, appearing to read 'Jean-Philippe WEYER', enclosed within a large, hand-drawn oval shape.

Jean-Philippe WEYER

# Northland Resources S.A.

## Balance sheet as at January 31, 2010

	Notes	CAD
<b>ASSETS</b>		
<b>Fixed assets</b>		
Tangible assets		
Property and equipment	4	2 497 488
Financial assets		
Shares in affiliated undertakings	5	3 955 204
Loan to affiliated undertakings	6	118 686 450
Advances to affiliated undertakings	7	72 625
<b>Total fixed assets</b>		<b><u>125 211 767</u></b>
<b>Current assets</b>		
Debtors		
Amount owed by affiliated undertakings		
- becoming due and receivable within one year		6 140 195
Other debtors		
- becoming due and receivable within one year		253 475
Cash at bank, cash in postal cheque accounts, cheques and cash in hand		41 449 232
<b>Total current assets</b>		<b><u>47 842 902</u></b>
<b>Prepayments and accrued income</b>		<b><u>108 023</u></b>
<b>TOTAL ASSETS</b>		<b><u>173 162 692</u></b>
<b>LIABILITIES</b>		
<b>Capital and reserves</b>		
Subscribed capital	8	182 606 899
Contributed surplus		16 055 396
Loss brought forward		(24 679 245)
Loss for the period		(1 981 144)
<b>Total capital and reserves</b>		<b><u>172 001 906</u></b>
<b>Creditors</b>		
Amounts owed to credit institutions		
- becoming due and payable within one year		135 599
Other creditors		
- becoming due and payable within one year		1 025 187
<b>TOTAL LIABILITIES</b>		<b><u>173 162 692</u></b>

*The accompanying notes form an integral part of these annual accounts*

# Northland Resources S.A.

## Profit and loss account for the period January 18, 2010 (date the Company adopted the Luxembourg nationality) to January 31, 2010

	Notes	CAD
<b>CHARGES</b>		
Other external charges	10	666 023
Staff costs	11	
- wages and salaries		38 961
- social security costs		1 280
- other costs		45 068
Value adjustments in respect of tangible fixed assets		132 594
Other operating charges		16 677
Interest payable and similar charges		
- other interests payable and charges		889
Exchange loss		1 094 346
<b>TOTAL CHARGES</b>		<b>1 995 838</b>
<b>INCOME</b>		
Other interest receivable and similar income		
- other interest and similar income		5 748
Profit on transfer of resource properties	14	8 946
<b>Loss for the period</b>		<b>1 981 144</b>
<b>TOTAL INCOME</b>		<b>1 995 838</b>

*The accompanying notes form an integral part of these annual accounts*

# Northland Resources S.A.

## Notes to the annual accounts as at January 31, 2010

### Note 1– General

On January 18, 2010, Northland Resources S.A (the "Company") which was incorporated on March 13, 1987 under the laws of British Columbia (Canada) in the name Northland Resources Inc. has moved its domicile and place of effective management to Luxembourg as all of its significant properties are located in Europe. Hence, the Company adopted the Luxembourg nationality under the legal form of a "société anonyme" and is subject to the general company law in Luxembourg.

The Company has established its address at 7A, rue Robert Strümper, L-2557 Luxembourg.

The Company is listed on the Toronto Stock Exchange (NAU), Canada, on the Oslo Bors (NAUR), Norway and on a Frankfurt listing (NBS), Germany.

The Company's financial year has a period of 12 months, beginning on the first day of February and ending on the last day of January. The Company has presented its first set of accounts in accordance with the Luxembourg Generally Accepted Accounting Principles (LUX GAAP) for period covered January 18, 2010 (date of continuation) to January 31, 2010.

The Company is in the business of acquiring, exploring and evaluating mineral resource properties, and either developing, joint venturing or disposing of the properties when the Company's evaluation is completed. At January 31, 2010, the Company had interests in properties located in Sweden and Finland. The Company is considered to be in the exploration and development stage given that it is in the process of exploring and/or evaluating its mineral properties for economically recoverable resources. As of January 31, 2010, the Company has either not yet determined whether certain of the properties contain reserves that are economically recoverable or is in the process of economic evaluation where the existence of resources has been established. Accordingly, the recoverability of resource property costs capitalized is dependent upon the discovery of economically recoverable reserves on the properties still under exploration or the results of the final analysis of economic recoverability on the properties where evidence of resources exist, continuation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain financing to complete their development, and future profitable production or disposition thereof.

The Company's accounts are presented in Canadian Dollar (CAD), which is its functional and reporting currency and all values are rounded to the nearest dollar unless otherwise stated.

These accounts as at and for the period ended January 31, 2010 were approved for issue by the Board of directors on April 21, 2010.

# Northland Resources S.A.

## Notes to the annual accounts as at January 31, 2010

### Note 2 – Going concern

These financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes that the Company will realize its assets and discharge its liabilities in the normal course of business. Management has concluded that the Company has sufficient cash to continue current studies for at least the next year. However, the Company will require significant additional financing once properties with existing resources prove economically recoverable and final permitting is received. The Company is actively seeking financing as disclosed in Note 17 which is likely to be some combination of debt, equity or off-take agreements, but there is no guarantee that the Company will be able to obtain the financing necessary to complete the development.

### Note 3– Principles, rules and valuation methods

#### 3.1 Basis of preparation

The annual accounts of the Company were prepared in compliance with current Luxembourg legal and regulatory requirements. Accounting policies and valuation rules are the ones laid down by the law, determined and applied by the Board of Directors.

#### 3.2 Significant valuation rules

The principal valuation rules of the Company can be summarized as follows:

##### 3.2.1 Formation expenses

The formation expenses are charged to the profit and loss account of the year/period they are incurred.

##### 3.2.2 Tangible assets

Property and equipment are valued at cost and depreciated over their estimated useful lives as follows:

Computer equipment	33⅓% straight line
Computer software	25% declining balance

Long-lived assets to be held and used by the Company are continually reviewed to determine whether any events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. For long-lived assets to be held and used, the Company bases its evaluation on such impairment indicators such as the nature of the assets, the future economic benefit of the assets, any historical or future profitability measurements, as well as other external market conditions or factors that may be present. In the event that facts and circumstances indicate that the carrying amount of an asset may not be recoverable and an estimate of future undiscounted cash flows is less than the carrying amount of the asset, a value adjustment will be recognized.

# Northland Resources S.A.

## Notes to the annual accounts as at January 31, 2010

### Note 3– Principles, rules and valuation methods (cont.)

#### 3.2 Significant valuation rules (cont.)

##### 3.2.3 *Financial assets*

Shares in affiliated undertakings are valued at their historical acquisition cost including the incidental costs of acquisition. Loans to affiliated undertakings and other loans are valued at their nominal value.

If the Board of Directors determines that a permanent impairment has occurred in the value of a financial asset, a value adjustment may be made in order to reflect that loss. Value adjustments may not be continued if the reasons for which they were made have ceased to apply.

##### 3.2.4 *Debtors*

Debtors are recorded at their nominal value. A value adjustment is made when their reimbursement is partly or completely in doubt. This value adjustment may not be continued if the reasons for which the value adjustment was made have ceased to apply.

##### 3.2.5 *Foreign currency translation*

All transactions expressed in another currency than Canadian Dollar (CAD) are translated in CAD at the exchange rate prevailing at the date of transaction.

Long-term assets classified as financial assets and expressed in a currency other than CAD are translated in CAD at the exchange rate prevailing at the date of their acquisition. At the balance sheet date, non-monetary assets are maintained at their historical exchange rate, whereas monetary assets are valued at the lower of their historical exchange rate or the exchange rate prevailing at the balance sheet date.

Cash at bank is translated at the exchange rate prevailing at the balance sheet date. Exchange gain and losses resulting from this conversion are accounted for in the profit and loss account for the year/period.

Other assets and liabilities are valued individually at the lower, respectively the higher, of their value at the historical exchange rate or at their value determined at the exchange rate prevailing at the balance sheet date. Only the unrealised exchange losses are accounted for in the profit and loss account. Realised exchange gains are accounted for in the profit and loss account at the date of their realisation.

##### 3.2.6 *Provisions for liabilities and charges*

The provisions for liabilities and charges are intended to cover losses or debts the nature of which is clearly defined and which at the balance sheet date are either likely to be incurred or certain to be incurred but uncertain as to their amount or as to the date on which they will arise.

# Northland Resources S.A.

## Notes to the annual accounts as at January 31, 2010

### Note 3– Principles, rules and valuation methods (cont. and end)

#### 3.2 Significant valuation rules (cont. and end)

##### 3.2.7 *Value adjustments*

The value adjustments are deducted directly from the related asset.

##### 3.2.8 *Prepayments and accrued income*

This item includes expenses paid during the financial year and attributable to subsequent accounting year(s).

##### 3.2.9 *Accruals and deferred income*

This liability item includes income received during the financial year but relating to subsequent financial year(s).

##### 3.2.10 *Debts*

Where the amount repayable on account is greater than the amount received, the difference is shown as an asset and is written off over the period of the debt on a linear/actuarial method.

##### 3.2.11 *Share-based compensation*

Equity-settled stock option plans expected to be exercised with the issuance of new shares are maintained off balance sheet. Under the previous reporting framework of the Company, the fair value of all share purchase options granted were expensed over their vesting period with a corresponding increase to contributed surplus. Upon exercise of share purchase options, the consideration paid by the option holder, together with the amount previously recognized in contributed surplus, was recorded as an increase to share capital. The Company used the Black-Scholes option valuation model to calculate the fair value of share purchase options at the date of grant. Option pricing models required the input of highly subjective assumptions, including the expected price volatility.

# Northland Resources S.A.

## Notes to the annual accounts as at January 31, 2010

### Note 4– Property and equipment

	Computer equipment CAD	Computer software CAD	Assets not yet placed in service CAD	Total CAD
Gross book value - January 18, 2010 and January 31, 2010	123,694	312,117	2,151,937	2,587,748
Accumulated depreciation - January 18, 2010	(74,847)	-	-	(74,847)
Charge for the period	(15,413)	-	-	(15,413)
Accumulated depreciation - January 31, 2010	(90,260)	-	-	(90,260)
<b>Net book value - January 31, 2010</b>	<b>33,434</b>	<b>312,117</b>	<b>2,151,937</b>	<b>2,497,488</b>

During previous year-end, the Company purchased a piece of mining equipment. As this asset has not been placed in service, nor is it available for use, it has been classified as "assets not yet placed in service" and has not been depreciated.

### Note 5– Shares in affiliated undertakings

Name of Company	Registered office	Ownership %	Closing date of last financial year	Net equity at the financial year-end CAD	Net result for the last financial year-end CAD	Net investment amount CAD
Northland Resources AB	Sweden	100	31/01/2010	(5.873.757)	(3.881.470)	17.680
Barsele Guld AB	Sweden	100	31/01/2010	460.576	34.271	3.931.959
Northland Mines OY	Finland	100	31/01/2010	(382.896)	1.417.617	5.565
						<b>3.955.204</b>

The financial data shown in the above table have been extracted from the unaudited consolidated accounts of these subsidiaries prepared in accordance with Canadian Gaap. The group reporting packages of these subsidiaries have been audited in the context of the audit of the consolidated accounts of the Company prepared as at January 31, 2010 in accordance with Canadian Gaap.

A value adjustment was not deemed necessary as these affiliated undertakings are at development stage.

# Northland Resources S.A.

## Notes to the annual accounts as at January 31, 2010

### Note 6– Loan to affiliated undertakings

Name of Company	Nominal value CAD
North American Gold (Barbados) Inc.	169 037
Northland Resources AB	76 594 817
Basele Guld AB	343 279
Gunnarn Mining AB	8 707 079
Northland Mines OY	32 592 091
Other affiliated undertakings	280 147
	<b>118 686 450</b>

Loans to affiliated undertakings are not secured, interest-free and have no fixed date of repayment.

### Note 7– Advances to affiliated undertakings

Advances to affiliated undertakings are interest-free and have no fixed date of repayment.

### Note 8– Subscribed capital

(a) *Authorised:*

950 million ordinary shares without par value

(b) *Issued:*

At balance sheet date, 110,637,399 ordinary shares were issued for an amount of CAD 182,606,899 with no par value.

### Note 9 – Legal reserve

In accordance with Luxembourg Company law, the Company is required to transfer a minimum of 5% of its net profit for each financial period to a legal reserve. This requirement ceases to be necessary once the balance on the legal reserve reaches 10% of the issued share capital. The legal reserve is not available for distribution to the shareholders.

# Northland Resources S.A.

## Notes to the annual accounts as at January 31, 2010

### Note 10 – Other external charges

This item is composed of the followings:

	<b>CAD</b>
Legal and other professional fees	247,857
Other management consulting fees	242,129
Travel and accomodation	74,513
Rent and utilities	36,360
Office miscellaneous	3,743
Advertising and promotion	14,342
Transfer agent	44,377
Telephone charges	2,702
	<b>666,023</b>

### Note 11 – Staff employed

The Company employed an average of 2 full-time staff during the financial period, broken down by category as follows:

<b>Category</b>	<b>Number</b>
Employees	2
Workers	-
	<b>2</b>

### Note 12 – Emoluments granted to the members of the administrative, managerial and supervisory bodies and commitments in respect of retirement pensions for former members of those bodies

The members of the administrative, managerial and supervisory bodies of the Company have not received any emoluments. Further, the Company has not entered or engaged any commitments to former members in respect of retirement pensions during the financial year.

### Note 13 – Advances and loans granted to the members of the administrative, managerial and supervisory bodies

The members of the administrative, managerial and supervisory bodies of the Group have not received any advance or loans by the Company or by its subsidiaries. No commitment has been entered into on their behalf.

# Northland Resources S.A.

## Notes to the annual accounts as at January 31, 2010

### Note 14 – Profit on transfer of resource properties

Costs incurred by the Company for development activities of the subsidiaries (including salaries and wages of employees that are directly involved in those activities) are charged to these subsidiaries with a mark up.

### Note 15 - Tax status

The Company is subject in Luxembourg to the applicable general tax regulations

### Note 16 – Financial commitments

#### (a) *Share Purchase Options:*

Effective October 1, 2008, the Company has a new rolling stock option plan (the "Plan") for officers, directors, employees and consultants whereby a maximum of 10% of the issued shares may be reserved for issuance under the Plan. Options are granted with an exercise price determined by the Board of Directors, which may not be less than the market price of the Company's shares on the date of the grant. The vesting provisions are determined by the Board of Directors and are defined in each stock option agreement.

A summary of the share purchase options granted under the Company's stock option plan is as follows:

	<u>Period ended January 31, 2010</u>	
	<u>Number of options</u>	<u>Weighted average exercise price</u>
Outstanding as of February 01, 2009	10,036,500	CAD 1.16
Granted	1,000,000	CAD 1.35
Exercised	(955,400)	CAD 0.89
Cancelled	-	-
Forfeited	(10,000)	CAD 1.00
Expired	(3,324,600)	CAD 1.47
<b>Outstanding, end of period</b>	<b>6,746,500</b>	<b>CAD 1.08</b>
<b>Exercisable, end of period</b>	<b>6,721,500</b>	

Options granted during the year vest four months after the grant date.

As of January 31, 2010, 800,000 options were granted at CAD 1.39, 100,000 options were granted at CAD 1.19 and 100,000 options were granted at CAD 1.23. The weighted average fair value of options granted was CAD 0.66 (2009: CAD 0.95) per option.

# Northland Resources S.A.

## Notes to the annual accounts as at January 31, 2010

### Note 16 – Financial commitments (cont.)

At January 31, 2010, the following share purchase options were outstanding entitling the holder thereof the right to purchase one common share for each option held:

#### Outstanding

<b>Exercise price (CAD/option)</b>	<b>Outstanding options</b>	<b>Weighted average exercise price (CAD/option)</b>	<b>Weighted average remaining contractual life</b>
CAD 0.37 - CAN 0.74	931,500	CAD 0.45	2.54
CAD 1.00 - CAN 1.55	5,615,000	CAD 1.45	5.04
CAD 2.33	200,000	CAD 2.33	1.30
	<b>6,746,500</b>	<b>CAD 1.08</b>	<b>4.60</b>

#### Excercisable

<b>Exercise price (CAD/option)</b>	<b>Outstanding options</b>	<b>Weighted average exercise price (CAD/option)</b>	<b>Weighted average remaining contractual life</b>
CAD 0.37 - CAN 0.74	931,500	CAD 0.45	2.54
CAD 1.00 - CAN 1.55	5,590,000	CAD 1.15	5.04
CAD 2.33	200,000	CAD 2.33	1.30
	<b>6,721,500</b>	<b>CAD 1.08</b>	<b>4.61</b>

#### (b) *Financial guarantees*

The Company has guaranteed the statutory equity of Northland Resources AB, Barsele Guld AB and Gunnarn Mining AB, which effectively subordinates the intercompany loans and commits the Company to enough additional funds to maintain net assets equal to their statutory equity.

In addition, the Company has entered into subordinated loan agreements with the Finnish subsidiaries, which restrict the funds available for repayment of the loans before funds are sufficient to cover liabilities to third party creditors.

# **Northland Resources S.A.**

## **Notes to the annual accounts as at January 31, 2010**

### **Note 17 – Subsequent events**

- On February 1, 2010, Northland and the Swedish Rail Administration announced that they had entered into a Memorandum of Understanding regarding the co-financing of a railroad to extend from Northland's Kaunisvaara site in Sweden to the railhead at Kolari, Finland. The Swedish government will make a final decision regarding the railroad at the end of March or the beginning of April.
- On March 10, 2010 Northland announced that the Company had appointed and retained leading global mining finance and investment banks – Société Générale, UniCredit Bank AG West LB AG as exclusive Mandated Lead Arrangers in the proposed project financing of the Kaunisvaara Iron Concentrate Project. The Company appointed KPMG Corporate Financing LLC as financial advisors.
- On March 16, 2010, The Border River Commission (BRC) published May 25, 2010 as the date for the public hearing for the permitting of the Tapuli Mine and the Kaunisvaara Mill. The reason for the delay in this process was administrative and outside the control of the Company. As a result of the scheduling of the public hearing, a final decision by the BRC can be expected during June, 2010.