



2016 ANNUAL REPORT

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NSGOLD CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016

Background

This Management's Discussion and Analysis (MD&A) of NSGold Corporation (NSGold or the Company) is dated April 27, 2017 and should be read in conjunction with the audited consolidated financial statements and accompanying notes for the years ended December 31, 2016 and December 31, 2015, which have been prepared in accordance with International Financial Reporting Standards (IFRS) for financial statements. 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 under the Company's profile. The common shares of NSGold are traded on the TSX Venture Exchange under the symbol "NSX". Further information on NSGold can be found on its website at www.nsgoldcorp.com.

Forward-Looking Information

Certain statements in this MD&A 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 and Uncertainties".

Company Overview

NSGold is a mineral exploration company actively exploring for gold and base metals in Nova Scotia, Canada. The Company's flagship property is the Mooseland Gold Project (Mooseland) located in Halifax County, Nova Scotia. NSGold was incorporated on September 25, 2009 under the Canada Business Corporations Act.

In April 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.

In June 2010, the Company completed a reverse takeover and short form vertical amalgamation pursuant to the British Columbia Business Corporations Act with Kermode Capital Ltd. (Kermode) with the amalgamated entity being renamed “NSGold Corporation”. As a result of the foregoing transaction, the Company received a new ticker symbol relating to its common shares listed on the TSX Venture Exchange, namely “NSX”. In addition, on June 18, 2010, the Company completed a private placement financing raising gross proceeds of \$4.1 million.

In April 2011, the Company signed an agreement whereby it had the option to acquire a 100% ownership interest in the mining concessions comprising the Dios Padre Property, including the historic Dios Padre Silver Mine, located in the State of Sonora, Mexico.

In August 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 the 8,627,451 common shares issued in the private placement, representing 19.9% of the common shares of NSGold issued and outstanding after the placement. The net proceeds were intended to fund the Mexican silver exploration activities. In 2011, the Company also received aggregate proceeds of \$1.68 million from the exercise of warrants and broker unit warrants aggregating 3,992,333 common shares.

In March 2012, the Company completed the spin-out of its Mexican silver assets to NSX Silver Inc. so NSGold could devote itself to exploration for gold at Mooseland and its search for other gold properties in mining “friendly” jurisdictions. The common shares of NSX Silver commenced trading on the TSX Venture Exchange on March 14, 2012 as a Tier 2 Mining Issuer under the trading symbol “NSY”.

In June 2012, the Company received an updated resource report for Mooseland. Total inferred gold resources for Mooseland were estimated at 454,000 ounces of gold at a cut-off grade of 2.6 grams per tonne.

In late 2012, the Company completed a drilling program at Mooseland for purposes of evaluating the potential for open pit mining in the West Zone.

In December 2012, the Company arranged a loan facility of up to \$500,000 with Van Hoof Industrial Holdings Ltd. (VHIH), a company controlled by Mr. Hans Van Hoof, Chairman of the Corporation. The loan facility was made available without any fees, options or warrants. The loan had an interest rate of 6% per annum and was repayable in full on January 30, 2015. As security for the repayment of the loan facility, the Corporation granted a security interest over its 187,580 common shares of NSX Silver Inc.

Effective November 19, 2014 the Company completed a one for ten consolidation of its common shares.

On January 30, 2015 the Company completed a non-brokered private placement and issued 3,529,411 units at a price of \$0.085 per unit, for aggregate gross proceeds of \$300,000. Each unit was comprised of one common share and one common share purchase warrant. Each warrant entitles its holder to acquire one additional common share of NSGold for \$0.125 for a period of three years from the closing date.

Also on January 30, 2015 the Company completed the settlement of the loan from VHIH, the Company’s largest shareholder. The loan and accrued interest aggregating \$313,520.51 was settled with the issuance of 3,688,476 NSGold common shares to VHIH at a deemed price of \$0.085, the same price as the issue price for the private placement. NSGold did not issue any warrants to VHIH in connection with the settlement of the loan.

On December 2, 2016 the Company completed a non-brokered private placement and issued 1,000,000 units at a price of \$0.10 per unit, for aggregate gross proceeds of \$100,000. Each unit was comprised of one common share and one-half common share purchase warrant. Each full warrant entitles the holder to acquire one common share of the Company for \$0.15 for a period of 18 months from the closing date.

The Corporation’s activities are discussed in more detail in the following sections.

Resource Properties

Mooseland Gold Property

On April 14, 2010, NSGold entered into a formal purchase agreement with 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 all located in the Province of Nova Scotia.

Under the terms of the purchase agreement NSGold paid a total of \$750,000 to Globex. Globex holds a gross metal royalty, equal to four percent (4%) of all metals produced from the Mooseland Gold 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 Gold 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, a 218 meter long ramp reaching a depth of 50 meters, a 12,000 cubic meter settling pond, access road and buildings.

There has been renewed interest in the Nova Scotia goldfields where historic production exceeds one million ounces. Atlantic Gold Corporation (AGB:TSXV) continues to advance their Moose River Gold Project, located 13 kilometers by road from Mooseland, toward production. AGB has adopted an aggressive consolidation strategy targeting the acquisition of surrounding gold properties. In September 2014, AGB completed the acquisition of Acadian Mining which owns the Beaver Dam and Fifteen Mile Stream gold properties. In 2016, AGB arranged a \$115 million project debt facility together with \$20 million equipment finance facility for the development of the Moose River Gold Project. AGB is currently constructing a 2 million tonne per annum processing plant and open pit mine at Moose River with gold production targeted in Q4 2017.

Also of significance is the fact that Mooseland is located less than 30 kilometers from the Tangier Gold Mine and approximately 65 kilometers from the Dufferin Gold Mine. These two properties, along with the Forest Hill gold property, were acquired by Resource Capital Gold (RCG:TSXV) in the later part of 2016. RCG has announced plans to commence operations at the Dufferin Mine in Q1 2017 with the processing of stockpiled materials while making preparations for the resumption of trial mining. NSGold management continues to closely monitor the advancement of these and other nearby gold projects.

In 2010, NSGold completed 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 with 13 holes drilled in each of the West and East Zones.

In 2011, the Company completed a follow-up drilling program at Mooseland. The program consisted of 5,011 meters of diamond drilling in 16 drill holes and was designed with the objective of building confidence in the ore body model. This program has increased the knowledge of the deposit and added significant ounces to the resource. Drilling filled in some of the larger gaps in the model; 300 meters west and 200 meters east of the 2010 drilling on the West Zone and 200 meters north of the 2010 drilling on the East Zone. Fifteen of the sixteen had multiple intercepts of quartz veins that assayed greater than 1 gram per tonne gold. The best grade encountered was 0.5 meters of 107 grams/tonne. Significant drill results were announced in the Company's press releases dated October 18, 2011, November 22, 2011 and March 12, 2012.

In June 2012, the Company received an updated resource report for the Mooseland Gold Property. **Total inferred gold resources for Mooseland were estimated at 454,000 ounces of gold at a cut-off grade of 2.6 grams per tonne.** 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 following table.

Mooseland Summary of Non-Diluted Inferred Mineral Resources				
	Cut-off Grade (g/tonne)	Tonnes Above Cut-off	Average Diluted Grade (g/tonne)	Ounces
West Zone	2.6	1,460,000	5.52	259,000
East Zone	2.6	1,060,000	5.72	195,000
Total	2.6	2,520,000	5.6	454,000

This estimate is based on drill core assay results from historic and recent drilling programs totaling 45,382 meters in 183 drill holes as detailed below.

Year	Company	East Zone		West Zone		Total	
		Meters	# of Holes	Meters	# of Holes	Meters	# of Holes
1986 - 88	Hecla Mining Ltd /Acadian Mineral Ventures Ltd -JV	10,851	50	21,845	85	32,696	135
2003	Azure Resources	340	2	828	4	1,168	6
2010-11	NSGold Corp.	5,299	21	6,219	21	11,518	42

In December 2012, the Company carried out a third drilling program at Mooseland for purposes of evaluating the potential for open pit mining of the West Zone. The West Zone had been previously drill tested at depth and extends along strike approximately 1,000 meters, however, past drilling campaigns (110 holes totaling 29,000 meters) were not designed to target the gold bearing veins within 75 meters from the surface.

The Mooseland gold deposit occurs within a typical Meguma structure with steeply dipping limbs. The gold bearing quartz veins at Mooseland occur on both limbs of the fold with similar widths and grades. Of particular significance from a potential open-pit mining perspective is the relatively shallow depth (generally 0.5-1.5 meters) of overburden covering the West Zone deposit and the geometry of the near surface saddle veins.

A total of 15 diamond drill holes were completed, including two that encountered old mine workings and were abandoned. Drill hole depths ranged from 66 to 80 meters and all encountered multiple zones of quartz bearing argillites that contained varying amounts of arsenopyrite, both in and around the quartz veins. Of particular significance, Hole NSG-8-12 returned gold values of **36.8 grams per tonne over 0.6 meters** starting at 30.9 meters and **15.21 grams per tonne over 1.7 meters** starting at 77.7 meters.

Other significant drill intercepts included the following:

- 9.93 gpt over 1.0 meter in Hole NSG-1-12 starting at 25.2 meters
- 7.10 gpt over 1.0 meter in Hole NSG-3-12 starting at 67.2 meters
- 6.25 gpt over 1.0 meter in Hole NSG-8-12 starting at 74.3 meters
- 11.49 gpt over 1.0 meter in Hole NSG-10-12 starting at 51.8 meters
- 8.44 gpt over 1.0 meter in Hole NSG-10-12 starting at 54.8 meters
- 9.44 gpt over 1.0 meter in Hole NSG-13-12 starting at 48.0 meters
- 18.76 gpt over 1.0 meter in Hole NSG-15-12 starting at 22.9 meters

In the thirteen holes that were drilled to planned depths, there were thirty-nine (39) intercepts with gold values greater than 0.5 grams per tonne, including twenty-six (26) intercepts with gold values greater than 1.0 grams per tonne. The average sample length and grade of the thirty-nine intercepts were 0.92 meters and 4.57 grams per tonne respectively. The following table includes the gold results from the 2012 drilling program exceeding 0.5 grams per tonne:

Drill Hole #	From (meters)	To (meters)	Interval (meters)	Gold Assay (grams per tonne)
NSG-1-12	25.2	26.2	1	9.93
NSG-2-12	13.6	14.5	0.9	0.5
NSG-2-12	51.2	52	0.8	1.6
NSG-2-12	55.4	56.1	0.7	4.89
NSG-2-12	58.1	59.1	1	4.5
NSG-2-12	75.1	76.1	1	0.58
NSG-3-12	7.3	8.5	1.2	1.19
NSG-3-12	23.1	23.65	0.55	1.15
NSG-3-12	40.6	41.6	1	1.97
NSG-3-12	67.2	68.2	1	7.1
NSG-4-12	7.4	8.3	0.9	1.44
NSG-5-12	15	16	1	0.53
NSG-5-12	16	17	1	0.92
NSG-8-12	23	24	1	1.06
NSG-8-12	25	26.1	1.1	4.78
NSG-8-12	30.9	31.5	0.6	36.8
NSG-8-12	55.8	56.8	1	0.53
NSG-8-12	74.3	75.3	1	6.25
NSG-8-12	77.7	78.7	1	19.59
NSG-8-12	78.7	79.4	0.7	8.97
NSG-10-12	51.8	52.8	1	11.49
NSG-10-12	54.8	55.8	1	8.44
NSG-11-12	29	30	1	1.75
NSG-12-12	13	14	1	2.46
NSG-12-12	22.5	23.5	1	1.41
NSG-12-12	62	63	1	4.38
NSG-12-12	65	65.8	0.8	0.5
NSG-12-12	71	71.6	0.6	1.62
NSG-13-12	11.5	12.5	1	0.95
NSG-13-12	12.5	13.1	0.6	0.53
NSG-13-12	31.5	32.5	1	0.66
NSG-13-12	32.5	33.5	1	3.28
NSG-13-12	38.6	39.6	1	0.65
NSG-13-12	48	49	1	9.44
NSG-15-12	5	6	1	2.17
NSG-15-12	6	6.8	0.8	0.71
NSG-15-12	20.5	21.2	0.7	0.69
NSG-15-12	22.9	23.9	1	18.76
NSG-15-12	51	52	1	0.65

All holes were drilled at angles between 45 and 47 degrees and core angles were generally in excess of 60 degrees, averaging between 65 and 70 degrees, resulting in true widths being seven to nine percent less than core lengths.

During Q1 2013, NSGold engaged GPX Gold Royalty Corp. to complete a metallurgical scoping study for the Mooseland Gold Project. GPX Gold provides metallurgical studies as a service to gold mine owners-operators who have completed preliminary investigation and are in need of detailed metallurgical information to proceed with a final evaluation or project implementation. The study was undertaken by GPX Gold's affiliate company, Resources Mining Technologies (RMT). The scoping study entailed the completion of ore analysis including sample preparation, work index, head grades, and fractional analysis by size. Major gold processing routes were evaluated, including gravity, flotation and cyanidation recovery, and a preliminary gold extraction flow sheet was developed. Basic reagent consumptions were also determined. All analysis and assays were conducted by McLelland Laboratories in Sparks, Nevada, a well-respected independent laboratory.

NSGold delivered to RMT 160 kilograms of drill core in sealed bags from which RMT prepared a composite sample. RMT then used approximately 30 kilograms of the composited material to carry out the scoping cyanidation, floatation, gravity concentration and comminution test work. The remaining composited sample is being stored in anticipation of an eventual definitive metallurgical test work.

The results from the metallurgical scoping study are summarized below:

- Cyanide leach test work resulted in gold recovery of 94.2% in 72 hours with low reagent consumptions of sodium cyanide (0.20 kilograms per metric tonne of ore) and lime consumption (1.1 kilograms per metric tonne of ore).
- Floatation test work yielded a gold recovery of 93.7% into a mass of 6.1%.
- Gravity concentration test work was carried out at a coarse grind and yielded a gold recovery of 53.7% into a mass of 0.13%. Although the gravity performance was only moderate, RMT commented that batch gravity concentration has the "potential to increase overall process recovery by removal of coarse free gold prior to a floatation treatment route".
- Microscopic examination of the gravity concentrate clearly showed the presence of large "nugget-like" coarse gold particles. For this reason gravity recovery is considered to be an essential processing step for recovering gold from the Mooseland Property.

The test work carried out by RMT also highlighted the variability in the gold grade of the various samples. This inherent characteristic of the Nova Scotia Meguma gold deposits is well documented and is generally referred to as the "nugget effect". The average gold grade of all assayed and calculated head grades in the scoping study was 3.15 grams per tonne. However, metallic screen assays returned an average head grade of 5.27 grams per tonne gold. The wide variance in assay values (low value of 1.15 gpt and high value of 8.81 gpt) indicates the presence of coarse disseminated gold. Furthermore, RMT reported that "the close agreement between the metallic screen assay value difference and the standard deviation indicates that the actual grade of the deposit is significantly higher than that indicated by the study average."

Overall, NSGold management was pleased with the results obtained from the metallurgical scoping study as the key outputs fell in line with expectations. NSGold ultimately hopes to undertake a more definitive metallurgical study, together with a mining study, which could support a mining production plan for the Mooseland Gold Property.

As a result of the difficult financing environment for junior resource issuers over the past few years, the Company has limited its expenditures to maintain the Mooseland claims during this period.

Cheticamp Property

NSGold also holds the Cheticamp Property, a gold and base-metal exploration property, located in the Cape Breton Highlands.

In the fourth quarter of 2012 the Company completed sampling from the Mountain Top Mine area, at the Cheticamp Property. This area is known to host at least 12 mineralized showings. NSGold sampling returned significant values from quartz-sericite schist taken from two of these sites as detailed in the table below:

Sample #	Gold (g/tonne)	Silver (g/tonne)	Copper (%)	Lead (%)	Zinc (%)
806253	4.73	23.2	0.10	0.39	4.62
806263	3.39	138.0	0.72	6.94	1.03

Amax Minerals Exploration Limited (“Amax”) in 1979 reported sampling of boulders of massive galena in several locations on this property that returned assay values up to 1,334 grams per tonne silver, 42.3% lead and 8% zinc. Amax also reported sampling of boulders of massive arsenopyrite that returned assay values up to 4.11 grams per tonne gold, 160.4 grams per tonne silver, 1.27% lead and 1.77% zinc. Significant gold, silver and copper values have been reported by other companies that have explored elsewhere on the property. The source of this mineralization has yet to be found. A number of soil geochemical and geophysical (EM) anomalies remain either untested or under-explored.

NSGold also collected rock samples from another area of the Cheticamp Project known as the Core Shack Showing. In particular three samples taken from mineralized quartz-sericite schist returned significant values as detailed in the table below:

Sample #	Gold (g/tonne)	Silver (g/tonne)	Copper (g/tonne)	Lead (%)	Zinc (%)
806277	5.49	15.2	0.19	0.27	2.53
806278	3.74	86.0	0.15	0.62	0.51
806279	3.94	9.9	0.02	0.05	0.29

Amax carried out a limited drill program at the Core Shack area in 1979 with the best reported drill intercept being 4.11 gram per tonne gold, 40.8 g per tonne silver, 1.76% lead and 2.39% zinc over 4.5 meters. The limits of this mineralization have not been adequately explored.

Base metal and precious metal mineralization on the Cheticamp Property occurs in an altered meta-sedimentary sequence (mainly quartz-sericite schist with some chlorite schist) within altered volcanics. Numerous additional showings as well as two former producing mines (the Galena Lead/Zinc Mine and the Mountain Top Copper/Gold Mine) occur on nearby claims, also owned by NSGold, in a similar geological environment. NSGold has excellent claim coverage in these areas and is planning to undertake further evaluation work on all the exploration licences.

The rocks of the Cheticamp Highlands region are of the Aspy Terrane which correlates with the Gander and Dunnage Zones of Newfoundland, host to the Buchans area deposits, and the Miramichi Zone of north-central New Brunswick, host to the Bathurst area deposits.

While NSGold has not conducted any significant exploration activities on the Cheticamp Property since 2012, subject to securing funding, the Company intends to carry out follow up exploration work in the area of the high grade sample results. Exploration activity in the Cheticamp Highlands area has increased significantly since the gold-in-quartz veining discovery by Joe Richman in 2011. More recently IAMGold (IMG:TSX) staked a large land position in the Highlands and carried out exploration. IAMGold reported total expenditures of \$400,000 in 2014 including a 1,200 meter drill program.

Fall 2016 Staking – Mooseland North and Dufferin West

During October 2016, the Company acquired an additional 265 mineral claims in Nova Scotia covering an area of approximately 10,600 acres (4,300 hectares). A total of 115 claims were staked in the area north of the Mooseland Gold Property and 150 claims were staked to the west of the Dufferin Gold Property. These two claim groups are referred to respectively as the Mooseland North Property and the Dufferin West Property.

The Mooseland North Property is located in Halifax County 2 kilometers from the Mooseland Gold Property. During 2012 NSGold prospected in the area of the Mooseland North Property and found and assayed a boulder containing quartz, black argillite and coarse arsenopyrite that returned 1.07 and 4.53 grams per tonne gold in two separate samples from the boulder. Of historical interest is the fact that Faribault's 1898 geology map of the wider Mooseland-Moose River areas is marked "Gold" in the area of the central Mooseland North claims. Located 13 kilometers east along the anticline from Mooseland North, is the historic Killag gold deposit and ten kilometers along the anticline to the west-southwest is the historic Gold Lake gold deposit. This anticline also hosts the Goldenville gold deposit, the largest past producing gold mine in Nova Scotia having produced in excess of 200,000 ounces. It was determined in 2012 that additional exploration work and claim staking were warranted for Mooseland North, however, these plans were put on hold as a result of the downturn in the market.

The newly staked Dufferin West mineral claims are positioned along the Salmon River anticline, host to the Dufferin gold deposit. The Dufferin West Property covers approximately 8 kilometers of the anticline and is adjacent to that structure for another 3 kilometers. At least 8 shallow, historic shafts occur on these claims as well as a number of trenches.

NSGold also acquired a separate block of 6 mineral claims that adjoin the Dufferin Mine lease and are down-dip of the Salmon River and Dufferin Crown Pillar anticlinal structures.

Qualified Person

Perry MacKinnon, P. Geo., Chief Geologist, for NSGold, a qualified person as defined by National Instrument 43-101 has reviewed the information provided in this Management Discussion and Analysis for the year ended December 31, 2016.

Selected Financial Information

NSGold's net loss for the year ended December 31, 2016 was \$97,582 or \$0.01 per share compared to a net loss of \$108,688 or \$0.01 per share for the year ended December 31, 2015 and a net loss of \$447,073 or \$0.10 per share for the year ended December 31, 2014. For the year ended December 31, 2014, the Company incurred non-cash charges relating to the write-down of resource properties in the amount of \$142,000 and an unrealized loss on available-for-sale securities in the amount of \$133,690.

On November 19, 2014, the Company completed a one-for-ten share consolidation. All references to net income (loss) per share have been adjusted retrospectively to reflect the one-for-ten share consolidation.

The following table contains selected financial information for the three most recently completed fiscal years.

	As at December 31, 2016 \$	As at December 31, 2015 \$	As at December 31, 2014 \$
Total current assets	128,071	128,662	42,022
Resource properties	2,179,345	2,161,797	2,145,409
Total assets	2,316,795	2,299,838	2,196,810
Total current liabilities	58,443	37,135	439,754
Total liabilities	58,443	37,135	439,754
Shareholders' Equity	2,258,352	2,262,703	1,757,056
Net income (loss)	(97,582)	(108,688)	(447,073)
Net income (loss) per share	(0.01)	(0.01)	(0.10)

Summary of Quarterly Operating Results

The following table presents the quarterly operating results for the Company for the last eight quarters:

Quarter ended	Dec 31, 2016 \$	Sept 30, 2016 \$	June 30, 2016 \$	Mar 31, 2016 \$	Dec 31, 2015 \$	Sept 30, 2015 \$	June 30, 2015 \$	Mar 31, 2015 \$
Operating expenses								
Consulting fees	11,862	12,888	13,500	12,250	5,850	13,348	14,146	14,334
Professional fees	10,037	225	2,767	260	10,492	-	4,420	71
Professional dues	4,099	6,020	2,135	2,114	2,652	4,992	1,967	2,652
Insurance	2,250	2,250	3,188	1,312	2,250	2,250	2,250	2,250
Shareholder communication	240	736	3,026	-	-	3,799	3,611	1,396
Stock based compensation	-	-	-	-	3,000	-	7,000	-
Interest on loan facility	-	-	-	-	-	-	-	1,541
Office and other	938	2,182	1,977	2,138	2,513	746	2,369	611
Total expenses	29,426	24,301	26,593	18,074	26,757	25,065	35,763	22,855
Interest income	-	(80)	(19)	(714)	(1,752)	-	-	-
Net loss and comprehensive loss for the quarter	29,426	24,221	26,574	17,360	25,005	25,065	35,763	22,855
Net loss per share	0.002	0.002	0.002	0.002	0.002	0.002	0.003	0.002

Results of Operations for the Year Ended December 31, 2016

NSGold's net loss for the year ended December 31, 2016 was \$97,582 or \$0.01 per share compared to a net loss for the year ended December 31, 2015 of \$108,688 or \$0.01 per share.

In light of the continued challenging financing conditions relating to TSX Venture resource issuers, the Company has maintained a relatively low level of operating expenditures in 2015 and 2016. Adjusting for non-cash items, the annual operating expenditure level for the 2 years has been relatively constant at \$100,000.

For the year ended December 31, 2015 the Company recorded non-cash stock-based compensation expense of \$10,000 compared to nil for the current year. The number of stock options granted during 2015 was 207,500 having a weighted average exercise price of \$0.08 per share. In determining the stock-based compensation expense, the fair value of stock options issued is estimated using the Black-Scholes option pricing model.

Liquidity and Capital Resources

As at December 31, 2016, the Company had current assets of \$128,071 and working capital of \$69,628.

On December 2, 2016 the Company completed a non-brokered private placement and issued 1,000,000 units at a price of \$0.10 per unit, for aggregate gross proceeds of \$100,000. Each unit was comprised of one common share and one-half common share purchase warrant. Each full warrant entitles the holder to acquire one common share of the Company for \$0.15 for a period of 18 months from the closing date.

NSGold's largest shareholder, Van Hoof Industrial Holdings (VHIH), subscribed for 450,000 units of this private placement for aggregate subscription proceeds of \$45,000. VHIH is a company controlled by Mr. Hans Van Hoof, Chairman and CEO of NSGold and owns 55.2% of the issued shares of NSGold on an undiluted basis.

The Company's ability to meet its administrative expenses and complete its planned exploration activities is ultimately dependent upon management's ability to secure additional financing. While management has been successful in obtaining funding in the past, there can be no assurance that it will be able to do so in the future.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Related Party Transactions

In January 2013 the Company obtained a loan facility of up to \$500,000 from VHIH. The loan facility was made available without any fees, options or warrants. The interest rate on the loan is 6% per annum and was repayable in full on January 30, 2015. As security for the repayment of the loan facility, the Company had granted a security interest over its 187,580 common shares of NSX Silver.

Due to the fact that VHIH, the lender, has ownership of more than 10% of the outstanding common shares of the Company, the loan facility may be considered a “related party transaction” for the purposes of Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions* and the Corporation is relying on exemptions from the formal valuation and minority approval requirements of Multilateral Instrument 61-101.

As at December 31, 2014 VHIH had advanced \$294,540 to the Company. No advances were made under the loan facility subsequent to December 31, 2014.

On January 30, 2015, loan principal and interest aggregating \$313,521 was settled with the issuance of 3,688,476 NSGold common shares to VHIH at a deemed price of \$0.085, the same price as the issue price for the private placement. NSGold did not issue any warrants to VHIH in connection with the settlement of the loan. Accrued interest of \$2,986 was included in accounts payable at December 31, 2015.

During the year ended December 31, 2016, the Company incurred legal fees aggregating \$5,836 (2015 - \$10,211) from a law firm of which one of the officers is a partner. The Company recorded \$316 (December 31, 2015 - \$1,052) to professional fees expense and \$5,520 (December 31, 2015 - \$9,159) to share issue costs.

Outstanding Share Data

At December 31, 2016 and April 27, 2017 the Company had 12,573,264 common shares issued and outstanding.

At December 31, 2016 and April 27, 2017 the Company had 4,029,411 common share purchase warrants outstanding of which 3,529,411 warrants entitle the holders to acquire one common share of NSGold at a price of \$0.125 expiring January 30, 2018 and 500,000 warrants entitle the holders to acquire one common share of NSGold at a price of \$0.15 expiring June 2, 2018.

At December 31, 2016 and April 27, 2017 the Company had a total of 207,500 stock options outstanding of which 97,500 have an exercise price of \$0.085 per share and an expiry date of May 28, 2025 and 110,000 have an exercise price of \$0.075 per share and an expiry date of December 4, 2025.

If all warrants and stock options were exercised, the number of common shares of the Company outstanding at December 31, 2016 and April 27, 2017 would be 16,810,175.

New and Amended Standards Adopted by the Company

The following standard has been adopted by the Company for the financial year which began on January 1, 2015:

IFRIC 21, Levies

IFRIC 21 “Levies” (“IFRIC 21”) has been amended to require entities to recognize a liability when payment is triggered under the terms of the relevant legislation. The Company adopted IFRIC 21 on January 1, 2015 on a retrospective basis. The adoption of IFRIC 21 had no impact on these financial statements.

New Standards and Interpretations Not Yet Adopted

The following new standards and amendments to the standard are not yet effective and have not been applied in preparing these financial statements. Accordingly, the Company expects to adopt these standards as set forth below.

IFRS 9, Financial Instruments

IFRS 9, "Financial instruments" introduces new requirements for the classification and measurement of financial assets. IFRS 9 requires all recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be measured at amortized cost or fair value in subsequent accounting periods following initial recognition. Specifically, financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other financial assets including equity investments are measured at their fair values at the end of subsequent accounting periods.

Requirements for classification and measurement of financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, Financial Instruments – Recognition and Measurement, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.

IFRS 9 was amended in November 2013 to: (i) include guidance on hedge accounting; (ii) allow entities to early adopt the requirement to recognize changes in fair value attributable to changes in an entity's own credit risk, from financial liabilities designated under the fair value option, in other comprehensive loss, without having to adopt the remainder of IFRS 9; and (iii) remove the previous mandatory effective date for adoption of January 1, 2015, although the standard is available for early adoption.

The final version of IFRS 9 was issued in July 2014 and includes: (i) a third measurement category for financial assets – fair value through other comprehensive income; (ii) a single, forward-looking expected loss impairment model; and (iii) a mandatory effective date for IFRS 9 of annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently evaluating the impact of the new standard on its financial statements.

IFRS 16, Leases

IFRS 16, "Leases" ("IFRS 16") a new standard on lease accounting, was issued on January 13, 2016 and replaces the current guidance in IAS 17. The new standard results in substantially all lessee leases being recorded on the statement of financial position. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted. The Company is currently evaluating the impact of this new standard on the Company's financial statement measurements and disclosures. The Company does not anticipate early adoption of this standard.

IFRS 15, Revenue from Contracts and Customers

The IASB issued IFRS 15 "Revenue from Contracts and Customers" ("IFRS 15") effective for annual periods beginning on or after January 1, 2018, although the standard is available for early adoption. IFRS 15 replaces IAS 18, "Revenue" and IAS 11, "Construction Contracts", and some revenue related interpretations. The underlying principle is that an entity will recognize revenue to depict the transfer of goods and services to customers at an amount the entity expects to be entitled to in exchange for those goods and services. The Company is currently evaluating the impact of the new standard in its financial statements.

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.

(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 Company's properties.

(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

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

The Mooseland Gold Property in which the Company holds an interest is considered to be an advanced stage exploration property, however no mineral reserve 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 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 Mooseland and other properties 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.

Additional information regarding the Company is available on SEDAR at www.sedar.com.

NSGold Corporation

Consolidated Financial Statements
December 31, 2016 and 2015
(expressed in Canadian dollars)

April 27, 2017

Management's Report

The accompanying consolidated financial statements of **NSGold Corporation** (the "Company") are the responsibility of management and have been approved by the Board of Directors. The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS"). The consolidated financial statements include certain amounts and assumptions that are based on management's best estimates and have been derived with careful judgment.

In fulfilling its responsibilities, management has developed and maintains a system of internal accounting controls. These controls are designed to provide reasonable assurance that the financial records are reliable for preparation of the consolidated financial statements. The Audit Committee of the Board of Directors reviewed and approved the Company's consolidated financial statements, and recommended their approval by the Board of Directors.

PricewaterhouseCoopers LLP, appointed as the Company's auditors by the shareholders, have examined these consolidated financial statements and their report follows.

(signed) "*Johannes H.C. Van Hoof*"
President and Chief Executive Officer
Halifax, Nova Scotia

(signed) "*Glenn Holmes*"
Chief Financial Officer
Halifax, Nova Scotia



April 28, 2017

Independent Auditor's Report

To the Shareholders of NSGold Corporation

We have audited the accompanying consolidated financial statements of **NSGold Corporation** and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2016 and December 31, 2015 and the consolidated statements of changes in equity, loss and comprehensive loss and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

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 International Financial Reporting Standards, 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.

Auditor's 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 auditor's 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 entity'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 entity'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 NSGold Corporation and its subsidiaries, as at December 31, 2016 and December 31, 2015 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to note 1 of the consolidated financial statements which describes matters and conditions that indicate the existence of material uncertainties that may cast significant doubt about NSGold Corporation's ability to continue as a going concern.

(signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licensed Public Accountants

PricewaterhouseCoopers LLP
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NSGold Corporation

Consolidated Statements of Financial Position As at December 31, 2016 and December 31, 2015

(expressed in Canadian dollars)

	December 31, 2016 \$	December 31, 2015 \$
Assets		
Current assets		
Cash and cash equivalents	115,116	101,433
Accounts receivable	7,705	21,979
Prepaid expenses (note 4)	5,250	5,250
	<hr/>	<hr/>
	128,071	128,662
Investment in NSX Silver Inc.	9,379	9,379
Resource properties (note 5)	2,179,345	2,161,797
	<hr/>	<hr/>
	2,316,795	2,299,838
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 6)	58,443	37,135
	<hr/>	<hr/>
Equity (note 9)	2,258,352	2,262,703
	<hr/>	<hr/>
	2,316,795	2,299,838
	<hr/>	<hr/>
Going concern (note 1)		

Approved by the Board of Directors

(signed) "Johannes H.C. Van Hoof", Director

(signed) "Glenn Holmes", Director

The accompanying notes are an integral part of these consolidated financial statements.

NSGold Corporation

Consolidated Statements of Changes in Equity

For the years ended December 31, 2016 and December 31, 2015

(expressed in Canadian dollars)

	Number of common shares (note 9)	Share capital \$ (note 9)	Contributed surplus \$ (note 9)	Deficit \$	Total \$
Balance – December 31, 2014	4,355,377	4,515,281	722,827	(3,481,052)	1,757,056
Net loss for the year	–	–	–	(108,688)	(108,688)
Shares issued for cash, net of issued costs	3,529,411	290,814	–	–	290,814
Shares issued in settlement of debt obligations	3,688,476	313,521	–	–	313,521
Stock-based compensation	–	–	10,000	–	10,000
Balance – December 31, 2015	11,573,264	5,119,616	732,827	(3,589,740)	2,262,703
Net loss for the year	–	–	–	(97,582)	(97,582)
Shares issued for cash, net of issued costs	1,000,000	93,231	–	–	93,231
Balance – December 31, 2016	12,573,264	5,212,847	732,827	(3,687,322)	2,258,352

The accompanying notes are an integral part of these consolidated financial statements.

NSGold Corporation

Consolidated Statements of Loss and Comprehensive Loss

For the years ended December 31, 2016 and December 31, 2015

(expressed in Canadian dollars)

	2016 \$	2015 \$
Operating expenses		
Consulting fees	50,500	47,678
Professional dues	14,368	12,193
Insurance	9,000	9,000
Stock-based compensation	–	10,000
Professional fees	13,289	14,983
Interest on amount due to related party	–	1,541
Shareholder communication	4,002	8,806
Office	5,567	3,523
Other	1,668	2,716
	<hr/>	<hr/>
	(98,394)	(110,440)
Other income		
Interest income	812	1,752
	<hr/>	<hr/>
Net loss and comprehensive loss for the years	(97,582)	(108,688)
	<hr/>	<hr/>
Net loss per share – basic and diluted (note 9)	(0.01)	(0.01)
	<hr/>	<hr/>
Weighted average outstanding common shares – basic and diluted	11,652,499	10,980,013
	<hr/>	<hr/>

The accompanying notes are an integral part of these consolidated financial statements.

NSGold Corporation

Consolidated Statements of Cash Flows

For the years ended December 31, 2016 and December 31, 2015

(expressed in Canadian dollars)

	2016 \$	2015 \$
Cash provided by (used for) the following		
Operating activities		
Net loss and comprehensive loss for the years	(97,582)	(108,688)
Charges (credits) to loss not involving cash		
Stock-based compensation	–	10,000
	<u>(97,582)</u>	<u>(98,688)</u>
Net change in working capital balances related to operations		
Decrease (increase) in accounts receivable	14,274	(14,479)
Increase (decrease) in accounts payable and accrued liabilities	17,530	(37,408)
	<u>(65,778)</u>	<u>(150,575)</u>
Investing activities		
Net expenditures on resource properties	<u>(13,770)</u>	<u>(31,578)</u>
Financing activities		
Proceeds from issuance of common shares, net of issue costs	<u>93,231</u>	<u>254,314</u>
Net change in cash and cash equivalents for the years	13,683	72,161
Cash and cash equivalents – Beginning of years	<u>101,433</u>	<u>29,272</u>
Cash and cash equivalents – End of years	<u>115,116</u>	<u>101,433</u>
Cash and cash equivalents is comprised of:		
Cash	83,451	10,013
Short-term investments	<u>31,665</u>	<u>91,420</u>
	<u>115,116</u>	<u>101,433</u>

The accompanying notes are an integral part of these consolidated financial statements.

NSGold Corporation

Notes to Consolidated Financial Statements

For the years ended December 31, 2016 and December 31, 2015

(expressed in Canadian dollars)

1 Nature of operations and going concern

Nature of operations

NSGold Corporation (the “Company” or “NSGold”) was incorporated on September 25, 2009 under the Canada Business Corporations Act. On June 18, 2010, the Company completed a reverse takeover and short form vertical amalgamation pursuant to the British Columbia Business Corporations Act with Kermodé Capital Ltd. with the amalgamated entity being renamed NSGold Corporation.

The Company is a mineral exploration company exploring for gold and base metals in Nova Scotia, Canada. The Company has not yet determined whether its properties contain ore reserves that are economically recoverable.

The Company’s shares are listed on the TSX Venture Exchange with the symbol NSX.

Going concern

These consolidated financial statements have been prepared using International Financial Reporting Standards (“IFRS”) applicable to a going concern, which assumes the realization of assets and settlement of liabilities in the normal course of business as they come due. As at December 31, 2016, the Company had an accumulated deficit of \$3.7 million (2015 - \$3.6 million). The Company has no income or cash flow from operations. In addition to its working capital requirements, the Company must secure sufficient funding to maintain legal title to its resource properties, to fund its exploration and development activities and to fund its general and administrative costs. Such circumstances may cast significant doubt as to the ability of the Company to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern. Management is evaluating alternatives to secure additional financing so that the Company can continue to operate as a going concern. Nevertheless, there is no assurance that these initiatives will be successful or sufficient.

The Company’s ability to continue as a going concern is dependent upon its ability to fund its working capital and exploration requirements and eventually to generate positive cash flows, either from operations or sale of properties. These consolidated financial statements do not reflect the adjustments to the carrying value of assets and liabilities and the reported expenses and consolidated statements of financial position classifications that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

2 Basis of presentation

a) Basis of preparation

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Canada as set out in the CPA Canada Handbook – Accounting – Part 1 which incorporates IFRS as issued by the International Accounting Standards Board (“IASB”).

The Board of Directors approved the consolidated financial statements for issue on April 27, 2017.

NSGold Corporation

Notes to Consolidated Financial Statements

For the years ended December 31, 2016 and December 31, 2015

(expressed in Canadian dollars)

2 Basis of presentation (continued)

b) Basis of measurement

These consolidated financial statements have been prepared under a historical cost basis, except for certain financial assets which are recorded at fair value.

c) Use of estimates and judgments

The preparation of the consolidated financial statements requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. The determination of estimates requires the exercise of judgment based on various assumptions and other factors such as historical experience and current as well as expected economic conditions. Actual results may differ from these estimates. The more significant areas requiring the use of management estimates and assumptions are discussed below:

Recoverability of resource properties

At the end of each reporting period, the Company assesses each of its mineral resource properties to determine whether any indication of impairment exists. Judgment is required in determining whether indicators of impairment exist, including factors such as, the period for which the Company has the right to explore, expected renewals of exploration rights, whether substantive expenditures on further exploration and evaluation of resource properties are budgeted and results of exploration and evaluation activities on the exploration and evaluation assets.

Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. The impairment analysis requires the use of estimates and assumptions, such as long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance. Fair value of mineral assets is generally determined as the present value of estimated future cash flows arising from the continued use of the asset, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. Cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. If the Company does not have sufficient information about a particular mineral resource property to meaningfully estimate future cash flows, the fair value is estimated by management through the use of, where available, comparison to similar market assets and, where available, industry benchmarks. Actual results may differ materially from these estimates.

Impairment of investments

The Company follows the guidance of International Accounting Standards ("IAS") 39 "Financial Instruments - Recognition and Measurement" to determine when an available-for-sale equity investment is impaired. This determination requires significant judgment. The Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the financial health and short-term business outlook for the investee, including factors such as industry and sector performance, and operational and financing cash flows.

NSGold Corporation

Notes to Consolidated Financial Statements

For the years ended December 31, 2016 and December 31, 2015

(expressed in Canadian dollars)

3 Significant accounting policies

The significant accounting policies used in the preparation of these consolidated financial statements are as follows:

Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits held with banks and short-term highly liquid investments readily convertible into known amounts of cash that can be redeemed at any time without penalty.

Financial instruments

Financial instruments are classified as follows:

Cash and cash equivalents are classified as “Loans and Receivables”. After their initial fair value measurement, they are measured at amortized cost using the effective interest method, less a provision for impairment, established on an account-by-account basis, based on, among other factors, prior experience and knowledge of the specific debtor and its assessment of the current economic environment.

Accounts payable and accrued liabilities and the amount due to Van Hoof Industrial Holdings Ltd. (“VHIH”) are classified as “Other Financial Liabilities”. Other Financial Liabilities are initially recognized at fair value less transaction costs. Subsequent to initial recognition, Other Financial Liabilities are measured at amortized cost using the effective interest method.

The investment in NSX Silver Inc. (“NSX Silver”) is classified as available-for-sale. The Company measures its investments in marketable securities at fair value as determined using the applicable market bid price. All purchases are recorded effective on the trade date of the transaction.

Impairment of financial assets

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Company recognizes an impairment loss.

Financial assets carried at amortized cost: The loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument’s original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

Available-for-sale investments: At the end of each reporting period, subsequent to initial recognition, the Company must assess whether there is evidence of impairment of these assets. The following list of items includes examples of events that typically provide evidence of impairment:

- a) significant or prolonged decline in the fair value below its cost;
- b) increased probability that the investee will enter bankruptcy or other financial reorganization;
- c) a breach of contract, such as a default or delinquency by the investee in interest or principal payments;
or
- d) significant changes with adverse effects taking place in the environment in which the investee operates.

NSGold Corporation

Notes to Consolidated Financial Statements

For the years ended December 31, 2016 and December 31, 2015

(expressed in Canadian dollars)

3 Significant accounting policies (continued)

Impairment of financial assets (continued)

Declines in the fair value of marketable securities are reported in other comprehensive income, net of applicable taxes, unless there is objective evidence that the asset is impaired. In the case of impairment, the decline is recorded directly in net income (loss) after clearing out any existing balances in accumulated other comprehensive income (loss). Increases in fair value are reported in other comprehensive income (loss), unless the increase can be objectively related to an event occurring after a previous impairment loss was recognized in net income (loss), in which case the increase can be recorded directly through net income (loss).

Consolidation

The financial statements of the Company consolidate the accounts of NSGold and its subsidiaries, NSGold Nevada Inc. and Compañía Minera Oso-Mex. All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation. There are no non-controlling interests, therefore, all loss and comprehensive loss is attributable to the shareholders of the Company.

Resources properties

Initial acquisition costs and exploration and development costs related to resource properties are deferred until such time as the properties are put into commercial production, sold or abandoned or management determines that the resource properties are not economically viable, at which time the resource properties are written down to their recoverable amount. Under this method, all amounts shown as resource properties represent costs incurred to date less amounts amortized, received from exploration partners and/or written down, and do not necessarily represent present or future values.

If any properties are put into commercial production, the carrying values of the properties will be depleted following the unit of production method. If any properties are sold or abandoned, or considered to be impaired in value, the carrying value of the properties will be charged to operations.

The carrying values of resource properties, on a property-by-property basis, will be reviewed by management at least annually to determine if they have become impaired. If impairment is deemed to exist, the resource properties will be written down to their recoverable amount. The ultimate recoverability of the amounts capitalized for the resource properties is dependent upon obtaining the necessary financing to complete their development and realize profitable production or proceeds from the disposition thereof.

Management's estimate of recoverability of the Company's resource properties has been based on current conditions. However, it is reasonably possible that changes could occur in the near term, which could adversely affect management's estimates and may result in future write-downs of the resource properties.

Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indications exist, the assets recoverable amount is estimated.

NSGold Corporation

Notes to Consolidated Financial Statements

For the years ended December 31, 2016 and December 31, 2015

(expressed in Canadian dollars)

3 Significant accounting policies (continued)

Income taxes

The Company uses the asset and liability method for accounting for income taxes.

Current tax assets and liabilities for the current and prior years are measured at the amounts expected to be paid or recovered, using tax rates and tax laws that have been enacted or substantively enacted by the end of the year.

Deferred tax assets and liabilities are recognized for all future tax consequences attributable to the differences between the consolidated financial statement carrying amounts of assets and liabilities and their respective tax bases, except for the initial recognition of goodwill and the initial recognition of an asset or liability, which at the time of the transaction, affects neither accounting profit nor taxable profit or loss. Deferred tax assets are also recognized for unused tax losses and unused tax credits. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and other unused deductible amounts can be utilized. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates and tax laws expected to apply when the carrying amount of the assets or liabilities are recovered or settled or the unused losses are expected to be utilized.

Current and deferred income tax expense is recognized in the consolidated statements of income (loss) and comprehensive income (loss) for the years, except to the extent that the income taxes related to a transaction or event which is recognized, in the same or different year, either in other comprehensive income (loss) or directly in equity.

Functional and presentation currency and foreign currency translation

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the entity operates and the consolidated financial statements are presented in Canadian dollars.

The functional currency of all subsidiaries and the parent company is Canadian dollars. Foreign currency transactions are recorded at the foreign exchange rate in effect on the date of the transaction and gains and losses resulting from the settlement of such transactions are recorded in the consolidated statements loss and comprehensive loss.

NSGold Corporation

Notes to Consolidated Financial Statements

For the years ended December 31, 2016 and December 31, 2015

(expressed in Canadian dollars)

3 Significant accounting policies (continued)

Stock-based compensation

The Company accounts for stock options using the fair value method. The estimated fair value of all stock options granted is recorded in the consolidated statements of loss and comprehensive loss over their vesting periods.

The Company grants stock options to certain officers and directors. Stock options vest in accordance with the individual option granting contracts and expire after five years. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. Fair value of each tranche is measured at the date of grant using Black-Scholes option pricing model. Compensation expense is recognized over the tranche's vesting period by increasing contributed surplus based on the number of awards expected to vest. The number of awards expected to vest is reviewed at least annually, with any impact being recognized immediately. Consideration paid by the directors and officers upon exercise of the stock options and the amount previously recognized in contributed surplus are recorded as share capital.

Earnings (loss) per share

Earnings (loss) per share are calculated based on the weighted average number of shares outstanding during the year. The Company follows the treasury method of calculating diluted earnings per share. This method assumes that any proceeds from the exercise of stock options and other dilutive instruments would be used to purchase common shares at the average market price during the year. Diluted loss per share for the periods presented is the same as basic income per share.

Related party transactions

All transactions with related parties are in the normal course of business.

New and amended standards adopted by the Company

The following standard has been adopted by the Company for the financial year which began on January 1, 2015:

i) *IFRIC 21, Levies*

IFRIC 21 "Levies" ("IFRIC 21") has been amended to require entities to recognize a liability when payment is triggered under the terms of the relevant legislation. The Company adopted IFRIC 21 on January 1, 2015 on a retrospective basis. The adoption of IFRIC 21 had no impact on these consolidated financial statements.

NSGold Corporation

Notes to Consolidated Financial Statements

For the years ended December 31, 2016 and December 31, 2015

(expressed in Canadian dollars)

3 Significant accounting policies (continued)

New standards and interpretations not yet adopted

The following new standards and amendments to the standard are not yet effective and have not been applied in preparing these consolidated financial statements. Accordingly, the Company expects to adopt these standards as set forth below:

i) *IFRS 9, Financial Instruments*

IFRS 9, "Financial instruments" introduces new requirements for the classification and measurement of financial assets. IFRS 9 requires all recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be measured at amortized cost or fair value in subsequent accounting periods following initial recognition. Specifically, financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other financial assets including equity investments are measured at their fair values at the end of subsequent accounting periods.

Requirements for classification and measurement of financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, Financial Instruments – Recognition and Measurement, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income (loss).

IFRS 9 was amended in November 2013 to: (i) include guidance on hedge accounting; (ii) allow entities to early adopt the requirement to recognize changes in fair value attributable to changes in an entity's own credit risk, from financial liabilities designated under the fair value option, in other comprehensive loss, without having to adopt the remainder of IFRS 9; and (iii) remove the previous mandatory effective date for adoption of January 1, 2015, although the standard is available for early adoption.

The final version of IFRS 9 was issued in July 2014 and includes: (i) a third measurement category for financial assets – fair value through other comprehensive income; (ii) a single, forward-looking expected loss impairment model; and (iii) a mandatory effective date for IFRS 9 of annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently evaluating the impact of the new standard on its consolidated financial statements.

ii) *IFRS 16, Leases*

IFRS 16, "Leases" ("IFRS 16") a new standard on lease accounting, was issued on January 13, 2016 and replaces the current guidance in IAS 17. The new standard results in substantially all lessee leases being recorded on the statement of financial position. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted. The Company is currently evaluating the impact of this new standard on the Company's consolidated financial statement measurements and disclosures. The Company does not anticipate early adoption of this standard.

NSGold Corporation

Notes to Consolidated Financial Statements

For the years ended December 31, 2016 and December 31, 2015

(expressed in Canadian dollars)

3 Significant accounting policies (continued)

New standards and interpretations not yet adopted (continued)

iii) IFRS 15, Revenue from Contracts and Customers

The IASB issued IFRS 15 “Revenue from Contracts and Customers” (“IFRS 15”) effective for annual periods beginning on or after January 1, 2018, although the standard is available for early adoption. IFRS 15 replaces IAS 18, “Revenue” and IAS 11, “Construction Contracts”, and some revenue related interpretations. The underlying principle is that an entity will recognize revenue to depict the transfer of goods and services to customers at an amount the entity expects to be entitled to in exchange for those goods and services. The Company is currently evaluating the impact of the new standard in its consolidated financial statements.

4 Prepaid expenses

	December 31, 2016 \$	December 31, 2015 \$
Prepaid insurance	5,250	5,250

5 Resource properties

	Mooseland \$	Other \$	Total \$
Balance at December 31, 2014	2,140,024	5,385	2,145,409
Exploration costs incurred	15,128	1,260	16,388
Year ended December 31, 2015	2,155,152	6,645	2,161,797
Exploration costs incurred	15,288	2,260	17,548
Year ended December 31, 2016	2,170,440	8,905	2,179,345

NSGold Corporation

Notes to Consolidated Financial Statements

For the years ended December 31, 2016 and December 31, 2015

(expressed in Canadian dollars)

5 Resource properties (continued)

Mooseland and other Nova Scotia Properties

On April 14, 2010, the Company 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 ("Mooseland 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 the Company has paid a total of \$750,000 to Globex. There are no further payments due under the purchase agreement.

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

6 Accounts payable and accrued liabilities

	December 31, 2016	December 31, 2015
	\$	\$
Accounts payable	44,443	18,635
Accrued liabilities	14,000	18,500
	<hr/>	<hr/>
	58,443	37,135

7 Compensation of key management

Key management includes NSGold's Directors, the President and Chief Executive Officer and the Chief Financial Officer. Compensation awarded to key management is summarized as follows:

	December 31, 2016	December 31, 2015
	\$	\$
Cash compensation and other benefits	45,000	37,750
Stock-based compensation	–	9,500
	<hr/>	<hr/>
	45,000	47,250

Cash compensation and other benefits are included in consulting fees in the consolidated statements of loss and comprehensive loss.

As of December 31, 2016, \$3,750 (2015 - \$3,750) was due to these individuals.

NSGold Corporation

Notes to Consolidated Financial Statements

For the years ended December 31, 2016 and December 31, 2015

(expressed in Canadian dollars)

8 Income taxes

a) Reconciliation of total tax recovery (expense)

	December 31, 2016 \$	December 31, 2015 \$
Loss before income taxes	(97,582)	(108,688)
Income tax rate	31%	31%
Expected income tax recovery	30,250	33,693
Non-deductible stock-based compensation	—	(3,100)
Unrealized deferred tax assets	(30,250)	(30,593)
Income tax recovery (expense)	—	—

b) Deferred tax

Components of the net deferred income tax asset (liability) are as follows:

	December 31, 2016 \$	December 31, 2015 \$
Deferred income tax assets		
Non-capital losses carried forward	920,000	875,000
Deductible share issue costs	4,000	—
Deferred income tax liability		
Resource properties	(450,000)	(437,000)
Net deferred tax asset	474,000	438,000

The net deferred tax assets at December 31, 2016 and December 31, 2015, have not been recognized as it is not probable that the net deferred tax assets will be realized.

c) Losses

The Company has Canadian non-capital tax losses of approximately \$2,974,000 available for carry-forward to reduce future years' taxable income. These non-capital tax losses expire as follows:

	\$
For the year ending December 31, 2028	76,000
2029	29,000
2030	1,268,000
2031	272,000
2032	146,000
2033	408,000
2034	398,000
2035	232,000
2036	145,000

NSGold Corporation

Notes to Consolidated Financial Statements

For the years ended December 31, 2016 and December 31, 2015

(expressed in Canadian dollars)

9 Share capital

a) Authorized capital stock

Unlimited number of common shares, without nominal or par value

Unlimited number of preferred shares, without nominal or par value, issuable in one or more series

	Number of shares	Amount \$
Common shares issued and fully paid		
Balance – December 31, 2014	4,355,377	4,515,281
Issued for cash, net of share issue costs	3,529,411	290,814
Issued in settlement of debt obligation	3,688,476	313,521
Balance – December 31, 2015	11,573,264	5,119,616
Issued for cash, net of share issue costs	1,000,000	93,231
Balance – December 31, 2016	12,573,264	5,212,847

b) Private placements

On January 30, 2015, the Company completed a non-brokered private placement and issued 3,529,411 units at a price of \$0.085 per unit, for aggregate gross proceeds of \$300,000. Each unit consists of one common share and one common share purchase warrant. Each whole share purchase warrant entitles its holder to acquire one additional common share of NSGold for three years at a price of \$0.125. Officers and directors of the Company subscribed for an aggregate of 1,420,117 units for aggregate subscription proceeds of \$120,710.

On December 2, 2016, the Company completed a non-brokered private placement and issued 1,000,000 units at a price of \$0.10 per unit, for aggregate gross proceeds of \$100,000. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole share purchase warrant entitles its holder to acquire one additional common share of NSGold for eighteen months at a price of \$0.15. Officers and directors of the Company subscribed for an aggregate of 450,000 units for aggregate subscription proceeds of \$45,000.

c) Issuance of shares for debt

On January 30, 2015, the Company settled loan principal and interest aggregating \$313,521 owed to VHIH with the issuance of 3,688,476 NSGold common shares to VHIH at a price of \$0.085.

NSGold Corporation

Notes to Consolidated Financial Statements

For the years ended December 31, 2016 and December 31, 2015

(expressed in Canadian dollars)

9 Share capital (continued)

d) Warrants and other

The following table summarizes the changes in the Company's warrants:

	Expiry date	Exercise price \$	Number	Ascribed value \$
Balance – December 31, 2014			–	–
Issued pursuant to private placement financing	January 30, 2018	\$0.125	3,529,411	–
Balance – December 31, 2015			3,529,411	–
Issued pursuant to private placement financing	June 2, 2018	\$0.15	500,000	–
Balance – December 31, 2016			4,029,411	–

The fair value of warrants recognized has been estimated at the issue date using the residual method of valuation. Given the market price of the Company's common shares on the date of closing of the 2015 and 2016 private placements was equal or greater to the selling price of the units, the residual value assigned to both sets of warrants is \$nil.

NSGold Corporation

Notes to Consolidated Financial Statements

For the years ended December 31, 2016 and December 31, 2015

(expressed in Canadian dollars)

9 Share capital (continued)

e) Options

The Company has adopted a stock option plan for directors, officers, employees and consultants of the Company, providing the Board of Directors with the discretion to issue options to purchase up to 400,000 common shares. The exercise price of the stock options is determined by the Board of Directors when the options are granted, but cannot be less than the closing price of the Company's shares on the TSX Venture Exchange on the business day immediately preceding the day on which the option is granted. The maximum exercise period of the stock options is ten years.

The following table summarizes the changes in the Company's stock options:

	Weighted average exercise price \$	Number of options	Weighted average remaining life (years)	Expiry date
Balance – December 31, 2014	2.00	284,500	4.0	
Cancelled or expired during the year		(284,500)		
Granted during the year	0.085	97,500	8.4	May 28, 2025
Granted during the year	0.075	<u>110,000</u>	8.9	Dec 4, 2025
Balance – December 31, 2015 and December 31, 2016	0.08	<u>207,500</u>	8.7	

As at December 31, 2016, all options are vested and exercisable.

The estimated fair value of options has been estimated at the grant date using the Black-Scholes option pricing model. Option pricing models require the input of highly subjective assumptions, including the expected volatility. Changes in the assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable measure of the fair value of the Company's stock options. The resulting weighted average fair value at the date of grant is \$0.05 for the year ended December 31, 2015. The weighted average assumptions used in the pricing model for options issued during the year ended December 31, 2015 are as follows:

	2015
Risk-free interest rate	1.4%
Expected volatility	100%
Expected dividend yield	\$nil
Expected life	5 years

NSGold Corporation

Notes to Consolidated Financial Statements

For the years ended December 31, 2016 and December 31, 2015

(expressed in Canadian dollars)

9 Share capital (continued)

f) Contributed surplus

	2016 \$	2015 \$
Balance – Beginning of year	732,827	722,827
Stock-based compensation	–	10,000
Balance – End of year	<u>732,827</u>	<u>732,827</u>

The Company recorded total stock-based compensation during the year ended December 31, 2016, of \$nil (2015 - \$10,000).

10 Related party transactions

Loan facility

The Company obtained a loan facility of up to \$500,000 from VHIH, a company controlled by Mr. Hans Van Hoof, Chairman of the Company. The loan facility was made available without any fees, options or warrants. The interest rate on the loan is 6% per annum and was repayable in full on January 30, 2015. As security for the repayment of the loan facility, the Company has granted a security interest over its 187,581 common shares of NSX Silver.

On January 30, 2015, loan principal and interest aggregating \$313,521 was settled with the issuance of 3,688,476 NSGold common shares to VHIH at a deemed price of \$0.085, the same price as the issue price for the private placement. NSGold did not issue any warrants to VHIH in connection with the settlement of the loan. This was a non-cash transaction and was excluded from the consolidated statement of cash flows. Accrued interest of \$2,986 was included in accounts payable at December 31, 2015 and December 31, 2016.

Other

During the year ended December 31, 2016, the Company incurred legal fees aggregating \$5,836 (2015 - \$10,211) from a law firm of which one of the officers is a partner. The Company recorded \$316 (2015 - \$1,052) to professional fees expense and \$5,520 (2015 - \$9,159) to share issue costs.

11 Supplemental cash flow information

During the year ended December 31, 2016, the Company incurred expenditures on resource properties of \$3,778 (2015 - \$2,410) which were recorded as accounts payable.

NSGold Corporation

Notes to Consolidated Financial Statements

For the years ended December 31, 2016 and December 31, 2015

(expressed in Canadian dollars)

12 Financial instruments

Credit risk

The Company manages credit risk by holding the majority of its cash with high quality financial institutions in Canada, where management believes the risk of loss to be low.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions. The Company does not have sufficient working capital to carry out all budgeted programs in 2017 and must raise funds during 2017 to avoid disruption in planned expenditures (see note 1).

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and commodity and equity prices.

a) Interest rate risk

The Company has no significant exposure to interest rate risk on its lending and borrowing activities.

b) Price risk

The Company is not exposed to any direct price risk other than that associated with commodities and how fluctuations impact companies in the mineral exploration and mining industries as the Company has no significant revenues.

13 Capital management

The Company's capital structure consists of share capital, warrants and other, deficit, accumulated other comprehensive loss and contributed surplus, which at December 31, 2016 totalled \$2,258,352 (2015 - \$2,262,703). The Company's objective when managing capital is to maintain adequate levels of funding to support the acquisition and exploration of resource properties and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financing. Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future. See note 1.

The Company invests all capital that is surplus to its immediate operational needs in short-term, highly-liquid, high-grade financial instruments. There were no changes to the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements.