

## **NSGOLD CORPORATION**

### **MANAGEMENT DISCUSSION AND ANALYSIS FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2011**

#### **Background**

This Management Discussion and Analysis (“MD&A”) of NSGold Corporation (“NSGold” or “the Company”) is dated August 29, 2011 and provides an analysis of the financial operating results for the three and six month periods ended June 30, 2011 and June 30, 2010. This MD&A should be read in conjunction with the unaudited interim financial statements and accompanying notes for the six month period ended June 30, 2011 which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) for interim financial statements. This MD&A should also be read in conjunction with the audited annual financial statements and accompanying notes for the year ended December 31, 2010. All amounts are in Canadian dollars unless otherwise specified. The financial statements and additional information, including news releases, the Filing Statement and technical reports referenced herein, are available on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) at [www.sedar.com](http://www.sedar.com) under the Company’s name.

#### **Forward-Looking Information**

Certain statements in this Filing Statement are forward-looking statements or information (collectively “forward-looking statements”). NSGold is hereby providing cautionary statements identifying important factors that could cause the actual results to differ materially from those projected in the forward-looking statements. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as “may”, “is expected to”, “anticipates”, “estimates”, “intends”, “plans”, “projection”, “could”, “vision”, “goals”, “objective” and “outlook”) are not historical facts and may be forward-looking and may involve estimates, assumptions and uncertainties which could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements. In making these forward-looking statements, NSGold has assumed that the current market for gold will continue and grow and that the risks listed below will not adversely impact the business of NSGold.

By their nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, which contribute to the possibility that the predicted outcomes may not occur or may be delayed. The risks, uncertainties and other factors, many of which are beyond the control of NSGold, that could influence actual results include, but are not limited to: limited operating history; exploration, development and operating risks; regulatory risks; substantial capital requirements and liquidity; financing risks and dilution to shareholders; competition; reliance on management and dependence on key personnel; fluctuating mineral prices and marketability of minerals; title to properties; local resident concerns; no mineral reserves or mineral resources; environmental risks; governmental regulations and processing licenses and permits; management inexperience in developing mines; conflicts of interest of management; uninsurable risks; exposure to potential litigation; dividends; and other factors beyond the control of NSGold.

Further, any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by applicable law, NSGold undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for management to predict all such factors and to assess in advance the impact of each such factor on the business of NSGold or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement. See “Risk Factors” below.

## **Company Overview**

NSGold is a mineral exploration company actively exploring for gold, base metals and rare earth elements in Nova Scotia, Canada. The Company's flagship property is the Mooseland Gold Project located in Halifax County, Nova Scotia.

NSGold was incorporated on September 25, 2009 under the Canada Business Corporations Act. The registered office of the Company is 1055 West Hastings Street, Suite 2200, Vancouver, B.C. The Company's fiscal year end is December 31, 2010. During June 2010 the Company completed a reverse takeover and short form vertical amalgamation with Kermode Capital Ltd. with the amalgamated entity being renamed "NSGold Corporation" with the new ticker symbol on the TSX Venture Exchange being "NSX". On June 18, 2010 the Company completed a private placement financing raising gross proceeds of \$4.1 million.

In March 2011 the Company signed a definitive agreement whereby it can acquire a 100% ownership in the Dios Padre Property, including the historic Dios Padre Silver Mine, located in the State of Sonora, Mexico.

During the six month period ended June 30, 2011 the Company received aggregate proceeds of \$1.68 million from the exercise of warrants and broker unit warrants aggregating 3,992,333 common shares.

In July 2011 the Company announced that it started the process to separate its Nova Scotia assets (gold, base metals and rare earths) and Mexican assets (silver) into two separate public companies. NSGold's intention is to distribute to its shareholders, on a share-for-share basis, all of the shares of a newly-incorporated company, NSX Silver Inc., which will indirectly hold NSGold's Mexican silver properties, including the Dios Padre property. NSGold Corporation will continue to own its Nova Scotia gold, base metal and rare earth exploration properties. After the share distribution, it is not expected that NSGold will hold any shares of NSX Silver.

On August 5, 2011 the Company completed a private placement of 8,627,451 common shares at a price of \$0.51 per share, for gross proceeds of \$4.4 million. Sprott Asset Management LP, acting on behalf of certain Sprott funds and managed accounts, subscribed for all of the 8,627,451 shares in the private placement, representing 19.9% of the shares of NSGold issued and outstanding after the placement.

## **Resource Properties**

On April 14, 2010, NSGold entered into a formal purchase agreement with Globex Mining Enterprises Inc. ("Globex") to acquire a 100% interest in the advanced-stage exploration property referred to as the Mooseland Gold Property located 70 kilometres northeast of the city of Halifax, Nova Scotia and five secondary properties ("Secondary Properties") all located in the Province of Nova Scotia.

Under the terms of the purchase agreement NSGold must pay a total of \$750,000 to Globex, as follows:

- (i) \$250,000 by June 30, 2010;
- (ii) \$250,000 by September 1, 2010; and
- (iii) \$250,000 on the earlier of 30 days after commencement of production or September 1, 2011.

As at the date of this report the full amount of \$750,000 has been paid to Globex.

Globex also holds a NSR, a gross metal royalty, equal to four percent (4%) of all metals produced from the Mooseland Property and the Secondary Properties. In addition, Globex has the right to receive a five percent (5%) interest in the issued and outstanding share capital of NSGold at the time of production in the event that any of the Mooseland Property or the Secondary Properties, as applicable, enters into production.

Mooseland is the site of the first recorded gold discovery in Nova Scotia in 1858, and the property recorded total historical production from 1863 to 1934 of 3,865 ounces of gold recovered from 9,058 tons of crushed material (J. Bates, 1982). More recently, Mooseland was the target of a succession of focused exploration programs by Hecla Mining Company of Canada and Acadia Mineral Ventures, Ltd. (1987-1992) and Azure Resources Corp. (2003-2004). These companies completed a total of 36,858 meters of diamond drilling on Mooseland. Mining infrastructure on the Mooseland property includes a three-compartment shaft sunk to a depth of 125 meters complete with a steel head frame and a ramp to a depth of 50 meters.

In July 2010 NSGold initiated a Phase 1 exploration program at Mooseland that focused on obtaining data necessary to verify and classify the historical gold resource estimates in accordance with National Instrument 43-101. A total of 6,507 meters in 26 diamond drill holes were completed during 2010 with 13 holes being drilled in each of the West and East Zones.

In June 2011 the Company received an updated resource report for the Mooseland Project. Total inferred gold resources for Mooseland were estimated at 390,000 ounces of gold. This resource report was prepared by MineTech International Inc. of Halifax, Nova Scotia and a copy is available on SEDAR. A summary of the updated resource estimation is provided in the table below.

<b>Mooseland Summary of Non-Diluted Inferred Mineral Resources</b>				
	Cut-off Grade (g/tonne)	Tonnes Above Cut-off	Average Diluted Grade (g/tonne)	Ounces
West Zone	3.0	1,400,000	4.6	210,000
East Zone	3.0	1,100,000	5.1	180,000
<b>Total</b>	<b>3.0</b>	<b>2,500,000</b>	<b>4.9</b>	<b>390,000</b>

In August 2011 the Company initiated a 5,000 meter follow up drilling program at Mooseland. The focus of this program includes the drill testing of under-explored areas in the historic drilling zones, as well as to complete several drill holes planned for last year's program that were not able to be drilled due to adverse weather conditions at the time.

NSGold also holds five early-stage gold and base-metal exploration properties located in Nova Scotia. The properties are as follows; Leipsigate, Indian Path, Blockhouse, French Village and Cheticamp. The first three are former gold-producing properties, each characterized by Meguma-type gold occurrences, while the latter two are gold and base-metal exploration properties. During 2010 NSGold completed 3 diamond drill holes at the Leipsigate property.

The Company holds three additional properties located in Nova Scotia that are considered to be prospective for rare earth elements ("REE's"). The properties are as follows; James River, Barney's River and Folly Lake. The Company is planning to undertake an initial prospecting program on these properties during the second half of 2011.

The Company entered into a definitive option agreement ("Agreement") having an effective date of April 9, 2011 whereby it can acquire a 100% ownership of the Dios Padre Property ("Property"). The Property, including the historic Dios Padre Silver Mine, is located in the Municipality of Yecora, State of Sonora, Mexico approximately 260 km east of Hermosillo. Under the terms of the Agreement, NSGold, through its wholly-owned subsidiary Compañía Minera Oso Blanco SA de CV, can acquire a 100% undivided interest in the Dios Padre Property from Cia Minera Pena Blanca SA de CV by making a series of escalating semi-annual cash payments totaling US\$6 million over a 5-year period and issuing an aggregate of 1,250,000 common shares to the optionor in five equal tranches over the same 5-year period. At such time as NSGold acquires a 100% undivided interest in the Property, the optionor will be granted a 3% net smelter return royalty, two-thirds of which may be repurchased by NSGold at any time prior to the commencement of commercial production by the payment of US\$2 million.

At the Dios Padre Project the known prospects are localized in the Dios Padre porphyry and are highlighted on surface by extensive areas of alteration in the surrounding rock. Similar zones have been seen in other areas of the property and are as yet unmapped. These alteration zones show the characteristics commonly associated with a large

mineralized system, and are similar to the main Dios Padre breccia or collectively a larger porphyry Copper – Gold target. NSGold believes that either such model on its own merit warrants priority evaluation.

NSGold will proceed with a two-phased exploration program. The Phase I program will establish a base line for subsequent work by delineating the known and potential sources of ore-grade material on the property through mapping and sampling on surface and underground, as well as geophysics and limited drilling. The budget for this program is \$700,000. Phase II, which will be predicated on the results of Phase I, is tentatively budgeted at \$3 million and will consist of surface and underground drilling targeting the known resource in the Dios Padre Breccia. The objective of Phase II will be to determine the geometry and grade of the primary deposit mineralized area and the potential of several secondary deposits.

## Results of Operations

The following table contains selected financial information for the three month periods ended June 30, 2011 and June 30, 2010.

	Three months ended June 30, 2011	Three months ended June 30, 2010
Interest income	\$ 2,100	\$ 0
Total expenses	\$ 197,362	\$ 1,078,397
Recovery of deferred income taxes	\$ 19,577	\$ 0
Net loss and comprehensive loss	\$ 175,685	\$ 1,078,397
Basic and diluted net loss per share	\$ 0.01	\$ 0.08

The following table contains selected financial information for the six month periods ended June 30, 2011 and June 30, 2010.

	Six months ended June 30, 2011	Six months ended June 30, 2010
Interest income	\$ 2,403	\$ 0
Total expenses	\$ 282,838	\$ 1,078,502
Recovery of deferred income taxes	\$ 22,079	\$ 0
Net loss and comprehensive loss	\$ 258,356	\$ 1,078,502
Basic and diluted net loss per share	\$ 0.01	\$ 0.09

The following table contains selected financial information as at June 30, 2011 and December 31, 2010.

	As at June 30, 2011	As at December 31, 2010
Total current assets	\$ 2,716,710	\$ 1,790,325
Resource properties	\$ 2,793,870	\$ 2,199,504
Total assets	\$ 5,510,580	\$ 3,989,829
Total liabilities	\$ 700,400	\$ 787,728
Total shareholders' equity	\$ 4,810,180	\$ 3,202,101

Total expenditures, excluding listing expense, have increased with the ramp up in exploration activities for the three and six month periods ended June 30, 2011 as compared to the same periods in the prior year. A “one time” listing expense of \$989,605 was recorded as an IFRS adjustment in conjunction with the completion of the Company’s Qualifying Transaction and listing on the TSXV in June 2010.

### **Liquidity and Capital Resources**

As at June 30, 2011 the Company had cash and short term investments aggregating \$2,167,122 and working capital of \$2,327,471.

On August 5, 2011 the Company completed a private placement of 8,627,451 common shares at a price of \$0.51 per share, for gross proceeds of \$4.4 million. The net proceeds raised were approximately \$4 million. Management expects that its current working capital is sufficient to fund the 2011 exploration programs at Mooseland and Dios Padre.

The Company has financed its operations from inception to date through the issuance of equity securities. The Company is dependent on raising additional funding through the issuance of equity securities in order to fund future exploration programs and to meet its ongoing general and administrative requirements.

### **Obligations With Respect to Flow-Through Shares**

Pursuant to the June 2010 private placement financing the Company issued 6,880,731 flow-through shares for gross proceeds of \$2,064,220. The Company agreed to incur \$2,064,220 of eligible “Canadian Exploration Expenses” (“CEE”) from the date of closing to December 31, 2011 and renounce such expenditures with an effective date of no later than December 31, 2010.

The Company renounced CEE aggregating \$2,064,220 with an effective date of December 31, 2010 of which \$1,030,765 was incurred during 2010 and \$1,033,455 which is to be incurred in 2011 and was renounced under the “look-back rule.” As at June 30, 2011 the estimated remaining CEE commitment to be incurred by the Company during the second half of 2011 was approximately \$800,000.

### **Accounting Standards Issued But Not Yet Applied**

#### *International Financial Reporting Standards 9, Financial Instruments (“IFRS 9”)*

The International Accounting Standards Board has issued IFRS 9, effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. IFRS 9 introduces new classification and measurement requirements for financial instruments. NSGold continues to assess the impact of IFRS 9 on its statements of comprehensive loss and financial position.

In May 2011, the IASB issued the following standards which have not yet been adopted by the Company: IFRS 10, Consolidated Financial Statements (IFRS 10), IFRS 11, Joint Arrangements (IFRS 11), IFRS 12, Disclosure of Interests in Other Entities (IFRS 12), IAS 27, Separate Financial Statements (IAS 27), IFRS 13, Fair Value Measurement (IFRS 13) and amended IAS 28, Investments in Associates and Joint Ventures (IAS 28). Each of the new standards is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. The Company continues to assess the impact that the new and amended standards will have on its financial statements. The following is a brief summary of the new standards:

### *IFRS 10 – Consolidation*

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 Consolidation—Special Purpose Entities and parts of IAS 27 Consolidated and Separate Financial Statements.

### *IFRS 11 - Joint Arrangements*

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities—Non-monetary Contributions by Venturers.

### *IFRS 12 – Disclosure of Interests in Other Entities*

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

### *IFRS 13 - Fair Value Measurement*

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

### *Amendments to Other Standards*

In addition, there have been amendments to existing standards, including IAS 27, Separate Financial Statements (IAS 27), and IAS 28, Investments in Associates and Joint Ventures (IAS 28). IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 – 13.

### **Transition to IFRS**

NSGold has adopted IFRS effective January 1, 2010. Prior to the adoption of IFRS, NSGold prepared its financial statements in accordance with Canadian GAAP. NSGold's transition date is January 1, 2010 and NSGold has prepared its opening IFRS balance at that date. These unaudited interim financial statements have been prepared in accordance with the policies referenced in note 3. NSGold will ultimately prepare its opening balance sheet and financial statements for 2010 and 2011 by applying existing IFRS with an effective date of December 31, 2011, or prior. Accordingly, the opening balance sheet and annual financial statements for 2010 and 2011 may differ from these financial statements.

**(a) Transition Elections**

Generally, the conversion to IFRS requires an entity to present its financial statements as if it had always reported under IFRS. IFRS 1 provides guidance on the initial adoption of IFRS and provides certain exceptions and exemptions to full retrospective application of IFRS which an entity may elect. The Company has not applied any transition elections.

IFRS 1 specifies that estimates made in accordance with IFRS at the date of transition to IFRS shall be consistent with estimates made for the same date in accordance with Canadian GAAP. NSGold's estimates at the date of transition to IFRS are consistent with estimates made in accordance with Canadian GAAP or based on information that reflects conditions that existed at the date of transition to IFRS.

**(b) Explanation of adjustments restating equity from Canadian GAAP to IFRS as at January 1, 2010**

*(i) Reverse take over*

On June 18, 2010, NSGold completed the acquisition of Kermode, a reverse takeover transaction (see note 6). The accounting changed with the adoption of IFRS. As Kermode had only nominal net assets at the time of the reverse takeover by NSGold, Canadian GAAP required that the transaction be accounted for as a capital transaction with the accounting value of the equity issued for the acquisition being limited to the fair value of the net monetary assets of Kermode. IFRS standards require the acquisition to be accounted for at fair value with the excess of the consideration paid over the fair value of the net assets acquired being reflected as a deemed share listing expense. The fair value of the common shares, warrant and options deemed to be issued on the reverse takeover has been recorded at \$992,000. The fair value of the net assets acquired was \$2,395. The difference between the fair values of the consideration paid and the fair value of the net assets acquired of \$989,605 has been reflected as a 2010 listing expense in the statement of comprehensive loss. The impact of the transaction resulted in an increase accumulated deficit of \$989,605, and an increase in share capital, warrants and other, and contributed surplus by \$899,605, \$30,000 and \$60,000, respectively.

*(ii) Flow-through shares*

In accordance with current tax legislation, the Company renounces the tax deductions relating to qualified resource expenditures that are financed by the issuance of flow-through shares to the benefit of the flow through shareholders. Common shares issued on a flow-through basis typically include a premium over the market price of the Company's common shares that is associated with the tax benefits of the flow-through share.

Under Canadian GAAP, the tax effect of renouncing qualifying exploration expenditures is recorded on the date the Company files its renunciation documents as a reduction of shareholder's equity provided there is reasonable assurance that the expenditures will be made.

Under IFRS, at the time of share issuance, the proceeds must be allocated between share capital and the obligation to deliver the tax deduction. The allocation is based on the difference between the quoted price of the Company's non-flow through shares and the amount the investor pays for the flow-through shares (given no other differences between the securities).

In accordance with IFRS, deferred income taxes related to the temporary differences created by the renouncement of flow-through share tax benefits to subscribers are recorded on a pro-rata basis when the qualified expenditures are incurred. This can occur either before or after the formal renunciation of expenditures is filed with tax authorities. When the qualified expenditures are incurred, the tax value of the renunciation is recorded on a pro-rata basis as a deferred income tax liability with a corresponding charge to income tax expense in the statement of loss.

Additionally, as qualified expenditures are incurred, the Company recognizes a pro-rata reduction of the flow-through premium liability as a recovery of deferred income taxes in the statement of comprehensive loss. Under Canadian GAAP, the deferred income taxes related to the temporary differences created by the renouncement of flow-through share tax benefits are recorded only upon the formal filing of the renunciation with tax authorities, which did not occur until March 2011.

The Company had not issued flow-through shares at January 1, 2010. This change resulted in an allocation of \$344,036 to the flow-through premium liability on issuance of the flow-through shares and a corresponding reduction in share capital. Based on qualified expenditures incurred to December 31, 2010, the Company recognized a pro-rata reduction of the flow-through premium liability of \$171,794 through December 31, 2010, which was recorded as a recovery of deferred tax expense in the statement of loss for the year ended December 31, 2010. Based on the qualified expenditures incurred for the year ended December 31, 2010, the tax value of the renunciation of \$330,000 was recorded as a deferred income tax liability with a corresponding charge to income tax expense in the statement of loss. The Company then recorded previously unrecognized tax assets of \$117,000 related to tax losses carried forward, with a corresponding credit to income tax expense in the statement of loss, and \$101,000 related to share issue costs, with a corresponding credit to share capital.

### *(iii) Stock based compensation*

Under Canadian GAAP, the fair value of the stock options with graded vesting was calculated as one grant and recognized as stock-based compensation expense on a straight line basis over the vesting period. Under IFRS, each vesting instalment of a stock option grant is considered a separate grant for the calculation of fair value and the resulting fair value is amortized over the vesting period of each respective instalment. In addition, forfeitures of options which were recognized as they occurred under Canadian GAAP are estimated and revised at each reporting period under IFRS.

At January 1, 2010 and March 31, 2010, no options were issued, so there was no impact to contributed surplus or deficit. Share-based compensation increased by \$11,100 for the year ended December 31, 2010, of which \$9,500 was recorded as an expense in the statement of comprehensive loss and \$1,600 was capitalized to resource properties with a corresponding increase to contributed surplus of \$11,100 at December 31, 2010.

### **Off-Balance Sheet Arrangements**

The Company has no off-balance sheet arrangements.

### **Related Party Transactions**

During the six months ended June 30, 2011 the Company incurred legal fees aggregating \$42,787 from a law firm of which one of the officers is a partner.

### **Outstanding Share Data**

As at June 30, 2011 the Company had 34,786,316 shares issued and outstanding, and at August 29, 2011 the Company has 43,413,767 shares issued and outstanding.

As at June 30, 2011 and at August 29, 2011 the Company had outstanding 600,000 agent compensation warrants entitling the holder thereof to acquire one common share per warrant at an exercise price of \$0.25 per share until June 18, 2012, as well as, stock options in respect of an aggregate of 810,000 common shares. The details of the outstanding stock options are summarized in the following table.

Date of Grant	Expiry Date	Number of Options	Exercise Price
August 17, 2010	August 17, 2010	280,000	\$0.25
March 24, 2011	March 24, 2016	395,000	\$0.50
May 10, 2011	May 10, 2016	50,000	\$0.60
June 22, 2011	June 22, 2016	85,000	\$0.50

Directors and officers hold an aggregate number of stock options in respect of 585,000 and consultants hold 225,000. The total number of options outstanding represents 1.9% of the issued number of shares as at June 30, 2011 and at August 29, 2011.

The fully diluted number of shares as at June 29, 2011 was 36,196,316, and as at August 29, 2011 the fully diluted number of shares is 44,823,767.

During the period subsequent to June 30, 2011 the Company completed a private placement financing and issued a total of 8,627,451 common shares at a price of \$0.51 per share, for gross proceeds of \$4.4 million

On May 10, 2011 the Company granted stock options to a consultant in respect of an aggregate of 50,000 common shares. The exercise price of the stock options is \$0.60 per share and they expire five years from the date of grant.

On June 22, 2011 the Company granted stock options to two directors in respect of an aggregate of 85,000 common shares. The exercise price of the stock options is \$0.50 per share. The stock options vest in four equal tranches commencing three months from the date of grant and will be fully vested in twelve months. They expire five years from the date of grant.

As at June 29, 2011 the Company has outstanding a total of 810,000 stock options which represents 2.3% of the issued and outstanding number of shares.

### **Risks and Uncertainties**

The following are certain factors relating to the business of the Company. These risks and uncertainties are not the only ones facing the Company. Additional risks and uncertainties not currently known to the Company, or that the Company currently deems immaterial, may also impair the operations of the Company. If any such risks actually occur, the financial condition, liquidity and results of operations of the Company could be materially adversely affected and the ability of the Company to implement its growth plans could be adversely affected.

The following is a description of certain risks and uncertainties that may affect the business of the Company.

#### **i) Limited Operating History**

The Company is a relatively new company with limited operating history and no history of business or mining operations, revenue generation or production history. The Company was incorporated September 25, 2009 and has yet to generate a profit from its activities. The Company will be subject to all of the business risks and uncertainties associated with any new business enterprise, including the risk that it will not achieve its growth objective. The Company anticipates that it may take several years to achieve positive cash flow from operations.

#### **ii) Exploration, Development and Operating Risks**

The exploration for and development of minerals involves significant risks, which even a combination of careful evaluation, experience and knowledge may not eliminate. Few properties which are explored are ultimately developed into producing mines. There can be no guarantee that the estimates of quantities and qualities of minerals

disclosed will be economically recoverable. With all mining operations there is uncertainty and, therefore, risk associated with operating parameters and costs resulting from the scaling up of extraction methods tested in pilot conditions. Mineral exploration is speculative in nature and there can be no assurance that any minerals discovered will result in an increase in the Company's resource base.

The Company's operations are subject to all of the hazards and risks normally encountered in the exploration, development and production of minerals. These include unusual and unexpected geological formations, rock falls, seismic activity, flooding and other conditions involved in the extraction of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. Although precautions to minimize risk will be taken, operations are subject to hazards that may result in environmental pollution and consequent liability that could have a material adverse impact on the business, operations and financial performance of the Company.

### **iii) Substantial Capital Requirements and Liquidity**

Substantial additional funds for the establishment of the Company's current and planned mining operations will be required. No assurances can be given that the Company will be able to raise the additional funding that may be required for such activities, should such funding not be fully generated from operations. Mineral prices, environmental rehabilitation or restitution, revenues, taxes, transportation costs, capital expenditures, operating expenses and geological results are all factors which will have an impact on the amount of additional capital that may be required. To meet such funding requirements, the Company may be required to undertake additional equity financing, which would be dilutive to shareholders. Debt financing, if available, may also involve restrictions on financing and operating activities. There is no assurance that additional financing will be available on terms acceptable to the Company or at all. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations or anticipated expansion, and pursue only those development plans that can be funded through cash flows generated from its existing operations.

### **iv) Fluctuating Mineral Prices**

The economics of mineral exploration is affected by many factors beyond the Company's control, including commodity prices, the cost of operations, variations in the grade of minerals explored and fluctuations in the market price of minerals. Depending on the price of minerals, it may be determined that it is impractical to continue the mineral exploration operation.

Mineral prices are prone to fluctuations and the marketability of minerals is affected by government regulation relating to price, royalties, allowable production and the importing and exporting of minerals, the effect of which cannot be accurately predicted. There is no assurance that a profitable market will exist for the sale of any minerals found on the Property.

### **v) Regulatory Requirements**

The current or future operations of the Company require permits from various governmental authorities, and such operations are and will be governed by laws and regulations governing exploration, development, production, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, site safety and other matters. Companies engaged in the exploration and development of mineral properties generally experience increased costs and delays in development and other schedules as a result of the need to comply with applicable laws, regulations and permits. There can be no assurance that all permits which the Company may require for the facilities and conduct of exploration and development operations will be obtainable on reasonable terms or that such laws and regulation would not have an adverse effect on any exploration and development project which the Company might undertake.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in exploration and development operations may be required to compensate those suffering loss or

damage by reason of the exploration and development activities and may have civil or criminal fines or penalties imposed upon them for violation of applicable laws or regulations. Amendments to current laws, regulation and permits governing operations and activities of mineral companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or exploration and development costs or require abandonment or delays in the development of new properties.

#### **vi) Financing Risks and Dilution to Shareholders**

The Company has limited financial resources, no operations and no revenues. If the Company's exploration program on its exploration properties is successful, additional funds will be required for the purposes of further exploration and development. There can be no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be available on favourable terms or at all. It is likely such additional capital will be raised through the issuance of additional equity, which will result in dilution to the Company's shareholders.

#### **vii) Title to Properties**

Acquisition of title to mineral properties is a very detailed and time-consuming process. Title to, and the area of, mineral properties may be disputed. The Company cannot give an assurance that title to its exploration properties will not be challenged or impugned. Mineral properties sometimes contain claims or transfer histories that examiners cannot verify. A successful claim that NSGold does not have title to its exploration properties could cause the Company to lose any rights to explore, develop and mine any minerals on that property, without compensation for its prior expenditures relating to such property.

#### **viii) Requirement for Permits and Licenses**

As NSGold holds an option to acquire the Property, subject to the NSR, it does not currently hold any permits or licences necessary to carry on proposed exploration activities on the Property. A substantial number of permits and licenses may be required should the Company proceed beyond exploration; such licenses and permits may be difficult to obtain and may be subject to changes in regulations and in various operational circumstances. It is uncertain whether the Company will be able to obtain all such licenses and permits.

#### **ix) Competition**

There is competition within the mining industry for the discovery and acquisition of properties considered to have commercial potential. The Company competes with other mining companies, many of which have greater financial, technical and other resources than the Company, for, among other things, the acquisition of minerals claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees and other personnel.

#### **x) Reliance on Management and Dependence on Key Personnel**

The success of the Company will be largely dependent upon on the performance of its directors and officers and the ability to attract and retain key personnel. The loss of the services of these persons may have a material adverse effect on the Company's business and prospects. The Company will compete with numerous other companies for the recruitment and retention of qualified employees and contractors. There is no assurance that the Company can maintain the service of its directors and officers or other qualified personnel required to operate its business. Failure to do so could have a material adverse effect on the Company and its prospects.

#### **xi) No Mineral Reserves or Mineral Resources**

The Property in which the Company holds an interest is considered to be an advanced stage exploration property, however no mineral reserve or mineral resource estimates have been prepared in respect of the Property. Mineral reserves are, in the large part, estimates and no assurance can be given that the anticipated tonnages and grades will be achieved or that the indicated level of recovery will be realized. Reserve estimates for properties that have not yet commenced production may require revision based on actual production experience. Market price fluctuations

of metals, as well as increased production costs or reduced recovery rates, may render mineral reserves containing relatively lower grades of mineralization uneconomic and may ultimately result in a restatement of reserves. Moreover, short-term operating factors relating to the mineral reserves, such as the need for orderly development of the ore bodies and the processing of new or different mineral grades, may cause a mining operation to be unprofitable in any particular accounting period.

#### **xii) Environmental Risks**

The Company's exploration and appraisal programs will, in general, be subject to approval by regulatory bodies. Additionally, all phases of the mining business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of international conventions and federal, provincial and municipal laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with mining operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs.

#### **xiii) Governmental Regulations and Processing Licenses and Permits**

The activities of the Company are subject to Canadian and Mexican approvals, various laws governing prospecting, development, land resumptions, production taxes, labour standards and occupational health, mine safety, toxic substances and other matters. Although the Company believes that its activities are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail production or development. Amendments to current laws and regulations governing operations and activities of exploration and mining, or more stringent implementation thereof, could have a material adverse impact on the business, operations and financial performance of the Company. Further, the mining licenses and permits issued in respect of its projects may be subject to conditions which, if not satisfied, may lead to the revocation of such licenses. In the event of revocation, the value of the Company's investments in such projects may decline.

#### **xiv) Local Resident Concerns**

Apart from ordinary environmental issues, work on, or the development and mining of the Property could be subject to resistance from local residents that could either prevent or delay exploration and development of the Property.

#### **xv) Management Inexperience in Developing Mines**

The management of the Company has some experience in exploring for minerals, but may lack all or some of the necessary technical training and experience to successfully develop and operate a mine. Without adequate training or experience in these areas, management may not be fully aware of many of the specific requirements related to working within the mining industry and their decisions and choices may not take into account all available and necessary engineering or managerial approaches that experienced mine operating companies commonly use to successfully develop a mine. Consequently, the Company's operations, earnings and ultimate financial success could be materially adversely effected.

#### **xvi) Conflicts of Interest**

Certain of the directors and officers of the Company are engaged in, and will continue to engage in, other business activities on their own behalf and on behalf of other companies (including mineral resource companies) and, as a result of these and other activities, such directors and officers of the Company may become subject to conflicts of interest. The British Columbia Business Corporations Act (BCBCA) provides that in the event that a director has a material interest in a contract or proposed contract or agreement that is material to the Company, the director must disclose his interest in such contract or agreement and refrain from voting on any matter in respect of such contract

or agreement, subject to and in accordance with the BCBCA. To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the BCBCA.

**xvii) Uninsurable Risks**

Exploration, development and production operations on mineral properties involve numerous risks, including unexpected or unusual geological operating conditions, rock bursts, cave-ins, fires, floods, earthquakes and other environmental occurrences. It is not always possible to obtain insurance against all such risks and the Company may decide not to insure against certain risks as a result of high premiums or other reasons. Should such liabilities arise, they could have an adverse impact on the Company's results of operations and financial condition and could cause a decline in the value of the Company's shares. The Company does not intend to maintain insurance against environmental risks.

**xviii) Litigation**

The Company and/or its directors may be subject to a variety of civil or other legal proceedings, with or without merit.

**xix) Dividends**

To date, NSGold has not paid any dividends on its outstanding shares. Any decision to pay dividends on the shares of the Company will be made by its board of directors on the basis of the Company's earnings, financial requirements and other conditions.

**Other Information**

Additional information regarding the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com)

Dated: August 29, 2011