NSGold corporation

2011 ANNUAL REPORT

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NSGOLD CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2011

Background

This Management's Discussion and Analysis (MD&A) of NSGold Corporation (NSGold or the Company) is dated April 27, 2012 and provides an analysis of the financial operating results for the years ended December 31, 2011 and December 31, 2010. This MD&A should be read in conjunction with the audited annual financial statements and accompanying notes for the year ended December 31, 2011 which have been prepared in accordance with International Financial Reporting Standards (IFRS) for consolidated financial statements. This MD&A should also be read in conjunction with the audited annual financial statements and accompanying notes for the year ended December 31, 2010. All amounts are in Canadian dollars unless otherwise specified. The financial statements and additional information, including news releases, the Filing Statement and technical reports referenced herein, are available on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com under the Company's name.

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 Factors" below.

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 located in Halifax County, Nova Scotia. NSGold was incorporated on September 25, 2009 under the Canada Business Corporations Act. The registered office of the Company is 1055 West Hastings Street, Suite 2200, Vancouver, B.C.

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

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 has 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.

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

During the year ended December 31, 2011, the Company received aggregate proceeds of $1.68 million from the exercise of warrants and broker unit warrants aggregating 3,992,333 common shares. In 2010, the Company received proceeds of $0.1 million from the exercise of options and warrants aggregating 438,112 common shares.

"Spin-out" of NSX Silver

In July 2011, the Company announced that it started the process to separate its Nova Scotia gold and base metal assets and its Mexican silver assets into two separate public companies so that NSGold could devote itself solely to exploration for gold and other metals. NSX Silver was incorporated in August 2011 as a wholly-owned subsidiary of NSGold, with the intention of taking over the Company's exploration properties in Mexico. On October 21, 2011, NSX Silver and the Company, as promoter, filed a preliminary prospectus with the securities commissions of each of the provinces of Canada in connection with a distribution of NSX Silver common shares to the shareholders of NSGold.

A special meeting of shareholders of the Company was held on December 22, 2011, at which the shareholders approved a special resolution reducing NSGold's paid-up capital in connection with the "spin-out" of the shares of NSX Silver to the shareholders of NSGold. The reduction of NSGold's paid-up capital was intended to result in the distribution of the shares of NSX Silver being treated as non-taxable for most of NSGold's shareholders.

In March 2012, NSX Silver completed the acquisition of all of the shares of Compania Minera Oso Blanco SA de CV (CMOB), a wholly-owned subsidiary of NSGold, whereby NSGold received 1,000,000 common shares of NSX Silver. Also in March, NSGold completed a share subscription agreement whereby NSGold acquired 44,428,571 common shares of NSX Silver for gross proceeds of $4,665,000. On closing of the transaction the amounts due to NSGold by NSX Silver for reorganization costs and CMOB for Dios Padre exploration costs were repaid and the net amount disbursed by NSGold was $3,474,063. Contemporaneously the Dios Padre Option Agreement, complete with all its rights and obligations, was assigned to NSX Silver. CMOB has acquired, and intends to acquire, additional interests in exploration properties in Mexico.

NSGold then completed the distribution of the common shares of NSX Silver to the NSGold shareholders whereby the shareholders received one share of NSX Silver for each share of NSGold held with the record date being March 16, 2012. A total of 43,553,767 shares of NSX Silver were distributed with the distribution effected by way of a distribution of paid up capital. As a result, NSGold now holds 1,875,804 shares of NSX Silver.

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.

Resource Properties – Gold

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 also 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 and a ramp to a depth of 50 meters.

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

In June 2011, the Company received an updated resource report for the Mooseland Gold Property. Total inferred gold resources for Mooseland were estimated at 390,000 ounces of gold (see NSGold press release dated June 15, 2011). This resource report was prepared by MineTech International Inc. (MineTech) of Halifax, Nova Scotia and a copy is available on SEDAR. A summary of the updated resource estimation is provided in the table below.

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	3.0	1,400,000	4.6	210,000
East Zone	3.0	1,100,000	5.1	180,000
Total	**3.0**	**2,500,000**	**4.9**	**390,000**

In August 2011, the Company initiated a follow-up drilling program at Mooseland. The focus of this program included the drill testing of under-explored areas in the historic drilling zones, as well as the completion of several drill holes planned for 2010 that were not able to be drilled due to adverse weather conditions. The 2011 drill program was completed in November with a total of 5,020 meters being drilled in 16 diamond drill holes. Eight holes were drilled in each the East and West Zones. Significant drill results were announced in the Company's press releases dated October 18, 2011, November 22, 2011 and March 12, 2012. The results from the 2011 drilling program will be incorporated into an updated independent resource estimation which MineTech has been retained to complete.

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

During 2010, NSGold completed 3 diamond drill holes at the Leipsigate property. Drill hole L-1-10 returned a value of 10.898 gpt gold over 0.5 meters in quartz veining in the first sample taken. Drill hole L-2-10 intersected the same structure and returned anomalous gold values. Drill hole L-3-10 was positioned to intersect the Main Fissure Vein, which provided most of the historic production on the property, at a location 1.3 km from the nearest historic workings. Although no significant gold values were obtained, the structure was measured at 2.37 meters wide (approximately 2.0 meters true width) and contained abundant carbonate alteration and arsenopyrite, known indicators for gold in this area. NSGold believes that the results from this later drill hole opens up a large prospective target warranting further exploration, however, no significant work was carried out at Leipsigate during 2011 as financial and technical resources were primarily allocated to the Mooseland and Dios Padre Projects.

Resource Properties - Silver

The Company entered into a definitive option agreement having an effective date of April 9, 2011whereby it can acquire a 100% ownership of the Dios Padre Property (Property). The Property is comprised of three contiguous mining concessions, the Dios Padre, Don Carlos and Alejandro concessions, and includes the historic Dios Padre Silver Mine. The Property encompasses 285 hectares and is located in the Municipality of Yecora, State of Sonora, Mexico approximately 260 km east of Hermosillo. Under the terms of the Agreement, NSGold, through its wholly-owned subsidiary, Compañía Minera Oso Blanco SA de CV (CMOB), can acquire a 100% undivided interest in the Dios Padre Property from Cia Minera Pena Blanca SA de CV by making a series of escalating semi-annual cash payments totaling US$6 million over a 5-year period and issuing an aggregate of 1,250,000 common shares to the optionor in five equal tranches over the same 5-year period. At such time as NSGold acquires a 100% undivided interest in the Property, the optionor will be granted a 3% net smelter return royalty, two-thirds of which may be repurchased by NSGold at any time prior to the commencement of commercial production by the payment of US$2 million.

At the Property, the known prospects are localized in the Dios Padre porphyry and are highlighted on surface by extensive areas of alteration in the surrounding rock. Similar zones have been seen in other areas of the property and are as yet unmapped. These alteration zones show the characteristics commonly associated with a large mineralized system, and are similar to the main Dios Padre breccia or collectively a larger porphyry Copper – Gold target. NSGold believes that either such model on its own merit warrants priority evaluation. NSGold recently completed a comprehensive geological survey over the Dios Padre property, which included a systematic rock geochemical sampling program, a ground-based 3D Induced Polarization geophysical survey (“3DIP”) and a magnetic survey done simultaneously with the 3DIP.

The geophysical survey identified high-chargeability anomalies corresponding to surface geochemical anomalies of copper, gold, silver and arsenic (a pathfinder element in gold exploration). These areas are heavily altered and leached to such a degree that it is expected that much of the metallic content has been stripped away. This makes the background values encountered even more significant. One such anomaly corresponds to the site of earlier mining activities. Four additional surface anomalies were found to contain strong values of the metals noted above while one was found to be a strong lead sulfide zone.

The 3DIP geophysical survey revealed a large conductive anomaly that lies just to the north of the most recent historic mining operations striking east - west. This area appears to approach the surface and may outcrop within the geochemical anomalies. The central core of this anomaly appears as a highly-conductive mass approximately 600 meters wide by 800 meters long with a depth of at least 300 meters, which is the limit of the effective range of the survey method. This anomaly represents a prime target for any future exploration.

NSGold believes that the results of these surveys provide an excellent template for planning and designing a comprehensive drilling program to test the potential indicated by both the surface and subsurface anomalies identified. A phased drilling program is a recommendation of the Company’s independent geological consultant, D.R. Duncan and Associates (“DRD”) of Windsor, Nova Scotia. DRD prepared a 43-101 compliant technical report for the Dios Padre Project in February 2012 and a copy of the report is available on www.sedar.com under the Company's profile.

The Phase 1 drilling program for the Dios Padre Project commenced during the first quarter 2012 and comprises a 2,000 meter preliminary program designed to test the geochemical and geophysical anomalies discovered during the 2011 exploration program, as well as, the areas of historic silver production. The targeted anomalies represent significant areas of interest for silver, gold and copper as well as other base metals. As well, the 2011 exploration effort defined a metal zonation suggestive of a buried porphyry copper to the north of the main silver zone. It appears the silver mineralization in rhyolite intrusive rocks may represent distal apophyses of a larger, mineralized intrusive at depth to the north.

On April 27, 2012, NSX Silver issued an update on the Phase 1 drilling program. A total of nine total of nine HQ core holes have been completed to date at the Dios Padre Silver Project. Core drilling was planned to test the north and northwest plunge of the mineralized breccia body previously mined in surface cuts and underground workings at the main Dios Padre Mine area. The holes were designed to test the downdip extension of the previously mined mineralized breccia zone after NSX Silver technical personnel analyzed the results of previous drill campaigns by prior explorers. Drill holes completed by Silver Standard Resources in 1996 and by First Majestic Resource Corp. in 2006 were all angled southward. However, NSX Silver geologists noticed compelling evidence for a north and northwest dip to the mineralized zone based on geologic conditions and assay patterns from both of these drill campaigns.

NSX Silver drill holes DP-07-2012 and DP-09-2102 were aimed at downdip extensions of the mineralized breccia body beneath the Santa Gertrudis open cut, and below the limits of the lowest known underground workings, known as the Santa Fe level. The Santa Gertrudis and the Santa Fe zones were reportedly last mined during the period from 1967 to 1971, with operations focusing on areas of high grade silver mineralization. Both of these drill holes successfully encountered mineralized breccia at depth. Minerals identified in the drill core from this newly discovered breccia zone include chalcopyrite, galena, tetrahedrite, freiburgite, pyrite, and barite. The mineral assemblage is consistent with silver-bearing minerals seen at upper levels of the Dios Padre Mine in pit walls, stockpiles, and accessible underground workings on the property. Assay results from these drill holes are pending. NSX Silver plans to carry out additional drilling to further define and extend these newly-discovered breccia zones. As well, other geochemically anomalous zones on the Dios Padre property will be drill tested.

The first six drill holes of the Phase 1 drilling program were sited to test a large geophysical anomaly and its offshoots that were identified by a three-dimensional induced polarization/resistivity/magnetomer survey completed in November 2011. Analysis of this drill core is continuing and more work is planned to investigate the mineral potential of the anomalous and coincident zones of high conductivity and high resistivity. The geophysical anomaly is underlain by multiple rhyolite intrusive bodies similar to the main Dios Padre Mine area, and represents new areas that have not been drill tested.

Subject to favorable results from the Phase 1 drilling program, the Company intends to carry out a Phase 2 program consisting of an estimated 30 additional drill holes (approximately 8,000 meters), to expand the geologic data base and to better target potential areas of mineralization including those that were the focus of historic mining activity.

During 2011, CMOB acquired the Oso Blanco and Oso Blanco 2 concessions in the Municipality of Yecora, State of Sonora, Mexico. The two concessions are located in proximity to the Dios Padre, Alejandro and Dos Carlos concessions. The Oso Blanco concession was acquired by request to the Mexican government on July 13, 2011 at a cost of approximately $3,600. The Oso Blanco 2 concession was acquired by request to the Mexican government on August 30, 2011 at a cost of approximately $3,200. The Oso Blanco concession covers an area of 3,000 hectares while the Oso Blanco 2 concession covers an area of 1,900 hectares.

Selected Financial Information

NSGold's consolidated net loss for the year ended December 31, 2011 was $880,501 or $0.02 per share compared to a net loss of $1,342,805 or $0.06 per share in 2010. In June 2010, a one-time listing expense of $989,605 ($0.047 per share) was recorded as an IFRS adjustment in conjunction with the completion of the Company's Qualifying Transaction and listing on the TSX Venture Exchange. Total expenditures, excluding listing expense, have increased with the ramp up in exploration activities for the year ended December 31, 2011 as compared to the prior year.

The Company issued 530,000 stock options during 2011 and 280,000 stock options in 2010. By applying the Black-Sholes option pricing model, the Company has recorded stock based compensation of $140,982 in 2011 and $22,360 in 2010. The Company also recorded $31,372 (2010 - $3,740) of stock based compensation which has been allocated to resource properties. At the end of 2011, the Company wrote off $27,345 of expenditures on two of its resource properties in Nova Scotia.

The following tables contain selected financial information for the years ended December 31, 2011 and 2010:

	Year ended December 31, 2011 $	**Year ended December 31, 2010 $**
Operating expenses		
Consulting fees	140,629	67,850
Investor relations	46,597	-
Professional fees	229,015	108,164
Stock based compensation	140,982	22,360
Travel	58,836	21,413
Write-down of resource properties	27,345	-
Other	121,694	95,711
Reorganization costs	137,817	-
Listing fees	-	989,605
Total expenses	902,915	1,305,103
Interest income	(7,208)	(3,504)
Loss before income taxes	895,707	1,301,599
Deferred income taxes (recovery) expense	(15,206)	41,206
Net loss and comprehensive loss	880,501	1,342,805
Basic and diluted net loss per share	$0.02	$0.06

	As at December 31, 2011 $	**As at December 31, 2010 $**
Total current assets	4,821,150	1,790,325
Resource properties	4,059,778	2,199,504
Total assets	8,880,928	3,989,829
Total liabilities	434,251	787,728
Equity	8,446,677	3,202,101

Summary of Quarterly Operating Results

The following table presents the quarterly operating results for the Company commencing with the quarter ended June 30, 2010 which is the first financial quarter following the completion of the reverse takeover and short form vertical amalgamation with Kermode. The financial information is prepared in accordance with International Financial Reporting Standards for consolidated financial statements.

Quarter ended	Dec 31, 2011	Sep 30, 2011	Jun 30, 2011	Mar 31, 2011	Dec 31, 2010	Sep 30, 2010	Jun 30, 2010
	$	$	$	$	$	$	$
Operating expenses							
Consulting fees	49,076	33,500	31,446	26,607	27,150	25,700	15,000
Investor relations	16,549	14,937	4,009	11,103	-	-	62,866
Professional fees	18,929	154,557	41,313	14,215	18,038	27,260	-
Stock based compensation	19,032	37,091	77,882	6,977	7,860	14,500	-
Travel	21,371	9,194	14,247	14,024	-	12,164	9,796
Write-down of resources properties	27,345	-	-	-	-	-	-
Other	14,130	66,550	28,465	12,550	34,961	58,968	1,235
Reorganization costs	137,817	-	-	-	-	-	-
Listing fees	-	-	-	-	-	-	989,605
Total expenses	304,249	315,829	197,362	85,476	88,009	138,892	1,078,502
Interest income	(2,705)	(2,100)	(2,100)	(302)	(3,504)	-	-
Deferred income tax expense (recovery)	10,129	(3,256)	(19,577)	(2,503)	-	41,206	-
Net loss and comprehensive loss	311,673	310,473	175,685	82,671	84,505	179,798	1,078,502
Net loss per shares	$0.01	$0.01	$0.01	$0.003	$0.01	$ 0.01	$0.09

Liquidity and Capital Resources

As at December 31, 2011, the Company had cash and short term investments aggregating $4.4 million (2010 – $1.8 million) and working capital of $4.5 million (2010 – $1.3 million). In March 2012, in association with the spin-out of the silver assets, the Company disbursed approximately $3.5 million to NSX Silver. On August 5, 2011 the Company completed a private placement of 8,627,451 common shares at a price of $0.51 per share, for gross proceeds of $4.4 million. The net proceeds raised were approximately $4 million.

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

Obligations With Respect to Flow-Through Shares

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

The Company renounced CEE aggregating $2,064,220 with an effective date of December 31, 2010 of which $1,030,765 was incurred during 2010 and $1,033,455 was incurred in 2011 and was renounced under the "look-back rule." As at December 31, 2011 all committed expenditures have been incurred.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Related Party Transactions

During the year ended December 31, 2011, the Company incurred legal fees aggregating $206,138 (2010 - $189,445) from a law firm of which one of the officers is a partner. The Company recorded $75,207 to reorganization costs and $130,931 (2010 - $73,428) to professional fee expense. In 2010, the Company also recorded $40,000 to deferred share issue costs and $76,017 to share capital in conjunction with the accounting for the reverse takeover transaction.

In 2010, the Company purchased a NSR from a director and officer for $300,000 which reimbursed the shareholder for his cost to acquire this NSR from an arm's length party.

Outstanding Share Data

As at December 31, 2011, the Company has 43,413,767 shares issued and outstanding. Subsequent to December 31, 2011, the Company issued an additional 140,000 common share on the exercise of stock options. As at April 27, 2012, the Company has 43,553,767 shares issued and outstanding.

As at December 31, 2011 and April 27, 2012, the Company had outstanding 600,000 agent compensation warrants entitling the holder thereof to acquire one common share per warrant at an exercise price of $0.25 per share until June 18, 2012, and 690,196 broker compensation warrants entitling the holder to acquire one common share per warrant at an exercise price of $0.51 per share until August 4, 2013.

As at December 31, 2011, the Company had 810,000 stock options with a weighted average exercise price of $0.42. Subsequent to December 31, 2011, 140,000 stock options priced at $0.25 were exercised. On April 13, 2012 the Company granted an additional 750,000 options to directors and officers and 145,000 options to employees and consultants. These stock options vest in four equal tranches commencing three months from the date of grant, and will be fully vested in twelve months. The exercise price of these options is $0.14 per share and the expiry date is April 13, 2017. As at April 27, 2012 the Company has 1,565,000 stock options with a weighted average exercise price of $0.24. The details of the outstanding stock options as at April 27, 2012 are summarized in the following table.

Date of Grant	Expiry Date	Number of Options	Exercise Price
August 17, 2010	August 17, 2015	140,000	$0.25
March 24, 2011	March 24, 2016	395,000	$0.50
May 10, 2011	May 10, 2016	50,000	$0.60
June 22, 2011	June 22, 2016	85,000	$0.50
April 13, 2012	April 13, 2017	895,000	$0.14

Directors and officers hold an aggregate number of 1,235,000 stock options and employee and consultants hold 330,000. The total number of options outstanding represents 1.5% of the issued and outstanding common shares as at December 31, 2011and 3.6% of the issued number of shares as at April 30, 2012. The fully diluted number of common shares is 45,513,963 at December 31, 2011 and 46,408,963 at April 27, 2012.

Transition to IFRS

NSGold has adopted IFRS effective January 1, 2010. Prior to the adoption of IFRS, NSGold prepared its financial statements in accordance with Part V of the Handbook of the Canadian Institute of Chartered Accountants (Canadian GAAP). NSGold's transition date is January 1, 2010 and NSGold has prepared its opening IFRS balance at that date. These audited consolidated financial statements have been prepared in accordance with the policies referenced in note 3.

(a) Transition Elections

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

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

(b) Explanation of adjustments restating equity from Canadian GAAP to IFRS

(i) Reverse take over

On June 18, 2010, NSGold completed the acquisition of Kermode, a reverse takeover transaction (see note 11 fo the financial statements). The accounting changed with the adoption of IFRS. As Kermode had only nominal net assets at the time of the reverse takeover by NSGold, Canadian GAAP required that the transaction be accounted for as a capital transaction with the accounting value of the equity issued for the acquisition being limited to the fair value of the net monetary assets of Kermode. IFRS standards require the acquisition to be accounted for at fair value with the excess of the consideration paid over the fair value of the net assets acquired being reflected as a deemed share listing expense. The fair value of the common shares, warrant and options deemed to be issued on the reverse takeover has been recorded at $992,000. The fair value of the net assets acquired was $2,395. The difference between the fair values of the consideration paid and the fair value of the net assets acquired of $989,605 has been reflected as a 2010 listing expense in the statement of comprehensive loss. The impact of the transaction resulted in an increase accumulated deficit of $989,605, and an increase in share capital, warrants and other, and contributed surplus by $899,605, $30,000 and $60,000, respectively.

(ii) Flow-through shares

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

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

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

In accordance with IFRS, deferred income taxes related to the temporary differences created by the renouncement of flow-through share tax benefits to subscribers are recorded on a pro-rata basis when the qualified expenditures are incurred. This can occur either before or after the formal renunciation of expenditures is filed with tax authorities. When the qualified expenditures are incurred, the tax value of the renunciation is recorded on a pro-rata basis as a deferred income tax liability with a corresponding charge to income tax expense in the statement of loss. Additionally, as qualified expenditures are incurred, the Company recognizes a pro-rata reduction of the flow-through premium liability as a recovery of deferred income taxes in the statement of comprehensive loss. Under Canadian GAAP, the deferred income taxes related to the temporary differences created by the renouncement of flow-through share tax benefits are recorded only upon the formal filing of the renunciation with tax authorities, which did not occur until March 2011.

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

(iii) Stock based compensation

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

At January 1, 2010 and March 31, 2010, no options were issued, so there was no impact to contributed surplus or deficit. The Company recorded share-based compensation of $172,254 in 2011 (2010 - $26,100) with a corresponding increase to contributed surplus. For the year ended December 31, 2011, the Company recorded $140,982 (2010 - $22,360) as an expense in the statement of comprehensive loss and $31,272 (2010 - $1,600) was capitalized to resource properties.

Accounting Standards Issued But Not Yet Applied

International Financial Reporting Standards 9, Financial Instruments (IFRS 9)

The International Accounting Standards Board has issued IFRS 9, effective for annual periods beginning on or after January 1, 2015, with early adoption permitted. IFRS 9 introduces new classification and measurement requirements for financial instruments. NSGold continues to assess the impact of IFRS 9 on its statements of comprehensive loss and financial position.

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

IFRS 10 – Consolidation

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

IFRS 11 - Joint Arrangements

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

IFRS 12 – Disclosure of Interests in Other Entities

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

IFRS 13 - Fair Value Measurement

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

Amendments to standards

IFRS 7, Financial Instruments: Disclosures, has been amended to include additional disclosure requirements in the reporting of transfer transactions and risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitization of financial assets. The amendment is applicable for annual periods beginning on or after July 1, 2011, with earlier application permitted. The Company continues to assess the impact of all other changes to IFRS 7 on its consolidated statements of loss and financial position.

Risks and Uncertainties

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

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

(i) Limited Operating History

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

(ii) Exploration, Development and Operating Risks

The exploration for and development of minerals involves significant risks, which even a combination of careful evaluation, experience and knowledge may not eliminate. Few properties which are explored are ultimately developed into producing mines. There can be no guarantee that the estimates of quantities and qualities of minerals disclosed will be economically recoverable. With all mining operations there is uncertainty and, therefore, risk associated with operating parameters and costs resulting from the scaling up of extraction methods tested in pilot conditions. Mineral exploration is speculative in nature and there can be no assurance that any minerals discovered will result in an increase in the Company's resource base.

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

(iii) Substantial Capital Requirements and Liquidity

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

(iv) Fluctuating Mineral Prices

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

Mineral prices are prone to fluctuations and the marketability of minerals is affected by government regulation relating to price, royalties, allowable production and the importing and exporting of minerals, the effect of which cannot be accurately predicted. There is no assurance that a profitable market will exist for the sale of any minerals found on the 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 and Mexican approvals, various laws governing prospecting, development, land resumptions, production taxes, labour standards and occupational health, mine safety, toxic substances and other matters. Although the Company believes that its activities are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail production or development. Amendments to current laws and regulations governing operations and activities of exploration and mining, or more stringent implementation thereof, could have a material adverse impact on the business, operations and financial performance of the Company. Further, the mining licenses and permits issued in respect of its projects may be subject to conditions which, if not satisfied, may lead to the revocation of such licenses. In the event of revocation, the value of the Company's investments in such projects may decline.

(xiv) Local Resident Concerns

Apart from ordinary environmental issues, work on, or the development and mining of the Mooseland and Dios Padre 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.

Dated: April 27, 2012

NSGold Corporation
(Formerly Kermode Capital Ltd)

Consolidated Financial Statements
December 31, 2011 and 2010

April 27, 2012

Management's Report

The accompanying consolidated financial statements of **NSGold Corporation** 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 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) "*Glenn Holmes*"
President and Chief Executive Officer
Halifax, Nova Scotia

(signed) *"Robert Randall"*
Chief Financial Officer
Halifax, Nova Scotia

April 27, 2012

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, 2011, December 31, 2010 and January 1, 2010 and the consolidated statements of changes in equity, loss and comprehensive loss and cash flows for the years ended December 31, 2011 and December 31, 2010, 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, 2011, December 31, 2010 and January 1, 2010 and the results of their operations and their cash flows for the years ended December 31, 2011 and December 31, 2010 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 Accountants

PricewaterhouseCoopers LLP, Chartered Accountants
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NSGold Corporation

Consolidated Statements of Financial Position

As at December 31, 2011, December 31, 2010 and January 1, 2010

(expressed in Canadian dollars)

	December 31, 2011 $	December 31, 2010 $	January 1, 2010 $
Assets			
Current assets			
Cash	4,408,877	127,602	–
Short-term investments	–	1,200,000	–
Sales tax recoverable	390,065	159,223	–
Deposits and prepaid expenses (note 5)	22,208	303,500	–
	4,821,150	1,790,325	–
Resource properties (note 6)	4,059,778	2,199,504	–
	8,880,928	3,989,829	–
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities (note 7)	305,251	489,486	–
Flow through premium liability	–	172,242	–
Deferred tax liability (note 9)	185,000	126,000	–
	490,251	787,728	–
Equity	8,390,677	3,202,101	–
	8,880,928	3,989,829	–

Going concern (note 1)

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

Approved by the Board of Directors

(signed) *"Johannes H.C. van Hoof"*, Director

(signed) *"Glenn Holmes"*, Director

NSGold Corporation

Consolidated Statement of Changes in Equity

For the years ended December 31, 2011 and 2010

(expressed in Canadian dollars)

	Share capital (note 10) $	Contributed surplus (note 10) $	Warrants and other (note 10) $	Deficit $	Total $
Balance – January 1, 2010	9,895	–	–	(9,895)	–
Net loss and comprehensive loss for the year	–	–	–	(1,342,805)	(1,342,805)
Shares issued in lieu of professional fees	105	–	–	–	105
Shares, warrants and options deemed to be issued with respect to reverse takeover of Kermode	902,000	60,000	30,000	–	992,000
Shares issued upon exercise of stock options	100,000	(60,000)	–	–	40,000
Shares and warrants issued for cash, net of issue costs	2,954,890	–	323,000	–	3,277,890
Warrants issued	–	–	205,000	–	205,000
Shares issued upon exercise of warrants	9,528	–	(5,717)	–	3,811
Stock-based compensation	–	26,100	–	–	26,100
Balance – December 31, 2010	3,976,418	26,100	552,283	(1,352,700)	3,202,101
Net loss and comprehensive loss for the year	–	–	–	(880,501)	(880,501)
Stock-based compensation	–	172,354	–	–	172,354
Shares issued for cash net of issue costs and taxes	3,973,720	–	–	–	3,973,720
Shares issued upon exercise of warrants and other	1,923,834	–	(247,081)	–	1,676,753
Warrants issued	–	–	160,000	–	160,000
Shares issued pursuant to resource property option agreement	121,250	–	–	–	121,250
Expiration of warrants and other, net of tax	–	190,202	(225,202)	–	(35,000)
Balance – December 31, 2011	9,995,222	388,656	240,000	(2,233,201)	8,390,677

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

NSGold Corporation
Consolidated Statements of Loss and Comprehensive Loss
For the years ended December 31, 2011 and 2010

(expressed in Canadian dollars)

	2011 $	2010 $
Operating expenses		
Consulting fees	140,629	67,850
Professional dues	29,689	–
Insurance	9,842	25,000
Stock-based compensation	140,982	22,360
Professional fees	229,015	108,164
Travel	58,836	21,413
Investor relations	46,597	–
Property investigations	10,274	–
Write-down of mineral properties	27,345	–
Other	71,889	70,711
Reorganization costs (note 16)	137,817	–
Listing expenses (note 11)	–	989,605
	(902,915)	(1,305,103)
Other income		
Interest income	7,208	3,504
Loss before income taxes	(895,707)	(1,301,599)
Income tax recovery (expense)	15,206	(41,206)
Net loss and comprehensive loss for the year	(880,501)	(1,342,805)
Loss per share – basic and diluted	($0.02)	($0.06)
Weighted average outstanding common shares – basic and diluted	36,202,773	21,155,688

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

NSGold Corporation

Consolidated Statements of Cash Flows

For the years ended December 31, 2011 and 2010

(expressed in Canadian dollars)

	2011 $	2010 $
Cash provided by (used for) the following		
Operating activities		
Net loss for the year	(880,501)	(1,342,805)
Charges (credits) to loss not involving cash		
Stock-based compensation	140,982	22,360
Write-down of mineral properties	27,345	-
Listing expense	-	989,605
Deferred income taxes (recovery) expense	(15,206)	41,206
	(727,380)	(289,634)
Net change in working capital balances related to operations		
Increase in sales tax recoverable	(230,842)	(156,828)
Increase in prepaid expenses	(18,708)	-
Decrease in accounts payable and accrued liabilities	163,764	61,486
	(813,166)	(384,976)
Investing activities		
Expenditures on resource properties	(2,082,997)	(1,767,764)
Proceeds on sale (purchase) of short-term investments	1,200,000	(1,200,000)
Decrease (increase) in deposits	300,000	(303,500)
	(582,997)	(3,271,264)
Financing activities		
Net proceeds from issuance of capital stock and warrants	4,000,685	3,680,031
Proceeds on exercise of warrants	1,422,091	3,811
Proceeds on exercise of agent options	254,662	-
Proceeds on exercise of options	-	100,000
	5,677,438	3,783,842
Net change in cash for the year	4,281,275	127,602
Cash – Beginning of year	127,602	-
Cash – End of year	4,408,877	127,602

The accompanying notes form an integral part of these financial statements.

(expressed in Canadian dollars)

1 Nature of operations and going concern

Going concern

These consolidated financial statements have been prepared using generally accepted accounting principles 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. For the year ended December 31, 2011, the Company incurred a loss of $0.9 million and as at December 31, 2011 had an accumulated deficit of $2.2 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 lend 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. Although the Company had $4.4 million in cash at the end of December 2011, in March 2012 the Company disbursed $3.5 million to NSX Silver in connection with its corporate restructuring (note 16). These consolidated financial statements do not reflect the adjustments to the carrying value of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

General information

NSGold Corporation (the "Company" or "NSGold"), formerly Kermode Capital Ltd. ("Kermode"), is a development stage enterprise. The Company's principal business activity is the acquisition and exploration of resource properties. The Company has not yet determined whether its properties contain ore reserves that are economically recoverable.

On June 18, 2010, Kermode closed the Share Exchange Agreement with NSGold to acquire all 10,000 issued and outstanding common shares of NSGold by the issuance of 11,000,000 common shares of Kermode (see note 11). Concurrently Kermode completed an amalgamation with NSGold (NSGold was continued from the Canada Business Corporations Act to the British Columbia Business Corporations Act ("BCBCA"), following which Kermode completed a short form vertical amalgamation with NSGold under the BCBCA) and changed its name to NSGold Corporation. Concurrently a private placement financing was completed for gross proceeds of $4.12 million with the issuance of 15,105,871 units consisting of one common share and one-half of one common share purchase warrant.

The Company's registered office is located at 1055 West Hasting Street in Vancouver, British Columbia. The Company's shares are listed on the TSX-Venture Exchange with the symbol NSX.

(expressed in Canadian dollars)

2 Basis of presentation and first-time adoption of IFRS

a) Statement of compliance

The Company prepares its financial statements in accordance with generally accepted accounting principles in Canada ("GAAP") as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards ("IFRS"), and requires publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2010. Accordingly, the Company has commenced reporting on this basis in these audited consolidated financial statements.

In these audited consolidated financial statements, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS and the term "IFRS" refers to, generally accepted accounting principles in Canada after the adoption of IFRS.

These audited consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of financial statements IFRS 1, First-time Adoption of International Financial Reporting Standards. Subject to certain transition elections disclosed in note 4, NSGold has consistently applied the same accounting policies in its opening IFRS statement of financial position at January 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Note 4 discloses the impact of the transition to IFRS on NSGold's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in NSGold's financial statements at January 1, 2010 and December 31, 2010 for the year ended December 31, 2010.

The Board of Directors approved the statements for issue on April 27, 2012.

b) Basis of measurement

These consolidated financial statements have been prepared under a historical cost basis.

c) Use of estimates and judgments

The preparation of the 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 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 and 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

The Company assesses all resource properties at each reporting period date to determine whether any indication of impairment exists. 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. These assessments require the use of estimates and assumptions such as long-term commodity prices, future capital requirements, exploration potential and operating performance.

(expressed in Canadian dollars)

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and in preparing the opening IFRS statement of financial position at January 1, 2010 for the purposes of the transition to IFRS, unless otherwise indicated. The exemptions the Company has taken in applying IFRS for the first time are set out in note 4.

Cash

Cash includes cash on hand and deposits held with banks and other short-term highly liquid investments with original maturities of three months or less.

Short-term investments

Short-term investments are highly liquid investments with an original maturity greater than three months and are due within twelve months of the period ended. Short-term investments consisted of a variable rate GIC held with a major Canadian banking institution with an interest rate of prime less 1.95%.

Financial instruments

Financial instruments are classified as follows:

Cash and short-term investments 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 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.

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.

Consolidation

The financial statements of the Company consolidate the accounts of NSGold Corporation and its subsidiaries. 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.

(expressed in Canadian dollars)

3 Significant accounting policies (continued)

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 property 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 property.

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.

Flow through shares

The Company has financed a portion of its exploration activities through the issue of flow-through shares. As permitted under the Income Tax Act (Canada), the tax attributes of eligible expenditures incurred with the proceeds of flow-through share issuances are renounced to the flow-through shareholders.

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

(expressed in Canadian dollars)

3 Significant accounting policies (continued)

Flow through shares (continued)

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

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 periods 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 period.

Deferred tax assets and liabilities are recognized for all future tax consequences attributable to the differences between the 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 unused tax credits 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 statement of income for the period, except to the extent that the income taxes related to a transaction or event which is recognized, in the same or different period, either in other comprehensive income or directly in equity.

Financial instruments

Financial instruments are classified as follows:

Cash is classified as “Loans and Receivables”. After its initial fair value measurement, it is measured at amortized cost using the effective interest method, less a provision for impairment.

Short-term investments are classified as “Financial Assets at Fair Value through Profit and Loss.” These financial assets are measured at fair value, with changes in fair value recognized in the statement of loss each reporting period.

(expressed in Canadian dollars)

3 Significant accounting policies (continued)

Financial instruments (continued)

Accounts payable and accrued liabilities 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.

Capital management

The Company's capital structure consists of share capital, warrants, deficit and contributed surplus, which at December 31, 2011 totalled $8,446,677 (2010 - $3,202,101). 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.

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.

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 are 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 statement of loss and comprehensive loss.

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 statement of 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.

(expressed in Canadian dollars)

3 Significant accounting policies (continued)

Loss per share

Loss per share is 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 loss per share, as the Company has incurred losses and the exercise of options and warrants would be anti-dilutive.

Related party transactions

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

Accounting Standards issued but not yet applied

The Company does not expect to early adopt the following revised standards and amendments. Accordingly, the Company expects to adopt these standards as set forth below.

IFRS 9, Financial Instruments

The International Accounting Standards Board ("IASB") has issued IFRS 9, "Financial Instruments" ("IFRS 9"), effective for annual periods beginning on or after January 1, 2015, with early adoption permitted. IFRS 9 introduces new classification and measurement requirements for financial instruments. The Company continues to assess the impact of IFRS 9 on its consolidated statements of loss and financial position.

IFRS 10, Consolidated Financial Statements

The IASB issued IFRS 10, "Consolidated Financial Statements" ("IFRS 10"), effective for annual periods beginning on or after January 1, 2013. IFRS 10 replaces portions of IAS 27, "Consolidated and Separate Financial Statements" ("IAS 27") that addresses consolidation, and supersedes Standing Interpretations Committee ("SIC") SIC-12 in its entirety. The objective of IFRS 10 is to define the principles of control and establish the basis of determining when and how an entity should be included within a set of consolidated financial statements. IAS 27 has been amended to reflect the issuance of IFRS 10 and retains guidance only for separate financial statements. The Company continues to assess the impact of IFRS 10 on its consolidated statements of loss and financial position.

(expressed in Canadian dollars)

3 Significant accounting policies (continued)

Accounting Standards issued but not yet applied (continued)

IFRS 11, Joint Ventures

The IASB issued IFRS 11, "Joint Ventures" ("IFRS 11"), effective for annual periods beginning on or after January 1, 2013. IFRS 11 supersedes IAS 31, "Interest in Joint Ventures" and SIC-13, "Jointly Controlled Entities – Non Monetary Contributions by Venturers". Through an assessment of the rights and obligations in an arrangement, IFRS 11 establishes principles to determine the type of joint arrangement and guidance for financial reporting activities required by the entities that have an interest in arrangements which are controlled jointly. As a result of the issuance of IFRS 10 and IFRS 11, IAS 28, "Investments in Associates and Joint Ventures" ("IAS 28") was amended to reflect the guidance provided in IFRS 10 and IFRS 11. Currently, this standard has no impact on the consolidated financial statements of the Company.

IFRS 12, Disclosure of Interests in Other Entities

The IASB issued IFRS 12, "Disclosure of Interests in Other Entities" ("IFRS 12") effective for annual periods beginning on or after January 1, 2013. IFRS 12 requires extensive disclosures relating to a company's interests in subsidiaries, joint arrangements, associates, and unconsolidated structured entities. IFRS 12 enables users of the financial statements to evaluate the nature and risks associated with its interests in other entities and the effects of those interests on its financial position and performance. The Company continues to assess the impact of IFRS 12 on its consolidated statements of loss and financial position.

IFRS 13, Fair Value measurement

The IASB issued IFRS 13, "Fair Value Measurement" ("IFRS 13") effective for annual periods beginning on or after January 1, 2013. IFRS 13 defines fair value, provides guidance in a single framework for measuring fair value and identifies the required disclosures pertaining to fair value measurement. The Company continues to assess the impact of IFRS 13 on its consolidated statements of loss and financial position.

Amendments to standards

IFRS 7, Financial Instruments: Disclosures, has been amended to include additional disclosure requirements in the reporting of transfer transactions and risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitization of financial assets. The amendment is applicable for annual periods beginning on or after July 1, 2011, with earlier application permitted. The Company continues to assess the impact of all other changes to IFRS 7 on its consolidated statements of loss and financial position.

(expressed in Canadian dollars)

4 Transition to IFRS

NSGold has adopted IFRS effective January 1, 2010. Prior to the adoption of IFRS, NSGold prepared its financial statements in accordance with Canadian GAAP. NSGold's transition date is January 1, 2010 and NSGold has prepared its opening IFRS balance at that date. These audited financial statements have been prepared in accordance with the policies referenced in note 3.

Transition elections

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

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

Reconciliation of equity and comprehensive loss as previously reported under Canadian GAAP to IFRS

The following tables reconcile Canadian GAAP to IFRS at each specified date.

		December 31, 2010 $	January 1, 2010 $
Equity			
As reported under Canadian GAAP		3,498,744	–
IFRS adjustments			
Flow through shares	b	(298,243)	–
Stock based compensation	c	1,600	–
As reported under IFRS		3,202,101	–

		Year ended December 31, 2010 $
Comprehensive loss		
As reported under Canadian GAAP		(302,494)
IFRS adjustments:		
Reverse takeover – listing expense	a	(989,605)
Flow through shares	b	(41,206)
Stock based compensation	c	(9,500)
As reported under IFRS		(1,342,805)

(expressed in Canadian dollars)

4 Transition to IFRS (continued)

Explanation of adjustments restating equity from Canadian GAAP to IFRS

a) Reverse takeover

On June 18, 2010, NSGold completed the acquisition of Kermode, a reverse takeover transaction (see note 11). The accounting changed with the adoption of IFRS. As Kermode had only nominal net assets at the time of the reverse takeover by NSGold, Canadian GAAP required that the transaction be accounted for as a capital transaction with the accounting value of the equity issued for the acquisition being limited to the fair value of the net monetary assets of Kemode. IFRS standards require the acquisition to be accounted for at fair value with the excess of the consideration paid over the fair value of the net assets acquired being reflected as a deemed share listing expense. The fair value of the common shares, warrant and options deemed to be issued on the reverse takeover has been recorded at $992,000. The fair value of the net assets acquired was $2,395. The difference between the fair values of the consideration paid and the fair value of the net assets acquired of $989,605 has been reflected as a 2010 listing expense in the statement of comprehensive loss. The impact of the transaction resulted in an increase accumulated deficit at December 31, 2010 of $989,605, and an increase in share capital, warrants and other, and contributed surplus by $899,605, $30,000 and $60,000, respectively, with no net impact on equity.

b) Flow-through shares

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

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

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

(expressed in Canadian dollars)

4 Transition to IFRS (continued)

Explanation of adjustments restating equity from Canadian GAAP to IFRS (continued)

b) Flow-through shares (continued)

In accordance with IFRS, deferred income taxes related to the temporary differences created by the renouncement of flow-through share tax benefits to subscribers are recorded on a pro-rata basis when the qualified expenditures are incurred. This can occur either before or after the formal renunciation of expenditures is filed with tax authorities. When the qualified expenditures are incurred, the tax value of the renunciation is recorded on a pro-rata basis as a deferred income tax liability with a corresponding charge to income tax expense in the statement of loss. Additionally, as qualified expenditures are incurred, the Company recognizes a pro-rata reduction of the flow-through premium liability as a recovery of deferred income taxes in the statement of comprehensive loss. Under Canadian GAAP, the deferred income taxes related to the temporary differences created by the renouncement of flow-through share tax benefits are recorded only upon the formal filing of the renunciation with tax authorities, which did not occur until March 2011.

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

c) Stock based compensation

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

(expressed in Canadian dollars)

4 Transition to IFRS (continued)

Explanation of adjustments restating equity from Canadian GAAP to IFRS (continued)

c) Stock based compensation (continued)

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

Adjustments to the statement of cash flows

There was no material differences between the statement of cash flows presented under IFRS and the statement of cash flows presented under previous Canadian GAAP.

5 Deposits and prepaid expenses

	December 31, 2011 $	December 31, 2010 $	January 1, 2010 $
Deposit on mineral claims	3,500	3,500	–
Prepaid insurance	13,708	–	–
Prepaid other	5,000	–	–
Drill deposit	–	300,000	–
	22,208	303,500	–

6 Resource properties

	Mooseland $	Dios Padre $	Other $	Total $
As at January 1, 2010	–	–	–	–
Mineral claims acquired	700,000	–	50,000	750,000
Purchase of Net Smelter Royalty	415,000	–	–	415,000
Exploration costs incurred	977,553	–	56,951	1,034,504
Year ended December 31, 2010	2,092,553	–	106,951	2,199,504
As at January 1, 2011	2,092,553	–	106,951	2,199,504
Property acquisition	-	224,971	-	224,971
Additions	1,182,219	431,516	48,913	1,662,648
Write-downs	–	–	(27,345)	(27,345)
Balance at December 31, 2011	3,274,772	656,487	128,519	4,059,778

(expressed in Canadian dollars)

6 Resource properties (continued)

i) Mooseland and other Nova Scotia Properties

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

Under the terms of the purchase agreement NSGold has paid a total of $750,000 to Globex, as follows:
- (i) $250,000 by January 1, 2010;
- (ii) $250,000 by December 31, 2010; and
- (iii) $250,000 on the earlier of 30 days after commencement of production or December 31, 2011.

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

ii) Dios Padre, Mexico

The Company entered into a definitive option agreement ("Agreement") with a private Mexican company, Compañia Minera Pena Blanca SA de CV, having an effective date of April 9, 2011 whereby it can acquire a 100% ownership of the Dios Padre Property ("Property"). The Property, including the historic Dios Padre Silver Mine, is located in the Municipality of Yecora, State of Sonora, Mexico approximately 260 km east of Hermosillo. Under the terms of the Agreement, NSGold, through its wholly-owned subsidiary Compañía Minera Oso Blanco SA de CV, can acquire a 100% undivided interest in the Dios Padre Property from Cia Minera Pena Blanca SA de CV by making cash payments totaling US$6 million over a 5-year period and issuing an aggregate of 1,250,000 common shares to the optionor in five equal tranches over the same 5-year period.

As at December 31, 2011 the Company had made cash payments to the option or aggregating US$100,000. In March of 2012, the Company transferred the Dios Padre property and all of the associated obligations to NSX Silver (note 16). The dates for the remaining option payments are as follows:

	$'000
January 31, 2012	75
July 31, 2012	75
January 31, 2013	250
July 31, 2013	250
January 31, 2014	300
July 31, 2014	300
January 31, 2015	500
July 31, 2015	500
January 31, 2016	3,650

(expressed in Canadian dollars)

6 Resource properties (continued)

ii) Dios Padre, Mexico (continued)

At such time as NSGold acquires a 100% undivided interest in the Dios Padre Property, the optionor will be granted a 3% net smelter return royalty, two-thirds of which may be repurchased by NSGold at any time prior to the commencement of commercial production by the payment of US$2million.

7 Accounts payable and accrued liabilities

	December 31, 2011 $	December 31, 2010 $	January 1, 2010 $
Accounts payable	215,520	439,486	–
Accrued liabilities	89,000	50,000	–
Employee withholding payable	731	–	–
	305,251	489,486	–

8 Compensation of key management

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

	December 31, 2011 $	December 31, 2010 $
Cash compensation and other benefits	108,000	23,000
Stock-based compensation	115,546	18,571
	223,546	41,571

Cash compensation and other benefits are included in consulting fees in the statement of loss.

(expressed in Canadian dollars)

9 Income taxes

a) Reconciliation of total tax recovery (expense)

	December 31, 2011 $	December 31, 2010 $
Loss before income taxes	(895,707)	(1,301,599)
Income tax rate	31%	32%
Expected income tax recovery	278,000	417,000
Non-deductible stock-based compensation	(44,000)	(7,000)
Non-deductible reorganization costs	(43,000)	-
Pro-rata reduction of flow through premium liability	172,000	172,000
Unutilized losses	-	3,000
Unutilized foreign losses	(21,000)	-
Non-deductible listing expense	-	(317,000)
Resource property expenditures renounced	(310,000)	(330,000)
Other	(20,794)	20,794
Change in tax rates	4,000	-
Income tax recovery (expense)	15,206	(41,206)

b) Deferred tax

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

	December 31, 2011 $	December 31, 2010 $	January 1, 2010 $
Deferred income tax assets			
Non-capital losses carried forward	228,000	117,000	3,000
Deductible share issue costs	227,000	87,000	–
Deferred income tax liability			
Resource properties	(640,000)	(330,000)	–
Unrecognized deferred tax assets	-	-	(3,000)
Net deferred income tax liability	(185,000)	(126,000)	–

(expressed in Canadian dollars)

10 Share capital

i) 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

Common shares issued and fully paid	Number of shares	Amount $
Balance – January 1, 2010	10,884,500	9,895
Issued in lieu of professional fees	115,500	105
Shares deemed to be issued with respect to reverse takeover of Kermode (note 11)	4,000,000	902,000
Shares issued pursuant to the exercise of stock options	400,000	100,000
Shares issued pursuant to the exercise of broker warrants	38,112	9,528
Shares issued for cash, net of issue costs (a)	15,105,871	2,954,890
Balance – December 31, 2010	30,543,983	3,976,418
Shares issued for cash, net of issue costs (b)	8,627,451	3,973,720
Shares issued pursuant to resource property option agreement	250,000	121,250
Shares issued pursuant to the exercise of agent options	1,018,643	254,662
Shares issued pursuant to the exercise of warrants	2,973,690	1,422,091
Fair value of exercised warrants and options at the date of issuance	-	247,081
Balance – December 31, 2011	43,413,767	9,995,222

a) 2010 Private placement

On June 18, 2010 the Company completed a private placement financing of 15,105,871 units for gross proceeds of $4,120,504. The private placement financing comprised 8,225,140 units priced at $0.25 per unit which consisted of one common share and one-half of one common share purchase warrant and 6,880,731 units priced at $0.30 per unit which consisted of one flow-through common share and one-half of one common share purchase warrant. Directors and Officers of the Company subscribed to 1,975,000 units.

The Company incurred total share issuance costs, of $585,577 of which $205,000 related to the valuation 1,018,643 Agent Unit Options and 600,000 brokers warrants and $47,000 relates to the valuation of private placement warrants.

The gross proceeds of the 6,880,731 flow-through shares were $2,064,219. The Company agreed to incur $2,064,219 of qualified Canadian mineral exploration expenditures, as defined by Canadian income tax legislation from the date of closing to December 31, 2011 and renounce such expenditures with an effective date of no later than December 31, 2010. As at December 31, 2010 the Company had incurred $1,030,765 of these expenditures. In 2011, the balance of $1,033,454 these mineral property expenditures have been incurred. The expenditures were renounced on March 28, 2011. The Company recorded deferred tax adjustments, associated with the flow through shares, in the net amount of $257,037.

(expressed in Canadian dollars)

10 Share capital (continued)

i) Authorized capital stock (continued)

a) 2010 Private placement (continued)

The value, net of share issuance costs and deferred tax adjustments, amounted to $3,277,890, of which, $2,954,890 of was allocated to the shares issued and $323,000 was allocated to the warrants issued to subscribers.

b) 2011 Private placement

On August 5, 2011 the Company completed a private placement financing of 8,627,451 common shares at a price of $0.51 per share for gross proceeds of $4.4 million. The Company incurred total share issuance costs, of $559,215 of which $160,000 related to the valuation 690,196 broker warrants. These costs, net of the related tax benefit of$132,935, result in shares issued of $3,973,720.

(expressed in Canadian dollars)

10 Share capital (continued)

ii) Warrants and other

The following table summarizes the changes in the Company's warrants for the year ended December 30, 2011:

	Expiry date	Exercise price $	Number of Warrants	December 31, 2011 $	December 31, 2010 $
Balance – Beginning of year				552,283	–
Kermode warrants deemed to be issued with respect to the reverse takeover (note 11)	May 6, 2011	0.10	200,000	–	30,000
Warrants exercised			(38,112)	–	(5,717)
Warrants exercised			(161,888)	(24,283)	–
			–		
Warrants issued with June 2010 private placement	June 18, 2011	0.50	7,552,936	–	323,000
Warrants exercised			(2,709,568)	(115,874)	–
Warrants expired			(4,843,368)	(207,126)	–
			–		
Agent unit options*	June 18, 2011	0.25	1,018,643	–	125,000
Agent unit options exercised			(1,018,643)	(96,181)	
			–		
Warrants issued upon exercise of agent unit options		0.50	509,321	–	–
Warrants exercised			(102,234)	(10,743)	–
Warrants expired			(407,087)	(18,076)	–
			–		
Broker warrants issued with June 2010 private placement	June 18, 2012	0.25	600,000	–	80,000
Broker warrants issued with August 2011 private placement	Aug 15, 2013	0.51	690,196	160,000	–
Balance – End of year			1,290,196	240,000	552,283

* Pursuant to the June 2010 private placement, the Company issued to the agents options entitling the holders thereof to acquire up to an aggregate of 1,018,643 units of the Company at an exercise price of $0.25 per unit for a period of twelve months from the closing of the private placement. Each unit consists of one common share and one-half of a common share purchase warrant. Each whole warrant entitles the holder thereof to acquire one additional common share at an exercise price of $0.50 per share for a period of twelve months from the closing of the private placement.

(expressed in Canadian dollars)

10 Share capital (continued)

ii) Warrants and other

The fair value of warrants and agent unit options recognized has been estimated at the grant date using the Black-Scholes option pricing model. The resulting weighted average fair value at date of grant is $0.23 (2010 – $0.13). The weighted average assumptions used in the pricing model for warrants and agent options issued are as follows:

	2011	2010
Risk-free interest rate	2.5%	2.5%
Expected volatility	100%	100%
Expected dividend yield	$nil	$nil
Expected life	1.1 years	1.1 years

iii) 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 up to 3,000,000 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 – January 1, 2010	–	–	–	–
Deemed to be granted with respect to the reverse takeover of Kermode	0.25	400,000	–	April 30, 2014
Exercised during the year	0.25	(400,000)	–	–
Granted during the year	0.25	280,000	3.9	August 17, 2015
Balance – December 31, 2010	0.25	280,000	3.9	August 17, 2015
Granted during the year	0.50	395,000	4.2	March 23, 2016
Granted during the year	0.60	50,000	4.4	May 9, 2016
Granted during the year	0.50	85,000	4.5	June 21, 2016
Balance – December 31, 2011	0.42	810,000	4.2	

(expressed in Canadian dollars)

10 Share capital (continued)

In 2010, pursuant to the reverse takeover transaction (note 11), the Company was deemed to have issued 400,000 incentive stock options being the Kermode incentive stock options issued and outstanding as at the closing of the reverse takeover transaction. These options were exercised in 2010. Since the reverse takeover, the Company has granted 810,000 stock options. Options vested and exercisable at December 31, 2011 totalled 668,750 (2010 - 70,000) with an average exercise price of $0.51 (2010 - $0.25) per share.

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 $0.31 (2010 - $0.14). The weighted average assumptions used in the pricing model for options issued are as follows:

	2011	2010
Risk-free interest rate	2.1%	2.1%
Expected volatility	100%	100%
Expected dividend yield	$nil	$nil
Expected life	2.5 years	2.5 years

iv) Contributed surplus

	2011 $	2010 $
Balance – Beginning of year	26,100	–
Options issued with respect to reverse takeover	-	60,000
Exercise of stock options	-	(60,000)
Stock-based compensation	172,354	26,100
Expiration of warrants, net of tax	190,202	-
Balance – End of year	388,656	26,100

The Company recorded total stock-based compensation during the year ended December 31, 2011 of $172,354 (2010 - $26,100) of which $31,372 (2010 - $3,740) was capitalized to resource properties.

(expressed in Canadian dollars)

11 Reverse takeover

On June 18, 2010, Kermode closed the Share Exchange Agreement with NSGold to acquire all 10,000 issued and outstanding common shares of NSGold by the issuance of 11,000,000 common shares of Kermode. Concurrently Kermode completed an amalgamation with NSGold and changed its name to NSGold Corporation. As indicated in note 2, these common shares were acquired by issuance of 11,000,000 common shares of Kermode. The number of shares disclosed in the table above has been revised to reflect the number of shares issued by Kermode.

As the former shareholders of NSGold obtained approximately 73% of the outstanding shares of the combined entity upon closing of the Share Exchange Agreement, the transaction was accounted for as a reverse takeover of Kermode by NSGold. These financial statements represent a continuation, for accounting purposes, of the financial statements of NSGold. For accounting purposes, as Kermode was a non-operating public enterprise with nominal net assets, the acquisition of Kermode by NSGold was accounted for as a capital transaction of NSGold. As such, it was recorded as an issuance of 4,000,000 common shares, 200,000 warrants and 400,000 options by NSGold for the net monetary assets of Kermode, followed by a recapitalisation. The fair value of the options and warrants was estimated using a Black-Scholes pricing model based on a volatility of 100%, risk-free rate of approximately 2.1%, expected lives of 0.5 to 0.9 years and no dividend yield.

	$
Consideration	
Fair value of common shares	902,000
Fair value of warrants	30,000
Fair value of options	60,000
	992,000
Allocation of consideration	
Net assets acquired	2,395
Excess of fair value over net assets acquired (listing expense)	989,605
	992,000

(expressed in Canadian dollars)

12 Segmented information

In 2011, the Company's two main operating segments are gold and silver exploration. In 2010, the Company had only one operating segment – gold exploration, which was located in Canada. The Company's segmented information is as follows:

	Gold	Silver	Year ended Dec. 31, 2011 Total	Year ended Dec. 31, 2010 Gold
Operating expenses	$	$	$	$
Consulting fees	125,990	14,639	140,629	67,850
Professional dues	29,423	266	29,689	-
Insurance	9,842	–	9,842	25,000
Stock-based compensation	140,982	–	140,982	22,360
Professional fees	179,440	49,575	229,015	108,164
Travel	58,420	416	58,836	21,413
Investor relations	46,597	–	46,597	–
Property investigations	10,274	–	10,274	–
Write-down of mineral properties	27,345	–	27,345	–
Other	55,572	16,317	71,889	70,711
Reorganization costs	137,817	–	137,817	–
Listing expenses	–	–	–	989,605
	(821,702)	(81,213)	(902,915)	(1,305,103)
Other income - Interest income			7,208	3,504
Loss before income taxes			(895,707)	(1,301,599)
Recovery of income taxes			15,206	(41,206)
Net loss for the period			(880,501)	(1,342,805)
Capital Expenditures				
Gold exploration			1,231,132	2,199,504
Silver exploration			656,487	–
			1,887,619	2,199,504

	Current	Long-Term	As at Dec. 31, 2011	Current	Long-Term	As at Dec. 31, 2010
Assets	$	$	$	$	$	$
Corporate	4,753,136	–	4,753,136	1,486,825	–	1,486,825
Gold exploration and development	3,500	3,403,291	3,406,791	303,500	2,199,504	2,503,004
Silver exploration and development	64,514	656,487	721,001	–	–	–
	4,821,150	4,049,778	8,870,928	1,790,325	2,199,504	3,989,829
Assets						
Canada	4,757,899	3,393,291	8,151,190	1,790,325	2,199,504	3,989,829
Mexico	63,251	656,487	719,738	-	-	-
	4,821,150	4,049,778	8,870,928	1,790,325	2,199,504	3,989,829

(expressed in Canadian dollars)

13 Related party transactions

During the year ended December 31, 2011 the Company incurred legal fees aggregating $206,138 (2010 - $189,445) from a law firm of which one of the officers is a partner. The Company recorded $75,207 to reorganization costs and $130,931 (2010 - $73,428) to professional fee expense. In 2010, the Company also recorded $40,000 to deferred share issue costs and $76,017 to share capital in conjunction with the accounting for the reverse takeover transaction. In 2010, the Company purchased a NSR from the controlling shareholder for $300,000 which reimbursed a director and officer for his cost to acquire this NSR from an arm's length party.

14 Supplemental cash flow information

During the year ended December 31, 2011, the Company incurred expenditures on resource properties of $80,000 (2010 - $428,000) which were recorded as accounts payable at the end of the year. In 2011, the Company recorded the issuance of shares pursuant to the acquisition of a resource property in the amount of $121,250. These items are non-cash transactions and have been excluded from the statements of cash flows.

15 Financial instruments

Credit risk

The Company manages credit risk by holding the majority of its cash and cash equivalents with high quality financial institutions in Canada, where management believes the risk of loss to be low. At December 31, 2011, less than 1% of the balance of cash was held in banks outside Canada (2010 - 0%).

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 2012 and must finance during 2012 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, foreign exchange rates, and commodity and equity prices.

a) Interest rate risk

The Company has no interest-bearing debt and is not exposed to any significant interest rate risk.

(expressed in Canadian dollars)

15 Financial instruments (continued)

b) Foreign currency risk

The Company operates in Mexico, giving rise to foreign currency risk. To limit the Company's exposure to this risk, cash are primarily held with high quality financial institutions in Canada. In the future, based on the timing of the Company's exploration programs, foreign currencies may be purchased in advance of expenditures to lock in favourable rates in line with the Company's budgets, otherwise the Company does not use any form of hedging against fluctuations in foreign exchange.

As at December 31, 2011 and December 31, 2010, the Company held the following financial instruments in foreign currencies:

	December 31, 2011		December 31, 2010	
	USD	**Pesos**	**USD**	**Pesos**
Cash	–	43,768	–	–
Accounts payable and accrued liabilities	–	34,214	1,618	–

Sensitivity to a plus or minus 10% change in the US dollar exchange rate would affect net loss and comprehensive loss and deficit by approximately $nil (2010 - $nil).

Sensitivity to a plus or minus 10% change in the Mexican Pesos exchange rate would affect net loss and comprehensive loss and deficit by approximately $7,000 (2010 - $nil).

c) 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.

16 Subsequent events

Listing of NSX Silver on the TSX Venture Exchange

NSX Silver was incorporated in August 2011 as a wholly-owned subsidiary of NSGold, with the intention of taking over the Company's exploration properties in Mexico so that NSGold could devote itself solely to exploration for gold and other metals. In March 2012, NSX Silver completed the acquisition of all of the shares of Compania Minera Oso Blanco SA de CV (CMOB), a wholly-owned subsidiary of NSGold, whereby NSGold received one million common shares of NSX Silver. Also in March 2012 NSGold completed a share subscription agreement whereby NSGold acquired 44,428,571 common shares of NSX Silver for gross proceeds of $4,665,000. Upon closing of the transaction the amounts due to NSGold by each of NSX Silver and CMOB were repaid and the net amount disbursed by NSGold was $3,474,063. Contemporaneously the Dios Padre Option Agreement (note 6) was assigned to NSX Silver.

(expressed in Canadian dollars)

16 Subsequent events (continued)

Listing of NSX Silver on the TSX Venture Exchange (continued)

NSGold then completed the distribution of the common shares of NSX Silver to the NSGold shareholders whereby the shareholders received one share of NSX Silver for each share of NSGold held with the record date being March 16, 2012. A total of 43,553,767 shares of NSX Silver were distributed with the distribution effected by way of distribution of paid up capital. NSGold post-distribution held 1,875,804 shares of NSX Silver.

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.

Options

Subsequent to December 31, 2011, the Company issued 140,000 common shares pursuant to the exercise of options for aggregate proceeds of $35,000. The Company also granted 895,000 additional stock options with an exercise price of $0.14 per share which vest in four equal installments over one year and expiry in five years.