



NEVADA SUNRISE GOLD CORPORATION

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

FOR THE SIX MONTHS ENDED

MARCH 31, 2012

(PRESENTED IN CANADIAN DOLLARS)

NEVADA SUNRISE GOLD CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Presented in Canadian Dollars)
(Unaudited)

	Note	March 31, 2012	September 30, 2011 (Note 13)	October 1, 2010 (Note 13)
ASSETS				
Non Current Assets				
Other Assets		\$ 3,479	\$ 3,602	\$ 3,591
Equipment	5	19,440	23,640	33,202
Exploration and Evaluations Assets	6	<u>2,337,561</u>	<u>2,385,410</u>	<u>2,580,601</u>
		<u>2,360,480</u>	<u>2,412,652</u>	<u>2,617,394</u>
Current Assets				
Other Current Assets		9,569	12,395	4,632
Due from Related Parties	8	2,693	2,789	-
Cash		<u>2,263,983</u>	<u>137,339</u>	<u>62,680</u>
		<u>2,276,245</u>	<u>152,523</u>	<u>67,312</u>
Total Assets		\$ 4,636,725	\$ 2,565,175	\$ 2,684,706
EQUITY AND LIABILITIES				
Equity				
Share Capital	7	\$ 10,341,446	\$ 7,688,065	\$ 6,371,766
Contributed Reserves	7	1,477,237	840,030	712,018
Subscriptions received in advance		-	-	45,000
Accumulated other comprehensive income (loss)		(29,414)	13,192	(2,620)
Deficit		<u>(8,083,709)</u>	<u>(6,573,350)</u>	<u>(5,301,203)</u>
		<u>3,705,560</u>	<u>1,967,937</u>	<u>1,824,961</u>
Current Liabilities				
Due to related Parties	8	-	155	51,449
Convertible note payable	11	781,124	496,132	696,457
Accounts Payable and accrued liabilities		<u>150,041</u>	<u>100,951</u>	<u>111,839</u>
		<u>931,165</u>	<u>597,238</u>	<u>859,745</u>
Total equity and liabilities		\$ 4,636,725	\$ 2,565,175	\$ 2,684,706

Nature and continuance of operations	1
Commitment	10
Subsequent Events	12

These consolidated condensed interim financial statements are authorized for issue by the Board of Directors on May 25, 2012. They are signed on the Company's behalf by:

Approved by the Directors:

"William B. Henderson" Director "Warren Stanyer" Director

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

NEVADA SUNRISE GOLD CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Presented in Canadian Dollars)
(Unaudited)

	Six Months Ended March 31, 2012	Six Months Ended March 31, 2011 (Note 13)	Three Months Ended March 31, 2012	Three Months Ended March 31, 2011 (Note 13)
GENERAL AND ADMINISTRATIVE EXPENSES				
Business insurance	\$ 9,408	\$ 18,679	\$ 5,188	\$ 6,388
Consulting	57,492	177,642	31,287	40,255
Depreciation	5,109	6,842	2,569	3,376
Exploration costs (Note 6)	286,515	37,536	127,850	37,319
Marketing	23,220	43,681	14,198	32,450
Professional fees	53,778	49,775	52,168	42,607
Property Investigation	-	1,900	-	1,900
Rent and office expenses	71,465	57,354	32,920	33,907
Salaries and benefits	101,555	90,196	54,689	52,414
Share-based compensation (Note 7(d))	446,807	64,784	439,737	26,541
Travel and entertainment	<u>7,506</u>	<u>6,220</u>	<u>5,803</u>	<u>755</u>
Loss before other items	<u>(1,062,855)</u>	<u>(554,609)</u>	<u>(766,409)</u>	<u>(277,912)</u>
OTHER ITEMS				
Finance (Costs)/Income (Note 11)	(414,704)	11,801	(359,477)	7,308
Foreign exchange gain (loss)	(13,262)	8,222	(15,879)	3,474
Interest expense	<u>(19,538)</u>	<u>(24,114)</u>	<u>(9,219)</u>	<u>(11,341)</u>
	<u>(447,504)</u>	<u>(4,091)</u>	<u>(384,575)</u>	<u>(554)</u>
Loss for the period	<u>(1,510,359)</u>	<u>(558,700)</u>	<u>(1,150,984)</u>	<u>(278,471)</u>
Translation adjustment	<u>(42,606)</u>	<u>(125,116)</u>	<u>(13,229)</u>	<u>(63,225)</u>
Comprehensive loss for the period	<u>\$ (1,552,965)</u>	<u>\$ (683,816)</u>	<u>\$ (1,164,213)</u>	<u>\$ (341,696)</u>
Basic and diluted loss per common share	<u>\$ (0.02)</u>	<u>\$ (0.01)</u>	<u>\$ (0.02)</u>	<u>\$ (0.01)</u>
Weighted average number of common shares outstanding	<u>65,679,113</u>	<u>48,868,762</u>	<u>68,070,109</u>	<u>50,449,843</u>

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

NEVADA SUNRISE GOLD CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(Presented in Canadian Dollars)
(Unaudited)

	Share Capital		Contributed Reserves	Subscriptions Received in Advance	Cumulative Translation Adjustment	Deficit	Total
	Number Of Shares	Amount					
Balance as at October 1, 2010 (Note 13)	46,086,509	\$ 6,371,766	\$ 712,018	\$ 45,000	\$ (2,620)	\$(5,301,203)	\$ 1,824,961
Shares issued for cash	2,000,000	400,000		(45,000)			355,000
Share issue costs		(8,209)					(8,209)
Share-based compensation			83,762				83,762
Exercise of warrants and stock options	2,363,334	354,500					354,500
Cumulative translation adjustment					(125,116)		(125,116)
Net loss for the period						(558,700)	(558,700)
Balance as at March 31, 2011 (Note 13)	<u>50,449,843</u>	<u>\$ 7,118,057</u>	<u>\$ 795,780</u>	<u>-</u>	<u>\$ (127,736)</u>	<u>\$ (5,859,903)</u>	<u>1,926,198</u>
Shares issued for cash	12,812,000	640,600					640,600
Share issue costs		(70,592)	18,563				(52,029)
Share-based compensation			25,687				25,687
Cumulative translation adjustment					140,928		140,928
Net loss for the period						(713,447)	(713,447)
Balance as at September 30, 2011 (Note 13)	<u>63,261,843</u>	<u>\$ 7,688,065</u>	<u>\$ 840,030</u>	<u>-</u>	<u>\$ 13,192</u>	<u>\$ (6,573,350)</u>	<u>1,967,937</u>
Share issue costs		(130,886)					(130,886)
Shares issued for cash	25,807,140	2,954,000					2,954,000
Shares issued to agent	1,586,667	(190,400)	190,400				-
Exercise of warrants	206,667	20,667					20,667
Share-based compensation			446,807				446,807
Cumulative translation adjustment					(42,606)		(42,606)
Net loss for the period						(1,510,359)	(1,510,359)
Balance as at March 31, 2012	<u>90,862,317</u>	<u>\$ 10,341,446</u>	<u>\$ 1,477,237</u>	<u>\$ -</u>	<u>\$ (29,414)</u>	<u>\$ (8,083,709)</u>	<u>\$ 3,705,560</u>

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

NEVADA SUNRISE GOLD CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Presented in Canadian Dollars)

(Unaudited)

	Six Months Ended March 31,2012	Six Months Ended March 31, 2011 (Note 13)
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	\$ (1,510,359)	\$ (558,700)
Items not involving cash		
Finance cost (income)-convertible note payable	414,704	(11,801)
Depreciation	5,109	6,842
Share-based compensation	446,807	64,784
Net change in non-cash working capital		
Other current assets	2,785	2,444
Accounts payable and accrued liabilities	<u>51,525</u>	<u>(30,439)</u>
Net cash used in operating activities	<u>(589,429)</u>	<u>(526,870)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
(Investment) in equipment	(4,550)	-
(Investment)/recovery in mineral properties	<u>(34,910)</u>	<u>(7,787)</u>
Net cash used in investing activities	<u>(39,460)</u>	<u>(7,787)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of share capital (net of share issue costs)	2,843,781	701,290
Repayment of convertible note payable	(110,027)	(100,024)
Due to related parties	<u>-</u>	<u>(52,692)</u>
Net cash provided by used in financing activities	<u>2,733,754</u>	<u>548,574</u>
Effect of exchange rate on cash	<u>21,779</u>	<u>(8,148)</u>
Net increase in cash	2,126,644	5,769
Cash, beginning of period	<u>137,339</u>	<u>62,680</u>
Cash, end of period	\$ 2,263,983	\$ 68,449
Interest paid	\$ 40,000	\$ 50,000
Income taxes paid	\$ -	\$ -

During the periods ended March 31, 2012 and 2011 there were no non-cash transactions

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

NEVADA SUNRISE GOLD CORP.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2012
(Presented in Canadian Dollar)
(Unaudited)

1. NATURE OF OPERATIONS AND GOING CONCERN

Nevada Sunrise Gold Corporation (the “Company”) was incorporated under the laws of British Columbia on April 3, 2007 and its registered head office is 231 Cherry Avenue, Suite 201 Auburn, CA 95603. On May 15, 2007 the Company acquired all of the issued and outstanding shares of Intor Resources Corporation (“Intor”) by way of reverse takeover. Intor was incorporated under the laws of the State of Nevada on September 7, 2004 as Nevada Sunrise Exploration Limited. The name of that company was changed to Intor Resources Corporation in February, 2005. The Company’s principal business activities include the acquisition, exploration and development of exploration and evaluation assets.

The Company is in the process of exploring and developing its exploration and evaluation assets. The recoverability of the amounts are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development and upon future profitable production.

The Company's consolidated financial statements are prepared using International Financial Reporting Standards (IFRS) applicable to a going concern, which contemplates the Company will continue in operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. The Company will require additional financing or outside participation to undertake further exploration and subsequent development of its exploration and evaluation assets. Future operations of the Company are dependent on its ability to raise additional equity financing and the attainment of profitable operations.

The Company has a history of operating losses and as at March 31, 2012, has an accumulated deficit of \$8,083,709 (September 30, 2011 – \$6,573,350, October 1, 2010 – \$5,301,203). However, as at March 31, 2012, the company has \$2,263,983 in cash deposits which is considered sufficient to carry out committed exploration activities and corporate and administrative costs beyond the end of the year.

The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Conversion to International Financial Reporting Standards

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”) using accounting policies consistent 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”).

These condensed consolidated financial statements are the first to be presented in accordance with IFRS. Previously, the Company prepared its annual and interim financial statements in accordance with Canadian GAAP.

NEVADA SUNRISE GOLD CORP.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2012
(Presented in Canadian Dollar)
(Unaudited)

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

a) Conversion to International Financial Reporting Standards (cont'd...):

The unaudited interim consolidated financial statements for the period ended March 31, 2012 have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting ("IAS 34") and IFRS 1, First-time Adoption of International Financial Reporting Standards ("IFRS 1"). Subject to certain mandatory exceptions required by and optional exemptions available in IFRS 1 and described in Note 13, the Company has consistently applied the same accounting policies compliant with IFRS to its Transition Date balance sheet on October 1, 2010 and throughout all subsequent fiscal periods. Note 13 describes the impact of the application of IFRS compared to Canadian GAAP on the Company's Statements of Financial position, and statement of loss and comprehensive loss and cash flows.

These unaudited interim consolidated financial statements do not include all of the information and footnotes required by IFRS for complete financial statements for year-end reporting purposes but are in compliance with the standards required of interim financial statements described in IAS 34. Any subsequent changes to IFRS that are reflected in the Company's consolidated financial statements for the year ending September 30, 2012 could result in restatement of these interim consolidated financial statements, including the transitional adjustments recognized as part of the change to the IFRS accounting framework. Results for the period ended March 31, 2012 are not necessarily indicative of future results.

These unaudited interim financial statements should be read in conjunction with the Company's Canadian GAAP annual financial statements for the year ended September 30, 2011.

b) Basis of preparation

These condensed consolidated interim financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments as fair value through profit and loss, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information. All dollar amounts are stated in Canadian dollars unless otherwise specified.

The preparation of interim financial statements in conformity with IAS 34 requires management to make judgments, estimates and assumption that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Significant areas requiring the use of estimates as the basis for determining the stated amounts include valuation of exploration and evaluation assets, depreciation of equipment, inputs used in the calculation of share-based compensation, and the fair value of convertible note payable. Actual results may differ from these estimates.

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

c) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and the following subsidiary:

Name of subsidiary	Place of incorporation	Percentage ownership	Principal Activity
Intor Resources Corp.	USA	100%	Exploration of mining assets

The Company consolidates the subsidiary on the basis that it controls the subsidiary through its ability to govern its financial and operating policies.

Inter-Company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated in preparing the condensed consolidated interim financial statements.

d) Equipment

Equipment is stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is recorded over the estimated useful lives of the assets on the straight line basis

:

Furniture and equipment	7 years
Computer equipment and software	3 years
Tenant improvements	5 years
Field equipment	7 years

An item of equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

Where an item of equipment is composed of major components with different useful lives, the components are accounted for as separate items of equipment. Expenditures incurred to replace a component of an item of equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

e) Exploration and evaluation assets:

Upon acquiring the legal right to explore a mineral property, all direct costs related to the acquisition of exploration and evaluation assets are capitalized. Exploration and evaluation expenditures incurred prior to

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

e) Exploration and evaluation assets (cont'd...):

the determination of the feasibility of mining operations and a decision to proceed with development are charged to operations as incurred.

Exploration costs are expensed as incurred as the Company is in the process of exploring its mineral tenements and has not yet determined whether these properties contain ore reserves that are economically recoverable. If and when the Company's management determines that economically extractable proven or probable mineral reserves have been established, the subsequent costs incurred to develop such property, including costs to further delineate the ore body will be capitalized.

Development expenditures incurred subsequent to a development decision, and to increase or to extend the life of existing production, are capitalized and will be amortized on the unit-of-production method based upon estimated proven and probable reserves. When there is little prospect of further work on a property being carried out by the Company, the remaining deferred costs associated with that property are charged to operations during the period such determination is made.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

f) Decommissioning, restoration and similar liabilities ("asset retirement obligations"):

The Company recognizes liabilities for legal or constructive obligations associated with the retirement of mineral properties and equipment. The net present value of future rehabilitation costs is capitalized to the related asset along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the rehabilitation provision.

The increase in the provision due to the passage of time is recognized as interest expense.

The Company had no asset retirement liabilities as at March 31, 2012, September 30, 2011 or October 1, 2010.

g) Foreign currency translation

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 of Nevada Sunrise Gold Corp. is the Canadian dollar and the functional currency of Intor Resources Corp. is the United States dollar. The functional currency determinations were conducted through an analysis of the consideration factors indentified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

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

g) Foreign currency translation (cont'd...)

Transactions and balances

Foreign currency transactions are translated into the relevant functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of loss

Translation of subsidiary results into the presentation currency

The results and statements of financial position of all the Company's subsidiaries with functional currencies different from the presentation currency are translated into the presentation currency as follows:

- 1) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of the statement of financial position;
- 2) Income and expenses for each statement of income are translated at average exchange rates, unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions; and
- 3) All resulting exchange differences are recognized as accumulated other comprehensive income (loss), a separate component of equity.

h) Related party transactions:

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

i) Share-based compensation:

The stock option plan allows Company employees, directors and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based compensation expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. Consideration paid on the exercise of stock options is credited to share capital and the fair value of the options is reclassified from reserves to share capital.

The fair value is measured at grant date and each tranche is recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the number of stock options that are expected to vest

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

j) Income taxes:

Current tax is the expected tax payable or receivable on the local taxable income or loss for the year, using local tax rates enacted or substantively enacted at the financial position reporting date, and includes any adjustments to tax payable or receivable in respect of previous years.

Deferred income taxes are recorded using the statement of financial position liability method whereby deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the financial position reporting date. Deferred tax is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

k) Loss per share:

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is

anti-dilutive.

l) Financial assets:

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit and loss. The Company's cash is classified as FVTPL.

Financial assets classified as loans and receivables and held to maturity assets are measured at amortized cost. The Company's receivables are classified as loans and receivables. Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income and loss except for losses in value that are considered other than temporary which are recognized in profit or loss. At October 1, 2010, September 30, 2011, or March 31, 2012 the Company has not classified any financial assets as available for sale.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

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

m) Financial liabilities:

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable and accrued liabilities are classified as other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held for trading and recognized at fair value with changes in fair value recognized in profit or loss unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in profit or loss. At March 31, 2012, the Company has classified its convertible note payable as FVTPL.

n) Derivative financial instruments:

The Company's convertible note payable is treated as a derivative financial liability. The estimated fair value, based on the Black-Scholes model, is adjusted on a quarterly basis with gains or losses recognized in the statement of net loss and comprehensive loss. The Black-Scholes model is based on significant assumptions such as volatility, dividend yield and expected term.

o) Impairment:

At the end of each reporting period the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If any 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 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 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. Following the recognition of an impairment loss, the depreciation charge applicable to the asset is adjusted prospectively in order to systematically allocate the revised carrying amount, net of any residual value, over the remaining useful life.

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

o) Impairment (cont'd...):

Where an impairment subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate and 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.

p) Share capital:

Common shares are classified as share capital. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

q) New standards, amendments and interpretations not yet effective:

A number of new standards, amendments to standards and interpretations are not yet effective as of March 31, 2012 and have not been applied in preparing these interim consolidated financial statements. None of these are expected to have a material effect on the financial statements of the Company.

Financial Instruments

In October 2010, the IASB issued amendments to IFRS 7 – Financial Instruments: Disclosures that improve the disclosure requirements in relation to transferred financial assets. The amendments are effective for annual periods beginning on or after July 1, 2011, with earlier adoption permitted. The Company does not anticipate this amendment to have a significant impact on its internal consolidated statement of financial position.

Income Taxes

In December 2010, the IASB issued an amendment to IAS 12 – Income taxes that provide a practical solution to determining the recovery of investment properties as it relates to the accounting for deferred income taxes. This amendment is effective for annual periods beginning on or after July 1, 2011, with earlier adoption permitted. The Company does not anticipate this amendment to have a significant impact on its consolidated financial statements.

Consolidation

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

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

q) New standards, amendments and interpretations not yet effective: (cont'd. . .)

Fair Value Measurement

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

Financial instruments

The IASB intends to replace IAS 39 – Financial Instruments: Recognition and Measurement (“IAS 39”) in its entirety with IFRS 9 – Financial Instruments (“IFRS 9”) in three main phases. IFRS 9 will be the new standard for the financial reporting of financial instruments that is principles-based and less complex than IAS 39, and is effective for annual periods beginning on or after January 1, 2013, with earlier adoption permitted. In November 2009 and October 2010, phase 1 of IFRS 9 was issued and amended, respectively, which addressed the classification and measurement of financial assets and financial liabilities. IFRS 9 requires that all financial assets be classified as subsequently measured at amortized cost or at fair value based on the Company’s business model for managing financial assets and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified as subsequently measured at amortized cost except for financial liabilities classified as at FVTPL, financial guarantees and certain other exceptions. The IASB has issued exposure drafts addressing impairment of financial instruments, hedge accounting and the offsetting of financial assets and liabilities, with comments due in 2011. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

3. 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, exploration and development of exploration and evaluation assets. 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. In the management of capital, the Company includes components of shareholders’ equity.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent upon external financings to fund activities. In order to carry out planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

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3. CAPITAL MANAGEMENT (cont'd. . .)

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

There were no changes in the Company's approach to capital management during six months ended March 31, 2012. The Company is not subject to externally imposed capital requirements.

4. FINANCIAL INSTRUMENTS

The fair value of the Company's due from related parties, other current assets, accounts payable and accrued liabilities, convertible note payable, and due to related parties approximate their carrying value, because of the short-term nature of these instruments.

The following table illustrates the classification of the Company's financial instruments within fair value hierarchy as at:

	Level 1	Level 2	Level 3
March 31, 2012:			
Cash	\$ 2,263,983	\$ -	\$ -
Debenture conversion component	<u>-</u>	<u>491,907</u>	<u>-</u>
	<u>\$ 2,263,983</u>	<u>\$ 491,907</u>	<u>\$ -</u>
September 30, 2011			
Cash	\$ 137,339	\$ -	\$ -
Debenture conversion component	<u>-</u>	<u>83,894</u>	<u>-</u>
	<u>\$ 137,339</u>	<u>\$ 83,894</u>	<u>\$ -</u>
October 1, 2010			
Cash	\$ 62,680	\$ -	\$ -
Debenture conversion component	<u>-</u>	<u>182,617</u>	<u>-</u>
	<u>\$ 68,680</u>	<u>\$ 182,617</u>	<u>\$ -</u>

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's management believes it has no significant credit risk.

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4. FINANCIAL INSTRUMENTS (cont'd...)

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2012, the Company had a cash balance of \$2,263,983 (September 30, 2011 - \$137,339, October 1, 2010 - \$62,680) to settle current liabilities of \$931,165 (September 30, 2011 - \$597,238, October 1, 2010 - \$859,745). The Company believes that its existing cash resources are sufficient to allow the Company to continue operations and exploration programs beyond 2012.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

a) Interest rate risk

The Company has cash balances and an interest-bearing convertible note payable. The interest charged on the notes is at fixed rates, and the Company is not at a significant risk to fluctuating interest rates. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions or short-term debt instruments issued by the federal government. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As of December 31, 2011, the Company did not have any investments in investment-grade short-term deposit certificates or short-term debt issued by the federal government.

b) Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to cash and accounts payable, accrued liabilities, and convertible note payable that are denominated in US Dollars or Canadian Dollars and will be converted to the other currency.

c) Price risk

The Company is exposed to price risk with respect to commodity and 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. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of gold, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

Sensitivity Analysis

The Company operates in the United States and is exposed to risk from changes in the US dollar. A 10% fluctuation in the US dollar against the Canadian dollar would affect net comprehensive loss for the period by approximately \$133,000.

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5. EQUIPMENT

	March 31, 2012			September 30, 2011		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Furniture and equipment	\$ 18,300	\$ 11,540	\$ 6,760	\$ 18,300	\$ 10,393	\$ 7,907
Computer equipment and software	15,887	15,701	186	15,887	15,060	827
Tenant improvements	26,339	20,881	5,458	26,339	18,424	7,915
Field equipment	<u>16,219</u>	<u>6,729</u>	<u>9,490</u>	<u>11,740</u>	<u>5,866</u>	<u>5,874</u>
	76,745	54,851	21,894	72,266	49,743	22,523
Foreign currency variance	<u>(5,909)</u>	<u>(3,455)</u>	<u>(2,454)</u>	<u>(3,539)</u>	<u>(4,656)</u>	<u>1,117</u>
	\$ 70,836	\$ 51,396	\$ 19,440	\$ 68,727	\$ 45,087	\$ 23,640

	October 1, 2010		
	Cost	Accumulated Amortization	Net Book Value
Furniture and equipment	\$ 18,300	\$ 8,072	\$ 10,228
Computer equipment and software	15,887	12,028	3,859
Tenant improvements	26,339	13,638	12,701
Field equipment	<u>11,740</u>	<u>4,342</u>	<u>7,398</u>
	72,266	38,080	34,186
Foreign currency variance	<u>(3,773)</u>	<u>(2,789)</u>	<u>(984)</u>
	\$ 68,493	\$ 35,291	\$ 33,202

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6. EXPLORATION AND EVALUATION OF ASSETS

Title to exploration and evaluation assets interests 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 historical title conveyance characteristic of many mineral claims. The Company has investigated title to all of its exploration and evaluation asset interests and, to the best of its knowledge, title to all of its interests are in good standing. The exploration and evaluation asset interests in which the Company has committed to earn an interest are located in the United States.

	Golden Arrow	Iron Point	Juniper	Kinsley Mountain	Pinnacle	Total
Balance, October 1, 2010	\$ 2,285,172	\$ 142,012	\$ 153,417	\$ -	\$ -	\$ 2,580,601
Acquisition costs	53,805	19	20	-	34,538	88,382
Write-off of acquisition costs	-	(136,155)	(147,088)	-	-	(283,243)
Foreign currency variance	10,281	(5,876)	(6,349)	-	1,614	(330)
Balance as at September 30, 2011	\$ 2,349,258	\$ -	\$ -	\$ -	\$ 36,152	\$ 2,385,410
Acquisition costs	28,058	-	-	(12,142)	18,995	34,911
Foreign currency variance	(81,409)	-	-	189	(1,540)	(82,760)
Balance as at March 31, 2012	\$ 2,295,907	\$ -	\$ -	\$ (11,953)	\$ 53,607	\$ 2,337,561

	Golden Arrow	Iron Point	Juniper	Kinsley Mountain	Pinnacle	Total
Cumulative Exploration Costs at September 30, 2011	\$ 1,750,463	\$ 2,468	\$ 10,601	\$ 22,566	\$ -	\$ 1,786,098
Six months ended March 31, 2012						
Drilling	87,129	-	-	-	-	87,129
Geophysical survey	154,704	-	-	570	-	155,274
Field costs	2,144	-	-	-	-	2,144
Consulting	41,360	-	-	608	-	41,968
Exploration costs, six months ended March 31, 2012	285,337	-	-	1,178	-	286,515

Total Cumulative Exploration								
Costs at March 31, 2012	\$ 2,035,800	\$ 2,468	\$ 10,601	\$ 23,744	\$ -	\$ 2,072,613		

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

Golden Arrow, Nevada

The Company has a mining lease and two quitclaim deeds covering certain areas of the Golden Arrow property. The mining lease agreement, which includes a 2% net smelter royalty and requires advance royalty payments of US\$50,000, is set to expire in December 2016. However, the Company may extend the mining lease for additional one year terms by paying escalating annual lease payments. One of quitclaim deeds includes a 1% net smelter royalty. The other quitclaim deed includes a 3% net smelter royalty and requires annual advance royalty payments of US\$25,000. The Company has the option to buy-down the net smelter royalty from 3% to 1%, in 1% increments, by making a one-time payment of US\$100,000 per 1% increment reduction. If the Company elects to buy-down the net smelter royalty, the annual advance royalty payment will also be reduced proportionately.

In March 2010, the Company entered into an agreement with Animas Resources Ltd (“Animas”), whereby the Company agreed to grant Animas an option to acquire a 51% interest in the Golden Arrow property.

Animas would have exercised this option by spending an aggregate \$3,500,000 in specified exploration expenditures within three years, including certain expenditures which were to occur in 2010. In March 2011, Animas terminated the Mining Lease Option for the Golden Arrow property.

In March 2012, the Company began drilling at the Golden Arrow Property. The drilling program consists of a minimum of 10,000 feet (3,048 meters) of reverse circulation drilling to test targets defined by the Quantec Orion 3D resistivity survey completed in the autumn of 2011. No results are available at this time.

Iron Point and Juniper, Nevada

The Company had mining lease agreements with a company controlled by an officer and director for two properties: Iron Point and Juniper. The Iron Point and Juniper agreements included a net smelter royalty on production of 2% and required advance minimal royalty of US\$100,000 per property. Both the Iron Point and the Juniper agreements were terminated June 2011 and all related acquisition costs have been expensed.

Kinsley Mountain, Nevada

The Company also has a mining lease agreement with a company controlled by an officer and director for the Kinsley Mountain Property. The Kinsley Mountain agreement has a sliding scale net smelter royalty rate on production from 2% to 5% depending on the price of gold and requires an annual advance minimum royalty. In 2011, the Company and the related party amended certain provisions of the mining agreement including the expiration date and the timing of advance minimum royalty payments for no additional consideration. The agreement now runs through June 2020; however Company has the right to terminate the mining lease with the related party upon thirty days written notice; or to extend the lease beyond 2020 provided the Company continues to make advance minimum royalty payments. Per the lease agreement, beginning June 2012, the Company has an obligation to expend a minimum of US\$500,000 annually in exploration, development and mining activities on the Kinsley Mountain Property. The Company anticipates that the required minimum annual work obligation will be fulfilled by Pilot Gold’s exploration

expenditures, as discussed below.

In March 2010, the Company entered into an agreement with Animas Resources Ltd (“Animas”), whereby the Company agreed to grant Animas an option to acquire a 51% interest in the Kinsley Mountain property.

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

Effective September 2011, Animas conveyed its interest in the agreement to Pilot Gold USA Inc. (“Pilot Gold”). Pursuant to the agreement, Pilot Gold has exclusive right to acquire a 51% interest in the Kinsley Mountain Property by incurring an aggregate US\$1.18 million in exploration expenditures, including all annual property maintenance fees, advance royalty payments, and mining lease payments, by March 2013. In May 2012, Pilot Gold completed its earn-in to 51% of the Kinsley Mountain property. Pilot Gold may acquire an additional 14% interest in the property by incurring an additional US\$3 million in exploration expenditures within 5 years of meeting the initial expenditure requirement.

Future advance minimum royalty payments, which pursuant to agreement are to be paid by Pilot Gold, are as follows:

June 1:	US\$ Advance Minimum Royalty
2012-2016	\$50,000
2017	75,000
2018	100,000
2019	150,000
2020 (and each thereafter)	200,000

Pinnacle, Nevada

Effective January 2011, the Company entered a mining lease agreement with a company controlled by an officer and director covering the Pinnacle property. The agreement includes a sliding scale net smelter royalty on production from 2.5% to 5% depending on the price of gold. The Company can terminate the agreement by giving written notice prior to July 1 of the year of its determination and executing a quitclaim deed conveying its interest in the property to the related party. The agreement requires future advance minimum royalty payments as follows:

	US\$ Advance Minimum Royalty
2012 (quarterly instalments)	45,000
2013 (quarterly instalments)	60,000
2014-2020 (due July 1 of each year)	60,000

In addition, the Company must pay annual property maintenance fees and a minimum work commitment of

US\$100,000 by the end of 2012; US\$100,000 each year from 2013 through 2015; and US\$250,000 per year from 2016 through 2020.

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7. SHARE CAPITAL AND CONTRIBUTED SURPLUS

- a) Authorized: Unlimited common shares, without par value
- b) Issued: As of March 31, 2012, 90,862,317 common shares were issued and outstanding.

In March 2012, the Company completed three separate private placements as follows:

- 1) The Company completed a non-brokered private placement of 2,857,140 units (the "Units") at a price of \$0.07 per Unit. Each Unit consisted of one common share of the Company (a "Share") and one common share purchase warrant (a "Warrant"). Each whole Warrant entitles the holder to purchase an additional common share (a "Warrant Share") at an exercise price of \$0.10 per Warrant Share until March 16, 2014. All securities issued under the private placement are subject to a four-month hold period, during which time the securities may not be traded.
- 2) The Company completed a private placement, of units (the "Units") at a price of \$0.12 per Unit (the "Offering"). A total of 16,700,000 Units were issued, for total proceeds of \$2,004,000. Each Unit consisted of one common share of the Company (a "Share") and one half of one common share purchase warrant (a "Warrant"). Each whole Warrant entitles the holder to purchase an additional common share (a "Warrant Share") at an exercise price of \$0.20 per Warrant Share for a period of 24 months from the date of issuance, subject to earlier expiry at any time after four months and one day from the date of issuance, at the option of the Company, if the daily volume weighted average price of the common shares of the Company is greater than \$0.32 per share over a period of 20 consecutive trading days, in which case the Company may accelerate the expiry date of the Warrants by giving notice to the holders thereof and in such case the Warrants will expire on the 30th day after the date on which such notice is given by the Company. In consideration for the services provided by the Agent, the Company issued to the Agent 1,586,667 Units. Proceeds from the Offering will be used to fund the exploration of the Company's North-American precious metals properties and as general working capital.
- 3) The Company also completed a non-brokered private placement. The Company issued 6,250,000 Units. (the "Units") at a price of \$0.12 per Unit. Each Unit consisted of one common share of the Company (a "Share") and one-half of one common share purchase warrant (a "Warrant"). Each whole Warrant will entitle the holder to purchase an additional common share (a "Warrant Share") at an exercise price of \$0.20 per Warrant Share for a period expiring March 23, 2014. If the Company's common shares trade at a daily volume weighted average price of greater than \$0.32 per share for a period of 20 consecutive trading days at any time after four months and one day after the closing, the Company may accelerate the expiry date of the Warrants by giving notice to the holders notice thereof and in such case the Warrants will expire on the 30th day after the date on which such notice is given by the Company. The securities issued in the private placement are subject to a four month hold period which expires July 24, 2012.

In addition, in March 2012, a total of 206,667 warrants were exercised at a price of \$0.10 per common share yielding the Company \$20,667.

In July and September 2011, the Company closed two tranches of a non-brokered private placement consisting of a total of 12,812,000 units at a price of \$0.05 per unit, yielding the Company gross proceeds

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7. SHARE CAPITAL AND CONTRIBUTED SURPLUS (cont'd...)

of \$640,600. Each unit issued in connection thereof consisted of one Common Share of the Company and one-half common share purchase warrant. Each whole common share purchase warrant is exercisable to purchase an additional Common Share at a price of \$0.10 per Common Share for a period of 18 months from the date of issuance. In connection with this financing, the company paid certain parties a finder's fee of \$40,317 and issued a total of 991,200 common share purchase warrants exercisable at a price of \$0.10 per Common Share for a period of 18 months. The fair value of such warrants, \$18,563, was estimated using the Black-Sholes option pricing model with a weighted average risk free rate of 1.49% and 1.5%, an expected life of 1.5 years, expected volatility of 115% and an expected dividend yield of 0%. In addition, other offering costs totaling \$11,711 were incurred in connection with the private placement. All shares and warrants issued pursuant to the private placement were subject to a four-month hold period.

In December 2010, the Company closed a non-brokered private placement consisting of 2,000,000 units at a price of \$0.20 per unit, yielding the Company gross proceeds of \$400,000. Each unit issued in connection thereof consists of one Common Share and one common share purchase warrant. Each common share purchase warrant is exercisable to purchase an additional Common Share at a price of \$0.30 per Common Share until December 3, 2012, subject to acceleration on 30-days notice if, on any day on or after April 4, 2011 and before the expiry date of the Warrants, the Company's common shares trade at a price greater than \$0.50 for a period of 10 or more trading days. All shares and warrants issued pursuant to the private placement were subject to a four-month hold period. The Company incurred \$8,210 in offering costs in connection with this private placement.

Between October 1, 2010 and December 31, 2010, a total of 2,363,334 common share purchase warrants of the Company were exercised at a price of \$0.15 per share, yielding the Company \$354,500. Of these proceeds, \$45,000 was received in September 2010 and therefore was included in Subscriptions Received in Advance as at September 30, 2010.

c) Warrants

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

	Number of Warrants		Weighted Average Exercise Price
Balance as at October 1, 2010	7,010,654	\$	0.20
Warrants issued	9,397,200		0.14
Warrants expired	(4,647,320)		0.22
Warrants exercised	<u>(2,363,334)</u>		0.15
Balance as at September 30, 2011	9,397,200	\$	0.14
Warrants issued	15,125,472		0.18
Warrants expired	-		-

Warrants exercised	(206,667)	0.10
Balance as at March 31, 2012	24,316,005	\$ 0.17

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7. SHARE CAPITAL AND CONTRIBUTED SURPLUS (cont'd...)

c) Warrants (cont'd...)

At March 31, 2012, warrants were outstanding enabling holders to acquire Common Shares as follows:

Number of Warrants	Exercise Price	Expiry Date
2,000,000	\$ 0.30	December 3, 2012
6,179,333 (1)	0.10	January 25, 2013
1,011,200 (2)	0.10	March 2, 2013
9,143,332 (3)	0.20	March 12, 2014
2,857,140	0.10	March 16, 2014
3,125,000	0.20	March 23, 2014

(1) Includes 981,000 finders' warrants.

(2) Includes 10,200 finders' warrants.

(3) Includes 793,333 agents' warrants

d) Options

The Company has a stock option plan whereby it may grant options to employees, directors, consultants and certain other service providers. The maximum aggregate number of shares that may be reserved for issuance under the plan is 10% of the Outstanding Shares, less any common shares reserved for issuance under share options granted outside of this plan. Options are exercisable for a maximum of 10 years. Option shares are subject to vesting requirements as determined by the Company's Board of Directors.

The Company recognizes share-based compensation expense for all stock options based on the fair value based method of accounting. The fair value attributable to options vesting during the period was \$446,807 for the six months ended March 31, 2012 (2011 - \$64,784). In March 2012, the Company granted incentive stock options to certain directors, officers, and employees of the Company to purchase up to 2.425 million common shares in the capital stock of the Company pursuant to its shareholder approved stock option plan. All of the options vested immediately and are exercisable at a price of \$0.22 per common share, expiring on March 13, 2017.

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7. SHARE CAPITAL AND CONTRIBUTED SURPLUS (cont'd...)

d) Options (cont'd...)

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

	Number of Options	Weighted Average Exercise Price
Balance as at October 1, 2010	3,625,000	\$ 0.24
Options issued	-	-
Options expired	(750,000)	0.18
Options exercised	-	-
Balance as at September 30, 2011	2,875,000	\$ 0.25
Options issued	2,425,000	0.22
Options expired	-	-
Options exercised	-	-
Balance as at March 31, 2012	5,300,000	\$ 0.24

At December 31, 2011, stock options were outstanding enabling holders to acquire shares as follows

Number of Shares	Exercise Price	Number of options Currently Exercisable	Expiry Date
1,850,000	\$ 0.25	1,850,000	September 18, 2013
100,000	0.25	100,000	November 5, 2013
25,000	0.25	22,907	March 5, 2014
900,000	0.25	519,446	July 29, 2015
2,425,000	0.22	2,425,000	March 13, 2017

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8. RELATED PARTY TRANSACTIONS

	For the six Month Period Ended March 31, 2012	For the six Month Period Ended March 31, 2011
Professional fees to accounting firm in which officer is a member	\$ 37,696	\$ 36,189
Exploration costs to an affiliated company	3,568	7,293
Share-based compensation to directors and officers	391,153	23,891
Travel expense to an affiliated company	-	4,223

	March 31, 2012	September 30, 2011	October 1, 2010
Due from Related Parties			
Affiliated company for general and administrative expense reimbursement	\$ 2,693	\$ 2,789	\$ -
Total due from Related Parties	\$ 2,693	\$ 2,789	\$ -

	March 31, 2012	September 30, 2011	October 1, 2010
Due to Related Parties			
Accounting Firm in which an officer is a member for accounting services	\$ -	\$ 155	\$ -
Company controlled by an officer and director	-	-	51,449
Total due to Related Parties	\$ -	\$ 155	\$ 51,449

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8. RELATED PARTY TRANSACTIONS (cont'd. . .)

The transactions with related parties were in the normal course of operations and were measured at the exchange value, which represented the amount of consideration established and agreed to by the parties. The amounts due to related parties are non-interest bearing, with no fixed terms of repayment. Repayment is expected within the next fiscal year and therefore has been classified as a current liability in these financial statements.

9. SEGMENTED INFORMATION

The Company operates in one reportable operating segment, being the exploration and development of exploration and evaluation assets. All of the Company's equipment and exploration and evaluation assets are located in the United States.

10. COMMITMENT

The Company has entered into an operating lease agreement for its office premises in Auburn, California which runs through December 2012. The annual commitments under this lease are as follows:

<u>Fiscal Year</u>	<u>Annual Commitment</u>
2012	\$ 41,550
2013	10,464

11. CONVERTIBLE NOTE PAYABLE

In March 2010, the Company received US\$500,000 in exchange for a convertible promissory note. The note, which was due to mature on March 25, 2011, bore interest at 10% per annum and was convertible into units of the Company at a price of \$0.17 per unit. Each unit consisted of one Common Share and one-half common share purchase warrant. Each whole warrant entitled the holder to acquire an additional Common Share at \$0.25 per Common Share, exercisable until March 25, 2011. Proceeds from the convertible promissory note were used to make an option payment on the Company's Golden Arrow mineral property pursuant to the Golden Arrow mining lease agreement. The note was secured by a first charge over the

Company's interest in the mining lease. In March, 2011, the Company executed an amendment to the convertible promissory note. Pursuant to the terms of the amendment, the Company repaid US\$100,000 in principal and US\$50,000 in interest in March 2011.

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11. CONVERTIBLE NOTE PAYABLE (con't. . .)

The maturity of the remaining principle amount, US\$400,000, was extended to March 25, 2012 and continued to bear interest at 10% per annum and was convertible into units of the Company at a price of \$0.07 per unit. Each unit consisted of one Common Share and one-half common share purchase warrant. Each whole warrant entitled the holder to acquire an additional Common Share at \$0.12 per Common Share, exercisable for 12 months from the date of issue. The amended convertible promissory note may be prepaid in advance by the Company, provided that upon prepayment, the Company granted 200,000 common share purchase warrants to the lender. Each such warrant entitled the holder to acquire an additional Common Share at a price of \$0.12 per Common Share, exercisable for a period of 12 months from the date of issue. In January 2012, the Company executed a second amendment to the outstanding convertible promissory note ("Second Amendment"). Pursuant to the Second Amendment, the Company paid principal of US\$110,000 and interest of US\$40,000 in three installments of US\$50,000 each in January, February and March 2012. The maturity date of the remaining principal balance, US\$290,000, was extended to March 25, 2013. The convertible promissory note may have been pre-paid in advance by the Company without penalty. In addition, the convertible promissory note was convertible into units of the Company at a price of \$0.07 per unit, each unit issued in connection thereof consisted of one Common Share and one-half common share purchase warrant. Each whole common share purchase warrant entitles the holder to purchase an additional Common Share at \$0.12 per Common Share, exercisable until March 25, 2013. The loan continued to bear simple interest at 10% per annum payable upon the earlier of maturity or conversion

The convertible note payable entitled the holder to convert the US dollar denominated loan into common shares for a fixed Canadian dollar price per share. In accordance with IFRS, an obligation to issue shares for a price that is not fixed in the Company's functional currency, and that does not qualify as a rights offering, must be classified as a derivative liability and measured at fair value with changes recognized in the statement of net loss and comprehensive loss as they arise. The Company has in Canadian dollars recorded these changes in financing (costs) income.

Convertible Note Payable	March 31, 2012	September 30, 2011	October 1, 2010
Principal Balance, beginning of the year	\$ 496,132	\$ 696,457	\$
Borrowings/(Repayments)	(110,027)	(100,024)	520,965
Fair market value adjustments	414,704	(98,723)	182,617
Foreign currency variance	(19,685)	(1,578)	(7,125)

Principal Balance, end of year	\$ 781,124	\$ 496,132	\$ 696,457
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12. SUBSEQUENT EVENTS

In April 2012, subsequent to receiving notification that the Company intended to pay off the convertible note payable (Note 11), the holder of the note elected to convert the outstanding principal amount of US\$290,000 into 4,142,858 units of the Company. Each unit consist of one common share and one half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share at a price of \$0.12 until March 23, 2013. Accrued interest at conversion, US\$953, was paid in cash at the time of conversion.

Also in April 2012, a total of 50,000 common share purchase warrants were exercised at a price of \$0.10 per common share yielding the Company \$5,000

In May 2012, the Company granted incentive stock options to certain directors of the Company to purchase up to 1.2 million common shares in the capital stock of the Company pursuant to its shareholder approved stock option plan. All of the options vested immediately and are exercisable at a price of \$0.22 per common share, expiring on May 2017.

As stated in Note 6, in May 2012 Pilot Gold completed its earn-in to 51% of the Kinsley Mountain property and has notified the Company it has elected to increase its interest to 65% within 5 years.

13. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

As stated in Note 2, these are the Company's first condensed consolidated interim financial statements for the period covered by its first annual financial statements prepared in accordance with IFRS.

The Company adopted IFRS in accordance with IFRS 1, First-time Adoption of International Financial Reporting Standards ("IFRS 1). The first date at which IFRS was applied was October 1, 2010 ("Transition Date"). IFRS 1 provides for certain mandatory exceptions and optional exemptions for first-time adopters of IFRS.

IFRS 1 requires that the same policies are applied for all periods presented in the first IFRS financial statements and that those policies comply with IFRSs in effect as at the end of the first IFRS annual reporting period. Accordingly, the accounting policies in Note 2 have been applied in preparing these condensed consolidated financial statements for the periods ended March 31, 2012 and 2011, the year ended September 30, 2011 and the opening IFRS statement of financial position as at October 1, 2010. The previously presented 2010 Canadian GAAP financial information has been reconciled to the IFRS information as part of this transition note in accordance with the requirements of IFRS 1. Further, the policies applied have been done so on a full retrospective basis unless an alternative treatment is permitted or required by an IFRS 1 election or exception. These are discussed below.

Elections upon first-time adoption of IFRS

The IFRS 1 exemptions applied by the Company in the conversion from Canadian GAAP to IFRS are as follows:

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13. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (cont'd...)

(a) Business combinations

IFRS 1 indicates that a first-time adopter may elect not to apply IFRS 3 (2008) Business Combinations retrospectively to business combinations that occurred before the date of transition to IFRS. The Company has elected to apply IFRS 3 (2008) to only those business combinations that occurred on or after the Transition Date and such business combinations have not been restated. As a result of this election, no adjustments were required to the Company's statement of financial position as at the Transition Date.

(b) Share-based payment transactions

IFRS 1 encourages, but does not require, first-time adopters to apply IFRS 2 Share-based Payment to equity instruments that were granted on or before November 7, 2002 or equity instruments that were granted subsequent to November 7, 2002 and vested before the later of the date of transition to IFRS and January 1, 2005. The Company has elected not to apply IFRS 2 to awards that vested prior to the Transition Date.

During the year ended September 30, 2011, the Company would have recorded \$109,449 as share-based compensation versus \$108,981 in share-based compensation under Canadian GAAP. As a result, \$468 has been adjusted to share-based compensation expense in the statement of operations and the same amount would be adjusted in contributed surplus in the statement of equity.

(c) IAS 27 – Consolidated and Separate Financial Statements

In accordance with IFRS 1, if a company elects to apply IFRS 3 Business Combinations retrospectively, IAS 27 Consolidated and Separate Financial Statements must also be applied retrospectively. As the Company elected to apply IFRS 3 prospectively, the Company has also elected to apply IAS 27 prospectively.

(d) Estimates

In accordance with IFRS 1, an entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under previous GAAP unless those estimates were in error. The Company's IFRS estimates as at the Transition Date are consistent with its Canadian GAAP estimates as at that date.

Reconciliations of Canadian GAAP to IFRS

The reconciliations between GAAP and IFRS are provided below. There are no significant differences between IFRS and GAAP in connection with the Company's statements of cash flows for the period ended March 31, 2011 or the year ended September 30, 2011.

IFRS 1 requires an entity to reconcile equity and comprehensive income for prior periods presented under Canadian GAAP to IFRSs as of the same date. In addition, an explanation is required for any material adjustments to cash flows to the extent that they exist. The analysis below and the tables following represent the reconciliations from Canadian GAAP to IFRS for the respective periods noted:

- (a) Share-based payments

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13. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (cont'd...)

IFRS 2, similar to Canadian GAAP, requires the Company to measure share-based payment related to share purchase options granted to employees at the fair value of the options on the date of grant and to recognize such expense over the vesting period of the options. However, under IFRS 2, the recognition of such expense must be done with a “graded vesting” methodology as opposed to the straight-line vesting method allowed under Canadian GAAP. In addition, under IFRS, forfeitures estimates are recognized in the period they are estimated, and are revised for actual forfeitures in subsequent periods; while under Canadian GAAP, forfeitures of awards are recognized as they occur.

Under IFRS graded vesting methodology, during the three and six months ended March 31, 2011, the Company would have recorded \$26,541 and \$64,784, respectively as share-based payment versus share-based compensation of \$37,177 and \$85,307, respectively under Canadian GAAP. As a result, a reduction of \$10,636 and \$20,523, respectively has been adjusted to share-based compensation expense in the statement of operations for the three and six months ended March 31, 2011 and the same amount has been adjusted in contributed surplus in the statement of equity.

- (b) Convertible note payable

The convertible note payable entitles the holder to convert the US dollar denominated loan into common shares for a fixed Canadian dollar price per share. In accordance with IFRS, an obligation to issue shares for a price that is not fixed in the Company’s functional currency, and that does not qualify as a rights offering, must be classified as a derivative liability and measured at fair value with changes recognized in the statement of net loss and comprehensive loss as they arise. The Company has in Canadian dollars (unless otherwise indicated) recorded these changes in financing income and expenses. Under Canadian GAAP, the equity portion of the convertible debenture was classified as equity and changes in fair value were not recognized.

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13. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (cont'd...)

	Note	As at October 1, 2010			As at March 31, 2011			As at September 30, 2011		
		Canadian GAAP	Effect of transition to IFRS	IFRS	Canadian GAAP	Effect of transition to IFRS	IFRS	Canadian GAAP	Effect of transition to IFRS	IFRS
ASSETS										
Non-current										
Equipment		\$ 33,202	\$	\$ 33,202	\$ 23,987	\$	\$ 23,987	\$ 23,640	\$	\$ 23,640
Other Assets		3,591		3,591	3,392		3,392	3,602		3,602
Exploration and evaluation assets		<u>2,580,601</u>		<u>2,580,601</u>	<u>2,445,529</u>		<u>2,445,529</u>	<u>2,385,410</u>		<u>2,385,410</u>
		2,617,394		2,617,394	2,472,908		2,472,908	2,412,652		2,412,652
Current assets										
Cash		62,680		62,680	68,449		68,449	137,339		137,339
Other current assets		4,632		4,632	4,814		4,814	12,395		12,395
Due from related parties		-		-	-		-	2,789		2,789
Total assets		\$2,684,706	\$ -	\$2,684,706	\$2,546,171	\$ -	\$2,546,171	\$2,565,175	\$ -	\$2,565,175
EQUITY AND LIABILITIES										
Current liabilities										
Due to related parties		\$ 51,449	\$	\$ 51,449	\$ -	\$	\$ -	\$ 155	\$	\$ 155
Convertible note payable	(b)	504,813	191,644	696,457	374,558	165,795	540,353	405,224	90,908	496,132
Accounts payable and accrued liabilities		<u>111,839</u>		<u>111,839</u>	<u>79,620</u>		<u>79,620</u>	<u>100,951</u>		<u>100,951</u>
		<u>668,101</u>	<u>191,644</u>	<u>859,745</u>	<u>454,178</u>	<u>165,795</u>	<u>619,973</u>	<u>506,330</u>	<u>90,908</u>	<u>597,238</u>
Equity										
Share capital		6,371,766		6,371,766	7,118,057		7,118,057	7,688,065		7,688,065
Contributed surplus	(a)	619,144	92,874	712,018	723,429	72,351	795,780	765,666	74,364	840,030
Subscriptions received in advance		45,000		45,000	-		-	-		-
Equity component of convertible note payable	(b)	18,978	(18,978)	-	14,537	(14,537)	-	14,537	(14,537)	-
Accumulated other comprehensive income		(2,620)		(2,620)	(127,736)		(127,736)	13,192		13,192
Deficit	(a)(b)	<u>(5,035,663)</u>	<u>(265,540)</u>	<u>(5,301,203)</u>	<u>(5,636,294)</u>	<u>(223,609)</u>	<u>(5,859,903)</u>	<u>(6,422,615)</u>	<u>(150,735)</u>	<u>(6,573,350)</u>
		<u>2,016,605</u>	<u>(191,644)</u>	<u>1,824,961</u>	<u>2,091,993</u>	<u>(182,622)</u>	<u>1,926,198</u>	<u>2,058,845</u>	<u>(90,908)</u>	<u>1,967,937</u>
Total equity and liabilities		\$2,684,706	\$ -	\$2,684,706	\$2,546,171	\$ -	\$2,546,171	\$2,565,175	\$ -	\$2,565,175

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13. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (cont'd ...)

	Note	Six Months Ended March 31, 2011			Three Months Ended March 31, 2011		
		Canadian GAAP	Effect of transition to IFRS	IFRS	Canadian GAAP	Effect of transition to IFRS	IFRS
EXPENSES							
Accretion	(b)	\$ 9,607	\$ (9,607)	\$ -	\$ 4,824	\$ (4,824)	\$ -
Business insurance		18,679		18,679	6,388		6,388
Consulting		177,642		177,642	40,255		40,255
Depreciation		6,842		6,842	3,376		3,376
Exploration costs		37,536		37,536	37,319		37,319
Marketing		43,681		43,681	32,450		32,450
Professional fees		49,775		49,775	42,607		42,607
Property investigation		1,900		1,900	1,900		1,900
Rent and office expense		57,354		57,354	33,907		33,907
Salaries and benefits		90,196		90,196	52,414		52,414
Share based compensation	(a)	85,307	(20,523)	64,784	37,177	(10,636)	26,541
Travel and entertainment		6,220		6,220	755		755
		<u>584,739</u>	<u>(30,130)</u>	<u>554,609</u>	<u>293,372</u>	<u>(15,460)</u>	<u>277,912</u>
OTHER ITEMS							
Write-off of exploration		-		-	-		-
Finance (Cost)/ Income	(b)	-	11,801	11,801	-	7,308	7,308
Foreign exchange (loss) gain		8,222		8,222	3,474		3,474
Interest expense		(24,114)		(24,114)	(11,341)		(11,341)
		<u>(15,892)</u>	<u>11,801</u>	<u>(4,091)</u>	<u>(7,867)</u>	<u>7,308</u>	<u>(559)</u>
Loss for the period		<u>\$ (600,631)</u>	<u>\$ 41,931</u>	<u>\$ (558,700)</u>	<u>\$ (301,239)</u>	<u>\$ 22,768</u>	<u>\$ (278,471)</u>
Translation adjustment		<u>(125,116)</u>	<u>-</u>	<u>(125,116)</u>	<u>(63,225)</u>	<u>-</u>	<u>(63,225)</u>
Net loss and comprehensive loss for the period		<u>\$ (725,747)</u>	<u>\$ 41,931</u>	<u>\$ (683,816)</u>	<u>\$ (364,464)</u>	<u>\$ 22,768</u>	<u>\$ (341,696)</u>

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13. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (cont'd ...)

		Year Ended September 30, 2011		
	Note	Canadian GAAP	Effect of transition to IFRS	IFRS
EXPENSES				
Accretion	(b)	\$ 16,550	\$ (16,550)	\$ -
Business insurance		34,579		34,579
Consulting		255,777		255,777
Depreciation		11,663		11,663
Exploration costs		197,814		197,814
Marketing		52,828		52,828
Professional fees		71,506		71,506
Rent and office expense		107,323		107,323
Salaries and benefits		182,290		182,290
Share based compensation	(a)	108,981	468	109,449
Travel and entertainment		<u>14,789</u>		<u>14,789</u>
		<u>1,054,100</u>	<u>(16,082)</u>	<u>1,038,018</u>
OTHER ITEMS				
Write-off of exploration		(283,243)		(283,243)
Finance (Cost)/ Income	(b)	-	98,723	98,723
Foreign exchange (loss) gain		(5,380)		(5,380)
Interest expense		<u>(44,229)</u>		<u>(44,229)</u>
		<u>(332,852)</u>	<u>98,723</u>	<u>(234,129)</u>
Loss for the period		<u>\$ (1,386,952)</u>	<u>\$ 114,805</u>	<u>\$ (1,272,147)</u>
Translation adjustment		<u>15,812</u>	<u>-</u>	<u>15,812</u>
Net loss and comprehensive loss for the period		<u>\$ (1,371,140)</u>	<u>\$ 114,805</u>	<u>\$ (1,256,335)</u>