

NSGold Corporation

Unaudited Interim Condensed
Consolidated Financial Statements
For the quarter ended
June 30, 2013

August 23, 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.

These interim unaudited condensed consolidated financial statements have not been reviewed by the external auditors of the Company.

(signed) "*Glenn Holmes*"
President and Chief Executive Officer
Halifax, Nova Scotia

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

NSGold Corporation

Unaudited Condensed Consolidated Statements of Financial Position

As at June 30, 2013 and December 31, 2012

(expressed in Canadian dollars)

	June 30, 2013 \$	December 31, 2012 \$
Assets		
Current assets		
Cash	61,903	186,364
Sales tax and government grant recoverable	6,293	41,631
Deposits and prepaid expenses (note 5)	10,603	23,224
Amount due from NSX Silver Inc.	–	20,160
	<hr/>	<hr/>
	78,799	271,379
Investment in NSX Silver Inc.	84,411	150,064
Resource properties (note 6)	<hr/>	<hr/>
	3,799,777	3,640,339
	<hr/>	<hr/>
	3,962,987	4,061,782
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 7)	53,008	75,989
Amount due to NSX Silver Inc.	960	–
	<hr/>	<hr/>
	53,968	75,989
Amount due to Van Hoof Industrial Holdings Ltd. (note 11)	100,000	–
Deferred tax liability (note 9)	<hr/>	<hr/>
	160,300	199,000
	<hr/>	<hr/>
	314,268	274,989
Equity	<hr/>	<hr/>
	3,648,719	3,786,793
	<hr/>	<hr/>
	3,962,987	4,061,782

Nature of operations and 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

Unaudited Condensed Consolidated Statement of Changes in Equity For the quarters ended March 31, 2013 and March 2012

(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, 2011	43,413,767	9,995,222	388,656	240,000	–	(2,233,201)	8,390,677
Net income for the period	–	–	–	–	–	950,780	950,780
Comprehensive loss for the period	–	–	–	–	(30,621)	–	(30,621)
Stock-based compensation	–	–	30,417	–	–	–	30,417
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 – June 30, 2012	43,553,767	4,515,281	468,873	160,000	(30,621)	(1,282,421)	3,831,112
Net income for the period	–	–	–	–	–	(37,537)	(37,537)
Comprehensive loss for the period	–	–	–	–	(56,174)	–	(56,174)
Stock-based compensation	–	–	49,392	–	–	–	49,392
Balance – December 31, 2012	43,553,767	4,515,281	518,265	160,000	(86,795)	(1,319,958)	3,786,793
Net income for the period	–	–	–	–	–	(140,983)	(140,983)
Comprehensive loss for the period	–	–	–	–	(65,653)	–	(65,653)
Stock-based compensation	–	–	68,562	–	–	–	68,562
Balance – June 30, 2013	43,553,767	4,515,281	586,827	160,000	(152,448)	(1,460,941)	3,648,719

As at June 30, 2013, the accumulated other comprehensive loss comprises the net unrealized loss on the available-for-sale securities which relates to the Company's investment in shares of NSX Silver Inc.

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

NSGold Corporation

Unaudited Condensed Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) For the quarters ended June 30, 2013 and 2012

(expressed in Canadian dollars)

	Three months ended June 30, 2013 \$	Three months ended June 30, 2012 \$	Six months ended June 30, 2013 \$	Six months ended June 30, 2012 \$
Operating expenses				
Consulting fees	26,900	39,361	58,400	91,763
Professional dues	3,221	7,393	10,338	19,237
Insurance	6,310	2,535	12,621	5,962
Stock-based compensation	51,000	33,427	54,874	41,863
Professional fees	6,583	24,491	9,689	32,661
Travel	-	10,092	2,072	11,269
Investor communications	-	-	10,000	7,125
Property investigations	2,245	8,097	7,995	14,567
Other	7,472	8,015	13,694	18,725
Reorganization costs	-	-	-	(137,817)
Gain on distribution of NSX Silver Inc. shares	-	-	-	(1,212,135)
Income (loss) before income taxes	(103,731)	(133,411)	(179,683)	1,106,780
Income tax recovery (expense)	16,700	-	38,700	(156,000)
Net income (loss) for the period	(87,031)	(133,411)	(140,983)	950,780
Net income (loss) per share – basic and diluted	(\$0.002)	(\$0.003)	(\$0.003)	\$0.02
Weighted average outstanding common shares – basic and diluted	43,553,767	43,553,767	43,553,767	43,498,382
Comprehensive income (loss) for the period				
Net income (loss) for the period	(87,031)	(133,411)	(140,983)	950,780
Other comprehensive income (loss):				
Unrealized loss in available-for-sale securities	(37,516)	(337,621)	(65,653)	(30,621)
Comprehensive income (loss) for the period	(124,547)	(471,032)	(206,636)	920,159

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

NSGold Corporation

Unaudited Condensed Consolidated Statements of Cash Flows For the quarters ended March 31, 2013 and 2012

(expressed in Canadian dollars)

	Six months ended June 30, 2013 \$	Six months ended June 30, 2012 \$
Cash provided by (used for) the following		
Operating activities		
Net income (loss) for the years	(140,983)	950,780
Charges (credits) to loss not involving cash		
Stock-based compensation	54,874	41,863
Gain on distribution of NSX shares	-	(1,212,135)
Deferred income taxes (recovery) expense	(38,700)	156,000
	(124,809)	(63,492)
Net change in working capital balances related to operations		
Decrease (increase) in sales tax recoverable	35,338	323,720
Decrease (increase) in prepaid expenses	12,621	(12,288)
Increase (decrease) in accounts payable and accrued liabilities	(14,981)	(109,907)
	(91,831)	138,033
Investing activities		
Expenditures on resource properties	(153,750)	(422,215)
Advances from NSX Silver Inc. (net)	21,120	(4,560,137)
Advances from Van Hoof Industries	100,000	-
Distribution of shares in NSX Silver Inc.	-	(196,959)
Investment in shares of NSX Silver Inc.	-	937,837
	(32,630)	(4,241,474)
Financing activities		
Proceeds on exercise of options	-	35,000
Net change in cash for the period	(124,461)	(4,068,441)
Cash – Beginning of period	186,364	4,408,877
Cash – End of period	61,903	340,436

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

NSGold Corporation

Unaudited Interim Condensed Notes to Consolidated Financial Statements For the quarters ended June 30, 2013 and 2012

(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 June 30, 2013, NSGold Corporation (the “Company” or “NSGold”) had an accumulated deficit of \$1.5 million (December 31, 2012 - \$1.3 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.

During the first quarter of 2013 management 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

Unaudited Interim Condensed Notes to Consolidated Financial Statements For the quarters ended June 30, 2013 and 2012

(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 August 23, 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

Unaudited Interim Condensed Notes to Consolidated Financial Statements For the quarters ended June 30, 2013 and 2012

(expressed in Canadian dollars)

3 Significant accounting policies

These financial statements have been prepared using the same policies and methods of computation as the annual consolidated financial statements of the Company for the year ended December 31, 2012. Refer to note 3 of the Company's annual consolidated financial statements for the year ended December 31, 2012 for information on the accounting policies as well as new accounting standards not yet effective.

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

	June 30, 2013 \$	December 31, 2012 \$
Deposit on mineral claims	3,500	3,500
Prepaid insurance	2,103	14,724
Prepaid other	5,000	5,000
	<hr/> 10,603	<hr/> 23,224

NSGold Corporation

Unaudited Interim Condensed Notes to Consolidated Financial Statements For the quarters ended June 30, 2013 and 2012

(expressed in Canadian dollars)

6 Resource properties

	Mooseland \$	Dios Padre \$	Silver Hill \$	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
Property acquisition	–	–	40,100	–	40,100
Exploration costs incurred	115,197	–	–	4,141	119,338
Year ended June 30, 2013	3,609,608	–	40,100	150,069	3,799,777

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 paid a total of \$750,000 to Globex.

Globex also holds a gross metal royalty equal to four percent (4%) of all metals produced from the Mooseland 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.

Dios Padre property

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

NSGold Corporation

Unaudited Interim Condensed Notes to Consolidated Financial Statements For the quarters ended June 30, 2013 and 2012

(expressed in Canadian dollars)

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.

7 Accounts payable and accrued liabilities

	June 30, 2013 \$	December 31, 2012 \$
Accounts payable	37,520	59,562
Accrued liabilities	15,100	16,000
Employee withholding payable	388	427
	<u>53,008</u>	<u>75,989</u>

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:

	Six months ended June 30, 2013 \$	Year ended December 31, 2012 \$
Cash compensation and other benefits	54,000	108,000
Stock-based compensation	53,874	57,369
	<u>107,874</u>	<u>165,369</u>

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

NSGold Corporation

Unaudited Interim Condensed Notes to Consolidated Financial Statements For the quarters ended June 30, 2013 and 2012

(expressed in Canadian dollars)

9 Income taxes

a) Reconciliation of total tax recovery (expense)

	Six months ended June 30, 2013 \$	Year ended December 31, 2012 \$
Income (loss) before income taxes	(173,683)	915,243
Income tax rate	31%	31%
Expected income tax recovery (expense)	55,700	(284,000)
Non-deductible stock-based compensation	(17,000)	(21,000)
Reorganization costs	–	43,000
Unutilized foreign losses	–	(9,000)
Non-taxable portion of gain	–	188,000
Other	–	81,000
Income tax recovery (expense)	38,700	(2,000)

b) Deferred tax

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

	June 30, 2013 \$	December 31, 2012 \$
Deferred income tax assets		
Non-capital losses carried forward	542,700	504,000
Deductible share issue costs	109,000	109,000
Deferred income tax liability		
Resource properties	(812,000)	(812,000)
Net deferred income tax liability	(160,300)	(199,000)

NSGold Corporation

Unaudited Interim Condensed Notes to Consolidated Financial Statements For the quarters ended June 30, 2013 and 2012

(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	43,413,767	9,995,222
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 and June 30, 2013	<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 June 30, 2013, there are no common shares (December 31, 2012 – 1,956,000) subject to escrow agreements.

NSGold Corporation

Unaudited Interim Condensed Notes to Consolidated Financial Statements For the quarters ended June 30, 2013 and 2012

(expressed in Canadian dollars)

10 Share capital (continued)

ii) Warrants and other

Warrant activity for the periods ended June 30, 2013 and December 31, 2012 was as follows:

	June 30, 2013			December 31, 2012		
	Number	Weighted average exercise price \$	Amount \$	Number	Weighted average exercise price \$	Amount \$
Opening balance	690,196	0.51	160,000	1,290,196	0.39	240,000
Expired during the year	—	—	—	(600,000)	0.25	(80,000)
Closing balance	<u>690,196</u>	<u>0.51</u>	<u>160,000</u>	<u>690,196</u>	<u>0.51</u>	<u>160,000</u>

Warrants outstanding as of June 30, 2013:

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 period ended June 30, 2013 and the year ended December 31, 2012.

NSGold Corporation

Unaudited Interim Condensed Notes to Consolidated Financial Statements For the quarters ended June 30, 2013 and 2012

(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. During the quarter ended June 30, 2013, the Board of Directors has approved an increase in the maximum number of shares that may be issued under the stock option plan from 2 million shares to 4 million 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	2.5	August 17, 2015
Granted during the year	0.50	395,000	3.0	March 23, 2016
Granted during the year	0.60	50,000	3.25	May 9, 2016
Granted during the year	0.50	<u>85,000</u>	3.25	June 21, 2016
Balance – December 31, 2011	0.42	810,000		
Granted during the year	0.14	895,000	4.0	April 17, 2017
Exercised during the year	0.25	<u>(140,000)</u>		
Balance – December 31, 2012		1,565,000		
Granted during the period	0.10	<u>1,280,000</u>	9.9	May 23, 2023
Balance – June 30, 2013	0.20	<u>2,845,000</u>	6.3	

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 \$0.04 (2012 - \$0.08). The weighted average assumptions used in the pricing model for options issued are as follows:

	2013	2012
Risk-free interest rate	1.4%	2.1%
Expected volatility	160%	100%
Expected dividend yield	\$nil	\$nil
Expected life	5 years	2.5 years

NSGold Corporation

Unaudited Interim Condensed Notes to Consolidated Financial Statements For the quarters ended June 30, 2013 and 2012

(expressed in Canadian dollars)

10 Share capital (continued)

iv) Contributed surplus

	Period ended June 30, 2013 \$	Year ended December 31, 2012 \$
Balance – Beginning of period	518,265	388,656
Exercise of stock options	–	(18,200)
Stock-based compensation	68,562	79,809
Expiration of brokers warrants	–	68,000
Balance – End of period	586,827	518,265

The Company recorded total stock-based compensation of \$68,562 during the period ended June 30, 2013 of which \$13,688 was capitalized to resource properties. During the year ended December 31, 2012, the Company recorded total stock-based compensation of \$79,809 (2011 - \$172,354) of which \$12,117 (2011 - \$31,372) was capitalized to resource properties.

11 Related party transactions

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 at June 30, 2013, VHIH had advanced \$100,000 of this loan facility. 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.

Other

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 period ended June 30, 2013, the Company incurred legal fees of \$1,755 (period ended June 30, 2012 - \$18,348) from a law firm, of which, one of the officers is a partner. 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.

NSGold Corporation

Unaudited Interim Condensed Notes to Consolidated Financial Statements For the quarters ended June 30, 2013 and 2012

(expressed in Canadian dollars)

12 Supplemental cash flow information

During the period ended June 30, 2013, the Company incurred expenditures on resource properties of \$8,000 (period ended June 30, 2012 - \$10,000) which were recorded as accounts payable at the end of the quarter. During the year ended December 31, 2012, the Company incurred expenditures on resource properties of \$20,000 which were recorded as accounts payable at the end of the year. These items are non-cash transactions and have been excluded from the statements of cash flows.

13 Financial instruments

Financial risk factors

The Company has exposure to credit risk, liquidity risk and market risk. The source of risk exposure and how each is managed is summarized in note 13 to the annual consolidated financial statements for the year ended December 31, 2012 and these exposures continue in 2013.

