

North Country Gold Corp.

Consolidated Financial Statements

For the year ended February 28, 2011

and

the period from February 3, 2010 to February 28, 2010



Independent Auditors' Report

To the Shareholders of North Country Gold Corp.

We have audited the accompanying consolidated financial statements of North Country Gold Corp. and its subsidiaries ("the Company"), which comprise the consolidated balance sheets as at February 28, 2011 and 2010 and the consolidated statements of net loss, changes in shareholders' equity and cash flows for the year ended February 28, 2011 and the period from February 3, 2010 to February 28, 2010, and the related notes including a summary of significant accounting policies.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of North Country Gold Corp. as at February 28, 2011 and 2010 and the results of its operations and cash flows for the year ended February 28, 2011 and the period from February 3, 2010 to February 28, 2010, in accordance with Canadian generally accepted accounting principles.

Emphasis of Matter

We draw attention to note 1 of the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

Chartered Accountants
Edmonton, Canada
June 27, 2011

North Country Gold Corp.

Consolidated Balance Sheets

As at February 28, 2011 and 2010

	2011	2010
Assets		
Current		
Cash and cash equivalents	\$ 3,306,018	\$ 1
Accounts receivable and other current assets (note 5)	<u>3,032,458</u>	<u>-</u>
	6,338,476	1
Investments (note 6)	1,107,470	-
Property, plant, and equipment (note 7)	1,743,696	-
Mineral interests (note 8)	<u>42,086,233</u>	<u>-</u>
	<u>\$ 51,275,875</u>	<u>\$ 1</u>
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 836,670	\$ -
Income taxes payable	<u>12,909</u>	<u>-</u>
	849,579	-
Future income taxes (note 9)	<u>8,852,156</u>	<u>-</u>
	9,701,735	-
Shareholders' equity	<u>41,574,140</u>	<u>1</u>
	<u>\$ 51,275,875</u>	<u>\$ 1</u>

Approved by the Board

Director (signed by) "John Williamson"Director (signed by) "Sean Mager"

See accompanying notes to the consolidated financial statements.

North Country Gold Corp.

Consolidated Statements of Net Loss

For the year ended February 28, 2011 and the period from February 3, 2010 to February 28, 2010

	2011	2010
Drilling revenue	<u>\$ 1,668,976</u>	<u>\$ -</u>
Expenses		
Amortization	378,902	-
Conferences and travel	124,122	-
Office and administration	975,537	-
Professional fees	157,551	-
Promotion and investor relations	61,556	-
Wages and consulting fees	370,463	-
Stock based compensation (note 10)	1,725,000	-
Drilling costs	1,365,981	-
Project generation	47,349	-
	<u>(5,206,461)</u>	<u>-</u>
Loss from operations	(3,537,485)	-
Other income and expenses		
Other income	5,918	-
Foreign withholding tax	(65,165)	-
Gain on sale of investments	29,967	-
Interest income	57,156	-
Gain on foreign exchange	36,943	-
	<u>(3,472,666)</u>	<u>-</u>
Net loss before income taxes	(3,472,666)	-
Current income taxes (note 9)	463,610	-
Future income taxes (note 9)	205,042	-
	<u>(2,804,014)</u>	<u>-</u>
Net loss from continuing operations	(2,804,014)	-
Discontinued operations, net of income taxes (note 4)	(68,038)	-
Net loss	<u>\$ (2,872,052)</u>	<u>\$ -</u>
Basic and diluted net loss from continuing operations per common share	<u>\$ (0.048)</u>	<u>\$ -</u>
Basic and diluted net loss from discontinued operations per common share	<u>\$ (0.001)</u>	<u>\$ -</u>
Basic and diluted net loss per common share	<u>\$ (0.049)</u>	<u>\$ -</u>
Basic and diluted weighted average number of common shares outstanding	<u>59,131,239</u>	<u>1</u>

See accompanying notes to the consolidated financial statements.

North Country Gold Corp.

Consolidated Statements of Changes in Shareholders' Equity

For the year ended February 28, 2011 and the period from February 3, 2010 to February 28, 2010

	# of common shares	Share capital	Contributed surplus	Deficit	Accumulated other comprehensive income	Total shareholders' equity
February 3, 2010 and February 28, 2010	1	\$ 1	\$ -	\$ -	\$ -	\$ 1
Comprehensive loss:						
Unrealized gain on investments (net of future income tax of \$60,711)	-	-	-	-	222,663	222,663
Realized gain on sale of investments recognized in net income (net of future income tax of \$8,990)	-	-	-	-	(20,977)	(20,977)
Net loss	-	-	-	(2,872,052)	-	(2,872,052)
						(2,670,366)
Issuance of stock options (note 10)	-	-	1,725,000	-	-	1,725,000
Arrangement (notes 3 and 10)	35,976,521	31,021,362	-	-	-	31,021,362
Private placements (note 10)	41,543,750	13,688,000	-	-	-	13,688,000
Issued to agents and underwriters as compensation (note 10)	537,850	243,925	-	-	-	243,925
Exercise of warrants (note 10)	321,919	134,656	(36,486)	-	-	98,170
Costs of share issuance (net of future income taxes of \$310,817)	-	(1,961,560)	1,029,108	-	-	(932,452)
Renunciation of flow-through expenditures (note 10)	-	(1,599,500)	-	-	-	(1,599,500)
	78,380,040	41,526,883	2,717,622	(2,872,052)	201,686	41,574,139
February 28, 2011	78,380,041	\$ 41,526,884	\$ 2,717,622	\$ (2,872,052)	\$ 201,686	\$ 41,574,140

See accompanying notes to the consolidated financial statements.

North Country Gold Corp.

Consolidated Statements of Cash Flows

For the year ended February 28, 2011 and the period from February 3, 2010 to February 28, 2010

	2011	2010
Operating activities		
Net loss from continuing operations	\$ (2,804,014)	\$ -
Adjustments for:		
Amortization	378,902	-
Future income taxes	(205,042)	-
Stock based compensation	1,725,000	-
Gain on sale of investments	(29,967)	-
	<u>(935,121)</u>	-
Changes in non-cash working capital:		
Accounts receivable and other current assets	120,588	-
Accounts payable and accrued liabilities	48,316	-
Income taxes payable	(385,103)	-
	<u>(1,151,320)</u>	-
Cash used in continuing operations	(1,151,320)	-
Cash provided by discontinued operations	2,519	-
	<u>(1,148,801)</u>	-
Investing activities		
Sale of investments	334,261	-
Purchase of property, plant and equipment	(468,029)	-
Mineral interest expenditures	(10,405,707)	-
Net cash on sale of Toro Mining Pty Ltd	1,745	-
Cash used in discontinued operations	(171,099)	-
	<u>(10,708,829)</u>	-
Financing activities		
Issuance of share capital (note 10)	13,786,170	1
Costs of share issuance	(999,344)	-
Cash acquired in Asset Transfer (notes 1,3)	2,376,821	-
	<u>15,163,647</u>	1
Net increase in cash and cash equivalents	3,306,017	-
Cash and cash equivalents - beginning of period	1	-
Cash and cash equivalents - end of period	\$ 3,306,018	\$ 1

The non-cash transactions described in notes 3,4,7, and 10 have been excluded from the consolidated statements of cash flows.

During the year ended February 28, 2011, the Company paid interest totaling \$17,171 (2010 – nil). No income taxes were paid during the year.

See accompanying notes to the consolidated financial statements.

North Country Gold Corp.

Notes to the Consolidated Financial Statements

For the year ended February 28, 2011 and the period from February 3, 2010 to February 28, 2010

1. Nature of operations and going concern

North Country Gold Corp. (the “Company” or “NCG”) was incorporated under the Business Corporations Act (*Alberta*) 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 and, as a result, the Company recorded the assets and liabilities acquired from NIB at their carrying values in NIB (note 3).

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”.

These consolidated financial statements have been prepared using Canadian generally accepted accounting principles (“GAAP”) applicable to a going concern, 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.

2. Significant accounting policies

Preparation of financial statements and basis of presentation

These consolidated financial statements have been prepared in accordance with GAAP.

The consolidated financial statements of the Company include the accounts of: the Company; its wholly owned subsidiaries Committee Bay North Ltd., Toro Drilling Inc., and CBR Australia Holdings Inc. (“CBRAHI”); CBRAHI’s wholly owned Australian subsidiary Matador Mining Pty Ltd. (“MMPL”); and MMPL’s wholly owned subsidiary Toro Drilling and Services Pty Ltd.. In addition, the results of operations and cash flows of MMPL’s subsidiary Toro Mining Pty Ltd. for the period from the date of the Asset Transfer (note 1) and prior to its sale on October 28, 2010 are included in the consolidated statements of net loss and cash flows, classified as discontinued operations. Intercompany transactions and balances are eliminated on consolidation.

The financial statements use the Canadian Dollar as the unit of measurement. All amounts are in Canadian Dollars unless otherwise specified.

Asset retirement obligation

When applicable, the Company periodically updates cost estimates and other assumptions used in the valuation of asset retirement obligations for each of its mineral properties to reflect new events, changes in circumstances, and

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Notes to the Consolidated Financial Statements

For the year ended February 28, 2011 and the period from February 3, 2010 to February 28, 2010

any new information that is available. Changes in these estimates and assumptions have a corresponding impact on the fair value of the asset retirement obligation.

Asset retirement costs must be recognized at fair value, when a reasonable estimate of fair value can be made, in the period in which it is incurred. Fair value is estimated using the present value of the estimated future cash outflows to restore and rehabilitate the related long-lived asset at the Company's credit-adjusted risk-free interest rate. The calculation of these estimates requires assumptions such as the application of environmental legislation, available technologies, and engineering cost estimates. The fair value is added to the carrying value of the asset, and amortized into income on a systematic basis over its useful life. The liability is accreted against income until it is settled or the property is sold and is included as a component of amortization. Actual restoration expenditures are charged to the accumulated obligation as incurred.

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.

Comprehensive income and equity

Comprehensive income consists of net income and other comprehensive income ("OCI"). OCI represents changes in shareholders' equity during a period arising from transactions and other events with non-owner sources. Cumulative changes in OCI are included in accumulated other comprehensive income, which is presented as a category of shareholders' equity in the balance sheet.

Foreign currency

The Company applies the temporal method in the translation and consolidation of its integrated foreign subsidiary, MMPL, and all foreign currency transactions. Monetary items are translated into Canadian Dollars at the exchange rate in effect on the balance sheet date. Non-monetary items are translated at historical exchange rates, except where such items are carried at market, in which case they are translated at the exchange rate in effect at the balance sheet date. Revenue and expenses are translated in a manner that produces substantially the same reporting currency amounts that would have resulted had the underlying transactions been translated on the dates they occurred. Amortization of assets translated at historical exchange rates is translated at the same exchange rate as the assets to which it relates.

Flow-through shares

The proceeds of flow-through shares issued pursuant to certain provisions of the Income Tax Act (Canada) ("Act") are included in share capital. The Act provides that, where the share issuance proceeds are used for exploration and development expenditures, the related income tax deductions may be renounced to subscribers. Accordingly these expenditures provide no income tax deduction to the Company.

Share capital is reduced and a future tax liability is recorded equal to the amount of future income taxes payable by the Company when the Company files the renouncement documents with the tax authorities to renounce the tax credits associated with the expenditures. Where at the time of renouncement the Company has unrecorded net tax assets exceeding the income tax effect of the deduction renounced, the corresponding future tax asset will be recognized. The amount of the future income tax assets recognized is limited to the amount that is more likely than not to be realized.

Income taxes

The liability method is used for determining income taxes. Under this method, future income 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

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Notes to the Consolidated Financial Statements

For the year ended February 28, 2011 and the period from February 3, 2010 to February 28, 2010

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 income in the period in which they occur. The amount of future tax assets recognized is limited to the amount that is more likely than not to be realized.

Inventory

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.

Impairment of long-lived assets

In the event that facts and circumstances indicate that the carrying value of long-lived assets may be impaired, the Company performs a recoverability evaluation. If the evaluation indicates that the carrying value of the asset is not recoverable from undiscounted cash flows attributable to the asset, then an impairment loss is measured by comparing the carrying amount of the asset to its fair value. The amount of the impairment is charged to income in the period in which the impairment is determined.

Mineral interests

Mineral property acquisition costs and exploration costs directly related to specific properties are deferred until the properties are brought into production, 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.

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 year. 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.

Property, plant and equipment

Property, plant and equipment are recorded at cost. The Company provides for amortization using either the declining balance or straight line methods at rates designed to amortize the cost of individual items over their estimated useful lives.

North Country Gold Corp.

Notes to the Consolidated Financial Statements

For the year ended February 28, 2011 and the period from February 3, 2010 to February 28, 2010

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.

Stock-based compensation

Stock-based compensation 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. The fair value of options granted is determined at the date of grant 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 and warrants, consideration received together with the amount previously recognized in contributed surplus is recorded as an increase to share capital. The Company does not incorporate an estimated forfeiture rate for stock options and agents warrants that may not vest, but accounts for forfeitures as they occur.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year, as well as disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates used in the financial statements.

Future accounting changes

International Financial Reporting Standards

In February 2008, the Accounting Standards Board confirmed that Canadian Generally Accepted Accounting Principles for publicly accountable enterprises will be converged with International Financial Reporting Standards ("IFRS") effective for the Company's interim and annual financial statements beginning on March 1, 2011. For interim and annual periods ending after March 1, 2011, the Company will publish consolidated financial statements under IFRS with comparative statements restated retrospectively to IFRS. Of the Company's assets and liabilities, the most significant effect of the adoption of IFRS will be on its mineral interests and future income tax liability.

3. Asset Transfer

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)
Future income tax liability	(7,695,242)
Net assets transferred	\$ 31,021,362

The Company has made certain adjustments to the previously reported carrying values of assets and liabilities acquired in the Asset Transfer.

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For the year ended February 28, 2011 and the period from February 3, 2010 to February 28, 2010

4. Sale of Toro Mining Pty Ltd. and Discontinued Operations

On October 1, 2010, the Company sold all of the issued and outstanding shares of Toro Mining Pty Ltd (“Toro”), an Australian corporation and holder of the Jaurdi Hills mineral property, to an Australian private corporation, Sentosa Mining Limited (the “Purchaser”), for consideration of 1,000,000 ordinary shares of the Purchaser (each, a “Sentosa Share”) valued at AUD 0.20 per Sentosa Share, and cash of AUD 6,300. Subsequent to the sale of Toro, the Purchaser completed an initial public offering of its ordinary shares at AUD 0.20 per Sentosa Share, and the Sentosa Shares began trading on the Australian Stock Exchange.

The calculation of the loss on the sale of Toro and the assets and liabilities of the Company disposed of in the sale of Toro are included in the table below:

Proceeds:		
Investments – 1,000,000 Sentosa Shares	\$	199,680
Cash		6,290
<hr/>		
Total proceeds		205,970
<hr/>		
Less: Net assets disposed of		
Working capital		(104,821)
Mineral interests		422,682
Asset retirement obligation		(41,334)
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		276,527
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Loss on sale	\$	70,557
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The results of operations from Toro and the loss on the sale of Toro are included in the consolidated statements of net loss as discontinued operations. Details of discontinued operations are disclosed in the following table:

Revenues	\$	6,030
Expenses		(3,511)
Loss on sale		(70,557)
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Discontinued operations	\$	68,038
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5. Accounts Receivable and Other Current Assets

The components of accounts receivable and other current assets are as follows:

As at February 28	2011		2010
Accounts receivable	\$	289,396	\$ -
Goods and services tax receivable		591,209	-
Deposits and prepayments		2,040,078	-
Inventories		111,775	-
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	\$	3,032,458	\$ -
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As at February 28, 2011, the Company had begun procurement for seasonal exploration on its Committee Bay Greenstone property in Nunavut and had advanced funds of approximately \$2,000,000 as prepayments and deposits for goods or services received by the Company subsequent to February 28, 2011.

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Notes to the Consolidated Financial Statements

For the year ended February 28, 2011 and the period from February 3, 2010 to February 28, 2010

6. Investments

As at February 28, 2011	Fair value	Carrying value
Marketable securities	\$ 1,079,714	\$ 1,079,714
Gold nuggets (41 oz.)	56,341	27,756
	<u>\$ 1,136,055</u>	<u>\$ 1,107,470</u>

The fair value of marketable securities is determined with reference to the closing market price on the primary market on which such securities trade on the balance sheet date (Level 1).

The gold nuggets owned by the Company are not considered financial instruments. They are recognized at cost. The Company has provided disclosure of the minimum fair value of the gold nuggets, determined with reference to the quoted price of gold on the balance sheet date. Were the gold nuggets to be sold in an arm's length transaction, the sale price would likely be higher than the fair value disclosed above due to a premium for raw naturally occurring gold nuggets. The Company is not able to determine the extent of the premium that it would realize in the case the gold nuggets were sold.

7. Property, plant, and equipment

As at February 28, 2011	Amortization Rate	Cost	Accumulated Amortization	Net
Canadian operations				
Drilling equipment	30%	\$ 382,107	\$ 97,929	\$ 284,178
Furniture and office equipment	20%	22,796	4,559	18,237
Computer equipment	30%	69,832	20,317	49,515
Mobile equipment	30%	250,667	75,200	175,467
Camp and field equipment	20%	97,798	19,560	78,238
		<u>823,200</u>	<u>217,565</u>	<u>605,635</u>
Australian operations				
Drilling equipment	8%-33%	1,232,870	297,506	935,364
Mobile equipment	25%	231,892	54,448	177,444
Field and office equipment	8% - 33%	31,037	5,784	25,253
		<u>1,495,799</u>	<u>357,738</u>	<u>1,138,061</u>
		<u>\$ 2,318,999</u>	<u>\$ 575,303</u>	<u>\$ 1,743,696</u>

The Company did not hold any property, plant, and equipment at February 28, 2010.

During the year ended February 28, 2011, the Company capitalized \$192,689 in amortization to mineral interests.

North Country Gold Corp.

Notes to the Consolidated Financial Statements

For the year ended February 28, 2011 and the period from February 3, 2010 to February 28, 2010

8. Mineral interests

Additions \$	Canada		Australia	Total
	Committee Bay	Baffin Island	Jaurdi Hills	
Balance, February 28, 2010	-	-	-	-
Acquired on Asset Transfer (note 3)	31,476,148	11,688	251,583	31,739,419
Claims and land use	62,236	-	45,590	107,826
Drilling	2,308,316	-	-	2,308,316
Assay and analysis	290,918	-	663	291,581
Staff and consulting	2,154,537	-	104,145	2,258,682
Field and camp - supplies and maintenance	1,017,076	-	-	1,017,076
Aircraft	2,954,658	-	-	2,954,658
Fuel	705,468	-	-	705,468
Freight and travel	485,633	-	-	485,633
Equipment and facility rentals	216,990	-	15,907	232,897
Amortization of equipment	192,689	-	-	192,689
Other field and geological costs	209,876	-	4,794	214,670
Sale of Toro Mining Pty Ltd (note 4)	-	-	(422,682)	(422,682)
Balance, February 28, 2011	42,074,545	11,688	-	42,086,233
Balances \$				
Acquisition	31,476,148	11,688	-	31,487,836
Exploration	10,598,397	-	-	10,598,397
Balance, February 28, 2011	42,074,545	11,688	-	42,086,233

The Committee Bay Greenstone Belt is located approximately 300 kilometers north of Baker Lake within Nunavut Territory, Canada. The Company is currently the 100% beneficial owner of the mineral rights to approximately 522,994 acres (211,648 hectares) of land comprising 202 active mineral claims and 14 mineral leases. The acquisition value of the Committee Bay Property of \$31,476,148 is based on the carrying value of the mineral property in NIB prior to the Asset Transfer (note 3).

During the year ended February 28, 2011, the Company sold its 100% interest in its subsidiary, Toro Mining Pty Ltd, which is the owner of the Jaurdi Hills property (note 4). Subsequent to the sale, the Company no longer has an interest in the Jaurdi Hills property.

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Notes to the Consolidated Financial Statements

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9. Income taxes

(a) The components of the future income tax liability are as follows:

	2011	2010
Investments	147,789	-
Property, plant and equipment	(194,965)	-
Mineral interests	9,216,652	-
Losses carried forward	(1,205,252)	-
Share issuance costs	(248,654)	-
Other	44,669	-
	<u>7,760,239</u>	-
Valuation allowance	<u>1,091,917</u>	-
	<u>\$ 8,852,156</u>	<u>\$ -</u>

The Company has approximate Canadian non-capital losses of \$2,684,240 for income tax purposes, of which the amount of \$2,230,901 has not been recognized, which expire as follows:

Non-capital losses	Year of expiry
\$ 145	2014
159,445	2015
72,355	2026
7,719	2027
994,530	2028
879,404	2029
2,434	2030
568,208	2031
<u>2,684,240</u>	

The Company has Canadian capital losses of \$116,431 which can be carried forward indefinitely to offset future capital gains.

In addition, the Company has available Australian non-capital losses totaling AUD 1,748,209 which do not expire.

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Notes to the Consolidated Financial Statements

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- (b) The provision for income taxes recorded in the financial statements differs from the amount which would be obtained by applying the combined statutory income tax rate of approximately 27.53% (2010 – 30.50%) to the net loss before income taxes for the years as follows:

	2011	2010
Expected tax recovery from continuing operations	\$ 956,024	\$ -
Difference resulting from:		
Stock based compensation	(481,775)	-
Other non-deductible expenses	(76,557)	-
Change in temporary differences	(186,857)	-
Previously unrecognized tax assets	115,888	-
Capital restructuring of subsidiary	484,255	-
Other	97,706	-
Difference due to change in tax rates	15,919	-
Tax losses not recognized	(255,951)	-
Income tax recovery	668,652	-
Less: Future income tax recovery	205,042	-
Current income tax recovery	\$ 463,610	\$ -

10. Share capital

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 (notes 1 and 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 future income 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 Canaccord Genuity Corp. acting as 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.

On July 15, 2010, the Company completed a private placement with Canaccord Genuity Corp. acting as 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

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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 full proceeds of the placement were allocated to the shares and none to the warrants.

On November 10, 2010, the Company completed a private placement with Canaccord Genuity Corp. acting as 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. The full proceeds of the placements were allocated to the shares and none to the warrants.

Renunciation of flow-through expenditures

In February, 2011, the Company filed the requisite forms with Canada Revenue Agency to effect the renunciation of \$6,398,000 in qualifying Canadian exploration expenditures to purchasers of flow-through shares in the 2010 calendar year. The expenditures were renounced with an effective date of December 31, 2010 and, at the effective date of renunciation, the Company had incurred sufficient qualifying Canadian exploration expenses to renounce the full amount of \$6,398,000. As a result of the renunciation, the Company has recorded an increase of \$1,599,500, the estimated amount of tax benefits the Company has forfeited by renouncing the expenditures to flow through share purchasers, to future income tax liability and an equivalent decrease to share capital, as indicated on the face of the consolidated statement of changes in shareholders’ equity.

Share purchase warrants

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

	Number of warrants #	Weighted average exercise price \$
Outstanding warrants, February 28, 2010	-	-
Issued	11,106,887	0.49
Exercised	<u>(321,919)</u>	0.30
Outstanding warrants, February 28, 2011	<u>10,784,968</u>	0.50

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A summary of the warrants outstanding at February 28, 2011 is as follows:

Exercise price (\$)	Number of warrants	Remaining contractual life (years)	Note
0.25	1,452,420	1.2	a
0.40	2,050,000	1.4	
0.32	349,623	1.4	b
0.60	6,218,925	1.7	
0.50	714,000	1.7	c
0.50	10,784,968	1.6	

- 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%.
- 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%.
- 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.

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.

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

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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.

11. Segmented information

The Company's operations are managed on a geographical basis, with operations in Canada and Australia.

The following table allocates assets by segments:

As at February 28	2011	2010
Canada	\$ 48,659,441	\$ 1
Australia	<u>2,616,434</u>	<u>-</u>
Total assets	<u>\$ 51,275,875</u>	<u>\$ 1</u>

The following tables show the allocation of the net loss from continuing operations by segment:

For the year ended February 28	2011	2010
Canadian operations		
Revenues	\$ -	\$ -
Expenses	(2,789,333)	-
Other income and expenses	341,606	-
Income taxes	<u>53,078</u>	<u>-</u>
	<u>\$ (2,394,649)</u>	<u>\$ -</u>
Australian operations		
Revenues	\$ 1,668,976	\$ -
Expenses	(2,417,128)	-
Other income and expenses	(276,787)	-
Income taxes	<u>615,574</u>	<u>-</u>
	<u>(409,365)</u>	<u>-</u>
Net loss from continuing operations	<u>\$ 2,804,014</u>	<u>\$ -</u>

12. Related party transactions

The Asset Transfer described in notes 1 and 3 is a related party transaction. Pursuant to GAAP, assets and liabilities transferred between related parties are to be recognized in the accounts of the transferee at their carrying values in the transferor.

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The Company pays officers and directors of the Company, or corporations controlled by them, for management or technical services. During the year ended February 28, 2011, the Company paid an aggregate \$152,519 in management fees to officers and directors, or corporations controlled by them, which were fully paid as at February 28, 2011. In addition, the Company paid geological consulting fees of \$140,669, which were fully paid as at February 28, 2011, to a corporation controlled by an officer of the Company, which were capitalized as an increase to mineral interests. These amounts are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties based on standard commercial terms.

13. Financial instruments and risk management

Financial instrument classification

The Company's financial instruments recognized on the consolidated balance sheet consist of: cash and cash equivalents, accounts receivable (included in accounts receivable and other current assets), marketable securities (included in investments), and accounts payable and accrued liabilities.

The Company has designated cash and cash equivalents as held for trading and is carried at its fair value with unrealized gains and losses recognized in net income in the period in which the change arises.

Accounts receivable have been designated as loans and receivables and are carried at amortized cost.

Marketable securities have been designated as available for sale and are carried at fair value, with unrealized gains and losses being recognized as a component of other comprehensive income, net of future income taxes, until realization, at which time such gains or losses are recognized in net income.

Accounts payable and accrued liabilities have been classified as other financial liabilities and are measured at amortized cost.

The Company has no unrecognized financial instruments or derivative financial instruments.

The Company follows the fair value hierarchy in CICA Handbook Section 3862, "Financial Instruments – Disclosure" that classifies financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value. Cash and cash equivalents and marketable securities are classified as Level 1 – quoted prices in active markets.

Capital management

The Company's capital consists of share capital.

The Company's objectives in managing its capital are to maintain adequate levels of funding to support its operations and to seek out and acquire new projects of merit. Funds are secured through equity capital. There can be no assurance that the Company will be able to obtain sufficient capital in the case of operating cash deficits. The Company does not maintain a formal investing strategy.

Risk management

The Company may be exposed to risks of varying degrees of significance which could affect its ability to achieve its objectives. The main objectives of the Company's risk management processes are to ensure that risks are properly identified and that the capital base is adequate in relation to those risks. The principal risks to which the Company is exposed are described below.

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Interest risk

Interest rate risk is the risk arising from the effect of changes in prevailing interest rates on the Company's financial instruments. The Company had \$3,306,018 in cash and cash equivalents at February 28, 2011, on which it earns variable rates of interest, and is therefore subject to a certain amount of risk, deemed to be immaterial to management of the Company.

Credit risk

Credit risk is the risk of potential loss to the Company if counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash and cash equivalents and accounts receivable.

The Company has assessed its exposure to credit risk and has determined that such risk is minimal. The majority of the Company's cash and cash equivalents are held with financial institutions in Canada and Australia.

A significant portion of the Company's accounts receivable is receivable from the Canadian and Australian governments for the reimbursement of goods and services tax credits. This concentration of credit is not deemed by management to pose any significant risk to the Company.

Foreign currency risk

Foreign currency risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will fluctuate because of changes in foreign exchange rates.

The Company's operations in Australia are denominated in Australian Dollars. The Company's share capital as well as the Company's reporting currency is in Canadian Dollars. The Company has not entered into any hedge contracts to manage this risk and does not maintain a formal strategy for foreign currency movements.

The effect on the net loss from continuing operations before income taxes if the balance sheet date exchange rate from Australian Dollars to Canadian Dollars was +/- 10% would be +/- \$85,492.

Liquidity risk

Liquidity risk is the risk that the Company will not meet its financial obligations as they fall due.

The Company's working capital, (current assets less current liabilities) at February 28, 2011 is \$5,488,897. The continuing operations of the Company are dependent upon its ability to obtain adequate financing and to commence profitable operations in the future. The Company may have to seek additional debt or equity financing, and there can be no assurance that such financing will be available on terms acceptable to the Company.

14. Subsequent events

Underwritten private placement

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.

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Exercise of warrants

Subsequent to February 28, 2011, an aggregate of 2,000,162 common shares of the Company were issued pursuant to the exercise of 2,000,162 warrants for aggregate gross proceeds of \$907,732 to the Company.