



**NORTHERN LION
GOLD CORP.**

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

AUDITORS' REPORT

To the Shareholders of
Northern Lion Gold Corp.

We have audited the consolidated balance sheets of Northern Lion Gold Corp. as at December 31, 2009 and 2008 and the consolidated statements of operations 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 December 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Accountants

April 26, 2010



NORTHERN LION GOLD CORP.
CONSOLIDATED BALANCE SHEETS
AS AT DECEMBER 31

	2009	2008
ASSETS		
Current		
Cash and equivalents	\$ 1,884,299	\$ 2,079,377
Restricted cash (Note 4)	113,250	-
Marketable securities (Note 5)	753,018	971,619
Receivables	154,021	304,709
Prepaid expenses	7,672	6,070
Total current assets	2,912,260	3,361,775
Mineral property interests (Note 6)	3,281,108	5,115,679
Equipment (Note 7)	15,534	22,192
Total assets	\$ 6,208,902	\$ 8,499,646
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 75,293	\$ 341,058
Total current liabilities	75,293	341,058
Shareholders' equity		
Capital stock (Note 8)	22,787,743	22,779,863
Contributed surplus (Note 8)	3,471,139	3,469,536
Deficit	(20,125,273)	(18,090,811)
Total shareholders' equity	6,133,609	8,158,588
Total liabilities and shareholders' equity	\$ 6,208,902	\$ 8,499,646
Nature and continuance of operations (Note 1)		
Subsequent event (Note 15)		

The accompanying notes are an integral part of these consolidated financial statements.

NORTHERN LION GOLD CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
YEARS ENDED DECEMBER 31

	2009	2008
EXPENSES		
Amortization	\$ 6,658	\$ 5,216
Consulting	132,244	192,021
Filing and regulatory fees	19,788	22,657
Foreign exchange	70,899	(79,939)
Investor relations	4,769	31,434
Management fees	52,449	66,407
Office and administrative fees	72,540	126,596
Office and general	50,239	65,729
Professional fees	86,986	122,508
Property investigation	2,779	-
Rent	25,080	25,080
Stock-based compensation (Note 8)	1,603	180,908
Travel	10,554	50,020
Loss before other items	(536,588)	(808,637)
OTHER ITEMS		
Interest income	22,513	97,151
Gain (loss) on sale of marketable securities (Note 5)	418,838	(629,959)
Unrealized gain (loss) on marketable securities (Note 5)	419,702	(1,631,810)
Write-off of mineral property interests (Note 6)	(2,358,927)	(626,555)
	(1,497,874)	(2,791,173)
Loss for the year	(2,034,462)	(3,599,810)
Deficit, beginning of year	(18,090,811)	(14,491,001)
Deficit, end of year	\$ (20,125,273)	\$ (18,090,811)
Basic and diluted loss per common share	\$ (0.07)	\$ (0.12)
Weighted average number of common shares outstanding	31,210,443	31,161,109

The accompanying notes are an integral part of these consolidated financial statements.

NORTHERN LION GOLD CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	\$ (2,034,462)	\$ (3,599,810)
Items not affecting cash:		
Amortization	6,658	5,216
Stock-based compensation	1,603	180,908
(Gain) loss on sale of marketable securities	(418,838)	629,959
Unrealized (gain) loss on marketable securities	(419,702)	1,631,810
Write-off of mineral property interests	2,358,927	626,555
Changes in non-cash working capital items:		
Decrease (increase) in receivables	137,181	(238,092)
(Increase) decrease in prepaid expenses	(1,602)	5,481
(Decrease) increase in accounts payable and accrued liabilities	(13,870)	28,653
Net cash used in operating activities	<u>(384,105)</u>	<u>(729,320)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Share issuance costs	<u>(120)</u>	<u>(220)</u>
Net cash used in financing activities	<u>(120)</u>	<u>(220)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Note receivable	(500,000)	-
Repayment of note receivable	250,000	-
Restricted cash	(113,250)	-
Mineral property interests	(768,251)	(3,391,196)
Purchase of equipment	-	(5,880)
Proceeds from sale of marketable securities	1,320,648	1,081,146
Net cash (used in) provided by investing activities	<u>189,147</u>	<u>(2,315,930)</u>
Change in cash and equivalents during the year	(195,078)	(3,045,470)
Cash and equivalents, beginning of year	<u>2,079,377</u>	<u>5,124,847</u>
Cash and equivalents, end of year	\$ 1,884,299	\$ 2,079,377
Cash and equivalents is represented by:		
Cash	\$ 984,011	\$ 687,396
Cash equivalents	<u>900,288</u>	<u>1,391,981</u>
	\$ 1,884,299	\$ 2,079,377

Supplemental disclosures with respect to cash flows (Note 13)

The accompanying notes are an integral part of these consolidated financial statements.

NORTHERN LION GOLD CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009

1. NATURE AND CONTINUANCE OF OPERATIONS

The Company is incorporated under the laws of the Province of British Columbia and is in the business of exploration of mineral property interests in Europe. To date, the Company has not yet earned significant revenues and is considered to be in the exploration stage.

The Company is in the process of exploring and developing its mineral properties and has not yet determined whether the properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for mineral property interests is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production.

These consolidated financial statements have been prepared assuming the Company will continue on a going-concern basis. The Company has incurred losses since inception and the ability of the Company to continue as a going-concern depends upon its ability to develop profitable operations and to continue to raise adequate financing. Management is actively targeting sources of additional financing through alliances with financial, exploration and mining entities, or other programs. In order for the Company to meet its liabilities as they come due and to continue its operations, the Company is solely dependent upon its ability to generate such financing. The financial statements do not include adjustments to amounts and classifications of assets and liabilities that may be necessary should the Company be unable to continue operations.

	2009	2008
Working capital	\$ 2,836,967	\$ 3,020,717
Deficit	(20,125,273)	(18,090,811)

2. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies adopted by the Company are as follows:

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. Significant inter-company transactions and balances have been eliminated upon consolidation.

Estimates

The preparation of consolidated financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from these estimates.

Significant accounts that require estimates as the basis for determining the stated amounts include marketable securities, mineral property interests and impairment, equipment, stock-based compensation and future income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Foreign currency translation

The Company's subsidiaries are integrated foreign operations and are translated into Canadian dollars using the temporal method. Monetary assets and liabilities are translated at the rate in effect at the balance sheet date. Non-monetary assets and liabilities and revenues and expenses are translated at the rates prevailing on the respective transaction dates. Foreign exchange gains and losses are included in loss for the year.

Cash and equivalents

Cash is comprised of cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Marketable securities

Securities held for trade which are traded on a recognized securities exchange, are recorded at fair values based on quoted closing bid prices at the balance sheet dates or the closing bid prices on the last day the securities traded if there were no trades at the balance sheet date with both realized and unrealized gains and losses recorded in earnings on the statement of operations.

Mineral property interests

The Company records its interests in mineral properties and areas of geological interest at cost. All direct and indirect costs relating to the acquisition, exploration and development of these interests are capitalized on the basis of specific claim blocks or areas of geological interest until the properties to which they relate are placed into production, sold or management has determined there to be an impairment. A mineral property is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

The recorded cost of mineral property interests is based on cash paid and the value of shares issued as consideration. The recorded amount may not reflect recoverable value as this will be dependent on the exploration and development program, the nature of the mineral deposit, commodity prices, adequate funding and the ability of the Company to bring its projects into production.

Asset retirement obligations

The Company recognizes the fair value of a liability for an asset retirement obligation in the year in which it is incurred when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability.

Changes in the liability for an asset retirement obligation due to the passage of time will be measured by applying an interest method of allocation. The amount will be recognized as an increase in the liability and an accretion expense in the statement of operations. Changes resulting from revisions to the timing or the amount of the original estimate of undiscounted cash flows are recognized as an increase or a decrease to the carrying amount of the liability and the related long-lived asset. The Company does not have any significant asset retirement obligations.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Equipment

Equipment, being computer equipment, is recorded at cost less accumulated amortization. Amortization is calculated using the declining balance method at the rate of 30% per annum.

Impairment of long-lived assets

A long-lived asset is tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of a long-lived asset exceeds its fair value. For purposes of recognition and measurement of an impairment loss, a long-lived asset is grouped with other assets and liabilities to form an asset group at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. Estimates of future cash flows used to test recoverability of a long-lived asset include only the future cash flows that are directly associated with, and that are expected to arise as a direct result of, its use and eventual disposition.

Stock-based compensation

The Company uses the fair value method for measuring compensation costs and therefore all stock based awards to employees and non-employees are recorded at fair value on the date of the grant and the associated expense is recognized over the vesting period.

Loss per share

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 loss per common share is recognized on 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.

Basic loss per common share is calculated using the weighted average number of common shares outstanding during the year and does not include outstanding options and warrants. Dilutive loss per common share is not presented separately from loss per share as the conversion of outstanding stock options and warrants into common shares would be anti-dilutive.

Future income taxes

Future income taxes are recorded using the asset and liability method whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

Financial instruments – recognition and measurement

All financial instruments are classified into one of five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale assets or other financial liabilities. All financial instruments and derivatives are measured in the balance sheet at fair value, except for loans and receivables, held-to-maturity investments and other financial liabilities, which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification. Held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income. Available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the instrument is derecognized or impaired.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Financial instruments – recognition and measurement (cont'd...)

The Company classified its cash and equivalents and marketable securities as held for trading which are measured at fair value. Restricted cash is classified as held to maturity. Receivables are classified as loans and receivables, accounts payable and accrued liabilities are classified as other liabilities, all of which are measured at amortized cost.

Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

3. ADOPTION OF NEW ACCOUNTING POLICIES

Effective January 1, 2009, the Company is required to adopt the following accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA"):

Goodwill and intangible assets (Section 3064)

In February 2008, the CICA issued Section 3064, "Goodwill and Intangible Assets", which replaces Section 3062, "Goodwill and Other Intangible Assets". This new standard provides guidance on the recognition, measurement, presentation and disclosure of goodwill and intangible assets. Concurrent with the adoption of this standard, Emerging Issues Committee ("EIC") Abstract, EIC 27 "Revenue and Expenditures in the Pre-operating Period", will be withdrawn. The adoption of this standard did not have a significant impact on the Company's consolidated financial statements.

Amendment to Financial Instruments – Disclosures

CICA Handbook Section 3862, Financial Instruments – Disclosures was amended to require disclosure about the inputs used in making fair value measurements, including their classification within a hierarchy that prioritizes their significance. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The Company has included the disclosure recommended by the new Handbook Section in Note 11 to these consolidated financial statements.

Effective January 1, 2011, the Company is required to adopt the following accounting standards issued by the CICA:

In January 2009, the CICA issued Handbook Sections 1582 – *Business Combinations* ("Section 1582"), 1601 – *Consolidated Financial Statements* ("Section 1601") and 1602 – *Non-controlling Interests* ("Section 1602") which replace CICA Handbook Section 1581 – *Business Combinations* and 1600 – *Consolidated Financial Statements*. Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under International Financial Reporting Standards ("IFRS"). Section 1582 is applicable for the Company's business combinations with acquisition dates on or after January 1, 2011. Early adoption of this Section is permitted. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable for the Company's interim and annual consolidated financial statements for its fiscal year beginning January 1, 2011. Early adoption of this Section is permitted. If the Company chooses to early adopt any one of these Sections, the other two sections must also be adopted at the same time.

NORTHERN LION GOLD CORP.
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DECEMBER 31, 2009

3. ADOPTION OF NEW ACCOUNTING POLICIES (cont'd...)

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 December 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.

4. RESTRICTED CASH

The Company is required to hold a guaranteed investment certificate totaling €75,151 with the bank as collateral for the Company’s VAT refund request with the Portuguese Government.

5. MARKETABLE SECURITIES

Marketable securities are comprised of the following:

	December 31, 2009		December 31, 2008	
	Fair value	Cost	Fair Value	Cost
Lapland Goldminers AB (“Lapland Goldminers”) 70,586 common shares (December 31, 2008 – 982,426 common shares)	\$108,890	\$ 217,423	\$ 971,619	\$3,025,872
New World Resource Corp. (“New World”) 2,927,856 common shares (December 31, 2008 – Nil common shares)	\$644,128	\$ 263,507	\$ -	\$ -
Balance, December 31, 2009	\$753,018	\$ 480,930	\$ 971,619	\$3,025,872

As at December 31, 2009, 911,840 common shares (2008 – 645,700 common shares) of Lapland Goldminers with a value of \$901,810 (2008 - \$1,711,105) were sold for net proceeds of \$1,320,648 (2008 – \$1,081,146) resulting in a realized gain of \$418,838 (2008 – realized loss of \$629,959). The Company recorded an unrealized gain on its investment of \$39,081 (2008 – unrealized loss of \$1,631,810) to operations due to mark-to-market valuation during the year. Subsequent to year end, the Company sold 56,500 common shares for net proceeds of \$89,097.

Pursuant to a debt settlement agreement with New World Resource Corp. (“New World”) (Note 9), the Company received 2,927,856 common shares of New World with a total value of \$263,507. The Company recorded an unrealized gain on its investment of \$380,621 due to a mark-to-market valuation during the year.

NORTHERN LION GOLD CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009

6. MINERAL PROPERTY INTERESTS

Title to mineral 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 mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties are in good standing. However, this should not be construed as a guarantee of title. The mineral properties may be subject to prior claims, agreements, or transfers and rights of ownership may be affected by undetected defects. The properties in which the Company has committed to earn an interest are located in various parts of Europe.

	Cercal, Portugal	Moura, Portugal	Republic of Cyprus	Other Sweden	Total
Balance, December 31, 2007	\$ 995,991	\$ 486,533	\$ -	\$ 798,568	\$2,281,092
Additions					
Acquisition costs	-	-	37,800	-	37,800
Advance	(18,411)	-	-	-	(18,411)
Airborne geophysical	-	-	-	130,095	130,095
Assaying	79,166	161,888	147	9,978	251,179
Consulting	386,303	651,775	12,605	88,821	1,139,504
Drilling	606,247	1,036,650	-	-	1,642,897
Field personnel	11,365	11,539	-	-	22,904
Land use and permits	7,600	35,637	-	-	43,237
Maps and images	3,633	-	-	-	3,633
On site costs	46,338	82,822	-	7,775	136,935
Travel and lodging	21,186	30,408	1,041	18,734	71,369
Total for the year	1,143,427	2,010,719	51,593	255,403	3,461,142
	2,139,418	2,497,252	51,593	1,053,971	5,742,234
Write-off during the year	-	-	-	(626,555)	(626,555)
Balance, December 31, 2008	2,139,418	2,497,252	51,593	427,416	5,115,679
Additions					
Acquisition costs	-	18,126	123,855	21,238	163,219
Advances	(63,070)	22,735	16,422	5,598	(18,315)
Assaying	(7,050)	(34,077)	2,815	-	(38,312)
Consulting	70,265	65,434	63,378	26,481	225,558
Drilling	146,715	-	-	-	146,715
Maps and images	-	-	4,703	-	4,703
On site costs	4,880	18,283	1,208	-	24,371
Travel and lodging	-	-	16,417	-	16,417
Total for the year	151,740	90,501	228,798	53,317	524,356
	2,291,158	2,587,753	280,391	480,733	5,640,035
Write-off during the year	(2,291,158)	-	-	(67,769)	(2,358,927)
Balance, December 31, 2009	\$ -	\$2,587,753	\$280,391	\$ 412,964	\$3,281,108

6. MINERAL PROPERTY INTERESTS (cont'd...)

Cercal, Portugal

The Company entered into an agreement with SES Sweden AB ("SES") to explore an area of geological interest previously identified by SES in the Iberian Pyrite Belt, in Portugal. The Company has an option to acquire a 95% interest in consideration of payments of €80,000 (€50,000 paid), over four years. SES will retain the remaining 5% interest in the property, which will be carried until the Company obtains a bankable feasibility study on the property. SES has also granted to the Company a ten year right of first refusal on any proposed transfer by SES of any interest it may have in properties in Portugal, Spain or the Republic of Cyprus.

In 2006 the Company was granted an exploration licence by the Portuguese government mining authority to explore certain areas of the Iberian Pyrite Belt. The licence is valid for an initial period of two years with three one-year extensions beyond the initial term available, subject to certain conditions. During the year ended December 31, 2008, the Company was granted the first one-year extension. Mineral production from the license is subject to a 3% net smelter royalty in favour of the Government of Portugal.

During the year ended December 31, 2009 the Company did not apply for an extension on the Cercal exploration licence located in the Iberian Pyrite Belt, which expired on May 12, 2009. Consequently, the Company terminated its agreement with SES and all related costs were written off to operations.

Moura, Portugal

In 2007, the Company was granted an exploration licence for the Moura-Vila Verde de Ficalho region of southeastern Portugal. The exploration licence is valid for an initial period of two years and requires minimum exploration expenditures in the first and second years of €300,000 (incurred) and €550,000 (incurred), respectively. Three one-year extensions beyond the initial term are available, subject to certain conditions. During the year ended December 31, 2009, the Company was granted the first one-year extension with required minimum exploration expenditures of €65,000 to meet the 2010 requirements. Mineral production from the licence is subject to a 3% net smelter return royalty in favour of the Government of Portugal.

Republic of Cyprus

During 2008, the Company entered into an option agreement with Katla Exploration Ltd. ("Katla") to acquire a 90% interest in an exploration permit ("Asproyia Project"). On November 20, 2009, Katla assigned the option agreement to its parent company, SES Sweden AB ("SES"). Under the option agreement the Company must make payments totaling US\$175,000 (US\$75,000 paid) and issue 220,000 common shares (120,000 issued with a value of \$20,800) of the Company to SES over two years, and incur exploration expenditures of US\$2,625,000 over a four year period. The Company is required to pay US\$100,000, issue 100,000 common shares and incur US\$375,000 in exploration expenditures to meet the 2010 requirements.

During 2008, the Company entered into a Licence Acquisition Agreement with Katla whereby the Company has an option to acquire a 95% interest in certain exploration permits in the Republic of Cyprus in consideration of reimbursing Katla for its acquisition costs of the permits. Katla will retain the remaining 5% interest in the permits. Katla has also granted to the Company a ten year right of first refusal on any proposed transactions by Katla or an affiliated entity of Katla in a property or interest located in the Republic of Cyprus.

During 2009, the Company has an option to acquire a 95% interest in an option agreement between Katla and Michael Poullaides ("Poullaides") in the Philani Project located in the Klirou Region of the Republic of Cyprus. Under the agreement, the Company must pay €712,000 (€12,000 paid), issue 200,000 common shares subject to TSX Venture Exchange approval and incur exploration expenditures of €225,000 over five years. The Company is required to pay €5,000 and incur €20,000 in exploration expenditures to meet the 2010 requirements.

NORTHERN LION GOLD CORP.
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6. MINERAL PROPERTY INTERESTS (cont'd...)

Republic of Cyprus (cont'd...)

During 2009, the Company has an option to acquire a 95% interest in an option agreement between Katla and Poullaides in the Kokkinovounaros Project located in the Kambia-Kapedhes Region of the Republic of Cyprus. Under the agreement, the Company must pay €265,000 (€10,000 paid) and incur exploration expenditures of €150,000 over five years. The Company is required to pay €5,000 and incur €15,000 in exploration expenditures to meet the 2010 requirements.

Subsequent to the year ended December 31, 2009, the Company acquired the remaining interest in the Republic of Cyprus mineral property interests, excluding the Asproyia Project, by purchasing 100% of the issued and outstanding shares of Katla from SES for \$12,000.

Other, Sweden

The Company holds a 100% interest in several claims in the Bergslagen area of south-central Sweden.

During the year ended December 31, 2009, the Flinten, Skällingsberg, Hålstjärn and Nynäsberget #6 claims located in the Bergslagen area have been terminated. Consequently, all related costs were written off to operations.

The Company entered into an agreement with Lappland Goldminers to acquire a 100% interest in Nynäsberget gold prospect in central Sweden. Under the agreement, the Company paid to Lappland Goldminers SEK4,000,000, by the issuance of 1,018,667 common shares (the "Shares") of the Company, with a value of \$611,200. The Company has the first right to purchase or place the Shares, should Lappland Goldminers wish to sell all or a portion of them. During the year ended December 31, 2008, the Company applied for a one-year extension to the Nynäsberget gold prospect; however the Sweden mine inspector did not grant the Company the extension. Consequently, all related costs were written off to operations during the 2008 year.

7. EQUIPMENT

	2009			2008		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 50,778	\$ 35,244	\$ 15,534	\$ 50,778	\$ 28,586	\$ 22,192

NORTHERN LION GOLD CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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8. CAPITAL STOCK AND CONTRIBUTED SURPLUS

	Number of Shares	Amount	Contributed Surplus
Authorized			
100,000,000 common shares, without par value			
Issued			
Balance, December 31, 2007	31,154,005	\$ 22,767,283	\$ 3,288,628
Mineral property interests	40,000	12,800	-
Stock-based compensation	-	-	180,908
Share issuance costs	-	(220)	-
Balance, December 31, 2008	31,194,005	22,779,863	3,469,536
Mineral property interests	80,000	8,000	-
Stock-based compensation	-	-	1,603
Share issuance costs	-	(120)	-
Balance, December 31, 2009	31,274,005	\$ 22,787,743	\$ 3,471,139

During the year ended December 31, 2009, the Company issued 80,000 common shares with a value of \$8,000 pursuant to the mineral property agreement as outlined in Note 6.

During the year ended December 31, 2008, the Company issued 40,000 common shares with a value of \$12,800 pursuant to the mineral property agreement.

(a) Stock options

The Company has a formal stock option plan in place, whereby it is authorized to grant options to executive officers, directors, employees and consultants, for up to 6,238,801 common shares. The exercise price of each option shall not be less than the discounted market price of the Company's stock as calculated on the date of grant. The options can be granted for a maximum term of 10 years, and unless otherwise specified, shall vest and become exercisable in full upon grant.

Stock option transactions are summarized as follows:

	2009		2008	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	3,027,500	\$ 0.43	3,857,500	\$ 0.40
Granted	-	-	250,000	0.50
Exercised	-	-	-	-
Cancelled	(200,000)	0.44	(1,080,000)	0.33
Outstanding, end of year	2,827,500	\$ 0.43	3,027,500	\$ 0.43
Options exercisable, end of year	2,827,500	\$ 0.43	2,883,750	\$ 0.43
Weighted average fair value per option granted	-	\$ -	-	\$ 0.13

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8. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)

(a) Stock options (cont'd...)

The following is a summary of the status of the stock options that were outstanding at December 31, 2009:

Outstanding Options		
Number of Shares	Exercise Price	Expiry Date
100,000	\$0.25	February 26, 2012
100,000	\$0.35	February 26, 2012
10,000	\$0.30	August 31, 2011
1,387,500	\$0.40	December 30, 2010
115,000	\$0.40	January 5, 2011
750,000	\$0.47	May 9, 2012
250,000	\$0.50	March 1, 2010 (expired subsequent to year end)
70,000	\$0.60	March 2, 2010 (expired subsequent to year end)
45,000	\$0.60	June 6, 2010
<u>2,827,500</u>		

(b) Stock-based compensation

The total stock-based compensation calculated under the fair value method for options granted in 2009 was \$Nil (2008 - \$32,175). The stock-based compensation expense for the year was \$1,603 (2008 - \$180,908). The following weighted average assumptions were used for the Black-Scholes option-pricing model calculation of stock options vested and granted during the year:

	2009	2008
Risk-free interest rate	1.61%	3.15%
Expected life of options	1.75 years	3.2 years
Annualized volatility	134.60%	81.30%
Dividend rate	0.00%	0.00%

(c) Warrants

At December 31, 2009, warrants were outstanding enabling holders to acquire the following number of shares:

	Number of Warrants	Weight average Exercise Price
Balance, December 31, 2007	2,073,200	\$ 0.40
Warrants issued	-	\$ -
Balance, December 31, 2008	2,073,200	\$ 0.40
Warrants expired	(2,073,200)	\$ 0.40
Warrants issued	-	\$ -
Balance, December 31, 2009	-	\$ -

9. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties:

- a) Paid or accrued \$52,449 (2008 - \$66,407) for management fees to directors.
- b) Paid or accrued \$3,200 (2008 - \$Nil) for consulting fees to an accounting firm in which a director is a partner.
- c) Paid or accrued consulting fees and reimbursed expenditures of \$47,590 (2008 - \$134,439) to a company controlled by a director of the Company's subsidiaries. The Company allocated \$23,718 (2008 - \$125,580) of these fees and expenses to mineral property interests.
- d) The Company, which has a common president and two common directors with New World, loaned \$500,000 (2008 - \$Nil) to New World at an interest rate of 10% per annum pursuant to a loan agreement dated January 16, 2009. The Company entered into a debt settlement agreement with New World on June 8, 2009 pursuant to the loan agreement. The debt settlement agreement provided for the issuance of 2,927,856 common shares at \$0.09 per share with a value of \$263,507. The Company accepted the shares as repayment of \$250,000 of the principal amount of the loan and \$13,507 in interest. New World repaid the balance of the principal amount of the loan and the interest due to the Company in cash on June 30, 2009.

These transactions were in the normal course of operations and are measured at the exchange value, which represented the amount of consideration established and agreed to by the related parties.

10. MANAGEMENT OF CAPITAL

The Company manages its capital to safeguard its ability to continue as a going concern, so that it can continue to provide adequate returns to shareholders and benefits to other stakeholders, and to have sufficient funds on hand for business opportunities as they arise.

The Company considers the items included in shareholder's equity as capital. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares, sell assets, incur debt, or return capital to shareholders. As of December 31, 2009, the Company does not have any debt and is not subject to externally imposed capital requirements.

11. FINANCIAL INSTRUMENTS

The Company is exposed to various financial instrument risks and assesses the impact and likelihood of this exposure. These risks include liquidity, credit, currency, interest rate and price risks. Where material, these risks are reviewed and monitored by the Board of Directors.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company maintains sufficient cash balances to meet current working capital requirements. The Company is considered to be in the exploration stage. Thus, it is dependent on obtaining regular financings in order to continue its exploration stage. Despite previous success in acquiring these financings, there is no guarantee of obtaining future financings. The Company's cash and equivalents is invested in business accounts with quality financial institutions and which is available on demand for the Company's programs, and is not invested in any asset backed commercial paper.

11. FINANCIAL INSTRUMENTS (cont'd...)

Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash and equivalents, marketable securities, and receivables. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash and equivalents with high-credit quality financial institutions.

The majority of the Company's cash and equivalents are held with major Canadian based financial institutions. Receivables mainly consist of refundable value added tax from the Government of Portugal.

Currency risk

The Company operates in Canada, Portugal, Sweden and Republic of Cyprus and is therefore exposed to foreign exchange risk arising from transactions denominated in a foreign currency.

The operating results and the financial position of the Company are reported in Canadian dollars. The fluctuations of the operating currencies in relation to the Canadian dollar will, consequently, have an impact upon the reporting results of the Company and may also affect the value of the Company's assets and liabilities.

The Company's cash and equivalents, marketable securities, receivables, and accounts payable and accrued liabilities are held in several currencies and therefore are subject to fluctuations against the Canadian dollar.

The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Current financial assets and financial liabilities are generally not exposed to interest rate risk because of their short-term maturity.

Price Risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company's marketable securities are classified as held for trading and trade on the stock market. The Company closely monitors its marketable securities stock market movements and commodity prices of precious metals, individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company.

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11. FINANCIAL INSTRUMENTS (cont'd...)

Financial assets

The estimated fair value of financial assets is equal to their carrying values. The fair value of cash and equivalents and marketable securities are based on level I inputs of the fair value hierarchy. The Company's financial assets were held in the following currencies:

Stated in Canadian Dollars					
December 31, 2009					
Carrying Value	Canadian Dollar	US Dollar	European Euro	Swedish Krona	Total
Cash	416,314	442,698	124,625	374	984,011
Cash equivalents	900,288	-	-	-	900,288
Cash and equivalents	1,316,602	442,698	124,625	374	1,884,299
Restricted cash	-	-	113,250	-	113,250
Marketable securities	644,128	108,890	-	-	753,018
Receivables	-	-	-	-	-

Stated in Canadian Dollars					
December 31, 2008					
Carrying Value	Canadian Dollar	US Dollar	European Euro	Swedish Krona	Total
Cash	490,070	177,288	17,824	2,214	687,396
Cash equivalents	1,391,981	-	-	-	1,391,981
Cash and equivalents	1,882,051	177,288	17,824	2,214	2,079,377
Restricted cash	-	-	-	-	-
Marketable securities	-	971,619	-	-	971,619
Receivables	-	-	6,331	-	6,331

Financial liabilities

The estimated fair value of financial liabilities is equal to their carrying values. The Company's financial liabilities were held in the following currencies:

Stated in Canadian Dollars				
December 31, 2009				
Carrying Value	Canadian Dollar	European Euro	Swedish Krona	Total
Accounts payable and accrued liabilities	72,001	39	2,926	74,966

Stated in Canadian Dollars				
December 31, 2008				
Carrying Value	Canadian Dollar	European Euro	Swedish Krona	Total
Accounts payable and accrued liabilities	105,302	228,871	3,108	337,281

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12. SEGMENTED INFORMATION

The Company operates in one business segment, the exploration of mineral properties. Geographic information is as follows:

	Canada	Portugal	Sweden	Republic of Cyprus	Total
December 31, 2009					
Mineral property interests	\$ -	\$ 2,587,753	\$ 412,964	\$ 280,391	\$ 3,281,108
Equipment	15,534	-	-	-	15,534
Other assets	2,538,381	373,498	381	-	2,912,260
Total assets	\$ 2,553,915	\$ 2,961,251	\$ 413,345	\$ 280,391	\$ 6,208,902
Loss for the year	\$ (342,735)	\$ 2,305,155	\$ 72,042	\$ -	\$ 2,034,462

	Canada	Portugal	Sweden	Republic of Cyprus	Total
December 31, 2008					
Mineral property interests	\$ -	\$ 4,636,670	\$ 427,416	\$ 51,593	\$ 5,115,679
Equipment	22,192	-	-	-	22,192
Other assets	3,066,325	292,663	2,787	-	3,361,775
Total assets	\$ 3,088,517	\$ 4,929,333	\$ 430,203	\$ 51,593	\$ 8,499,646
Loss for the year	\$ 2,951,773	\$ 22,095	\$ 625,942	\$ -	\$ 3,599,810

13. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

	2009	2008
Cash paid during the year for interest	\$ -	\$ -
Cash paid during the year for income taxes	\$ -	\$ -

Significant non-cash transactions for the year ended December 31, 2009 included:

- \$1,500, included in mineral property interests incurred through accounts payable.
- The Company received marketable securities of 2,927,856 common shares in New World with a value of \$263,507 for repayment of \$250,000 of principal and \$13,507 for interest pursuant to a debt settlement agreement (Note 9).
- The Company issued 80,000 common shares of the Company with a value of \$8,000 pursuant to an option agreement to acquire a 90% interest in an exploration permit located in the Republic of Cyprus (Note 6).

Significant non-cash transactions for the year ended December 31, 2008 included:

- \$253,395, included in mineral property interests incurred through accounts payable.
- The Company issued 40,000 common shares of the Company with a value of \$12,800 pursuant to an option agreement to acquire a 90% interest in an exploration permit located in the Republic of Cyprus.

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14. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2009	2008
Loss for the year	\$ (2,034,462)	\$ (3,599,810)
Expected income tax (recovery)	(610,338)	(1,115,941)
Difference in foreign tax rates	12,897	1,307
Non-deductible items	376,181	1,101,273
Deductible items	(2,410)	(11,736)
Unrecognized benefit of non-capital losses	<u>223,670</u>	<u>25,097</u>
Total income tax recovery	\$ -	\$ -

Details of future income taxes assets (liabilities) are as follows:

	2009	2008
Future income tax assets (liabilities):		
Capital loss carryforwards	\$ 1,010,300	\$ 1,050,700
Non-capital loss carryforwards	1,857,900	2,218,500
Marketable securities	(34,000)	267,000
Equipment	22,300	19,950
Mineral properties	(546,900)	(1,055,200)
Share issuance costs	<u>4,000</u>	<u>6,300</u>
Total future income tax assets	2,313,600	2,507,250
Less: valuation allowance	<u>(2,313,600)</u>	<u>(2,507,250)</u>
Net future income tax assets	\$ -	\$ -

The Company has non-capital losses for Canadian income tax purposes of approximately \$4,200,000, for Portuguese income tax purposes of approximately \$3,200,000 and for Swedish income tax purposes of approximately \$23,000 which can be carried forward to reduce taxable income in future years. Unless utilized, these losses will expire for Canada through 2029, for Portugal through 2015 and for Sweden carried forward indefinitely. In addition, the Company has capital losses of approximately \$8,083,000 which are available to reduce any capital gains in future years. Future tax benefits, which may arise as a result of these non-capital losses, capital losses and other tax assets, have not been recognized in these financial statements and have been offset by a valuation allowance.

15. SUBSEQUENT EVENT

The following event occurred subsequent to December 31, 2009.

The Company granted 1,000,000 stock options at \$0.15 per share expiring January 19, 2015.