

# **NASS VALLEY GATEWAY LTD.**

**NOTICE OF MEETING**

**AND**

**MANAGEMENT INFORMATION CIRCULAR**

**FOR**

**AN ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS**

**IN RESPECT OF AN ARRANGEMENT**

**BETWEEN**

**NASS VALLEY GATEWAY LTD.**

**AND**

**KIRKLAND PRECIOUS METALS CORP.**

**August 27, 2012**

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**NASS VALLEY GATEWAY LTD.  
Suite 575, 1111 West Hastings Street  
Vancouver, British Columbia V6E 2J3**

**NOTICE OF AN ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS**

To: The Shareholders of Nass Valley Gateway Ltd.

**TAKE NOTICE** that pursuant to an order of the Supreme Court of British Columbia dated August 27, 2012, an annual and special meeting (the "**Meeting**") of shareholders (the "**NVG Shareholders**") of Nass Valley Gateway Ltd. (the "**Company**") will be held in the offices of legal counsel to the Company at 10<sup>th</sup> Floor, 595 Howe Street, Vancouver, British Columbia on September 26, 2012, at 11:00 a.m. (Vancouver time), for the following purposes:

1. to receive and consider the report of the directors and the financial statements of the Company, together with the auditor's report thereon, for the financial year ended December 31, 2011;
2. to fix the number of directors at five;
3. to elect directors for the ensuing year;
4. to appoint the auditor for the ensuing year;
5. to approve and ratify the Company's stock option plan;
6. to consider and, if thought fit, pass, with or without variation, a special resolution approving an arrangement (the "**Plan of Arrangement**") under Division 5 of Part 9 of the *Business Corporations Act* (British Columbia) (the "**Act**") which involves, among other things, the distribution to the NVG Shareholders shares of Kirkland Precious Metals Corp. ("**KPM**"), currently a wholly-owned subsidiary of the Company, all as more fully set forth in the accompanying management information circular (the "**Circular**") of the Company;
7. to consider and, if thought fit, pass, with or without variation, an ordinary resolution to approve, ratify and affirm a stock option plan for KPM; and
8. to transact such other business as may properly come before the Meeting or at any adjournment(s) or postponement(s) thereof.

**AND TAKE NOTICE** that NVG Shareholders who validly dissent from the Arrangement will be entitled to be paid the fair value of their NVG Shares subject to strict compliance with the provisions of the interim order (as set forth herein), the Plan of Arrangement and sections 237 to 247 of the Act. The dissent rights are described in Schedule "C" of the Circular. Failure to comply strictly with the requirements set forth in the Plan of Arrangement and sections 237 to 247 of the Act may result in the loss of any right of dissent.

The Circular provides additional information relating to the matters to be dealt with at the Meeting and is deemed to form part of this Notice. Also accompanying this Notice and the Circular is a form of proxy for use at the Meeting. Any adjourned meeting resulting from an adjournment of the Meeting will be held at a time and place to be specified at the Meeting. Only NVG Shareholders of record at the close of business on August 22, 2012, will be entitled to receive notice of and vote at the Meeting.

**Registered NVG Shareholders unable to attend the Meeting are requested to date, sign and return the enclosed form of proxy and deliver it in accordance with the instructions set out in the proxy and in the Circular. If you are a non-registered NVG Shareholder and receive these materials through your broker or through another intermediary, please complete and return the materials in accordance with the instructions provided to you by your broker or the other intermediary. Failure to do so may result in your shares of the Company not being voted at the Meeting.**

Dated at Vancouver, British Columbia, this 27<sup>th</sup> day of August, 2012.

**BY ORDER OF THE BOARD OF DIRECTORS**

*/s/ "Dieter Peter"*

**Dieter Peter**  
**Chief Executive Officer**

**IN THE SUPREME COURT OF BRITISH COLUMBIA**

**RE: ARRANGEMENT AMONG NASS VALLEY GATEWAY LTD. (THE “PETITIONER”),  
KIRKLAND PRECIOUS METALS CORP. AND THE SHAREHOLDERS OF NASS VALLEY  
GATEWAY LTD.**

**NOTICE OF HEARING**

To: **KIRKLAND PRECIOUS METALS CORP.**

**SHAREHOLDERS OF NASS VALLEY GATEWAY LTD.**

TAKE NOTICE that a Petition has been filed by Nass Valley Gateway Ltd. (the “**Petitioner**”) in the Supreme Court of British Columbia for approval of the plan of arrangement (the “**Arrangement**”), pursuant to the *Business Corporations Act*, S.B.C 2002, Chapter 57, as amended.

AND FURTHER TAKE NOTICE that by an Interim Order of the Supreme Court of British Columbia, pronounced on August 27, 2012, the Court has given directions as to the calling of annual general and special meeting of the holders of commons shares in the capital of the Petitioner (the “**Shareholders**”) for the purpose, *inter alia*, of considering and voting upon the Arrangement and approving the Arrangement.

AND TAKE FURTHER NOTICE that the petition of NASS VALLEY GATEWAY LTD. dated August 23, 2012 for a Final Order approving the Arrangement and for a determination that the terms and conditions of the Arrangement are fair to the Shareholders shall be heard before the presiding judge in Chambers at the courthouse at 800 Smithe Street, Vancouver, British Columbia on October 2, 2012 at 9:45 a.m. or soon thereafter as counsel may be heard.

A copy of the said petition and other documents in the proceedings will be furnished to any shareholder upon request in writing to the Petitioner at the address of the Petitioner at 575 – 1111 West Hastings Street, Vancouver, BC V6E 2H3.

**1. Date of hearing**

- The parties have agreed as to the date of the hearing of the petition.
- The parties have been unable to agree as to the date of the hearing but notice of the hearing will be given to the petition respondents in accordance with Rule 16-1 (8) (b) of the Supreme Court Civil Rules.
- The petition is unopposed, by consent or without notice.

The date of the hearing has been determined pursuant to the Interim Order.

**2. Duration of hearing**

- It has been agreed by the parties that the hearing will take .....[time estimate]..... .
- The parties have been unable to agree as to how long the hearing will take and
  - (a) the time estimate of the petitioner(s) is 20 minutes, and
  - (b) the time estimate of the petition respondent(s) is ..... minutes.
- the petition respondent(s) has(ve) not given a time estimate.

It is not known whether the matter will be contested and it is estimated by the Petitioner that the hearing will take 20 minutes.

**3. Jurisdiction**

- This matter is within the jurisdiction of a master.
- This matter is not within the jurisdiction of a master.

Date: August 27, 2012

Signature of

petitioner  lawyer for petitioner(s)  
LINAS ANTANAVICIUS

**IN THE SUPREME COURT OF BRITISH COLUMBIA**

**RE: ARRANGEMENT AMONG NASS VALLEY GATEWAY LTD. (THE “PETITIONER”),  
KIRKLAND PRECIOUS METALS CORP. AND THE SHAREHOLDERS OF NASS VALLEY  
GATEWAY LTD.**

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**NOTICE OF HEARING**

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Linus Antanavicius  
Barrister & Solicitor  
1150 – 750 West Pender St.  
Vancouver, BC V6C 2T8  
Tel. 778-322-5100

**NASS VALLEY GATEWAY LTD.  
Suite 575-1111 West Hastings Street  
Vancouver, British Columbia V6E 2J3**

**This Circular is furnished in connection with the solicitation of proxies by management of Nass Valley Gateway Ltd. for use at an annual and special meeting of shareholders of the Company to be held on September 26, 2012.**

Unless the context otherwise requires, capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Glossary of Terms in this Circular.

In considering whether to vote for the approval of the Arrangement, NVG Shareholders should be aware that there are various risks, including those described in the Section entitled "Risk Factors" in this Circular. NVG Shareholders should carefully consider these risk factors, together with other information included in this Circular, before deciding whether to approve the Arrangement.

**INFORMATION CONCERNING FORWARD-LOOKING STATEMENTS**

Except for statements of historical fact contained herein, the information presented in this Circular constitutes "forward-looking statements" or "information" (collectively "**statements**"). These statements relate to analyses and other information that are based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management.

In certain cases, forward-looking statements can be identified by the use of words such as "intends", "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ from those expressed or implied by the forward-looking statements. Such factors include, among others, risks related to international operations, fluctuation of currency exchange rates, actual results of current exploration activities, changes in project parameters as plans are refined over time, the future price of gold and other precious or base metals, possible variations in mineral resources, grade or recovery rates, accidents, labour disputes and other risks of the mining industry, delays in obtaining, or inability to obtain, required governmental approvals or financing, as well as other factors discussed under "Risk Factors". Although the Company has attempted to identify material factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Forward-looking statements contained in this Circular are made as of the date of this Circular. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The Company will update forward-looking statements in its management discussion and analysis as required.

**DOCUMENTS INCORPORATED BY REFERENCE**

The following document, filed by the Company with securities commissions or similar regulatory authorities in British Columbia, Alberta and Ontario, is specifically incorporated by reference into, and form an integral part of, this Circular:

Technical report entitled "National Instrument 43-101 Report for 2008-2009 Diamond Drilling on the Link-Catharine Property and Associated Claims with Summary of 1994-2009 Drilling Catharine Township, Northeastern Ontario" dated August 23, 2011 prepared by Stewart A. Jackson, PhD, PGeol., P. Geo.

A copy of the foregoing technical report incorporated herein by reference may be obtained on request without charge from the Secretary of the Company at Suite 575 – 1111 West Hastings Street, Vancouver, British Columbia, V6E 2J3 (Telephone (604) 685-4170). This document is also available under the Company's profile on the SEDAR website at [www.sedar.com](http://www.sedar.com).

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this Circular to the extent that a statement contained in this Circular or in any subsequently filed document that also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not constitute a part of this Circular, except as so modified or superseded. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of such a modifying or superseding statement shall not be deemed an admission for any purpose that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made.

#### INFORMATION CONTAINED IN THIS CIRCULAR

The information contained in this Circular is given as at August 27, 2012, unless otherwise noted.

No person has been authorized to give any information or to make any representation in connection with the Arrangement and other matters described herein other than those contained in this Circular and, if given or made, any such information or representation should be considered not to have been authorized by the Company.

This Circular does not constitute the solicitation of an offer to purchase any securities or the solicitation of a proxy by any person in any jurisdiction in which such solicitation is not authorized or in which the person making such solicitation is not qualified to do so or to any person to whom it is unlawful to make such solicitation.

Information contained in this Circular should not be construed as legal, tax or financial advice and NVG Shareholders are urged to consult their own professional advisers in connection therewith.

Descriptions in the body of this Circular of the terms of the Arrangement Agreement and the Plan of Arrangement are merely summaries of the terms of those documents. NVG Shareholders should refer to the full text of the Arrangement Agreement and the Plan of Arrangement for complete details of those documents. A copy of the Arrangement Agreement has been filed on SEDAR ([www.sedar.com](http://www.sedar.com)) and the Plan of Arrangement is attached as Schedule "A" to the Arrangement Agreement.

#### GLOSSARY OF TERMS

The following is a glossary of general terms and abbreviations used in this Circular:

**"Act"** means the *Business Corporations Act* (British Columbia), S.B.C. 2002, c. 57, as may be amended or replaced from time to time;

**"Arrangement"** means the arrangement under the Arrangement Provisions pursuant to which the Company proposes to reorganize its business and assets, and which is set out in detail in the Plan of Arrangement;

**"Arrangement Agreement"** means the amended and restated arrangement agreement dated effective August 27, 2012 between the Company and KPM, a copy of which is available on SEDAR under the Company's profile at [www.sedar.com](http://www.sedar.com), and any amendment(s) or variation(s) thereto;

**"Arrangement Provisions"** means Part 9, Division 5 of the Act;

**"Arrangement Resolution"** means the special resolution to be considered by the NVG Shareholders to approve the Arrangement, the full text of which is set out in Schedule "A" to this Circular;

**"Assets"** means the assets of the Company to be transferred to KPM pursuant to the Arrangement, being NVG's rights to the 16 mineral claims located in the Kirkland Lake Mining Division, Ontario pursuant to the acquisition agreement between NVG and Golden Dawn Minerals Inc. dated February 1, 2010, as set out in Schedule "B" of the Arrangement Agreement;

“**Beneficial Shareholder**” means an NVG Shareholder who is not a Registered Shareholder;

“**Board**” means the board of directors of the Company;

“**Business Day**” means a day which is not a Saturday, Sunday or statutory holiday in Vancouver, British Columbia;

“**Circular**” means this management information circular;

“**CNSX**” or “**Exchange**” means the Canadian National Stock Exchange;

“**Company**” means Nass Valley Gateway Ltd.;

“**Computershare**” means Computershare Trust Company of Canada;

“**Conversion Factor**” means the number arrived at by dividing the number of issued NVG Shares minus the issued KPM Shares as of the close of business on the Share Distribution Record Date by 24,383,650;

“**Court**” means the Supreme Court of British Columbia;

“**Dissenting Shareholder**” means an NVG Shareholder who validly exercises rights of dissent under the Arrangement and who will be entitled to be paid fair value for his, her or its NVG Shares in accordance with the Interim Order and the Plan of Arrangement;

“**Dissenting Shares**” means the NVG Shares in respect of which Dissenting Shareholders have exercised a right of dissent;

“**Effective Date**” means the date upon which the Arrangement becomes effective under the Act;

“**Effective Time**” means 10:00 a.m. (Vancouver time) on the Effective Date;

“**Final Order**” means the final order of the Court approving the Arrangement;

“**Interim Order**” means the interim order of the Court pursuant to the Act in respect of the Arrangement dated August 27, 2012, a copy of which is attached to this Circular as Schedule “B”;

“**Intermediaries**” refers to brokers, investment firms, clearing houses and similar entities that own securities on behalf of Beneficial Shareholders;

“**KPM**” means Kirkland Precious Metals Corp., a private company incorporated under the BCBCA;

“**KPM Class A Preferred Shares**” means the Class “A” preferred shares without par value which KPM will create and issue pursuant to §3.1 of the Plan of Arrangement;

“**KPM Commitment**” means the covenant of KPM to issue KPM Shares to the holders of NVG Share Commitments who exercise their rights there under after the Effective Date, and are entitled pursuant to the corporate reorganization provisions thereof to receive KPM Shares upon such exercise;

“**KPM Converted Share**” has the meaning ascribed thereto in §3.1(c) of the Plan of Arrangement;

“**KPM Shares**” means the common shares without par value in the authorized share structure of KPM;

“**KPM Stock Option Plan**” means the proposed common share purchase option plan of KPM, which is subject to NVG Shareholder approval;

“**Meeting**” or “**NVG Meeting**” means the annual and special meeting of the NVG Shareholders to be held on September 26, 2012, and any adjournment(s) or postponement(s) thereof;

“**Notice of Meeting**” means the notice of annual and special meeting of the NVG Shareholders in respect of the Meeting;

“**NVG Options**” means the outstanding stock options, whether or not vested, to acquire NVG Shares;

“**NVG Share Commitments**” means an obligation of NVG to issue and deliver KPM Shares to the holders of NVG Options and NVG Warrants which are outstanding on the Effective Date upon the exercise of such options and warrants;

“**NVG Shares**” means the common shares of NVG;

“**NVG Shareholders**” means the holders from time to time of NVG Shares;

“**NVG Stock Option Plan**” means the stock option plan of NVG dated July 15, 2006, and as amended on April 25, 2012;

“**NVG Warrants**” means share purchase warrants of NVG that are outstanding on the Effective Date;

“**Paid-Up Capital**” means “paid-up capital” as that term is defined in the *Income Tax Act* of Canada;

“**Plan of Arrangement**” means the plan of arrangement attached as Schedule “A” to the Arrangement Agreement, which Arrangement Agreement is available on SEDAR under the Company’s profile at [www.sedar.com](http://www.sedar.com), and any amendment(s) or variation(s) thereto;

“**Proxy**” means the form of proxy accompanying this Circular;

“**Registered Shareholder**” means a registered holder of NVG Shares as recorded in the shareholder register of the Company maintained by Computershare;

“**Registrar**” means the Registrar of Companies for the Province of British Columbia duly appointed under the Act;

“**SEC**” means the United States Securities and Exchange Commission;

“**SEDAR**” means the System for Electronic Document Analysis and Retrieval of the Canadian Securities Administrators;

“**Share Distribution Record Date**” means the close of business on the day which is ten Business Days after the date of the NVG Meeting or such other date as agreed to by NVG and KPM, which date will be used to establish the NVG Shareholders who will be entitled to receive KPM Shares pursuant to the Plan of Arrangement;

“**Tax Act**” means the *Income Tax Act* (Canada), as may be amended, or replaced, from time to time;

“**U.S. Exchange Act**” means the United States *Securities Exchange Act of 1934*, as may be amended, or replaced, from time to time; and

“**U.S. Securities Act**” means the United States *Securities Act of 1933*, as may be amended, or replaced, from time to time.



## SUMMARY

The following is a summary of the information contained elsewhere in this Circular concerning a proposed reorganization of the Company by way of the Arrangement. Certain capitalized words and terms used in this summary are defined in the Glossary of Terms above. This summary is qualified in its entirety by the more detailed information and financial statements appearing or referred to elsewhere in this Circular and the schedules attached hereto.

### The Meeting

The Meeting will be held at the offices of legal counsel to the Company at 10<sup>th</sup> Floor, 595 Howe Street, Vancouver, British Columbia, on September 26, 2012 at 11:00 a.m. (Vancouver time). At the Meeting, the NVG Shareholders will be asked, to consider and, if thought fit, to pass the Arrangement Resolution approving the Arrangement among the Company, KPM, and the NVG Shareholders. The Arrangement will consist of the distribution of KPM Converted Shares to the NVG Shareholders. NVG Shareholders will also be requested to consider and, if thought fit, to pass the KPM Option Plan Resolution approving the KPM Option Plan.

**By passing the Arrangement Resolution, the NVG Shareholders will also be giving authority to the Board to use its best judgment to proceed with and cause the Company to complete the Arrangement without any requirement to seek or obtain any further approval of the NVG Shareholders.**

### The Arrangement

The Company is a reporting issuer in the provinces of British Columbia and Ontario and has an option to acquire an 80% joint venture interest from Golden Dawn Minerals Inc. in the Assets. A 2% net smelter royalty return exists individually on the Assets in favour of the original optionors.

On August 27, 2012, the Company and KPM, a private company in which the Company holds a 100% interest, entered into the Arrangement Agreement. The purpose of the Arrangement is to allow the Company to divest itself of the Assets, enabling the Company to focus on multi-wave wood drying technology, waste to energy technology and the geo-thermal energy exploration through its respective subsidiaries: M-Wave EnviroTech Inc., Global Environomic Systems Corp. and Nass Energy Inc. After completion of the Arrangement, management of KPM intends to implement an expanded exploration program on its mineral properties, being the Assets.

The Company believes that the Arrangement offers a number of benefits to its shareholders, including the following:

- i) The Company and KPM will serve different markets and are subject to different competitive forces and will require diverse short term and long term strategies. The separation into two independent companies, each with its own board of directors, will provide management of each company with a sharper business focus. This will permit both companies to pursue independent business strategies best suited to their business plans, and allow them to pursue opportunities in their respective markets.
- ii) By vesting its interests in the Assets into a subsidiary company which will become a separate reporting entity, the Company will be better able to pursue different specific operating strategies directly on its own and through its subsidiaries, and indirectly through its holding in the former subsidiary without being subject to the financial constraints of competing interests.
- iii) After the separation, each company will also have the flexibility to implement its own unique growth strategies, allowing both organizations to refine and refocus their business mix.
- iv) Additionally, because the resulting business will be focused on its own separate industry, it will be more readily understood by public investors, allowing the company to be in a better position to raise capital and align management and employee incentives with the interests of shareholders.

Pursuant to the Arrangement, NVG will transfer the Assets to KPM in exchange for KPM Shares multiplied by the Conversion Factor, which shares in addition to the KPM Shares already owned by NVG, will be distributed to the NVG Shareholders who hold NVG Shares on the Share Distribution Record Date.

Each NVG Shareholder as of the Share Distribution Record Date, other than a Dissenting Shareholder, will, immediately after the Arrangement, hold a *pro-rata* share of the KPM Shares to be distributed under the Arrangement for each currently held NVG Share. The KPM Shares will be identical in every respect to the present NVG Shares. See "The Arrangement – Details of the Arrangement".

#### **Effect of the Arrangement on NVG Share Commitments**

- 1) All NVG Share Commitments will be exercisable for NVG Shares and KPM Shares in accordance with the corporate reorganization and adjustment provisions of such commitments, whereby the exercise of an NVG Share Commitment will result in the holder of the NVG Share Commitment receiving one NVG Share and one KPM Share.
- 2) Pursuant to the KPM Commitment, KPM will issue the required number of KPM Shares upon the exercise of NVG Share Commitments as is directed by NVG.
- 3) NVG will, as agent for KPM, collect and pay to KPM a portion of the proceeds received for each NVG Share Commitment so exercised, with the balance of the exercise price to be retained by NVG, as determined in accordance with §3.4 of the Arrangement Agreement.

#### **Recommendation and Approval of the Board of Directors**

**The directors of the Company have concluded that the terms of the Arrangement are fair and reasonable to, and in the best interests of, the Company and the NVG Shareholders. The Board has therefore approved the Arrangement and authorized the submission of the Arrangement to the NVG Shareholders and the Court for approval. The Board recommends that NVG Shareholders vote FOR the approval of the Arrangement. See "The Arrangement – Recommendation of Directors".**

#### **Reasons for the Arrangement**

The decision to proceed with the Arrangement was based on, among other things, the following primary determinations:

1. since incorporation, the Company's primary focus has been the acquisition, exploration and development of resource projects in Canada. When presented with the opportunity to enter into a joint venture with the exclusive right to import and distribute production machines based on patented production technology, management of the Company determined that it would be in the best interests of the Company to proceed with the Arrangement. The transfer of the Assets to KPM will facilitate separate corporate development strategies for the Company moving forward and at the same time enable the Company's shareholders to retain their interest in the Assets moving forward;
2. following the Arrangement, management of the Company will consist of a strong executive team with significant experience, knowledge and connections in the clean technology industry, and management of KPM will be free to focus on developing the Assets;
3. the distribution of KPM Shares to the NVG Shareholders pursuant to the Arrangement will give the NVG Shareholders a direct interest in a new company that will focus on and pursue the development of the mineral properties;
4. as a separate company focusing on clean technology, the Company will have direct access to broader public and private capital markets and will be able to issue debt and equity to fund its joint venture projects and to finance the acquisition and development of any new technology the Company may acquire on a priority basis;
5. as a separate company, KPM will have direct access to public and private capital markets and will be able to issue debt and equity to fund improvements and development of the Assets and to finance the acquisition and development of any new properties KPM may acquire on a priority basis; and

6. as a separate company, KPM will be able to establish equity based compensation programs to enable it to better attract, motivate and retain directors, officers and key employees, thereby better aligning management and employee incentives with the interests of shareholders.

See "The Arrangement – Reasons for the Arrangement".

### **Conduct of Meeting and Shareholder Approval**

The Interim Order provides that in order for the Arrangement to proceed, the Arrangement Resolution must be passed, with or without variation, by at least two-thirds (2/3) of the eligible votes cast with respect to the Arrangement Resolution by NVG Shareholders present in person or by proxy at the Meeting. See "The Arrangement – Shareholder Approval".

### **Court Approval**

The Arrangement, as structured, requires the approval of the Court. Prior to the mailing of this Circular, the Company obtained the Interim Order authorizing the calling and holding of the Meeting and providing for certain other procedural matters. The Interim Order does not constitute approval of the Arrangement or the contents of this Circular by the Court.

The Notice of Hearing for the Final Order is attached to the Notice of Meeting. In hearing the petition for the Final Order, the Court will consider, among other things, the fairness of the Arrangement to the NVG Shareholders. Assuming the Arrangement is approved by the NVG Shareholders at the Meeting, the hearing for the Final Order is scheduled to take place at 9:45 a.m. (Vancouver time) on or after October 2, 2012, at the Courthouse located at 800 Smith Street, Vancouver, British Columbia, or at such other date and time as the Court may direct. At this hearing, any NVG Shareholder or director, creditor, auditor or other interested party of the Company who wishes to participate or to be represented or who wishes to present evidence or argument may do so, subject to filing an appearance and satisfying certain other requirements. See "The Arrangement – Court Approval of the Arrangement".

### **Income Tax Considerations**

Canadian federal income tax considerations for NVG Shareholders who participate in the Arrangement or who dissent from the Arrangement are set out in the summary herein entitled "Income Tax Considerations – Certain Canadian Federal Income Tax Considerations".

**NVG Shareholders should carefully review the tax considerations applicable to them under the Arrangement and are urged to consult their own legal, tax and financial advisors in regard to their particular circumstances.**

### **Right to Dissent**

NVG Shareholders will have the right to dissent from the Arrangement as provided in the Interim Order, the Plan of Arrangement and sections 237 to 247 of the Act. Any NVG Shareholder who dissents will be entitled to be paid in cash the fair value for their NVG Shares held so long as such Dissenting Shareholder: (i) does not vote any of his, her or its NVG Shares in favour of the Arrangement Resolution, (ii) provides to the Company written objection to the Plan of Arrangement to the Company's head office at 575, 1111 West Hastings Street, Vancouver, British Columbia V6E 2J3, at least two (2) days before the Meeting or any postponement(s) or adjournment(s) thereof, and (iii) otherwise complies with the requirements of the Plan of Arrangement and section 237 to 247 of the Act. See "Right to Dissent".

### **Stock Exchange Listings**

The NVG Shares are currently listed and posted for trading on the CNSX under the symbol "NVG". **The closing of the Arrangement is conditional upon receipt of approval from the Canadian National Stock Exchange to the Arrangement.**

### Information Concerning the Company and KPM After the Arrangement

Following completion of the Arrangement, the Company will continue to carry on its primary business activities. Each NVG Shareholder will continue to be a shareholder of the Company and on the Share Distribution Record Date will receive its *pro-rata* share of the KPM Shares (multiplied by the Conversion Factor) to be distributed to such NVG Shareholders under the Arrangement. See "The Company After the Arrangement" for a summary description of the Company assuming completion of the Arrangement, including selected *pro-forma* unaudited financial information for the Company.

Following completion of the Arrangement, KPM will be a company reporting in the jurisdictions of British Columbia and Ontario (provided that at least one of the parties to the Arrangement has been a "reporting issuer", as that term is defined in the *Securities Act* (Ontario) for at least 12 months prior to the Effective Date), and the shareholders of KPM will be the holders of NVG Shares on the Share Distribution Record Date. KPM will own all of NVG's interest in the Assets. See "KPM After the Arrangement" for a description of the Assets, corporate structure and business, including selected *pro-forma* unaudited financial information, of KPM assuming completion of the Arrangement.

### Selected Unaudited *Pro-Forma* Financial Information for the Company

The following selected unaudited *pro-forma* financial information for the Company is based on the assumptions described in the notes to the Company's unaudited *pro-forma* balance sheet as at June 30, 2012, attached to this Circular as Schedule "D". The *pro-forma* balance sheet has been prepared based on the assumption that, among other things, the Arrangement occurred on June 30, 2012.

	<i>Pro-forma as at June 30, 2012 on completion of the Arrangement</i>
	(unaudited)
Cash and cash equivalents .....	\$ 134,839
Amounts receivables.....	7,931
Prepaid expenses.....	9,690
Reclamation bond .....	3,000
<b>Total assets .....</b>	<b>\$ 281,460</b>
Accounts payable and accrued liabilities.....	\$ 119,480
Due to related parties.....	25,941
Shareholders' equity.....	135,639
Non-controlling interest.....	400
<b>Total liabilities and shareholders' equity.....</b>	<b>\$ 281,460</b>

### Selected Unaudited *Pro-Forma* Financial Information for KPM

In connection with the Arrangement, the Company will transfer its interest in the Assets to KPM.

The following selected unaudited *pro-forma* financial information for KPM is based on the assumptions described in the notes to the KPM unaudited *pro-forma* balance sheet as at June 30, 2012, attached to this Circular as Schedule "E". The *pro-forma* balance sheet has been prepared based on the assumption that, among other things, the Arrangement occurred on June 30, 2012.

	<b>As of June 30, 2012</b>	<b>Pro-forma as at June 30, 2012 on completion of the Arrangement</b>
	(unaudited)	(unaudited)
Cash .....	\$ 1	1
Mineral properties.....	Nil	234,387
<b>Total assets .....</b>	<b>\$ Nil</b>	<b>\$ 234,388</b>

## **Information Concerning the Company After the Arrangement**

Following completion of the Arrangement, NVG will continue to be a reporting issuer in the jurisdictions of British Columbia and Ontario, and will carry on the business of commercializing certain multi-wave technology, waste to energy technology, and geo-thermal energy exploration. NVG has entered into a joint venture agreement with Vixon Technology Ltd., Bert Kelm and James Elliott to commercialize the Vixon Environmental Microwave Monitoring and Control System (“VEM”), a proprietary technology integration system designed to monitor and control moisture content of wood for the pulp, paper and lumber industry, through M-Wave EnviroTech Inc. (“MWE”). See “NVG After the Arrangement” for a description of the corporate structure and business, including selected pro-forma unaudited financial information, of NVG assuming completion of the Arrangement.

## **Risk Factors**

In considering whether to vote for the approval of the Arrangement, NVG Shareholders should be aware that there are various risks, including those described in the Section entitled “Risk Factors” in this Circular. NVG Shareholders should carefully consider these risk factors, together with other information included in this Circular, before deciding whether to approve the Arrangement.

## **GENERAL PROXY INFORMATION**

### **Solicitation of Proxies**

This Circular is furnished in connection with the solicitation of proxies by management of NVG for use at the Meeting, and at any adjournment(s) or postponement(s) thereof.

The solicitation of proxies will be primarily by mail, but proxies may be solicited personally or by telephone by directors or officers of the Company. The Company will bear all costs of this solicitation. The Company has arranged for Intermediaries to forward the meeting materials to Beneficial Shareholders held of record by those Intermediaries and the Company may reimburse the Intermediaries for their reasonable fees and disbursements in that regard.

### **Currency**

In this Circular, except where otherwise indicated, all dollar amounts are expressed in the lawful currency of Canada.

### **Record Date**

The Board has fixed August 22, 2012 as the record date (the “**Record Date**”) for determination of persons entitled to receive notice of and to vote at the Meeting. Only Registered Shareholders at the close of business on the Record Date who either attend the Meeting personally or complete, sign and deliver a form of proxy in the manner and subject to the provisions described herein will be entitled to vote or to have their NVG Shares voted at the Meeting.

### **Appointment of Proxy holders**

The individual(s) named in the accompanying form of proxy are management's representatives. **If you are a shareholder entitled to vote at the Meeting, you have the right to appoint a person or company other than the person(s) designated in the Proxy, who need not be a shareholder of the Company, to attend and act for you and on your behalf at the Meeting. You may do so either by inserting the name of that other person in the blank space provided in the Proxy or by completing and delivering another proper proxy and, in either case, delivering the completed Proxy by mail to the office of Computershare Trust Company of Canada, 100 University Avenue, 9<sup>th</sup> Floor, Toronto, Ontario, V5J 2Y1, not less than 48 hours (excluding Saturdays and holidays) before the time fixed for the Meeting or any adjournment(s) or postponement(s) thereof.**

### **Voting by Proxy holder**

The person(s) named in the Proxy will vote or withhold from voting the NVG Shares represented thereby in accordance with your instructions on any ballot that may be called for. If you specify a choice with respect to any matter to be acted upon, your NVG Shares will be voted accordingly. The Proxy confers discretionary authority on the person(s) named therein with respect to:

- (a) each matter or group of matters identified therein for which a choice is not specified, other than the appointment of an auditor and the election of directors;
- (b) any amendment to or variation of any matter identified therein; and
- (c) any other matter that properly comes before the Meeting.

As at the date hereof, the Board knows of no such amendments, variations or other matters to come before the Meeting, other than the matters referred to in the Notice of Meeting. However, if other matters should properly come before the Meeting, the Proxy will be voted on such matters in accordance with the best judgment of the person(s) voting the Proxy.

**In respect of a matter for which a choice is not specified in the Proxy, the person(s) named in the Proxy will vote the NVG Shares represented by the Proxy for the approval of such matter.**

### **Registered Shareholders**

Registered Shareholders may wish to vote by Proxy whether or not they are able to attend the Meeting in person. Registered Shareholders electing to submit a Proxy may do so by completing, dating and signing the enclosed form of Proxy and returning it by mail to the Company's transfer agent, Computershare Trust Company of Canada, 100 University Avenue, 9<sup>th</sup> Floor, Toronto, Ontario, V5J 2Y1 not less than 48 hours (excluding Saturdays and holidays) before the time fixed for the Meeting or any adjournment(s) or postponement(s) thereof, or in such other manner as may be provided for in the Proxy.

### **Beneficial Shareholders**

The following information is of significant importance to shareholders who do not hold NVG Shares in their own name. Beneficial Shareholders should note that the only Proxies that can be recognized and acted upon at the Meeting are those deposited by Registered Shareholders (those whose names appear on the records of the Company as the registered holders of NVG Shares).

If NVG Shares are listed in an account statement provided to a shareholder by a broker, then in almost all such cases those NVG Shares will not be registered in the shareholder's name on the records of the Company. Such NVG Shares will more likely be registered under the names of the shareholder's broker or an agent of that broker. In the Canada, the vast majority of such NVG Shares are registered under the name of CDS & Co. (the registration name for The Canadian Depository for Securities Limited, which acts as nominee for many Canadian brokerage firms).

Intermediaries are required to seek voting instructions from Beneficial Shareholders in advance of shareholders' meetings. Every intermediary has its own mailing procedures and provides its own return instructions to clients.

### ***If you are a Beneficial Shareholder:***

There are two kinds of Beneficial Shareholders, those who object to their name being made known to the issuers of securities which they own (called "**OBOs**" for objecting beneficial owners) and those who do not object to the issuers of the securities they own knowing who they are (called "**NOBOs**" for non – objecting beneficial owners).

The Company is taking advantage of those provisions of National Instrument 54-101 – "Communication of Beneficial Owners of Securities" of the Canadian Securities Administrators, which permits it to deliver proxy-related materials directly to its NOBOs. As a result, NOBOs can expect to receive a scanable voting instruction form ("**VIF**"). These VIFs are to be completed and returned to Computershare in the envelope provided or by facsimile to the number provided in the VIF. In addition, Computershare will tabulate the results of the VIFs

received from NOBOs and will provide appropriate instructions at the Meeting with respect to the NVG Shares represented by the VIFs it receives.

This Circular, with related material, is being sent to both Registered and Beneficial Shareholders. If you are a Beneficial Shareholder and the Company or its agent has sent these materials directly to you, your name and address and information about your NVG Shares have been obtained in accordance with applicable securities regulatory requirements from the Intermediary who holds your NVG Shares on your behalf.

By choosing to send these materials to you directly, the Company (and not the Intermediary holding your NVG Shares on your behalf) has assumed responsibility for (i) delivering these materials to you, and (ii) executing your proper voting instructions. Please return your VIF as specified in your request for voting instructions that you receive.

Beneficial Shareholders who are OBOs should carefully follow the instructions of their Intermediary in order to ensure that their NVG Shares are voted at the Meeting.

The form of proxy that will be supplied to Beneficial Shareholders by the Intermediaries will be similar to the Proxy provided to Registered Shareholders by the Company. However, its purpose is limited to instructing the Intermediary on how to vote on behalf of the Beneficial Shareholder. Most Intermediaries now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. in the United States and Broadridge Financial Solutions Inc., Canada, in Canada (collectively "BFS"). BFS mails a VIF in lieu of a Proxy provided by the Company. The VIF will name the same person(s) as the Proxy to represent Beneficial Shareholders at the Meeting. Beneficial Shareholders have the right to appoint a person (who need not be a Beneficial Shareholder of the Company), other than the person(s) designated in the VIF, to represent them at the Meeting. To exercise this right, Beneficial Shareholders should insert the name of the desired representative in the blank space provided in the VIF. The completed VIF must then be returned to BFS in the manner specified and in accordance with BFS's instructions. BFS then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of NVG Shares to be represented at the Meeting. **If you receive a VIF from BFS, you cannot use it to vote NVG Shares directly at the Meeting. The VIF must be completed and returned to BFS in accordance with its instructions, well in advance of the Meeting in order to have the NVG Shares voted.**

Although as a Beneficial Shareholder you may not be recognized directly at the Meeting for the purposes of voting NVG Shares registered in the name of your Intermediary, you, or a person designated by you, may attend at the Meeting as proxy holder for your Intermediary and vote your NVG Shares in that capacity. If you wish to attend the Meeting and indirectly vote your NVG Shares as proxy holder for your Intermediary, or have a person designated by you to do so, you should enter your own name, or the name of the person you wish to designate, in the blank space on the VIF provided to you and return the same to your Intermediary in accordance with the instructions provided by such Intermediary, well in advance of the Meeting.

Alternatively, you can request in writing that your broker send you a legal proxy which would enable you, or a person designated by you, to attend the Meeting and vote your NVG Shares.

#### **Revocation of Proxies**

In addition to revocation in any other manner permitted by law, a Registered Shareholder who has given a proxy may revoke it by:

- (a) executing a proxy bearing a later date or by executing a valid notice of revocation, either of the foregoing to be executed by the Registered Shareholder or the Registered Shareholder's authorized attorney in writing, or if the Registered Shareholder is a corporation, under its corporate seal by an officer or attorney duly authorized, and by delivering the Proxy bearing a later date to Computershare or at the registered office of the Company at 10<sup>th</sup> Floor, 595 Howe Street, Vancouver, British Columbia V6C 2T5, at any time up to and including the last Business Day that precedes the date of the Meeting or, if the Meeting is adjourned or postponed, the last Business Day that precedes any reconvening thereof, or to the Chairman of the Meeting on the day of the Meeting or any reconvening thereof, or in any other manner provided by law; or

- (b) personally attending the Meeting and voting the Registered Shareholder's NVG Shares.

A revocation of a proxy will not affect a matter on which a vote is taken before the revocation.

#### **INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON**

No director or executive officer of the Company, or any person who has held such a position since the beginning of the last completed financial year—end of the Company, nor any nominee for election as a director of the Company, nor any associate or affiliate of the foregoing persons, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted on at the Meeting, other than the election of directors, the appointment of the auditor and as may be otherwise set out herein.

#### **INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

Except as otherwise disclosed herein, no informed person of the Company, proposed director of the Company or any associate or affiliate of an informed person or proposed director, has any material interest, direct or indirect, in any transaction since the commencement of the Company's most recently completed financial year or in any proposed transaction which has materially affected or would materially affect the Company or any of its subsidiaries.

#### **VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES**

##### **Outstanding NVG Shares**

The Company is authorized to issue an unlimited number of NVG Shares without par value. As at August 22, 2012, there were 24,383,750 NVG Shares issued and outstanding, each carrying the right to one vote.

##### **Principal Holders of NVG Shares**

To the knowledge of the directors and executive officers of the Company, no person or company beneficially owns, directly or indirectly, or exercises control or direction over, NVG Shares carrying more than 10% of the voting rights attached to all outstanding NVG Shares, other than Merfin Management Limited, which owns 10,539,833 Shares, representing 43.22% and Greenville Enterprises Inc., which owns directly 2,416,667 shares and indirectly through its wholly owned Laxgalt'sap Forest Company 566,667 shares representing a total of 2,983,334 shares, or 12.23% of the currently issued and outstanding NVG Shares.

#### **VOTES NECESSARY TO PASS RESOLUTIONS**

A simple majority of affirmative votes cast in person or by proxy at the Meeting is required to pass the resolution(s) described herein as ordinary resolutions and an affirmative vote of two-thirds (2/3) of the votes cast in person or by proxy at the Meeting is required to pass the resolution(s) described herein as special resolutions.

#### **ELECTION OF DIRECTORS**

The Directors of the Company are elected at each annual general meeting and hold office until the next annual general meeting or until their successors are appointed. In the absence of instructions to the contrary, the enclosed proxy will be voted for the nominees herein listed.

Shareholder approval will be sought to fix the number of directors of the Company at five (5).

The Company is required to have an Audit Committee. Members of this committee are as set out below.

Management of the Company proposes to nominate each of the following persons for election as a Director. Information concerning such persons, as furnished by the individual nominees, is as follows:



<i>Name, Jurisdiction of Residence and Position</i>	<i>Principal Occupation or Employment and, if not a Previously Elected Director, Occupation During the Past 5 Years</i>	<i>Previous Service as a Director</i>	<i>Number of Common Shares Beneficially Owned, Controlled or Directed, Directly or Indirectly<sup>(1)</sup></i>
DIETER PETER <sup>(3)</sup> Vancouver, BC Chairman, Chief Executive Officer and Director	President & CEO, Mineral Hill Industries Ltd.	Since October 2005	12,885,500
MELVIN STEVENS <sup>(2) (4)</sup> Greenville, BC President and Director	General Manager, Laxgalts' AP Forest Company Ltd.	Since March 2006	Nil
ANDREW VON KURSELL <sup>(2)(3)(4)</sup> Surrey, BC Director	Chief Operating Officer and director of Ascot Mining plc, former director of Pencari Mining Corporation (formerly known as Azure Resources Corp.) since March 2001, director of International PetroReal Oil Corporation since September 2005, director of Mineral Hill Industries Ltd.	Since June 25, 2008	Nil
PENG ZHANG Vancouver, BC	General Manager, Vixon Technology Ltd.	Since May 15, 2012	Nil
JOHN PATRICK COPELAND Delta, BC	President, Copeland Insurance Consultants	Since June 29, 2012	Nil

- (1) Shares beneficially owned, directly or indirectly, or over which control or direction is exercised, as at August 27, 2012 based upon information furnished to the Company by individual directors. Unless otherwise indicated, such shares are held directly.
- (2) Denotes a member of the Audit Committee of the Company. Mr. von Kursell is the Chair of the Audit Committee. The third member of the Audit Committee is Hugh Maddin, who will not be standing in for re-election at the Meeting. The board will appoint an additional member to the Audit Committee after the Meeting on September 26, 2012.
- (3) Denotes a member of the Exploration Committee. Mr. von Kursell is the Chair of the Exploration Committee.
- (4) Denotes a member of the Environmental & Safety Committee. Mr. Stevens is the Chair of the Environmental & Safety Committee.

## SUMMARY COMPENSATION TABLE

### Compensation Discussion and Analysis

The Company's compensation philosophy for its Named Executive Officers is designed to attract well qualified individuals in what is essentially an international market by paying competitive base management fees plus short and long term incentive compensation in the form of stock options or other suitable long term incentives. In making its determinations regarding the various elements of executive compensation, the Board of Directors does not benchmark its executive compensation program, but from time to time does review compensation practices of companies of similar size and stage of development to ensure the compensation paid is competitive within the Company's industry and geographic location while taking into account the financial and other resources of the Company.

The duties and responsibilities of the President and CEO are typical of those of a business entity of the Company's size in a similar business and include direct reporting responsibility to the Board, overseeing the activities of all other executive and management consultants, representing the Company, providing leadership and responsibility for achieving corporate goals and implementing corporate policies and initiatives.

The following table sets forth a summary of all compensation for services paid during the most recently completed financial year for Dieter Peter, Chief Executive Officer, and Jayram Hosanee, Chief Financial Officer.

Name and principal position	Year ending	Salary (\$)	Share-based awards (\$)	Option-based awards (\$) <sup>(1)</sup>	Non-equity incentive plan compensation		Pension value (\$)	All other compensation (\$)	Total compensation (\$)
					Annual incentive plans	Long-term incentive plans			
Dieter Peter CEO	2011	Nil	Nil	4,335	Nil	Nil	Nil	Nil	4,335
	2010	Nil	Nil	5,191	Nil	Nil	Nil	Nil	5,191
	2009	Nil	Nil	869	Nil	Nil	Nil	Nil	869
Jayram Hosanee CFO <sup>(2)</sup>	2011	Nil	Nil	2,147	Nil	Nil	Nil	Nil	2,147
	2010	Nil	Nil	2,591	Nil	Nil	Nil	Nil	2,591
	2009	Nil	Nil	207	Nil	Nil	Nil	Nil	207
Total Compensation	2011	Nil	Nil	6,482	Nil	Nil	Nil	Nil	6,482
	2010	Nil	Nil	7,782	Nil	Nil	Nil	Nil	7,782
	2009	Nil	Nil	1,076	Nil	Nil	Nil	Nil	1,076

- (1) These amounts represent the value of stock options granted to the respective Named Executive Officer. The methodology used to calculate these amounts was the Black-Scholes-Merton model. This is consistent with the accounting values used in the Company's financial statements. The dollar amount in this column represents the total value ascribed to the stock options.
- (2) Mr. Hosanee resigned as Chief Financial Officer of the Company effective July 13, 2012 and the Company subsequently appointed Michael Zhu as Chief Financial Officer effective July 13, 2012.

#### INCENTIVE PLAN AWARDS

The following table provides information regarding the incentive plan awards for each Named Executive Officer outstanding as of December 31, 2011.

#### Outstanding Share-Based Awards and Option-Based Awards

Name	Option-based Awards				Share-based Awards	
	Number of securities underlying unexercised options	Option Exercise Price	Option Expiration Date	Value of unexercised in-the-money options <sup>(1)</sup> (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)
Dieter Peter CEO	53,333	\$0.45	January 31, 2012	Nil	Nil	Nil
	20,998	\$0.15	June 25, 2012	Nil	Nil	Nil
	113,331	\$0.15	June 15, 2013	Nil	Nil	Nil
Jayram Hosanee CFO	5,000	\$0.15	August 13, 2012	Nil	Nil	Nil
	62,499	\$0.15	August 13, 2012	Nil	Nil	Nil

- (1) Calculated based on the closing price of the Common Shares on the CNSX on December 31, 2011 of \$0.02 and subtracting the exercise price of in-the-money stock options. These stock options have not been, and may never be, exercised and actual gains, if any, on exercise will depend on the value of the Common Shares on the date of exercise.

The following table provides information regarding the value on pay-out or vesting of incentive plan awards for each Named Executive Officer for the financial year ended December 31, 2011.

**Value Vested or Earned During the Financial Year Ended December 31, 2011**

<b>Name</b>	<b>Option-based awards – Value vested during the year (\$)</b>	<b>Share-based awards – Value vested during the year (\$)</b>	<b>Non-equity incentive plan compensation – Value earned during the year (\$)</b>
Dieter Peter, CEO	\$4,335 <sup>(1)</sup>	Nil	Nil
Jayram Hosanee, CFO	\$2,147 <sup>(2)</sup>	Nil	Nil

- (1) 56,667 options at an exercise price of \$0.15 per share vested on June 15, 2011 when the Company's share price at the close of market was \$0.12. No value would have been realized if the options were exercised on the vesting dates.
- (2) 31,250 options at an exercise price of \$0.15 per share vested on June 15, 2011. The Company's share price at the close of market was \$0.12 on June 15, 2011. No value would have been realized if the options were exercised on the vesting dates.

The following table provides details regarding stock options exercised and sold by the Named Executive Officers during the financial year ended December 31, 2011.

**Option Exercised During the Financial Year Ended December 31, 2011**

<b>Name</b>	<b>Number of options exercised and sold</b>	<b>Option exercise price</b>	<b>Value realized (\$)</b>
Dieter Peter, CEO	Nil	Nil	Nil
Jayram Hosanee, CFO	Nil	Nil	Nil

Outstanding Share Based Awards and Option Based Awards

The Company does not have any incentive plans, pursuant to which compensation that depends on achieving certain goals or similar conditions within a specified period is awarded, earned, paid or payable to the Named Executive Officers.

Pension Plan Benefits

The Company does not have a pension plan that provides for payments or benefits to the Named Executive Officers at, following, or in connection with retirement.

Termination and Change of Control Benefits

The Company and its subsidiaries have not entered into any employment contracts with the Named Executive Officers.

The Company and its subsidiaries do not have any contracts, agreements, plans or arrangements that provide for payments to a Named Executive Officer following or in connection with any termination (whether voluntary, involuntary or constructive), resignation, a change of control of the Company or its subsidiaries or a change in responsibilities of the Named Executive Officer following a change in control.

**DIRECTOR COMPENSATION**

No compensation was provided to the Directors, who are each not also a Named Executive Officer, for the Company's most recently completed financial year.

The Company has no arrangements, standard or otherwise, pursuant to which Directors are compensated by the Company or its subsidiaries for their services in their capacity as Directors, or for committee participation,

involvement in special assignments or for services as consultant or expert during the most recently completed financial year or subsequently, up to and including the date of this Information Circular.

The Company has a Stock Option Plan for the granting of incentive stock options to the officers, employees and Directors. The purpose of granting such options is to assist the Company in compensating, attracting, retaining and motivating the Directors of the Company and to closely align the personal interests of such persons to that of the shareholders.

**Director Compensation Table**

The following table provides information regarding compensation paid to the Company's directors (excluding NEOs) during the financial year ended December 31, 2011.

<b>Name</b>	<b>Fees earned (\$)</b>	<b>Share-based awards (\$)</b>	<b>Option-based awards (\$)</b>	<b>Non-equity incentive plan compensation (\$)</b>	<b>Pension Value</b>	<b>All other compensation (\$)</b>	<b>Total (\$)</b>
Andrew H. von Kursell	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Hugh Maddin	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Melvin Stevens, President	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Patrick Stewart	Nil	Nil	Nil	Nil	Nil	Nil	Nil
<b>TOTAL</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>

**Incentive Plan Awards - Outstanding Share-Based Awards and Option-Based Awards**

The following table provides information regarding the incentive plan awards for each director (excluding NEOs) outstanding as of December 31, 2011.

**Outstanding Share-Based Awards and Option-Based Awards**

<b>Name</b>	<b>Option-based Awards</b>				<b>Share-based Awards</b>	
	<b>Number of securities underlying unexercised options</b>	<b>Option Exercise Price</b>	<b>Option Expiration Date</b>	<b>Value of unexercised in-the-money options <sup>(1)</sup></b>	<b>Number of shares or units of shares that have not vested (#)</b>	<b>Market or payout value of share-based awards that have not vested (\$)</b>
Andrew H. von Kursell	9,000	\$0.15	June 25, 2012	Nil	Nil	Nil
	36,667	\$0.15	June 15, 2013	Nil	Nil	Nil
Hugh Maddin	15,000	\$0.45	January 31, 2012	Nil	Nil	Nil
	5,666	\$0.15	June 25, 2012	Nil	Nil	Nil
	25,000	\$0.15	June 15, 2013	Nil	Nil	Nil
Melvin Stevens, President	39,999	\$0.45	January 31, 2012	Nil	Nil	Nil
	16,332	\$0.15	June 25, 2012	Nil	Nil	Nil
	94,998	\$0.15	June 15, 2013	Nil	Nil	Nil
Patrick Stewart	13,332	\$0.45	January 31, 2012	Nil	Nil	Nil
	5,667	\$0.15	June 25, 2012	Nil	Nil	Nil
	28,333	\$0.15	June 15, 2013	Nil	Nil	Nil

(1) Calculated using the closing price of the Common Shares on the CNSX on December 31, 2011 of \$0.02 and subtracting the exercise price of in-the-money stock options. These stock options have not been, and

may never be, exercised and actual gains, if any, on exercise will depend on the value of the Common Shares on the date of exercise.

The following table provides information regarding the value on pay-out or vesting of incentive plan awards for each Director (excluding NEOs) for the financial year ended December 31, 2011.

**Value Vested or Earned During the Financial Year Ended December 31, 2011**

Name	Option-based awards – Value vested during the year (\$)	Share-based awards – Value vested during the year (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
Andrew H. von Kursell	\$1,799 <sup>(1)</sup>	Nil	Nil
Hugh Maddin	\$1,227 <sup>(2)</sup>	Nil	Nil
Melvin Stevens, President	\$3,680 <sup>(3)</sup>	Nil	Nil
Patrick Stewart	\$1,390 <sup>(4)</sup>	Nil	Nil

- (1) 36,667 options at an exercise price of \$0.15 per share vested on June 15, 2011 at an exercise price of \$0.15 per share when the Company's share price at the close of market was \$0.12.
- (2) 25,000 options at an exercise price of \$0.15 per share vested on June 15, 2011 when the Company's share price at the close of market was \$0.12.
- (3) 94,998 options at an exercise price of \$0.15 per share vested on June 15, 2011 when the Company's share price at the close of market was \$0.12.
- (4) 28,333 options at an exercise price of \$0.15 per share vested on June 15, 2011 when the Company's share price at the close of market was \$0.12.

The following table provides details regarding stock options exercised and sold by the Directors (excluding NEOs) during the financial year ended December 31, 2011.

**Option Exercises During the Financial Year Ended December 31, 2011**

Name	Number of options exercised and sold	Option exercise price	Value realized (\$)
Andrew H. von Kursell	Nil	Nil	Nil
Hugh Maddin	Nil	Nil	Nil
Melvin Stevens	Nil	Nil	Nil
Patrick Stewart <sup>(1)</sup>	Nil	Nil	Nil

- (1) Patrick Stewart was a director of the Company from March 31, 2006 to November 25, 2011.

**DIRECTORS' AND OFFICERS INSURANCE**

**Directors' and Officers' Liability Insurance**

The Company maintains a directors' and officers' liability insurance policy. The policy provides coverage for costs incurred to defend and settle claims against directors and officers of the Company to an annual limit of \$2 million with a \$25,000 deductible per claim. The cost of coverage for 2011 was \$9,690. Directors and officers do not pay any portion of the premiums and no indemnity claims were made or became payable in 2011.

**LOANS TO DIRECTORS**

The Company does not make personal loans or extensions of credit to its directors or executive officers. There are no loans outstanding from the Company to any of its directors or executive officers.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table sets forth the Company's compensation plans under which equity securities are authorized for issuance as at December 31, 2011.

<b>Plan Category</b>	<b>Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)</b>	<b>Weighted-average exercise price of outstanding options, warrants and rights (b)</b>	<b>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)</b>
Equity compensation plans approved by securityholders <sup>(1)</sup>	1,233,376 <sup>(1)</sup>	\$0.24	467,399
Equity compensation plans not approved by securityholders	Nil	N/A	Nil
<b>Total</b>	<b>1,233,376</b>	<b>N/A</b>	<b>467,399</b>

- (1) At the Company's annual general meeting held on November 25, 2011, the shareholders approved the Company's 10% rolling stock option plan to reserve the number of shares for issuance to 3,700,130.

**INDEBTEDNESS OF DIRECTORS AND SENIOR OFFICERS**

As at August 27, 2012, there was no indebtedness outstanding of any current or former Director, executive officer or employee of the Company or any of its subsidiaries which is owing to the Company or any of its subsidiaries or to another entity which is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company or any of its subsidiaries, entered into in connection with a purchase of securities or otherwise.

No individual who is, or at any time during the most recently completed financial year was, a Director or executive officer of the Company, no proposed nominee for election as a Director of the Company and no associate of such persons:

- (i) is or at any time since the beginning of the most recently completed financial year has been, indebted to the Company or any of its subsidiaries; or
- (ii) whose indebtedness to another entity is, or at any time since the beginning of the most recently completed financial year has been, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company or any of its subsidiaries,

in relation to a securities purchase program or other program.

**CORPORATE GOVERNANCE DISCLOSURE**

National Instrument 58-201 establishes corporate governance guidelines which apply to all public companies. The Company has reviewed its own corporate governance practices in light of these guidelines. In certain cases, the Company's practices comply with the guidelines, however, the Board considers that some of the guidelines are not suitable for the Company at its current stage of development and therefore these guidelines have not been adopted. National Instrument 58-101 mandates disclosure of corporate governance practices which disclosure is set out below.

**Independence of Members of Board**

The Company's Board will consist of five directors, three of whom are independent based upon the tests for independence set forth in National Instrument 52-110 ("NI 52-110"). Patrick Stewart, Peng Zhang, and Andrew H. von Kursell are independent. Dieter Peter and Melvin Stevens are not independent as they are respectively the CEO and President of the Company.

### **Management Supervision by Board**

The operations of the Company do not support a large Board of Directors and the Board has determined that the current constitution of the Board is appropriate for the Company's current stage of development. Independent supervision of management is accomplished through choosing management who demonstrate a high level of integrity and ability and having strong independent Board members. The independent directors are however able to meet at any time without any members of management including the non-independent Directors being present. Further supervision is performed through the Audit Committee which is composed of a majority of independent directors who meet with the Company's auditors without management being in attendance.

### **Risk Management**

The Board of Directors is responsible for adoption of a strategic planning process, identification of principal risks and implementing risk management systems, succession planning and the continuous disclosure requirements of the Company under applicable securities laws and regulations.

The audit committee is responsible for the risk management items set out in the audit committee charter.

### **Orientation and Continuing Education**

While the Company does not have formal orientation and training programs, new Board members are provided with:

1. access to recent, publicly filed documents of the Company, technical reports and the Company's internal financial information;
2. access to management and technical experts and consultants; and
3. a summary of significant corporate and securities responsibilities.

Board members are encouraged to communicate with management, auditors and technical consultants, to keep themselves current with industry trends and developments and changes in legislation with management's assistance and to attend related industry seminars and visit the Company's operations. Board members have full access to the Company's records.

### **Ethical Business Conduct**

The Board views good corporate governance as an integral component to the success of the Company and to meet responsibilities to shareholders. The Board has adopted a Code of Conduct and has instructed its management and employees to abide by the Code.

### **Nomination of Directors**

The Board has responsibility for identifying potential Board candidates. The Board assesses potential Board candidates to fill perceived needs on the Board for required skills, expertise, independence and other factors. Members of the Board and representatives of the mineral exploration industry are consulted for possible candidates.

### **Compensation of Directors and the CEO**

The Company does not have a Compensation Committee. The Board of Directors has the responsibility for determining compensation for the Directors and senior management.

To determine compensation payable, the independent Directors review compensation paid for directors and CEOs of companies of similar size and stage of development in the mineral exploration industry and determine an appropriate compensation reflecting the need to provide incentive and compensation for the time and effort expended by the directors and senior management while taking into account the financial and other resources of the Company. In setting the compensation the independent directors annually review the performance of the CEO in light of the Company's objectives and consider other factors that may have impacted the success of the Company in achieving its objectives.

## **Board Committees**

As the directors are actively involved in the operations of the Company and the size of the Company's operations did not warrant a larger board of directors, the Board will elect a Human Resources and Corporate Governance Committee in due course. Each of the committees shall be comprised of three directors as determined by the Board of Directors, the majority of whom shall be free from any relationship that, in the opinion of the Board of Directors, would interfere with the exercise of his or her independent judgment as a member of the committee. Each committee will develop its charter and code of conduct to be approved by the Board of Directors.

## **Assessments**

The Board did not consider that formal assessments were useful at this stage of the Company's development. The Board conducted informal annual assessments of the Board's effectiveness, the individual directors and each of its committees. The Board intends to implement formal assessments to assist in its review and will conduct formal surveys of its directors in due course, the Human Resource and Corporate Governance Committee on its assessment of the functioning of the Board when it is formed and reports from each committee respecting its own effectiveness.

## **AUDIT COMMITTEE**

### **The Audit Committee's Charter**

#### *Mandate*

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

- Serve as an independent and objective party to monitor the Company's financial reporting and internal control system and review the Company's financial statements.
- Review and appraise the performance of the Company's external auditors.
- Provide an open avenue of communication among the Company's auditors, financial and senior management and the Board of Directors.

#### *Composition*

The Committee shall be comprised of three directors as determined by the Board of Directors, the majority of whom shall be free from any relationship that, in the opinion of the Board of Directors, would interfere with the exercise of his or her independent judgment as a member of the Committee.

At least one member of the Committee shall have accounting or related financial management expertise. All members of the Committee that are not financially literate will work towards becoming financially literate to obtain a working familiarity with basic finance and accounting practices. For the purposes of the Company's Charter, the definition of "financially literate" is the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can presumably be expected to be raised by the Company's financial statements.

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



### *Meetings*

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

### *Responsibilities and Duties*

To fulfill its responsibilities and duties, the Committee shall:

#### *Documents/Reports Review*

- (a) Review and update this Charter annually.
- (b) Review the Company's financial statements, MD&A and any annual and interim earnings, press releases before the Company publicly discloses this information and any reports or other financial information (including quarterly financial statements), which are submitted to any governmental body, or to the public, including any certification, report, opinion, or review rendered by the external auditors.

#### *External Auditors*

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

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

#### Financial Reporting Processes

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

#### **Risk Management**

- 1. To review, at least annually, and more frequently if necessary, the Company's policies for risk assessment and risk management (the identification, monitoring, and mitigation of risks).
- 2. To inquire of management and the independent auditor about significant business, political, financial and control risks or exposure to such risk.
- 3. To request the external auditor's opinion of management's assessment of significant risks facing the Company and how effectively they are being managed or controlled.
- 4. To assess the effectiveness of the over-all process for identifying principal business risks and report thereon to the Board.

#### **Other**

Review any related-party transactions.

#### **Composition of the Audit Committee**

The following are the members of the Committee:

Andrew H. von Kursell	Independent <sup>(1)</sup>	Financially literate <sup>(1)</sup>
Melvin Stevens, President	Not Independent	Financially literate <sup>(1)</sup>
Hugh Maddin	Independent <sup>(1)</sup>	Financially literate <sup>(1)</sup>

<sup>(1)</sup>As defined by NI 52-110.

### **Audit Committee Member Education and Experience**

**Andrew H. von Kursell** has a Bachelor Degree in Mining Engineering from McGill University and has practiced his profession for the past 40 plus years. He is licenced to practice in three Canadian jurisdictions and is a retired member of the Yukon P. Eng Association. He has held top management positions in public companies which required a thorough understanding of internal controls and procedures in financial reporting. As a Director of various public companies, he has served on a number of Audit Committees.

**Melvin Stevens** in his experience as General Manager of the Laxgalts' AP Forest Company Ltd., is familiar with company financial statements, and the accounting principles and the estimates and accruals which are used in their preparation.

**Hugh Maddin** is President of Quadra Aggregates Inc., and Chairman of Maple Leaf Systems Inc. He is a director of Mineral Hill Industries Ltd. and Consolidated Global Cable Systems Inc.

### **Audit Committee Oversight**

At no time since the commencement of the Company's most recently completed financial year was a recommendation of the Committee to nominate or compensate an external auditor not adopted by the Board of Directors.

### **Reliance on Certain Exemptions**

At no time since the commencement of the Company's most recently completed financial year has the Company relied on the exemption in Section 2.4 of NI 52-110 (*De Minimis Non-audit Services*), or an exemption from NI 52-110, in whole or in part, granted under Part 8 of NI 52-110. The Company is relying upon the exemption in Section 6.1 of NI 52-110 (*Venture Issuers*) from the requirements of Parts 3 (Composition of the Audit Committee) and 5 (Reporting Obligations).

### **Pre-Approval Policies and Procedures**

The Committee has adopted specific policies and procedures for the engagement of non-audit services as described above under the heading "External Auditors".

### **External Auditor Service Fees (By Category)**

The aggregate fees billed by the Company's external auditors in each of the last two fiscal years for audit fees are as follows:

<i>Financial Year Ending</i>	<i>Audit Fees</i> <sup>(1)</sup>	<i>Audit Related Fees</i>	<i>Tax Fees</i> Ⓓ	<i>All Other Fees</i>
December 31, 2011	\$14,000	\$1,500	\$1,000	Nil
December 31, 2010	\$16,800	Nil	\$1,000	Nil

(1) The amount of tax fees billed by the Company's external auditors is included in the amount set out in the "Audit Fees" column.

### **Expectations of Management**

The Board expects management to operate the business of the Company in a manner that enhances shareholder value and is consistent with the highest level of integrity. Management is expected to execute the Company's business plan and to meet performance goals and objectives.

## **APPOINTMENT OF AUDITORS**

Manning Elliott LLP, Chartered Accountants, of Vancouver, British Columbia, is the auditor of the Company. Unless otherwise instructed, the proxies given pursuant to this solicitation will be voted for the re-appointment of Manning Elliot LLP as the Company's auditor to hold office for the ensuing year at remuneration to be fixed by the Directors.

Manning Elliott LLP was first appointed as the auditor of the Company in September, 2006.

**In the absence of instructions to the contrary the NVG Shares represented by proxy will be voted in favour of a resolution to appoint Manning Elliott LLP, Chartered Accountants, as the auditor of the Company for the ensuing year, at a remuneration to be fixed by the Board, unless the NVG Shareholder has specified in the proxy that his or her NVG Shares are to be withheld from voting on the appointment of auditors.**

## **THE ARRANGEMENT**

### **General**

The Arrangement has been proposed to facilitate the separation of the Company's primary business activities from development of its mineral properties. Pursuant to the Arrangement, KPM, currently a subsidiary of the Company, will acquire the Assets, being all of the Company's mineral properties, for aggregate consideration of 24,383,750 KPM Shares multiplied by the Conversion Factor.

Following the Arrangement, the Company will carry on the primary business activities of the joint venture. Each NVG Shareholder will, immediately upon the conversion of the Distributed KPM Shares into KPM Converted Shares, receive one KPM Share for each NVG Share held as at the Share Distribution Record Date. See "Details of the Arrangement" and "KPM After the Arrangement" — Selected Unaudited *Pro-forma* Financial Information of KPM".

### **Reasons for the Arrangement**

The Board has determined that the Company should concentrate its efforts on its primary business activities. To this end, the Board approved a reorganization of the Company pursuant to the Arrangement as described in this Circular.

The Board is of the view that the Arrangement will benefit the Company and the NVG Shareholders. This conclusion is based on the following primary determinations:

1. since incorporation, the Company's primary focus has been the acquisition, exploration and development of resource projects in Canada. When presented with the opportunity to enter into a joint venture with the exclusive right to import and distribute production machines based on patented production technology, management of the Company determined that it would be in the best interests of the Company to proceed with the Arrangement. The transfer of the Assets to KPM will facilitate separate corporate development strategies for the Company moving forward and at the same time enable the Company's shareholders to retain their interest in the Assets moving forward;
2. following the Arrangement, management of the Company will consist of a strong executive team with significant experience, knowledge and connections in the clean technology industry, and management of KPM will be free to focus on developing the Assets;
3. the distribution of KPM Shares to the NVG Shareholders pursuant to the Arrangement will give the NVG Shareholders a direct interest in a new company that will focus on and pursue the development of the mineral properties;
4. as a separate company focusing on clean technology, the Company will have direct access to broader public and private capital markets and will be able to issue debt and equity to fund its joint venture projects and to finance the acquisition and development of any new technology the Company may acquire on a priority basis;
5. as a separate company, KPM will have direct access to public and private capital markets and will be able to issue debt and equity to fund improvements and development of the Assets and to finance the acquisition and development of any new properties KPM may acquire on a priority basis; and
6. as a separate company, KPM will be able to establish equity based compensation programs to enable it to better attract, motivate and retain directors, officers and key employees, thereby better aligning management and employee incentives with the interests of shareholders.

## Recommendation of Directors

The Board approved the Arrangement and authorized the submission of the Arrangement to the NVG Shareholders and the Court for approval. **The Board has concluded that the Arrangement is in the best interests of the Company and the NVG Shareholders, and recommends that the NVG Shareholders vote FOR the Arrangement Resolution at the Meeting.** In reaching this conclusion, the Board considered the benefits to the Company and the NVG Shareholders, as well as the financial position, opportunities and the outlook for the future potential and operating performance of the Company and KPM.

## Fairness of the Arrangement

The Arrangement was determined to be fair to the NVG Shareholders by the Board based upon the following factors, among others:

1. the procedures by which the Arrangement will be approved, including the requirement for two-thirds (2/3) NVG Shareholder approval and approval by the Court after a hearing at which fairness will be considered;
2. the opportunity for NVG Shareholders who are opposed to the Arrangement, upon compliance with certain conditions, to dissent from the approval of the Arrangement in accordance with the Interim Order, and to be paid fair value for their NVG Shares; and
3. each NVG Shareholder on the Share Distribution Record Date will participate in the Arrangement on a *pro-rata* basis and, upon completion of the Arrangement, will continue to hold substantially the same *pro-rata* interest that such NVG Shareholder held in the Company prior to completion of the Arrangement and substantially the same *pro-rata* interest in the Assets through its holdings of KPM Shares.

## Details of the Arrangement

*The following description of the Arrangement is qualified in its entirety by reference to the full text of the Arrangement Agreement, a copy of which is available on SEDAR under the Company's profile at [www.sedar.com](http://www.sedar.com), and the Plan of Arrangement, a copy of which is attached as Schedule "A" to the Arrangement Agreement. Each of these documents should be read carefully in their entirety.*

Pursuant to the Plan of Arrangement, save and except for Dissenting Shares, the following principal steps will occur and be deemed to occur in the following chronological order as part of the Arrangement:

- (a) The authorized share structure of KPM will be changed by creating a new class of shares consisting of an unlimited number of class "A" preferred shares without par value (the "**KPM Class A Preferred Shares**"), having the rights and restrictions described in Schedule A to the Plan of Arrangement;
- (b) NVG will transfer the Assets to KPM in consideration for 24,383,650 KPM Class A Preferred Shares (the "**Asset Consideration KPM Shares**"), such Asset Consideration KPM Shares to be multiplied by the Conversion Factor so that NVG shall receive from KPM, in consideration for the Assets, the number of KPM Class A Preferred Shares equal to the issued and outstanding NVG Shares, less the number of KPM Shares held by NVG, as of the Share Distribution Record Date. Thereafter, NVG will be added to the central securities register of KPM in respect of such KPM Class A Preferred Shares;
- (c) NVG will convert the Asset Consideration KPM Shares received as consideration for the Assets into common shares of KPM (the "**KPM Converted Shares**") at a ratio of one (1) KPM Class A Preferred Share for one (1) KPM Converted Share. Thereafter, NVG will be added to the central securities register of KPM in respect of such KPM Converted Shares. As a result of the conversion, the number of outstanding KPM Shares (being all of the KPM Converted Shares plus the KPM Shares already held by NVG prior to the step in (b) above, all of which will be held by NVG) will be equal to the number of outstanding NVG Shares immediately prior to the Effective Date;

- (d) NVG will be removed from the central securities register of KPM as the only holder of the KPM Class A Preferred Shares and all of the issued KPM Class A Preferred Shares will be cancelled, with the appropriate entries being made in the central securities register of KPM;
- (e) NVG will distribute to the NVG Shareholders all of the KPM Shares by way of a reduction of the Paid-Up Capital of NVG, in accordance with the terms hereof (for greater certainty, any reference hereinafter to “KPM Shares” includes the KPM Converted Shares and the KPM Shares held by NVG prior to the step in (b) above);
- (f) Upon completion of the transactions set forth above, each NVG Shareholder at the Share Distribution Record Date will be entitled to receive one (1) KPM Share for every one (1) NVG Share held by the NVG Shareholder;
- (g) The KPM Shares transferred to the holders of the NVG Shares pursuant to step (e) above will be registered in the names of the holders of NVG Shares and appropriate entries will be made in the central securities register of KPM;
- (h) The KPM Class A Preferred Shares, none of which will be issued or outstanding once the steps above are completed, will be cancelled and the authorized share structure of KPM will be changed by eliminating the KPM Class A Preferred Shares therefrom;
- (i) The Notice of Articles and Articles of KPM will be amended to reflect the changes to its authorized share structure made pursuant to this Plan of Arrangement; and
- (j) After the Effective Date:
  - (i) All NVG Share Commitments will be exercisable for NVG Shares and KPM Shares in accordance with the corporate reorganization and adjustment provisions of such commitments, whereby the exercise of an NVG Share Commitment will result in the holder of the NVG Share Commitment receiving one NVG Share and one KPM Share;
  - (ii) Pursuant to the KPM Commitment, KPM will issue the required number of KPM Shares upon the exercise of NVG Share Commitments as is directed by NVG; and
  - (iii) NVG will, as agent for KPM, collect and pay to KPM a portion of the proceeds received for each NVG Share Commitment so exercised, with the balance of the exercise price to be retained by NVG, as determined in accordance with §3.4 of the Arrangement Agreement.

For information concerning the number of outstanding NVG Share Commitments as at the date hereof, see “The Company After the Arrangement – Changes in Share Capital”.

The transactions and events set out above shall occur and shall be deemed to occur at the Effective Time on the Effective Date in the chronological order in which they are set out above.

#### **Authority of the Board**

By passing the Arrangement Resolution, the NVG Shareholders will also be giving authority to the Board, in its sole discretion, to use its best judgment to proceed with and cause the Company to complete the Arrangement without any requirement to seek or obtain any further approval of the NVG Shareholders.

NVG and KPM may amend, modify and/or supplement this Plan of Arrangement at any time and from time to time prior to the Effective Date, provided that each such amendment, modification and/or supplement must be:

- (i) set out in writing;
- (ii) filed with the Court and, if made following the NVG Meeting, approved by the Court; and
- (iii) communicated to holders of NVG Shares and KPM Shares,

Further, any amendment, modification or supplement to the Plan of Arrangement may be made following the Effective Date but shall only be effective if it is consented to by NVG and KPM, provided that such amendment, modification or supplement concerns a matter which, in the reasonable opinion of NVG and KPM, is of an administrative nature required to better give effect to the implementation of the Plan of Arrangement and is not adverse to the financial or economic interests of NVG and KPM or any former holder of NVG Shares and KPM Shares, as the case may be.

### **Conditions to the Arrangement**

The Arrangement Agreement provides that the Arrangement will be subject to the fulfillment of certain conditions, including the following:

1. the Interim Order shall have been granted in form and substance satisfactory to NVG and KPM, acting reasonably, and such order shall not have been set aside or modified in a manner unacceptable to NVG or KPM, acting reasonably, on appeal or otherwise;
2. the Arrangement Resolution shall have been passed by the NVG Shareholders at the NVG Meeting in accordance with the Arrangement Provisions, the constating documents of NVG, the Interim Order and the requirements of any applicable regulatory authorities;
3. the Arrangement and this Agreement, with or without amendment, shall have been approved by the KPM Shareholder(s) to the extent required by, and in accordance with, the Arrangement Provisions and the constating documents of KPM;
4. the Final Order shall have been granted in form and substance satisfactory to NVG and KPM, acting reasonably;
5. the CNSX shall have conditionally approved the Arrangement, subject to compliance with the requirements of the CNSX;
6. the notice(s) of alteration and such other documents as may be required to be filed with the Registrar in accordance with the Arrangement shall be in form and substance satisfactory to NVG and KPM, acting reasonably;
7. all other consents, orders, regulations and approvals, including regulatory and judicial approvals and orders required or necessary or desirable for the completion of the transactions provided for in this Agreement and the Plan of Arrangement shall have been obtained or received from the persons, authorities or bodies having jurisdiction in the circumstances, each in form acceptable to NVG and KPM;
8. there shall not be in force any order or decree restraining or enjoining the consummation of the transactions contemplated by this Agreement and the Arrangement; and
9. this Agreement shall not have been terminated under Article 7 of the Arrangement Agreement.

If any of the conditions set out in the Arrangement Agreement are not fulfilled or performed, the Arrangement Agreement may be terminated, or in certain cases the Company or KPM, as the case may be, may waive the condition in whole or in part. As soon as practicable after the fulfillment of the conditions contained in the Arrangement Agreement, the Board intends to cause a certified copy of the Final Order to be filed with the Registrar under the Act, together with such other material as may be required by the Registrar, in order that the Arrangement will become effective.

Management of the Company believes that all material consents, orders, regulations, approvals or assurances required for the completion of the Arrangement will be obtained in the ordinary course upon application therefor.

## **Shareholder Approval**

### ***NVG Shareholder Approval***

In order for the Arrangement to become effective, the Arrangement Resolution must be passed, with or without variation, by a special resolution of at least two-thirds (2/3) of the eligible votes cast in respect of the Arrangement Resolution by NVG Shareholders present in person or by proxy at the Meeting.

### ***Shareholder Approval for KPM***

NVG, as the sole shareholder of KPM, has approved the Arrangement by consent resolution.

## **Court Approval of the Arrangement**

The Arrangement as structured is subject to the approval of the Court. Prior to the mailing of this Circular, the Company obtained the Interim Order authorizing the calling and holding of the Meeting and providing for certain other procedural matters. A copy of the Interim Order is attached as Schedule "B" to this Circular. The Notice of Hearing of Petition for the Final Order is attached to the Notice of Meeting.

Assuming the Arrangement Resolution is approved by the NVG Shareholders at the Meeting, the hearing for the Final Order is scheduled to take place at 9:45 a.m. (Vancouver time) on or after October 2, 2012 at the Courthouse located at 800 Smithe Street, Vancouver, British Columbia or at such other date and time as the Court may direct. At this hearing, any security holder, director, auditor or other interested party of the Company who wishes to participate or to be represented or present evidence or argument may do so, subject to filing an appearance and satisfying certain other requirements.

The Court has broad discretion under the Act when making orders in respect of arrangements and the Court may approve the Arrangement as proposed or as amended in any manner the Court may direct, subject to compliance with such terms and conditions, if any, as the Court thinks appropriate. The Court, in hearing the application for the Final Order, will consider, among other things, the fairness of the terms and conditions of the Arrangement to the NVG Shareholders.

## **Proposed Timetable for Arrangement**

The anticipated timetable for the completion of the Arrangement and the key dates proposed are as follows:

Annual and Special Meeting: September 26, 2012

Final Court Approval: October 2, 2012

Share Distribution Record Date: To be determined

Effective Date: On or about the Share Distribution Record Date

Mailing of Certificates for KPM Shares: Approximately 5 to 10 Business Days after the Share Distribution Record Date

Notice of the actual Share Distribution Record Date and Effective Date will be given to the NVG Shareholders through one or more press releases. The boards of directors of the Company and KPM, respectively, will determine the Effective Date depending upon satisfaction that all of the conditions to the completion of the Arrangement are satisfied.

## **KPM Share Certificates**

Recognizing that the KPM Class A Preferred Shares will be converted and transferred to the NVG Shareholders, KPM will issue one share certificate representing all of the KPM Shares registered in the name of NVG, which share certificate will be held by the Depositary until the KPM Shares are transferred to the NVG Shareholders and such certificate shall then be cancelled by the Depositary.



NVG will deposit with the Depository a direction to distribute the KPM Shares to the NVG Shareholders and the Depository will forward, in accordance with the direction, to each registered NVG Shareholder of record on the Share Distribution Record Date who has not dissented to the Arrangement, certificates representing the KPM Shares to which they are entitled under the Arrangement.

### **Relationship between the Company and KPM after the Arrangement**

On completion of the Arrangement, Dieter Peter, Melvin Stevens, Andrew von Kursell and David Jackson will be the directors of KPM. Michael Zhu, the Chief Financial Officer of the Company, will also be the Chief Financial Officer of KPM. Dieter Peter will serve as the President and Chief Executive Officer of KPM. See "KPM After the Arrangement — Directors and Officers of KPM".

### **Effect of Arrangement on Outstanding NVG Share Commitments**

After the Effective Date, all NVG Share Commitments will be exercisable for NVG Shares and KPM Shares in accordance with the corporate reorganization and adjustment provisions of such commitments, whereby the exercise of an NVG Share Commitment will result in the holder of the NVG Share Commitment receiving one NVG Share and one KPM Share. Pursuant to the KPM Commitment, KPM will issue the required number of KPM Shares upon the exercise of NVG Share Commitments as is directed by NVG and NVG will, as agent for KPM, collect and pay to KPM a portion of the proceeds received for each NVG Share Commitment so exercised, with the balance of the exercise price to be retained by NVG, as determined in accordance with §3.4 of the Arrangement Agreement.

### **Resale of KPM Shares**

#### ***Exemption from Canadian Prospectus Requirements and Resale Restrictions***

The issue of KPM Shares pursuant to the Arrangement will be made pursuant to exemptions from the registration and prospectus requirements contained in applicable provincial securities legislation in Canada. Under applicable provincial securities laws, such KPM Shares may be resold in Canada without hold period restrictions, except that any person, company or combination of persons or companies holding a sufficient number of KPM Shares to affect materially the control of the Company or KPM, respectively, will be restricted from reselling such shares. In addition, existing hold periods on any NVG Shares in effect on the Effective Date will be carried forward to the corresponding KPM Shares.

**The foregoing discussion is only a general overview of the requirements of Canadian securities laws for the resale of the KPM Shares received upon completion of the Arrangement. All holders of NVG Shares are urged to consult with their own legal counsel to ensure that any resale of their KPM Shares complies with applicable securities legislation.**

#### ***Application of United States Securities Laws***

The KPM Shares to be issued to the NVG Shareholders under the Arrangement have not been registered under the U.S. Securities Act, or under the securities laws of any state of the United States, and will be issued to NVG Shareholders resident in the United States in reliance on the exemption from registration set forth in Section 3(a)(10) of the U.S. Securities Act on the basis of the approval of the Arrangement by the Court, and pursuant to available exemptions from registration under applicable state securities laws. The Court will be advised that the Court's approval, if obtained, will constitute the basis for an exemption from the registration requirements of the U.S. Securities Act.

#### ***U.S. Resale Restrictions – Securities Issued to NVG Shareholders***

KPM Shares to be issued to an NVG Shareholder who is an "affiliate" of either the Company or KPM prior to the Arrangement or will be an "affiliate" of KPM after the Arrangement will be subject to certain restrictions on resale imposed by the U.S. Securities Act. Pursuant to Rule 144 under the U.S. Securities Act, an "affiliate" of an issuer for the purposes of the U.S. Securities Act is a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such issuer.

**The foregoing discussion is only a general overview of certain requirements of United States securities laws applicable to the securities received upon completion of the Arrangement. All holders of securities received in connection with the Arrangement are urged to consult with counsel to ensure that the resale of their securities complies with applicable securities legislation.**

***Additional Information for U.S. Security Holders***

**THE SECURITIES ISSUABLE IN CONNECTION WITH THE ARRANGEMENT HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SEC OR SECURITIES REGULATORY AUTHORITIES IN ANY STATE, NOR HAS THE SEC OR THE SECURITIES REGULATORY AUTHORITIES OF ANY STATE PASSED ON THE ADEQUACY OR ACCURACY OF THIS CIRCULAR AND ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

This Circular has been prepared in accordance with the applicable disclosure requirements in Canada. Residents of the United States should be aware that such requirements are different than those of the United States applicable to proxy statements under the U.S. Exchange Act. Likewise, information concerning the assets and operations of the Company and KPM has been prepared in accordance with Canadian standards, and may not be comparable to similar information for United States companies.

Financial statements included herein have been prepared in accordance with generally accepted accounting principles and are subject to auditing and auditor independence standards in Canada, and thus may not be comparable to financial statements of United States companies. NVG Shareholders should be aware that the acquisition of the securities described herein may have tax consequences both in the United States and in Canada.

The enforcement by investors of civil liabilities under the United States federal securities laws may be affected adversely by the fact that the Company and KPM are incorporated or organized under the laws of a foreign country, that some or all of their officers and directors and any experts named herein may be residents of a foreign country, and that all or a substantial portion of the assets of the Company and KPM and said persons may be located outside the United States.

**Expenses of Arrangement**

Pursuant to the Arrangement Agreement, the costs relating to the Arrangement, including without limitation, financial, advisory, accounting, and legal fees will be borne by the party incurring them. The costs of the Arrangement to the Effective Date will be borne by the Company.

**INCOME TAX CONSIDERATIONS**

***Distribution of KPM Shares***

Each Resident Holder who receives KPM Shares distributed by the Company in payment of a reduction of Paid-Up Capital of the Company should not have adverse Canadian Federal Income Tax consequences provided that the fair market value of the KPM Shares distributed:

- Does not exceed the amount by which the Paid-Up Capital of the NVG Shares is correspondingly reduced; and
- Does not exceed the adjusted cost base of the NVG Shares to the Resident Holder.

In such circumstances, the KPM Shares distributed should be received as a return of capital and constitute a non-taxable capital receipt. An amount equal to the fair market value of the KPM Shares received by a Resident Holder in respect of the reductions of the Paid-Up Capital of the NVG Shares will be deducted in computing the adjusted cost base of the Resident Holder's NVG Shares.

If the fair market value of the KPM Shares distributed exceeds the amount by which the Paid-Up Capital of the NVG Shares is reduced, the excess will be treated as a taxable dividend to the Resident Holder and will be included in computing the Resident Holder's taxable income as described below (see "Holders Resident in Canada – Taxation

of Dividends"). Any amount treated as a taxable dividend will not be deducted in computing the adjusted cost base of the Resident Holder's NVG Shares.

If the amount deducted in computing the adjusted cost base of the Resident Holder's NVG Shares exceeds the Resident Holder's adjusted cost base of their NVG Shares at that time, the Resident Holder will realize a capital gain equal to the amount of excess. Any capital gain so arising will be subject to the usual rules applicable to the taxation of capital gains described below (see "Holders Resident in Canada – Taxation of Capital Gains and Losses").

### *Disposition of Shares*

A Resident Holder who disposes of a NVG Share or KPM Share will realize a capital gain (capital loss) equal to the amount by which the proceeds of disposition of the share, less reasonable costs of disposition, exceed (are exceeded by) the ACB of the share to the Resident Holder determined immediately before the disposition. Any capital gain or loss so arising will be subject to the usual rules applicable to the taxation of capital gains and losses described below. See "Holders Resident in Canada — Taxation of Capital Gains and Losses".

### *Taxation of Capital Gains and Losses*

A Resident Holder who realizes a capital gain (capital loss) in a taxation year must include one half of the capital gain ("**taxable capital gain**") in income for the year, and may deduct one half of the capital loss ("**allowable capital loss**") against taxable capital gains realized in the year, and to the extent not so deductible, against taxable capital gains arising in any of the three preceding taxation years or any subsequent taxation year.

The amount of any capital loss arising from a disposition or deemed disposition of a NVG Share or KPM Share by a Resident Holder that is a corporation may, to the extent and under circumstances specified in the Tax Act, be reduced by the amount of certain dividends received or deemed to be received by the corporation on the share. Similar rules may apply if the corporation is a member of a partnership or beneficiary of a trust that owns shares, or where a partnership or trust of which the corporation is a member or beneficiary is a member of a partnership or a beneficiary of a trust that owns shares.

A Resident Holder that is a "Canadian-controlled private corporation" for the purposes of the Tax Act may be required to pay an additional 6 $\frac{2}{3}$ % refundable tax in respect of any net taxable capital gain that it realizes on disposition of a NVG Share or KPM Share.

### *Taxation of Dividends*

A Resident Holder who is an individual will be required to include in income any dividend that the Resident Holder receives, or is deemed to receive, on NVG Shares or KPM Shares, and will be subject to the gross-up and dividend tax credit rules applicable to taxable dividends received from taxable Canadian corporations.

A Resident Holder that is a corporation will be required to include in income any dividend that it receives or is deemed to be received on NVG Shares or KPM Shares, and generally will be entitled to deduct an equivalent amount in computing its taxable income. A "private corporation" (as defined in the Tax Act) or any other corporation controlled or deemed to be controlled by or for the benefit of an individual or a related group of individuals may be liable under Part IV of the Tax Act to pay a refundable tax of 33 $\frac{1}{3}$ % on any dividend that it receives or is deemed to be received on NVG Shares or KPM Shares to the extent that such dividends are deductible in computing the corporation's taxable income. Any such Part IV tax will be refundable to it at the rate of \$1 for every \$3 of taxable dividends that it pays on its shares.

### *Alternative Minimum Tax on Individuals*

A capital gain realized, or deemed to be realized, by a Resident Holder who is an individual (including certain trusts and estates) may give rise to liability to alternative minimum tax under the Tax Act.

### *Dissenting Resident Holders*

A Resident Holder who validly exercises Dissent Rights (a "**Resident Dissenter**") and consequently is paid the fair value for the Resident Dissenter's NVG Shares in accordance with the Arrangement will be deemed to have received

a dividend equal to the amount, if any, by which the payment exceeds the paid-up capital of the Resident Dissenter's NVG Shares. Any such deemed dividend will be subject to tax as discussed above under "Holders Resident in Canada — Taxation of Dividends". The Resident Dissenter will also realize a capital gain (capital loss) equal to the amount, if any, by which the payment, less the deemed dividend (if any) and less reasonable costs of disposition, exceeds (is exceeded by) the ACB of the shares. The Resident Dissenter will be required to include any resulting taxable capital in income, and to deduct any resulting allowable capital loss, in accordance with the usual rules applicable to capital gains and losses. See "Holders Resident in Canada – Taxation of Capital Gains and Losses".

The Resident Dissenter must also include in income any interest awarded by a court to the Resident Dissenter.

### *Eligibility for Investment*

KPM Shares will be qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, and registered education savings plans ("**Registered Plans**") at any particular time provided that, at that time, either the shares are listed on a "prescribed stock exchange" or KPM is a "public corporation" as defined for the purposes of the Tax Act.

The Company expects that the KPM Shares will be listed on the Exchange, which is a prescribed stock exchange, at the Effective Date under the Arrangement. On March 19, 2007, the Government of Canada eliminated the concept of "prescribed stock exchange" for these purposes and replaced it with the concept of "designated stock exchange". The amendment, which provides that the list of designated stock exchanges includes all of the former prescribed stock exchanges, became effective on December 14, 2007.

### *Holders Not Resident in Canada*

The following portion of this summary is applicable only to Holders (each in this portion of the summary a "**Non-resident Holder**") who:

- have not been, are not, and will not be resident or deemed to be resident in Canada for purposes of the Tax Act;
- do not and will not, and are not and will not be deemed to, use or hold NVG Shares in connection with carrying on a business in Canada;
- do not and will not, and are not and will not be deemed to, use or hold KPM Shares or KPM Converted Shares in connection with carrying on a business in Canada;
- whose NVG Shares will not at the Effective Date under the Arrangement, or at any material time thereafter, constitute "taxable Canadian property" for the purposes of the Tax Act; and
- whose KPM Shares and KPM Converted Shares will not at the Effective Date under the Arrangement, or at any material time thereafter, constitute "taxable Canadian property" for the purposes of the Tax Act.

Generally, a NVG Share, KPM Share or KPM Converted Share, as applicable, owned by a Non-resident Holder will not be taxable Canadian property of the Non-resident Holder at a particular time provided that, at that time, (i) the share is listed on a prescribed stock exchange (which includes the Exchange), (ii) neither the Non-resident Holder nor persons with whom the Non-resident Holder does not deal at arm's length alone or in any combination has owned 25% or more of the shares of any class or series in the capital of the issuing corporation within the previous five years, and (iii) the share was not acquired in a transaction as a result of which it was deemed to be taxable Canadian property of the Non-resident Holder. On March 19, 2007, the Government of Canada eliminated the concept of "prescribed stock exchange" for these purposes and replaced it with the concept of "designated stock exchange." The amendment, which provides that the list of designated stock exchanges includes all of the former prescribed stock exchanges, became effective on December 14, 2007.

Special rules, which are not discussed in this summary, may apply to a Non-resident Holder that is an insurer carrying on business in Canada.

### ***Capital Gains and Capital Losses on Distributions and Subsequent Dispositions of Shares***

A Non-resident Holder who participates in the Arrangement will not be subject to tax under the Tax Act on any capital gain realized on the distribution of KPM Shares in payment of a reduction of Paid-Up Capital of the Company.

Similarly, any capital gain realized by a Non-resident Holder on the subsequent disposition or deemed disposition of a NVG Share or KPM Share or KPM Converted Share acquired pursuant to the Arrangement will not be subject to tax under the Tax Act, provided either that the shares do not constitute taxable Canadian property of the Non-resident Holder at the time of disposition, or an applicable income tax treaty exempts the capital gain from tax under the Tax Act.

### ***Deemed Dividends on the Distribution of KPM Shares***

For the reasons set above under "Holders Resident in Canada — Distribution of KPM Shares", the Company expects that no Non-Resident Holder will be deemed to have received a dividend on the distribution of KPM Shares in payment of a reduction of Paid-Up Capital of the Company.

### ***Taxation of Dividends***

A Non-resident Holder to whom a dividend on a NVG Share or KPM Share is or is deemed to be paid, or credited, will be subject to Canadian withholding tax under the Tax Act at the rate of 25% of the gross amount of the dividend, unless reduced by an applicable income tax treaty, if any.

### ***Dissenting Non-resident Holders***

A Non-resident Holder who validly exercises Dissent Rights (a "**Non-resident Dissenter**") and consequently is paid the fair value for the Non-resident Dissenter's NVG Shares in accordance with the Arrangement, will be deemed to have received a dividend equal to the amount, if any, by which the payment exceeds the paid-up capital of the Non-resident Dissenter's NVG Shares. Any such deemed dividend will be subject to tax as discussed above under "Holders Not Resident in Canada — Taxation of Dividends". The Non-resident Dissenter will not be subject to tax under the Tax Act on any capital gain that may arise in respect of the resulting disposition of the NVG Shares.

The Non-resident Holder will also be subject to Canadian withholding tax on that portion of any such payment that is on account of interest at the rate of 25%, unless reduced by an applicable income tax treaty, if any.

## **APPROVAL OF THE KPM STOCK OPTION PLAN**

### **Stock Option Plan of KPM**

On August 15, 2012, the directors of KPM established the KPM Stock Option Plan as a rolling stock option plan in accordance with the policies of the Exchange. The maximum number of KPM Shares reserved for issuance under the KPM Stock Option Plan is ten percent (10%) of the issued and outstanding KPM Shares on a "rolling" basis. It is anticipated that KPM will have approximately 24,383,750 issued KPM Shares on the Effective Date such that the maximum number of KPM Shares that may be reserved for issuance under the KPM Stock Option Plan will initially be 2,438,375. See "KPM After the Arrangement – Stock Options and Warrants".

### **Purpose of the KPM Stock Option Plan**

The purpose of the KPM Stock Option Plan is to provide an incentive to KPM's directors, officers, employees, management companies and consultants to continue their involvement with KPM, to increase their efforts on KPM's behalf and to attract new qualified employees, while at the same time reducing the cash compensation the Company would otherwise have to pay. The KPM Stock Option Plan is also intended to assist in aligning management and employee incentives with the interests of Shareholders.

## General Description and Exchange Policies

The following is a brief description of the principal terms of the KPM Stock Option Plan, which description is qualified in its entirety by the terms of the KPM Stock Option Plan. A full copy of the KPM Stock Option Plan is available to NVG Shareholders upon request and will be available at the Meeting.

Number of Shares Reserved. The number of KPM Shares which may be issued pursuant to options granted under the plan shall not exceed ten percent (10%) of the issued and outstanding KPM Shares from time to time.

Maximum Term of Options. The term of any options granted under the KPM Stock Option Plan is fixed by the board of directors at the time of grant and may not exceed five years from the date of grant. The options are non-assignable and non-transferable.

Exercise price. The exercise under each option shall be not less than the Market Price on the date of grant (subject to a minimum price per share of \$0.10). The "**Market Price**" of KPM Shares at any grant date means the last closing price per share on the trading day immediately preceding the day on which KPM announces the grant of the option or, if the grant is not announced, on the date of grant, or if the KPM Shares are not listed on any stock exchange, the "**Market Price**" of KPM Shares means the price per share on the over-the-counter market determined by dividing the aggregate sale price of the KPM Shares sold by the total number of such KPM Shares so sold on the applicable market for the last day prior to the date of grant.

Amendment. The directors of KPM may from time to time, subject to applicable law and to the prior approval, if required, of the Exchange or any other regulatory body having authority over KPM or the KPM Stock Option Plan, suspend, terminate or discontinue the KPM Stock Option Plan at any time, or amend or revise the terms of the KPM Stock Option Plan or of any Option granted under the KPM Stock Option Plan and the option agreement relating thereto, provided that no such amendment, revision, suspension, termination or discontinuance shall in any manner adversely affect any Option previously granted to an optionee under the KPM Stock Option Plan without the consent of that optionee. Any amendments to the KPM Stock Option Plan or options granted thereunder will be subject to the approval of the shareholders.

Vesting. The directors of KPM may determine and impose terms upon which each option shall become vested. All options granted to consultants providing investor relations activities shall vest over a minimum twelve month period with no more than one-quarter of such options vesting over a three month period.

Termination. In the event death or disability, the option then held by such optionee shall remain exercisable until the earlier of 180 days after the date of death or disability and the expiry date of such optionee's options. In the event of termination for cause, any outstanding option held by such optionee shall be cancelled as of the termination date. In the event of early retirement, voluntary resignation or termination other than for cause, the options then held by the optionee shall be exercisable to acquire unissued option shares at any time up to but not after the earlier of the expiry date and the date which is 30 days after the optionee ceases to be an eligible person under the KPM Stock Option Plan.

Effect of a Take-Over Bid. If a bona fide offer ( an "**Offer**") for KPM Shares is made to shareholders of KPM generally or to a class of shareholders which includes the optionee, which Offer, if accepted in whole or in part, would result in the offeror becoming a control person of KPM, KPM shall notify each optionee of full particulars of the Offer, and the options may be exercised by optionees in whole or in part by the optionee so as to permit the optionee to tender the Option Shares received upon such exercise, pursuant to the Offer. However, if (a) the Offer is not completed within the time specified therein; or (b) all of the KPM Shares tendered by the optionee pursuant to the Offer are not taken up or paid for by the offeror in respect thereof, then the KPM Shares received upon such exercise, or in the case of (b) above, the KPM Shares that are not taken up and paid for, may be returned by the optionee to KPM and reinstated as authorized but unissued KPM Shares and with respect to such returned KPM Shares, the option shall be reinstated as if it had not been exercised and the exercise price will be refunded to the optionee.

Administration. The directors of KPM shall, without limitation, have full and final authority in their discretion, but subject to the express provisions of the KPM Stock Option Plan, to interpret the KPM Stock Option Plan, to prescribe, amend and rescind rules and regulations relating to the KPM Stock Option Plan and to make all other determinations deemed necessary or advisable in respect of the KPM Stock Option Plan. Administration of the

KPM Stock Option Plan shall be the responsibility of the appropriate officers of KPM and all costs in respect thereof shall be paid by KPM.

The NVG Shareholders will be asked at the Meeting to approve, ratify and affirm by ordinary resolution the KPM Option Plan Resolution in substantially the form of resolution 2 set out in Schedule "A" attached to this Circular. A full copy of the KPM Stock Option Plan is available to NVG Shareholders upon request and will be available at the Meeting.

**The Board unanimously recommends that shareholders vote FOR the KPM Stock Option Plan Resolution.**

## **RIGHTS OF DISSENT**

### **Dissenters' Rights**

The Act contains provisions requiring the Company to purchase NVG Shares from NVG Shareholders who dissent in respect of a resolution to adopt an amalgamation agreement, in respect of a resolution to approve an arrangement, the terms of which arrangement permit dissent, and in respect of a resolution to authorize the continuation of the company into a jurisdiction other than British Columbia. Pursuant to the terms of the Interim Order and the Plan of Arrangement, the Company has granted the NVG Shareholders who object to the Arrangement Resolution the right to dissent (the "**Dissent Right**") in respect of the Arrangement. A Dissenting Shareholder will be entitled to be paid in cash the fair value of the Dissenting Shareholder's NVG Shares so long as the dissent procedures are strictly adhered to. The Dissent Right is granted in Article 5 of the Plan of Arrangement. **A registered Dissenting Shareholder who intends to exercise the Dissent Right is referred to the full text of Sections 237 to 247 of the Act which is attached as Schedule "C" to this Circular.**

An NVG Shareholder who wishes to exercise his or her Dissent Right must give written notice of his or her dissent (a "**Notice of Dissent**") to the Company at its head office at 575, 1111 West Hastings Street, Vancouver, British Columbia V6E 2J3, marked to the attention of the Corporate Secretary, by either delivering the Notice of Dissent to the Company at least two days before the Meeting or by mailing the Notice of Dissent to the Company by registered mail post marked not later than two days before the Meeting.

The giving of a Notice of Dissent does not deprive a Dissenting Shareholder of his or her right to vote at the Meeting on the Arrangement Resolution. However, the procedures for exercising Dissent Rights given in Schedule "C" must be strictly followed as a vote against the Arrangement Resolution or the execution or exercise of a proxy voting against the Arrangement Resolution does not constitute a Notice of Dissent.

NVG Shareholders should be aware that they will not be entitled to exercise a Dissent Right with respect to any NVG Shares if they vote (or instruct or are deemed, by submission of any incomplete proxy, to have instructed his or her proxy holder to vote) in favour of the Arrangement Resolution. A Dissenting Shareholder may, however, vote as a proxy for an NVG Shareholder whose proxy requires an affirmative vote on the Arrangement Resolution, without affecting his or her right to exercise the Dissent Right.

In the event that an NVG Shareholder fails to perfect or effectively withdraws its claim under the Dissent Right or forfeits its right to make a claim under the Dissent Right, each NVG Share held by that NVG Shareholder will thereupon be deemed to have been exchanged in accordance with the terms of the Arrangement as of the Effective Date.

**NVG Shareholders who wish to exercise Dissent Rights should review the dissent procedures described in Schedule "C" and seek legal advice, as failure to adhere strictly to the Dissent Right requirements will result in the loss or unavailability of any right to dissent.**

## **RISK FACTORS**

In evaluating the Arrangement, NVG Shareholders should carefully consider, in addition to the other information contained in this Circular, the following risk factors associated with NVG and KPM. These risk factors are not a definitive list of all risk factors associated with the business to be carried out by NVG and the business to be carried out by KPM.

## **Risks Related to NVG**

### **Dependence on the Lumber and Pulp and Paper Industries**

The Company's financial performance depends on the state of the lumber and pulp and paper industries. Depressed commodity prices of lumber, pulp or paper could significantly reduce the amount of timber that is purchased by NVG customers. In addition to impacting NVG's sales for value added wood products, cash flow and earnings, weakness in the market prices of its products may also have an effect on NVG's ability to attract additional capital, its cost of that capital, and the value of its assets.

### **NVG's Operations are Subject to Operational Risks and Hazards Inherent in the Lumber and Pulp and Paper Industries**

NVG's business will be subject to a number of inherent risks and hazards, including environmental pollution, accidents or spills; industrial and transportation accidents, which may involve hazardous materials; labour disputes; power disruptions, catastrophic accidents; failure of plant and equipment to function correctly, the inability to obtain suitable or adequate equipment, fires; blockades or other acts of social activism; changes in the regulatory environment; impact of non-compliance with laws and regulations; natural phenomena, such as inclement weather conditions, underground floods, earthquakes, ground movements and tailings; and encountering unusual or unexpected geological conditions and technical failure of production methods.

There is no assurance that the foregoing risks and hazards will not result in damage to, or destruction of, NVG's feed stock supplies, personal injury or death, environmental damage, delays in NVG's production or export activities, costs, monetary losses and potential legal liability and adverse governmental action, all of which could have a material and adverse effect on NVG's future cash flows, earnings, results of operations and financial condition.

### **Requirement for Permits and Licenses**

NVG will be applying for all necessary licenses and permits under applicable laws and regulations to carry on pre-production, construction, and production activities which it is currently planning, and it believes it will comply in all material respects with the terms of such licenses and permits. However, such licenses and permits are subject to changes in regulations and in various operational circumstances. There can be no guarantee that NVG will be able to obtain such licenses and permits.

### **NVG Will Require Significant Amounts of Additional Capital in the Future**

NVG will have limited financial resources. NVG will continue to make substantial capital expenditures related to development and production. The development of the manufacturing plant can be expensive, with a substantial period of time occurring before production can commence. In addition, NVG may incur major unanticipated liabilities or expenses. There can be no assurance that NVG will be able to obtain necessary financing in a timely manner on commercially acceptable terms, if at all.

Volatile demand for lumber and the volatile price for lumber may make it difficult or impossible for NVG to obtain debt financing or equity financing on commercially acceptable terms or at all. Failure to obtain such additional financing could result in delay or indefinite postponement of development. If production of any lumber resource is delayed, such delay would have a material and adverse effect on NVG's business, financial condition and results of operation.

### **Environmental Risks and Hazards**

All phases of NVG's operations will be subject to environmental regulation in the jurisdictions in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards. They also set forth limitations on the general, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect NVG's operations.



### **Government Regulation**

NVG's planned production and export activities are subject to various laws governing production, export, taxes, labour standards and occupational health, safety, toxic substances, land use, water use, land claims of local people and other matters. Although NVG believes its production and export activities will be carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail production or development.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions.

### **Competition**

The lumber and pulp and paper industries are intensely competitive. NVG will be competing with other well established companies in the lumber and pulp and paper industries for sales. NVG has no firm purchase commitments from any customers due to the early stage of operations. As NVG relies on the use of newer wood drying technology, customers may be hesitant or unaware of the benefits of this technology. Such competition may result in NVG being unable to acquire desired entry in the market, to recruit or retain qualified employees or to acquire the capital necessary to fund its operations and develop its lumber and pulp and paper supplies. NVG's inability to compete with other companies for these resources could have a material adverse effect on NVG's business and results of operations.

### **Political Risk**

NVG's future prospects may be affected by political decisions about the lumber, pulp and paper markets. There can be no assurance that the Canadian or other government or quasi-governmental authority will not enact legislation or other rules affecting the production of lumber, pulp or paper, or restricting to whom NVG can sell its products.

### **Conflicts of Interest**

Directors of NVG may, from time to time, serve as directors of, or participate in ventures with other companies involved in natural resource development. As a result, there may be situations that involve a conflict of interest for such directors. Each director will attempt not only to avoid dealing with such other companies in situations where conflicts might arise but will also disclose all such conflicts in accordance with the *Business Corporations Act* (British Columbia) and will govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law.

### **Litigation**

NVG and/or its directors may be subject to a variety of civil or other legal proceedings, with or without merit. NVG does not know of any such pending or actual material legal proceedings as of the date of this Circular.

### **Dependency on a Small Number of Management Personnel**

NVG will be dependent on a relatively small number of key personnel, the loss of any of whom could have an adverse effect on the company and its business operations.

### **No Cash Dividends Are Expected to be Paid in the Foreseeable Future**

NVG intends to retain any future earnings to finance its business operations and any future growth. Therefore, NVG does not anticipate declaring any cash dividends in the foreseeable future.

## **Risks Related to KPM**

### **Limited Operating History**

KPM has no history of earnings. There are no known commercial quantities of mineral reserves on KPM's properties.

### **Exploration and Development**

Resource exploration and development is a speculative business, characterized by a number of significant risks including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits but also from finding mineral deposits that, though present, are insufficient in quantity and quality to return a profit from production. The marketability of minerals acquired or discovered by KPM may be affected by numerous which are beyond the control of KPM and which cannot be accurately predicted, such as market fluctuations, the proximity and capacity of milling facilities, mineral market and processing equipment, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals, and environmental protection, the combination of which factors may result in KPM not receiving an adequate return of investment capital.

All of the claims to which KPM has a right to acquire an interest are in the exploration stage only, are without a known body of commercial ore and KPM's interest in the claims will be acquired only if the total obligations to the vendor of the claims, including the required exploration expenditures for KPM's acquired interest, can be fulfilled during the years 2012, 2013 and 2014. If not, KPM will be unsuccessful in acquiring an 80% interest in the Assets.

Further development of the subject mineral claims would follow only if favourable exploration results are obtained. The business of exploration for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines.

There is no assurance that KPM's mineral exploration and development activities will result in any discoveries of commercial bodies of ore. The long-term profitability of KPM's operations will in part be directly related to the costs and success of its exploration program, which may be affected by a number of factors.

Substantial expenditures are required to establish reserves through drilling, to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that funds required for development can be obtained on a timely basis.

### **Uninsurable Risks**

In the course of exploration, development and production of mineral properties, certain risks, and in particular, unexpected or unusual geological operating conditions including rock bursts, cave-ins, fires, flooding and earthquakes may occur. It is not always possible to fully insure against such risks and KPM may decide not to take out insurance against such risks as a result of high premiums or for other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the securities of KPM.

### **Environmental Regulations, Permits and Licenses**

KPM's operations may be subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which means stricter standards, and enforcement, and fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. KPM intends to fully comply with all environmental regulations.

The current or future operations of KPM, including exploration and development activities and commencement of production on its properties, require permits from various federal, provincial or territorial and local governmental authorities and such operations are and will be governed by laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. Such operations and exploration activities are also subject to substantial regulation under these laws by governmental agencies and may require that KPM obtain permits from various governmental agencies. There can be no assurance, however, that all permits which KPM may require for its operations and exploration activities will be obtainable on reasonable terms or on a timely basis or such laws and regulations would not have an adverse effect on any mining project which KPM might undertake.

Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial action. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations and, in particular, environmental laws.

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on KPM and cause increases in capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mining properties.

To the best of KPM's knowledge, it is operating in material compliance with all applicable laws and regulations.

#### **Dependency on a Small Number of Management Personnel**

KPM is dependent on a relatively small number of key personnel, the loss of any of whom could have an adverse effect on KPM and its business operations.

#### **Conflicts of Interest**

Certain directors and officers of KPM are, and may continue to be, involved in acquiring interests in mineral properties through their direct and indirect participation in corporations, partnerships or joint ventures which are potential competitors of KPM. Situations may arise in connection with potential acquisitions or investments where the other interests of these directors and officers may conflict with the interests of KPM. The directors of KPM are required by law, however, to act honestly and in good faith with a view to the best interests of KPM and its shareholders and to disclose any personal interest which they may have in any material transaction which is proposed to be entered into with KPM and to abstain from voting as a director for the approval of any such transaction.

#### **No History of Earnings or Dividends**

As a newly formed company, KPM has no history of earnings and there is no assurance that any property that may be acquired by KPM will generate earnings, operate profitably or provide a return on investment in the future. KPM has no plans to pay dividends for the foreseeable future.

### **THE COMPANY AFTER THE ARRANGEMENT**

The following is a description of the Company assuming completion of the Arrangement.

#### **Name, Address and Incorporation**

The Company was incorporated pursuant to the provisions of the *Business Corporations Act* (British Columbia) on October 25, 2005 as a private company. On March 10, 2006, the Company entered into an option agreement with Gitxat'in Mhind World Link Inc. pursuant to the terms of which the Company has the right to earn up to a 75% interest in the Bay Point Project which will be explored as a potential source of construction aggregates for

California markets and coarse riprap for both local and international markets. The Company may acquire the 75% interest by issuing to the vendor 2,250,000 (750,000 post-consolidated shares) in its capital over three years (year one: 600,000 shares (200,000 post-consolidated shares); year two: 750,000 shares (250,000 post-consolidated shares); year three: 900,000 shares (300,000 post-consolidated shares)); by paying the vendor the sum of \$300,000 over three years (year one: \$75,000; year two: \$100,000; and year three: \$125,000); and by incurring cumulative exploration and development expenditures of \$200,000 within one year from the date of issuance of a receipt for a final prospectus, \$300,000 within three years and \$500,000 within three years. The option agreement was subsequently cancelled by mutual agreement on February 18, 2009.

On February 1, 2010, the Company entered into an acquisition agreement with Golden Dawn Minerals Inc., which gives the Company an option to acquire an 80% joint venture interest in three gold prospects within the Larder Lake Mining Division of Ontario, namely the Central Catharine, 80 Foot Fall and Link Catharine properties, located southeast of the town of Kirkland Lake, Ontario (collectively, the “Assets”). 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) \$120,000 in cash and the issuance of 150,000 common shares to the original optionors; (ii) the issuance of 200,000 shares (66,667 post-consolidated shares) to Golden Dawn Minerals Inc. within 10 days of the receipt of regulatory approval, a further 150,000 shares (50,000 post-consolidated shares) on or before the second anniversary, and 100,000 shares (33,333 post-consolidated shares) on or before the third anniversary.

On March 30, 2012, the Company entered into a joint venture agreement with Vixon Technology Ltd., Bert Kelm and James Elliott for the assembly and commercialization of industrial drying systems based on the applications of microwave technology. The joint venture will be carried out through the Company’s subsidiary, M-Wave EnviroTech Inc., in which the Company and Vixon Technology Ltd. will hold 55% and 35% interests, respectively. The remaining 10% will be held by two directors of M-Wave EnviroTech Inc., with the Company as the operator of the project.

On August 27, 2012, the Company entered into the Arrangement Agreement with KPM. The Arrangement Agreement contemplates the spinout of the Company’s interest in all of its mineral properties, being the Assets, to KPM in consideration for 24,383,650 common shares of KPM multiplied by the Conversion Factor. Pursuant to the Arrangement Agreement, NVG will transfer its interest in the Assets to KPM. The company is currently a reporting issuer in each of the provinces of British Columbia and Ontario and its common shares are currently listed on the CNSX under the symbol “NVG”.

NVG’s head office is currently located at 575, 1111 West Hastings Street, Vancouver, British Columbia, Canada V6E 2J3. The Company’s registered and records office address is 10<sup>th</sup> Floor, 595 Howe Street, , Vancouver, British Columbia, Canada V6C 2T5.

#### **Directors and Officers**

The board of directors of NVG will consist of five (5) directors. The first directors of NVG will consist of Dieter Peter, Mel Stevens, Zhang Peng, Andrew von Kursell and John Patrick Copeland. The officers of NVG will be Dieter Peter, President and Chief Executive Officer; Michael Zhu, Chief Financial Officer; and Josephine See, Vice-President, Corporate Affairs, Treasurer, and Corporate Secretary.

#### **Business of the Company – History Since Incorporation**

The Company was incorporated pursuant to the provisions of the *Business Corporations Act* (British Columbia) on October 25, 2005 as a private company. On March 10, 2006, the Company entered into an option agreement with Gitxat’in Mhind World Link Inc. pursuant to the terms of which the Company has the right to earn up to a 75% interest in the Bay Point Project which will be explored as a potential source of construction aggregates for California markets and coarse riprap for both local and international markets. The Company may acquire the 75% interest by issuing to the vendor 2,250,000 (750,000 post-consolidated shares) in its capital over three years (year one: 600,000 shares (200,000 post-consolidated shares); year two: 750,000 shares (250,000 post-consolidated shares); year three: 900,000 shares (300,000 post-consolidated shares)); by paying the vendor the sum of \$300,000 over three years (year one: \$75,000; year two: \$100,000; and year three: \$125,000); and by incurring cumulative exploration and development expenditures of \$200,000 within one year from the date of issuance of a receipt for a

final prospectus, \$300,000 within three years and \$500,000 within three years. The agreement was subsequently cancelled by mutual agreement on February 18, 2009.

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### **Business of the Company Following the Arrangement**

Following completion of the Arrangement, NVG will focus on commercializing the joint venture agreement with Vixon Technology Ltd.

The principal business operations of the Company are summarized below.

### **Business Overview**

In North America the conventional method of dehumidification of lumber products is by batching product in dry kilns. Dry kilns operate by circulating humid 200°F. through lumber stacked with spacers to allow the airflow. The typical kiln is heated by steam from natural gas or waste wood fired boiler. The conventional kiln is fairly simple to operate, however can have set up costs as high as \$3,000,000 for a 150,000 board foot (bdf) capacity. Additionally, the continuous venting of hot humid air is inefficient, using 2-3 times the heat of vaporization of the water extracted. According to Vixon Technology Ltd., the total kiln dried softwood production in North America is estimated to be in excess of 100 million Mbdf, with a wholesale value of \$40 billion. The softwood industry in North America employs approximately 8,000 lumber dry kilns, with hardwood kilns estimated to be 10,000 in North America.

Internationally, a variety of wood drying kiln technologies such as conventional, dehumidification, solar, vacuum, radio frequency are commonly used. Modern high temperature, high-air-velocity conventional kilns can typically dry 1-inch-thick (25 mm) green lumber in 10 hours down to a moisture content of 18%. However, 1-inch-thick green Red Oak requires about 28 days to dry down to a moisture content of 8%. Newer wood drying technologies have included the use of reduced atmospheric pressure to attempt to speed up the drying process. A variety of vacuum technologies exist, varying primarily in the method heat is introduced.

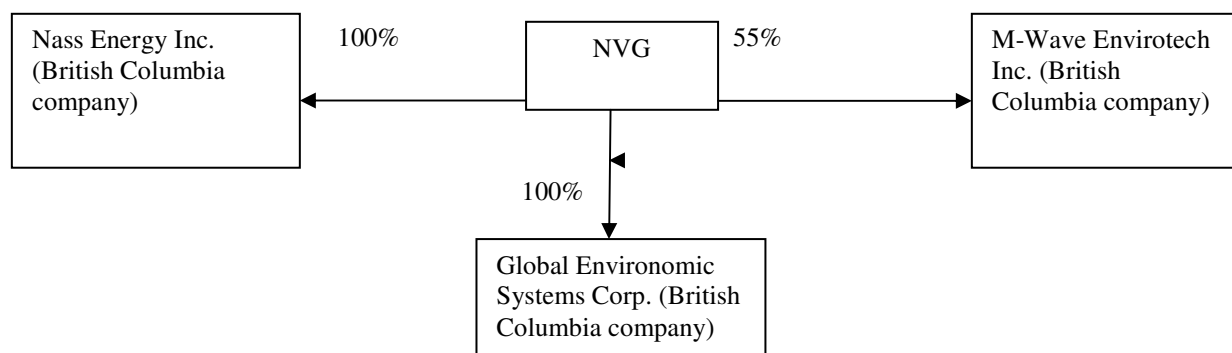
Vixon Technology Ltd. has developed a proven, continuous-flow, proprietary technology integrated system that provides: practicable solutions to moisture content monitoring, control of the dehumidification requirements; and significant cost savings compared to the conventional and the newer atmospheric wood drying technologies. The M-Wave System will be a proprietary turn-key system providing low-cost, environmentally- friendly guarantees for improved Quality Control & Assurance in order to achieve high standards of quality specified product excellence.

Vixon Technology Ltd. has agreed to install in British Columbia a Pilot Plant within the next three months demonstrating the M-Wave System to MWE's potential customers. Until MWE's manufacturing and assembly in Canada is operational, and as future backup for integral parts for the M-Wave System, the MWE joint venture will have a secured supply from the original equipment manufacturer (OEM) of industrial Microwave drying equipment.

The Company believes that the M-Wave System will be the first environmentally friendly, lower cost, sustainable, turn-key solution for its targeted industry segment worldwide and will revolutionize the wood drying industry. The Company is excited and looking forward to this joint venture.

### Corporate Structure

After the Arrangement, NVG's corporate structure will be as follows:



### Directors and Officers of NVG

The following table sets out the names of the proposed directors and officers of NVG, the municipalities of residence of each, all offices currently held by each of them, their principal occupations within the five preceding years, and the period of time for which each has been a director or executive officer of NVG.

<i>Name, Jurisdiction of Residence and Position</i>	<i>Principal Occupation or Employment and, if not a Previously Elected Director, Occupation During the Past 5 Years</i>	<i>Previous Service as a Director</i>	<i>Number of Common Shares Beneficially Owned, Controlled or Directed, Directly or Indirectly<sup>(1)</sup></i>
DIETER PETER <sup>(3)</sup> Vancouver, B.C. Chairman, President, Chief Executive Officer and Director	President & CEO, Mineral Hill Industries Ltd.	October 2005	12,885,500
MELVIN STEVENS <sup>(2) (4)</sup> Greenville, BC. Director	General Manager, Laxgalts' AP Forest Company Ltd.	March 2006	Nil
ANDREW VON KURSELL Surrey, BC Director <sup>(2)(3)(4)</sup>	Chief Operating Officer and director of Ascot Mining plc, former director of Pencari Mining Corporation (formerly known as Azure Resources Corp.) since March 2001, director of International PetroReal Oil Corporation since September 2005, director of Mineral Hill Industries Ltd.	June 25, 2008	Nil

<i>Name, Jurisdiction of Residence and Position</i>	<i>Principal Occupation or Employment and, if not a Previously Elected Director, Occupation During the Past 5 Years</i>	<i>Previous Service as a Director</i>	<i>Number of Common Shares Beneficially Owned, Controlled or Directed, Directly or Indirectly<sup>(1)</sup></i>
PENG ZHANG Vancouver, BC, Director	General Manager, Vixon Technology Ltd. from January 18, 2010 to present; General Manager, Forsea Microwave Institute (October 3, 1993 to December 10, 2009)	May 15, 2012	Nil
JOHN COPELAND Delta, BC, Director	President, Copeland Insurance Consultants	June 29, 2012	Nil
MICHAEL ZHU Vancouver, BC Chief Financial Officer	Chartered Accountant	July 13, 2012	Nil
JOSEPHINE SEE North Vancouver, BC VP, Corporate Affairs, Treasurer and Corporate Secretary	VP, Corporate Affairs, Corporate Secretary and Treasurer, Mineral Hill Industries Ltd. (2004 to present); VP, Corporate Affairs, Corporate Secretary and Treasurer, Nass Valley Gateway Ltd. (2004 to present)	April 7, 2005	Nil

Notes:

- (1) Shares beneficially owned, directly or indirectly, or over which control or direction is exercised, as at October 21, 2011 based upon information furnished to the Company by individual directors. Unless otherwise indicated, such shares are held directly.
- (2) Denotes a member of the Audit Committee of the Company. Mr. von Kursell is the Chair of the Audit Committee. The third member of the Audit Committee, Hugh Maddin, will not be standing in for re-election as a director this term and the Company will appoint an additional member to the Audit Committee at the board meeting following the Meeting on September 26, 2012.
- (3) Denotes a member of the Exploration Committee. Mr. von Kursell is the Chair of the Exploration Committee.
- (4) Denotes a member of the Environmental & Safety Committee. Mr. Stevens is the Chair of the Environmental & Safety Committee. The other members of the Environmental & Safety Committee are Alan Moore, Rick Morrison, Bert Kelm and Dr. Mory Ghomshei.

**Management of NVG**

The following is a description of the individuals who will be directors and officers of NVG following the completion of the Arrangement:

**Dieter Peter, Chairman and CEO.** Mr. Peter has a proven track record in other production and market segments of building and assembling production facilities and sales teams from grassroots ventures to millions of dollars in sales of produced goods, having founded Merfin Hygienic Products Ltd., Concert Fabrication Ltee (Quebec), Concert ACI (South Carolina), Concert GmbH (Germany), and Advanced Air-laid Technologies Inc. In 2004 Mr. Peter reorganized Clearview Mineral Resources Corp. (TSXV: MHI), restructuring it with a new board of directors and management team. He raised sufficient funds to finance the asset acquisition of Praxis Goldfields Inc. and the company's investment in Nisga'a MHIND World Link Inc. and NVG. In 2005, Mr. Peter founded Copper Belt Resources Ltd., a junior resource company with the mandate of exploring precious metal properties. Between 1979 and 1985, Mr. Peter, through his private investment management company, Merfin Management Limited ("MML"), was successful in the investment and acquisition of exploration and mining ventures. In 1982 MML acquired from Asamera Minerals Inc. (Calgary) a 35% working interest in the Wenatchee, Washington mining property. In 1983 MML transferred the Wenatchee interest to a British Columbia company, Breakwater Resources Ltd. Mr. Peter

became a director of Breakwater Resources Ltd. MML was subsequently reorganized as a family trust of which Mr. Peter is President and one of the trustees.

**Melvin Stevens, President and Director.** Mr. Stevens is one of the founders of NVG and as the President of the NVG, he is responsible for the management and mining operations of the Company. Mr. Stevens is the General Manager of Nisga'a Laxgalts'ap Forest Company and a past director of Greenville Enterprises Inc, the development corporation of the Nisga'a Village Government of Greenville and he is Chairman of Gitxat'in MHIND World Link Inc. He is also a director of Greenville Environomic Energy Ltd and KPM.

**Michael Zhu, Chief Financial Officer.** Mr. Zhu is a Chartered Accountant with more than 10 years of public practice experience in various Canadian accounting firms. He has also worked as a research analyst for overseas financial institutions. He graduated from Information & Electronic Engineering department in Zhejiang University with an Optoelectronic Technology major.

**Josephine See, Vice President Corporate Affairs, Treasurer and Corporate Secretary.** Ms. See is a chartered secretary and has been the corporate secretary of public companies and a director of several private companies. Ms. See is also Corporate Secretary and Director of Corporate Affairs of Mineral Hill Industries Ltd.

**Andrew von Kursell, Director.** Mr. von Kursell is an experienced senior executive in the national and international mining industry, having held senior operation positions for such companies as Cominco Ltd. and Cyprus Anvil Mining Corp. He is the Chief Operating Officer and a director of Ascot Mining Plc, Ascot is listed on the London Plus Stock Exchange and operates two gold mines in Costa Rica of which one is in production. He is a director of Mineral Hill Industries Ltd., a former director of Pencari Mining Corporation and a director of International PetroReal Oil Corporation.

**Peng Zhang, Director.** Mr. Zhang, General Manager of Vixon Technology Ltd., is a seasoned professional in research and development of microwave for medical and clinical applications. He assisted in the development of many essential inventions of microwave technology for medical and clinical applications such as water-cooled microwave ablation system and ablation focused hyperthermia system. He also pioneered novel "first-in-man" microwave therapeutic applications with over 20 years in the specialty medical device industry. He directed the successful transition from Microwave Research Institute into a vital world class commercial enterprise with intellectual property pertinent to industrial and medical device industries.

**John Patrick Copeland, Director.** Mr. Copeland was educated in Economics at the University of Manitoba. Through Mr. Copeland's efforts in the insurance industry, he qualified for the "Top of the Million Dollar Round Table", a designation achieved by fewer than 250 individuals in the world. Mr. Copeland has served on a number of corporate boards and has been involved in the raising of several hundred million dollars of corporate funding over the years.

### **Description of Share Capital**

The authorized share capital of NVG will consist of an unlimited number of common shares, of which 24,383,750 common shares are issued and outstanding as of August 27, 2012.

NVG Shareholders are entitled to receive notice of any meeting of NVG Shareholders and to attend and vote thereat, except those meetings at which only the holders of shares of another class or of a particular series are entitled to vote. Each NVG Share entitles its holder to one vote at meetings at which they are entitled to attend and vote. The holders of NVG Shares are entitled to receive, on a *pro-rata* basis, such dividends as the Board may declare out of funds legally available for the payment of dividends. On the dissolution, liquidation, winding-up or other distribution of the assets of the Company, NVG Shareholders are entitled to receive on a *pro-rata* basis all of the assets of the Company remaining after payment of all of the Company's liabilities and subject to the prior rights attached to any preferred shares of NVG to receive a return of capital and unpaid dividends. The NVG Shares carry no preemptive or conversion rights.

### **Changes in Share Capital**

As at August 27, 2012, the Company had 24,383,750 common shares issued and outstanding.



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 37,151,303 common shares were consolidated to 12,383,750 common shares. The outstanding shares, weighted average outstanding shares and loss per share information have been retrospectively adjusted to reflect this consolidation. In addition, all share issuances, options and warrant transactions have been retrospectively adjusted to reflect the consolidation.

On April 25, 2012, the Company closed 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. Finders' fees amounting to \$7,200 cash and 32,000 broker warrants were paid with respect to the private placement.

### Dividend Policy

NVG has not paid dividends since incorporation. NVG currently intends to retain all available funds, if any, for use in its business.

### Trading Price and Volume

The NVG Shares have been listed and posted for trading on the CNSX since March 9, 2007. The table below sets out the trading activity of the Company's shares during the twelve months preceding the date of this Circular:

Date	Open	High	Low	Close	Volume	Chg	% Chg	Adj. Close
08/27/12	N/A	N/A	N/A	0.04	0	0.00	0.00%	<b>0.04</b>
08/21/12	0.05	0.05	0.04	0.04	29,000	-0.02	-33.33%	<b>0.04</b>
08/13/12	0.06	0.06	0.06	0.06	4,000	0.00	0.00%	<b>0.06</b>
07/27/12	0.06	0.06	0.06	0.06	1,999	-0.01	-14.29%	<b>0.06</b>
06/21/12	0.07	0.07	0.07	0.07	2,000	-0.015	-17.65%	<b>0.07</b>
05/30/12	0.08	0.085	0.08	0.085	3,000	0.025	41.67%	<b>0.085</b>
05/29/12	0.07	0.07	0.06	0.06	12,333	-0.01	-14.29%	<b>0.06</b>
05/09/12	0.07	0.07	0.07	0.07	6,000	0.01	16.67%	<b>0.07</b>
05/07/12	0.06	0.06	0.06	0.06	5,000	0.00	0.00%	<b>0.06</b>
04/13/12	0.06	0.06	0.06	0.06	5,000	0.02	50.00%	<b>0.06</b>
03/30/12	0.06	0.06	0.04	0.04	33,000	-0.015	-27.27%	<b>0.04</b>
03/27/12	0.055	0.055	0.055	0.055	10,669	0.015	37.50%	<b>0.055</b>
03/23/12	0.04	0.04	0.04	0.04	34,000	-0.005	-11.11%	<b>0.04</b>
03/16/12	0.045	0.045	0.045	0.045	11,000	0.035	350.00%	<b>0.045</b>
03/06/12	0.01	0.01	0.01	0.01	120,000	0.00	0.00%	<b>0.01</b>
03/05/12	0.01	0.01	0.01	0.01	120,000	0.00	0.00%	<b>0.01</b>
03/01/12	0.01	0.01	0.01	0.01	20,000	-0.005	-33.33%	<b>0.01</b>
02/15/12	0.015	0.015	0.015	0.015	3,000	-0.005	-25.00%	<b>0.015</b>
12/15/11	0.02	0.02	0.02	0.02	10,000	-0.01	-33.33%	<b>0.02</b>
11/28/11	0.05	0.05	0.03	0.03	60,000	0.00	0.00%	<b>0.03</b>
11/25/11	0.035	0.035	0.03	0.03	70,000	-0.01	-25.00%	<b>0.03</b>
11/02/11	0.04	0.04	0.04	0.04	25,000	0.01	33.33%	<b>0.04</b>
10/27/11	0.035	0.035	0.03	0.03	35,000	-0.015	-33.33%	<b>0.03</b>
10/25/11	0.045	0.045	0.045	0.045	45,000	0.005	12.50%	<b>0.045</b>
10/18/11	0.04	0.04	0.04	0.04	10,000	0.00	0.00%	<b>0.04</b>

### Selected Unaudited Pro-Forma Combined Financial Information of the Company

The following selected unaudited *pro-forma* combined financial information for the Company is based on the assumptions described in the respective notes to the Company's unaudited pro-forma combined balance sheet as at June 30, 2012, after taking into effect the Arrangement, which is attached to this Circular as Schedule "D". The unaudited pro-forma combined balance sheet has been prepared based on the assumption that, among other things, the Arrangement had occurred on June 30, 2012. The pro-forma combined balance sheet has been derived from the

unaudited pro-forma balance sheet or Schedule “D”, which was derived from the unaudited balance sheet of the Company as at June 30, 2012, giving effect to the Arrangement. The *pro-forma* balance sheet and pro-forma combined balance sheet are not intended to reflect the financial position that would have resulted if the events reflected therein had occurred on the dates indicated. In addition, the *pro-forma* balance sheet and the pro-forma combined balance sheet are not necessarily indicative of the financial position that may be attained in the future. The *pro-forma* balance sheet and pro-forma combined balance sheet should be read in conjunction with the Company's audited financial statements which are appended to this Circular as Schedule “F”.

	<b><i>Pro-forma as at June 30, 2012 on completion of the Arrangement</i></b>
	(unaudited)
Cash and cash equivalents .....	\$ 134,839
Amounts receivables.....	7,931
Prepaid expenses.....	9,690
Reclamation bond .....	3,000
<b>Total assets .....</b>	<b>\$ 281,460</b>
Accounts payable and accrued liabilities.....	\$ 119,480
Due to related parties.....	25,941
Shareholders' equity.....	135,639
Non-controlling interest.....	400
<b>Total liabilities and shareholders' equity.....</b>	<b>\$ 281,460</b>

### **The Company's Unaudited Financial Statements**

The Company's unaudited financial statements for the six-month period ended June 30, 2012 are attached hereto as Schedule “H”. The Company's management's discussion and analysis dated August 22, 2012, for the period ended June 30, 2012, is also attached hereto as Schedule “H”.

### **Material Contracts**

The following are the contracts material to NVG:

- (1) The Arrangement Agreement;
- (2) The Joint Venture Agreement with Vixon Technology Ltd., Bert Kelm and James Elliott;
- (3) The Acquisition Agreement with Golden Dawn Minerals Inc.;
- (4) The Production Joint Venture Agreement with Golden Dawn Minerals Inc.;
- (5) The Stock Option Plan.

### **KPM AFTER THE ARRANGEMENT**

The following is a description of KPM assuming completion of the Arrangement.

#### **Name, Address and Incorporation**

KPM was incorporated as "Greenville Precious Metals Corp." pursuant to the Act on June 8, 2010. KPM subsequently changed its name to “Kirkland Precious Metals Corp.” on March 3, 2011. KPM is currently a private company and a wholly-owned subsidiary of NVG. KPM 's head office is located at 575, 1111 West Hastings Street, Vancouver, British Columbia, and its registered and records office is located at 575, 1111 West Hastings Street, Vancouver, British Columbia.

#### **Inter-corporate Relationships**

KPM does not have any subsidiaries.

## Significant Acquisition and Dispositions

There are no significant acquisitions or dispositions, completed or probable, for which financial statements would be required under applicable securities legislation, save pursuant to this Arrangement described herein. Details of the Arrangement are provided under "The Arrangement". The Arrangement, if successfully completed, will result in KPM holding the Assets and receiving funds necessary to commence development of exploration activities on the properties. The future operating results and financial position of KPM cannot be predicted. Shareholders may review the NVG and KPM unaudited *pro-forma* financial statements attached as Schedule "D" and Schedule "E" hereto respectively.

## Trends

See "Risk Factors".

Other than as disclosed in this Circular, KPM is not aware of any trends, uncertainties, demands, commitments or events which are reasonably likely to have a material effect upon its revenues, income from continuing operations, profitability, liquidity or capital resources, or that would cause reported financial information not necessarily to be indicative of future operating results or financial condition.

## General Development of KPM's Business

KPM was incorporated on June 8, 2010 and has not yet commenced commercial operations. KPM will acquire the Assets from NVG as part of the Arrangement, and will commence operations as a mineral exploration and development company. Completion of the Arrangement is subject to the approval of the Arrangement by the KPM Shareholders, the Court and the Exchange.

## KPM's Business History

The Board of NVG has determined that it would be in the best interests of the Company to focus on developing and commercializing the joint venture with Vixon Technology Ltd., while at the same time retaining its shareholders' interest in its mineral projects by transferring its interest in the acquisition agreement with Golden Dawn Minerals Inc. to KPM pursuant to the Arrangement Agreement, in exchange for KPM Shares that would be distributed to the NVG Shareholders.

Pursuant to the Arrangement, NVG will transfer to KPM all of NVG's interest in the Assets in consideration for 24,383,650 KPM Class A Preferred Shares multiplied by the Conversion Factor and converted into KPM Shares, which shares will be distributed to the NVG Shareholders who hold NVG Shares on the Share Distribution Record Date on the basis of one KPM Share for each NVG Share held. KPM will need to raise funds in order to obtain the capital necessary to meet its commitments under the acquisition agreement with Golden Dawn Minerals Inc. and to pay for salaries, for general and administrative expenses and for working capital purposes. Completion of the Arrangement is subject to the approval of the Arrangement by the NVG Shareholders, the Court and the Exchange.

## NARRATIVE DESCRIPTION OF THE BUSINESS OF KPM

The following technical information concerning the Link-Catharine Property in Northeastern Ontario is derived from the "Summary" section of a technical report (the "**Link-Catharine Report**") prepared in accordance with NI 43-101 by Stewart A. Jackson, PhD, PGeol., P. Geo., entitled "National Instrument 43-101 Report for 2008-2009 Diamond Drilling on the Link-Catharine Property and Associated Claims with Summary of 1994-2009 Drilling Catharine Township, Northeastern Ontario" dated August 23, 2011. The "Summary" section has been updated and conformed to be consistent with other disclosure in the Circular. The entire Link-Catharine Report is incorporated by reference into this Circular. See "Documents Incorporated by Reference".

NVG has optioned the Link-Catharine and the associated Central Catharine and 80 Foot Falls claims from Golden Dawn Minerals Inc. ("**GDM**") and has the right to earn an 80% interest in the land package. The aggregate property is comprised of 18 claims that occur in three closely related claim blocks (1,896 hectares) within the Boston-Skead gold belt which is located approximately 25 km south-southeast of the town of Kirkland Lake, northeastern Ontario (Figure 1.1 and Figure 1.2). The style and type of quartz vein-hosted gold mineralization

bears strong resemblances to that exploited since the first quarter of the 20<sup>th</sup> century in the World-Class Kirkland Lake District and at the Kerr- Addison Mine situated ~60 km east of the latter.

The Link-Catharine claims and their predecessors have been the subject of six diamond drilling programs between 1993 and 2009. Logs are unavailable for the 12 holes (1,200 m) drilled in 1993-1995. However, between 1999 and 2009 29 holes (4,552 m) were undertaken over the claim block. At least fifteen of these were in a 375 m by 300 m area while 10 holes (983 m) of the preceding total have focused on a 300 X 125 m area in the west-central portion of the property. A number of auriferous and barren quartz and quartz-carbonate vein systems 1.0 to 20.0 m thick have been identified; these are comprised of individual veins up 0.3-1.5 m thick that are flanked by a stockwork of 2.0-10.0 cm thick veins and veinlets. The preceding intercept thicknesses, as well as others throughout the Link-Catharine Report, unless specifically stated otherwise, are apparent thicknesses. Carbonate-altered mafic volcanics (basalt) and to a lesser degree gabbro, fuchsite schist, and ultramafic (komatiite) units are the favored hosts of the gold mineralization. Empirically, the tenor of gold in the veins is generally related to the amount of pyrite (1-15 per cent) present. Little to no sulphide usually extends into the wallrock. Systematic additional assaying in some holes should address un-sampled significant pyritic intervals. Sixteen very prospective composite intercepts ranging from 0.89-7.77 g/t over 1.5-31.3 m occur in 12 holes (Table 1.1). Over 17 other 0.5-2.0 m individual intervals assaying >1.0 g/t Au are observed in 15 holes from the 1999-2009 programs. However, ascertaining vein geometry for effective follow-up drilling has been a vexing problem. Additional drilling is recommended but should be preceded by a comprehensive and rigorous three-dimensional study of the stratigraphy, vein systems, and assay intervals among ALL holes on the Link-Catharine claims to resolve this enigmatic situation.

Based upon its rock types, structures, and overall geologic setting the Link-Catharine and related claims may also be prospective for the following types of mineralization:

1. Tellurium-bearing gold veins and stockworks similar to those in the Kirkland Lake District.
2. Auriferous disseminated pyrite similar to that in the "flow-ore": at the Kerr-Addison Mine.
3. Several types of Kambalda-type komatiite-hosted massive and disseminated nickel lode deposits.
4. Pegmatitic-hosted lithium, molybdenum, and rare metals (Cesium, Tantalum, and Beryllium).

A two-phase program of exploration is recommended for the three related land parcels. A Phase I program (\$300,000) will encompass three-dimensional evaluation of all historical and recent drill data as well as possible additional geophysics and geochemistry, mapping, and land acquisition. Subsequently, a Phase II program (\$700,000) of drilling is recommended to begin initially testing the enhanced existing targets as well as those which emerge from the comprehensive data evaluation and new work.

Figure 1.1 - Link-Catharine Property Regional Location Map. Boston-Skead Gold Belt, Larder

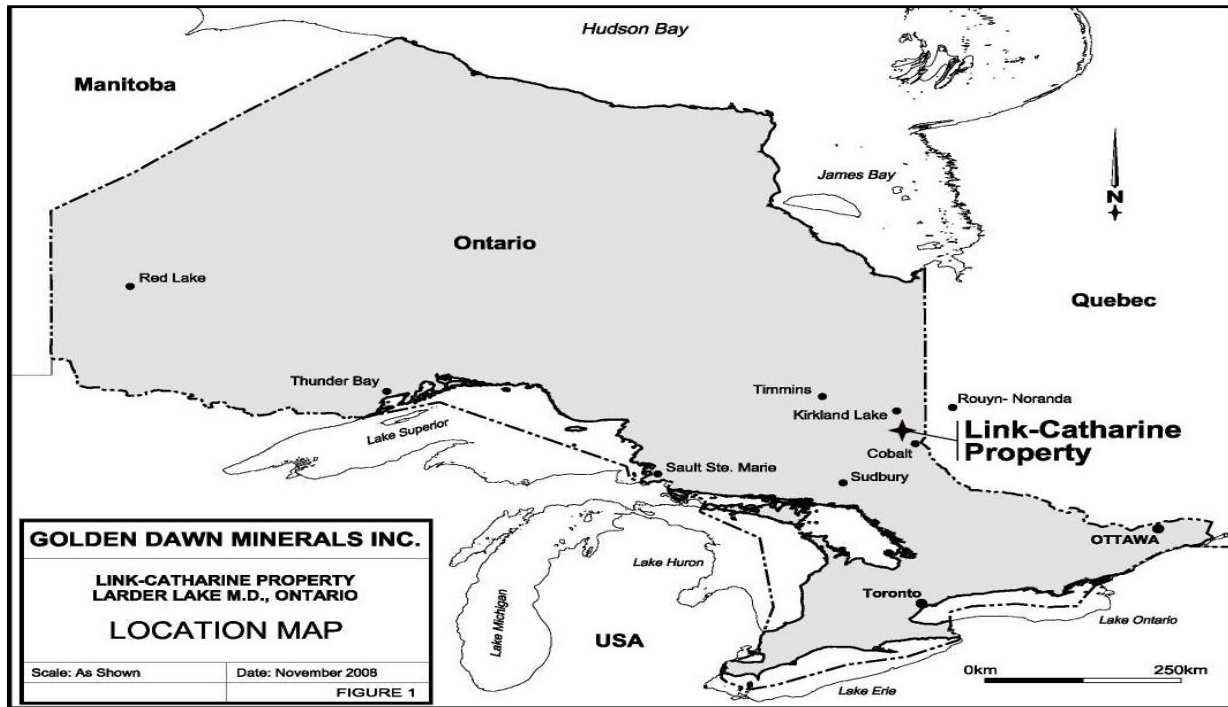
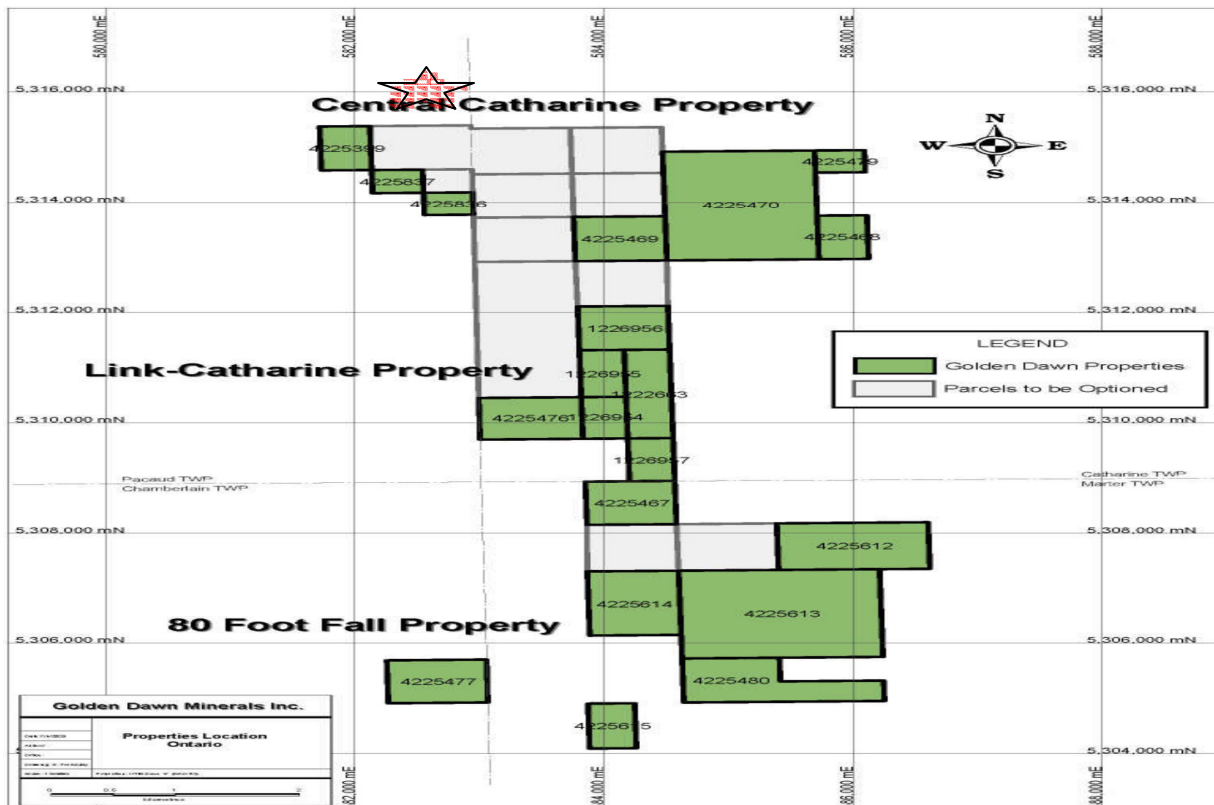


Figure 1.2 - Link-Catharine Property claims in relation to Central Catharine and 80 Foot Fall Property. Boston-Skead Gold Belt, Larder Lake Mining Division, Ontario.



**TABLE 1.1 – SELECTED COMPOSITE ASSAY INTERVALS & SUB-INTERVALS FROM 1999-2009 DRILLING PROGRAMS. LINK-CATHARINE CLAIMS, BOSTON- SKEAD GOLD BELT, LARDER LAKE MINING DIVISION, ONTARIO**

HOLE	FROM	TO	INTERVAL	AU G/T	GEOLOGICAL
CAT 99-04	32.4 m	63.7 m	31.3 m	2.74 g/t Au	
"	31.3 m*	39.9 m*	7.8 m*	5.16 g/t Au*	*Sub-interval within 32.4-63.7 m
"	43.3 m*	57.2 m*	13.9 m*	1.63 g/t Au	*Sub-interval within 32.4-63.7 m
"	59.2 m*	63.7 m*	4.5 m*	3.20 g/t Au	*Sub-interval within 32.4-63.7 m
CAT 03-10	58.0 m	59.7 m	1.7 m	7.77 g/t Au	
"	58.0 m*	59.1 m*	1.1 m*	9.85 g/t Au*	*Sub-interval within 58.0-59.7 m
"	59.1 m*	59.8 m*	0.7 m*	5.69 g/t Au*	*Sub-interval within 58.0-59.7 m
C-05-2	54.0 m	59.0 m	1.5 m	5.59 g/t Au	
CAT 08-02	36.5 m	33.5 m	3.0 m	3.55 g/t Au	
CAT 08-04	14.5 m	24.5 m	10.0 m	1.01 g/t Au	
"	18.4 m*	22.0 m*	3.6 m*	1.36 g/t Au*	*Sub-interval within 14.5-24.5 m
CAT 08-04	31.8 m	40.5 m	8.7 m*	0.89 g/t Au	
"	37.1 m*	40.5 m*	3.4 m*	2.65 g/t Au*	*Sub-interval within 31.8-40.5 m
CAT 09-01	162.5 m	170.0 m	7.5 m	1.497 g/t Au	
CAT 09-02	85.4 m	91.5 m	6.1 m	1.160 g/t Au	
"	90.0 m*	91.0 m*	1.0 m*	4.30 g/t Au*	*Sub-interval within 85.4-91.5 m
CAT 09-02	117.0 m	119.0 m	2.0 m	8.96 g/t Au	
"	117.0 m*	118.0 m*	1.0 m*	17.45 g/t Au*	*Sub-interval within 117.0-119.0 m
CAT 09-03	177.0 m	181.0 m	4.0 m	2.15 g/t Au	
"	178.0 m*	179.0 m*	1.0 m*	3.77 g/t Au*	*Sub-interval within 177.0-181.0 m
CAT 09-08	100.0 m	101.9 m	1.9 m	2.962 g/t Au	
"	100.0 m*	101.0 m*	1.0 m*	5.010 g/t Au	*Sub-interval within 100.0-101.9 m
CAT 09-09	98.7 m	102.4 m	3.7 m	2.050 g/t Au	
"	100.0 m*	101.0 m*	1.0 m*	3.160 g/t Au*	*Sub-interval within 98.7-102.4 m
CAT 09-11	127.9 m	130.2 m	2.3 m	1.065 g/t Au	
CAT 09-12	109.5 m	112.8 m	3.3 m	1.092 g/t Au	

**Selected Unaudited Pro-Forma Financial Information of KPM**

KPM was incorporated on June 8, 2010. KPM has not yet conducted any commercial operations. The following is a summary of certain financial information on a *pro-forma* basis for KPM as at June 30, 2012, assuming completion of the Arrangement as of such date, and should be read in conjunction with the unaudited *pro-forma* balance sheet of KPM appended to this Circular as Schedule "E". This unaudited *pro-forma* balance sheet was prepared as if the Arrangement had occurred on June 30, 2012, taking into account the assumptions stated therein. The unaudited *pro-forma* balance sheet is not necessarily reflective of the financial position that would have resulted if the events described therein had occurred on June 30, 2012. In addition, the unaudited *pro-forma* balance sheet is not necessarily indicative of the financial position that may be attained in the future.

**Pro-forma Financial  
Information of KPM  
as at June 30, 2012**  
(unaudited)

Cash .....	\$	1
Acquisition Agreement		234,387
Shareholders' Equity .....	\$	108,388
Number of issued KPM Shares.....		24,383,750

**Dividends**

KPM does not anticipate paying any dividends on its common shares in the short or medium term. Any decision to pay dividends on the KPM Shares in the future will be made by the board of directors of KPM on the basis of the earnings, financial requirements and other conditions existing at such time.

**Business of KPM**

*General*

KPM is not carrying on any business at the present time. On completion of the Arrangement, KPM will commence its business as a mineral exploration and development company. The objectives of KPM's management will be to raise equity funds to develop the proposed exploration program on the Assets.

*Business of KPM Following the Arrangement*

Following completion of the Arrangement, KPM intends to carry out the recommended work program on the Assets, as set out in the National Instrument 43-101-compliant technical report entitled "National Instrument 43-101 Report for 2008-2009 Diamond Drilling on the Link-Catharine Property and Associated Claims with Summary of 1994-2009 Drilling Catharine Township, Northeastern Ontario", prepared for NVG by Stewart A. Jackson, PhD, PGeol., PGeo.

KPM will also evaluate and may acquire additional mineral properties for exploration and development from time to time.

**Liquidity and Capital Resources**

Pursuant to the Arrangement, NVG will transfer to KPM all of NVG's interest in the Assets in consideration for 24,383,650 KPM Class A Preferred Shares multiplied by the Conversion Factor and converted into KPM Shares, which shares will be distributed to the NVG Shareholders who hold NVG Shares on the Share Distribution Record Date on the basis of one KPM Share for each NVG Share held.

KPM is a start-up mineral exploration and development company and therefore has no regular source of income, other than interest income it may earn on funds invested in short-term deposits. As a result, KPM's ability to conduct operations, including the development of the mineral properties or the acquisition of additional mineral properties, is based on its current cash and its ability to raise funds, primarily from equity sources, and there can be no assurance that KPM will be able to do so.

See "Selected Unaudited Pro-forma Financial Information" for information concerning the financial assets of KPM resulting from the Arrangement.

**Results of Operations**

KPM has not carried out any commercial operations to date.

**Available Funds**

Pursuant to the Arrangement, NVG will transfer to KPM all of NVG's interest in the Assets in consideration for 24,383,750 KPM Class A Preferred Shares multiplied by the Conversion Factor.

The estimated unaudited pro-forma working deficit of KPM at June 30, 2012 is approximately (\$125,999), which will be available to KPM upon completion of the Arrangement.

### Share Capital of KPM

The following table represents the share capitalization of KPM as at June 30, 2012, both prior to and assuming completion of the Arrangement.

Share Capital	Authorized	Prior to the Completion of The Arrangement	After Completion of the Arrangement
Common Shares	Unlimited	100 <sup>(1)</sup>	24,383,750 <sup>(2)</sup>

**NOTES:**

- (1) One hundred common shares of KPM were issued on incorporation and will be redeemed and cancelled by the Company concurrent with the completion of the Arrangement.
- (2) After multiplication by the Conversion Factor.

KPM is authorized to issue an unlimited number of common shares without par value, of which approximately 24,383,750 common shares (after multiplication by the Conversion Factor) will be issued and outstanding following completion of the Arrangement.

### Common Shares

Holders of KPM Shares are entitled to: (a) receive notice of and attend any meetings of shareholders of KPM and are entitled to one vote for each KPM Share held, except meetings at which only holders of a specified class are entitled to vote; (b) the right to receive, subject to the prior rights and privileges attaching to any other class of shares of KPM, including without limitation the rights of the holders of preferred shares, any dividend declared by KPM; and (c) the right to receive subject to the prior rights and privileges attaching to any other class of KPM shares, including without limitation the holders of preferred shares, the remaining property and assets of KPM upon dissolution. Subject to the provisions of the Act, KPM may by special resolution fix, from time to time before the issue thereof, the designation, rights, privileges, restrictions, and conditions attaching to each series of KPM Shares including, without limiting the generality of the foregoing, any voting rights, the rate or amount of dividends or the method of calculating dividends, the dates of payment thereof, the terms and conditions of redemption, purchase and conversion if any, and any sinking fund or other provisions. No special right or restriction attached to any issued shares shall be prejudiced or interfered with unless all shareholders holding shares of each class whose special right or restriction is so prejudiced or interfered with consent thereto in writing, or unless a resolution consenting thereto is passed at a separate class meeting of the holders of the shares of each such class by the majority required to pass a special resolution, or such greater majority as may be specified by the special rights attached to the class of shares of the issued shares of such class.

### Fully Diluted Share Capital of KPM

The *pro-forma* fully diluted share capital of KPM, assuming completion of the Arrangement and the exercise of all NVG Share Commitments, is set out below:

Designation of KPM Securities	Number of KPM Shares	Percentage of Total
Subscriber's share issued on incorporation <sup>(1)</sup> .....	100	0.00%
KPM Shares issued in exchange for Assets, which shares will be distributed to the NVG Shareholders <sup>(2)</sup> .....	24,383,650	100%
KPM Shares to be issued pursuant to the KPM Commitment .....	0	0%
<b>Total</b> .....	<b>24,383,750</b>	<b>100%</b>

**NOTES:**

- (1) One hundred common shares of KPM were issued to NVG on incorporation and will be redeemed and cancelled concurrent with the completion of the Arrangement.
- (2) After multiplication by the Conversion Factor.



### Prior Sales of Securities of KPM

KPM issued one hundred common shares to NVG at a price of \$0.001 per share on incorporation on June 8, 2010.

### Options and Warrants

#### *Stock Options*

The NVG Shareholders will be asked at the Meeting to approve the KPM Option Plan. See "Approval of the KPM Stock Option Plan". As of the Effective Date, assuming approval of the KPM Option Plan by the NVG Shareholders, there will be approximately 2,438,375 KPM Shares available for issuance under the KPM Option Plan. As of the date of this Circular, KPM has not granted any options under the KPM Option Plan.

#### *Convertible Securities*

The following convertible securities of KPM will be outstanding as of the Effective Date.

Designation of Security	Date of Expiry	No. of Common Shares issuable upon exercise	Exercise Price <sup>(2)</sup>
KPM Commitment	Various	0	0

### Principal Shareholders of KPM

To the knowledge of the directors and executive officers of KPM, no person or company beneficially owns, directly or indirectly, or exercises control or direction over, KPM Shares carrying more than 10% of the voting rights attached to all outstanding KPM Shares, other than Merfin Management Limited, which will own 10,539,833 KPM Shares, representing 43.22% and Greenville Enterprises Inc., which will own directly 2,416,667 KPM Shares and indirectly through its wholly owned Laxgalts'ap Forest Company 566,667 KPM Shares representing a total of 2,983,334 shares, or 12.23% of the issued and outstanding KPM Shares as of the Effective Date.

### Directors and Officers of KPM

The following table sets out the names of the current and proposed directors and officers of KPM, the municipalities of residence of each, all offices currently held by each of them, their principal occupations within the five preceding years, the period of time for which each has been a director or executive officer of KPM, and the number and percentage of KPM Shares to be beneficially owned by each, directly or indirectly, or over which control or direction will be exercised, upon completion of the Arrangement.

Name, Province and Country of Residence	Principal Occupation or Employment During the Past 5 Years	Current Position(s) with the Company	Director/ Officer Since	Number of Securities Beneficially Owned or over which Control or Direction is Exercised
Dieter Peter British Columbia, Canada	President and Chief Executive Officer, Mineral Hill Industries Ltd.	President and Chief Executive Officer, Chairman	June 8, 2010	Nil
Melvin Stevens British Columbia, Canada	General Manager, Laxgalts'Ap Forest Company Ltd.	Director	June 8, 2010	Nil

Name, Province and Country of Residence	Principal Occupation or Employment During the Past 5 Years	Current Position(s) with the Company	Director/ Officer Since	Number of Securities Beneficially Owned or over which Control or Direction is Exercised
Andrew von Kursell British Columbia, Canada	Chief Operating Officer and Director of Ascot Mining PLC, Former Director of Pencari Mining Corporation (formerly known as Azure Resources Corp.) since March 2001; Director of International PetroReal Oil Corporation since September 2005. Director of Mineral Hill Industries Ltd.	Director	May 4, 2012	Nil
David Jackson Costa Rica	Chief Executive Officer of Ascot Mining plc; Mineral Hill Industries Ltd.	Director	August 21, 2012	Nil
Michael Zhu British Columbia, Canada	Chief Financial Officer of the Company	Chief Financial Officer	July 13, 2012	Nil
Josephine See British Columbia Canada	Vice President, Corporate Affairs, Treasurer & Corporate Secretary	VP, Corporate Affairs, Treasurer & Corporate Secretary	June 8, 2010	Nil

**NOTES:**

The members of KPM's Audit Committee are Dieter Peter, Melvin Stevens and Andrew von Kursell. KPM has not established a Compensation Committee.

**Management of KPM**

The following is a description of the individuals who will be directors and officers of KPM following the completion of the Arrangement:

**Dieter Peter, Chairman and President & CEO.** Mr. Peter has a proven track record in other production and market segments of building and assembling production facilities and sales teams from grassroots ventures to millions of dollars in sales of produced goods, having founded Merfin Hygienic Products Ltd., Concert Fabrication Ltee (Quebec), Concert ACI (South Carolina), Concert GmbH (Germany), and Advanced Air-laid Technologies Inc. In 2004 Mr. Peter reorganized Clearview Mineral Resources Corp. (TSXV: MHI), restructuring it with a new board of directors and management team. He raised sufficient funds to finance the asset acquisition of Praxis Goldfields Inc. and the company's investment in Nisga'a MHIND World Link Inc. and NVG. In 2005, Mr. Peter founded Copper Belt Resources Ltd., a junior resource company with the mandate of exploring precious metal properties. Between 1979 and 1985, Mr. Peter, through his private investment management company, Merfin Management Limited ("MML"), was successful in the investment and acquisition of exploration and mining ventures. In 1982 MML acquired from Asamera Minerals Inc. (Calgary) a 35% working interest in the Wenatchee, Washington mining property. In 1983 MML transferred the Wenatchee interest to a British Columbia company, Breakwater Resources Ltd. Mr. Peter became a director of Breakwater Resources Ltd. MML was subsequently reorganized as a family trust of which Mr. Peter is President and one of the trustees.

**Melvin Stevens, Director.** Mr. Stevens is one of the founders of NVG and as the President of the NVG, he is responsible for the management and mining operations of the Company. Mr. Stevens is the General Manager of Nisga'a Laxgalts'ap Forest Company and a past director of Greenville Enterprises Inc, the development corporation

of the Nisga'a Village Government of Greenville and he is Chairman of Gitxat'in MHIND World Link Inc. He is also a director of Greenville Environomic Energy Ltd and KPM.

**Andrew von Kursell, Director.** Mr. von Kursell is an experienced senior executive in the national and international mining industry, having held senior operation positions for such companies as Cominco Ltd. and Cyprus Anvil Mining Corp. He is the Chief Operating Officer and a director of Ascot Mining Plc, Ascot is listed on the London Plus Stock Exchange and operates two gold mines in Costa Rica of which one is in production. He is a director of Mineral Hill Industries Ltd., a former director of Pencari Mining Corporation and a director of International PetroReal Oil Corporation.

**David Jackson, Director.** Mr. Jackson is the Chief Executive Officer of Ascot Mining Plc. He possesses over 35 years' experience with private and public corporations in marketing, senior management and corporate finance internationally. He has provided advisory services to a wide range of companies in Canada and abroad and has founded and co-founded a number of private and publicly traded companies in the real estate, technology and resource sectors. Mr. Jackson has five years of experience as a senior officer and director of two gold and base metals exploration companies and has extensive contacts in many countries.

**Michael Zhu, Chief Financial Officer.** Mr. Zhu is a Chartered Accountant with more than 10 years of public practice experience in various Canadian accounting firms. He has also worked as a research analyst for overseas financial institutions. He graduated from Information & Electronic Engineering department in Zhejiang University with an Optoelectronic Technology major.

**Josephine See, Vice-President, Corporate Affairs, Treasurer and Corporate Secretary.** Ms. See is a chartered secretary and has been corporate secretary of public companies and a director of several private companies. Ms. See is also Vice President of Corporate Affairs, Treasurer & Corporate Secretary of Mineral Hill Industries Ltd.

#### **Corporate Cease Trade Orders or Bankruptcies**

Other than as disclosed below, no director, officer, promoter or other member of management of KPM is, or within the ten years prior to the date of this Circular has been, a director, officer, promoter or other member of management of any other issuer that, while that person was acting in the capacity of a director, officer, promoter or other member of management of that issuer, was the subject of a cease trade order or similar order or an order that denied the issuer access to any statutory exemptions for a period of more than thirty consecutive days, was declared bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or has been subject to or appointed to hold the assets of that director, officer or promoter.

Dieter Peter was the Chairman and Chief Executive Officer of Concert Industries Ltd. from March 1991 to August 2003. On August 5, 2003, Concert Industries Ltd. and its Canadian subsidiaries filed for credit protection under the Companies Creditor Arrangement Act ("CCAA") and PricewaterhouseCoopers Inc. was appointed as Monitor pursuant to an Order issued by the Superior Court, Commercial Division in the Province of Quebec, District of Montreal. On December 15, 2004, the Quebec Court granted an Order approving the Plan of Compromise and Arrangement and extending the stay of proceedings up to January 21, 2005. On January 20, 2005, the Quebec Court granted an Order recognizing that the Plan was implemented on December 31, 2004, that the stay of proceedings and the CCAA proceedings in respect of the Canadian Concert operating companies were terminated on December 31, 2004, and that the stay of proceedings and the CCAA proceedings in respect of Concert Industries Ltd. and certain Canadian subsidiaries were terminated on January 20, 2005.

#### **Penalties or Sanctions**

No director, officer, promoter or other member of management of KPM has, during the ten years prior to the date of this Circular, been subject to any penalties or sanctions imposed by a court or securities regulatory authority relating to trading in securities, promotion, formation or management of a publicly traded company, or involving fraud or theft.

#### **Personal Bankruptcies**

No director, officer, promoter or other member of management of KPM has, during the ten years prior to the date of this Circular, been declared bankrupt or made a voluntary assignment into bankruptcy, made a proposal under any

legislation relating to bankruptcy or insolvency or has been subject to or instituted any proceedings, arrangement, or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold his or her assets.

### **Conflicts of Interest**

The directors of KPM are required by law to act honestly and in good faith with a view to the best interest of KPM and to disclose any interests which they may have in any project or opportunity of KPM. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict will disclose his interest and abstain from voting on such matter. In determining whether or not KPM will participate in any project or opportunity, that director will primarily consider the degree of risk to which KPM may be exposed and its financial position at that time.

Except as disclosed in this Circular, to the best of the Company's knowledge, there are no known existing or potential conflicts of interest among KPM and its promoters, directors, officers or other members of management as a result of their outside business interests except that certain of the directors, officers, promoters and other members of management serve as directors, officers, promoters and members of management of other public companies, and therefore it is possible that a conflict may arise between their duties as a director, officer, promoter or member of management of such other companies.

### **Executive Compensation of KPM**

The executive officers of KPM (the "**Executive Officers**") are:

Dieter Peter      – President & Chief Executive Officer  
Michael Zhu      – Chief Financial Officer

KPM does not have an employment contract with any of its Executive Officers pursuant to which the Executive Officers will be compensated for their services as executive officers of KPM.

### **Indebtedness of Directors and Executive Officers of KPM**

No individual who is, or at any time from the date of KPM's incorporation to the date hereof was a director or executive officer of KPM, or an associate or affiliate of such an individual, is or has been indebted to KPM.

### **KPM's Auditor**

Manning Elliott LLP, Chartered Accountants, are the auditors of KPM.

### **KPM's Material Contracts**

The following are the contracts which are material to KPM:

1. the Arrangement Agreement;
2. the KPM Option Plan.

The material contracts described above may be inspected at the registered office of KPM at 575, 1111 West Hastings Street, Vancouver, British Columbia, during normal business hours prior to the Meeting and for a period of thirty days thereafter.

### **Promoters**

The Company is the promoter of KPM.

### **TRANSFER AGENT AND REGISTRAR**

KPM's registrar and transfer agent is Computershare Trust Company of Canada, 3rd Floor, 510 Burrard Street, Vancouver, British Columbia V6C 3B9.

NVG's registrar and transfer agent is Computershare Trust Company of Canada, 3rd Floor, 510 Burrard Street, Vancouver, British Columbia V6C 3B9.

### **LEGAL PROCEEDINGS**

There are no pending legal proceedings to which the Company or KPM is or is likely to be a party or of which any of its properties are, or to the best of knowledge of management of the Company or KPM are, likely to be subject.

### **ADDITIONAL INFORMATION**

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com). Shareholders of the Company may contact the Company to request copies of the Company's financial statements and management's discussion and analysis by sending a written request to 575, 1111 West Hastings Street, Vancouver, British Columbia, V6E 2J3, Attention: Corporate Secretary. Financial information is provided in the Company's comparative financial statements and management discussion and analysis for its most recently completed financial year.

### **EXPERTS**

The unaudited financial statements of the Company as at June 30, 2012, included in this Circular have been so included in reliance upon the review of Manning Elliott LLP, Chartered Accountants, and upon the authority of such firm as experts in accounting and auditing. Manning Elliott LLP, Chartered Accountants, is independent within the meaning of the applicable rules of professional conduct in Canada.

Each of the above named experts has advised the Company that they beneficially own, directly or indirectly, less than 1% of the outstanding NVG Shares and KPM Shares, and as a group they own less than one (1%) percent of the issued NVG Shares and KPM Shares.

### **OTHER MATTERS**

The Directors are not aware of any other matters which they anticipate will come before the Meeting as of the date of this Circular.

### **APPROVAL OF INFORMATION CIRCULAR**

The undersigned hereby certifies that the contents and the sending of this Circular have been approved by the Board.

Dated at Vancouver, British Columbia this 27<sup>th</sup> day of August, 2012.

### **BY ORDER OF THE BOARD OF DIRECTORS**

*/s/ "Dieter Peter"*

\_\_\_\_\_  
**Dieter Peter**  
**Chief Executive Officer**

**CERTIFICATE OF THE COMPANY**

Date: August 27, 2012

The foregoing management information circular constitutes full, true and plain disclosure of all material facts relating to the transactions contemplated in this management information circular as required by the securities legislation of the Provinces of British Columbia and Ontario.

By: /s/ "Dieter Peter"  
Dieter Peter  
Chief Executive Officer

By: /s/ "Michael Zhu"  
Michael Zhu  
Chief Financial Officer

**ON BEHALF OF THE BOARD OF DIRECTORS**

By: /s/ "Melvin Stevens"  
Melvin Stevens  
Director

By: /s/ "Andrew von Kursell"  
Andrew von Kursell  
Director

By: /s/ "Hugh Maddin"  
Hugh Maddin  
Director

By: /s/ "Peng Zhang"  
Peng Zhang  
Director

By: /s/ "John Patrick Copeland"  
John Patrick Copeland  
Director



**MANNING ELLIOTT**  
CHARTERED ACCOUNTANTS

11th floor, 1050 West Pender Street, Vancouver BC, Canada V6E 3S7

Phone: 604.714.3600 Fax: 604.714.3669 Web: [manningelliott.com](http://manningelliott.com)

## **AUDITORS' CONSENT**

We have read the Notice of Meeting and Management Information Circular (the "Circular") of Nass Valley Gateway Ltd. (the "Company") dated August 27, 2012 relating to an annual and special meeting of shareholders of the Company to, among other things, approve the plan of arrangement involving the Company and Kirkland Precious Metals Corp.. We have complied with Canadian generally accepted standards for an auditors' involvement with such offering documents.

We consent to the incorporation by reference in the above-mentioned Circular of our report to the shareholders of the Company on the consolidated statements of financial position as at December 31, 2011, December 31, 2010 and January 1, 2010, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years ended December 31, 2011 and 2010. Our report is dated April 25, 2012.

*Manning Elliott LLP*

CHARTERED ACCOUNTANTS

Vancouver, British Columbia

August 27, 2012

## SCHEDULE "A"

### RESOLUTIONS FOR THE ANNUAL AND SPECIAL MEETING OF NASS VALLEY GATEWAY LTD.

Capitalized words used in this Schedule "A" and not otherwise defined shall have the meaning ascribed to such terms in the Circular.

#### I. To approve the Arrangement

"BE IT RESOLVED AS A SPECIAL RESOLUTION THAT:

1. the Arrangement Agreement dated August 27, 2012, between Nass Valley Gateway Ltd. (the "Company") and Kirkland Precious Metals Corp., is hereby approved, ratified and affirmed;
2. the Arrangement under Division 5 of Part 9 of the Act, substantially as set forth in the Plan of Arrangement attached as Schedule "A" to the Arrangement Agreement, is hereby approved and authorized;
3. notwithstanding that this special resolution has been passed by the shareholders of the Company or that the Arrangement has received the approval of the Court, the Board may amend the Arrangement Agreement and/or decide not to proceed with the Arrangement or revoke this special resolution at any time prior to the filing of a certified copy of the court order approving the Arrangement with the Registrar without further approval of the shareholders of the Company; and
4. any director or officer of the Company be and is hereby authorized and directed, for and on behalf of the Company, to execute and deliver all such documents and to do all such other acts and things as such director or officer may determine to be necessary or advisable to give effect to this special resolution, the execution and delivery of any such document or the doing of any such other act or thing being conclusive evidence of such determination."

#### II. To approve the incentive stock option plan of Kirkland Precious Metals Corp.

"BE IT RESOLVED THAT:

1. the stock option plan of KPM, as described in this management information circular of the Company dated August 27, 2012, be and is hereby ratified and approved for the ensuing year; and
2. any one (1) director or officer of KPM be authorized to make all such arrangements, to do all acts and things and to sign and execute all documents and instruments in writing, whether under the corporate seal of KPM or otherwise, as may be considered necessary or advisable to give full force and effect to the foregoing."



**SCHEDULE "B"**

**THE INTERIM ORDER**



No. S125953  
VANCOUVER REGISTRY

IN THE SUPREME COURT OF BRITISH COLUMBIA

RE: ARRANGEMENT AMONG NASS VALLEY GATEWAY LTD. (THE "PETITIONER"),  
KIRKLAND PRECIOUS METALS CORP. AND THE SHAREHOLDERS OF NASS VALLEY  
GATEWAY LTD.

ORDER

BEFORE: ) MONDAY, THE 27<sup>TH</sup> DAY  
MASTER )  
TAYLOR ) OF AUGUST, 2012

THE APPLICATION WITHOUT NOTICE of the Petitioner for an interim order for direction of the Court in connection with a proposed arrangement pursuant to Sections 288 and 291 of the Business Corporations Act (British Columbia), S.B.C., 2002 c. 57 as amended (the "BCBCA"), coming on for hearing at Vancouver, British Columbia on the 27<sup>th</sup> day of August, 2012.

AND ON HEARING Linas Antanavicius, counsel for the Petitioner.

AND UPON READING the Petition herein dated August 23, 2012 and the Affidavit #1 of Dieter Peter sworn and filed on the 23<sup>rd</sup> day of August, 2012. This court orders that:

THE MEETING

1. Nass Valley Gateway Ltd. ("NVG") is authorized and directed to call, hold and conduct an annual general and special meeting (the "Meeting") of the common shareholders of NVG (the "NVG Shareholders") to be held at 11 a.m. on September 26, 2012 in the 10<sup>th</sup> floor boardroom of 595 Howe Street, Vancouver, British Columbia, or such other location in Vancouver, British Columbia to be determined by NVG.
2. At the Meeting, NVG Shareholders will, *inter alia*, consider, and if deemed advisable, approve, with or without variation, a special resolution (the "Arrangement Resolution") adopting, with or without amendment, the arrangement (the "Arrangement") involving NVG, NVG Shareholders and Kirkland Precious Metals Ltd., as set forth more particularly in the plan of arrangement (the "Plan of Arrangement") attached as Exhibit "A" to the Affidavit #1 of Dieter Peter sworn August 23, 2012 (the "Affidavit") and filed herein.
3. The Meeting will be called, held and conducted in accordance with the Notice of Annual General and Special Meeting to be delivered to the NVG Shareholders in substantially the form attached to and forming part of the Management Information Circular (the "Circular") attached as Exhibit "B" to the Affidavit, and in accordance with applicable provisions of the BCBCA, the

Articles of NVG, the *Securities Act* (British Columbia), R.S.B.C. 1996, c. 418, as amended (the “**Securities Act**”), and related rules and policies, the terms of this Order (the “**Interim Order**”) and any further Order of this Court, the rulings and directions of the Chairman of the Meeting, and, to the extent of any inconsistency or discrepancy between the Interim Order and the terms of any of the foregoing, the Interim Order will govern.

#### RECORD DATE FOR NOTICE

4. The record date for determination of the NVG Shareholders entitled to receive the notice of Meeting, the Circular and a form of proxy (the “**Meeting Materials**”) will be the close of business (Vancouver time) on August 22, 2012 (the “**Record Date**”) or such other date as the directors of NVG may determine in accordance with the Articles of NVG, the BCBCA and the Securities Act, and as disclosed in the Meeting Materials.

#### NOTICE OF MEETING

5. The Meeting Materials, with such amendments or additional documents as counsel for NVG may advise are necessary or desirable, and that are not inconsistent with the terms of this Interim Order, and a copy of this Interim Order, will be sent at least twenty-one (21) days prior to the date of the Meeting, to: (a) NVG Shareholders who are registered shareholders on the Record Date and to brokerage intermediaries on behalf of beneficial NVG Shareholders where applicable, by prepaid ordinary mail addressed to each registered NVG Shareholder at his, her or its address as maintained by the registrar and transfer agent of NVG or delivery of same by courier service or by facsimile transmission or e-mail transmission to any such NVG Shareholder who identifies himself, herself or itself to the satisfaction of NVG and who requests such courier, facsimile or e-mail transmission; and (b) the directors and auditors of NVG by prepaid ordinary mail, facsimile or e-mail transmission.

6. The accidental failure or omission by NVG to give notice of the Meeting or the Petition to any person in accordance with this Interim Order, as a result of mistake or of events beyond the reasonable control of NVG (including, without limitation, any inability to utilize postal services) shall not constitute a breach of this Interim Order or a defect in the calling of the Meeting and shall not invalidate any resolution passed or proceeding taken at the Meeting, but if any such accidental failure or omission is brought to the attention of NVG, then it shall use reasonable best efforts to rectify it by the method and in the time most reasonably practicable in the circumstances. Such rectified notice shall be deemed to be good and sufficient notice of the Meeting and/or this Petition, as the case may be.

7. The distribution of the Meeting Materials pursuant to paragraph 5 of this Interim Order shall constitute good and sufficient notice of the Meeting to registered and non-registered NVG Shareholders, to the directors of NVG and to the auditors of NVG.

8. NVG is hereby authorized to make such amendments, revisions or supplements to the Meeting Materials (“**Additional Information**”) in accordance with the terms of the Arrangement, as NVG may determine to be necessary or desirable and notice of such Additional Information may be communicated to NVG Shareholders by news release, newspaper advertisement or one of the methods by which the Meeting Materials will be distributed.

#### DEEMED RECEIPT OF MEETING MATERIALS

9. The Meeting Materials will be deemed, for the purposes of this Interim Order, to have been received by the NVG Shareholders:

a. In the case of mailing to registered NVG Shareholders or, in the case of delivery by courier of materials to brokerage intermediaries, five days after delivery thereof to the post office or acceptance by the courier service, respectively; and

b. In the case of delivery by courier, facsimile transmission or e-mail transmission directly to a registered NVG Shareholder, the business day after such delivery or transmission of same.

10. Subject to other provisions of this Interim Order, no other form of service or delivery of the Meeting Materials or any portion thereof need be made, or notice given, or other material served in respect of the Meeting to any persons described in paragraph 5 of this Interim Order or to any other persons.

#### PERMITTED ATTENDEES

11. The persons entitled to attend the Meeting will be NVG Shareholders of record as of the close of business (Vancouver time) on the Record Date, their respective proxies, the officers, directors and advisors of NVG and such other persons who receive the consent of the Chairman of the Meeting to attend.

#### VOTING AT THE MEETING

12. The only persons permitted to vote at the Meeting will be the registered NVG Shareholders as of the close of business (Vancouver time) on the Record Date or their valid proxy holders as described in the Circular and as determined by the Chairman of the Meeting upon consultation with the Scrutineer (as hereinafter defined) and legal counsel to NVG.

13. The requisite approval of the Arrangement Resolution will be 66.66% of the votes cast on the resolution by the NVG Shareholders present in person or by proxy at the Meeting. Each common share of NVG voted will carry one vote.

14. A quorum for the Meeting will be the quorum required by the Articles of NVG.

15. In all other respects, the terms, restrictions and conditions of the constating documents of NVG will apply in respect of the Meeting.

16. For the purposes of the Meeting, any spoiled votes, illegible votes, defective votes and abstentions shall be deemed to be votes not cast. Proxies that are properly signed and dated but which do not contain voting instructions shall be voted in favour of the Arrangement Resolution.

#### ADJOURNMENT OF MEETING

17. Notwithstanding any provision of the BCBCA or the Articles of NVG, the board of directors of NVG shall be entitled if it deems advisable, to adjourn or postpone the Meeting on one or more occasions without the necessity of first convening the Meeting or first obtaining any votes of the NVG Shareholders respecting the adjournment or postponement and without the need for approval of the Court.

18. The record date for NVG Shareholders entitled to notice of and to vote at the Meeting will not change in respect of adjournments or postponements of the Meeting.

#### AMENDMENTS

19. NVG is authorized to make such amendments, revisions or supplements to the Plan of Arrangement as it may determine, provided it has obtained any required consents, and the Plan of Arrangement as so amended, revised or supplemented will be the Plan of Arrangement which is submitted to the Meeting and which will thereby become the subject of the Arrangement Resolution.

#### SCRUTINEER

20. A representative of NVG's registrar and transfer agent (or any agent thereof) (the "Scrutineer") will be authorized to act as scrutineer for the Meeting.

#### PROXY SOLICITATION

21. NVG is authorized to permit the NVG Shareholders to vote by proxy using the form of proxy, in substantially the same form as attached as Exhibit "B" to the Affidavit. NVG is authorized, at its expense, to solicit proxies, directly and through its officers, directors and employees, and through such agents or representatives as it may retain for the purpose, and by mail or such other forms of personal or electronic communications as it may determine.

22. NVG may in its discretion waive the time limits for deposit of proxies by NVG Shareholders if NVG deems it reasonable to do so.

#### DISSENT RIGHTS

23. The NVG Shareholders will, as set out in the Plan of Arrangement, be permitted to dissent from the Arrangement Resolution in accordance with the dissent procedures set forth in Division 2 of Part 8 of the BCBCA, strictly applied and as may be modified by the Plan of Arrangement.

#### SERVICE OF COURT MATERIALS

24. NVG will include in the Meeting Materials a copy of this Interim Order, the Notice of Hearing of Petition and will make available to any NVG Shareholder requesting same, a copy of each of the Petition herein and the accompanying Affidavit (collectively, the "Court Materials"). The service of the Petition and Affidavit in support of the within proceedings to any NVG Shareholder requesting same is hereby dispensed with.

25. Delivery of the Court Materials given in accordance with this Interim Order will constitute good, sufficient and timely service of such Court Materials upon all persons who are entitled to receive the Court Materials pursuant to this Interim Order and no other form of service need be made and no other material need to be served on such persons in respect of these proceedings.

#### FINAL APPROVAL HEARING

26. Upon the approval by the NVG Shareholders of the Plan of Arrangement in the manner set forth in this Interim Order, NVG may apply for an order of this Honourable Court approving the

8/20/13

Plan of Arrangement (the "Final Order") and that the Petition be set down for hearing before the presiding Judge in Chambers at the Courthouse at 800 Smithe Street, Vancouver, British Columbia at 9:45 a.m. on October 2, 2012 or such later date as counsel for NVG may be heard.

27. The Court shall consider at the hearing for the Final Order, the fairness of the terms and conditions of the Arrangement, as provided for in the Arrangement, and the rights and interest of every person affected thereby.

28. Any NVG Shareholder has the right to appear (either in person or by counsel) and make submissions at the hearing of the application for the Final Order provided that such NVG Shareholder shall file a Response to Petition, in the form provided by the Rules of Court of the Supreme Court of British Columbia, with this Court and deliver a copy of the filed Response to Petition together with a copy of all materials on which such NVG Shareholder intends to rely at the submissions to the Petitioner at Nass Valley Gateway Ltd., 575 – 1111 West Hastings Street, Vancouver, BC, V6E 2J3, Attention: Dieter Peter at or before 10:00 a.m. on September 27, 2012, subject to the direction of this Honourable Court.

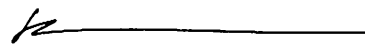
29. If the application for the Final Order is adjourned, only those persons who have filed and delivered an Appearance, in accordance with the preceding paragraph of this Interim Order, need to be served with notice of the adjourned date.

30. The Petitioner shall not be required to comply with Rules 8-1 and 16-1 of the Rules of Court in relation to the hearing of the Final Order approving the Plan of Arrangement and such rules will not apply to any application to vary this Interim Order.

VARIANCE

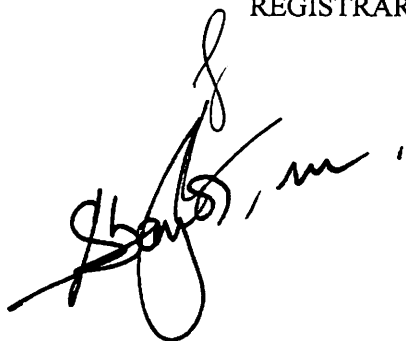
31. NVG is at liberty to apply to this Honourable Court to vary this Interim Order and for advice and direction with respect to the Plan of Arrangement or any of the matters related to this Interim Order and such further and other relief as this Honourable Court may consider just.

BY THE COURT

  
REGISTRAR

APPROVED AS TO FORM:

  
Counsel for the Petitioner



## SCHEDULE "C"

### DISSENT PROCEDURES

#### *Business Corporations Act (British Columbia)*

#### PART 2 OF DIVISION 8 OF THE *BUSINESS CORPORATIONS ACT* (BRITISH COLUMBIA)

##### Definitions and application

**237** (1) In this Division:

"**dissenter**" means a shareholder who, being entitled to do so, sends written notice of dissent when and as required by section 242;

"**notice shares**" means, in relation to a notice of dissent, the shares in respect of which dissent is being exercised under the notice of dissent;

"**payout value**" means,

- (a) in the case of a dissent in respect of a resolution, the fair value that the notice shares had immediately before the passing of the resolution,
- (b) in the case of a dissent in respect of an arrangement approved by a court order made under section 291(2) (c) that permits dissent, the fair value that the notice shares had immediately before the passing of the resolution adopting the arrangement, or
- (c) in the case of a dissent in respect of a matter approved or authorized by any other court order that permits dissent, the fair value that the notice shares had at the time specified by the court order, excluding any appreciation or depreciation in anticipation of the corporate action approved or authorized by the resolution or court order unless exclusion would be inequitable.

(2) This Division applies to any right of dissent exercisable by a shareholder except to the extent that

- (a) the court orders otherwise, or
- (b) in the case of a right of dissent authorized by a resolution referred to in section 238 (1) (g), the court orders otherwise or the resolution provides otherwise.

##### Right to dissent

**238** (1) A shareholder of a company, whether or not the shareholder's shares carry the right to vote, is entitled to dissent as follows:

- (a) under section 260, in respect of a resolution to alter the articles to alter restrictions on the powers of the company or on the business it is permitted to carry on;
- (b) under section 272, in respect of a resolution to adopt an amalgamation agreement;
- (c) under section 287, in respect of a resolution to approve an amalgamation under Division 4 of Part 9;

- (d) in respect of a resolution to approve an arrangement, the terms of which arrangement permit dissent;
  - (e) under section 301 (5), in respect of a resolution to authorize or ratify the sale, lease or other disposition of all or substantially all of the company's undertaking;
  - (f) under section 309, in respect of a resolution to authorize the continuation of the company into a jurisdiction other than British Columbia;
  - (g) in respect of any other resolution, if dissent is authorized by the resolution;
  - (h) in respect of any court order that permits dissent.
- (2) A shareholder wishing to dissent must
- (a) prepare a separate notice of dissent under section 242 for
    - (i) the shareholder, if the shareholder is dissenting on the shareholder's own behalf, and
    - (ii) each other person who beneficially owns shares registered in the shareholder's name and on whose behalf the shareholder is dissenting,
  - (b) identify in each notice of dissent, in accordance with section 242 (4), the person on whose behalf dissent is being exercised in that notice of dissent, and
  - (c) dissent with respect to all of the shares, registered in the shareholder's name, of which the person identified under paragraph (b) of this subsection is the beneficial owner.
- (3) Without limiting subsection (2), a person who wishes to have dissent exercised with respect to shares of which the person is the beneficial owner must
- (a) dissent with respect to all of the shares, if any, of which the person is both the registered owner and the beneficial owner, and
  - (b) cause each shareholder who is a registered owner of any other shares of which the person is the beneficial owner to dissent with respect to all of those shares.

### **Waiver of right to dissent**

- 239** (1) A shareholder may not waive generally a right to dissent but may, in writing, waive the right to dissent with respect to a particular corporate action.
- (2) A shareholder wishing to waive a right of dissent with respect to a particular corporate action must
- (a) provide to the company a separate waiver for



- (i) the shareholder, if the shareholder is providing a waiver on the shareholder's own behalf, and
    - (ii) each other person who beneficially owns shares registered in the shareholder's name and on whose behalf the shareholder is providing a waiver, and
  - (b) identify in each waiver the person on whose behalf the waiver is made.
- (3) If a shareholder waives a right of dissent with respect to a particular corporate action and indicates in the waiver that the right to dissent is being waived on the shareholder's own behalf, D-3 the shareholder's right to dissent with respect to the particular corporate action terminates in respect of the shares of which the shareholder is both the registered owner and the beneficial owner, and this Division ceases to apply to
- (a) the shareholder in respect of the shares of which the shareholder is both the registered owner and the beneficial owner, and
  - (b) any other shareholders, who are registered owners of shares beneficially owned by the first mentioned shareholder, in respect of the shares that are beneficially owned by the first mentioned shareholder.
- (4) If a shareholder waives a right of dissent with respect to a particular corporate action and indicates in the waiver that the right to dissent is being waived on behalf of a specified person who beneficially owns shares registered in the name of the shareholder, the right of shareholders who are registered owners of shares beneficially owned by that specified person to dissent on behalf of that specified person with respect to the particular corporate action terminates and this Division ceases to apply to those shareholders in respect of the shares that are beneficially owned by that specified person.

### **Notice of resolution**

- 240** (1) If a resolution in respect of which a shareholder is entitled to dissent is to be considered at a meeting of shareholders, the company must, at least the prescribed number of days before the date of the proposed meeting, send to each of its shareholders, whether or not their shares carry the right to vote,
- (a) a copy of the proposed resolution, and
  - (b) a notice of the meeting that specifies the date of the meeting, and contains a statement advising of the right to send a notice of dissent.
- (2) If a resolution in respect of which a shareholder is entitled to dissent is to be passed as a consent resolution of shareholders or as a resolution of directors and the earliest date on which that resolution can be passed is specified in the resolution or in the statement referred to in paragraph (b), the company may, at least 21 days before that specified date, send to each of its shareholders, whether or not their shares carry the right to vote,
- (a) a copy of the proposed resolution, and
  - (b) a statement advising of the right to send a notice of dissent.

(3) If a resolution in respect of which a shareholder is entitled to dissent was or is to be passed as a resolution of shareholders without the company complying with subsection (1) or (2), or was or is to be passed as a directors' resolution without the company complying with subsection (2), the company must, before or within 14 days after the passing of the resolution, send to each of its shareholders who has not, on behalf of every person who beneficially owns shares registered in the name of the shareholder, consented to the resolution or voted in favour of the resolution, whether or not their shares carry the right to vote,

- (a) a copy of the resolution,
- (b) a statement advising of the right to send a notice of dissent, and
- (c) if the resolution has passed, notification of that fact and the date on which it was passed.

(4) Nothing in subsection (1), (2) or (3) gives a shareholder a right to vote in a meeting at which, or on a resolution on which, the shareholder would not otherwise be entitled to vote.

### **Notice of court orders**

**241** If a court order provides for a right of dissent, the company must, not later than 14 days after the date on which the company receives a copy of the entered order, send to each shareholder who is entitled to exercise that right of dissent

- (a) a copy of the entered order, and
- (b) a statement advising of the right to send a notice of dissent.

### **Notice of dissent**

**242** (1) A shareholder intending to dissent in respect of a resolution referred to in section 238 (1) (a), (b), (c), (d), (e) or (f) must,

- (a) if the company has complied with section 240 (1) or (2), send written notice of dissent to the company at least 2 days before the date on which the resolution is to be passed or can be passed, as the case may be,
- (b) if the company has complied with section 240 (3), send written notice of dissent to the company not more than 14 days after receiving the records referred to in that section, or
- (c) if the company has not complied with section 240 (1), (2) or (3), send written notice of dissent to the company not more than 14 days after the later of
  - (i) the date on which the shareholder learns that the resolution was passed, and
  - (ii) the date on which the shareholder learns that the shareholder is entitled to dissent.

(2) A shareholder intending to dissent in respect of a resolution referred to in section 238 (1) (g) must send written notice of dissent to the company

- (a) on or before the date specified by the resolution or in the statement referred to in section 240 (2) (b) or (3) (b) as the last date by which notice of dissent must be sent, or

- (b) if the resolution or statement does not specify a date, in accordance with subsection (1) of this section.
- (3) A shareholder intending to dissent under section 238 (1) (h) in respect of a court order that permits dissent must send written notice of dissent to the company
- (a) within the number of days, specified by the court order, after the shareholder receives the records referred to in section 241, or
  - (b) if the court order does not specify the number of days referred to in paragraph (a) of this subsection, within 14 days after the shareholder receives the records referred to in section 241.
- (4) A notice of dissent sent under this section must set out the number, and the class and series, if applicable, of the notice shares, and must set out whichever of the following is applicable:
- (a) if the notice shares constitute all of the shares of which the shareholder is both the registered owner and beneficial owner and the shareholder owns no other shares of the company as beneficial owner, a statement to that effect;
  - (b) if the notice shares constitute all of the shares of which the shareholder is both the registered owner and beneficial owner but the shareholder owns other shares of the company as beneficial owner, a statement to that effect and
    - (i) the names of the registered owners of those other shares,
    - (ii) the number, and the class and series, if applicable, of those other shares that are held by each of those registered owners, and
    - (iii) a statement that notices of dissent are being, or have been, sent in respect of all of those other shares;
  - (c) if dissent is being exercised by the shareholder on behalf of a beneficial owner who is not the dissenting shareholder, a statement to that effect and
    - (i) the name and address of the beneficial owner, and
    - (ii) a statement that the shareholder is dissenting in relation to all of the shares beneficially owned by the beneficial owner that are registered in the shareholder's name.
- (5) The right of a shareholder to dissent on behalf of a beneficial owner of shares, including the shareholder, terminates and this Division ceases to apply to the shareholder in respect of that beneficial owner if subsections (1) to (4) of this section, as those subsections pertain to that beneficial owner, are not complied with.

### **Notice of intention to proceed**

**243** (1) A company that receives a notice of dissent under section 242 from a dissenter must,

- (a) if the company intends to act on the authority of the resolution or court order in respect of which the notice of dissent was sent, send a notice to the dissenter promptly after the later of
  - (i) the date on which the company forms the intention to proceed, and
  - (ii) the date on which the notice of dissent was received, or
- (b) if the company has acted on the authority of that resolution or court order, promptly send a notice to the dissenter.

(2) A notice sent under subsection (1) (a) or (b) of this section must

- (a) be dated not earlier than the date on which the notice is sent,
- (b) state that the company intends to act, or has acted, as the case may be, on the authority of the resolution or court order, and
- (c) advise the dissenter of the manner in which dissent is to be completed under section 244. D-6

### **Completion of dissent**

**244** (1) A dissenter who receives a notice under section 243 must, if the dissenter wishes to proceed with the dissent, send to the company or its transfer agent for the notice shares, within one month after the date of the notice,

- (a) a written statement that the dissenter requires the company to purchase all of the notice shares,
- (b) the certificates, if any, representing the notice shares, and
- (c) if section 242 (4) (c) applies, a written statement that complies with subsection (2) of this section.

(2) The written statement referred to in subsection (1) (c) must

- (a) be signed by the beneficial owner on whose behalf dissent is being exercised, and
- (b) set out whether or not the beneficial owner is the beneficial owner of other shares of the company and, if so, set out
  - (i) the names of the registered owners of those other shares,
  - (ii) the number, and the class and series, if applicable, of those other shares that are held by each of those registered owners, and
  - (iii) that dissent is being exercised in respect of all of those other shares.

(3) After the dissenter has complied with subsection (1),

- (a) the dissenter is deemed to have sold to the company the notice shares, and

(b) the company is deemed to have purchased those shares, and must comply with section 245, whether or not it is authorized to do so by, and despite any restriction in, its memorandum or articles.

(4) Unless the court orders otherwise, if the dissenter fails to comply with subsection (1) of this section in relation to notice shares, the right of the dissenter to dissent with respect to those notice shares terminates and this Division, other than section 247, ceases to apply to the dissenter with respect to those notice shares.

(5) Unless the court orders otherwise, if a person on whose behalf dissent is being exercised in relation to a particular corporate action fails to ensure that every shareholder who is a registered owner of any of the shares beneficially owned by that person complies with subsection (1) of this section, the right of shareholders who are registered owners of shares beneficially owned by that person to dissent on behalf of that person with respect to that corporate action terminates and this Division, other than section 247, ceases to apply to those shareholders in respect of the shares that are beneficially owned by that person.

(6) A dissenter who has complied with subsection (1) of this section may not vote, or exercise or assert any rights of a shareholder, in respect of the notice shares, other than under this Division.

### **Payment for notice shares**

**245** (1) A company and a dissenter who has complied with section 244 (1) may agree on the amount of the payout value of the notice shares and, in that event, the company must

- (a) promptly pay that amount to the dissenter, or
- (b) if subsection (5) of this section applies, promptly send a notice to the dissenter that the company is unable lawfully to pay dissenters for their shares.

(2) A dissenter who has not entered into an agreement with the company under subsection (1) or the company may apply to the court and the court may

- (a) determine the payout value of the notice shares of those dissenters who have not entered into an agreement with the company under subsection (1), or order that the payout value of those notice shares be established by arbitration or by reference to the registrar, or a referee, of the court,
- (b) join in the application each dissenter, other than a dissenter who has entered into an agreement with the company under subsection (1), who has complied with section 244 (1), and
- (c) make consequential orders and give directions it considers appropriate.

(3) Promptly after a determination of the payout value for notice shares has been made under subsection (2) (a) of this section, the company must

- (a) pay to each dissenter who has complied with section 244 (1) in relation to those notice shares, other than a dissenter who has entered into an agreement with the company under subsection (1) of this section, the payout value applicable to that dissenter's notice shares, or
- (b) if subsection (5) applies, promptly send a notice to the dissenter that the company is unable lawfully to pay dissenters for their shares.

- (4) If a dissenter receives a notice under subsection (1) (b) or (3) (b),
- (a) the dissenter may, within 30 days after receipt, withdraw the dissenter's notice of dissent, in which case the company is deemed to consent to the withdrawal and this Division, other than section 247, ceases to apply to the dissenter with respect to the notice shares, or
  - (b) if the dissenter does not withdraw the notice of dissent in accordance with paragraph (a) of this subsection, the dissenter retains a status as a claimant against the company, to be paid as soon as the company is lawfully able to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of the company but in priority to its shareholders.
- (5) A company must not make a payment to a dissenter under this section if there are reasonable grounds for believing that
- (a) the company is insolvent, or
  - (b) the payment would render the company insolvent.

### **Loss of right to dissent**

**246** The right of a dissenter to dissent with respect to notice shares terminates and this Division, other than section 247, ceases to apply to the dissenter with respect to those notice shares, if, before payment is made to the dissenter of the full amount of money to which the dissenter is entitled under section 245 in relation to those notice shares, any of the following events occur:

- (a) the corporate action approved or authorized, or to be approved or authorized, by the resolution or court order in respect of which the notice of dissent was sent is abandoned;
- (b) the resolution in respect of which the notice of dissent was sent does not pass;
- (c) the resolution in respect of which the notice of dissent was sent is revoked before the corporate action approved or authorized by that resolution is taken;
- (d) the notice of dissent was sent in respect of a resolution adopting an amalgamation agreement and the amalgamation is abandoned or, by the terms of the agreement, will not proceed;
- (e) the arrangement in respect of which the notice of dissent was sent is abandoned or by its terms will not proceed;
- (f) a court permanently enjoins or sets aside the corporate action approved or authorized by the resolution or court order in respect of which the notice of dissent was sent;
- (g) with respect to the notice shares, the dissenter consents to, or votes in favour of, the resolution in respect of which the notice of dissent was sent;
- (h) the notice of dissent is withdrawn with the written consent of the company;
- (i) the court determines that the dissenter is not entitled to dissent under this Division or that the dissenter is not entitled to dissent with respect to the notice shares under this Division.

### **Shareholders entitled to return of shares and rights**

**247** If, under section 244 (4) or (5), 245 (4) (a) or 246, this Division, other than this section, ceases to apply to a dissenter with respect to notice shares,

- (a) the company must return to the dissenter each of the applicable share certificates, if any, sent under section 244 (1) (b) or, if those share certificates are unavailable, replacements for those share certificates,
- (b) the dissenter regains any ability lost under section 244 (6) to vote, or exercise or assert any rights of a shareholder, in respect of the notice shares, and
- (c) the dissenter must return any money that the company paid to the dissenter in respect of the notice of shares under, or in purported compliance with, this Division.

**SCHEDULE "D"**

***PRO-FORMA* UNAUDITED BALANCE SHEET OF NVG AS AT JUNE 30, 2012**



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**NASS VALLEY GATEWAY LTD.**

**PRO-FORMA  
CONDENSED CONSOLIDATED STATEMENT  
OF FINANCIAL POSITION**  
(UNAUDITED)

**JUNE 30, 2012**  
(EXPRESSED IN CANADIAN DOLLARS)

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**NASS VALLEY GATEWAY LTD.**

## Pro-Forma Condensed Consolidated Statement of Financial Position

June 30, 2012

(Unaudited)

	June 30, 2012 \$	Note	Pro-forma Adjustments \$	Pro-Forma June 30, 2012 \$
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and equivalents	134,839		–	134,839
Amounts receivable	7,931		–	7,931
Prepaid expenses	9,690		–	9,690
Amounts receivable from related parties	–	5(b) 5(c)	50,000 76,000	126,000
	152,460		126,000	278,460
RECLAMANTION BOND	3,000		–	3,000
DEFERRED EXPLORATION COSTS	209,387	5(a)	(209,387)	–
	364,847		(83,387)	281,460
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable and accrued liabilities	18,480	5(c) 5(d)	76,000 25,000	119,480
Due to related parties	25,941		–	25,941
	44,421		101,000	145,421
<b>SHAREHOLDERS' EQUITY</b>				
SHARE CAPITAL	2,757,188	5(a) 5(d)	(209,387) (25,000)	2,522,801
SHARE BASED PAYMENT RESERVE	240,835		–	240,835
DEFICIT	(2,677,977)	5(b)	50,000	(2,627,997)
	320,026		(184,387)	135,639
NON-CONTROLLING INTEREST	400		–	400
	320,026		(184,387)	136,039
	364,847		(83,387)	281,460

## **NASS VALLEY GATEWAY LTD.**

Notes to Pro-Forma Condensed Consolidated Statement of Financial Position

June 30, 2012

(Unaudited)

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### **1. Basis of Presentation**

The unaudited pro-forma statement of financial position of Nass Valley Gateway Ltd.. (“NVG” or the “Company”) as at June 30, 2012 has been prepared by management for the purpose of a Plan of Arrangement after giving effect to the transaction between NVG and Kirkland Precious Metals Corp. (“KPM”). The unaudited pro forma statement of financial position is the effect of separating the unaudited statement of financial position of NVG and KPM as at June 30, 2012. The unaudited pro forma statement of financial position has been prepared for inclusion in the Information Circular of the Company.

The Company intends to proceed with a spin-off transaction which will have the result of transferring its interest in certain mineral properties to its subsidiary KPM. It is management’s opinion that the pro forma statement of financial position includes all adjustments necessary for the fair presentation, in all material respects, of the transactions described in Notes 3 and 4 in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board applied on a basis consistent with NVG’s accounting policies.

The pro-forma statement of financial position is intended to reflect the financial position of the Company had the proposed transactions been effected on the date indicated, however is not necessarily indicative of the financial position which would have resulted if the transactions had actually occurred on June 30, 2012. The pro-forma statement of comprehensive loss not presented will consist of a comprehensive loss of \$79,520 after the recovery of \$50,000 administrative expenses from KPM by NVG (Note 4(b)).

The unaudited pro-forma statement of financial position should be read in conjunction with the historical financial statements and notes thereto of NVG.

### **2. Significant accounting policies**

The unaudited pro-forma statement of financial position has been compiled using the significant accounting policies as set out in the audited financial statements for the year ended December 31, 2011 of NVG and those accounting policies expected to be adopted by NVG upon completing the Plan of Arrangement.

### **3. Plan of Arrangement**

Effective August 22, 2012, NVG and KPM entered into the Plan of Arrangement whereby NVG would spin-off certain of its interests in mining properties to KPM in consideration for 24,383,650 KPM Class A preferred shares. Upon completion of the transaction each NVG shareholder will convert and receive on KPM share for every one KPM Class A preferred share held.

The Acquisition is subject to, amongst other things, regulatory and shareholder approvals.

## **NASS VALLEY GATEWAY LTD.**

Notes to Pro-Forma Condensed Consolidated Statement of Financial Position

June 30, 2012

(Unaudited)

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### **4. Pro-forma assumptions and adjustments**

The unaudited pro-forma statement of financial position gives effect to the spin-out transaction of certain mineral properties to KPM as if the transaction have occurred as at June 30, 2012, including the following pro-forma assumptions and adjustments:

- (a) Under the Plan of Arrangement each shareholder of NVG will receive the same number of common shares of KPM as consideration for the Kirkland Lake Project, Ontario mineral properties. At the effective date the Company transferred values in the equivalent amount of \$209,387 representing these mineral properties to KPM. The mineral properties are transferred at their carrying value from NVG to KPM.
- (b) A total of \$50,000 of administrative expenses have been incurred by NVG related to the Plan of Arrangement and will be charged to KPM.
- (c) It is estimated that the total professional fees related to the Plan of Arrangement will be about \$76,000 for valuation, accounting, legal, filing and other related services. These fees will be paid by NVG on behalf of KPM which will bear the expenses.
- (d) It is estimated that \$25,000 will be incurred for geological expenses towards to mineral properties by NVG on behalf for KPM. These expenses will be paid by KPM.
- (e) As part of the spin-out transactions described above, NVG and KPM will become separate companies which will have some common directors and officers.
- (f) In connection with the Plan of Arrangement NVG's stock options and warrants could be exercised prior to the completion of the transaction. Per review of the closing market price for NVG shares on CNSX at August 22, 2012 the share price is significantly below the option and warrant exercise price, therefore the possibility of exercise of stock options and warrants is considered to be low and these pro forma financial statements have not been adjusted for stock option or warrant exercises.

### **5. Pro forma share capital**

After giving effect to the pro forma assumptions in Note 4 involving the distribution based on carrying amount of the mineral properties at \$234,387 to the shareholders of NVG, the issued and fully paid share capital of the Company will be as follows:

Number of shares: 24,383,750

Amount in \$: \$2,522,801

**NASS VALLEY GATEWAY LTD.**

Notes to Pro-Forma Condensed Consolidated Statement of Financial Position

June 30, 2012

(Unaudited)

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**6. Pro-forma statutory income tax rate**

The pro-forma effective statutory income tax rate is of the combined companies is 25%. The Company was incorporated under the laws of the Province of British Columbia, Canada. KPM was incorporated under the laws of the Province of British Columbia, Canada.

**SCHEDULE "E"**

***PRO-FORMA* UNAUDITED BALANCE SHEET OF KPM AS AT JUNE 30, 2012**

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**KIRKLAND PRECIOUS METALS CORP.**

**PRO-FORMA  
STATEMENT OF FINANCIAL POSITION**  
(UNAUDITED)

**JUNE 30, 2012**  
(EXPRESSED IN CANADIAN DOLLARS)

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**KIRKLAND PRECIOUS METALS CORP.**  
Pro-Forma Statement of Financial Position  
June 30, 2012  
(Unaudited)

	June 30, 2012 \$	Note	Pro-forma Adjustments \$	Pro-Forma June 30, 2012 \$
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash		1	–	1
		1	–	1
DEFERRED EXPLORATION COSTS		4(a)	209,387	
		– 4(d)	25,000	234,387
		1	234,387	234,388
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Due to related parties		4(b)	50,000	
		– 4(c)	76,000	126,000
		–	126,000	126,000
<b>SHAREHOLDERS' EQUITY</b>				
SHARE CAPITAL		4(a)	209,387	
		1 4(d)	25,000	234,388
DEFICIT		4(b)	(50,000)	
		– 4(d)	(76,000)	(126,000)
		1	108,387	108,388
		1	234,387	234,388



## **1. Basis of Presentation**

The unaudited pro-forma statement of financial position of Kirkland Precious Metals Corp. ("KPM" or the "Company") as at June 30, 2012 has been prepared by management for the purpose of a Plan of Arrangement after giving effect to the transaction between KPM and Nass Valley Gateway Ltd. ("NVG"). The unaudited pro forma statement of financial position is the effect of separating the unaudited statement of financial position of KPM and NVG as at June 30, 2012. The unaudited pro forma statement of financial position has been prepared for inclusion in the Information Circular of the Company.

The Company intends to proceed with a transaction whereby NVG will transfer its interest in certain mineral properties to KPM. It is management's opinion that the pro forma statement of financial position includes all adjustments necessary for the fair presentation, in all material respects, of the transactions described in Notes 3 and 4 in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board applied on a basis consistent with KPM's accounting policies.

The pro-forma statement of financial position is intended to reflect the financial position of the Company had the proposed transactions been effected on the date indicated, however is not necessarily indicative of the financial position which would have resulted if the transactions had actually occurred on June 30, 2012. The pro-forma statement of comprehensive loss not presented will consist of a comprehensive loss of \$126,000 resulted from \$50,000 administrative expenses and \$76,000 professional fees (Note 4(b) and 4(c)).

The unaudited pro-forma statement of financial position should be read in conjunction with the historical financial statements and notes thereto of NVG.

## **2. Significant accounting policies**

The unaudited pro-forma statement of financial position has been compiled using the significant accounting policies as set out in audited financial statements for the year ended December 31, 2011 of NVG and those accounting policies expected to be adopted by NVG upon completing the Plan of Arrangement.. The significant accounting policies of KPM conform in all material respects to those of NVG.

## **3. Plan of Arrangement**

Effective August 22, 2012, KPM and NVG entered into the Plan of Arrangement whereby NVG would spin-off certain of its interests in mining properties to KPM in consideration for 24,383,650 KPM Class A preferred shares. Upon completion of the transaction each NVG shareholder will convert and receive on KPM share for every one KPM Class A preferred share held.

The Acquisition is subject to, amongst other things, regulatory and shareholder approvals.

#### **4. Pro-forma assumptions and adjustments**

The unaudited pro-forma statement of financial position gives effect to the spin-out transaction of certain mineral properties to KPM as if the transaction has occurred as at June 30, 2012, including the following pro-forma assumptions and adjustments:

- (a) Under the Plan of Arrangement each shareholder of NVG will receive the same number of common shares of KPM as consideration for the Kirkland Lake Project, Ontario mineral properties. At the effective date the Company transferred values in the equivalent amount of \$209,387 representing these mineral properties to KPM. The mineral properties are transferred at their carrying value from NVG to KPM.
- (b) A total of \$50,000 of administrative expenses have been incurred by NVG related to the Plan of Arrangement and will be charged to KPM.
- (c) It is estimated that the total professional fees related to the Plan of Arrangement will be about \$76,000 for valuation, accounting, legal, filing and other related services. These fees will be paid by NVG on behalf of KPM which will bear the expenses.
- (d) It is estimated that \$25,000 will be incurred for geological expenses towards to mineral properties by NVG on behalf for KPM. These expenses will be paid by KPM.
- (e) As part of the spin-out transactions described above, NVG and KPM will become separate companies which will have some common directors and officers.

**KIRKLAND PRECIOUS METALS CORP.**  
Notes to Pro-Forma Statement of Financial Position  
June 30, 2012  
(Unaudited)

**5. Pro-forma share capital**

After giving effect to the pro-forma assumptions in Note 4, the issued and fully paid share capital of KPM will be as follows:

		Common Shares	
	Note	Number	Amount \$
Balance, June 30, 2012		100	1
Conversion of KPM Class A preferred shares into Common Shares	1	24,383,650	234,387
<b>Pro-forma balance, June 30, 2012</b>		<b>24,383,750</b>	<b>234,388</b>

		Class A Preferred shares	
	Note	Number	Amount \$
Balance, June 30, 2012		-	-
Issued as consideration for mineral property assets	1	24,383,650	234,387
Converted into KPM Common Shares	1	(24,383,650)	(234,387)
<b>Pro-forma balance, June 30, 2012</b>		<b>-</b>	<b>-</b>

Pursuant to the Plan of Arrangement the following changes to the share capital of KPM will occur:

- (a) KPM will create a new class of shares consisting of unlimited Class A preferred shares without par value.
- (b) KPM will issue 24,383,650 KPM Class A preferred shares, valued at \$234,387, to the shareholders of NVG as consideration for the assets being transferred to KPM as part of the Plan of Arrangement. The value preferred shares of \$234,387 will be based on the carrying amount of the mineral properties being distributed to the NVG shareholders.
- (c) NVG shareholders will convert the KPM Class A preferred shares into KPM common shares at a ratio of 1 KPM class A preferred share for 1 KPM common share. Class A preferred shares are then cancelled.

**6. Pro-forma statutory income tax rate**

The pro-forma effective statutory income tax rate is of the combined companies is 25%. The Company was incorporated under the laws of the Province of British Columbia, Canada. NVG was incorporated under the laws of the Province of British Columbia, Canada.

**SCHEDULE "F"**

**AUDITED FINANCIAL STATEMENTS AND MD&A OF NVG FOR THE YEAR ENDED  
DECEMBER 31, 2011**

**NASS VALLEY GATEWAY LTD.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED**  
**DECEMBER 31, 2011 and 2010**

*(Expressed in Canadian Dollars)*

# NASS VALLEY GATEWAY LTD.

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**MANNING ELLIOTT**  
CHARTERED ACCOUNTANTS

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## INDEPENDENT AUDITORS' REPORT

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To the Shareholders of  
Nass Valley Gateway Ltd.

We have audited the accompanying consolidated financial statements of Nass Valley Gateway Ltd. which comprise the consolidated statements of financial position as at December 31, 2011, December 31, 2010 and January 1, 2010, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years ended December 31, 2011 and 2010, 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 International Financial Reporting Standards as issued by the International Accounting Standards Board, 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. as at December 31, 2011, December 31, 2010 and January 1, 2010, and its financial performance and cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

### **Emphasis of Matter**

Without qualifying our opinion, we draw attention to Note 1 to these consolidated financial statements which describes the existence of a material uncertainty that may cast significant doubt about the ability of Nass Valley Gateway Ltd. to continue as a going concern.

*Manning Elliott LLP*

CHARTERED ACCOUNTANTS

Vancouver, British Columbia

April 25, 2012

**Nass Valley Gateway Ltd.**  
**Consolidated statements of financial position**  
*(Expressed in Canadian Dollars)*

	December 31 2011	December 31 2010 (Note 13)	January 1 2010 (Note 13)
	\$	\$	\$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and equivalents	6,155	9,148	176,950
Amounts receivable	3,852	10,506	321
Amounts receivable from related parties (Note 8)	-	15,000	15,000
Prepaid expenses	4,940	5,461	6,337
	<b>14,947</b>	40,115	198,608
<b>Non current assets</b>			
Reclamation bond	3,000	3,000	3,000
Equipment (Note 5)	-	2,071	2,583
Exploration and evaluation assets (Note 4)	198,887	817,336	687,389
	<b>216,834</b>	862,522	891,580
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	24,937	23,194	1,612
Due to related parties (Note 8)	33,787	35,507	77,841
	<b>58,724</b>	58,701	79,453
<b>Non current liabilities</b>			
Loans repayable to related party (Note 8)	299,087	61,563	97,234
	<b>357,811</b>	120,264	176,687
<b>Shareholders' equity (deficiency)</b>			
Share capital (Note 7)	2,162,665	2,137,415	1,869,915
Share subscriptions (Note 12(f))	15,000	-	-
Share based payment reserve	229,835	208,984	181,920
Deficit	(2,548,477)	(1,604,141)	(1,336,942)
	<b>(140,977)</b>	742,258	714,893
	<b>216,834</b>	862,522	891,580

Commitment (Note 4)  
Subsequent Events (Note 12)

These consolidated financial statements were approved and authorized for issue by the Board of Directors on ..... and were signed on its behalf:

"Dieter Peter"  
Dieter Peter, Director

"Andrew von Kursell"  
Andrew von Kursell, Director



**Nass Valley Gateway Ltd.**  
**Consolidated statements of comprehensive loss**  
*(Expressed in Canadian Dollars)*

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	For the years ended December 31	
	2011	2010 (Note 13)
	\$	\$
<b>Revenue</b>	-	-
<b>Expenses</b>		
Accounting and legal	20,354	19,633
Amortization	2,556	512
Administrative services	106,790	99,919
Insurance	11,710	10,436
Loan interest expenses and bank charges (Note 8)	36,700	3,313
Investor relations	11,090	4,736
Information Technology services	4,093	2,874
Office expenses	3,172	6,449
Patented technology (Note 6)	-	50,960
Share based payments (Note 7(c))	20,851	27,064
Transfer agent and filing fees	12,654	13,207
Travel and promotion	10,273	28,096
<b>Loss before other expenses</b>	<b>(240,243)</b>	<b>(267,199)</b>
<b>Other expenses</b>		
Impairment of amounts receivable	(14,007)	-
Impairment of exploration and evaluation assets (Note 4)	(690,086)	-
Net loss and comprehensive loss	<b>(944,336)</b>	<b>(267,199)</b>
Net loss per share, basic and diluted	\$ (0.08)	\$ (0.02)
<b>Weighted average number of shares outstanding</b> (Note 12(d))	<b>12,306,187</b>	<b>11,147,717</b>

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

**Nass Valley Gateway Ltd.**  
**Consolidated statements of changes in equity**  
**For the years ended December 31, 2011 and 2010**  
*(Expressed in Canadian Dollars)*

	Share Capital		Share Subscriptions (Note 12(f))	Share based payment reserve	Deficit	Total
	Number of shares (Note 12(d))	Amount				
		\$	\$	\$	\$	\$
<b>Balance, January 1, 2010</b>	<b>10,425,418</b>	<b>1,869,915</b>	-	<b>181,920</b>	<b>(1,336,942)</b>	<b>714,893</b>
Private placement	1,133,333	170,000	-	-	-	170,000
Exercise of warrants	533,333	80,000	-	-	-	80,000
Property acquisition	83,333	17,500	-	-	-	17,500
Share based payments	-	-	-	27,064	-	27,064
Comprehensive loss	-	-	-	-	(267,199)	(267,199)
<b>Balance, December 31, 2010</b>	<b>12,175,417</b>	<b>2,137,415</b>	-	<b>208,984</b>	<b>(1,604,141)</b>	<b>742,258</b>
Property option	33,333	6,500	-	-	-	6,500
Bonus shares on loans	125,000	18,750	-	-	-	18,750
Share subscriptions	-	-	15,000	-	-	15,000
Share based payments	-	-	-	20,851	-	20,851
Comprehensive loss	-	-	-	-	(944,336)	(944,336)
<b>Balance, December 31, 2011</b>	<b>12,333,750</b>	<b>2,162,665</b>	<b>15,000</b>	<b>229,835</b>	<b>(2,548,477)</b>	<b>(140,977)</b>

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

**Nass Valley Gateway Ltd.**  
**Consolidated statements of cash flows**  
*(Expressed in Canadian Dollars)*

	<b>For the years ended December 31</b>	
	<b>2011</b>	<b>2010</b>
		(Note 13)
<b>Cash flows from operating activities</b>	\$	\$
Net loss for the year	<b>(944,336)</b>	(267,199)
<i>Items not affecting cash:</i>		
Amortization	<b>2,556</b>	512
Share based payments	<b>20,851</b>	27,064
Interest on loans paid in shares	<b>18,750</b>	-
Impairment of amounts receivable from related parties	<b>14,007</b>	-
Impairment of exploration and evaluation assets	<b>690,086</b>	-
Accrued interest on loans from related party	<b>17,525</b>	2,836
	<b>763,775</b>	30,412
<i>Changes in non-cash working capital items:</i>		
Decrease (increase) in amounts receivable	<b>6,654</b>	(10,185)
Decrease in prepaid expenses and deposit	<b>521</b>	876
Increase in accounts payable and accrued liabilities	<b>1,743</b>	21,583
Decrease in due to related parties	<b>(728)</b>	(42,334)
	<b>(172,371)</b>	(266,847)
<b>Cash flows from financing activities</b>		
Proceeds from issuance of share capital (Note 7)	-	250,000
Share subscriptions received (Note 7)	<b>15,000</b>	-
Proceeds of loan from related parties (Note 8)	<b>220,000</b>	60,000
Repayment of loans to related party (Note 8)	-	(98,508)
	<b>235,000</b>	211,492
<b>Cash flows from investing activities</b>		
Acquisition of equipment	<b>(485)</b>	-
Exploration and evaluation assets	<b>(65,137)</b>	(112,447)
	<b>(65,622)</b>	(112,447)
<b>Decrease in cash and equivalents</b>	<b>(2,993)</b>	(167,802)
<b>Cash and equivalents, beginning</b>	<b>9,148</b>	176,950
<b>Cash and equivalents, ending</b>	<b>6,155</b>	9,148
<i>Supplemental disclosures:</i>		
Share issued to acquire mineral properties (Note 4 (ii))	<b>6,500</b>	17,500
Shares issued pursuant to loan agreements (Note 8)	<b>18,750</b>	-

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

# Nass Valley Gateway Ltd.

## Notes to the consolidated financial statements

For the years ended December 31, 2011 and 2010

(Expressed in Canadian Dollars)

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### 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 10<sup>th</sup> 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 December 31, 2011, the Company had an accumulated deficit of \$2,548,477 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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). They 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.

Since these financial statements represent the Company's first presentation of its annual results and financial position under IFRS, they were prepared in accordance and compliance with IFRS 1 – *First time Adoption of International Financial Reporting Standards*.

The Company's consolidated financial statements were previously prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). Canadian GAAP differs in some areas from IFRS. In preparing these consolidated financial statements, Management has amended some accounting and measurement methods previously applied in Canadian GAAP in order to comply with IFRS. A description of the effects of the differences on equity, loss and comprehensive loss are discussed in Note 13 of the consolidated financial statements along with a line by line reconciliation of the statements of financial positions as at December 31, 2010 and January 1, 2010 and the statement of loss and comprehensive loss for the year ended December 31, 2010.

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

The 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.

# Nass Valley Gateway Ltd.

## Notes to the consolidated financial statements

For the years ended December 31, 2011 and 2010

(Expressed in Canadian Dollars)

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## 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.

**Nass Valley Gateway Ltd.**  
**Notes to the consolidated financial statements**  
**For the years ended December 31, 2011 and 2010**  
*(Expressed in Canadian Dollars)*

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**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 \$0.08 (2010 - \$0.02) is the same as basic loss per share. For the periods presented, this calculation proved to be anti-dilutive (Note 12(d)).

**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.

# Nass Valley Gateway Ltd.

## Notes to the consolidated financial statements

For the years ended December 31, 2011 and 2010

(Expressed in Canadian Dollars)

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### 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.

# Nass Valley Gateway Ltd.

Notes to the consolidated financial statements  
For the years ended December 31, 2011 and 2010  
(Expressed in Canadian Dollars)

## 4. EXPLORATION AND REVALUATION ASSETS

	Nass Bay Project	Kirkland Lake	Total
	\$	\$	\$
<b>Balance, 1 January 2010</b>			
Deferred Exploration costs	687,389	-	687,389
	<b>687,389</b>	<b>-</b>	<b>687,389</b>
<i>Changes during 2010</i>			
Acquisition costs	-	95,500	95,500
Deferred Exploration costs	2,697	31,750	34,447
	2,697	127,250	129,947
<b>Balance, December 31, 2010</b>			
Acquisition costs	-	95,500	95,500
Deferred Exploration costs	690,086	31,750	721,836
	<b>690,086</b>	<b>127,250</b>	<b>817,336</b>
<i>Changes during 2011</i>			
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)
<b>Balance, December 31, 2011</b>			
Acquisition costs	-	142,000	142,000
Deferred Exploration costs	-	56,887	56,887
	<b>-</b>	<b>198,887</b>	<b>198,887</b>

### (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.

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**4. EXPLORATION AND REVALUATION ASSETS** (continued)

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

	\$
Consulting	78,470
Contracted services	37,325
Geologist	41,399
Surveying	9,730
Aircraft charter	116,317
Travel and lodging	67,134
Exploration supplies	49,370
Reports, drafting and maps	9,898
Drilling	429,245
Lab tests and analysis	7,354
Others	12,911
<b>Total expenditures incurred</b>	<b>859,153</b>
Mineral tax credit	(818)
Expensed as generative exploration costs	(168,249)
<b>Capitalized as deferred exploration costs</b>	<b>690,086</b>

**(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.

	<b>Cash payments</b>	<b>Common shares</b>
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)	-
	<b>\$ 118,000</b>	<b>50,000</b>

- (ii) To Golden Dawn Minerals Inc.

	<b>Common shares</b>
Within 10 days subject to required approval (effective date) (issued in 2010)	66,667
On or before the second anniversary of the effective date (See Note 12 (a))	50,000
On or before the third anniversary of the effective date	33,333
	<b>150,000</b>

During the year ended December 31, 2010, the Company made cash payments to the Optionors of \$78,000 which comprised 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 Company also issued 16,667 (50,000 pre-consolidation) common shares to the original Optionors and 66,667 (200,000 pre-consolidation) common shares to Golden Dawn Minerals Inc. for a fair value of \$17,500 (see Note 8).

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**4. EXPLORATION AND REVALUATION ASSETS (continued)**

**(ii) Kirkland Lake Project, Ontario (continued)**

During the year ended December 31, 2011, the Company made the remaining claim payments to the Optionors cash payments of \$40,000, bringing the total cash paid to \$118,000. The Company also issued 33,333 (100,000 pre-consolidation) common shares to the Optionors with a fair value of \$6,500 pursuant to the Agreement. The Company capitalized an amount of \$25,137 in exploration expenditures on the properties, bringing the total amount of capitalized exploration expenditures to \$56,887.

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

	December 31 2011	December 31 2010	January 1 2010
	\$	\$	\$
Consulting	1,500	-	-
Contracted services	13,500	6,000	-
Fieldwork	25,750	25,750	-
Reports, drafting and maps	16,137	-	-
<b>Capitalized deferred exploration costs</b>	<b>56,887</b>	<b>31,750</b>	<b>-</b>

**5. EQUIPMENT**

	Furniture & Equipment	Leasehold Improvements	TOTAL
	\$	\$	\$
<b>Balance - January 1, 2010</b>			
Cost	3,830	2,260	6,090
Accumulated amortization	(2,114)	(1,393)	(3,507)
	<b>1,716</b>	<b>867</b>	<b>2,583</b>
<b>Movements during 2010</b>			
Amortization	(343)	(169)	(512)
	<b>(343)</b>	<b>(169)</b>	<b>(512)</b>
<b>Balance - December 31, 2010</b>			
Cost	3,830	2,260	6,090
Accumulated amortization	(2,457)	(1,562)	(4,019)
	<b>1,373</b>	<b>698</b>	<b>2,071</b>
<b>Movements during 2011</b>			
Additions	485	-	485
Amortization	(1,858)	(698)	(2,556)
	<b>(1,373)</b>	<b>(698)</b>	<b>(2,071)</b>
<b>Balance - December 31, 2011</b>			
Cost	4,315	2,260	6,575
Accumulated amortization	(4,315)	(2,260)	(6,575)
	<b>-</b>	<b>-</b>	<b>-</b>

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**6. 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 was required to incorporate a Taiwanese Manufacturing Plant (the "Manufacturing Plant") where the Manufacturing Plant would be owned by GSC and the inventor on a 60%/40% basis respectively. The Manufacturing Plant would be one of the licensees of the Patented Technology for the purpose of manufacturing the Machines. Under the Agreement, GSC was also required to make the following cash and share payments:

- (a) invest US\$ 2,000,000 before April 30, 2011 in tranches;
- (b) issue 960,000 common shares of GSC when the final payment in (a) above was made;
- (c) issue, subject to the approval of the Exchange, 2,000,000 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 was subject to a royalty fee payable to the inventor.

During the year ended December 31, 2010, the Company made the first required cash payment of \$50,960 (US\$ 50,000) and expensed this amount.

During the year ended December 31, 2011, GSC failed to make the remaining cash payments noted above, as a result, the Agreement expired.

**7. SHARE CAPITAL**

**a) Authorized share capital**

At December 31, 2011, 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 (Note 12(d))**

During the year ended December 31, 2011, the Company issued common shares with respect to the Kirkland Lake properties as described in Note 4(ii).

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 8.

*Year ended December 31, 2010*

On June 7, 2010, the Company closed a private placement of 1,133,333 units (3,400,000 pre-consolidation) at \$0.15 (\$0.05 pre-consolidation) 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 \$0.225 (\$0.075 pre-consolidation) on or before June 7, 2013. No value was allocated to the warrants because they had no intrinsic value on the date the units were issued.

In October and November 2010, a total of 533,333 warrants (1,600,000 pre-consolidation) were exercised at a price of \$0.15 each for total proceeds of \$80,000.

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**7. 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 on a post-consolidation basis (see Note 12 (d)):

<b>Expiry Date</b>	<b>Exercise Price \$</b>	<b>December 31 2010</b>	<b>Issued</b>	<b>Expired/ Forfeited</b>	<b>December 31 2011</b>
January 31, 2012*	0.45	215,333	-	-	215,333
May 4, 2012	0.93	10,000	-	(10,000)	-
June 25, 2011	0.54	56,867	-	(56,867)	-
June 25, 2012	0.15	76,000	-	(5,667)	70,333
June 15, 2013	0.15	475,333	-	(23,333)	452,000
March 29, 2014	0.21	-	11,667	-	11,667
March 1, 2012*	0.30	-	16,667	-	16,667
		833,533	28,334	(95,867)	766,000
<b>Weighted average exercise price(\$)</b>		<b>0.27</b>	<b>0.27</b>	<b>0.45</b>	<b>0.24</b>

\*Subsequent to December 31, 2011, these options expired unexercised.

<b>Expiry Date</b>	<b>Exercise Price \$</b>	<b>December 31 2009</b>	<b>Issued</b>	<b>Expired/ Forfeited</b>	<b>December 31 2010</b>
January 31, 2012	0.45	215,333	-	-	215,333
May 4, 2012	0.93	10,000	-	-	10,000
August 15, 2010	0.96	59,867	-	(59,867)	-
June 25, 2011	0.54	56,867	-	-	56,867
June 25, 2012	0.15	76,000	-	-	76,000
June 15, 2013	0.15	-	560,333	(85,000)	475,333
		418,067	560,333	(144,867)	833,533
<b>Weighted average exercise price(\$)</b>		<b>0.48</b>	<b>0.15</b>	<b>0.48</b>	<b>0.27</b>

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**7. SHARE CAPITAL** (continued)

**c) Stock options** (continued)

Details regarding the options outstanding as at December 31, 2011 on a post-consolidation basis (see Note 12 (d)) are as follows:

Exercise Price	Number of Options Outstanding	Weighted Average Remaining Contractual Life (years)	Number of Options Exercisable
\$ 0.45	215,333	0.08	215,333
\$ 0.15	70,333	0.48	70,333
\$ 0.15	452,000	1.46	366,000
\$ 0.21	11,667	2.24	5,833
\$ 0.30	16,667	0.19	8,333
	766,000	0.97	665,832

Details regarding the options outstanding as at December 31, 2010 on a post-consolidation basis (see Note 12 (d)) are as follows:

Exercise Price	Number of Options Outstanding	Weighted Average Remaining Contractual Life (years)	Number of Options Exercisable
\$ 0.45	215,333	1.08	215,333
\$ 0.93	10,000	1.34	10,000
\$ 0.54	56,867	0.48	56,867
\$ 0.15	76,000	1.51	63,333
\$ 0.15	475,333	2.46	172,500
	833,533	1.87	518,033

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 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.

The weighted average grant fair value of 560,333 (1,681,000 pre-consolidation) options granted on June 15, 2010 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 2.00%; the expected life of 3 years; expected volatility of 161%; and expected dividends of \$Nil.



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**7. 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)
<b>Balance, December 31, 2009</b>	<b>2,833,333</b>	<b>\$0.150</b>	December 23, 2012	<b>0.98</b>
Private placement (Note 6(a))	1,133,333	\$0.225	June 7, 2013	1.44
Exercised	(533,333)	\$0.150	-	
<b>Balance, December 31, 2011 and 2010</b>	<b>3,433,333</b>	<b>\$0.174</b>	-	1.13

**8. RELATED PARTY TRANSACTIONS**

During the year ended December 31, 2011, the Company entered into the following transactions with related parties.

**Key Management personnel compensation**

No remuneration was paid during the years ended December 31, 2011 and 2010 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 year ended December 31, 2011, the Company incurred \$105,790 (2010: \$99,567) 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 year ended December 31, 2011 as uncollectible. An amount of \$994 due to GMWL by the Company was off-set against this impairment.

During the year ended December 31, 2011, the Company accrued printing expenses of \$944 (2010: \$Nil) to Golden Dawn Minerals Inc., a company having a common director. The Company also issued no shares during the year (2010: 66,667 common shares (200,000 on a pre-consolidated basis)) with regards to the option agreement on the Kirkland Lake Project (see Note 12(a)). The Company also accrued \$22,096 (2010: \$Nil) 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;

	<b>December 31 2011</b>	December 31 2010	January 1 2010
Gixtat'in Mhind World Link Ltd.	\$ -	994	994
Krypt-Logx Network Corp.	<b>6,804</b>	6,804	6,804
Mineral Hill Industries Ltd.	<b>3,943</b>	27,709	70,043
Dieter Peter (Chief Executive Officer)	<b>22,096</b>	-	-
Golden Dawn Minerals Inc.	<b>944</b>	-	-
	<b>\$ 33,787</b>	35,507	77,841

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.

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**8. RELATED PARTY TRANSACTIONS** (continued)

**Advances from related party**

During the year ended December 31, 2010, the Company entered into loan agreements with Merfin Management Limited ("Merfin"), a private company with a common director for loan totalling \$60,000, which will become due in 2013. Under the terms of agreements, the amount is unsecured and bears interest at 8% per annum. At December 31, 2011, these amounts were still outstanding.

During the year ended December 31, 2011, further advances of \$220,000 were received from Merfin under the same terms.

	<b>December 31 2011</b>	December 31 2010	January 1 2010
Loan payable	\$ <b>280,000</b>	60,000	90,000
Interest payable	<b>19,087</b>	1,563	7,234
	<b>\$ 299,087</b>	61,563	97,234

The Company issued 125,000 common shares (375,000 on a pre-consolidation basis), valued at \$18,750, as a bonus interest for early repayments of advances made in 2010 pursuant to the terms of the loan agreements signed in 2009.

**9. 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.

	<b>December 31 2011</b>	<b>December 31 2010</b>
Canadian statutory income tax rate	26.50%	28.50%
	<b>\$</b>	<b>\$</b>
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:

	<b>December 31 2011</b>	<b>December 31 2010</b>
	<b>\$</b>	<b>\$</b>
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	-	-

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**9. 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
	\$	<u>1,583,778</u>

**10. 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 8.

*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.

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**10. 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 December 31, 2011 as follows:

	Fair Value Measurements Using			December 31 2011
	Level 1	Level 2	Level 3	
Cash and equivalents	\$ 6,155	–	–	\$ 6,155

**11. 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 December 31, 2011. 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.

## **Nass Valley Gateway Ltd.**

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#### **12. SUBSEQUENT EVENTS**

- a) Subsequent to December 31, 2011, the Company issued 50,000 common shares (150,000 pre-consolidation) to Golden Dawn Minerals Inc. pursuant to the acquisition agreement in Note 4(ii) and Note 8.
- b) Subsequent to December 31, 2011, the Company received \$20,000 in loans from Merfin Management Limited in accordance with an agreement signed on December 14, 2011 for loans of \$30,000 which will become due in 3 years. Under the terms of agreements, the amounts are unsecured and bear interest of 8% per annum commencing on the first day of the month subsequent to the month of the advance (Note 8).
- c) On January 4, 2012, the Company granted stock options to directors and employees of the Company. 428,333 stock options (1,285,000 pre-consolidation) were issued for a term of three years at \$0.05 (or \$0.15 after reverse split) per share (Note 7(c)).
- d) 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 (Note 7).
- e) By April 2, 2012, the Company repaid Merfin Management Ltd. the balance outstanding in full at December 31, 2011 including both principle \$280,000 and interest accrued up to repayment date (Note 8).
- f) On April 24, 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, \$15,000 was received prior to December 31, 2011.

#### **13. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS**

As set out in Note 1, the Company has adopted IFRS for the year ending December 31, 2011. The significant accounting policies adopted are set out in Note 2. In preparing the consolidated financial statements, the Company has converted from Canadian GAAP to IFRS as at Transition Date and prepared an opening balance sheet under IFRS at that date. Changes in accounting policies and other restatements were required under IFRS 1 – *First Time Adoption of International Financial Reporting Standards* (IFRS 1) and were made effective from that date. Accordingly, the Company restated its financial position as at January 1, 2010 and December 31, 2010 previously reported under Canadian GAAP. IFRS 1 requires that the same policies are applied for all periods presented in the first IFRS financial statements. The adjusted policies have been consistently applied on a full retrospective basis unless alternative treatment is permitted or required by an IFRS election or exception. These are discussed below.

### **13. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)**

IFRS 1 allows exemption from the application of certain IFRS requirements to assist companies with the transition process.

#### **Elections upon first-time adoption of IFRS**

The IFRS 1 exemptions applied by the Company in the conversion from Canadian GAAP to IFRS are as follows:

##### **(i) Business combinations**

IFRS 1 indicates that a first-time adopter may elect not to apply IFRS 3 *Business Combinations* retrospectively to business combinations that occurred before the date of transition to IFRS. The Company has elected to apply IFRS 3 to only those business combinations that occurred on or after the Transition Date and such business combinations have not been restated. As a result of this election, no adjustments were required to the Company's statement of financial position as at the Transition Date.

##### **(ii) Share-based payment transactions**

IFRS 1 encourages, but does not require, first-time adopters to apply IFRS 2 *Share-based Payment* to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the later of the date of transition to IFRS and January 1, 2005. The Company has elected not to apply IFRS 2 to awards that vested prior to the Transition Date.

#### **Mandatory Exceptions under IFRS**

The IFRS 1 mandatory exception applied by the Company in the conversion from Canadian GAAP to IFRS is as follows:

##### **(iii) Estimates**

In accordance with IFRS 1, an entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under previous GAAP unless those estimates were in error. The Company's IFRS estimates as at the Transition Date are consistent with its Canadian GAAP estimates as at that date.

#### **Reconciliations of Canadian GAAP to IFRS**

IFRS 1 requires an entity to reconcile equity and comprehensive income for prior periods presented under Canadian GAAP to IFRS as of the same date. In addition, an explanation is required for any material adjustments to cash flows to the extent that they exist. The analysis which follows represents the reconciliations from Canadian GAAP to IFRS for the respective periods noted:

**Nass Valley Gateway Ltd.**  
**Notes to the consolidated financial statements**  
**For the years ended December 31, 2011 and 2010**  
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**13. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)**

Reconciliations of statements of financial position

	December 31, 2010			January 1, 2010		
	GAAP	Adjustment	IFRS	GAAP	Adjustment	IFRS
	\$	\$	\$	\$	\$	\$
<b>ASSETS</b>						
<b>Current assets</b>						
Cash	9,148	-	9,148	176,950	-	176,950
Amounts receivable	10,506	-	10,506	321	-	321
Amounts receivable from related parties	15,000	-	15,000	15,000	-	15,000
Prepaid expenses	5,461	-	5,461	6,337	-	6,337
	40,115	-	40,115	198,608	-	198,608
<b>Non current assets</b>						
Reclamation bond	3,000	-	3,000	3,000	-	3,000
Equipment	2,071	-	2,071	2,583	-	2,583
Mineral properties	95,500	-	95,500	-	-	-
Deferred exploration costs	721,836	-	721,836	687,389	-	687,389
	862,522	-	862,522	891,580	-	891,580
<b>Current liabilities</b>						
Amounts payable and accrued liabilities	23,194	-	23,194	1,612	-	1,612
Amounts payable to related parties	35,507	-	35,507	77,841	-	77,841
	58,701	-	58,701	79,453	-	79,453
<b>Non current liabilities</b>						
Amounts payable to related parties	61,563	-	61,563	97,234	-	97,234
	120,264	-	120,264	176,687	-	176,687
<b>Shareholders' equity</b>						
Share capital	2,137,415	-	2,137,415	1,869,915	-	1,869,915
Share based payment reserve	208,984	-	208,984	181,920	-	181,920
Deficit	(1,604,141)	-	(1,604,141)	(1,336,942)	-	(1,336,942)
	742,258	-	742,258	714,893	-	714,893
	862,522	-	862,522	891,580	-	891,580

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**13. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)**

	Year ended December 31, 2010		
	GAAP	Adjustment	IFRS
	\$	\$	\$
<b>Revenue</b>	-	-	-
<b>Expenses</b>			
Accounting and legal	19,633	-	19,633
Amortization	512	-	512
Administrative services	99,919	-	99,919
Insurance	10,436	-	10,436
Interest and bank charges	3,313	-	3,313
Investor relations	4,736	-	4,736
Information Technology services	2,874	-	2,874
Office expenses	6,449	-	6,449
Patented technology	50,960	-	50,960
Share based payments	27,064	-	27,064
Transfer agent and filing fees	13,207	-	13,207
Travel and promotion	28,096	-	28,096
Net loss and comprehensive loss for the year	(267,199)	-	(267,199)

**Adjustment to statement of cash flows**

The transition from Canadian GAAP to IFRS had no significant impact on the statement of cash flow.



Management Discussion and Analysis ("MD&A") is intended to help the reader understand the financial statements of Nass Valley Gateway Ltd. ("NVG" or the "Company"). The information herein should be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2011 and 2010. The information herein should be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2011 and 2010. The consolidated financial statements for the year ended December 31, 2011 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), including comparative figures. The audited financial statements for the year ended December 31, 2010 have been prepared in accordance with Canadian generally accepted accounting principles (GAAP). Note 13 to the consolidated financial statements presents the IFRS adjustments made to equity following the transition to IFRS. The following discussion may contain management estimates of anticipated future trends, activities or results. These are not a guarantee of future performance, since actual results could change based on factors and variables beyond management control. All monetary amounts are in Canadian dollars unless otherwise stated.

The reader is encouraged to review the Company's statutory filings on [www.sedar.com](http://www.sedar.com) ("Sedar") and to review general information.

On March 13, 2012, the Company consolidated the shares of the Company on the basis of 1 new share for 3 old shares held. The resulting outstanding shares amounted to 12,383,750. All references to common shares and per share amounts in this document are on the basis of the resulting new common shares and corresponding securities.

### ***Current market conditions***

The recent and current global financial conditions are having a negative impact on the economic environment in which the Company operates. Access to public financing has significantly diminished for junior exploration companies as a direct result. If the current conditions continue, the Company's ability to operate will be adversely impacted and the trading price of the Company's shares could continue to be under a downward pressure.

### ***Highlights and subsequent events***

The following are highlights of events occurring during the year ended December 31, 2011 and subsequent thereto:

#### **Properties**

A revised Technical report in the format of a 43-101 on the Kirkland properties, was refiled on Sedar in September 2011.

#### **Patented technology**

Despite the expiry of the Technology Acquisition Agreement, the inventor did not terminate the agreement but has agreed to maintain an understanding, in the interim, between him and the Company to the effect that the Company will secure exclusivity in the geographical area where it will effect a sale of the unit.

#### **Financing**

During the year ended December 31, 2011 and subsequent, the Company entered into loan agreements with Merfin Management Limited ("Merfin"), for a total amount of \$240,000. The amounts are unsecured and bear interest at 8 per annum. The Company also issued 125,000 common shares as a bonus in accordance with the terms of the foregoing loan agreement. All amounts outstanding on the loans have been fully repaid.

The Company closed a private placement of 12,000,000 shares at a price of \$0.05 per unit for total proceeds of \$600,000. Each unit consists of one common share and one share purchase warrant, exercisable at a price of \$0.10 within two years of the issue.

***Description of business and overall performance***

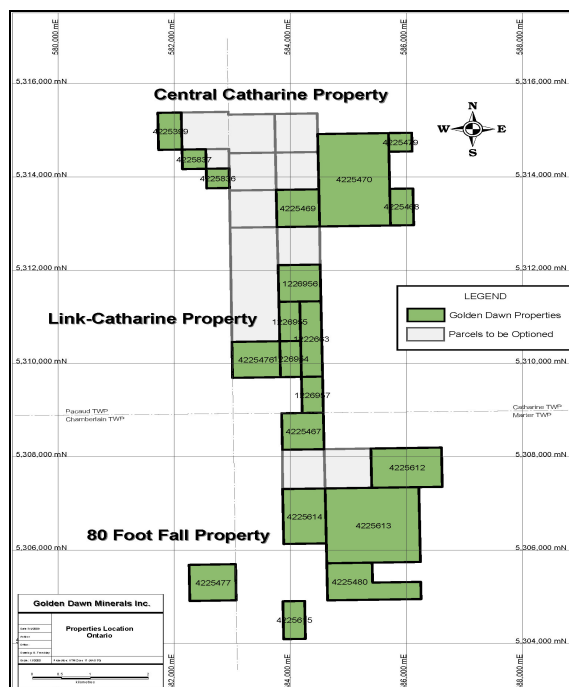
Nass Valley Gateway Ltd. ("NVG") was incorporated on October 25, 2005 under the British Columbia Business Corporation Act. The Company became a reporting issuer on February 26, 2007 and the common shares of the Company were listed on the CNSX Stock Exchange on March 9, 2007 under the trading symbol 'NVGL', which was changed in September 2008 to "NVG" as a consequence of the new trading symbol system adopted by the CNSX. As of October 5, 2007, the Company's common shares are co-listed on the "Open Market" of the Frankfurt (Germany) Stock Exchange and are trading under the symbol "3NV". The Company's common shares are also traded on the Third Market Segment called Freiverkehr on the Berlin-Bremen Stock Exchange.

The Company is an exploration company engaged in Vancouver, British Columbia in the exploration for industrial and metallic minerals in British Columbia and precious metals in Ontario. The Company is also exploring the conversion of organic waste into fuel oil and by-products such as carbon black, activated carbon and fertilizers and other Renewable energy technologies.

**KIRKLAND LAKE PROJECT, Ontario**  
*Mineral: Gold*

In February 2010, the Company entered into an Acquisition Agreement with Golden Dawn Minerals Inc. (GOM), which gives the Company an option to acquire an 80% Joint Venture interest in three gold prospects within the Larder Lake Mining Division of the Province of Ontario, Canada. A 2% net smelter royalty return (the "NSR") exists individually on all three properties in favor of the original optionors.

The project consists of three blocks of claims totaling 1,896 hectares namely **the Link-Catherine, the Central-Catherine, and the 80 Foot Fall** properties within the Boston-Skead gold belt. All three properties lie close together on a north trending linear and are underlain by Precambrian volcanics in contact with granitic intrusives. Extensive historical work has revealed complex gold-bearing quartz vein systems similar to the richly productive Kirkland Lake District and the Kerr-Addison Mine located to the northeast of this area.



Gold mineralization in this belt occurs with quartz, quartz-sulphide veins and veinlets in Archean volcanic rocks that have been intruded by a granitic batholith. This crescent-shaped Boston-Skead Gold Belt is located 25 km south of the Kirkland Lake Gold Belt. The region is best known for the Kirkland Lake Gold Camp and for its past gold production from a number of underground mines along a six-kilometre main ore zone. The first mine commenced operations in 1913; six of the seven mines operated until 1968. The area has produced 24 million ounces of gold.

Extensive drilling in multiple campaigns by several companies between 1993 and 2009 has yielded encouraging gold mineralization in several zones. Work to date also indicates the possibility of tellurium associated with the gold veins, nickel associated with ultramafic rock units, pegmatite-hosted lithium, molybdenum and rare metals, and volcanogenic massive sulphides within the volcanic units.

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***Link-Catharine Property***

The majority of recent work has been concentrated on the Link-Catherine block between 1999 and 2009 which was explored by 29 holes of which 15 holes were focused in a zone of 375 meters by 300 meters where a number of auriferous and barren quartz and quartz-carbonate vein systems from 1.0 to 20.0 meters in thickness have been intersected. These vein systems carry individual veins of up to 0.3-1.5 meters thick which are flanked by a stock work of 2.0 to 10.0 cm thick veins and veinlet's. Within this area, 16 prospective composite intercepts ranging from 0.89-7.77 g Au/t over 1.5-31.3 meters occur in 12 of the holes. Also 17 other 0.5-2.0 meter individual intervals assaying greater than 1.0 g/t Au were observed in 15 holes. These results provide a strong incentive for additional work to further evaluate the complex gold-bearing system.

In June of 2008 a diamond drilling program was conducted in the area of the past drilling program, and intersected a number of 1.0 cm to 1.5 m-wide quartz veins and brecciated quartz zones in iron carbonate and chlorite altered basalt. Significant assay intervals were as follows:

A ground magnetometer and VLF-EM survey was completed in 2008 to determine if geological signatures related to potential mineralization could be defined. Interpretation of the ground magnetometer survey indicates a prominent 200 m to 300 m wide magnetic anomaly that extends northerly along the 3.9 km length of the Link-Catharine claim block. There is another 600 m north-south oriented magnetic high along the eastern margin of the claim block; this anomaly probably indicates the signature of underlying ultramafic rock. A distinct northwesterly trending magnetic anomaly is defined.

Drilling that was completed in February 2009 focused on areas where northerly trending geophysical anomalies were interpreted to intersect east-west structures (faults) delineated from ground magnetic surveys. The two drilling programs conducted (2,487m) in 2008/2009 have shown that gold mineralization is associated with significant alteration zones over several hundred metres in width.

The Company completed a National Instrument 43-101 report on the Link Catherine, based on these drilling results. A summary of the better assay results are provided below:

HOLE	FROM	TO	INTERVAL	AU G/T	GEOLOGICAL DESCRIPTION
CAT 99-04	32.4 m	63.7 m	31.3 m	2.74 g/t Au	
"	31.3 m*	39.9 m*	7.8 m*	5.16 g/t Au*	*Sub-interval within 32.4-63.7 m
"	43.3 m*	57.2 m*	13.9 m*	1.63 g/t Au	*Sub-interval within 32.4-63.7 m
"	59.2 m*	63.7 m*	4.5 m*	3.20 g/t Au	*Sub-interval within 32.4-63.7 m
CAT 03-10	58.0 m	59.7 m	1.7 m	7.77 g/t Au	
"	58.0 m*	59.1 m*	1.1 m*	9.85 g/t Au*	*Sub-interval within 58.0-59.7 m
"	59.1 m*	59.8 m*	0.7 m*	5.69 g/t Au*	*Sub-interval within 58.0-59.7 m
C-05-2	54.0 m	59.0 m	1.5 m	5.59 g/t Au	
CAT 08-02	36.5 m	33.5 m	3.0 m	3.55 g/t Au	
CAT 08-04	14.5 m	24.5 m	10.0 m	1.01 g/t Au	
"	18.4 m*	22.0 m*	3.6 m*	1.36 g/t Au*	*Sub-interval within 14.5-24.5 m
CAT 08-04	31.8 m	40.5 m	8.7 m*	0.89 g/t Au	
"	37.1 m*	40.5 m*	3.4 m*	2.65 g/t Au*	*Sub-interval within 31.8-40.5 m
CAT 09-01	162.5 m	170.0 m	7.5 m	1.497 g/t Au	
CAT 09-02	85.4 m	91.5 m	6.1 m	1.160 g/t Au	
"	90.0 m*	91.0 m*	1.0 m*	4.30 g/t Au*	*Sub-interval within 85.4-91.5 m
CAT 09-02	117.0 m	119.0 m	2.0 m	8.96 g/t Au	
"	117.0 m*	118.0 m*	1.0 m*	17.45 g/t Au*	*Sub-interval within 117.0-119.0 m
CAT 09-03	177.0 m	181.0 m	4.0 m	2.15 g/t Au	
"	178.0 m*	179.0 m*	1.0 m*	3.77 g/t Au*	*Sub-interval within 177.0-181.0 m

HOLE	FROM	TO	INTERVAL	AU G/T	GEOLOGICAL DESCRIPTION
CAT 09-08	100.0 m	101.9 m	1.9 m	2.962 g/t Au	
"	100.0 m*	101.0 m*	1.0 m*	5.010 g/t Au	*Sub-interval within 100.0-101.9 m
CAT 09-09	98.7 m	102.4 m	3.7 m	2.050 g/t Au	
"	100.0 m*	101.0 m*	1.0 m*	3.160 g/t Au*	*Sub-interval within 98.7-102.4 m
CAT 09-11	127.9 m	130.2 m	2.3 m	1.065 g/t Au	
CAT 09-12	109.5 m	112.8 m	3.3 m	1.092 g/t Au	

Selected composite assay intervals & sub-intervals from 1999-2009 drilling programs. Link-Catherine claims, Boston-Skead gold belt, Larder Lake Mining Division, Ontario.

The report concludes inter alia that

1. The stratigraphy successions intersected by the holes consists of volcanic flows and tuffs of mafic to intermediate volcanics which interspersed with ultramafic (komatite) units, gabbro sills and infrequent sill/dykes;
2. Over 20 individual auriferous and barren quartz and quartz-carbonate vein systems 1.0 to 20.0 m thick have been identified, four of which have been interpreted as major;
3. The above veins and vein systems are interpreted to be related to roughly northerly-trending structures and/or stratigraphic contacts which they parallel. The arcuate north-south trending Pacaud Fault may be the "parent" structure or "Break" in the area. However, northeasterly-trending cross-structures have been mapped on the nearby 80-foot Falls Claims and may also exist on the Link-Catherine Claims. Intersections could form important loci for mineralization.
4. The traces of the four holes of the 2008 drilling program are interpreted to lie parallel or slightly oblique to essentially north-south striking auriferous quartz-carbonate veins. It is hypothesized that a series of the veins may occupy the crest or trough of a fold where tensional features were in-filled by both auriferous and barren quartz and carbonate.
5. Gold mineralization is hosted by carbonatized and/or silicified mafic and ultramafic volcanics. Fuchsite-Chlorite-Talc schists are subordinate hosts. The style and type of the structurally-controlled quartz vein-hosted gold mineralization intersected on the property bears resemblances to that exploited since the first quarter of the 20<sup>th</sup> century at World-Class Kirkland Lake District and Kerr-Addison Mine situated 60 km east of the latter. The Macassa Mine in the former largely hosted by various phases of syenite. Notably, this lithology has been which has been observed near the terminus of some Link-Catherine holes and could be significant. The Kerr-Addison orebodies in particular are associated with extensive carbonatization as well as discrete zones attended by fuchsite mineralization. Both of the preceding alteration types are common to abundant in the Link-Catherine holes.
6. Twelve holes contain an aggregate of 16 significant pyritic intervals that have not been sampled. Prospective composite intercepts vary from 0.89 to 7.77 g/t over 1.5 to 31.3 m (Figure 1.1). Systematic additional assaying in some holes should address this situation.
7. Over seventeen (17) 0.5-2.0 m individual intervals assaying >1.0 g/t Au other than those previously cited occur in 15 holes from the 1999-2009 programs.

The author of the report recommends that since considerable potential remains to be evaluated within the area of most recent drilling, drill cores from the last phase of drilling, numerous zones of pyritic materials on the Link-Catherine need to be assayed in order to check for disseminated gold content possibly extending some distance from the veins and veinlets that returned encouraging gold values.

Review of all geophysical data and a program of three dimensional computer-assisted modeling of all drill data assembled to date are also recommended to elucidate targets for continued exploration of the gold zones encountered to date on the Link-Catherine property. These gold zones lie within altered volcanics, transected by numerous northeast and northwest trending linears on the eastern flank of the intrusive mass on the west side of the Link-Catherine property.

The report concludes that this mineralized belt warrants additional work.

### ***Central Catharine Property***

The Central Catharine property is located 750m northeast of the Link-Catharine property in Catharine Township. The property consists of eight claims covering prospective geology for gold mineralization along a southeast-trending belt. Geological mapping, prospecting and geophysical surveys have been conducted in the past, but no drilling is reported in assessment work files. Three historic vein systems occur in an area 1.6 km to 3.0 km north and northwest of the Central Catharine property. These are:

- 1) Gold Hill vein which was developed down to 365m depth and 275m along strike; a 100 tonne per day mill operated for a short period during 1927-1928;
- 2) Kennedy-Boston vein with occasional finely disseminated gold although narrow it was explored underground to a depth of 45 m and along strike for 365m; there is no record of production; and
- 3) Hilltop Showing consisted of a series of narrow lenticular quartz veins with very fine visible gold grains; it was explored underground to a depth of 207m and along strike for one kilometre.

A geological mapping, sampling and prospecting program is being planned on the Central Catharine property to compile a geological map and to determine if specific targets can be identified for follow-up programs.

### ***80-Foot Fall Property***

The 80-Foot-Fall Property is located in the Marter and Chamberlain Townships 800 metres south of the Link-Catharine property. It consists of seven claims covering an area of surface trenches, an old timbered shaft, and three drill hole sites. Two of the three old drill holes were designed to re-establish the location and possible extensions of old showings. A quartz vein zone and massive pyrite bands were intersected in the old holes, but gold values are reported as being low.

A ground magnetometer and VLF-EM survey was completed in 2008 to determine if geological signatures related to potential mineralization could be defined. Interpretation of the ground magnetometer survey identified north-south conductors and east-west trending magnetic anomalies similar to those delineated on the Link-Catharine property where gold mineralization was defined. A continuing program of reconnaissance geological mapping, sampling and prospecting is in progress on the 80 Foot Fall property with the main objective to identify specific targets for follow-up programs.

***The reader is cautioned that historical drilling results have not been verified. There are no known mineral resources on the property, and there can be no assurance that any mineral resources will be discovered on the properties, and if discovered there is no assurance that any mineralization may be economically extracted. The technical information published has been reviewed by consultant Dr. Stewart A Jackson, P. Geol., Qualified Person.***

**ENERGY CONVERSION AND WASTE MANAGEMENT SYSTEM (ECWMS)**

The ECWMS is a leading edge Pyrolysis Energy Conversion and Waste Disposal System to convert organic waste to fuel oil and other valuable marketable by-products such as carbon black, activated carbon and fertilizers. It is uniquely designed to answer the challenges of waste management of municipal solid waste, and petrochemical compounds while providing quality recycled-content products and usable forms of power. This revolutionary green technology reduces CO<sub>2</sub> emissions and sequesters the carbon. It combines the thermal pyrolysis, steam pyrolysis and fast pyrolysis in a patented two stage process into one system, incorporating the best attributes of all these processes.

***Results of operations***

***Year ended December 31, 2011 compared to the year ended December 31, 2010***

Net loss and comprehensive loss for the year ended December 31, 2011 amounted to \$944,336 (loss per share - \$0.08) compared to \$267,199 (loss per share - \$0.02) in the previous year. As the Company is still in the exploration stage, no revenue was generated. The increase in loss of \$677,137 was mainly due to:

- (i) an increase in expenses related to loans of \$33,387 from \$3,313 in 2010 to \$36,700 mainly due to the issue of 125,000 bonus shares in accordance with the loan agreement, valued at \$18,750 (2010: \$Nil) and higher interest following higher amount of loan outstanding;
- (ii) an expense of \$Nil incurred (2010: \$50,960) with respect to patented technology;
- (iii) a decrease of \$17,823 in traveling expenses from \$28,096 in 2010 to \$10,273 due to higher traveling expenses incurred in 2010 with respect to the Energy Conversion System;
- (iv) an increase in receivables written off of \$14,007 from \$Nil in 2010 to \$14,007, following management's assessment that the receivables were not likely to be recovered; and
- (v) an impairment loss of \$690,086 of the Nass Bay Project (2010:\$Nil) recorded in 2011.

***Selected annual information***

	Years Ended December 31		
	IFRS	IFRS	GAAP
	2011	2010	2009
	\$	\$	\$
Total revenues	-	-	-
General and administrative	240,243	267,199	175,769
Loss for the year	(944,336)	(267,199)	(510,269)
Loss per share – basic	(0.08)	(0.02)	(0.05)
Loss per share – diluted	(0.08)	(0.02)	(0.05)
Total assets	216,834	862,522	891,580
Total long –term liabilities	299,087	61,563	97,234
Shareholder's equity (deficiency)	(140,977)	742,258	714,893
Cash dividends declared - per share	-	-	-

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***Selected quarterly information (unaudited)***

Three months ended	2011 - IFRS				2010 - IFRS			
	Dec 31 2011	Sep 30 2011	June 30 2011	Mar 31 2011	Dec 31 2010	Sep 30 2010	June 30 2010	Mar 31 2010
Total assets	\$ 216,834	\$ 919,670	\$ 942,202	\$ 897,660	\$ 862,522	\$ 817,008	\$ 904,839	\$ 812,739
Exploration and evaluation assets	198,887	888,973	888,973	876,881	817,336	756,086	756,904	747,389
Working capital (deficiency)	(43,777)	(41,545)	(19,706)	(20,457)	(18,586)	23,740	27,555	(33,711)
Shareholders' equity	(140,977)	581,353	623,378	674,728	742,258	734,488	789,786	670,038
Revenue	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Net loss	(744,382)	(45,237)	(59,572)	(95,145)	(77,149)	(58,823)	(86,183)	(45,044)
Earnings (loss) per share	(0.06)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)

***Liquidity***

The Company's working capital and deficit positions at December 31, 2011 and December 31, 2010 were as follows:

	December 31 2011	December 31 2010
Working capital (deficiency)	\$ (43,777)	\$ (18,586)
Deficit	2,548,477	1,604,141

The cash positions at December 31, 2011 and 2010 were \$6,155 and \$9,148 respectively.

With the closure of the private placement of \$600,000, the company net asset position and the working capital have improved. The Company will undertake further funding in order to continue its exploration of the Kirkland Lake properties and explore new technology.

The Company's financial condition is contingent upon management being able to raise additional funds to complete its planned exploration program on the Kirkland Lake Projects and the completion of the manufacture of the energy conversion units. While the Company will seek to maximize recoveries and reduce operating costs, estimates and assumptions influencing these parameters at the feasibility stage may prove incorrect. Incorrect assumptions may result in material differences between estimated and actual results. The Company has no way to predict the future price of the commodities. As a result, revenue derived from future operations, if any, will be impacted.

The Company has historically relied upon equity financings and loans from related parties 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

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Company to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions and exploration success.

In recent months, the securities markets in the world and in Canada have experienced high volatility in price and volume and companies, particularly in junior exploration industry, have unprecedented decline in their share 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 the Company's share prices will not occur or that these fluctuations will not affect the ability of the Company to raise equity funding, and if at all, without causing a significant dilution to its existing shareholders. 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.

### ***Capital resources***

At December 31, 2011, the Company had a share capital of \$2,162,665 (December 31, 2010: \$2,137,415), representing 12,333,750 (December 31, 2010: 12,175,417) common shares without par value, and an accumulated deficit of \$2,548,477 (December 31, 2010: \$1,604,141). The shareholder's equity amounted to \$(140,977) (December 31, 2010: \$742,258).

### ***Additional disclosure for venture issuers without significant revenue***

Additional disclosure concerning the Company's general and administrative expenses and resource property costs is provided in the Company's Statement of Operations, Comprehensive Loss and Deficit included in its financial statements for the years ended December 31, 2011 and 2010 and its prospectus filed February 26, 2007, which are available on SEDAR at [www.Sedar.com](http://www.Sedar.com)

### ***Related party transactions***

During the year ended December 31, 2011, the Company entered into the following transactions with related parties.

#### **Key Management personnel compensation**

No remuneration was paid during the years ended December 31, 2011 and 2010 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 year ended December 31, 2011, the Company incurred \$105,790 (2010: \$99,567) 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 year ended December 31, 2011 as uncollectible. An amount of \$994 due to GMWL by the Company was off-set against this impairment.

During the year ended December 31, 2011, the Company accrued printing expenses of \$944 (2010: \$Nil) to Golden Dawn Minerals Inc., a company having a common director. The Company also issued no shares during the year (2010: 66,667 common shares (200,000 on a pre-consolidated basis)) with regards to the option agreement on the Kirkland Lake Project (see Note 12(a)). The Company also accrued \$22,096 (2010: \$Nil) payable to the Chief Executive Officer with respect to expenses incurred on behalf of the Company.



**NASS VALLEY GATEWAY LTD.**  
**Form 51-102F1**  
**Management's Discussion and Analysis of Financial Results**  
**For the year ended December 31, 2011**  
**Containing information up to and including April 30, 2012**

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

	<b>December 31 2011</b>	December 31 2010	January 1 2010
Gixtat'in Mhind World Link Ltd.	\$ -	994	994
Krypt-Logx Network Corp.	<b>6,804</b>	6,804	6,804
Mineral Hill Industries Ltd.	<b>3,943</b>	27,709	70,043
Dieter Peter (CEO)	<b>22,096</b>	-	-
Golden Dawn Minerals Inc.	<b>944</b>	-	-
	<b>\$ 33,787</b>	35,507	77,841

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.

**Advances from related party**

During the year ended December 31, 2010, the Company entered into loan agreements with Merfin Management Limited ("Merfin"), a private company with a common director for loan totalling \$60,000, which will become due in 2013. Under the terms of agreements, the amount is unsecured and bears interest at 8% per annum. At December 31, 2011, these amounts were still outstanding.

During the year ended December 31, 2011, further advances of \$220,000 were received from Merfin under the same terms.

	<b>December 31 2011</b>	December 31 2010	January 1 2010
Loan payable	\$ <b>280,000</b>	60,000	90,000
Interest payable	<b>19,087</b>	1,563	7,234
	<b>\$ 299,087</b>	61,563	97,234

The Company issued 125,000 common shares (375,000 on a pre-consolidation basis), valued at \$18,750, as a bonus interest for early repayments of advances made in 2010 pursuant to the terms of the loan agreements signed in 2009.

**Directors and Officers**

Dieter Peter	Chairman, CEO and Director (Mineral Hill Industries Ltd)
Melvin Stevens	President and Director
Andrew von Kursell	Director (Mineral Hill Industries Ltd)
Hugh Maddin	Director (Mineral Hill Industries Ltd.)
Patrick Stewart	Director
Jayram Hosanee	Director and Chief Financial Officer (Mineral Hill Industries Ltd)
Josephine See	VP of Corporate Affairs, Treasurer and Corporate Secretary (Mineral Hill Industries Ltd)

***Outstanding share data as at April 30, 2012:***

	<b>Number outstanding</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
Common shares	12,383,750		
<b>Common shares issuable on exercise:</b>			
Stock options	70,333	\$0.15	June 25, 2012
Stock options	452,000	\$0.15	June 15, 2013
Stock options	11,667	\$0.21	March 29, 2014
Warrants	2,300,000	\$0.15	December 23, 2012
Warrants	1,133,333	\$0.225	June 7, 2013

***Future Developments***

The Company will continue to pursue the development of its projects and will seek financing with its business alliance partners for its projects.

***Risks and Uncertainties***

The Company is engaged in the exploration of mineral deposits. The Company's financial success will be dependent upon the discovery or acquisition of mineral resources and mineral reserves. These activities involve significant risks which are even with careful evaluation, experience and knowledge may not, in some cases, be eliminated.

The following are some of the key risks and uncertainties identified; however, there may be other risks and uncertainties that have not been listed:

- The high degree of volatility in the prices of rock aggregates and metal commodities;
- The demand of commodities can be dependent on global consumption;
- An increasing competition to acquire mineral properties throughout the world;
- No assurance about the economic viability, it is speculative;
- Geology is a field subject to different interpretations that could affect the success of any exploration and development program;
- Exploration and access to the property can be restricted by unexpected and unusual weather conditions such as floods, forest fires, blockades or other natural and environmental occurrences, which are beyond the Company's control;
- Additional costs can be incurred such as availability of experts, work force and equipments;
- Additional expenditures will be required to establish resources or reserves on mineral properties, if nay resources or reserves exist on the properties;
- The rights to the mineral properties must be maintained in accordance with various regulations and agreements;
- There are various government and environmental regulations that must be followed by the Company, which are changing constantly and renewal of permits from provincial, territory, First Nations and village governments.

***Forward looking statements***

Except for statements of historical fact, certain information contained herein constitutes forward-looking statements. Forward-looking statements are usually identified by the use of certain terminology, including "will", "believes", "may", "expects", "should", "seeks", "anticipates", "plans" or "intends" or by discussions of strategy or intentions. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results or achievements to be materially different from any future results or achievements expressed or implied by such forward- looking statements. Forward-looking statements are statements that are not historical facts, and include but not limited to, estimates and their underlying assumptions; statements regarding plans, objectives and expectations with respect to the effectiveness of the Company's business model; future operations,

products and services; the impact of regulatory initiatives on the Company's operations; the size of and opportunities related to the markets for the Company's products; general industry and macroeconomic growth rates; expectations related to possible joint and/or strategic ventures and statements regarding future performance.

Forward-looking statements used in this discussion are subject to various risks and uncertainties, most of which are difficult and generally beyond the control of the Company. If risks and uncertainties materialize, or if underlying assumptions prove incorrect, our actual results may vary materially from those expected, estimated or projected. Forward-looking statements in this document are not a prediction of future events or circumstances, and those future events or circumstances may not occur. Given these uncertainties, users of the information included herein, including investors are cautioned not to place undue reliance on such forward-looking statements.

### ***Critical accounting estimates***

The preparation of the Company's financial statements requires management to use estimates and assumptions that affect the reported amounts of assets and liabilities as well as expenses.

(i) *Stock Based Compensation*

The Company uses Black-Scholes option pricing model to determine the fair value of awards for stock options granted to employees, officer, directors and consultants. These estimates are based on historical information and accordingly cannot be relied upon to predict the future behavior. These estimates are set out in Note 7(c) to the financial statements

(ii) *Financial Instruments*

The carrying values of the financial instruments have been estimated to approximate their respective fair values.

### ***Adoption of International Financial Reporting Standards***

In February 2008, the Accounting Standards Bureau announced that the accounting framework under which the financial statements are prepared for all publicly listed companies will be replaced by the International Financial Reporting Standards (IFRS) with effect from 1 January 2011.

The Company prepared its opening statement of financial position in accordance with *IFRS 1 – First Time Adoption of International Financial Reporting Standards*, as at January 1, 2010 and made the required adjustments to the results for the year ended December 31, 2010.

*IFRS 1 – First Time Adoption of International Financial Reporting Standards* requires that the policies are applied retrospectively, but offers the possibility to utilize certain exemptions. The Company evaluated the options available and elected to adopt the transition exemption on Business combinations and share based payment transactions.

The transition from Canadian GAAP to IFRS had no significant impact on the statement of financial position, the statement of comprehensive loss and the statement of cash flows.

### ***Transitional impact***

Note 13 in the consolidated financial statements for the year ended December 31, 2011 provides detailed explanations of the optional transitional exemptions selected, financial statement presentation changes, and the key Canadian GAAP to IFRS differences for the Company on transition. No change to control activities, business activities and key performance measures, and IT systems was reported for the year ended December 31, 2011

### **Post-implementation phase**

The Company is continuously monitoring of changes in IFRS by the International Accounting Standards Board (IASB) and related regulatory bodies. The IASB has proposed to issue a number of new IFRS standards throughout 2011 and beyond, which may or may not impact the Company. The Company's IFRS project team is monitoring these proposed standards as part of its current phase of the IFRS transition project ("Post implementation review"), and will make any adjustments necessary as and when new IFRS standards are released.

The Audit Committee holds Management responsible for the successful continued reporting of the Company's financial statements under IFRS.

### **FINANCIAL INSTRUMENTS**

The Company's financial instruments consist of cash, amounts receivable from related parties, amounts payable, amounts payable to related parties and loans payable to related party. 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*

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 8 to the financial statements.

#### *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 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.

### ***Disclaimer***

The information provided in this document is not intended to be a comprehensive review of all matters concerning the Company. The users of this information, including but not limited to investors and prospective investors, should read it in conjunction with all other disclosure documents provided including but not limited to all documents filed on SEDAR ([www.SEDAR.com](http://www.SEDAR.com)). No securities commission or regulatory authority has reviewed the accuracy of the information presented herein.

*"Dieter Peter"*  
On behalf of the Board  
Dieter Peter  
Chief Executive Officer  
April 27, 2012

**SCHEDULE "G"**

**UNAUDITED FINANCIAL STATEMENTS AND MD&A OF NVG FOR THE SIX-MONTH  
PERIOD ENDED JUNE 30, 2012**

**NASS VALLEY GATEWAY LTD.**  
**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED**  
**JUNE 30, 2012 and 2011**  
(Expressed in Canadian Dollars)  
(Unaudited)

# NASS VALLEY GATEWAY LTD.

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

	June 30 2012 (Unaudited)	December 31 2011 (Audited)
	\$	\$
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and equivalents	134,839	6,155
Amounts receivable	7,931	3,852
Prepaid expenses	9,690	4,940
	<b>152,460</b>	<b>14,947</b>
<b>Non current assets</b>		
Reclamation bond	3,000	3,000
Exploration and evaluation assets (Note 4)	209,387	198,887
<b>Total Assets</b>	<b>364,847</b>	<b>216,834</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	18,480	24,937
Due to related parties (Note 7)	25,941	33,787
	<b>44,421</b>	<b>58,724</b>
<b>Noncurrent liabilities</b>		
Loans repayable to related party	-	299,087
	<b>44,421</b>	<b>357,811</b>
<b>Shareholders' equity</b>		
<b>Controlling interest</b>		
Share capital (Note 6)	2,757,188	2,162,665
Share subscriptions	-	15,000
Share based payment reserve	240,835	229,835
Deficit	(2,677,997)	(2,548,477)
	<b>320,026</b>	<b>(140,977)</b>
<b>Non-controlling interest (Note 1)</b>	<b>400</b>	<b>-</b>
	<b>320,426</b>	<b>(140,977)</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>364,847</b>	<b>216,834</b>

Commitment (Note 4)

Subsequent Events (Note 11)

These consolidated financial statements were approved and authorized for issue by the Board of Directors on August 22, 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 condensed interim consolidated financial statements)



**Nass Valley Gateway Ltd.**  
**Condensed interim consolidated statements of comprehensive loss**  
*(Expressed in Canadian Dollars)*  
*(Unaudited)*

	For the three months ended June 30		For the six months ended June 30	
	2012	2011	2012	2011
<b>Revenue</b>	\$ -	\$ -	\$ -	\$ -
<b>Expenses</b>				
Accounting and legal	31,022	7,354	31,022	20,354
Amortization	-	-	-	2,556
Administrative services	25,000	26,914	50,417	53,164
Insurance	2,143	2,728	4,941	5,711
Loan interest expenses and bank charges	1,755	4,208	7,286	26,333
Investor relations	4,251	671	7,719	1,119
Information technology services	732	3,905	1,093	4,176
Office expenses	291	425	945	1,869
Share based payments	205	8,223	9,724	10,587
Transfer agent and filing fees	6,287	3,099	16,078	8,661
Travel and promotion	295	2,045	295	6,180
<b>Loss before other expenses</b>	<b>(71,981)</b>	<b>(59,572)</b>	<b>(129,520)</b>	<b>(140,710)</b>
<b>Other expenses</b>				
Impairment of amount receivable	-	-	-	(14,007)
<b>Net loss and comprehensive loss</b>	<b>(71,981)</b>	<b>(59,572)</b>	<b>(129,520)</b>	<b>(154,717)</b>
<b>Net loss and comprehensive loss attributable to:</b>				
Controlling interest	(71,981)	(59,572)	(129,520)	(154,717)
Non-controlling interest (Note 1)	-	-	-	-
	<b>(71,981)</b>	<b>(59,572)</b>	<b>(129,520)</b>	<b>(154,717)</b>
Net loss per share, basic and diluted	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.01)
<b>Weighted average number of shares outstanding</b>	<b>21,087,047</b>	<b>12,333,750</b>	<b>16,719,190</b>	<b>12,277,258</b>

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

**Nass Valley Gateway Ltd.**  
**Condensed interim consolidated statements of cash flows**  
**For the six months ended June 30, 2012 and 2011**  
*(Expressed in Canadian Dollars)*  
*(Unaudited)*

	Three months ended June 30		Six months ended June 30	
	2012	2011	2012	2011
<b>Cash flows from operating activities</b>				
Net loss for the period	\$ (71,981)	\$ (59,572)	\$ (129,520)	\$ (154,717)
<i>Items not affecting cash:</i>				
Amortization	-	-	-	2,556
Stock-based compensation	204	8,223	9,723	10,587
Bonus on loans	-	-	-	18,750
Write off of receivables from related parties	-	-	-	14,007
Accrued interest	-	4,193	5,439	-
<i>Changes in non-cash working capital items:</i>				
Decrease (increase) in amounts receivable	(4,193)	(1,514)	(3,679)	4,073
Decrease (increase) in prepaid expenses and deposit	(7,549)	(272)	(4,750)	2,711
Increase (decrease) in accounts payable and accrued liabilities	14,862	23,950	(6,457)	16,962
Increase in accounts payable to related parties	(37,650)	2,748	(7,846)	(2,409)
	(105,907)	(22,244)	(137,090)	(87,480)
<b>Cash flows from financing activities</b>				
Proceeds from issuance of share capital (Note 6(b))	232,800	-	577,800	-
Proceeds (repayments) of loan from related parties (Note 7)	(56,527)	65,000	(304,526)	185,000
	176,273	65,000	273,274	185,000
<b>Cash flows from investing activities</b>				
Acquisition of equipment	-	-	-	(485)
Mineral property payments	-	-	-	(40,000)
Deferred exploration costs (Note 3)	-	(12,092)	(7,500)	(25,137)
	-	(12,092)	(7,500)	(65,622)
<b>Increase/(decrease) in cash and equivalents</b>	70,366	30,664	128,684	31,898
<b>Cash and equivalents, beginning of the period</b>	64,473	10,382	6,155	9,148
<b>Cash and equivalents, end of the period</b>	\$ 134,839	\$ 41,046	\$ 134,839	\$ 41,046
<b>Supplemental cash flow disclosures: (Note 10)</b>				
Taxes paid	-	-	-	-
Interest paid	3,161	-	13,930	-

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

**Nass Valley Gateway Ltd.**  
**Condensed interim consolidated statements of changes in equity**  
For the six months ended June 30, 2012 and 2011  
*(Expressed in Canadian Dollars)*  
*(Unaudited)*

	Share Capital		Share Subscription	Share based payment reserve	Deficit	Total	Non-controlling interest (Note 1)	Total shareholders' equity
	Number of shares	Amount						
		\$	\$	\$	\$	\$	\$	\$
<b>Balance, January 1, 2011 (audited)</b>	<b>12,175,417</b>	<b>2,137,415</b>	-	<b>208,984</b>	<b>(1,604,141)</b>	<b>742,258</b>	-	<b>742,258</b>
Property option	33,333	6,500	-	-	-	6,500	-	6,500
Bonus shares on loans	125,000	18,750	-	-	-	18,750	-	18,750
Comprehensive loss for the period	-	-	-	-	(154,717)	(154,717)	-	(154,717)
<b>Balance, June 30, 2011 (unaudited)</b>	<b>12,333,750</b>	<b>2,162,665</b>	-	<b>208,984</b>	<b>(1,758,858)</b>	<b>612,791</b>	-	<b>612,791</b>
<b>Balance, December 31, 2011 (audited)</b>	<b>12,333,750</b>	<b>2,162,665</b>	<b>15,000</b>	<b>229,835</b>	<b>(2,548,477)</b>	<b>(140,977)</b>	-	<b>(140,977)</b>
Property option	50,000	3,000	-	-	-	3,000	-	3,000
Private placement, net	12,000,000	591,523	(15,000)	-	-	576,523	-	576,523
Share based payment	-	-	-	11,000	-	11,000	-	11,000
Non-controlling interest in subsidiary	-	-	-	-	-	-	400	400
Comprehensive loss for the period	-	-	-	-	(129,520)	(129,520)	-	(129,520)
<b>Balance, June 30, 2012 (unaudited)</b>	<b>24,383,750</b>	<b>2,757,188</b>	-	<b>240,835</b>	<b>(2,677,997)</b>	<b>320,026</b>	<b>400</b>	<b>320,426</b>

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

**Nass Valley Gateway Ltd.**  
**Notes to the condensed interim consolidated financial statements**  
**For the six months ended June 30, 2012 and 2011**  
(Unaudited)

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**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 10<sup>th</sup> Floor, 595 Howe Street, Vancouver, V6C 2T5, British Columbia.

The Company is in the process of exploring and evaluation its exploration 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.

On April 27, 2012, the Company entered into a joint venture agreement with Vixon Technology Ltd. ("Vixon") for the commercialization and future assembly of industrial drying systems based on the applications of multi-wave technology (the "M-Wave System"). This joint venture will be carried out through the Company's subsidiary, M-Wave EnviroTech Inc. ("MWE") in which the Company and Vixon each holds 60% and 40% ownership interest respectively. The Company will be the operator in this project. With respect to MWE, there were no material changes since incorporation on July 15, 2010, except for common shares issuance to the Company and Vixon according to interest holding stated in the joint venture agreement during the six months ended June 30, 2012.

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 June 30, 2012, the Company had an accumulated deficit of \$2,677,997 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.

**Nass Valley Gateway Ltd.**  
**Notes to the condensed interim consolidated financial statements**  
**For the six months ended June 30, 2012 and 2011**  
(Unaudited)

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**2. SIGNIFICANT ACCOUNTING POLICIES**

These condensed interim financial statements follow the same accounting policies and methods of application as the Company's most recent annual financial statements for the year ended December 31, 2011 except for those described below.

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, profit and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable in the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of revision and further periods if the review affects both current and future periods.

There are no judgements made by management in the application of IFRS that have a significant effect on the financial statements and no estimates were made by management with a significant risk of material adjustment in the next year.

**a) Principles of consolidation**

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Global Environomic Systems Corp., Kirkland Precious Metals Corp. and Nass Energy Inc., and 60% owned joint venture MWE. 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.

**Nass Valley Gateway Ltd.**  
**Notes to the condensed interim consolidated financial statements**  
**For the six months ended June 30, 2012 and 2011**  
(Unaudited)

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**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.

New accounting standards effective January 1, 2013, unless otherwise noted. 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. In December 2011, the IASB extended the mandatory effective date to on or after January 1, 2015 with early adoption permitted. As a result, there were amendments to IAS 32 Financial Instruments – Presentation to clarify the offsetting between financial assets and liabilities, which are mandatory effective on or after January 1, 2014.

**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.

**Nass Valley Gateway Ltd.**  
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**4. EXPLORATION AND EVALUATION ASSETS**

	Nass Bay Project \$	Kirkland Lake \$	Total \$
<b>Balance, 1 January 2011 (audited)</b>			
<b>Acquisition costs</b>	-	95,500	95,500
<b>Deferred exploration costs</b>	690,086	31,750	721,836
	<b>690,086</b>	<b>127,250</b>	<b>817,336</b>
<i>Changes during 2011</i>			
<i>Acquisition costs</i>	-	46,500	46,500
<i>Deferred exploration costs</i>	-	25,137	25,137
<i>Impairment of deferred Exploration costs</i>	(690,086)	-	(690,086)
	-	71,637	(617,449)
<b>Balance, December 31, 2011 (audited)</b>			
<b>Acquisition costs</b>	-	142,000	142,000
<b>Deferred Exploration costs</b>	-	56,887	56,887
	-	<b>198,887</b>	<b>198,887</b>
<i>Changes during 2012</i>			
<i>Acquisition costs</i>	-	3,000	3,000
<i>Deferred Exploration costs</i>	-	7,500	7,500
	-	10,500	10,500
<b>Balance, June 30, 2012 (unaudited)</b>			
<b>Acquisition costs</b>	-	145,000	145,000
<b>Deferred Exploration costs</b>	-	64,387	64,387
	-	<b>209,387</b>	<b>209,387</b>

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

The Nass Bay project is a construction aggregate project and comprised of staked Crown owned mineral claims initially staked for export possibilities of construction aggregates. These staked claims are on crown lands and adjoin the boundary of the Nisga'a Lands. Because of the economic situation and declining demand for construction aggregates for export purposes. The Company let the Claims expire, and may restake them. 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.

**(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):

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**4. MINERAL PROPERTY AND DEFERRED EXPLORATION COSTS (Continued)**

**(ii) Kirkland Lake Project, Ontario (continued)**

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

	<b>Cash payments</b>	<b>Common shares</b>
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
	<u>\$ 120,000</u>	<u>50,000</u>
Discount granted in 2010 for early payments	(2,000)	-
	<u>118,000</u>	<u>50,000</u>

(ii) To Golden Dawn Minerals Inc.

	<b>Common shares</b>
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
	<u>150,000</u>

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 six months ended June 30, 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 June 30, 2012 (December 31, 2011: \$56,887).

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

	<b>June 30 2012 (unaudited)</b>	<b>December 31 2011 (audited)</b>
	<b>\$</b>	<b>\$</b>
Consulting	1,500	1,500
Contracted services	21,000	13,500
Fieldwork	25,750	25,750
Reports, drafting and maps	16,137	16,137
	<u>64,387</u>	<u>56,887</u>
Capitalized deferred exploration costs	<b>64,387</b>	<b>56,887</b>



**Nass Valley Gateway Ltd.**  
**Notes to the condensed interim consolidated financial statements**  
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**5. EQUIPMENT**

	Furniture & Equipment	Leasehold Improvements	TOTAL
	\$	\$	\$
<b>Balance - January 1, 2011 (audited)</b>			
Cost	3,830	2,260	6,090
Accumulated amortization	(2,457)	(1,562)	(4,019)
	<b>1,373</b>	<b>698</b>	<b>2,071</b>
<b>Movements- year ended December 31, 2011</b>			
Additions	485	-	485
Amortization	(1,858)	(698)	(2,556)
	(1,373)	(698)	(2,071)
<b>Balance - December 31, 2011 (audited) and June 30, 2012 (unaudited)</b>			
Cost	4,315	2,260	6,575
Accumulated amortization	(4,315)	(2,260)	(6,575)
	-	-	-

**6. SHARE CAPITAL**

**a) Authorized share capital**

At June 30, 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**

On April 23, 2012, the Company received subscription of 12,000,000 million units for total proceeds amounting to \$600,000. Each unit consists one common share and one warrant, exercisable at a price of \$0.10 within two years of issue. Finders' fees amounting to \$7,200 cash and 32,000 broker warrants were paid with respect to the private placement. All securities issued pursuant to this private placement are subject to a four-month hold period following the closing date.

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.

On February 28, 2012, the Company issued 50,000 (post-consolidated units) common shares, valued at \$3,000 to Golden Dawn Minerals Inc. pursuant to the acquisition agreement in Note 4(ii) and Note 7.

*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.

**Nass Valley Gateway Ltd.**  
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**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:

<b>Expiry Date</b>	<b>Exercise Price</b> \$	<b>December 31 2011</b> (audited)	<b>Issued</b>	<b>Expired/ Forfeited</b>	<b>June 30 2012</b> (unaudited)
January 31, 2012	0.45	215,328	-	(215,328)	-
June 25, 2012	0.15	70,327	-	(70,327)	-
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	(347,652)	846,649
<b>Weighted average exercise price(\$)</b>		<b>0.24</b>	<b>0.15</b>	<b>0.34</b>	<b>0.15</b>

<b>Expiry Date</b>	<b>Exercise Price</b> \$	<b>December 31 2010</b> (audited)	<b>Issued</b>	<b>Expired/ Forfeited</b>	<b>December 31 2011</b> (audited)
January 31, 2012	0.45	215,328	-	-	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
		833,512	28,332	(95,867)	765,977
<b>Weighted average exercise price(\$)</b>		<b>0.27</b>	<b>0.27</b>	<b>0.45</b>	<b>0.24</b>

**Nass Valley Gateway Ltd.**  
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**6. SHARE CAPITAL** (continued)

**c) Stock options** (continued)

Details regarding the options outstanding as at June 30, 2012 (unaudited) are as follows:

Exercise Price	Number of Options Outstanding	Weighted Average Remaining Contractual Life (years)	Number of Options Exercisable
\$ 0.15	414,991	0.96	414,991
\$ 0.21	11,666	1.75	11,666
\$ 0.15	419,992	2.52	122,497
	846,649	1.74	549,154

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

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	366,000
\$ 0.21	11,666	2.24	5,833
\$ 0.30	16,666	0.19	8,333
	765,977	0.97	665,821

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 \$0.04. 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 1.00%; the expected life of 3 years; expected volatility of 176%; 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.

**d) Share purchase warrants**

The weighted average fair value of 32,000 broker warrants granted on May 1, 2012 was \$0.04. 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 1.30%; the expected life of 1 year; expected volatility of 223%; and expected dividends of \$Nil.

**Nass Valley Gateway Ltd.**  
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**6. SHARE CAPITAL** (continued)

**d) Share purchase warrants** (continued)

The continuity of share purchase warrants on a post-consolidation basis is as follows:

	<b>Number of Warrants</b>	<b>Weighted Average Exercise Price</b>	<b>Expiry date</b>	<b>Remaining life (years) at June 30, 2012</b>
Private placement	2,300,000	\$0.150	December 23, 2012	0.48
Private placement	1,133,333	\$0.225	June 7, 2013	0.94
<b>Balance, December 31, 2011 (audited)</b>	<b>3,433,333</b>	<b>\$0.174</b>		
Private placement	12,000,000	\$0.10	May 1, 2014	1.84
Broker warrants	32,000	\$0.10	May 1, 2013	0.84
<b>Balance, June 30, 2012 (unaudited)</b>	<b>15,465,333</b>	<b>\$0.118</b>	-	<b>1.56</b>

**7. RELATED PARTY TRANSACTIONS**

During the six months ended June 30, 2012, the Company entered into the following transactions with related parties.

**Key Management personnel compensation**

No remuneration was paid during the six months ended June 30, 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 six months ended June 30, 2012, the Company incurred \$50,417 (2011: \$53,164) 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 six months ended June 30, 2011 as uncollectible. An amount of \$994 due to GMWL by the Company was off-set against this impairment.

During the six months ended June 30, 2012, the Company issued 50,000 shares (2011: Nil) valued at \$3,000 (2011:\$Nil) to Golden Dawn Minerals Inc., a company having a common director during that period, with regards to the option agreement on the Kirkland Lake Project. The Company also accrued \$nil (2011: \$12,163) 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;

	<b>June 30, 2012 (unaudited)</b>	<b>December 31 2011 (audited)</b>
Krypt-Logx Network Corp.	\$ 6,804	6,804
Mineral Hill Industries Ltd.	18,220	3,943
GMM Admin Corp.	786	-
Dieter Peter (Chief Executive Officer)	-	22,096
Golden Dawn Minerals Inc.	131	944
	<b>\$ 25,941</b>	<b>33,787</b>

**Nass Valley Gateway Ltd.**  
**Notes to the condensed interim consolidated financial statements**  
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**7. RELATED PARTY TRANSACTIONS** (continued)

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.

**Advances from related party**

During the six months ended June 30, 2012, the Company entered into loan agreements with Merfin Management Limited ("Merfin"), a private company with a common director for loan totalling \$20,000. Under the terms of agreements, the amount is unsecured and bears interest at 8% per annum.

During the six months ended June 30, 2012, the Company

- (i) accrued a further \$5,439 (2011: \$7,326) in interest on the outstanding loans
- (ii) repaid a total of \$300,000 in outstanding loans and interest \$24,526.

At June 30, 2012, the outstanding loan and accrued interest balance is \$nil (December 31, 2011:\$ 299,087).

During the six months ended June 30, 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. FINANCIAL INSTRUMENTS AND RISKS**

The Company's financial instruments consist of cash, accounts payable and due 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 and marketable securities 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.

**Nass Valley Gateway Ltd.**  
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(Unaudited)

**8. FINANCIAL INSTRUMENTS AND RISKS** (continued)

*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.

**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 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 June 30, 2012 as follows:

	Fair Value Measurements Using			June 30 2012
	Level 1	Level 2	Level 3	
Assets:				
Cash and equivalents	\$ 134,839	–	–	\$ 134,839
	\$ 134,839	–	–	\$ 134,839

**9. CAPITAL MANAGEMENT**

The Company’s capital structure consists of cash and 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 June 30, 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.

**Nass Valley Gateway Ltd.**  
**Notes to the condensed interim consolidated financial statements**  
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(Unaudited)

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**10. SUPPLEMENTAL CASH FLOW DISCLOSURE**

During the period ended June 30, 2012, the Company issued:

- a) 50,000 common shares (2011: 100,000), valued at \$3,000 (2011: \$6,500) with respect to obligations under property option agreements;
- b) Nil common shares (2011: 375,000) valued at nil (2011: \$18,750) pursuant to loan agreements (Note 7); and
- c) 32,000 broker warrants (2011: nil), valued at \$1,277 (2011: \$Nil).

**11. SUBSEQUENT EVENT**

The Company's Board of Directors ("Board") has approved a resolution to enter into an Arrangement Agreement to undertake a Plan of Arrangement ("POA"), which will involve the divestiture of its rights to certain mineral claims (the "Kirkland Property") into its wholly owned subsidiary Kirkland Precious Metals Corp ("KPM") which the effect of a spin-off of KPM. The Board has decided to act upon this POA in an effort to differentiate the assets of its subsidiaries. By undertaking this POA, Nass Valley Gateway Ltd., the parent company, will focus on its technology ventures in the multi-wave drying technology and energy-to-waste technology. This strategy will enable the Company to spin off and divest its rights to the interest in the Kirkland Property to KPM, which will be primarily focusing on mining and exploration. The Company's shareholders will receive common shares of KPM in an amount equal to the common shares of the Company they currently hold. Option and warrant holders will have the ability to exercise their options and warrants prior to the completion of the POA in order to participate in the POA. The POA is subject to:

- a. The approval by the shareholders of the Company of a special resolution approving the POA;
- b. The approval by the Court; and
- c. The approval by the CNSX.

**NASS VALLEY GATEWAY LTD.**  
**Form 51-102F1**  
**Management's Discussion and Analysis of Financial Results**  
**For the six months ended June 30, 2012**  
**Containing information up to and including August 22, 2012**

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Management Discussion and Analysis ("MD&A") is intended to help the reader understand the financial statements of Nass Valley Gateway Ltd. ("NVG" or the "Company"). The information herein should be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2011 and 2010 and unaudited consolidated financial statements for the six months ended June 30, 2012. The consolidated financial statements for the year ended December 31, 2011 and for the six months ended June 30, 2012 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), including comparative figures. The following discussion may contain management estimates of anticipated future trends, activities or results. These are not a guarantee of future performance, since actual results could change based on factors and variables beyond management control. All monetary amounts are in Canadian dollars unless otherwise stated.

The reader is encouraged to review the Company's statutory filings on [www.sedar.com](http://www.sedar.com) ("Sedar") and to review general information.

On March 13, 2012, the Company consolidated the shares of the Company on the basis of 1 new share for 3 old shares held. All references to common shares and per share amounts in this document are on the basis of the resulting new common shares and corresponding securities.

### ***Current market conditions***

The recent and current global financial conditions are having a negative impact on the economic environment in which the Company operates. Access to public financing has significantly diminished for junior exploration companies as a direct result. If the current conditions continue, the Company's ability to operate will be adversely impacted and the trading price of the Company's shares could continue to be under a downward pressure.

### ***Highlights and subsequent events***

The following are highlights of events occurring during the six months ended June 30, 2012 and subsequent thereto:

#### **Financing**

The Company repaid all outstanding loans with Merfin Management Limited.

The Company closed a private placement of 12,000,000 shares at a price of \$0.05 per unit for total proceeds of \$600,000. Each unit consists of one common share and one share purchase warrant, exercisable at a price of \$0.10 within two years of the issue. Finders' fees amounting to \$7,200 in cash and 32,000 broker warrants were paid with respect to this private placement.

#### **Operations**

The Company has entered into a joint venture agreement with Vixon Technology Ltd. (Vixon) for the commercialization and future assembly of industrial drying systems based on the applications of multi-wave technology (the M-Wave system). This joint venture will be carried out through the company's subsidiary, M-Wave EnviroTech Inc. (MWE), in which the Company and Vixon each holds 60% and 40% respectively. The Company and Vixon will award 5% of their respective interest to two directors of MWE.

#### **Spinoff**

The Company's Board of Directors ("Board") has approved a resolution to undertake a Plan of Arrangement ("POA"), which will involve the divestiture of its rights to certain mineral claims into its wholly owned subsidiary Kirkland Precious Metals Corp ("KPM") and a spin-off of KPM. The Board has decided to act upon this POA in an effort to differentiate the assets of its subsidiaries. By undertaking this POA, Nass Valley Gateway Ltd., the parent company, will focus on its technology ventures in the multi-wave drying technology and energy-to-waste technology. This strategy will enable the Company to spin off and divest its interest in KPM, which will be primarily focused on mining and exploration. Nass Valley shareholders will receive common shares of KPM through the return of paid-up capital, in an amount equal to the common shares of the Company they currently hold. Option and warrant holders will have the ability to



**NASS VALLEY GATEWAY LTD.**  
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exercise their options and warrants prior to the completion of the POA in order to participate in the POA. The POA is subject to:

- a. The approval by the shareholders of the Company of a special resolution approving the POA;
- b. The approval by the Court; and
- c. The approval by the CNSX.

**Description of business and overall performance**

Nass Valley Gateway Ltd. was incorporated on October 25, 2005 under the British Columbia Business Corporation Act. The Company became a reporting issuer on February 26, 2007 and the common shares of the Company were listed on the CNSX Stock Exchange on March 9, 2007 under the trading symbol 'NVGL', which was changed in September 2008 to "NVG" as a consequence of the new trading symbol system adopted by the CNSX. As of October 5, 2007, the Company's common shares are co-listed on the "Open Market" of the Frankfurt (Germany) Stock Exchange and are trading under the symbol "3NV". The Company's common shares are also traded on the Third Market Segment called Freiverkehr on the Berlin-Bremen Stock Exchange.

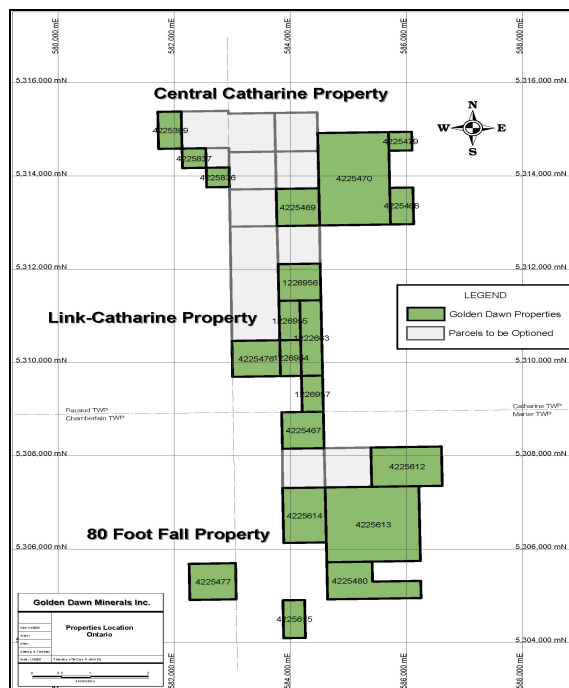
The Company is known as an exploration company engaged in Vancouver, British Columbia in the exploration for industrial and metallic minerals in British Columbia and precious metals in Ontario. The Company is also exploring the conversion of organic waste into fuel oil and by-products such as carbon black, activated carbon and fertilizers and other Renewable energy technologies.

**KIRKLAND LAKE PROJECT, Ontario**

*Mineral: Gold*

In February 2010, the Company entered into an Acquisition Agreement with Golden Dawn Minerals Inc. (GOM), which gives the Company an option to acquire an 80% joint venture interest in three gold prospects within the Larder Lake Mining Division of the Province of Ontario, Canada. A 2% net smelter royalty return (the "NSR") exists individually on all three properties in favor of the original optionors.

The project consists of three blocks of claims totaling 1,896 hectares namely **the Link-Catherine, the Central-Catherine, and the 80 Foot Fall** properties within the Boston-Skead gold belt. All three properties lie close together on a north trending linear and are underlain by Precambrian volcanics in contact with granitic intrusives. Extensive historical work has revealed complex gold-bearing quartz vein systems similar to the richly productive Kirkland Lake District and the Kerr-Addison Mine located to the northeast of this area.



Gold mineralization in this belt occurs with quartz, quartz-sulphide veins and veinlets in Archean volcanic rocks that have been intruded by a granitic batholith. This crescent-shaped Boston-Skead Gold Belt is located 25 km south of the Kirkland Lake Gold Belt. The region is best known for the Kirkland Lake Gold Camp and for its past gold production from a number of underground mines along a six-kilometer main ore zone. The first mine commenced operations in 1913; six of the seven mines operated until 1968. The area has produced 24 million ounces of gold.

Extensive drilling in multiple campaigns by several companies between 1993 and 2009 has yielded encouraging gold mineralization in several zones. Work to date also indicates the possibility of tellurium associated with the gold veins, nickel associated with ultramafic rock units, pegmatite-hosted lithium, molybdenum and rare metals, and volcanogenic massive sulphides within the volcanic units.

### ***Link-Catharine Property***

The majority of recent work has been concentrated on the Link-Catherine block between 1999 and 2009 which was explored by 29 holes of which 15 holes were focused in a zone of 375 meters by 300 meters where a number of auriferous and barren quartz and quartz-carbonate vein systems from 1.0 to 20.0 meters in thickness have been intersected. These vein systems carry individual veins of up to 0.3-1.5 meters thick which are flanked by a stock work of 2.0 to 10.0 cm thick veins and veinlet's. Within this area, 16 prospective composite intercepts ranging from 0.89-7.77 g Au/t over 1.5-31.3 meters occur in 12 of the holes. Also 17 other 0.5-2.0 meter individual intervals assaying greater than 1.0 g/t Au were observed in 15 holes. These results provide a strong incentive for additional work to further evaluate the complex gold-bearing system.

In June of 2008 a diamond drilling program was conducted in the area of the past drilling program, and intersected a number of 1.0 cm to 1.5 m-wide quartz veins and brecciated quartz zones in iron carbonate and chlorite altered basalt. Significant assay intervals were as follows:

A ground magnetometer and VLF-EM survey was completed in 2008 to determine if geological signatures related to potential mineralization could be defined. Interpretation of the ground magnetometer survey indicates a prominent 200 m to 300 m wide magnetic anomaly that extends northerly along the 3.9 km length of the Link-Catharine claim block. There is another 600 m north-south oriented magnetic high along the eastern margin of the claim block; this anomaly probably indicates the signature of underlying ultramafic rock. A distinct northwesterly trending magnetic anomaly is defined.

Drilling that was completed in February 2009 focused on areas where northerly trending geophysical anomalies were interpreted to intersect east-west structures (faults) delineated from ground magnetic surveys. The two drilling programs conducted (2,487m) in 2008/2009 have shown that gold mineralization is associated with significant alteration zones over several hundred metres in width.

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The Company completed a National Instrument 43-101 report on the Link Catherine, based on these drilling results. A summary of the better assay results are provided below:

HOLE	FROM	TO	INTERVAL	AU G/T	GEOLOGICAL DESCRIPTION
CAT 99-04	32.4 m	63.7 m	31.3 m	2.74 g/t Au	
"	31.3 m*	39.9 m*	7.8 m*	5.16 g/t Au*	*Sub-interval within 32.4-63.7 m
"	43.3 m*	57.2 m*	13.9 m*	1.63 g/t Au	*Sub-interval within 32.4-63.7 m
"	59.2 m*	63.7 m*	4.5 m*	3.20 g/t Au	*Sub-interval within 32.4-63.7 m
CAT 03-10	58.0 m	59.7 m	1.7 m	7.77 g/t Au	
"	58.0 m*	59.1 m*	1.1 m*	9.85 g/t Au*	*Sub-interval within 58.0-59.7 m
"	59.1 m*	59.8 m*	0.7 m*	5.69 g/t Au*	*Sub-interval within 58.0-59.7 m
C-05-2	54.0 m	59.0 m	1.5 m	5.59 g/t Au	
CAT 08-02	36.5 m	33.5 m	3.0 m	3.55 g/t Au	
CAT 08-04	14.5 m	24.5 m	10.0 m	1.01 g/t Au	
"	18.4 m*	22.0 m*	3.6 m*	1.36 g/t Au*	*Sub-interval within 14.5-24.5 m
CAT 08-04	31.8 m	40.5 m	8.7 m*	0.89 g/t Au	
"	37.1 m*	40.5 m*	3.4 m*	2.65 g/t Au*	*Sub-interval within 31.8-40.5 m
CAT 09-01	162.5 m	170.0 m	7.5 m	1.497 g/t Au	
CAT 09-02	85.4 m	91.5 m	6.1 m	1.160 g/t Au	
"	90.0 m*	91.0 m*	1.0 m*	4.30 g/t Au*	*Sub-interval within 85.4-91.5 m
CAT 09-02	117.0 m	119.0 m	2.0 m	8.96 g/t Au	
"	117.0 m*	118.0 m*	1.0 m*	17.45 g/t Au*	*Sub-interval within 117.0-119.0 m
CAT 09-03	177.0 m	181.0 m	4.0 m	2.15 g/t Au	
"	178.0 m*	179.0 m*	1.0 m*	3.77 g/t Au*	*Sub-interval within 177.0-181.0 m
HOLE	FROM	TO	INTERVAL	AU G/T	GEOLOGICAL DESCRIPTION
CAT 09-08	100.0 m	101.9 m	1.9 m	2.962 g/t Au	
"	100.0 m*	101.0 m*	1.0 m*	5.010 g/t Au	*Sub-interval within 100.0-101.9 m
CAT 09-09	98.7 m	102.4 m	3.7 m	2.050 g/t Au	
"	100.0 m*	101.0 m*	1.0 m*	3.160 g/t Au*	*Sub-interval within 98.7-102.4 m
CAT 09-11	127.9 m	130.2 m	2.3 m	1.065 g/t Au	
CAT 09-12	109.5 m	112.8 m	3.3 m	1.092 g/t Au	

*Selected composite assay intervals & sub-intervals from 1999-2009 drilling programs. Link-Catherine claims, Boston- Skead gold belt, Larder Lake Mining Division, Ontario.*

The report concludes inter alia that:

1. The stratigraphy succession intersected by the holes consists of volcanic flows and tuffs of mafic to intermediate volcanics which interspersed with ultramafic (komatite) units, gabbro sills and infrequent sill/dykes;
2. Over 20 individual auriferous and barren quartz and quartz-carbonate vein systems 1.0 to 20.0 m thick have been identified, four of which have been interpreted as major;
3. The above veins and vein systems are interpreted to be related to roughly northerly-trending structures and/or stratigraphic contacts which they parallel. The arcuate north-south trending Pacaud Fault may be the "parent" structure or "Break" in the area. However, northeasterly-trending cross-structures have been mapped on the nearby 80-foot Falls Claims and may also exist on the Link-Catherine Claims. Intersections could form important loci for mineralization.

4. The traces of the four holes of the 2008 drilling program are interpreted to lie parallel or slightly oblique to essentially north-south striking auriferous quartz-carbonate veins. It is hypothesized that a series of the veins may occupy the crest or trough of a fold where tensional features were in-filled by both auriferous and barren quartz and carbonate.
5. Gold mineralization is hosted by carbonatized and/or silicified mafic and ultramafic volcanics. Fuchsite-Chlorite-Talc schists are subordinate hosts. The style and type of the structurally-controlled quartz vein-hosted gold mineralization intersected on the property bears resemblances to that exploited since the first quarter of the 20<sup>th</sup> century at World-Class Kirkland Lake District and Kerr-Addison Mine situated 60 km east of the latter. The Macassa Mine in the former largely hosted by various phases of syenite. Notably, this lithology has been which has been observed near the terminus of some Link-Catherine holes and could be significant. The Kerr-Addison orebodies in particular are associated with extensive carbonatization as well as discrete zones attended by fuchsite mineralization. Both of the preceding alteration types are common to abundant in the Link-Catherine holes.
6. Twelve holes contain an aggregate of 16 significant pyritic intervals that have not been sampled. Prospective composite intercepts vary from 0.89 to 7.77 g/t over 1.5 to 31.3 m (Figure 1.1). Systematic additional assaying in some holes should address this situation.
7. Over seventeen (17) 0.5-2.0 m individual intervals assaying >1.0 g/t Au other than those previously cited occur in 15 holes from the 1999-2009 programs.

The author of the report recommends that since considerable potential remains to be evaluated within the area of most recent drilling, drill cores from the last phase of drilling, numerous zones of pyritic materials on the Link-Catherine need to be assayed in order to check for disseminated gold content possibly extending some distance from the veins and veinlet's that returned encouraging gold values.

Review of all geophysical data and a program of three dimensional computer-assisted modeling of all drill data assembled to date are also recommended to elucidate targets for continued exploration of the gold zones encountered to date on the Link-Catherine property. These gold zones lie within altered volcanics, transected by numerous northeast and northwest trending linears on the eastern flank of the intrusive mass on the west side of the Link-Catherine property.

The report concludes that this mineralized belt warrants additional work.

### ***Central Catharine Property***

The Central Catharine property is located 750m northeast of the Link-Catharine property in Catharine Township. The property consists of eight claims covering prospective geology for gold mineralization along a southeast-trending belt. Geological mapping, prospecting and geophysical surveys have been conducted in the past, but no drilling is reported in assessment work files. Three historic vein systems occur in an area 1.6 km to 3.0 km north and northwest of the Central Catharine property. These are:

- 1) Gold Hill vein which was developed down to 365m depth and 275m along strike; a 100 tonne per day mill operated for a short period during 1927-1928;
- 2) Kennedy-Boston vein with occasional finely disseminated gold although narrow it was explored underground to a depth of 45 m and along strike for 365m; there is no record of production; and
- 3) Hilltop Showing consisted of a series of narrow lenticular quartz veins with very fine visible gold grains; it was explored underground to a depth of 207m and along strike for one kilometre.

A geological mapping, sampling and prospecting program is being planned on the Central Catharine property to compile a geological map and to determine if specific targets can be identified for follow-up programs.

### ***80-Foot Fall Property***

The 80-Foot-Fall Property is located in the Marter and Chamberlain Townships 800 metres south of the Link-Catharine property. It consists of seven claims covering an area of surface trenches, an old timbered shaft, and three drill hole sites. Two of the three old drill holes were designed to re-establish the location and possible extensions of old showings. A quartz vein zone and massive pyrite bands were intersected in the old holes, but gold values are reported as being low.

A ground magnetometer and VLF-EM survey was completed in 2008 to determine if geological signatures related to potential mineralization could be defined. Interpretation of the ground magnetometer survey identified north-south conductors and east-west trending magnetic anomalies similar to those delineated on the Link-Catharine property where gold mineralization was defined. A continuing program of reconnaissance geological mapping, sampling and prospecting is in progress on the 80 Foot Fall property with the main objective to identify specific targets for follow-up programs.

***The reader is cautioned that historical drilling results have not been verified. There are no known mineral resources on the property, and there can be no assurance that any mineral resources will be discovered on the properties, and if discovered there is no assurance that any mineralization may be economically extracted. The technical information published has been reviewed by consultant Dr. Stewart A Jackson, P. Geol., Qualified Person.***

### **MULTI-WAVE TECHNOLOGY**

The project's objective is the commercialization and future assembly of industrial drying systems based on the applications of multi-wave technology (the "M-Wave System"). The Company will be the operator in this project. Vixon has developed a proven, continuous-flow, proprietary-technology integrated system that provides practicable solutions to moisture content monitoring, control of the dehumidification requirements, and significant cost savings compared with the conventional and the newer atmospheric wood-drying technologies. The M-Wave System will be developed into a proprietary turnkey system providing low-cost, environmentally friendly guarantees for improved quality control and assurance in order to achieve high standards of quality-specified product excellence.

Vixon has agreed to install in British Columbia a production pilot unit within the near future demonstrating the M-Wave System to MWE's potential customers. Until MWE's manufacturing and assembly in Canada is operational, and as future backup for integral parts for the M-Wave System, the MWE joint venture will have a secured supply from the original equipment manufacturer (OEM) of industrial microwave drying equipment.

The Company believes that the M-Wave System will be the first environmentally friendly, lower-cost, sustainable turnkey solution for its targeted industry segment worldwide, and will revolutionize the wood-drying industry. The company is excited and looking forward to this joint venture.

### ***Results of operations***

#### ***Six months ended June 30, 2012 compared to six months ended June 30, 2011***

Net loss and comprehensive loss for the six months ended June 30, 2012 amounted to \$129,520 (loss per share - \$0.01) compared to \$154,717 (loss per share - \$0.01) in the corresponding period in the previous year. As the Company is still in the exploration stage, no revenue was generated. The decrease in loss of \$25,197 was mainly due to:

- (i) a decrease in expenses related to loans of \$19,047 from \$26,333 in 2011 to \$7,286 mainly due to the repayment of the loan; and

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- (ii) a decrease in receivables written off of \$14,007 from \$14,007 in 2011 to \$Nil, following management's assessment that the receivables were not likely to be recovered.

**Selected annual information**

	Years Ended December 31		
	IFRS	IFRS	GAAP
	2011	2010	2009
	\$	\$	\$
Total revenues	-	-	-
General and administrative	240,243	267,199	175,769
Loss for the year	(944,336)	(267,199)	(510,269)
Loss per share – basic	(0.08)	(0.02)	(0.05)
Loss per share – diluted	(0.08)	(0.02)	(0.05)
Total assets	216,834	862,522	891,580
Total long –term liabilities	299,087	61,563	97,234
Shareholder's equity (deficiency)	(140,977)	742,258	714,893
Cash dividends declared - per share	-	-	-

**Selected quarterly information (unaudited)**

	IFRS 2012		IFRS 2011				IFRS 2010	
	June 30 2012	Mar 31 2012	Dec 31 2011	Sep 30 2011	June 30 2011	Mar 31 2011	Dec 31 2010	Sep 30 2010
Total assets	\$364,847	\$ 282,739	\$ 216,834	\$ 919,670	\$ 942,202	\$ 897,660	\$ 862,522	\$ 817,008
Exploration and evaluation assets	209,387	209,387	198,887	888,973	888,973	876,881	817,336	756,086
Working capital (deficiency)	108,039	3,143	(43,777)	(36,545)	(14,706)	(20,457)	(18,586)	23,740
Shareholders' equity	320,426	159,003	(140,977)	581,353	623,378	674,728	742,258	734,488
Revenue	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Net loss	(71,981)	(57,539)	(744,382)	(45,237)	(59,572)	(95,145)	(77,149)	(58,823)
Earnings (loss) per share	(0.00)	(0.00)	(0.06)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)

## ***Liquidity***

The Company's working capital and deficit positions at June 30, 2012 and December 31, 2011 were as follows:

	<b>June 30 2012</b>	<b>December 31 2010</b>
Working capital (deficiency)	\$ 108,039	\$ (43,777)
Deficit	2,677,997	2,548,477

The cash positions at June 30, 2012 and December 31, 2011 were \$134,839 and \$6,155 respectively.

With the closure of the private placement of \$600,000, the company net asset position and the working capital have improved. The Company will undertake further funding in order to continue its exploration of the Kirkland Lake properties and explore new technology.

The Company's financial condition is contingent upon management being able to raise additional funds to complete its planned exploration program on the Kirkland Lake Projects and the completion of the manufacture of the energy conversion units. While the Company will seek to maximize recoveries and reduce operating costs, estimates and assumptions influencing these parameters at the feasibility stage may prove incorrect. Incorrect assumptions may result in material differences between estimated and actual results. The Company has no way to predict the future price of the commodities. As a result, revenue derived from future operations, if any, will be impacted.

The Company has historically relied upon equity financings and loans from related parties 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 months, the securities markets in the world and in Canada have experienced high volatility in price and volume and companies, particularly in junior exploration industry, have unprecedented decline in their share 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 the Company's share prices will not occur or that these fluctuations will not affect the ability of the Company to raise equity funding, and if at all, without causing a significant dilution to its existing shareholders. 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.

## ***Capital resources***

At June 30, 2012, the Company had a share capital of \$2,757,188 (December 31, 2011: \$2,162,655), representing 24,383,750 (December 31, 2011: 12,333,750) common shares without par value, and an accumulated deficit of \$2,677,997 (December 31, 2011: \$2,548,477). The shareholder's equity amounted to \$320,426 (December 31, 2011: \$(140,977)).

### ***Additional disclosure for venture issuers without significant revenue***

Additional disclosure concerning the Company's general and administrative expenses and resource property costs is provided in the Company's Statement of Operations, Comprehensive Loss and Deficit included in its financial statements for the years ended December 31, 2011 and 2010 and its prospectus filed February 26, 2007, which are available on SEDAR at [www.Sedar.com](http://www.Sedar.com)

### ***Related party transactions***

During the six months ended June 30, 2012, the Company entered into the following transactions with related parties.

#### **Key Management personnel compensation**

No remuneration was paid during the six months ended June 30, 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 six months ended June 30, 2012, the Company incurred \$50,416 (2011: \$52,500) 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 six months ended June 30, 2012 as uncollectible. An amount of \$994 due to GMWL by the Company was off-set against this impairment.

During the six months ended June 30, 2012, the Company accrued printing expenses of \$131 (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 \$nil (2011: \$12,163) 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:

	<b>June 30</b>	December 31
	<b>2012</b>	2011
Krypt-Logx Network Corp.	\$ 6,804	6,804
GMM Admin Corp.	785	-
Mineral Hill Industries Ltd.	18,221	3,943
Dieter Peter (Chief Executive Officer)	-	22,096
Golden Dawn Minerals Inc.	131	944
	<b>\$ 25,941</b>	<b>33,787</b>

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.

#### **Advances from related party**

During the six months ended June 30, 2012, the Company entered into loan agreements with Merfin Management Limited ("Merfin"), a private company with a common director for loan totalling \$20,000. Under the terms of agreements, the amount is unsecured and bears interest at 8% per annum.

During the six months ended June 30, 2012, the Company



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- (i) accrued a further \$5,437 (2011: \$7,326) in interest on the outstanding loans
- (ii) repaid a total of \$ 324,526 in outstanding loans, including interest.

At June 30, 2012, the outstanding loan and accrued interest balance is \$Nil (December 31, 2011: \$299,087).

During the six months ended June 30, 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.

**Directors and Officers**

Dieter Peter	Chairman, CEO and Director (Mineral Hill Industries Ltd)
Melvin Stevens	President and Director
Andrew von Kursell	Director (Mineral Hill Industries Ltd)
Hugh Maddin	Director (Mineral Hill Industries Ltd.)
Peng Zhang	Director (appointed on May 15, 2012)
John Patrick Copeland	Director (appointed on June 29, 2012)
Michael Zhu	Chief Financial Officer (Mineral Hill Industries Ltd)
Josephine See	VP of Corporate Affairs, Treasurer and Corporate Secretary (Mineral Hill Industries Ltd)

**Outstanding share data as at August 22, 2012:**

	Number outstanding	Exercise Price*	Expiry Date
Common shares	24,383,750		
<b>Common shares issuable on exercise:</b>			
Stock options	414,991	\$0.15	June 15, 2013
Stock options	11,666	\$0.21	March 29, 2014
Stock options	419,992	\$0.15	January 4, 2015
Warrants	2,300,000	\$0.15	December 23, 2012
Warrants	1,133,333	\$0.225	June 7, 2013
Warrants	12,000,000	\$0.10	May 1, 2014
Warrants	32,000	\$0.10	May 1, 2013

\*As of date

**Future Developments**

The Company will continue to pursue the development of its projects and will seek financing with its business alliance partners for its projects.

**Risks and Uncertainties**

The Company is engaged in the exploration of mineral deposits. The Company's financial success will be dependent upon the discovery or acquisition of mineral resources and mineral reserves. These activities involve significant risks which are even with careful evaluation, experience and knowledge may not, in some cases, be eliminated.

The following are some of the key risks and uncertainties identified; however, there may be other risks and uncertainties that have not been listed:

- The high degree of volatility in the prices of rock aggregates and metal commodities;
- The demand of commodities can be dependent on global consumption;
- An increasing competition to acquire mineral properties throughout the world;
- No assurance about the economic viability, it is speculative;

- Geology is a field subject to different interpretations that could affect the success of any exploration and development program;
- Exploration and access to the property can be restricted by unexpected and unusual weather conditions such as floods, forest fires, blockades or other natural and environmental occurrences, which are beyond the Company's control;
- Additional costs can be incurred such as availability of experts, work force and equipments;
- Additional expenditures will be required to establish resources or reserves on mineral properties, if nay resources or reserves exist on the properties;
- The rights to the mineral properties must be maintained in accordance with various regulations and agreements;
- There are various government and environmental regulations that must be followed by the Company, which are changing constantly and renewal of permits from provincial, territory, First Nations and village governments.

### ***Forward looking statements***

Except for statements of historical fact, certain information contained herein constitutes forward-looking statements. Forward-looking statements are usually identified by the use of certain terminology, including "will", "believes", "may", "expects", "should", "seeks", "anticipates", "plans" or "intends" or by discussions of strategy or intentions. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results or achievements to be materially different from any future results or achievements expressed or implied by such forward-looking statements. Forward-looking statements are statements that are not historical facts, and include but not limited to, estimates and their underlying assumptions; statements regarding plans, objectives and expectations with respect to the effectiveness of the Company's business model; future operations, products and services; the impact of regulatory initiatives on the Company's operations; the size of and opportunities related to the markets for the Company's products; general industry and macroeconomic growth rates; expectations related to possible joint and/or strategic ventures and statements regarding future performance.

Forward-looking statements used in this discussion are subject to various risks and uncertainties, most of which are difficult and generally beyond the control of the Company. If risks and uncertainties materialize, or if underlying assumptions prove incorrect, our actual results may vary materially from those expected, estimated or projected. Forward-looking statements in this document are not a prediction of future events or circumstances, and those future events or circumstances may not occur. Given these uncertainties, users of the information included herein, including investors are cautioned not to place undue reliance on such forward-looking statements.

### ***Critical accounting estimates***

The preparation of the Company's financial statements requires management to use estimates and assumptions that affect the reported amounts of assets and liabilities as well as expenses.

(i) *Stock Based Compensation*

The Company uses Black-Scholes option pricing model to determine the fair value of awards for stock options granted to employees, officer, directors and consultants. These estimated are based on historical information and accordingly cannot be relied upon to predict the future behavior. These estimates are set out in Note 6(c) to the financial statements

(ii) *Financial Instruments*

The carrying values of the financial instruments have been estimated to approximate their respective fair values.

(iii) *Income Taxes*

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

(iv) *Exploration and Evaluation Assets*

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.

***Financial instruments***

The Company's financial instruments consist of cash, amounts receivable from related parties, amounts payable, amounts payable to related parties and loans payable to related party. 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*

The Company is not exposed to significant credit risk, being in the development stage. Amounts receivable from related parties and amounts due to related parties are described in Note 8 to the financial statements.

*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 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.

***Disclaimer***

The information provided in this document is not intended to be a comprehensive review of all matters concerning the Company. The users of this information, including but not limited to investors and prospective investors, should read it in conjunction with all other disclosure documents provided including but not limited to all documents filed on SEDAR ([www.SEDAR.com](http://www.SEDAR.com)). No securities commission or regulatory authority has reviewed the accuracy of the information presented herein.

*"Dieter Peter"*

On behalf of the Board

Dieter Peter

Chief Executive Officer

August 22, 2012

**SCHEDULE "H"**

**ACQUISITION AGREEMENT BETWEEN NVG AND GOLDEN DAWN MINERALS INC.**

# ACQUISITION AGREEMENT

THIS AGREEMENT is dated for reference February 1<sup>st</sup>, 2010

**BETWEEN:**

**GOLDEN DAWN MINERALS INC**

of 575-1111 West Hastings Street,  
Vancouver, BC, V6E 2J3

**and:**

**ITS AFFILIATE**

(Referred to as "GOM")

**AND:**

**NASS VALLEY GATEWAY LTD.**

of 575-1111 West Hastings Street,  
Vancouver, BC, V6E 2J3

**or:**

**ITS SUBSIDIARY OR RELATED PUBLIC COMPANY**

(Referred to as "NVG")

(Collectively referred to as the "Parties")

**WHEREAS:**

A. GOM is desirous to sell and assign 100% of three separate option agreements (the "Option-Agrs") to certain mining claims, the Central Catharine Claims, the Link Catharine Claims and the 80 Foot Fall Claims, located in the Province of Ontario and are more particularly described in Schedule "A" (the "Property") attached to this Agreement.

B. GOM entered into an assignment agreement to the Option Agrs, with the original vendors (the "Vendors") and has agreed to assign (the "Assignment") such Option Agrs, which are attached as Exhibits "2.1", "2.2" and "2.3" of Schedule "A", to NVG, in accordance with the attached Term Sheet (Exhibit "1" of Schedule "A"), and enter simultaneously into to an 80%- 20% exploration joint venture (the "Exploration JV") and a subsequent production joint venture (the "Production JV") with NVG.

**NOW THEREFORE** in consideration of the mutual covenants in this Agreement, the Parties agree to the Assignment, conditional upon an 80% / 20% joint venture (the "JV") between NVG and GOM respectively under the following terms:



## 1. DEFINITIONS AND INTERPRETATION

1.1 For the purposes of this Agreement:

1.2 **"Affiliate"** means any person, partnership, joint venture, corporation or other form of enterprise which directly or indirectly controls, is controlled by, or is under common control with, a party to this Agreement. For purposes of the preceding sentence, "control" means possession, directly or indirectly, of the power to direct or cause direction of management and policies through ownership of voting securities, contract, voting trust or otherwise;

- (a) **"Acquisition"** means the acquisition of the Assignment of the Option Agrs by NVG from GOM including the acquisition of an undivided 80% legal and beneficial interest in and to the Property exercisable in the manner described in Section 3, under the terms of this agreement to acquire; 80% interest with the Option being fulfilled
- (b) **"Acquisition Period"** means the period one day after the Effective Date and ending one day after NVG has issued the Exercise Notice;
- (c) **"Area of Mutual Interest"** has the meaning ascribed to it in Subsection 10.1;
- (d) **"Assignment"** means the assignment of all rights and obligation of the Option Agrs as attached to the assignment agreement referred to under Paragraph A and in more detail described in Exhibit "2" of Schedule "A" of this Agreement;
- (e) **"Carried Participating Interest" or "CPI"** means that the CPI holder will not participate in the committed exploration cost during the time period between the Effective Date and the issuance of the Exercise Notice ascribed to in Subsection 4.1;
- (f) **"Effective Date"** means the Date NVG has received the approval from the Regulatory Authorities for executing this Agreement;
- (g) **"Exchange"** means the TSX Venture Exchange;
- (h) **"Exercise Notice"** has the meaning ascribed to it in Subsection 4.1;
- (i) **"Expansion Properties"** means the additional claims staked and/or paid for by NVG, within the Area of Mutual Interest.
- (j) **"Expenditures"** means amounts to be spent by the NVG on or with respect to exploration activities directed towards ascertaining the existence, location, quality, quantity or commercial value of deposits of ores, minerals and mineral resources on the Property including all insurance costs, travel, report costs, camp expenses, analysis and assays, all exploration activities related towards developing and exploiting the Property, cost and fees for staking New Mineral Claims within the Area of Mutual Interest, all assessment work required under the mining laws of Ontario, including the rental fees and taxes on the Property, all expenditures made relating to reclamation, rehabilitation and protection of the environment, all other costs and expenses to keep the Property and Property Rights in good standing and a charge for overhead costs which cannot be specifically allocated equal to 10% of all other costs and expenditures;

- (k) **“Exploration-JV”** means the Exploration Joint Venture during the time period between the Effective Date and the Exercise Notice;
- (l) **“Fundamental Change”** has the meaning ascribed to it in Subsection 3.10;
- (m) **“Joint Operation”** shall have the meaning attributed to it in Paragraph 2.3 of Schedule “B”;
- (n) **“JV or Joint Venture”** means the joint venture with a respective interest of 20% and 80% to be formed between GOM and NVG in respect of the Properties and pursuant to this Agreement, the Exploration Joint Venture (the “Exploration-JV”) and the Production Joint Venture (the “Production-JV”) of Schedule “B”;
- (o) **“Joint Venture Agreement”** has the meaning ascribed to it in Subsection 4.2;
- (p) **“Net Profit Royalty”** means a royalty interest in the net profits of the Joint Operation calculated and payable in accordance with Appendix “BII”
- (q) **“New Mineral Claims”** has the meaning ascribed to it in Subsection 10.1;
- (r) **“Non-Defaulting Party”** has the meaning ascribed to it in Subsection 14.1;
- (s) **“Operator”** means the Party or other person appointed as the operator in accordance with Article 4 of the Production Joint Venture Agreement attached as Schedule B to this Agreement
- (t) **“Option”** means an exclusive option granted under the Option Agrs, by the original Vendors of the Property to acquire a 100% legal and beneficial interest in and to the Property under the terms of the Option Agrs;
- (u) **“Option Agrs”** means the three separate option agreements, regarding the Claims referred to under Paragraph A. and in more detail described in Exhibits 2.1, 2.2 and 2.3 of Schedule “A”, between the original Vendors and the respective Optionees within the three option agreements including the three respective Amendments-2010, executed as part of the option agreements;
- (v) **“Option Period”** means the period from signing the Option Agrs to the earlier of the date of exercising the Option under the Option Agrs or the termination of the Option Agrs in accordance with the terms thereof;
- (w) **“Payables”** all outstanding bills for work and exploration done and respect to the Property including and not restricted to geologists, consultants, drillers and contractors, laboratories, etc;
- (x) **“Payment”** means a payment in cash or cheque by NVG to GOM contemplated in paragraphs 3.1(c), (i), (ii), and (iii);
- (y) **“Production-JV”** means the Joint Venture during the time period commencing on the date the Exercise Notice is issued by NVG and the Production Joint Venture Agreement of Schedule “B” takes effect;



- (z) **“Property”** has the meaning of the 80 Foot Fall Claims, the Central Catharine Claims and the Link Catherine Claims as ascribed in “Schedule “A” of this Agreement;
- (aa) **“Property Rights”** means all licences, permits, easements, rights-of-way, certificates and other approvals obtained by either of the parties, either before or after the date of this Agreement, and necessary for the development of the Property or for the purpose of placing the Property into production or of continuing production on the Property;
- (bb) **“Related Public Company”** means a fully reporting public company, with common directors and officers, truly incorporated in Canada and having its common shares listed for trading on a Canadian Stock Exchange;
- (cc) **“Regulatory Authorities”** means the TSX Venture Exchange, the BC Securities Commission and the Board of Directors;
- (dd) **“Shares”** has the meaning ascribed to it in Subsection 3.1 (b); and
- (ee) **“Term”** means the exclusive period of time the NVG has to earn its interest in the Property, which shall be no longer than four (4) years from the Effective Date;
- (ff) **“Term Sheet”** means the Term Sheet dated January 12<sup>th</sup>, 2010 under which the basic terms of this Agreement were agreed upon between NVG and GOM and which is attached as Exhibit “1” of Schedule “A”;
- (gg) **“Vendors”** means the original vendors of the Property who are the Optionors of the assigned Option Agrs.;
- (gg) **“Working Participating Interest”** or “WPI” means that the WPI holder is required to participate in all accrued cost concerning the full exploration budget proposed by the Operator.

1.3 For the purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires:

- (a) “this Agreement” means this Acquisition Agreement and all Schedules attached hereto;
- (b) any reference in this Agreement to a designated “Section”, “Schedule”, “Paragraph” or other Subdivision refers to the designated section, schedule, paragraph or other subdivision of this Agreement;
- (c) the words “herein” and “hereunder” and other words of similar import refer to this Agreement as a whole and not to any particular Section or other subdivision of this Agreement;
- (d) the word “including”, when following any general statement, term or matter, is not to be construed to limit such general statement, term or matter to the specific items or matters set forth immediately following such word or to similar items or matters, whether or not non-limiting language (such as “without limitation” or “but not limited to” or words of similar import) is used with reference thereto but rather refers to all other items or



matters that could reasonably fall within the broadest possible scope of such general statement, term or matter;

- (e) any reference to a statute includes and, unless otherwise specified herein, is a reference to such statute and to the regulations made pursuant thereto, with all amendments made thereto and in force from time to time, and to any statute or regulations that may be passed which has the effect of supplementing or superseding such statute or such regulation;
- (f) any reference to "party" or "Parties" means GOM, NVG, or both, as the context requires;
- (g) the headings in this Agreement are for convenience of reference only and do not affect the interpretation of this Agreement;
- (h) words importing the masculine gender include the feminine or neuter gender and words in the singular include the plural, and vice versa; and
- (i) all references to currency refer to Canadian dollars.

1.4 The following are the Schedules and Exhibits to this Agreement, and are part of this Agreement by reference:

- Schedule "A": List of Properties;
  - Exhibit "1" The Term Sheet;
  - Exhibit "2" The Assignment;
  - Exhibit "2.1" The Assignment and the Option Agreement on the **Link Catharine Property** dated December 18<sup>th</sup>, 2007 including its respective Amendment;
  - Exhibit "2.2" The Assignment and the Option Contract on the **Central Catharine Property** dated January 18<sup>th</sup>, 2008 including its respective Amendment-2010;
  - Exhibit "2.3" The Assignment and the Option Contract on the **80 Foot Fall Property** dated January 18<sup>th</sup>, 2008 including its respective Amendment-2010;
- Schedule "B": The Production Joint-Venture Agreement;
  - Exhibit "BI" Accounting Procedure;
  - Exhibit "BII" Net Profits Royalty 2010.

1.5 Wherever any term or condition, expressed or implied, in any of the Schedules conflicts or is at variance with any term or conditions of this Agreement, the terms or conditions of this Agreement will prevail.

## 2. REPRESENTATIONS AND WARRANTIES OF GOM AND NVG

### 2.1 GOM represents and warrants to NVG that:

- (a) GOM is a valid and subsisting corporation duly continued and in good standing under the laws of the Province British Columbia and is a reporting issuer in each of British Columbia, Alberta and Ontario and is not in default of any securities legislation in such jurisdictions;

- (b) GOM is the Assignee of the Property and GOM has the full right, power, capacity and authority to enter into, execute and deliver this Agreement and be bound by the terms of this Agreement the Assignment of the underlying Option Agreement including the respective Amendments to the underlying Option Agreements (the "Amendments");
- (c) the consummation of this Agreement will not conflict with nor result in any breach of its underlying documents or any covenants or agreements contained in or constitute a default under any agreement or other instrument whatsoever to which GOM is a party or by which GOM is bound or to which GOM may be subject;
- (d) the Property is free and clear of, and from, all liens, charges and encumbrances with all assessment work therein will have been duly completed and will have filed all assessment work before any payments to GOM due under this agreement are made;
- (e) to the best of GOM's knowledge, there are no outstanding orders or directions relating to environmental matters requiring any work, repairs, construction or capital expenditures with respect to the Property and the conduct of the operations related thereto, and GOM has not received any notice of the same and is not aware of any basis on which any such orders or direction could be made;
- (f) there is no adverse claim or challenge, including but not limited to First Nations claims, against or to the ownership of or title to any part of the Property and, to the best of GOM's knowledge there is no basis for such adverse claim or challenge which may affect the Property;
- (g) the consummation of the transactions contemplated by this Agreement does not and will not conflict with, constitute a default under, result in a breach of, entitle any person or GOM to a right of termination under, or result in the creation or imposition of any lien, encumbrance or restriction of any nature whatsoever upon or against the property or assets of GOM, under its constating documents, any contract, agreement, indenture or other instrument to which GOM is a party or by which it is bound, any law, judgment, order, writ, injunction or decree of any court, administrative agency or other tribunal or any regulation of any governmental authority;
- (h) there are no actual or pending proceedings for, and GOM is unaware of any basis for, the institution of any proceedings leading to the placing of GOM in bankruptcy or subject to any other laws governing the affairs of insolvent parties and the Property does not represent all or substantially all of GOM's corporate undertaking;
- (i) reclamation and rehabilitation of those parts of the Property which have been previously worked have been properly completed in compliance with all applicable laws; and,
- (j) it has advised NVG and its consultants of all of the material information relating to the mineral potential of the Property of which it has knowledge, including the work conducted by GOM to date;
- (k) GOM will issue and deliver before the end of January 2010 a total of 150, 000 (one hundred fifty thousand) common shares of GOM (the "GOM-Shares") to the Vendors which will be stipulated within the Amendments;



- (l) GOM will pay off all outstanding bills for work and exploration done and respect to the Property. This will include but are not restricted to geologists, consultants, drillers and contractors, laboratories, etc;
- (m) GOM will have a written agreement from recipients of Payables, as referred in the Term Sheet under Article B., Subsection 3., to evidence such Payables and to the effect that until such payments of the Payables will be made by GOM they will refrain from any issuance of any Liens against the Property; and
  - (i) NVG will not be required to issue the shares referred to under Subsection 3.1 (c) until such agreements in accordance with Subsection 2.1 (m) of this Agreement are delivered;
  - (ii) if GOM fails to deliver any such agreements under Subsection 2.1 (m) for ninety (90) days following the Effective Date, GOM will forfeit the amount of Shares, equal to their trading value of the Shares on the ninetieth (90<sup>th</sup>) day following the Effective Date to the missing agreement of a due Payable;
  - (iii) if a Lien is issued against the Property cause by overdue Payables in spite of a received agreement under Subsection 2.1 (m) after ninety (90) days following the Effective Date, NVG will deduct the amount of Shares, equal to their current trading value of the Shares and equivalent to the overall cost of removing the Lien.

The representations and warranties contained in Subsection 2.1 are provided for the exclusive benefit of NVG, and a breach of any one or more representations or warranties may be waived by NVG in whole or in part at any time without prejudice to its rights in respect of any other breach of the same or any other representation or warranty, and the representations and warranties contained in paragraph 2.1 will survive the execution and delivery of this Agreement.

**2.2 NVG represents and warrants to GOM that:**

- (a) NVG is a valid and subsisting public company duly incorporated and in good standing under the laws of the Province of British Columbia;
- (b) NVG has the full right, power, capacity and authority to enter into, execute and deliver this Agreement and to be bound by its terms;
- (c) the consummation of this Agreement will not conflict with nor result in any breach of its constating documents or any covenants or agreements contained in or constitute a default under any agreement or other instrument whatever to which NVG is a party or by which NVG is bound or to which NVG may be subject; and
- (d) no proceedings are pending for, and NVG is unaware of any basis for, the institution of any proceedings leading to the placing of NVG in bankruptcy or subject to any other laws governing the affairs of insolvent parties.

2.3 The representations and warranties contained in paragraph 2.2 are provided for the exclusive benefit of the GOM, and a breach of any one or more representations or warranties may be waived by the GOM in whole or in part at any time without prejudice to its rights in respect of any other breach of



the same or any other representation or warranty, and the representations and warranties contained in paragraph 2.3 will survive the execution and delivery of this Agreement.

### 3. AQUISITION

3.1 GOM hereby assigns 100% of the Option Agrs with all rights and obligations to NVG which is exercisable by NVG in order to acquire an 80% interest in the Property for up to four (4) years from the Effective Date”) under the following conditions and obligations:

(a) NVG will fulfill all obligations of the assigned Option Agrs attached to this Agreement as Exhibits “2.1”, “2.2” and “2.3”, and in particular the payments under the paragraphs 2. of the respective Amendment-2010 as part of Exhibits “2.1” , “2.2” and “2.3”; within three working days following the Effective Date.

(b) In addition NVG will commit to GOM to incur Expenditures totalling \$1,000,000 (one Million Dollars) on or before the forth (4<sup>th</sup>) anniversary date of the Effective Date; and

(c) issue to GOM an aggregate of 450,000 common shares of NVG (the “Shares”) as follows:

- i) 200,000 (two hundred thousand) NVG-Shares to GOM 10 (ten) days after the Effective Date;
- ii) 150,000 (one hundred fifty thousand) NVG-Shares to GOM on or before the second anniversary date of the Effective Date; and
- iii) 100,000 (one hundred thousand) NVG-Shares to GOM on or before the third anniversary date of the Effective Date;

(d) to preserve a 20% Carried Participation Interest (“CPI”) in the Property until all payments and work commitments of this Agreement are fulfilled and an Exercise Notice is issued by NVG. Thereafter GOM’s 20% CPI becomes a Working Participation Interest (“WPI”) which will be defined in more detail within the Production-JV of Schedule “B”.

3.2 The Parties agree that once all payments and obligations referred under Subsection 3.1 are fulfilled and the Exercise Notice has been issued by NVG, the WPI defined under the Production-JV, as defined in Schedule “B”, will commence.

3.3 The Expenditures under Subsection 3.1 (b), are cumulative over four years with Expenditures in any given year being credited toward the total Expenditure requirements. NVG has the right to accelerate the schedule of Expenditures, Share Issuances and Payments outlined under Subsection 3.1 (c) and by so doing reduce the time period of the Exploration-JV and issuing the Exercise Notice for earning its 80% interest in the Property.

3.4 In the event NVG fails to incur any of the Expenditures listed in Subsection 3.1 by the end of the last day in which the same was due to be incurred or as deferred by reason of Subsection 12.1, NVG may, at any time within 30 calendar days of such day, make a cash payment to GOM in an amount equal to the deficiency of such Expenditures. Any cash payments so made shall be deemed to have been Expenditures duly and properly incurred in an amount equal to the cash payments.



3.5 Except as specifically provided elsewhere herein, this agreement obligates NVG only until the issuance of the Exercise Notice, nothing herein contained and no act done nor any payment or share issuance made hereunder shall obligate NVG to do any further act or acts or to make any further payments or shares issuances, and in no event shall this Agreement or any act done or any payment or share issuance made be construed as an obligation of NVG to do or perform any work or make any payments or share issuances on or with respect to the Property.

3.6 All of Shares to be issued to GOM pursuant to Subsection 3.1 (c) shall be fully paid and non-assessable common shares in the capital of the NVG and not subject to any restrictions on trading, pooling or escrow other than those imposed by law or by the policies of Regulatory Authorities, and GOM covenants and agrees to execute any and all documents, undertakings and agreements and to give and abide by any and all assurances and trading restrictions as may be required by law, the Exchange or the policies of any Regulatory Authorities as a condition to the issuance of the Shares by the NVG or as a condition to NVG having a prospectus accepted for filing in any jurisdiction in Canada or having its share capital listed on the Exchange or any other stock exchange or quotation system.

3.7 Notwithstanding Subsection 3.6 in addition to any other applicable restrictions on trading, pooling or escrow imposed by law, the Exchange, any other stock exchange or quotation system or by the policies of any Regulatory Authorities, GOM covenants and agrees to hold and not to sell, transfer, encumber, hypothecate or otherwise alienate any of the Shares for a period of not less than four (4) months following the date upon which the Shares are being issued

3.8 If NVG identifies any material defect in GOM's title to the Property, NVG shall give GOM notice of such defect. If the defect has not been cured within 30 days of receipt of such notice, NVG shall be entitled to take such curative action as is reasonably necessary, and shall be entitled to deduct the costs and expenses incurred in taking such action from obligations and payments due to GOM under Subsection 3.1. If there are no such Payments due or accruing to GOM, than NVG shall be entitled to a credit in the amount of said costs and expenses to be applied against the amount of any Expenditures remaining to be incurred pursuant to Subsection 3.1 above.

3.9 If any third party asserts any right or claim to the Property or to any amounts payable to GOM, NVG may deposit any amounts or Shares due to GOM in escrow with a suitable agent until the validity of such right or claim has been finally resolved. If NVG deposits said amounts in escrow, NVG shall be deemed not in default under this Agreement for failure to pay such amounts to GOM.

3.10 If there shall, prior to the issuance of any of the Shares pursuant to Subsection 3.1, be any reorganization of the authorized share capital of NVG by way of consolidation, merger, subdivision, amalgamation or otherwise (a "Fundamental Change"), then there shall automatically be an adjustment in the number of Shares issued thereafter pursuant to Subsection 3.1 so that in lieu of issuing the number of Shares which, but for such Fundamental Change and this provision, would have been issued, NVG or its successors shall instead issue such number of new securities as GOM would have received as a result of the Fundamental Change if the Shares had been issued prior to the occurrence of the Fundamental Change.

#### 4. ISSUANCE OF EXERCISE NOTICE

4.1 Upon NVG having performed all of the requirements of Subsection 3.1 and, therefore, having fulfilled all conditions of this Agreement, NVG will have acquired an undivided 80% legal and



beneficial interest in the Property and thereafter shall provide a written notice (the "Exercise Notice") to the GOM that it has fulfilled the conditions of this Agreement.

4.2 Upon the Effective Date GOM and NVG will form an Exploration Production Joint Venture (the "Exploration-JV") with GOM having a carried participating interest (the "CPI") of 20% and NVG having a working participating interest (the "WPI") of 80%, for the purposes of carrying out exploration work on the Property committed to under Subsection 3.1 of this Agreement.

4.3 Upon NVG delivering the Exercise Notice to GOM, GOM will form a Production Joint Venture (the "Production-JV") with NVG in which GOM will have an initial WPI of 20% and the NVG will have an initial WPI of 80%, for the purposes of carrying out further exploration, development and production work on the Property and the Parties enter the Production-JV containing the terms and conditions as described within the Production Joint Venture Agreement (the "JV-Agreement" of Schedule "B" which will be executed by the Parties simultaneously with this Agreement

## **5. PROPERTY EXPLORATION AND MAINTENANCE**

5.1 During the duration of Exploration-JV NVG shall be the Operator of the Property and as such NVG shall incur the Expenditures in such a manner that a report in compliance with National Instrument 43-101 of Canadian Securities Administrators, or any successor policy thereto, can be prepared in connection with such Expenditures and it shall be the responsibility of NVG to designate the individual with sufficient qualifications to prepare such a report.

5.2 NVG agrees that when acting as operator it will submit such reports of its exploration activities on the Property to the appropriate Regulatory Authorities and pay the fees as may be required to maintain the Property in good standing and will further provide copies of such information to GOM.

5.3 NVG agrees that when acting as operator it will provide to GOM, copies of invoices, work sheets and other like data provided or rendered by third parties to NVG in connection with the Expenditures.

## **6. RIGHT OF ENTRY**

6.1 Throughout duration of the Exploration-JV, or until terminated in accordance with paragraph 15.1, NVG and its employees, agents, directors, officers and independent contractors will have the exclusive right in respect of the Property to:

- (a) enter the Property without disturbance;
- (b) do such prospecting, exploration, development and/or other mining work on and under the Property to carry out the Expenditures as the NVG may determine necessary or desirable;
- (c) bring and erect upon the Property such buildings, plant, machinery and equipment as the NVG may deem necessary or desirable in its sole discretion; and
- (d) remove from the Property all metals and minerals derived from its operations on the Property as may be deemed necessary by the NVG for testing.



## **7. RECORDING OF AGREEMENT**

7.1 GOM and NVG will execute and deliver such additional documentation as legal counsel for GOM and NVG determine is necessary in order to duly register and record in the appropriate registration and recording offices notice that GOM's interest in and to the Property is subject to and bound by the terms of this Agreement.

## **8. CONDITIONS PRECEDENT**

8.1 The obligation of NVG to consummate the transactions contemplated under this Agreement is subject to NVG being satisfied with the title to the Property held by GOM or the Vendors and the payment for the Payables have been executed, which is for NVG's sole benefit and may be waived in writing by NVG.

## **9. OBLIGATIONS DURING OPTION PERIOD**

9.1 During the duration of this Agreement, unless this Agreement is terminated in accordance with paragraph 15.1, NVG covenants and agrees with GOM that NVG will adhere to all obligations within the Option Agrs.

## **10. AREA OF INTEREST**

10.1 If during the term of this Agreement, GOM or an Affiliate of GOM stakes or otherwise acquires, directly or indirectly, any right or interest in any mining claim, licence, lease, grant, concession, patent or other mineral property ("New Mineral Claim"), within five (5) kilometre from any boundary of the Property (the "Area of Interest"), it shall offer the New Mineral Claim to NVG for inclusion under this Agreement as a part of the Property. If NVG elects within thirty days to include the New Mineral Claim as part of the Property, subject to the terms of this Agreement, it shall reimburse GOM its acquisition costs of the New Mineral Claim and such amount shall be included as a credit in the contribution towards the Expenditures of NVG for the applicable year (or the following year(s) if such credit is in excess of the amount of Expenditures left to be incurred during that particular year). If NVG elects not to include the New Mineral Claim as part of the Property subject to this Agreement, GOM shall hold such New Mineral Claim separate from this Agreement and NVG shall have no rights or obligations with respect thereto.

10.2 If during the term of this Agreement, NVG or an Affiliate of the NVG stakes or otherwise acquires, directly or indirectly, any right or interest in any New Mineral Claim within the Area of Interest, the New Mineral Claim shall automatically be included as part of the Property subject to this Agreement. Any acquisition costs incurred by the NVG shall be included as a credit towards the Expenditures of NVG for the applicable year (or the following year(s) if such credit is in excess of the amount of Expenditures left to be incurred during that particular year).

## **11. NO ENCUMBRANCES AGAINST PROPERTY**

11.1 During the Option Period, neither of the Parties will be entitled to grant any mortgage, charge or lien of or upon the Property or any portion thereof without the prior written consent of the other party.



## 12. FORCE MAJEURE

12.1 If either party is at any time during the Option Period and/or the Acquisition Oeriod prevented or delayed in complying with any of the provisions of this Agreement (the "Affected Party") by reason of strikes, lockouts, First Nations land claims and blockages, forest or highway closures, earthquakes, subsidence, general collapse or landslides, interference or the inability to secure on reasonable terms any private or public permits or authorizations, labour, power or fuel shortages, fires, wars, acts of God, civil disturbances, governmental regulations restricting normal operations, shipping delays or any other reason or reasons beyond the reasonable control of the Affected Party (whether or not foreseeable) (provided that lack of sufficient funds to carry out exploration on the Property will be deemed not to be beyond the reasonable control of the Affected Party), then the time limited for the performance by the Affected Party of its obligations hereunder will be extended by a period of time equal in length to the period of each such prevention or delay. Nothing in this paragraph 12.1 or this Agreement will relieve either Party from its obligation to maintain the claims comprising the Property in good standing and to comply with all applicable laws and regulations including, without limitation, those governing safety, pollution and environmental matters.

12.2 The Affected Party will promptly give notice to the other party of each event of force majeure under paragraph 12.1 within 7 days of such event commencing and upon cessation of such event will furnish the other party with written notice to that effect together with particulars of the number of days by which the time for performing the obligations of the Affected Party under this Agreement has been extended by virtue of such event of force majeure and all preceding events of force majeure.

## 13. CONFIDENTIAL INFORMATION

13.1 The terms of this Agreement and all information obtained in connection with the performance of this Agreement will be the exclusive property of the parties hereto and except as provided in paragraph 13.2, will not be disclosed to any third party or the public without the prior written consent of the other party, which consent will not be unreasonably withheld.

13.2 The consent required by paragraph 13.1 will not apply to a disclosure:

- (a) to an Affiliate, consultant, contractor or subcontractor that has a bona fide need to be informed;
- (b) to any third party to whom the disclosing party contemplates a transfer of all or any part of its interest in this Agreement;
- (c) to a governmental agency or to the public which such party believes in good faith is required by pertinent laws or regulation or the rules of any applicable stock exchange;
- (d) to an investment dealer, broker, bank or similar financial institution, in confidence if required as part of a due diligence investigation by such financial institution in connection with a financing required by such party or its shareholders or affiliates to meet, in part, its obligations under this Agreement; or
- (e) in a prospectus or other offering document pursuant to which such party proposes to raise financing to meet, in part, its obligations under this Agreement.



## 14. DEFAULT AND TERMINATION

14.1 Subject to section 12, if at any time during the Term of this Agreement, a party is in default of any requirement of this Agreement or is in breach of any provision contained in this Agreement, the party affected by the default (the "Non-Defaulting Party") may terminate this Agreement by giving written notice of termination to the other party and if:

- (a) it will have given to the other party written notice of the particular failure, default, or breach on the part of the other party; and
- (b) the other party has not, within 30 days following delivery of such written notice of default, cured such default,

this Agreement is automatically terminated.

14.2 Notwithstanding any termination of this Agreement, NVG will remain liable for those obligations specified in Sections 13 and 15 and GOM will remain liable for its obligations under Subsection 3.6 and Sections 13 and 15.

## 15. INDEPENDENT ACTIVITIES

15.1 Except as expressly provided herein, each party shall have the free and unrestricted right to independently engage in and receive the full benefit of any and all business endeavours of any sort whatsoever, whether or not competitive with the endeavours contemplated herein without consulting the other or inviting or allowing the other to participate therein. No party shall be under any fiduciary or other duty to the other which will prevent it from engaging in or enjoying the benefits of competing endeavours within the general scope of the endeavours contemplated herein. The legal doctrines of "corporate opportunity" sometimes applied to persons engaged in a joint venture or having fiduciary status shall not apply in the case of any party. In particular, without limiting the foregoing, neither party shall have any obligation to the other party as to:

- (a) except as provided for in Section 10, any opportunity to acquire, explore and develop any mining property, interest or right presently owned by it or offered to it outside of the Property at any time; and
- (b) the erection of any mining plant, mill, smelter or refinery, whether or not such mining plant, mill, smelter or refinery treats ores or concentrates from the Property.

## 16. INDEMNITY

16.1 GOM covenants and agrees with NVG (which covenant and agreement will survive the execution, delivery and termination of this Agreement) to indemnify and save harmless NVG against all liabilities, claims, demands, actions, causes of action, damages, losses, costs, expenses or legal fees suffered or incurred by GOM, directly or indirectly, by reason of or arising out of any warranties or representations on the part of GOM herein being untrue or arising out of work done by GOM on or with respect to the Property.

16.2 NVG covenants and agrees with GOM (which covenant and agreement will survive the execution, delivery and termination of this Agreement) to indemnify and save harmless GOM against

all liabilities, claims, demands, actions, causes of action, damages, losses, costs, expenses or legal fees suffered or incurred by reason of or arising out of any warranties or representations on the part of NVG herein being untrue or arising out of NVG and its duly authorized representatives accessing the Property.

## 17. GOVERNING LAW

17.1 This Agreement will be construed and in all respects governed by the laws of the Province of British Columbia and the laws of Canada applicable in British Columbia and is subject to the exclusive jurisdiction of the Courts of British Columbia.

## 18. NOTICES

18.1 All notices, payments and other required communications and deliveries to the parties hereto will be in writing, and will be addressed to the parties as follows or at such other address as the parties may specify from time to time:

(a) to GOM:

Golden Dawn Minerals Inc.  
#575-1111 West Hastings Street  
Vancouver BC, V6E 2J3  
Fax: 604-685-2360  
Attention: Wolf Wiese  
Chief Executive Officer

with a copy to:

Lunny, Jensen & MacInnes Law Corp  
C/o Ms. Kathleen MacInnes  
2550-555 West Hastings St  
P.O. Box 12077  
Vancouver, BC, V6B 4N5  
Canada  
604-684-2550

(b) to NVG:

Nass Valley Gateway Ltd.  
570-1111 West Hastings Street  
Vancouver, BC  
V6E 2J3  
Fax: 604-685-2360  
Attention: Dieter Peter  
Chairman & CEO



Notices must be delivered, sent by telex, telegram, telecopier or mailed by pre-paid post and addressed to the party to which notice is to be given. If notice is sent by telex, telegram or Telecopier or is delivered, it will be deemed to have been given and received at the time of transmission or delivery. If notice is mailed, it will be deemed to have been received five business days following the date of the mailing of the notice. If there is an interruption in normal mail service due to strike, labour unrest or other cause at or prior to the time a notice is mailed the notice will be sent by telex, telegram or telecopier or will be delivered.

18.2 Either party hereto may, at any time and from time to time, notify the other party in writing of a change of address and the new address to which a notice will be given thereafter until further change.

## 19. ASSIGNMENT

19.1 NVG will have the right to assign all or any part of its interest in this Agreement with approval of the Vendors, during the duration of the Exploration Joint Venture without the approval of GOM. During the duration of the Production Joint Venture the terms of the Production Joint Venture (Schedule "B", will apply.)

19.2 GOM grants NVG the first right of refusal if it is desirous to assign, sell or dispose of its Interest during the duration of the Exploration Joint Venture. During the duration of the Production Joint Venture the terms of the Production Joint Venture (Schedule "B", will apply.)

## 20. ARBITRATION

20.1 If there is any disagreement, dispute or controversy (hereinafter collectively called a "Dispute") between the parties with respect to any matter arising under this Agreement or the construction hereof, then the dispute shall be determined by arbitration in accordance with the following procedures:

- (a) the parties to the dispute shall appoint a single mutually acceptable arbitrator. If the parties cannot agree upon a single arbitrator, then the party on one side of the dispute shall name an arbitrator, and give notice thereof to the party on the other side of the dispute;
- (b) the party on the other side of the dispute shall within 14 days of the receipt of notice, name an arbitrator; and
- (c) the two arbitrators so named shall, within seven days of the naming of the latter of them, name a third arbitrator.

If the party on either side of the dispute fails to name its arbitrator within the allotted time, then the arbitrator named may make a determination of the dispute. The arbitration shall be conducted in Vancouver, B.C. in accordance with the *Commercial Arbitration Act* (British Columbia). The decision shall be made within 30 days following the naming of the latest of the arbitrators, shall be based exclusively on the advancement of exploration, development and production work on the Property and not on the financial circumstances of the parties, and shall be conclusive and binding upon the parties.

The costs of arbitration shall be borne equally by the parties to the dispute unless otherwise determined by the arbitrator(s) in the award.

## **21. ENTIRE AGREEMENT**

21.1 This Agreement constitutes the entire agreement between the GOM and the NVG and will supersede and replace any other agreement or arrangement, whether oral or in writing, previously existing between the parties with respect to the subject matter of this Agreement.

## **22. CONSENT OR WAIVER**

22.1 No consent or waiver, express or implied, by either party hereto in respect of any breach or default by the other party in the performance by such other party of its obligations under this Agreement will be deemed or construed to be consent to or a waiver of or any other breach or default.

## **23. FURTHER ASSURANCES**

23.1 The Parties will promptly execute, or cause to be executed, all bills of sale, transfers, documents, conveyances and other instruments of further assurance which may be reasonably necessary or advisable to carry out fully the intent and purpose of this Agreement or to record wherever appropriate the respective interests from time to time of the parties hereto in and to the Property.

## **24. SEVERABILITY**

24.1 If any provision of this Agreement is or will become illegal, unenforceable or invalid for any reason whatsoever, such illegal, unenforceable or invalid provisions will be severable from the remainder of this Agreement and will not affect the legality, enforceability or validity of the remaining provisions of this Agreement.

## **25. INUREMENT**

25.1 This Agreement will inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns.

## **26. AMENDMENTS**

26.1 This Agreement may only be amended in writing with the mutual consent of all parties.

## **27. TIME**

27.1 Time will be the essence of this Agreement and will be calculated in accordance with the *Interpretation Act* (British Columbia).



**28. COUNTERPARTS**


28.1 This Agreement may be executed in any number of counterparts and by facsimile transmission with the same effect as if all parties hereto had signed the same document. All counterparts will be construed together and constitute one and the same agreement.

**IN WITNESS WHEREOF** the parties hereto have executed this Agreement on the 2<sup>nd</sup> day of February, 2010.

EXECUTED ON BEHALF OF

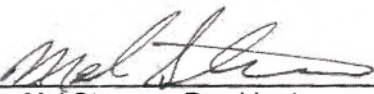
**GOLDEN DAWN MINERALS INC**

Per:   
\_\_\_\_\_  
Wolf Wiese, President & CEO

Per:   
\_\_\_\_\_  
Director

EXECUTED ON BEHALF OF

**NASS VALLEY GATEWAY LTD.**

Per:   
\_\_\_\_\_  
Mel Stevens, President

Per:   
\_\_\_\_\_  
Dieter Peter, Chairman & CEO



**SCHEDULE "A"  
THE PROPERTY**

The Property consists of the following list of Claims:  
Kirkland Lake Mining Division, Ontario

<b>Claims</b>	<b>Mineral Titles</b>	<b>Status</b>	<b># of Units</b>
Catharine	L-1226954	2015/May/25	2
Catharine	L-1226955	2015/May/25	2
Catharine	L-1226956	2015/May/25	4
Catharine	L-1222663	2015/May/25	4
Catharine	L-1226957	2014/Jun/02	2
Catharine	4225470	TBA	15
Catharine	4225469	TBA	4
Marter	4225467	2013/Dec/03	4
Catharine	4225476	2014/Jan/04	4
Catharine	4225479	2010/Jan/04	1
Catharine	4225468	2010/Jan/04	4
Marter	4225612	2010/Jan/04	6
Marter	4225613	2010/Jan/04	16
Marter	4225614	2010/Jan/04	6
Marter	4225615	2010/Jan/09	2
Marter	4225480	2010/Jan/04	8
Chamberlain	4225477	2010/Jan/04	4

Work Pending  
Work Pending

