

# **North Country Gold Corp.**

## **Financial Statements**

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



**STOUT & COMPANY LLP**

CHARTERED ACCOUNTANTS EDMONTON, CANADA

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## AUDITORS' REPORT

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To the Shareholders of **North Country Gold Corp.**

We have audited the balance sheet of **North Country Gold Corp.** as at February 28, 2010 and the statement of cash flows for the period from February 3, 2010 to February 28, 2010. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at February 28, 2010, and the results of its cash flows for the period then ended in accordance with Canadian generally accepted accounting principles.

Edmonton, Canada  
June 22, 2010

Chartered Accountants

# North Country Gold Corp.

Balance Sheet

As at February 28, 2010

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## Assets

### Current

Cash and cash equivalents

\$ 1

## Shareholders' equity

Share capital (note 3)

\$ 1

Subsequent events – Note 5

Approved by the Board

Director (signed by) “John Williamson”

Director (signed by ) “Sean Mager”

**North Country Gold Corp.**

## Statement of Cash Flows

For the period ended February 28, 2010

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**Cash provided by****Financing activities**

Issuance of share capital (note 3)

\$	1
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**Net increase in cash and cash equivalents**

1

**Cash and cash equivalents - beginning of period**

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**Cash and cash equivalents - end of period**

\$	1
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# North Country Gold Corp.

Notes to the Financial Statements

For the period ended February 28, 2010

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## 1. Nature of operations

North Country Gold Corp. (the “Company”) 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.) (“CBR”) for the purposes of effecting a plan of arrangement between CBR, CBR’s shareholders and the Company (the “Arrangement”). The Arrangement was effected on April 9, 2010 (see note 5 – Subsequent Events). During the period ended February 28, 2010, the Company did not conduct any operating activities.

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

## 2. Significant accounting policies

### Preparation of financial statements

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”).

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

### Asset retirement obligation

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 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 mining sites 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.

## **North Country Gold Corp.**

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### 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 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.

### 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.

### Joint ventures

The Company may periodically have interests in joint ventures which are jointly controlled operations. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is under joint control. A jointly controlled operation involves the use of assets and other resources of the venturers rather than establishing a separate entity. The Company recognizes its interest in jointly controlled operations by proportionate consolidation, whereby the Company recognizes its share of the assets, liabilities, expenses, and revenues.

### Measurement uncertainty

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.

### 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

## North Country Gold Corp.

Notes to the Financial Statements

For the period ended February 28, 2010

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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 history characteristic of many resources properties.

### 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

### 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 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.

### 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 period ended February 28, 2010

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### 3. Share capital

#### Shares

Authorized:

Unlimited number of common shares

Unlimited number of preferred shares

Issued:

#### Period ended February 28

	2010	
	Common Shares	Amount
	#	\$
Balance – beginning of period	-	-
Shares issued for cash	1	1
Balance – end of period	1	1

The Company was incorporated on February 3, 2010, under the Business Corporations Act (Alberta) and through the issuance one common share to CBR at a nominal price of \$1.

Subsequent to February 28, 2010, the Company issued 60,076,521 common shares (see note 5).

### 4. 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 does not hold any financial instruments or cash which are subject to interest risk.



## North Country Gold Corp.

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### *Credit risk*

Credit risk is the risk of potential loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's is not exposed to any credit risk.

### *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 is not party to any financial instruments subject to foreign currency risk.

### *Liquidity risk*

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

The Company is not exposed to any liquidity risk. The Company may have to seek debt or equity financing, and there can be no assurance that such financing will be available on terms acceptable to the Company. See note 5.

## **5. Subsequent events**

### *Transfer of CBR Gold Corp.'s Canadian and Australian Assets to North Country Gold Corp.*

On April 1, 2010, the Company's parent company, CBR, 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 CBR 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 CBR at their carrying values in CBR. The following table summarizes the carrying values of the assets and liabilities transferred from CBR in the Asset Transfer:

Working capital	\$ 4,706,978
Performance bonds	38,895
Investments	1,024,188
Property, plant and equipment	1,846,132
Mineral interests	33,846,997
Asset retirement obligation	(38,895)
Future income tax liability	(8,440,248)
Net assets transferred	<b>\$ 32,984,047</b>

### *Completion of Plan of Arrangement with CBR Gold Corp and its Shareholders*

On April 9, 2010 (the "Arrangement Date"), CBR, its shareholders and the Company completed the Arrangement to distribute the Right to shareholders of record in CBR on the Arrangement Date (the "Shareholders") as a return and reduction in the stated capital of CBR's common shares, such that each Shareholder received an undivided interest in the Right in proportion to the Shareholder's ownership in CBR. 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 CBR owned by such Shareholder on the Arrangement Date.

## North Country Gold Corp.

Notes to the Financial Statements

For the period ended February 28, 2010

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The common shares of NCG began trading on the TSX Venture Exchange on April 15, 2010 under the symbol "NCG".

### *Private Placements*

On May 4, 2010, the Company completed a private placement (the "Offering") with Canaccord Financial Ltd. (the "Agent") acting as exclusive agent. The Company issued 24,000,000 common shares as "flow-through shares" ("FT Shares") pursuant to the *Income Tax Act* (Canada) at a price of \$0.25 per FT Share, for gross proceeds of \$6,000,000. In connection with the issuance 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 ("Agent's Warrants") entitling it 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 June 7, 2010, the Company announced a private placement ("Placement") to sell up to 6,250,000 common shares of the Company to be issued as FT Shares at a price of \$0.32 per FT Share.

On June 10, 2010, the Company amended the Placement to include 3,350,000 units ("Units") at a price of \$0.30 per Unit. Each Unit will consist of one common share of the Company and one-half of a common share purchase warrant ("Warrant"). Each whole Warrant shall entitle the holder to acquire one additional common share at a purchase price of \$0.40 per share for a period of two years from the date of issuance. The Placement will raise gross proceeds of \$3,005,000 if fully subscribed.