

Netco Silver Inc.

Management's Discussion and Analysis
December 31, 2012

This following management's discussion and analysis ("**MD&A**") for Netco Silver Inc. was prepared by management based on information available as at April 4, 2013. It should be reviewed together with the audited annual consolidated financial statements for the year ended December 31, 2012 (the "**Annual Financial Statements**"), and the MD&A and audited annual consolidated financial statements for the year ended December 31, 2011. The Company's quarterly unaudited condensed 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.

Forward-Looking Statements

Certain information in this MD&A and the documents incorporated by reference contain forward-looking statements, which includes forward-looking information 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 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 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 judgment 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 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; 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, tax, environmental, 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.

The forward-looking information is 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 information and statements. The forward-looking information in this MD&A is made as of April 4, 2013 and the Company assumes no obligation to update or revise them to reflect new events or circumstance, except as required by law.

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 a natural resource exploration company focused on the discovery and development of mineral and oil and gas properties in the Americas.

In March 2011, the Company entered into an option agreement (the "**Agreement**") with Marifil Mines Ltd. ("**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 "**Toruel Property**"). The property is a prospective for silver. Under the terms of the Agreement, the Company would have earned a 50% interest in the Toruel Property during the period of March 3, 2011 to March 3, 2014 by paying Marifil an aggregate of US\$200,000 in cash (US\$100,000 was paid as of February 29, 2012), issuing Marifil 3,150,000 of its common shares (650,000 common shares were issued as of February 20, 2012), and expending US\$2,800,000 on the Toruel Property. The Company could have earned 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 Toruel Property and paying Marifil US\$100,000 on each of the fourth and fifth anniversaries of the Agreement date. The Company could have earned a further 10% interest in the Toruel Property during the period from March 3, 2016 to March 3, 2017 by providing Marifil with a feasibility study on the Toruel Property. Upon completion of the feasibility study, all further expenditures relating to the Toruel Property would have been shared by the Company and Marifil, with 70% covered by the Company and 30% by Marifil. However, at Marifil's sole option, it could have elected to be carried through to the commencement of commercial production on the Toruel Property, in which case the Company would have earned an additional 5% interest, bringing its total interest in the Toruel Property to 75%. In the event the Company would have failed to provide Marifil with a feasibility study by March 3, 2017, the Company's interest in the Toruel Property could have been reduced to 49% at Marifil's sole option.

The Company and Marifil Mines Ltd. entered into an assignment and purchase agreement dated September 19, 2012, whereby the Company agreed to purchase all of Marifil's 100-per-cent interest in the Toruel copper-silver project, located in the Rio Negro province of Argentina, and all exploration data related thereto. The Company and Marifil believed that the transaction was in the best interests of their respective shareholders as owning a 100-per-cent interest in the Toruel

property would have facilitated the Company's ability to finance work programs at the Toruel property and the ownership interest that Marifil could have acquired in the Company, as described below, could have enabled Marifil's shareholders to benefit from the exploration and development of the Toruel property by the Company.

The Company and Marifil were parties to an option agreement dated March 3, 2011, as amended, pursuant to which Marifil granted the Company an option to acquire up to a 70-per-cent interest in the Toruel property. Under the terms of the purchase agreement, Marifil would have assigned and sold to the Company all of its interest in the Toruel property in consideration for:

1. Netco issuing Marifil an aggregate of 3.5 million share purchase warrants, with each warrant entitling Marifil to acquire one common share of Netco at a price of 10 cents per share until the date that is 12 months from the closing of the transaction and at a price of 15 cents per share from the date that is 12 months from the closing until the date that is 24 months from the closing;
2. Netco issuing to Marifil such number of shares as will cause Marifil to hold an aggregate of 19.9 per cent of the issued and outstanding shares at closing; and
3. The grant of a 3-per-cent net smelter return royalty to Marifil.

The Company had also agreed to assume Marifil's existing property payment obligations to the underlying owners of the Toruel property upon closing.

The transaction was expected to close on or about November 30, 2012. The closing of the transaction was subject to a number of conditions, including:

1. The approval of the TSX Venture Exchange and of the underlying owners of the Toruel property, if applicable;
2. Netco having funds in the minimum amount of \$825,000, of which \$375,000 would have been used to complete the purchase of claims from an underlying owner of the Toruel property and \$450,000 would have been used for a drill program on the Toruel property;
3. Satisfactory completion of all transactions contemplated in the purchase agreement; and
4. Marifil and Netco having executed a termination and release confirming the termination of the option agreement.

In the event that the Company was unable to provide evidence to Marifil of holding the closing funds at the time of the closing, the purchase agreement and the option agreement would have been terminated.

On November 26, 2012, the Company announced the assignment and purchase agreement dated September 19, 2012 was terminated as the Company was unable to complete a financing and meet the terms in item 2 above. The Toruel property was returned to Marifil. Consequently, the Company has written off the full value of the property as at September 30, 2012.

Overall Performance

Toruel Project, Rio Negro Province of Argentina

The Toruel project covers approximately 5,736 hectares and is located about 23 kilometres southeast of the village of Los Menucos in the Rio Negro Province of Argentina and approximately 100 kilometres from Pan American Silver's Navidad project, one of the world's largest undeveloped silver deposits. The Toruel project consists of numerous epithermal veins that have variable amounts of significant silver, copper, gold, indium, lead and zinc.

The Company established South American operations in preparation for the commencement of exploration at Toruel which began in early November 2011, implementing the recommendations of our independent Qualified Person ("QP"), Jim Ebisch.

Along with tapping the potential of the property itself, the Company worked to assemble a strategic Argentina geological advisory team. Through our due diligence process, we built relationships with a network of geologists with considerable South American expertise, and, as we added new members to our team and executed on our strategy.

We attempted to raise funds over the past several months. There was great resistance due to a number of factors including:

- The general state of markets;
- The "risk off" trade has been particularly hard on junior companies; and
- The geopolitical situation in Argentina has caused many investors to turn away from Argentina, these included:
 - o Changing of Provincial mining regulations in several Argentinean provinces, which even though they have not yet been imposed in Rio Negro province in which Toruel is located, have none the less made some advanced projects uneconomic;
 - o Exchange controls have been imposed by the Federal government; and
 - o Requirements and restrictions on repatriation of capital and revenue.

These significant issues in Argentina contributed to the termination of the Agreement with Marifil. The Toruel Property was returned to Marifil at the end of November. Consequently, the Company wrote off the full value of the Toruel property as at September 30, 2012.

The management of the Company has started to search for a property of merit which will prove more financeable. We are currently looking at properties in North America in order to reduce investor hesitations investing in mining jurisdictions with uncertain geo-political outcomes, but we will not rule out other areas which may have more favorable climate for mining.

Columbia River Basin, Washington:

In 2007, the Company acquired a 7.5% working interest in undeveloped leases in the Columbia River Basin of south central Washington with the intent of exploring for and developing natural gas reserves. The Company currently retains an interest in approximately 132,900 undeveloped gross mineral acres. As a consequence of negative results from two unsuccessful exploratory gas wells, the Company has written off the value of the Columbia River Basin properties.

Ongoing global economic instability has had a significant negative impact on many segments of the world economy due to many factors including, without limitation: 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. 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 likely have a negative impact on our business, financial condition and results of operations.

Selected Annual Financial Information

The following table contains a summary of our financial results for the three years ended December 31, 2012, 2011 and 2010:

| (C\$) | Financial Years Ended December 31 | | |
|---|--------------------------------------|-----------|-----------|
| | 2012 | 2011 | 2010 |
| Total Revenues | 0 | 0 | 0 |
| Net Income (Loss) for the Period | (1,278,273) | (706,879) | (368,096) |
| Basic and Diluted Net Income (Loss) per Share | (0.03) | (0.02) | (0.01) |
| Total Assets | 77,412 | 497,997 | 193,403 |
| Total Long-Term Financial Liabilities | 0 | 0 | 0 |

The discussion and analysis of our financial condition and results of operations is based on our Annual Financial Statements, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Application of IFRS requires the use of estimates, judgments 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, judgments 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

Year Ended December 31, 2012 Compared to Year Ended December 31, 2011:

Our net loss for the year ended December 31, 2012 increased to \$1,278,273 compared to a net loss of \$706,879 for the same period in 2011. The increased loss is primarily due to the write off of the Toruel property described above on pages 2 and 3 under the heading "Description of Business". The Company also incurred increases in management fees during the current year and an increased loss in foreign exchange. Management fees were terminated at the end of September 2012 to reduce expenses to a minimum.

General and administrative expenses increased to \$1,212,869 in the year ended December 31, 2012 compared to \$689,833 for the same period in 2011. The increase in general and administrative expenses was primarily due the write off of the Toruel property. Professional fees increased to \$141,732 for the year ended December 31, 2012 compared to \$135,972 for the same period in 2011. Management fees increased to \$140,400 in the year ended December 31, 2012 compared to \$77,690 for the same period in 2011. The Company had a foreign exchange loss of \$66,629 in the year ended December 31, 2012 compared to a loss of \$17,046 for the same period in 2011.

In February 2012, the Company announced a non-brokered private placement financing of 6,435,000 units at a price of \$0.125 per unit for gross proceeds of \$804,375. Each unit consists of one common share of the Company and one half of one common share purchase warrant. Each whole share purchase warrant entitling the holder to purchase an additional common share at \$0.22 per share for a period of 24 months from closing of the financing. The share purchase warrants contain a provision that if the Company's common shares trade at a closing price in excess of \$0.30 on the TSXV (or such other exchange on which the Company's shares are then principally traded) for a period of 10 consecutive trading days, the Company may issue a notice accelerating the expiry date to 30 days from the date of such notice. Proceeds of the non-brokered private placement financing are to be used to fund exploration work commitments on the Company's properties and for general working capital requirements. Finders' fees consisting of cash and/or securities are payable in connection with the non-brokered private placement

financing, in accordance with the policies of the TSXV. All securities issued in connection with the non-brokered private placement financing are subject to a four-month hold period in accordance with the applicable Canadian securities laws. The closing of the private placement was subject to the approval of the TSXV.

On February 29, 2012, the Company closed the first tranche of the non-brokered private placement financing, pursuant to which the Company issued 4,775,000 units at a price of \$0.125 per unit for gross proceeds of \$596,875. In connection the closing of the first tranche, the Company paid aggregate cash commissions of \$35,700 and issued an aggregate of 285,600 finder's warrants, with each finder's warrant exercisable into one common share at a price of \$0.125 per share for a period of 18 months.

On March 2, 2012, the Company closed the final tranche of the non-brokered private placement financing, pursuant to which the Company issued 1,660,000 units at a price of \$0.125 per unit for gross proceeds of \$207,500. In connection with the closing of the final tranche, the Company paid aggregate cash commissions of \$5,422 and issued an aggregate of 35,000 finder's warrants, with each finder's warrant exercisable into one common share at a price of \$0.125 per share for a period of 18 months.

In February 2012, the Company issued an additional 250,000 common shares and paid US\$50,000 to Marifil as required under the terms of the Agreement with Marifil with respect to the Toruel Property. The shares were subject to a four month hold period under applicable securities law.

On March 26, 2012, the Company announced the appointment of Dr. Michael Hitch to the Company's executive team as Vice President of Exploration and Mr. Paul Sarjeant to the Company's advisory board.

On April 12, 2012, the Company granted a total of 240,000 stock options to an officer and consultants at an exercise price of \$0.15 per share for a period of 5 years.

The Company held its annual general meeting on Wednesday, June 27, 2012 and all resolutions placed before the shareholders were approved.

In the third quarter of 2012, the Company entered into an assignment and purchase agreement dated September 19, 2012 (the "**Purchase Agreement**") whereby Netco agreed to purchase all of Marifil's 100% interest in the Toruel copper-silver project (the "**Toruel Property**"), located in the Rio Negro Province of Argentina, and all exploration data related thereto (the "**Transaction**"). The Company and Marifil believed that the Transaction was in the best interests of their respective shareholders as owning a 100% interest in the Toruel Property would facilitate the Company's ability to finance work programs at the Toruel Property and the ownership interest that Marifil would acquire in Netco, as described below, would enable Marifil's shareholders to benefit from the exploration and development of the Toruel Property by the Company.

The Company and Marifil were parties to an option agreement dated March 3, 2011, as amended (the "**Option Agreement**"), pursuant to which Marifil granted the Company an option to acquire up to a 70% interest in the Toruel Property. Under the terms of the Purchase Agreement, Marifil would assign and sell to the Company all of its interest in the Toruel Property in consideration for:

- (a) Netco issuing Marifil an aggregate of 3,500,000 share purchase warrants (each, a "**Warrant**"), with each Warrant entitling Marifil to acquire one common share of Netco (each, a "**Share**") at a price of \$0.10 per Share until the date that is twelve (12) months from the closing of the Transaction (the "**Closing**") and at a price of \$0.15 per Share from the date that is twelve (12) months from the Closing until the date that is twenty-four months from the Closing;
- (b) Netco issuing to Marifil such number of Shares as will cause Marifil to hold an aggregate of 19.9% of the issued and outstanding Shares at Closing; and

(c) the grant of a 3% net smelter returns royalty to Marifil.

The Company also agreed to assume Marifil's existing property payment obligations to the underlying owners of the Toruel Property upon Closing.

The Transaction was expected to close on or about November 30, 2012. The closing of the Transaction was subject to a number of conditions, including:

- (a) the approval of the TSX Venture Exchange and of the underlying owners of the Toruel Property, if applicable;
- (b) Netco having funds in the minimum amount of \$825,000 (the "**Closing Funds**"), of which \$375,000 shall be used to complete the purchase of claims from an underlying owner of the Toruel Property and \$450,000 shall be used for a drill program on the Toruel Property;
- (c) satisfactory completion of all transactions contemplated in the Purchase Agreement; and
- (d) Marifil and Netco having executed a termination and release confirming the termination of the Option Agreement.

In the event that the Company was unable to provide evidence to Marifil of holding the Closing Funds at the time of the Closing, the Purchase Agreement and the Option Agreement would be terminated.

During the third quarter, the ability of management and the directors to raise funds proved to be a significant challenge. We have focused on curtailing operations both in Canada and in Argentina, these measures have included:

- Suspension of payment of consulting fees in Canada;
- Reduction in activity levels and reduction in any non-essential costs; and
- Curtailment of Argentinean operations reducing expenditures.

We will maintain our corporate structure in Argentina so that if the geopolitical situation improves we can recommence operations, but this is not seen as likely in the short run.

If we are unable to raise funds there is substantial doubt as to whether the Company can continue as a going concern.

Summary of Quarterly Results

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

| (C\$) | 2012 | | | | 2011 | | | |
|---|----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Total Revenues | - | - | - | - | - | - | - | - |
| Net Income (Loss) for the Period | (57,794) | (926,667) | (179,630) | (114,182) | (282,788) | (205,574) | (110,960) | (107,557) |
| Basic & Diluted Income (Loss) per Share – Continuing Operations | (0.01) | (0.02) | 0.00 | 0.00 | (0.01) | 0.00 | 0.00 | 0.00 |
| Basic & Diluted Income (Loss) per Share | (0.01) | (0.02) | 0.00 | 0.00 | (0.01) | 0.00 | 0.00 | 0.00 |

Liquidity and Capital Resources

Cash at December 31, 2012 totaled \$29,557 compared to \$249,036 as at December 31, 2011.

As of December 31, 2012, the Company had a working capital deficiency of \$39,298 compared to a working capital of \$181,806 as at December 31, 2011.

At December 31, 2012, we had a cash balance of \$29,557, accounts receivable of \$44,768 and harmonized sales tax recoverable of \$1,708 to settle current liabilities of \$116,710.

On February 29, 2012, the Company closed the first tranche of a non-brokered private placement financing for aggregate gross proceeds of \$596,875.

On March 2, 2012, the Company closed the final tranche of the non-brokered private placement financing for aggregate gross proceeds of \$207,500.

If the Company fails to raise funds, activities that have already been curtailed will need to be cut even further. The ability to survive as a going concern will be in doubt in the absence of financing.

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 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

During the year ending December 31, 2012, a total of \$140,400 was paid or payable to directors of the Company for management fees.

Fourth Quarter

Three–Month Period Ended December 31, 2012 Compared to Three–Month Period Ended December 31, 2011:

Our net loss for the three-month period ended December 31, 2012 was \$57,794 compared to a net loss of \$282,788 for the same period in 2011.

On September 4, 2012, 4,000,000 share purchase warrants at a price of \$0.52 expired unexercised.

On November 26, 2012, the Company terminated the assignment and purchase agreement dated September 19, 2012. The Toruel property was returned to Marifil. Consequently, the Company has written off the full value of the property as at September 30, 2012.

Proposed Transactions and Subsequent Events

In February 2013, the Company announced it was attempting to arrange a non-brokered private placement financing (the "**Financing**") of up to 4,000,000 units (each, a "**Unit**") at a price of \$0.05 per Unit for gross proceeds of up to \$200,000. Each Unit consists of one common share of the Company (each, a "**Share**") and one share purchase warrant (each, a "**Warrant**"). One Warrant

entitles the holder thereof to purchase one additional Share of the Company at a price of \$0.10 per Share for a period of two years from closing of the Financing, subject to an acceleration provision of the Company whereby, in the event that the Company's common shares trade above \$0.15 per share for a period of fifteen consecutive trading days, the Company may accelerate the expiry date of the Warrants. The Financing is subject to regulatory approval. The proceeds of the Financing will be used for general working capital. Finders' fees may be payable in accordance with the policies of the TSX Venture Exchange.

Effective as of February 19, 2013, Paul Andreola was appointed President and Chief Executive Officer in place of Andrew Gourlay. Mr. Gourlay remains a director of the Company.

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 December 31, 2012 Annual Financial Statements remain substantially unchanged from those described in our December 31, 2011 Annual Financial Statements.

Please refer to Note 3 of our Annual Financial Statements for our Significant Accounting Policies.

Significant Accounting Policies

The significant accounting policies that we use are disclosed in the notes to our Annual Financial Statements for the year ended December 31, 2012. 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:

Silver Project:

The Company's recorded value of its 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 silver, underlying silver 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 mineral assets for potential impairment. The carrying value of our 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:

Decommissioning 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 IFRS 2, *Share-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:

Certain new accounting standards and interpretations have been published that are not mandatory for the December 31, 2012 reporting period. These standards and interpretations have not been adopted and are yet to be assessed by the Company except as otherwise noted below:

Amendments to IFRS 7, Financial Instruments: Disclosures, to require information about all recognized financial instruments that are set off in accordance with paragraph 42 of IAS 32 Financial Instruments: Presentation. This standard is effective for years beginning on or after January 1, 2013.

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, 2015 but is available for early adoption.

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.

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.

This standard replaces IAS 31: 'Interest in Joint Ventures' and applies for annual periods beginning on or after January 1, 2013. This new standard introduces new rules which classify joint arrangements as either a joint operation or joint venture. Under the new standard, proportionate consolidation is not allowed and all joint ventures must be equity accounted. All joint arrangements held by the Company will need to be reassessed to determine whether the joint operation or joint venture classification is appropriate, and the potential impacts of a change on the presentation of the Financial Statements.

IFRS 12 - 'Disclosure of Interests in other Entities'

This new standard is applicable for annual reporting periods beginning on or after January 1, 2013. This standard clarifies the disclosure requirements for all forms of interests in other entities including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

IFRIC 20 – 'Stripping Costs in the Production Phase of a Surface Mine'

The Interpretation is effective for annual periods beginning on or after January 1, 2013 with earlier application permitted. The Interpretation clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods.

Amendments to IAS 12, Income Taxes, provides a presumption that recovery of the carrying amount of an asset measured using the fair value model in IAS 40 Investment Property will, normally, be through sale. As a result of the amendments, SIC-21 Income Taxes — Recovery of Revalued Non-Depreciable Asset would no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC-21, which is accordingly withdrawn. This standard is effective for years beginning on or after January 1, 2012. The Company adopted the amendments to IAS12 on January 1, 2012. There is no effect on adoption.

Reissued IAS 27, Separate Financial Statements, requires that when an entity prepares separate financial statements, investments in subsidiaries, associates, and jointly controlled entities are accounted for either at cost, or in accordance with IFRS 9 Financial Instruments. This standard is effective for years beginning on or after January 1, 2013.

Reissued IAS 28, Investment in Associates and Joint Ventures, supersedes IAS 28 Investments in Associates and defines 'significant influence' and provides guidance on how the equity method of accounting is to be applied (including exemptions from applying the equity method in some cases). It also prescribes how investments in associates and joint ventures should be tested for impairment. This standard is effective for years beginning on or after January 1, 2013.

Amendments to IAS 1, Presentation of Financial Statements, to revise the way other comprehensive income ("OCI") is presented. The amendments require entities to group items presented in OCI based on whether they are potentially reclassifiable to profit or loss subsequently, i.e. those that might be reclassified and those that will not be reclassified. It also requires tax associated with items presented before tax to be shown separately for each of the two groups of OCI items (without changing the option to present items of OCI either before tax or net of tax). This standard is effective for years beginning on or after July 1, 2012.

IAS 32, Financial Instruments: Presentation, this amendment provides clarification on the application of offsetting rules. These amendments are effective for annual periods beginning on or after January 1, 2014.

The Group is currently assessing the impact that these revised or new standards will have on the financial statements.

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. 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 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 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: Mineral exploration involves a high degree of risk and there is no assurance that exploration expenditures will result in the discovery of silver in commercially exploitable quantities. Resource exploration and development and mining operations are highly speculative and characterized by a number of significant risks which even a combination of careful evaluation, experience and knowledge may not eliminate, including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits, but from finding mineral deposits which, through present, are insufficient in quantity and quality to be mined profitably. 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: Exploration projects or operations are subject to the environmental laws and applicable regulations of the jurisdiction in which the Company operates. 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.

Inflation Risk in Argentina: Argentina has a history that includes high rates of inflation. This can affect the Company by increasing the cost of doing business in Argentina as well as decreasing the real value of the Argentine pesos kept in the Company's bank account in Argentina. The Company limits the risk of inflation by limiting the amount of funds kept in its Argentinean bank account. The Company only transfers to the Argentinean subsidiary the funds necessary to pay current liabilities and does not maintain any large bank account balances in Argentina.

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. As of February 2012, the Company has a C\$3,000,000 Directors' and Officers' liability insurance policy. 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 judgment 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: Mining 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.

Political Risks

Several recent developments in Argentina have caused concern regarding changes in the business climate as follows:

- A requirement to repatriate revenues earned, this has very little impact as we currently have no revenue and we believe that this will have a small ultimate impact on any future operations;
- The Argentinean Government passed a law that in effect nationalizes control of YPF, an Oil and Gas Company previously controlled by the Spanish Repsol. This, in effect, reverses a step taken a number of years ago when YPF was privatized by the government to private operators. This policy is not currently expected to be extended to the mining industry;
- The government has instituted a "Buy Argentina" requirement that is expected to affect the mining industry since the new regulation tightens the import of goods, asking companies to keep a balance between exports and imports. The new regulation affects

in mostly the service companies which highly rely on the imports of supplies to attend the industry's demand.

These recent events have certainly raised the perceived risk of operating in Argentina as investors are concerned.

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 December 31, 2012 and the date of this MD&A, we have the following securities outstanding:

| Class of Shares | Par Value | Number Authorized | Number Issued |
|-----------------|-----------|-------------------|---------------|
| Common | Nil | Unlimited | 47,008,275 |
| 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 18, 2016 |
| Options | 50,000 | \$0.15 | December 9, 2016 |
| Options | 240,000 | \$0.15 | April 12, 2017 |
| Warrants | 3,120,000 | \$0.22 | June 22, 2013 |
| Warrants | 370,720 | \$0.125 | June 22, 2013 |
| Warrants | 285,600 | \$0.125 | August 29, 2013 |
| Warrants | 35,000 | \$0.125 | September 2, 2013 |
| Warrants | 2,387,500 | \$0.22 | February 28, 2014 |
| Warrants | 830,000 | \$0.22 | March 2, 2014 |

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.