

North Country Gold Corp.

Financial Statements

For the three and six months ended August 31, 2010



North Country Gold Corp.

Notice of Non-review of Interim Financial Statements

The attached interim financial statements for the three and six months ended August 31, 2010 have not been reviewed by the Company's auditors.

North Country Gold Corp.

Consolidated Balance Sheets

As at	August 31 2010 (unaudited)	February 28 2010 (audited)
Assets		
Current		
Cash and cash equivalents (note 5)	\$ 1,410,129	\$ 1
Accounts receivable and other current assets	1,703,614	-
	3,113,743	1
Performance bonds (note 6)	39,247	-
Investments (note 7)	633,227	-
Property, plant and equipment (note 8)	2,067,982	-
Mineral interests (note 9)	43,475,138	-
	\$ 49,329,337	\$ 1
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 1,223,294	\$ -
Income taxes payable (note 11)	8,942	-
	1,232,236	-
Asset retirement obligation (note 10)	39,247	-
Future income taxes	7,667,428	-
	8,938,911	-
Shareholders' equity	40,390,426	1
	\$ 49,329,337	\$ 1

Approved by the Board

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

North Country Gold Corp.
Consolidated Statement of Net Income
(unaudited)

	Six months ended August 31 2010	Three months ended August 31 2010
Expenses		
Amortization	\$ 181,393	\$ 106,429
Conferences and travel	19,027	12,949
Office and administration	163,425	69,178
Professional fees	49,029	38,327
Promotion and investor relations	19,593	5,054
Wages and consulting fees	271,981	157,831
Drilling costs	666,816	537,044
	(1,371,264)	(926,812)
Drilling revenue	737,659	544,706
Loss from operations	(633,605)	(382,106)
Other income and expenses		
Gain on sale of investments	8,509	(9,421)
Interest income	31,742	21,625
Loss on foreign exchange	(148,389)	(145,864)
Net loss before income taxes	(741,743)	(515,766)
Current income taxes (note 11)	457,162	439,571
Future income taxes	358,992	194,140
Net income for the period	\$ 74,411	\$ 117,945
Basic and diluted net income (loss) per common share	\$ 0.00	\$ 0.00
Basic and diluted weighted average number of common shares outstanding	45,324,170	62,939,779

North Country Gold Corp.**Consolidated Statements of Changes in Shareholders' Equity**
(unaudited)

	# of common shares	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)	Total shareholders' equity
February 28, 2010	1	\$ 1	\$ -	\$ -	\$ -	\$ 1
Unrealized loss on investments (net of \$30,603 in future income tax)	-	-	-	-	(71,410)	(71,410)
Realized gain on sale of investments recognized in net income (net of \$2,553 in future incomes taxes)	-	-	-	-	5,956	5,956
Net income for the period	-	-	-	74,411	-	74,411
Comprehensive income						8,957
Arrangement (notes 1,3)	35,976,521	33,427,917	-	-	(77,312)	33,350,605
Private placements (note 12)	29,643,750	7,688,000	-	-	-	7,688,000
Costs of share issuance	-	(863,414)	206,277	-	-	(657,137)
	<u>65,620,271</u>	<u>40,252,503</u>	<u>206,277</u>	<u>74,411</u>	<u>(142,766)</u>	<u>40,390,425</u>
August 31, 2010	<u>65,620,272</u>	<u>40,252,504</u>	<u>206,277</u>	<u>74,411</u>	<u>(142,766)</u>	<u>40,390,426</u>

North Country Gold Corp.
Consolidated Statements of Cash Flows
(unaudited)

	Six months ended August 31 2010	Three months ended August 31 2010
Operating activities		
Net income for the period	\$ 74,411	\$ 117,945
Adjustments for:		
Amortization	181,393	106,429
Future income taxes	<u>(358,992)</u>	<u>(180,832)</u>
	(103,188)	43,542
Changes in non-cash balance sheet items:		
Working capital items	<u>(399,110)</u>	<u>(950,324)</u>
	<u>(502,298)</u>	<u>(906,782)</u>
Investing activities		
Sale of investments	205,970	43,912
Purchase of equipment	(450,200)	(222,621)
Mineral interest expenditures	<u>(9,581,184)</u>	<u>(3,153,924)</u>
	<u>(9,825,414)</u>	<u>(3,332,633)</u>
Financing activities		
Issuance of share capital (note 12)	7,688,000	1,688,000
Costs of share issuance (note 12)	(657,138)	(184,999)
Working capital acquired in Arrangement (notes 1,3)	<u>4,706,978</u>	<u>-</u>
	<u>11,737,840</u>	<u>1,503,001</u>
Net increase (decrease) in cash and cash equivalents	1,410,128	(2,736,414)
Cash and cash equivalents - beginning of period	\$ 1	\$ 4,146,543
Cash and cash equivalents - end of period	<u>\$ 1,410,129</u>	<u>\$ 1,410,129</u>

The non-cash transactions described in notes 1, 3, and 12 have been excluded from the consolidated statements of cash flows.

North Country Gold Corp.

Notes to the Financial Statements

For the three and six months ended August 31, 2010

1. Nature of operations

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 is 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".

2. Basis of presentation

The accompanying unaudited interim consolidated financial statements have been prepared by the Company following the same accounting policies and methods as those disclosed in the audited consolidated financial statements for the year ended February 28, 2010 unless otherwise stated. Certain information and note disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles ("GAAP") in Canada have been omitted. These interim consolidated financial statements should be read in conjunction with the February 28, 2010 audited consolidated financial statements and the notes thereto. In the opinion of management, all adjustments of a normal and recurring nature that are necessary for a fair presentation of the balance sheet, results of operations, and cash flows of those interim periods have been included. Certain figures in the comparative financial statements have been reclassified to conform to presentation adopted in the current period.

The consolidated financial statements use the Canadian Dollar as the unit of measurement. All amounts are in Canadian Dollars unless otherwise specified. Where foreign currency amounts are disclosed, the International Organization for Standardization currency symbol is used.

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. The Company is currently evaluating the impact of the adoption of IFRS.

North Country Gold Corp.

Notes to the Financial Statements

For the three and six months ended August 31, 2010

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	\$ 4,706,978
Performance bonds (note 6)	38,895
Investments (note 7)	1,024,188
Property, plant and equipment (note 8)	1,846,132
Mineral interests (note 9)	33,846,997
Asset retirement obligation (note 10)	(38,895)
Future income tax liability	(7,996,378)
Net assets transferred	<u>\$ 33,427,917</u>

4. Segmented information

The Company's operations are managed on a regional basis. The regional operational units are Canada and Australia. Property, plant and equipment are disclosed in note 8 in a manner consistent with the requirements for segmented information. Disclosure of segmented capitalized mineral interest expenditures and acquisition costs is contained in note 9.

The following table allocates assets by segments:

As at	August 31, 2010	February 28, 2010
Canada	\$ 43,734,559	\$ 1
Australia	<u>5,594,778</u>	<u>-</u>
Total assets	<u>\$ 49,329,337</u>	<u>\$ 1</u>

The following table allocates net income (loss) by segment:

Six months ended	August 31, 2010
Canada	\$ 397,148
Australia	<u>(322,737)</u>
Net income	<u>\$ 74,411</u>

5. Cash and cash equivalents

Cash and cash equivalents consists of cash on deposit with a financial institution. The repayment of monies on deposit and interest payable on those monies is guaranteed by the Crown in right of Alberta.

North Country Gold Corp.

Notes to the Financial Statements

For the three and six months ended August 31, 2010

6. Performance bonds

The Company has performance bonds of \$39,247 on its Jaurdi Hills property to guarantee environmental reclamation work. Performance bonds are released as reclamation work is performed and assessed by regulatory authorities.

7. Investments and advances

As at August 31, 2010	Fair value	Carrying value
Marketable securities	\$ 605,471	\$ 605,471
Gold nuggets (41 oz.)	54,350	27,756
	<u>\$ 659,821</u>	<u>\$ 633,227</u>

8. Property, plant, and equipment

As at August 31, 2010

	Cost	Accumulated Amortization	Net
North American operations			
Drilling equipment	\$ 382,107	\$ 40,613	\$ 341,494
Furniture and office equipment	22,796	2,279	20,517
Computer equipment	65,615	7,749	57,866
Mobile equipment	250,667	3,476	247,191
Camp and field equipment	97,798	9,780	88,018
	<u>\$ 818,983</u>	<u>\$ 63,897</u>	<u>\$ 755,086</u>
Australian operations			
Drilling equipment	\$ 1,141,210	\$ 75,680	\$ 1,065,530
Mobile equipment	220,704	16,769	203,935
Field and office equipment	44,636	1,205	43,431
	<u>1,406,550</u>	<u>93,654</u>	<u>1,312,896</u>
	<u>\$ 2,225,533</u>	<u>\$ 157,551</u>	<u>\$ 2,067,982</u>

North Country Gold Corp.

Notes to the Financial Statements

For the three and six months ended August 31, 2010

9. Mineral interests

Additions (In thousands of dollars)	North America		Australia	Total
	Committee Bay	Baffin Island	Jaurdi Hills	
Balance, February 28, 2010	-	-	-	-
Acquired on asset transfer (note 3)	30,896	12	2,939	33,847
Acquisition	10	-	-	10
Drilling	2,091	-	-	2,091
Assay and analysis	211	-	-	211
Geological consulting	374	-	-	374
General fieldwork	7,039	-	13	7,052
Reimbursed (note 16)	-	-	(110)	(110)
Balance, Aug 31, 2010	40,621	12	2,842	43,475
Balances				
Acquisition	30,906	12	2,939	33,857
Exploration	9,715	-	(97)	9,618
Balance, Aug 31, 2010	40,621	12	2,842	43,475

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 557,323 acres (225,569 hectares) of land comprising 216 active mineral claims and 14 mineral leases.

The Jaurdi Hills Project encompasses in excess of 8,500 hectares within the gold producing Norseman-Wiluna greenstone belt of Western Australia's Yilgarn Craton. The Project includes the historic Jaurdi and Wealth of Nations mining areas.

10. Asset retirement obligations

The Company has recognized an asset retirement obligation ("ARO") for expected reclamation and abandonment of the Jaurdi Hills property related to activities prior to acquisition. The ARO has been estimated based on management's assessment of the costs to rehabilitate the tenements in the case of abandonment. The Company has performance bonds required by the Department of Industry and Resources relating to the property on deposit (note 6). The Company has not discounted the ARO as there is currently no estimate for the time of retirement of the asset and accretion of the liability.

11. Income taxes

Pursuant to a restructuring of the capital of one of the Company's foreign subsidiaries, management's estimate of income taxes payable has been reduced by approximately \$360,000. This change in estimate has been recorded in the consolidated statement of net income as a credit to current income taxes.

North Country Gold Corp.

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12. Share capital

On April 1, 2010, the Company issued to NIB a right ("Right") 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 \$4.7 Million in working capital (notes 1,3). 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 \$33,427,917 or approximately \$0.9292 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. The fair value of the common shares of the Company at issuance has been estimated by management to be \$0.25 per share, and has been estimated based on the agent brokered private placement which closed on May 4, 2010 as described below.

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 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.

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Share purchase warrants

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

	Number of warrants #	Weighted average exercise price \$
Outstanding warrants, February 28, 2010	-	-
Issued	4,173,962	0.33
Outstanding warrants, August 31, 2010	4,173,962	0.33

A summary of the warrants outstanding at August 31, 2010 is as follows:

Exercise price (\$)	Number of warrants	Remaining contractual life (years)
0.25	1,635,900	1.7
0.40	2,150,000	1.9
0.32	388,062	1.9
0.33	4,173,962	1.8

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.

Subsequent to the period, the Company announced that its Board of Directors has granted stock options to acquire up to an aggregate 5,750,000 common shares of North Country under the Plan, of which 4,550,000 were granted to officers and directors. The stock options are exercisable at a price of \$0.47 per common share.

13. Commitments

The Company has a monthly lease commitment of AUD 2,771 (\$2,439) until October 31, 2012 for corporate office space in Western Australia.

North Country Gold Corp.

Notes to the Financial Statements

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14. Related party transactions

The Asset Transfer described in notes 1 and 3 is a related party transaction.

The Company's accounting and administrative support services are delivered in the normal course of business on normal commercial terms by a corporate services partnership (the "Partnership") which is managed exclusively by an arms-length principal. The services do not include authority or responsibility for planning, directing and controlling the Company's activities. Corporations controlled by immediate family members of certain directors and officers of the Company are non-managing, non-controlling members of the Partnership and, in each case, have no active role in the provision of the services. During the six months ended August 31, 2010, the Company paid fees of \$40,000 in aggregate to the Partnership for the provision of accounting and administrative support services, which are included in "wages and consulting fees" in the consolidated statements of net loss and are measured at the exchange amount, which is the consideration agreed to between the Company and the managing partner, and were fully paid as August 31, 2010.

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.

15. Financial instruments and risk management

Financial instrument classification

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

Capital management

The Company's capital consists of: cash and cash equivalents and 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 debt funding or 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.

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 approximately \$1.4 Million in cash and cash equivalents at August 31, 2010, 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.

North Country Gold Corp.

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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.

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 August 31, 2010 is \$1.9 Million. 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.

16. Subsequent events

Sale of Toro Mining Pty Ltd.

Subsequent to the period, the Company completed the sale of Toro Mining Services Pty Ltd. (a 100% owned subsidiary), which holds the Company's Jaurdi Hills property, to an Australian private corporation (the "Purchaser") for consideration of 1,000,000 shares of the Purchaser at a deemed value of AUD 0.20 per share. In conjunction with the sale, the Purchaser reimbursed the Company for expenditures on the Jaurdi Hills property incurred since June 1, 2010.

Private placement

Subsequent to the period, the Company announced a private placement with Canaccord Genuity Corp. acting as exclusive agent to sell up to 12,000,000 Units (the "Units") of the Company at \$0.50 per Unit for gross proceeds of up to \$6,000,000.

Each Unit will consist 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 \$0.60 per Common Share for a period of 24 months from issuance.

The Agent will receive a commission on the sale of the Units representing 6.5% of the gross proceeds raised in the offering, payable in cash or Units or a combination thereof, at the discretion of the agent, and non-transferable share purchase warrants entitling the agent to purchase Units of the Company equal to 7% of the Units sold pursuant to the offering at a price of \$0.50 per Unit within 24 months from the date of issuance.

The Company shall also pay the agent a fee of 250,000 Units for fiscal advisory services.

Option issuance

Subsequent to the period, the Company granted 5,750,000 stock options under the Company's stock option plan, of which 4,550,000 were granted to officers and directors. The stock options are exercisable at a price of \$0.47 per option.