

NSGold Corporation
(Formerly Kermode Capital Ltd)

Unaudited Interim Financial Statements
March 31, 2011

June 29, 2011

Management's Report

The accompanying unaudited interim financial statements of **NSGold Corporation** are the responsibility of management and have been approved by the Board of Directors. The unaudited interim financial statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") applicable to interim reporting. The unaudited 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 unaudited interim financial statements, and recommended their approval by the Board of Directors.

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

(signed) "*Johannes H.C. van Hoof*"
President and Chief Executive Officer
Buenos Aires, Argentina

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

NSGold Corporation

Unaudited Statement of Financial Position

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

	March 31, 2011 \$	December 31, 2010 \$	January 1, 2010 \$
Assets			
Current assets			
Cash	149,475	127,602	–
Short-term investments	856,066	1,200,000	–
Sales tax recoverable	176,471	159,223	–
Deposits	303,500	303,500	–
	<hr/>	<hr/>	
	1,485,512	1,790,325	–
Resource properties (note 5)	<hr/>	<hr/>	
	2,392,869	2,199,504	–
	<hr/>	<hr/>	
	3,878,381	3,989,829	–
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	432,877	489,486	–
Flow through premium liability	147,739	172,242	–
Deferred tax liability (note 5)	<hr/>	<hr/>	
	148,000	126,000	–
	<hr/>	<hr/>	
	728,616	787,728	–
Shareholders' Equity	<hr/>	<hr/>	
	3,149,765	3,202,101	–
	<hr/>	<hr/>	
	3,878,381	3,989,829	–

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

Approved by the Board of Directors

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

(signed) "Glenn Holmes", Director

NSGold Corporation

Unaudited Statement of Changes in Equity

	Share capital \$	Contributed surplus \$	Warrants and other \$	Deficit \$	Total \$
Balance – January 1, 2010	9,895	–	–	(9,895)	–
Shares issued in lieu of professional fees	105	–	–	–	105
Loss for the period	–	–	–	(105)	(105)
Balance – March 31, 2010	10,000	–	–	(10,000)	–
Loss for the period	–	–	–	(1,342,700)	(1,342,700)
Shares, warrants and options deemed to be issues with respect to reverse takeover of Kermode	902,000	60,000	30,000	–	992,000
Shares and warrants issued for cash, net of issue costs and taxes	2,954,890	–	323,000	–	3,277,890
Shares issued upon exercise of stock options	100,000	(60,000)	–	–	40,000
Shares issued upon exercise of warrants	9,528	–	(5,717)	–	3,811
Warrants issued	–	–	205,000	–	205,000
Stock-based compensation	–	26,100	–	–	26,100
Balance – December 31, 2010	3,976,418	26,100	552,283	(1,352,700)	3,202,101
Loss for the period	–	–	–	(82,671)	(82,671)
Stock-based compensation	–	8,371	–	–	8,371
Shares issued upon exercise of warrants	28,167	–	(6,203)	–	21,964
Balance – March 31, 2011	4,004,585	34,471	546,080	(1,435,371)	3,149,765

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

NSGold Corporation

Unaudited Statement of Loss and Comprehensive Loss For the three months ended March 31, 2011 and 2010

	March 31, 2011	March 31, 2010
	\$	\$
Operating expenses		
Consulting fees	26,607	–
Professional dues	6,000	–
Stock-based compensation	6,977	–
Professional fees	14,215	105
Travel	14,024	–
Investor relations	11,103	–
Other	6,550	–
	<hr/>	<hr/>
	(85,476)	(105)
Other income		
Interest income	302	–
	<hr/>	<hr/>
Loss before income taxes	(85,174)	(105)
Recovery of deferred income taxes	2,503	–
	<hr/>	<hr/>
Net loss and comprehensive loss for the period	(82,671)	(105)
	<hr/>	<hr/>
Loss per share – basic and diluted	(0.00)	(0.00)
Weighted average outstanding common shares – basic and diluted	30,554,578	10,946,100

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

NSGold Corporation

Unaudited Statement of Cash Flows

For the three months ended March 31, 2011 and 2010

	March 31, 2011 \$	March 31, 2010 \$
Cash provided by (used for) the following:		
Operating activities		
Net loss for the period	(82,671)	(105)
Charges (credits) to loss not involving cash		
Stock-based compensation	6,977	-
Recovery of deferred income taxes	(2,503)	-
Shares issued in lieu of professional fees	-	105
	<hr/>	<hr/>
	(78,197)	-
Net change in working capital balances related to operations		
Increase in sales tax recoverable	(17,248)	-
Increase in accounts payable and accrued liabilities	55,672	-
	<hr/>	<hr/>
	(39,773)	-
Investing activities		
Purchase of and expenditures on resource properties	(304,252)	-
Proceeds on sale of short-term investments	343,934	-
	<hr/>	<hr/>
	39,682	-
Financing activities		
Issuance of shares on exercise of warrants	21,964	-
	<hr/>	<hr/>
Net change in cash for the period	21,873	-
Cash – Beginning of period	127,602	-
	<hr/>	<hr/>
Cash – End of period	149,475	-
	<hr/>	<hr/>
Cash receipts of interest	302	-

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

NSGold Corporation

Notes to Unaudited Financial Statements
For the three months ended March 31, 2011

1 Nature of operations and going concern

Going concern

These financial statements have been prepared using generally accepted accounting principles applicable to a going concern, which assumes the realization of assets and settlement of liabilities in the normal course of business as they come due. For the three months ended March 31, 2011, the Company incurred a loss of \$82,671 and as at March 31, 2011 had an accumulated deficit of \$1,435,371. The Company has no income or cash flow from operations. In addition to its working capital requirements, the Company must secure sufficient funding to maintain legal title to its resource properties, to fund its exploration and development activities and to fund its general and administrative costs. Such circumstances lend significant doubt as to the ability of the Company to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern. Management is evaluating alternatives to secure additional financing so that the Company can continue to operate as a going concern. Nevertheless, there is no assurance that these initiatives will be successful or sufficient.

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

General information

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

On June 18, 2010, Kermode closed the Share Exchange Agreement with NSGold to acquire all 10,000 issued and outstanding common shares of NSGold by the issuance of 11,000,000 common shares of Kermode (see note 6). 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.

2 Basis of presentation and first-time adoption of IFRS

a) Statement of compliance

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

NSGold Corporation

Notes to Unaudited Financial Statements

For the three months ended March 31, 2011

2 Basis of presentation and first-time adoption of IFRS (continued)

a) Statement of compliance (continued)

In these unaudited interim financial statements, the term “Canadian GAAP” refers to Canadian GAAP before the adoption of IFRS and the term “GAAP” or “IFRS” refers to, generally accepted accounting principles in Canada after the adoption of IFRS.

These unaudited interim financial statements have been prepared in accordance with IFRS applicable to the preparation of financial statements, including International Accounting Standards (“IAS”) 34, Interim Financial Reporting, and IFRS 1, First-time Adoption of International Financial Reporting Standards. Subject to certain transition elections disclosed in note 4, NSGold has consistently applied the same accounting policies in its opening IFRS statement of financial position at January 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Note 4 discloses the impact of the transition to IFRS on NSGold’s reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in NSGold’s financial statements for the year ended December 31, 2010.

The policies applied in these unaudited interim financial statements are based on IFRS, effective as of June 29, 2011, the date the Board of Directors approved the statements. Any subsequent changes to IFRS that are given effect in NSGold’s annual financial statements for the year ended December 31, 2011 could result in restatement of these unaudited interim financial statements, including the transition adjustments recognized on change-over to IFRS.

In accordance with GAAP, these financial statements do not include all of the financial statements disclosures required for annual financial statements and should be read in conjunction with NSGold’s Canadian GAAP annual financial statements for the year ended December 31, 2010. In management’s opinion, the unaudited interim financial statements reflect all adjustments that are necessary for a fair presentation of the results for the interim period presented. Note 5 provides certain disclosures required in annual financial statements prepared in accordance with IFRS which are material to an understanding of these financial statements.

b) Basis of measurement

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

NSGold Corporation

Notes to Unaudited Financial Statements

For the three months ended March 31, 2011

2 Basis of presentation and first-time adoption of IFRS (continued)

c) Use of estimates and judgments

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

Share-based payments

The Company issued equity-settled share-based payments to certain employees and third parties outside the Company. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of grant. Fair value is measured using the Black-Scholes pricing model and requires the exercise of judgment in relation to variables such as expected volatilities and dividend yields based on information available at the time the fair value is measured.

3 Significant accounting policies

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

Cash

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

Short-term investments

Short-term investments are highly liquid investments with an original maturity greater than three months and are due within 12 months of the period ended. As at March 31, 2011, short-term investments consisted of a variable rate GIC held with a major Canadian banking institution with an interest rate of prime less 1.95%.

NSGold Corporation

Notes to Unaudited Financial Statements

For the three months ended March 31, 2011

3 Significant accounting policies (continued)

Financial instruments

Financial instruments are classified as follows:

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

Accounts payable and accrued liabilities are classified as “Other Financial Liabilities”. Other Financial Liabilities are initially recognized at fair value less transaction costs. Subsequent to initial recognition, Other Financial Liabilities are measured at amortized cost using the effective interest method.

Impairment of financial assets

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

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

Resources properties

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

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

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

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

NSGold Corporation

Notes to Unaudited Financial Statements

For the three months ended March 31, 2011

3 Significant accounting policies (continued)

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 comprehensive loss. Additionally, as qualified expenditures are incurred, the Company recognizes a pro-rata reduction of the flow-through premium liability as a recovery of deferred income taxes in the statement of comprehensive loss.

Income taxes

NSGold uses the asset and liability method for accounting for income taxes.

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

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

NSGold Corporation

Notes to Unaudited Financial Statements

For the three months ended March 31, 2011

3 Significant accounting policies (continued)

Income taxes (continued)

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

Capital management

The Company's capital structure consists of share capital, warrants, deficit and contributed surplus, which at March 31, 2011 totalled \$3,149,765. 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.

Stock-based compensation

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

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

Loss per share

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

NSGold Corporation

Notes to Unaudited Financial Statements For the three months ended March 31, 2011

3 Significant accounting policies (continued)

Related party transactions

All transactions with related parties are measured at the amounts agreed to by the parties.

Accounting Standards issued but not yet applied

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

The International Accounting Standards Board has issued IFRS 9, effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. IFRS 9 introduces new classification and measurement requirements for financial instruments. NSGold continues to assess the impact of IFRS 9 on its statements of comprehensive loss and financial position.

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

IFRS 10 – Consolidation

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

IFRS 11 - Joint Arrangements

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

IFRS 12 – Disclosure of Interests in Other Entities

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

NSGold Corporation

Notes to Unaudited Financial Statements
For the three months ended March 31, 2011

3 Significant accounting policies (continued)

Accounting Standards issued but not yet applied (continued)

IFRS 13 - Fair Value Measurement

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

Amendments to Other Standards

In addition, there have been amendments to existing standards, including IAS 27, Separate Financial Statements (IAS 27), and IAS 28, Investments in Associates and Joint Ventures (IAS 28). IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 – 13.

4 Transition to IFRS

NSGold has adopted IFRS effective January 1, 2010. Prior to the adoption of IFRS, NSGold prepared its financial statements in accordance with Canadian GAAP. NSGold's transition date is January 1, 2010 and NSGold has prepared its opening IFRS balance at that date. These unaudited interim financial statements have been prepared in accordance with the policies referenced in note 3. NSGold will ultimately prepare its opening balance sheet and financial statements for 2010 and 2011 by applying existing IFRS with an effective date of December 31, 2011, or prior. Accordingly, the opening balance sheet and annual financial statements for 2010 and 2011 may differ from these financial statements.

Transition elections

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

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

NSGold Corporation

Notes to Unaudited Financial Statements

For the three months ended March 31, 2011

4 Transition to IFRS (continued)

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

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

	December 31, 2010 \$	March 31, 2010 \$	January 1, 2010 \$
Equity			
As reported under Canadian GAAP	3,498,744	–	–
IFRS adjustments			
Reverse takeover	a –	–	–
Flow through shares	b (298,243)	–	–
Stock based compensation	c 1,600	–	–
	<hr/>		
As reported under IFRS	<hr/> 3,202,101	–	–

	Year ended December 31, 2010 \$	Three months ended March 31 2010 \$
Comprehensive loss		
As reported under Canadian GAAP	(302,494)	(105)
IFRS adjustments:		
Reverse takeover – listing expense	a (989,605)	–
Flow through shares	b (41,206)	–
Stock based compensation	c (9,500)	–
	<hr/>	
As reported under IFRS	<hr/> (1,342,805)	(105)

Explanation of adjustments restating equity from Canadian GAAP to IFRS as at January 1, 2010

a) Reverse takeover

On June 18, 2010, NSGold completed the acquisition of Kermode, a reverse takeover transaction (see note 6). The accounting changed with the adoption of IFRS. As Kermode had only nominal net assets at the time of the reverse takeover by NSGold, Canadian GAAP required that the transaction be accounted for as a capital transaction with the accounting value of the equity issued for the acquisition being limited to the fair value of the net monetary assets of Kermode. IFRS standards require the acquisition to be accounted for at fair value with the excess of the consideration paid over the fair value of the net assets acquired being reflected as a deemed share listing expense. The fair value of the common shares, warrant and options deemed to be issued on the reverse takeover has been recorded at \$992,000. The fair value of the net assets acquired was \$2,395. The difference between the fair values of the consideration paid and the fair value of the net assets acquired of \$989,605 has been reflected as a 2010 listing expense in the statement of comprehensive loss. The impact of the transaction resulted in an increase accumulated deficit of \$989,605, and an increase in share capital, warrants and other, and contributed surplus by \$899,605, \$30,000 and \$60,000, respectively, with no net impact on equity.

NSGold Corporation

Notes to Unaudited Financial Statements For the three months ended March 31, 2011

4 Transition to IFRS (continued)

Explanation of adjustments restating equity from Canadian GAAP to IFRS as at January 1, 2010 (continued)

b) Flow-through shares

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

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

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

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

The Company had not issued flow-through shares at January 1, 2010. This change resulted in an allocation of \$344,036 to the flow-through premium liability on issuance of the flow-through shares and a corresponding reduction in share capital. Based on qualified expenditures incurred to December 31, 2010, the Company recognized a pro-rata reduction of the flow-through premium liability of \$171,794 through December 31, 2010, which was recorded as a recovery of deferred tax expense in the statement of loss for the year ended December 31, 2010. Based on the qualified expenditures incurred for the year ended December 31, 2010, the tax value of the renunciation of \$330,000 was recorded as a deferred income tax liability with a corresponding charge to income tax expense in the statement of loss. The Company then recorded previously unrecognized tax assets of \$117,000 related to tax losses carried forward, with a corresponding credit to income tax expense in the statement of loss, and \$87,000 related to share issue costs, with a corresponding credit to share capital.

NSGold Corporation

Notes to Unaudited Financial Statements

For the three months ended March 31, 2011

4 Transition to IFRS (continued)

Explanation of adjustments restating equity from Canadian GAAP to IFRS as at January 1, 2010 (continued)

c) Stock based compensation

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

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

Adjustments to the statement of cash flows

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

5 Additional IFRS information for the period ended March 31, 2011

a) Resource properties

The following provides certain disclosures required in annual financial statements prepared in accordance with IFRS which are material to an understanding of the December 31, 2010 annual financial statements.

	Mooseland \$	Other \$	Total \$
As at January 1, 2010	–	–	–
Mineral claims acquired	700,000	50,000	750,000
Purchase of Net Smelter Royalty (“NSR”)	415,000	–	415,000
Exploration costs incurred	977,553	56,951	1,034,504
Year ended December 31, 2010	2,092,553	106,951	2,199,504
As at January 1, 2011	2,092,553	106,951	2,199,504
Additions	147,020	46,345	193,365
Balance at March 31, 2011	2,239,573	153,296	2,392,869

NSGold Corporation

Notes to Unaudited Financial Statements

For the three months ended March 31, 2011

5 Additional IFRS information for the period ended March 31, 2011 (continued)

b) Compensation of key management

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

	Year ended December 31, 2010 \$
Cash compensation and other benefits	23,000
Stock-based compensation	18,571
	<hr/>
	41,571
	<hr/>

c) Reconciliation of total tax expense

	Three months ended March 31,	
	2011 \$	2010 \$
Loss before income taxes	(85,174)	(105)
Income tax rate	31%	32%
	<hr/>	
Expected income tax recovery	(26,400)	—
Non-deductible stock-based compensation	2,200	—
Pro-rata reduction of flow through premium liability	(24,503)	—
Resource property expenditures renounced	46,200	—
	<hr/>	
Income tax recovery	(2,503)	—
	<hr/>	

d) Deferred tax

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

	March 31, 2011 \$	December 31, 2010 \$	January 1, 2010 \$
Deferred income tax assets			
Non-capital losses carried forward	146,000	117,000	—
Deductible share issue costs	82,000	87,000	—
Deferred income tax liability			
Resource properties	(376,000)	(330,000)	—
	<hr/>		
Net deferred income tax liability	(148,000)	(126,000)	—
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NSGold Corporation

Notes to Unaudited Financial Statements

For the three months ended March 31, 2011

6 Reverse takeover

On June 18, 2010, Kermode closed the Share Exchange Agreement with NSGold to acquire all 10,000 issued and outstanding common shares of NSGold by the issuance of 11,000,000 common shares of Kermode. Concurrently Kermode completed an amalgamation with NSGold and changed its name to NSGold Corporation.

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

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

7 Subsequent events

Options and warrants

Subsequent to March 31, 2011 the Company issued 3,807,345 common shares pursuant to the exercise of warrants and Agent unit options for aggregate proceeds of \$1,654,787.

