

NV GOLD CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2012
(Expressed in Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
NV Gold Corporation

We have audited the accompanying consolidated financial statements of NV Gold Corporation, which comprise the consolidated statements of financial position as at August 31, 2012, August 31, 2011 and September 1, 2010, and the consolidated statements of comprehensive loss, changes in shareholders' equity and cash flows for the years ended August 31, 2012 and August 31, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of NV Gold Corporation as at August 31, 2012, August 31, 2011 and September 1, 2010 and its financial performance and its cash flows for the years ended August 31, 2012 and August 31, 2011 in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about the ability of NV Gold Corporation to continue as a going concern.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Accountants

December 19, 2012

NV GOLD CORPORATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
AS AT

	August 31, 2012	August 31, 2011 (Note 16)	September 1, 2010 (Note 16)
ASSETS			
Current			
Cash	\$ 123,136	\$ 939,896	\$ 655,573
Accounts receivable	873	20,883	3,507
Prepaid expenses	<u>-</u>	<u>8,225</u>	<u>2,389</u>
	124,009	969,004	661,469
Reclamation bonds (Note 5)	31,295	49,732	23,490
Exploration and evaluation assets (Note 6)	<u>1,402,117</u>	<u>1,263,645</u>	<u>481,819</u>
	<u>\$ 1,557,421</u>	<u>\$ 2,282,381</u>	<u>\$ 1,166,778</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current			
Accounts payable and accrued liabilities (Note 7)	\$ 44,903	\$ 135,136	\$ 52,921
Due to related parties (Note 9)	<u>72,553</u>	<u>6,999</u>	<u>5,000</u>
	<u>117,456</u>	<u>142,135</u>	<u>57,921</u>
Shareholders' equity			
Share capital (Note 8)	3,839,159	3,716,659	1,868,229
Share-based payments reserve (Note 8)	462,759	314,517	276,998
Deficit	<u>(2,861,953)</u>	<u>(1,890,930)</u>	<u>(1,036,370)</u>
	<u>1,439,965</u>	<u>2,140,246</u>	<u>1,108,857</u>
	<u>\$ 1,557,421</u>	<u>\$ 2,282,381</u>	<u>\$ 1,166,778</u>

Nature of operations (Note 1)

Basis of presentation (Note 2)

Events subsequent to the reporting period (Note 15)

On behalf of the Board
on December 19, 2012

“John E. Watson”

Director

“Wayne Yang”

Director

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

NV GOLD CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)
YEAR ENDED AUGUST 31

	2012	2011
		(Note 16)
EXPENSES		
Advertising and promotion	\$ 20,932	\$ 43,689
Bank charges and interest	1,779	1,336
Consulting	161,782	267,416
Office and general	35,816	23,243
Professional fees	132,126	154,947
Property investigation	11,579	49,886
Registration and filing	11,975	11,486
Shareholder costs	5,237	4,372
Share-based compensation (Note 8)	137,554	20,827
Transfer agent	7,006	7,637
Travel and related	74,908	38,416
Loss before other items	<u>(600,694)</u>	<u>(623,255)</u>
OTHER ITEMS		
Foreign exchange loss	(10,449)	(35,462)
Interest income	3,962	5,439
Write-off of exploration and evaluation assets (Note 6)	<u>(363,842)</u>	<u>(201,282)</u>
	<u>(370,329)</u>	<u>(231,305)</u>
Loss and comprehensive loss for the year	<u>\$ (971,023)</u>	<u>\$ (854,560)</u>
Basic and diluted loss per common share	<u>\$ (0.05)</u>	<u>\$ (0.05)</u>
Weighted average number of shares outstanding	<u>21,225,032</u>	<u>17,081,088</u>

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

NV GOLD CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars)
AUGUST 31, 2012

	Share Capital		Share-based Payments Reserve	Deficit	Total Shareholders' Equity
	No. of Shares	Amount			
Balance, September 1, 2010 (Note 16)	14,606,660	\$ 1,868,229	\$ 276,998	\$ (1,036,370)	\$ 1,108,857
Private placement	5,597,334	1,679,200	-	-	1,679,200
Exercise of warrants	340,300	142,088	(5,968)	-	136,120
Shares and warrants issued for exploration and evaluation assets	250,000	57,500	22,660	-	80,160
Share-based compensation	-	-	20,827	-	20,827
Issue cost	-	(30,358)	-	-	(30,358)
Loss for the year	-	-	-	(854,560)	(854,560)
Balance, August 31, 2011 (Note 16)	20,794,294	\$ 3,716,659	\$ 314,517	\$ (1,890,930)	\$2,140,246
Shares and warrants issued for exploration and evaluation assets	250,000	62,500	10,688	-	73,188
Share-based compensation	-	-	137,554	-	137,554
Common shares for finder's fee on Medel Permit	35,000	7,000	-	-	7,000
Common shares for Medel Permit technical data	265,000	53,000	-	-	53,000
Loss for the year	-	-	-	(971,023)	(971,023)
Balance, August 31, 2012	21,344,294	\$ 3,839,159	\$ 462,759	\$ (2,861,953)	\$1,439,965

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

NV GOLD CORPORATION
COSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
AS AT AUGUST 31

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	\$ (971,023)	\$ (854,560)
Items not affecting cash		
Write-off of reclamation deposit	2,233	-
Share-based compensation	137,554	20,827
Write-off of exploration and evaluation assets	363,842	201,282
Change in non-cash working capital items:		
Decrease (increase) in accounts receivable	20,010	(17,376)
Decrease (increase) in prepaid expenses	8,225	(5,836)
(Decrease) increase in accounts payable and accrued liabilities and due to related parties	<u>68,358</u>	<u>2,992</u>
Net cash used in operating activities	<u>(370,801)</u>	<u>(652,671)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
(Purchase) refund of reclamation bonds	16,204	(26,242)
Exploration and evaluation assets	(480,471)	(821,726)
Recoveries on exploration and evaluation assets	<u>18,308</u>	<u>-</u>
Net cash used in investing activities	<u>(445,959)</u>	<u>(847,968)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of capital stock	-	1,815,320
Share issue costs	<u>-</u>	<u>(30,358)</u>
Net cash provided by financing activities	<u>-</u>	<u>1,784,962</u>
Change in cash during the year	(816,760)	284,323
Cash, beginning of year	<u>939,896</u>	<u>655,573</u>
Cash, end of year	<u>\$ 123,136</u>	<u>\$ 939,896</u>

Supplemental disclosures with respect to cash flows (Note 12)

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

NV GOLD CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
AUGUST 31, 2012

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) Inc. (“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, British Columbia, Canada, V7Y 1G5.

2. BASIS OF PREPARATION

a) Statement of Compliance

The financial statements of the Company for the year ending August 31, 2012 have been 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 consolidated financial statements are the Company’s first annual financial statements prepared under IFRS and IFRS 1, *First-time Adoption of International Financial Reporting Standards* (“IFRS 1”) with a transition date to IFRS of September 1, 2010. Consequently, the comparative figures for fiscal 2011 and the Company’s statement of financial position as at September 1, 2010, have been restated from Canadian GAAP to comply with IFRS. The reconciliations to IFRS from the previously published Canadian GAAP financial statements are summarized in Note 16.

b) Basis of Measurement

These consolidated financial statements have been prepared on a historical cost 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, these financial statements have been prepared using the accrual basis of accounting.

NV GOLD CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
AUGUST 31, 2012

2. BASIS OF PREPARATION (cont'd...)

b) Basis of Measurement (cont'd...)

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

The preparation of these 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.

c) Going Concern of Operations

The Company has not generated revenue from operations. The Company incurred a net loss of \$971,023 during the year ended August 31, 2012 and, as of that date the Company's deficit was \$2,861,953. 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. 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. These material uncertainties may cast significant doubt about the Company's ability to continue as a going concern.

	August 31, 2012	August 31, 2011
Working capital	\$ 6,553	\$ 826,869
Deficit	(2,861,953)	(1,890,930)

3. SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

These 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	
			2012	2011
NV Gold Corporation(USA) Inc. ("NV Gold USA")	Nevada, USA	Exploration	100%	100%
SwissGold Exploration AG ("SwissGold")	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. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All inter-company balances and transactions have been eliminated upon consolidation.

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

Financial instruments

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of comprehensive loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statement of comprehensive loss.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in the statement of comprehensive loss.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was incurred. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of comprehensive loss.

Other financial liabilities: This category includes amounts due to related parties and accounts payable and accrued liabilities, all of which are recognized at amortized cost.

The Company has classified its cash as fair value through profit or loss. The Company's accounts receivable are classified as loans and receivables. The Company's accounts payable and accrued liabilities and due to related parties are classified as other financial liabilities.

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

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 include 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.

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.

At the end of each reporting period, the Company's exploration and evaluation assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Reclamation bonds

Cash which is subject to contractual restrictions on use is classified separately as reclamation bonds.

NV GOLD CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
AUGUST 31, 2012

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 does not recognize the asset.

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 offset 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 is measured on the date of grant using the Black-Scholes option pricing model and is charged to the statement of comprehensive loss 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 over the remaining vesting period.

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.

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 the Black-Scholes option pricing 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.

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

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

All equity-settled share-based payments are reflected in share-based payments reserve until exercised. Upon exercise, shares are issued from treasury and the amount reflected in share-based payments reserve 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. The Company had no rehabilitation obligations as at August 31, 2012, August 31, 2011 or September 1, 2010.

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. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. An amount equivalent to the discounted provision is capitalized within tangible fixed assets and is depreciated over the useful lives of the related assets. The increase in the provision due to passage of time is recognized as interest expense.

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.

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

Earning/Loss per share (cont'd...)

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.

New Standards Not Yet Adopted

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting years beginning after January 1, 2013 or later years. Early adoption of either IFRS 10, 11 or 12 is permitted but requires the concurrent adoption of the other two standards.

IFRS 9, “Financial Instruments”, is part of the IASB’s wider project to replace IAS 39, “Financial Instruments: Recognition and Measurement.” IFRS 9 retains but simplifies the mixed measurement model and established two primary measurement categories for financial assets; amortized cost and fair value. The basis of classification depends on the entity’s business model and the contractual cash flow characteristics of the financial asset. The standard is effective for the Company on or after January 1, 2015. The Company will continue to evaluate and monitor the developments of this new standard.

IFRS 10, “Consolidated Financial Statements”, establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. The standard builds on the existing principles of ‘control’ by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. There will be no significant impact on the Company upon implementation of the issued standard.

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

New Standards Not Yet Adopted (cont'd...)

IFRS 11, "Joint Arrangements", provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form (as is currently the case). The standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities. The Company anticipates reviewing all existing arrangements for classification, particularly our mineral property agreements and may require assistance from its external advisors.

IFRS 12, "Disclosure of Interests in Other Entities", is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. The Company anticipates reviewing all existing arrangements for classification, particularly our mineral property agreements and may require assistance from its external advisors.

IFRS 13, "Fair Value Measurements", is a new comprehensive standard on measuring and disclosing fair value and will supersede all other fair value guidance in IFRS. The Company anticipates reviewing all existing fair valued accounts and may require assistance from its external auditors.

IAS 1, "Presentation of other comprehensive income" In June 2011, the IASB issued amendments to IAS 1, "Presentation of Financial Statements" to: (a) require companies to group together items within other comprehensive income ("OCI") that may be reclassified to the statement of loss; and (b) require tax associated with items presented before tax to be shown separately for each of the two groups of OCI items (without changing the option to present items of OCI either before tax or net of tax). The amendments also reaffirm existing requirements that items in OCI and income or loss should be presented as either a single statement or two separate statements.

IAS 28, "Investments in Associates and Joint Ventures (Amended in 2011)", IAS 28 (2011), "Investments in Associates and Joint Ventures", supersedes IAS 28 "Investments in Associates" and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The Standard defines 'significant influence' and provides guidance on how the equity method of accounting is to be applied (including exemptions from applying the equity method in some cases). It also prescribes how investments in associates and joint ventures should be tested for impairment. The amended standard is effective for annual periods beginning on or after January 1, 2013. Entities early adopting this standard must also adopt the other standards included in the 'suite of five' standards on consolidation, joint arrangements and disclosures: IFRS 10, "Consolidated Financial Statements", IFRS 11, "Joint Arrangements", IFRS 12, "Disclosure of Interests in Other Entities" and IAS 27 (2011), "Separate Financial Statements".

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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.

NV GOLD CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
AUGUST 31, 2012

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (cont'd...)

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 expenditures 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 may change if new information becomes available. If, after expenditures are capitalized, information becomes available suggesting that the recovery of expenditures is unlikely, the amount capitalized is written off in 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.

c) Share-based compensation

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 8.

5. RECLAMATION BONDS

The Company's refundable reclamation bonds are comprised of the following:

	August 31, 2012	August 31, 2011	September 1, 2010
Afgan-Kobeh property	\$ 18,183	\$ 18,248	\$ 23,490
Fisher Canyon property	4,016	22,356	-
Roberts Gold property	9,096	9,128	-
Total	\$ 31,295	\$ 49,732	\$ 23,490

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6. EXPLORATION AND EVALUATION ASSETS

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

For the year ended August 31, 2012	Swiss Permits	Afgan- Kobeh Property	Roberts Gold Property	Total
Acquisition costs				
Balance, August 31, 2011	\$ -	\$ 415,234	\$ 97,424	\$ 512,658
Additions	<u>80,188</u>	<u>-</u>	<u>20,322</u>	<u>100,510</u>
	80,188	415,234	117,746	613,168
Less: write-offs	<u>(80,188)</u>	<u>-</u>	<u>(117,746)</u>	<u>(197,934)</u>
Total acquisition cost, August 31, 2012	<u>-</u>	<u>415,234</u>	<u>-</u>	<u>415,234</u>
Exploration costs				
Balance, August 31, 2011	<u>-</u>	<u>670,529</u>	<u>80,458</u>	<u>750,987</u>
Additions:				
Assays	32,119	36,190	-	68,309
Claim filing and registration	-	17,053	7,643	24,696
Drilling and related	5,445	-	-	5,445
Geological consulting	152,073	9,124	1,835	163,032
Land management	1,601	5,155	245	7,001
Maps and data	97,480	-	-	97,480
Materials and supplies	2,846	(73)	124	2,897
Meals and lodging	11,977	335	-	12,312
Sample storage	653	41	-	694
Site access	30,222	-	-	30,222
Travel and transport	<u>3,751</u>	<u>4,273</u>	<u>-</u>	<u>8,024</u>
	338,167	72,098	9,847	420,112
Recovery of costs	<u>-</u>	<u>(9,369)</u>	<u>(8,939)</u>	<u>(18,308)</u>
	338,167	62,729	908	401,804
Less: write-offs	<u>(84,542)</u>	<u>-</u>	<u>(81,366)</u>	<u>(165,908)</u>
Total exploration costs, August 31, 2012	<u>253,625</u>	<u>733,258</u>	<u>-</u>	<u>986,883</u>
Total exploration and evaluation assets, August 31, 2012	\$ 253,625	\$ 1,148,492	\$ -	\$ 1,402,117

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6. EXPLORATION AND EVALUATION ASSETS (cont'd...)

For the year ended August 31, 2011	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, August 31, 2011	\$ -	\$ 1,085,763	\$ 177,882	\$ 1,263,645

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.

Swiss Permits (Switzerland)

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.

6. EXPLORATION AND EVALUATION ASSETS (cont'd...)

Swiss Permits (Switzerland) (cont'd...)

The Company issued 265,000 common shares valued at \$53,000 and paid 40,000 Swiss francs for all data related to the Medel Permit. The Company also issued 35,000 common shares valued at \$7,000 as a finder's fee for the Medel Permit. As of August 31, 2012, the Company recorded a write-off of \$164,730 in acquisition and exploration costs related to the Medel Permit that had expired. In addition to the Medel Permit, during the year ended August 31, 2012 the Company applied for permits to explore contiguous areas in the communities of Disentis/Muster, Sumvitg and Trun and was subsequently granted five-year exploration permits. See Note 15, Events subsequent to the reporting period.

Afgan-Kobeh Property (Nevada, USA)

During fiscal 2012, the Company entered into an agreement with Gold Standard Royalty (Nevada) Inc., ("Gold Standard") to acquire a 100% interest in the Afgan-Kobeh property 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 (Nevada, USA)

During fiscal 2011, the Company entered into 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. During the year ended August 31, 2012, the Company determined that the project was not economically feasible and abandoned its plan to develop the project. As a result, it charged \$199,112 in costs incurred on the project to operations.

Shamrock (Cobre) Copper Property (New Mexico, USA)

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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7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities for the Company are comprised of the following:

	August 31, 2012	August 31, 2011	September 1, 2010
Accrued liabilities	\$ 37,000	\$ 30,000	\$ 35,000
Trade payables	<u>7,903</u>	<u>105,136</u>	<u>17,921</u>
Total	<u>\$ 44,903</u>	<u>\$ 135,136</u>	<u>\$ 52,921</u>

8. SHAREHOLDERS' EQUITY

Authorized:

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

During the year ended August 31, 2012, the Company:

- Issued 250,000 common shares to acquire the Medel Permit (Note 6)
- Issued 35,000 common shares as a finder's fee for the Medel Permit (Note 6)
- Issued 265,000 common shares for the acquisition of technical data on the Medel Permit (Note 6)

Shares held in escrow

As at August 31, 2012, there are 840,000 common shares held in escrow which are subject to an escrow agreement with 840,000 shares being released from escrow every six months.

During the year ended August 31, 2011, the following shares were 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 \$679,200. Each Unit was 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 was 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.

- 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.

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8. SHAREHOLDERS' EQUITY (cont'd...)

During the year ended August 31, 2011, the following shares were issued: (cont'd...)

c) Shares issued for mineral property

Pursuant to the 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	775,000	0.40
Expired/cancelled	<u>(400,000)</u>	0.34
Outstanding, August 31, 2012	1,690,000	\$ 0.30
Exercisable, August 31, 2012	1,690,000	\$ 0.30

Stock options outstanding at August 31, 2012 are as follows:

Number Of Options	Exercise Price	Expiry Date
240,000	\$ 0.20	April 14, 2014
800,000	\$ 0.25	November 23, 2014
650,000	\$ 0.40	October 27, 2016

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8. SHAREHOLDERS' EQUITY (cont'd...)

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	125,000	1.00
Expired/cancelled	<u>(600,000)</u>	0.40
Outstanding, August 31, 2012	3,173,667	\$ 0.42
Exercisable, August 31, 2012	3,173,667	\$ 0.42

Warrants outstanding at August 31, 2012 are as follows:

Number of Warrants	Exercise Price	Expiry Date
1,132,000	\$ 0.40	September 3, 2012 ^(C)
250,000 ^(A)	\$ 0.40	October 26, 2012 ^(C)
1,666,667	\$ 0.40	November 9, 2012 ^(C)
125,000 ^(B)	\$ 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.

(B) The warrants are subject to an accelerated exercise provision in the event the volume weighted average trading price exceeds \$2.00 for a period of 20 consecutive days.

(C) These warrants expired unexercised subsequent to the period.

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8. SHAREHOLDERS' EQUITY (cont'd...)

Agent's warrants

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

	Number of Agent's 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 August 31, 2012	-	\$ -

Share-based compensation

During the year ended August 31, 2012, the Company recognized \$137,554 (2011 - \$20,827) in share-based compensation on stock options that vested during the current year. The Company granted 775,000 (2011 - 100,000) stock options valued at \$132,350 (2011 - \$26,363). The Company has an unamortized share-based compensation balance of \$332 (2011 - \$5,536) to be recognized. The fair value of share-based compensation was calculated using the Black-Scholes option-pricing model.

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

	August 31, 2012	August 31, 2011
Risk-free interest rate	1.70%	2.61%
Expected life of options	5 years	5 years
Annualized volatility	100%	100%
Dividend rate	0.00%	0.00%

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9. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties during the year ended August 31, 2012:

- i) Paid or accrued \$83,982 (2011 - \$84,810) in consulting fees and \$10,212 (2011 - \$10,151) in office and general costs to a director of the Company.
- ii) Paid or accrued \$9,000 (2011 - \$18,000) in consulting fees to a company controlled by a former director of the Company.
- iii) Paid or accrued \$31,489 (2011 - \$34,315) in professional fees to a company controlled by an officer of the Company.
- iv) Paid or accrued \$60,221 (2011 - \$22,356) in fees to a company controlled by a director of the Company of which \$53,021 (2011 - \$22,356) have been capitalized as geological consulting fees and \$7,200 (2011 - \$Nil) have been expensed as property investigation.
- v) Paid or accrued \$68,601 (2011 - \$Nil) in consulting fees to a director of the subsidiary of the Company.
- vi) Issued 200,000 common shares (2011 - Nil) valued at \$50,000 (2011 - \$Nil) and 100,000 share purchase warrants (2011 - Nil) valued at \$8,551 (2011 - \$Nil) to a director of the Company in relation to the acquisition of the Swiss Permits (Note 6).

Included in accounts payable and accrued liabilities as of August 31, 2012 is \$72,553 (August 31, 2011 - \$6,999, September 1, 2010 - \$5,000) due to a director, a company controlled by a director and a company controlled by an officer.

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 includes the Company's executive officers and Board of Director members.

During the year ended August 31, 2012, 650,000 (2011 - Nil) of the 775,000 total stock options granted (Note 8) were granted to directors and officers. The fair value of \$111,020 (2011 - \$Nil) was recorded as share-based compensation.

Other than disclosed above, there was no other compensation paid to key management during the year ended August 31, 2012 and August 31, 2011.

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value

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

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd...)

Fair value (cont'd...)

- 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 August 31, 2012, the Company's financial instruments are comprised of cash, accounts receivable, accounts payable and accrued liabilities and due to related parties. Cash is carried at fair value using a level 1 fair value measurement. The carrying value of accounts receivable, accounts payable and accrued liabilities and due to related parties approximate their fair values due to the relatively short periods to maturity of these financial instruments.

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 consist of 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 August 31, 2012, the Company had a cash balance of \$123,136 to settle current liabilities of \$117,456. 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.

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd...)

Financial risk factors (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 dollar, United States dollar and the Swiss Franc. The Company does not enter into derivative financial instruments to mitigate foreign exchange risk.

11. 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.

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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12. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash transactions during the year ended August 31, 2012 included:

- a) exploration and evaluation assets of \$4,928 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.
- c) the issuance of 35,000 common shares valued at \$7,000 as a finder's fee for the Medel Permit.
- d) the issuance of 265,000 common shares valued at \$53,000 for the acquisition of technical data for the Medel Permit.

Significant non-cash transactions during the year ended August 31, 2011 included:

- a) exploration and evaluation assets of \$97,965 are accrued in accounts payable and accrued liabilities;
- b) 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.

13. SEGMENTED INFORMATION

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

Exploration and evaluation assets	August 31, 2012	August 31, 2011	September 1, 2010
United States of America	\$ 1,148,492	\$ 1,263,645	\$ 481,819
Switzerland	<u>243,652</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,392,144</u>	<u>\$ 1,263,645</u>	<u>\$ 481,819</u>

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14. INCOME TAXES

A reconciliation of income taxes at statutory rates is as follows:

	2012	2011
Income (loss) for the period before income tax	\$ (971,023)	\$ (854,560)
Expected income tax (recovery)	\$ (248,000)	\$ (232,000)
Change in statutory, foreign tax, foreign exchange rates and other	(70,000)	11,000
Permanent difference	36,000	6,000
Share issue cost	-	(8,000)
Change in unrecognized deductible temporary differences	<u>282,000</u>	<u>223,000</u>
Total income tax (recovery)	\$ -	\$ -

Significant components of deductible and taxable differences and unused tax losses that have not been included in the statement of financial position are as follows:

	2012	2011	Expiry Dates
Exploration and evaluation assets	\$ 1,419,000	\$ 801,000	No expiry date
Canadian eligible capital (CEC)	1,000	1,000	No expiry date
Share issue costs	131,000	204,000	2033 – 2036
Non-capital losses	<u>1,851,000</u>	<u>1,316,000</u>	<u>2019 – 2032</u>
Canada	1,651,000	1,246,000	2019 – 2032
USA	80,000	70,000	2029 – 2032
Switzerland	120,000	-	

15. EVENTS SUBSEQUENT TO THE REPORTING PERIOD

The Company's Swiss subsidiary, SwissGold, has been granted five-year exploration permits for gold and precious metals in the communities of Disentis/Muster, Sumvitg and Trun in Switzerland. The exploration permits are renewable for two additional 5-year terms. Under the terms of the exploration permits, the Company must pay an initial fee for the permits of Swiss Francs 7,500, pay an annual fee of Swiss Francs 4,500 and incur exploration expenditures of Swiss Francs of 100,000 per year to maintain the permits in good standing. In conjunction with the granting of the exploration permits, the Company will acquire all of the common shares of Minalp, SA ("Minalp") and any mining rights vested in Minalp by paying Swiss Francs 50,000. The Company will also issue Minalp 150,000 common shares to acquire technical information in respect of the exploration permits. The granting of the exploration permits and the acquisition of Minalp are subject to regulatory approval.

16. TRANSITION TO IFRS

As stated in Note 2, these are the Company's first annual consolidated financial statements prepared in accordance with IFRS. An explanation of how the transition from previous Canadian GAAP to IFRS has affected the Company's financial position and comprehensive loss is set out in this note.

The accounting policies set out in Note 3 have been applied in preparing the consolidated financial statements for the year ended August 31, 2012, the comparative information presented in these consolidated financial statements for the year ended August 31, 2011 and in the preparation of an opening IFRS statement of financial position at September 1, 2010 (the Company's date of transition).

FIRST TIME ADOPTION OF IFRS (IFRS 1)

The Company adopted IFRS on September 1, 2011 with a transition date of September 1, 2010. Under IFRS 1 *First time adoption of International Financial Reporting Standards* (IFRS 1), the IFRS standards are applied retrospectively at the transition date with all adjustments to assets and liabilities as stated under GAAP taken to deficit, with IFRS 1 providing for certain optional and mandatory exemptions to this principle.

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 IAS 21, *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.

Terminology

In accordance with IFRS 1, **mineral properties and deferred exploration costs** were renamed **exploration and evaluation assets**.

In accordance with IFRS 1, **contributed surplus** was renamed **share-based payments reserve**.

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16. TRANSITION TO 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
ASSETS				
Current				
Cash		\$ 655,573	\$ -	\$ 655,573
Accounts receivable		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>
Total assets		<u>\$ 1,166,778</u>	<u>\$ -</u>	<u>\$ 1,166,778</u>
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Accounts payable and accrued liabilities		\$ 52,921	\$ -	\$ 52,921
Due to related parties		<u>5,000</u>	<u>-</u>	<u>5,000</u>
		<u>57,921</u>	<u>-</u>	<u>57,921</u>
Shareholders' equity				
Share capital		1,868,229	-	1,868,229
Share-based payments reserve		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>
Total liabilities and shareholders' equity		<u>\$ 1,166,778</u>	<u>\$ -</u>	<u>\$ 1,166,778</u>

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16. TRANSITION TO 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
ASSETS				
Current				
Cash		\$ 939,896	\$ -	\$ 939,896
Accounts receivable		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>
Total assets		<u>\$ 2,282,381</u>	<u>\$ -</u>	<u>\$2,282,381</u>
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Accounts payable and accrued liabilities		\$ 135,136	\$ -	\$ 135,136
Due to related parties		<u>6,999</u>	<u>-</u>	<u>6,999</u>
		<u>142,135</u>	<u>-</u>	<u>142,135</u>
Shareholders' equity				
Share capital		3,716,659	-	3,716,659
Share-based payments reserve		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>-</u>	<u>2,140,246</u>
Total liabilities and shareholders' equity		<u>\$ 2,282,381</u>	<u>\$ -</u>	<u>\$2,282,381</u>

16. TRANSITION TO 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 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 model and recognized this expense over the vesting period of the options. Forfeitures are recognized as they occur.

IFRS 2, similar to Canadian 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 a 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) Accumulated other comprehensive income

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