

NSGold corporation

2012 ANNUAL REPORT

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NSGOLD CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2012

Background

This Management's Discussion and Analysis (MD&A) of NSGold Corporation (NSGold or the Company) is dated April 29, 2013 and provides an analysis of the financial operating results for the years ended December 31, 2012 and December 31, 2011. This MD&A should be read in conjunction with the audited annual financial statements and accompanying notes for the year ended December 31, 2012 which have been prepared in accordance with International Financial Reporting Standards (IFRS) for consolidated financial statements. All amounts are in Canadian dollars unless otherwise specified. The financial statements and additional information, including news releases, the Filing Statement and technical reports referenced herein, are available on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com under the Company's profile. The common shares of NSGold are traded on the TSX Venture Exchange under the symbol "NSX". More extensive information on NSGold can be found on its website at www.nsgoldcorp.com.

Forward-Looking Information

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

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

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

Company Overview

NSGold is a mineral exploration company actively exploring for gold and base metals in Nova Scotia, Canada. The Company's flagship property is the Mooseland Gold Project (Mooseland) located in Halifax County, Nova Scotia. NSGold was incorporated on September 25, 2009 under the Canada Business Corporations Act. The registered office of the Company is 1550 Bedford Highway, Suite 820, Halifax, Nova Scotia.

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

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

In April 2011, the Company signed an agreement whereby it 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.

In August 2011, the Company completed a private placement of 8,627,451 common shares at a price of \$0.51 per share, for gross proceeds of \$4.4 million. Sprott Asset Management LP, acting on behalf of certain Sprott funds and managed accounts, subscribed for the 8,627,451 common shares issued in the private placement, representing 19.9% of the common shares of NSGold issued and outstanding after the placement. The net proceeds were intended to fund the Mexican silver exploration activities. In 2011, the Company also received aggregate proceeds of \$1.68 million from the exercise of warrants and broker unit warrants aggregating 3,992,333 common shares.

The Company obtained a loan facility of up to \$500,000 from Van Hoof Industrial Holdings Ltd., a company controlled by Mr. Hans Van Hoof, Chairman of the Corporation. The loan facility is being made available without any fees, options or warrants. As the loan is drawn upon, it will bear interest at the rate of 6% per annum and is repayable in full on December 31, 2014. As security for the repayment of the loan facility, the Corporation has granted a security interest over its 1,875,804 common shares of NSX Silver Inc.

In March 2012, the Company completed the spin-out of its Mexican silver assets so NSGold could devote itself to exploration for gold at Mooseland and its search for other gold properties in mining "friendly" jurisdictions.

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

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

In January 2013, the Company completed its acquisition of the Silver Hill property in Nevada. The 2012 activities are discussed in more detail in the following sections.

"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 of this transaction, the Company has recorded a gain of \$1,212,135 on the distribution of NSX Silver shares which represents the difference between the fair value and the carrying amount of the assets distributed. After the distribution, 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

Mooseland Gold Property

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

Under the terms of the purchase agreement NSGold paid a total of \$750,000 to Globex. Globex holds a gross metal royalty, equal to four percent (4%) of all metals produced from the Mooseland Gold Property and the Secondary Properties. In addition, Globex has the right to receive a five percent (5%) interest in the issued and outstanding share capital of NSGold at the time of production in the event that any of the Mooseland Gold Property or the Secondary Properties, as applicable, enters into production.

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

The Mooseland Gold Property is located approximately 12 kilometers from the Touquoy (Moose River) Gold Project being developed by Atlantic Gold of Australia.

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

In 2011, the Company completed a follow-up drilling program at Mooseland. The program consisted of 5,011 meters of diamond drilling in 16 drill holes and was designed with the objective of building confidence in the ore body model. This program has increased the knowledge of the deposit and added significant ounces to the resource. Drilling filled in some of the larger gaps in the model 300 meters west and 200 meters east of the 2010 drilling on the West Zone and 200 meters north of the 2010 drilling on the East Zone. Fifteen of the sixteen had multiple

intercepts of quartz veins that assayed greater than 1 gram per tonne gold. The best grade encountered was 0.5 meters of 107 grams/tonne. Significant drill results were announced in the Company's press releases dated October 18, 2011, November 22, 2011 and March 12, 2012.

In June 2012, the Company received an updated resource report for the Mooseland Gold Property. **Total inferred gold resources for Mooseland were estimated at 454,000 ounces of gold at a cut-off grade of 2.6 grams per tonne.** This resource report was prepared by MineTech International Inc. of Halifax, Nova Scotia and a copy is available on SEDAR. A summary of the updated resource estimation is provided in the following table.

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

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

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

In December 2012, the Company completed a drilling program at Mooseland for purposes of evaluating the potential for open pit mining of the West Zone. A total of 15 diamond drill holes were completed, including two that encountered old mine workings and were abandoned. Drill hole depths ranged from 66 to 80 meters and all encountered multiple zones of quartz bearing argillites that contained varying amounts of arsenopyrite, both in and around the quartz veins. The drilling program is being partially funded with a Mineral Incentive Program grant from the Nova Scotia Department of Natural Resources.

The 2012 drill program tested the deposit **above the 75 meter level** which had been little explored by previous drilling campaigns. Holes NSG-6-12 and NSG-7-12 encountered old workings near the surface and were discontinued. The remaining thirteen holes all encountered the expected, relatively sulphide rich, quartz bearing argillite zones. Of particular significance Hole NSG-8-12 returned gold values of **36.8 grams per tonne over 0.6 meters** starting at 30.9 meters and **15.21 grams per tonne over 1.7 meters** starting at 77.7 meters.

Other significant drill intercepts included the following:

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

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

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

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

The data obtained from this drilling program, together with the results from previous drilling, will be used to undertake a preliminary evaluation of the potential for open pit mining of the West Zone. The West Zone has been previously drill tested at depth and extends along strike approximately 1,000 meters, however, past drilling campaigns (110 holes totaling 29,000 meters) were not designed to target the gold bearing veins within 75 meters from the surface.

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

Silver Hill Property, Getchell Trend, Nevada

The Company signed a Mining Lease and Option to Purchase Agreement (“Agreement”) with Cerro Rico Ventures LLC dated January 10, 2013 providing for the acquisition by NSGold of 100% ownership of the Silver Hill property located in Humboldt County, Nevada. The Silver Hill property is located on the Getchell Trend, a major Nevada linear structure that has provided structural preparation for the introduction of gold and silver mineralization related to Cretaceous intrusive rocks that are found along the trend. Granodiorite intrusive rocks and skarns developed around the intrusive rocks are located near the Getchell (Barrick Gold) and Pinson (Atna Resources) deposits to the north of the property and at the Adelaide deposit (Wolfpack Gold Corp.) to the south of the property. The Getchell deposit (approximately 25 miles to the NNE) and Pinson deposit (approximately 20 miles to the NNE) are both multi-million ounce gold deposits with Getchell exceeding 10 million ounces. The Adelaide deposit located approximately 3.5 miles to the SSW has reported historic gold and silver production.

The Silver Hill property is comprised of 36 unpatented claims encompassing a 2,500 to 3,000 foot long shear zone that transects the western flank of Edna Mountain. The presence of silver, copper, arsenic and tungsten in the mineralized shear zone, which is thought to be part of the Golconda Thrust, suggests potential for sediment-hosted and/or skarn-related gold mineralization, similar to the Adelaide and McCoy deposits to the southeast, or possibly related to adjacent intrusive activity and gold-silver mineralization found near skarns at the Chimney Creek, Getchell, Pinson and Preble mines to the north.

NSGold’s management considers the Silver Hill property to be highly prospective for the following reasons:

1. Permissive stratigraphy - lower-plate rocks occur on the property, which are the same formations that host gold-silver mineralization at the Pinson, Preble and Adelaide deposits,
2. Structural preparation is extensive, as evidenced by both high-angle Basin-Range faults and the Golconda Thrust on the property,
3. Nearby granodiorite intrusive rocks - such intrusive rocks are associated with both tungsten-bearing skarn and gold-silver mineralization at all of the mines in the Getchell Trend (Chimney Creek, Getchell, Pinson, Preble and Adelaide),
4. Strong silver and associated metals – sampling by several independent geologists and prior owners established the presence of high-grade silver associated with gold, copper, arsenic and tungsten, and
5. Location – Silver Hill is located within the Getchell Trend, a well-known lineament in Nevada proven to host economic gold-silver deposits.

Under the terms of the Agreement, NSGold, through its wholly owned subsidiary, NSGold Nevada Inc., may, at any time during the ten-year term of the Agreement, purchase a 100% interest in the Silver Hill property by making a cash payment of US\$1.25 million. The Agreement also provides that NSGold is required to make a payment of US\$40,000 upon signing, and to make advance minimum royalty payments as follows: US\$25,000 on or before the first anniversary of the signing of the Agreement, US\$35,000 on or before the second anniversary of signing, and US\$50,000 on or before the third and subsequent anniversaries. The advance minimum royalty payments will be

credited against a 3% production royalty based on net smelter returns from production or sale of minerals. NSGold will have the right to purchase 2% of the production royalty for US\$1.5 million prior to the commencement of production. The Agreement further provides for certain bonus payments by NSGold in the event that it exercises the purchase option and certain resource thresholds are achieved. A bonus payment of US\$1 million will be payable to the optionor if NSGold delineates or publishes a measured or indicated resource on the Silver Hill property compliant with National Instrument 43-101 which includes a contained gold or gold equivalent content in excess of one million ounces. An additional bonus payment of US\$2 million will be payable by NSGold to the optionor if the contained gold or gold equivalent content is in excess of two million ounces.

Other Nova Scotia properties

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

During the second quarter of 2012 NSGold personnel collected stream sediment and grab samples from three of its seven exploration licences that comprise the **Cheticamp Property** located in the Cheticamp Highlands area of Cape Breton, Nova Scotia. On the Fisset Brook exploration licences 9797 and 7755, rock samples returned values of up to **78.4 grams per tonne silver and 1.44 grams per tonne gold** in an area not previously known to contain significant values of either element. Lead and zinc values greater than the detection limit of the ICP assay method, of 0.5% and 1% respectively, were also obtained, as well as antimony values up to 334 parts per million (“ppm”). Sediment sampling from two streams on the property has provided a strong vector for further exploration on a section of the claims with no exposure, with values up to 137 ppm copper, 163 ppm nickel, 145 ppm lead, 445 ppm zinc and 437 ppm arsenic.

On the Rocky Brook licence 09235, NSGold sampling returned values of up to **6.17 grams per tonne gold** in an area of historic trenching. A previous limited drill program in this area was carried out by Noranda in 1990 and returned gold values up to 7.8 grams per tonne over 0.6 meters and a 3.6 meter interval assaying 1.05% lead, 2.74% zinc and 0.51% copper. Grab samples from trenching completed by Noranda returned values up to 17.8 grams per tonne gold. Several historic soil anomalies and an IP anomaly remain untested on this property.

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

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

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

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

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

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

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

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

Future Acquisitions

The Company continues to evaluate various other gold properties with a view to acquiring an advanced stage exploration property in an established mining “friendly” jurisdiction.

Selected Financial Information

NSGold’s consolidated net income for the year ended December 31, 2012 was \$913,243 or \$0.02 per share as compared to a net loss of \$880,501 or \$0.02 per share in 2011 and a net loss of \$1,342,805 or \$0.06 per share in 2010. In 2012 the Company recognized a gain of \$1,212,135 on the distribution of NSX Silver shares. This represented the difference between the fair value and the carrying amount of the assets distributed. The Company also recorded the recovery of reorganization costs in the amount of \$137,817, which were expensed in the previous year.

In 2012, to Company’s discretionary expenditures on investor relations and travel decreased significantly from 2011. The Company’s professional fees have also decreased significantly with very little corporate activity once the spin-out of NSX Silver was completed. Other general expenditures, including insurance, professional dues and other various general and administrative expenditures, also decreased from \$121,694 in 2011 to \$105,289 in 2012.

The Company issued 895,000 stock options in 2012 and 530,000 stock options in 2011. The Company has recorded stock based compensation of \$67,692 in 2012 and \$140,982 in 2011. The expense is calculated by applying the Black-Sholes option pricing model and recognizing the expense over the vesting period of the options. The Company also recorded \$10,323 (2011 – \$31,372) of stock based compensation which has been allocated to resource properties. At the end of 2012, the Company wrote off \$24,919 (2011 - \$27,345) of expenditures on its resource properties in Nova Scotia.

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.

The following tables contain selected financial information for the years ended:

	December 31, 2012 \$	December 31, 2011 \$	December 31, 2010 \$
Operating expenses			
Consulting fees	135,250	140,629	67,850
Investor relations	17,125	46,597	-
Professional fees	56,540	229,015	108,164
Stock based compensation	67,692	140,982	22,360
Travel	16,169	58,836	21,413
Write-down of resource properties	24,919	27,345	-
Property investigation	14,702	-	-
Other	105,289	121,694	95,711
Total expenses	437,686	765,098	315,498
Reorganization costs	(137,817)	137,817	-
Gain on distribution of shares of NSX Silver Inc.	(1,212,135)	-	-
Listing fees	-	-	989,605
Total	(912,266)	902,915	1,305,103
Interest income	(2,977)	(7,208)	(3,504)
Loss before income taxes	(915,243)	895,707	1,301,599
Deferred income taxes (recovery) expense	2,000	(15,206)	41,206
Net loss and comprehensive loss	(913,243)	880,501	1,342,805
Unrealized loss on available-for-sale securities	86,795	-	-
Comprehensive loss (income) for the quarter	(826,448)	880,501	1,342,805
Basic and diluted net loss (income) per share	(\$0.02)	\$0.02	\$0.06

Summary of Quarterly Operating Results

The following table presents the quarterly operating results for the Company for the last eight quarters. The financial information is prepared in accordance with International Financial Reporting Standards for consolidated financial statements.

Quarter ended	Dec 31, 2012 \$	Sept 30, 2012 \$	Jun 30, 2012 \$	Mar 31, 2012 \$	Dec 31, 2011 \$	Sept 30, 2011 \$	Jun 30, 2011 \$	Mar 31, 2011 \$
Operating expenses								
Consulting fees	31,650	31,650	39,361	52,402	49,076	33,500	31,446	26,607
Investor communications	10,000	-	-	7,125	16,549	14,937	4,009	11,103
Professional fees	17,478	5,689	24,491	8,170	18,929	154,557	41,313	14,215
Stock based compensation	9,040	16,789	33,427	8,436	19,032	37,091	77,882	6,977
Travel	4,865	-	10,092	1,177	21,371	9,194	14,247	14,024
Write-down of resource properties	24,919	-	-	-	27,345	-	-	-
Property investigations	-	135	8,097	6,470	-	-	-	-
Other	14,569	27,730	17,943	25,981	14,130	66,550	28,465	12,550
Total expenses	112,521	81,993	133,411	109,263	166,442	315,829	197,362	85,476
Reorganization costs (recovery)	-	-	-	(137,817)	137,817	-	-	-
Gain on distribution of NSX Silver shares	-	-	-	(1,212,135)	-	-	-	-
Total	112,521	81,993	133,411	(1,240,191)	304,249	315,829	197,362	85,476
Interest income	-	2,977	-	-	(2,705)	(2,100)	(2,100)	(302)
Deferred income tax expense (recovery)	(154,000)	-	-	156,000	10,129	(3,256)	(19,577)	(2,503)
Net loss (income) for the quarter	(41,479)	79,016	133,411	(1,084,191)	311,673	310,473	175,685	82,671
Unrealized (gain) loss on available-for-sale securities	56,174	-	337,621	(307,000)	-	-	-	-
Comprehensive loss (income) for the quarter	14,695	79,016	471,032	(1,391,191)	311,673	310,473	175,685	82,671
Net loss (income) per share	(\$0.001)	\$0.002	\$0.003	(\$0.025)	\$0.01	\$0.01	\$0.01	\$0.003

NSGold's consolidated net loss, before tax adjustments, for the final quarter ended December 31, 2012 was \$112,521 compared to a net loss of \$304,249 in the quarter ended December 31, 2011. In the final quarter of 2011 the Company recognized a write-off of reorganization costs of \$137,817 which were recovered in the first quarter of 2012 on the spin-out of NSX Silver. In the fourth quarter of 2012 the Company has engaged Venture Liquidity Providers to provide market-making services to provide assistance in maintaining an orderly market for the shares of the Company. Professional fee expenditure in the final quarter of each year includes the accrued costs of the annual audits.

The Company also incurred property investigation expenses of \$14,702 during 2012 as it seeks to acquire an advanced stage exploration property.

NSGold's consolidated net income for the quarter ended March 31, 2012 was \$1,084,191 or \$0.025 per share. In this quarter the Company recognized a gain of \$1,212,135 on the distribution of NSX Silver shares. This represented the difference between the fair value and the carrying amount of the assets distributed. The Company also recorded the recovery of reorganization costs in the amount of \$137,817, which were expensed in the prior quarter.

In the first quarter of 2012, the Company recorded an unrealized gain of \$307,000 on its investment in shares of NSX Silver. The gain was reversed in the second quarter by recording an unrealized loss of \$337,621 with a further reduction in fourth quarter of \$56,174 resulting in the Company recording a cumulative unrealized loss on its investment of \$86,795 for the year in comprehensive income/loss.

	As at December 31, 2012 \$	As at December 31, 2011 \$
Total current assets	271,379	4,821,150
Resource properties	3,640,339	4,059,778
Total assets	4,061,782	8,880,928
Total liabilities	274,989	490,251
Equity	3,786,793	8,390,677

Liquidity and Capital Resources

As at December 31, 2012, the Company had net working capital of \$195,390 (December 31, 2011 – \$4,515,899). In March 2012, in association with the spin-out of the silver assets, the Company disbursed approximately \$3.5 million to NSX Silver.

Subsequent to the yearend, the Company obtained a loan facility of up to \$500,000 from Van Hoof Industrial Holdings Ltd. (VHIH), a company controlled by Mr. Hans Van Hoof, Chairman of the Corporation. The loan facility is being made available without any fees, options or warrants. As the loan is drawn upon, it will bear interest at the rate of 6% per annum and is repayable in full on December 31, 2014. As security for the repayment of the loan facility, the Corporation has granted a security interest over its 1,875,804 common shares of NSX Silver Inc.

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

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Related Party Transactions

In the first quarter of 2012, the Company transferred the shares of Compañía Minera Oso Blanco, S.A. de C.V. to NSX Silver. As part of the transaction the rights and obligations of the Dios Padre Option Agreement were also assigned to the NSX Silver. The Company also entered a share subscription agreement with NSX Silver and subsequently distributed these shares of NSX Silver by way of a distribution of paid up capital to its shareholders.

During the year ended December 31, 2012 the Company incurred legal fees aggregating \$29,405 (2011 - \$206,138) from a law firm of which one of the officers is a partner. The Company recorded \$29,405 (2011 – 130,931) to professional fee expense and in 2011 \$75,207 to reorganization costs.

The Company expects to make its first drawdown against the previously discussed VHIH loan in the second quarter of 2013. Due to the fact that VHIH, the lender, has ownership of more than 10% of the outstanding common shares of the Corporation, the loan facility may be considered a “related party transaction” for the purposes of Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions* and the Corporation is relying on exemptions from the formal valuation and minority approval requirements of Multilateral Instrument 61-101.

Outstanding Share Data

As at December 31, 2012 and April 29, 2013, the Company had 43,553,767 shares issued and outstanding. The Company also had 690,196 outstanding 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. During the quarter ended June 30, 2012, 600,000 agent compensation warrants expired resulting in a transfer \$80,000 (initially recorded fair value) from outstanding warrants to contributed surplus and deferred taxes.

As at December 31, 2012 and April 29, 2013, the Company had 1,565,000 stock options with a weighted average exercise price of \$0.27. On April 13, 2012 the Company granted 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. The details of the outstanding stock options as at April 29, 2013 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 3.6% of the issued and outstanding common shares as at December 31, 2012 and April 29, 2013.

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.

(i) IFRS 9, Financial Instruments

IFRS 9, *Financial Instruments*, was issued in November 2009 and addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where equity instruments are

measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent that they do not clearly represent a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

Requirements for financial liabilities were added to IFRS 9 in October 2010 and they largely carried forward existing requirements in IAS 39, *Financial Instruments – Recognition and Measurement*, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in other comprehensive income.

Retrospective application of this standard is effective for fiscal years beginning on or after January 1, 2015, with early adoption permitted. The Company has not elected for early adoption of this standard and does not expect there to be any financial impact upon adoption.

(ii) **IFRS 10, Consolidated Financial Statements**

IFRS 10, *Consolidated Financial Statements*, requires an entity to consolidate an investee when it has power over the investee, 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*.

Prospective application of this standard is effective for fiscal years beginning on or after January 1, 2013. The Company does not expect there to be any financial impact upon adoption.

(iii) **IFRS 13, Fair Value Measurement**

IFRS 13, *Fair Value Measurement*, is a comprehensive standard for fair value measurement and disclosure 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. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and does not always reflect a clear measurement basis or consistent disclosures.

Prospective application of this standard is effective for fiscal years beginning on or after January 1, 2013. The Company does not expect there to be any financial impact upon adoption.

(iv) **IAS 1, Presentation of Financial Statements**

IAS 1, *Presentation of Financial Statements*, has been amended to require entities to separate items presented in Other Comprehensive Income (“OCI”) into two groups, based on whether or not items may be recycled in the future. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately.

The amendment is effective for annual periods beginning on or after July 1, 2012. The Company does not expect there to be any financial impact upon adoption.

(v) **IAS 32, Offsetting Financial Assets and Financial Liabilities**

IAS 32, *Offsetting Financial Assets and Financial Liabilities*, was issued in December 2011 and amends the criterion for an entity being allowed to report financial assets and liabilities on a net basis. Retrospective application of this standard is effective for fiscal years beginning on or after January 1, 2014, with early adoption permitted. The Company does not anticipate early adoption of this standard and does not expect there to be any financial impact upon adoption.

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 29, 2013

NSGold Corporation

**Consolidated Financial Statements
December 31, 2012 and 2011**

April 29, 2013

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 29, 2013

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, 2012 and December 31, 2011, and the consolidated statements of changes in equity, income (loss) and comprehensive income (loss) and cash flows for the years ended December 31, 2012 and December 31, 2011, 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, 2012 and December 31, 2011, and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

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

(signed) "PricewaterhouseCoopers LLP"

Chartered Accountants

PricewaterhouseCoopers LLP
Summit Place, 1601 Lower Water Street, Suite 400, Halifax, Nova Scotia, Canada B3J 3P6
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NSGold Corporation

Consolidated Statements of Financial Position As at December 31, 2012 and December 31, 2011

(expressed in Canadian dollars)

	December 31, 2012 \$	December 31, 2011 \$
Assets		
Current assets		
Cash	186,364	4,408,877
Sales tax and government grant recoverable	41,631	390,065
Deposits and prepaid expenses (note 5)	23,224	22,208
Amount due from NSX Silver Inc.	20,160	—
	<hr/>	<hr/>
	271,379	4,821,150
Investment in NSX Silver Inc.	150,064	—
Resource properties (note 6)	<hr/>	<hr/>
	3,640,339	4,059,778
	<hr/>	<hr/>
	4,061,782	8,880,928
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 7)	75,989	305,251
Deferred tax liability (note 9)	<hr/>	<hr/>
	199,000	185,000
	<hr/>	<hr/>
	274,989	490,251
Equity	<hr/>	<hr/>
	3,786,793	8,390,677
	<hr/>	<hr/>
	4,061,782	8,880,928
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, 2012 and December 31, 2011

(expressed in Canadian dollars)

	Number of common shares	Share capital (note 10) \$	Contributed surplus (note 10) \$	Warrants and other (note 10) \$	Accumulated other comprehensive loss \$	Deficit \$	Total \$
Balance – December 31, 2010	30,543,983	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	8,627,451	3,973,720	–	–	–	–	3,973,720
Shares issued upon exercise of warrants and other	3,992,333	1,923,834	–	(247,081)	–	–	1,676,753
Warrants issued	–	–	–	160,000	–	–	160,000
Shares issued pursuant to resource property option agreement	250,000	121,250	–	–	–	–	121,250
Expiration of warrants and other, net of tax	–	–	190,202	(225,202)	–	–	(35,000)
Balance – December 31, 2011	43,413,767	9,995,222	388,656	240,000	–	(2,233,201)	8,390,677
Net income for the year	–	–	–	–	–	913,243	913,243
Comprehensive loss for the year	–	–	–	–	(86,795)	–	(86,795)
Stock-based compensation	–	–	79,809	–	–	–	79,809
Shares issued upon exercise of options	140,000	53,200	(18,200)	–	–	–	35,000
Distribution of shares of NSX Silver	–	(5,533,141)	–	–	–	–	(5,533,141)
Expiration of warrants and other, net of tax	–	–	68,000	(80,000)	–	–	(12,000)
Balance – December 31, 2012	43,553,767	4,515,281	518,265	160,000	(86,795)	(1,319,958)	3,786,793

As at December 31, 2012, the accumulated other comprehensive loss comprises the net unrealized loss on the available-for-sale securities which relates to the Company's investment in its remaining shares of NSX Silver Inc.

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

NSGold Corporation

Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)

For the years ended December 31, 2012 and December 31, 2011

(expressed in Canadian dollars)

	2012 \$	2011 \$
Operating expenses		
Consulting fees	135,250	140,629
Professional dues	27,808	29,689
Insurance	24,475	9,842
Stock-based compensation	67,692	140,982
Professional fees	56,540	229,015
Travel	16,169	58,836
Investor relations	17,125	46,597
Property investigations	14,702	10,274
Wages and salaries	19,813	–
Write-down of mineral properties	24,919	27,345
Other	33,193	71,889
Reorganization costs	(137,817)	137,817
Gain on distribution of NSX Silver Inc. shares	(1,212,135)	–
	912,266	(902,915)
Other income		
Interest income	2,977	7,208
	915,243	(895,707)
Income (loss) before income taxes		
Income tax recovery (expense)	(2,000)	15,206
Net income (loss) for the years	913,243	(880,501)
Net income (loss) per share – basic and diluted	0.02	(0.02)
Weighted average outstanding common shares – basic and diluted	43,526,226	36,202,773
Comprehensive income (loss) for the years		
Net income (loss) for the years	913,243	(880,501)
Other comprehensive income (loss):		
Unrealized loss in available-for-sale securities	(86,795)	–
Comprehensive income (loss) for the years	826,448	(880,501)

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, 2012 and December 31, 2011

(expressed in Canadian dollars)

	2012 \$	2011 \$
Cash provided by (used for) the following		
Operating activities		
Net income (loss) for the years	913,243	(880,501)
Charges (credits) to loss not involving cash		
Stock-based compensation	67,692	140,982
Gain on distribution of NSX shares	(1,212,135)	27,345
Write-down of mineral properties	24,919	–
Deferred income taxes (recovery) expense	2,000	(15,206)
	(204,281)	(727,380)
Net change in working capital balances related to operations		
Decrease (increase) in sales tax recoverable	298,572	(230,842)
Increase in prepaid expenses	(1,016)	(18,708)
Increase (decrease) in accounts payable and accrued liabilities	(75,921)	163,764
	17,354	(813,166)
Investing activities		
Expenditures on resource properties	(603,845)	(2,082,997)
Distribution of shares in NSX Silver Inc.	(3,474,063)	–
Investment in shares of NSX Silver Inc.	(196,959)	–
Proceeds on sale of short-term investments	–	1,200,000
Decrease in deposits	–	300,000
	(4,274,867)	(582,997)
Financing activities		
Proceeds on exercise of options	35,000	4,000,685
Net proceeds from issuance of capital stock and warrants	–	1,422,091
Proceeds on exercise of warrants	–	254,662
	35,000	5,677,438
Net change in cash for the years	(4,222,513)	4,281,275
Cash – Beginning of years	4,408,877	127,602
Cash – End of years	186,364	4,408,877

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

NSGold Corporation

Notes to Consolidated Financial Statements

For the years ended December 31, 2012 and December 31, 2011

(expressed in Canadian dollars)

1 Nature of operations and going concern

Going concern

These consolidated financial statements have been prepared using International Financial Reporting Standards applicable to a going concern, which assumes the realization of assets and settlement of liabilities in the normal course of business as they come due. As at December 31, 2012, NSGold Corporation (the "Company" or "NSGold") had an accumulated deficit of \$1.3 million (2011 - \$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 may cast significant doubt as to the ability of the Company to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern. Management is evaluating alternatives to secure additional financing so that the Company can continue to operate as a going concern. Nevertheless, there is no assurance that these initiatives will be successful or sufficient.

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

Subsequent to year-end, management has secured a loan facility with a related party for up to \$500,000. See note 14.

General information

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 1550 Bedford Highway in Halifax, Nova Scotia. The Company's shares are listed on the TSX-Venture Exchange with the symbol NSX.

NSGold Corporation

Notes to Consolidated Financial Statements

For the years ended December 31, 2012 and December 31, 2011

(expressed in Canadian dollars)

2 Basis of presentation

a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of financial statements in accordance with Part I of the Canadian Institute of Chartered Accountants (“CICA”) handbook.

The Board of Directors approved the statements for issue on April 29, 2013.

b) Basis of measurement

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

c) Use of estimates and judgments

The preparation of the 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 as well as expected economic conditions. Actual results may differ from these estimates. The more significant areas requiring the use of management estimates and assumptions are discussed below.

Recoverability of resource properties

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.

Fair value of assets transferred to NSX Silver

The estimation of the fair value of transferred assets is determined based on the fair value of the assets distributed by the Company to its shareholders. The determination of the fair value requires the exercise of judgment based on various assumptions and other factors such as historical experience and current as well as expected economic conditions. In order to estimate the fair value of the assets transferred to NSX Silver, management looked to various factors including the share prices of the Company and NSX Silver before and after the transaction and the inferred and in situ values of the properties transferred. A \$0.01 difference in the per share value allocated to the NSX shares, distributed by NSGold, would impact the fair value and resulting gain by approximately \$500,000.

NSGold Corporation

Notes to Consolidated Financial Statements

For the years ended December 31, 2012 and December 31, 2011

(expressed in Canadian dollars)

3 Significant accounting policies

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

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.

Financial instruments

Financial instruments are classified as follows:

Cash and the amount due from NSX Silver Inc. 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.

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

Impairment of financial assets

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

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

NSGold Corporation

Notes to Consolidated Financial Statements

For the years ended December 31, 2012 and December 31, 2011

(expressed in Canadian dollars)

3 Significant accounting policies (continued)

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

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

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

Consolidation

The financial statements of the Company consolidate the accounts of NSGold Corporation and its subsidiary, NSGold Nevada Inc. The 2011 financial statements consolidated the accounts of NSGold Corporation and its subsidiaries NSX Silver Inc. and Compania Minera Oso Blanco SA de CV (see note 4). All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation. There are no non-controlling interests, therefore, all loss and comprehensive loss is attributable to the shareholders of the Company.

Resources properties

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

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

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

NSGold Corporation

Notes to Consolidated Financial Statements

For the years ended December 31, 2012 and December 31, 2011

(expressed in Canadian dollars)

3 Significant accounting policies (continued)

Resources properties (continued)

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).

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 and 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 income (loss) and comprehensive income (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 years are measured at the amounts expected to be paid or recovered, using tax rates and tax laws that have been enacted or substantively enacted by the end of the year.

NSGold Corporation

Notes to Consolidated Financial Statements

For the years ended December 31, 2012 and December 31, 2011

(expressed in Canadian dollars)

3 Significant accounting policies (continued)

Income taxes (continued)

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 other unused deductible amounts can be utilized. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates and tax laws expected to apply when the carrying amount of the assets or liabilities are recovered or settled or the unused losses are expected to be utilized.

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

Capital management

The Company's capital structure consists of share capital, warrants, deficit and contributed surplus, which at December 31, 2012 totalled \$3,786,793 (2011 - \$8,390,677). 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.

NSGold Corporation

Notes to Consolidated Financial Statements

For the years ended December 31, 2012 and December 31, 2011

(expressed in Canadian dollars)

3 Significant accounting policies (continued)

Stock-based compensation (continued)

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

Earnings (loss) per share

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

Related party transactions

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

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.

(i) IFRS 9, *Financial Instruments*

IFRS 9, *Financial Instruments*, was issued in November 2009 and addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9, also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent that they do not clearly represent a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

Requirements for financial liabilities were added to IFRS 9 in October 2010 and they largely carried forward existing requirements in IAS 39, *Financial Instruments – Recognition and Measurement*, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in other comprehensive income.

NSGold Corporation

Notes to Consolidated Financial Statements

For the years ended December 31, 2012 and December 31, 2011

(expressed in Canadian dollars)

3 Significant accounting policies (continued)

Accounting Standards issued but not yet applied (continued)

(i) IFRS 9, *Financial Instruments* (continued)

Retrospective application of this standard is effective for fiscal years beginning on or after January 1, 2015, with early adoption permitted. The Company has not elected for early adoption of this standard and does not expect there to be any financial impact upon adoption.

(ii) IFRS 10, *Consolidated Financial Statements*

IFRS 10, *Consolidated Financial Statements*, requires an entity to consolidate an investee when it has power over the investee, 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*.

Prospective application of this standard is effective for fiscal years beginning on or after January 1, 2013. The Company does not expect there to be any financial impact upon adoption.

(iii) IFRS 13, *Fair Value Measurement*

IFRS 13, *Fair Value Measurement*, is a comprehensive standard for fair value measurement and disclosure 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. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and does not always reflect a clear measurement basis or consistent disclosures.

Prospective application of this standard is effective for fiscal years beginning on or after January 1, 2013. The Company does not expect there to be any financial impact upon adoption.

(iv) IAS 1, *Presentation of Financial Statements*

IAS 1, *Presentation of Financial Statements*, has been amended to require entities to separate items presented in Other Comprehensive Income (“OCI”) into two groups, based on whether or not items may be recycled in the future. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately.

The amendment is effective for annual periods beginning on or after July 1, 2012. The Company does not expect there to be any financial impact upon adoption.

NSGold Corporation

Notes to Consolidated Financial Statements

For the years ended December 31, 2012 and December 31, 2011

(expressed in Canadian dollars)

3 Significant accounting policies (continued)

Accounting Standards issued but not yet applied (continued)

(v) IAS 32, *Offsetting Financial Assets and Financial Liabilities*

IAS 32, *Offsetting Financial Assets and Financial Liabilities*, was issued in December 2011 and amends the criterion for an entity being allowed to report financial assets and liabilities on a net basis. Retrospective application of this standard is effective for fiscal years beginning on or after January 1, 2014, with early adoption permitted. The Company does not anticipate early adoption of this standard and does not expect there to be any financial impact upon adoption.

4 Listing of NSX Silver Inc. on the TSX Venture Exchange – NSX share subscription and distribution agreement

NSX Silver Inc. (“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. Contemporaneously the Dios Padre option agreement was assigned to NSX Silver.

NSGold then completed the distribution of the common shares of NSX Silver to its 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. As a result of this transaction, the Company has recorded a gain of \$1,212,135 on the distribution of NSX Silver shares which represents the difference between the fair value and the carrying amount of the assets distributed. After the distribution, NSGold 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.

5 Deposits and prepaid expenses

	December 31, 2012 \$	December 31, 2011 \$
Deposit on mineral claims	3,500	3,500
Prepaid insurance	14,724	13,708
Prepaid other	5,000	5,000
	<hr/>	<hr/>
	23,224	22,208

NSGold Corporation

Notes to Consolidated Financial Statements

For the years ended December 31, 2012 and December 31, 2011

(expressed in Canadian dollars)

6 Resource properties

	Mooseland \$	Dios Padre \$	Other \$	Total \$
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
Exploration costs incurred	238,639	304,201	23,328	566,168
Disposition of resource property (note 4)	–	(960,688)	–	(960,688)
Write-downs	(19,000)	–	(5,919)	(24,919)
Year ended December 31, 2012	3,494,411	–	145,928	3,640,339

i) Mooseland and other Nova Scotia Properties

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

Under the terms of the purchase agreement the Company has paid a total of \$750,000 to Globex, 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 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 interest in the issued and outstanding share capital of the Company at the time of production in the event that any of the Mooseland Property or the Secondary Properties, as applicable, enters into production.

i) Dios Padre property

As outlined in note 4, the Dios Padre option agreement was assigned to NSX Silver in March 2012.

NSGold Corporation

Notes to Consolidated Financial Statements

For the years ended December 31, 2012 and December 31, 2011

(expressed in Canadian dollars)

7 Accounts payable and accrued liabilities

	December 31, 2012 \$	December 31, 2011 \$
Accounts payable	59,562	215,520
Accrued liabilities	16,000	89,000
Employee withholding payable	427	731
	<hr/> 75,989	<hr/> 305,251

8 Compensation of key management

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

	December 31, 2012 \$	December 31, 2011 \$
Cash compensation and other benefits	108,000	108,000
Stock-based compensation	57,369	115,546
	<hr/> 165,369	<hr/> 223,546

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

NSGold Corporation

Notes to Consolidated Financial Statements

For the years ended December 31, 2012 and December 31, 2011

(expressed in Canadian dollars)

9 Income taxes

a) Reconciliation of total tax recovery (expense)

	December 31, 2012 \$	December 31, 2011 \$
Income (loss) before income taxes	915,243	(895,707)
Income tax rate	31%	31%
Expected income tax recovery (expense)	(284,000)	278,000
Non-deductible stock-based compensation	(21,000)	(44,000)
Reorganization costs	43,000	(43,000)
Pro-rata reduction of flow through premium liability	-	172,000
Unutilized foreign losses	(9,000)	(21,000)
Resource property expenditures renounced	-	(310,000)
Non-taxable portion of gain	188,000	-
Other	81,000	(20,794)
Change in tax rates	-	4,000
Income tax recovery (expense)	(2,000)	15,206

b) Deferred tax

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

	December 31, 2012 \$	December 31, 2011 \$
Deferred income tax assets		
Non-capital losses carried forward	504,000	228,000
Deductible share issue costs	109,000	227,000
Deferred income tax liability		
Resource properties	(812,000)	(640,000)
Net deferred income tax liability	(199,000)	(185,000)

NSGold Corporation

Notes to Consolidated Financial Statements

For the years ended December 31, 2012 and December 31, 2011

(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

	Number of shares	Amount \$
Common shares issued and fully paid		
Balance – December 31, 2010	30,543,983	3,976,418
Shares issued for cash, net of issue costs (a)	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	<u>43,413,767</u>	<u>9,995,222</u>
Shares issued pursuant to the exercise of options	140,000	35,000
Fair value of exercised warrants and options at the date of issuance	-	18,200
Distribution of shares of NSX Silver Inc.	-	(5,533,141)
Balance – December 31, 2012	<u>43,553,767</u>	<u>4,515,281</u>

a) 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.

b) Escrowed shares

As at December 31, 2012, there are 1,956,000 (2011 – 5,868,000) common shares subject to escrow agreements.

NSGold Corporation

Notes to Consolidated Financial Statements

For the years ended December 31, 2012 and December 31, 2011

(expressed in Canadian dollars)

10 Share capital (continued)

ii) Warrants and other

Warrant activity for the years ended December 31, 2012 and 2011 was as follows:

	2012			2011		
	Number	Weighted average exercise price \$	Amount \$	Number	Weighted average exercise price \$	Amount \$
Opening balance	1,290,196	0.39	240,000	9,842,788	0.45	552,283
Granted during the year	–	–	–	690,196	0.51	160,000
Exercised during the year	–	–	–	(3,992,333)	0.42	(274,081)
Expired during the year	(600,000)	0.25	(80,000)	(5,250,455)	0.50	(225,202)
Closing balance	<u>690,196</u>	0.51	<u>160,000</u>	<u>1,290,196</u>	0.39	<u>240,000</u>

Warrants outstanding as of December 31, 2012:

Expiry date	Number	Weighted average exercise price \$	Number of exercisable warrants
August 15, 2013	690,196	0.51	690,196

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 for 2011 warrants. The weighted average assumptions used in the pricing model for warrants and agent options issued are as follows:

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

There were no warrants issued during the year ended December 31, 2012.

NSGold Corporation

Notes to Consolidated Financial Statements

For the years ended December 31, 2012 and December 31, 2011

(expressed in Canadian dollars)

10 Share capital (continued)

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 options to purchase up to 2,000,000 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 December 31, 2010	0.25	280,000	2.75	August 17, 2015
Granted during the year	0.50	395,000	3.25	March 23, 2016
Granted during the year	0.60	50,000	3.5	May 9, 2016
Granted during the year	0.50	<u>85,000</u>	3.5	June 21, 2016
Balance – December 31, 2011	0.42	810,000	3.25	
Granted during the year	0.14	895,000	4.25	April 17, 2017
Exercised during the year	0.25	<u>(140,000)</u>		
Balance – December 31, 2012	0.27	<u>1,565,000</u>	3.75	

As at December 31, 2012, the Company has 1,565,000 outstanding options. Options vested and exercisable at December 31, 2012 totalled 1,117,500 (2011 – 668,750) with an average exercise price of \$0.33 (2011 - \$0.51) 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 \$0.08 (2011 - \$0.31). The weighted average assumptions used in the pricing model for options issued are as follows:

	2012	2011
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

NSGold Corporation

Notes to Consolidated Financial Statements

For the years ended December 31, 2012 and December 31, 2011

(expressed in Canadian dollars)

10 Share capital (continued)

iv) Contributed surplus

	2012	2011
	\$	\$
Balance – Beginning of year	388,656	26,100
Exercise of stock options	(18,200)	–
Stock-based compensation	79,809	172,354
Expiration of brokers warrants	68,000	–
Expiration of warrants, net of tax	–	190,202
Balance – End of year	<u>518,265</u>	<u>388,656</u>

The Company recorded total stock-based compensation during the year ended December 31, 2012, of \$79,809 (2011 - \$172,354) of which \$12,117 (2011 - \$31,372) was capitalized to resource properties.

11 Related party transactions

The Company transferred the shares of Compañía Minera Oso Blanco, S.A. de C.V. to NSX Silver. The Company also entered a share subscription agreement with NSX Silver and subsequently distributed these shares of NSX Silver by way of a dividend to its shareholders (see note 4).

During the year ended December 31, 2012, the Company incurred legal fees aggregating \$29,405 (2011 - \$206,138) from a law firm of which one of the officers is a partner. The Company recorded \$29,405 (2011 - \$130,931) to professional fees expense and in 2011 an additional \$75,207 to reorganization costs.

12 Supplemental cash flow information

During the year ended December 31, 2012, the Company incurred expenditures on resource properties of \$20,000 (2011 - \$80,000) which were recorded as accounts payable at the end of the year. The Company also recorded \$12,000 as government assistance receivable towards mineral property expenditure. 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.

NSGold Corporation

Notes to Consolidated Financial Statements

For the years ended December 31, 2012 and December 31, 2011

(expressed in Canadian dollars)

13 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, 2012, no cash was held in banks outside Canada (2011 - 1%).

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 2013 and must finance during 2013 to avoid disruption in planned expenditures (see note 1).

Market Risk

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

a) **Interest rate risk**

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

b) **Price risk**

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

14 Subsequent events

Loan facility

The Company obtained a loan facility of up to \$500,000 from Van Hoof Industrial Holdings Ltd. ("VHIH"), a company controlled by Mr. Hans Van Hoof, Chairman of the Corporation. The loan facility is being made available without any fees, options or warrants. As the loan is drawn upon, it will bear interest at the rate of 6% per annum and is repayable in full on December 31, 2014. As security for the repayment of the loan facility, the Corporation has granted a security interest over its 1,875,804 common shares of NSX Silver Inc.

NSGold Corporation

Notes to Consolidated Financial Statements

For the years ended December 31, 2012 and December 31, 2011

(expressed in Canadian dollars)

14 Subsequent events (continued)

Silver Hill property agreement

On January 7, 2013, the Company completed a Mining Lease and Option to Purchase Agreement (“Agreement”) with Cerro Rico Ventures LLC in respect of the Silver Hill property located in Humboldt County, Nevada. Under the terms of the Agreement, the Company may, at any time during the ten-year term of the Agreement, purchase a 100% interest in the Silver Hill property by making a cash payment of US\$1.25 million. The Company made a cash payment of US\$40,000 upon signing and the Agreement also provides that the Company make advance minimum royalty payments of US\$25,000 on or before the first anniversary, US\$35,000 on or before the second anniversary and \$50,000 on or before the third and subsequent anniversaries. The advance minimum royalty payments will be credited against a 3% production royalty based on net smelter returns from production or sale of minerals.

The Company will have the right to purchase 2% of the production royalty for US\$1.5 million prior to the commencement of production. The Agreement further provides for certain bonus payments by the Company in the event that it exercises the purchase option and certain resource thresholds are achieved. A bonus payment of US\$1 million will be payable to the optionor if NSGold delineates or publishes a measured or indicated resource on the Silver Hill property compliant with National Instrument 43-101 which includes a contained gold or gold equivalent content in excess of one million ounces. An additional bonus payment of US\$2 million will be payable by NSGold to the optionor if the contained gold or gold equivalent content is in excess of two million ounces.