



## NSGold Corporation (NSX-V)

NSGold Corporation is a mineral exploration Company actively exploring for gold and other minerals in Nova Scotia, Canada. Its principal property is the Mooseland Gold Project that consists of 115 contiguous claims covering a land position of 1,860.7 hectares in a historic mining district of Halifax County.

*Update Report – December 13, 2010*



### Investment Highlights

✓ NSGold has a strong management team with the right balance of financing and mining experience. Hans van Hoof, the Company's President and CEO, has solid connections in the financial markets, making the Company well positioned for accessing future capital resources. And NSGold's CFO, Glenn Holmes, helped raise a quarter of a billion dollars for a previous mining Company he was employed at. Furthermore, the Company has engaged two veterans in the mining industry: John Hedges, a geologist and minerals economist with over 35 years of experience in the mining industry and James Proudfoot, a mining engineer more than 45 years experience in the mining industry.

✓ The Company has a 100% interest in the Mooseland Gold property, where very high gold grades have been found by previous owners. First assays, from holes drilled by NSGold confirm these earlier findings.

✓ NSX acquired a 100% interest in 6 more properties. Three of them have historic gold production, indicating the potential presence of economic deposits, two others are gold and base-metal exploration properties and one has a rock package known around the world to contain Rare Earth Elements. None of these properties are currently being developed, but are blue sky projects.

✓ We can pinpoint several reasons why gold will continue its way up. Central banks continue to print money to fuel their sloppy economies, thus creating inflation. Currency struggles between Asia, Europe and the US cause tensions. Both inflation and uncertainties amongst nations make investors turn to gold as a safe haven. Demand for gold in strong economies like China and India increases, both in terms of jewellery and investment.

✓ Based on the information in this report and the positive outlook for the Company's Mooseland Gold project, we initiate coverage of NSGold Corporation with a buy recommendation.

<b>Symbol:</b>	<b>NSX</b>
<b>Industry:</b>	Metals & Mining
<b>Market:</b>	TSX Venture Exchange
<b>Recent Price:</b>	\$0.27
<b>52-Week Price Range:</b>	\$0.01 - \$0.48
<b>Market Cap:</b>	approx. \$8.20 million
<p><b>NSGold Corporation</b>                  1055 West Hastings Street, Suite 2200                  Vancouver, BC V6E 2E9 - Canada                  Phone: (902) 483-2308  <a href="http://www.nsgoldcorp.com">http://www.nsgoldcorp.com</a></p>	

## The Company

NSGold Corporation became listed on the TSX Venture Exchange late June, 2010 via a "Reverse Take Over" supported by a so-called "Qualifying Transaction" with Kermod Capital Ltd, a Capital Pool Company (CPC).

**A Capital Pool Company is a specially created vehicle that allows access to the TSX Venture Exchange.**

**The exchange enables seasoned directors and officers to form a CPC with no assets other than cash and no commercial operations, which is listed on the TSX Venture Exchange to raise a pool of capital.**

**The CPC then uses these funds to seek out an investment opportunity in a growing business. Once the CPC has completed its "qualifying transaction" and acquired an operating Company that meets Exchange listing requirements, its shares continue trading as a regular listing on the TSX Venture Exchange.**

**Often the operating private business is acquired through a "reverse takeover". Instead of paying cash for the Company being purchased, the CPC will pay with newly issued shares. Because the number of shares issued to the owners of the operating private Company often represents a majority of the outstanding shares of the CPC shell, the owners of the private Company now control the CPC.**

**Often, the original owners of the CPC get to keep shares in the public Company as compensation.**

Pursuant to the Qualifying Transaction, Kermod Capital acquired all of the outstanding shares of NSGold Corporation, a private Company at the time, from the NSGold shareholders in exchange for 11 million common shares of Kermod Capital. This way, the shareholders of NSGold Corporation, the private Company, became the controlling shareholders of Kermod Capital, the public shell.

Along with the closing of the Qualifying Transaction, the Company completed a private placement of 15,105,871 new common shares for gross proceeds of \$4,120,504. Each of the common shares issued

under the private placement was accompanied by one-half of a common share purchase warrant, which is exercisable at \$0.50 per share for a period of twelve months from the closing of the private placement.

Following the closing of the Qualifying Transaction and the private placement, Kermod changed its corporate name to NSGold Corporation and changed its trading symbol on the Toronto Venture Exchange (TSX.V) to NSX.

## Capitalization

As a result of the Qualifying Transaction and the private placement, NSGold Corporation has 30,105,871 common shares, 8,352,936 common share purchase warrants, 400,000 incentive stock options and 1,018,643 agent's options outstanding.

By far the largest shareholder of NSGold Corporation is Van Hoof Industrial Holdings Ltd., a private Company controlled by Mr. Hans van Hoof, the President and CEO of NSGold Corporation. His holding controls 9.6 million common shares (31.89%) and 700,000 common share purchase warrants (4.79%).

Type of Securities	Number of Securities
Common shares	30,105,871
Options	1,418,643
Warrants	8,352,936
<b>Outstanding shares, warrants and options for NSGold Corporation</b>	

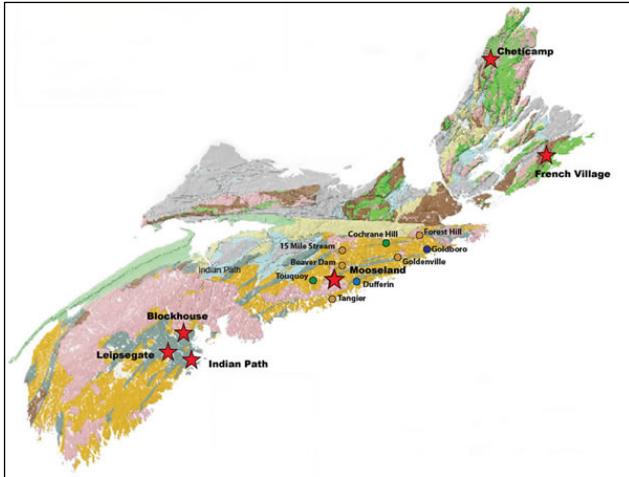
## First Properties

In April 2010, NSGold Corporation acquired a 100% interest in the Mooseland Gold Project and five early-stage properties from Globex Mining Enterprises Inc. (GMX.T) for a total amount of \$750,000.

In addition to the cash payment, Globex Mining was granted a 4% gross metal royalty on all metals produced from the Mooseland Gold property and the five early-stage properties. In addition, Globex has the right, subject to regulatory approval, to receive a 5% interest in the issued and outstanding share capital of NSGold in the event that any of the Mooseland Gold property or early-stage properties enter production.

Because the **Mooseland** property is NSGold's most advanced project, we will discuss it at full length below.

The five other properties aren't being developed at the moment. Nevertheless, we want to give a little background information on them because they're interesting and hold potential. The first three are former gold-producing properties, each characterized by Meguma-type gold occurrences, while the latter two are gold and base-metal exploration properties.



**Map of Nova Scotia with NSGold's current properties.**

The **Leipsigate Gold District** covers an area of 2,168 hectares on 134 claims. The property has at least seven historic shafts, of which the deepest reaches a depth of approximately 100 meters. The most significant feature on the property is the 9 km gold-bearing trend known as the "Main Fissure Vein". The structure is traceable for at least five kilometers although it is concealed by overburden for much of its length. Only a fraction of its length has been tested, mainly by surface pitting which is limited by overburden cover.

The **Indian Path Gold Project** totals 27 claims. Historic workings include numerous trenches and several shafts, of which the deepest one reaches a depth of approximately 70 meters. The property was used for scheelite during the Second World War, which occurs in quartz veins along with gold.

The **Blockhouse Gold Project** consists of 10 claims totaling 161.8 hectares. Historic workings include a 95 m shaft that provided access and production haulage to extract ore prior to 1935.

The **French Village Project** consists of 116 mining claims located in Cape Breton County, Nova Scotia and the **Cheticamp Project** consists of 146 mining claims totaling 2362.2 hectares in Inverness County, Nova Scotia. This property shows numerous showings of gold and base metal mineralization.

## Recently Acquired REE Property

Early November, 2010 NSGold announced that it staked an additional 5,000 hectares in Nova Scotia. What's remarkable is that these claims have a rock package that's known around the world to contain Rare Earth Elements (REE).

The last couple of years, interest in REE has peaked because these scarce materials are crucial in many consumer products and military equipment like radars, missile-guidance systems, the Abrams battle tank, etc.

Additionally, China owns more than 85 percent of the known global reserves of Rare Earth Elements, making the rest of the world dependent on China's exports.

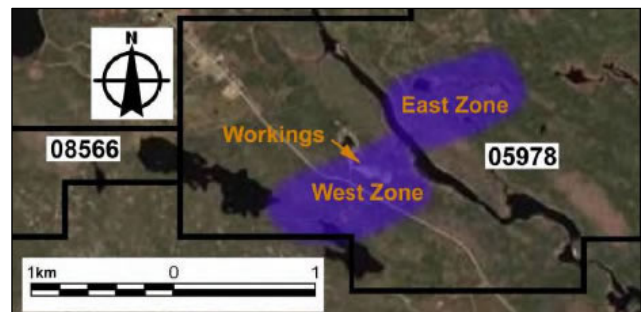
This potential shortage for REE has set off a search in the U.S., Australia, Canada and South Africa for new rare earth mines.

So it's safe to say that NSGold made an intelligent move to stake these claims. The Company paid a small amount of money for a potential REE property that's in high demand. During the next two months, NSX will prepare the historical review of the new land and decide whether to do the prospecting itself or with a partner.

## Mooseland Gold Project

The Mooseland Property has undergone exploration and production since its discovery in the mid-19th century.

Past production as well as recent exploration including geochemistry, geophysics, surface sampling, diamond drilling and underground sampling have outlined two main zones, the West Zone and East Zone.



**General Location of the West and East Zones at Mooseland**

The West Zone has a strike length of 914 metres, while the East Zone, which is located approximately 335 metres north-northwest of the West Zone, has been explored over a strike length of 240 metres.

The East Zone is more structurally complex and less well understood when compared with the West Zone, although it holds significant potential.

## History

The first recorded discovery of gold bearing quartz at Mooseland was made in September, 1858 by Lieutenant C. L'Estrange while moose hunting on the Tangier River. Two years later in May, 1860, gold in a quartz boulder was found in the same area, initiating the first gold rush in Nova Scotia. The area was officially proclaimed as the Mooseland Gold District by April, 1861. Total recorded production for the district between 1863 and 1934 is 3,865.1 ounces of gold recovered from 9,058 tons of crushed material.



**Mooseland in 1897**

Since the discovery of gold at Mooseland in 1858, the Property has been explored and exploited by numerous individuals and companies. Early workers focused on trenching along the surface strike of the veins with shafts at regular intervals along each vein. The depths of trenches and shafts were limited by the ability of the operators to remove water from the workings. In excess of 22 shafts and more than 100 trenches and pits excavated in the West Zone before the 1980s have been recorded. More than 14 shafts on the east side of the river were mapped by Faribault on his 1899 map of the Mooseland Gold District.

In more recent history, Mooseland was further explored and developed by three Companies.

Between 1986 and 1988, Acadia Mineral Ventures Ltd. carried out a broad exploration program on the

East and West Zones, including diamond drilling and an Induced Polarization (IP) survey, which covered 9.8 line kilometres. The drilling totaled approximately 31,700 metres in 135 holes. This drilling outlined the most promising West Zone targets, increased the understanding of the East Zone, and formed the basis of later resource estimates.

As of 1988 until 1989, Hecla Mining Co. carried out site preparation including clearing land, constructing surface buildings and a 12,000 cubic metre settling pond. Later, Hecla sank a 124.9 metre deep vertical shaft with associated headframe to explore and bulk sample mineralized veins that had previously been identified by diamond drilling. Due to lack of available financing, the project was suspended before completion. The planned program of lateral development and bulk sampling was not carried out.

Between 2003 and 2004, Azure Resources Corporation carried out an extensive program including diamond drilling and development of a portal and decline. The drill program had six holes totalling 1,167.65 metres. The four West Zone holes succeeded in confirming previous intersections and demonstrating sufficient rock quality for the anticipated decline. The two East Zone holes confirmed previous intersections and improved understanding of the geological structure & stratigraphy of that Zone. The decline was collared in the West Zone, with a plan to connect it with the Hecla shaft, and collect a 2,000-10,000 tonne bulk sample.

Due to lack of financing, the bulk sample was taken out before the planned depth had been reached, and milled before an efficient circuit could be installed in the mill. As a result, poor results were achieved from the bulk sample.

## Reserve Estimates

Since gold is not distributed evenly within Mooseland's quartz veins, it is difficult to accurately define minable ore reserves from diamond drilling alone. However, two non-NI 43-101 compliant historical resource estimates were made for Mooseland in the late 1980s.

A first reserve estimate was prepared by MPH Consulting Ltd. and covered the West Zone of Mooseland. It was first released in 1987 and was based on 65 drill holes.

The 1987 estimate defined a "geological reserve" of 600,000 tonnes at 8.36 g/t of "possible and probable

material” hosted in seven separate zones, along a strike length of 600 metres. In 1989, the estimate was updated to include 20 additional drill holes in the West Zone, for a total of 85 drill holes. It found “total probable indicated reserves”, to a depth of 400 metres, of 433,000 tonnes with an uncut grade of 18.00 g/t Au or a cut grade of 5.15 g/t Au. So the actual grade of the resource may be somewhere in between the uncut estimate of 17.7 g/tonne and the cut estimate of 5.1 g/tonne.

## NI 43-101

The National Instrument 43-101 (NI 43-101) is a codified set of rules and guidelines for reporting and displaying information related to mineral properties owned by, or explored by, public companies supervised by the Canadian Securities Administrators.

The purpose of a NI 43-101 is to ensure that misleading, erroneous or fraudulent information relating to mineral properties is not published and promoted to investors.

NI 43-101 was devised by the Canadian Securities Regulators back in the 1990's after the highly publicized Bre-X mining scandal. The gold reserves at Bre-X's Busang were alleged to be 200 million ounces (6,200 t), or up to 8% of the entire world's gold reserves at that time. However, it was a massive fraud and there was no gold at all. The core samples had been faked by salting them with outside gold. An independent lab later claimed that the faking had been poorly done, including the use of shavings from gold jewelry. In 1997, Bre-X collapsed and its shares became worthless in one of the biggest stock scandals in Canadian history."

A second historical reserve estimate was prepared by Kopp for Hecla Mining in 1988 and is based on gold-bearing drill intersections diluted to minimum mining widths of five feet (1.51 meters). The drilling and associated work identified historical reserves of 640,000 tons grading 0.47 ounces per ton (un-cut) or 16 grams per metric tonne in two separate zones (East Zone and West Zone).

The Kopp estimates give a better overview of Mooseland's potential as they contain data from more drill holes and include information from the East Zone of Mooseland.

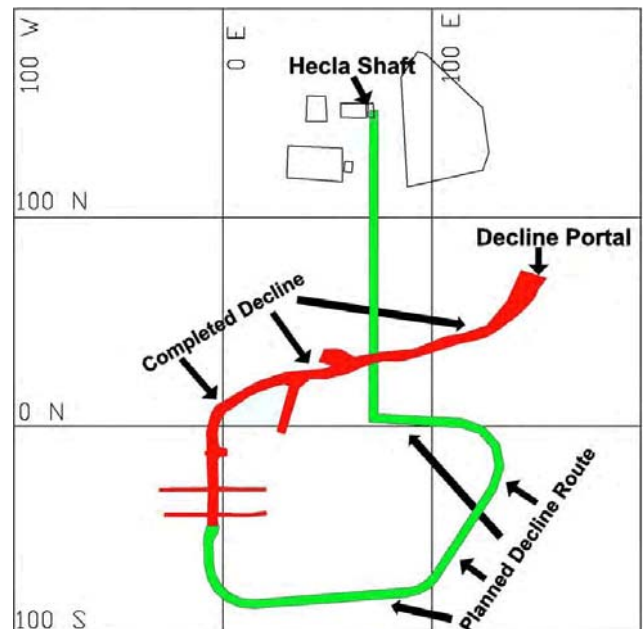
Zone	Tons	Grade (oz per ton)
East	327,350	0.585
West	312,720	0.37
<b>Total</b>	<b>640,070</b>	<b>0.47</b>
<b>Reserve estimate by Kopp for Hecla mining.</b>		

Note that the above gold resource estimates by MPH Consulting and Kopp are historic in nature and were compiled before National Instrument 43-101 Standards of Disclosure for Mineral Projects came into effect. The resource estimates have not been verified by an independent “Qualified Person” and are presented for information purposes only.

## Exploration Programs

Because it was impossible to determine an exact reserve estimate of the Mooseland property with the available data, NSGold initiated a two phase exploration program intended to verify past work and to identify and target untested areas within the Mooseland deposit..

During Phase 1, surface diamond drilling will be completed on the West and East Zones to further delineate mineralization. Also, the underground decline, started by Azure, will be completed to about 160 metres vertically below the surface to tie it in with the Hecla shaft.



**The Azure underground decline will be completed to tie it in with the Hecla shaft.**

Phase 2, which is contingent upon positive results in Phase 1, includes further examination of both zones

by surface drilling and underground drilling to expand resources. Phase 2 will also include continued metallurgical work for both zones, the construction of a digital model, estimation of mineral resources, a scoping study and the estimation of mineral reserves. All of this to finally enable a NI 43-101 Mineral Report.

The cost of Phase 1 is estimated at \$2 million and is expected to be finished late February 2011. Phase 2 is estimated to cost \$4 million and is planned to be finished by November 2011.

## Phase 1 Commenced

The Phase 1 exploration program commenced on September 7<sup>th</sup>, 2010 with surface drilling on the West Zone of Mooseland. In the meantime, thirteen drill holes have been completed on the West Zone for a total of 3,596 meters and drilling on the East Zone is proceeding as planned.

Samples for the first 7 holes from the West Zone have been shipped to Laboratoire Expert to conduct an analysis on them. To date, assays have been received for two complete holes (NSG 1-10 and NSG 2-10) and selected partial sections of other holes. These results show significant potential. More results are expected shortly.

Hole Number	From (m)	To (m)	Oz per ton
NSG 1-10	98.4	99.3	<b>0.50</b>
NSG 1-10	228.7	229.2	<b>0.67</b>
NSG 2-10	73.5	74.0	<b>0.37</b>
NSG 2-10	95.1	95.6	<b>1.07</b>
NSG 2-10	112.8	113.2	<b>0.32</b>
NSG 3-10	59.85	60.4	<b>1.27</b>

**First assays received from Mooseland drill holes.**

Also of particular significance was that three other drill holes on the West Zone intersected substantial quartz saddle structures; NSG 4-10 with 12.6 meters and 6.4 m, NSG 6-10 with 10.5 meters and NSG 7-10 with 22 meters of 50% quartz veining. Such thickness has not been seen in any of the previous drilling programs and represents a potential large tonnage target. Additionally, visible gold was observed in most of the drill holes logged to date and all holes intercepted significant vein systems.

Mr. van Hoof commented; "I'm extremely pleased with the progress of the Mooseland drilling program thus far and in particular with the extent of quartz structures by holes NSG 4-10, 6-10 and 7-10 and the

potential they represent. These widths exceed anything reported in the historic drilling."

"We already knew that we had a great deposit because of the extensive work of our predecessors, however, the additional data being gained in the current drilling phase shows we are definitely on the right track towards establishing a case for future gold production at Mooseland."

## Permits

Several permits have to be obtained in every step of the process: a permission before any work could commence, before drilling could begin, approval has to be received before underground exploration can begin, etc.

It's important to note however that permits in Nova Scotia can relatively easy be obtained and that all the land held by NSGold is on either crown land or private property where no impediments to development are known to exist.

## Why Invest In Gold Now?

Although gold prices have been on steep rise in recent years amidst turmoil in most markets there are many reasons why we believe that gold will continue its way up.

- A few weeks ago, AngloGold Ashanti, the largest gold producer in South Africa, announced it was going to issue new shares and convertible bonds worth about USD 1.5 billion, to close its hedge positions. (Hedging is a technique that mining companies use to secure the price at which they can sell their future production. That way, they're protected against major price decreases.) The only reason why AngloGold Ashanti choose to close its hedge position is because it expects to be able to sell its production at a higher price than its hedge price!
- Central banks continue to print money to fuel their sloppy economies, thus creating inflation. To support lending and spending, Central banks aren't in a hurry to reverse this policy. Obviously, higher inflation makes investor turn to gold as a safe haven.
- The G20 meeting early November in Seoul made it clear that each country will defend

its own interests. The U.S. is putting Asian countries under pressure to let their currencies rise so that U.S. goods become cheaper and exports can rise. However, Asian countries argue that if they were to strengthen their currencies, they would have to increase productivity to stay competitive, thus hurting U.S. exports even more. It's obvious there will be tensions on the currency front, which always lures investors into gold.

- China and India are starting to diversify their foreign reserves. Gold is being accumulated.
- Consumer gold demand in China also continues to increase, both in terms of jewellery and investment vehicle.
- Both the investment funds of George Soros and John Paulson have invested billions of dollars in gold. And Pierre Lassonde, the former chairman of the World Gold Council, says that gold prices will continue to increase for at least 5 more years.

## Financials

Prior to the Qualifying Transaction, the financial year end of Kermod Capital Ltd. was May 31. In connection with the Qualifying Transaction, the Corporation changed its year end to December 31 in order to be the same as that of NSGold, the private Company. As a results, the first financial year-end subsequent to the completion of the Qualifying Transaction will be December 31, 2010.

### Balance Sheet As Of June 30, 2010

	<b>06/30/10</b>
Cash and Cash Equivalents	2,855,736
Deposits	600,000
Resource Properties	1,168,000
<b>Total Assets</b>	<b>4,623,736</b>
Accounts Payable & Accrued Liabilities	985,015
<b>Total Liabilities</b>	<b>985,015</b>
Total Stockholder Equity	3,638,721
<b>Most important balance sheet data for the period ending June 30, 2010. Source: Company Filings</b>	

The resource estimates, mentioned above, are comprised of:

- \$750,000 paid to Globex Mining Enterprises Inc. to acquire the 100% interest in the Mooseland property and the five early-stage properties;
- \$415,000 paid for the 3% net smelter royalty, as described under "First Properties" above;
- \$3,000 for exploration costs already incurred at June 30, 2010.

## Outlook

All aspects we look for in a junior mining Company are present at NSGold Corporation.

First of all, NSGold has a strong management team with the right balance of financing and mining experience. Mr. van Hoof, has solid connections in the financial markets, making the Company well positioned for accessing future capital resources. And NSGold's CFO has helped raise a quarter of a billion dollars for a previous mining Company he was employed at.

Furthermore, the Company has engaged two veterans in the mining industry: John Hedges, a geologist and minerals economist with over 35 years of experience in the mining industry and James Proudfoot, a mining engineer more than 45 years experience in the mining industry.

The Company has a 100% interest in the Mooseland property, where exceptionally high gold grades have been found in the past. Additionally, it acquired several other blue sky properties.

It's the right time to invest in gold as gold prices are high so that mining Companies can sell their production with lots of profit. At the same time, gold prices will most likely continue their way up.

NSGold is not AngloGold Ashanti. It doesn't have producing mines and there's still a lot of work ahead before it will reach that milestone. On the other hand, AngloGold Ashanti's stock price doesn't have the potential that NSGold's stock price has. If the reserve estimates by Kopp are confirmed, NSGold is sitting on tremendous property and its stock price will move up accordingly.

**Based on the information in this report and the positive outlook for the Company, we initiate coverage of NSGold Corporation with a buy recommendation.**

## Ownership

The principal owners of the Company's common stock are Van Hoof Industrial Holdings Ltd. (31.89%), MineralFields Group (11.09%) and Diane Hedges (9.05%). Currently, about 10 million shares are in the float.

## Management

### ➤ **Hans van Hoof - President, CEO and Chairman of the Board of Directors**

Mr. van Hoof has held senior positions at various European financial institutions, including PVF Pension Funds, Paribas Capital Markets and Bankers Trust. His roles during the past 22 years include senior Portfolio Manager, senior Risk Manager, Deputy Head of global equity derivatives, Managing Director responsible for M&A arbitrage, derivatives arbitrage and venture capital investments as well as Chairman and Senior Executive Officer of Soros Funds Limited in London. In 2002, Mr. van Hoof founded VHC Partners alternative investment management group, active in hedge fund management, corporate and project finance advisory services, private equity investments and charitable projects.

### ➤ **Glenn Holmes - Vice-President and CFO**

Glenn Holmes has more than 23 years experience in the financial management of listed junior mining companies including equity financings, debt financings, corporate acquisitions, mining feasibility studies and financial restructurings. Mr. Holmes most recently served as Chief Financial Officer and Vice-President Finance of Etruscan Resources Inc. (TSX) where he played a lead role in securing a US\$100 million combined structured debt financing and gold hedging facility for the development of an 80,000 ounce per annum gold mine located in West Africa. Previously Mr. Holmes was Vice-President Finance and Secretary-Treasurer for NovaGold Resources Inc. (TSX). He holds a B.Comm. and is a member of the Institute of the Chartered Accountants of Nova Scotia.

### ➤ **Grant Loon - Director**

Mr. Loon has over 12 years of experience in trading and operations roles within financial institutions and alternative investment management firms. As partner and Chief Operating Officer of VHC Partners, Mr

Loon had responsibility for the establishment and oversight of the group's operations. More recently, his roles have included establishing a multi-fund operations infrastructure and risk management framework while working as COO for a Stockholm based hedge fund management company and various consultancy engagements within investment management and financial services related industries. Prior to joining VHC, Mr. Loon worked at Morgan Stanley & Co International, Commerzbank Global Equities and Soros Funds Limited.

### ➤ **James Proudfoot - Director**

Mr. Proudfoot has more than 45 years experience in the mining industry as a mining engineer and independent consultant. He has held senior production management positions with several mining companies, including Noranda Mines as a production engineer and Mine Superintendent and Chief Engineer for Anaconda America Brass Ltd at the Caribou mine. His career spans all facets of the industry from exploration through project design and construction to operations management. Mr. Proudfoot served in executive management functions with mine development contractors, as Vice President Finance of J. S. Redpath Ltd. and Manager of Mine Contracting with The Cementation Company (Canada) Limited. Mr. Proudfoot is a Qualified Person and will be responsible for any development of a mine plan and mine design, if required, as well as providing oversight to a project management system to ensure that adequate procedures are in place and that best available technologies are applied in all the Resulting Issuer's design and construction practice, as required.

### ➤ **John Hedges – Senior Technical Advisor**

Mr Hedges is a geologist and minerals economist with over thirty-five years of experience in the mining industry. He was Vice President of project finance for Westpac Banking Corporation in New York and was also a mining analyst with the Canadian Export Development Corporation where he was involved with providing project financing to a number of large copper/gold projects that were developed in the 1980s and 1990s. In recent years Mr. Hedges has been a consultant to the mining industry and has provided services to a number of listed and private companies.



# NSGold corporation

## TSX Venture Exchange: NSX

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