

Northland Resources S.A.

**Interim condensed consolidated financial statements
For the three and six months ended June 30, 2011 and
comparative figures for three and six months ended
July 31, 2010
(Unaudited)**

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R.C.S. Luxembourg: B 151 150

Subscribed capital: CAD 22,548,390 (USD 21,477,378)

Northland Resources S.A.

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Northland Resources S.A.

Interim consolidated statement of comprehensive income (Unaudited)

	Notes	Six months ended		Three months ended	
		den 30 juni 2011	den 31 juli 2010	den 30 juni 2011	den 31 juli 2010
		USD´000	USD´000	USD´000	USD´000
Marketing expenses		(300)	(153)	(155)	(64)
General and administrative expenses	6	(7 070)	(9 044)	(3 735)	(4 636)
Other operating expenses		(2 802)	-	(2 108)	-
Other income		58	-	47	-
Operating loss		(10 114)	(9 197)	(5 951)	(4 700)
Finance income		13 095	145	761	2 018
Finance expense		(2 773)	(5 768)	(3 475)	(6)
Finance income / (expense) - net	7	10 322	(5 623)	(2 714)	2 012
Profit / (Loss) before tax		208	(14 820)	(8 665)	(2 688)
Income tax expense		-	-	-	-
Profit / (Loss) for the period		208	(14 820)	(8 665)	(2 688)
Other comprehensive income					
Change in fair value of available-for-sale assets		(57)	-	-	-
Foreign currency translation		11 237	5 201	1 726	(2 784)
Total other comprehensive income / (loss) for the net of tax		11 180	5 201	1 726	(2 784)
Total comprehensive income / (loss) for the period		11 388	(9 619)	(6 939)	(5 472)
Earnings / (Loss) per share:					
Basic and diluted earning/loss for the period attributable to the shareholders (USD)	14	-	(0,13)	(0,04)	(0,02)

The accompanying notes form an integral part of these interim condensed consolidated financial statements

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Interim consolidated statement of financial position (Unaudited)

	Notes	June 30, 2011	December 31, 2010
		USD '000	USD '000
Assets			
Non-current assets			
Exploration and evaluation assets	8	57,906	45,703
Mines under construction	9	119,247	74,950
Property, plant and equipment		4,342	4,135
Intangible assets		1,291	918
Financial assets	10	7,545	1,751
Total non-current assets		190,331	127,457
Current assets			
Accounts receivable		4,860	2,891
Other current assets		4,955	2,692
Cash and cash equivalents	11	213,219	251,435
Total current assets		223,034	257,018
Assets of disposal group classified as held for sale	16	-	7,711
Total assets		413,365	392,186
Equity and liabilities			
Shareholders' equity			
Share capital	12	21,477	21,369
Share premium	12	386,401	385,041
Reserves		47,710	35,547
Cumulative losses		(61,630)	(61,838)
Total equity		393,958	380,119
Non-current liabilities			
Provisions		154	81
Total non-current liabilities		154	81
Current liabilities			
Accounts payable		19,207	11,909
Income tax liability		46	45
Total current liabilities		19,253	11,954
Liabilities directly associated with the assets classified as held for sale	16	-	32
Total equity and liabilities		413,365	392,186

The accompanying notes form an integral part of these interim condensed consolidated financial statements

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Interim consolidated statement of changes in equity (Unaudited)

Attributable to the owners of Northland Resources S.A.									
	Notes	Share capital			Reserves			Cumulative earnings/ losses	Total equity
		Number of shares	Issued and fully paid	Share premium	Share option reserve	Foreign currency translation	Fair value reserve		
			USD´000	USD´000	USD´000	USD´000	USD´000		
Balance at January 1, 2011		224 418 899	21 369	385 041	17 291	18 255	-	(61 838)	380 118
Loss for the period		-	-	-	-	-	-	208	208
Other comprehensive income									
Foreign currency translation		-	-	-	-	11 237	-	-	11 237
Change in fair value		-	-	-	-	-	(57)	-	(57)
Total other comprehensive income		-	-	-	-	11 237	(57)	-	11 180
Total comprehensive income		-	-	-	-	11 237	(57)	208	11 388
Transactions with owners in their capacity as owners:									
Exercise of stock options	12	1 065 000	108	1 621	(940)	-	-	-	789
Share issuance costs		-	-	(261)	-	-	-	-	(261)
Share-based payments	13	-	-	-	1 924	-	-	-	1 924
Balance at June 30, 2011		225 483 899	21 477	386 401	18 275	29 492	(57)	(61 630)	393 958

The accompanying notes form an integral part of these interim condensed consolidated financial statements

Northland Resources S.A.

Interim consolidated statement of changes in equity (Unaudited)

Attributable to the owners of Northland Resources S.A.								
Notes	Share capital			Reserves		Cumulative losses	Total equity	
	Number of shares	Issued and fully paid	Share premium	Share option reserve	Foreign currency translation			
		USD´000	USD´000	USD´000	USD´000	USD´000	USD´000	
Balance at February 01, 2010		110,637,399	166,659	-	14,590	4,798	(40,592)	145,455
Loss for the period		-	-	-	-	-	(14,820)	(14,820)
Other comprehensive income								
Foreign currency translation		-	-	-	-	5,201	-	5,201
Total comprehensive income		-	-	-	-	5,201	(14,820)	(9,619)
Transactions with owners in their capacity as owners:								-
Exercise of stock options	12	411,500	883	-	(181)	-	-	702
Share issuance costs		-	(3)	-	-	-	-	(3)
Reclassification		-	-	-	-	-	-	-
Share-based payments	13	-	-	-	1,338	-	-	1,338
Balance at July 31, 2010		111,048,899	167,539	-	15,747	9,999	(55,412)	137,873

The accompanying notes form an integral part of these interim condensed consolidated financial statements

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Interim consolidated statement of cash flows (Unaudited)

	Notes	Six months ended	
		30 June 2011	31 July 2010
		USD '000	USD '000
Operating activities			
Profit /(Loss) for the period before taxation		208	(14,820)
<i>Adjustments for non-monetary items:</i>			
Impairment of exploration and evaluation assets	8	1,069	-
Depreciation of property, plant and equipment		189	97
Loss on disposal of subsidiaries		1,097	-
Share-based payments		1,128	761
Foreign exchange (gain) / loss	7	(11,631)	5,753
Other non-monetary items		(12)	-
		(7,952)	(8,209)
Changes in working capital			
Accounts receivable		(1,764)	511
Other current assets		334	(683)
Trade and other payables		1,451	411
		(7,931)	(7,970)
Net cash flow used in operating activities			
Cash flows from investing activities			
Investment in exploration and evaluation assets		(8,725)	(16,435)
Acquisition of property, plant and equipment		(33,405)	(377)
Long-term receivable		732	-
		(41,398)	(16,812)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		914	615
Share issuance costs		(1,429)	(3)
Transaction costs prepaid on issuance of senior loan facility		(2,401)	-
		(2,916)	612
		(52,245)	(24,170)
Decrease in cash and cash equivalents			
Cash and cash equivalents at beginning of period			
Effect of changes in exchange rates		14,029	(1,230)
		251,435	52,011
Cash and cash equivalents at end of period	11	213,219	26,611

The accompanying notes form an integral part of these interim condensed consolidated financial statements

Northland Resources S.A.

Notes to the interim condensed consolidated financial statements

1. Corporate information

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

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

The financial year of the Company which started on February 1 and ended on January 31 each year has been changed following the approval by an Extra General Meeting on August 23, 2010, so as to begin on January 1 and to end on December 31 each year. Therefore the six months interim period under review then started on January 1, 2011 and ended on June 30, 2011 whereas as the comparative figures covered the period February 1, 2010 to July 31, 2010.

The shares of the Company are listed on the Toronto Stock Exchange (symbol "NAU"), Canada, and on the Oslo Børs (symbol "NAUR"), Norway and trade on an unregulated market in Frankfurt (symbol "NRK"), Germany.

The Company and its subsidiaries together are referred as the "Group" or "Northland".

The Group is in the business of acquiring, exploring and evaluating mineral resource properties, and either developing, joint venturing or disposing of the properties when the Group's evaluation is completed. At June 30, 2011, the Group had interests in properties located in Sweden and Finland for which the Group has completed a definitive feasibility study and moved into development phase on Kaunisvaara and a preliminary economic analysis on Hannukainen that supports economic valuation.

The Group's financial statements up to December 31, 2010 were presented in Canadian Dollar (CAD), which is the functional currency of the Company and was the Group's reporting currency. Following the Board of Directors' approval of December 13, 2010, the Group's reporting currency has changed to US Dollar (USD) with effect from January 1, 2011. The comparative figures have been restated to reflect the change in the reporting currency. All values are rounded to the nearest thousand dollars unless otherwise stated.

These financial statements were authorised for issuance by the Board of Directors on August 11, 2011.

2. Going concern

These financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes that the Group will realize its assets and discharge its liabilities in the normal course of business. The Group is in the process of completing the financing for the Kaunisvaara project which, in addition to the equity raised in the fourth quarter 2010, is likely to be some combination of equity, debt and financial support from off-take parties, but there is no guarantee that the Group will be able to obtain the financing necessary to complete the development.

3. Statement of compliance

The interim consolidated financial statements of Northland Resources S.A. have been prepared in accordance with IAS 34 of International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and as adopted by the European Union.

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Notes to the interim condensed consolidated financial statements

4. Significant accounting policies

4.1. Basis of preparation

The unaudited interim condensed consolidated financial statements of Northland Resources S.A. have been prepared in accordance with IAS 34 of International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the European Union. With respect to the Company's unaudited interim condensed consolidated financial statements for the six months ended June 30, 2011, there are no material differences between IFRS as adopted by the European Union and the one issued by the IASB.

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

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's consolidated financial statements as at December 31, 2010 and the unaudited interim condensed consolidated financial statements for the Group prepared in accordance with IAS 34 for six months ended July 31, 2010.

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

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

4.2. Accounting principles

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2010. The Group has not adopted any other standards, interpretations or amendments that were issued and endorsed after December 31 2010 but not yet effective.

4.2.1 New standards, interpretations or amendments which are effective for annual periods beginning on or after January 1, 2011

- IAS 24 amendments: *Revised definition of related parties*
- IFRIC 14 amendments: *Prepayments of a minimum funding requirement*
- IFRIC 19: *Extinguishing Financial Liabilities with Equity Instruments*
- Improvements to IFRS (year 2010)

Adoption of these amendments and improvement to IFRS did not have any effect on the financial performance or position of the Group.

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4.2.2 New standards issued but not yet effective

The following standards and interpretations are not effective up to the date of issuance of the Group's interim condensed consolidated financial statements and which are expected to be relevant for the Group at a future date are listed below. They may result in consequential changes to the accounting policies and other note disclosures. The Group is in the process of analysing the impact of these standards on its operations.

- IFRS 9: Financial Instruments
- IFRS 10: Consolidated Financial Statements
- IFRS 11: Joint Arrangements
- IFRS 12: Disclosure of Interests in Other Entities
- IFRS 13: Fair Value Measurement
- IAS 27 amendments: Consolidated and Separate Financial Statements
- IAS 28 amendments: Investments in Associates

4.2.3 Change of the Group reporting currency

As mentioned above, the Company has changed its reporting currency from Canadian Dollar (CAD), which is the functional currency of the Company, into US Dollar (USD) starting from January 1, 2011. This translation took effect retrospectively from February 1, 2007, the transition date the Company converged to IFRS.

From this date:

- Assets and liabilities for each statement of financial position presented, including comparatives, have been translated at the closing rate at the date of that statement of financial position;
- Income and expenses for each statement of comprehensive income, including comparatives, have been translated at an average rate for the period covered;
- Equity components i.e share capital, share premium and share option reserve have been translated at the rate (historical rate) prevailing on each transaction date; and
- All resulting exchange differences have been recognised in the 'Other comprehensive income'.

The foreign exchange rates (CAD to USD) used for the translation are as follows:

Closing date	Assets and liabilities Closing rate	Income and expenses Average rate
December 31, 2010	1.0054	0.9723
January 31, 2010	0.9390	0.8914
January 31, 2009	0.8088	0.9295
January 31, 2008	0.9978	0.9470
January 31, 2007	0.8496	not applicable

4.2.4 Use of a presentation currency other than the functional currency

In order to present its unaudited interim condensed consolidated financial statements in USD, the Company used the following quarterly foreign exchange average rates (CAD to USD):

Closing date	Assets and liabilities Closing rate	Income and expenses Average rate
June 30, 2011	1.0340	1.0337
March 31, 2011	1.0302	1.0146
July 31, 2010	0.9718	0.9676
April 30, 2010	0.9885	0.9735

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5. Segment information

Segment information is provided on the basis of geographic segments as the Group monitors its business according to the geographic locations of its resources properties in Sweden and Finland. The business segments presented reflect the management structure of the Group and the way in which the Group's management reviews business performance.

Corporate functions and dormant entities are classified together within "Other" on the basis that they are monitored together by the Group's Chief Operating decision makers (the "Committee").

The segment information provided to the Committee for the reportable segments is as follows:

	<u>Sweden</u> USD'000	<u>Finland</u> USD'000	<u>Other</u> USD'000	<u>Total</u> USD'000
Statement of comprehensive income				
Net income / (loss)				
Three months ended June 30, 2011	(8,796)	(2,060)	2,191	(8,665)
Six months ended June 30, 2011	(12,377)	(3,006)	15,591	208
Statement of financial position				
As at June 30, 2011				
Exploration and evaluation assets	13,318	44,588	-	57,906
Mines under construction	119,247	-	-	119,247
Property, plant and equipment & intangible assets	1,658	1,333	2,642	5,633
Assets held for sale	-	-	-	-
Current assets	50,851	1,755	170,428	223,034
Financial assets	7,545	-	-	7,545
Total assets	<u>192,619</u>	<u>47,676</u>	<u>173,070</u>	<u>413,365</u>
Capital expenditure	38,253	427	78	38,758
Statement of comprehensive income				
Net income / (loss)				
Three months ended July 31, 2010	(939)	(478)	(1,271)	(2,688)
Six months ended July 31, 2010	(3,038)	(658)	(11,124)	(14,820)
Statement of financial position				
As at December 31, 2010				
Exploration and evaluation assets	12,110	33,592	-	45,702
Mines under construction	74,951	-	-	74,951
Property, plant and equipment & intangible assets	1,681	829	2,543	5,053
Assets held for sale	7,711	-	-	7,711
Current assets	7,238	1,236	248,545	257,019
Financial assets	1,750	-	-	1,750
Total assets	<u>105,441</u>	<u>35,657</u>	<u>251,088</u>	<u>392,186</u>
Capital expenditure	576	88	-	664
As at January 31, 2010				
Exploration and evaluation assets	66,710	27,531	-	94,241
Property, plant and equipment & intangible assets	885	1,024	2,344	4,253
Current assets	11,563	2,973	39,177	53,713
Total assets	<u>79,158</u>	<u>31,528</u>	<u>41,521</u>	<u>152,207</u>
Capital expenditure	154	327	134	615

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As the Committee does review segment assets, the Group has continued to disclose this information. The measure of liabilities as well as the statement of cash flows information has not been disclosed for each reportable segment as this information is not regularly provided by the Committee.

6. General and administrative expenses

General and administrative expenses are broken down as follows

	Six months ended		Three months ended	
	June 30, 2011	July 31, 2010	June 30, 2011	July 31, 2010
	USD' 000	USD' 000	USD' 000	USD' 000
Depreciation and amortization	189	97	98	62
Consulting fees	1,611	1,697	938	664
Office and miscellaneous	333	557	208	183
Professional fees	909	3,324	356	1,865
Rent and utilities	221	172	125	82
Salaries and wages	1,855	1,802	1,130	900
Shareholder communication	200	78	84	46
Share-based payments	1,128	761	462	584
Travel and accommodation	624	556	334	250
Total	7,070	9,044	3,735	4,636

7. Net finance income / (expense)

	Six months ended		Three months ended	
	June 30, 2011	July 31, 2010	June 30, 2011	July 31, 2010
	USD' 000	USD' 000	USD' 000	USD' 000
Interest income	1 464	145	761	56
Foreign exchange gain, net	11 631	-	-	1 962
Finance income	13 095	145	761	2 018
Bank charges and interest	(23)	(15)	(10)	(6)
Foreign exchange loss, net	-	(5 753)	(715)	-
Fees related to fund raising	(2 750)	-	(2 750)	-
Finance expense	(2 773)	(5 768)	(3 475)	(6)
Finance income / (expense) - net	10 322	(5 623)	(2 714)	2 012

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Notes to the interim condensed consolidated financial statements

8. Exploration and evaluation assets

The Group has incurred and capitalized USD 57,906 thousand in exploration and evaluation assets up to June 30, 2011, conducting exploration and development activities in Sweden and Finland.

	<u>Sweden</u>	<u>Finland</u>	<u>Total</u>
	USD '000	USD '000	USD '000
Cost as at January 31, 2010	66,710	27,531	94,241
Additions	19,452	6,902	26,354
Net exchange differences	7,854	(839)	7,015
Transferred to Mines under construction	(69,842)	-	(69,842)
Write-offs	62	-	62
Held for sale	(12,127)	-	(12,127)
Cost as at December 31, 2010	12,109	33,594	45,703
Additions	1,511	9,050	10,561
Net exchange differences	872	2,982	3,854
Transferred to Mines under construction	(1,143)	-	(1,143)
Write-offs	(31)	(1,038)	(1,069)
Cost as at June 30, 2011	13,318	44,588	57,906

The Group is in the exploration and development-stage and is in the process of exploring and/or evaluating its mineral properties for economically recoverable resources. No amortisation is charged during the exploration and evaluation phase. In mid December 2010 the Kaunisvaara project moved from the 'exploration and evaluation' phase to 'mines under construction' phase.

As of June 30, 2011 capitalized amounts are composed mainly of consulting fees, salaries and wages, drilling costs and travel and accommodation costs. The write-offs amounting USD 1,069 thousand are related to projects where further explorations are not planned.

9. Mines under construction

	<u>USD '000</u>
Cost as at January 31, 2010	-
Transferred from exploration and evaluation assets (refer to note 8)	69 842
Additions	4 778
Net exchange differences	330
Cost as at December 31, 2010	74 950
Transferred from exploration and evaluation assets (refer to note 8)	1 143
Additions	37 989
Net exchange differences	5 165
Cost as at June 30, 2011	119 247

Mines under construction are not depreciated until construction is completed. This is signified by the formal commissioning and project completion.

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10. Financial assets

Financial assets are composed of:

	<u>June 30, 2011</u>	<u>December 31, 2010</u>
	USD'000	USD'000
Escrow account	1 970	1 751
Available-for-sale assets	895	-
Long-term receivables (refer to Notes 16 and 17)	4 680	-
	<u>7 545</u>	<u>1 751</u>

The escrow account is held with Nordea as counter indemnity for an environmental bond for the Tapuli mine and Kaunisvaara mill.

Available-for-sale assets are quoted securities.

11. Cash and cash equivalents

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. As of June 30, 2011, the amount of cash and cash equivalents was USD 213,219 thousand (December 31, 2010: USD 251,435 thousand), which correspond to their fair value.

12. Share capital

12.1 Share capital

Authorized share capital amounts to CAD 937,795 thousand represented in common shares. The Company has one class of shares outstanding with no nominal value.

Issued and outstanding:

	<u>Number</u>	<u>Amount</u> USD'000
Balance as at January 31, 2010	110 637 399	166 659
For cash:		
Exercise of share purchase options	411 500	673
Reallocation to share premium account		(62)
Reduction in the accounting par value of the issued share capital and transferred to share premium		(157 123)
Balance as at August 23, 2010 (EGM)	111 048 899	10 147
Exercise of share purchase options	370 000	26
Issuance of shares as at December 9, 2010	113 000 000	11 196
Balance as at December 31, 2010	224 418 899	21 369
For cash:		
Exercise of share purchase options	1 065 000	108
Balance as at June 30, 2011	225 483 899	21 477

At June 30, 2011, the issued share capital is equivalent to CAD 22,548 thousand (December 31, 2010: CAD 22,442 thousand) and are fully paid.

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12.2 Share premium

	<u>Amount</u> <u>USD'000</u>
Balance as at January 31, 2010	-
Reallocation from share capital account as per EGM of August 23, 2010	157 123
Share option reserve transferred on exercise of share purchase options	477
For cash:	
Exercise of share purchase options premium	430
Reallocation from share capital account	62
Additional contribution on issued shares as at December 9, 2010	241 833
Less: issue share costs	(14 884)
Balance as at December 31, 2010	<u>385 041</u>
For cash:	
Exercise of share purchase options premium	805
Share option reserve transferred on exercise of share purchase options	815
Less: issue share costs	(260)
Balance as at June 30, 2011	<u><u>386 401</u></u>

13. Share based payments

At the Annual General Meeting on May 18, 2011 the Group's stock option plan (the "Plan") for officers, director's, employees and consultants was not re-approved and consequently no further options may be granted by the Board of Directors. The Plan allowed for a maximum of 15% of the issued shares to be reserved for issuance under the Plan. All outstanding options granted before May 18, 2011 are still valid.

For share based payments with parties other than employees, there shall be a rebuttable presumption that the fair value of the goods or services received can be estimated reliably and that the fair value is measured at the date the Group obtains the goods or the counterparty renders service. However, the Group rebutted this presumption and has determined that it cannot estimate reliably the fair value of the goods or services received due to the fact that these services will be valuable only to the extent that the business targets are reached or over-performed. Accordingly, the Group measured the goods or services received, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted, measured at the dates the entity obtained the goods or the counterparty rendered the service.

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

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	Number of options	Weighted Average Exercise Price CAD	Weighted Average Exercise Price USD
Outstanding as at January 31, 2010	6 746 500	1,08	0,98
<i>Exercisable 6 721 500</i>			
Granted	4 650 000	3,36	3,35
Exercised	(781 500)	0,89	0,81
Cancelled	(100 000)	3,36	3,36
Outstanding as at December 31, 2010	10 515 000	2,08	2,03
<i>Exercisable 5 965 000</i>			
Granted	600 000	3,81	3,97
Exercised	(1 065 000)	0,84	0,74
Cancelled	(50 000)	3,36	3,36
Outstanding as at June 30, 2011	10 000 000	2,32	2,28
<i>Exercisable 6 800 000</i>			

During the six months period ended June 30, 2011, a compensation charge associated with the granting of share purchase options under the stock option plan in the amount of USD 1,924 thousand (July 31, 2010: USD 1,338 thousand) was recognized in the financial statements. Of this amount, USD 700 thousand (July 31, 2010: USD 408 thousand) was related to individuals whose wages and salaries are capitalized to the exploration and evaluation assets. The remaining is included in the general and administrative charges.

The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may also not necessarily be the actual outcome.

As at June 30, 2011, the following share purchase options were outstanding entitling the holder thereof the right to purchase one common share for each option held:

Outstanding	Outstanding options	Weighted average exercise price CAD	Weighted average exercise price USD	Weighted average remaining contractual life	
Exercise price CAD per option	Exercise price USD per option				
1.00 - 1.55	1.03 - 1.60	4,700,000	1.12	1.16	4.05
2.33	2.41	200,000	2.33	2.41	0.60
3.03 - 3,27	3.13 - 3.38	700,000	3.13	3.24	4.50
3.36 - 3.86	3.47 - 3.99	4,400,000	3.46	3.58	3.94
Outstanding as at June 30, 2011		10,000,000	2.31	2.39	3.96

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Exercisable	Outstanding options	Weighted average exercise price	Weighted average exercise price	Weighted average remaining contractual life
		CAD	USD	
Exercise price CAD per option	Exercise price USD per option			
1.00 - 1.55	1.03 - 1.60	4,700,000	1.12	4.05
2.33	2.41	200,000	2.33	0.60
3.40	3.52	1,900,000	3.40	3.80
Exercisable as at June 30, 2011		6,800,000	1.79	3.88

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

Outstanding	Outstanding options	Weighted average exercise price	Weighted average exercise price	Weighted average remaining contractual life
		CAD	USD	
Exercise price CAD per option	Exercise price USD per option			
0.37 - 1.55	0.37 - 1.56	5,765,000	1.07	4.22
2.33	2.34	200,000	2.33	2.00
3.03 - 3.27	3.05 - 3.29	700,000	3.13	5.00
3.36 - 3.84	3.38 - 3.86	3,850,000	3.40	4.30
Outstanding as at December 31, 2010		10,515,000	2.08	4.21

Exercisable	Outstanding options	Weighted average exercise price	Weighted average exercise price	Weighted average remaining contractual life
		CAD	USD	
Exercise price CAD per option	Exercise price USD per option			
0.37 - 1.55	0.37 - 1.56	5,765,000	1.07	4.22
2.33	2.34	200,000	2.33	2.00
Exercisable as at December 31, 2010		5,965,000	1.11	4.12

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14. Earnings per share

Basic earnings per share are computed by dividing the result for the period by the weighted average number of common shares outstanding during the period. Diluted earnings per share reflect the potential dilution that could occur if potentially dilutive instruments were exercised or converted to common shares.

For the six months period ending June 30, 2011 (2010: six months ended July 31), the net result attributable to equity holders of the parent, and the weighted average number of shares outstanding, are set out in the table below.

	Six months ended		Three months ended	
	June 30, 2011	July 31, 2010	June 30, 2011	July 31, 2010
Net profit / (loss) attributable to shareholders (USD '000)	208	(14,820)	(8,665)	(2,688)
Weighted average shares issued for the period	225,191,606	110,740,004	225,460,822	112,037,496
Weighted profit / (loss) per share for the period (in USD)	0.00	(0.13)	(0.04)	(0.02)

Fully diluted earnings have not been presented since the effects of the computations are anti-dilutive due to the losses incurred. Accordingly, there is no difference in the amounts presented for basic and diluted earnings/losses per share.

Instruments that could potentially dilute basic earnings per share in the future, but were not included in the calculation of diluted earnings per share because they are anti-dilutive for the periods presented, are disclosed in Note 13 above.

15. Related party transactions

Transactions with common key management and directors

The Group incurred charges with companies having common key management and directors in the normal course of operations as detailed below:

	Six months ended		Three months ended	
	June 30, 2011	July 31, 2010	June 30, 2011	July 31, 2010
	USD '000	USD '000	USD '000	USD '000
Consulting fees	301	214	167	112
Management fees	207	567	105	457
Share-based payments	318	272	124	215
Termination benefits	166	-	166	-
Total	992	1,053	562	784

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

The Company paid fees to a private company controlled by a director of the Company for consulting services performed outside of his capacity as a director

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Compensation to key management personnel and Directors of the Group

	<u>Six months ended</u>		<u>Three months ended</u>	
	<u>June 30, 2011</u>	<u>July 31, 2010</u>	<u>June 30, 2011</u>	<u>July 31, 2010</u>
	<u>USD '000</u>	<u>USD '000</u>	<u>USD '000</u>	<u>USD '000</u>
Salaries and directors fees	1,256	972	632	466
Share-based payments	1,304	846	511	617
Termination benefits	-	919	-	481
Total	2,560	2,737	1,143	1,564

Share-based payments are the fair value of options granted to key management personnel and directors.

Account receivable and payable

Accounts payable included amounts due to a director of the Group and to an entity with a common director.

Accounts receivable included amounts due from an officer of the Group.

	<u>June 30, 2011</u>	<u>December 31, 2010</u>
	<u>USD '000</u>	<u>USD '000</u>
Accounts receivable	-	82
Trade and other payables	(299)	(7)
	(299)	75

16. Assets of disposal group classified as held for sale

The assets and liabilities related to wholly-owned subsidiaries Gunnarn Mining AB and Gunnarn Exploration AB which form part of the Swedish segment, have been presented as held for sale following the approval of the Board of Directors and the shareholders on October 19, 2010 to dispose these entities in Sweden. Pursuant to the Letter of Intent dated October 27, 2010 the completion date of the transaction was on April 29, 2011.

The agreed selling price pursuant to the agreement entered into with the identified acquirer was USD 8.5 million (USD 5 million in cash and USD 3.5 million in shares). The fair value less costs to sell on the disposal date was USD 7.0 million and the net carrying amount of the disposal assets on April 29, 2011 was USD 7.3 million, leading to an additional loss amounting to USD 0.3 million during the three-month period ended June 30, 2011. The total loss on disposal amounts to USD 6.3 million of which USD 1.7 million has impacted the six-month period ended June 30, 2011 (USD 4.6 million was already booked in the 2010 annual consolidated financial statements).

At completion date, the Company received USD 2 million in cash and USD 1 million in quoted securities. The quoted securities have been accounted as available-for-sale assets at fair value with changes in fair value to be booked in 'Other comprehensive income' (fair value amounts to USD 0.9 million as at June 30, 2011). The long-term receivables towards the acquirer (nominal value: USD 5.5 million) have also been classified as financial assets (at fair value) and amount to USD 4.7 million as at June 30, 2011.

17. Fair value hierarchy

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The following table shows an analysis of the fair values of financial instruments recognised in the consolidated statement of financial position by level of the fair value hierarchy*:

	Level 1 USD' 000	Level 2 USD' 000	Level 3 USD' 000	Total USD' 000
June 30, 2011				
Available-for-sale financial assets	895	-	-	895
Long-term receivables	-	4,680	-	4,680
	895	4,680	-	5,575
December 31, 2010	none			

*The different levels of the fair value hierarchy are defined as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 – Use of a model with inputs (other than quoted prices included in Level 1) that are directly or indirectly observable market data.
- Level 3 – Use of a model with inputs that are not based on observable market data.

The estimated fair value of the long-term receivables are the discounted amount of the estimated future cash flows expected to be received.

18. Financial commitments

Operating lease

As at June 30, 2011 the Group's operating lease commitments for leases on buildings and vehicles totalled USD 1,673 thousand (December 31, 2010: USD 1,343 thousand). There are no restrictions placed upon the lessee by entering into these leases.

Commitments under purchase agreements

The Group has entered into purchase agreements for the development of the mine, process plant and the completion of power station facilities at the Kaunisvaara site. The total net estimates for the related purchase commitments arising under these agreements as at June 30, 2011 amounts to USD 481,512 thousand.

19. Subsequent events

Signed Agreement for Process Water Systems

On July 6, 2011 the Company announced an agreement with FineWeld Group for the supply of water systems from the Muonio River to the Kaunisvaara process plant and to associated project sites.

The value of the contract totals USD 41.7 million and comprises engineering and design, all pump stations and related civil works as water/piping systems. The total length of pipeline is approximately 40 km. The installation will start immediately and the delivery is expected to be completed by the third quarter of 2012.

Metso Commissioned to supply Comminution Services

On July 19, 2011 the Company announced an agreement with Metso for a five-year mill lining service and inspection program for the Kaunisvaara mill. The project is under construction in northern Sweden.

The contract complements previous project orders that were announced by Northland earlier this year. The order, which will cover five years, is valued at EUR 19 million.

Letter of Intent with Logistics Specialists to manage the Kaunisvaara Logistics Solution

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On August 4, 2011 the Company has signed a letter of intent with Savage Services Corporation, Grieg Logistics and Peab to manage and develop the logistics solution between the Kaunisvaara mines and the port of Narvik. This replaces the previous letter of intent with Peab. The agreement is expected to be finalised and signed before the end of the third quarter 2011.