

A copy of this preliminary prospectus has been filed with the securities regulatory authorities in each of the provinces of Canada, but has not yet become final for the purpose of the sale of securities. Information contained in this preliminary prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the prospectus is obtained from the securities regulatory authorities.

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. These securities have not been and will not be registered under the United States Securities Act of 1933, as amended, and, subject to certain exceptions, may not be offered or sold within the United States.

Secondary Offering by Way of Dividend in Kind

October 21, 2011

PRELIMINARY PROSPECTUS

NSX SILVER INC.

This prospectus qualifies the distribution by NSGold Corporation (“**NSGold**”) of an aggregate of approximately 43.4 million common shares of NSX Silver Inc. (the “**Corporation**”), a wholly-owned subsidiary of NSGold, to the shareholders of record of NSGold as of the close of business on the record date to be set for such distribution (the “**Distribution Record Date**”). The foregoing share distribution is referred to herein as the “**NSGold Distribution**”. NSGold’s shareholders will receive one common share of the Corporation for every issued and outstanding NSGold share. The Corporation will not receive any proceeds from the NSGold Distribution. See “NSGold Distribution”.

There is currently no market through which these securities may be sold and purchasers may not be able to resell securities purchased under this prospectus. This may affect the pricing of the securities in the secondary market, the transparency and availability of trading prices, the liquidity of the securities, and the extent of issuer regulation. See “Risk Factors”.

The Corporation has applied to list the common shares distributed under this prospectus on the TSX Venture Exchange. Listing will be subject to the Corporation fulfilling all the listing requirements of the TSX Venture Exchange. As at the date of this prospectus, the Corporation does not have any of its securities listed or quoted, has not applied to list or quote any of its securities, and does not intend to apply to list or quote any of its securities, on the Toronto Stock Exchange, a U.S. marketplace, or a marketplace outside Canada and the United States of America other than the Alternative Investment Market of the London Stock Exchange or the PLUS markets operated by PLUS Markets Group plc.

The securities distributed pursuant to this prospectus are speculative in nature. There are numerous risks involved in holding the shares of a company, such as the Corporation, that is in the business of mining exploring in Mexico. See “Risk Factors”. The shares of the Corporation distributed hereby will be eligible for investment as set out under “Eligibility for Investment”.

Each of Johannes H. C. van Hoof and Grant Loon, who have signed the certificate of the Corporation contained in this prospectus, resides outside of Canada. Although each has appointed Heenan Blaikie LLP, c/o Neil Wiener, 1250 René-Lévesque Blvd. West, Suite 2500, Montreal, Québec H3B 4Y1, as his agent for service of process in Canada, it may not be possible for investors to enforce judgments obtained in Canada against the persons described above.

The head and registered offices of the Corporation are at 1055 West Hastings Street, Suite 2200, Vancouver, British Columbia V6E 2E9.

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ELIGIBILITY FOR INVESTMENT

In the opinion of Heenan Blaikie LLP, counsel to the Corporation, subject to the qualifications and assumptions discussed under the heading “Federal Income Tax Considerations Relating to the NSGold Distribution”, and subject to the terms and conditions of any particular plan or account, provided the common shares of the Corporation are listed on a designated stock exchange (which currently includes the TSX Venture Exchange) as at the date of closing of the NSGold Distribution, the common shares of the Corporation, if issued on such date, would be qualified investments under the *Income Tax Act* (Canada) (the “**Tax Act**”) for trusts governed by registered retirement savings plans (“**RRSP**”), registered retirement income funds (“**RRIF**”), deferred profit sharing plans, registered education savings plans, registered disability savings plans and tax-free savings accounts (“**TFSA**”) (each, a “**Deferred Plan**”).

Notwithstanding the foregoing, the holder of a trust governed by a TFSA (and, if certain amendments to the Tax Act released on August 16, 2011 are enacted as proposed (the “**RRSP/RRIF Proposals**”), an annuitant under an RRSP or RRIF) that holds common shares of the Corporation will be subject to a penalty tax if such securities are a “prohibited investment” for the purposes of the Tax Act. The common shares of the Corporation will generally be a “prohibited investment” if the holder or the annuitant, as the case may be, does not deal at arm’s length with the Corporation for the purposes of the Tax Act or the holder or the annuitant, as the case may be, has a “significant interest” (within the meaning of the Tax Act) in the Corporation or in a corporation, partnership or trust with which the Corporation does not deal at arm’s length for the purposes of the Tax Act. No assurance can be given that the RRSP/RRIF Proposals will be enacted in their current form, or at all. Prospective investors who intend to hold the common shares in a TFSA, RRSP or RRIF should consult their own tax advisors in this regard.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain of the information contained in this prospectus may contain “forward-looking statements”. Forward-looking statements may include, among others, statements regarding the Corporation’s future plans, costs, objectives or economic performance, or the assumptions underlying any of the foregoing, including those described under “Business of the Corporation” and “Management’s Discussion and Analysis”. In this prospectus, words such as “may”, “would”, “could”, “will”, “likely”, “believe”, “expect”, “anticipate”, “intend”, “plan”, “estimate” and similar words are used to identify forward-looking statements. Forward-looking statements should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether, or the times at or by which, such future performance will be achieved. Forward-looking statements are based on information available at the time and/or management’s good faith belief with respect to future events and are subject to known and unknown risks, uncertainties and other unpredictable factors, many

of which are beyond the Corporation's control. These risks and uncertainties could cause actual events or results to differ materially from those projected in any forward-looking statements. These risks and uncertainties include: the speculative nature of resource exploration; the fact that there is no known body of commercial ore on the Dios Padre property; the significant capital investment that is required to achieve commercial production from successful exploration efforts; the possibility that market fluctuations and the prices of metals will render certain resources uneconomic; and the fact that Dios Padre property is in the exploration stage. See "Risk Factors". The Corporation does not intend, nor does it undertake any obligation, to update or revise any forward-looking statements contained in this prospectus to reflect subsequent information, events or circumstances or otherwise, unless required by applicable securities law.

All monetary amounts in this prospectus are expressed in Canadian dollars, unless otherwise indicated.

PROSPECTUS SUMMARY

The following is a summary of the principal features of this distribution and should be read together with the more detailed information and financial data and statements contained elsewhere in this prospectus.

The Corporation

The Corporation was incorporated under the *Canada Business Corporations Act* on August 9, 2011 as a wholly-owned subsidiary of NSGold with the intention of taking over the Mexican properties owned, and silver exploration activities in Mexico currently carried on, by NSGold, so that NSGold can devote itself solely to exploration for gold and other metals, primarily in Canada. Since the date of its incorporation, the Corporation has had no activities other than organizing the transactions described in this prospectus. The Corporation has entered into an agreement with NSGold with respect to the acquisition by the Corporation of all of NSGold's shares of Compañía Minera Oso Blanco SA de CV ("**Oso Blanco**"), a Mexican subsidiary of NSGold, in exchange for 1 million common shares of the Corporation, which will be issued on a "rollover" basis at a deemed price of \$0.105 per share, for total deemed consideration of \$105,000. Oso Blanco is the registered owner of the Dios Padre, Don Carlos and Alejandro mining concessions in Mexico. A technical report in respect of the Dios Padre property has been prepared in conformity with National Instrument 43-101, "*Standards of Disclosure for Mineral Projects*". The properties to be indirectly sold by NSGold to the Corporation comprise NSGold's sole Mexican properties and after such sale, NSGold does not intend to be directly involved in mining exploration for silver in Mexico. The Corporation has acquired, and intends to acquire, additional interests in exploration properties in Mexico. See "Business of the Corporation".

NSGold Distribution

NSGold will distribute to its shareholders, by way of dividend, one common share of the Corporation for every share of NSGold held by its shareholders on the Distribution Record Date. The following is a summary of the principal features of the NSGold Distribution and should be read by NSGold shareholders together with the more detailed information contained in this prospectus under the heading "NSGold Distribution".

Issuer:

NSX Silver Inc. (the "**Corporation**").

Dios Padre Property:

The Corporation has entered into an agreement with NSGold with respect to the acquisition by the Corporation of all of NSGold's shares of Oso Blanco, which is the registered owner of the Dios Padre, Don Carlos and Alejandro mining concessions in Mexico. The Dios Padre property, including the historic Dios Padre Silver Mine, is located in the Municipality of Yecora, State of Sonora, Mexico, approximately 260 km east of Hermosillo. The Dios Padre property covers an area of 285 hectares on three contiguous claims. See "Business of the Corporation – Dios Padre Property – Acquisition by the Corporation".

Distributing Company:

NSGold will distribute directly to its shareholders an aggregate of approximately 43.4 million common shares of the Corporation to be held by NSGold. See "Prior and Future Sales".

Distribution Ratio:

NSGold shareholders will receive one common share of the Corporation for every common share of NSGold held of record as of the close of business on the Distribution Record Date. No fractional common shares will be distributed in connection with the NSGold Distribution and NSGold shareholders will not receive any cash payment in lieu of fractional shares to which they would otherwise be entitled.

Distribution Record Date:

The Distribution Record Date for the NSGold Distribution will be set by the Board of Directors of NSGold. NSGold will issue a press release announcing the Distribution Record Date for the NSGold Distribution in conformity with the applicable policies of the TSX Venture Exchange.

Delivery Date:	The delivery of the Corporation's common shares to NSGold shareholders of record as at the close of business on the Distribution Record Date will occur as soon as reasonably practicable following the Distribution Record Date.
Purchase and Sale Agreement:	The Corporation has entered into an agreement with NSGold with respect to the acquisition by the Corporation of all of NSGold's shares of Oso Blanco, a Mexican subsidiary of NSGold, in exchange for 1 million common shares of the Corporation, which will be issued on a "rollover" basis at a deemed price of \$0.105 per share, for total deemed consideration of \$105,000. Oso Blanco is the registered owner of the Dios Padre, Don Carlos and Alejandro mining concessions in Mexico. See "Business of the Corporation – Dios Padre Property – Acquisition by the Corporation".
Share Subscription:	NSGold and the Corporation have entered into a share subscription agreement (the " Subscription Agreement ") which provides that prior to the NSGold Distribution, NSGold will subscribe for approximately 44.4 million common shares of the Corporation at a price of \$0.105 per share, for total proceeds of \$4,665,000 (the " Share Subscription "). The Corporation will use the proceeds of the Share Subscription for work on its Mexican properties and for working capital, including possible property acquisitions.
Certain Income Tax Considerations:	NSGold shareholders should carefully read the information set out under the heading "Federal Income Tax Considerations Relating to the NSGold Distribution" with respect to the income tax consequences of the NSGold Distribution.
Dividend Policy:	The Corporation's current intention is to reinvest all future earnings in order to finance the growth of its business. As a result, the Corporation does not intend to pay dividends in the foreseeable future.
Stock Exchange Listing:	The Corporation has applied for the listing of its common shares on the TSX Venture Exchange. Listing is subject to the Corporation fulfilling all the listing requirements of the TSX Venture Exchange.
Risk Factors:	<p>There are risks inherent in the Corporation's business and operations that may adversely affect the value of its securities. Potential investors should carefully review this prospectus and consider the matters discussed under the heading "Risk Factors" beginning on page 35 of this prospectus. Such risks include the following:</p> <p>Resource exploration is a speculative business and involves a high degree of risk. There is no known body of commercial ore on the Dios Padre property and there is no certainty that the expenditures to be made by the Corporation in the exploration of the Dios Padre property or other properties or otherwise will result in discoveries of commercial quantities of minerals. Significant capital investment is required to achieve commercial production from successful exploration efforts. Market fluctuations and the prices of metals may render certain resources uneconomic. There is no assurance that any of the Corporation's exploration properties possess commercially-mineable bodies of ore. The Dios Padre property is in the exploration stage, as opposed to the development stage, and has no known body of economic mineralization. As the Corporation does not have revenues, it will be dependent solely upon future financings to continue its plan of operation. The Corporation has not generated any revenues since its incorporation. The Corporation will incur losses and there is no assurance that it will ever be profitable. The Corporation's success is highly dependent upon the performance of key personnel working in management, supervisory and administrative capacities or as consultants. The loss of the services of its senior management or key personnel could have a material and adverse effect on the Corporation and its business and results of</p>

operations. The Corporation's success depends to a significant extent on the performance and continued service of independent contractors. There is no assurance that the Corporation's title to its mineral exploration properties will not be challenged. There is no assurance that the Corporation will obtain required permits and licenses. The Corporation's potential profitability depends upon factors beyond its control. Fluctuation of mineral prices may affect the Corporation's financial results. There is aggressive competition within the mining industry for the discovery and acquisition of properties considered to have commercial potential. If any of the Corporation's properties are proven to host economic reserves of metals, mining operations will be subject to Mexican federal, state and local laws relating to the protection of the environment, including laws regulating removal of natural resources from the ground and the discharge of materials into the environment. The Corporation may not always be able or may choose not to obtain insurance for many of the risks that it faces. The Corporation has never operated as a stand-alone company. Upon completion of the NSGold Distribution, the Corporation will function as an operating company independent of NSGold, and NSGold will have no obligation to provide assistance to the Corporation. The Corporation's operations will be conducted in a foreign jurisdiction, Mexico, and, as such, the Corporation's operations will be exposed to various levels of political, economic and other similar risks and uncertainties, such as military repression; extreme fluctuations in currency exchange rates; high rates of inflation; labour unrest; the risks of war or civil unrest; expropriation and nationalization; renegotiation or nullification of existing concessions, licences, permits and contracts; illegal mining; changes in taxation policies; restrictions on foreign exchange and repatriation; and changing political conditions, currency controls and governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction. NSGold shareholders who receive common shares as part of the NSGold Distribution may choose to sell those shares, which could depress the trading price of the Corporation's common shares for as long as those sales are continuing. Share prices are subject to changes because of numerous factors beyond the Corporation's control, including reports of new information, changes in the Corporation's financial situation, the sale of the Corporation's common shares in the market, the Corporation's failure to achieve financial results in line with the expectations of analysts, or announcements by the Corporation or any of its competitors concerning results. There has been no prior public market for the Corporation's common shares, and an active trading market may not develop or, if it does develop, may not be sustained. Any delay in the listing of the Corporation's common shares on a stock exchange may render it difficult to sell such shares.

Selected Financial Information

The following table sets out selected financial data. It should be read in conjunction with "Management's Discussion and Analysis" and the Corporation's audited financial statement as at August 31, 2011 and the notes thereto that are included elsewhere in this prospectus.

	As at August 31, 2011
Statement of Financial Position Data	
Current assets	\$ 100
Current liabilities	6,700
Shareholder's deficiency	<u>(6,600)</u>
Capital stock	<u>\$ 100</u>

THE CORPORATION

The Corporation was incorporated on August 9, 2011 pursuant to the *Canada Business Corporations Act*.

The head and registered offices of the Corporation are at 1055 West Hastings Street, Suite 2200, Vancouver, British Columbia V6E 2E9.

BUSINESS OF THE CORPORATION

History

The Corporation was constituted with the intention of taking over the Mexican properties owned, and silver exploration activities in Mexico currently carried on, by NSGold, so that NSGold can devote itself solely to exploration for gold and other metals, primarily in Canada. Since the date of its incorporation, the Corporation has had no activities other than organizing the transactions described in this prospectus. The Corporation has entered into a purchase and sale agreement with NSGold (the “**Purchase and Sale Agreement**”) with respect to the acquisition by the Corporation of the shares of Oso Blanco from NSGold, for which the Corporation will issue 1 million common shares to NSGold. Oso Blanco is the registered owner of the Dios Padre, Don Carlos and Alejandro mining concessions in Mexico. The properties to be indirectly sold by NSGold to the Corporation comprise NSGold’s sole Mexican properties and after such sale, NSGold does not intend to be directly involved in mining exploration for silver in Mexico. The Corporation has acquired, and intends to acquire, additional interests in exploration properties in Mexico. The Corporation does not currently own any mines and does not intend to acquire any mines currently in production.

The Dios Padre property initially will be the Corporation’s principal property. As at August 31, 2011, NSGold had spent a total of \$336,925 on the Dios Padre property, \$224,870 of which was related to the acquisition of the mining concessions and \$112,055 of which was incurred in exploration costs. The exploration costs were comprised of (i) geological mapping and sampling, (ii) line cutting in preparation of a 3-D Induced Polarization (IP) ground survey, and (iii) establishing field accommodations and support.

Dios Padre Property

Acquisition by NSGold

On April 9, 2011, NSGold entered into a binding Property Option Agreement with Cia Minera Pena Blanca SA de CV. Under the Property Option Agreement, NSGold, through its subsidiary Oso Blanco, has the exclusive right to acquire a 100% undivided interest in the Dios Padre, Don Carlos and Alejandro mining concessions in Mexico 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\$100,000 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 January 31, 2012, 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. 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.

The Property Option Agreement also provides that 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.

In connection with the purchase by the Corporation of the shares of Oso Blanco, all of the rights and obligations of NSGold under the Property Option Agreement will be 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.

As a result of the Property Option Agreement, Oso Blanco, the subsidiary of NSGold, is the registered owner of the Dios Padre, Don Carlos and Alejandro concessions.

Acquisition by the Corporation

The Corporation has entered into the Purchase and Sale Agreement dated September 23, 2011 with NSGold with respect to the acquisition by the Corporation of the shares of Oso Blanco. The following is a description of the terms and conditions of the Purchase and Sale Agreement.

The Purchase and Sale Agreement provides that:

- (i) the closing of the acquisition of the shares of Oso Blanco will take place on a date to be determined by the Corporation in its discretion, which date will be not later than December 31, 2011;
- (ii) in the event that the closing of the transaction contemplated by the Purchase and Sale Agreement does not occur by December 31, 2011, the Purchase and Sale Agreement will terminate and be without effect;
- (iii) the deemed purchase price for the shares of Oso Blanco is \$105,000, payable by the Corporation through the issuance on a “rollover” basis on the closing date of 1 million common shares to NSGold at a deemed price of \$0.105 per share; and
- (iv) all of the rights and obligations of NSGold under the Property Option Agreement will be 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.

The Purchase and Sale Agreement also contains standard representations and warranties of NSGold and the Corporation. NSGold has obtained the consent of the optionor Cia Minera Pena Blanca SA de CV to the assignment by NSGold to the Corporation of all of the rights and obligations of NSGold under the Property Option Agreement.

The NSGold Distribution is conditional upon the closing of the acquisition by the Corporation of the shares of Oso Blanco pursuant to the Purchase and Sale Agreement. If the Corporation does not acquire the shares of Oso Blanco, NSGold will not proceed with the NSGold Distribution.

National Instrument 43-101 Technical Report

The following information is taken from a report dated August 8, 2011, as amended on September 22, 2011, prepared for NSGold and the Corporation by David A. Bending, M.Sc., P.Geo. A copy of this report, prepared in accordance with the requirements of National Instrument 43-101, “Standards of Disclosure for Mineral Projects” (“**NI 43-101**”), may be consulted at the registered office of the Corporation in Vancouver and at the Toronto offices of Heenan Blaikie LLP, counsel to NSGold and the Corporation, 333 Bay Street, Suite 2900, Toronto, Ontario, during normal business hours, during the entire course of the NSGold Distribution and for a period of 30 days thereafter. The report is also available under NSGold’s profile on SEDAR at www.sedar.com.

Introduction

Preparation of this Technical Report was undertaken on behalf of NSGold Corporation as part of documenting the merits of the Dios Padre property for compliance reporting and disclosure requirements under NI 43-101. In addition, this report is addressed to NSX Silver Inc., a wholly-owned subsidiary of NSGold Corporation, in connection with the proposed transfer of NSGold Corporation’s interest in the Dios Padre Project to NSX Silver Inc.

This Technical Report includes a summary of recent activity and work completed by Silver Standard Exploration Ltd. and First Majestic Silver Corporation during the period of 1996 and 2005/6 respectively and historic work dating back to Jesuit operations during the 1700’s for which results are incomplete. The objective of this report is verification of the scale and nature of the metallic mineral prospects in the property and sound recommendations for further work to evaluate and (as warranted by results) develop the property. The results of the previous evaluations have varied substantially as a consequence of the scope of work, mixing and confusion of indicated and inferred resource categories, variations in economic conditions and commodity prices and the objectives of the companies.

Under the current terms of reference, the author conducted a field examination of the Dios Padre property on April 6, 2011 during which 25 samples were collected to represent mill tailings, mill rejects, waste and mill feed dump samples, and systematic chip samples representing the Santa Gertrudis Pit area and small adit north of the Millsite area. The samples from

the mill products and rejects contained high silver and lead values. The samples from the Santa Gertrudis pit confirmed the presence of silver and lead mineralized material across sampled intervals of thirty-five and forty meters. On the basis of these observations and results, this report recommends a phased exploration program designed to explore the Dios Padre Prospect and its surroundings. Subsequent to the completion of this field evaluation and the related reporting, NSGold has commenced systematic fieldwork including, but not limited to, development of infrastructure, recruitment of personnel, organization of field support, community relations, line cutting, geological mapping and sampling, and ground geophysics (3-D IP).

Reliance on Other Experts - Disclaimer

This Technical Report is an accurate representation of the status and geologic potential of the Dios Padre property based on the information available to the author and the field visit conducted April 6, 2011, as well as the work subsequently initiated by NSGold and referenced above. The field work conducted by former operators Karl Myers (Pers. Com. 2002 and 2009) and B. J. Kennemur (Pers. Com. 2002 and 2008 – 2011) provided some insights into the underground workings and the mineralized bodies, complemented by detailed sampling and drilling by Silver Standard (1996) and First Majestic (2006). Mr. Myers is a chemical engineer with extensive experience in mining and mineral recovery and two years of work as the mill manager at Dios Padre. Mr. Kennemur is a prospector and developer with extensive experience in mineral development and two years of work as mining supervisor at the Dios Padre Mine. Mr. Kennemur is the property vendor and is therefore a concerned party in this project. Mr. Myers is independent, with no direct or indirect interest in the project.

This field examination included examination of core from the Silver Standard and First Majestic programs and compilation of the results from those programs. The author has reviewed reports summarizing the intensive evaluation work by Mackay and Schnellman (1966) but has not gained access to the detailed underground and surface sampling of details of drilling associated with that work. The reports available from First Majestic include assays and generalized resource calculations but exclude diamond drill logs and sampling records. This gap in reporting has limited the value of the First Majestic results but the assays remain a useful reference.

The author has not completed an independent title audit and has relied on the legal documents provided by NSGold prepared by Lic. Abdon Hernandez, of the Mexican law firm Martinez Carrera and Hernandez, including a title opinion dated August 4, 2011.

A continuing program of exploration work, including but not limited to detailed geologic mapping, systematic rock chip sampling in the Dios Padre Breccia area, extensive grid rock and regolith geochemical sampling and geophysics to augment geologic modeling is proposed as a phase I program. On the basis of existing data and continuing surface work a program of systematic diamond drilling is contemplated subject to confirmation and refinement of the targets through the Phase I program and if ground conditions permit, a complimentary underground drilling program will be implemented.

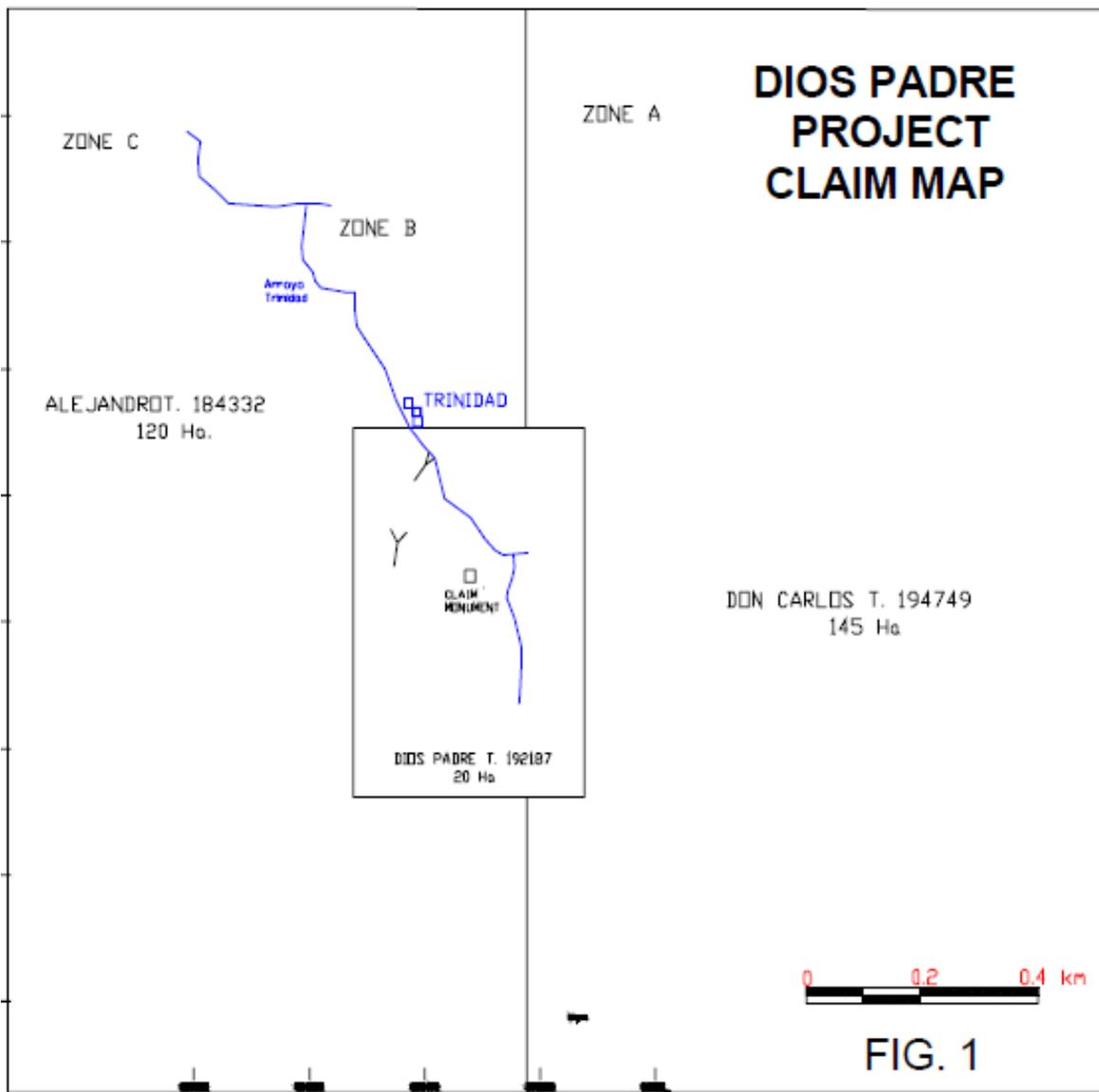


Figure 1: Mineral Titles.



Figure 2: Location Map

Location, Access, Physiography

The Dios Padre Project is located in the Eastern Sierra Madre Mountain range about midway between Hermosillo and Chihuahua in east central Sonora. The property is reached via a 25 km gravel road north of Hwy 16, via Yecora and the Hamlet of Santa Rosa, Sonora. Electrical power must be generated with diesel generators. Process water for milling operations up to 1983, at a rate of 100 tons per day, was available locally but development of a commercial scale production and processing facility will require an updated evaluation of water resources and associated water use permits.

The region has a seasonal arid climate with a rainy season between July and September. Annual rainfall in the region averages 300 mm and means annual temperature is 16 degrees C. The natural vegetation is desert scrub with higher ridges covered by pine and oak forest. Mining and logging are the prevailing uses of the land along with subsistence agriculture. Elevation in the area of the mine ranges from 1,185 to 1,920 meters above mean sea level.

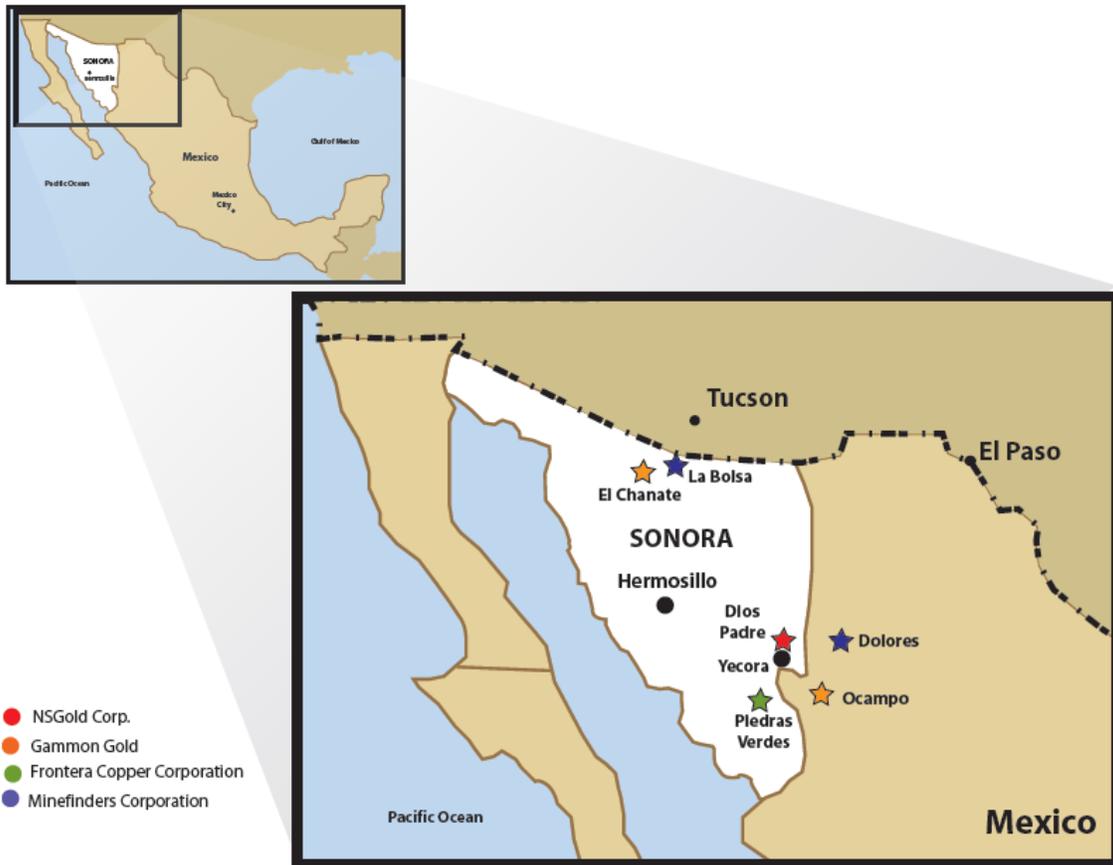


Figure 3: Location Map in relation to Major Mining Camps in Sonora and Chihuahua.

Land Status – Mining Concessions

DGM TITLE NUMBER	Land Area Ha.
Dios Padre	20
Alejandro	120
Don Carlos	145

Table 1: Land Status Summary

These concessions are reported by the Direccion General de Minas to be valid as of March 31, 2011. The mineral title fees were delinquent prior to the transaction with NSGold and have subsequently been paid in full as part of the agreement between vendor B.J. Kennemur and NSGold. NSGold has transferred the mineral rights to its Mexican subsidiary, Compania Minera Oso Blanco S.A. de C.V.

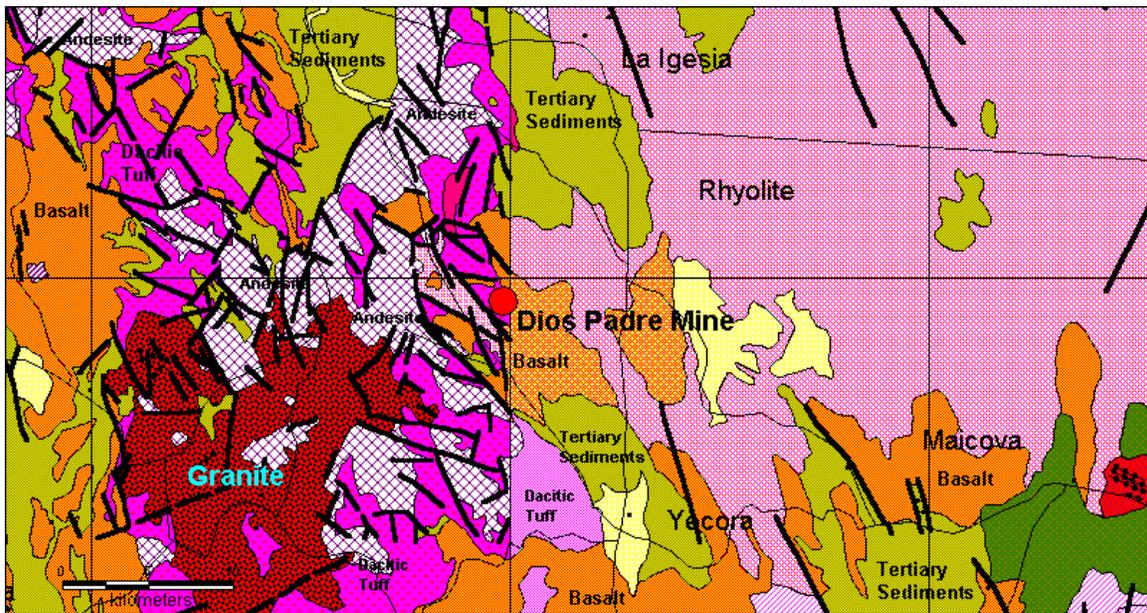


Figure 4: District Geology Map

Regional Geology

The Dios Padre Mine lies in the Sierra Madre Oriental, in a Cretaceous Volcanic Suite which is regionally grouped as the “Lower Volcanic Sequence”. These rocks are overlain (and completely covered to the East by a Tertiary sequence of Rhyolite tuffs and basalts regionally grouped as the Upper Volcanic Sequence. The interface between these sequences, and in particular the upper parts of the Lower Volcanic Sequence, is the host environment for significant Gold and Silver districts including the nearby Sahuaripa, Mulatos, Dolores and Ocampo Districts and further south the El Sauzal Discovery. The setting of these deposits varies but they all occur within this highly prospective interval and show a combination of structural and lithostratigraphic controls.

The rocks in this region include argillitic and calcareous sedimentary rocks, ranging in age from Paleozoic to Cretaceous, Cretaceous Andesite and Dacite, and coeval intrusive rocks including the brecciated stock which hosts the Dios Padre deposit and a larger nearby granitoid complex. The silver – copper mineralization of the Dios Padre deposit is closely related to this intrusive event, as are other altered and mineralized zones in the area. This mineralized area offers excellent opportunities for discovery of additional deposits with disseminated silver, disseminated gold, bonanza silver – gold, and porphyry copper being the best candidates. Most of the prospective land is currently open for location. Expansion of the land position should be a priority when the program is re-activated.

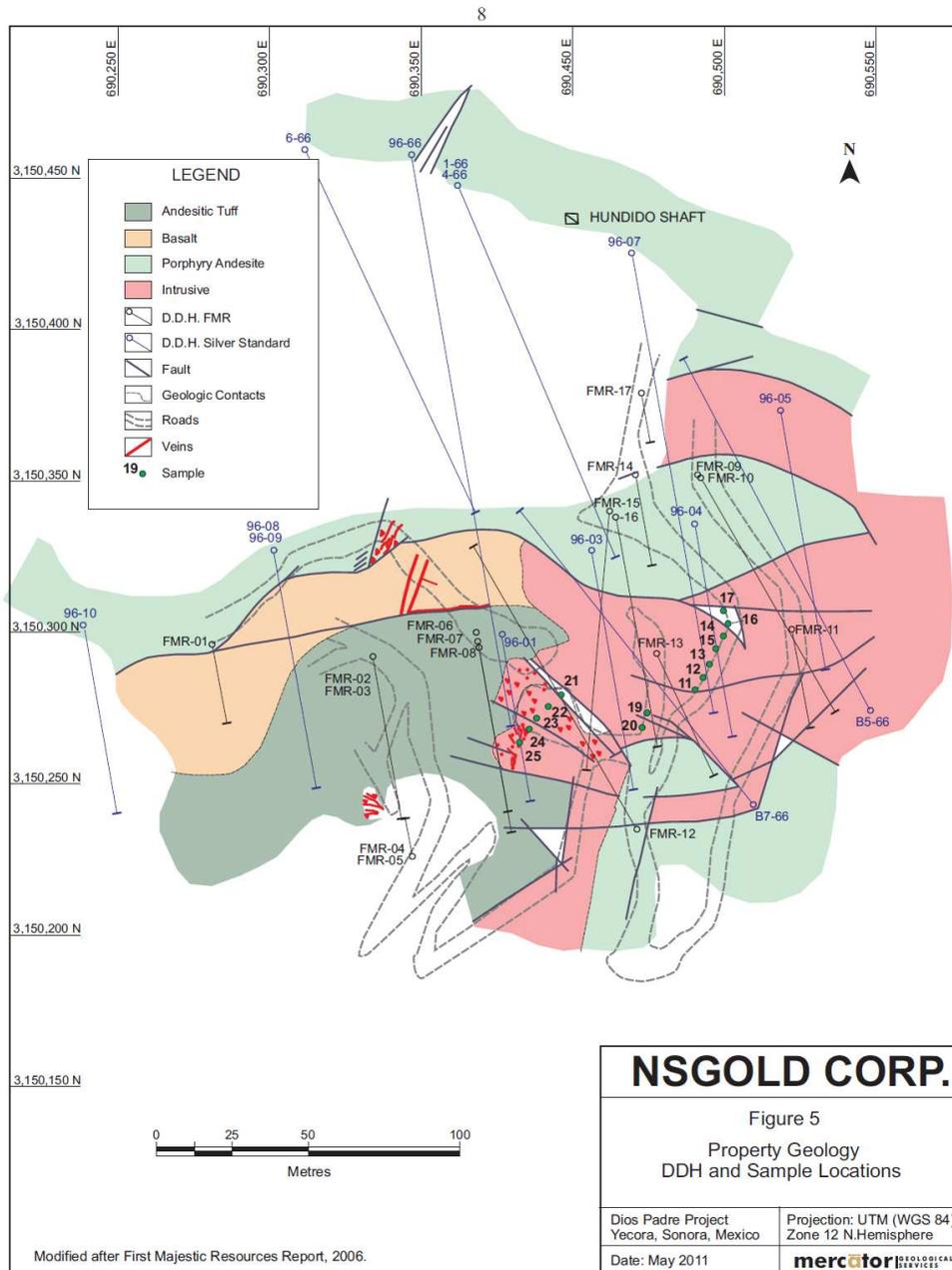


Figure 5: Property Geology.

Property Geology

The Dios Padre property is underlain by Cretaceous Dacite and Andesite, locally intruded by the mineralized Dios Padre Porphyry (a brecciated rhyodacitic dacitic porphyry which may be partly intrusive or subvolcanic) and coeval barren dikes of similar composition. The “porphyry” is a multi phase body which includes fresh and intensely sericitized phases and a distinct flow banded rhyodacite phase in which the flow bands and shatter zones are infilled with argentite and barite. The silver – base metal mineralized zones are closely linked to shearing, brecciation and contact zones and the various mappable volcanic/intrusive phases of dacite and andesite.

The Dios Padre Porphyry hosts the known high grade silver mineralization within the property. It has been strongly modified by two phases of brecciation and moderate to intense argillic alteration, locally strong sericitic alteration, and infilling of leached voids by vuggy silica, barite and calcite. Silver occurs with pyrite, galena, tetrahedrite, freibergite, sphalerite, traces

of pyrrargyrite and native silver. Traces of chalcopyrite are also present. Gold values range from local highs of 1+ ppm in the uppermost part of the zone to less than 100 ppb in the lower portions. Konkin (1996) and Kennemur (pers. Com. 2002 to 2008) suggested that gold was more significant in the upper parts of the system but a review of the assay data in First Majestic (2006) shows that gold values in the range of 500 parts per billion to 3,000 parts per billion occur in a halo peripheral to and not within the richest silver zones not particularly enriched in the upper levels of the system.

While the known prospects are strongly localized in the Dios Padre porphyry, other extensive areas of similar alteration can be observed in and near the property. They are characterized by sericite – clay – pyrite alteration, strong fracturing and locally strong brecciation and manganese – rich fracture fillings. They show the characteristics of a pyritic halo such as would lie above and peripheral to a large mineralized system, possibly similar to Dios Padre or alternatively a porphyry Copper – Gold target. Either such model would warrant priority evaluation.

Property History and Previous Work

About 550,000 tonnes of high grade enriched ore, with 16 million ounces of silver, was mined between Jesuit operations in the 17th Century, Mining by L.V. Limited between 1860 and 1910, and sporadic artisanal mining by local campesinos. The property was drilled by the Cananea Copper Company (Anaconda) in the period 1946 and 1947 (Mackay and Schnellman, 1966). Cananea drilled two diamond drill holes with total depth 490 meters and reported copper mineralization (no silver or copper assays were reported) in the drill holes.

The property was idle and the land taxes were in default for many years. The property was cancelled in 1962 and reclaimed by a local resident. Through a series of transactions and small scale mining operations the property became available to Mr. Karl Meyers and Mr. Fred Neisler and, in turn, to Mr. Buddy Jack Kennemur. Mr. Kennemur held the property in Cia. Minera Sahuaripa until his transaction with First Majestic. The property was held by First Majestic until its transfer to the newly-formed company Compania Minera Oso Blanco S.A. de C.V., which currently controls the concessions subject to compliance with the terms of the option agreement with Mr. Kennemur.

The prospect has been the subject of numerous reviews and evaluations, including Brettler (1964), Yanez (1964), Holbrooke (1964), Robertson (1965), Johnston (1965) Mackay and Schnellman (1966), Hoyuela (1967), Furth (1987) and a diamond drilling documented by Konkin (1996). The property was held and drilled by First Majestic Exploration Ltd. during 2006. First Majestic declined to continue work on the property but failed to complete the transfer of the titles until 2010 and further failed to maintain the property. In addition, First Majestic did not provide systematic sampling records necessary for the proper evaluation of its work and, accordingly, the work conducted by First Majestic was not useful to the author in connection with the process of evaluating the property for further work. The property has been inactive since the First Majestic program in 2006.

Deposit Types

The Dios Padre prospect offers three distinct target environments for evaluation and development. These are:

1. Dios Padre Breccia bodies and related shear and vein hosted mineralized material.
2. Disseminated and high grade vein Silver deposits related to other apophyses of the same intrusive event. These targets lie within the Alejandro Concession and in other altered zones further north and west.
3. Porphyry Copper – Gold Deposits under the large pyritic halos in the northwest portion of the Alejandro Concession.

Mineralization

The Dios Padre Porphyry hosts the known high grade silver mineralization within the property. It has been strongly modified by two phases of brecciation and moderate to intense argillic alteration, locally strong sericitic alteration, and infilling of leached voids by vuggy silica, barite and calcite. Silver occurs with pyrite, galena, tetrahedrite, Freibergite, sphalerite, traces of pyrrargyrite and native silver. Traces of chalcopyrite are also present. Gold values range from local highs of 1+ ppm in the uppermost part of the zone to less than 100 ppb in the lower portions. The porphyry is a sheared and fractured multi stage dacitic porphyry intrusion or subvolcanic body with which includes fresh and intensely silicified phases and a distinct flow banded rhyodacite phase in which the flow bands and shatter zones are infilled with argentite and barite. Disseminated pyrite and a delicate mesh of fractures of veinlets filled with galena, argentite, tetrahedrite and assorted silver bearing phases show

close association with anastomosing shear and fault zones, the contacts of the dacite and its respective phases. The country rock is primarily dacite and andesitic tuff overlain by a basalt capping which is evidently post mineral but is also faulted.

While the known prospects are strongly localized in and immediately surrounding the Dios Padre porphyry, other extensive areas of similar alteration can be observed in and near the property. They are characterized by sericite – clay – pyrite alteration, strong fracturing and locally strong brecciation and manganese – rich fracture fillings. They show the characteristics of a pyritic halo such as would lie above and peripheral to a large mineralized system, possibly similar to Dios Padre or alternatively a porphyry Copper – Gold target. Either such model would warrant priority evaluation.

Drilling

The Dios Padre property has been subject to four documented drilling programs dedicated to the silver bearing mineralized zones and another (poorly documented) program testing the potential for a porphyry copper system. The objectives and (to the extent of available documentation) the results of these programs are summarized in table 3.

The results for these programs are generally not available or are incomplete. The only program for which logs, sampling records and assays are available is the Silver Standard (Konkin 1996) work. The report documenting the later work by First Majestic (2006) contained a synopsis of silver intercepts, assay sheets and generalized cross sections but did not include logs or sampling records. Consequently the First Majestic work is incomplete but the analytical reports provide some useful information concerning the gold and silver values in the holes.

Drilling Program	Year	Metres/ Holes	Objectives and results.
Cananea Consolidated Copper Corporation	1946	Two holes, each about 245 meters, drilled below the Santa Gertudis level	Test of a Cananea model seeking a porphyry copper system below the breccia chimney. Copper minerals were reported but assays (not documented) were up to 1% Cu.
Derek Johnston	1965	Metrage not documented, eight holes.	8 short holes underground below the Arroyo Level. Three holes intersected ‘significant’ silver values (no data available, reference First Majestic 2005)
Anderson Bros. and Westside Mining, via Minera Sahuaripa and managed by Mackay and Schnellman	1966	eight surface and two underground DDH, metrage not documented.	Reporting is incomplete. The work evidently included extensive underground mapping and sampling in addition to the drilling. On the basis of the work Mackay and Schnellman calculated a resource model with resources larger than any other study.
Silver Standard	1996	1,417.44 meters/ ten holes	Results showed the presence of barren blocks within the stock and undercut the plunge line or down dip termination.
First Majestic	2006	2,215.95 meters in ten holes.	The holes were targeted to infill resource block areas based on the Silver Standard drilling. The intercepts served to outline the lower margin of the plunge line and part of the upper margin. Gold values were locally significant and were peripheral to the key silver targets, suggesting potential for a larger more uniform tonnage than was suggested by the FM study.

Table 2: Summary of Diamond Drilling Programs.

Drill Hole	Intercept (m)	Ag (g/t)	Interval (m)	True Width (m)
1-66	No significant silver mineralization			
2-66	No significant silver mineralization			
3-66	No significant silver mineralization			
4-66	67.0 - 100.0	260	33.0	32.5
5-66	22.0 - 23.5	496	1.5	0.9
	50.0 - 56.0	388	6.0	3.6
6-66	No significant silver mineralization			
7-66	28.0 - 40.4	74	12.4	8.0
	74.0 - 78.5	180	4.5	3.0
	86.8 - 111.3	275	24.5	16.0
A1-66	No significant silver mineralization			
A2-66	No significant silver mineralization			

Table 3: Synopsis of Drilling Results from MacKay and Schnellman report (as cited by Konkin 1996). These results are not compliant with NI – 43-101 because they predate the Instrument and are not documented with logs or assay reports. They are cited herein for historic reference only and in support of designing a NI 43-101 compliant work program.

Drill Hole	Intercept (m)	Ag (g/t)	Interval (m)	True Width (m)
DPD 96-01	26.2 - 33.7	136.2	7.5	6.5
DPD 96-02	68.9 - 70.7	63.0	1.8	1.5
DPD 96-03	16.6 - 24.5	113.6	7.9	6.6
	46.9 - 48.4	90.0	1.5	1.2
	57.2 - 58.7	192.0	1.5	1.2
	85.7 - 87.2	100.0	1.5	1.2
DPD 96-04	10.3 - 17.8	195.8	7.5	5.8
	46.8 - 52.8	87.5	6.0	4.6
	58.5 - 67.5	446.8	9.0	7.0
DPD 96-05	21.6 - 32.1	153.4	10.5	10.0
DPD 96-06	No significant silver mineralization			---
DPD 96-07	65.8 - 68.8	694.5	3.0	3.0
DPD 96-08	No significant silver mineralization			---
DPD 96-09	87.5 - 125.6	290.2	38.1	26.0
DPD 96-10	No significant silver mineralization			---

Table 4: Synopsis of Silver Standard Drilling (Konkin 1996). This work was performed in a professional manner and documented with detailed logs and analytical reports. The work predates NI 43-101 and is cited herein for historic reference and in support of the recommended work program contained in this report.

DDH	East	North	Elevation	Direction	Dip	Length (m)
BFMR-01	690326	3'150106	1300	S10°E	72°	155.8
BFMR-02	690379	3'150102	1319	S10°E	90°	85.3
BFMR-03	690379	3'150102	1319	S10°E	75°	160
BFMR-04	690392	3'150036	1310	N10°W	65°	189.7
BFMR-05	690392	3'150036	1310	N10°W	90°	130.3
BFMR-06	690413	3'150110	1293	N10°W	90°	158.2
BFMR-07	690413	3'150107	1293	S10°E	65°	150.1
BFMR-08	690414	3'150105	1293	S10°E	45°	77.7
BFMR-09	690486	3'150162	1232	S10°E	90°	84.3
BFMR-10	690487	3'150161	1232	S30°E	55°	157.1
BFMR-11	690517	3'150111	1239	S10°E	50°	51.4
BFMR-12	690466	3'150045	1262	N30°W	55°	188.4
BFMR-13	690472	3'150103	1260	S25°E	65°	105.1
BFMR-14	690465	3'150161	1252	S10°E	65°	72.25
BFMR-15	690457	3'150149	1252	S05°W	55°	148.8
BFMR-16	690459	3'150148	1253	S10°E	45°	109.2
BFMR-17	690467	3'150189	1249	S10°E	85°	192.3
Total (meters)						2215.95

Table 5: First Majestic Drilling Program (2006). Note that the First Majestic report excludes logs and sampling records so the results have not been verified by the author in preparing this report.

Sampling Method and Approach

The sampling completed by Silver Standard and First Majestic was supervised by well qualified professionals using Quality Control Protocols comparable to those specified in NI 43-101. The Silver Standard work predates NI 43-101 and is cited for historic reference only, recognizing that the surface and underground sampling and mapping were more detailed and more extensive than the work of First Majestic. The First Majestic work post – dates NI 43-101 and utilized a certified laboratory and fully compliant methodology but was very limited in scope. The Silver Standard results and all references to previous work including Mackay and Schnellman (1966) are cited for the purpose of complete disclosure and considered in developing a geological model but must be discounted in making investment decisions concerning the property.

The sampling April 6, 2011, was completed personally by the author, a Qualified Person, using industry standard techniques and assays, compliant chain of custody, and analyses performed by a well qualified and certified laboratory. No certified blanks or standards were utilized in this initial phase of evaluation but ALS Chemex utilized internal standards, blanks and duplicates as part of the analytical work. Work programs recommended in this technical report and future programs to be recommended will employ ongoing systematic protocols for quality assurance and quality control. All sampling with potential impact on resource modeling including systematic surface chip / channel sampling of outcrops and workings in the Santa Gertrudis Pit and the underground workings will utilize certified blanks, standards and duplicates to allow for technical audits of the results as a prelude to future resource modeling.

The overall objective of the sampling program was to confirm the presence of silver mineralized material which has attracted sustained mining activity throughout the extended history of the Property. This objective has been fully satisfied. The area was readily accessible, the mining activity has provided convenient exposure demonstrating the presence of silver mineralized material in three dimensions. Careful descriptions of the alteration, structural, and mineralogic details of each exposure/sample have been noted at site with each sample collected.

Sample Preparation, Analyses and Security

All samples were collected and placed in plastic bags, labeled with exterior sequential numbers, and a hand written sample tag placed in the bag and subsequently sealed at the sample site. Each sample site and each sample were documented with digital photographs to facilitate discussion and interpretation of results and planning of future sampling. Samples were transported by the author in sealed (closed with packing tape) boxes from the field area in the 4wd vehicle used for the field tour, and accompanied the author on return to Hermosillo preparation of the analysis request. The sample boxes were delivered directly to the ALS Chemex Laboratory preparation facility in Hermosillo, Mexico. The samples were prepared and analyzed for silver, lead, copper, zinc and gold. Subsequent to completion of this report the rejects will be submitted for additional analysis using four acid digestion and ICP – MS analysis for a suite of 32 elements, some of which are potential pathfinder elements for exploring the property area, using methods described in more detail in Appendix 4. ALS Chemex Laboratories is a certified (ISO/IEC 17025 - includes ISO:9001 and ISO:9002 specifications).

The author certifies that sufficient Quality Controls/Quality Assurance (QA/QC) protocols have been employed in the preparation, collection, storage, transport, and security of the samples and that analytical procedures employed are adequate to ensure professional and credible results.

Data Verification

The author has visited the prospect area during 2002 and more recently April 6 2011, collected audit samples from outcrops within the Dios Padre Concessions, reviewed the reports available citing previous work, and conducted sufficient field work to verify the results of the previous work and develop a geological model which forms the basis for an exploration program designed to confirm and expand the mineralized zone and (contingent on results and prevailing metal prices) support an updated fully NI 43-101 compliant resource evaluation. These steps have provided personal familiarity with the Dios Padre Project and have verified the representations and conclusion of the company's representatives in this process.

The results of this examination coupled with the field data reported in the compliant but poorly documented work by First Majestic and the historical (non-compliant and therefore discounted for reporting purposes) work by Silver Standard, Kennemur and Myers (Personal Communication 2001/2 and 2011), and Mackay and Schnellman (1966) confirm the presence of a complex, variably brecciated and altered, multi – stage silver mineralized zone within a gently west plunging dacitic body with mineralized anastomosing shear and fracture zones. The observed true width of the altered and mineralized body in the Santa Gertrudis Pit slopes exceeds fifth meters but the author's sample traverses represent true widths of thirty five meters (lower access road) and forty meters (middle access road and production pit). The results are presented in table 3, with individual five meter samples ranging from 21 ppb Au, 21 ppm Ag, 1.19% Pb, 0.008% Cu and 0.033% Zn to 15 ppb Au, 274 ppm Ag, 4.34% Pb, 0.057% Cu, and 0.033% Zn. The gold – silver ratios in these traverses (and gold values in general) are notably low.

The examination included sampling of pulverized products (interpreted to be rejects and concentrates based on advice from Mr. Kennemur and the sampled sites within the ruins of the mill) to document the nature of these materials. The samples (as may be expected from the small selective operation from 1982 and 1983) showed high Silver and lead values with anomalous gold (414 to 820 ppb), lead values uniformly higher than 20%, Cu values in the range 0.35% to 1.8%, and Zn values in the range 0.081 to 0.89%. The concentrates and tails differed significantly in their silver, copper and Zinc values but all of these materials were well mineralized. The results suggest that the tabling of the concentrates (an effort to remove pyrite in the concentrate) was not efficient in improving the concentrates.

The examination included sampling of one angular block of rubble from the slope 40 meters east of the mill stockpile. Local residents reported that this material was not from the Dios Padre mine, and in fact was derived from pre – revolutionary production from workings now covered by the mill and stockpile. The metal ratios in this sample were notably different from the samples from the Dios Padre Mine, with a gold concentration of 3050 parts gold per billion and a silver concentration of 301 ppm.

	Au-AA23	Ag-OG62	Ag-GRA21	Pb-OG62	Cu-OG62	Zn-OG62	Sample type	from	to	width		
SAMPLE	Au	Ag	Ag	Pb	Cu	Zn		Meters		Meters		
DESCRIPTION	ppb	ppm	ppm	%	%	%						
DP-1	581	969		>20.0	0.349	0.081	table tails	NA		NA		
DP-2	414	1040		>20.0	0.362	0.109	table tails	NA		NA		
DP-3	653	>1500	2030	>20.0	0.683	0.54	Flotation con	NA		NA		
DP-4	869	>1500	2120	>20.0	1.69	0.888	float tank residue	NA		NA		
DP-5	820	>1500	2360	>20.0		1.8	0.727	float tank spill	NA		NA	
DP-6	3050	301		8.76	0.235		0.082	grab		NA	East Millsite area (NOT Mill Stockpile) float	
DP-7	20	168		2.73	0.028		0.026	grab	NA	NA	Millsite Waste Dump	
DP-8	29	109		0.721	0.158		0.028	chip	0	1	1	El Pilador Adit north hillside
DP-9	107	5		0.046	0.005		0.007	chip	0	0.5	0.5	El Pilador Underground gouge zone
DP-10	73	1490		0.115	0.168		0.031	grab	NA		NA	Grizzly oversize
Lower drill road Santa Gertrudis Pit area sampling south to North												
DP-11	40	79		3.3	0.018		0.008	chip	0	5	5	low road across mineralized body
DP-12	40	175		2.34	0.025		0.012	chip	5	10	5	
DP-13	12	139		1.565	0.178		0.105	chip	10	15	5	
DP-14	44	94		2.34	0.021		0.012	chip	20	25	5	
DP-15	17	173		3.37	0.016		0.01	chip	15	20	5	
DP-16	9	28		0.979	0.016		0.016	chip	25	30	5	
DP-17	7	33		0.638	0.018		0.017	chip	30	35	5	
Along middle drill road and Santa Gertrudis Pit Sampling South to North												
DP-18	24	30		0.86	0.016		0.023	chip	0	5	5	103 g/t Ag, 2.08% Pb, .04% Cu, 0.03% Zn Across 35 meters
DP-19	70	43		0.949	0.018		0.024	chip	5	10	5	including 175 g/t Ag across 5 meters and 173 g/t Ag across 5 meters
5 meters offset continuation of sample traverse												
DP-20	216	143		2.82	0.049		0.025	chip	0	5	5	Samples represent true width in a traverse across the target.
DP-21	15	274		4.38	0.057		0.075	chip	5	10	5	Mineralized material extends beyond sampled interval in both directions.
DP-22	42	261		4.79	0.067		0.142	chip	10	15	5	
DP-23	29	245		4.34	0.052		0.023	chip	15	20	5	
DP-24	21	21		1.185	0.008		0.033	chip	20	25	5	
DP-25	11	122		2.25	0.025		0.03	chip	25	30	5	
40 178 g/t Ag, 3.3% Pb, 0.04% Cu, 0.05% Zn across 30 meters												

Table 6: Rock sampling notes and results (this study).

Mineral Processing and Metallurgical Testing

None of the reports available to the author document metallurgical studies. Historical accounts include processing and recovery of silver and lead from about 550,000 tonnes of material prior to 1860 and operation of a 100 tonne per day flotation plant during the period 1980 to 1983. The author has reviewed reconciliation sheets from concentrate sales from this production and this study included sampling of mill products including table rejects and concentrates. The reader is referred to Table 4 for these results, which document relative high silver and lead concentrations but are relatively low grade concentrates.

Karl Myers (Pers. Com. 2002) reported that based on his bench tests and his production during the period 1980 and 1982 that the Dios Padre ore responds well to conventional milling and flotation, yielding a concentrate with 87% recovery of silver and 80% recovery of copper and lead. The primary silver bearing phases are fribergite and tetrahedrite. This mineralogy is problematic for smelter contracts due to the high antimony content.

Myers (Pers. Com 2002) reported that the flotation concentrate had a high percentage of pyrite which diluted the silver concentrations of the material and compromised the efficiencies of shipping. Systematic sampling of the various styles of mineralized material with updated metallurgical studies will be an integral component of the recommended programs.

Mineral Resources and Mineral Reserve Estimates

The Dios Padre mineralized system, with elements of disseminated, breccia, vein and shear zone styles of silver (gold, lead, copper, zinc) has been notoriously irregular in form and the higher grade silver zones which have attracted the most attention are discontinuous. The resource modeling reports available to the author were focused on silver values and excluded some intercepts and areas with gold concentrations of potential interest under current market conditions which may significantly impact the continuity of mineralized material. These characteristics of the evaluation history may be addressed and reconciled with the recommended exploration and development programs.

None of the historical resource or “reserve” estimates can be considered compliant with the standards of NI 43-101. In particular, the use of the term “reserve” in the historic citations is not compliant with NI-43-101 and must be discounted in the current evaluation. The term is included in this review exclusively for consistency with the original source material.

The early and most robust historical estimates of MacKay and Schnellman used underground sampling and drilling data which are not available at this time. Consequently, although MacKay and Schnellman were a well-established and respected mining and geological consulting firm with offices in London and Australia, and the work program was more comprehensive than any subsequent known studies, they are not cited in this report because the detailed sampling and other field work are not available for confirmation at this time. The MacKay and Schnellman historical estimate was also discounted by First Majestic, but the basis of this rejection was influenced by a difference in scope and focus rather than specific concerns about the availability of the data. The work by Silver Standard (Konkin 1996) was conducted and reported with standards comparable to NI 43-101 but predates the inception of the National Instrument. The work by Konkin provides sufficient detail and systematic sampling that the author would consider the data NI 43-101 compliant after corroboration with check sampling of the core and exposures utilized for that work. The review by Free (1997) was biased toward presenting a resource model more favourable than that presented by Konkin (1996) and referred to the work by MacKay and Schnellman and unpublished work by Karl Myers and B.J. Kennemur (Personal Communication 1997 to 2009). Bending (2002) reviewed the previous historical estimates and included the potential impact of byproduct gold, lead, zinc and copper on the historical resource model in addressing the target model and, therefore, reached conclusions distinctly different from and not comparable to the previous programs.

The field work by First Majestic (2006) was conducted using procedures and standards compliant with the standards of NI 43-101 but the geological modeling utilized by First Majestic rejected the results of MacKay and Schnellman and the conclusions of Bending (2002). However, the reports by First Majestic lack sampling records and drill logs and considered only silver values in developing the resource model. This inadequacy in comparing the methods and parameters, as well as the failure to disclose sampling details (including exclusion of significant gold mineralized intercepts) rendered the First Majestic work of questionable value and not compliant for the purposes of this report. Consequently, it is not possible to verify the First Majestic evaluation or consider the impact of improved metallurgy and the value of co-products including gold, lead, copper and zinc. Therefore, none of the historical resource estimates can be considered valid or compliant with NI 43-101 standards.

At this time the data available are insufficient to disclose any of the prior historical estimates in compliance with the NI 43-101 disclosure requirements for a historical resource estimate. The mineral inventory and historical resource estimates available for the Dios Padre Mine have varied significantly as a function of the nature of the work completed in their preparation, the availability of underground sampling data, and the mining methods contemplated. It is also evident that some authors grouped measured, indicated and inferred categories and (for example) First Majestic reported only Indicated Resources. The historical estimates, although not suitable for disclosure in this report, may be treated as relevant as an indication of the exploration potential of the project.

At this stage in the project the recommended work program is designed to confirm and expand the targets, evaluate the impact of gold and other metals on the evaluation, and provide the basis for a compliant resource model which (if successful) may provide incentive for continuing development.

Adjoining Properties and Prospects

The Dios Padre mineral concessions are isolated from other documented prospect areas and no adjoining or adjacent prospects can be cited at this time. The region is characterized by extensive hydrothermal alteration and the author has observed an argillic alteration zone immediately north of the hamlet of Santa Rosa which is reported to be associated with low sulphidation gold bearing quartz veins (Kennemur Pers. Com 2002). Rock dumps from the development and operation of these gold prospects are present in Santa Rosa and observed by the author in transit through the community.

The land surrounding the Dios Padre concessions are held by Compania Minera Penoles S.A., a major Mexican based mining company. The author notes roadcuts with argillic alteration, gossanous shear zones and limonitic color anomalies in this area and has observed (from the road) mineral excavations and dumps. It would be prudent for NSGold to investigate these lands and prospects are part of the orderly evaluation of the Dios Padre Project.

Other Relevant Data and Information

The author found no evidence for environmental problems, social, or security concerns although a detailed investigation of these issues was not conducted.

During this field trip the author interacted informally with residents in Santa Rosa and Trinidad and noted enthusiastic support for the mining activity and interest in the prospect of employment.

Interpretation and Conclusions

The Dios Padre Project is a Property of Merit with silver, gold, lead and copper mineralized material evident in three dimensions and potential for expansion through systematic work on the known mineralized zones and prospecting of outlying alteration.

The documented work by Silver Standard and First Majestic has served to define the eastern and lower margins of the silver mineralized system at Dios Padre. The results defining the western margin and the possible western plunge line are incomplete and ambiguous. Consequently the first priority in considering avenues for expansion of the target is modeling and testing of the potential of the system down plunge west of the historic working. It is also evident from a review of the data available that gold mineralized material does not coincide with the silver zones which have been the focus of previous evaluations and a more comprehensive test and inventory of the gold zones is appropriate. As a result, the first step in this work will be the relogging of the First Majestic core with emphasis on sampling intervals and the discrete gold and separate silver bearing intervals in the holes.

The mining activity of the Jesuits is poorly documented but local residents report that a productive tunnel system was buried beneath the current location of the mill site and production dump. The slopes around and above the mill site show extensive alteration but no obvious mineralized zones or veins. The alteration including the material sampled in this study is notably low in silica and the silver / gold mineralized material is recessive. The mill site area and the slopes above/ north of the mill site area are characterized by extensive bleaching, fracturing, clay alteration and reddish iron oxide staining. The author visited and sampled a small adit called 'El Pilador' 240 meters northeast of the mill site and documented the presence of anomalous gold (29 and 107 ppb) and silver (109.0 and 5.0 grams per tonne) values across 1.0 and 0.5 meters respectively in soft sheared material without free quartz or silicification. Sample 8, across 1.0 meters also contained anomalous lead (0.7%) and copper (0.17%) values. Many of the rubbly outcrops in this slope also show manganese oxide coatings and fracture fillings. Superficial and very limited sampling has been documented by Silver Standard and First Majestic with ambiguous and generally negative results. In the absence of truly systematic surveys these studies have failed to identify any mineralized material worthy of further testing.

After the field review represented by this study and perusal of the limited historic work, this report recommends establishing a systematic grid of systematic lines at 100 meter spacing and an array of soil and rock geochemical samples to be modeled in conjunction with IP and magnetic surveys. In this manner it is possible that a focus for systematic drilling may be defined within this large but poorly understood alteration zone.

Recommendations

1. A 3D geological model including detailed surface work, all underground data and records, and the Silver Standard Drilling results will be required to demonstrate clearly the merits of the prospect and develop a sound strategy for exploration and development of the property.
2. Although Konkin (1996) reported sampling the obvious gossan zones immediately around the mine, many other targets remain to be tested. Some have been subject to artisanal mining and smelting operations in the past, are larger than but comparable in form and mineralogy to the Dios Padre Zone, and clearly offer additional exploration opportunities. One such prospect was sampled as part of this examination with confirmed anomalous silver and gold values.
3. Detailed mapping, including structural analysis of the shear and fracture systems associated with the silver mineralized zones and sampling of all accessible underground workings, including mapping and sampling of the silver bearing mineralized material east of the Arroyo.
4. Relogging of the First Majestic core with special attention to confirmation of sampled intervals and evaluation of the distinct gold and silver zones for improvements in the geological model.
5. Ground geophysics for deep evaluation of the mineral system and ground magnetic and for detailed mapping of the breccias and mineralized zones at shallower depths with emphasis on 3 dimensional modeling of the Dios Padre porphyry/ breccias systems.
6. Integration of the new underground data with historic data and the 3 dimensional model cited in (1) above.

7. Phase I Diamond Drilling in a systematic array along the western plunge of the mineralized body.
8. Metallurgical studies of the various styles of oxide and sulphide mineralized material with emphasis on sequential flotation to separate pyrite and tetrahedrite into concentrates suitable for marketing to refiners.
9. Completion of a NI 43-101 compliant resource estimate using the economic parameters developed from the new metallurgical test work and the updated drilling.
10. Comprehensive soil and rock geochemical surveys in the Project areas and nearby outside targets with special emphasis on the millsite area and the slopes north and east of the millsite.
11. Phase II diamond and/ or RC drilling contingent on the results of the preceding recommendations.

Budget Summary – Phase I

Dios Padre Phase I Evaluation	
<i>Minimum Program and Budget</i>	
Salaries and Contracted Services, Geology and Supervision, Geophysics	\$197,241
Assays and Analyses	84,000
Field Costs, including camp, road improvements, drilling, line cutting and geochemical sampling.....	304,000
Transportation – Field Vehicle	24,200
Contracted Labor for Sampling and Line Rehabilitation.....	18,000
Travel and Program Support Costs.....	52,750
Total this period.....	<u>\$680,191</u>

This program is focused on geological mapping, systematic sampling, 3D modeling of the Dios Padre mineralized system and 2,000 meters of diamond drilling. The work includes ground geophysics and systematic surface sampling supported by geological mapping.

Budget Summary – Phase II

Subject to the strategic testing of the western plunge line in the Dios Padre mineralized system and anomalous responses from the alteration halo in the millsite area, the Phase II program and budget includes airborne and ground geophysics, rehabilitation sampling and mapping of the upper levels of the workings, 5,000 meters of surface drilling and 5,000 meters of underground drilling and evaluation of the results. The program includes metallurgical testing and bench scale process modeling of the various styles of mineralized material.

Dios Padre Phase II Evaluation	
<i>Program and Budget</i>	
Salaries and Contracted Services, Geology and Supervision	\$966,093
Assays and Analyses	232,000
Field Costs, including camp, road improvements, drilling.....	1,397,500
Transportation – Field Vehicles	122,400
Contracted Labor for Sampling and Line Cutting	94,000
Travel and Program Support Costs.....	188,007
Total this period.....	<u>\$3,000,000</u>

Other Properties

Oso Blanco has 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 48,000 pesos (equivalent to approximately Cdn \$3,600). The Oso Blanco 2 concession was acquired by request to the Mexican government on August 30, 2011 at a cost of 43,000 pesos (equivalent to 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.

The two concessions are currently registered in the name of an agent for Oso Blanco, as is customary in Mexico. The registration of the concessions will be transferred to Oso Blanco in the near future.

RELATIONSHIP WITH NSGOLD

NSGold is currently the sole shareholder of the Corporation. Following the completion of the Share Subscription, the acquisition by the Corporation of the shares of Oso Blanco pursuant to the Purchase and Sale Agreement and the NSGold Distribution, it is expected that the shareholders of NSGold will own in the aggregate all of the Corporation's common shares and that NSGold will not own any of the Corporation's shares. See "Principal Shareholder" and "NSGold Distribution".

Messrs. Johannes H. C. van Hoof, Grant Loon, James Proudfoot and Glenn A. Holmes, the Corporation's four directors, are also directors of NSGold. Messrs. Johannes H. C. van Hoof and Glenn A. Holmes, respectively the President and Chief Executive Officer and the Chief Financial Officer of the Corporation, hold the same positions with NSGold.

The Corporation shares office facilities with NSGold, as well as certain support services, primarily administrative and logistics.

At the time of the Corporation's incorporation, it issued 1,000 common shares to NSGold for consideration of \$100.

STOCK EXCHANGE LISTING

The common shares of NSGold are listed on the TSX Venture Exchange. The Corporation has applied to list its common shares, including the shares to be distributed under the NSGold Distribution, on the TSX Venture Exchange. Listing will be subject to the Corporation fulfilling all the listing requirements of the TSX Venture Exchange.

SELECTED FINANCIAL INFORMATION

The following table sets out selected financial data. It should be read in conjunction with "Management's Discussion and Analysis" and the Corporation's audited financial statement as at August 31, 2011 and the notes thereto that are included elsewhere in this prospectus.

Statement of Financial Position Data	<u>As at August 31, 2011</u>
Current assets	\$ 100
Current liabilities	6,700
Shareholder's deficiency	<u>(6,600)</u>
Capital stock	<u>\$ 100</u>

As at September 30, 2011, the Corporation had an estimated working capital deficiency of \$6,600.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Basis of Presentation

The following discussion and analysis of the Corporation's financial condition as at August 31, 2011 should be read in conjunction with the Corporation's audited financial statement contained elsewhere in this prospectus. See "Risk Factors" for a discussion of the risks inherent in the business of the Corporation, which may also affect its continuing financial condition, cash flows and operating results.

Overview

From the Corporation's incorporation on August 9, 2011 to August 31, 2011, its operations were limited to organizing the transactions referred to in this prospectus. See "Business of the Corporation – History". The Corporation did not carry out any exploration work during this period.

Liquidity and Capital Resources

The Corporation believes that the amount to be raised pursuant to the Share Subscription will be sufficient to fund its short-term capital and liquidity needs, which include the potential acquisition of mining properties. The Corporation believes that proceeds from the Share Subscription will allow the Corporation to carry on its activities for at least twelve months.

Contractual Obligations

As at August 31, 2011, the Corporation did not have any contractual obligations.

DIVIDEND POLICY

The Corporation's policy consists in retaining its earnings in order to finance future growth. Therefore, the Corporation has no intention of paying any dividends in the foreseeable future. Any future decision to pay cash dividends will be left to the discretion of the Board of Directors and will depend on the Corporation's financial position, its operating results and its capital requirements as well as on such other factors that the Board of Directors may consider relevant.

DESCRIPTION OF SHARE CAPITAL

The following is a summary of the material provisions which attach to the classes of shares of the Corporation's capital stock and is qualified by reference to the full text of the rights, privileges, restrictions and conditions of such shares. The Corporation is authorized to issue an unlimited number of common shares and preferred shares, issuable in series. As at the date hereof, 1,000 common shares are issued and outstanding.

Common Shares

Voting Rights

The common shares entitle the holders thereof to one vote per share at meetings of the Corporation's shareholders.

Payment of Dividends

Subject to the prior rights of any other shares ranking senior thereto, the holders of the Corporation's common shares are entitled to receive any dividends that may be declared by the Board of Directors.

Distribution of Assets Upon Winding-Up

Subject to the prior rights of any other shares ranking senior thereto, the holders of the Corporation's common shares are entitled to receive all of the Corporation's property and net assets available for distribution in the event of the Corporation's liquidation, dissolution or winding-up, whether voluntary or involuntary, or any other distribution of the Corporation's assets among its shareholders for the purpose of winding-up the Corporation's affairs.

Preferred Shares

The preferred shares may be issued in one or more series, with such rights and conditions as may be determined by the Board of Directors. There are no voting rights attached to the preferred shares except as prescribed by law. The preferred shares will rank ahead of the Corporation's common shares with respect to the return of capital in the event of the Corporation's liquidation, dissolution or other distribution of the Corporation's assets for the purpose of winding-up its affairs. There are no preferred shares currently issued and outstanding.

CAPITALIZATION

The following table sets out the Corporation's capitalization as at August 31, 2011 and as at August 31, 2011, as adjusted to give effect to the Share Subscription and the acquisition by the Corporation of the shares of Oso Blanco:

<u>Authorized</u>	<u>As at August 31, 2011</u>	<u>As at August 31, 2011, as adjusted</u>
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	<u>Authorized</u>	<u>As at August 31, 2011</u>	<u>As at August 31, 2011, as adjusted</u>
Common shares	unlimited	\$ 100 (1,000 shs.)	\$ 4,770,000 (45,429,571 shs.)
Shareholders' equity		100	\$4,770,100

CHANGES TO SHARE AND LOAN CAPITAL

There have been no material changes to the Corporation's share or loan capital since August 31, 2011 other than as set out in this prospectus under the headings "Business of the Corporation – History" and "Prior and Future Sales".

PRINCIPAL SHAREHOLDER

The following table sets out the name of each person who, to the knowledge of the Corporation, directly or indirectly, owns of record or beneficially, or exercises control or direction over more than 10% of the common shares of the Corporation, before the Share Subscription, the acquisition by the Corporation of the Dios Padre property and the NSGold Distribution.

<u>Name and municipality of residence</u>	<u>Type of ownership</u>	<u>Number of shares</u>	<u>Percentage</u>
NSGold Corporation..... Vancouver, British Columbia	Of record and beneficial	1,000	100%

NSGold acquired the foregoing 1,000 common shares of the Corporation on August 9, 2011 for \$100. NSGold will subscribe for approximately 44.4 million common shares of the Corporation at a price of \$0.105 per share, for total proceeds of \$4,665,000, and will acquire 1 million additional common shares of the Corporation at a deemed price of \$0.105 per share, as consideration for the sale of the shares of Oso Blanco to the Corporation pursuant to the Purchase and Sale Agreement. See "Prior and Future Sales". After giving effect to the NSGold Distribution, the Corporation expects that NSGold will not own any common shares of the Corporation.

As set out elsewhere in this prospectus, NSGold is a public company, the shares of which are listed on the TSX Venture Exchange. The principal shareholder of NSGold is Van Hoof Industrial Holdings Ltd. of Tortola, British Virgin Islands, a company controlled by Johannes H. C. van Hoof, President and Chief Executive Officer of NSGold and the Corporation. As of the date hereof, Van Hoof Industrial Holdings Ltd. holds approximately 25.4% of the issued and outstanding shares of NSGold.

ESCROWED SECURITIES

The following table sets out the number of common shares of the Corporation that will be held in escrow pursuant to National Policy 46-201 *Escrow for Initial Public Offerings* (“NP 46-201”) after giving effect to the Share Subscription, the acquisition by the Corporation of the shares of Oso Blanco, and the NSGold Distribution:

Name and municipality of residence of shareholder	Number of common shares	% of class
Van Hoof Industrial Holdings Ltd. ⁽¹⁾ Tortola, British Virgin Islands	11,011,600	24.2
Glenn A. Holmes Hammonds Plains, Nova Scotia	595,000	1.3
NSGold Corporation ⁽²⁾ Vancouver, British Columbia	●	●

(1) Van Hoof Industrial Holdings Ltd. is a company controlled by Johannes H. C. van Hoof, President and Chief Executive Officer of the Corporation.

(2) It is not expected that NSGold will hold a material number of shares of the Corporation, if any. In the event that NSGold holds less than 1% of the issued and outstanding shares of the Corporation immediately after the Share Subscription, the acquisition by the Corporation of the shares of Oso Blanco, and the NSGold Distribution, the shares of the Corporation held by NSGold will not be subject to escrow.

All of the foregoing common shares will be deposited with Computershare Investor Services Inc. under an escrow agreement to be entered into before the NSGold Distribution (the “**Escrow Agreement**”). Escrow restricts the ability of holders to deal with their escrowed securities while they are in escrow. The Escrow Agreement sets out these restrictions. Except to the extent that the Escrow Agreement expressly permits, a shareholder whose securities are subject to escrow cannot sell, transfer, assign, mortgage, enter into a derivative transaction concerning, or otherwise deal in any way with the escrowed securities or any related share certificates or other evidence of the escrowed securities.

Under the Escrow Agreement, 10% of the escrowed common shares will be released from escrow on the date of listing of the Corporation’s common shares on the TSX Venture Exchange (the “**Initial Release Date**”) and an additional 15% of the escrowed shares will be released six months, twelve months, 18 months, 24 months, 30 months and 36 months following the Initial Release Date.

The foregoing schedule for release of the escrowed shares assumes that the Corporation will be listed on Tier 2 of the TSX Venture Exchange. If the Corporation meets the Tier 1 minimum listing requirements of the TSX Venture Exchange at any time prior to the expiry of the Escrow Agreement, the release of the escrowed shares will be accelerated. If the Corporation becomes a Tier 1 issuer within 18 months of the Initial Release Date, all escrowed shares that would have been released to that time, if the Corporation were an “established issuer” (as defined in NP 46-201) on its listing date, will be released immediately, and the remaining escrowed shares will be released in equal instalments six months, twelve months and 18 months after the Initial Release Date. If the Corporation becomes a Tier 1 issuer more than 18 months after the Initial Release Date, all of the remaining escrowed shares will be released immediately. The foregoing accelerated escrow release will not commence until an application to the TSX Venture Exchange for listing as a Tier 1 issuer has been made and the TSX Venture Exchange has issued a bulletin that announces the acceptance for listing of the Corporation’s common shares on Tier 1 of the TSX Venture Exchange.

DIRECTORS AND EXECUTIVE OFFICERS

The name, age, municipality of residence, position held with the Corporation and principal occupation of each of the directors and executive officers of the Corporation are as follows:

<u>Name, age and municipality of residence</u>	<u>Position held</u>	<u>First year as director</u>	<u>Principal occupation</u>
Johannes H. C. van Hoof ⁽¹⁾ (45)... Buenos Aires, Argentina	President, Chief Executive Officer and Director	2011	President and Chief Executive Officer NSGold Corporation (exploration company)
James Proudfoot ⁽¹⁾ (74)..... Woodstock, Ontario, Canada	Director	2011	President James M. Proudfoot Limited (consulting mining engineering firm)
Grant Loon ⁽¹⁾ (36)..... Stockholm, Sweden	Director	2011	Managing Director VHC Sweden (investment management company)
Glenn A. Holmes (49)..... Hammonds Plains, Nova Scotia, Canada	Chief Financial Officer and Director	2011	Chief Financial Officer NSGold Corporation (exploration company)
Neil Wiener (57)..... Westmount, Québec, Canada	Secretary	-	Partner Heenan Blaikie LLP (law firm)

(1) Member of the Audit Committee.

It is expected that Mr. van Hoof initially will devote approximately 40% of his time to the business of the Corporation, Mr. Holmes initially will devote approximately 30% of his time to the business of the Corporation, and that each of Messrs. Proudfoot, Loon and Wiener will devote less than 5% of his time to the business of the Corporation.

As President and Chief Executive Officer, Mr. van Hoof will be responsible for setting the strategic direction of the Corporation and for overseeing its day-to-day management. As Chief Financial Officer, Mr. Holmes will be responsible for the finances of the Corporation and for ensuring compliance with regulatory matters, including the filing by the Corporation on a timely basis of its financial statements and related documents.

The term of office of each director expires at the next annual meeting of shareholders of the Corporation.

As at the date of this prospectus, to the best of the Corporation's knowledge, the directors and executive officers of the Corporation do not own or exercise control or direction over, directly or indirectly, any of the issued and outstanding common shares of the Corporation.

As at the date of this prospectus, after giving effect to the Share Subscription, the acquisition by the Corporation of the shares of Oso Blanco, and the NSGold Distribution, to the best of the Corporation's knowledge, the directors and executive officers of the Corporation will own, as a group, or exercise control or direction over, directly or indirectly, approximately 26.3% of the issued and outstanding common shares of the Corporation, as follows: Johannes H. C. van Hoof – 11,011,600 shares; Glenn Holmes – 595,000 shares; Grant Loon – 338,500 shares; and James Proudfoot – 38,250 shares.

Potential conflicts of interest may result from the fact that Messrs. Johannes H. C. van Hoof, James Proudfoot, Grant Loon and Glenn A. Holmes, the Corporation's four directors, are also directors of NSGold, and that Messrs. Johannes H. C. van Hoof and Glenn A. Holmes, respectively the President and Chief Executive Officer and the Chief Financial Officer of the Corporation, hold the same positions with NSGold. See "Business of the Corporation – Relationship with NSGold".

During the last five years, the directors and executive officers of the Corporation have been engaged in their current principal occupations or in other capacities with the companies or firms indicated opposite their names or with related or affiliated companies, with the exception of: Johannes H. C. van Hoof, whose principal occupation until June 2010 was Managing Director of VHC Partners, a position which Mr. van Hoof still holds; and Glenn A. Holmes, whose principal occupation until February 2010 was Chief Financial Officer and Vice-President, Finance of Etruscan Resources Inc. and who from March 2011 to June 2011 was an independent consultant.

The following is a summary of the relevant experience of the Corporation's five directors and executive officers:

Johannes H. C. van Hoof, President, Chief Executive Officer and Chairman of the Board of Directors

Johannes (Hans) 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 24 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.

Mr. van Hoof became the President, Chief Executive Officer and Chairman of the Board of Directors of NSGold following the closing of the "Qualifying Transaction" between Kermod Capital Ltd. and NSGold on June 18, 2010.

James Proudfoot, Director

James M. 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. Since 1976, Mr. Proudfoot has been President of James M. Proudfoot Limited, an independent consulting mining engineering firm. He holds a B.Sc. degree, Geology and Mathematics, from Acadia University (1957), a B.Eng. degree, Mining Engineering, from McGill University (1959) and a CMA Society of Industrial Accountant (1970). He is currently a director of Lovitt Resources Inc. (TSX Venture Exchange) and served as a director and officer of Aurogin Resources Ltd. (CDNX) from 1995 to 2003.

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 Corporation's design and construction practice, as required.

Grant Loon, Director

Grant Loon has more than 14 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, an alternative investment management group, 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. Mr. Loon is currently the Managing Director of VHC Sweden and holds several non-executive Board positions. Prior to joining VHC, Mr. Loon worked at Morgan Stanley & Co. International, Commerzbank Global Equities and Soros Funds Limited.

Glenn A. Holmes, Chief Financial Officer and Director

Glenn A. Holmes, B. Comm, C.A. is a mining executive with experience in the financial management of junior-listed mining companies. His work experience includes equity financings, flow-through share financings, debt financings, corporate acquisitions, mining feasibility studies and financial restructurings. Mr. Holmes joined NovaGold Resources Inc. in 1987 as Corporate Controller and was subsequently appointed Vice-President, Finance and Secretary-Treasurer. From 2004 to February 2010, Mr. Holmes was Chief Financial Officer and Vice-President, Finance of Etruscan Resources Inc., a company listed on the Toronto Stock Exchange. Since June 2010, Mr. Holmes has been Chief Financial Officer and a director of Oceanus Resources Corporation, a company listed on the TSX Venture Exchange.

Neil Wiener, Secretary

Neil Wiener is a partner with the law firm Heenan Blaikie LLP. Mr. Wiener practises exclusively in the area of securities law, with an emphasis on public financings. He has been involved in numerous public offerings, for both issuers and underwriters. He has handled private placements, takeover bids, reverse takeovers, going-private transactions, stock exchange listings and a broad range of other securities matters. Mr. Wiener was a lecturer in Business Law at McGill University from 1989 to 2000. He also speaks regularly at conferences relating to corporate finance and securities.

None of the Corporation's directors or executive officers has entered into a non-competition or non-disclosure agreement with the Corporation.

None of the foregoing directors or executive officers of the Corporation:

- (a) is, or within the last ten years has been, a director, chief executive officer or chief financial officer of any company that, while that person was acting in that capacity:
 - (i) was the subject of a cease trade or similar order, or an order that denied such company access to any exemption under applicable securities legislation for a period of more than 30 consecutive days; or
 - (ii) was subject to an event that resulted, after the director or executive officer ceased to be a director, chief executive officer or chief financial officer, in such company becoming the subject of a cease trade or similar order, or an order that denied such company access to any exemption under applicable securities legislation for a period of more than 30 consecutive days.

None of the foregoing directors or executive officers of the Corporation nor any shareholder holding a sufficient number of securities of the Corporation to materially affect its control:

- (a) is, or within the last ten years has been, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets;
- (b) has, within the last ten years, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or become subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold his assets;
- (c) has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (d) has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor making an investment decision.

AUDIT COMMITTEE

The Corporation currently has an Audit Committee in place. The following is a description of the mandate of the Audit Committee. The full text of the Charter of the Audit Committee, as adopted unanimously by the Board of Directors, is annexed to this prospectus as Appendix A.

The Audit Committee oversees the Corporation's financial reporting process and internal controls, and consults with management, the Corporation's accounting department and its independent auditors on matters related to the Corporation's annual audit and internal controls, published financial statements, accounting principles and auditing procedures. The Audit Committee also reviews management's evaluation of the auditors' independence and submits to the Board of Directors its recommendations on the appointment of auditors.

Composition of the Audit Committee

The members of the Audit Committee are Johannes H. C. van Hoof, Grant Loon and James M. Proudfoot. Under National Instrument 52-110 *Audit Committees*, a director of an audit committee is “independent” if he or she has no direct or indirect material relationship with the issuer, that is, a relationship which could, in the view of the Board of Directors, reasonably be expected to interfere with the exercise of the member’s independent judgment. For the purpose of assessing the independence of a member of an audit committee, National Instrument 52-110 *Audit Committees* further provides that an individual will be deemed to have a material relationship with an issuer if he or she accepts, directly or indirectly, any consulting, advisory or other compensatory fee from the issuer, other than as remuneration for acting in his or her capacity as a member or as part-time chair or vice-chair of the board of directors of the issuer or any committee thereof. For this purpose, the indirect acceptance by an individual of any consulting, advisory or other compensatory fee includes the acceptance of a fee by an entity in which such individual is a partner, and which provides accounting, consulting, legal, investment banking or financial advisory services to the issuer.

Based on the foregoing, the Board of Directors has determined that James Proudfoot and Grant Loon are independent members of the Corporation’s Audit Committee. The Board of Directors considers that Johannes H. C. van Hoof is not an independent member of the Corporation’s Audit Committee in that Mr. van Hoof is the President and Chief Executive Officer of the Corporation.

All members of the Audit Committee are financially literate in that they have the ability to read and understand a set of financial statements that are of the same breadth and level of complexity of accounting issues as can be reasonably expected to be raised by the Corporation’s financial statements. See “Directors and Executive Officers” above for the relevant education and experience of Messrs. van Hoof, Loon and Proudfoot.

The Corporation is relying on the exemption set out in section 6.1 of National Instrument 52-110 *Audit Committees* with respect to compliance with the requirements of Part 3 (Composition of the Audit Committee) and Part 5 (Reporting Obligations) of National Instrument 52-110 *Audit Committees*.

Pre-Approval Policies and Procedures for Non-Audit Services

The Audit Committee is responsible for pre-approving all non-audit services to be provided by the external auditor to the Corporation other than *de minimis* non-audit services referred to in section 2.4 of National Instrument 52-110 *Audit Committees*. In particular, the chairman of the Audit Committee is authorized to approve any non-audit services. Furthermore, the Audit Committee is required to evaluate the independence and objectivity of the external auditors. The Audit Committee also has the authority to engage independent legal counsel and other advisors as it determines necessary to carry out its duties and responsibilities.

External Auditor Service Fees

The Corporation has not yet been billed by external auditors for any fees.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

National Policy 58-201 of the Canadian Securities Administrators sets out a series of guidelines for effective corporate governance (the “**Guidelines**”). The Guidelines address matters such as the constitution and independence of corporate boards, the functions to be performed by boards and their committees and the effectiveness and education of board members. National Instrument 58-101 *Disclosure of Corporate Governance Practices* requires the disclosure by each listed corporation of its approach to corporate governance with reference to the Guidelines as it is recognized that the unique characteristics of individual corporations will result in varying degrees of compliance.

The following is a description of the Corporation’s approach to corporate governance in relation to the Guidelines.

The Board of Directors

National Instrument 58-101 defines an “independent director” as a director who has no direct or indirect material relationship with the issuer. A “material relationship” is in turn defined as a relationship which could, in the view of the board of directors, be reasonably expected to interfere with such member’s independent judgment. The Corporation’s Board of Directors is currently comprised of four members, two of whom the Board of Directors has determined are “independent directors” within the meaning of National Instrument 58-101.

As at the date of this prospectus, Messrs. James Proudfoot and Grant Loon are considered independent directors since they are each independent of management and free from any material relationship with the Corporation.

Messrs. Johannes H. C. van Hoof and Glenn A. Holmes are not considered to be independent directors within the meaning of National Instrument 58-101 by virtue of their roles as executive officers of the Corporation.

The Board of Directors believes that it functions independently of management. To enhance its ability to act independently of management, the Board of Directors may in the future meet in the absence of members of management or may excuse such persons from all or a portion of any meeting where a potential conflict of interest arises or where otherwise appropriate.

Directorships

All of the directors of the Corporation are also directors of other reporting issuers (or equivalent) in a jurisdiction or a foreign jurisdiction as follows:

<u>Name of director</u>	<u>Other reporting issuer (or equivalent in a foreign jurisdiction)</u>
Johannes H. C. van Hoof	NSGold Corporation
James Proudfoot.....	NSGold Corporation Lovitt Resources Inc.
Grant Loon	NSGold Corporation
Glenn A. Holmes	NSGold Corporation Oceanus Resources Corporation

Orientation and Continuing Education

Each of the Corporation's four directors has been a director since the Corporation's incorporation. While the Corporation currently has no formal orientation and education program for new Board members, sufficient information (such as recent financial statements, prospectuses, proxy-solicitation materials, technical reports and various other operating, property and budget reports) will be provided to any future new Board member to ensure that future new directors are familiarized with the Corporation's business and the procedures of the Board. In addition, future new directors will be encouraged to visit and meet with management on a regular basis. The Corporation will also encourage continuing education of its directors and officers where appropriate in order to ensure that they have the necessary skills and knowledge to meet their respective obligations to the Corporation.

Ethical Business

Given the small size of the Board and stage of development of the Corporation, the Board of Directors has determined that the fiduciary obligations placed on directors pursuant to applicable corporate laws are effective in ensuring ethical business conduct on the part of its directors.

Nomination of Directors

The Board of Directors performs the functions of a nominating committee with responsibility for the appointment and assessment of directors. The Board of Directors believes that this is a practical approach at this stage of the Corporation's development and given the relatively small size of the Board.

While there are no specific criteria for board membership, the Corporation will attempt to attract and maintain directors with business knowledge and a particular knowledge of mineral exploration and development or other areas (such as finance) which provide knowledge which would assist in guiding the officers of the Corporation.

Compensation

The Board of Directors will review on an annual basis the adequacy and form of compensation of directors to ensure that the compensation of the Board reflects the responsibilities, time commitment and risks involved in being an effective director.

Currently, as the Corporation has no ongoing revenues from operations, the directors of the Corporation do not receive any fees in their capacities as directors. All directors are eligible to participate in the Corporation's stock option plan. See "Compensation of Directors".

Other Board Committees

The Board of Directors does not currently have any standing committees other than the Audit Committee.

Assessments

The Board of Directors will assess, on a periodic basis, the contributions of the Board of Directors as a whole and each of the individual directors, in order to determine whether each is functioning effectively.

REMUNERATION OF DIRECTORS AND EXECUTIVE OFFICERS

Compensation Discussion and Analysis

The Corporation's executive compensation will be based upon the need to provide a compensation package that will allow the Corporation to attract and retain qualified and experienced executives, balanced with a pay-for-performance philosophy and consistent with industry practices. To date, the Corporation has not paid any compensation. To date, a non-material amount of the compensation received by the executive officers of NSGold and the compensation, if any, received by the directors of NSGold is attributable to management of Oso Blanco and the Dios Padre property.

Option-based Awards

Under the terms of the 2011 Stock Option Plan, the Board of Directors will be able to grant stock options to executive officers and directors, among others. The 2011 Stock Option Plan will provide compensation to participants and an additional incentive to work toward long-term corporate performance. Executive compensation will be based upon the need to provide a compensation package that will allow the Corporation to attract and retain qualified and experienced executives, balanced with a pay-for-performance philosophy. The 2011 Stock Option Plan will be used to provide share purchase options which are granted in consideration of the level of responsibility of the executive as well as his or her impact and/or contribution to the longer-term operating performance of the Corporation. In determining the number of options to be granted to the executive officers, the Board of Directors will take into account the number of options, if any, previously granted to each executive officer and the exercise price of any outstanding options to ensure that such grants are in accordance with the policies of any exchange on which the common shares of the Corporation are then listed, and closely align the interests of the executive officers with the interests of shareholders of the Corporation. See "Stock Option Plan".

Executive Compensation

The following table sets out the entire annual and long-term compensation paid to the Chief Executive Officer and Chief Financial Officer of the Corporation (collectively, the "Named Executive Officers") in consideration for services rendered, in all respects, to the Corporation during the period ended August 31, 2011.

Summary Compensation Table

Name and Principal Position	Year	Salary (\$)	Share- based Awards (\$)	Option- based Awards (\$)	Non-equity Incentive Plan Compensation		All Other Compensation (\$)	Total Compensation (\$)
					Annual Incentive Plans (\$)	Long-term Incentive Plans (\$)		
Johannes H. C. van Hoof President and Chief Executive Officer	2011	—	—	—	—	—	—	—
Glenn A. Holmes Chief Financial Officer	2011	—	—	—	—	—	—	—

The compensation of Mr. van Hoof and Mr. Holmes will be determined by the Board of Directors of the Corporation in accordance with industry practices. As at the date of this prospectus, no compensation has been paid to the Named Executive Officers.

Incentive Plan Awards

No options were granted to the Named Executive Officers or exercised by either of them during the period ended August 31, 2011.

Compensation of Directors

During the period ended August 31, 2011, and as at the date of this prospectus, the Corporation did not pay any cash compensation to its directors in consideration for services rendered in such capacity and it is not expected that the Corporation will pay cash compensation to its directors in the near future. The Corporation intends to grant stock options to its directors under the Corporation's 2011 Stock Option Plan.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

None of the current directors, executive officers, employees, former directors, former executive officers or former employees (if any) of the Corporation nor any of their respective associates is, or has been at any time since the incorporation of the Corporation, indebted to the Corporation, nor has any such individual been indebted to any other entity where such indebtedness is the subject of a guarantee, support agreement, letter of credit or similar arrangement or understanding, provided by the Corporation.

STOCK OPTION PLAN

In September 2011, the Board of Directors of the Corporation adopted the 2011 Stock Option Plan (the "2011 Plan"). The Board of Directors will administer the 2011 Plan.

Under the 2011 Plan, the Board of Directors may grant options to acquire common shares to directors, officers and employees of, and service providers to, the Corporation and its subsidiaries. The maximum number of common shares that can be issued upon the exercise of options granted under the 2011 Plan is 3 million.

The exercise price of options granted under the 2011 Plan is set at the time of the grant of the options, but cannot be less than the closing price of the Corporation's common shares on the TSX Venture Exchange on the trading day immediately preceding the day on which an option is granted.

The maximum period during which options may be exercised is ten years from the date on which they are granted. Options granted under the 2011 Plan are not transferable other than by will or by the laws of succession of the domicile of the deceased optionee.

Under the 2011 Plan, if an optionee's employment or service provider relationship with the Corporation is terminated for cause, options not then exercised terminate immediately. If an optionee dies or becomes, in the determination of the Corporation's Board of Directors, permanently disabled, options may be exercised for that number of common shares which the optionee was entitled to acquire at the time of death or permanent disability, as the case may be. Such options may be

exercised for a period of one year after the date of death or permanent disability. Upon an optionee's employment, office, directorship or service provider relationship with the Corporation terminating or ending other than by reason of death, permanent disability or termination for cause, options may be exercised for that number of common shares which the optionee was entitled to acquire at the time of such termination. Such options may be exercised for a period of 30 days after such date.

There are no stock options outstanding under the 2011 Plan as at the date of this prospectus.

PRIOR AND FUTURE SALES

The following sets out all shares issued by the Corporation since the date of its incorporation and additional shares to be issued by the Corporation before the NSGold Distribution:

- (a) on August 9, 2011, the Corporation issued 1,000 common shares to NSGold for total consideration of \$100. At the time of issuance of the foregoing shares, the Corporation did not have any assets;
- (b) prior to the NSGold Distribution, the Corporation will issue approximately 44.4 million common shares to NSGold at a price of \$0.105 per share, for total proceeds of \$4,665,000, pursuant to the Subscription Agreement; and
- (c) prior to the NSGold Distribution, the Corporation will issue 1 million common shares to NSGold at a deemed price of \$0.105 per share, as consideration for the sale of the shares of Oso Blanco to the Corporation pursuant to the Purchase and Sale Agreement.

During the last twelve months, the Corporation did not grant any stock options.

RISK FACTORS

A purchase of the shares of the Corporation entails several major risks. In addition to those described elsewhere in this prospectus, potential subscribers should consider carefully the following factors, several of which apply in general to shareholders of a business involved in mineral exploration.

Risks Related to the Business of the Corporation

Exploration and Development. Resource exploration is a speculative business and involves a high degree of risk. There is no known body of commercial ore on the Dios Padre property and there is no certainty that the expenditures to be made by the Corporation in the exploration of the Dios Padre property or otherwise will result in discoveries of commercial quantities of minerals. The exploration for and development of mineral deposits involves significant risks, which even a combination of careful evaluation, experience and knowledge may not eliminate. Although the discovery of an ore body may result in substantial rewards, few properties explored are ultimately developed into producing mines. Significant expenditures may be required to locate and establish ore reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the current exploration programs planned by the Corporation will result in a profitable commercial-mining operation.

Significant capital investment is required to achieve commercial production from successful exploration efforts. The commercial viability of a mineral deposit is dependent upon a number of factors. These include: (i) deposit attributes such as size, grade and proximity to infrastructure; (ii) current and future metal prices (which can be cyclical); and (iii) government regulations, including those relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and necessary supplies and environmental protection. The complete effect of these factors, either alone or in combination, cannot be entirely predicted, and their impact may result in the Corporation not receiving an adequate return on invested capital.

Any figures for mineral resources contained in this prospectus are 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. Market fluctuations and the prices of metals may render resources uneconomic. Moreover, short-term operating factors relating to the mineral deposits, such as the need for orderly development of the deposits or the processing of new or different grades of ore, may cause a mining operation to be unprofitable in any particular accounting period.

There is no assurance that any of the Corporation's exploration properties possess commercially-mineable bodies of ore. The Dios Padre property is in the exploration stage, as opposed to the development stage, and has no known body of economic mineralization. The known mineralization at this project has not been determined to be economic ore and there can be no assurance that a commercially-mineable ore body exists on the Dios Padre property. There is no certainty that any expenditure made in the exploration of the Corporation's properties will result in discoveries of commercially-recoverable quantities of ore. Such assurance will require completion of final comprehensive feasibility studies and, possibly, further associated exploration and other work that concludes a potential mine is likely to be economic. In order to carry out exploration and development programs of any economic ore body and place it into commercial production, the Corporation may be required to raise substantial additional funding.

As the Corporation does not have revenues, it will be dependent upon future financings to continue its plan of operation. The Corporation has not generated any revenues since its incorporation. The Corporation's business plan involves the implementation and execution of exploration programs on the Dios Padre property. There is no assurance that these exploration activities will result in the establishment of commercially-exploitable mineral deposits on the Corporation's properties. Even if commercially-exploitable mineral deposits are discovered, the Corporation may require substantial additional financing in order to carry out the full exploration and development of its properties before it is able to achieve revenues from sales of mineral resources that the Corporation is able to extract.

The Corporation has incurred losses and there is no assurance that it will ever be profitable. Since incorporation, the Corporation has incurred losses and will continue to experience losses unless and until it can derive sufficient revenues from its properties. The Corporation has no history of earnings or of a return on investment, and there is no assurance that any of the properties that the Corporation has or will acquire will generate earnings, operate profitably or provide a return on investment in the future.

Dependence on key personnel. The Corporation's success is highly dependent upon the performance of key personnel working in management, supervisory and administrative capacities or as consultants. The loss of the services of its senior management or key personnel could have a material and adverse effect on the Corporation and its business and results of operations.

Reliance on independent contractors. The Corporation's success depends to a significant extent on the performance and continued service of independent contractors. The Corporation will contract the services of professional drillers and others for exploration, environmental, construction and engineering services. Poor performance by such contractors or the loss of such services could have a material and adverse effect on the Corporation and its business and results of operations and could result in failure to meet its business objectives.

There is no assurance that the Corporation's title to its mineral exploration properties will not be challenged. The acquisition of title to mineral exploration properties is a very detailed and time-consuming process. Title to and the area of mineral properties may be disputed. While the Corporation has diligently investigated title to its properties, they may be subject to prior unregistered agreements or transfers or aboriginal land claims and title may be affected by undetected defects. The Corporation has not surveyed the boundaries of the Dios Padre property.

There is no assurance that the Corporation will obtain required permits and licenses. The Corporation's operations may sometimes require licenses and permits from various governmental authorities. The Corporation believes that it will be able to obtain in the future all necessary licenses and permits to carry on the activities which it intends to conduct, and intends to comply in all material respects with the terms of such licenses and permits. There can be no guarantee, however, that the Corporation will be able to obtain and maintain, at all times, all necessary licenses and permits required to undertake the proposed exploration and development or to place its properties into commercial production and to operate mining facilities thereon. In the event of commercial production, the cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations or preclude the economic development of a particular property.

The Corporation's potential profitability depends upon factors beyond its control. The potential profitability of any of the Corporation's current or future properties will be dependent upon many factors beyond its control. For instance, world prices of and markets for minerals are unpredictable, highly volatile, potentially subject to governmental interference, pegging and/or controls and respond to changes in domestic, international, political, social and economic environments. Another factor is that rates of recovery of minerals from mined ore may vary from the rate experienced in tests and a reduction in the recovery rate will adversely affect profitability and, possibly, the economic viability of the Dios Padre property. Profitability also depends on the costs of operations, including costs of labour, equipment, electricity, environmental compliance or other production inputs. Such costs will fluctuate in ways the Corporation cannot predict and are beyond the Corporation's control, and such fluctuations could impact on profitability and may eliminate profitability altogether. Additionally, due to

worldwide political and economic uncertainty, the availability and cost of funds for development and other costs have become increasingly difficult, if not impossible, to project. These changes and events may materially affect the Corporation's financial performance.

Fluctuation of mineral prices may affect the Corporation's financial results. Factors beyond the Corporation's control may affect the marketability and price of minerals discovered, if any. Resource prices have fluctuated widely in recent years and are affected by numerous factors beyond the Corporation's control, including international, economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates, global or regional consumptive patterns, speculative activities and increased production due to new extraction developments and improved extraction and production methods. The effects of these factors cannot be accurately predicted.

Competitive nature of the mining industry. There is aggressive competition within the mining industry for the discovery and acquisition of properties considered to have commercial potential. The Corporation will be competing with other mining companies, many of which have greater financial resources than does the Corporation, for the acquisition of mineral claims, leases and other mineral interests, as well as for the recruitment and retention of qualified employees and other personnel. There can be no assurance that the necessary funds can be raised or that any projected work will be completed.

Environmental, health and safety regulation of resource industry. If any of the Corporation's properties are proven to host economic reserves of metals, mining operations will be subject to Mexican federal, state and local laws relating to the protection of the environment, including laws regulating removal of natural resources from the ground and the discharge of materials into the environment. Mining operations will be subject to Mexican federal, state and local laws and regulations which seek to maintain health and safety standards by regulating the design and use of mining methods and equipment. Various permits from government bodies are required for mining operations to be conducted; no assurance can be given that such permits will be received. No assurance can be given that environmental standards imposed by Mexican federal, state or local authorities will not be changed or that any such changes would not have material adverse effects on the Corporation's activities. Moreover, compliance with such laws may cause substantial delays or require capital outlays in excess of those anticipated, thus causing an adverse effect on the Corporation. Additionally, the Corporation may be subject to liability for pollution or other environmental damage, which the Corporation may not be able to insure against.

The Corporation may not always be able or may choose not to obtain insurance for many of the risks that it faces. In the course of exploration, development and production of mineral properties, several risks and, in particular, unexpected or unusual geological or operating conditions, may occur. It is not always possible to fully insure against such risks, and the Corporation may decide not to take out insurance against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in an increase in costs and a decline in the value of the Corporation's securities. The Corporation is currently not insured against environmental risks. Insurance against environmental risks (including potential liability for pollution or other hazards as a result of the disposal of waste products occurring from exploration and production) has not been generally available to companies within the industry. The Corporation will periodically evaluate the cost and coverage of the insurance that is available against certain environmental risks to determine if it would be appropriate to obtain such insurance. Without such insurance, and if the Corporation becomes subject to environmental liabilities, the payment of such liabilities would reduce or eliminate the Corporation's available funds or could exceed the funds that the Corporation has to pay such liabilities and result in bankruptcy. Should the Corporation be unable to fund fully the remedial cost of an environmental problem, it might be required to enter into interim compliance measures pending completion of the required remedy.

No operating history as an independent operating company. The Corporation has never operated as a stand-alone company. Upon completion of the NSGold Distribution, the Corporation will function as an operating company independent of NSGold, and NSGold will have no obligation to provide assistance to the Corporation. The Corporation's lack of independent operating history may have a material adverse effect on its operating results.

Risks Related to Operations in Mexico

The Corporation's operations will be conducted in a foreign jurisdiction, Mexico, and, as such, the Corporation's operations will be exposed to various levels of political, economic and other similar risks and uncertainties, such as military repression; extreme fluctuations in currency exchange rates; high rates of inflation; labour unrest; the risks of war or civil unrest; expropriation and nationalization; renegotiation or nullification of existing concessions, licences, permits and contracts; illegal mining; changes in taxation policies; restrictions on foreign exchange and repatriation; and changing political conditions, currency controls and governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction.

Political instability. In the past, Mexico has been subject to political instability, changes and uncertainties, which may cause changes to existing governmental regulations affecting mineral exploration and mining activities. Mexico's status as a developing country may make it more difficult for the Corporation to obtain any required financing for its projects.

Government regulation. The Corporation's operations and properties in Mexico are subject to a variety of governmental regulations governing health and worker safety, employment standards, waste disposal, protection of historic and archaeological sites, mine development, protection of endangered and protected species and other matters. Mexican regulators have broad authority to shut down and/or levy fines against facilities that do not comply with such regulations or standards. The Corporation's mineral exploration activities in Mexico may be adversely affected in varying degrees by changing government regulations relating to the mining industry or shifts in political conditions that increase the costs related to the Corporation's activities or the maintenance of its properties.

Change in policies. Changes, if any, in mining or investment policies or shifts in political attitude may adversely affect the Corporation's operations and financial condition. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, income and other taxes, expropriation of property, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety.

Potential loss or expropriation. Failure to comply strictly with applicable laws, regulations and local practices relating to mineral right applications and tenure could result in loss, reduction or expropriation of entitlements, or the imposition of additional local or foreign parties as joint venture partners with carried or other interests. The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on the Corporation's operations and financial condition.

Future changes to laws and regulations. Future changes in applicable laws and regulations or changes in their enforcement or regulatory interpretation could negatively impact current or planned exploration and development activities on the Dios Padre property or in respect of any other projects in which the Corporation becomes involved. Any failure to comply with applicable laws and regulations, even if inadvertent, could result in the interruption of exploration and development operations or material fines, penalties or other liabilities.

Risks Related to the Market

Sale by NSGold shareholders. NSGold shareholders who receive common shares as part of the NSGold Distribution may choose to sell those shares, which could depress the trading price of the Corporation's common shares for as long as those sales are continuing. Sales of a substantial number of the Corporation's shares, or the perception that those sales may occur, could depress the prevailing market prices of the Corporation's shares, regardless of the Corporation's business prospects.

Volatility of share prices. Share prices are subject to changes because of numerous factors beyond the Corporation's control, including reports of new information, changes in the Corporation's financial situation, the sale of the Corporation's common shares in the market, the Corporation's failure to achieve financial results in line with the expectations of analysts, or announcements by the Corporation or any of its competitors concerning results. There is no guarantee that the market price of the Corporation's common shares will be protected from any such fluctuations in the future.

Absence of prior public market. There has been no prior public market for the Corporation's common shares, and an active trading market may not develop or, if it does develop, may not be sustained. The lack of an active market may impair shareholders' ability to sell their common shares at the time they wish to sell them or at a price that they consider reasonable. The lack of an active market may also reduce the fair market value and increase the volatility of the common shares. An inactive market may also impair the Corporation's ability to raise capital by selling common shares and to acquire other exploration properties or interests by using the Corporation's common shares as consideration.

MATERIAL CONTRACTS

The only material contracts entered into, or to be entered into, by the Corporation since the date of its incorporation, other than those entered into in the ordinary course of business, are the following:

1. the Purchase and Sale Agreement dated September 23, 2011 with NSGold with respect to the shares of Oso Blanco, as described under “Business of the Corporation – Dios Padre Property – Acquisition by the Corporation”;
2. the Subscription Agreement dated September 23, 2011 with respect to the subscription by NSGold for approximately 44.4 million common shares of the Corporation at a price of \$0.105 per share, for total proceeds of \$4,665,000, as described under “Prior and Future Sales”;
3. the Escrow Agreement to be entered into no later than the NSGold Distribution with Computershare Investor Services Inc., as described under “Escrowed Securities”; and
4. a Transfer Agency and Registrar Agreement to be entered into no later than the NSGold Distribution with Computershare Investor Services Inc.

Copies of the above-mentioned agreements may be consulted at the registered office of the Corporation and at the Toronto offices of Heenan Blaikie LLP, counsel to the Corporation, 333 Bay Street, Suite 2900, Toronto, Ontario, during normal business hours, during the entire course of the NSGold Distribution and for a period of 30 days thereafter.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as disclosed under “Relationship with NSGold”, the Corporation has not completed a material transaction within the three years prior to the date of this prospectus in which any of its directors, executive officers or persons or companies that beneficially own, or control or direct, directly or indirectly, more than 10% of the Corporation’s outstanding voting securities, or any of their associates or affiliates, had any material interest, either direct or indirect.

AUDITORS, REGISTRAR AND TRANSFER AGENT

The auditors of the Corporation are PricewaterhouseCoopers LLP, Chartered Accountants, 1601 Lower Water Street, Suite 400, Halifax, Nova Scotia B3J 3P6, who have advised the Corporation that they are independent in accordance with the Rules of Professional Conduct of the Institute of Chartered Accountants of Nova Scotia.

Computershare Investor Services Inc., at its principal office at 1500 University Street, Suite 700, Montreal, Québec H3A 3S8 is the transfer agent and registrar of the common shares of the Corporation.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

The Corporation is not involved in any legal proceedings or regulatory actions.

EXPERTS

Certain legal matters in connection with the NSGold Distribution will be passed upon on behalf of the Corporation by Heenan Blaikie LLP. As at the date hereof, the partners and salaried associates of Heenan Blaikie LLP, counsel to the Corporation, do not own, directly or indirectly, any outstanding common shares of the Corporation. Neil Wiener, a partner with Heenan Blaikie LLP, is Secretary of the Corporation.

Information of an economic (including economic analysis), scientific or technical nature in respect of the Corporation’s and/or NSGold’s mineral projects and properties is contained in this prospectus and is based in part upon the technical report entitled “Geological Report and Summary of Field Examination, Dios Padre Mine, Concessions 1874332 (Alejandro), 183961 (Don Carlos) and 192787 (Dios Padre) in the Municipality of Yecora, Sonora, Mexico” dated August 8, 2011, as amended on September 22, 2011, prepared by David A. Bending M.Sc., P.Geol. Mr. Bending is a registered British Columbia Professional Geoscientist and an independent “qualified person” for the purposes of NI 43-101. Mr. Bending does not beneficially own, directly or indirectly, any of the outstanding common shares of the Corporation.

PROMOTER

Since NSGold took the initiative of creating the Corporation with a view toward completing the transactions contemplated by this prospectus and implementing the NSGold Distribution, it is the promoter of the Corporation within the meaning of the securities laws of certain provinces of Canada. As regards the shares of the Corporation: (i) NSGold will hold approximately 45.4 million common shares of the Corporation prior to the NSGold Distribution; and (ii) NSGold will distribute all or substantially all of such shares to its shareholders pursuant to the NSGold Distribution. See “Prior and Future Sales”. Following the NSGold Distribution, NSGold will not own a material number of the Corporation’s issued and outstanding common shares, if any.

NSGOLD DISTRIBUTION

The Corporation is currently a wholly-owned subsidiary of NSGold. As described in more detail under “Business of the Corporation – History”, the Corporation was established by NSGold as a wholly-owned subsidiary in August 2011 with the intention that the Corporation would focus on mining exploration for silver in Mexico, while NSGold focuses on exploration for gold and other metals, primarily in Canada.

NSGold intends to reorganize by distributing to its shareholders approximately 43.4 million of the common shares of the Corporation that it will own. NSGold will effect the reorganization by: (i) declaring a dividend payable in common shares of the Corporation; and (ii) distributing those common shares to its shareholders. The approximately 43.4 million common shares of the Corporation will be distributed on the basis of one of the Corporation’s common shares for every common share of NSGold held as of the close of business on the Distribution Record Date. No fractional common shares will be distributed in connection with the NSGold Distribution and shareholders of NSGold will not receive any payment in lieu of fractional shares to which they would otherwise be entitled.

The Corporation understands that NSGold will announce, by way of press release, the Distribution Record Date as well as the day on which the Corporation’s common shares will commence trading on the TSX Venture Exchange. Under the policies of the TSX Venture Exchange: (i) NSGold must issue a press release announcing the Distribution Record Date at least seven trading days in advance of such date; and (ii) the Distribution Record Date must be two trading days after the day on which the Corporation’s shares commence trading on the TSX Venture Exchange. Definitive share certificates representing the Corporation’s shares will be delivered to the registered holders entitled thereto as soon as reasonably practicable after the Distribution Record Date.

At present, there are 1,000 of the Corporation’s common shares issued and outstanding, all of which are held by NSGold. Pursuant to the Subscription Agreement, NSGold will subscribe for approximately 44.4 million common shares of the Corporation at a price of \$0.105 per share, for total proceeds of \$4,665,000. In addition, pursuant to the Purchase and Sale Agreement, the Corporation will issue 1 million common shares to NSGold at the closing of the acquisition by the Corporation of the shares of Oso Blanco.

It is expected that upon the completion of the Share Subscription, the acquisition by the Corporation of the shares of Oso Blanco and the NSGold Distribution, the issued and outstanding common share capital of the Corporation will be as follows:

Name	Number of common shares	Percentage of outstanding shares
NSGold shareholders ⁽¹⁾	43,413,767	95.6%
NSGold ⁽¹⁾	2,015,804	4.4%
Total.....	45,429,571	100%

(1) As set out elsewhere in this prospectus, NSGold intends to distribute one common share of the Corporation for every common share of NSGold held of record as of the close of business on the Distribution Record Date. As of the date of this preliminary prospectus, there are 43,413,767 common shares of NSGold issued and outstanding. To the extent that NSGold issues additional common shares prior to the Distribution Record Date, the number of shares of the Corporation to be held in the aggregate by the shareholder of NSGold will increase and the number of common shares of the Corporation to be held by NSGold will decrease.

FEDERAL INCOME TAX CONSIDERATIONS RELATING TO THE NSGOLD DISTRIBUTION

In the opinion of Heenan Blaikie LLP, counsel to NSGold and the Corporation, the following summary, as of the date hereof, describes the principal Canadian federal income tax considerations generally applicable under the *Income Tax Act* (Canada) (the “**Tax Act**”) to shareholders of NSGold with respect to the NSGold Distribution. **The following summaries are of a general nature only and are not intended to be, nor should they be construed to be, legal or tax advice to any particular shareholder of NSGold. Accordingly, shareholders of NSGold are advised to consult their own tax advisors concerning the income tax consequences to them.**

Material Federal Income Tax Considerations

This general summary of the principal Canadian federal income tax considerations is applicable to a shareholder of NSGold who, for the purposes of the Tax Act: (i) deals at arm’s length and is not affiliated with NSGold or the Corporation; and (ii) holds NSGold’s common shares as capital property. NSGold’s common shares will generally be considered to be capital property to a holder provided that the holder does not use such securities in the course of carrying on a business and has not acquired them in one or more transactions considered to be an adventure in the nature of trade. Certain Canadian resident shareholders for whom NSGold’s common shares might not otherwise qualify as capital property may be entitled to make an irrevocable election in accordance with subsection 39(4) of the Tax Act to have those shares, and any other “Canadian securities” (as defined in the Tax Act) owned by that shareholder in the taxation year in which the election is made and all subsequent taxation years, be deemed to be capital property. This summary is not applicable to a shareholder that is a “financial institution” or a “specified financial institution”, or a shareholder an interest in which is a “tax shelter investment” (all as defined in the Tax Act).

This summary is based on the current provisions of the Tax Act, the regulations thereunder, and the Corporation’s understanding of the current administrative and assessing practices of the Canada Revenue Agency. This summary also takes into account all specific proposals to amend the Tax Act and the regulations thereunder publicly announced by the Minister of Finance (Canada) prior to the date of this prospectus and assumes that they will be enacted substantially as proposed, although no assurance in this regard can be given. This summary does not otherwise take into account or anticipate any changes in law or administrative practice, whether by legislative, governmental or judicial action or interpretation, nor does it take into account provincial, territorial or foreign income tax considerations.

Shareholders should consult with their own tax advisors for advice regarding the income tax considerations applicable to them, having regard to their particular circumstances.

Shareholders Resident in Canada

This portion of the summary is applicable to a shareholder who at all relevant times, for purposes of the Tax Act and any applicable tax treaty, is or is deemed to be resident in Canada (a “**Resident Holder**”).

(a) Distribution of Common Shares of the Corporation

On the distribution of the Corporation’s common shares, a Resident Holder of NSGold’s common shares will be considered to have received a dividend equal to the fair market value of the Corporation’s common shares so received. Under Canada Revenue Agency’s administrative policy, the Resident Holder will be considered to have acquired the Corporation’s common shares at a cost equal to their fair market value.

For these purposes, NSGold’s shareholders will be advised following the record date for the distribution of the Corporation’s common shares as to NSGold’s calculation of the fair market value of the Corporation’s common shares. The Corporation has been advised that NSGold estimates the fair market value of the Corporation’s common shares to be \$● per share. Any determination of value by NSGold is not binding on Canada Revenue Agency or any of the NSGold shareholders.

The dividend when received by individuals will be included in income and will be subject to gross-up and dividend tax-credit rules applicable to taxable dividends received by individuals from a corporation resident in Canada. An enhanced gross-up and dividend tax credit will be available provided that NSGold designates the dividend as an eligible dividend for purposes of the Tax Act. There may be limitations on the ability of NSGold to designate dividends as eligible dividends. The dividend when received by a corporation will generally be included in computing the corporation’s income as a dividend and will ordinarily be deductible in computing its taxable income. In some cases, all or part of the dividend if received or deemed to be received by a corporation may be deemed to be a gain or proceeds of disposition on the NSGold shares rather than a dividend, and corporations should consult their own tax advisors as to these circumstances.

“Private corporations” (as defined in the Tax Act) and corporations controlled or deemed to be controlled by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts) may be liable under Part IV of the Tax Act to pay a refundable tax of 33 $\frac{1}{3}$ % on the dividend to the extent that the dividend is deductible in computing the corporation’s taxable income. A shareholder that is a “Canadian-controlled private corporation” (as defined in the Tax Act) may be liable to pay an additional refundable tax of 6 $\frac{2}{3}$ % on dividends that are not deductible in computing taxable income.

(b) Disposing of the Corporation’s Common Shares

A disposition or deemed disposition by a Resident Holder of common shares of the Corporation will generally give rise to a capital gain (or capital loss) equal to the amount by which the proceeds of disposition, net of any reasonable costs of disposition, are greater (or less) than such Resident Holder’s adjusted cost base of such shares. The tax treatment of capital gains and capital losses is discussed in greater detail below under “Capital Gains and Capital Losses”.

Capital Gains and Capital Losses

One-half of any capital gain will be included in income as a taxable capital gain and one-half of any capital loss may normally be deducted as an allowable capital loss against taxable capital gains realized in the year of disposition. Any unused allowable capital losses may be applied to reduce net taxable capital gains realized in the three preceding taxation years or any subsequent taxation year, subject to the provisions of the Tax Act in that regard.

The amount of any capital loss realized on the disposition or deemed disposition of common shares of the Corporation by a Resident Holder that is a corporation may be reduced by the amount of dividends received or deemed to have been received by it on such shares or shares substituted for such shares to the extent and in the circumstances prescribed by the Tax Act. Similar rules may apply where a Resident Holder that is a corporation is a member of a partnership or beneficiary of a trust that owns such shares.

A Resident Holder that is throughout the relevant taxation year a “Canadian-controlled private corporation” (as defined in the Tax Act) also may be liable to pay an additional refundable tax of 6 $\frac{2}{3}$ % on its “aggregate investment income” for the year which will include taxable capital gains. This refundable tax generally will be refunded to a corporate Resident Holder at the rate of \$1 for every \$3 of taxable dividends paid while it is a private corporation.

Individuals (other than certain trusts) may be subject to alternative minimum tax in respect of realized capital gains. See “Alternative Minimum Tax” below.

Alternative Minimum Tax

Under the Tax Act, taxes payable by an individual and by most trusts will be the greater of the taxes otherwise determined and an alternative minimum tax computed by reference to such individual’s adjusted taxable income for the taxation year in excess of a \$40,000 exemption and reduced by certain tax credits. The federal rate of minimum tax is 15%. In calculating adjusted taxable income for the purpose of computing the minimum tax, certain deductions and credits otherwise available are disallowed and certain amounts not otherwise included in income are included. For these purposes, 80% of capital gains (net of capital losses) and the actual amount of taxable dividends (not including any gross-up or dividend tax credit) are included and deductions in respect of CCEE in excess of the amount of the individual’s resource income (including income attributable to the disposition of Canadian resource properties) for the particular year are disallowed. Whether and to what extent the tax liability of a particular Resident Holder will be increased by the alternative minimum tax will depend on the amount of such Resident Holder’s income, the sources from which it is derived, and the nature and amounts of any deductions such Resident Holder claims.

Any additional tax payable by an individual for the taxation year resulting from the application of the alternative minimum tax will be deductible in any of the seven immediately-following taxation years in computing the amount that would, but for the alternative minimum tax, be such individual’s tax otherwise payable for any such year to the extent that such tax payable exceeds the individual’s alternative minimum tax calculation for that particular year. Purchasers are urged to consult their tax advisors to determine the impact of alternative minimum tax.

Shareholders Not Resident in Canada

The following summary is generally applicable to a shareholder who at all relevant times, for purposes of the Tax Act and any applicable tax treaty: (i) is not (and is not deemed to be) resident in Canada; (ii) does not use or hold (and is not deemed

to use or hold) NSGold's common shares or the Corporation's common shares in carrying on a business in Canada; and (iii) does not hold NSGold's common shares or the Corporation's common shares as "taxable Canadian property" (as defined in the Tax Act).

Generally, the common shares of NSGold will not constitute taxable Canadian property to a holder at a particular time, provided that: (i) NSGold's common shares are listed on a designated stock exchange (which currently includes the TSX Venture Exchange) at that time; and (ii) the holder, persons with whom the holder does not deal at arm's length, or the holder together with such persons, have not owned 25% or more of any class of NSGold's shares at any time within the five years immediately preceding that time. Generally, the Corporation's common shares will not constitute taxable Canadian property to a holder at a particular time, provided that: (i) the Corporation's common shares are listed on a designated stock exchange (which currently includes the TSX Venture Exchange) at that time; and (ii) the holder, persons with whom the holder does not deal at arm's length, or the holder together with such persons, have not owned 25% or more of any class of the Corporation's common shares at any time within the five years immediately preceding that time. In either case, shares may also be deemed to constitute taxable Canadian property in certain circumstances under the Tax Act.

(c) *Distribution of Common Shares of the Corporation*

On the distribution of the Corporation's common shares, a holder of NSGold's common shares will be considered to have received a dividend equal to the fair market value of the Corporation's common shares so received. Under Canada Revenue Agency's administrative policy, the holder will be considered to have acquired the Corporation's common shares at a cost equal to their fair market value. For these purposes, NSGold's shareholders will be advised following the record date for the distribution of the Corporation's common shares as to NSGold's calculation of the fair market value of the Corporation's common shares. The Corporation has been advised that NSGold estimates the fair market value of the Corporation's common shares to be \$● per share. Any determination of value by NSGold is not binding on Canada Revenue Agency or any of the NSGold shareholders.

Dividends paid to a holder not resident in Canada (including, for this purpose, a partnership other than a "Canadian partnership" as defined in the Tax Act) will generally be subject to Canadian withholding tax at the rate of 25%, subject to any reduction in the rate of withholding to which the holder is entitled under any applicable tax treaty between Canada and the country in which the holder is resident. Where the beneficial holder of the shares is a United States resident entitled to benefits under the Canada-U.S. Income Tax Convention, the applicable rate of Canadian withholding tax is generally reduced to 15%. Since the dividend will be paid by the distribution of the Corporation's common shares, NSGold will withhold a sufficient number of the Corporation's common shares from distributions to non-resident shareholders in order to meet this withholding tax obligation.

(d) *Disposing of the Corporation's Common Shares*

On a disposition or deemed disposition of the Corporation's common shares, the holder will generally not be subject to income tax under the Tax Act.

EXEMPTIONS FROM CERTAIN DISCLOSURE REQUIREMENTS

The Corporation has applied for relief from section 32.2 of Form 41-101F1, as prescribed by National Instrument 41-101 *General Prospectus Requirements* in respect of carve-out financial statements of Cia Minera Pena Blanca SA de CV with respect to the Dios Padre property.

NSGold acquired the Dios Padre property from Cia Minera Pena Blanca SA de CV on April 9, 2011. Subsequently, the Corporation entered into the Purchase and Sale Agreement with NSGold with respect to the acquisition by the Corporation of the shares of Oso Blanco, the registered owner of the Mexican mining concessions comprising the Dios Padre property.

The Dios Padre property initially will be the Corporation's principal property and, consequently, might be considered the primary business of the Corporation pursuant to section 32.1(b) of Form 41-101F1, which would require the Corporation to provide three years of carve-out financial statements of Cia Minera Pena Blanca SA de CV with respect to the Dios Padre property. The Corporation has sought relief from the requirement to include audited carve-out financial statements for Cia Minera Pena Blanca SA de CV with respect to the Dios Padre property for the years ended December 31, 2010, 2009 and 2008 on the basis that:

- (a) Cia Minera Pena Blanca SA de CV has not conducted any exploration on the Dios Padre property since 2006, no exploration expenditures have been incurred and, therefore, there would be no exploration expenditures or capitalized exploration assets presented in such financial statements;
- (b) there are no liabilities, contingent liabilities or asset-retirement obligations that would have been recorded or disclosed on the balance sheet or in the notes to the financial statements for the three years of carve-out financial statements of Cia Minera Pena Blanca SA de CV with respect to the Dios Padre property;
- (c) there are no liabilities, contingent liabilities or asset-retirement obligations that are recorded or disclosed on the balance sheet or in the notes to the financial statements of Cia Minera Pena Blanca SA de CV for the periods ended December 31, 2010, 2009 and 2008 in respect of the Dios Padre property; and
- (d) the Corporation has conducted satisfactory due diligence to determine that there are no liabilities present on the Dios Padre property, including confirmation by the Corporation that there are no liens or encumbrances registered against the Dios Padre property.

As the carve-out financial statements would be nil statements, no additional information would be provided to shareholders of the Corporation by including such statements in this prospectus. The Corporation has been advised by staff of the British Columbia Securities Commission that the issuance of a receipt for the final prospectus in respect of this distribution will evidence the granting of this relief.

PURCHASERS' STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus or any amendment contains a misrepresentation or is not delivered to the purchaser, provided that such remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

In light of the fact that the Corporation's common shares are not being purchased but are being distributed to NSGold's shareholders as part of a corporate reorganization of NSGold, the Corporation does not believe that the foregoing rights are available to NSGold's shareholders with respect to the NSGold Distribution.

AUDITOR'S CONSENT

We have read the prospectus of NSX Silver Inc. (the "**Corporation**") dated ●, 2011 relating to a secondary offering of shares by way of dividend in kind. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the inclusion in the above-mentioned prospectus of our reports to:

- The shareholder of the Corporation on the statement of financial position of the Corporation as at August 31, 2011 and the statements of changes in shareholder's deficiency, loss and comprehensive loss and cash flows for the period from incorporation on August 9, 2011 to August 31, 2011. Our report is dated ●, 2011; and
- The shareholders of Compañía Minera Oso Blanco SA de CV ("**Oso Blanco**") on the statement of financial position of Oso Blanco as at August 31, 2011 and the statements of changes in shareholders' deficiency, loss and comprehensive loss and cash flows for the period from incorporation on April 11, 2011 to August 31, 2011. Our report is dated ●, 2011.

Chartered Accountants
Halifax, Nova Scotia
●, 2011

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 August 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 August 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 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 August 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.

Chartered Accountants

Halifax, Nova Scotia

●, 2011

NSX SILVER INC.

**Statement of Financial Position
As at August 31, 2011**

	\$
Assets	
Current assets	
Cash.....	<u>100</u>
Liabilities	
Current liabilities	
Accounts payable and accrued liabilities	<u>6,700</u>
Shareholder's deficiency	<u>(6,600)</u>
	<u>100</u>

Nature of operations and going concern (note 1)

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

Approved on behalf of the Board of Directors

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

(signed) Glenn A. Holmes, Director

NSX SILVER INC.

**Statement of Changes in Shareholder's Deficiency
For the period from August 9, 2011, date of incorporation, to August 31, 2011**

	Number of shares (note 5)	Share capital \$	Deficit \$	Total \$
Shares issued for cash.....	1,000	100	—	100
Loss for the period.....	—	—	(6,700)	(6,700)
Balance – August 31, 2011.....	1,000	100	(6,700)	(6,600)

The accompanying notes form 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 August 31, 2011**

	\$
Operating expenses	
Professional fees.....	6,700
	<hr/>
Net loss and comprehensive loss for the period.....	(6,700)
	<hr/>
Loss per share - basic and diluted	(6.70)
Weighted average outstanding common shares – basic and diluted	1,000

The accompanying notes form 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 August 31, 2011

	\$
Cash provided by (used in)	
Operating activities	
Net loss for the period	(6,700)
Net changes in non-cash working capital balances related to operations	
Increase in accounts payable and accrued liabilities	6,700
	<hr/>
	—
	<hr/>
Financing activities	
Proceeds from issuance of shares	100
	<hr/>
Net change in cash and Cash – End of period	100
	<hr/>

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

NSX SILVER INC.

Notes to Financial Statements For the period from August 9, 2011, date of incorporation, to August 31, 2011

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 7).

Going concern

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

The Corporation's financial statements as at August 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 \$6,700 and has no operations at this time which will generate revenue. 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.

The Corporation has filed a non-offering prospectus, through which, among other things, the Corporation will receive gross proceeds of approximately \$4.7 million (see note 7).

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 August 31, 2011. The Board of Directors approved the statements for issue on October 20, 2011.

(b) Basis of measurement

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

(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) 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 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.

(c) 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.

(d) 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.

(e) 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.

(f) 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, 2013, 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.

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.

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. 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 August 31, 2011 totalled a deficiency of \$6,600. 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.

5. Share capital

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	<u>Number of shares</u>	<u>Amount</u>
Shares issued for cash	1,000	\$ 100
Balance – August 31, 2011	<u>1,000</u>	<u>100</u>

6. Income taxes

- (a) At August 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:

	<u>Period ended August 31, 2011</u>
	<u>\$</u>
Loss before income taxes	6,700
Income tax recovery based on statutory rates.....	2,100
Unrecorded tax benefit of losses	<u>(2,100)</u>
Provision for income taxes.....	<u>—</u>

- (b) Losses

The Corporation has non-capital tax losses of approximately \$6,700 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.

7. Subsequent events

On ●, 2011 the Corporation filed a preliminary non-offering prospectus (the "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 (the "NSGold Distribution"). The Prospectus also outlines the following transactions in connection with the NSGold Distribution.

(a) Share Subscription

NSGold and the Corporation have entered into a subscription agreement which provides that prior to the NSGold Distribution, NSGold will subscribe for approximately 44.4 million common shares of the Corporation at a price

of \$0.105 per share, for gross proceeds of \$4,665,000. The Corporation intends to use the proceeds of the placement for work on its Mexican properties described below and for working capital, including possible property acquisitions.

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

The Corporation has entered into an agreement with NSGold with respect to the acquisition by the Corporation of all of NSGold's shares of Compañía Minera Oso Blanco SA de CV ("Oso Blanco"), a Mexican subsidiary of NSGold, in exchange for 1 million common shares of the Corporation.

In connection with the purchase by the Corporation of the shares of Oso Blanco, all of the rights and obligations of NSGold under the Property Option Agreement (see below) will be 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.

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 Oso Blanco, 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\$100,000 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 January 31, 2012, 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.

(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 will be approximately 45.4 million common shares.

As noted above: (i) the Property Option Agreement with Cia Minera Pena Blanca SA de CV provides for the issuance of an additional 1 million shares to the optionor; and (ii) NSGold will assign to the Corporation all of its rights and obligations under the Property Option Agreement, so that such 1 million shares, if issued, will be issued by the Corporation and not NSGold.

Independent Auditor's Report

To the Shareholders of Compañía Minera Oso Blanco S.A. de C.V.

We have audited the accompanying financial statements of **Compañía Minera Oso Blanco S.A. de C.V.**, which comprise the statement of financial position as at August 31, 2011 and the statements of changes in shareholders' deficiency, loss and comprehensive loss and cash flows for the period from April 11, 2011, date of incorporation, to August 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 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 Compañía Minera Oso Blanco S.A. de C.V. as at August 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 Compañía Minera Oso Blanco S.A. de C.V.'s ability to continue as a going concern.

Chartered Accountants

Halifax, Nova Scotia

●, 2011

COMPAÑÍA MINERA OSO BLANCO S.A. DE C.V.

Statement of Financial Position
As at August 31, 2011

(expressed in Canadian dollars)

	\$
Assets	
Current assets	
Cash	31,897
Deposits	48,000
Sales taxes recoverable	814
	<hr/>
	80,711
Resource properties (note 4)	<hr/>
	336,925
	<hr/>
	417,636
	<hr/>
Liabilities	
Current liabilities	
Accounts payable and accrued liabilities	24,197
Amounts due to parent company (note 5)	415,460
	<hr/>
	439,657
	<hr/>
Shareholders' deficiency	<hr/>
	(22,021)
	<hr/>
	417,636
	<hr/>

Nature of operations and going concern (note 1)

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

Approved on behalf of the Board of Directors

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

(signed) Glenn A. Holmes, Director

COMPAÑÍA MINERA OSO BLANCO S.A. DE C.V.

**Statement of Changes in Shareholders' Deficiency
For the period from April 11, 2011, date of incorporation, to August 31, 2011**

(expressed in Canadian dollars)

	Number of shares (note 7)	Share capital \$	Other comprehensive loss \$	Deficit \$	Total \$
Shares issued for cash.....	50,000	4,113	—	—	4,113
Loss for the period.....	—	—	—	(25,840)	(25,840)
Foreign currency translation differences.....	—	—	(294)	—	(294)
Balance – August 31, 2011.....	50,000	4,113	(294)	(25,840)	(22,021)

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

COMPAÑÍA MINERA OSO BLANCO S.A. DE C.V.

Statement of Loss and Comprehensive Loss
For the period from April 11, 2011, date of incorporation, to August 31, 2011

(expressed in Canadian dollars)

	\$
Operating expenses	
Professional fees	25,913
Office expenses	1,868
Foreign exchange gain	<u>(1,941)</u>
Net loss for the period	(25,840)
Other comprehensive loss	
Foreign currency translation differences	<u>(294)</u>
Comprehensive loss	<u>(26,134)</u>
Loss per share - basic and diluted	(0.52)
Weighted average outstanding common shares – basic and diluted	50,000

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

COMPAÑÍA MINERA OSO BLANCO S.A. DE C.V.

Statement of Cash Flows
For the period from April 11, 2011, date of incorporation, to August 31, 2011

(expressed in Canadian dollars)

	\$
Cash provided by (used in)	
Operating activities	
Net loss for the period.....	(25,840)
Net changes in non-cash balances related to operations	
Increase in accounts payable and accrued liabilities.....	20,208
Increase in sales taxes recoverable	(805)
Increase in amounts due to parent company	1,712
Foreign exchange gain.....	(2,703)
	(7,428)
Investing activities	
Purchase of and expenditures on resource properties	(42,743)
Financing activities	
Proceeds from issuance of shares	4,113
Increase in amounts due to parent company	77,642
	81,755
Impact of foreign currency translation on cash	313
Net change in cash and Cash – End of period	31,897

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

COMPAÑÍA MINERA OSO BLANCO S.A. DE C.V.

Notes to Financial Statements For the period from April 11, 2011, date of incorporation, to August 31, 2011

1. Nature of operations and going concern

Nature of operations

Compañía Minera Oso Blanco, S.A. (the “Corporation” or “Oso Blanco”) was incorporated under the laws of the United Mexican States (“Mexico”) on April 11, 2011 as a subsidiary of NSGold Corporation (“NSGold”). Its principal business activities are the acquisition, exploration and development of resource properties in Mexico (see note 4).

Going concern

These financial statements have been prepared on the basis of International Financial Reporting Standards applicable to a going concern, which contemplates the realization of assets and settlement of liabilities and commitments in the normal course of business as they come due. For the period ended August 31, 2011, the Corporation incurred a loss of \$22,939. The Corporation has no income or cash flow from operations. In addition to its working capital requirements, the Corporation must secure sufficient funding to maintain legal title to its resource properties, to fund its exploration and development activities and to fund its general and administrative costs. These are material uncertainties that may cast significant doubt as to the ability of the Corporation to meet its obligations as they come due and, accordingly, the appropriateness of the going concern assumption.

The Corporation’s ability to continue as a going concern is dependent upon its ability to fund its working capital and exploration requirements and eventually to generate positive cash flows, either from operations or sale of properties. 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.

NSX Silver Inc. (“NSX Silver”), a wholly-owned subsidiary of NSGold, has filed a non-offering prospectus, through which, among other things, the Corporation will become a subsidiary of NSX Silver, and NSX Silver plans to raise gross proceeds of \$4.7 million (see note 10). Nevertheless, there is no assurance that these initiatives will be successful or sufficient.

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 August 31, 2011. The Board of Directors approved the statements for issue on October 20, 2011.

(b) Basis of measurement – functional and presentation currency

These financial statements are presented in Canadian dollars. The Corporation’s functional currency is the United States dollar however these financial statements have been presented in Canadian dollars so that they are comparative to the Corporation’s parent and sister companies.

(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 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, balances held with banks, and funds held in trust with the Corporation's lawyers.

(b) 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.

(c) 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.

(d) Resource properties

Initial acquisition costs and exploration and development costs related to resource properties are deferred until such time as the properties are put into commercial production, sold or abandoned or management determines that the resource properties are not economically viable, at which time the resource properties are written down to their recoverable amount. Under this method, all amounts shown as resource properties represent costs incurred to date less amounts amortized, received from exploration partners and/or written down, and do not necessarily represent present or future values.

If any properties are put into commercial production, the carrying values of the properties will be depleted following the unit of production method. If any properties are sold or abandoned, or considered to be impaired in value, the carrying value of the properties will be charged to operations.

The carrying values of resource properties, on a property-by-property basis, will be reviewed by management at least annually to determine if they have become impaired. If impairment is deemed to exist, the resource properties will be written down to their recoverable amount. The ultimate recoverability of the amounts capitalized for the resource properties is dependent upon obtaining the necessary financing to complete their development and realize profitable production or proceeds from the disposition thereof.

Management's estimate of recoverability of the Corporation's resource property has been based on current conditions. However, it is reasonably possible that changes could occur in the near term which could adversely affect management's estimates and may result in future write-downs of the resource property.

(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) Impairment of non-financial assets

The carrying amounts of the Corporation's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indications exist, the assets are tested for impairment, and if an impairment exists the assets are written down to their recoverable amounts.

(g) 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.

(h) Accounting Standards issued but not yet applied

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

The International Accounting Standards Board ("IASB") has issued IFRS 9, effective for annual periods beginning on or after January 1, 2013, 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.

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.

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. Resource properties

The following expenditures for the Corporation’s properties in Mexico were incurred during the period:

	\$
Mineral claims acquired	224,870
Exploration costs incurred	<u>112,055</u>
Period ended August 31, 2011.....	<u>336,925</u>

Included in the exploration costs incurred above is \$3,759 which is in accounts payable and accrued liabilities as at August 31, 2011. This is a non-cash transaction and has been excluded from the statement of cash flows. See note 5 for expenditures paid by NSGold which are also non-cash transactions.

NSGold entered into a binding Property Option Agreement with Cia Minera Pena Blanca SA de CV. Under the Property Option Agreement, NSGold, through its subsidiary Oso Blanco, has the exclusive right to acquire a 100% undivided interest in three contiguous mining concessions in Mexico (Dios Padre, Don Carlos and Alejandro; collectively referred to as the Dios Padre Property) 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\$100,000 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 January 31, 2012, 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.

5. Amounts due to parent company

NSGold, the Corporation's parent company, had the following transactions with or on behalf of the Corporation. Of the transactions below, US\$30,000 in resource property expenditures were paid by NSGold prior to the incorporation of the Corporation and subsequently transferred to the Corporation.

	\$
Due to NSGold for the following expenditures paid on behalf of the Corporation:	
Deposits	48,000
Resource property expenditures	286,681
Operating expenses	1,712
	<hr/>
	336,393
Due NSGold for cash advanced to the Corporation	77,642
Foreign currency translation	<hr/> 1,425
Balance – August 31, 2011	<hr/> <hr/> 415,460

It is anticipated that the amount owing to NSGold will be repaid upon completion of financing in connection with the non-offering prospectus (see note 10). Advances from NSGold are denominated in Canadian dollars. As the Corporation's functional currency is the United States dollar, the Corporation is exposed to fluctuations in exchange rates. A 10% increase or decrease in the Canadian dollar to United States dollar exchange rate would have an impact of approximately \$40,000 on the amount due to NSGold, which would be recorded as a foreign exchange gain or loss in the statement of loss. The expenditures paid on behalf of the Corporation by NSGold are non-cash transactions and have been excluded from the statement of cash flows.

6. 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 August 31, 2011 totalled a deficiency of \$22,021. 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.

7. Share capital

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 during the period	50,000	4,113
Balance – August 31, 2011	50,000	4,113

8. Income taxes

- (a) At August 31, 2011 the Corporation's effective income tax rate differs from the amount that would be computed from applying the statutory rate of 30% to the pre-tax loss for the period. The reasons for the difference are as follows:

	Period ended August 31, 2011 \$
Loss before income taxes	25,840
Income tax recovery based on statutory rates.....	8,000
Unrecorded tax benefit of losses	(8,000)
Provision for income taxes.....	—

- (b) Losses

The Corporation has tax losses in Mexico of approximately \$25,840 available for carry-forward to reduce future years' taxable income. These tax losses expire in 2021. No deferred tax asset has been recognized for these losses as it is not probable that the related deferred tax asset will be realized.

9. Compensation of key management

Key management includes the Corporation's Directors, President and Vice President. For the period ended August 31, 2011 compensation of \$18,750 has been awarded to these individuals.

10. Subsequent events

On ●, 2011, NSX Silver, as subsidiary of the Corporation's parent company NSGold, filed a preliminary non-offering prospectus (the "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 NSX Silver by way of dividend (the "NSGold Distribution"). The Prospectus also outlines the following transactions in connection with the NSGold Distribution.

(a) Share Subscription

NSGold and NSX Silver have entered into a subscription agreement which provides that prior to the NSGold Distribution, NSGold will subscribe for approximately 44.4 million common shares of NSX Silver at a price of \$0.105 per share, for gross proceeds of \$4,665,000. NSX Silver intends to use the proceeds of the placement for work on its Mexican properties described below and for working capital, including possible property acquisitions.

(b) Agreement for the acquisition of shares of the Corporation

NSX Silver has entered into an agreement with NSGold with respect to the acquisition by NSX Silver of all of NSGold's shares of the Corporation in exchange for 1 million common shares of NSX Silver.

In connection with the purchase by NSX Silver of the shares of the Corporation, all of the rights and obligations of NSGold under the Property Option Agreement (see note 4) will be assigned to NSX Silver, so that NSX Silver (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.

APPENDIX A CHARTER OF THE AUDIT COMMITTEE

The following Audit Committee Charter was adopted by the Corporation's Board of Directors and Audit Committee on October 20, 2011:

Mandate

The primary function of the audit committee (the "**Committee**") is to assist the Corporation's board of directors in fulfilling its financial oversight responsibilities by reviewing the financial reports and other financial information provided by the Corporation to regulatory authorities and shareholders, the Corporation's systems of internal controls regarding finance and accounting and the Corporation's auditing, accounting and financial reporting processes. Consistent with this function, the Committee will encourage continuous improvement of, and should foster adherence to, the Corporation's policies, procedures and practices at all levels. The Committee's primary duties and responsibilities are to:

- serve as an independent and objective party to monitor the Corporation's financial reporting and internal control system and review the Corporation's financial statements;
- review and appraise the performance of the Corporation's external auditors; and
- provide an open avenue of communication among the Corporation's auditors, financial and senior management and the board of directors.

Composition

The Committee shall be comprised of a minimum of three directors as determined by the board of directors. If the Corporation ceases to be a "venture issuer" (as that term is defined in NI 52-110), then all of the members of the Committee shall be free from any relationship that, in the opinion of the board of directors, would interfere with the exercise of his or her independent judgment as a member of the Committee.

If the Corporation ceases to be a "venture issuer" (as that term is defined in NI 52-110), then all members of the Committee shall have accounting or related financial management expertise. All members of the Committee that are not financially literate will work towards becoming financially literate to obtain a working familiarity with basic finance and accounting practices. For the purposes of the Corporation's Audit Committee Charter, the definition of "financially literate" is the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can presumably be expected to be raised by the Corporation's financial statements.

The members of the Committee shall be elected by the board of directors at its first meeting following the annual shareholders' meeting. Unless a Chair is elected by the full board of directors, the members of the Committee may designate a Chair by a majority vote of the full Committee membership.

Meetings

The Committee shall meet at least twice annually, or more frequently as circumstances dictate. As part of its job to foster open communication, the Committee will meet at least annually with the Chief Financial Officer and the external auditors in separate sessions.

Responsibilities and Duties

To fulfill its responsibilities and duties, the Committee shall:

1. Documents/Reports Review
 - (a) review and update this Audit Committee Charter annually; and
 - (b) review the Corporation's financial statements, MD&A and any annual and interim earnings press releases before the Corporation publicly discloses this information and any reports or other financial information

(including quarterly financial statements), which are submitted to any governmental body, or to the public, including any certification, report, opinion, or review rendered by the external auditors.

2. External Auditors

- (a) review annually, the performance of the external auditors who shall be ultimately accountable to the Corporation's board of directors and the Committee as representatives of the shareholders of the Corporation;
- (b) obtain annually, a formal written statement of external auditors setting forth all relationships between the external auditors and the Corporation, consistent with Independence Standards Board Standard 1;
- (c) review and discuss with the external auditors any disclosed relationships or services that may impact the objectivity and independence of the external auditors;
- (d) take, or recommend that the Corporation's full board of directors take appropriate action to oversee the independence of the external auditors, including the resolution of disagreements between management and the external auditor regarding financial reporting;
- (e) recommend to the Corporation's board of directors the selection and, where applicable, the replacement of the external auditors nominated annually for shareholder approval;
- (f) recommend to the Corporation's board of directors the compensation to be paid to the external auditors;
- (g) at each meeting, consult with the external auditors, without the presence of management, about the quality of the Corporation's accounting principles, internal controls and the completeness and accuracy of the Corporation's financial statements;
- (h) review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Corporation;
- (i) review with management and the external auditors the audit plan for the year-end financial statements and intended template for such statements; and
- (j) review and pre-approve all audit and audit-related services and the fees and other compensation related thereto, and any non-audit services, provided by the Corporation's external auditors. The pre-approval requirement is waived with respect to the provision of non-audit services if:
 - (i) the aggregate amount of all such non-audit services provided to the Corporation constitutes not more than five percent of the total amount of revenues paid by the Corporation to its external auditors during the fiscal year in which the non-audit services are provided,
 - (ii) such services were not recognized by the Corporation at the time of the engagement to be non-audit services, and
 - (iii) such services are promptly brought to the attention of the Committee by the Corporation and approved prior to the completion of the audit by the Committee or by one or more members of the Committee who are members of the board of directors to whom authority to grant such approvals has been delegated by the Committee.

Provided the pre-approval of the non-audit services is presented to the Committee's first scheduled meeting following such approval such authority may be delegated by the Committee to one or more independent members of the Committee.

3. Financial Reporting Processes

- (a) in consultation with the external auditors, review with management the integrity of the Corporation's financial reporting process, both internal and external;

- (b) consider the external auditors' judgments about the quality and appropriateness of the Corporation's accounting principles as applied in its financial reporting;
- (c) consider and approve, if appropriate, changes to the Corporation's auditing and accounting principles and practices as suggested by the external auditors and management;
- (d) review significant judgments made by management in the preparation of the financial statements and the view of the external auditors as to appropriateness of such judgments;
- (e) following completion of the annual audit, review separately with management and the external auditors any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information;
- (f) review any significant disagreement among management and the external auditors in connection with the preparation of the financial statements;
- (g) review with the external auditors and management the extent to which changes and improvements in financial or accounting practices have been implemented;
- (h) review any complaints or concerns about any questionable accounting, internal accounting controls or auditing matters;
- (i) review the certification process;
- (j) establish a procedure for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters; and
- (k) establish a procedure for the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

4. Other

- (a) review any related-party transactions;
- (b) engage independent counsel and other advisors as it determines necessary to carry out its duties; and
- (c) to set and pay compensation for any independent counsel and other advisors employed by the Committee.

CERTIFICATES

Dated: October 21, 2011

This prospectus constitutes full, true and plain disclosure of all material facts relating to the securities previously issued by the issuer as required by the securities legislation of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and Labrador.

(signed) Johannes H. C. van Hoof
President and Chief Executive Officer

(signed) Glenn A. Holmes
Chief Financial Officer

On behalf of the Board of Directors

(signed) James Proudfoot
Director

(signed) Grant Loon
Director

Promoter

NSGOLD CORPORATION

Per: (signed) Johannes H. C. van Hoof
President and Chief Executive Officer