

Netco Silver Inc. (formerly known as Netco Energy Inc.)

Management's Discussion and Analysis

September 30, 2011

This following management's discussion and analysis ("**MD&A**") for Netco Silver Inc. was prepared by management based on information available as at November 17, 2011. It should be reviewed together with the unaudited interim consolidated financial statements for the quarter ended September 30, 2011, and the MD&A and audited annual consolidated financial statements for the year ended December 31, 2010. The Company's quarterly unaudited interim consolidated financial statements and the year end audited annual consolidated financial statements are filed on SEDAR and are available for review at www.sedar.com.

As used in this MD&A, the terms "we", "us", "our", "Netco" and "our Company" mean Netco Silver Inc. and our subsidiaries, Green River Petroleum (USA) Inc., a Washington corporation, Green River Petroleum (USA) Inc., a Wyoming corporation and Netco Argentina S.A., an Argentinean corporation, unless the context clearly requires otherwise.

Unless otherwise noted, all dollar amounts are expressed in Canadian dollars ("**C\$**" or "**\$**") and any references to common shares are to common shares in the capital of Netco Silver Inc., unless the context clearly requires otherwise.

Barrels of oil equivalent ("**boe**") and natural gas equivalent ("**Mcf**") amounts have been calculated using a conversion rate of six thousand cubic feet ("**Mcf**") of natural gas per barrel ("**bbl**") of oil ("**6:1**"). A conversion ratio of six Mcf to one bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Boe and Mcfe disclosure may be misleading, particularly if used in isolation.

Forward-Looking Statements

This MD&A and the documents incorporated by reference contain forward-looking statements within the meaning of applicable Canadian securities laws. Forward-looking statements are statements which relate to future events or our future performance, including our future financial performance. In some cases, you can identify forward-looking statements by terminology such as "may", "should", "expects", "plans", "anticipates", "believes", "estimates", "predicts", or "potential" or the negative of these terms or other comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including the risks described in the section titled "Risk Factors" commencing on page 12 and "Risks Relating to the Industry" commencing on page 14 of this MD&A, that may cause the Company's or the industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. No assurance can be given that any of the events anticipated by the forward-looking information and statements will occur or, if they do occur, what benefits we will obtain from them. This MD&A contains forward-looking information and statements, which may include but are not limited to: statements with respect to the financial and operating performance of the Company and its subsidiaries; investment objectives and strategies; the business goals and strategies; forecast operating and financial results; planned capital expenditures; potential future market for our products; our plans for, and results of, exploration and development activities; our treatment under governmental regulatory and royalty regimes and tax laws; competitive advantages; business prospects and opportunities; costs and timing of developmental new projects; our management's assessment of future plans and operations; our anticipated liquidity and various matters that may impact such liquidity; and requirements for additional capital.

While these forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect our current judgement regarding the direction of our business, actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumptions or other future, performance suggested in this MD&A. These assumptions, which include management's current expectations, estimates and assumptions about certain projects and the markets we operate in, the global economic environment, interest

rates, the successful and timely implementation of capital projects; our ability to generate sufficient cash flow from operations to meet our current and future obligations and other risks and uncertainties described from time to time in the filings we make with securities regulatory authorities; the impact of IFRS on our financial statements; the impact of increasing competition; our ability to obtain qualified staff, equipment and services in a timely and cost efficient manner; the ability of the operator of the projects in which we have an interest to operate the field in a safe, efficient and effective manor; future commodity prices; currency, exchange and interest rates; the regulatory framework regarding royalties, taxes and environmental matters in the jurisdictions in which we operate may prove to be incorrect. A number of risks and uncertainties could cause our actual results to differ materially from those expressed or implied by the forward-looking information and statements, including, but not limited to: the failure of the Company to execute our business plans; general economic conditions as they affect us; risks arising from our operations generally; competition; accuracy of cost estimates; fluctuations in commodities prices; fluctuations in product supply and demand; risks associated with technology and its application to our business; changes in the applicable regulatory framework, including changes in regulatory approval process and land-use designations, royalty, tax, environmental, greenhouse gas, carbon and other laws or regulations, or changes associated with compliance; the loss of key management employees; our ability to control our operating costs, general administrative and other expenses; other factors beyond our control; insufficient investor interest in our securities which may impact on our ability to raise additional financing as required; and those factors described in the section titled "Risk Factors" in this MD&A.

These forward-looking statements are based on the estimates and opinions of our management at the time they are made. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Readers of this MD&A are cautioned not to rely on these forward-looking statements. Except as required by applicable securities law, we do not intend to update any of the forward-looking statements in this MD&A to conform these statements to actual results.

Conversion to IFRS

Effective January 1, 2011 the Company transitioned from Canadian Generally Accepted Accounting Principles ("**GAAP**") to International Financial Reporting Standards ("**IFRS**"). The interim financial statements at September 30, 2011 are the third interim statements prepared under IFRS in accordance with IFRS 1, *First-time Adoption of International Financial Reporting Standards*, and with International Accounting Standards ("**IAS**") 34, *Interim Financial Reporting*. The disclosures concerning the transition from Canadian GAAP to IFRS are included in the notes to the interim financial statements for the nine months ended September 30, 2011 and 2010 and in the unaudited first and second quarter financial statements filed on SEDAR.

Description of Business

We are a reporting issuer in the provinces of British Columbia and Alberta and our common shares are listed on the TSX Venture Exchange (the "**TSXV**") under the symbol "NEI".

We are in the oil, natural gas and mining business. We have most recently been involved in exploring for natural gas in the Columbia River Basin of south-central Washington State where, in 2007, we acquired an undivided 7.5% working interest in undeveloped mineral leases and an exploratory wellbore. We are not the operator of our Columbia River Basin properties.

On March 3, 2011, the Company entered into an agreement with Marifil Mines Ltd. ("**Marifil**") whereby Marifil agreed to grant the Company an option to acquire up to a 75% interest in Marifil's Toruel property (detailed below on page 5 under the heading "Discussion of Operations") located in Rio Negro Province, Argentina. The property is a prospective for silver.

Overall Performance

Columbia River Basin, Washington:

In 2007, we acquired a 7.5% working interest in undeveloped leases covering approximately 380,000 gross acres in the Columbia River Basin of south central Washington, including a 7.5% ownership interest in the Brown 7-24 exploration well drilled in Grant County, Washington, which was subsequently abandoned. Certain of the leases acquired in 2007 have since expired and we currently retain an interest in approximately 157,600 undeveloped gross mineral acres (approximately 11,800 net mineral acres) within the Columbia River Basin leasehold. Primary terms of individual leases will expire annually through 2015 and the Company will focus its lease retention and maintenance commitments to certain leases assigned specific prospect blocks.

Toruel Project, Rio Negro Province of Argentina

The Toruel Project covers approximately 5,736 hectares and is located about 25 kilometres southwest of the village of Los Menucos in the Rio Negro Province of Argentina. The Toruel Project consists of numerous epithermal veins that have variable amounts of significant silver, copper, gold, indium, lead and zinc. Based on the opinions of the geologist who has identified the property for us, we believe that the Toruel Project will be a significant silver prospect for the Company going forward.

To date, the property has had a total of 4,300 meters of diamond drilling and 1,590 meters of reverse circulation in three rounds of drilling performed by our partner, Marifil Mines Ltd. ("**Marifil**"). From the drilling, a significant amount of mineralization has been defined, but not quantified. Drill results are described in our National Instrument 43-101 ("**NI 43-101**") compliant technical report entitled "Toruel Project, Rio Negro Province – Argentina", dated June 15, 2011, authored by Mr. James Ebisch, and filed on SEDAR on June 22, 2011. The report describes how surface samples from the property have resulted in 0.0 to 5,871 g/t silver, and drilling has intercepted strong mineralization ranging from 0.0 to 3,759 g/t silver over 0.5 m within a 5.0 meter zone that averaged 960 g/t silver along with another 5.4 meter interval averaged 891 g/t silver and 6.31% copper.

As promising as these numbers look so far, we consider the Toruel Property to be underexplored, with the true potential for the project yet to be seen.

During the quarter, and to date, the Company has worked to establish our South American operations in preparation for the commencement of exploration at Toruel which is expected to begin in early November, implementing the recommendations of our independent Qualified Person ("QP"), Jim Ebisch.

These recommendations include geological mapping and identification of drill targets for drilling that will commence in the first half of 2012. We have also conducted a review of previous work conducted by Marifil and, as a result, our Technical Report is expected to be revised in the fourth quarter to include results that were not included previously. We continue to review other properties and hope to be able to announce further acquisitions.

Along with tapping the potential of the property itself, the Company is working to assemble a strategic Argentina geological advisory team. Through our due diligence process, we have built relationships with a network of geologists with considerable South American expertise, and, as we add new members to our team and execute on our strategy, we believe that the Company and the Toruel Project will deliver significant shareholder value.

Ongoing global economic instability has had a significant negative impact on virtually every segment of the world economy due to many factors including the effects of the subprime lending and general credit market crises, the European debt crisis, volatile energy costs, slower economic activity, decreased consumer confidence, reduced corporate profits and capital spending, adverse business conditions, increased unemployment and liquidity concerns. Although prices

for natural gas respond to seasonal pressures, the high U.S. natural gas storage inventories, the increasing natural gas production from new shale gas fields, the general economic conditions, both domestically and abroad, have had a negative effect on the price for American natural gas. When gas prices are relatively low, as they have been during the period covered by this MD&A, financing for drilling operations is more difficult to obtain. Our business, financial condition and results of operations will likely be materially and adversely affected by this trend. We cannot predict the timing or duration of economic slowdowns or the timing or strength of subsequent economic recoveries, worldwide or in our industry, and we cannot predict the extent to which economic slowdowns will impact our business. However, the uncertainty regarding the financial markets and worldwide political and economic climates are expected to affect the demand for natural gas during the coming months and this will likely have a negative impact on our business, financial condition and results of operations.

Selected Quarterly Financial Information

The following table contains a summary of our financial results for the three-month and nine-month periods ended September 30, 2011 and September 30, 2010:

(C\$)	Nine-Month Period Ended		Three-Month Period Ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
Total Revenues	0	0	0	0
Net Income (Loss) for the Period	(424,091)	(236,595)	(205,574)	(47,610)
Basic and Diluted Net Income (Loss) per Share	(0.01)	(0.01)	(0.01)	0.00
Total Assets	639,303	278,431	639,303	278,431
Total Long-Term Financial Liabilities	0	47,394	0	47,394

The discussion and analysis of our financial condition and results of operations is based on our interim consolidated financial statements, which have been prepared in accordance with IFRS. Application of IFRS requires the use of estimates, judgements and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements as well as the revenues and expenses reported during the period. Changes in these estimates, judgements and assumptions will occur as a result of future events, and accordingly, actual results could differ from amounts estimated. Our reporting currency is Canadian dollars.

Discussion of Operations

Nine-Month Period Ended September 30, 2011 Compared to Nine-Month Period Ended September 30, 2010:

Our net loss for the nine-month period ended September 30, 2011 increased to \$424,091 compared to a net loss of \$236,595 for the same period in 2010. The change in loss is primarily due the share-based compensation expense incurred as a result of options being issued under the stock option plan on March 4, 2011 and April 28, 2011 to officers, directors and consultants of the Company. The Company also recognized an impairment of \$52,587 reflecting expired leases.

General and administrative expenses increased to \$419,513 in the nine-month period ended September 30, 2011 compared to \$127,671 for the same period in 2010. The increase in general and administrative expenses was primarily due to the share-based compensation expense and the impairment expense incurred in the nine-month period ended September 30, 2011.

On January 6, 2011, Vartan Korajian was appointed as the new President, Secretary, Treasurer and Director of the Company's two U.S. subsidiaries, Green River Petroleum (USA) Inc. (Washington) and Green River Petroleum (USA) Inc. (Wyoming).

On February 15, 2011, Andrew Gourlay was appointed as President, CEO and Director of the Company.

Also on February 15, 2011, Arni Johannson resigned as President, CEO and Director of the Company but will remain on the Advisory Board and as a consultant to the Company.

In June 2011, the Company entered into an option agreement (the "**Agreement**") with Marifil whereby Marifil granted the Company an option (the "**Option**") to acquire up to a 75% interest in Marifil's Toruel property located in the Rio Negro Province of the Republic of Argentina (the "**Property**"). Under the terms of the Agreement, Netco can earn a 50% interest in the Property during the period of March 3, 2011 to March 3, 2014 by paying Marifil an aggregate of US\$200,000 in cash (\$50,000 paid as of October 18, 2011), issuing Marifil 3,150,000 of its common shares (400,000 common shares issued as of October 18, 2011), and expending US\$2,800,000 on the Property. The Company can earn a further 10% interest during the period from March 3, 2014 to March 3, 2015 by providing Marifil with a pre-feasibility study on the Property and paying Marifil US\$100,000 on each of the fourth and fifth anniversaries of the Agreement date. The Company can earn a further 10% interest in the Property during the period from March 3, 2016 to March 3, 2017 by providing Marifil with a feasibility study on the Property. Upon completion of the feasibility study, all further expenditures relating to the Property will be shared by the Company and Marifil, with 70% covered by the Company and 30% by Marifil. However, at Marifil's sole option, it can elect to be carried through to the commencement of commercial production on the Property, in which case the Company will earn an additional 5% interest, bringing its total interest in the Property to 75%. In the event the Company fails to provide Marifil with a feasibility study by March 3, 2017, the Company's interest in the Property may be reduced to 49% at Marifil's sole option.

On March 4, 2011, the Company granted a total of 525,000 stock options to officers, directors and consultants of the Company. Each option is exercisable into one common share at a price of \$0.12 for a period of five years. The stock options are subject to the terms of the Company's stock option plan.

On March 25, 2011, the Company was reclassified from a Tier 1 issuer listed on the TSXV to a Tier 2 issuer. This reclassification has no material impact on the Company's business. As there are substantial additional costs associated with maintaining Tier 1 status, and no appreciable benefit to a resource company that is not an investment issuer, the Company has chosen not to pursue Tier 1 going forward.

On April 28, 2011, Paul Andreola was appointed as a Director of the Company and David Finn resigned as a Director of the Company. Mr. Finn continues to provide guidance to the Company from his new position on the Advisory Board.

Also on April 28, 2011, the Company granted 200,000 stock options to a director and a consultant of the Company. Each option is exercisable into one common share of the Company at a price of \$0.165 per shares for a period of five years. The options are subject to the terms of the Company's stock option plan.

The Company held its annual general meeting on June 20, 2011 at 2:00 p.m. Pacific Time and all resolutions placed before the shareholders were voted in favour of management.

In June 2011, the Company completed its acquisition of an option to acquire a 75% interest in certain mineral claims comprising the Toruel Property, located in the Rio Negro Province of the Republic of Argentina, from Marifil, pursuant to the terms of the letter agreement dated March 3, 2011 with Marifil (the "**Transaction**"). The Company filed a technical report pertaining to the Property (the "**Technical Report**") on SEDAR, entitled "Toruel Project – Rio Negro Province – Argentina" and dated June 15, 2011. The Technical Report was prepared by Mr. James F. Ebisch, R.P.G. Mr. Ebisch is a qualified person as defined in National Instrument 43-101 and is independent of both the Company and Marifil. The Technical Report is available under the Company's profile on SEDAR at www.sedar.com. In connection with the closing of the

Transaction, the Company has issued a total of 150,000 common shares of the Company to Marifil in accordance to the terms of the Option Agreement. As a result of the completion of the Transaction, the Company will be engaged in the exploration and development of the Property.

On June 22, 2011, the Company closed a non-brokered private placement financing (the "**Financing**") of units (each, a "**Unit**"). The Company has issued 6,240,000 Units, at a price of \$0.125 per Unit, for aggregate gross proceeds of \$780,000. Each Unit consists of one common share and one-half of one share purchase warrant (each, a "**Warrant**"), with each whole Warrant entitling the holder to acquire one common share at an exercise price of \$0.22 for a period of two years from the closing of the Financing. In connection with the Financing, the Company paid aggregate finder's fee of \$46,340 and issued a total of 370,720 finder's warrants in accordance with the rules of the TSXV. The proceeds from the Financing will be used to fund the Company's planned exploration programs on the Property and for general working capital. The securities issued in connection with the Transaction and the Financing are subject to hold periods until October 23, 2011 under Canadian laws and the policies of the Exchange, and certain securities will also be subject to hold periods under United States securities laws. None of the securities issued have been or will be registered under the United States Securities Act of 1933, as amended (the "**1933 Act**"), and none of them may be offered or sold in the United States absent registration or an applicable exemption from the registration requirements of the 1933 Act.

During the second quarter, Canadian Nexus Ventures, a company wholly-owned by a former director and officer of the Company, loaned the Company \$6,988 with interest in the amount of \$303 accruing at Royal Bank prime rate + 2%, which was due on December 31, 2011. On September 30, 2011, the Company repaid the full amount of the loan and accrued interest totalling \$7,291.

Summary of Quarterly Results

The following table presents selected unaudited consolidated financial information for the last eight quarters:

	2011			2010				2009
(C\$)	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Total Revenues	-	-	-	-	-	-	-	-
Income (Loss) from Continuing Operations	-	-	-	(131,501)	(47,610)	(131,825)	(57,160)	(1,419,647)
Income (Loss) from Discontinued Operations	-	-	-	-	-	-	-	-
Net Income (Loss) for the Period	(205,574)	(110,960)	(107,557)	(131,501)	(47,610)	(131,825)	(57,160)	(1,419,647)
Basic & Diluted Income (Loss) per Share – Continuing Operations	(0.01)	-	-	--	-	-	-	(0.04)
Basic & Diluted Income (Loss) per Share	(0.01)	-	-	--	--	--	--	(0.04)

The quarterly financial information for the 2011 and 2010 fiscal periods is presented in accordance with International Financial Reporting Standards. The quarterly information for the 2009 fiscal year is presented in accordance with Canadian Generally Accepted Accounting Principles.

Liquidity and Capital Resources

Cash at September 30, 2011 totaled \$464,426 compared to \$59,462 as at September 30, 2010. The increase in cash is due to the closing of the private placement described above under the heading "Discussion of Operations".

As of September 30, 2011, the Company had a working capital of \$409,146 compared to a working capital deficiency of \$25,184 as at September 30, 2010.

At September 30, 2011, we had a cash balance of \$464,426 and accounts receivable of \$12,180 to settle current liabilities of \$71,031.

On June 22, 2011, the Company closed a non-brokered private placement financing for aggregate gross proceeds of \$780,000.

Off-Balance Sheet and Other Financial Arrangements

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

We do not have any commitments under oil and gas forward sales contracts or other types of hedging arrangements which might expose us to commodity price or production volume risks.

We do not have in place any off-balance sheet financing type arrangements.

Transactions with Related Parties

A total of \$13,000 was paid or accrued to directors and officers of our Company for their services for the nine-month period ended September 30, 2011. An additional \$37,940 was paid to directors of the Company for management fees.

Rent in the amount of \$20,500 was paid to a company owned by a former director and officer of the Company.

Third Quarter

Three–Month Period Ended September 30, 2011 Compared to Three–Month Period Ended September 30, 2010:

Our net loss for the three-month period ended September 30, 2011 increased to \$205,574 compared to a net loss of \$47,610 for the same period in 2010. The change in losses is primarily due to increased management and professional fees and for the impairment for expired leases recognized in the three-month period ended September 30, 2011.

General and administrative expenses increased to \$201,816 in the three-month period ended September 30, 2011 compared to \$45,546 for the same period in 2010. The increase in general and administrative expenses was primarily due to increased management and professional fees and the impairment expense for expired leases.

The Company changed its name from "Netco Energy Inc." to "Netco Silver Inc." effective on the commencement of trading on July 14, 2011. The Company will continue to trade on the TSXV under the symbol "NEI". The Company's new CUSIP number is 64111T108.

In July 2011, the Company retained Acenta Capital Partners Inc. ("**Acenta**") of Vancouver, British Columbia, to provide investor relation services. Acenta will receive a monthly retainer of \$3,000 to \$6,000, depending on services rendered, for a twelve-month term.

As of August 4, 2011, the Company has a new wholly-owned subsidiary incorporated in Argentina called Netco Argentina S.A.

In August 2011, a delegation from the Company visited Argentina, during that visit a number of essential matters were initiated including:

- A visit to the Toruel Property to establish parameters for an upcoming work program;
- Engaged in country personnel to deal with our operations accounting and legal matters in Argentina; and
- We reviewed several potential acquisitions and returned with data that is currently being reviewed.

Management was encouraged by the quality of the consultants and advisors we were able to attract and at the future potential of the Toruel Property and the opportunities.

Proposed Transactions and Subsequent Events

The Company has been conducting an ongoing review of the information collected by Marifil with respect to the Toruel Property. Such material included a press release by Marifil dated December 15, 2005, available on SEDAR at www.sedar.com, as well as the certified assay results from Phase 2 of the drill program Marifil undertook on the Toruel Property in 2005. These results include intercepts of significantly higher grade for Drill Hole 32 than previously reported in the Company's existing technical report on the Toruel Property dated June 15, 2011, as follows:

Drill Hole	From (m)	To (m)	Interval (m)	Silver (g/t)	Copper (%)
DH 32	34.5	41.2	6.70	1998	5.34
Including	35.8	37.6	2.4	4283	10.38

The Company is encouraged by this recent finding, which furthers management's belief that the Toruel Property potentially contains significant silver. The recent findings will assist management in targeting drill locations for the Company's future drilling programs.

Although the information in Marifil's press release was not included in the Company's existing NI 43-101 technical report on the Toruel Property, the author of Netco's report had examined the core from several well-mineralized drill-holes in late 2009 at the Marifil core storage facility in Los Menucos. The author picked several well-mineralized drill holes at random to confirm the existence of the mineralization that was reported. He advised Netco that the mineralization observed in drill core stored at Los Menucos was consistent with that reported in Marifil Project reports. No core was quartered for verification analysis because no core saw or splitter was available at that examination of drill core, the author was satisfied that the mineralization reported by Marifil geologists is credible. The Company is updating its technical report to reflect these findings. The updated technical report is expected to be filed on SEDAR in the coming weeks.

Effective October 18, 2011, the Company appointed Dr. Hugo Bastias and Carlos Saravia Frias to serve on the advisory board of the Company.

Mr. Bastias has a Ph.D. in Geological Sciences, and has more than 30 years of mining industry experience, including senior management roles as the Exploration Manager for Argentina Gold Corporation and Business Manager of Mt. Isa Mines Ltd. in Argentina and South America. Mr. Bastias' extensive experience will be instrumental in facilitating the growth of Netco's operations in South America.

Mr. Saravia Frias is a partner in the Buenos Aires law firm of Saravia Frias | Mazzinghi Abogados. Mr. Saravia Frias brings extensive experience as counsel focused on mineral exploration law and policy in South America, and has previously held positions with the World Bank. He served as National Undersecretary of Energy and Mining for Argentina in 2001 and 2002. Mr. Saravia Frias's guidance is invaluable to the Company as we expand our South America operations.

Also on October 18, 2011, the Company granted a total of 1,125,000 stock options to Directors and Advisors/Consultants at an exercise price of \$0.15 per share for a period of 5 years.

The Company also issued an additional 250,000 common shares to Marifil as required under the terms of the Option Agreement with Marifil with respect to the Toruel Property. The shares are subject to a four month hold period under applicable securities law.

Critical Accounting Estimates

The preparation of financial statements in conformity with IFRS requires our 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 periods.

Our management routinely makes judgments and estimates about the effects of matters that are inherently uncertain. As the number of variables and assumptions affecting the probable future resolution of the uncertainties increase, these judgments become even more subjective and complex. We have identified certain accounting policies that are the most important to the portrayal of our current financial condition and results of operations.

The key elements and assumptions that we have made under these principles and their impact on the amounts reported in the September 30, 2011 unaudited interim consolidated financial statements remain substantially unchanged from those described in our September 30, 2010 unaudited interim consolidated financial statements.

Please refer to Note 3 of our unaudited interim consolidated financial statements for our Significant Accounting Policies.

Significant Accounting Policies

The significant accounting policies that we use are disclosed in the notes to our unaudited interim consolidated financial statements for the period ended September 30, 2011. Certain accounting policies require that management make appropriate decisions with respect to the formulation of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. The following discussion outlines such accounting policies and is included in the MD&A to aid the reader in assessing our significant accounting policies and practices of our Company and the likelihood of materially different results being reported. Our management reviews its estimates regularly.

The following significant accounting policies outline the major policies involving critical estimates:

Oil, Natural Gas and Other Mineral Properties:

The Company's recorded value of its oil, natural gas and mineral properties is based on historical costs that expect to be recovered in the future. The Company's recoverability evaluation is based on market conditions for oil, natural gas and minerals, underlying oil, natural gas and mineral resources associated with the properties and future costs that may be required for ultimate realization through mining operations or by sale. The Company is in an industry that is exposed to a number of risks and uncertainties, including exploration risk, development risk, commodity price risk, as well as environmental risk.

Impairment of Long Lived Assets:

We are required to review the carrying value of all property, plant and equipment including the carrying value of oil, gas and mineral assets for potential impairment. The carrying value of our petroleum, natural gas and other mineral properties must not exceed their fair value. If impairment is indicated, the amount by which the carrying value exceeds the estimated fair value of the long lived asset is charged to income.

Decommissioning Obligations:

Asset retirement obligations are initially measured at fair value when they are incurred, which is the discounted future value of the estimated liability. This requires an estimate to be made of the future costs of retiring the asset at the point in time the asset is acquired.

Income Tax Accounting:

The determination of our income and other tax liabilities requires interpretation of complex laws and regulations. All tax filings are subject to audit and potential reassessment after the lapse of considerable time. Accordingly, the actual income tax liability may differ significantly from that estimated and recorded by management.

Share-Based Compensation:

We adopted Section 3870, *Stock-Based Compensation and Other Stock-Based Payments* using the fair value method. The fair value of stock options is determined by the Black-Scholes Option Pricing Model with assumptions for risk-free interest rates, dividend yields, volatility factors of the expected market price of our common shares and an expected life of the options. The fair value of direct awards of stocks is determined by the quoted market price of our common stock.

Legal, Environmental Remediation and Other Contingent Matters:

We are required to both determine whether a loss is probable based on judgment and interpretation of laws and regulations and determine that the loss can reasonably be estimated. When the loss is determined, it is charged to earnings. Our management must continually monitor known and potential contingent matters and make appropriate provisions by charges to earnings when warranted by circumstance.

Changes in Accounting Policies Including Initial Adoption

Pending Account Pronouncements:

Amendments to IFRS 7, *Financial Instruments: Disclosures* are effective for annual periods beginning on or after July 1, 2011. These amendments increase the disclosure with regards to the transfer of financial assets, especially if there is a disproportionate amount of transfer transactions that take place around the end of a reporting period.

IFRS 9 – Financial Instruments

In an effort to reduce the complexity of accounting for financial instruments, the IASB is engaged in a project to replace IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 introduces new requirements for classifying and measuring financial assets and liabilities, which may affect the Company's accounting for its financial assets. Under this guidance, entities have the option to recognize financial liabilities at fair value through earnings. If this option is elected, entities would be required to reverse the portion of the fair value change due to a company's own credit risk out of earnings and recognized the change in other comprehensive income. The standard is not applicable until January 1, 2013 but is available for early adoption. The Company has yet to assess the full impact of IFRS 9.

IFRS 10 – Consolidation

IFRS 10 was issued on May 12, 2011. This standard 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 SIC12, *Consolidation – Special Purpose Entities*, and parts of IAS 27, *Consolidated and Separate*

Financial Statements. The standard is not applicable until January 1, 2013 but is available for early adoption. The Company has yet to assess the full impact of IFRS 10.

IFRS 13 – Fair Value Measurement

IFRS 13 was issued on May 12, 2011. This is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures. The standard is not applicable until January 1, 2013 but is available for early adoption. The Company has yet to assess the full impact of IFRS 13.

Transition to International Financial Reporting Standards:

Commencing on January 1, 2011, IFRS are the generally accepted accounting principles in Canada. The changeover date of January 1, 2011 required the restatement, for comparative purposes, of amounts reported by us for the year ended December 31, 2010, including the opening balance sheet as at January 1, 2010. Please refer to our first quarter financial statements filed on SEDAR.

Summary of Exemption Available:

IFRS 1 – *First-time Adoption of International Reporting Standards* sets forth guidance for the initial adoption of IFRS. Under IFRS 1, the standards are applied retrospectively at the transitional statement of financial position date with all adjustments to assets and liabilities taken to retained earnings unless certain exemptions are applied.

The Company has applied the following exemptions to its opening statement of financial position dated January 1, 2010:

(a) Business combinations:

The Group has elected not to retrospectively apply IFRS 3 to business combinations that occurred before the date of transition to IFRS.

(b) Share-based payment transactions:

The Company has elected not to retrospectively apply IFRS 2 to equity instruments that were granted and that vest before the transition date. As a result of applying this exemption, the Company has applied the provision of IFRS 2 to all outstanding equity instruments that were unvested prior to the date of transition to IFRS.

There are some key differences in the transition from Canadian GAAP to IFRS identified by the Company that will impact the financial statements and items are noted as follows:

Exploration and Evaluation assets (“E&E”) - Exploration license and unproved property acquisition costs, geological and geophysical costs and costs directly associated with an exploration well and appraisal activities are capitalized within exploration and evaluation assets. The costs are accumulated in cost centers by well, field or exploration area pending determination of technical feasibility and commercial viability. The Company's properties have been classified as exploration and evaluation properties with no change to the recorded amount.

Risk Factors

Reliance on Operators: We are not the operator of our mineral property or any of our oil and gas properties. We depend on the operators for the timing of activities related to such properties and are largely unable to direct or control the activities of the operators. Because we are not the operators of our projects, we cannot control our potential costs. In addition, any decision about whether our properties contain commercially feasible minerals or oil and gas deposits and whether these should be brought into production will be made by the operator with little if any input from our Company. There is a substantial likelihood that these decisions will be made without consideration of our Company and our financial position. In many cases, a decision to advance a property will require that the owners of the operating interests contribute capital. If such a decision is made at a time when we do not have capital available to satisfy a capital call, our interest in a property could be diluted or lost. If this happens, there is a substantial likelihood that our business would be adversely affected.

Commodity Price Volatility: The ongoing global economic instability has had a significant negative impact on virtually every segment of the world economy due to many factors including the effects of the subprime lending and general credit market crises, the European debt crisis, volatile energy costs, slower economic activity, decreased consumer confidence, reduced corporate profits and capital spending, adverse business conditions, increased unemployment and liquidity concerns. Although prices for natural gas respond to seasonal pressures, the high U.S. natural gas storage inventories, the increasing natural gas production from new shale gas fields, the general economic conditions, both domestically and abroad, have had a very negative effect on the price for American natural gas. When gas prices are relatively low as they have been during the period covered by this MD&A, it is less profitable to drill and financing for drilling operations is more difficult to obtain. Our business, financial condition and results of operations will likely be materially and adversely affected by this trend. We cannot predict the timing or duration of the current economic slowdown or the timing or strength of a subsequent economic recovery, worldwide or in our industry, and cannot predict the extent to which the current economic slowdown will impact our business. However, we expect that the uncertainty regarding the financial markets and worldwide political and economic climates will continue to affect the demand for, and the price of, natural gas during the coming months. This could have an adverse effect on our business.

The price of various commodities which the Company intends to exploit and subsequently market can fluctuate drastically, and is beyond the Company's control. The Company is specifically concerned with the price of silver. While the Company would benefit from an increase in the value of silver, the Company could be adversely affected by a decrease in its value.

Substantial Capital Requirements and Liquidity: We anticipate that we will make substantial capital expenditures for the acquisition, exploration, development and production of oil, natural gas and mineral reserves in the future. We may have limited ability to secure the capital necessary to undertake or complete these activities. There can be no assurance that debt or equity financing, or cash generated by operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available to our Company, that it will be on terms acceptable to us. If we cannot raise capital when we need it, our business could fail.

Property Defects: Although we have obtained title reports with respect to some of our properties, we have not obtained title reports with respect to all of our current properties. Title reports are not title insurance and they do not act as a guarantee of title. Our properties may be subject to prior unregistered agreements, native land claims or transfers which have not been recorded or detected through title research or which have been asserted since the date the research was completed. Additionally, the land upon which we hold leases may not have been surveyed; therefore, the precise area and location of such interests may be subject to challenge.

Exploration, Development and Production Risks: Oil, natural gas and mineral exploration involves a high degree of risk and there is no assurance that exploration expenditures will result in the discovery of oil, natural gas or minerals in commercially exploitable quantities.

Future oil and gas exploration may involve unprofitable efforts, not only from dry wells, but from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals or consents, shut-ins of connected wells resulting from extreme weather conditions, insufficient storage or transportation capacity or other geological and mechanical conditions. While close well supervision and effective maintenance operations can contribute to maximizing production rates over time, production delays and declines from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees.

In addition, oil and gas operations are subject to inherent risks, including encountering unexpected formations or pressures, premature declines of reservoirs, blow-outs, sour gas releases, fires, spills, power outages, labour disruptions, inability to obtain suitable or adequate machinery, equipment or labour. Losses resulting from the occurrence of any of these risks could have a material adverse effect on future results of operations, liquidity and financial conditions.

Mineral exploration and exploitation involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. Unusual or unexpected formations, formation pressures, fires, power outages, labour disruptions, flooding, explosions, tailings impoundment failures, cave-ins, landslides and the inability to obtain adequate machinery, equipment or labour are some of the risks involved in mineral exploration and exploitation activities. The Company has relied on and may continue to rely on consultants and others for mineral exploration and exploitation expertise. Substantial expenditures are required to establish mineral reserves and resources through drilling, to develop metallurgical processes to extract the metal from the ore and, in the case of some properties, to develop the mining and processing facilities and infrastructure at any site chosen for mining, or to upgrade existing infrastructure. There can be no assurance that the funds required to exploit any mineral reserves and resources discovered by the Company will be obtained on a timely basis or at all. The economics of exploiting mineral reserves and resources discovered by the Company are affected by many factors, many outside the control of the Company, including the cost of operations, variations in the grade of ore mined and metals recovered, price fluctuations in the metal markets, costs of processing equipment, and other factors such as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection. There can be no assurance that the Company's mineral exploration and exploitation activities will be successful.

Environmental Risks: All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of international conventions, federal, provincial and municipal laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and gas operations. Environmental legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of regulatory authorities. Compliance can require significant expenditures and non-compliance can result in the imposition of significant fines and penalties. Environmental laws could materially increase the costs of exploration, development or production.

Currency Fluctuations: We maintain our deposit accounts in U.S., Argentinean and Canadian currencies and we are therefore subject to currency fluctuations. These currency fluctuations could materially affect our financial position and results. We do not engage in currency hedging activities.

Need to Manage Growth: We could experience rapid growth in production, revenues, personnel, complexity of administration and in other areas. There can be no assurance that we will be able to manage the impact that future growth could place on our administrative infrastructure, systems, and controls. If we are unable to manage future growth effectively, our business, operating results and financial condition may be materially and adversely affected.

Reliance on Key Personnel/Employees: The Company's success is largely dependent upon the performance of its directors and officers. The Company does not have any 'key man' insurance. The loss of service of any director or officer could have a materially adverse effect on the Company.

Conflicts of Interest: Some of the directors and officers are engaged and will continue to be engaged in the search for additional business opportunities on behalf of other corporations, and situations may arise where these directors or officers will be in direct competition with our Company. Conflicts, if any, will be dealt with in accordance with the relevant provisions of the British Columbia *Business Corporations Act*. Some of our directors and officers are or may become directors or officers of other companies engaged in other business ventures. In order to avoid the possible conflict of interest which may arise between the directors' duties to our Company and their duties to the other companies on whose boards they serve, the directors and officers of our Company have agreed to the following:

1. participation in other business ventures offered to the directors will be allocated between the various companies and on the basis of prudent business judgement and the relative financial ability and needs of the companies to participate;
2. no commissions or other extraordinary consideration will be paid to such directors and officers; and
3. business opportunities formulated by or through other companies in which the directors and officers are involved will not be offered to our Company except on the same or better terms than the basis on which they are offered to third party participants.

Permits and Licenses: Our operations may require permits and licenses from various governmental authorities. There can be no assurance that we will be able to obtain all necessary permits and licenses. If we require a permit or license that we cannot obtain, we could be forced to scale back or curtail our activities and our business could be harmed.

Availability of Drilling Equipment and Access Restrictions: Oil and natural gas exploration and development activities are dependent on the availability of drilling and related equipment in the particular areas where such activities will be conducted. Demand for such limited equipment or access restrictions may affect the availability of such equipment and may delay exploration and development activities.

Risks Relating to the Industry

The oil and gas industry is subject to extensive controls and regulations imposed by various levels of government. Outlined below are some of the more significant aspects of the legislation, regulations and agreements governing the oil and gas industry. All current legislation is a matter of public record and we are unable to predict what additional legislation or amendments may be enacted.

Potential Profitability of Oil and Gas Ventures Depends upon Factors beyond our Control: The potential profitability of oil and gas properties is dependent upon many factors that are beyond our control. For instance, world prices and markets for oil and gas are unpredictable, highly volatile, potentially subject to governmental fixing, pegging, controls, or any combination of these and other factors, and respond to changes in domestic, international, political, social, and economic environments. Additionally, due to worldwide economic uncertainty, the availability and cost of funds for production and other expenses have become increasingly difficult, if not

impossible, to project. These changes and events may materially affect our financial performance.

A productive well may become uneconomic or unmarketable in the event water or other deleterious substances are encountered which impair or prevent the production of oil and/or gas from the well. The marketability of oil and gas that we may acquire or discover could be affected by numerous factors beyond our control. These factors include the proximity and capacity of pipelines and processing equipment, market fluctuations of prices, taxes, royalties, land tenure, allowable production, adverse weather conditions and environmental protection. The extent of these factors cannot be accurately predicted and the combination of these factors may result in our Company not receiving an adequate return on invested capital.

Competitiveness of the Oil and Gas Industry: We compete for oil and gas properties, licenses and personnel with other oil and gas companies, many of which have significantly greater technical, financial and operational resources and personnel.

Government Regulation/Administrative Practice: There is no assurance that the laws, regulations, policies or current administrative practices of any governmental body, organization or regulatory agency with jurisdiction over our Company or our properties will not be changed, applied or interpreted in a manner that could limit or even eliminate our ability to develop, operate, export or market our products. The actions, policies or regulations, or changes thereto, of any governmental body or regulatory agency, or other special interest groups, may have a detrimental effect on our Company. Any or all of these situations may have a negative impact on our ability to operate and make a profit.

Uncertainty of Estimates of Reserves

Under applicable regulatory requirements, we will be required to identify and disclose as proved oil and gas reserves, estimated quantities of crude oil, natural gas and natural gas liquids and valuation of mineral properties. This geological and engineering data demonstrates with reasonable certainty the estimated quantities of crude oil, natural gas and natural gas liquids, which will be recoverable in future years from known reservoirs under existing economic and operating conditions. However, the process of estimating oil and gas reserves and valuing mineral properties is complex, requiring significant decisions and assumptions in the evaluation of available geological, geophysical, engineering and economic data, and as a result, such estimates are inherently imprecise. Actual future production, oil, gas and mineral prices, revenues, taxes, development expenditures, operating expenses and quantities of recoverable oil and gas reserves and mineral deposits may vary substantially from our estimates from year to year. Any significant variance in the assumptions could materially affect the estimated quantities and present values used. For example, a material drop in oil, gas or mineral prices, or a material increase in applicable taxes, will require management to reassess whether known properties can continue to be reasonably judged as economically productive from one year to the next. In addition, the reserves and deposits may be subject to downward or upward revisions based upon production history, results of future exploration and development, prevailing oil, gas and mineral prices and other factors, many of which are beyond our Company's control. Actual production, revenues, taxes, development expenditures and operating expenses with respect to the resource properties will likely vary from the estimates presented herein, and such variances may be material.

Reserves Data and Other Oil and Gas Information

Our Statement of Reserves Data and Other Oil and Gas Information effective December 31, 2010 has been prepared in accordance with mandated National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities of Canadian Securities Administrators and are available for review on SEDAR at www.sedar.com.

Outstanding Share Data

Our common shares are listed for trading on the TSXV under the symbol "NEI". We are classified as a Tier 2 issuer on the TSXV.

As of September 30, 2011, we had the following securities outstanding:

Class of Shares	Par Value	Number Authorized	Number Issued
Common	Nil	Unlimited	40,073,275
Preferred	Nil	Unlimited	Nil

Security Type	Number Outstanding	Exercise / Convert Price	Conversion / Expiry Date
Options	525,000	\$0.12	March 4, 2016
Options	200,000	\$0.165	April 28, 2016
Warrants	5,000,000	\$0.28	June 29, 2012
Warrants	4,000,000	\$0.52	September 4, 2012
Warrants	3,120,000	\$0.22	June 22, 2013
Warrants	370,720	\$0.125	June 22, 2013

As of the date of this MD&A, we have the following securities outstanding:

Class of Shares	Par Value	Number Authorized	Number Issued
Common	Nil	Unlimited	40,323,275
Preferred	Nil	Unlimited	Nil

Security Type	Number Outstanding	Exercise / Convert Price	Conversion / Expiry Date
Options	525,000	\$0.12	March 4, 2016
Options	200,000	\$0.165	April 28, 2016
Options	1,125,000	\$0.15	October 19, 2016
Warrants	5,000,000	\$0.28	June 29, 2012
Warrants	4,000,000	\$0.52	September 4, 2012
Warrants	3,120,000	\$0.22	June 22, 2013
Warrants	370,720	\$0.125	June 22, 2013

There are no common shares held in escrow or subject to pooling.

Additional Information

Additional information relating to our Company is available on SEDAR at www.sedar.com. We also maintain a web site at www.netcosilver.com and an email address info@netcosilver.com for shareholder communication. Our phone number is (604) 683-7588.