

THE IRON ORE COMPANY

NORTHLAND RESOURCES INC. ANNUAL REPORT

08 | NORTHLAND

Fe Cu Au

**The Northland Vision** is to develop a leading European mining company, supplying iron ore to the European and Middle Eastern industrial markets. Our goal is to be Europe's largest independent, domestic iron ore producer.

# VISION



FeCu  
Au

**Our Strategy** is the *staged* development of our key iron ore projects. We are fast-tracking Tapuli to production to generate strong cash-flow which will in turn finance the development of our other key projects.



# STRATEGY

**Our Focus** is on iron ore projects in Sweden and Finland — both countries have a long history of mining and rank as two of the most investment-friendly countries in the world.

**FOCUS**



**We have a Vision. We have a Strategy. We are Focused.**

With three robust iron ore projects in politically stable, mining-friendly countries, our immediate aim is to secure cash flow from near-term production at Tapuli. With minor improvements, local infrastructure will support production of 3Mt per year. Long-term growth will come as Stora Sahaavara and Hannukainen are added to the production base.

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**List of Abbreviations**

Au	Gold
CAPEX	Capital Expenditure
C\$	Canadian dollars
Cu	Copper
DR	Direct Reduction
EBIT	Earnings Before Interest and Tax
EIA	Environmental Impact Assessment
Fe	Iron
g/t	Grammes per tonne
€	Euros
IRR	Internal Rate of Return
Ktpa	Thousand tonnes per annum
Mtpa	Million tonnes per annum
NPV	Net Present Value
OPEX	Operating Expenditure
PEA	Preliminary Economic Assessment
PSZ	Pajala Shear Zone
SGU	Sveriges Geologiska Undersökning or Geological Survey of Sweden

## Chairman's Letter

To Our Shareholders:

The 2007 calendar year was a key year in Northland's development into a European iron ore miner. We added significant magnetite resources, commenced detailed engineering studies on our lead projects and strengthened the management team.

Buck Morrow and Bill Wagener continued to add real quality to our Board of Directors and to our management team. In early 2008 we brought on board Karl-Axel Waplan, who joined us as Managing Director of European Operations and brings extensive operational experience to Northland. We also welcomed Tuomo Mäkelä, Birger Solberg and Stuart Pettifor to the Board of Directors and I'm delighted to report that they have made an immediate, positive impact on overseeing the management of your company.

Our geologists added new NI 43-101 compliant resources at the Tapuli and Hannukainen projects, expanding our resource base considerably. In the 2008 calendar year we hope to add still more tonnes as our drilling focuses on delineating new open-pittable resources particularly at the Pellivuoma and Kuervitikko deposits.

Political stability has been front and centre in recent years for mining industry investors. Our

industry has been hit hard by a melt-down in security of mineral tenure in countries such as Venezuela, Boliva, Ecuador, and Kyrgyzstan to name but a few, accompanied by a loss of investor confidence. This loss of confidence has only served to highlight the tremendous stability and security of tenure in both Sweden and Finland – countries where mines are being permitted and investment is secure. Both countries were ranked in the Top 10 of *The Economist* magazine's 2007 ranking of the world's best business environments. We are happy to be working in this secure environment.

We continue to enjoy substantial support from the local communities in and around the project areas and I would like to extend our gratitude to the municipalities of Pajala in Sweden and Kolari in Finland who have done everything possible to assist us in our development efforts. We will work hard in the coming year to maintain their trust and support as we move to permit and develop these projects.



Subsequent to the year's end, we published a robust Preliminary Economic Assessment of 3 of our projects, reported on pages 20-27 of this report. Unfortunately, the discovery of errors in the data and a subsequent retraction of the study meant that the release of the summary financial information was not handled the way we would have chosen to, for which I offer my apologies as Chairman. Despite the highly encouraging first-pass economic assessment, the net result of the confusion created by the release process was a loss of some investor confidence which we are working hard to rebuild.

Looking forward into 2008 and beyond, the next major target we have set ourselves is securing near-term production from the Tapuli deposit in Sweden.

The challenges to achieve that goal are similar to those facing any number of mining projects around the globe. The project must be

permitted on time and to the standard required by the many government agencies with which we deal. We have to find the people we need to build and run the mine. And we also need to raise the capital to build them. How we address those challenges during the next 18 months will define your Company for the future.

I have every confidence that the senior management team, guided by Northland's experienced Board, will respond to those challenges and build a new European iron ore miner.

A handwritten signature in blue ink, appearing to read 'Simon Ridgway'. The signature is stylized and fluid.

**Simon Ridgway**  
Chairman

## President's Letter

To Our Shareholders:

I am happy to report Northland Resources continued to make the transition from explorer to developer in 2007, and we have moved much closer to our primary goal of building Northland into one of Europe's top iron ore producers. The past year was marked by significant achievements in resource growth, project development and funding along with key acquisitions. Our efforts coincided with a time of unprecedented world demand for iron ore, along with record high prices—two trends expected to continue for at least the next three years.

### On Track for Production

Our focus for 2007 was to advance the Tapuli and adjacent Stora Sahavaara iron projects in Sweden and the Hannukainen iron-copper-gold project in Finland to the pre-feasibility stage. We're moving into detailed engineering and planning at Tapuli, with production forecasted to begin in 2010. During the year we contracted with leading consulting firms for engineering and technical work, scoping studies, environmental studies/permitting and community relations. Stora Sahavaara and/or Hannukainen are expected to come on stream by 2011 or 2012.

### Buying out Anglo American's Interest

An important element of our long-term plans has been to acquire full ownership of the Stora Sahavaara and Tapuli projects. In February of 2007, we exercised our option to acquire 100%

of both properties, known collectively as the Pajala project, from Anglo American Exploration BV fulfilling our agreement. In January of 2007, we exercised our option to acquire 100% ownership of the exploration permits that encompass both properties, known collectively as the Pajala project. Finally, toward the end of our fiscal year, we concluded our acquisition by purchasing Anglo's 2.5% royalty interest and back-in-rights to the Pajala project. With these two transactions, we now own 100% of the exploration permits that encompass the Pajala project. Anglo was a good partner for Northland, and we're most grateful for their important contribution to our work in northern Sweden.

### Resources Upgraded at Tapuli and Hannukainen

Another crucial goal for the year was to upgrade the historic resources at both Tapuli and Hannukainen to NI 43-101 standards, as neither project could advance to pre-feasibility



without substantial Measured and Indicated Resources. We completed the Hannukainen calculation in August of 2007 and Tapuli was finalized in February of 2008. Collectively, the new calculations added more than 138 million tonnes of Measured and Indicated Resources to the 122 million tonnes defined at Stora Sahaavara (see page 31). Including Stora Sahavaara, we completed three NI 43-101 resource calculations in less than 2 years.

### Outstanding Metallurgy

The resource calculations at Tapuli supplemented some extremely encouraging metallurgical testwork. In fact the early results represent some of the best metallurgy we've received to date from any of our projects.

We also completed a bulk sample and bench-scale metallurgical process flow sheet for Stora Sahavaara, including sampling for tailings

management and pelletising testwork. The pellets had very good physical and metallurgical properties, comparable to the best commercial pellets available.

### Moving Ahead at Hannukainen

Our development work at Hannukainen included environmental baseline studies and preparations for a substantial bulk sample for pilot-scale metallurgical test-work. Previous bench-scale tests produced results indicating the Hannukainen magnetite-copper-gold resource could produce a high-quality, low sulfur concentrate as well as a copper-gold concentrate.

### Exploring for New Resources

Although we are focused on moving into production, exploration remained a high priority throughout the year. At Stora Sahavaara, drilling identified a possible thickening of the deposit in



President's Letter, continued.

the middle part of the magnetite body. This mineralization lies outside the limits of the existing resource, indicating good potential to add significant new iron resources to the project. Other prospective targets have been identified as well, and we believe there could be significant additional mineralization discovered at Stora Sahavaara in the future. We also conducted exploratory drilling at Tapuli extending the limits of the known magnetite zone. Exploration continued through the year on our other projects in Sweden and Finland, and we are assessing more than 20 new or known magnetite targets within the Pajala Shear Zone.

#### **Funded for Upcoming Work**

Our development and exploration programs are capital intensive, particularly as mining firms chase scarcer resources of labor and supplies. In response, we raised over C\$112 million during the year through public/private offerings and conversions of warrants and options. Thus we are well-funded to carry out our planned work for the near future. Subsequent development and mine construction will require additional financing. While we can't be certain of the funding vehicles we will use, we plan to raise the

necessary capital through a combination of equity and traditional project finance.

#### **The Markets: Record Demand for Iron Ore**

As we look to the start of production in 2010, and to expected mine lives of many years, a key part of our planning, strategy and analysis concerns iron ore markets and pricing. Presently we are witnessing record demand for iron ore largely from China's booming steel industry. China accounted for just 15% of global iron ore consumption in 2000. By 2007 the country was using 45%, and by 2010 they are expected to account for more than half of the world's iron ore usage. Looking further ahead, India's growing steel industry is expected to contribute significantly to iron ore demand over the next ten years.

#### **Our Projected Markets for Iron Ore**

While we currently think it's unlikely that any of our iron ore will be purchased by Chinese or Indian buyers, Asia's voracious appetite for steel is a key part of the ongoing and projected supply/demand imbalance—a situation that in 2008 is contributing to another year of record high prices worldwide. In fact, recent price negotiations between producers and steel consumers resulted in increases of up to 87%

in the early spring of 2008. We expect to sell our product to European, Middle Eastern and North African buyers, due chiefly to geographical factors. In the European market, most iron ore is imported from the southern hemisphere. Scandinavian iron ore supplies a small but important portion of European demand, due primarily to lower shipping costs compared to southern hemisphere imports. Also, the high quality of Scandinavian iron ore products offers better selling options. Thus we are in a strong and strategically favourable position for selling iron ore once production begins.

#### **Community Engagement**

Recognizing that our projects impact the surrounding communities in a number of ways, we have encouraged involvement and fostered communication with local and national governments and organizations. Community concerns are primarily environmental and social—local populations want responsible stewardship of the land and resources, and they also want to participate in the economic advantages the projects bring to the region. I'm happy to report we are enjoying strong community support, particularly in the Stora Sahavaara/Tapuli area. The region contains

skilled mining labor, and it has unfortunately endured an extended period of above-average unemployment. At the same time, our environmental permitting process includes input from a number of local agencies that represent community and regional interests.

Our most crucial resource of all is the people of Northland Resources. This team continues to work with enthusiasm, innovation and commitment to our common goals, and I am most grateful for their efforts. From senior board members to office staff to contractors, everyone at Northland has pulled together to ensure we stay on track to make this company a key European producer of iron ore and also a responsible member of the communities in which it operates. We have made remarkable advances towards those goals, and I'm confident we will continue to do so in 2008.

ON BEHALF OF THE BOARD OF DIRECTORS

A handwritten signature in black ink that reads "Arden B. Morrow". The signature is fluid and cursive.

**Arden Morrow**  
President & Director

# 2007: GOAL

## **Stora Sahavaara** (Northern Sweden)

- Complete pilot-scale test work
- Complete metallurgical, engineering and marketing studies that will allow us to upgrade significant resources to the reserve category
- Advance to scoping or full feasibility study

## **Hannukainen** (Northern Finland)

- Complete NI 43-101 resource estimate
- Continue diamond drilling to expand and upgrade resource
- Extract bulk sample for advanced metallurgical test work

## **Tapuli** (Northern Sweden)

- Complete NI 43-101 resource estimate
- Advance early stage metallurgical testing
- Extract bulk sample for advanced metallurgical test work

## **Barsele** (Northern Sweden)

- Reach a resource of 20-22 million tonnes grading 1.5 – 2.0 g/tonne
- Spin off Barsele into a European or Canadian listed new company

# 2007: SUCCESS

## **Stora Sahavaara** (Northern Sweden)

- Pilot scale test work and pelletising tests completed  
Metallurgical process route developed
- Still underway – upgrade to reserve status pending Bankable Feasibility Study
- Preliminary Economic Assessment completed Q2 2008

## **Hannukainen** (Northern Finland)

- Resource completed. See page 31
- Drilling underway on potential extensions to the resource
- Bulk sample permitted but not yet extracted

## **Tapuli** (Northern Sweden)

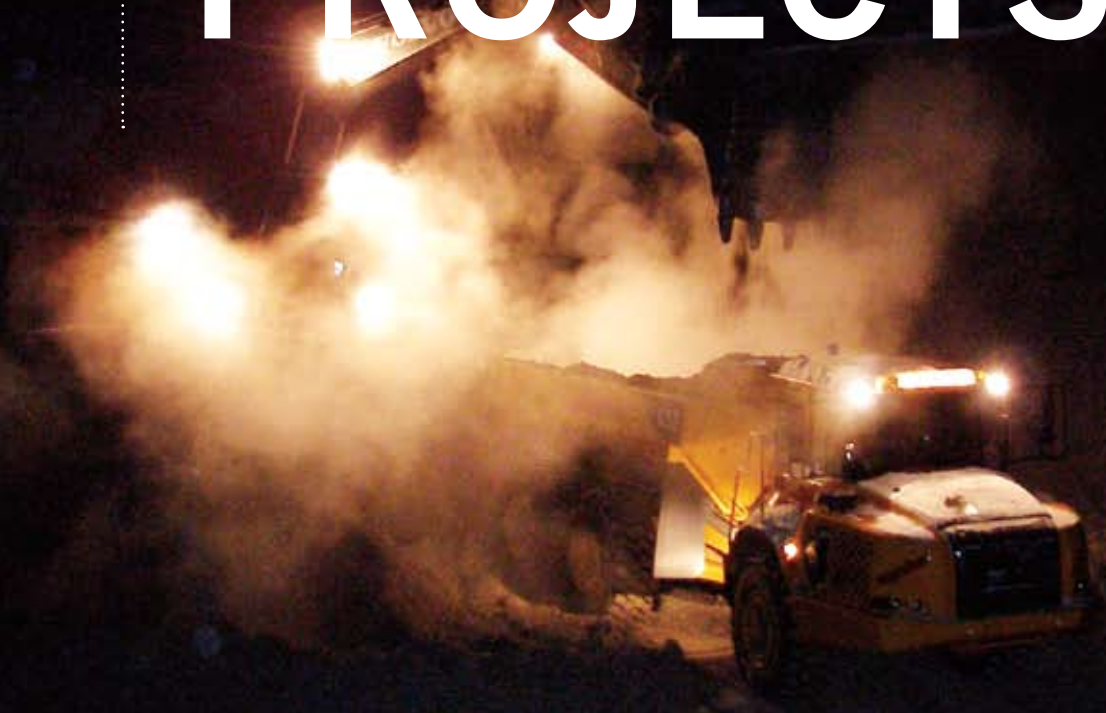
- Resource completed. See page 31
- Bulk sample extracted by an intensive/focused metallurgical drilling program during the winter drilling season in Q1 2008

## **Barsele** (Northern Sweden)

- No additional resource drilling was undertaken.  
Resource unchanged
- Attempted spin off late 2007. Market timing was off and spin off was delayed

Our Key Iron Ore Projects Occur In **The Pajala Shear Zone**, A Belt Of Some Of The Oldest Rocks In Europe Straddling The Border Between Sweden And Finland, Near The Towns Of Pajala In Sweden, And Kolari In Finland. Although Many Of Our Projects Were Discovered Decades Ago By Teams Of Government Scientists, Northland Has Advanced Them Technically To The Point Where We Believe That We Now Have Sufficient Engineering And Metallurgical Data To Make A Firm Production Decision.

# PROJECTS



## Project Updates

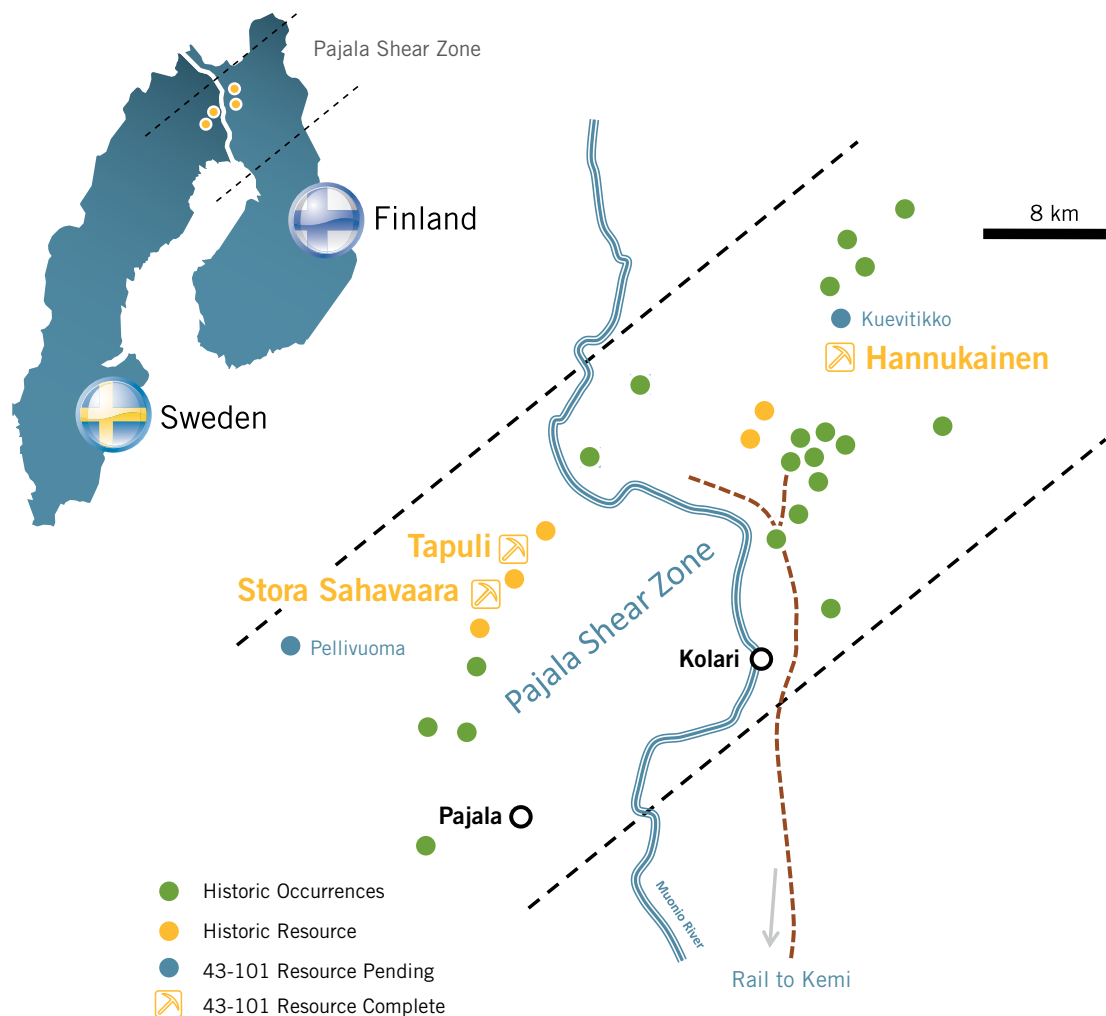


- Preliminary Economic Assessment completed mid 2008
- Tapuli to be fast-tracked
- Resource and metallurgical drilling continues
- New potential resources being drilled
- Engineering optimization underway

The key economic findings of the individual studies for each project are:

NPV, EBIT and CAPEX in millions of Euros:	NPV	EBIT	IRR	CAPEX
Tapuli	€116.7	€415.1	34%	€146.6
Stora Sahavaara*	€567.2	€2,646	27%	€537.2
Hannukainen*	€429.7	€2,024	26%	€555.2

\*CAPEX figures include costs to construct pelletising plants at both projects



## Preliminary Economic Assessment

### Subsequent Event

Robust Project Economics

Our key iron ore projects occur in the Pajala Shear Zone (PSZ), a belt of some of the oldest rocks in Europe straddling the border between Sweden and Finland, near the towns of Pajala in Sweden, and Kolari in Finland. Although many of our projects were discovered many decades ago by teams of government scientists, Northland has advanced them technically to the point where we believe that we now have sufficient engineering and metallurgical data to make a firm production decision.

Late last year we contracted Wardell Armstrong International (WAI), a UK-based engineering group, in association with GBM Minerals Engineering Ltd, to complete Preliminary Economic Assessments (PEA) for our three priority iron projects: Tapuli, Stora Sahavaara and Hannukainen.

The studies were completed in June of 2008, delivering strong preliminary economic numbers taken as a single project and for each project individually. The key economic findings of the individual studies for each project are summarized in the chart on page 20.

The studies are conservative and un-optimized—in other words they include many assumptions on costs and engineering alternatives that may prove to be substantially higher than reality or be more rigorous than is actually required to put the project into production. The results should be seen as a benchmark for future optimization work, and they provide an initial estimate of Net Present Value (NPV) using a conservative 10% discount rate, Internal Rate of Return (IRR) and Earnings Before Interest and Tax (EBIT), highlighting the many design alternatives that have yet to be explored. However, even un-optimized, the projects appear to be very robust. The question now for our engineering team is just how much can the economics be improved through investigation of engineering alternatives?

We will now be focusing our efforts in three areas; 1) Tapuli: the lowest capital cost and highest IRR project—put it into production first to generate cash flow; 2) evaluate the alternatives identified by the PEA to optimize the project designs; and 3) continue our ongoing drill programs within the Pajala Shear Zone. We will focus the drilling at Pellivuoma and Kuervitikko with the aim of adding substantial resource tonnes to be brought into the financial models in the future. At the time of writing there were approximately 450 drill holes (or 63km of drilling) still to be included in new resource calculations.

Tapuli is where we see the best potential for near-term cash flow for your company. To quote Buck Morrow, we believe “it will be the first cab out of the rank because it has the lowest estimated capital expenditure (€146.6 million) and the highest internal rate of return (34%).” The production capacity of the project also fits the existing infrastructure and we believe we can time the development of the project to meet anticipated market demand.

Northland will now focus on the permitting/engineering of Tapuli. Our plan envisages a development sequence of Tapuli, Stora Sahavaara then Hannukainen. However, each mine is being treated by management as a stand-alone project and the development sequence may change depending on operational realities.

Our geologists continued to explore for new iron ore targets throughout the PSZ. We have carried out preliminary drill programs on a handful of magnetite systems and have had very good early stage results from Pellivuoma, Kuervitikko and Södra Sahavaara. Our aim is to define enough new resources to significantly extend the planned life of the processing facilities.



## 01 Project: Tapuli

<b>Location:</b>	Norrbottn County, northern Sweden
<b>Minerals:</b>	Iron
<b>Ownership:</b>	100% ownership of the exploration permit
<b>Status:</b>	PEA complete, fast track for permitting & development



- An open pittable resource capable of producing 3Mtpa by 2010
- Existing infrastructure can handle Tapuli's full production
- Lowest CAPEX, highest IRR and quickest payback of NAU's projects

Northland controls 100% of Tapuli and the surrounding iron and iron-copper-gold occurrences. Several magnetite lenses occur over a strike length of roughly 2.2km. Tapuli was explored previously and much of the drill and assay data was still available, enabling our geologists to move directly to in-fill and resource expansion drilling. In February 2008, we completed the first NI 43-101 standard resource for Tapuli. Using a cut off of 15.0% Fe, the resources defined to date are:

- Indicated resources: 54.4Mt with an average grade of 27.7 % Fe.
- Inferred resources: 47.6 Mt with an average grade of 26.3 % Fe.

The mineralization remains open and is believed to continue below 300m depth, the limits of our current drilling.

Metallurgical test-work, using core samples from 7 diamond drill holes, was undertaken in 2007 to help define the conceptual metallurgical beneficiation process route and to see if we could generate a high grade, low sulphur concentrate. The bench-scale testing did produce a high grade concentrate, up to 69% total Iron (Fe) and <0.03% Sulphur, and can be produced using a simple flow sheet that utilizes crushing and grinding, and magnetic separation only, producing a relatively coarse grained concentrate that should be suitable as pellet feed, and is transportable by road, rail or ship year-round. We anticipate good recoveries of 85-90% Fe, with magnetite recovery over 90%.

WAI completed a PEA of Tapuli as part of their broader assessment of our key projects. The table on the following page summarizes the basic economic model. The financial model for Tapuli is based on producing 3.0 Mtpa of concentrate fines. Limited mining operations may commence during 2009, producing 300Ktpa. Full scale iron ore production is assumed to begin in 2010.

### Tapuli PEA Snapshot

Ore Mined	65.9 Mt
Grade	28.3% Fe
Fe concentrate Produced	22.5 Mt
Total CAPEX	€147 M
Cash operating costs	€728 M
Gross revenue generated	€1,301 M
EBIT	€415 M
NPV	€117 M
IRR	34%
Undiscounted pay back from first production	27 months

“...the project is very robust and certainly warrants further work. The project has many potential upsides in terms of mine life, capital cost savings, operating cost savings, commodity prices/future iron ore demand and transport routing options, which all require further investigation.”

– Wardell Armstrong International



# STORA SAHAVAARA

## 02 Project: Stora Sahavaara

Location:	Norrbottn County, northern Sweden
Minerals:	Iron & Copper
Ownership:	100% ownership of the exploration permit
Status:	PEA complete, permitting and optimisation studies underway

S



- An open pit resource capable of producing 5Mtpa by 2012/13
- 2,000t bulk sample shows project can produce high quality pellets
- Synergies with Tapuli are a key engineering focus

After buying out Anglo American's royalty in early 2008, Northland controls 100% of the Stora Sahavaara project. The magnetite body measures approximately 1.4 km in length, at least 700 meters in depth and 50 meters in average width. Resource expansion and metallurgical drilling continued during the year, identifying what appears to be a thickening of the central part of the magnetite body. The Company plans to complete a new NI 43-101 compliant resource calculation by the end of 2008 which should see an increase in the proportion of Measured and Indicated Resources and may lead to an expansion of the overall resource.

During the year, we reported on the results of bench-scale metallurgical process flow sheet development using roughly 240 tonnes of magnetite collected during mining of a 2,000 tonne representative bulk sample. Approximately 30 tonnes of magnetite concentrate was generated for pelletising testwork in Europe and Canada. The pellets produced at Corus Group R&D in Holland were found to have very good physical and metallurgical properties, comparable to the best commercial pellets available.

WAI modelled the preliminary economics of an open pit mining operation at Stora Sahavaara, with a dedicated pelletising plant processing the iron ore and manufacturing 5 Mtpa of blast furnace pellets. Selected results are in the accompanying "snapshot" table on the next page.

They concluded that the Stora Sahavaara deposit contains a large resource of iron ore that is close to the surface and very amenable to open pit mining. This robust project has many potential upsides in terms of several satellite deposits, mine life, capital cost savings, operating cost savings, all of which require further investigation. Our engineering team will work to optimize the Stora Sahavaara design over the coming months.

### Stora Sahavaara PEA Snapshot

Ore Mined	102 Mt
Grade	43.3 % Fe
Fe concentrate Produced	52.7 Mt
Pellets Produced	54.7 Mt
Total CAPEX including pellet plant	€537 M
Cash operating costs	€2,353M
Gross revenue generated	€5,590 M
EBIT	€2,646M
NPV	€567 M
IRR	27%
Undiscounted pay back from first production	29 months

“The Net Present Value of the Stora Sahavaara project as calculated from this base case model is €567M and the Internal Rate of Return is 27%. The discounted payback period of the project is 6 years from the start of the project (3 years from commencement of production). The project is strongly positive in terms of NPV and has a good IRR.”

– Wardell Armstrong International



# HANNUKAINEN

## 03 Project: Hannukainen

Location:	Central Lapland, Northern Finland
Minerals:	Iron, Copper + Gold
Ownership:	100% ownership of the exploration permit
Status:	PEA complete, metallurgical & resource drilling continuing

H



- An open pit resource capable of producing 5Mtpa by 2012/13
- Project will produce high quality DR grade Pellet feed + significant Cu-Au by-product

Hannukainen consists of 5 known iron oxide-copper-gold lenses- Laurinoja; Lauku; Kuervaara; Vuopio and Kivivuopio- which occur over an area measuring approximately 1.3 km by 2.7 km. Of the more than 30 magnetite deposits that have been identified to date in the Pajala Shear Zone in Sweden and Finland, Hannukainen is one of the largest. It was mined between 1974 and 1990 by Rautaruukki Oy, producing a total of 4.5Mt of ore.

Since the first NI 43-101 resource was published for Hannukainen, Northland has completed more than 200 additional holes at the project. An up-dated NI 43-101 resource estimate incorporating the new holes should be ready by the end of the third quarter of 2008 and Management expects a substantial improvement in the confidence classification of the new resource estimate, with a significant conversion of Inferred tonnes to the Measured and Indicated categories.

The PEA completed by WAI in June 2008 estimated the Net Present Value of the Hannukainen project at €430M and the Internal Rate of Return at 26% based on a modelled production of 1.0Mtpa of Direct Reduction grade pellets in 2013 and 5.0Mtpa of Direct Reduction grade pellets from 2014 onwards. The project is strongly positive in terms of NPV and has a good IRR. Bulk sampling is presently underway.

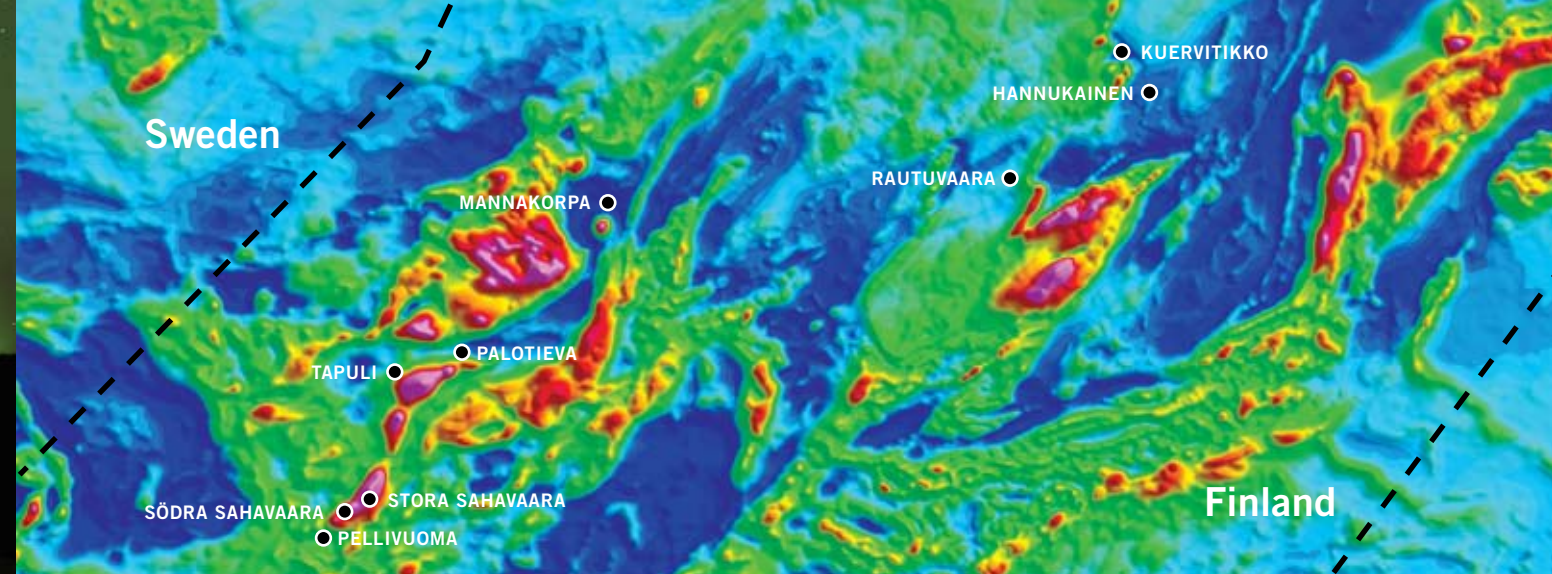
### Hannukainen PEA Snapshot

Ore Mined	118 Mt
Grade	31.7 % Fe
Fe concentrate Produced	36.9 Mt
Pellets Produced	38.5 Mt
Cu Recovered	180 Kt
Au Recovered	124 Koz
Total CAPEX including pellet plant	€555 M
Cash operating costs	€1,903M
Gross revenue generated	€4,528 M
EBIT	€2,024 M
NPV	€430 M
IRR	26 %
Undiscounted pay back from first production	29 months

“The Hannukainen deposit contains a large resource of iron ore that is close to the surface and very amenable to open pit mining. Application of mining and metallurgical economic factors to the resource has demonstrated that a conceptual mine plan containing 118Mt of ore at a grade of 31.7% Fe, 0.16% Cu and 0.07g/t Au with a stripping ratio of 3.93 tonnes of waste per 1 tonne of ore is potentially feasible.”

– Wardell Armstrong International

# PAJALA SHEAR ZONE



The magnetite bodies of the Pajala Shear Zone (PSZ) show up clearly on regional airborne magnetic maps and Northland's concessions host many untested drill targets. We believe it is realistic to expect that the overall resource base will grow as systematic drill testing of the large target portfolio progresses.

Interpretation of the results of some new geophysical surveys completed for Northland revealed over 40 new exploration targets on the Swedish side of the PSZ in addition to the dozens that earlier work identified. Drill testing of the highest priority targets will start in mid-2008 in drier terrain accessible to summertime drilling. The remainder will be prioritised in order of importance and drill testing will begin during the 2008-2009 winter season.

**Three of the projects that we've been working on that we think have particularly interesting potential are:**

● **Kuervitikko**

A near-surface flat-lying Fe-Cu-Au mineralized body similar in style to the Hannukainen deposit: it is currently being viewed as a continuation of Hannukainen which could add significant resources to the Hannukainen Mine plan.

Northland has drilled 78 holes into Kuervitikko (9,600m). In addition, 47 historical drill holes, totaling 4,200m, have been analyzed by Northland. Core logging, sampling and resource modeling is ongoing and an up-dated NI 43-101 resource estimate is scheduled for September 2008. Preliminary interpretation of a recent geophysical survey indicates that the Kuervitikko mineralization continues to the south, reaching a total strike of up to 2,500 m. Drill testing of this geophysical anomaly is in progress.

● **Södra Sahavaara**

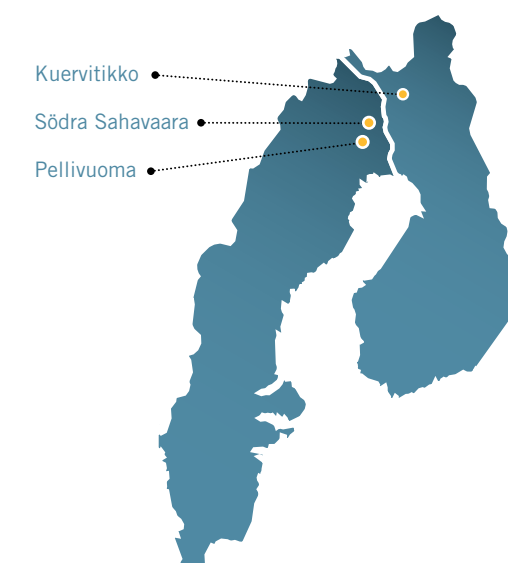
This magnetite deposit lies immediately southwest of Stora Sahavaara. Management believe that Södra Sahavaara has potential to add open pit resources to the Stora Sahavaara mine plan. The Geological Survey of Sweden (SGU) drilled 17 holes into the body in the 1960's on 200m-spaced profiles and suggested that Södra Sahavaara is relatively continuous, averaging 20m in thickness. It is

known to occur to a depth of 250m and was estimated by the SGU to contain ca. 20 Mt averaging 32% Fe. The reader is cautioned that is an historic resource. Northland has not yet completed sufficient work to confirm the resource and it cannot be relied upon.

Over the 2007-2008 winter, Northland drilled 9 holes (1,530m) at Södra Sahavaara. Two holes twinned historic SGU drill holes to verify the old results and to support the inclusion of the historic data in a new NI 43-101 resource estimate. Seven additional holes were drilled on 3 profiles to close the historic drill spacing to roughly 100m between holes.

● **Pellivuoma**

A near-surface magnetite body hosting an historic resource of 43Mt with an average grade of 32.7% Fe, 0.04% P, and 0.58% S to a depth of approximately 200m below surface. Northland's experience in the region to date suggests that the historic resource is



likely to expand as drilling progresses and a NI 43-101 resource estimate is completed. The reader is cautioned that this is an historic resource estimate which was prepared prior to the implementation of National Instrument 43-101. The Company has not yet done the work necessary to verify the resource and it cannot be relied upon. Northland completed a number of drill holes at Pellivuoma and the results are currently being collated and interpreted. Management believe Pellivuoma could be exploited as part of the proposed Tapuli and Stora Sahavaara mining operations, extending the open pit mining phase of the projects significantly.

# OUR TARGETS FOR 2008

- Complete Scoping Study / Preliminary Economic Assessment on Tapuli, Hannukainen and Stora Sahavaara
  - *Comment: completed and published in June 2008*
- Set First Production Start Date
- Attract Strategic Partner(s)
- Finalize Off-take Agreement(s)
- Complete Monetization of Gold Assets
  - *Strategy for divestment of Barsele under review mid-2008*
- Complete TSX Listing
  - *Completed. NAU graduated to Toronto Stock Exchange in April 2008*
- Development Financing / Bond Debt Rating
- Build European Based Organization
  - *Karl-Axel Waplan recruited in April 2008 to manage growth of European organization*
  - *Dr. Vladimir Benes hired in May 2008 as Vice President of Exploration*
- Instill HS&E Code and Culture throughout the organization
- Advance key projects to Bankable Feasibility Level

## Tapuli / Stora Sahavaara:

- Planning on submitting a full-impact assessment as part of our application for an environmental permit in mid-2008
- Updated NI 43-101 for both
- New NI 43-101 for Pellivuoma (satellite deposit)

## Hannukainen:

- Take a bulk sample to allow for pilot-scale metallurgical test work
- New NI 43-101 for Kuervitikko (satellite deposit)

## Other IOCG Projects:

- Continue mapping, drilling and other work

## Barsele:

- Seek-out potential buyers or optionors to monetize the project

## Overall:

- Build on the results of the PEA

## Other Achievements:

- Acquired Anglo's royalty and back-in right for Stora Sahavaara and Tapuli: securing 100% ownership
- Made 3 key Board appointments: Stuart Pettifor, Birger Solberg and Tuomo Mäkelä
- Completed major financing in August

## Northland's NI 43-101 Compliant Mineral Resources

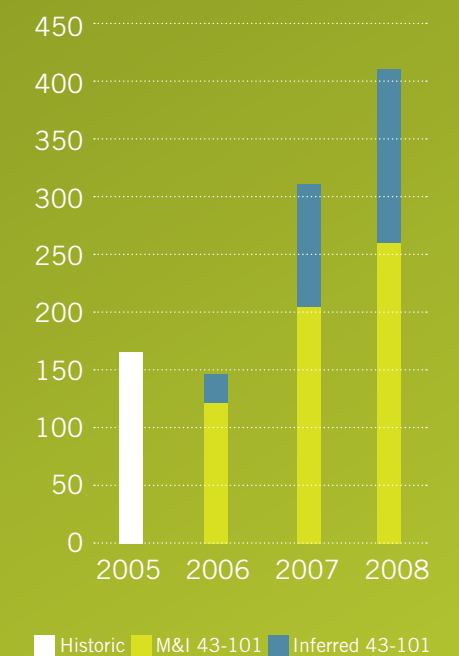
Our resource base expanded considerably during 2007 as we added new NI 43-101 compliant resources at Hannukainen and Tapuli. Northland's resource base currently stands at:

Resource Category	Tonnes	Total Iron %	Copper %	Gold g/t	Contained Cu Tonnes	Contained Au, Oz
<b>Stora Sahavaara</b>						
25% Fe cut off						
Measured	77,063,210	43.3	0.080	-	61,651	-
Indicated	44,634,770	43.3	0.076	-	33,922	-
Inferred	23,346,373	41.8	0.051	-	11,907	-
<b>Hannukainen</b>						
15% Fe cut off						
Measured	53,140,000	35.6	0.25	0.124	148,086	211,877
Indicated	31,460,000	32.9	0.11	0.043	34,606	43,497
Inferred	81,625,000	35.7	0.13	0.036	106,113	94,486
<b>Tapuli</b>						
15% Fe cut off						
Measured	-	-	-	-	-	-
Indicated	54,400,000	27.7	-	-	-	-
Inferred	47,600,000	26.3	-	-	-	-
<b>Barsele</b>						
0.7g/t Au cut off						
Indicated	7,624,627	-	-	1.60	-	393,324
Inferred	9,206,020	-	-	1.51	-	437,041

## Expanding the Resource Base

The graph to the right shows how our NI 43-101 compliant resources have grown in the last 3 years. Bear in mind that this year's drilling hasn't finished and we do anticipate adding more tonnes before the end of the 2008 calendar year.

Our geologists have also identified significant historical resources within our property package in the Pajala Shear Zone. We will be drilling all year to convert historical tonnes (which we cannot include in our official resource base) to NI 43-101 standard tonnage and grades.





# MINING AND THE ENVIRONMENT

**Environmental Monitoring and Permitting:** Securing the environmental permits for new mine construction is a lengthy but vital stage in the mine development process. It is something you will hear about often, but what exactly does it involve?

The permitting process evaluates the future environmental impacts of the proposed actions—in Northland's case open pit mining and surface plant installations—and proposes alternatives to eliminate, minimize or mitigate any foreseen environmental impacts.

Most modern mining codes around the world require a detailed environmental impact study or assessment to be completed, usually over 1 or 2 full annual seasonal cycles (winter-spring-summer-fall-winter). Typically, this work involves an initial scope-of-study and data collection phase to establish the scale of the proposed operation and to review the prevailing environmental status quo. For example, the Company — in this case Northland Resources— would usually initiate detailed surveys to document some or all of the following:

- (1) existing surface and ground water conditions and flows;
- (2) seasonal weather patterns with norms and extremes;
- (3) the area geology and determine the soil quality and quantity;
- (4) any wetlands such as marshes or bogs;
- (5) the wildlife and determine if animals listed as threatened or endangered species are present;

- (6) the site vegetation;
- (7) establish ambient air quality data;
- (8) establish existing noise levels;
- (9) existing dust or other atmospheric pollutant levels.

This review stage would also help to determine which government agencies are likely to become involved in the permitting process. For example, the presence of lakes and rivers would normally require that the local Fisheries Department becomes involved. Each of these departments would have its own regulations which have to be taken into account in the permitting process. A detailed review of land ownership, cultural and archeological sites of interest is also usually part of this early documentation phase.

Before permission is granted to build a mine, the Company would submit a full Environmental Impact Assessment or EIA which is often prepared by specialist external consultants who maintain environmental scientists on staff. A key part of the EIA is usually a detailed proposal covering on and off-site mitigation measures to offset any unavoidable environmental impacts, and reclamation plans which where possible establish methods of reclaiming disturbed areas

once mineral extraction has ceased: All mines have one thing in common – no matter how long they last, they all close and mining must be regarded as a temporary land use.

Companies are often required to post substantial reclamation bonds when mineral extraction begins which are allocated to ensure sufficient funding is available to cover any site reclamation required. According to the Natural Resources Canada, the Canadian government agency which covers the mining sector, a mine closure and reclamation plan should indicate how progressive reclamation of the site will occur during the life of the operation; Provide cost estimates to close and reclaim the mine; Prepare a plan for temporary closure of the mine; Develop a plan for post-closure monitoring of the site; and make sure that the site is left in a condition that will require little or no long-term care and maintenance.

**In Sweden,** under the provisions of the Environmental Code, an application for an exploitation concession must be accompanied by an environmental impact assessment. Applications are considered in consultation with the County Administrative Board, taking into account whether the site is acceptable from an environmental point of view. Under the rules of the Environmental Code, a special environmental impact assessment for the mining operation must always be submitted to the Environmental Court, which examines the

impact of the operation on the environment in a broad sense. The Court also stipulates the conditions which the operation is to meet.

**In Finland,** the Ministry of Trade & Industry is the responsible authority for mine permitting. Under the Environmental Protection Act, mining and mechanical excavation of gold and other minerals require an environmental permit. The Company must submit an Environmental Impact Assessment programme, which defines alternative implementation plans and impacts which must be assessed during the development planning stage, to the regional environment centre. The results of the study are compiled in an EIA report which forms the basis for soliciting opinions and statements from interested parties including the public, the authorities and other interested parties. The EIA process is concluded when the regional environment authority issues its official statement on the EIA report.

Planning and development of a closure and rehabilitation plan for the time when mining finishes is taken into consideration early in the permitting process. A preliminary closure plan must be prepared as part of the environmental permitting process and it should be updated periodically during the life of the project, as and when there have been changes. A final closure plan must also be prepared to examine and mitigate the potential impacts related to the end of mine operations.

## Management



**Simon T. Ridgway, Chairman & Director**

Mr. Ridgway is a well known financier and also a skilled explorationist. He is widely respected for his impressive record of creating value for the shareholders of his companies. He is the Chairman of Northland Resources and Fortuna Silver Mines, and President of Radius Gold Inc.



**Karl-Axel Waplan, Managing Director of European Operations**

Mr. Waplan has a Master of Science in Mechanical Engineering at the Royal Institute of Technology, Stockholm, Sweden. In the late 90s he was Vice President of Marketing and Sales for Boliden Ltd, and a member of Boliden's Executive Management Committee. He was directly responsible for supervising the development of Boliden's Storliden mine. In 2003 he joined the management team of Sudamin Ltd. and was COO for the Ferro Alloys and Noble Alloys activities. He joined Lundin Mining Corporation in May 2004 as Executive VP Operations, and was President and CEO from April 2005 until January of this year.

**Arden (Buck) Morrow, President & Director**

Mr. Morrow is a graduate Mining Engineer from the Mackay School of Mines at the University of Nevada, Reno. He has over 30 years' experience in mineral exploration, mine development, and mine operations, in North America, South America, Asia, and Europe. From 1980 to 2001, he was the President of Western States Minerals Corporation which, under his direction, discovered and brought into production some of Nevada's most significant gold deposits including Barrick's Goldstrike mine. He joined Northland in May 2004 and has successfully overseen the development of the Company and its iron ore project portfolio.



**Allen Gordon, Vice-President, Mine Development & Operations**

Mr. Gordon has over 30 years' experience in operational and business leadership roles within the international mining industry. With an MS in Mining Engineering from the University of Idaho, Mr. Gordon has managed numerous mining operations and has either led or contributed to the development and operation of nine of the most significant gold and silver mines in the Western North America. He is a Founding Registered Member of the Society of Mining Metallurgy and Exploration.



**William S. Wagener, Chief Operating Officer**

Mr. Wagener has worked for Northland since mid-2005. He was appointed CFO in June 2006, and COO of the Company in late February 2007. He has held various senior operational management positions at a number of underground and surface coal operations in the US and internationally. Prior to joining Northland, he worked for Atlantic Richfield (ARCO) for 19 years, latterly as President of ARCO Coal Australia Inc. in Brisbane, Australia, which produced 20-million tonnes of coal per year. He has a B.Sc. in Mining Engineering from the University of Missouri.



**Paul Marsden, Vice-President, Metallurgical Development & Operations**

Mr. Marsden has spent 29 years as a consultant to the international mining and iron and steel industries, including nearly 27 years with Corus Consulting (formerly British Steel Consultants Ltd), an arm of Corus Steel. He is a specialist with expertise in iron ore beneficiation, pelletizing, iron making and alternative iron making technology. Mr. Marsden has a B.Sc., Geological Sciences from Aston University, Birmingham, UK, is a Chartered Engineer (C.Eng.), a Chartered Scientist (CSci), and a Member of the Institute of Materials, Minerals and Mining (IMMM).

**Aurelian Bukatko, Chief Financial Officer**

Mr. Bukatko has an MBA in Finance and Accounting from Indiana University, and a BA from Wabash College. He has over 20 years' of senior management, executive and international experience in various business environments, most recently as Senior Vice President and CFO at Alfred Karcher USA. Mr. Bukatko's international background includes over 15 years with Inland Steel Company of Chicago, Illinois where he certified his financial experience with a CMA and CPA.



**Dr. Vladimir Benes, Vice President of Exploration**

Dr. Benes graduated from the Charles University of Prague in 1985 and later received an M.Sc. and a Doctorate in Geology from the University of Toronto. He was VP of Exploration and Development for Barrick Gold responsible for Russia and Central Asia. More recently Dr. Benes was the Founder and Chief Executive Officer of an exploration company with gold, copper and base metal projects in Peru and Turkey. He has provided consulting services, due diligence and technical evaluation of gold, copper, base metal, molybdenum, nickel and chrome projects in Russia, Kazakhstan, Kyrgyzstan, Turkey and Peru in cooperation with a number of companies.



Continued on Page 36. >



**Ralph Rushton**, *Vice President of Corporate Development & Director*

Mr. Rushton has 18 years' experience in mining and exploration initially as a mining and exploration geologist, and more recently in the area of corporate development for several Canadian-listed public companies. His field experience included work in Southern Africa, the Middle East and Europe, for Anglo American plc and Rio Tinto plc. He has a B.Sc. in Geology from Portsmouth University in the UK, an M.Sc. in Economic Geology from the University of Alberta in Canada, and a Certificate in Business Writing, Public Relations and Marketing Communications from Simon Fraser University in Vancouver, Canada.

**Dr. Hardy Lindroos**, *Regional Director of Exploration*

With a Ph.D. in Ore Geology from the University of Stockholm, Dr. Lindroos has been involved in minerals exploration activities in both Sweden and Finland for several decades. He was Chief Geologist and Vice Managing Director of the Exploration Division of the Swedish Geological Company (SGAB), Luleå, in charge of planning and management of exploration projects in Sweden. During his tenure at the SGU, he led a project which compiled an inventory of iron ore bodies in northern Sweden. Prior to joining Northland, he worked as a consulting geologist to a number of companies including International Gold Exploration (IGE), BHP Billiton Global Exploration, Nordic Diamonds Ltd, GeoVista AB and Agnico Eagle Mines.



## Directors

**Simon T. Ridgway**,  
*Chairman & Director* (Bio Pg. 34)

**Arden (Buck) Morrow B.Sc.**,  
*President & Director* (Bio Pg. 34)

**Stuart Pettifor**, Mr Pettifor is a past Director and CEO of Corus Steel, and has operated steel mills in the UK, Netherlands, Sweden and USA. In 1994 he became Managing Director Section Plates and Commercial steels, which was British Steel's largest business with a turnover of £5.0-billion. In 2001, Mr Pettifor was appointed to the Board of Corus Steel with responsibility to restore both the Dutch and UK operations to profitability. In 2002 he was appointed acting CEO of Corus Steel. He is now retired and serves as a director of two other companies.

**Birger Solberg**, Mr. Solberg is the Managing Director and CEO of North Cape Minerals, a Norwegian-based leading supplier of industrial minerals for the steel, glass and ceramic industries. He has an MSc from the Norwegian Institute of Technology and completed the Advanced Management Program at Insead in France. He sits on the Board of a number of European industrial minerals companies and has broad international experience in the ex-

traction, sales and marketing of industrial minerals, particularly some of the key minerals used in the iron and steel industry.

**Tuomo Mäkelä**, Mr. Mäkelä is president of Outokumpu Mining Oy, a Finland-based unit of the Outokumpu Group, an international stainless steel organization with annual sales of six billion euros. He has over 20 years' experience directing exploration and development operations on base and precious metal properties located in Latin America, Canada, Spain and Finland, and also acts as adviser to a Finnish investment company involved in venture capital financing and private equity finance.

**Ralph Rushton**,  
*VP of Corporate Development & Director* (Bio Pg. 36)

**Nicholas Glass, LI.B.**, Mr. Glass is a member of the Bar in British Columbia, England and Wales, and he currently practices as a mediator and arbitrator in labour relations disputes and civil claims. He has served on the boards of two highly successful public companies, one of which was sold in 2002 for \$40 million. Mr. Glass is also a director and officer of two private investment companies, with real estate and securities holdings in Canada, the U.S. and the U.K.

# FINANCIALS

FINANCIAL REVIEW  
FISCAL YEAR ENDED JANUARY 31, 2008

# Management's Discussion and Analysis

Year End Report – January 31, 2008

## General

This Management's Discussion and Analysis ("MD&A") supplements, but does not form part of, the audited consolidated financial statements of Northland Resources Inc. (the "Company") for the fiscal year ended January 31, 2008. The following information, prepared as of April 25, 2008, should be read in conjunction with the January 31, 2008 audited financial statements, which have been prepared in accordance with Canadian generally accepted accounting principles. All amounts are expressed in Canadian dollars unless otherwise indicated.

## Business of the Company

The Company is in the business of exploring, acquiring and developing mineral properties. It has a portfolio of iron ore (magnetite) plus base and precious metal projects located in Sweden and Finland. During fiscal year 2008 Northland focused its efforts on:

- Development, exploration and beneficiation test work of the Company's advanced-stage IOCG (iron oxide-copper-gold) projects in Sweden and Finland.
- The monetization of its Barsele-Norra gold and base-metal projects in Sweden.

All references in this MD&A to historic resource estimates for the Company's Swedish and Finnish projects are not compliant with NI 43-101 regulations. Northland is currently completing the work necessary to verify some of the historic resources and until this work is complete, the reader is cautioned that they cannot be relied upon.

## Iron Ore Projects

**Overview** – Northland controls a 100% interest in a district-scale, 50km long belt of magnetite-rich, IOCG deposits located within The Pajala Shear Zone (PSZ) in the central Lapland region of Sweden and Finland. The PSZ is about 250km long and 10km wide, trends NNE-SSW and straddles the border between northern Finland and northern Sweden. This belt contains over 35 known IOCG occurrences. The primary commodity in Northland's properties is iron ore – contained as the iron mineral magnetite- with some resources also containing potentially economic copper and gold concentrations in addition to the iron.

In Finland, these occurrences include the past-producing Rautuvaara mine and Northland's advanced-stage Hannukainen iron-copper-gold project. In Sweden they include Northland's Tapuli and Stora Sahavaara projects, both of which have NI43-101 compliant resources defined, and also a number of deposits with historic resources and some new discoveries.

Northland is focusing its efforts on advancing Stora Sahavaara, the adjacent Tapuli and Palotieva properties, and the Hannukainen project in Finland to pre-feasibility study stage. The Company also acquired three new iron ore properties in Norrbotten County Sweden: Salmivaara located near Gällivare; Kevus/Taltaja located near Lannavaara; and Pellivuoma situated about 25 km north of Pajala, all of which contain historic iron ore resources.

### Stora Sahavaara / Tapuli (Sweden) and Hannukainen (Finland): Scoping Study Commenced

During the fourth quarter, the Company appointed Atkins, the major engineering consultancy based in London, United Kingdom, to support Northland's management team in the development of the Company's iron projects in Sweden and Finland. WS Atkins plc will coordinate the on-going engineering studies and assist the Company in managing all of the technical activities required to progress the Company's iron projects to development. In addition, on February 1, 2008 the Company appointed Wardell Armstrong International Limited and GBM Minerals Engineering Consultants Limited to complete a scoping study on its iron ore projects in Sweden and Finland. URS Corporation was appointed to coordinate the requested environmental and community relations activities.

In March 2008, the Company applied for exploitation concessions at Tapuli and at Stora Sahavaara.

### Pajala Project: Stora Sahavaara — Bulk Sample and Metallurgical Testing Completed (Sweden)

During the year, the Company used core samples from Stora Sahavaara for developing a bench-scale metallurgical process flow sheet. Further a 2,000 tonne representative bulk sample of magnetite from Stora Sahavaara was extracted, and coned and quartered to produce a 240 tonne bulk sample of material. This material was containerized and shipped to the metallurgical testing laboratory of SGS Group in Ontario, Canada. The bench-scale flow sheet developed from research on core samples was trialed in pilot scale testing using a portion of the 240 tonne bulk sample, and additional test work was completed on the tailings, which will serve as a basis for planning the design of the tailings management facilities. The bulk sample also provided significant process data for use in mineral processing system design.

Roughly 30 tonnes of Stora Sahavaara magnetite concentrate was generated for pelletising testwork in Europe and Canada. The pellets produced at Corus Group R&D in Holland were found to have very good physical and metallurgical properties comparable to the best commercial pellets available.

### Pajala Project: Stora Sahavaara Development and Resource Expansion Drilling (Sweden)

Resource expansion drilling continued, and is still ongoing, with the Company identifying a possible thickening of the Stora Sahavaara deposit in the middle part of the magnetite body. During the fourth quarter, assay results from four recent diamond drill holes indicated good widths of magnetite mineralization at depths ranging between 302m and 503m. This mineralization is outside the limits of the existing resource, indicating good potential to add significant new magnetite resources to the project. In addition, another hole was drilled on the northernmost profile that encountered a well-mineralized core of nearly 63m, suggesting the potential for a second wide lobe of magnetite mineralization trending to the north. During the fiscal year, 22 diamond drill holes were drilled at Stora Sahavaara totalling 7,800 meters.

### Pajala Project: Tapuli — First NI 43-101 Resource Evaluation Completed (Sweden)

The 100% Northland owned Tapuli deposit is located approximately 4km north of Stora Sahavaara in Norrbotten County Sweden. A comprehensive review of historic and recent information was completed, and historic drill logs, assays, surveys, and other important information were converted to the Company's digital data base management and GIS. An exploration/development drilling program was designed and implemented with the objective of verifying the results of existing historical drilling completed by the Swedish Geological Survey (SGU) in the early 1970's, and to potentially extend the limits of the known magnetite zone at Tapuli.

Several layered magnetite lenses occur within the general limits of the deposit that can be traced over a strike length of roughly 2,200 meters. Because the Tapuli-area deposits had been explored previously, the Company was able to move directly to in-fill drilling and resource expansion drilling to test the deposit at depth. No significant mapping, surface sampling or additional detailed geochemical surveys were completed.

In February 2008, the Company completed a NI 43-101 for Tapuli. Using a cut off of 15.0% Fe:

- Total Indicated resources are 54.4 million tonnes (Mt) with an average grade of 27.7 % Fe.
- Total Inferred resources are 47.6 million tonnes (Mt) with an average grade of 26.3 % Fe.

The mineralization remains open below 300m.

The Tapuli deposit lies close to the surface with shallow dip, which makes it an ideal candidate for a low stripping ratio open pit mining operation. During the third quarter, a new 2.8km access road into the deposit area was constructed to permit year-around drilling access. In the fourth quarter, additional metallurgical sampling was conducted by using large diameter core drilling across the deposit.

Northland has completed metallurgical test programs at SGS Lakefield Research Limited in Truro, UK, under the supervision of Corus Consulting, and at the Geological Survey of Finland Mineral Processing in Outokumpu, Finland. The test work investigated the liberation characteristics of the Tapuli iron mineralization using Davis Tube Tests (DDT) along with additional dry and wet magnetic separation techniques, and was completed using mineralized drill core samples (900m of core) from 7 drill holes taken across the Tapuli resource.

Initial metallurgical test work has produced excellent results. The work, performed on a composite drill core sample taken from 7 drill holes from across the resource, indicates a high-grade concentrate, up to 69% Total Iron (Fe) and <0.03% Sulphur, can be produced using a simple flow sheet that comprises magnetic separation only (i.e., does not require a sulphide flotation stage). The concentrate, after filtration, is relatively coarse grained and should be suitable as pellet feed as well as transportable by road, rail or ship year-round. From the data gathered to-date Management anticipates good recoveries of 85-90% Fe, with magnetite recovery over 90%.

A bulk sample of 25 tonnes of magnetite drill core is currently being collected for pilot scale tests for flow sheet development and to produce at least 4 tonnes of concentrate for additional metallurgical test work.

#### **Pajala Project: Palotieva - Exploration and Development Drilling (Sweden)**

Palotieva is located immediately northeast of Tapuli and is now considered as part of a continuous mineralized zone associated with Tapuli. During the year, for both Tapuli and Palotieva, a total of 52 new drill holes were completed, totalling 8,489 meters.

#### **Pajala Project: Ownership**

Toward the end of the fiscal year, Northland reached and completed an agreement with Anglo America Exploration BV ("Anglo") to buy Anglo's 2.5% royalty interest and back-in-rights on 3 permits in northern Sweden that host the Stora Sahavaara and Tapuli projects as well as a number of other IOCG targets. Northland paid Anglo US\$3.65 million for its royalty and back-in rights. Northland signed the option agreement with Anglo in December 2004, and in January 2007 exercised its option to acquire 100% ownership of the exploration permits.

#### **Other Iron Ore Properties (Norrbotten County Sweden)**

**Lannavaara** – Lannavaara is comprised of three exploration permits covering 11,141 hectares (Lannavaara Nr 1, 2, and 3). The Lannavaara Nr 3 permit was granted February 5, 2007. For Lannavaara Nr 1 and Nr 2, the Company is subject to an Option Royalty and Back-in Agreement between Northland Resources AB and Anglo American Exploration B.V., dated November 11, 2006.

At Lannavaara there are three principal iron occurrences, one lead-zinc-copper-silver occurrence and one copper-silver occurrence within the permit boundary. The SGU historic records estimate that together, the two largest deposits which have been drill tested, Kevus and Teltaja, contain an historic resource of about 82 Mt of magnetite (The Kevus and Teltaja resources are located within the area of Lannavaara Nr 3, and are not subject to the Option Agreement with Anglo.) Work completed to date includes acquisition and compilation of historic data and relogging core in the SGU core archive in Malå. Data is being reviewed and assimilated into the Company's database.

A study of the historical data for the Huornaisenvuoma occurrence, a lead-zinc-copper-silver occurrence located within the Lannavaara boundaries, was initiated. Historically, 22 holes were drilled along a strike length of about 550m in the central portion of the base metal system, with additional drilling along trend. A relatively continuous eastern zone and discontinuous western mineralized zone were defined by this drilling, and 3 historic resources were prepared by the SGU and a previous operator. In these historic estimates the central zone ranges between 300,000 tonnes of 5.8% zinc, and 550,000 tons of 4.5% zinc, 2.6% lead and 12 g/t silver.

As warranted, additional fieldwork will be planned based on the analysis of the historic data.

**Salmivaara** – The Company also applied for the Salmivaara Nr 3 exploration permit (2,750 hectares) during Fiscal Year 2007, which was granted February 27, 2007. The near-surface Salmivaara magnetite body is within 1 km of a sealed road and approximately 33 km from a rail line that carries iron ore trains from Europe's second largest iron ore mine, MalMBERGET, which is operated by the Swedish state-owned mining company LKAB.

The SGU completed a (historic) resource calculation for Salmivaara based on drilling. They note: "Down to a depth of 120m there are 16 Mt of iron ore (magnetite) averaging 33.5% Fe and 0.10% Cu", "locally the iron ore contains 0.20-0.80% copper". Geophysical surveys conducted by the SGU indicate that the magnetite may extend to a depth of 700 meters.

During the fiscal year, several historical archived core samples were logged and re-assayed. The Company also drilled six holes at Salmivaara (1,780m). The first of two twin holes intersected several magnetite skarn zones. In addition, the drilling encountered a previously unknown magnetite body beneath the two known bodies at Salmivaara. Highlights of the drilling support and build on results from 12 historic diamond core holes completed by the Swedish Geological Survey (SGU), and include:

- Hole 07001 42.8% Fe + 0.12% Cu over 52.7m from 15.3m downhole
- Hole 07004 35.5% Fe + 0.10% Cu over 53.9m from 41m downhole
- Hole 07005 46.5% Fe + 0.12% Cu over 49.2m from 97.8m downhole
- Hole 07006 35.3% Fe + 0.12% Cu over 147.3m from 89.9m downhole

A multiple hole follow-up drill program has been designed to provide more detail on the known magnetite bodies.

**Käymäjärvi (Pellivuoma)** – Pellivuoma is located approximately 15 km west of Stora Sahavaara. During the year, the Company was granted the Käymäjärvi Nr 10, Nr 11 and Nr 12 exploration permits covering 8,677 hectares. This area contains the Pellivuoma historic resource estimated by the SGU to contain 44 Mt of iron ore (magnetite) averaging 33% Fe, 0.05% Cu and 0.58% S. In addition to the magnetite resource, a Banded Iron Formation (BIF) plus multiple copper and gold anomalies occur within the permit boundaries. Geological reconnaissance and data assimilation has been completed. Based on analysis of the existing data, additional field programs were conducted. The Company is currently planning on drilling 6 holes to determine the viability of targets generated by the 2007 field work.

**Other Information (Sweden)** – Environmental baseline studies, which were initiated in the spring of 2006 with a surface water sampling program, continued. The program was expanded to incorporate additional biological studies and other broader regional studies in the spring of 2007.

The Company commissioned and received the data from a series of geophysical surveys for a 750 sq km area in the Pajala area. The survey included high resolution aeromagnetic, electromagnetic, and radiometric readings. A detailed study of the raw data was initiated which highlighted 47 significant geophysical targets in the Pajala area with geophysical signatures that may reflect the presence of IOCG style mineralization. An application for an additional claim area in Sweden has been filed with the Swedish authorities to cover several targets identified during the analysis.

During the fourth quarter, the Company was granted 3 additional exploration permits (Käymäjärvi #11 and #12 as well as Kokkovoima #1) totalling 14,100 hectares. In total, as of the end of the fiscal year, the Company had exploration permit rights covering approximately 65,650 hectares related to its IOCG prospects.

#### **Pajala and Other Projects: Drilling Summary (Sweden)**

During the fiscal year, 83 diamond drill holes with a total length of 18,462m were completed, 8,527 samples were taken and sent to an assay laboratory.

#### **Kolari Project: Hannukainen — Development and Resource Expansion Drilling (Finland)**

Hannukainen consists of 5 known iron oxide-copper-gold targets: Laurinoja; Lauku; Kuervaara; Vuopio and Kivivuopio. These targets are characterized by spatially interrelated near-surface, sub-horizontal lenses of magnetite mineralization located within an area measuring approximately 1.3 km by 2.7 km.

Resources have been calculated for all of the 5 known iron-copper-gold occurrences in the Hannukainen area (i.e., Laurinoja, Lauku, Kuervaara, Vuopio and Kivivuopio). In August, the Company completed a NI 43-101 compliant iron-copper-gold resource estimate. Using a cut off grade of 15% Fe, the recent and historic drilling has outlined:

Category	Mt	Fe	Cu	Au
Measured	53.1	35.6%	0.25%	0.12 g/t
Indicated	31.5	32.9%	0.11%	0.04 g/t
Inferred	82.0	35.7%	0.13%	0.04 g/t

Within the total resources summarized above, at a 15% Fe cut off, the Laurinoja lens contains:

Category	Mt	Fe	Cu	Au
Measured	35.4	37.6%	0.32%	0.17 g/t
Indicated	4.5	34.6%	0.23%	0.13 g/t
Inferred	3.5	36.1%	0.26%	0.17 g/t

The resource calculation included 104 diamond drill holes completed by Northland through July 23, 2007 and 236 historic holes. Assay results were still outstanding for 10 holes drilled that were excluded from the resource calculation. The resource estimate will be updated to reflect the additional results when the current drill program is completed.

#### **Other Information — (Finland)**

Environmental baseline studies required for mine permit acquisition at Hannukainen advanced during the period. During the fourth quarter, technical and permitting work necessary to partially drain the Laurinoja open pit to expose the pre-stripped magnetite mineralization was completed and the permit was granted. This permit will allow the mining of a substantial bulk sample of copper-gold bearing magnetite for pilot-scale metallurgical test work. Bench scale testing has already produced results indicating the potential for production of a high quality, low sulfur magnetite concentrate as well as a copper-gold concentrate.

#### **Kolari Project: Rautuvaara — Exploration Drilling (Finland)**

Three diamond drill holes were drilled in the Rautuvaara area to test a strong magnetic anomaly, totalling 688 meters. The Rautuvaara area is situated seven km to the south-west of Laurinoja and less than 1.5 km from a rail head as well as a major power line. In addition, there is large tailings dam in the area that is only partly filled, which the Company could possibly use.

#### **Kolari Project: Drilling Summary (Finland)**

During FY 2008, 271 diamond drill holes for a total length of 37,033 meters of drilling were completed. In addition, 13,189 samples were taken and sent to a chemical laboratory for analysis.

#### **Gold Properties**

**Overview** – The Company is looking to monetize its late-stage exploration project, the Barsele-Norra Project in Central Sweden and its Kapsa Project located in northern Finland. Barsele is an intrusive-hosted gold resource located along the “Gold Line Trend”, Norra is a gold-rich base-metal resource that exhibits Volcanogenic Massive Sulphide (VMS) style mineralization typical of the Skellefte Sulphide Ore District, and Kapsa is regarded as an orogenic gold prospect.

**Barsele-Norra Project (Sweden)** – On June 26th the Company was granted the Barsele K no. 1 and Barsele K no. 2 Exploitation Concessions (mining licence) for the Barsele Central, Avan Skirasen and Norra resource areas. These two Concessions cover the extent of the known resource. The Company is now formulating plans to monetize its Barsele-Norra Project.

Exploration drilling program was suspended for most of 2007. Instead the Company concentrated on refining its database for potential buyers or optioners of the project. Mapping, correlation of existing data and analysis of outlying areas that previously had not been explored was also undertaken. Geologic mapping and sampling of Tattartjärnliden, Orrträsket, Södra Sundtrask, East Skirtrasket, Skarvan and Nasvattnet prospects was initiated during the second quarter and completed. Preliminary results are encouraging for potential precious-metal-rich, base-metal mineralization in several target areas as defined during the mapping and previous base-of-till program. Final results of the mapping and rock chip sampling program which consisted of 500 samples and 210 assay results were received.

**Kapsa (Finland)** – The Company was granted a 111 sq. km reservation area located approximately 40 km north of the city of Kittilä, Finland in late 2006. Kapsa is situated about 5 km west from Agnico Eagle’s Suurikuusikko gold deposit. The geophysical signature, bedrock geology and available geochemistry exhibit strong similarities to the shear zone that hosts the 3.5 million ounce Suurikuusikko deposit. During the period, the Company initiated a base-of-till sampling program and mapping program at Kapsa.

The reservations expired on the 21st of August 2007. Prior to expiration, the Company filed a total of 100+ new claims covering an area of approximately 11,700 hectares contained within the reservation area. The applications were filed with the Ministry of Trade and Industry in Finland. These claims cover what Company believes to be the most prospective areas at Kapsa and should be granted sometime in 2008.

## Selected Annual Information

The following table provides information for each of the three most recently completed financial years:

	2008 (\$)	2007 (\$)	2006 (\$)
Total Interest / Other Income	4,288,374	863,895	-
Loss before extraordinary items			
Total	7,610,647	46,548	1,649,150
Per share	0.077	0.001	0.072
Fully diluted per share *	N/A	N/A	N/A
Net Loss			
Total	7,610,647	46,548	1,649,150
Per share	0.077	0.001	0.072
Fully diluted per share *	N/A	N/A	N/A
Total Assets	183,104,399	70,532,372	8,406,505
Total long-term liabilities	1,102,037	1,102,037	-
Cash dividends	-	-	-

\* The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method, the dilutive effect on earnings per share is recognized to the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year. For the years presented, however, this proved to be anti-dilutive. Basic loss per share is calculated using the weighted average number of common shares outstanding during the year.

## Results of Operations

For the fiscal year ended January 31, 2008, the Company had a consolidated net loss of \$7,610,647 (\$0.077 per share) compared to a net loss of \$46,548 (\$0.001 per share) for the year ended January 31, 2007.

The increase in the net loss from 2007 to 2008 is materially due to \$7,570,971 stock-based compensation charge recorded in the 2008 fiscal period. In addition, as a result of greater corporate and exploration activity throughout the Company's operations, there have been increases in the areas of advertising and promotion, consulting and professional fees, office, and travel and accommodation. Stock-based compensation charges in the 2008 fiscal period were much greater than the comparable 2007 fiscal period. Partially offsetting corporate expenses during the fiscal year ended January 31, 2008 was the receipt of \$4,288,374 in interest and other income which was much higher than in the 2007 fiscal period and a foreign exchange gain of \$565,687.

## Quarterly Information

The following table provides information for the eight quarters ended January 31, 2008:

	Fourth Quarter Ended Jan 31/08 (\$)	Third Quarter Ended Oct 31/07 (\$)	Second Quarter Ended Jul 31/07 (\$)	First Quarter Ended Apr 30/07 (\$)	Fourth Quarter Ended Jan 31/07 (\$)	Third Quarter Ended Oct 31/06 (\$)	Second Quarter Ended Jul 31/06 (\$)	First Quarter Ended Apr 30/06 (\$)
Total Income	1,686,456	1,427,763	691,858	482,297	449,096	273,384	120,379	21,036
Net Loss (Earnings)	(3,555,623)	9,254,866	542,034	1,369,370	(2,500,972)	733,296	1,262,272	551,952
Net Loss (Earnings) per share	(0.033)	0.085	0.006	0.016	(0.030)	0.012	0.024	0.017

During the fourth quarter ended January 31, 2008, the Company had net earnings of \$3,555,623 (\$0.033 per share) which included a foreign exchange gain of \$6,991,109 which was mostly offset by the quarterly stock-based compensation charge of \$2,781,412.

## Liquidity and Capital Resources

As at January 31, 2008, the Company had working capital of \$131,676,285, compared to \$51,395,472 as at January 31, 2007. During the fiscal year ended January 31, 2008, the Company raised gross proceeds of approximately \$110.36 million from a private placement financing and a public offering, and received an additional \$2.04 million from the exercise of warrants and stock options. Subsequent to January 31, 2008, the Company received an additional \$0.36 million to the date hereof from the exercise of stock options.

Management expects that the Company will have sufficient working capital to meet its corporate and exploration commitments over several years. Actual funding requirements may vary from those planned due to a number of factors, including the progress of exploration and development activity and new capital programs. Management believes it will be able to raise equity capital as required in the long term, but recognizes the uncertainty attached thereto. The Company continues to use various strategies to minimize its dependence on equity capital, including the securing of joint venture partners where appropriate.

## Mineral Properties Expenditures

**Sweden** – During the fiscal year ended January 31, 2008, \$12,248,933 was spent on exploration of mineral properties in Sweden. Of that amount, the major expenditure categories include \$2,929,952 for drilling, \$2,833,816 for consulting fees, \$1,393,521 for geochemistry and \$1,382,958 for metallurgy.

**Finland** – During the fiscal year ended January 31, 2008, \$9,831,080 was spent on exploration of mineral properties in Finland. Of that amount, the major expenditure categories include \$4,260,991 for drilling, \$1,538,999 for salaries and wages, and \$873,836 for consulting fees.

**Canada** – During the fiscal year ended January 31, 2008, \$12,415 was spent on property payments for the 60 Mile Property in the Yukon Territory, Canada.

## Related Party Transactions

The Company incurred charges with companies having a common director or officer as follows:

	Years ended January 31,	
	2008	2007
Consulting fees	\$ 59,786	\$ 60,247
Shareholder communication	98,726	131,014
Deferred exploration costs - consulting fees	195,055	97,256
	<u>\$ 353,567</u>	<u>\$ 288,517</u>

These charges were measured by the exchange amount, which is the amount agreed upon by the transacting parties.

At January 31, 2008, accounts payable included \$49,649 (2007: \$61,378) due to a director of the Company and to a company with a common director.

Advances included \$70,967 (2007: \$Nil) due from an officer of the Company.

## Other Data

Additional information related to the Company is available for viewing at [www.sedar.com](http://www.sedar.com).

## Share Position Outstanding Warrants and Options

The Company's outstanding share position as at April 25, 2008 is 109,612,565 common shares, and a total of 8,406,000 share incentive stock options are currently outstanding as follows:

Type of Security	Number	Exercise Price	Expiry Date
Options	1,000	\$0.30	May 25, 2008
	50,000	\$0.66	Nov. 20, 2008
	100,000	\$0.50	Feb. 1, 2009
	500,000	\$0.37	May 17, 2009
	166,000	\$0.45	May 19, 2010
	30,000	\$0.45	May 31, 2010
	114,000	\$0.55	Jun. 12, 2010
	50,000	\$0.72	Jul. 13, 2010
	100,000	\$0.55	Dec. 11, 2010
	180,000	\$0.74	Jan. 5, 2011
	290,000	\$1.00	Feb. 5, 2011
	48,000	\$1.05	Feb. 16, 2011
	885,000	\$1.55	May 10, 2011
	1,937,000	\$1.25	Nov. 8, 2011
	300,000	\$1.21	Dec. 10, 2011
	200,000	\$2.33	Feb. 8, 2012
	300,000	\$2.27	Feb. 12, 2012
	50,000	\$2.83	Apr. 5, 2012
	100,000	\$3.04	Apr. 9, 2012
	100,000	\$3.11	May 8, 2012
	25,000	\$4.40	Jul. 10, 2012
	60,000	\$4.53	Jul. 15, 2012
	50,000	\$4.63	Jul. 18, 2012
	380,000	\$3.96	Aug. 8, 2012
	2,125,000	\$4.68	Aug. 23, 2012
	50,000	\$4.28	Oct. 14, 2012
	50,000	\$2.88	Dec. 17, 2012
	100,000	\$2.29	Jan. 24, 2013
	50,000	\$2.82	Apr. 3, 2013
	15,000	\$3.11	Apr. 14, 2013
Total Options:	<u>8,406,000</u>		

## Financial Instruments

The carrying value of the Company's financial instruments, consisting of cash held in term deposits with major bank institutions and accounts payable and accrued liabilities approximate their fair value due to the short-term maturity of such instruments. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

## Changes in Accounting Policies

Effective January 1, 2007, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants ("CICA") under CICA Handbook Section 1530 "Comprehensive Income", Section 3251 "Equity", Section 3855 "Financial Instruments – Recognition and Measurement", Section 3861 "Financial Instruments – Disclosure and Presentation", and Section 3865 "Hedges". These new standards have been adopted on a prospective basis with no restatement to prior period financial statements.

### a) Comprehensive Loss and Equity

This standard requires certain gains and losses that would otherwise be recorded as part of net earnings to be presented in other "comprehensive loss" until it is considered appropriate to recognize into loss. This standard requires the presentation of comprehensive loss, and its components in a separate financial statement that is displayed with the same prominence as the other financial statement. The Company currently does not have any other comprehensive income.

### b) Financial Instruments

The Company classifies its financial instruments into one of the five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments are measured at fair value on initial recognition. Transaction costs are included in the initial carry amount of financial instruments except for held-for-trading items in which case transaction costs are expensed as incurred. Measurement in subsequent periods depends on the classification of the financial instrument.

Financial assets and liabilities "held-for-trading" are subsequently measured at fair value with changes in fair value recognized in net income. Financial assets "available-for-sale" are subsequently measured at fair value with changes in fair value recognized in other comprehensive income. Financial assets "held-to-maturity", "loans and receivables", and "other financial liabilities" are subsequently amortized using the effective interest rate method.

Financial instruments that are derivative contracts are considered "held-for-trading" unless they are designated as a hedge. Cash equivalents and short-term investments are classified as "held-for-trading" and are measured at carrying value which approximates fair value due to the short-term nature of these instruments. Accounts receivable and certain other assets that are financial instruments are classified as "loan and receivables". Accounts payable is classified as "other financial liabilities".

### c) Hedges

This new standard specifies the circumstances under which hedge accounting is permissible and how hedge accounting may be performed. The Company currently does not have any hedges.

### **New Accounting Pronouncements**

Effective January 1, 2008 the Company is required to adopt the following new Canadian accounting pronouncements:

a) Assessing going concern – Section 1400

The Accounting Standards Board (AcSB) amended the Section 1400, to include requirements for management to assess an entity's ability to continue as a going concern and to disclose material uncertainties related to events or conditions that may cast doubt upon the entity's ability to continue as a going concern.

b) Capital disclosures – Section 1535

This new pronouncement establishes standards for disclosing information about an entity's capital and how it is managed. Section 1535 also requires the disclosure of any externally-imposed capital requirements, whether the entity has complied with them, and if not, the consequences.

c) Financial Instruments – Sections 3862 & 3863 – Disclosures and Presentation

These new sections 3862 (on disclosures) and 3863 (on presentation) replace Section 3861, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. Section 3862 complements the principles recognizing measuring and presenting financial assets and financial liabilities in Financial Instruments. Section 3863 deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset.

The Company is evaluating the impact of these new accounting standards on its consolidated financial statements.

### **International Financial Reporting Standards ("IFRS")**

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended January 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

### **Forward Looking Information**

Certain statements contained in this MD&A and elsewhere constitute forward-looking statements. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements in light of the risks set forth below.

### **Risk and Uncertainties**

The presentation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the period. Significant areas requiring the use of estimates include the estimation of amortization periods of intangible assets, valuation of stock compensation, and the estimation of future income tax asset valuation allowances. Actual results could differ from those estimates.

a) Exploration and development

Mineral exploration and development involves a high degree of risk and few properties that are explored are ultimately developed into producing mines. At present, none of the Company's properties has a known commercial ore deposit. There is no assurance that the Company's mineral exploration activities will result in any discoveries of new bodies of commercial ore. There is also no assurance that if commercial ore is discovered, that the ore body would be economical for commercial production. Discovery of mineral deposits is dependent upon a number of factors and significantly influenced by the technical skill of the exploration personnel involved. The commercial viability of a mineral deposit is also dependent upon a number of factors that are beyond the Company's control. Some of these factors are the attributes of the deposit, commodity prices, government policies and regulation and environmental protection.

b) Reserve and resource estimates

There is a degree of uncertainty attributable to the calculation of reserves and resources and the corresponding grades. Reserve and resource estimates are dependent partially on statistical inferences drawn from drilling, sampling and other data. The measured and indicated and inferred resource figures set forth by the Company are estimates, and there is no certainty that the mineral deposits would yield the production of metals indicated by reserve and resource estimates. Declines in the market price for metals may adversely affect the economics of a deposit and may require the Company to reduce its estimates.

c) Price volatility – gold, copper, iron ore (magnetite) and other metals

The market price for gold, copper, iron ore (magnetite) and other metals is volatile and cannot be controlled. There is no assurance that, if commercial quantities of gold, copper, iron ore (magnetite) and other metals are discovered, a profitable market may continue to exist for a production decision to be made or for the ultimate sale of the metals. As the Company is currently not in production, no sensitivity analysis for price changes has been provided or carried out.

d) Permits

The Company's current and anticipated future operations, including further exploration, development activities and commencement of production on the Company's properties, require permits from various federal, state, provincial, territorial and local governmental authorities in Sweden, Finland and Canada. There can be no assurance that all permits which the Company requires for the construction of mining facilities and the conduct of mining operations will be obtainable on reasonable terms, or at all. Delays or a failure to obtain such permits, or a failure to comply with the terms of any such permits that the Company has obtained, could have a material adverse impact on the Company. There also can be no assurance that once permits are awarded that they will not be challenged at any time.

e) Other Risks

Other risks facing the Company include competition, environmental and insurance risks, share price volatility and uncertainty of additional financing.

## Other Matters

**Financing** – During the fiscal year ended January 31, 2008, the Company raised approximately \$104.64 million through the sale of 22.83 million shares. The shares were sold in one private placement and one public offering.

**Income Taxes** – The determination of income taxes and other tax liabilities requires interpretation of complex local and international laws and regulations. The Company completed the entries related to the purchase agreement with MinMet plc dated January 12, 2006 but closed on May 19, 2006. The adjusting tax liability entries were made in the fourth quarter ending January 31, 2007 and are reflected in the yearend financial statements ending January 31, 2007.

**Management Team** – Since the beginning of the fiscal year ended January 31, 2008, the Company augmented its senior management team with the appointment of the following personnel: Allen Gordon, VP Business Development, February 7, 2007; Bill Wagener, from CFO to COO, March 1, 2007; Aurelian Bukatko, CFO, March 1, 2007 and Corporate Secretary, March 20, 2008; Dr. Hardy Lindroos, Regional Director of Exploration, March 1, 2007; Paul Marsden, VP Metallurgical Development and Operations, May 1, 2007; Birger Solberg, Board of Directors, May 9, 2007; Stuart Pettifor, Board of Directors, August 9, 2007; Tuomo Mäkelä, Board of Directors, August 29, 2007.

**Disclosure Controls and Procedures** – 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 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.

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Company's Chief Executive Officer and Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosure.

At the end of the year covered by this MD&A, management of the Company, with the participation of the Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures as required by Canadian securities laws. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that, as of the year covered by this MD&A, the disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the Company's annual filings and interim filings (as this term is defined in Multilateral Instrument 52-109, *Certification of Disclosure in Issuers' Annual and Interim Filings*) and other reports filed or submitted under Canadian securities laws is recorded, processed, summarized and reported within the time periods specified by those laws and that material information is accumulated and communicated to management of the Company, including the Chief Executive Officer and the Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

**Internal Controls over Financial Reporting** – 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. Management has designed such internal controls over financial reporting, or caused them to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with GAAP. The Company may not have the necessary in-house knowledge to address complex taxation and related accounting issues; and therefore, the Company has and will continue to use outside consultants to improve in this area. There have been no changes in the Company's internal controls over financial reporting that occurred during the fourth quarter of the year ending January 31, 2008, the most recent interim period, that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

## Subsequent Events

Subsequent to January 31, 2008,

- a) During the year ended January 31, 2007, a party in Sweden made a claim regarding the validity of one of the Company's exploration permits on its Swedish mineral properties. The Company's right to conduct exploration was upheld, however, the party had filed an additional appeal.

On February 20, 2008 the final court decision was in favour of the Company. The Company has the right to continue its exploration on the permit area. At the same time, the party has the right to apply for a short extension of time to supplement the appeal.

- b) the Company issued 262,000 shares at prices ranging from \$0.48 to \$1.55 per share pursuant to the exercise of share purchase options outstanding at January 31, 2008 for total proceeds of \$364,800.
- c) the Company granted share purchase options to a consultant and an employee to purchase:
  - i) 50,000 shares at \$2.82 per share exercisable to April 3, 2013, and
  - ii) 15,000 shares at \$3.11 per share exercisable to April 14, 2013.

# Auditors' Report and Consolidated Financial Statements



To the Shareholders,  
Northland Resources Inc.

We have audited the consolidated balance sheets of Northland Resources Inc. as at January 31, 2008 and 2007 and the consolidated statements of operations, comprehensive loss and deficit, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at January 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Vancouver, Canada  
April 21, 2008

*Ernst & Young LLP*

Chartered Accountants

NORTHLAND RESOURCES INC.  
CONSOLIDATED BALANCE SHEETS  
as at January 31, 2008 and 2007  
(Stated in Canadian Dollars unless otherwise noted)

ASSETS	2008	2007
Current		
Cash (Note 12)	\$ 137,990,541	\$ 52,399,011
Accrued interest receivable and value taxes receivable	1,121,351	559,738
Prepaid expenses and deposits	155,159	101,223
	<u>139,267,051</u>	<u>53,059,972</u>
Property and equipment (Note 5)	728,194	147,649
Resource properties (Notes 6, 10, 11 and Schedule 1)	43,109,154	17,324,751
	<u>\$ 183,104,399</u>	<u>\$ 70,532,372</u>
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities (Note 10)	\$ 7,590,766	\$ 1,664,500
Future income tax liability (Notes 6 and 9)	1,102,037	1,102,037
Commitments (Note 14)		
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock (Notes 7 and 11)	180,327,977	72,518,956
Contributed surplus (Note 7)	10,370,635	3,923,248
Accumulated other comprehensive income	-	-
Deficit	(16,287,016)	(8,676,369)
	<u>174,411,596</u>	<u>67,765,835</u>
	<u>\$ 183,104,399</u>	<u>\$ 70,532,372</u>

Subsequent events (Notes 6 and 11)

APPROVED BY THE DIRECTORS:

Director  
Simon Ridgway

Director  
Arden B. Morrow

NORTHLAND RESOURCES INC.  
CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT  
for the years ended January 31, 2008 and 2007  
(Stated in Canadian Dollars unless otherwise noted)

	2008	2007
Expenses		
Amortization	\$ 90,156	\$ 37,024
Bank charges and interest	56,286	6,777
Consulting fees (Note 10)		
Incurred	1,349,940	610,917
Stock-based compensation (Note 7)	7,570,971	2,770,188
Filing fees	109,498	121,058
Marketing and promotion	747,937	283,369
Office and miscellaneous	475,210	99,944
Professional fees	1,191,153	639,078
Rent and utilities	123,662	56,349
Shareholder communication (Note 10)	117,663	185,368
Telephone	54,305	18,750
Transfer agent	74,415	28,817
Travel and accommodation	503,512	372,498
	<u>(12,464,708)</u>	<u>(5,230,137)</u>
Loss before other income (expenses)		
Other income (expenses)		
Foreign exchange gain	565,687	4,396,293
Gain on settlement of debts	-	3,888
Interest and other income	4,288,374	863,895
Write-off of resource property (Schedule 1)	-	(80,487)
	<u>4,854,061</u>	<u>5,183,589</u>
Net loss for the year	(7,610,647)	(46,548)
Other comprehensive income (loss)	-	-
Comprehensive loss for the year	(7,610,647)	(46,548)
Deficit, beginning of the year	(8,676,369)	(8,629,821)
Deficit, end of the year	<u>\$ (16,287,016)</u>	<u>\$ (8,676,369)</u>
Basic and diluted comprehensive loss per common share	<u>\$ (0.077)</u>	<u>\$ (0.001)</u>
Weighted average number of common shares outstanding	<u>98,338,792</u>	<u>57,654,787</u>

NORTHLAND RESOURCES INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
for the years ended January 31, 2008 and 2007  
(Stated in Canadian Dollars unless otherwise noted)

	2008	2007
Operating Activities		
Net loss for the year	\$ (7,610,647)	\$ (46,548)
Items not affecting cash:		
Amortization	90,156	37,024
Stock-based compensation	7,570,971	2,770,188
Gain on settlement of debts	-	(3,888)
Write-off of resource property	-	80,487
	<u>50,480</u>	<u>2,837,263</u>
Changes in non-cash working capital items:		
Accrued interest receivable and value taxes receivable	(561,613)	(367,007)
Prepaid expenses and deposits	(53,936)	(67,869)
Accounts payable and accrued liabilities	5,926,266	1,197,584
Net cash provided by operating activities	<u>5,361,197</u>	<u>3,599,971</u>
Financing Activity		
Proceeds from issuance of capital stock	112,399,627	57,483,871
Share issuances costs	(5,714,190)	(3,892,264)
Net cash provided by financing activities	<u>106,685,437</u>	<u>53,591,607</u>
Investing Activities		
Acquisition of property and equipment	(670,701)	(110,734)
Purchase of Barsele, net of cash acquired	-	5,905
Resource properties	(25,784,403)	(7,374,936)
Net cash used in investing activities	<u>(26,455,104)</u>	<u>(7,479,765)</u>
Increase in cash during the year	85,591,530	49,711,813
Cash, beginning of year	52,399,011	2,687,198
Cash, end of year	<u>\$ 137,990,541</u>	<u>\$ 52,399,011</u>
Non-cash Transactions (Note 8)		

NORTHLAND RESOURCES INC.  
CONSOLIDATED SCHEDULE OF RESOURCE PROPERTIES  
for the year ended January 31, 2008  
(Stated in Canadian Dollars unless otherwise noted)

**Schedule 1**

	Sweden				Finland	Canada	Total
	Barsele	Norra	Pajala	Other	Kolari	60 Mile / Yukon	
<b>Balance, January 31, 2007</b>	\$ 6,566,312	\$ 3,598,618	\$ 2,577,251	\$ 400,782	\$ 4,151,531	\$ 30,257	\$ 17,324,751
<b>Acquisition costs</b>							
Cash	-	-	3,691,975	-	-	-	3,691,975
<b>Deferred exploration costs</b>							
Administration	439	-	3,184	646	891	-	5,160
Automobile	15,376	4,493	69,461	10,576	101,589	-	201,495
Consulting fees (Note 10)	619,996	176,754	1,903,112	133,954	873,836	-	3,707,652
Drafting, maps and printing	77,808	11,002	12,783	36,150	13,533	-	151,276
Drilling	11,316	27,854	2,673,032	217,749	4,260,991	-	7,190,942
Environment	-	-	345,792	7,085	703,261	-	1,056,138
Equipment and rental	7,016	1,507	51,500	6,533	141,973	-	208,529
Geochemistry	83,337	50,268	1,064,573	195,343	780,730	-	2,174,251
Geophysics	-	-	41,774	79,098	30,134	-	151,006
Legal and accounting fees	64,979	17,972	258,964	19,536	136,286	-	497,737
Materials	2,213	3,256	24,926	11,525	57,269	-	99,189
Medical	1,961	903	8,800	1,249	4,630	-	17,543
Metallurgy	-	-	1,382,958	-	243,769	-	1,626,727
Office and misc.	13,852	3,207	37,314	8,947	30,005	-	93,325
Property payments	60,217	13,155	312,554	96,713	323,105	12,415	818,159
Rent and utilities	46,093	8,393	51,818	18,596	172,641	-	297,541
Salaries and wages	221,735	39,678	211,167	108,786	1,538,999	-	2,120,365
Shipping and courier	4,126	1,781	157,748	9,943	95,636	-	269,234
Software lease	17,116	1,647	23,773	844	21,562	-	64,942
Telephone	9,481	4,366	29,151	6,435	62,650	-	112,083
Travel and accommodation	134,494	43,212	737,329	76,509	237,590	-	1,229,134
	1,391,555	409,448	9,401,713	1,046,217	9,831,080	12,415	22,092,428
<b>Balance, January 31, 2008</b>	\$ 7,957,867	\$ 4,008,066	\$ 15,670,939	\$ 1,446,999	\$ 13,982,611	\$ 42,672	\$ 43,109,154

NORTHLAND RESOURCES INC.  
CONSOLIDATED SCHEDULE OF RESOURCE PROPERTIES  
for the year ended January 31, 2007  
(Stated in Canadian Dollars unless otherwise noted)

**Schedule 1**

	Sweden				USA	Finland	Canada	Total
	Barsele	Norra	Pajala	Other	Brik	Kolari	60 Mile / Yukon	
<b>Balance, January 31, 2006</b>	\$ 1,870,436	\$ 1,218,714	\$ 812,376	\$ 151,087	\$ 80,487	\$ 1,287,659	\$ 19,406	\$ 5,440,165
<b>Acquisition costs</b>								
Cash	3,950	3,950	-	-	-	-	-	7,900
Shares	1,350,000	1,350,000	158,100	-	-	-	-	2,858,100
Warrants	315,000	315,000	-	-	-	-	-	630,000
	1,668,950	1,668,950	158,100	-	-	-	-	3,496,000
<b>Deferred exploration costs</b>								
Administration	12,263	-	5,913	1,507	-	4,966	-	24,649
Automobile	19,439	-	7,428	2,324	-	50,182	-	79,373
Consulting fees (Note 10)	742,927	77,764	405,684	81,839	-	155,920	355	1,464,489
Drafting, maps and printing	50,121	2,129	6,258	667	-	19,897	-	79,072
Drilling	604,024	-	287,057	-	-	1,026,636	-	1,917,717
Equipment and rental	7,496	1,037	26,124	509	-	57,640	-	92,806
Future income taxes	551,019	551,018	-	-	-	-	-	1,102,037
Geochemistry	395,376	1,012	258,436	2,078	-	198,395	-	855,297
Geophysics	-	-	122,430	-	-	31,480	-	153,910
Legal and accounting fees	101,836	7,541	46,403	9,334	-	64,089	5,496	234,699
Materials	13,382	580	7,226	-	-	31,040	-	52,228
Medical insurance	991	203	1,743	891	-	1,250	-	5,078
Office and misc.	14,001	2,066	17,983	167	-	26,131	-	60,348
Property payments	109,754	518	52,074	106,461	-	226,921	5,000	500,728
Rent and utilities	29,557	3,767	12,027	-	-	97,435	-	142,786
Salaries and wages	170,165	10,397	144,821	8,351	-	636,314	-	970,048
Shipping and courier	12,649	14	11,452	-	-	14,394	-	38,509
Software lease	12,869	7,907	10,239	-	-	13,182	-	44,197
Telephone	4,892	211	3,157	800	-	22,403	-	31,463
Travel and accommodation	174,165	44,790	180,320	34,767	-	185,597	-	619,639
	3,026,926	710,954	1,606,775	249,695	-	2,863,872	10,851	8,469,073
Less: write-off of resources properties	-	-	-	-	(80,487)	-	-	(80,487)
<b>Balance, January 31, 2007</b>	\$ 6,566,312	\$ 3,598,618	\$ 2,577,251	\$ 400,782	\$ -	\$ 4,151,531	\$ 30,257	\$ 17,324,751

**NOTE 1**

**Nature of Operations**

Northland Resources Inc. (the "Company") is a public company incorporated on March 13, 1987 under the Business Corporations Act of British Columbia. 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, 2008, the Company had interests in properties located in Sweden, Finland, and Canada. The Company is in the process of exploring its mineral properties and has not yet determined whether the properties contain reserves that are economically recoverable. Accordingly, the recoverability of these capitalized costs is dependent upon the discovery of economically recoverable reserves, 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.

**NOTE 2**

**Significant Accounting Policies**

Management has prepared the financial statements of the Company in accordance with Canadian generally accepted accounting principles (Canadian GAAP). The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The financial statements have, in management's opinion, been properly prepared using careful judgment within the framework of the significant accounting policies summarized below.

a) Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries:

- i) North American Gold (Barbados) Inc., a company incorporated by the Company on July 28, 2004 under the laws of Barbados;
- ii) Northland Resources AB, Northland Exploration Sweden AB, Gunnarn Mining AB, Gunnarn Exploration AB and Aesir Mining AB, companies incorporated by the Company under the laws of Sweden;
- iii) North American Gold AB (NAG), a company incorporated by the Company during the year ended January 31, 2005 under the laws of Sweden. On July 28, 2006 the shareholders of NAG resolved at a general meeting that the Company should enter into liquidation on the day the Companies Registration Office appointed a liquidator. The Companies Registration Office appointed a liquidator on August 17, 2006. When the date for stating claims, March 22, 2007, had expired and all known debts had been paid, the remaining assets were distributed to the Company's shareholder which was Northland Exploration Sweden AB. The final report concerning the liquidation in its entirety had been presented at a general meeting by the auditor, the Company was deemed dissolved on April 24, 2007. The Companies Registrations Office registered the finalization of the liquidation on May 29, 2007;
- iv) Northland Exploration Finland OY, a company incorporated under the laws of Finland;
- v) Barsele Guld AB, a company incorporated under the laws of Sweden, which was purchased by the Company on May 19, 2006;

- vi) NAU Gold Inc. a company incorporated by the Company during the year ended January 31, 2004 under the laws of the State of Nevada;

All significant inter-company transactions have been eliminated upon consolidation.

b) Resource properties

The Company defers the cost of acquiring, maintaining its interest, exploring and developing resource properties until such time as the properties are placed into production, abandoned, sold or considered to be impaired in value. These deferred costs will be amortized on a unit of production basis for producing properties and deferred costs for abandoned properties are written-off. Proceeds received on the sale of interests in resource properties are credited to the carrying value of the resource properties, with any excess included in operations. Write-downs due to impairment in value are charged to operations.

The Company is in the process of exploring and developing its resource properties and has not yet determined the amount of reserves available. Management reviews the carrying value of resource properties on a periodic basis and will recognize impairment in value based upon current exploration results, the prospect of further work being carried out by the Company, the assessment of future probability of revenues from the property or from the sale of the property. Amounts shown for properties represent costs incurred net of write-downs and recoveries, and are not intended to represent present or future values.

c) Environmental Costs

The Company recognizes liabilities for statutory, contractual or legal obligations associated with the retirement of plant and equipment and rehabilitation of mineral properties when those obligations result from the acquisition, construction, development or normal operations of the assets. Generally, the timing of these accruals coincides with the earlier of completion of a feasibility study or the Company's commitment to a plan of action based on the then known facts.

Generally, environmental liabilities associated with exploration are addressed at activity completion through remediation or landowner compensation. As such, there is no inventory of outstanding environmental remediation and any current environmental remediation obligations are deemed to be not material to these financial statements.

d) Property and Equipment

Property and equipment are recorded at cost and amortized over their estimated useful lives as follows:

Automobiles	5 year straight-line
Building	5% declining balance
Computer equipment	30% declining balance
Computer software	100% declining balance
Furniture and equipment	20% declining balance
Land	

e) Basic and Diluted Loss Per Share

Basic earnings per share are computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year. Diluted earnings per share reflect the potential dilution that could occur if potentially dilutive securities were exercised or converted to common stock. The dilutive effect of options and warrants and their equivalent is computed by application of the treasury stock method and the effect of convertible securities by the "if converted" method. Fully diluted amounts are not presented when the effect of the computations are anti-dilutive due to the losses incurred. Accordingly, there is no difference in the amounts presented for basic and diluted loss per share.

f) Income Taxes

The Company accounts for income taxes using the asset and liability method. Under this method, current income taxes are recognized for the estimated income taxes payable for the current period. Future income taxes assets and liabilities are recognized for temporary differences between the tax and accounting basis of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes only if it is more-likely-than-not that they can be realized.

g) Foreign Currency Translation

As the Company's foreign subsidiaries have been dependent on funding from their parent, their operations are considered to be integrated. As a result, the temporal method of translating the accounts of the foreign subsidiaries has been adopted. Under this method, monetary assets and liabilities are translated to Canadian dollars at the period end exchange rate. Non-monetary assets and liabilities are translated at historical exchange rates. Revenue and expense items are translated at the average rate of exchange for the period. Translation gains and losses are included in the statement of operations and deficit.

h) Stock-based Compensation

The fair value of all share purchase options granted are 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, is recorded as an increase to share capital.

The Company uses the Black-Scholes option valuation model to calculate the fair value of share purchase options at the date of grant. Option pricing models require the input of highly subjective assumptions, including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate and, therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's share purchase options.

i) Measurement uncertainty and use of estimates

The presentation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the period. Significant areas requiring the use of estimates include the estimation of amortization periods of intangible assets, valuation of stock compensation, and the estimation of future income tax asset valuation allowances. Actual results could differ from those estimates.

Exploration and development

Mineral exploration and development involves a high degree of risk and few properties that are explored are ultimately developed into producing mines. At present, none of the Company's properties has a known commercial ore deposit. There is no assurance that the Company's mineral exploration activities will result in any discoveries of new bodies of commercial ore. There is also no assurance that if commercial ore is discovered, that the ore body would be economical for commercial production. Discovery of mineral deposits is dependent upon a number of factors and significantly influenced by the technical skill of the exploration personnel involved. The commercial viability of a mineral deposit is also dependent upon a number of factors that are beyond the Company's control. Some of these factors are the attributes of the deposit, commodity prices, government policies and regulation and environmental protection.

Reserve and resource estimates

There is a degree of uncertainty attributable to the calculation of reserves and resources and the corresponding grades. Reserve and resource estimates are dependent partially on statistical inferences drawn from drilling, sampling and other data. The measured and indicated and inferred resource figures set forth by the Company are estimates, and there is no certainty that the mineral deposits would yield the production of metals indicated by reserve and resource estimates. Declines in the market price for metals may adversely affect the economics of a deposit and may require the Company to reduce its estimates.

Price volatility – gold, copper, iron ore (magnetite) and other metals

The market price for gold, copper, iron ore (magnetite) and other metals is volatile and cannot be controlled. There is no assurance that, if commercial quantities of gold, copper, iron ore (magnetite) and other metals are discovered, a profitable market may continue to exist for a production decision to be made or for the ultimate sale of the metals. As the Company is currently not in production, no sensitivity analysis for price changes has been provided or carried out.

Permits

The Company's current and anticipated future operations, including further exploration, development activities and commencement of production on the Company's properties, require permits from various federal, state, provincial, territorial and local governmental authorities in Sweden, Finland and Canada. There can be no assurance that all permits which the Company requires for the construction of mining facilities and the conduct of mining operations will be obtainable on reasonable terms, or at all. Delays or a failure to obtain such permits, or a failure to comply with the terms of any such permits that the Company has obtained, could have a material adverse impact on the Company. There also can be no assurance that once permits are awarded that they will not be challenged at any time.

Other Risks

Other risks facing the Company include competition, environmental and insurance risks, share price volatility and uncertainty of additional financing.

**NOTE 3**

**Changes in Accounting Policies**

Effective January 1, 2007, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants ("CICA") under CICA Handbook Section 1530 "Comprehensive Income", Section 3251 "Equity", Section 3855 "Financial Instruments – Recognition and Measurement", Section 3861 "Financial Instruments – Disclosure and Presentation", and Section 3865 "Hedges". These new standards have been adopted on a prospective basis with no restatement to prior period financial statements.

a) Comprehensive Loss and Equity

This standard requires certain gains and losses that would otherwise be recorded as part of net earnings to be presented in other "comprehensive loss" until it is considered appropriate to recognize into loss. This standard requires the presentation of comprehensive loss, and its components in a separate financial statement that is displayed with the same prominence as the other financial statement. The Company currently does not have any other comprehensive income.

b) Financial Instruments

The Company classifies its financial instruments into one of the five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments are measured at fair value on initial recognition. Transaction costs are included in the initial carry amount of financial instruments except for held-for-trading items in which case transaction costs are expensed as incurred. Measurement in subsequent periods depends on the classification of the financial instrument.

Financial assets and liabilities "held-for-trading" are subsequently measured at fair value with changes in fair value recognized in net income. Financial assets "available-for-sale" are subsequently measured at fair value with changes in fair value recognized in other comprehensive income. Financial assets "held-to-maturity", "loans and receivables", and "other financial liabilities" are subsequently amortized using the effective interest rate method.

Financial instruments that are derivative contracts are considered "held-for-trading" unless they are designated as a hedge. Cash equivalents and short-term investments are classified as "held-for-trading" and are measured at carrying value which approximates fair value due to the short-term nature of these instruments. Accounts receivable and certain other assets that are financial instruments are classified as "loan and receivables". Accounts payable is classified as "other financial liabilities".

c) Hedges

This new standard specifies the circumstances under which hedge accounting is permissible and how hedge accounting may be performed. The Company currently does not have any hedges.

**NOTE 4**

**New Accounting Pronouncements**

Effective January 1, 2008 the Company is required to adopt the following new Canadian accounting pronouncements:

a) Assessing going concern – Section 1400

The Accounting Standards Board (AcSB) amended the Section 1400, to include requirements for management to assess an entity's ability to continue as a going concern and to disclose material uncertainties related to events or conditions that may cast doubt upon the entity's ability to continue as a going concern.

b) Capital disclosures – Section 1535

This new pronouncement establishes standards for disclosing information about an entity's capital and how it is managed. Section 1535 also requires the disclosure of any externally-imposed capital requirements, whether the entity has complied with them, and if not, the consequences.

c) Financial Instruments – Sections 3862 & 3863 – Disclosures and Presentation

These new sections 3862 (on disclosures) and 3863 (on presentation) replace Section 3861, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. Section 3862 complements the principles recognizing measuring and presenting financial assets and financial liabilities in Financial Instruments. Section 3863 deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset.

The Company is evaluating the impact of these new accounting standards on its consolidated financial statements.

International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended January 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

**NOTE 5**

**Property and Equipment**

	<b>2008</b>		
	Cost	Accumulated Amortization	Net
Automobiles	\$ 117,074	\$ 52,070	\$ 65,004
Building	440,932	11,023	429,909
Computer equipment	188,478	57,848	130,630
Computer software	20,960	12,765	8,195
Equipment	51,121	13,358	37,763
Furniture	53,324	9,998	43,326
Land	13,367	-	13,367
	<u>\$ 885,256</u>	<u>\$ 157,062</u>	<u>\$ 728,194</u>
	<b>2007</b>		
	Cost	Accumulated Amortization	Net
Automobiles	\$ 71,456	\$ 30,091	\$ 41,365
Computer equipment	48,825	17,311	31,514
Computer software	4,571	2,285	2,286
Furniture and equipment	89,703	17,219	72,484
	<u>\$ 214,555</u>	<u>\$ 66,906</u>	<u>\$ 147,649</u>

**NOTE 6**

**Resource Properties (Notes 10, 11 and Schedule 1)**

Title to resource properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many resource properties. The Company has investigated title to all of its resource properties and, to the best of its knowledge, title to all of its properties are in good standing.

a) Sweden

i) Barsele and Norra Properties

The Company entered into a purchase agreement with Minmet plc dated January 12, 2006, which superseded the previous option agreements on the Barsele and Norra properties, whereby the Company acquired all the issued and outstanding shares of Barsele Guld AB ("Barsele Guld"), a company incorporated under the laws of Sweden. The transaction was closed on May 19, 2006. Barsele Guld has no operations and its primary assets consist of a 100% interest in each of the Barsele and Norra properties. In consideration for the acquisition of the Barsele and Norra properties, the Company issued, to a subsidiary of Minmet plc, 3,000,000 common shares and warrants to purchase up to 1,500,000 shares of the Company exercisable at \$0.80 per share for a two year period.

The costs of the purchase of Barsele have been allocated to the assets and liabilities of this company as at May 19, 2006 on the basis of their fair values. The allocations of the costs to purchase based upon management's valuation process are as follows:

Net assets acquired:	
Current assets	\$ 22,672
Resource properties	<u>4,440,842</u>
	4,463,514
Liabilities assumed:	
Current liabilities	(31,477)
Future income tax liabilities	<u>(1,102,037)</u>
	(1,133,514)
	3,330,000
Consideration given:	
Share consideration	2,700,000
Warrant consideration	<u>630,000</u>
Total consideration	<u>3,330,000</u>

The excess purchase price over the net book value of net assets acquired has been allocated to mineral properties and includes the effect of recording future income tax liabilities on the temporary differences arising on the transactions. The fair values of warrants exchanged on acquisition of \$630,000 were included as a cost of the acquisition and were determined using the following weighted average assumptions:

Risk-free interest rate	4.3%
Expected dividend yield	0%
Stock price volatility	75.7%
Expected life of warrants	2 years

ii) Pajala

Pursuant to an option agreement dated April 5, 2005, the Company acquired the right from Anglo American Exploration BV ("Anglo") to earn a 100% interest in the Pajala Properties, located in northern Sweden. To earn the 100% interest, the Company completed the following:

- a. incur exploration expenditures of at least US\$1,000,000 on or before April 5, 2007 (incurred), and
- b. issue 325,980 common shares of the Company as follows:
  - i. 162,990 within fifteen days of receiving approval by the TSX Venture Exchange (issued);
  - ii. 162,990 on or before April 5, 2006 (issued).

and therefore, acquired 100% ownership of the Properties in January 2008. A finder's fee of 40,000 common shares was paid in connection with this agreement.

In the event that the Company produced a NI 43-101 report that estimated that the property contains 3,000,000 tonnes of copper (or copper equivalent from copper, gold and silver), Anglo had the right to acquire a 70% interest (the back-in option) in the Properties by paying the Company three (3) times the exploration and development expenditures incurred. The Properties were subject to a 2.5% net smelter return royalty provided the back-in option is not exercised.

The Company reached an agreement with Anglo to pay US\$3,650,000 (CDN\$3,691,975) for the 2.5% royalty interest and back-in rights in the Pajala Properties in January of 2008. This amount was included in the accounts payable at the year ended January 31, 2008.

In addition, the Company holds one exploration permit which was acquired by staking.

iii) Lannavaara

Pursuant to an option agreement dated July 1, 2006, the Company acquired the right to earn a 100% interest in the Lannavaara Properties, located in northern Sweden. To earn the 100% interest, the Company must incur exploration expenditures of at least US\$1,500,000 on or before July 1, 2009.

In the event that the Company produces a NI 43-101 report that estimates that the property contains 3,000,000 tonnes of copper (or copper equivalent from copper, gold, silver, iron, uranium and cobalt), the optionor has the right to acquire a 60% interest (the back-in option) in the property by paying the Company 3 (three) times the exploration and development expenditures incurred. The back in option expires on the earlier of four years from the date of the agreement or 90 days after the Company exercises its option and delivers a "Triggering Report". The properties are subject to a 2.25% net smelter return royalty provided the back-in option is not exercised.

In addition, the Company holds one exploration permit which was acquired by staking.

b) Finland

The Company continues to adjust its property position in Finland and currently holds a 100% interest in the following property positions:

i) Kolari

- a. Hannukainen
  - i. 27 claims cover the Laurinoja and Kuervaara open pit operations.  
14 claims cover the North east extension of the Hannukainen formation.
- b. Rautavaara
  - i. 35 claims cover the Rautavaara mine site and adjacent magnetite occurrences.
- c. Mannakorpi
  - i. 5 claims overlay the Mannakorpi magnetite occurrence deposit and surrounding conductivity anomalies.
- d. Mannakorpi NE
  - i. 7 claims overlying the Copper anomaly in till sampling and the magnetic and conductivity anomalies.
- e. Taporova
  - i. 13 claims overlying the Taporova hematite occurrence.

c) Canada

i) 60 Mile

The Company has a 100% interest in 18 claims known as the 60 Mile claims located in the Yukon Territory which it acquired by staking.

d) USA

i) Brik Claim

The Company acquired the Brik claims in Nevada by incurring staking costs. The Company completed its evaluation of the property in 2006 and determined that the claims were of no further interest. The Company subsequently allowed these claims to lapse and ceased to make the claim payments required for renewal.

**NOTE 7 Capital Stock (Note 11)**

a) Authorized:

Unlimited number of common shares without par value

b) Issued:

		Number	Amount
<b>Balance, January 31, 2006</b>		30,285,099	\$15,814,774
Pursuant to resource property agreements	– at \$0.97	162,990	158,100
	– at \$0.90	3,000,000	2,700,000
For cash:			
Private placements	– at \$1.35	15,000,000	20,250,000
	– at \$1.22	24,303,000	29,649,660
Public offering	– at \$1.22	1,929,790	2,354,344
Less: share issue costs		-	(3,892,264)
Exercise of share purchase options	– at \$0.30	7,000	2,100
	– at \$0.39	110,000	42,900
	– at \$0.45	280,000	126,000
	– at \$0.48	20,000	9,600
	– at \$0.55	72,500	39,875
	– at \$0.60	140,000	84,000
	– at \$0.72	150,000	108,000
	– at \$1.55	17,500	27,125
Exercise of share purchase warrants	– at \$0.45	3,869,341	1,741,203
	– at \$0.60	2,606,772	1,564,063
	– at \$0.75	1,980,001	1,485,001
Contributed surplus transferred on exercise of share purchase options		-	254,475
<b>Balance, January 31, 2007</b>		83,933,993	72,518,956
For cash:			
Private placement	– at \$4.83	22,792,500	110,169,828
Public offering	– at \$4.75	39,072	185,649
Less: share issue costs		-	(5,714,190)
Exercise of share purchase options	– at \$0.30	252,000	75,600
	– at \$0.39	110,000	42,900
	– at \$0.45	57,000	25,650
	– at \$0.48	60,000	28,800
	– at \$0.55	140,500	77,275
	– at \$0.74	45,000	33,300
	– at \$1.00	25,000	25,000
	– at \$1.25	183,000	228,750
	– at \$1.40	150,000	210,000
	– at \$1.55	62,500	96,875
Exercise of share purchase warrants	– at \$0.80	1,500,000	1,200,000
Contributed surplus transferred on exercise of share purchase options		-	1,123,584
<b>Balance, January 31, 2008</b>		109,350,565	\$180,327,977

c) Outstanding:

Share Purchase Options

The Company has a rolling stock option plan (the "Plan") for officers, directors, employees and consultants whereby a maximum of 10% of the issued shares will 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 stock on the date of the grant. The vesting provisions are determined by the Board of Directors and are defined in each stock option agreement. All options granted under the Plan to persons performing investor relations activities must vest in stages over 12 months with no more than one quarter of the options vesting in any three month period.

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

	Year ended January 31,			
	2008		2007	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	6,098,000	\$1.04	2,745,000	\$0.49
Granted	3,715,000	\$4.05	4,190,000	\$1.31
Exercised	(1,085,000)	\$0.78	(797,000)	\$0.55
Expired	(125,000)	\$3.96	(40,000)	\$1.55
Outstanding, end of year	<u>8,603,000</u>	<u>\$2.33</u>	<u>6,098,000</u>	<u>\$1.04</u>
Exercisable, end of year	<u>7,813,000</u>		<u>5,373,000</u>	

During the year ended January 31, 2008, a compensation charge associated with the granting of share purchase options under the Plan in the amount of \$7,570,971 (2007: \$2,770,188) was recognized in the financial statements. For purposes of the calculation, the following assumptions were used for the Black-Scholes model:

	2008	2007
Expected dividend yield	0%	0%
Expected stock price volatility	76% to 81%	80% to 82%
Risk-free interest rate	3.27% to 4.68%	3.88% to 4.11%
Expected life in years	3 years	3 years

The weighted average fair value of options granted during the year ended January 31, 2008 was \$2.19 (2007: \$0.78) per option.

At January 31, 2008, the following share purchase options were outstanding entitling the holder thereof the right to purchase one common share for each option held:

Number of Options	Exercise Price	Expiry Date
50,000	\$1.40	March 10, 2008
1,000	\$0.30	May 25, 2008
10,000	\$0.48	October 20, 2008
50,000	\$0.66	November 20, 2008
100,000	\$0.50	February 1, 2009
500,000	\$0.37	May 17, 2009
166,000	\$0.45	May 19, 2010
30,000	\$0.45	May 31, 2010
114,000	\$0.55	June 12, 2010
50,000	\$0.72	July 13, 2010
100,000	\$0.55	December 11, 2010
180,000	\$0.74	January 5, 2011
290,000	\$1.00	February 5, 2011
48,000	\$1.05	February 16, 2011
1,010,000	\$1.55	May 10, 2011
2,014,000	\$1.25	November 8, 2011
300,000	\$1.21	December 10, 2011
200,000	\$2.33	February 8, 2012
300,000	\$2.27	February 12, 2012
50,000	\$2.83	April 5, 2012
100,000	\$3.04	April 9, 2012
100,000	\$3.11	May 8, 2012
25,000	\$4.40	July 10, 2012
60,000	\$4.53	July 15, 2012
50,000	\$4.63	July 18, 2012
380,000	\$3.96	August 8, 2012
2,125,000	\$4.68	August 23, 2012
50,000	\$4.28	October 14, 2012
50,000	\$2.88	December 17, 2012
100,000	\$2.29	January 24, 2013
<u>8,603,000</u>		

**NOTE 8 Non-cash Transactions**

Investing and financing that do not have a direct impact on current cash flows are excluded from the statement of cash flows. The following transactions were excluded from the statements of cash flows:

- a) During the year ended January 31, 2007, the Company issued 3,162,990 shares with a fair value of \$2,858,100 pursuant to resource property agreements.
- b) During the year ended January 31, 2007, the Company issued 1,500,000 warrants with a fair value of \$630,000 pursuant to resource property agreements.

**NOTE 9 Corporation Income Taxes**

The provision for income taxes reported differs from the amount computed by applying the cumulative Canadian Federal and Provincial Income tax rates to the loss before the tax provision due to the following:

	2008	2007
Net loss	\$ (7,610,647)	\$ (46,458)
Statutory tax rate	34.12%	34.12%
Recovery of income taxes computed at standard rates	(2,597,000)	(16,000)
Permanent differences	2,575,000	980,000
Change in valuation allowance	(485,000)	(968,000)
Other	507,000	4,000
	<u>\$ -</u>	<u>\$ -</u>

As of January 31, 2008, the Company has loss carry forwards of approximately \$609,000 available to reduce future years' income for tax purposes. The tax loss carry forwards expire in 2027. The Company also has Finland loss carry forwards of approximately \$13,092,000 which expire between 2017 and 2019. The Company has loss carry forwards of approximately \$18,829,000 in Sweden which do not have an expiry date. The Company has \$231,000 in loss carry forwards in Barbados which expire between 2016 and 2018. All of these loss carry forwards are available to reduce future years' income for tax purposes.

Future income taxes result primarily from the net tax effects of temporary differences in the recognition of certain revenue and expense items and between the carrying amounts of assets and liabilities for financial and income tax reporting purposes. Significant components of the Company's future tax assets and liabilities as at January 31, 2008 and 2007 are as follows:

	2008	2007
Future income tax assets:		
Non-capital losses and other future tax deductions	\$ 2,924,000	\$ 2,522,000
Mineral properties and deferred development	310,000	-
Fixed assets	10,000	2,000
Other	1,943,000	1,124,000
Future income tax liability off set against assets	-	(1,724,000)
	<u>5,187,000</u>	<u>1,924,000</u>
Valuation allowance for future income tax assets	(5,187,000)	(1,924,000)
Net future income tax assets		
Future income tax liabilities:	-	-
Future income tax liability not off set against assets	(1,102,037)	(1,102,037)
Future income tax liabilities, net	<u>\$ (1,102,037)</u>	<u>\$ (1,102,037)</u>

As the criteria for recognizing future income tax assets have not been met due to uncertainty of realization, a valuation allowance of 100% has been recorded for prior years. In 2007, the Company had a \$1,102,037 due in future income tax liability, which reflected the "tax gross-up", required to be recorded on acquisition and represented the difference between the allocated accounting fair value and the tax bases of assets acquired.

## NOTE 10 Related Party Transactions

The Company incurred charges with companies having a common director or officer as follows:

	Years ended January 31,	
	2008	2007
Consulting fees	\$ 59,786	\$ 60,247
Shareholder communication	98,726	131,014
Deferred exploration costs – consulting fees	195,055	97,256
	<u>\$ 353,567</u>	<u>\$ 288,517</u>

These charges were measured by the exchange amount, which is the amount agreed upon by the transacting parties.

At January 31, 2008, accounts payable included \$49,649 (2007: \$61,378) due to a director of the Company and to a company with a common director.

Advances included \$70,967 (2007: \$Nil) due from an officer of the Company.

## NOTE 11 Subsequent Events

Subsequent to January 31, 2008,

a) During the year ended January 31, 2007, a party in Sweden made a claim regarding the validity of one of the Company's exploration permits on its Swedish mineral properties. The Company's right to conduct exploration was upheld, however, the party had filed an additional appeal.

On February 20, 2008 the final court decision was in favour of the Company. The Company has the right to continue its exploration on the permit area. At the same time, the party has the right to apply for a short extension of time to supplement the appeal.

b) the Company issued 262,000 shares at prices ranging from \$0.48 to \$1.55 per share pursuant to the exercise of share purchase options outstanding at January 31, 2008 for total proceeds of \$364,800.

c) the Company granted share purchase options to a consultant and an employee to purchase:

- i) 50,000 shares at \$2.82 per share exercisable to April 3, 2013, and
- ii) 15,000 shares at \$3.11 per share exercisable to April 14, 2013.

## NOTE 12 Financial Instruments

Foreign Currency Risk

The Company is exposed to foreign currency risk due to conducting its operations in currencies other than the Canadian dollar. The Company monitors this exposure, but had no hedge positions at January 31, 2008. At year end, the Company held \$138 million (2007: \$52 million) in cash in Canadian dollars consisting of:

	Year ended January 31, 2008	Year ended January 31, 2007
	\$105 million in NOK (\$569,047,882 NOK)	\$42.2 million in NOK (\$225,688,536 NOK)
	\$10 million in SEK (\$63,613,247 SEK)	\$2.9 million in SEK (\$17,164,979 SEK)
	\$4.7 million in EUR (\$3,134,529 EUR)	\$2 million in EUR (\$1,377,796 EUR)
	\$9.9 million in CDN	\$2.2 million in CDN
	\$4.4 million in USD (\$4,426,631 USD)	\$2.7 million in USD (\$2,284,578 USD)
	\$4 million in GBP (\$2,023,025 GBP)	\$Nil

As at January 31, 2008, total cash is \$138 million (2007: \$52 million). Northland Resources Inc., the parent company, held \$128 million (2007: \$51.5 million) of the total and Northland Resources AB, the subsidiary, held the remaining \$10 million (2007: \$.5 million).

## NOTE 13 Segmented Information

### Geographic Information

The Company operates in one reportable operating segment, being the exploration of resource properties.

	Sweden / Finland	USA	Canada	Barbados	Total
<b>Year ended January 31, 2008</b>					
Net loss	\$ (1,424,505)	\$ (5,063)	\$ (6,175,723)	\$ (5,356)	\$ (7,610,647)
Current assets	\$ 10,424,148	\$ 5,842	\$ 128,794,290	\$ 42,771	\$ 139,267,051
Equipment	598,176	-	130,018	-	728,194
Resource properties	43,066,482	-	42,672	-	43,109,154
Total assets	\$ 54,088,806	\$ 5,842	\$ 128,966,980	\$ 42,771	\$ 183,104,399
<b>Year ended January 31, 2007</b>					
Net loss	\$ (128,504)	\$ -	\$ 161,590	\$ (79,634)	\$ (46,548)
Current assets	\$ 1,142,054	\$ -	\$ 51,907,183	\$ 10,735	\$ 53,059,972
Equipment	104,497	-	43,152	-	147,649
Resource properties	17,294,494	-	30,257	-	17,324,751
Total assets	\$ 18,541,045	\$ -	\$ 51,980,592	\$ 10,735	\$ 70,532,372

## NOTE 14 Commitments

The Company has signed office and other leases in Vancouver, Canada for a term of up to three years ending on April 30, 2010, in Colorado, USA for a term of up to one year ending on April 30, 2009, in Rovaniemi, Finland for a term of up to three years ending in 2009 and 2010 and in Pajala, Sweden for a term of up to three years ending in 2009 and 2010. The Company pays the base rent, the operating costs and the maintenances. The obligations remaining under these leases are as follows:

	Vancouver	Colorado	Rovaniemi	Pajala	Total
Year ended January 31, 2009	\$ 12,600	\$ 29,632	\$ 219,380	\$ 43,221	\$ 304,833
Year ended January 31, 2010	12,600	7,408	18,660	25,497	64,165
Year ended January 31, 2011	3,150	-	5,818	8,540	17,508
Total	\$ 28,350	\$ 37,040	\$ 243,858	\$ 77,258	\$ 386,506

## NOTE 15 Comparative Figures

Certain comparative figures for January 31, 2008 have been reclassified to conform with the presentation used in the current year.

## CORPORATE INFORMATION

Corporate Head Office  
 Northland Resources Inc.  
 Ralph Rushton, Director & Simon  
 Ridgway, Chairman  
 Suite 830, 355 Burrard Street  
 Vancouver, BC V6C 2G8  
 Tel: +1 604 408 7965  
 Fax: +1 604 662 8829  
 Toll Free: 1-866-719-8962  
 nau@northlandresourcesinc.com

Denver Office  
 Buck Morrow, President &  
 Bill Wagener, COO  
 425 South Wilcox Street; Suite 100  
 Castle Rock,  
 CO 80104,  
 USA.  
 Phone: +1 303-663-7829  
 Fax: +1 303-814-1539

Finland Field Office  
 Northland Exploration OY  
 Teknotie 14-16,  
 TSTO 11 96930 Napapiiri  
 Rovaniemi, Finland.  
 Phone +358 20 711 8390

Sweden Field Office  
 Northland Exploration AB  
 PO Box 149,  
 923 23 Storuman, Sweden.  
 Phone +46 951 262 18

Sweden Administrative Office  
 Northland Exploration Sweden AB  
 Datavagen 14  
 977 54 Lulea, Sweden  
 Phone +46 9201 7762

London Office  
 Paul Marsden, VP Marketing  
 and Corporate Development &  
 Shawn Morrow  
 2 Sheen Road  
 Richmond, TW9 1AE, UK  
 Phone +44 20 897 32332

Auditors:  
 Ernst & Young LLP  
 700 West Georgia Street  
 Vancouver, BC V7Y 1C7

Share Transfer Agents:  
 Pacific Corporate Trust Company  
 510 Burrard Street  
 2nd Floor  
 Vancouver, BC V6C 3B9

Nordea Bank Norge ASA  
 Middelthunsgt. 17  
 NO-0368 Oslo, Norway

Listings:  
 Toronto Stock Exchange: NAU  
 Oslo Børs: NAUR  
 Frankfurt: NBS

**HISTORIC RESOURCES:** The historic resource estimates quoted in this annual report were prepared prior to the implementation of National Instrument 43-101 and do not use the resource categories stipulated in Section 1.3 of National Instrument 43-101, which are "inferred mineral resource", "indicated mineral resource" and "measured mineral resource." The Company advises that it has not completed the work necessary to verify the classification of the historic mineral resource estimates and they therefore should not be relied upon. Work is currently underway to bring these estimates up to NI43-101 standard. **FORWARD LOOKING STATEMENTS:** This annual report, and the information presented in it, contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. We have tried, whenever possible, to identify these forward-looking statements using words such as "anticipates", "believes", "expects", "plans", "intends", "potential" and similar expressions. These statements reflect our current belief and are based on currently available information. Accordingly, such forward-looking statements involve known and unknown risks, uncertainties and other factors which could cause the Company's actual results, performance or achievements to differ materially from those expressed or implied by such statements. We undertake no obligation to update or advise in the event of any change, addition, or alteration to the information presented in this annual report including such forward-looking statements. **QUALIFIED PERSON STATEMENT:** Mr Paul Marsden, VP Metallurgical Development and Operations for Northland, a member of the IMMM, a Chartered Engineer and a Chartered Scientist, is the Qualified Person as defined in NI 43-101 responsible for overseeing the preparation of this Annual Report. Mr. Marsden has verified that the results and information presented here have been accurately summarized from the engineering and technical studies provided to Northland. **Resources Quoted in This Annual Report:** The Hannukainen resource modeling was completed in a joint effort between Micon International of Norwich, United Kingdom and Geovista of Lulea, Sweden. Mr. D.K. Mukhopadhyay, MAusIMM, of Micon served as the independent Qualified Person for the resource modeling. The Stora Sahavaara and Barsele resource estimates were prepared by a third party consultant (Bart Stryhas, PhD Structural Geology); the resource models and estimates were subsequently reviewed by Chlumsky Armbrust & Meyer LLC an independent, mineral resource, consulting and engineering group based in Lakewood, Colorado USA. Thomas Lindholm was the Qualified Person responsible for the preparation of all sections in the report entitled "NI 43-101 Technical Report – Tapuli Resource Estimate" for Northland Exploration Sweden AB. Mr. D.K. Mukhopadhyay, MAusIMM, of Micon, also a Qualified Person as defined in NI 43-101, verified the Tapuli grade interpolation protocol for the resource model calculation. **Metallurgical Test-Work:** Metallurgical test-work on Hannukainen mineralized material was performed by SGS Lakefield Research Ltd. Test-work was completed on Tapuli magnetite by the Geological Survey of Finland (GTK) in Outokumpu, Finland and by SGS in Truro, UK. The majority of the metallurgical test-work for Stora Sahavaara was completed by SGS in Lakefield, Ontario and a program of Davis tube testing was completed by Midland Standard Research Laboratories, Minnesota. Northland commissioned Corus RD&T to perform a preliminary study including basic balling and induration tests on Stora Sahavaara magnetite. Further test-work is underway at COREM. GBM used the metallurgical test-work data from all three deposits (see below) as part of their engineering design in order to determine capital and operating cost estimates. **Preliminary Economic Assessment:** Mr. Owen Daniel Mihalop, BSc, MSc, MCSM, Professional Member of the Institute of Materials, Minerals and Mining and a Chartered Engineer (Registrant No. 569812), Principal Mining Engineer and Associate Director of Wardell Armstrong International Ltd., is the principle author and Qualified Person in accordance with National Instrument 43-101 responsible for the preparation of the report titled "Preliminary Economic Assessment of the Fennoscandian Iron Ore Mines" and dated June 2008, Ref WAI/61-0495 and for the three executive summaries of this report, dated June 2008 titled "Summary of the Preliminary Economic Assessment of the Hannukainen Iron Ore Deposit, Finland", "Summary of the Preliminary Economic Assessment of the Tapuli Iron Ore Deposit, Finland", and "Summary of the Preliminary Economic Assessment of the Stora Sahavaara Iron Ore Deposit, Finland". The Preliminary Economic Assessment is preliminary in nature. It includes inferred mineral resources that are considered too speculative geologically to have economic considerations applied to them that would enable them to be categorized as mineral reserves. There is no certainty the preliminary assessment will be realized.

VISION. STRATEGY. FOCUS.

**NORTHLAND**  
RESOURCES INC.

355 Burrard Street, Suite 830  
Vancouver, BC V6C 2G8

Tel: 604.408.7965  
Toll Free: 1.866.719.8962

TSX Exchange: **NAU**  
Oslo Børs: **NAUR**  
Frankfurt: **NBS**

[info@northlandresourcesinc.com](mailto:info@northlandresourcesinc.com)  
[www.northlandresourcesinc.com](http://www.northlandresourcesinc.com)