NASS VALLEY GATEWAY LTD.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED
MARCH 31, 2012 and 2011

(Expressed in Canadian Dollars)

NASS VALLEY GATEWAY LTD.

Contents

	Page
Notice of no auditors' review	1
Interim consolidated statements of financial position	2
Interim consolidated statements of comprehensive loss	3
Interim consolidated statements of cash flows	4
Interim consolidated statements of changes in equity	5
Notes to the interim consolidated financial statements	6-24

NOTICE OF NO AUDITORS' REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Nass Valley Gateway Ltd.
Interim consolidated statements of financial position
(Expressed in Canadian Dollars)

As at	March 31 2012	December 31 2011
	$	$
ASSETS		
Current assets		
Cash and equivalents	**64,473**	**6,155**
Amounts receivable	**3,738**	**3,852**
Prepaid expenses	**2,141**	**4,940**
	70,352	**14,947**
Non current assets		
Reclamation bond	**3,000**	**3,000**
Exploration and evaluation assets (Note 4)	**209,387**	**198,887**
	282,739	**216,834**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	**3,618**	**24,937**
Due to related parties (Note 7)	**63,591**	**33,787**
	67,209	**58,724**
Non current liabilities		
Loans repayable to related party (Note 7)	**56,527**	**299,087**
	123,736	**357,811**
Shareholders' equity (deficiency)		
Share capital (Note 6)	**2,165,665**	**2,162,665**
Share subscriptions (Note 6)	**360,000**	**15,000**
Share based payment reserve	**239,354**	**229,835**
Deficit	**(2,606,016)**	**(2,548,477)**
	159,003	**(140,977)**
	282,739	**216,834**

Commitment (Note 4)
Subsequent Events (Note 11)

These interim consolidated financial statements were approved and authorized for issue by the Board of Directors on May 25, 2012 and were signed on its behalf:

"Dieter Peter"
Dieter Peter, Director

"Andrew von Kursell"
Andrew von Kursell, Director

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

Nass Valley Gateway Ltd.
Interim consolidated statements of comprehensive loss
(Expressed in Canadian Dollars)

	For the three months ended March 31	
	2012	2011
	$	$
Revenue	**-**	-
Expenses		
Accounting and legal	**-**	13,000
Amortization	**-**	2,556
Administrative services	**25,417**	26,250
Insurance	**2,798**	2,983
Loan interest expenses and bank charges (Note 7)	**5,531**	22,125
Investor relations	**3,468**	448
Information Technology services	**361**	271
Office expenses	**654**	1,444
Share based payments (Note 6(c))	**9,519**	2,364
Transfer agent and filing fees	**9,791**	5,562
Travel and promotion	**-**	4,135
Loss before other expenses	**(57,539)**	(81,138)
Other expenses		
Impairment of amounts receivable (Note 7)	**-**	(14,007)
Net loss and comprehensive loss	**(57,539)**	(95,145)
Net loss per share, basic and diluted	$ **(0.00)**	$ (0.00)
Weighted average number of shares outstanding (Note 12(d))	**12,351,528**	12,084,857

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

Nass Valley Gateway Ltd.
Interim consolidated statements of changes in equity
For the three months ended March 31, 2012 and 2011
(Expressed in Canadian Dollars)

	Share Capital					
	Number of shares	Amount	Share Subscriptions	Share based payment reserve	Deficit	Total
		$	$	$	$	$
Balance, December 31, 2010	**12,175,417**	**2,137,415**	-	**208,984**	**(1,604,141)**	**742,258**
Property option	33,333	6,500	-	-	-	6,500
Bonus shares on loans	125,000	18,750	-	-	-	18,750
Share based payments	-	-	-	2,364	-	2,364
Comprehensive loss	-	-	-	-	(95,145)	(95,145)
	-					
Balance, March 31, 2011	**12,333,750**	**2,162,665**	**-**	**211,348**	**(1,699,286)**	**674,727**
Balance, December 31, 2011	**12,333,750**	**2,162,665**	**15,000**	**229,835**	**(2,548,477)**	**(140,977)**
Property option	50,000	3,000	-	-	-	3,000
Share subscriptions	-	-	345,000	-	-	345,000
Share based payments	-	-	-	9,519	-	9,519
Comprehensive loss	-	-	-	-	(57,539)	(57,539)
	-					
Balance, March 31, 2012	**12,383,750**	**2,165,665**	**360,000**	**239,354**	**(2,606,016)**	**159,003**

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

Nass Valley Gateway Ltd.
Interim consolidated statements of cash flows
(Expressed in Canadian Dollars)

	For the three months ended March 31	
	2012	2011
Cash flows from operating activities	$	$
Net loss for the period	**(57,537)**	(95,145)
Items not affecting cash:		
Amortization	**-**	2,556
Share based payments	**9,519**	2,364
Interest on loans paid in shares	**-**	18,750
Impairment of amounts receivable from related parties	**-**	14,007
Accrued interest on loans from related party	**5,437**	3,133
	14,956	40,810
Changes in non-cash working capital items:		
Decrease in amounts receivable	**114**	5,587
Decrease in prepaid expenses and deposit	**2,799**	2,983
Increase in accounts payable and accrued liabilities	**(21,321)**	(6,988)
Increase (decrease) in due to related parties	**29,804**	(12,483)
	(31,185)	(65,236)
Cash flows from financing activities		
Share subscriptions received (Note 6)	**345,000**	-
Proceeds of loan from related parties (Note 7)	**20,000**	120,000
Repayment of loans to related party (Note 7)	**(267,997)**	-
	97,003	120,000
Cash flows from investing activities		
Acquisition of equipment	**-**	(485)
Exploration and evaluation assets	**(7,500)**	(53,045)
	(7,500)	(53,530)
Decrease in cash and equivalents	**58,318**	1,234
Cash and equivalents, beginning	**6,155**	9,148
Cash and equivalents, ending	**64,473**	10,382
Supplemental disclosures:		
Share issued to acquire mineral properties (Note 4 (ii))	**3,000**	6,500
Shares issued pursuant to loan agreements (Note 7)	**-**	18,750

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

1. NATURE AND CONTINUANCE OF OPERATIONS

The Company is incorporated under the laws of British Columbia, Canada and its principal business activities include the acquisition and exploration of mineral properties in Ontario and British Columbia, Canada. The Company's shares are listed on the Canadian Stock Exchange ("CNSX") trading under the symbol "NVG". The registered office and principal business address of the Company is 10th Floor, 595 Howe Street, Vancouver, V6C 2T5, British Columbia.

The Company is in the process of acquiring and exploring its exploration and evaluation assets and has not yet determined whether these assets contain reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets and related deferred exploration costs is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development and upon future profitable production. Management is actively targeting sources of additional financing through alliances with financial, exploration and mining entities, or other business and financial transactions which would assure the continuation of the Company's operations and exploration programs. To the extent financing is not available, lease payments, rental payments, and other payments may not be satisfied and could result in a loss of property ownership or earning opportunities for the Company. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

These consolidated 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 consolidated financial statements should the Company be unable to realize its assets and discharge its liabilities in the normal course of business. At March 31, 2012, the Company had an accumulated deficit of $2,606,016 which has been funded primarily by the issuance of equity and loans from related parties. Ongoing operations of the Company are dependent upon its ability to receive continued financial support, complete public equity financings, or generate profitable operations in the future.

Basis of measurement and preparation

These interim consolidated financial statements have been prepared under IFRS in accordance with IAS 34 – *Interim Financial Reporting*. Certain information, in particular the accompanying notes, normally included in the consolidated annual financial statements prepared in accordance with IFRS have been omitted or condensed. Accordingly, these condensed financial statements do not include all the information required for full annual statements.

The interim consolidated financial statements are prepared on a historical cost basis, except for certain financial instruments classified as fair value through profit or loss which have been measured at fair value.

The policies set out in the ensuing paragraphs have been consistently applied to all periods presented unless otherwise noted.

The interim consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Global Environomic Systems Ltd., Kirkland Precious Metals Corp. and Nass Energy Ltd. All significant inter-company balances and transactions have been eliminated upon consolidation.

b) Significant accounting judgements and estimates

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting periods. Such estimates relate primarily to unsettled transactions and events as of the date of the financial statements. Actual results could differ materially from those reported.

Significant assumptions about the future and other sources of judgements and estimates that management has made at the statement of financial position date, that could result in material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, related to, but not limited to, the following:

- Share based payments is based upon expected volatility and option life estimates;
- The provision of income taxes is based on judgements in applying income tax law and estimates about timing, likelihood and reversal of temporary differences between accounting and tax basis of the assets and liabilities;
- The estimated value of exploration and evaluation costs which is included in the consolidated statement of financial position;
- The assessment of indications of impairment of each of the exploration and evaluation assets and related determination of the net realizable value and write-down of those assets where applicable.

c) Cash and equivalents

Cash is comprised of cash on hand and demand deposits. Cash equivalents include short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

d) Refundable tax credits and mining duties

The Company is entitled to apply for government grants in the form of refundable tax credits and mining duties in respect of qualifying mining exploration expenses incurred. These recoveries are accounted for using the cost reduction approach whereby amounts received are applied against the cost of related assets or expenditures.

e) Foreign currency

The presentation and functional currency of the Company and each of its subsidiaries is the Canadian dollar. Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on dates of transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in currencies other than the functional currency are translated at the rates prevailing at the date of the statement of financial position. Non-monetary items that are measured in terms of historical cost in a currency other than the functional currency are not retranslated.

g) Equipment

Equipment is recorded at cost less accumulated amortization and impairment. Amortization is calculated using the straight line method to allocate its cost net of estimated residual value over its estimated useful life at the annual rate of 20%

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Equipment (continued)

Residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than the estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the statement of loss.

h) Exploration and evaluation assets

All costs related to the acquisition, exploration and evaluation of mineral properties are capitalized by property.

Exploration and evaluation expenditures comprise costs that are directly attributable to:

- researching and analysing existing data;
- conducting geological studies, exploratory drilling and sampling;
- examining and testing extraction and treatment methods; and
- activities in relation to evaluating the technical feasibility and commercial viability of extracting a mineral resource.

Exploration and evaluation expenditures for each area of interest are carried forward as an asset provided that such costs are expected to be recouped in full through successful development and exploration of the area of interest or alternatively, by its disposal or through farm-out arrangements.

Once commercial production commences, these costs will be reclassified to mineral properties within Property, plant and equipment and are charged to operations on a unit-of-production method based on proven and probable reserves.

The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development of the properties, and on future production or proceeds of disposition.

The Company recognizes in income, costs recovered on exploration and evaluation assets when amounts received or receivable are in excess of the carrying amount.

i) Decommissioning liabilities

The fair value of the statutory, contractual, constructive or legal liabilities associated with the retirement and reclamation of mining assets are recorded when incurred, with a corresponding increase to the carrying amount of the related production assets. The amount recognized is the estimated cost of decommissioning, discounted to its present value using the Company's risk free rate. Changes in the estimated timing of decommissioning or decommissioning cost estimates and changes to the risk free rates are dealt with prospectively by recording an adjustment to the provision, and a corresponding adjustment to property and equipment. The unwinding of the discount on the decommissioning provision is charged to net earnings or loss as office and administration expense.

The Company recognizes a decommissioning liability in the period in which it is incurred when a reasonable estimate of the fair value can be made. On a periodic basis, management will review these estimates and changes and if there are any, will be applied prospectively. The fair value of the estimated provision is recorded as a long-term liability, with a corresponding increase in the carrying amount of the related asset. The capitalized amount is depleted on a unit-of-production basis over the life of the proved developed reserves. The liability amount is increased each reporting period due to the passage of time and this amount is charged to earnings in the period. Actual costs incurred upon settlement of the obligations are charged against the provision to the extent of the liability recorded and the remaining balance of the actual costs is recorded in the consolidated statement of comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Impairment of long-lived assets

At each reporting date, all capitalized exploration and evaluation expenditure is monitored for indications of impairment. Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that exploration expenditure is not expected to be recovered, it is charged to operations. Exploration areas where reserves have been discovered, but require major capital expenditure before production can begin, are continually evaluated to ensure that commercial quantities of reserves exist or to ensure that additional exploration work is underway as planned.

The aggregate costs related to abandoned mineral claims are charged to operations at the time of any abandonment or when it has been determined that there is evidence of a permanent impairment. An impairment charge relating to a mineral property is subsequently reversed when new exploration results or actual or potential proceeds on sale or farm-out of the property result in a revised estimate of the recoverable amount but only to the extent that this does not exceed the original carrying value of the property that would have resulted if no impairment had been recognized.

For purposes of recognition and measurement of an impairment loss, a long-lived asset is grouped with other assets and liabilities to form an asset group, at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. Estimates of future cash flows used to test recoverability of a long-lived asset include only the future cash flows that are directly associated with, and that are expected to arise as a direct result of, its use and eventual disposition.

k) Share based payments

The fair value of stock options granted is measured at grant date using the Black-Scholes option pricing model. Where options are granted to consultants for goods or services rendered, the options are measured at the fair value of the goods or services received by the Company. If the fair value of the goods and services received cannot be reliably measured, the fair value of the stock option granted is used instead. At each reporting date prior to vesting, the cumulative expense representing the extent to which the vesting period has expired and management's best estimate of the awards that are expected to ultimately vest is computed. The movement in cumulative expense is recognized in the statement of loss with a corresponding entry within equity, against share based compensation reserve. No expense is recognized for awards that do not ultimately vest. When options are exercised, the proceeds received together with any related amount in share based compensation reserve is credited to share capital.

l) Loss per share

Basic loss per share is computed by dividing the net loss for the period by the weighted average number of common shares outstanding during the period. To compute diluted loss per share, adjustments are made to common shares outstanding. The weighted average number of common shares outstanding is adjusted to include the number of additional common shares that would be outstanding if, at the beginning of the period or at time of issuance, all options and warrants were exercised. The proceeds from exercise are assumed to be used to purchase the Company's common shares at their average market price during the period. If this computation is anti-dilutive, diluted loss per share is the same as basic loss per share. For the periods presented, this calculation proved to be anti-dilutive.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the statement of financial position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable loss and differences relating to investments in subsidiaries to the extent that they are unlikely to reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of the underlying assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. To the extent that the Company does not consider it more likely than not that a deferred tax asset will be recovered, it does not recognize the asset.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

n) Financial instruments

Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loan and receivables, and available for sale investments. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition. It is management's opinion that the Company is not exposed to significant interest or credit risk arising from these financial instruments.

- *Financial assets at fair value through profit or loss*
  A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets and include cash and equivalents, which are initially recognized at fair value.
- *Loans and receivables*
  Loans and receivables are non derivative financial assets which fixed or determinable payments that are not quoted in an active market. They are classified as current or non current assets based on their maturity date. Assets in this category include amounts receivable from related parties and are measured at amortized cost less impairment.
- *Available-for-sale financial assets*
  Available-for-sale financial assets are either designated as available for sale or not classified in any other categories. They are initially recognized at fair value plus transaction costs and are subsequently carried at fair value, with unrealized gains and losses recorded in other comprehensive income until disposition or other-than-temporary impairment at which time the gain or loss is recorded in earnings. The Company does not have any available-for-sale financial assets.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Financial instruments (continued)

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss – this category comprises of derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of loss.

Other financial liabilities – this category includes accounts payable, due to and loan payable to related parties, are initially recognized at fair value and subsequently stated at amortized cost. Financial liabilities are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the date of the statement of financial position.

Impairment of financial assets

The Company assesses at each reporting date, whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Company recognizes an impairment loss, as follows:

- Financial assets carried at amortization: the loss is the difference between the amortized cost and its value of estimated future cash flows, discounted using the instrument's original effective interest rate;
- Available-for-sale financial asset: The loss is the amount comprising the difference between its original cost and its current fair value, less any impairment previously recognized in the statement of loss. This amount represents the cumulative loss in accumulated other comprehensive income that is reclassified to net loss.

  Reversals of impairment losses on financial assets carried at amortized cost are recorded through the statement of loss if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss had been recognized. Impairment on available-for-sale instruments is not reversed.

3. ACCOUNTING STANDARDS ISSUED BUT NOT YET IMPLEMENTED

Amendments to IAS 1 Presentation of Financial Statements
The IASB has amended IAS 1 to require entities to separate items presented in other comprehensive income ("OCI") into two groups, based on whether or not items may be reclassified into profit or loss in the future. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately. The amendment is effective for annual periods beginning on or after July 1, 2012 with earlier application permitted. The Company does not expect a material impact as a result of the amendment.

Each of the additional new standards outlined below is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted, except for IFRS 9 "Financial Instruments" which is effective for annual periods beginning on or after January 1, 2015. The Company has not yet assessed the impact, if any, that the new amended standards will have on its financial statements or whether to early adopt any of the new requirements.

IFRS 9 "Financial Instruments"
The result of the first phase of the IASB's project to replace IAS 39, "Financial Instruments: Recognition and Measurement". The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value.

IFRS 10 "Consolidated Financial Statements"
Replaces Standing Interpretations Committee 12, "Consolidation – Special Purpose Entities" and the consolidation requirements of IAS 27 "Consolidated and Separate Financial Statements". The new standard replaces the existing risk and a reward based approaches and establishes control as the determining factor when determining whether an interest in another entity should be included in the consolidated financial statements.

IFRS 11 "Joint Arrangements"
Replaces IAS 31 "Interests in Joint Ventures". The new standard focuses on the rights and obligations of an arrangement, rather than its legal form. The standard redefines joint operations and joint ventures and requires joint operations to be proportionately consolidated and joint ventures to be equity accounted.

IFRS 12 "Disclosure of Interests in Other Entities"
Provides comprehensive disclosure requirements on interests in other entities, including joint arrangements, associates, and special purpose vehicles. The new disclosures require information that will assist financial statement users in evaluating the nature, risks and financial effects of an entity's interest in subsidiaries and joint arrangements.

IFRS 13 "Fair Value Measurement"
IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

Amendments to other standards
In addition, there have been other amendments to existing standards, including IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures. IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 to IFRS 13.

4. EXPLORATION AND EVALUATION ASSETS

	Nass Bay Project	Kirkland Lake	Total
	$	$	$
Balance, December 31, 2010			
Acquisition costs	**-**	**95,500**	**95,500**
Deferred Exploration costs	**690,086**	**31,750**	**721,836**
	690,086	**127,250**	**817,336**
Changes during 2011			
Acquisition costs	-	46,500	46,500
Deferred Exploration costs	-	25,137	25,137
Impairment of deferred Exploration costs	(690,086)	-	(690,086)
	(690,086)	71,637	(618,449)
Balance, December 31, 2011			
Acquisition costs	-	**142,000**	**142,000**
Deferred Exploration costs	-	**56,887**	**56,887**
	-	**198,887**	**198,887**
Changes during 2012			
Acquisition costs	-	-	-
Deferred Exploration costs	-	7,500	7,500
	-	7,500	7,500
Balance, March 31, 2012			
Acquisition costs	-	**142,000**	**142,000**
Deferred Exploration costs	-	**64,387**	**64,387**
	-	**206,387**	**206,387**

(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.

During the year ended December 31, 2011, the Company determined that the deferred exploration costs of $690,086, capitalized under the project, should be impaired and charged the amount to operations.

4. EXPLORATION AND EVALUATION ASSETS (continued)

(ii) Kirkland Lake Project, Ontario

Effective on February 1, 2010, the Company entered into an acquisition agreement (the "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 (February 1, 2010):

(i) To the original Optionors, $120,000 in cash and the issuance of 50,000 (150,000 pre-consolidation) common shares.

	Cash payments	Common shares
On or before February 4, 2010 (paid in 2010)	60,000	-
On or before December 18, 2010 (paid and issued in 2010)	20,000	16,667
On or before January 18, 2011 (paid and issued in 2011)	40,000	33,333
	120,000	
Discount granted in 2010 for early payments	(2,000)	-
	118,000	50,000

(ii) To Golden Dawn Minerals Inc.

	Common shares
Within 10 days subject to required approval (effective date) (issued in 2010)	66,667
On or before the second anniversary of the effective date	50,000
On or before the third anniversary of the effective date	33,333
	150,000

At the year ended December 31, 2011, the Company completed the total cash payments to the Optionors of $118,000 and issued 50,000 shares to the Optionor and 66,667 shares to Golden Dawn Minerals Inc. (see Note 7) pursuant to the Agreement.

During the three months ended March 31, 2012, the Company

(i) issued 50,000 shares to Golden Dawn Minerals Inc., valued at $3,000 pursuant to the Agreement (Note 7);and

(ii) incurred $7,500 (year ended December 31, 2011: $25,138) in exploration expenditures, bringing the total amount of capitalized exploration expenditures to $64,387 at March 31, 2012(December 31, 2011: $56,887).

Cumulative exploration costs on the Kirkland Lake Project are as follows:

	March 31 2012	December 31 2011
	$	$
Consulting	**1,500**	1,500
Contracted services	**21,000**	13,500
Fieldwork	**25,750**	25,750
Reports, drafting and maps	**16,137**	16,137
Capitalized deferred exploration costs	**64,387**	56,887

5. EQUIPMENT

	Furniture & Equipment	Leasehold Improvements	TOTAL
	$	$	$
Balance - December 31, 2010			
Cost	3,830	2,260	6,090
Accumulated amortization	(2,457)	(1,562)	(4,019)
	1,373	**698**	**2,071**
Movements			
Additions	485	-	485
Amortization	(1,858)	(698)	(2,556)
	(1,373)	(698)	(2,071)
Balance - December 31, 2011 & March 31, 2012			
Cost	4,315	2,260	6,575
Accumulated amortization	(4,315)	(2,260)	(6,575)
	-	**-**	**-**

6. SHARE CAPITAL

a) Authorized share capital

At March 31, 2012, the authorized share capital of the Company comprised of an unlimited number of common shares at no par value. All issued and outstanding shares are fully paid.

b) Issue of common shares

During the three months ended March 31, 2012, the Company issued 50,000 common shares, valued at $3,000 to Golden Dawn Minerals Inc. pursuant to the acquisition agreement in Note 4(ii) and Note 8.

On March 13, 2012, the Company consolidated its outstanding common shares on the basis of one post consolidated share for three pre-consolidated shares held, rounded to the nearest share. The total outstanding common shares of 37,151,303 were consolidated to 12,383,750. The outstanding shares, weighted average outstanding shares and loss per share information have been retrospectively adjusted to reflect this change. In addition, all share issuances, options and warrant transactions have been retrospectively adjusted to reflect the changes.

Subsequent to March 31, 2012, the Company closed, subject to regulatory approval, a private placement of $600,000 through the sale of 12,000,000 shares at a price of $0.05 and 12,000,000 warrants, exercisable at a price of $0.10 within two years of issue. As part of the subscriptions received, $360,000 was received prior to March 31, 2012(December 31, 2011: $15,000). Finders' fees amounting to $7,200 cash and 32,000 broker warrants were paid with respect to the private placement.

During the year ended December 31, 2011

During the year ended December 31, 2011, the Company issued common shares with respect to the Kirkland Lake properties.

The Company also issued 125,000 common shares (375,000 pre-consolidation), valued at $18,750 to Merfin Management as interest, pursuant to the loan agreements between Merfin Management and the Company as described in Note 7.

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.

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

Expiry Date	Exercise Price $	December 31 2011	Issued	Expired/ Forfeited	March 31 2012
January 31, 2012	0.45	215,328	-	(215,333)	-
June 25, 2012	0.15	70,327	-	(5,999)	64,328
June 15, 2013	0.15	451,990	-	(36,999)	414,991
March 29, 2014	0.21	11,666	-	-	11,666
March 1, 2012*	0.30	16,666	-	(16,666)	-
January 4, 2015	0.15		428,324	(8,332)	419,992
		765,977	428,324	(283,324)	910,977
Weighted average exercise price($)		**0.24**	**0.15**	**0.39**	**0.15**

Expiry Date	Exercise Price $	December 31 2010	Issued	Expired/ Forfeited	December 31 2011
January 31, 2012	0.45	215,333	-	-	215,328
May 4, 2012	0.93	10,000	-	(10,000)	-
June 25, 2011	0.54	56,867	-	(56,867)	-
June 25, 2012	0.15	75,994	-	(5,667)	70,327
June 15, 2013	0.15	475,323	-	(23,333)	451,990
March 29, 2014	0.21	-	11,666	-	11,666
March 1, 2012*	0.30	-	16,666	-	16,666
		833,517	28,332	(95,867)	765,977
Weighted average exercise price($)		**0.27**	**0.27**	**0.45**	**0.24**

6. SHARE CAPITAL (continued)

c) Stock options (continued)

Details regarding the options outstanding as at December 31, 2011 are as follows:

Exercise Price		Number of Options Outstanding	Weighted Average Remaining Contractual Life (years)	Number of Options Exercisable
$	0.15	64,328	0.24	64,328
$	0.15	414,991	1.21	361,658
$	0.21	11,666	1.99	11,666
$	0.15	419,992	2.76	122,497
		910,977	1.84	560,149

Exercise Price		Number of Options Outstanding	Weighted Average Remaining Contractual Life (years)	Number of Options Exercisable
$	0.45	215,328	0.08	215,328
$	0.15	70,327	0.48	70,327
$	0.15	451,990	1.46	361,658
$	0.21	11,666	2.24	5,833
$	0.30	16,666	0.19	8,333
		765,977	0.97	661,479

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. 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.

The weighted average grant fair value of 428,324 options granted on January 4, 2012 was $0.05. The fair value of these options was determined on the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions: Risk free interest rate of 1.76%; the expected life of 3 years; expected volatility of 189%; and expected dividends of $Nil.

The weighted average grant fair value of 11,667 (35,000 pre-consolidation) options granted on March 29, 2011 was $0.15 ($0.05 pre-consolidation). The fair value of these options was determined on the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions: Risk free interest rate of 2.62%; the expected life of 3 years; expected volatility of 134%; and expected dividends of $Nil.

The weighted average grant fair value of 16,667 (50,000 pre-consolidation) options granted on March 1, 2011 was $0.06 ($0.02 pre-consolidation). The fair value of these options was determined on the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions: Risk free interest rate of 2.62%; the expected life of 1 year; expected volatility of 90%; and expected dividends of $Nil.

6. SHARE CAPITAL (continued)

d) Share purchase warrants

The continuity of share purchase warrants on a post-consolidation basis (see Note 12 (d)) is as follows:

	Number of Warrants	Weighted Average Exercise Price	Expiry date	Remaining life (years)
	2,300,000	$0.150	December 23, 2012	0.73
	1,133,333	$0.225	June 7, 2013	1.19
Balance, March 31, 2012 and December 31, 2011	**3,433,333**	$0.174	-	0.88

7. RELATED PARTY TRANSACTIONS

During the three months ended March 31, 2012, the Company entered into the following transactions with related parties.

Key Management personnel compensation

No remuneration was paid during the three months ended March 31, 2012 and 2011 to any key management personnel. Instead, the Company pays a management fee and administrative charges, including the services of its key management personnel, to Mineral Hill Industries Ltd, a company listed on the TSX Venture, which has common directors and officers.

During the three months ended March 31, 2012, the Company incurred $25,417 (2010: $26,250) with respect to the foregoing.

Other related party transactions

An advance in 2007 amounting to $10,000 provided to Gixtat'in Mhind World Link Ltd. (GMWL) and an amount of $5,000 due from GMM Admin Corp. both private companies with common directors and officers, were impaired during the three months ended March 31, 2011 as uncollectible. An amount of $994 due to GMWL by the Company was off-set against this impairment.

During the three months ended March 31, 2012, the Company accrued printing expenses of $197 (2011: $Nil) to Golden Dawn Minerals Inc., a company having a common director. The Company also issued 50,000 shares (2011: Nil) valued at $3,000 (2011:$Nil) during that period with regards to the option agreement on the Kirkland Lake Project. The Company also accrued $1,140 (2011: $8,118) payable to the Chief Executive Officer with respect to expenses incurred on behalf of the Company.

The amounts outstanding to related parties with respect to the above were as follows;

		March 31 2012	December 31 2011
Krypt-Logx Network Corp.	$	**6,804**	6,804
Mineral Hill Industries Ltd.		**33,354**	3,943
Dieter Peter (Chief Executive Officer)		**23,236**	22,096
Golden Dawn Minerals Inc.		**197**	944
	$	**63,951**	33,787

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.

7. RELATED PARTY TRANSACTIONS (continued)

Advances from related party

During the three months ended March 31, 2012, the Company entered into loan agreements with Merfin Management Limited ("Merfin"), a private company with a common director for loan totalling $20,000, which will become due in 2013. Under the terms of agreements, the amount is unsecured and bears interest at 8% per annum.

During the three months ended March 31, 2012, the Company

(i) accrued a further $5,437 (2011: $3,134) in interest on the outstanding loans

(ii) repaid a total of $ $267,997 in outstanding loans, including interest.

At March 31, 2012, a total amount of $56,527 (December 31, 2011:$ 299,087)) was outstanding and included an amount of $1,527 as interest. (December 31, 2011: $ 19,087).

During the three months ended March 31, 2012, the Company issued Nil (2011:125,000) common shares, valued at $Nil (2011: $18,750), as a bonus interest pursuant to the terms of the loan agreements signed in 2009.

8. INCOME TAXES

In assessing deferred income tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred 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 deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment and concluding the deferred tax assets were not realized.

	December 31 2011	December 31 2010
Canadian statutory income tax rate	26.50%	28.50%
	$	$
Income tax recovery at statutory rate	(250,249)	(76,151)
Effect on income taxes of:		
Permanent differences	5,526	7,713
Change in tax rate	13,642	8,405
Losses not recognized	231,081	60,033
Income taxes recoverable	-	-

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

	December 31 2011	December 31 2010
	$	$
Non capital losses carried forward	395,945	337,637
Capitalized costs in excess of mineral cost pools	96,314	(76,005)
Property and equipment	955	316
Share issuance costs	-	3,896
Deferred tax assets	493,214	265,844
Deferred tax assets not recognized	(493,214)	(265,844)
Net deferred tax asset	-	-

8. INCOME TAXES (continued)

As at December 31, 2011, the Company had non-capital losses carried forward of approximately $1,583,778 (2010: $1,350,548) 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
2031	233,230
	$ 1,583,778

9. FINANCIAL INSTRUMENTS AND RISKS

The Company's financial instruments consist of cash and equivalents, amounts receivable from related parties, accounts payable and amounts payable to related parties. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Credit risk
Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash and equivalents, marketable securities, receivables and due from related parties. The Company limits its exposure to credit risk on liquid financial assets through maintaining its cash and equivalents with high-credit quality financial institutions.

Amounts due to and from related parties are discussed in Note 7.

Currency risk
The Company operates primarily in Canadian dollars and as such is not affected by the fluctuations of the Canadian dollar with other currencies.

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 anticipated 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 exploration success. In recent years, the securities markets in Canada have experienced wide fluctuations in price 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.

Interest rate risk
The Company normally invests in short-term interest bearing financial instruments. There is a minimal risk that the Company would recognize any loss as a result of a decrease in the fair value of any guaranteed bank investment certificate included in cash and equivalents as they are currently held in large financial institutions.

9. FINANCIAL INSTRUMENTS (continued)

Fair value measurements of financial assets and liabilities

IFRS 7 establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value 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 (i.e.: as prices) or indirectly (i.e.: 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 due to and from related parties and accounts payable, 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 March 31, 2012 as follows:

	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	March 31 2012
Cash and equivalents	$ 64,473	–	–	$ 64,473

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 period ended March 31, 2012. 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

On April 2, 2012, the Company repaid Merfin Management Ltd. the balance outstanding in full at March 31, 2012 including both principal $65,000 and interest accrued up to repayment date.