NASS VALLEY GATEWAY LTD.

(AN EXPLORATION STAGE COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS

FOR YEARS ENDED

DECEMBER 31, 2010 AND 2009

NASS VALLEY GATEWAY LTD.

Contents

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Nass Valley Gateway Ltd.
(An Exploration Stage Company)

We have audited the accompanying consolidated financial statements of Nass Valley Gateway Ltd. and its subsidiary which comprise the consolidated balance sheets as at December 31, 2010 and 2009, and the consolidated statements of operations, comprehensive loss and deficit and cash flows for the years then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Nass Valley Gateway Ltd. and its subsidiary as at December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Manning Elliott LLP

CHARTERED ACCOUNTANTS

Vancouver, British Columbia

April 27, 2011

NASS VALLEY GATEWAY LTD.

(An Exploration Stage Company)

CONSOLIDATED BALANCE SHEETS

(stated in Canadian dollars)

	December 31 2010	2009
ASSETS		
Current assets		
Cash	$ **9,148**	$ 176,950
Amounts receivable	**10,506**	321
Amounts receivable from related parties (Notes 7(a) and (b))	**15,000**	15,000
Prepaid expenses	**5,461**	6,337
	40,115	198,608
Reclamation bond	**3,000**	3,000
Property and equipment (Note 4)	**2,071**	2,583
Mineral properties (Note 3(ii))	**95,500**	-
Deferred exploration costs (Note 3(i) and (ii))	**721,836**	687,389
	$ **862,522**	$ 891,580
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Amounts payable and accrued liabilities	$ **23,194**	$ 1,612
Amounts payable to related parties (Notes 7(c), (d) and (e))	**35,507**	77,841
	58,701	79,453
Loan payable to related party (Note 7(g) and (h))	**61,563**	97,234
	120,264	176,687
Shareholders' equity		
Share capital (Note 6(a))	**2,137,415**	1,869,915
Contributed surplus (Note 6(e))	**208,984**	181,920
Deficit	**(1,604,141)**	(1,336,942)
	742,258	714,893
	$ **862,522**	$ 891,580

Nature and continuance of operations (Note 1)
Commitments (Note 3)
Subsequent events (Note 11)

Approved on behalf of the board:

Dieter Peter, Director

Jayram Hosanee, Director

(The accompanying notes are an integral part of these consolidated financial statements)

NASS VALLEY GATEWAY LTD.

(An Exploration Stage Company)

CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS, AND DEFICIT

(stated in Canadian dollars)

	For the years ended December 31 2010	2009
Revenue	**$ -**	$ -
Expenses		
Accounting and legal	**19,633**	21,709
Amortization	**512**	646
Administrative services	**99,919**	105,221
Generative exploration and project research costs	**-**	935
Insurance	**10,436**	12,263
Interest and bank charges	**3,313**	6,502
Investor relations	**4,736**	1,121
IT services	**2,874**	-
Office expenses	**6,449**	829
Patented technology (Note 5)	**50,960**	-
Stock-based compensation (Note 6(c))	**27,064**	9,958
Transfer agent and filing fees	**13,207**	12,724
Travel and promotion	**28,096**	3,861
Loss before other expense	**(267,199)**	(175,769)
Other expense		
Impairment of mineral property costs (Note 3)	**-**	(334,500)
Net loss and comprehensive loss for the year	**(267,199)**	(510,269)
Deficit, beginning of the year	**(1,336,942)**	(826,673)
Deficit, end of the year	**$ (1,604,141)**	$ (1,336,942)
Net loss per share, basic and diluted	**$ (0.01)**	$ (0.02)
Weighted average number of shares outstanding	**33,443,152**	22,851,645

NASS VALLEY GATEWAY LTD.

(An Exploration Stage Company)

CONSOLIDATED STATEMENTS OF CONSOLIDATED CASH FLOWS

(stated in Canadian dollars)

	For the years ended December 31 2010	2009
Cash flows from operating activities		
Net loss for the year	$ **(267,199)**	$ (510,269)
Items not affecting cash:		
Amortization	**512**	646
Interest expense accrued	**2,836**	6,261
Stock-based compensation	**27,064**	9,958
Impairment of mineral property costs	**-**	334,500
	(236,787)	(158,904)
Changes in non-cash working capital items:		
(Increase) Decrease in amounts receivable	**(10,185)**	82
Decrease in amounts receivable from related parties	**-**	349
Decrease in prepaid expenses and deposit	**876**	795
Increase in accounts payable and accrued liabilities	**21,583**	284
(Decrease) Increase in accounts payable to related parties	**(42,334)**	20,464
	(266,847)	(136,930)
Cash flows from financing activities		
Proceeds from issuance of share capital (Note 6(a))	**250,000**	255,000
Repayment of loans to related party (Note 7(f))	**(98,508)**	-
Proceeds from related party loan (Notes 7(g) and (h))	**60,000**	60,000
	211,492	315,000
Cash flows from investing activities		
Acquisition of mineral properties (Note 3)	**(78,000)**	-
Deferred exploration costs (Note 3)	**(34,447)**	(7,577)
	(112,447)	(7,577)
(Decrease) increase in cash	**(167,802)**	170,493
Cash, beginning of the year	**176,950**	6,457
Cash, end of the year	$ **9,148**	$ 176,950
Supplemental disclosures:		
Shares issued to acquire mineral properties (Note 3)	**17,500**	37,500

1. NATURE AND CONTINUANCE OF OPERATIONS

Nass Valley Gateway Ltd. ("the Company") was incorporated on October 25, 2005 under British Columbia Business Corporations Act.

The Company is an exploration stage company engaged in the acquisition, exploration and development of rock quarry and mineral resource properties primarily in Canada. During the year ended December 31, 2010, the Company entered into an agreement to acquire a patented technology license and inventory (Note 5), based on a double pyrolysis process, which converts waste material into marketable activated carbon. The Company is listed for trading on the CNSX stock exchange ("NVG") and co-listed on the "open market" of the Frankfurt (Germany) Stock Exchange and trading under the Symbol "3NV".

The Company is in the process of exploring mineral resource properties and has not yet determined whether these properties contain reserves or resources that are economically recoverable. In the same manner, the Company has not yet assessed the economic viability of the technology licence. The recoverability of the carrying amounts of the properties and of the technology licence are dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interests in the properties, the ability to obtain the necessary financing to complete exploration and development of a viable quarry and mine, the completion of production units based on the technology licence and achieving future profitable production of rock and mineral products or selling its rock quarry or mineral resources properties, or the production and use or sale of pyrolysis units for proceeds in excess of carrying amounts.

Based on the above factors, there is substantial doubt about the Company's ability to continue as a going concern. These financial statements have been prepared on the basis of accounting principles applicable to a going concern, and accordingly, do not purport to give effect to adjustments which may be required should the Company be unable to achieve the objectives above as a going concern. The net realizable value of the Company's assets may be materially less than the amounts recorded in these financial statements should the Company be unable to realize its assets and discharge its liabilities in the normal course of business. At December 31, 2010 and 2009, the Company had accumulated deficits of $1,604,141 and $1,336,942 respectively which have been funded primarily by the issuance of equity. The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon obtaining additional financing and generating revenues sufficient to cover its operating costs

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Global Environomic Systems Corp. All significant inter-company balances and transactions have been eliminated upon consolidation. The Company's financial year end is December 31.

b) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities at the dates of the financial statements, and the reported amounts of revenues and expenses for the reporting periods. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant. Actual results could differ from these estimates. Significant areas requiring the use of estimates are estimation of accrued liabilities, computation of stock-based compensation, valuation and impairment of mineral property related assets, and valuation allowance for future income tax assets.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Financial instruments

The Company's financial instruments as at December 31, 2010 and 2009 consist of cash, amounts receivable from related parties, amounts payable, amounts payable to related parties and loan payable to related party.

Company classifies financial instruments into one of the following categories. Recognition and measurement of financial instruments depends on their classification as follows:

- Held-for-trading, which includes the Company's cash, is measured at fair value.
- Held-to-maturity investments are measured at amortized cost. Premiums or discounts are amortized into earnings using the effective interest method. The Company currently does not have any held-to-maturity investments.
- Loans or other long-term receivables, which include amounts receivable from related parties are measured at amortized cost.
- Available-for-sale financial assets are measured at fair value, with unrealized gains and losses recorded in other comprehensive income until disposition or other-than-temporary impairment occurs at which time the gain or loss is recorded in earnings. The Company does not have any available-for-sale financial assets.
- Other financial liabilities, which include the Company's amounts payable, amounts payable to related parties, and loan payable to related party are measured at amortized cost.

d) Cash

The Company considers cash to include amounts held in banks and highly liquid investments with maturities at point of purchase of three months or less at date of purchase. The Company places its cash and cash equivalent investments with institutions of high credit worthiness.

e) Flow through shares

The Company follows the recommendations of EIC-146 for all flow through share transactions. Canadian tax legislation permits a company to issue securities referred to as flow-through shares whereby the Company assigns the tax deductions arising from the related resource expenditures to the shareholders. When resource expenditures are renounced to the investors and the Company has reasonable assurance that the expenditures will be incurred, a future income tax liability is recognized and share capital is reduced.

If the Company has sufficient unused tax losses carried forward or other future income tax assets to offset all or part of this future income tax liability, and no future income tax assets have previously been recognized for these items, a portion of such future income tax assets is recognized as income up to the amount of the future income tax liability that would otherwise be recognized on the renounced expenditures.

f) Property and equipment

Property and equipment are carried at cost less amortization. Amortization on leasehold improvements and Equipment is calculated using the straight-line method at an annual rate of 20%, which approximates the useful lives of the property and equipment. Amortization on equipment is provided in the year of acquisition at one-half of the annual rate.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Mineral property interests and project development costs

All costs related to the acquisition of rock quarry and mineral resource properties are capitalized by property. All costs related to the exploration and development of properties or projects under development are capitalized until such time as final feasibility decisions with respect to each property or project are made or until events or circumstances indicate that the criteria for deferral of such costs are no longer met for particular properties. If a final decision is made to develop a property or project, related exploration and development costs of the related property are reclassified as property assets and amortized using the units of production method. When a property or project is abandoned or no longer meets the criteria for deferral of development costs, all related costs are written off to operations. If, after management review, it is determined that the carrying amount of a mineral property or project is impaired, that property or project is written down to its estimated net realizable value. Exploration and development projects are reviewed for impairment at each balance sheet date or whenever events or changes in circumstances indicate that carrying amounts may not be recoverable.

The recoverability of exploration and development costs is dependent on the existence of economically recoverable quarry and mineral reserves and the ability to obtain the necessary financing to complete the development of such quarry and mineral reserves and the success of future operations. The Company has not yet determined whether or not any of its rock quarry or mineral resource properties contains economically recoverable rock or mineral reserves.

h) Patented technology

All costs related to the acquisition of the patented technology are expensed, until such time as final feasibility decisions with respect to the technology project is made or until circumstances indicate that the criteria for deferral of such costs are met. If a decision is made as to the feasibility of the technology project, all the acquisition and development costs incurred after that time will be capitalized and classified as intangible assets. Initially, the intangible asset will be capitalized at cost. Subsequently, the intangible asset will be tested for impairment annually or whenever there is an indication for impairment.

i) Impairment of long-lived assets and intangible assets with indefinite useful lives

The recoverability of long-lived assets, which includes the rock quarry and mineral resource properties and deferred exploration costs, is assessed when an event occurs indicating possible impairment. Recoverability is based on factors such as future asset utilization and the future undiscounted cash flows expected to result from the use or sale of the related assets. An impairment loss is recognized in the period when it is determined that the carrying amount of the assets will not be recoverable. At that time, the carrying amount is written down to fair value.

Should there be changes in events or circumstances that indicate an impairment of an intangible asset with indefinite life, the carrying value will be restated at its fair value. The difference between the carrying amount and the fair value will be written off to operations.

j) Asset retirement obligations

The Company recognizes asset retirement obligations for all legal liabilities for obligations relating to retirement of property, plant and equipment, arising from the acquisition, construction, development, or the normal course of operations of those assets. Asset retirement costs are recognized at fair value, when a reasonable estimate of fair value can be made, in the period in which it is incurred. Asset retirement obligations are accreted to the carrying value of the related asset, and amortized together with the asset. The asset retirement obligations are reduced as the restoration work is performed. As at December 30, 2010, the Company did not incur any asset retirement obligation costs.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Commitments and contingencies

Liabilities for loss contingencies are recorded when it is probable that a liability has been incurred and the amount of the assessment and/or remediation can be reasonably estimated. When a reasonable estimation cannot be made, qualitative disclosure is provided in the notes to the financial statements. Contingent revenues, earnings or assets are not recognized until their realization is virtually assured.

l) Environmental expenditures

The operations of the Company may be affected by changes in environmental regulations, including those relating to future reclamation and site restoration. Both the likelihood of new regulations and their overall effect upon the Company are unknown and unpredictable. At December 31, 2010, the Company has made no provision for site restoration costs or potential environmental liabilities as all its properties are still in the exploration stage. Factors such as future exploration and changes in technology may materially change a cost estimate previously made.

m) Stock-based compensation

The Company has a stock option plan as described in Note 6(c). The Company applies the fair value method for stock-based compensation granted to employees, non-employees and for all direct awards of stock. The fair value of stock options is estimated using the Black Scholes Option Pricing Model with assumptions for risk-free interest rates, dividend yields, volatility factors of the expected market price of the Company's common shares and expected life of the options. The fair value of direct awards of stock is determined by the quoted market price of the Company's stock.

Compensation expense is recognized over the applicable vesting period on a graded basis with a corresponding increase in contributed surplus. When the options are exercised, the proceeds together with the related amount initially recorded in contributed surplus are allocated to share capital.

n) Income taxes

The Company follows the asset and liability method of accounting for income taxes. Future income tax assets and liabilities are determined based on temporary differences between the accounting and tax basis of existing assets and liabilities, and are measured using the enacted tax rates expected to apply when these differences reverse. A valuation allowance is recorded against any future income tax asset unless it is more likely than not that the future income tax asset will be realized.

o) Loss per share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the period. The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on earnings per share is recognized for any proceeds that could be obtained upon the exercise of options, warrants and similar instruments. This method assumes that the proceeds would be used to purchase common shares at the average market price during the period. Diluted loss per share is not presented when the effect of this computation is anti-dilutive.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

p) Recent Accounting Pronouncements

In February 2008, the Canadian Accounting Standards Board confirmed that International Financial Reporting Standards ("IFRS") will replace Canadian GAAP for all public companies for interim and annual financial statements for fiscal years beginning on or after January 1, 2011. The standard also requires that comparative figures for 2010 be based on IFRS. At December 31, 2010, the Company has analysed and identified the significant financial reporting impacts of its pending conversion to IFRS. Based on management's assessment to date, the conversions to IFRS will have very little impact on the Company.

q) Comparative figures

Certain of the comparative figures have been reclassified, where applicable, to conform to the current year's presentation.

3. MINERAL PROPERTY AND DEFERRED EXPLORATION COSTS

(i) Nass Bay Project, British Columbia

The Nass Bay project is a construction aggregate project and is comprised of staked Crown owned mineral claims consisting of approximately 680 hectares along the south-easterly shore of Observatory Inlet. These staked claims are on crown lands and adjoin the boundary of the Nisga'a Lands. The claims are conventional mineral tenures which are 100% owned by the Company. These mineral tenures were renewed in May 2010.

The Company has also carried out exploration work under a Special Use Permit, granted under the Nisga'a Forest Act by the Nisga'a Lisims Government ("NLG") on the following areas, which are contiguous to the staked mineral claims:

(a) a smaller Lower Portion of approximately 32.40 hectares, covering lands which are, according to the Nisga'a Treaty, owned in Fee Simple and under the jurisdiction of the Gingolx Village Government ("GVG") and as such are registered in the Nisga'a Land Title Office;

(b) a larger Upper Portion of approximately 137.60 hectares covering lands which are, according to the Nisga'a Treaty, under the jurisdiction of NLG.

These two areas of the project under the Special Use Permit are not conventional mineral tenures since they are situated on Nisga'a lands. Under the Nisga'a Treaty, the Nisga'a Nation owns all mineral rights within its lands. The Company did not acquire any rights to the exploration areas under the Special Use Permit.

3. MINERAL PROPERTY AND DEFERRED EXPLORATION COSTS (continued)

(i) Nass Bay Project, British Columbia (continued)

On March 10, 2006, the Company entered into an option agreement with Gitxat'in MHIND World Link Inc. ("GMWL") to earn a 75% interest in the Special Use Permit that the Nisga'a Lisims Government would have granted to GMWL following the application for the Special Use Permit. In 2009, the Company and GMWL mutually agreed to terminate the option agreement since the Nisga'a Lisims Government had issued the Special Use Permit directly to the Company. As a result, in 2009, the Company made an impairment provision for all mineral property related expenditures previously capitalized as mineral properties in relation to sections "A" and "B" of the NB-Project, amounting to $334,500, since no mineral rights were or will be acquired under the Special Use Permit.

Cumulative property related expenditures as of December 31, 2010 were:

Balance, December 31, 2007 and 2008		297,000
Issuance of common shares (750,000 common shares at $0.05 per share)		37,500
Impairment provision		(334,500)
Balance, December 31, 2010 and 2009	**$**	**-**

As of December 31, 2010 and, the Company has incurred exploration costs amounting to $859,153 (2009: $855,638) of which, the Company capitalized $690,086 (2009: $687,389). The exploration costs not capitalized were expensed as generative exploration and project research costs.

Cumulative exploration costs on the Nass Bay project are as follows:

	December 31 2009	Changes	**December 31 2010**
Consulting	$ 78,470	$ -	**$ 78,470**
Contracted services	37,325	-	**37,325**
Geologist	41,399	-	**41,399**
Surveying	9,730	-	**9,730**
Aircraft charter	116,317	-	**116,317**
Travel and lodging	67,134	-	**67,134**
Exploration supplies	49,370	-	**49,370**
Reports, drafting and maps	9,898	-	**9,898**
Drilling	429,245	-	**429,245**
Lab tests and analysis	7,354	-	**7,354**
Others	9,396	3,515	**12,911**
Total expenditures incurred	855,638	3,515	**859,153**
Mineral tax credit	-	(818)	**(818)**
Expensed as generative exploration costs	(168,249)	-	**(168,249)**
Capitalized as deferred exploration costs	$ 687,389	$ 2,697	**$ 690,086**

3. MINERAL PROPERTY AND DEFERRED EXPLORATION COSTS (continued)

(ii) Kirkland Lake Project, Ontario

On February 1, 2010, the Company entered into an acquisition agreement with Golden Dawn Minerals Inc. which gives the Company an option to acquire 80% Joint Venture interest in the three gold prospects within the Larder Lake Mining Division of the Province of Ontario, namely the Central Catharine, 80 Ft Fall and the Terry Link properties.

Under the agreement, the Company is required to make the following payments in addition to a work commitment of $1,000,000 to be expended on or before the fourth anniversary of the effective date:

(i) to the original Optionors:

	Cash Payments	Common shares
On or before February 4, 2010 (paid)	$ 60,000	-
On or before December 18, 2010 (paid/issued)	20,000	50,000
On or before January 18, 2011	40,000	100,000
	$ 120,000	150,000

(ii) to Golden Dawn Minerals Inc.

	Common shares
Within 10 days of approval by the authorities (effective date)	200,000
On or before the second anniversary of the effective date	150,000
On or before the third anniversary of the effective date	100,000
	450,000

During the year ended December 31, 2010, the Company made cash payments of $78,000 which comprised of the $60,000 cash payment due on February 4, 2010 and $20,000 cash payment due on January 18, 2011 net of a $2,000 discount received by the Company for making an early payment on the amount due on January 18, 2011. The $20,000 cash payment due on December 18, 2010 and the remaining $20,000 due on January 18, 2011 were paid subsequent to year end (Note 11). The Company also issued 50,000 common shares to the original Optionor and 200,000 common shares to Golden Dawn Minerals Inc. for a total value of $17,500. The Company also capitalized $31,750 in exploration expenditures on the properties.

Cumulative acquisition costs for the Kirkland Lake Project are as follows:

	December 31, 2010
Mineral property acquisition costs – paid in cash	$ 78,000
Mineral property acquisition costs – paid in shares	17,500
	95,500

See Note 11(a) for further issuance of common shares relative to the Kirkland Lake properties subsequent to the balance sheet date.

4. PROPERTY AND EQUIPMENT

	December 31, 2010			December 31, 2009		
	Cost	**Accumulated Amortization**	**Net Book Value**	Cost	Accumulated Amortization	Net Book Value
Leasehold Improvements	**$ 2,260**	**$ 1,774**	**$ 486**	$ 2,260	$ 1,393	$ 867
Equipment	**3,830**	**2,245**	**1,585**	3,830	2,114	1,716
	$ 6,090	**$ 4,019**	**$ 2,071**	$ 6,090	$ 3,507	$ 2,583

5. PATENTED TECHNOLOGY

On November 8, 2010, the Company's wholly-owned subsidiary, Global Environomic Systems Corp. (GSC) entered into a Technology Acquisition Agreement (the "Agreement") with the inventor and owner of a Patented Pyrolysis System ("Patented Technology") in order to acquire a license to manufacture and distribute Energy Conversion Machines ("Machines") worldwide, with the exception of China and Taiwan. Under the Agreement, GSC is required to incorporate a Taiwanese Manufacturing Plant (the "Manufacturing Plant") where the Manufacturing Plant will be owned by GSC and the inventor on a 60%/40% basis respectively. The Manufacturing Plant will be one of the licensees of the Patented Technology for the purpose of manufacturing the Machines. Under the Agreement, GSC is also required to make the following cash and share payments:

(a) invest US$ 2,000,000 before April 30, 2011 in tranches as follows:

(i) US$ 50,000 to the inventor on closing (paid)
(ii) US$ 350,000 on approval by the Exchange
(iii) US$ 500,000 on or before February 25, 2011
(iv) US$ 500,000 on or before March 31, 2011
(v) US$ 600,000 on or before April 30, 2011

(b) issue 960,000 common shares of GSC when the final payment in (a) above is made;

(c) issue, subject to the approval of the Exchange, 2,000,0000 common shares of the Company to the inventor over 36 months from the date of the final payment in (a) above:

The sale of the Machines will be subject to a royalty fee payable to the inventor.

During the year ended December 31, 2010, the Company made the required cash payment of $50,960 (US$ 50,000) and had expensed this amount, consistent with the Company's accounting policy in Note 2(h).

Subsequent to year end, GSC failed to make the remaining cash payments noted above. As a result, the Agreement expired. Subsequent to the expiry of the Technology Acquisition Agreement, GSC and the inventor have initiated negotiations to enter into a distribution agreement enabling GSC to earn non-exclusive distribution rights to the Machines in consideration for a commission fee.

6. SHARE CAPITAL

a) Common shares

Authorized: An unlimited number of common shares without par value.

	Number of Common Shares	Amount
Balance, December 31, 2008	22,026,303	$ 1,577,415
Acquisition of mineral property- Nass Bay Project (Note 3)	750,000	37,500
Private placement	8,500,000	255,000
Balance, December 31, 2009	31,276,303	$ 1,869,915
Private placement	3,400,000	170,000
Exercise of warrants	1,600,000	80,000
Property acquisition (Note 3)	250,000	17,500
Balance, December 31, 2010	**36,526,303**	**$ 2,137,415**

On June 7, 2010, the Company closed a private placement of 3,400,000 units at $0.05 per unit for total proceeds of $170,000. Each unit comprised of one common share and one common share purchase warrant, exercisable for one common share at $0.075 on or before June 7, 2013. The Company has elected not to bifurcate the proceeds on the basis that the warrants have no intrinsic value. Accordingly, all of the proceeds have been allocated to share capital.

In October and November 2010, a total of 1,600,000 warrants were exercised at a price of $0.05 each for total proceeds of $80,000.

On December 23, 2009, the Company completed a private placement of 8,500,000 units at $0.03 per unit for total proceeds of $255,000. Each unit comprised one common share and one common share purchase warrant, exercisable for one common share at $0.05 expiring on December 23, 2012. The Company has elected not to bifurcate the proceeds on the basis that the warrants have no intrinsic value. Accordingly, all of the proceeds have been allocated to share capital.

b) Escrowed common shares

Pursuant to an agreement (the “Escrow Agreement”) dated as of August 11, 2006, among the Company, Pacific Corporate Trust Company (the “Escrow Agent”) and the Principals of the Company, the Principals agreed to deposit 14,500,000 common shares (the “Escrowed Securities”) with the Escrow Agent. The Escrow Agreement provides that the Escrowed Securities will be released from escrow in equal blocks at 6 month intervals over the 36 months following the date the Company's common shares are listed on the CNSX (that is 15% of each Principal’s holdings being released in each block with an initial 10% block being released on the date the Company’s common shares are listed on the CNSX).

At December 31, 2010 all the common shares had been released from escrow (2009: 2,175,000)

6. SHARE CAPITAL (continued)

c) Stock options

The Company grants stock options to employees, directors, officers, and consultants as compensation for services pursuant to its Stock Option Plan (the "Plan"). Options issued pursuant to the Plan must have an exercise price greater than or equal to the "Market Price" of the Company's stock on the grant date less applicable discounts. Options have a maximum expiry period of up to five years from the grant date and are subject to the minimum vesting requirements, as determined by the Board of Directors.

The number of options that may be issued under the Plan is limited to no more than 10% of the Company's issued and outstanding shares on the grant date. Stock options granted to directors vest at a rate of 50% on the grant date and the balance on the first anniversary of the grant date. Stock options granted to employees vest at a rate of 50% on the first anniversary of the grant date and the balance on the second anniversary of the grant date.

On June 15, 2010, the Company granted 1,410,000 and 271,000 stock options with a strike price of $0.05 to directors and employees respectively.

For the year ended December 31, 2010, stock-based compensation of $27,064 (2009 - $9,958) was charged to operations.

The following tables summarize the continuity of the Company's stock options:

Expiry Date	Exercise Price $	December 31 2009	Issued	Expired/ Forfeited	December 31 2010
January 31, 2012	0.15	646,000	-	-	646,000
May 4, 2012	0.31	30,000	-	-	30,000
August 15, 2010	0.32	179,600	-	(179,600)	-
June 25, 2011	0.18	170,600	-	-	170,600
June 25, 2012	0.05	228,000	-	-	228,000
June 15, 2013	0.05	-	1,681,000	(255,000)	1,426,000
		1,254,200	1,681,000	(434,600)	2,500,600
Weighted average exercise price($)		**0.16**	**0.05**	**0.16**	**0.09**

Expiry Date	Exercise Price $	December 31 2008	Issued	Expired/ Cancelled	December 31 2009
January 31, 2012	0.15	696,000	-	50,000	646,000
May 4, 2012	0.31	45,000	-	15,000	30,000
August 15, 2010	0.32	200,200	-	20,600	179,600
June 25, 2011	0.18	181,200	-	10,600	170,600
June 25, 2012	0.05	-	232,000	4,000	228,000
		1,122,400	232,000	100,200	1,254,200
Weighted average exercise price($)		**0.19**	**0.05**	**0.21**	**0.16**

6. SHARE CAPITAL (continued)

c) Stock options (continued)

Details regarding the options outstanding as at December 31, 2010 are as follows:

Exercise Price	Number of Options Outstanding	Weighted Average Remaining Contractual Life (years)	Number of Options Exercisable
$ 0.15	646,000	1.08	646,000
$ 0.31	30,000	1.34	30,000
$ 0.18	170,600	0.48	170,600
$ 0.05	228,000	1.51	190,000
$ 0.05	1,426,000	2.46	517,500
	2,500,600	**1.87**	**1,554,100**

Details regarding options outstanding as at December 31, 2009 were as follows:

Exercise Price	Number of Options Outstanding	Weighted Average Remaining Contractual Life (years)	Number of Options Exercisable
$ 0.15	646,000	2.08	646,000
$ 0.31	30,000	2.34	30,000
$ 0.32	179,600	0.62	179,600
$ 0.18	170,600	1.48	155,300
$ 0.05	228,000	2.51	76,000
	1,254,200	**1.88**	**1,086,900**

The Company recognizes compensation expense for all stock options granted using the fair value based method of accounting. The fair value of stock options granted is recognized in income on a graded vesting basis.

The following weighted average assumptions were used for applying the Black-Scholes method to value the stock options granted during the years ended December 31, 2010 and 2009:

	2010	2009
Risk-free interest	**2.00%**	1.90%
Expected dividend yield	**$ -**	$ -
Expected stock price volatility	**161%**	109%
Expected option life in years	**3**	3

The weighted average grant date fair value of options granted during the year was $0.05 (2009: $0.01) per option. Option pricing models require the input of highly subjective input assumptions, which can materially affect the fair value estimate and therefore the existing models do not necessarily provide reliable a single measure of the fair value of the Company's stock options.

6. SHARE CAPITAL (continued)

d) Share Purchase Warrants

The continuity of share purchase warrants is as follows:

	Number of Warrants	Weighted Average Exercise Price	Expiry date	Remaining life (years)
Balance, December 31, 2008	-	-		-
Private Placement (Note 6(a))	8,500,000	$0.050	December 23, 2012	1.98
Balance, December 31, 2009	**8,500,000**	**$0.050**		**1.98**
Private placement (Note 6(a))	3,400,000	$0.075	June 7, 2013	2.44
Exercised	(1,600,000)	$0.050		
Balance, December 31, 2010	**10,300,000**	$0.058		2.13

e) Contributed Surplus

The following table summarizes the continuity of the Company's contributed surplus.

	December 31,2010	December 31,2009
Balance, beginning of year	**$ 181,920**	$ 171,962
Stock-based compensation (Note 6(c))	**27,064**	9,958
Balance, end of year	**$ 208,984**	$ 181,920

7. RELATED PARTY TRANSACTIONS

a) An advance in 2007 amounting to $10,000 provided to GMWL, a private company with common directors and officers was outstanding and is included in amounts receivable at December 31, 2010 and 2009.

b) An amount of $5,000, remaining from an advance of $30,000 made by the Company to GMM Admin Corp.., a private company related by way of common directors and officers, was outstanding and is included in amounts receivable from related parties at December 31, 2010 and 2009.

c) During the year ended December 31, 2010, the Company incurred administrative expenses amounting to $99,567 (2009 – $105,000) to Mineral Hill Industries Ltd., a public company with some common directors and officers. At December 31, 2010, an amount of $27,709 (December 31, 2009: $70,043) was outstanding and payable to Mineral Hill Industries Ltd.

d) At December 31, 2010 an amount of $6,804 (December 31, 2009: $6,804) was outstanding and payable to Krypt-LogX Network Ltd., a private company controlled by some common directors for the provision of information technology services.

e) At December 31, 2010 and 2009, $994 was outstanding and payable to a private company with common directors and officers.

f) On January 14, 2010 and May 10, 2010, the Company repaid $98,508 in loans it had obtained in the previous year from Merfin Management, a private company with a common director. The repayment consisted of a principal amount of $90,000 and $8,508 in accrued interest.

7. RELATED PARTY TRANSACTIONS (continued)

g) On August 13, 2010, the Company entered into a loan agreement with Merfin Management Ltd., a private company with a common director for a loan of $50,000, which will become due on August 13, 2013. Under the terms of agreements, the amount is unsecured and bears interest at 8% per annum commencing on the first day of the month subsequent to the month of the advance. At December 31, 2010, an amount of $1,562 was accrued as interest.

h) On December 23, 2010, the Company entered into a loan agreement with Merfin Management Ltd., a private company with common director for a loan of $10,000, which will become due on December 23, 2013. Under the terms of agreements, the amounts are unsecured and bear interest at 8.5% per annum commencing on the first day of the month subsequent to the month of the advance.

Accounts payable includes $12,523 (2009: $395) due to a company with a common director and officer and a director of the Company.

These transactions are in the normal course of operations and, in management's opinion, are undertaken with the same terms and conditions as transactions with unrelated parties. Accordingly, these transactions are measured at exchange amounts, which are the amounts of consideration negotiated, established and agreed to by the related parties. Except for the loans payable to a related party described in Notes 7(f) to (h) above, all the amounts outstanding are unsecured, non-interest bearing and due on demand.

8. INCOME TAXES

In assessing future income tax assets, management considers whether it is more likely than not that some portion or all of the future income tax assets will be realized. The ultimate realization of future tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of future income tax liabilities, projected future taxable income, and tax planning strategies in making this assessment and providing a valuation allowance.

	2010	2009
Canadian statutory income tax rate	28.50%	30.00%
	$	$
Income tax recovery at statutory rate	(76,151)	(153,081)
Effect on income taxes of:		
Permanent differences	7,713	3,268
Change in tax rate	8,405	34,056
Change in valuation allowance	60,033	115,757
Income taxes recoverable	-	-

The nature and effect of the Company's future income tax assets (liabilities) is as follows:

	2010	2009
	$	$
Non capital losses carried forward	337,637	267,606
Capitalized costs in excess of mineral cost pools	(76,005)	(76,005)
Property and equipment	316	188
Share issuance costs	3,896	14,022
	265,844	205,811
Less: Valuation allowance	(265,844)	(205,811)
Net future tax asset	-	-

8. INCOME TAXES (continued)

As at December 31, 2010, the Company had non-capital losses carried forward of approximately (2009: $1,070,424) which may be applied to reduce future years' taxable income, expiring as follows:

2015	$	17,821
2026		246,823
2027		331,504
2028		268,312
2029		205,964
2030		280,124
	$	1,350,548

9. FINANCIAL INSTRUMENTS AND RISKS

The Company's financial instruments as at December 31, 2010 and 2009 consist of cash, amounts receivable from related parties, amounts payable, amounts payable to related parties and loans payable to related party.

Credit risk

The Company is not exposed to significant credit risk, being in the development stage. Receivable consists of Harmonized Sales Tax (HST) due from the Federal Government. Amounts receivable from related parties and amounts due to related parties are described in Note 7.

Foreign exchange risk

The Company's operations and activities are conducted primarily in Canadian dollars and as such are not affected by the fluctuations of the Canadian dollar with other currencies.

Interest rate risk

The Company normally invests in short-term interest bearing financial instruments. A change in the interest rates would have very little impact on the operating results of the Company. The amounts due to related parties are described in Notes 7(f) to (h).

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with its financial liabilities. The Company has historically relied upon equity financings to satisfy its capital requirements and will continue to depend heavily upon equity capital to finance its activities. There can be no assurance the Company will be able to obtain required financing in the future on acceptable terms. The Company anticipates it will need additional capital in the future to finance ongoing exploration of its properties, such capital to be derived from the exercise of outstanding stock options, warrants and/or the completion of other equity financings. The Company has limited financial resources, has no source of operating income and has no assurance that additional funding will be available to it for future exploration and development of its projects, although the Company has been successful in the past in financing its activities through the sale of equity securities. The ability of the Company to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions and its exploration results. In recent years, the securities markets in Canada have experienced wide fluctuations in prices which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. Any quoted market for the common shares may be subject to market trends generally, notwithstanding any potential success of the Company in creating revenue, cash flows or earnings.

9. FINANCIAL INSTRUMENTS AND RISKS (continued)

Fair value measurements of financial assets and liabilities

The amendments to Section 3862 introduce a fair value hierarchy that reflects the significance of inputs used in making fair value measurements as follows:

Level 1 – quoted prices in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (such as prices) or indirectly (such as derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data.

The fair values of cash and cash equivalents are determined based on "Level 1" inputs, which consist of quoted prices in active markets for identical assets. The Company believes that the recorded values of amounts receivable from related parties, accounts payable, and amounts payable to related parties approximate their current fair values because of their nature and relatively short maturity dates or durations.

Assets measured at fair value on a recurring basis were presented on the Company's balance sheet as of December 31, 2010 as follows:

	Fair Value Measurements Using			
	Quoted Prices in Active Markets For Identical Instruments (Level 1) $	Significant Other Observable Inputs (Level 2) $	Significant Unobservable Inputs (Level 3) $	December 31 2010 $
Assets:				
Cash	9,148	–	–	9,148
	9,148	–	–	9,148

10. CAPITAL MANAGEMENT

The Company's capital structure consists of shareholders' equity. The Company's objective when managing capital is to maintain adequate levels of funding to support the development of its businesses and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financing. Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future. The Company invests all capital that is surplus to its immediate operational needs in short-term, highly-liquid, high-grade financial instruments. There were no changes to the Company's approach to capital management during the year ended December 31, 2010. The Company is not subject to externally imposed capital requirements. The Company does not currently have adequate sources of capital to complete its exploration plan and ultimately the development of its business, and will need to raise adequate capital by obtaining equity financing through private placement or debt financing. The Company may raise additional debt or equity financing in the near future to meet its current obligations.

11. SUBSEQUENT EVENTS

a) The Company issued 100,000 common shares and paid $40,000 in cash to the original optionors, pursuant to the acquisition agreement on the Kirkland Lake properties (Note 2).

b) In January and February 2011, the Company entered into agreements with Merfin Management Ltd., a private company with common director, for loans totaling $120,000, which will become due in three years. Under the terms of agreements, the amounts are unsecured and bear interest at 8% per annum commencing on the first day of the month subsequent to the month of the advance.

c) In March 2011, the Company issued 375,000 common shares to Merfin Management as bonus shares on the loans granted in 2011.The issue of bonus shares is a condition of the loan agreement and has been approved by the Exchange.

d) Subsequent to December 31, 2010, the Company's wholly-owned subsidiary, Global Environomic Systems Corp., failed to make the required cash payments pursuant to the Technology Acquisition Agreement (Note 5). As a result, the Technology Acquisition Agreement expired.

e) In March 2011, the Company acquired Nass Energy Inc. as a wholly-owned subsidiary from Mineral Hill Industries Ltd. for a consideration of $Nil. Nass Energy Inc. has been dormant since its incorporation in January 2007.

f) In March 2011, 201,000 stock options with exercise prices ranging $0.05 to $0.18, and expiry dates ranging June 25, 2011 to June 15, 2013 were forfeited.

g) In March 2011, 30,000 stock options with an exercise price of $0.31 and an expiry date of May 4, 2012 were cancelled by the Company.

h) On March 29, 2011, the Company granted 35,000 stock options to a consultant with an exercise price of $0.07 and an expiry date of March 29, 2014.