

# **NSGold Corporation**

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

November 27, 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 September 30, 2013 and December 31, 2012

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(expressed in Canadian dollars)

	September 30, 2013 \$	December 31, 2012 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash	21,532	186,364
Sales tax and government grant recoverable	9,603	41,631
Deposits and prepaid expenses (note 5)	28,772	23,224
Amount due from NSX Silver Inc.	3,518	20,160
	<hr/>	<hr/>
	63,425	271,379
<b>Investment in NSX Silver Inc.</b>	56,273	150,064
<b>Resource properties</b> (note 6)	3,833,219	3,640,339
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	3,952,917	4,061,782
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 7)	72,195	75,989
	<hr/>	<hr/>
<b>Amount due to Van Hoof Industrial Holdings Ltd.</b> (note 11)	151,600	-
<b>Deferred tax liability</b> (note 9)	168,500	199,000
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	320,100	199,000
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	392,295	274,989
<b>Equity</b>	3,560,622	3,786,793
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	3,952,917	4,061,782
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### 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 September 30, 2013 and September 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 \$
<b>Balance – December 31, 2011</b>	43,413,767	9,995,222	388,656	240,000	–	(2,233,201)	8,390,677
Net income for the period	–	–	–	–	–	871,764	950,780
Comprehensive loss for the period	–	–	–	–	(30,621)	–	(30,621)
Stock-based compensation	–	–	69,163	–	–	–	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)
<b>Balance – September 30, 2012</b>	43,553,767	4,515,281	507,619	160,000	(30,621)	(1,361,437)	3,790,842
Net income for the period	–	–	–	–	–	41,479	41,479
Comprehensive loss for the period	–	–	–	–	(56,174)	–	(56,174)
Stock-based compensation	–	–	10,646	–	–	–	10,646
<b>Balance – December 31, 2012</b>	43,553,767	4,515,281	518,265	160,000	(86,795)	(1,319,958)	3,786,793
Net income for the period	–	–	–	–	–	(176,942)	(176,942)
Comprehensive loss for the period	–	–	–	–	(93,791)	–	(93,791)
Stock-based compensation	–	–	68,562	–	–	–	68,562
Expiration of warrants and other, net of tax	–	–	136,000	(160,000)	–	–	(24,000)
<b>Balance – September 30, 2013</b>	43,553,767	4,515,281	722,827	-	(180,586)	(1,496,900)	3,560,622

As at September 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 September 30, 2013 and 2012

(expressed in Canadian dollars)

	Three months ended September 30, 2013 \$	Three months ended September 30, 2012 \$	Nine months ended September 30, 2013 \$	Nine months ended September 30, 2012 \$
<b>Operating expenses</b>				
Consulting fees	22,125	31,650	80,525	123,413
Professional dues	5,134	5,689	15,472	24,926
Insurance	10,244	12,203	22,865	18,165
Stock-based compensation	-	16,789	54,874	58,652
Professional fees	1,565	6,401	11,254	39,062
Travel	-	35	2,072	11,304
Investor communications	-	-	10,000	7,125
Property investigations	3,477	135	11,472	14,702
Interest on amount due to related party	2,300	-	2,300	-
Other	6,914	6,114	20,394	24,839
Reorganization costs	-	-	-	(137,817)
Gain on distribution of NSX Silver Inc. shares	-	-	-	(1,212,135)
<b>Income (loss) before income taxes</b>	(51,759)	(79,016)	(231,442)	1,027,764
<b>Income tax recovery (expense)</b>	15,800	-	54,500	(156,000)
<b>Net income (loss) for the period</b>	(35,959)	(79,016)	(176,942)	871,764
<b>Net income (loss) per share – basic and diluted</b>	(\$0.001)	(\$0.002)	(\$0.004)	\$0.02
<b>Weighted average outstanding common shares – basic and diluted</b>	43,553,767	39,641,767	43,553,767	37,663,256
<b>Comprehensive income (loss) for the period</b>				
Net income (loss) for the period	(35,959)	(79,016)	(176,942)	871,764
Other comprehensive income (loss):				
Unrealized loss in available-for-sale securities	(28,138)	-	(93,791)	(30,621)
<b>Comprehensive income (loss) for the period</b>	(64,097)	(79,016)	(270,733)	841,143

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 September 30, 2013 and 2012

(expressed in Canadian dollars)

	Nine months ended September 30, 2013 \$	Nine months ended September 30, 2012 \$
<b>Cash provided by (used for) the following</b>		
<b>Operating activities</b>		
Net income (loss) for the periods	(176,942)	871,764
Charges (credits) to loss not involving cash		
Stock-based compensation	54,874	58,652
Interest on loan from related party	2,300	-
Gain on distribution of NSX shares	-	(1,212,135)
Deferred income taxes (recovery) expense	(54,500)	156,000
	(174,268)	(125,719)
Net change in working capital balances related to operations		
Decrease (increase) in sales tax recoverable	32,028	336,694
Decrease (increase) in prepaid expenses	(5,548)	(7,326)
Increase (decrease) in accounts payable and accrued liabilities	11,906	(94,876)
	(135,882)	108,773
<b>Investing activities</b>		
Expenditures on resource properties	(197,192)	(478,540)
Distribution of shares of NSX Silver Inc. (net)	16,642	(3,500,226)
Advances from Van Hoof Industries	151,600	-
Investment in shares of NSX Silver Inc.	-	(196,959)
	(28,950)	(4,175,725)
<b>Financing activities</b>		
Proceeds on exercise of options	-	35,000
<b>Net change in cash for the period</b>	(164,832)	(4,031,952)
<b>Cash – Beginning of period</b>	186,364	4,408,877
<b>Cash – End of period</b>	21,532	376,925

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

# **NSGold Corporation**

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

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(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 September 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. 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 Unaudited Condensed Interim Consolidated Financial Statements For the quarters ended September 30, 2013 and 2012

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(expressed in Canadian dollars)

### **2 Basis of presentation**

#### **a) Statement of compliance**

The Company prepares its unaudited condensed interim financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants (“CICA Handbook”), which incorporates International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

These unaudited condensed interim consolidated financial statements have been prepared in accordance with the International Accounting Standard 34, Interim Financial Reporting (“IAS 34”), as issued by the IASB. Accordingly, certain information normally included in annual financial statements prepared in accordance with IFRS, as issued by the IASB, has been omitted or condensed. The unaudited condensed interim consolidated financial statements should be read in conjunction with the Company’s annual audited consolidated financial statements for the year-ended December 31, 2012.

The policies applied in these unaudited condensed interim consolidated financial statements are based on the IFRS as of November 27, 2013, the date the Board of Directors approved the financial statements. Any subsequent changes to IFRS that are given effect in the Company’s annual consolidated financial statements for the year ending December 31, 2013 could result in the restatement of these condensed interim consolidated financial statements.

#### **b) Basis of measurement**

These consolidated financial statements have been prepared under a historical cost basis, except for share based payments and certain financial assets which are recorded at fair value. Items included in the financial statements of each of the Company’s subsidiaries are measured using the currency of the primary economic environment in which the entity operates (“functional currency”). The Company’s functional currency is the Canadian dollar. The unaudited condensed interim consolidated financial statements are presented in Canadian dollars, which is also the presentation currency of the Company.

#### **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.



# NSGold Corporation

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

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(expressed in Canadian dollars)

### **2 Basis of presentation** (continued)

#### **c) Use of estimates and judgments** (continued)

##### *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.

### **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.

# NSGold Corporation

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

(expressed in Canadian dollars)

### 5 Deposits and prepaid expenses

	September 30, 2013 \$	December 31, 2012 \$
Deposit on mineral claims	3,500	3,500
Prepaid insurance	20,272	14,724
Prepaid other	5,000	5,000
	28,772	23,224

### 6 Resource properties

	Mooseland \$	Dios Padre \$	Silver Hill \$	Other \$	Total \$
<b>As at January 1, 2011</b>	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)
<b>Balance at December 31, 2011</b>	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)
<b>Year ended December 31, 2012</b>	3,494,411	–	–	145,928	3,640,339
Property acquisition	–	–	39,725	–	40,100
Exploration costs incurred	125,578	–	19,778	7,799	119,338
<b>Year ended September 30, 2013</b>	3,619,989	–	59,503	153,727	3,833,219

#### 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

## Notes to Unaudited Condensed Interim Consolidated Financial Statements For the quarters ended September 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

	September 30, 2013	December 31, 2012
	\$	\$
Accounts payable	61,362	59,562
Accrued liabilities	10,350	16,000
Employee withholding payable	493	427
	<u>72,195</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:

	Nine months ended September 30, 2013	Year ended December 31, 2012
	\$	\$
Cash compensation and other benefits	75,000	108,000
Stock-based compensation	53,874	57,369
	<u>128,874</u>	<u>165,369</u>

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

# NSGold Corporation

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

(expressed in Canadian dollars)

### 9 Income taxes

#### a) Reconciliation of total tax recovery (expense)

	Nine months ended September 30, 2013 \$	Year ended December 31, 2012 \$
Income (loss) before income taxes	(231,442)	915,243
Income tax rate	31%	31%
Expected income tax recovery (expense)	71,500	(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)	54,500	(2,000)

#### b) Deferred tax

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

	September 30, 2013 \$	December 31, 2012 \$
Deferred income tax assets		
Non-capital losses carried forward	558,700	504,000
Deductible share issue costs	109,000	109,000
Deferred income tax liability		
Expiration of warrants	(36,000)	(12,000)
Resource properties	(812,000)	(800,000)
Net deferred income tax liability	(168,500)	(199,000)

# NSGold Corporation

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

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(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

	<b>Number of shares</b>	<b>Amount \$</b>
<b>Common shares issued and fully paid</b>		
<b>Balance – December 31, 2010</b>	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
<b>Balance – December 31, 2011</b>	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)
<b>Balance – December 31, 2012 and September 30, 2013</b>	<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 September 30, 2013, there are no common shares (December 31, 2012 – 1,956,000) subject to escrow agreements.

# NSGold Corporation

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

(expressed in Canadian dollars)

### 10 Share capital (continued)

#### ii) Warrants and other

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

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

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

# NSGold Corporation

## Notes to Unaudited Condensed Interim Consolidated Financial Statements For the quarters ended September 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
<b>Balance December 31, 2010</b>	0.25	280,000	2.0	August 17, 2015
Granted during the year	0.50	395,000	2.50	March 23, 2016
Granted during the year	0.60	50,000	2.75	May 9, 2016
Granted during the year	0.50	<u>85,000</u>	2.75	June 21, 2016
<b>Balance – December 31, 2011</b>	0.42	810,000		
Granted during the year	0.14	895,000	3.5	April 17, 2017
Exercised during the year	0.25	<u>(140,000)</u>		
<b>Balance – December 31, 2012</b>	0.27	1,565,000		
Granted during the period	0.10	<u>1,280,000</u>	9.65	May 23, 2023
<b>Balance – September 30, 2013</b>	0.20	<u>2,845,000</u>	6.0	

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

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

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(expressed in Canadian dollars)

### 10 Share capital (continued)

#### iv) Contributed surplus

	Period ended September 30, 2013 \$	Year ended December 31, 2012 \$
<b>Balance – Beginning of period</b>	518,265	388,656
Exercise of stock options	–	(18,200)
Stock-based compensation	68,562	79,809
Expiration of brokers warrants	136,000	68,000
<b>Balance – End of period</b>	<u>722,827</u>	<u>518,265</u>

The Company recorded total stock-based compensation of \$68,562 during the period ended September 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 of which \$12,117 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 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 at September 30, 2013, VHIH had advanced \$151,600 of this loan facility. Interest in the amount of \$2,300 has been accrued. Subsequent to September 30, 2013, VHIH has advanced an additional \$26,100. 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 September 30, 2013, the Company incurred legal fees of \$7,884 (period ended September 30, 2012 - \$21,495) 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 from a law firm of which one of the officers is a partner. The Company recorded \$29,405 to professional fees expense and in 2011 an additional \$75,207 to reorganization costs.



# **NSGold Corporation**

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

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(expressed in Canadian dollars)

### **12 Supplemental cash flow information**

During the period ended September 30, 2013, the Company incurred expenditures on resource properties of \$2,000 (period ended September 30, 2012 - \$75000) 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.

