

# **NORTH COUNTRY GOLD CORP.**

Interim Consolidated Condensed Financial Statements

For the three months ended May 31, 2011 and 2010

To the shareholders of North Country Gold Corp:

The interim consolidated condensed financial statements of North Country Gold Corp. (the "Company") for the three months ended May 31, 2011 have been compiled by management.

No audit or review of this information has been performed by the Company's auditors.

## NORTH COUNTRY GOLD CORP.

## Interim Consolidated Condensed Statements of Financial Position

*(unaudited)*

As at	May 31 2011	February 28 2011	March 1 2010
<b>ASSETS</b>			
Current			
Cash and cash equivalents	\$ 17,915,571	\$ 3,306,018	\$ 1
Other current assets (note 4)	3,765,096	3,032,458	-
	21,680,667	6,338,476	1
Investments (note 5)	577,694	1,107,470	-
Equipment (note 6)	1,617,819	1,743,696	-
Mineral properties (note 7)	57,900,404	42,086,233	-
	<u>\$ 81,776,584</u>	<u>\$ 51,275,875</u>	<u>\$ 1</u>
<b>LIABILITIES</b>			
Current			
Accounts payable and accrued liabilities	\$ 7,673,224	\$ 836,670	\$ -
Income taxes payable	-	12,909	-
Deferred flow-through share premium (note 9)	2,203,740	-	-
	9,876,964	849,579	-
Deferred taxes	8,357,099	8,852,156	-
	<u>18,234,063</u>	<u>9,701,735</u>	<u>-</u>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital (note 10)	65,090,754	43,033,103	1
Contributed Surplus	3,041,929	2,890,122	-
Accumulated other comprehensive income	124,727	413,912	-
Deficit	(4,714,889)	(4,762,997)	-
	63,542,521	41,574,140	1
	<u>\$ 81,776,584</u>	<u>\$ 51,275,875</u>	<u>\$ 1</u>

Approved by the Audit Committee on behalf of the Board of Directors

Director (signed by) "Charles Chebry"Director (signed by) "Sean Mager"

## NORTH COUNTRY GOLD CORP.

## Interim Consolidated Condensed Statements of Comprehensive Loss

*(unaudited)*

<b>For the three months ended May 31</b>	<b>2011</b>	<b>2010</b>
<b>REVENUE</b>		
Drilling revenue	\$ 593,930	\$ 192,953
<b>EXPENSES</b>		
Drilling costs	449,289	199,722
General and administration (note 11)	440,957	244,730
	<u>(890,246)</u>	<u>(444,452)</u>
Loss from operations	<u>(296,316)</u>	<u>(251,499)</u>
<b>OTHER</b>		
Gain on sale of investments	194,787	17,930
Interest income	67,695	10,117
Gain (loss) on foreign exchange	(16,086)	209,942
	<u>246,396</u>	<u>237,989</u>
	(49,920)	(13,510)
Deferred taxes	<u>98,028</u>	<u>182,443</u>
<b>NET INCOME</b>	<b><u>48,108</u></b>	<b><u>168,933</u></b>
<b>OTHER COMPREHENSIVE LOSS</b>		
Unrealized loss on available for sale fixed assets	(35,587)	(180,676)
Realized gain on sale of available for sale fixed assets recognized in net income (loss)	(150,987)	6,044
Foreign exchange on net investment in foreign operations	(113,053)	(212,467)
Deferred taxes	10,442	49,402
	<u>(289,185)</u>	<u>(337,697)</u>
<b>TOTAL COMPREHENSIVE LOSS</b>	<b><u>\$ (241,077)</u></b>	<b><u>\$ (168,764)</u></b>
<b>BASIC NET INCOME PER COMMON SHARE</b>	<b><u>\$ 0.00</u></b>	<b><u>\$ 0.01</u></b>
Basic weighted average number of common shares	<u>94,996,056</u>	<u>27,407,382</u>
<b>DILUTED NET INCOME PER COMMON SHARE</b>	<b><u>\$ 0.00</u></b>	<b><u>\$ 0.01</u></b>
Diluted weighted average number of common shares	<u>105,357,268</u>	<u>27,525,020</u>

NORTH COUNTRY GOLD CORP.  
Interim Consolidated Statements of Changes in Equity

(unaudited)

**For the three months ended May 31, 2011**

	Number of common shares	Share capital	Contributed surplus	Deficit	Accumulated other comprehensive income	Total shareholders' equity
February 28, 2011	78,380,041	\$ 43,033,103	\$ 2,890,122	\$ (4,762,997)	\$ 413,912	\$ 41,574,140
Comprehensive loss	-	-	-	48,108	(289,185)	(241,077)
Private placement (note 10)	16,420,000	22,796,640	-	-	-	22,796,640
Issuance of agent's warrants	-	(581,268)	581,268	-	-	-
Cash share issuance costs, net of deferred taxes	-	(1,222,414)	-	-	-	(1,222,414)
Exercise of stock options	100,000	77,000	(30,000)	-	-	47,000
Exercise of warrants	1,512,662	987,693	(399,461)	-	-	588,232
	18,032,662	22,057,651	151,807	48,108	(289,185)	21,968,381
<b>May 31, 2011</b>	<b>96,412,703</b>	<b>\$ 65,090,754</b>	<b>\$ 3,041,929</b>	<b>\$ (4,714,889)</b>	<b>\$ 124,727</b>	<b>\$ 63,542,521</b>

**For the three months ended May 31, 2010**

	Number of common shares	Share capital	Contributed surplus	Deficit	Accumulated other comprehensive income	Total shareholders' equity
March 1, 2010	1	\$ 1	\$ -	\$ -	\$ -	\$ 1
Comprehensive loss	-	-	-	168,933	(337,697)	(168,764)
Arrangement (note 3)	35,976,521	32,767,187	-	-	-	32,767,187
Private placement	24,100,000	6,025,000	163,590	-	-	6,188,590
	60,076,521	38,792,187	163,590	168,933	(337,697)	38,787,013
<b>May 31, 2010</b>	<b>60,076,522</b>	<b>\$ 38,792,188</b>	<b>\$ 163,590</b>	<b>\$ 168,933</b>	<b>\$ (337,697)</b>	<b>\$ 38,787,014</b>

NORTH COUNTRY GOLD CORP.  
Interim Consolidated Statements of Cash Flows

(unaudited)

For the three months ended May 31	2011	2010
<b>Cash provided by (used in):</b>		
<b>Operating activities:</b>		
Net income	\$ 48,108	\$ 168,933
Items not affecting cash:		
Depreciation	91,333	74,964
Deferred taxes	(98,028)	(195,751)
Gain on sale of investments	(194,787)	(17,930)
	<u>(153,374)</u>	<u>30,216</u>
Cash items related to investing activities:		
Interest income	(67,695)	(10,117)
	<u>(221,069)</u>	<u>20,099</u>
Changes in non-cash working capital	<u>692,122</u>	<u>568,805</u>
Cash provided by operating activities	<u>471,053</u>	<u>588,904</u>
<b>Investing activities</b>		
Interest received	67,695	10,117
Proceeds on sale of investments	558,873	179,988
Purchase of equipment	(3,841)	(227,579)
Mineral interest – exploration	(10,376,901)	(5,967,069)
Foreign exchange on translation of net investment in foreign subsidiary	(113,053)	(212,467)
Working capital acquired in Asset Transfer (note 3)	-	4,246,587
Cash used in investing activities	<u>(9,867,227)</u>	<u>(1,970,423)</u>
<b>Financing activities</b>		
Proceeds from private placements (note 10)	25,000,380	6,000,000
Proceeds from exercise of options	47,000	-
Proceeds from exercise of warrants	588,232	-
Cash share issuance costs (note 10)	(1,629,885)	(472,139)
Cash provided by financing activities	<u>24,005,727</u>	<u>5,527,861</u>
<b>Net increase in cash and cash equivalents</b>	<u>14,609,553</u>	<u>4,416,542</u>
Cash and cash equivalents – beginning of period	<u>3,306,018</u>	<u>1</u>
<b>Cash and cash equivalents – end of period</b>	<u>\$ 17,915,571</u>	<u>\$ 4,146,543</u>

## 1. Nature of operations

North Country Gold Corp. (the "Company" or "NCG") was incorporated in Alberta, Canada, on February 3, 2010 as a wholly owned subsidiary of CBR Gold Corp. (now Niblack Mineral Development Inc.) ("NIB") for the purposes of effecting a plan of arrangement between NIB, NIB's shareholders, and the Company (the "Arrangement").

On April 1, 2010, NIB transferred its Canadian and Australian assets ("Asset Transfer"), including the Committee Bay and Baffin Island properties in Nunavut, Canada, and the Jaurdi Hills property in Western Australia, Australia, to the Company in exchange for a right ("Right") to receive that number of common shares of the Company equal to the number of common shares of NIB issued and outstanding as at the date of effecting the Arrangement ("NCG Shares").

On April 9, 2010 (the "Arrangement Date"), NIB, its shareholders and the Company completed the Arrangement to distribute the Right to shareholders of record in NIB on the Arrangement Date (the "Shareholders") as a return and reduction in the stated capital of NIB's common shares, such that each Shareholder received an undivided interest in the Right in proportion to the Shareholder's ownership in NIB. The Right was immediately exchanged by the Shareholders for 35,976,521 NCG Shares and cancelled. Each Shareholder received one common share of the Company for each common share of NIB owned by such Shareholder on the Arrangement Date.

On April 15, 2010, the Company's common shares began trading on the TSX Venture Exchange under the stock symbol "NCG".

The Company's primary business is the acquisition, exploration, and development of mineral properties for sale or extraction. The Company's registered office is Suite 3300, 421 7<sup>th</sup> Avenue SW, Calgary, Alberta, Canada, T2P 4K9. The Company's head office is at Suite 220, 9797 45 Avenue NW, Edmonton, Alberta, T6E 5V8.

These interim consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business. At the current stage of the Company's operations, the ability of the Company to continue as a going concern is dependent upon its ability to obtain additional sources of financing. If the Company is unsuccessful in obtaining additional financing to fund operations and the exploration and development of its mineral properties, the going concern assumption may not be appropriate and adjustments would be necessary to the carrying value of assets and liabilities and reported revenues and expenses. Such adjustments could be material.

## 2. Significant accounting policies

### a) Statement of compliance

The consolidated financial statements of the Company for the year ending February 29, 2012 will be prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These interim consolidated condensed financial statements for the three months ended May 31, 2011 and 2010 have been prepared in accordance with IFRS for interim financial statements, as specified in International Accounting Standard ("IAS") 34 – *Interim Financial Reporting* ("IAS 34"). These consolidated financial statements do not contain all of the disclosures required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Company, prepared using Canadian generally accepted accounting principles ("GAAP"), for the year ended February 28, 2011.

These are the Company's first financial statements prepared in accordance with IFRS and, accordingly, IFRS 1 – *First time adoption of [IFRS]* ("IFRS 1") has been applied. The Company previously prepared its financial statements in accordance with GAAP. The Company's transition date for converting to IFRS was March 1, 2010 and the impact of the transition on the Company's previously reported financial position, results of operations, and cash flows is provided in note 13. As these are the Company's first set of interim consolidated financial statements in accordance with IFRS, the disclosures contained herein exceed the minimum requirements of IAS 34.

The preparation of financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates and requires management to exercise judgement in applying the Company's accounting policies.

The new accounting policies applied in these interim consolidated condensed financial statements are in accordance with IFRSs issued and outstanding as of August 26, 2011, the date that the Board of Directors of the Company approved these interim consolidated financial statements. Subsequent changes to IFRSs which are required to be adopted by the Company for the year ending February 29, 2012 may result in the restatement of the reported balances of assets, liabilities, equity, operations, or cash flows in these interim consolidated financial statements.

b) Basis of Presentation

These interim consolidated financial statements are presented in Canadian Dollars, and the use of the symbol "\$" herein is in reference to Canadian Dollars. Disclosures for amounts denominated in currencies other than Canadian Dollars use the International Standards Organization ("ISO") 3-letter symbol for such foreign currency. These interim consolidated financial statements, other than cash flow information, are prepared using the accrual basis of accounting.

These consolidated interim financial statements include the accounts of the Company, which is incorporated in Alberta under the Business Corporations Act (*Alberta*), and its wholly owned subsidiaries Committee Bay North Ltd. (incorporated in the Northwest Territories) and CBR Australia Holdings Inc. (amalgamated in Alberta) and its wholly owned subsidiary Matador Mining Pty. Ltd. (incorporated in Australia), along with its wholly owned subsidiary Toro Drilling & Services Pty Ltd. (incorporated in Australia). All material intercompany balances and transactions have been eliminated on consolidation.

In addition, the consolidated statement of financial position as at March 1, 2010 and the interim consolidated statements of comprehensive loss and cash flows for the three months ended May 31, 2010 include the accounts of Toro Mining Pty Ltd., a wholly owned subsidiary of Matador Mining Pty Ltd. until its sale in October 2010.

c) Use of estimates

The business of exploration for minerals involves a high degree of risk and there can be no assurance that the Company's current mineral properties and exploration programs will result in profitable mining operations. The recoverability of mineral interests and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise additional funds through equity financings, if necessary, or upon the Company's ability to dispose of its interest in its mineral properties on an advantageous basis. Changes in future

conditions may require the material adjustments to impair the carrying value of the Company's mineral interests.

The Company uses estimates, judgements, and assumptions that affect the amounts reported and disclosed in its financial statements and related notes. The areas of estimation and judgement that management considers to be most significant are equipment, financial instruments, mineral interests, and income taxes. Actual results could differ materially from those estimates.

d) Accounting standards and interpretations issued but not yet effective

Certain newly pronounced IFRSs and interpretations, amendments, and improvements to existing IFRSs are not yet effective for the Company's current financial year ending February 29, 2012, and have not been applied in preparing these interim consolidated financial statements:

IFRS 9 – *Financial instruments* addresses the classification and measurement of financial assets.

No material changes to the Company's financial statements are expected as a result of the adoption of the above new or revised standards, which will be effective for the Company's financial year ending February 28, 2014.

e) Cash and cash equivalents

Cash and cash equivalents is comprised of: cash on hand; cash on deposit with the Company's financial institution, and; highly liquid investments with maturity dates of three months or less. Restricted cash, when applicable, is presented as a non-current asset.

f) Financial instruments

Financial instruments are classified into one of five categories and, depending on the category, will either be measured at amortized cost or fair value. Held to maturity investments, loans and receivables, and other financial liabilities are measured at amortized cost. Financial assets and liabilities classified as held for trading, and available for sale financial assets are carried on the consolidated statement of financial position at their fair values where such fair value is determinable. Changes in the fair value of held for trading financial instruments are recognized in net income (loss) in the period in which they occur, and changes in the fair value of available for sale financial assets are recognized as a component of other comprehensive income until the related financial assets are derecognized at which time accumulated changes in fair value in accumulated other comprehensive income are recognized in net income (loss). The Company classifies cash and cash equivalents as held for trading. Receivables are classified as loans and receivables. Investments in marketable securities are classified as available for sale. Payables are classified as other financial liabilities.

g) Foreign currency

The Canadian dollar is the functional and presentation currency of the Company and each of the Company's subsidiaries. Transactions in foreign currencies are translated into the functional currency at exchange rates in effect on the transaction date. Monetary assets and liabilities denominated in currencies other than the functional currency are translated into the functional currency at exchange rates in effect on the date of the consolidated statement of financial position. Non-monetary items are translated at historical exchange rates, except where such items are carried at fair value, in which case they are translated at the exchange rate in effect at the date of the consolidated statement of financial position. The resulting foreign exchange gains or losses are recognized in net income (loss) from

operations in the periods in which they occur, except for foreign currency gains and losses arising from fluctuations in currency exchange rates on the net investment of the Company in its foreign operations, which is reported as a component of other comprehensive income until the Company's net investment in foreign operations changes, at which time the associated accumulated amount of foreign exchange gains and losses are reclassified from accumulated other comprehensive income to net income (loss).

h) Flow through shares

The Company finances exploration of its Canadian mineral interests partially through proceeds raised upon the issuance of flow through shares pursuant to the Income Tax Act (*Canada*). The sale of flow through shares allows the Company to transfer deductibility of qualifying exploration costs to the purchasers of flow through shares.

Upon the issuance of flow through shares, the Company determines the premium associated with the flow through feature of flow through shares by comparing the sale price of the flow through share with the quoted closing market price of the Company's common shares on the date of sale, deemed to be the fair value of the common shares without the flow-through feature. The sale of flow through shares is accounted for by increasing share capital by the lesser of: i) the proceeds on sale, and; ii) the fair value of the common shares issued. The excess, if any, is the deemed flow through premium and is recorded as a liability on the consolidated statement of financial position, classified as current or non-current depending on the company's expectations of timing of renunciation of the income tax deductions to the purchasers of flow through shares and incurring the underlying expenditures.

Once the renunciation of income tax deductions to purchasers of flow through shares is certain, the Company recognizes an associated deferred tax liability and expense, representing the future income tax effect on the Company of forfeiting the deductibility of costs incurred, and the associated deferred flow through share premium is recognized in net income (loss) to the extent that renounced expenditures have actually been incurred.

i) Income taxes

The liability method is used for determining income taxes. Under this method, deferred tax assets and liabilities are recognized for the estimated tax recoverable or payable that would arise if assets and liabilities were recovered or settled at the financial statement carrying amounts. Future tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the year in which temporary differences are expected to be recovered or settled. Changes to these balances, including changes due to changes in income tax rates, are recognized in net income (loss) or equity, depending on the classification of the transaction giving rise to the change in deferred taxes, in the period in which they occur. The amount of future tax assets recognized is limited to the amount that is probable to be realized.

j) Inventories

Inventories of consumable supplies and spare parts expected to be used in production are valued at the lower of average cost or net realizable value. A regular and ongoing review is undertaken to establish whether items are obsolete or damaged, and if so their carrying amount is written down to its net realizable value.

k) Mineral interests

Mineral property acquisition costs and exploration costs directly related to specific properties are deferred, commencing on the date that the Company acquires legal rights to explore a mineral property, until technical and economic feasibility of extracting a mineral resource is demonstrable, or until the properties are sold or abandoned. All other costs, including administrative overhead are expensed as incurred. If the properties are put into commercial production, the acquisition and exploration expenditures will be depleted using the units of production basis based upon the proven reserves available. If the properties are sold or abandoned, these expenditures will be written off.

Mineral interests are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. Where there is evidence of impairment, the net carrying amount of the asset will be written down to its fair value. Impairment losses are not reversed even if circumstances change and the net recoverable amount subsequently increases.

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 conveyance history characteristic of many resource 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.

l) Net income (loss) per share

Net income (loss) per share is computed by dividing the net income (loss) by the weighted average number of common shares outstanding during the period. Diluted per share amounts reflect the potential dilution that could occur if stock options or warrants to purchase common shares were exercised and converted to common shares. The treasury stock method of calculating diluted per share amounts is used whereby any proceeds from the exercise of stock options or warrants that are in the money are assumed to be used to purchase common shares of the Company at the average market price during the year. When the Company is in a net loss position, the conversion of convertible securities is considered to be anti-dilutive.

m) Equipment

Equipment is recorded at cost. The Company provides for depreciation using either the declining balance or straight line methods at rates designed to amortize the cost of individual items and their material components over their estimated useful lives.

n) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

o) Share based payments

Stock-based compensation related to the issuance of stock options to employees, consultants, directors, and officers pursuant to the Company's stock option plan, and compensation warrants and options issued pursuant to private placements, is accounted for using the fair value method whereby compensation expense related to these programs is recorded in the statement of net income (loss) with a corresponding increase to contributed surplus in equity. The fair value of options granted is determined at the date of vesting using the Black Scholes option pricing model and expensed over the

vesting period. The fair value of warrants issued to agents is recorded as share issue costs with a corresponding increase to contributed surplus. Consideration paid on the exercise of stock options and warrants is credited to share capital. Upon the exercise of the stock options or compensation warrants, consideration received together with the amount previously recognized in contributed surplus is recorded as an increase to share capital. The Company incorporates an estimated forfeiture rate for stock options and agents warrants that may not vest.

p) Related party transactions

The Company recognizes related party transactions at their exchange amount, being the amount of consideration paid for received for goods, services, assets or liabilities, provided that the related party transaction is i) in the normal course of business, and ii) has economic substance. For related party transactions which are not in the normal course of business and have no economic substance, the Company records the transaction at the carrying amount.

### 3. Asset transfer

The Company was incorporated on February 3, 2010 as a wholly owned subsidiary of CBR Gold Corp. (now Niblack Mineral Development Inc.) ("NIB") for the purposes of effecting a plan of arrangement between NIB, NIB's shareholders, and the Company (the "Arrangement").

On April 1, 2010, NIB transferred its Canadian and Australian assets ("Asset Transfer"), including the Committee Bay and Baffin Island properties in Nunavut, Canada, and the Jaurdi Hills property in Western Australia, Australia, to the Company in exchange for a right ("Right") to receive that number of common shares of the Company equal to the number of common shares of NIB issued and outstanding as at the date of effecting the Arrangement ("NCG Shares"). This transaction was a related party transaction without economic substance and not in the normal course of business and, pursuant to the Company's accounting policy on related party transactions, the Company recorded the assets and liabilities acquired from NIB at their carrying values in NIB.

On April 9, 2010 (the "Arrangement Date"), NIB, its shareholders and the Company completed the Arrangement to distribute the Right to shareholders of record in NIB on the Arrangement Date (the "Shareholders") as a return and reduction in the stated capital of NIB's common shares, such that each Shareholder received an undivided interest in the Right in proportion to the Shareholder's ownership in NIB. The Right was immediately exchanged by the Shareholders for 35,976,521 NCG Shares and cancelled. Each Shareholder received one common share of the Company for each common share of NIB owned by such Shareholder on the Arrangement Date.

The following table summarizes the carrying values of the assets and liabilities transferred from NIB in the Asset Transfer (note 1):

Working capital	\$ 4,246,587
Investments	921,891
Property, plant and equipment	1,847,259
Mineral interests	31,739,419
Asset retirement obligation	(38,552)
Deferred tax liability	(7,695,242)
<b>Net assets transferred</b>	<b>\$ 31,021,362</b>

NORTH COUNTRY GOLD CORP.

Notes to the Interim Consolidated Condensed Financial Statements

For the three months ended May 31, 2011 and 2010

(unaudited)

**4. Other current assets**

As at	May 31 2011	February 28 2011	March 1 2010
Trade accounts receivable	\$ 441,706	\$ 289,396	\$ -
Accrued receivables	14,076	-	-
Prepayments and deposits	2,446,064	2,040,078	-
Inventories	109,248	111,775	-
Goods and services tax credits receivable	754,002	591,209	-
	<u>\$ 3,765,095</u>	<u>\$ 3,032,458</u>	<u>\$ -</u>

**5. Investments**

As at	May 31 2011	February 28 2011	March 1 2010
Marketable securities classified as available for sale financial assets (a)	\$ 549,938	\$ 1,079,714	\$ -
Gold nuggets (b)	27,756	27,756	-
	<u>\$ 577,694</u>	<u>\$ 1,107,470</u>	<u>\$ -</u>

(a) The Company holds securities of publically traded companies which it has classified as available for sale financial assets, carried at fair value, with unrealized gains and losses held as a component of accumulated other comprehensive income (loss) in equity, net of deferred taxes.

(b) The Company owns 41 ounces of naturally formed gold nuggets from Western Australia. These gold nuggets are non-financial assets and are carried at cost.

**6. Mineral Properties**

	Committee Bay	Baffin Island	Jaurdi Hills	Total
February 28, 2011	\$ 42,074,545	\$ 11,688	\$ -	\$ 42,086,233
Exploration costs	15,814,171	-	-	15,814,171
May 31, 2011	<u>\$ 57,888,716</u>	<u>\$ 11,688</u>	<u>-</u>	<u>\$ 57,900,404</u>
March 1, 2010	\$ -	\$ -	\$ -	\$ -
Acquired in Asset Transfer (note 3)	31,476,148	11,688	251,583	31,739,419
Additional acquisition costs	8,955	-	-	8,955
Exploration costs	8,523,505	-	21,890	8,545,395
May 31, 2011	<u>\$ 40,008,608</u>	<u>\$ 11,688</u>	<u>\$ 273,473</u>	<u>\$ 40,293,769</u>

**7. Deferred flow through share premium**

Balance, March 1, 2010	\$ -
Private placement, May 2010	<u>-</u>
Balance, May 31, 2010	-
Private placement, July 2010	93,281
Renunciation of tax deductions to purchasers of flow through shares	<u>(93,281)</u>
Balance, February 28, 2011	-
Private placement, March 2011	<u>2,203,740</u>
Balance, May 31, 2011	<u>\$ 2,203,740</u>

On March 9, 2011, the Company sold flow through shares for total proceeds of \$25,000,380, with renunciation of the related expenditures to the purchasers of these flow through shares expected to occur effective December 31, 2011. Pursuant to the Income Tax Act (*Canada*), the Company must incur an equivalent amount on qualifying Canadian exploration expenditures no later than December 31, 2012. Subsequent to May 31, 2011, the Company had expended the full amount to be renounced on December 31, 2011.

**8. Share capital**

## a) Common shares

The Company's articles authorize an unlimited number of common shares.

On April 1, 2010, the Company issued to NIB the Right (note 1) entitling it to receive that number of common shares of the Company equal to the number of common shares of NIB outstanding at the date of completion of the Arrangement in exchange for NIB's Canadian and Australian assets including approximately \$4.2 Million in working capital (note 3). Pursuant to the completion of the Arrangement on April 9, 2010, the Right was exchanged for 35,976,521 common shares of the Company. The Asset Transfer was between related parties, as the Company was a fully owned subsidiary of NIB at the date of the issuance of the right and, as such, the assets and liabilities acquired by the Company have been recorded at their carrying values in the predecessor entity (NIB) at the date of transfer. The common shares issued pursuant to conversion of the Right on April 9, 2010 have been recorded at an aggregate amount of \$31,021,362 or approximately \$0.86 per common share, representing the aggregate carrying value of the net assets acquired from NIB, adjusted for deferred taxes arising from the Asset Transfer. The components of the assets and liabilities acquired in exchange for the Right are disclosed in note 3.

On May 4, 2010, the Company completed a private placement with an exclusive agent. The Company issued 24,000,000 common shares as flow-through shares pursuant to the Income Tax Act (*Canada*) ("FT Shares") at a price of \$0.25 per FT Share, for gross proceeds of \$6,000,000. In connection with the sale of 23,370,000 of the FT Shares, the Company paid the agent a cash commission of \$408,975 (representing 7% of the proceeds) and issued to the agent non-transferable share purchase warrants entitling the agent to purchase up to 1,635,900 common shares of the Company (representing 7% of such FT Shares) at an exercise price of \$0.25 per common share until May 4, 2012. The Company also issued to the agent 100,000 common shares in payment of a \$25,000 corporate finance fee and

reimbursed the agent for its reasonable expenses incurred in relation to the offering. The remaining 630,000 FT Shares were sold on a non-brokered basis. The Company has determined that no premium was included in the price of the FT Shares related to the flow through feature, and therefore the entire proceeds have been classified as share capital in equity on the consolidated statements of financial position.

On July 15, 2010, the Company completed a private placement with an exclusive agent. The Company sold 1,243,750 FT Shares at a price of \$0.32 per FT Share and 4,300,000 units of the Company (the "Units") at a price of \$0.30 per Unit for gross proceeds of \$1,688,000. Each Unit consisted of one common share of the Company and one-half of one non-transferable common share purchase warrant. Each whole warrant entitles the holder to acquire one additional common share at a price of \$0.40 per common share until July 15, 2012. In connection with the sale of the Units and FT shares, the Company paid the agent a cash commission of \$118,160 (representing 7% of the gross proceeds) and issued to the agent non-transferable share purchase warrants entitling the agent to purchase up to 388,062 common shares of the Company (representing 7% of the Units and FT shares sold) at an exercise price of \$0.32 per common share until July 15, 2012. The Company has determined a flow through premium of \$0.075 per FT Share sold in this offering, for an aggregate amount of \$93,281.

On November 10, 2010, the Company completed a private placement with an exclusive agent. The Company sold 10,200,000 units (the "Units") of the Company at a price of \$0.50 per Unit, for proceeds of \$5,100,000 (the "Offering"). In addition, the Company completed a non-brokered private placement, where the Company issued 1,800,000 Units at a price of \$0.50 per Unit for proceeds of \$900,000. Each Unit consists of one common share of the Company and one-half of one non-transferable common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant entitles the holder to subscribe for one additional share of the Company for a period of 24 months from the closing of the Offering at an exercise price of \$0.60 per share. The Agent received a commission of 6.5% of the gross proceeds raised through the Offering, which was paid in a combination of cash and Units, and non-transferable warrants ("Broker Warrants") equal to 7% of the Units issued through the Offering. A portion of the cash commission (\$93,925) was paid through the issuance of 187,850 Units. Each Broker Warrant shall be exercisable to acquire one Unit of the Company at an exercise price of \$0.50 per Unit for a period of 24 months from closing of the offering. The Agent also received a corporate finance fee of 250,000 Units. No fees were paid in connection with the non-brokered private placement portion of the financing.

On March 9, 2011, the Company completed an underwritten private placement for gross proceeds of \$25,000,380 consisting of an aggregate 16,420,000 common shares of the Company, of which 10,494,000 Common Shares were issued as flow-through shares ("FT Shares") at a price of \$1.62 per FT Share, and the remaining 5,926,000 common shares ("Non-FT Shares") at a price of \$1.35 per Non-FT Share. Underwriters of the offering ("Underwriters") received a cash fee on the sale of the FT Shares and the Non-FT Shares equal to 6% of the gross proceeds raised, and 985,200 warrants ("Broker Warrants") representing 6% of the aggregate number of FT Share and Non-FT Shares sold in the offering. Each Broker Warrant is exercisable for one common share of the Company at a price of \$1.47 until March 9, 2013. The Company has determined a flow through premium of \$0.21 per FT Share sold in this offering, for an aggregate amount of \$2,203,740.

NORTH COUNTRY GOLD CORP.

Notes to the Interim Consolidated Condensed Financial Statements

For the three months ended May 31, 2011 and 2010

(unaudited)

b) Warrants

A summary of share purchase warrant activity in the year is as follows:

	Number of warrants	Weighted average exercise price
Outstanding warrants, March 1, 2010	-	\$ -
Issued	1,635,900	\$ 0.25
Outstanding warrants, May 31, 2010	1,635,900	\$ 0.25

	Number of warrants	Weighted average exercise price
Outstanding warrants, February 28, 2011	10,784,968	\$ 0.50
Issued	1,173,755	\$ 1.33
Exercised	(1,512,662)	\$ 0.39
Outstanding warrants, May 31, 2011	10,446,061	\$ 0.61

A summary of the warrants outstanding at May 31, 2011 is as follows:

Exercise Price	Number of warrants	Remaining contractual life (years)	Note
\$ 0.25	649,735	0.9	i.
\$ 0.40	2,050,000	1.1	
\$ 0.32	345,263	1.1	ii.
\$ 0.60	5,893,925	1.4	
\$ 0.50	341,950	1.4	iii.
\$ 1.47	985,200	1.8	
\$ 0.60	179,988	1.4	iv.
\$ 0.61	10,446,061	1.6	

- i. 1,635,900 warrants were issued to agents pursuant to a brokered private placement which closed on May 4, 2010 as compensation for services provided by the agent. The estimated fair value of these agents' warrants of \$294,462, or \$0.18 per agents' warrant, was recorded as a reduction to share capital (as a share issuance cost) and an increase to contributed surplus, and was calculated using the Black-Scholes option pricing model using the following grant-date assumptions: expected life, 2 years; expected volatility, 80%; risk-free rate 1.68%; expected dividends, 0%.

- ii. 388,062 warrants were issued to agents pursuant to a brokered private placement which closed on July 15, 2010 as compensation for service provided by the agent. The estimated fair value of these agents' warrants of \$34,926, or \$0.09 per agents' warrant, was recorded as a decrease to share capital (as a share issuance cost) and an increase to contributed surplus, and was calculated using the Black-Scholes option pricing model using the following grant-date assumptions: expected life, 2 years; expected volatility, 80%; risk-free rate 1.58%; expected dividends, 0%.
- iii. 714,000 warrants, exercisable for units of the Company ("CC Units"), were issued to agents pursuant to a brokered private placement which closed on November 10, 2010 as compensation for services provided by the agent. The estimated fair value of these agents' warrants of \$478,380, or \$0.67 per agents' warrant, was recorded as a decrease to share capital (as a share issuance cost) and an increase to contributed surplus, and was calculated using the Black-Scholes option pricing model using the following grant-date assumptions: expected life, 2 years; expected volatility, 80%; risk-free rate 1.57%; expected dividends, 0%.

Upon exercise of each of these agents' warrants, the Company will issue a CC Unit which shall consist of one common share of the Company and an additional one-half warrant (each whole additional warrant, a "CCX Warrant") each exercisable at \$0.60 for one common share. The estimated fair value of the CCX Warrants of \$221,340 has been recorded as a decrease to share capital as a cost of share issuance and an increase to contributed surplus, and was calculated using the Black-Scholes option pricing model using the following grant-date assumptions: expected life, 2 years; expected volatility, 80%; risk-free rate 1.57%; expected dividends, 0%. As at February 28, 2011, no CC Units had been issued.

- iv. 985,200 warrants were issued to agents pursuant to an underwritten private placement closing on March 9, 2011 as compensation for services provided by the agents. The estimated fair value of the agents' warrants of \$581,268, or \$0.59 per agents' warrant, was estimated using the Black Scholes option pricing model using the following grant-date assumptions: expected life, 2 years; expected volatility, 80%; risk free rate, 0.95%; expected dividends, 0%.

c) Stock options

Pursuant to a new stock option plan (the "Plan") for directors, officers, employees, and consultants approved by shareholders on March 24, 2010, the Company may reserve a maximum of 10% of the issued and outstanding listed common shares; the exercise price to be determined on the date of issuance of the options.

The options are non-transferable and will expire, if not exercised, 90 days following the date the optionee ceases to be a director, officer, employee or consultant of the Company for reasons other than death, one year after the death of an optionee and on the fifth anniversary of the date the option was granted.

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Notes to the Interim Consolidated Condensed Financial Statements  
For the three months ended May 31, 2011 and 2010

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A summary of stock option activity in the year is as follows:

	Number of options	Weighted average exercise price
Outstanding options, March 1, 2010	-	\$ -
Issued	5,750,000	\$ 0.47
Outstanding options, May 31, 2010	<u>5,750,000</u>	<u>\$ 0.47</u>

	Number of options	Weighted average exercise price
Outstanding options, February 28, 2011	5,750,000	\$ 0.47
Exercised	(100,000)	\$ 0.47
Outstanding options, May 31, 2011	<u>5,650,000</u>	<u>\$ 0.47</u>

A summary of the options outstanding at May 31, 2011 is as follows:

Exercise Price	Number of warrants	Remaining contractual life (years)	Note
\$ 0.47	5,650,000	4.3	i.
<u>\$ 0.47</u>	<u>5,650,000</u>	<u>4.3</u>	

- i) On October 1, 2010, The Company announced that its Board of Directors granted stock options to acquire up to an aggregate 5,750,000 common shares of the Company under the Plan, vesting immediately upon issuance. The stock options are exercisable at a price of \$0.47 per common share and expire on October 1, 2015 or earlier in accordance with the terms of the Plan.

The estimated fair value of these options of \$1,725,000, or \$0.30 per option, has been recorded as stock based compensation expense and as an increase to contributed surplus, and was calculated using the Black-Scholes option pricing model using the following grant-date assumptions: expected life, 5 years;; expected volatility, 80%; risk-free rate 2.03%; expected dividends, 0%. The options were issued with an exercise price equal to the quoted market price of the Company's common shares on the date of issuance.

NORTH COUNTRY GOLD CORP.

Notes to the Interim Consolidated Condensed Financial Statements

For the three months ended May 31, 2011 and 2010

(unaudited)

**9. General and administrative expenses**

For the three months ended May 31	2011	2010
Depreciation	\$ 4,627	\$ 5,014
Conferences and travel	55,012	6,078
Office and administration	152,861	94,247
Professional fees	55,412	10,702
Promotion and investor relations	67,826	14,539
Wages and consulting fees	105,219	114,150
	<u>\$ 440,957</u>	<u>\$ 244,730</u>

**10. Related party transactions**

During the three months ended May 31, 2011, the Company incurred and paid fees to directors and officers for management and professional services as follows:

For the three months ended May 31	2011	2010
Management consulting fees paid to a director	\$ 4,200	\$ 1,575
Management consulting fees paid to corporations controlled by directors and officers	65,157	14,044
Investor relations consulting fees paid to a director	29,167	-
Capitalized geological consulting fees paid to a corporation controlled by a director	34,100	25,050
	<u>\$ 132,624</u>	<u>\$ 40,669</u>

**11. Transition to IFRS**

These are the Company's first interim consolidated condensed financial statements for the period covered by the first annual consolidated financial statements prepared in accordance with IFRS. These financial statements have been prepared using the accounting policies disclosed in note 2, applied retroactively to the periods and dates presented.

At the Company's transition date of March 1, 2010, the Company had not commenced operations, and did not own any assets nor was it party to any liabilities. As such the Company has not utilized any of the optional exemptions contained in IFRS 1 – *First time adoption of International Financial Reporting Standards*. Rather, upon transition to IFRS, all of the company's historical financial transactions have been restated to be in accordance with IFRS. The adoption of mandatory exemptions in IFRS 1 have not resulted in any material changes to previously reported amounts.

The retroactive application of new accounting policies, adopted as a result of the transition to IFRS, has resulted in adjustments to previously reported amounts in the Company's financial statements prepared in accordance with GAAP. Details of adjustments arising from the transition from GAAP to IFRS to the Company's financial position, financial performance, and cash flows is set out below.

## NORTH COUNTRY GOLD CORP.

## Notes to the Interim Consolidated Condensed Financial Statements

For the three months ended May 31, 2011 and 2010

*(unaudited)*Reconciliation of assets, liabilities, and equity

The table below provides a summary of the adjustments to the Company's statement of financial position at February 28, 2011, May 31, 2010, and March 1, 2010.

As at	Note	February 28 2011	May 31 2010	March 1 2010
<b>Total assets per GAAP and IFRS</b>		<b>\$ 51,275,875</b>	<b>\$ 47,923,090</b>	<b>\$ 1</b>
<b>Total liabilities per GAAP and IFRS</b>		<b>\$ 9,701,735</b>	<b>\$ 9,136,076</b>	<b>\$ -</b>
<b>Total equity per GAAP</b>		<b>\$ 41,574,140</b>	<b>\$ 38,787,014</b>	<b>\$ 1</b>
Share capital:	a)	(93,281)	-	-
	b)	1,599,500	-	-
Contributed surplus	c)	172,500	-	-
Accumulated other comprehensive income	d)	212,226	(212,467)	-
Deficit	a)	93,281	-	-
	b)	(1,599,500)	-	-
	c)	(172,500)	-	-
	d)	(212,226)	212,467	-
<b>Total equity per IFRS</b>		<b>\$ 41,574,140</b>	<b>\$ 38,787,014</b>	<b>\$ 1</b>
<b>Total liabilities and equity per IFRS</b>		<b>\$ 51,275,875</b>	<b>\$ 47,923,090</b>	<b>\$ 1</b>

Reconciliation of comprehensive loss

The table below provides a summary of the adjustments to net loss for the year ended February 28, 2011 and for the three months ended May 31, 2010:

For the period ended	Note	February 28 2011 (1 year)	May 31 2010 (3 months)
<b>Comprehensive loss per GAAP</b>		<b>\$ (2,670,366)</b>	<b>\$ (168,764)</b>
Flow through share premium	a)	93,281	-
Deferred taxes	b)	(1,599,500)	-
Stock based compensation	c)	(172,500)	-
Foreign exchange	d)	(212,226)	212,467
Other comprehensive income	d)	212,226	(212,467)
<b>Comprehensive loss per IFRS</b>		<b>\$ (4,349,085)</b>	<b>\$ (168,764)</b>

IFRS Transition adjustment notes

## a) Flow through share liability

The Company finances exploration on its Canadian mineral interests partially through the sale of common shares of the Company issued as flow through shares pursuant to the Income Tax Act (*Canada*) ("Flow Through Shares"). The issuance of Flow Through Shares allows the Company to renounce the expenditures incurred with the funds raised through the sale of Flow Through Shares to the purchasers of such shares, thereby forfeiting the tax deduction against future taxable income. Provided certain conditions are met, the Company may renounce expenditures prior to incurring the associated expenditures.

Under Canadian GAAP, specifically Emerging Issues Committee abstract number 146 – *Flow-through Shares* ("EIC-146"), accounting for flow through shares required the Company to recognize a future tax liability, related to the renounced tax deductions, on the date that the Company files the forms effecting the renunciation with the Canadian tax authorities, with an equivalent reduction to share capital. In addition, on the date the Company recorded the future tax liability, the Company was permitted to recognize any previously unrecognized deferred tax assets to offset the deferred tax liability resulting from the renunciation of flow through expenditures, provided such deferred tax assets are determined to be more likely than not to be realized.

IFRS does not specifically prescribe an accounting treatment for the issuance of Flow Through Shares or the renunciation of the tax deductions to investors. Upon transition to IFRS, the Company has adopted a policy, described in note 2, to calculate the premium associated with the sale of Flow Through Shares ("Premium") by comparing the sale price of the Flow Through Shares to their fair value on the date the Flow Through Shares are sold, with reference to the quoted closing market price of the Company's common shares. Provided a premium exists upon such comparison, upon sale of the Flow Through Shares, the Company records an increase to share capital equal to the fair value of the common shares on the date of sale, and a deferred flow through share liability equal to the Premium.

Once the renunciation of the tax deductions to investors is certain, the Company records the resulting future tax liability and an equivalent deferred tax expense. The deferred flow through share premium is recognized in net loss beginning on the date that the associated deferred tax liability is recognized, to the extent that the expenditures renounced have been incurred by the Company.

The application of this new accounting policy has resulted in the recognition of a deferred flow through share liability related to a private placement which closed on July 5, 2010 (note 10) of \$93,281. The Company renounced the related tax deductions in February 2011 after having incurred all of the required qualifying expenditures, and has recognized the flow through share premium in net income for the year ended February 28, 2011.

## b) Deferred tax expense

As described in (a) above, under GAAP, the renunciation of flow through income tax deductions to purchasers of Flow Through Shares was recorded with an increase to the deferred tax liability and a decrease to share capital. Pursuant to the Company's new accounting policy for flow through shares, as described in note 2 and (a) above, upon renunciation of income tax deductions to purchasers of Flow Through Shares, rather than decreasing share capital, the Company recognized a deferred tax expense representing the estimated future tax effect of forfeiting such income tax deductions. The Company has accordingly adjusted the balances of share capital and deferred tax expense for the year ended February 28, 2010 in the amount of \$1,599,500.

c) Stock based compensation

The Company estimates the fair value of compensation options and warrants, where necessary, using the Black Scholes option valuation model, which requires various inputs, one of which the market price on issuance. Under Canadian GAAP, the Company used, as the market price input to the Black Scholes calculation, an average price over a reasonable number of days before and after the issuance of stock options. Pursuant to the adoption of IFRS, the Company has altered its policy on Black Scholes option valuation calculations to use the closing market price on the date of issuance as the market price input. As a result of this change in policy, the Company has adjusted the fair value of stock options issued in October 2010 resulting in an adjustment of \$172,500 to contributed surplus and stock based compensation in the year ended February 28, 2011.

d) Foreign exchange

Under Canadian GAAP, the Company is required to determine, for each foreign subsidiary within the consolidated group, whether such subsidiary is an "integrated" foreign subsidiary, or a "self-sustaining" foreign subsidiary, in order to determine the accounting treatment of changes in foreign exchange rates on consolidation. The Company had determined that its foreign subsidiaries, acquired in the Asset Transfer, were integrated foreign subsidiaries. As a result, the effect of changes in foreign exchange rates in the consolidation of the foreign subsidiaries' assets and liabilities into Canadian dollars for consolidated reporting purposes were included in net loss in the periods in which they occur.

IFRS requires the Company to separately determine the functional currency of each economic entity in the consolidated group. The Company has determined that the functional currency of its foreign operations is the Canadian dollar, the same as the functional currency of the parent company, based on an assessment of the indicators contained in IAS 21 – The effects of changes in foreign exchange rates. Pursuant to this determination and IAS 21, the effects of changes in foreign exchange rates in the translation of the Company's foreign operations for consolidated reporting purposes are included in the period's net loss, except for the effects of changes in foreign exchange rates on the parent company's net investment in the foreign operations which are taken up in other comprehensive and held as a component of accumulated other comprehensive income in equity until the Company's net investment in the foreign operations changes, at which time the related portion of accumulated foreign exchange gains or losses are recognized in net income or loss of the period of the change.

As a result of the above, the Company has adjusted the comparative and prior period net loss and other comprehensive loss, with related reclassifications within equity, as indicated in the reconciliation tables above. As this adjustment was a reclassification between net loss and other comprehensive loss, there was no effect on either net equity or total comprehensive loss for the periods and dates presented.

Cash flows

Pursuant to the adoption of IFRS, the Company has reclassified interest income on the interim consolidated statement of cash flows in the comparative period to cash flows from investing activities.

Presentation

The Company has made changes to the presentation of its financial statements as required by IFRS, and where it was considered more meaningful or informative to the reader.