NASS VALLEY GATEWAY LTD.
Form 51-102F1
Management's Discussion and Analysis of Financial Results
For the year ended December 31, 2010
Containing information up to and including April 29, 2011

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 financial statements for the years ended December 31, 2010 and 2009 and the notes thereto. 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.

Accounting principles

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") as described in note 2 to the financial statements applicable to a going concern which assume that the Company will realize its assets, discharge its liabilities and meet future obligations in the normal course of business.

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

Highlights and subsequent events

The following are highlights of events occurring during the year ended December 30, 2010 and subsequent thereto:

Properties

i. The Company entered into an option agreement with a TSX Venture Company for an assignment of 80% interest in three properties located in the Kirkland Lake Mining Camp, namely the 80 Ft Fall, Central Catharine and Link Catharine properties.

ii. The Company is in the process of preparing an assessment report on the Kirkland Lake properties in the format of a 43-101.

Patented technology

i. The Company and its wholly owned subsidiary, Global Environomics Systems Corp. "GSC", entered into an agreement with the inventor and patent owner of a Double Pyrolysis System which converts waste material to marketable activated carbon, for the acquisition of a licence to manufacture and distribute Waste to Energy Conversion production units ("Enviro-X Units") worldwide, with the exception of China and Taiwan.

ii. Subsequent to the expiry of the Technology Acquisition Agreement, the Company and the inventor have initiated negotiations to enter into a distribution agreement enabling GSC to earn non-exclusive distribution rights to the Machines in consideration for a commission fee.

Financing

i. During the year, the Company repaid outstanding loans due to Merfin Management, amounting to $98,508, inclusive of interest.

ii. During the year, the Company closed a private placement of 3,400,000 units at $0.05 each for total proceeds of $170,000.

iii. During the year, the Company granted 1,681,000 stock options to directors and employees with a strike price of $0.05.

iv. During the year, the Company entered into new loan agreements with Merfin Management Ltd. ("Merfin"), for a total amount of $60,000. The amounts are unsecured and bear interest at 8 - 8.5% per annum.

v. In October and November, 2010, warrants for 1.6 million common shares were exercised for total proceeds of $80,000.

vi. In January and February 2011, the Company entered into further loan agreements with Merfin Management Ltd. ("Merfin"), for a total amount of $120,000. The amounts are unsecured and bear interest at 8% per annum.

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.

NASS BAY PROJECT, British Columbia
Aggregates

In 2007 the Company completed Phases one and two of the outlined drilling program and geotechnical testing on the the Nass Bay Project. A National Instrument 43-101 report dated February 19, 2008, prepared by Erika J. Shepard L.Geo. and Tim Henneberry, P.Geo., independent Qualified Persons, was filed on SEDAR.

Twenty-three diamond drill holes, totaling 2,749 meters, were completed into a large granodiorite body, of which twenty-two were logged. A continuous section of 24.7 to 33 metres from each of three drill holes was selected for geotechnical testing. One hole was delivered to Metro Materials Testing in Burnaby, B.C., the second hole was shipped to DCI Consultants in Mountain View, California and the third hole was kept in reserve.

The grid drilling was successful in outlining an 800 metre by 200 to 400 metre area of relatively uniform granodiorite. The rock quality data ("RQD") returned measurements from 67% to 100%, with 87% percent of the readings returning RQD values above 90%.

The geotechnical results from Metro Materials Testing showed that the NB-Project_B granodiorite met or exceeded aggregate specification for all but one test, while the geotechnical results from DCI Consultants met or exceeded aggregate specifications for all tests. The testing showed that the NB-Project_B granodiorite generally meets or exceeds specifications for use as concrete and/or road construction aggregates.

The Technical Report concluded that the 2006-07 drilling program on the Nass Bay Project met its objectives.

KIRKLAND LAKE PROJECTS, 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 three properties, **Central Catharine, Link-Catharine, and the 80-Foot-Fall** are located within the Boston-Skead gold belt of northeastern Ontario.

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. One of these older mines, the Macassa Mine, is still operating. The area has produced 24 million ounces of gold.

These three properties host gold showings and mineralized zones that have previously undergone early stage exploration including some drilling. Widespread distribution of encouraging gold values justifies further detailed drilling and examination of these properties.

Link-Catharine Property

The Link-Catharine property lies along and straddles the contact of the Round Lake Batholith and the Wabewawa Group volcanics, within the south-eastern end of the Boston-Skead gold belt. A pattern of major complementary structures in the volcanic sequence, such as the north-westerly trending Pacaud Fault, presents a favourable geologic corridor for the introduction of gold mineralization. Drilling on the property to date has been directed toward VLF conductors which reflect a rectilinear pattern of north-south and east-west trending lineaments, the intersections of which coincide with known gold occurrences.

Interest arose to the area after becoming aware of three small drill programs conducted between 1999-2003 on the property that intersected numerous 1.0m to 0.4m wide quartz veins and thin veinlets with associated pyrite and iron carbonate alteration zones. An extract of the results from the three diamond drilling programs, shown below are referenced in assessment reports, complete with drill logs and assay certificates, compiled by T.A. Link, 1999, 2000 and 2003.

HOLE	FROM	TO	INTERVAL	AU G/T
DDH-1	27.2 m	27.7 m	0.5 m	4.25
DDH-2	-	-	-	-
DDH-3	6.2 m	7.0 m	0.8 m	10.69
DDH-3	7.69 m	9.4 m	1.5 m	0.86
DDH-3	26.9 m	27.9 m	1.0 m	1.93
DDH-4	32.4 m	63.7 m	31.3 m	2.74
DDH-4	31.3 m*	39.9 m*	7.8 m*	5.16*
DDH-4	43.3 m*	57.2 m*	13.9 m*	1.83
DDH-4	59.2 m*	63.7 m*	4.5 m*	3.2
DDH 99-5	34.1 m	38.7 m	4.6 m	0.85
DDH 99-6	34.4 m	35.5 m	1.1 m	1.73
DDH 03-10	58.0 m	59.7 m	1.7 m	7.77

** Sub-Interval within 32.4-63.7 m.*

In June 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:

HOLE	FROM	TO	INTERVAL	AU G/T	GEOLOGICAL DESCRIPTION
CAT 08-02	**36.5 m**	**33.5 m**	**3.0 m**	**3.550**	Two sub-parallel 50cm q.vns with chloritic and pyritic remnant inclusions.
CAT 08-02	**40.0 m**	**42.0 m**	**2.0 m**	0.630	15.0 cm irreg. q.vn with minor py and cp centered in intensely altered locally brecciated and crackled basalt
CAT 08-02	**45.5 m**	**50.0 m**	**4.5 m**	0.460	Swarm of five 25.0 to 90.0 cm qtz and brecciated qtz vns. Chloritic breccia matrix contains up to 5-7% py and cp.
CAT 08-02	**55.3 m**	**56.0 m**	**1.2 m**	**3.260**	75 cm major q.vn. with py and minor py on footwall of major q.vn.
CAT 08-02	**72.0 m**	**74.5 m**	**2.5 m**	0.810	Two 20 and 25 cm qtz-minor py veins with associated stockwork of qtz and qtz-py veinlets.
CAT 08-03	**0 m**	**101.0 m**	**101.0 m**	---	No significant Au assays reported

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.

HOLE	FROM	TO	INTERVAL	AU G/T	GEOLOGICAL DESCRIPTION
CAT 08-04	**14.5 m**	**24.5 m**	**10.0 m**	**1.01**	Major 55.0 cm q. vn with py and minor cp. supported by numerous subsidiary 0.2 to 10.0 cm q.vns with associated py in alteration envelopes.
CAT 08-04	**18.4 m***	**22.0 m***	**3.6 m***	**1.36**	**Sub-interval of above.*
CAT 08-04	**31.8 m**	**40.5 m**	**8.7 m**	0.89	Two sets of major q.vn zones with remnant pyritic chl. clots and streaks.
CAT 08-04	**37.1 m***	**40.5 m***	**3.4 m***	**2.65**	**Sub-interval of above.*
CAT 08-04	**55.1 m**	**58.5 m**	**3.4 m**	0.01	Silica/Qtz-Flood Zone with four 5.0 to 10.0 cm q.vns minor chl. clots and streaks. No py.
CAT 08-04	**60.6 m**	**77.9 m**	**17.3 m**	0.03	Major qtz vein and brecciated qtz structure with very sporadic minor py disseminations.

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.

Highlights of the drill program include:

HOLE NO.	FROM	TO	INTERVAL	WGT AVG ASSAY (g/ton) Au	LITHOLOGY PER LOG	REMARKS	ANGLE TO CA
CAT 09-01	8.60 m	8.95 m	0.35 m	*0.986*	Mafic Volcanic	Carbonate alteration	30°-40°
CAT 09-01	18.0 m	19.1 m	1.1 m	*0.566*	Green Carbonate	Highly Alt Mafic Rock	80°
CAT 09-01	31.1 m	32.0 m	0.9 m	*0.342*	Green Carbonate	Foliated; Diss Pyrite	65°-80°
CAT 09-01	34.0 m	36.0 m	2.0 m	*0.738*	White Quartz Vein	Diss Pyrite & Tourmaline	60°-80°
CAT 09-01	39.5 m	44.0 m	4.5 m	*0.632*	Carb. Alt. Mafic Volc.	Pyrite & Qtz Veins	50°-70°
CAT 09-01	45.7 m	47.0 m	1.3 m	*0.433*	Carb. Alt. Mafic Volc.	Pyrite & Qtz Veins	60°
CAT 09-01	71.0 m	72.0 m	1.0 m	*0.435*	Mafic Volcanic	Mod chlorite alt	30°
CAT 09-01	152.0 m	153.0 m	1.0 m	*0.948*	Green Carbonate	Selective strong alt.	30°-40°
CAT 09-01	162.5 m	170.0 m	7.5 m	***1.497***	Mafic Volcanic	Int Carb Alt; 1-5% pyrite	45°-70°

HOLE NO.	FROM	TO	INTERVAL	WGT AVG ASSAY *g/t Au*	LITHOLOGY PER LOG	REMARKS	ANGLE TO CA
CAT 09-02	85.4 m	91.5 m	6.1 m	***1.160***	Mafic Volcanic	Mod Chlorite Alt	70°
CAT 09-02	90.0 m*	91.0 m*	1.0 m*	***4.300****	Mafic Volcanic	Up to 5-10% pyrite	70°
CAT 09-02	95.5 m	96.0 m	0.5 m	***5.070***	Granitic Dyke	3-10% pyrite	NA
CAT 09-02	117.0 m	119.0 m	2.0 m	***8.961***	Qtz-Carb Altered Vein	Pyrite in 5 cm frac	50°
CAT 09-02	117.0 m*	118.0 m*	1.0 m*	***17.450****	Qtz-Carb Altered Vein	1-5% Pyrite	50°
CAT 09-02	196.1 m	197.1 m	1.0 m	***2.250***	Ultra-Mafic W/Chl & Serp	1-3% pyrite; fuchsite	80°

HOLE NO.	FROM	TO	INTERVAL	WGT AVG ASSAY *g/t Au*	LITHOLOGY PER LOG	REMARKS	ANGLE TO CA
CAT 09-03	166.0 m	166.5 m	0.5 m	***13.000***	Tuffs & Green Carb	Strong-Mod Alt; 10% pyr	80°
CAT 09-03	168.5 m	169.5 m	1.0 m	*0.489*	Mafic Volcanic	5.0% pyrite	80°
CAT 09-03	177.0 m	181.0 m	4.0 m	***2.152***	Grey Carb (Mafic Volc)	Intense qtz-carb alt	40°
CAT 09-03	178.0 m*	179.0 m*	1.0 m*	***3.770 ****	Grey Carb (Mafic Volc)	Intense alt; diss pyrite	40°
CAT 09-03	217.0 m	218.0 m	1.0 m	*0.659*	Green-Grey Carbonate	Fuchsite-sericite alt	55°
CAT 09-03	235.0 m	236.0 m	1.0 m	*0.401*	Green Carbonate	Strong fuchsite alt	45°

HOLE NO.	FROM	TO	INTERVAL	WGT AVG ASSAY	LITHOLOGY PER LOG	REMARKS	ANGLE TO CA
CAT 09-04	309.0 m	310.0 m	1.0 m	*0.404 g/t Au*	MAFIC VOLC & DYKE	Silic; Pyrite in dyke	NA

HOLE NO.	FROM	TO	INTERVAL	WGT AVG ASSAY	LITHOLOGY PER LOG	REMARKS	ANGLE TO CA
CAT 09-05	0 m	302.0 m	302.0 m	*All assays <0.052 g/t Au*			

HOLE NO.	FROM	TO	INTERVAL	WGT AVG ASSAY *g/t Au*	LITHOLOGY PER LOG	REMARKS	ANGLE TO CA
CAT 09-06	7.0 m	7.6 m	0.6 m	*0.925*	Grey Carbonate	Qtz Veins, pyr, tourm	40º
CAT 09-06	10.8 m	12.8 m	2.0 m	***1.020***	Grey Carbonate	Silicified & Strong Alt	40º-50º

HOLE NO.	FROM	TO	INTERVAL	WGT AVG ASSAY	LITHOLOGY PER LOG	REMARKS	ANGLE TO CA
CAT 09-07	0 m	285 m	285 m	*All assays <0.096 g/t Au*			

Drilling has confirmed historical gold mineralization on the Link-Catharine vein system and outlined several new mineralized zones delineated by the 2008 MAG and VLF-EM geophysical surveys. Multiple intersections of gold mineralization in holes CAT 09-01, 02, 03 and 06 when combined with results from holes reported in CAT 08-01 to 04 demonstrate the presence of gold within multiple zones in several conductors within a belt which trends north-south and is unexplored to the north.

Exploration on the property indicated that mineralization is associated with strongly altered ultramafic rocks, injected with numerous quartz-albite veins (carbonate-type) and/or strongly albitized/silicified basalt with variable pyrite content. Gold is noted where quartz-albite veinlets contain clotted pyrite typically greater then 3%, but also in silicified basalt and porphyritic dikes where clotted pyrite is present. Quartz-albite veins with tourmaline are associated with shears, often within the carbonate zones, and where clotted pyrite is present there appears to be a correlation between sulphide content and gold values. Pyrite also occurs as disseminated grains in the alteration envelopes bounding the quartz-albite veins.

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 are being confirmed by current drilling, and such historical results cannot be relied upon until reconfirmed. 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. 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 maketable 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 CO2 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, 2010 compared to the year ended December 31, 2009

Net loss and comprehensive loss for the year ended December 31, 2010 amounted to $267,199 (loss per share - $0.01) compared to $510,269 (loss per share - $0.02) in 2009. As the Company is still in the exploration stage, no revenue was generated. The decrease in loss of $243,070 was mainly due to:

(i) an impairment provision of $334,500 in the previous year with respect to the Nass Bay properties. No such provision was made this year;

(ii) an increase in stock base compensation of $17,106 from $9,958 in 2009 to $27,064 as a result of higher vesting during the year; and

(iii) an increase in traveling expenses of $24,235 from $3,861 in 2009 to $28,096 as a result of the due diligence work carried out on the Energy Conversion System.

Selected annual information

	Years Ended December 31		
	2010	**2009**	**2008**
	$	$	$
Total revenues	-	-	-
General and administrative	267,199	175,769	273,802
Loss for the year	(267,199)	(510,269)	(273,802)
Loss per share – basic	(0.01)	(0.02)	(0.01)
Loss per share – diluted	(0.01)	(0.02)	(0.01)
Total assets	862,522	891,580	1,012,382
Total long –term liabilities	61,563	97,234	30,973
Shareholder's equity	742,258	714,893	922,704
Cash dividends declared - per share	-	-	-

Selected quarterly information (unaudited)

Three months ended	**Dec 31 2010**	**Sep 30 2010**	**June 30 2010**	**Mar 31 2010**	**Dec 31 2009**	**Sep 30 2009**	**June 30 2009**	**Mar 31 2009**
Total assets	$ 862,522	$ 817,008	$ 904,839	$ 812,739	$ 891,580	$ 1,057,163	$ 1,055,201	$ 1,093,176
Resource properties and deferred costs	817,336	756,086	756,904	747,389	687,389	1,017,827	1,017,827	1,014,312
Working capital (deficiency)	(18,586)	23,740	27,555	(33,711)	119,155	(105,838)	(82,102)	(23,839)
Shareholders' equity	742,258	734,488	789,786	670,038	714,893	827,390	862,989	914,558
Revenue	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Net loss	(77,149)	(58,823)	(86,183)	(45,044)	(368,501)	(37,795)	(55,101)	(48,872)
Earnings (loss) per share	(0.00)	(0.00)	(0.00)	(0.00)	(0.01)	(0.00)	(0.00)	(0.00)

Liquidity

The Company's working capital and deficit positions at December 31, 2010 and 2009 were as follows:

	2010	2009
Working capital (deficiency)	$ (18,586)	$ 119,155
Deficit	1,604,141	1,336,942

The cash positions at December 31, 2010 and 2009 were $9,148 and $176,950 respectively.

The Company's financial condition is contingent upon management being able to raise additional funds to complete its planned exploration program and if feasible, 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 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 December 31, 2010, the Company had a share capital (including contributed surplus) totaling $2,346,399 (2009: $2,051,835), representing 36,526,303 (2009: 31,276,303) common shares without par value, and an accumulated deficit of $1,604,141 (2009: $1,336,942). The shareholder's equity amounted to $742,258 (2009: $714,893).

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, 2010 and 2009 and its prospectus filed February 26, 2007, which are available on SEDAR at www.Sedar.com

Related party transactions

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

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

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

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

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

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

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

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

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

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

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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
Barry McGowan	Director (resigned on September 20, 2010)
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 29, 2011:

	Number outstanding	Exercise Price	Expiry Date
Common shares	36,576,303		
Common shares issuable on exercise:			
Stock options	556,000	$0.15	January 31, 2012
Stock options	146,600	$0.18	June 25, 2011
Stock options	211,000	$0.05	June 25, 2012
Stock options	1,356,000	$0.05	June 15, 2013
Stock options	35,000	$0.07	March 29, 2014
Warrants	6,900,000	$0.05	December 23, 2012
Warrants	3,400,000	$0.075	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 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.

Changes in accounting policies

Recent accounting pronouncements

ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

In February 2008, the Canadian Accounting Standards Board (CASB) confirmed that the International Financial Reporting Standards ("IFRS") will replace the Canadian GAAP for all public companies for

interim and annual financial statements for fiscal years beginning on or after January 1, 2011. The standard also requires that comparative figures for 2010 be based on IFRS.
The Company has identified the three phases of its conversion plan: planning, detailed assessment and implementation. The planning phase involves the mobilizing of resources and identifying the key impact areas of the conversion. The detailed assessment phase will result in accounting policies and transitional exemptions decisions, quantification of the impact on the financial statements and review of the business processes. The implementation phase involves the reporting and system processes to support the preparation of IFRS compliant financial data, including the January 1, 2011 opening balance sheet, the 2011 fiscal year and thereafter.

At December 31, 2010, the Company has already completed the planning phase and is analyzing existing financial reporting with identified key impact areas of IFRS. Many of the differences identified are not expected to have a material impact on the reported results and financial position.

Most adjustments required on transition to IFRS will be made, retrospectively, against opening retained earnings as of the date of the first comparative balance sheet presented based on standards applicable at that time.

IFRS 1, "First-Time Adoption of International Financial Reporting Standards", provides entities adopting IFRS for the first time with a number of optional exemptions and mandatory exceptions, in certain areas, to the general requirement for full retrospective application of IFRS. During the second quarter of 2010, management intends to conduct an IFRS educational session for the Audit Committee and the Board of Directors which will focus on the key issues and transitional choices under IFRS 1 applicable to the Company.

Set out below are the most significant areas, identified to date by management, where changes in accounting policies may have the highest potential impact on the Company's consolidated financial statements based on the accounting policy choices approved by the Audit Committee and Board of Directors.

In the period leading up to the changeover in 2011, the AcSB has ongoing projects and intends to issue new accounting standards during the conversion period. As a result, the final impact of IFRS on the Company's consolidated financial statements can only be measured once all the IFRS accounting standards at the conversion date are known. Management will continue to review new standards, as well as the impact of the new accounting standards, between now and the conversion date to ensure all relevant changes are addressed.

Fair value of assets

Canadian GAAP generally uses a two-step approach to impairment testing: first comparing asset carrying values with undiscounted future cash flows to determine whether impairment exists; and then measuring any impairment by comparing asset carrying values with discounted cash flows. International Accounting Standard (IAS) 36, "Impairment of Assets" uses a one-step approach for both testing and measurement of impairment, with asset carrying values compared directly with the higher of fair value less costs to sell and value in use (which uses discounted future cash flows). This may potentially result in write downs where the carrying value of assets were previously supported under Canadian GAAP on an undiscounted cash flow basis, but could not be supported on a discounted cash flow basis.

The Company has already reviewed the fair value of its assets and has carried out impairment on certain receivables.

Share Based Payments

IFRS and Canadian GAAP largely converge on the accounting treatment for share – based transactions with only a few differences.

Canadian GAAP allows either accelerated or straight line method of amortization for the fair value of stock options under graded vesting. Currently, the Company is using the accelerated amortization method and therefore the adoption of IFRS 2 is not expected to have an impact on the Company's financial statements.

Under IFRS, the estimate for forfeitures must be made when determining the number of equity instruments expected to vest, while under Canadian GAAP forfeitures can be recognized as they occur. The Company is currently using the estimate of forfeitures when determining the number of equity instruments expected to vest.

Upon adoption of IFRS 2, the Company will be fully compliant with the new standard and the adoption will not have an impact on the financial statements.

Exploration and Evaluation Assets

Under the Company's current accounting policy, acquisition costs of mineral properties, together with direct exploration and development expenses incurred thereon are capitalized.

Upon adoption of IFRS, the Company has to determine the accounting policy for exploration and evaluation assets. The Company can decide to apply the International Accounting Standards Board ("IASB") Framework which requires exploration expenditures to be expensed and capitalization of expenditures only after the completion of a feasibility study or choose to and keep the existing Company's policy, if relevant and reliable.

Management has decided to keep the existing Company's policy wherever relevant and reliable.

Property, Plant and Equipment

Under IFRS, Property, Plant and Equipment ("PP&E") can be measured at fair value or at cost while under Canadian GAAP, the Company has to carry PP&E on a cost basis and the revaluation is prohibited.

Upon adoption of IFRS, the Company has to determine whether to elect a cost model or revaluation model. Management has decided to adopt a cost model. Currently, the Company only has leasehold improvements, furniture and equipment, mining equipment, vehicles and computer software capitalized as property, plant and equipment and as a result, management does not anticipate that there will be a significant impact on the adoption of the IFRS cost model on the Company's financial statements.

In accordance with IAS 16 "Property, Plant and Equipment", upon acquisition of significant assets, the Company will need to allocate an amount initially recognized in respect of an asset to its component parts and accounts for each component separately when the components have different useful lives or the components provide benefits to the entity in a different pattern.

Future Income Taxes

Like Canadian GAAP, deferred income taxes under IFRS are determined using the liability method for temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, and by generally applying tax rates applicable to the Company to such temporary differences. Deferred income taxes relating to temporary differences that are in equity are recognized in equity and under IFRS subsequent adjustments thereto are backward traced to equity.

IFRS prohibits recognition where deferred income taxes arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting nor taxable net earnings. The Company expects the impact of implementing IAS 12, Income Taxes will not have a significant impact on the financial statements. However, as events and circumstances of the Company's operations change that give rise to future income taxes, IAS 12 will be applied.

As the Company elects and approves the IFRS accounting policy for each of the areas above, management will determine and disclose the potential impact of the IFRS adoption at the transition date on our financial statements. The International Accounting Standards Board will also continue to issue new accounting standards during the conversion period and, as a result, the final impact of IFRS on the Company's consolidated financial statements will only be measured once all the IFRS applicable accounting standards at the conversion date are known.

Based on management's assessment of the information system currently used by the Company, all information required to be reported under IFRS is expected to be available with minimal system changes. In addition, based upon the Company's current operations, it is management's opinion that the adoption of IFRS is not expected to have a significant impact on internal controls and reporting procedures.

One of the more significant impacts identified to date of adopting IFRS is the expanded presentation and disclosure requirements. Disclosure requirements under IFRS generally contain more breadth and depth than those required under Canadian GAAP and, therefore, will result in more extensive note references. The Company is continuing to assess the level of presentation and disclosures required for its consolidated financial statements.

The Company will continue to communicate progress of the IFRS conversion project in its quarterly reporting.

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 Goods and Services Tax (GST) due from the Federal Government. Amounts receivable from related parties and amounts due to related parties are described in Note 7 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). 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 29, 2011