

**NV GOLD CORPORATION**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**THREE MONTH PERIOD ENDED NOVEMBER 30, 2011**

**(Expressed in Canadian Dollars)**  
**(Unaudited)**

## **NOTICE TO READER**

### **UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited consolidated financial statements for the period ended November 30, 2011.

**NV GOLD CORPORATION**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(Expressed in Canadian Dollars – Unaudited)  
**AS AT**

	November 30, 2011	August 31, 2011 (Note 16)	September 1, 2010 (Note 16)
<b>ASSETS</b>			
<b>Current</b>			
Cash	\$ 538,022	\$ 939,896	\$ 655,573
Accounts receivable (Note 6)	19,371	20,883	3,507
Prepaid expenses	<u>5,224</u>	<u>8,225</u>	<u>2,389</u>
	562,617	969,004	661,469
<b>Reclamation bonds</b> (Note 5)	51,295	49,732	23,490
<b>Exploration and evaluation assets</b> (Note 8)	<u>1,540,488</u>	<u>1,263,645</u>	<u>481,819</u>
	<u>\$ 2,154,400</u>	<u>\$ 2,282,381</u>	<u>\$ 1,166,778</u>

**LIABILITIES AND SHAREHOLDERS' EQUITY**

<b>Current</b>			
Accounts payable and accrued liabilities (Note 7)	<u>\$ 87,105</u>	<u>\$ 142,135</u>	<u>\$ 57,921</u>
<b>Shareholders' equity</b>			
Capital stock (Note 9)	3,779,159	3,716,659	1,868,229
Share-based payment reserve (Note 9)	454,544	314,517	276,998
Other comprehensive loss (Note 16)	-	-	-
Deficit	<u>(2,166,408)</u>	<u>(1,890,930)</u>	<u>(1,036,370)</u>
	<u>2,067,295</u>	<u>2,140,246</u>	<u>1,108,857</u>
	<u>\$ 2,154,400</u>	<u>\$ 2,282,381</u>	<u>\$ 1,166,778</u>

**Nature and continuance of operations** (Note 1)

**Events after the reporting period** (Note 15)

**On behalf of the Board:**

\_\_\_\_\_  
*"John Watson"* Director      \_\_\_\_\_  
*"Wayne Yang"* Director

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

**NV GOLD CORPORATION**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**  
(Expressed in Canadian Dollars – Unaudited)

	Three month period ended November 30, 2011	Three month period ended November 30, 2010
		(Note 16)
<b>EXPENSES</b>		
Advertising and promotion	\$ 12,428	\$ 12,500
Bank charges and interest	690	-
Consulting	56,535	26,401
Office and general	14,936	8,901
Professional fees	44,032	23,919
Registration and filing	3,468	899
Shareholder costs	1,068	-
Stock-based compensation (Note 9)	129,339	-
Transfer agent	3,540	1,135
Travel and related	<u>13,812</u>	<u>375</u>
<b>Loss before other items</b>	<u>(279,848)</u>	<u>(74,130)</u>
<b>OTHER ITEMS</b>		
Foreign exchange gain (loss)	2,841	(2,477)
Interest income	<u>1,529</u>	<u>4,235</u>
	<u>4,370</u>	<u>1,758</u>
<b>Loss and comprehensive loss for the period</b>	<u>\$ (275,478)</u>	<u>\$ (72,372)</u>
<b>Basic and diluted loss per common share</b>	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>
<b>Weighted average number of shares outstanding</b>	<u>20,934,404</u>	<u>14,702,814</u>

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

**NV GOLD CORPORATION**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
(Expressed in Canadian Dollars – Unaudited)  
**NOVEMBER 30, 2011**

	Share Capital		Share-based Payments Reserve	Deficit	Total Equity
	No. of Shares	Amount			
<b>Balance, September 1, 2010</b>	<b>14,606,660</b>	<b>\$ 1,868,229</b>	<b>\$ 276,998</b>	<b>\$ (1,036,370)</b>	<b>\$ 1,108,857</b>
Shares and warrants issued for mineral properties	250,000	57,500	22,660	-	80,160
Loss for the period	-	-	-	(72,372)	(72,372)
<b>Balance, November 30, 2010</b>	<b>14,856,660</b>	<b>\$ 1,925,729</b>	<b>\$ 299,658</b>	<b>\$ (1,108,742)</b>	<b>\$ 1,166,645</b>

	Share Capital		Share-based Payments Reserve	Deficit	Total Equity
	No. of Shares	Amount			
<b>Balance, September 1, 2011</b>	<b>20,794,294</b>	<b>\$ 3,716,659</b>	<b>\$ 314,517</b>	<b>\$ (1,890,930)</b>	<b>\$ 2,140,246</b>
Shares and warrants issued for mineral properties	250,000	62,500	10,688	-	73,188
Stock-based compensation	-	-	129,339	-	129,339
Loss for the period	-	-	-	(275,478)	(275,478)
<b>Balance, November 30, 2011</b>	<b>21,044,294</b>	<b>\$ 3,779,159</b>	<b>\$ 454,544</b>	<b>\$ (2,166,408)</b>	<b>\$ 2,067,295</b>

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

**NV GOLD CORPORATION**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Expressed in Canadian Dollars – Unaudited)

	Three month period ended November 30, 2011	Three month period ended November 30, 2010
		(Note 16)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the period	\$ (275,478)	\$ (72,372)
Items not affecting cash		
Foreign exchange on reclamation bonds	(1,563)	-
Stock-based compensation	129,339	-
Change in non-cash working capital items:		
Decrease (increase) in accounts receivable	1,512	(7,011)
Decrease (increase) in prepaid expenses	3,001	(3,712)
Increase (decrease) in accounts payable and accrued liabilities	<u>145</u>	<u>(4,716)</u>
Net cash used in operating activities	<u>(143,044)</u>	<u>(87,811)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Reclamation bond	-	(9,192)
Mineral property and deferred exploration costs	<u>(258,830)</u>	<u>(173,742)</u>
Net cash used in investing activities	<u>(258,830)</u>	<u>(182,934)</u>
<b>Change in cash during the period</b>	(401,874)	(270,745)
<b>Cash, beginning of period</b>	<u>939,896</u>	<u>655,573</u>
<b>Cash, end of period</b>	<u>\$ 538,022</u>	<u>\$ 384,828</u>

**Supplemental disclosures with respect to cash flows** (Note 13)

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

**NV GOLD CORPORATION**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**NOVEMBER 30, 2011**  
(Expressed in Canadian Dollars – Unaudited)

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**1. NATURE OF OPERATIONS**

The Company was incorporated under the laws of the province of British Columbia on May 23, 2007. On November 23, 2009, the Company completed its qualifying transaction by acquiring all of the issued and outstanding common shares of NV Gold Corporation (USA) (“NV Gold USA”), a private exploration stage company. The Company began trading on the TSX Venture Exchange (“TSX-V”) on November 26, 2009 under the trading symbol NVX.

The address of the Company’s corporate office and its registered office is located at Suite 810 - 609 Granville Street, Vancouver, BC V7Y 1G5

These condensed interim consolidated financial statements were authorized for issue by the Audit Committee and Board of Directors on February 24, 2012.

**2. BASIS OF PREPARATION**

a) Statement of Compliance

The financial statements of the Company for the year ending August 31, 2012 will be prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”), having previously prepared its financial statements in accordance with pre-changeover Canadian Generally Accepted Accounting Principles (“pre-changeover Canadian GAAP”). These condensed interim consolidated financial statements for the three month period ended November 30, 2011 have been prepared in accordance with IAS 34 Interim Financial Reporting and, as they are part of the Company’s first IFRS annual reporting period, IFRS 1 First-time Adoption of International Reporting Standards has been applied.

As these condensed interim consolidated financial statements are the Company’s first financial statements prepared using IFRS, certain disclosures that are required to be included in annual financial statements prepared in accordance with IFRS that were not included in the Company’s most recent annual financial statements prepared in accordance with pre-changeover Canadian GAAP have been included in these financial statements for the comparative annual period. However, these condensed interim consolidated financial statements do not include all of the information required for full annual financial statements.

These condensed interim consolidated financial statements should be read in conjunction with the Company’s audited financial statements for the year ended August 31, 2011 and the explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company provided in Note 16.

b) Basis of Measurement

These condensed interim consolidated financial statements have been prepared on a historical costs basis except for financial instruments classified as financial instruments at fair value through profit or loss, which are stated at their fair value. In addition, this financial statement has been prepared using the accrual basis of accounting.

These condensed interim consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the Company and its subsidiaries.

The preparation of these condensed interim consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the period. Actual results could differ from these estimates.

**NV GOLD CORPORATION**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**NOVEMBER 30, 2011**  
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**2. BASIS OF PREPARATION (cont'd...)**

c) Going Concern of Operations

The Company has not generated revenue from operations. The Company incurred a net loss of \$255,084 during the three months ended November 30, 2011 and, as of that date the Company's deficit was \$2,146,014. As the Company is in the exploration stage, the recoverability of the costs incurred to date on exploration properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties and upon future profitable production or proceeds from the disposition of the properties and deferred exploration expenditures. The Company will periodically have to raise funds to continue operations and, although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future.

	November 30, 2011	August 31, 2011	September 1, 2010
Working capital	\$ 475,512	\$ 826,869	\$ 603,548
Deficit	(2,166,408)	(1,890,930)	(1,036,370)

**3. SIGNIFICANT ACCOUNTING POLICIES**

**Principles of consolidation**

The condensed interim consolidated financial statements include the financial statements of the parent company, NV Gold Corporation, and its subsidiaries listed below:

	Jurisdiction	Nature of Operations	Equity Interest	
			2011	2010
NV Gold (USA) Inc.	Nevada, USA	Exploration	100%	100%
SwissGold Exploration AG	Switzerland	Exploration	100%	-

The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All inter-company balances and transactions have been eliminated.

**Financial instruments**

*Financial Assets*

Financial assets are classified into one of the following categories: fair value through profit or loss, loans and receivables, available-for-sale, or held-to-maturity investments. The classification depends on the purpose for which the asset was acquired. All transactions related to financial instruments are recorded on a trade date basis. Management determines the classification of its financial asset at initial recognition. The Company's accounting policy for each category is as follows:



**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Financial instruments (cont'd...)**

*(i) Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term and are classified as current assets. Derivatives are also categorized as held for trading unless they are designated as hedges.

*(ii) Loans and Receivables*

These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the profit or loss when the loans and receivable are derecognized or impaired, as well as through the amortization process.

*(iii) Available-For-Sale Investments*

Non-derivative financial assets not included in the above categories are classified as available-for-sale and comprise principally of the Company's strategic investments in entities not qualifying as subsidiaries or associates. Available-for-sale investments carried at fair value with changes in fair value recognized in accumulated other comprehensive loss/income. Where there is a significant or prolonged decline in the fair value of an available-for-sale financial asset (which constitutes objective evidence of impairment), the full amount of the impairment, including any amount previously recognized in other comprehensive loss/income, is recognized in profit or loss. If there is no quoted market price in an active market and fair value cannot be readily determined, available-for-sale investments are carried at cost.

Purchase and sales of available-for-sale financial assets are recognized on a trade date basis. On sale or impairment, the cumulative amount recognized in other comprehensive loss/income is reclassified from accumulated other comprehensive loss/income to profit or loss.

*(iv) Held-to-maturity investments*

The held-to-maturity investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs. The Company does not have any assets classified as held-to-maturity investments.

The Company has classified its cash as fair value through profit and loss. The Company's amounts receivable and reclamation bonds are classified as loans and receivables.

*Impairment on Financial Assets*

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Financial instruments (cont'd...)**

*Financial Liabilities*

Financial liabilities are classified as other financial liabilities, based on the purpose for which the liability was incurred, and comprise accounts payables and accrued liabilities and amounts due to related parties. These liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability in the statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Accounts payables represent liabilities for goods and services provided to the Company prior to the end of the period which are unpaid. Accounts payable amounts are unsecured and are usually paid within 30 days of recognition.

The Company's accounts payable and accrued liabilities are classified as other financial liabilities.

**Exploration and evaluation assets**

*Pre-exploration costs*

Pre-exploration costs are expensed in the period in which they are incurred.

*Exploration and evaluation expenditures*

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures are recognized and capitalized, in addition to the acquisition costs. These direct expenditures included such costs as material used, surveying costs, drilling costs, payments made to contractors and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the period in which they occur.

When a project is deemed to no longer have commercially viable prospects to the Company, mineral property expenditures in respect of that project are deemed to be impaired. As a result, those mineral property expenditures, in excess of estimated recoveries, are written off to the statement of comprehensive loss or income.

The Company assesses mineral properties for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as "mine under construction". Mineral property assets are also tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

**Reclamation bonds**

Cash which is subject to contractual restrictions on use is classified separately as reclamation bonds. Reclamation bonds are classified as loans and receivables.

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Income taxes**

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the statement of financial position liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it is probable that a future tax asset will be recovered, it provides a valuation allowance against that excess.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

**Share-based payment transactions**

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive loss/income over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive loss/income over the remaining vesting period.

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in comprehensive loss/income over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of comprehensive loss/income, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Share-based payment transactions (cont'd...)**

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

All equity-settled share based payments are reflected in contributed surplus until exercised. Upon exercise shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital along with any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

**Provisions**

*Rehabilitation Provision*

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the period in which the obligation is incurred. The nature of the rehabilitation activities includes restoration, reclamation and re-vegetation of the affected exploration sites.

The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability-specific risks.

Additional environment disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the period which they occur.

*Other Provisions*

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Share capital**

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**Earning/Loss per share**

Basic earnings / loss per share is computed by dividing the net income or loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant period.

Diluted earnings per share is determined by adjusting the earnings or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of dilutive instruments, which includes stock options and common share purchase warrants, as if their dilutive effect was at the beginning of the period. The calculation of the diluted number of common shares assumes that proceeds received from the exercise of "in-the-money" stock options and common share purchase warrants are used to purchase common shares of the Company at their average market price for the period.

In periods that the Company reports a net loss, per share amounts are not presented on a diluted basis as the result would be anti-dilutive.

**Foreign currencies**

The functional currency is the currency of the primary economic environment in which the entity operates and has been determined for each entity within the Company. The functional currency for the Company and its subsidiaries is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the statement of financial position date while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in the statement of comprehensive loss or income.

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Standards, Amendments and Interpretations Not Yet Effective**

Certain new accounting standards, amendments to standards and interpretations have been issued, effective for annual periods beginning on or after January 1, 2013. These standards have been assessed to not have a significant impact on the Company's financial statements:

- IFRS 9 New financial instruments standard that replaces IAS 39 for classification and measurement of financial assets
- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IFRS 13 Fair Value Measurement
- IAS 27 (Amendment) Separate Financial Statements
- IAS 28 (Amendment) Investments in Associates and Joint Ventures

**4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- a) Exploration and evaluation expenditures  
The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditures is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the profit or loss in the period the new information becomes available.
- b) Title to mineral property interests  
Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

**4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (cont'd...)**

c) Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are discussed in note 9.

**5. RECLAMATION BONDS**

The Company has posted refundable reclamation bonds for \$51,295 (US\$50,275) relating its exploration activities in Nevada (August 31, 2011 - \$49,732 (US\$50,275)).

**6. ACCOUNTS RECEIVABLE**

The Company's accounts receivable arise mainly from goods and service tax and harmonized sales taxes receivable due from Canadian government taxation authorities.

**7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts payable and accrued liabilities of the Company are due to service providers, mainly including management fees, professional fees and consulting fees. All accounts payable and accrued liabilities for the Company fall due within the next 12 months.

**NV GOLD CORPORATION**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**NOVEMBER 30, 2011**  
(Expressed in Canadian Dollars – Unaudited)

**8. EXPLORATION AND EVALUATION ASSETS**

The following exploration and evaluation assets were incurred on the Company's mineral properties.

<b>For the three month period ended November 30, 2011</b>	Medel Permit	Afgan- Kobeh Property	Roberts Gold Property	Total
Acquisition costs				
Balance, September 1, 2011	\$ -	\$ 415,234	\$ 97,424	\$ 512,658
Additions	<u>73,188</u>	<u>-</u>	<u>20,322</u>	<u>93,510</u>
Total acquisition cost, November 31, 2011	<u>73,188</u>	<u>415,234</u>	<u>117,746</u>	<u>606,168</u>
Exploration costs				
Balance, September 1, 2011	<u>-</u>	<u>670,529</u>	<u>80,458</u>	<u>750,987</u>
Additions:				
Assays	849	36,190	-	37,039
Geological consulting	90,183	6,786	-	96,969
Materials and supplies	373	-	-	373
Meals and lodging	11,712	335	-	12,047
Sample storage	-	41	-	41
Site access	31,069	-	-	31,069
Travel and transport	<u>1,522</u>	<u>4,273</u>	<u>-</u>	<u>5,795</u>
	<u>135,708</u>	<u>47,625</u>	<u>-</u>	<u>183,333</u>
Total exploration costs, November 30, 2011	<u>135,708</u>	<u>718,154</u>	<u>80,458</u>	<u>934,320</u>
Total exploration and evaluation assets	<u>\$ 208,896</u>	<u>\$ 1,133,388</u>	<u>\$ 198,204</u>	<u>\$ 1,540,488</u>



**NV GOLD CORPORATION**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
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**8. EXPLORATION AND EVALUATION ASSETS (cont'd...)**

<b>For the year ended August 31, 2011</b>	Shamrock Property	Afgan- Kobeh Property	Roberts Gold Property	Total
Acquisition costs				
Balance, September 1, 2010	\$ 31,182	\$ 316,314	\$ -	\$ 347,496
Additions	<u>29,676</u>	<u>98,920</u>	<u>97,424</u>	<u>226,020</u>
Total acquisition cost, August 31, 2011	<u>60,858</u>	<u>415,234</u>	<u>97,424</u>	<u>573,516</u>
Exploration costs				
Balance, September 1, 2010	<u>41,944</u>	<u>67,398</u>	<u>24,981</u>	<u>134,323</u>
Additions:				
Assays	-	62,514	616	63,130
Claim filing and registration	11,053	26,615	25,009	62,677
Drilling	-	335,070	7,555	342,625
Geological consulting	78,746	118,968	15,283	212,997
Land management	2,473	2,653	2,777	7,903
Materials and supplies	1,846	8,151	20	10,017
Meals and lodging	-	4,293	1,657	5,950
Reproduction, copying and mapping	359	202	-	561
Road and site development	-	10,654	-	10,654
Travel and transport	<u>4,003</u>	<u>34,011</u>	<u>2,560</u>	<u>40,574</u>
Total exploration costs, August 31, 2011	<u>140,424</u>	<u>670,529</u>	<u>80,458</u>	<u>891,411</u>
Write-off of acquisition and exploration costs	<u>(201,282)</u>	<u>-</u>	<u>-</u>	<u>(201,282)</u>
Total exploration and evaluation assets	<u>\$ -</u>	<u>\$ 1,085,763</u>	<u>\$ 177,882</u>	<u>\$ 1,263,645</u>

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and to the best of its knowledge, title to all of its properties is in good standing.

**Medal Permit**

The Company completed a purchase and sale agreement on October 21, 2011, originally dated August 31, 2011, for the Medel Exploration Permit (“Medel Permit”) located within the community of Medel/Lucmagn, in the Canton of Graubunden, Switzerland. The vendor has a 100% interest in and to an exploration permit for gold, precious metals and other ores (the “Permit”), subject to 1% net smelter returns royalty. The vendor transferred the Permit to the Company’s wholly owned Swiss subsidiary, SwissGold. As consideration, the Company issued to the vendor 250,000 shares (valued at \$62,500) and 125,000 share purchase warrants at an exercise price of \$1.00 per share expiring October 21, 2014 with a fair value of \$10,688 using the Black-Scholes option pricing method with a volatility of 100%, risk free interest rate of 1.24%, an estimated useful life of 3 years and 0% annual dividend rate. The expiry of the warrants are subject to acceleration such that, should the volume weighted average price of the common shares of the Company exceed \$2.00 for twenty consecutive trading days, the Company may notify the holder that the warrants will expire 30 trading days from receipt of such notice unless exercised before such date.

**8. EXPLORATION AND EVALUATION ASSETS (cont'd...)**

Subsequently in December 2011, the Company issued 265,000 common shares and paid 40,000 Swiss francs for all data related to the Medel Permit. The Company also issued 35,000 common shares as a finder's fee regarding the Medel Permit.

**Afgan-Kobeh Property**

The Company has an agreement with Gold Standard Royalty (Nevada) Inc., ("Gold Standard") to acquire a 100% interest in the Afgan-Kobeh project located in Eureka County, Nevada. Under the terms of the agreement, the Company paid US\$200,000 in cash and issued 600,000 common shares at a fair value of \$150,000 and 600,000 share purchase warrants at an exercise price of \$0.40 per share expiring June 14, 2012 with a fair value of \$62,374 using the Black-Scholes option pricing method with a volatility of 100%, risk free interest rate of 1.81%, an estimated useful life of 2 years and 0% annual dividend rate. The warrants are subject to an accelerated exercise provision in the event the volume weighted average trading price exceeds \$0.60 for a period of 15 consecutive days. The property is subject to a 1% NSR.

**Roberts Gold Property**

The Company has a mining lease agreement for the Roberts Gold Property. The property is contiguous to and north of the Company's Afgan-Kobeh property located in Eureka County, Nevada. Pursuant to the terms of the mining lease agreement, the Company paid advance royalty payments of US\$10,000 upon the lease agreement becoming effective on October 26, 2010, and is obligated to pay a further US\$10,000 six months thereafter (paid March 14, 2011), US\$20,000 on the first five anniversary dates of the effective date of the lease agreement thereafter (paid September 29, 2011), and US\$30,000 on each such anniversary date thereafter. The Company is responsible for all property maintenance obligations and has granted the lessor a 3% NSR. The Company has the right to purchase 25% of the royalty at any time for US\$1,000,000 and a further 25% for US\$2,000,000 at any time. The Company issued 250,000 units valued at \$57,500 to terminate certain area of interest obligations to a third party. Each unit consists of one common share and one warrant to purchase an additional common share at a price of \$0.40 per share expiring October 26, 2012 with a fair value of \$22,660 using the Black-Scholes option pricing method with a volatility of 100%, risk free interest rate of 1.42%, an estimated useful life of 2 years and 0% annual dividend rate. The warrants are subject to an accelerated exercise provision in the event the volume weighted average trading price exceeds \$0.60 for a period of 15 consecutive days.

**Shamrock (Cobre) Copper Property**

During fiscal 2010, the Company entered into a ten year lease with MinQuest, Inc. of Reno, Nevada on the Shamrock (Cobre) copper project located in Grant County, New Mexico, USA pursuant to which the Company paid \$60,858 (US\$60,000) and incurred exploration expenditures of \$140,424. During the year ended August 31, 2011, the Company determined that the project was not economically feasible and abandoned its plan to develop the project. As a result, it charged \$201,282 in costs incurred on the project to operations.

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**9. SHAREHOLDERS' EQUITY**

(a) The authorized share capital of the Company consists of an unlimited number of common shares without par value.

(b) Issued and outstanding:

As of November 30, 2011, the Company has 21,044,294 (August 31, 2011 – 20,794,294) common shares outstanding, of which 1,680,000 (August 31, 2011 – 2,520,000) common shares were held in escrow.

The Company issued the following common shares from September 1, 2010 to November 30, 2011:

	Number of Shares	Amount	Share-based payments reserve
Common shares issued:			
Balance as at September 1, 2010	14,606,660	1,868,229	276,998
Private placement	5,597,334	1,679,200	-
Exercise of warrants	270,000	108,000	-
Exercise of agent's warrants	70,300	28,120	-
Shares and warrants issued for mineral property (Note 8)	250,000	57,500	22,660
Contributed surplus on exercise of agent's warrants	-	5,968	(5,968)
Stock-based compensation	-	-	20,827
Share issue costs	-	(30,358)	-
Balance as at August 31, 2011	20,794,294	3,716,659	314,517
Shares and warrants issued for mineral property (Note 8)	250,000	62,500	10,688
Stock-based compensation	-	-	129,339
Balance as at November 30, 2011	21,044,294	\$ 3,779,159	\$ 454,544

During the three month period ended November 30, 2011, 250,000 common shares were issued to acquire the Medel Permit (Note 8).

During the year ended August 31, 2011, the following shares are issued:

*Shares issued for private placement*

On March 3, 2011, the Company completed the first tranche of a non-brokered private placement of 2,264,000 units (the "Units") at \$0.30 per Unit for gross proceeds of \$1,679,200. Each Unit is comprised of one common share and one-half of one non-transferable share purchase warrant which are exercisable at \$0.40 per share until September 3, 2012. The Company paid a finder's fee of \$3,000 in connection with certain subscriptions under the private placement. The second tranche was completed on May 9, 2011 for 3,333,334 Units for gross proceeds of \$1,000,000. Each Unit is comprised of one common share and one-half of one non-transferable share purchase warrant exercisable at \$0.40 per share until November 9, 2012.

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**9. SHAREHOLDERS' EQUITY (cont'd...)**

*Shares issued on exercise of warrants and agent's warrants*

The Company issued 270,000 common shares pursuant to the exercise of warrants for gross proceeds of \$108,000 and 70,300 common shares pursuant to the exercise of agent's warrants for gross proceeds of \$28,120.

*Shares issued for mineral property*

Pursuant to mineral property option agreement for the Roberts Gold Property, the Company issued 250,000 common shares valued at \$57,500 and 250,000 warrants allowing the holder to purchase an additional common share at a price of \$0.40 per share expiring October 26, 2012 with a fair value of \$22,660 using the Black-Scholes option pricing method with a volatility of 100%, risk free interest rate of 1.42%, an estimated useful life of 2 years and 0% annual dividend rate.

**Stock options**

The Company adopted a stock option plan under which it is authorized to grant options to officers, directors, employees and consultants enabling them to acquire common shares of the Company. The number of shares reserved for issuance under the plan shall not exceed 10% of the issued and outstanding common shares. The options can be granted for a maximum of 5 years and vest as determined by the board of directors. The exercise price of each option may not be less than the fair market value of the common shares.

Stock option transactions and the number of stock options outstanding are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding, September 1, 2010	1,265,000	\$ 0.24
Granted	100,000	0.35
Expired/cancelled	<u>(50,000)</u>	0.25
Outstanding, August 31, 2011	1,315,000	0.25
Granted	<u>775,000</u>	0.40
Outstanding, November 30, 2011	2,090,000	\$ 0.31
Exercisable, November 30, 2011	2,040,000	\$ 0.30

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**9. SHAREHOLDERS' EQUITY (cont'd...)**

**Stock options (cont'd...)**

Stock options outstanding at November 30, 2011 are as follows:

Number Of Options	Exercise Price	Expiry Date
240,000	\$ 0.20	April 14, 2014
975,000	0.25	November 23, 2014
100,000	0.35	March 1, 2016
775,000	0.40	October 27, 2016

**Warrants**

Warrants transactions and the number of warrants outstanding are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Outstanding, September 1, 2010	3,146,750	\$ 0.40
Exercised	(270,000)	0.40
Granted	3,048,667	0.40
Expired/cancelled	<u>(2,276,750)</u>	0.40
Outstanding, August 31, 2011	3,648,667	0.40
Granted	<u>125,000</u>	1.00
Outstanding, November 30, 2011	<u>3,773,667</u>	\$ 0.42
Exercisable, November 30, 2011	<u>3,773,667</u>	\$ 0.42

Warrants outstanding at November 30, 2011 are as follows:

Number of Warrants	Exercise Price	Expiry Date
600,000 <sup>A</sup>	\$ 0.40	May 14, 2012
1,132,000	0.40	September 3, 2012
250,000 <sup>A</sup>	0.40	October 26, 2012
1,666,667	0.40	November 9, 2012
125,000	1.00	October 21, 2014

(A) The warrants are subject to an accelerated exercise provision in the event the volume weighted average trading price exceeds \$0.60 for a period of 15 consecutive days.

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**9. SHAREHOLDERS' EQUITY (cont'd...)**

**Agent's warrants**

Agent's warrants transactions and the number of agent's warrants outstanding are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Outstanding, September 1, 2010	260,000	\$ 0.40
Exercised	(70,300)	0.40
Expired/cancelled	<u>(189,700)</u>	0.40
Outstanding, August 31, 2011 and November 30, 2011	-	\$ -

**Stock-based compensation**

During the three month period ended November 30, 2011, the Company granted 775,000 (2010 – Nil) stock options to directors, officers and a consultant exercisable at \$0.40 per share expiring on October 27, 2016. The estimated fair value of these options, using the Black-Scholes option pricing model, is \$0.17 (2010 - \$Nil). The estimated total fair value of vested stock options during the period was \$129,339 (2010 - \$Nil). This amount has been expensed as stock-based compensation in the statement of operations with a corresponding amount recorded as contributed surplus in shareholders' equity.

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted during the period:

	2011	2010
Risk-free interest rate	1.70%	-
Expected life of options	5 years	-
Annualized volatility	100%	-
Dividend rate	0.00%	-

**10. RELATED PARTY TRANSACTIONS**

**Trading transactions**

The Company entered into the following transactions with related parties during the three month period ended November 30, 2011:

- i) Paid or accrued \$21,341 (2010 - \$21,901) in consulting fees and \$2,560 (2010 - \$2,655) in office and general costs to a director of the Company.
- ii) Paid or accrued \$4,500 (2010 - \$4,500) in consulting fees to a company controlled by a director of the Company.
- iii) Paid or accrued \$5,000 (2010 - \$6,360) in professional fees to a company controlled by an officer of the Company.
- iv) Paid or accrued \$25,666 (2010 - \$Nil) in geological consulting fees to a director of the Company.
- v) Issued 200,000 common shares (2010 - Nil) valued at \$50,000 and 100,000 share purchase warrants (2010 – Nil) valued at \$8,551 to a director of the Company in relation to the acquisition of Medel Permit (Note 8).

Included in accounts payable and accrued liabilities as of November 30, 2011 is \$19,141 (August 31, 2011 - \$6,999) due to the above related parties.

The related party transactions have been in the normal course of operations and are recorded at their exchange amounts, which is the consideration agreed upon by the related party.

**Key Management Compensation**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's executive officers and Board of Director members.

During the three month period ended November 30, 2011, 550,000 (2010 - Nil) of total 775,000 stock options (Note 9) were granted to directors and officers. The fair value of \$91,789 (2010 - \$Nil) was recorded as stock-based compensation.

Other than disclosed above in the trading transactions, there were no other compensation paid to key management during the three month periods ended November 30, 2011 and 2010.

**11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

**Fair value**

IFRS 7 establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at November 30, 2011, the Company’s financial instruments are comprised of cash, amounts receivable and accounts payable, reclamation bonds and accrued liabilities. The carrying value of amounts receivable, reclamation bonds and accounts payable and accrued liabilities approximate their fair values due to the relatively short periods to maturity of these financial instruments.

Financial instruments measured at fair value on the statement of financial position are summarized in levels of fair value hierarchy as follows:

November 30, 2011

Assets	Level 1	Level 2	Level 3	Total
Cash	\$ 538,022	\$ -	\$ -	\$ 538,022

**Financial risk factors**

The Company has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk and market risk. Management, the Board of Directors and the Audit Committee monitor risk management activities and review the adequacy of such activities.

*Credit risk*

Credit risk is the risk of loss associated with a counterparty’s inability to fulfill its payment obligations. Management believes that the credit risk concentration with respect to financial instruments included in cash is remote. The Company’s receivables are mainly HST recoverable from the Canadian Government.

*Liquidity risk*

The Company’s approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when they come due. As at November 30, 2011, the Company had a cash balance of \$538,022 to settle current liabilities of \$87,105. All of the Company’s financial liabilities are subject to normal trade terms.

*Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, and commodity and equity prices. These fluctuations may be significant and the Company, as all other companies in its industry, has exposure to these risks.



**11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd...)**

(a) Interest rate risk

The Company has cash balances and no interest-bearing debt. The Company's current policy is to maintain cash in its banking institutions and does not believe interest rate risk to be significant.

(b) Price risk

The Company is not a producing entity so is not directly exposed to fluctuations in commodity prices. The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

(c) Foreign currency risk

The Company has two foreign subsidiaries whose operations are in the United States and Switzerland respectively, which exposes the Company to foreign exchange risk. The Company is subject to currency risk due to the fluctuations of exchange rates between the Canadian dollars, and United States dollars and Swiss Franc. The Company does not enter into derivative financial instruments to mitigate foreign exchange risk.

**12. CAPITAL MANAGEMENT**

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital that it manages as share capital, and cash.

The Company is in the exploration stage; as such the Company has historically relied on the equity markets to fund its activities. The Company will continue to assess new sources of financing available and to manage its expenditures to reflect current financial resources in the interest of sustaining long term viability.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company's capital management objectives, policies and processes have not been changed over the period presented. The Company is not subject to any externally imposed capital requirements.

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**13. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

Significant non-cash transactions during the three month period ended November 30, 2011 included:

- a) Exploration and evaluation assets of \$41,819 are accrued in accounts payable and accrued liabilities;
- b) the issuance of 250,000 common shares valued at \$62,500 and 250,000 warrants valued at \$10,688 for the acquisition of a mineral property.

Significant non-cash transactions during the three month period ended November 30, 2010 included:

- c) Exploration and evaluation assets of \$65,780 are accrued in accounts payable and accrued liabilities;
- d) the issuance of 250,000 common shares valued at \$57,500 and 250,000 warrants valued at \$22,660 for the acquisition of a mineral property.

**14. SEGMENTED INFORMATION**

The Company has one reportable operating segments, being the acquisition and exploration of mineral properties. The Company has mineral properties located geographically as follows:

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Exploration and evaluation assets	November 30, 2011	August 31, 2011
United States of America	\$ 1,331,592	\$ 1,263,645
Switzerland	<u>208,896</u>	<u>-</u>
Total	<u>\$ 1,540,488</u>	<u>\$ 1,263,645</u>

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**15. EVENTS SUBSEQUENT TO THE REPORTING PERIOD**

In December 2011, the Company issued 265,000 common shares and paid 40,000 Swiss francs for all data related to the Medel Permit. The Company also issued 35,000 common shares as a finder's fee regarding the Medel Permit.

**16. FIRST TIME ADOPTION OF IFRS**

The Company's financial statements for the year-ending August 31, 2012 are the first annual financial statements that will be prepared in accordance with IFRS. IFRS 1, First Time Adoption of International Financial Reporting Standards, requires that comparative financial information be provided. As a result, the first date at which the Company has applied IFRS was September 1, 2010 (the "Transition Date"). IFRS 1 requires first-time adopters to retrospectively apply all effective IFRS standards as of the reporting date, which for the Company will be August 31, 2012. However, it also provides for certain optional exemptions and certain mandatory exceptions for first IFRS adoption. Prior to transition to IFRS, the Company prepared its financial statements in accordance with pre-changeover Canadian GAAP.

**16. FIRST TIME ADOPTION OF IFRS (cont'd...)**

The IFRS1 applicable exemptions and exceptions applied in the conversion from pre-changeover Canadian GAAP to IFRS are as follows:

**OPTIONAL EXEMPTIONS**

**Share-based Payment Transactions**

The Company has elected not to retrospectively apply IFRS 2 to equity instruments that were granted and had vested before the Transition Date. As a result of applying this exemption, the Company will apply the provision of IFRS 2 only to all outstanding equity instruments that are unvested as at the Transition Date to IFRS. The Company did not have any unvested outstanding equity instruments as of the Transition Date.

**Currency translation differences**

Retrospective application of IFRS would require the Company to determine cumulative currency translation differences in accordance with IAS21, The Effects of Changes in Foreign Exchange Rates, from the date a subsidiary or equity method investee was formed or acquired. IFRS 1 permits cumulative translation gains and losses to be reset to zero at transition date. The Company elected to reset all cumulative translation gains and losses to zero in opening deficit at its transition date.

**MANDATORY EXCEPTIONS**

**Estimates**

The estimates previously made by the Company under pre-changeover Canadian GAAP were not revised for the application of IFRS except where necessary to reflect any difference in accounting policy or where there was objective evidence that those estimates were in error. As a result the Company has not used hindsight to revise estimates.

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**16. FIRST TIME ADOPTION OF IFRS (cont'd...)**

The reconciliation between the Canadian GAAP and IFRS statement of financial position as at September 1, 2010 (date of transition to IFRS) is provided below:

	September 1, 2010			
	Note	GAAP	Effect of transition to IFRS	IFRS
<b>ASSETS</b>				
<b>Current</b>				
Cash		\$ 655,573	\$ -	\$ 655,573
Accounts receivables		3,507	-	3,507
Prepaid expenses		<u>2,389</u>	<u>-</u>	<u>2,389</u>
		661,469	-	661,469
Reclamation bonds		23,490	-	23,490
Exploration and evaluation assets		<u>481,819</u>	<u>-</u>	<u>481,819</u>
<b>Total assets</b>		<b>\$ 1,166,778</b>	<b>\$ -</b>	<b>\$ 1,166,778</b>
<b>LIABILITIES</b>				
<b>Current</b>				
Accounts payable and accrued liabilities		<u>\$ 57,921</u>	<u>\$ -</u>	<u>\$ 57,921</u>
<b>EQUITY</b>				
Share capital		1,868,229	-	1,868,229
Contributed surplus		276,998	-	276,998
Other comprehensive loss	(b)	(190)	190	-
Deficit		<u>(1,036,180)</u>	<u>(190)</u>	<u>(1,036,370)</u>
		<u>1,108,857</u>	<u>-</u>	<u>1,108,857</u>
<b>Total liabilities and equity</b>		<b>\$ 1,166,778</b>	<b>\$ -</b>	<b>\$ 1,166,778</b>

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**16. FIRST TIME ADOPTION OF IFRS (cont'd...)**

The reconciliation between the Canadian GAAP and IFRS statement of financial position as at November 30, 2010 is provided below:

	November 30, 2010			
	Note	GAAP	Effect of transition to IFRS	IFRS
<b>ASSETS</b>				
<b>Current</b>				
Cash		\$ 384,828	\$ -	\$ 384,828
Accounts receivables		10,518	-	10,518
Prepaid expenses		<u>6,101</u>	<u>-</u>	<u>6,101</u>
		401,447	-	401,447
Reclamation bonds		32,682	-	32,682
Exploration and evaluation assets		<u>784,959</u>	<u>-</u>	<u>784,959</u>
<b>Total assets</b>		<u>\$ 1,219,088</u>	<u>\$ -</u>	<u>\$ 1,219,088</u>
<b>LIABILITIES</b>				
<b>Current</b>				
Accounts payable and accrued liabilities		<u>\$ 102,443</u>	<u>\$ -</u>	<u>\$ 102,443</u>
<b>EQUITY</b>				
Share capital		1,925,729	-	1,925,729
Contributed surplus		299,658	-	299,658
Other comprehensive loss	(b)	(190)	190	-
Deficit		<u>(1,108,552)</u>	<u>(190)</u>	<u>(1,108,742)</u>
		<u>1,116,645</u>	<u>-</u>	<u>1,116,645</u>
<b>Total liabilities and equity</b>		<u>\$ 1,219,088</u>	<u>\$ -</u>	<u>\$ 1,219,088</u>

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**16. FIRST TIME ADOPTION OF IFRS (cont'd...)**

The reconciliation between the Canadian GAAP and IFRS statement of financial position as at August 31, 2011 is provided below:

	August 31, 2011			
	Note	GAAP	Effect of transition to IFRS	IFRS
<b>ASSETS</b>				
<b>Current</b>				
Cash		\$ 939,896	\$ -	\$ 939,896
Accounts receivables		20,883	-	20,883
Prepaid expenses		<u>8,225</u>	<u>-</u>	<u>8,225</u>
		969,004	-	969,004
Reclamation bonds		49,732	-	49,732
Exploration and evaluation assets		<u>1,263,645</u>	<u>-</u>	<u>1,263,645</u>
<b>Total assets</b>		<b>\$ 2,282,381</b>	<b>\$ -</b>	<b>\$ 2,282,381</b>
<b>LIABILITIES</b>				
<b>Current</b>				
Accounts payable and accrued liabilities		<u>\$ 142,135</u>	<u>\$ -</u>	<u>\$ 142,135</u>
<b>EQUITY</b>				
Share capital		3,716,659	-	3,716,659
Contributed surplus		314,517	-	314,517
Other comprehensive loss	(b)	(190)	190	-
Deficit		<u>(1,890,740)</u>	<u>(190)</u>	<u>(1,890,930)</u>
		<u>2,140,246</u>	<u>(21,330)</u>	<u>2,140,246</u>
<b>Total liabilities and equity</b>		<b>\$ 2,282,381</b>	<b>\$ -</b>	<b>\$ 2,282,381</b>

**16. FIRST TIME ADOPTION OF IFRS (cont'd...)**

There are no significant differences between IFRS and Canadian GAAP in connection with the Company's statements of comprehensive loss and cash flows for the three month period ended November 30, 2010 or for the year ended August 31, 2011.

**a) Share-based payments**

Under Canadian GAAP, the Company measured share-based compensation related to share purchase options at fair value of the share purchase options granted using the Black-Scholes option pricing formula and recognized this expense over the vesting period of the options. Forfeitures are recognized as they occur.

IFRS 2, similar to GAAP, requires the Company to measure share-based compensation related to share purchase options granted to employees at the fair value of the share purchase options on the date of grant and to recognize such expense over the vesting period of the options. However, for share purchase options granted to non-employees, IFRS requires that share-based compensation be measured at the fair value of the services received unless the fair value cannot be reliably measured.

Under IFRS 2, each tranche of an award with different vesting dates is considered a separate grant for the calculation of fair value, and the resulting fair value is amortized over the vesting period of the respective tranches.

Prior to 2010, the Company used the straight-line method of calculating vested options. The fair value of stock-based awards with graded vesting feature was calculated as one grant and the resulting fair value was recognized on a straight-line basis over the vesting period. In 2010, the Company changed from the straight-line method to the graded-vesting method.

The adjustments were calculated only for unvested share purchase options issued and outstanding as of and after the Transition Date. As a result, no difference is recognized under IFRS as all options outstanding as of the Transition Date were vested.

**b) Accumulative other comprehensive income**

The Company has \$190 in accumulative other comprehensive income which was carried from the period ended August 31, 2009, due to the translation of the subsidiary from the United States dollars to Canadian dollars. IFRS 1 permits cumulative translation gains and losses to be reset to zero at transition date. The Company elected to reset all cumulative translation gains and losses to zero in opening deficit at its transition date.