2011 ANNUAL REPORT

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NSX SILVER INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2011

Background

This Management's Discussion and Analysis (MD&A) of NSX Silver Inc. (NSX Silver or the Company) is dated April 27, 2012 and provides an analysis of the financial operating results for the period August 9, 2011, date of incorporation, to December 31, 2011. This MD&A should be read in conjunction with the audited annual financial statements and accompanying notes for the period August 19, 2011 to December 31, 2011 which have been prepared in accordance with International Financial Reporting Standards (IFRS) for financial statements. All amounts are in Canadian dollars unless otherwise specified. The financial statements and additional information, including news releases and technical reports referenced herein, are available on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com under the Company's name.

Forward-Looking Information

Certain statements in this MD&A are forward-looking statements or information (collectively- forward-looking statements). NSX Silver is hereby providing cautionary statements identifying important factors that could cause the actual results to differ materially from those projected in the forward-looking statements. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as "may", "is expected to", "anticipates", "estimates", "intends", "plans", "projection", "could", "vision", "goals", "objective" and "outlook") are not historical facts and may be forward-looking and may involve estimates, assumptions and uncertainties which could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements. In making these forward-looking statements, NSX Silver has assumed that the current market for silver will continue and grow and that the risks listed below will not adversely impact the business of NSX Silver.

By their nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, which contribute to the possibility that the predicted outcomes may not occur or may be delayed. The risks, uncertainties and other factors, many of which are beyond the control of NSX Silver, that could influence actual results include, but are not limited to: limited operating history; exploration, development and operating risks; regulatory risks; substantial capital requirements and liquidity; financing risks and dilution to shareholders; competition; reliance on management and dependence on key personnel; fluctuating mineral prices and marketability of minerals; title to properties; local resident concerns; no mineral reserves or mineral resources; environmental risks; governmental regulations and processing licenses and permits; management inexperience in developing mines; conflicts of interest of management; uninsurable risks; exposure to potential litigation; dividends; and other factors beyond the control of NSX Silver.

Further, any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by applicable law, NSX Silver undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for management to predict all such factors and to assess in advance the impact of each such factor on the business of NSX Silver or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement. See "Risk Factors" below.

Company Overview

NSX Silver Inc. (NSX Silver or the Company) was incorporated on August 9, 2011 under the Canada Business Corporations Act as a wholly-owned subsidiary of NSGold Corporation (NSGold). The registered office of the Company is 1055 West Hastings Street, Suite 2200, Vancouver, B.C.

NSGold is a mineral exploration company actively exploring for gold and base metals in Nova Scotia, Canada. NSGold's flagship property is the Mooseland Gold Project located in Halifax County, Nova Scotia. In April 2011, NSGold signed an agreement whereby it secured the option to acquire a 100% ownership interest in the mining concessions comprising the Dios Padre Property, including the historic Dios Padre Silver Mine, located in Sonora State, Mexico.

In July 2011, NSGold announced that it commenced the process to separate its Nova Scotia gold and base metal assets and its Mexican silver assets into two separate public companies so that NSGold could devote itself solely to exploration for gold and other metals. NSX Silver was incorporated in August 2011 as a wholly-owned subsidiary of NSGold, with the intention of taking over the Company's exploration properties in Mexico.

On August 5, 2011, NSGold completed a private placement of 8,627,451 common shares at a price of $0.51 per share, for gross proceeds of $4.4 million. Sprott Asset Management LP, acting on behalf of certain Sprott funds and managed accounts, subscribed for all of the 8,627,451 common shares issued in the private placement, representing 19.9% of the common shares of NSGold issued and outstanding after the placement. The net proceeds from this financing were allocated to funding the activities of NSX Silver and working capital.

On October 21, 2011, NSX Silver and NSGold, as promoter, filed a preliminary prospectus with the securities commissions of each of the provinces of Canada in connection with a distribution of NSX Silver common shares to the shareholders of NSGold.

A special meeting of shareholders of NSGold was held on December 22, 2011, at which the shareholders approved a special resolution reducing NSGold's paid-up capital in connection with the "spin-out" of the shares of NSX Silver to the shareholders of NSGold. The proposed reduction of NSGold's paid-up capital is intended to result in the distribution of the shares of NSX Silver being treated as non-taxable for most of NSGold's shareholders.

On March 1, 2012, NSX Silver obtained a receipt from the securities commissions of each of the provinces of Canada for a final prospectus dated February 28, 2012. The prospectus qualified shares of NSX Silver to be distributed by NSGold to its shareholders by way of distribution in kind.

In March 2012, NSX Silver completed the acquisition from NSGold of all of the shares of Compania Minera Oso Blanco SA de CV (CMOB) whereby NSGold received one million common shares of NSX Silver. Also in March, NSGold completed a share subscription agreement whereby NSGold acquired 44,428,571 common shares of NSX Silver for gross proceeds of $4,665,000. Upon closing of the transaction, the amounts due to NSGold by each of NSX Silver for reorganization costs and CMOB for Dios Padre exploration costs were repaid and the net amount disbursed by NSGold was $3,474,063. Contemporaneously the Dios Padre Option Agreement, complete with all its rights and obligations, was assigned to NSX Silver. CMOB has acquired, and intends to acquire, additional interests in exploration properties in Mexico.

NSGold then completed the distribution of the common shares of NSX Silver to the NSGold shareholders whereby the shareholders received one share of NSX Silver for each share of NSGold held with the record date being March 16, 2012. A total of 43,553,767 shares of NSX Silver were distributed with the distribution effected by way of a distribution of paid up capital.

The common shares of NSX Silver commenced trading on the TSX Venture Exchange on March 14, 2012 as a Tier 2 Mining Issuer under the trading symbol NSY.

Resource Properties

NSGold entered into a definitive option agreement having an effective date of April 9, 2011whereby it could acquire a 100% ownership of the Dios Padre Property ("Property"). The Property is comprised of three contiguous mining concessions, the Dios Padre, Don Carlos and Alejandro concessions, and includes the historic Dios Padre Silver Mine. The Property encompasses 285 hectares and is located in the Municipality of Yecora, State of Sonora, Mexico approximately 260 km east of Hermosillo. Under the terms of the Agreement, NSGold, through its wholly-owned subsidiary, Compañía Minera Oso Blanco SA de CV (CMOB), can acquire a 100% undivided interest in the Dios Padre Property from Cia Minera Pena Blanca SA de CV by making a series of escalating semi-annual cash payments totaling US$6 million over a 5-year period and issuing an aggregate of 1,250,000 common shares to the optionor in five equal tranches over the same 5-year period. At such time as NSGold acquires a 100% undivided interest in the Property, the optionor will be granted a 3% net smelter return royalty, two-thirds of which may be repurchased by NSGold at any time prior to the commencement of commercial production by the payment of US$2 million.

In March 2012, NSX Silver acquired all of the shares of CMOB from NSGold and NSGold assigned the Dios Padre Option Agreement, complete with all its rights and obligations, to NSX Silver.

At the Property, the known prospects are localized in the Dios Padre porphyry and are highlighted on surface by extensive areas of alteration in the surrounding rock. Similar zones have been seen in other areas of the property and are as yet unmapped. These alteration zones show the characteristics commonly associated with a large mineralized system, and are similar to the main Dios Padre breccia or collectively a larger porphyry Copper – Gold target. NSX Silver believes that either such model on its own merit warrants priority evaluation. NSGold recently completed a comprehensive geological survey over the Dios Padre property, which included a systematic rock geochemical sampling program, a ground-based 3D Induced Polarization geophysical survey ("3DIP") and a magnetic survey done simultaneously with the 3DIP.

The geophysical survey identified high-chargeability anomalies corresponding to surface geochemical anomalies of copper, gold, silver and arsenic (a pathfinder element in gold exploration). These areas are heavily altered and leached to such a degree that it is expected that much of the metallic content has been stripped away. This makes the background values encountered even more significant. One such anomaly corresponds to the site of earlier mining activities. Four additional surface anomalies were found to contain strong values of the metals noted above while one was found to be a strong lead sulfide zone.

The 3DIP geophysical survey revealed a large conductive anomaly that lies just to the north of the most recent historic mining operations striking east - west. This area appears to approach the surface and may outcrop within the geochemical anomalies. The central core of this anomaly appears as a highly-conductive mass approximately 600 meters wide by 800 meters long with a depth of at least 300 meters, which is the limit of the effective range of the survey method. This anomaly represents a prime target for future exploration.

NSX Silver believes that the results of these surveys provide an excellent template for planning and designing a comprehensive drilling program to test the potential indicated by both the surface and subsurface anomalies identified. A phased drilling program is a recommendation of the Company's independent geological consultant, D.R. Duncan and Associates ("DRD") of Windsor, Nova Scotia. DRD prepared a 43-101 compliant technical report for the Dios Padre Project in February 2012 and a copy of the report is available on www.sedar.com under the Company's profile.

The Phase 1 drilling program for the Dios Padre Project commenced during the first quarter 2012 and comprises a 2,000 meter preliminary program designed to test the geochemical and geophysical anomalies discovered during the 2011 exploration program, as well as, the areas of historic silver production. The targeted anomalies represent significant areas of interest for silver, gold and copper as well as other base metals. As well, the 2011 exploration effort defined a metal zonation suggestive of a buried porphyry copper to the north of the main silver zone. It appears the silver mineralization in rhyolite intrusive rocks may represent distal apophyses of a larger, mineralized intrusive at depth to the north.

A total of nine HQ core holes have been completed to date at the Dios Padre Silver Project as part of the Phase 1 drilling program. Core drilling was planned to test the north and northwest plunge of the mineralized breccia body previously mined in surface cuts and underground workings at the main Dios Padre Mine area. The holes were designed to test the downdip extension of the previously mined mineralized breccia zone after NSX Silver technical personnel analyzed the results of previous drill campaigns by prior explorers. Drill holes completed by Silver Standard Resources in 1996 and by First Majestic Resource Corp. in 2006 were all angled southward. However, NSX Silver geologists noticed compelling evidence for a north and northwest dip to the mineralized zone based on geologic conditions and assay patterns from both of these drill campaigns.

NSX Silver drill holes DP-07-2012 and DP-09-2102 were aimed at downdip extensions of the mineralized breccia body beneath the Santa Gertrudis open cut, and below the limits of the lowest known underground workings, known as the Santa Fe level. The Santa Gertrudis and the Santa Fe zones were reportedly last mined during the period from 1967 to 1971, with operations focusing on areas of high grade silver mineralization. Both of these drill holes successfully encountered mineralized breccia at depth. Minerals identified in the drill core from this newly discovered breccia zone include chalcopyrite, galena, tetrahedrite, freiburgite, pyrite, and barite. The mineral assemblage is consistent with silver-bearing minerals seen at upper levels of the Dios Padre Mine in pit walls, stockpiles, and accessible underground workings on the property. Assay results from these drill holes are pending. The Company plans to carry out additional drilling to further define and extend these newly-discovered breccia zones. As well, other geochemically anomalous zones on the Dios Padre property will be drill tested.

The first six drill holes of the Phase 1 drilling program were sited to test a large geophysical anomaly and its offshoots that were identified by a three-dimensional induced polarization/resistivity/magnetomer survey completed in November 2011. Analysis of this drill core is continuing and more work is planned to investigate the mineral potential of the anomalous and coincident zones of high conductivity and high resistivity. The geophysical anomaly is underlain by multiple rhyolite intrusive bodies similar to the main Dios Padre Mine area, and represents new areas that have not been drill tested.

Subject to favorable results from the Phase 1 drilling program, the Company intends to carry out a Phase 2 program consisting of an estimated 30 additional drill holes (approximately 8,000 meters), to expand the geologic data base and to better target potential areas of mineralization including those that were the focus of historic mining activity.

During 2011, CMOB acquired the Oso Blanco and Oso Blanco 2 concessions in the Municipality of Yecora, State of Sonora, Mexico. The two concessions are located in proximity to the Dios Padre, Alejandro and Dos Carlos concessions. The Oso Blanco concession was acquired by request to the Mexican government on July 13, 2011 at a cost of approximately $3,600. The Oso Blanco 2 concession was acquired by request to the Mexican government on August 30, 2011 at a cost of approximately Cdn $3,200. The Oso Blanco concession covers an area of 3,000 hectares while the Oso Blanco 2 concession covers an area of 1,900 hectares.

Selected Financial Information

The Company incurred expenses of $18,280 relating to corporate professional fees incurred during the initial months of operations. During this period, the Company has also incurred $137,817 associated with its corporate reorganization and listing on the TSX Venture Exchange. These costs have been recorded as deferred share issue costs. The following tables contain selected financial information for the period from August 9, 2011, date of incorporation, to December 31, 2011.

	Quarter ended December 31, 2011	**Period from August 9, 2011 to August 31, 2011**
Professional fees and loss for the period	$11,580	$6,700
Outstanding shares	1,000	1,000
Basic and diluted net loss per share	$11.58	$6.70

	As at December 31, 2011 $
Total current assets	1,263
Deferred share issue costs	137,817
Total assets	139,080
Total liabilities	157,260
Shareholder deficiency	(18,180)

Liquidity and Capital Resources

As at December 31, 2011, the Company had no significant cash however in March 2012, in association with the spin-out of the silver assets from NSGold, the Company received net proceeds of $3.5 million upon the issuance of common shares to NSGold.

The Company finances its operations through the issuance of equity securities. The Company is dependent on raising additional funding through the issuance of equity securities in order to fund future exploration programs and to meet its ongoing general and administrative requirements.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Related Party Transactions

During the period from August 9, 2011 to December 31, 2011, the Company incurred legal fees aggregating $79,221 from a law firm of which one of the officers is a partner. The Company recorded $75,207 to deferred share issue costs and $4,014 to professional fee expense.

Outstanding Share Data

As at December 31, 2011, the Company had only its initial share capital of 1,000 common shares issued and outstanding. In March of 2012, the Company issued an additional 1,000,000 common shares on its acquisition of CMOB from NSGold. In March, the Company also issued 44,428,571 common shares to NSGold for gross subscription proceeds of $4,665,000 million. The shares were distributed to the NSGold shareholders whereby the shareholders received one share of NSX Silver for each share of NSGold held at the record date of March 16, 2012. As at April 27, 2012, the Company has 45,429,571 shares issued and outstanding.

As at December 31, 2011, the Company had no stock options outstanding. On March 16, 2012, the Company granted 995,000 options to directors and officers and 395,000 options to employees and consultants. These stock options vest immediately and have an exercise price of $0.25 per share and an expiry date of March 16, 2022. The total number of options outstanding represents 3% of the issued and outstanding common shares as at April 27, 2012. The fully diluted number of common shares is 46,819,571 as at April 27, 2012.

Accounting Standards Issued But Not Yet Applied

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

The International Accounting Standards Board has issued IFRS 9, effective for annual periods beginning on or after January 1, 2015, with early adoption permitted. IFRS 9 introduces new classification and measurement requirements for financial instruments. NSGold continues to assess the impact of IFRS 9 on its statements of comprehensive loss and financial position.

In May 2011, the IASB issued the following standards which have not yet been adopted by the Company: IFRS 10, Consolidated Financial Statements (IFRS 10), IFRS 11, Joint Arrangements (IFRS 11), IFRS 12, Disclosure of

Interests in Other Entities (IFRS 12), IAS 27, Separate Financial Statements (IAS 27), IFRS 13, Fair Value Measurement (IFRS 13) and amended IAS 28, Investments in Associates and Joint Ventures (IAS 28). Each of the new standards is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. The Company continues to assess the impact that the new and amended standards will have on its financial statements. The following is a brief summary of the new standards:

IFRS 10 – Consolidation

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

IFRS 11 – Joint Arrangements

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

IFRS 12 – Disclosure of Interests in Other Entities

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

IFRS 13 – Fair Value Measurement

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

Amendments to standards

IFRS 7, Financial Instruments: Disclosures, has been amended to include additional disclosure requirements in the reporting of transfer transactions and risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitization of financial assets. The amendment is applicable for annual periods beginning on or after July 1, 2011, with earlier application permitted. The Company continues to assess the impact of all other changes to IFRS 7 on its consolidated statements of loss and financial position.

Risks and Uncertainties

The following are certain factors relating to the business of the Company. These risks and uncertainties are not the only ones facing the Company. Additional risks and uncertainties not currently known to the Company, or that the Company currently deems immaterial, may also impair the operations of the Company. If any such risks actually occur, the financial condition, liquidity and results of operations of the Company could be materially adversely affected and the ability of the Company to implement its growth plans could be adversely affected.

The following is a description of certain risks and uncertainties that may affect the business of the Company.

i. Limited Operating History

The Company is a relatively new company with limited operating history and no history of business or mining operations, revenue generation or production history. The Company was incorporated August 9, 2011 and has yet to generate a profit from its activities. The Company will be subject to all of the business risks and uncertainties associated with any new business enterprise, including the risk that it will not achieve its growth objective. The Company anticipates that it may take several years to achieve positive cash flow from operations.

ii. Exploration, Development and Operating Risks

The exploration for and development of minerals involves significant risks, which even a combination of careful evaluation, experience and knowledge may not eliminate. Few properties which are explored are ultimately developed into producing mines. There can be no guarantee that the estimates of quantities and qualities of minerals disclosed will be economically recoverable. With all mining operations there is uncertainty and, therefore, risk associated with operating parameters and costs resulting from the scaling up of extraction methods tested in pilot conditions. Mineral exploration is speculative in nature and there can be no assurance that any minerals discovered will result in an increase in the Company's resource base.

The Company's operations are subject to all of the hazards and risks normally encountered in the exploration, development and production of minerals. These include unusual and unexpected geological formations, rock falls, seismic activity, flooding and other conditions involved in the extraction of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. Although precautions to minimize risk will be taken, operations are subject to hazards that may result in environmental pollution and consequent liability that could have a material adverse impact on the business, operations and financial performance of the Company.

iii. Substantial Capital Requirements and Liquidity

Substantial additional funds for the establishment of the Company's current and planned mining operations will be required. No assurances can be given that the Company will be able to raise the additional funding that may be required for such activities, should such funding not be fully generated from operations. Mineral prices, environmental rehabilitation or restitution, revenues, taxes, transportation costs, capital expenditures, operating expenses and geological results are all factors which will have an impact on the amount of additional capital that may be required. To meet such funding requirements, the Company may be required to undertake additional equity financing, which would be dilutive to shareholders. Debt financing, if available, may also involve restrictions on financing and operating activities. There is no assurance that additional financing will be available on terms acceptable to the Company or at all. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations or anticipated expansion, and pursue only those development plans that can be funded through cash flows generated from its existing operations.

iv. Fluctuating Mineral Prices

The economics of mineral exploration is affected by many factors beyond the Company's control, including commodity prices, the cost of operations, variations in the grade of minerals explored and fluctuations in the market price of minerals. Depending on the price of minerals, it may be determined that it is impractical to continue the mineral exploration operation.

Mineral prices are prone to fluctuations and the marketability of minerals is affected by government regulation relating to price, royalties, allowable production and the importing and exporting of minerals, the effect of which cannot be accurately predicted. There is no assurance that a profitable market will exist for the sale of any minerals found on the Company's properties.

v. Regulatory Requirements

The current or future operations of the Company require permits from various governmental authorities, and such operations are and will be governed by laws and regulations governing exploration, development, production, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, site safety and other matters. Companies engaged in the exploration and development of mineral properties generally experience increased costs and delays in development and other schedules as a result of the need to comply with applicable laws, regulations and permits. There can be no assurance that all permits which the Company may require for the facilities and conduct of exploration and development operations will be obtainable on reasonable terms or that such laws and regulation would not have an adverse effect on any exploration and development project which the Company might undertake.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in exploration and development operations may be required to compensate those suffering loss or damage by reason of the exploration and development activities and may have civil or criminal fines or penalties imposed upon them for violation of applicable laws or regulations. Amendments to current laws, regulation and permits governing operations and activities of mineral companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or exploration and development costs or require abandonment or delays in the development of new properties.

vi. Financing Risks and Dilution to Shareholders

The Company has limited financial resources, no operations and no revenues. If the Company's exploration program on its exploration properties is successful, additional funds will be required for the purposes of further exploration and development. There can be no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be available on favourable terms or at all. It is likely such additional capital will be raised through the issuance of additional equity, which will result in dilution to the Company's shareholders.

vii. Title to Properties

Acquisition of title to mineral properties is a very detailed and time-consuming process. Title to, and the area of, mineral properties may be disputed. The Company cannot give an assurance that title to its exploration properties will not be challenged or impugned. Mineral properties sometimes contain claims or transfer histories that examiners cannot verify. A successful claim that NSX Silver does not have title to its exploration properties could cause the Company to lose any rights to explore, develop and mine any minerals on that property, without compensation for its prior expenditures relating to such property.

viii. Requirement for Permits and Licenses

A substantial number of permits and licenses may be required should the Company proceed beyond exploration; such licenses and permits may be difficult to obtain and may be subject to changes in regulations and in various operational circumstances. It is uncertain whether the Company will be able to obtain all such licenses and permits.

ix. Competition

There is competition within the mining industry for the discovery and acquisition of properties considered to have commercial potential. The Company competes with other mining companies, many of which have greater financial, technical and other resources than the Company, for, among other things, the acquisition of minerals claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees and other personnel.

x. Reliance on Management and Dependence on Key Personnel

The success of the Company will be largely dependent upon on the performance of its directors and officers and the ability to attract and retain key personnel. The loss of the services of these persons may have a material adverse effect on the Company's business and prospects. The Company will compete with numerous other companies for the recruitment and retention of qualified employees and contractors. There is no assurance that the Company can maintain the service of its directors and officers or other qualified personnel required to operate its business. Failure to do so could have a material adverse effect on the Company and its prospects.

xi. No Mineral Reserves

Mineral reserves are, in the large part, estimates and no assurance can be given that the anticipated tonnages and grades will be achieved or that the indicated level of recovery will be realized. Reserve estimates for properties that have not yet commenced production may require revision based on actual production experience. Market price fluctuations of metals, as well as increased production costs or reduced recovery rates, may render mineral reserves containing relatively lower grades of mineralization uneconomic and may ultimately result in a restatement of reserves. Moreover, short-term operating factors relating to the mineral reserves, such as the need for orderly development of the ore bodies and the processing of new or different mineral grades, may cause a mining operation to be unprofitable in any particular accounting period.

xii. Environmental Risks

The Company's exploration and appraisal programs will, in general, be subject to approval by regulatory bodies. Additionally, all phases of the mining business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of international conventions and federal, provincial and municipal laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with mining operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs.

xiii. Governmental Regulations and Processing Licenses and Permits

The activities of the Company are subject to Mexican approvals, various laws governing prospecting, development, land resumptions, production taxes, labour standards and occupational health, mine safety, toxic substances and other matters. Although the Company believes that its activities are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail production or development. Amendments to current laws and regulations governing operations and activities of exploration and mining, or more stringent implementation thereof, could have a material adverse impact on the business, operations and financial performance of the Company. Further, the mining licenses and permits issued in respect of its projects may be subject to conditions which, if not satisfied, may lead to the revocation of such licenses. In the event of revocation, the value of the Company's investments in such projects may decline.

xiv. Local Resident Concerns

Apart from ordinary environmental issues, work on, or the development and mining of the Dios Padre property could be subject to resistance from local residents that could either prevent or delay exploration and development of the property.

xv. Management Inexperience in Developing Mines

The management of the Company has some experience in exploring for minerals, but may lack all or some of the necessary technical training and experience to successfully develop and operate a mine. Without adequate training or experience in these areas, management may not be fully aware of many of the specific requirements related to working within the mining industry and their decisions and choices may not take into account all available and necessary engineering or managerial approaches that experienced mine operating companies commonly use to successfully develop a mine. Consequently, the Company's operations, earnings and ultimate financial success could be materially adversely effected.

xvi. Conflicts of Interest

Certain of the directors and officers of the Company are engaged in, and will continue to engage in, other business activities on their own behalf and on behalf of other companies (including mineral resource companies) and, as a result of these and other activities, such directors and officers of the Company may become subject to conflicts of interest. The British Columbia Business Corporations Act (BCBCA) provides that in the event that a director has a material interest in a contract or proposed contract or agreement that is material to the Company, the director must disclose his interest in such contract or agreement and refrain from voting on any matter in respect of such contract or agreement, subject to and in accordance with the BCBCA. To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the BCBCA.

xvii. Uninsurable Risks

Exploration, development and production operations on mineral properties involve numerous risks, including unexpected or unusual geological operating conditions, rock bursts, cave-ins, fires, floods, earthquakes and other environmental occurrences. It is not always possible to obtain insurance against all such risks and the Company may decide not to insure against certain risks as a result of high premiums or other reasons. Should such liabilities arise, they could have an adverse impact on the Company's results of operations and financial condition and could cause a decline in the value of the Company's shares. The Company does not intend to maintain insurance against environmental risks.

xviii. Litigation

The Company and/or its directors may be subject to a variety of civil or other legal proceedings, with or without merit.

xix. Dividends

To date, NSX Silver has not paid any dividends on its outstanding shares. Any decision to pay dividends on the shares of the Company will be made by its board of directors on the basis of the Company's earnings, financial requirements and other conditions.

Additional information regarding the Company is available on SEDAR at www.sedar.com.

Dated: April 27, 2012

NSX Silver Inc.

Financial Statements
December 31, 2011

April 27, 2012

Management's Report

The accompanying consolidated financial statements of **NSX Silver Inc.** are the responsibility of management and have been approved by the Board of Directors. The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS"). The consolidated financial statements include certain amounts and assumptions that are based on management's best estimates and have been derived with careful judgment.

In fulfilling its responsibilities, management has developed and maintains a system of internal accounting controls. These controls are designed to provide reasonable assurance that the financial records are reliable for preparation of the financial statements. The Audit Committee of the Board of Directors reviewed and approved the Company's consolidated financial statements, and recommended their approval by the Board of Directors.

PricewaterhouseCoopers LLP, appointed as the Company's auditors by the shareholders, have examined these consolidated financial statements and their report follows.

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

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

April 27, 2012

Independent Auditor's Report

To the Shareholder of
NSX Silver Inc.

We have audited the accompanying financial statements of **NSX Silver Inc.,** which comprise the statement of financial position as at December 31, 2011 and the statements of changes in shareholder's deficiency, loss and comprehensive loss and cash flows for the period from August 9, 2011, date of incorporation, to December 31, 2011 and the related notes including a summary of significant accounting policies and other explanatory information.

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

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial of the 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 financial statements.

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of NSX Silver Inc. as at December 31, 2011 and its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards.

Emphasis of matter
Without qualifying our opinion, we draw attention to note 1 in the financial statements which describes matters and conditions that indicate the existence of material uncertainties that may cast significant doubt about NSX Silver Inc's ability to continue as a going concern.

(signed) *"PricewaterhouseCoopers LLP"*

Chartered Accountants

PricewaterhouseCoopers LLP, Chartered Accountants
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NSX Silver Inc.

Statement of Financial Position

As at December 31, 2011

(expressed in Canadian dollars)

	$
Assets	
Current assets	
Cash	100
Sales tax recoverable	1,163
	1,263
Deferred share issue costs	137,817
	139,080
Liabilities	
Current liabilities	
Accounts payable and accrued liabilities	52,090
Amount due to parent company – NSGold Inc.	105,170
	157,260
Shareholder's deficiency	(18,180)
	139,080

Nature of operations and going concern (note 1)

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

Approved by the Board of Directors

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

(signed) *"Glenn Holmes"*, Director

NSX Silver Inc.

Statement of Changes in Shareholder's Deficiency

For the period from August 9, 2011, date of incorporation, to December 31, 2011

(expressed in Canadian dollars)

	Number of shares (note 6)	**Share capital $**	**Deficit $**	**Total $**
Shares issued for cash	1,000	100	-	100
Comprehensive loss for the period	-	-	(18,280)	(18,280)
Balance – December 31, 2011	1,000	100	(18,280)	(18,180)

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

NSX Silver Inc.

Statement of Loss and Comprehensive Loss

For the period from August 9, 2011, date of incorporation, to December 31, 2011

(expressed in Canadian dollars)

	$
Operating expenses	
Professional fees	18,280
Net loss and comprehensive loss for the period	18,280
Loss per share - basic and diluted	$18.28
Weighted average outstanding common shares – basic and diluted	1,000

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

NSX Silver Inc.

Statement of Cash Flows

For the period from August 9, 2011, date of incorporation, to December 31, 2011

(expressed in Canadian dollars)

	$
Cash provided by (used in)	
Operating activities	
Net loss for the period	(18,280)
Net changes in non-cash working capital balances related to operations	
Increase in sales tax recoverable	(1,163)
Increase in accounts payable and accrued liabilities	19,443
	–
Financing activities	
Proceeds from issuance of shares	100
Net change in cash and Cash – End of period	100

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

(expressed in Canadian dollars)

1 Nature of operations and going concern

Nature of operations

NSX Silver Inc. (the "Corporation") was incorporated under the Canada Business Corporations Act on August 9, 2011 as a wholly owned subsidiary of NSGold Corporation ("NSGold"). Its principal business activities will be the acquisition, exploration and development of resource properties in Mexico (see note 10). The Company's registered office is located at 1055 West Hastings Street in Vancouver, British Columbia. The Company's shares are listed on the TSX-Venture Exchange with the symbol NSY.

Going concern

The Corporation's planned principal operations have not commenced, and no revenue has been derived during the period ended December 31, 2011.

The Corporation's financial statements as at December 31, 2011 have been prepared on the basis of International Financial Reporting Standards applicable to a going concern, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. There are material uncertainties that may cast significant doubt about the appropriateness of the going concern assumption as the Corporation incurred a net loss for the period of $18,280 and has no operations at this time which will generate revenue. The Corporation has filed a non-offering prospectus, through which, among other things, the Corporation received gross proceeds of approximately $4.7 million (see note 10). These funds, while significant, may not be sufficient to fund the Corporation's planned exploration expenditures over the next twelve months. Accordingly, the Corporation may need to raise additional financing. Management cannot provide assurance that the Corporation will ultimately achieve profitable operations, become cash flow positive, or raise additional debt and/or equity capital. These financial statements do not include any adjustments related to the recoverability and classification of assets or the amounts and classification of liabilities that might be necessary should the Corporation be unable to continue as a going concern, and these adjustments could be material.

2 Basis of presentation

a) Statement of compliance

The Corporation prepares its financial statements in accordance with International Financial Reporting Standards ("IFRS"), as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA"). These financial statements have been prepared in accordance with IFRS applicable to the preparation of financial statements. The policies applied in these financial statements are based on IFRS effective as of December 31, 2011. The Board of Directors approved the statements for issue on April 27, 2012.

b) Basis of measurement

These financial statements are presented in Canadian dollars, which is the Corporation's functional currency.

(expressed in Canadian dollars)

2 Basis of presentation (continued)

c) Use of estimates and judgments

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

3 Significant accounting policies

The financial statements have been prepared within the framework of the accounting policies summarized below:

a) Cash

Cash includes cash on hand.

b) Deferred share issuance costs

Costs directly attributable to the raising of capital will be charged against the related share capital. Costs related to shares not yet issued are recorded as deferred share issuance costs. These costs will be deferred until the issuance of the shares to which the costs relate, at which time the costs will be charged against the related share capital or charged to operations if the shares are not issued.

c) Financial instruments

Financial instruments are classified as follows:

Cash is classified as "Loans and Receivables". After its initial fair value measurement, it is measured at amortized cost using the effective interest method, less a provision for impairment.

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

d) Impairment of financial assets

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

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

(expressed in Canadian dollars)

3 Significant accounting policies (continued)

e) Income taxes

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

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

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

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

f) Loss per share

Loss per share is calculated based on the weighted average number of shares outstanding during the period. The Corporation follows the treasury method of calculating diluted earnings per share. This method assumes that any proceeds from the exercise of stock options and other dilutive instruments would be used to purchase common shares at the average market price during the year. Diluted loss per share for the period presented is the same as basic loss per share, as the Corporation has no dilutive instruments outstanding.

g) Accounting Standards issued but not yet applied

International Financial Reporting Standards 9, Financial Instruments ("IFRS 9")

The International Accounting Standards Board has issued IFRS 9, effective for annual periods beginning on or after January 1, 2015, with early adoption permitted. IFRS 9 introduces new classification and measurement requirements for financial instruments. The Corporation continues to assess the impact of IFRS 9 on its statements of loss and comprehensive loss and financial position.

(expressed in Canadian dollars)

3 Significant accounting policies (continued)

g) Accounting standards issued but not yet applied (continued)

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

IFRS 10 – Consolidation

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

IFRS 11 - Joint Arrangements

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

IFRS 12 – Disclosure of Interests in Other Entities

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

IFRS 13 - Fair Value Measurement

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

(expressed in Canadian dollars)

3 Significant accounting policies (continued)

g) Accounting standards issued but not yet applied (continued)

Amendments to Other Standards

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

4 Amount due to parent company

NSGold, the Corporation's parent company, paid on behalf of the Corporation $105,170 in respect of operating expenses and deferred share issuance costs during the period from incorporation to December 31, 2011. The Company also incurred additional deferred share issuance costs of $32,647 which were recorded as accounts payable at the end of the year. These items are non-cash transactions and have been excluded from the statement of cash flows. The amount owing to NSGold, which is non-interest bearing, has been repaid upon completion of the financing in connection with the non-offering prospectus (see note 10).

5 Capital management

The Corporation manages its capital structure and makes adjustments to it, based on the funds available to the Corporation, in order to support the acquisition, exploration and development of resource properties. The Corporation considers capital to be shareholders' deficiency, which at December 31, 2011 totalled a deficiency of $18,180. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Corporation's management to sustain future development of the business. Additional funds will be required to finance the Corporation's activities. The Corporation is not subject to externally imposed capital requirements.

6 Share capital

a) Authorized capital stock

Unlimited number of common shares, without nominal or par value
Unlimited number of preferred shares, without nominal or par value, issuable in one or more series

Common shares issued and fully paid	Number of shares	Amount $
Shares issued for cash	1,000	100
Balance – December 31, 2011	1,000	100

b) Options

The Company has adopted a stock option plan for directors, officers, employees and consultants of the Company, providing the Board of Directors with the discretion to issue up to 3,000,000 common shares. The exercise price of the stock options is determined by the Board of Directors when the options are granted, but cannot be less than the closing price of the Company's shares on the TSX Venture Exchange on the business day immediately preceding the day on which the option is granted. The maximum exercise period of the stock options is ten years.

(expressed in Canadian dollars)

7 Income taxes

At December 31, 2011 the Corporation's effective income tax rate differs from the amount that would be computed from applying the federal and provincial statutory rate of 31% to the pre-tax loss for the period. The reasons for the difference are as follows:

	Period ended Dec. 31, 2011 $
Loss before income taxes	18,280
Income tax recovery based on statutory rates	6,000
Unrecognized deferred tax asset	(6,000)
Provision for income taxes	-

Losses

The Corporation has non-capital tax losses of $18,280 available for carry-forward to reduce future years' taxable income. These non-capital tax losses expire in 2031. No deferred tax asset has been recognized for these losses as it is not probable that the related deferred tax asset will be realized.

8 Related party transactions

During the period ended December 31, 2011 the Company incurred legal fees aggregating $87,128 from a law firm of which one of the officers is a partner. The Company recorded $83,679 to deferred share issue costs and $3,449 to professional fee expense.

9 Financial instruments

Credit risk

The Company manages credit risk by holding its cash with high quality financial institutions in Canada, where management believes the risk of loss to be low.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions. The Company does not have sufficient working capital to carry out all budgeted programs in 2012 and must finance during 2012 to avoid disruption in planned expenditures (see Note 1).

(expressed in Canadian dollars)

9 Financial instruments (continued)

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 no interest-bearing debt and is not exposed to any significant interest rate risk.

b) Foreign currency risk

At December 31, 2011, the Company has no balances denominated in foreign currencies.

c) Price risk

The Company is not exposed to any direct price risk as the Company has no significant revenues.

10 Subsequent events

On October 21, 2011 the Corporation filed a preliminary non-offering prospectus with the securities commissions of each of the provinces of Canada, relating to the qualification and distribution by NSGold to its shareholders of common shares of the Corporation by way of dividend. A special meeting of shareholders of NSGold was held on December 22, 2011, at which the shareholders approved a special resolution reducing NSGold's paid-up capital in connection with the "spin-out" of the shares of NSX Silver to the shareholders of NSGold.

a) Share Subscription and agreement for the acquisition of shares of Compañía Minera Oso Blanco SA de CV

In March 2012, NSX Silver completed the acquisition of all of the shares of Compañía Minera Oso Blanco SA de CV (CMOB), a wholly owned subsidiary of NSGold, whereby NSX Silver issued one million common shares to NSGold. Also in March 2012 NSX Silver completed a share subscription agreement with NSGold whereby NSGold acquired 44,428,571 common shares of NSX Silver for gross proceeds of $4,665,000. Upon closing of the transaction the amounts due to NSGold by each of NSX Silver and CMOB were repaid and the net amount received by the Corporation was $3,474,063.

NSGold then completed the distribution of the common shares of NSX Silver to the NSGold shareholders whereby the shareholders received one share of NSX Silver for each share of NSGold held with the record date being March 16, 2012. A total of 43,553,767 shares of NSX Silver were distributed with the distribution effected by way of distribution of paid up capital. NSGold post-distribution held 1,875,804 shares of NSX Silver.

(expressed in Canadian dollars)

10 Subsequent events (continued)

a) Share Subscription and agreement for the acquisition of shares of Compañía Minera Oso Blanco SA de CV (continued)

The common shares of NSX Silver commenced trading on the TSX Venture Exchange on March 14, 2012 as a Tier 2 Mining Issuer under the trading symbol NSY.

b) Agreement for the acquisition of shares of Compañía Minera Oso Blanco SA de CV

NSGold has entered into a binding Property Option Agreement with Cia Minera Pena Blanca SA de CV. Under the Property Option Agreement, NSGold, through its subsidiary CMOB, has the exclusive right to acquire a 100% undivided interest in three mining concessions in Mexico (Dios Padre, Don Carlos and Alejandro) from Cia Minera Pena Blanca SA de CV by making cash payments totalling US$6 million over a five-year period and issuing an aggregate of 1,250,000 common shares of NSGold to the optionor in five equal tranches over the same five-year period. To date, NSGold has paid US$175,000 and issued 250,000 common shares to the optionor. The next cash payments to the optionor due under the Property Option Agreement are US$75,000 on July 31, 2012 and US$250,000 on January 31, 2013. The next share issuance to the optionor due under the Property Option Agreement is 250,000 shares by June 7, 2012. NSGold must make a bonus payment to the optionor of US$1 million, if NSGold publishes a measured and indicated resource on the properties which includes a contained silver content in excess of 50 million ounces, and must make a bonus payment to the optionor of US$2 million, if NSGold publishes a measured and indicated resource on the properties which includes a contained silver content in excess of 100 million ounces. Once NSGold acquires a 100% undivided interest in the three concessions, the optionor will be granted a 3% net smelter return royalty, two-thirds of which may be repurchased by NSGold for US$2 million at any time prior to the commencement of commercial production.

In connection with the purchase by the Corporation of the shares of CMOB, all of the rights and obligations of NSGold under the Property Option Agreement (see below) have been assigned to the Corporation, so that the Corporation (and not NSGold) thereafter will issue shares and make cash payments to the optionor, as the case may be. The optionor has consented to such assignment.

c) Share Capital

Upon the completion of the: (i) acquisition by the Corporation of the shares of Oso Blanco; and (ii) issuance of shares by the Corporation to NSGold, pursuant to the share subscription, the issued and outstanding share capital of the Corporation is 45,429,571 common shares.

d) Options

Subsequent to the year-end, the Company granted 1,390,000 stock options with an exercise price of $0.25 per share. These options vest immediately and expire in ten years.