NSGold Corporation
(Formerly Kermode Capital Ltd)

Unaudited Interim Consolidated Financial Statements
September 30, 2011

November 29, 2011

Management's Report

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

These unaudited interim consolidated 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 Interim Consolidated Statement of Financial Position

As at September 30, 2011, December 31, 2010 and January 1, 2010

	September 30, 2011 $	December 31, 2010 $	January 1, 2010 $
Assets			
Current assets			
Cash	4,917,101	127,602	–
Short-term investments	806,000	1,200,000	–
Sales tax recoverable	302,923	159,223	–
Deposits and prepaid expenses	118,183	303,500	–
	6,144,207	1,790,325	–
Resource properties (note 5)	3,554,570	2,199,504	–
	9,698,777	3,989,829	–
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	839,876	489,486	–
Flow through premium liability	46,905	172,242	–
Deferred tax liability (note 5)	132,000	126,000	–
	1,018,781	787,728	–
Shareholders' Equity	8,679,996	3,202,101	–
	9,698,777	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 Interim Consolidated Statement of Changes in Equity

For the three and nine months ended September 30, 2011 and 2010

	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
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	2,853,082	–	323,000	–	3,176,082
Warrants issued	–	–	205,000	–	205,000
Stock-based compensation	–_	9,500	–	–	9,500
Loss for the period	–	–	–	(1,255,328)	(1,255,328)
Balance – September 30, 2010	3,765,082	69,500	558,000	(1,265,223)	3,127,359
Loss for the period	–	–	–	(87,477)	(87,477)
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
Tax benefit related to share issue costs	101,808	–	–	–	101,808
Stock-based compensation	–	16,600	–	–	26,100
Balance – December 31, 2010	3,976,418	26,100	552,283	(1,352,700)	3,202,101
Loss for the period	–	–	–	(568,828)	(568,828)
Stock-based compensation	–	148,941	–	–	148,941
Shares issued for cash net of issue costs and taxes	3,974,779	-	-	-	3,953,425
Shares issued upon exercise of warrants and other	1,923,834	–	(247,081)	–	1,676,753
Warrants issued	-	-	160,000	-	160,000
Shares issued pursuant to resource property option agreement	121,250	–	–	–	121,250
Expiration of warrants and other, net of tax	–	190,202	(225,202)	–	(35,000)
Balance – September 30, 2011	9,996,278	365,243	240,000	(1,921,528)	8,679,996

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

NSGold Corporation

Unaudited Interim Interim Consolidated Statement of Loss and Comprehensive Loss

For the three and nine months ended September 30, 2011 and 2010

	Three months ended September 30,		Nine months ended September 30,	
	2011 **$**	**2010** **$**	**2011** **$**	**2010** **$**
Operating expenses				
Consulting fees	33,500	25,700	91,553	40,700
Professional dues	15,604	–	25,539	–
Insurance	23,500	25,000	23,500	25,000
Stock-based compensation	37,091	14,500	121,950	14,500
Professional fees	154,557	27,260	210,086	87,697
Travel	9,194	12,164	37,465	20,619
Investor relations	14,937	–	30,048	–
Other	27,446	33,968	58,526	36,005
Listing expenses	–	-	–	989,605
	(315,829)	(138,592)	(598,667)	(1,214,126)
Other income				
Interest income	2,100	–	4,503	–
Loss before income taxes	(313,729)	(138,592)	(594,164)	(1,214,126)
Recovery of income taxes	3,256	(41,206)	25,335	(41,206)
Net loss and comprehensive loss for the period	(310,473)	(179,798)	(568,829)	(1,255,332)
Loss per share – basic and diluted	(0.01)	(0.015)	(0.015)	(0.07)
Weighted average outstanding common shares – basic and diluted	33,772,695	11,839,819	38,256,052	18,003,594

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

NSGold Corporation

Unaudited Interim Consolidated Statement of Cash Flows

For the three and nine months ended September 30, 2011 and 2010

	Three months ended September 30,		Nine months ended September 30,	
	2011 **$**	**2010** **$**	**2011** **$**	**2010** **$**
Cash provided by (used for) the following:				
Operating activities				
Net loss for the period	(310,472)	(176,826)	(568,829)	(1,255,332)
Charges (credits) to loss not involving cash				
Stock-based compensation	37,091	14,500	121,950	14,500
Recovery of deferred income taxes	(3,257)	(41,206)	(25,336)	(41,206)
	(276,638)	(203,532)	(472,215)	(1,282,034)
Net change in working capital balances related to operations				
Increase in sales tax recoverable	(102,380)	(56,946)	(143,700)	(56,946)
Decrease in accounts payable and accrued liabilities	150,638	(375,874)	50,390	609,142
	(228,381)	(636,352)	(565,525)	(729,839)
Investing activities				
Purchase of and expenditures on resource properties	(538,721)	(134,178)	(993,263)	(1,297,178)
Proceeds on sale of short-term investments	(2,100)	-	394,000	–
Increase in deposits and prepaids	230,862	36,075	185,317	(563,925)
	(309,960)	(98,103)	(413,947)	(1,861,103)
Financing activities				
Issuance of shares	4,092,219	–	4,092,219	4,099,223
Issuance of shares on exercise of warrants	-	–	1,676,751	613,000
	4,070,865	–	5,768,971	4,712,223
Net change in cash for the period	3,553,879	(734,455)	4,789,499	2,121,281
Cash – Beginning of period	1,363,222	2,855,736	127,602	–
Cash – End of period	4,917,101	2,121,281	4,917,101	2,121,281

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

1 Nature of operations and going concern

Going concern

These unaudited interim consolidated financial statements have been prepared using generally accepted accounting principles applicable to a going concern, which assumes the realization of assets and settlement of liabilities in the normal course of business as they come due. For the nine months ended September 30, 2011, the Company incurred a loss of $568,828 and as at September 30, 2011 had an accumulated deficit of $1,921,528. 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 consolidated financial statements do not reflect the adjustments to the carrying value of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

General information

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

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

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

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

a) Statement of compliance (continued)

In these unaudited interim consolidated 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 consolidated 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 consolidated 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 consolidated financial statements for the year ended December 31, 2011 could result in restatement of these unaudited interim consolidated financial statements, including the transition adjustments recognized on change-over to IFRS.

In accordance with GAAP, these unaudited interim consolidated 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 consolidated 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 consolidated financial statements have been prepared under a historical cost basis.

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 consolidated financial statements and in preparing the opening IFRS statement of financial position at January 1, 2010 for the purposes of the transition to IFRS, unless otherwise indicated. The exemptions the Company has taken in applying IFRS for the first time are set out in note 4.

Cash

Cash 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 September 30, 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%.

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 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.

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

The Company uses the asset and liability method for accounting for income taxes.

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

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

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 June 30, 2011 totalled $4,810,180. 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.

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.

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.

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.

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 $	September 30, 2010 $	January 1, 2010 $
Equity				
As reported under Canadian GAAP		3,498,744	3,569,471	–
IFRS adjustments				
Flow through shares	**b**	(298,243)	(302,830)	–
Stock based compensation	**c**	1,600	9,500	–
As reported under IFRS		3,202,101	3,127,359	–

		Three months ended Sept 30, 2010 $	Nine months ended Sept 30, 2010 $	Year ended December 31, 2010 $
Comprehensive loss				
As reported under Canadian GAAP		(129,092)	(215,017)	(302,494)
IFRS adjustments:				
Reverse takeover – listing expense	**a**	-	(989,605)	(989,605)
Flow through shares	**b**	(41,206)	(41,206)	(41,206)
Stock based compensation	**c**	(9,500)	(9,500)	(9,500)
As reported under IFRS		(179,798)	(1,255,332)	(1,342,805)

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 Kemode. IFRS standards require the acquisition to be accounted for at fair value with the excess of the consideration paid over the fair value of the net assets acquired being reflected as a deemed share listing expense. The fair value of the common shares, warrant and options deemed to be issued on the reverse takeover has been recorded at $992,000. The fair value of the net assets acquired was $2,395. The difference between the fair values of the consideration paid and the fair value of the net assets acquired of $989,605 has been reflected as a 2010 listing expense in the statement of comprehensive loss. The impact of the transaction resulted in an increase accumulated deficit 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.

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-though shares at January 1, 2010. This change resulted in an allocation of $344,036 to the flow-through premium liability on issuance of the flow-through shares in June 2010 and a corresponding reduction in share capital. Based on qualified expenditures incurred to December 31, 2010 (none were incurred to June 30, 2010), the Company recognized a pro-rata reduction of the flow-through premium liability of $171,794 through December 31, 2010, which was recorded as a recovery of deferred tax expense in the statement of loss for the year ended December 31, 2010. Based on the qualified expenditures incurred for the year ended December 31, 2010, the tax value of the renunciation of $330,000 was recorded as a deferred income tax liability with a corresponding charge to income tax expense in the statement of loss. The Company then recorded previously unrecognized tax assets of $117,000 related to tax losses carried forward, with a corresponding credit to income tax expense in the statement of loss, and $101,000 related to share issue costs, with a corresponding credit to share capital.

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 June 30, 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 September 30, 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 $	**Dios Padre** $	**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	776,141	544,334	34,591	1,355,066
Balance at September 30, 2011	2,868,694	544,334	141,542	3,554,570

5 Additional IFRS information for the period ended June 30, 2011 (continued)

a) Resource properties (continued)

Mooseland and other Nova Scotia Properties

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

Under the terms of the purchase agreement NSGold has paid a total of $750,000 to Globex, as follows:

(i) $250,000 by June 30, 2010;
(ii) $250,000 by September 1, 2010; and
(iii) $250,000 on the earlier of 30 days after commencement of production or September 1, 2011.

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

Dios Padre, Mexico

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

5 Additional IFRS information for the period ended September 30, 2011 (continued)

a) Resource properties (continued)

As at September 30, 2011 the Company had made cash payments to the optionor aggregating US$100,000. The dates for the remaining option payments are as follows;

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

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

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:

	9 months ended September 30, 2011 $	Year ended December 31, 2010 $
Cash compensation and other benefits	82,000	23,000
Stock-based compensation	26,412	18,571
	108,412	41,571

5 Additional IFRS information for the period ended September 30, 2011 (continued)

c) Reconciliation of total tax expense

	Three months ended Sept 30, 2011 $	Nine months ended Sept 30, 2011 $
Loss before income taxes	(313,729)	(594,164)
Income tax rate	31%	31%
Expected income tax recovery	(97,300)	(185,000)
Non-deductible stock-based compensation	11,500	37,800
Pro-rata reduction of flow through premium liability	153,000	109,921
Unutilized losses	–	81,200
Unutilized foreign losses	11,800	11,800
Non-deductible listing expense	–	1,200
Resource property expenditures renounced	(82,256	82,256
Income tax recovery	(3,256)	(25,335)

d) Deferred tax

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

	September30, 2011 $	December 31, 2010 $	January 1, 2010 $
Deferred income tax assets			
Non-capital losses carried forward	232,000	117,000	–
Deductible share issue costs	201,000	87,000	–
Deferred income tax liability			
Resource properties	(564,000)	(330,000)	–
Net deferred income tax liability	(132,000)	(126,000)	–

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	60,000
	992,000
Allocation of consideration	
Net assets acquired	2,395
Excess of fair value over net assets acquired (listing expense)	989,605
	992,000

7 Related party transactions

During the nine months ended September 30, 2011 the Company incurred legal fees aggregating $145,131from a law firm of which one of the officers is a partner.