**NASS VALLEY GATEWAY LTD.**
**Form 51-102F1**
**Management's Discussion and Analysis of Financial Results**
**For the six months ended June 30, 2011**
**Containing information up to and including August 25, 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 consolidated financial statements for the year ended December 31, 2010 and unaudited consolidated financial statements for the six months ended June 30, 2011 and 2010. The unaudited consolidated financial statements for the six months ended June 30, 2011 and 2010 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 11 to the unaudited interim 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** ("Sedar") and to review general information.

## *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, 2011 and subsequent thereto:

**Properties**

A Technical report in the format of a 43-101 on the Kirkland properties, which was filed on Sedar, has been resubmitted for review to the BC Securities Commission (BCSC), following deficiencies raised by the Commission. An amended Technical report will be filed once cleared by the BCSC.

**Patented technology**

i. Following 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.

ii. Commensurate with its commitment to Renewable Energy technology, the Company is currently negotiating agreements with a view to expand its activities in that sector.

**Financing**

i. During the six months ended June 30, 2011 and subsequent, the Company entered into new loan agreements with Merfin Management Ltd. ("Merfin"), for a total amount of $195,000. The amounts are unsecured and bear interest at 8 and 8.5% per annum. The Company also issued 375,000 common shares as a bonus in accordance with the terms of the foregoing loan agreement.

## *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.

**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. A Technical report in the format of a 43-101 on the Kirkland properties is currently being finalized.

***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 | 30º-40º |
| CAT 09-01 | 18.0 m | 19.1 m | 1.1 m | 0.566 | Green Carbonate | Highly Alt Mafic Rock | 80º |
| CAT 09-01 | 31.1 m | 32.0 m | 0.9 m | 0.342 | Green Carbonate | Foliated; Diss Pyrite | 65º-80º |
| CAT 09-01 | 34.0 m | 36.0 m | 2.0 m | 0.738 | White Quartz Vein | Diss Pyrite & Tourmaline | 60º-80º |
| CAT 09-01 | 39.5 m | 44.0 m | 4.5 m | 0.632 | Carb. Alt. Mafic Volc. | Pyrite & Qtz Veins | 50º-70º |
| CAT 09-01 | 45.7 m | 47.0 m | 1.3 m | 0.433 | Carb. Alt. Mafic Volc. | Pyrite & Qtz Veins | 60º |
| CAT 09-01 | 71.0 m | 72.0 m | 1.0 m | 0.435 | Mafic Volcanic | Mod chlorite alt | 30º |
| CAT 09-01 | 152.0 m | 153.0 m | 1.0 m | 0.948 | Green Carbonate | Selective strong alt. | 30º-40º |
| CAT 09-01 | 162.5 m | 170.0 m | 7.5 m | **1.497** | Mafic Volcanic | Int Carb Alt; 1-5% pyrite | 45º-70º |

| 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 | 70º |
| CAT 09-02 | 90.0 m* | 91.0 m* | 1.0 m* | **4.300*** | Mafic Volcanic | Up to 5-10% pyrite | 70º |
| 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 | 50º |
| CAT 09-02 | 117.0 m* | 118.0 m* | 1.0 m* | **17.450*** | Qtz-Carb Altered Vein | 1-5% Pyrite | 50º |
| CAT 09-02 | 196.1 m | 197.1 m | 1.0 m | **2.250** | Ultra-Mafic W/Chl & Serp | 1-3% pyrite; fuchsite | 80º |

| 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 | 80º |
| CAT 09-03 | 168.5 m | 169.5 m | 1.0 m | 0.489 | Mafic Volcanic | 5.0% pyrite | 80º |
| CAT 09-03 | 177.0 m | 181.0 m | 4.0 m | **2.152** | Grey Carb (Mafic Volc) | Intense qtz-carb alt | 40º |
| CAT 09-03 | 178.0 m* | 179.0 m* | 1.0 m* | **3.770 *** | Grey Carb (Mafic Volc) | Intense alt; diss pyrite | 40º |
| CAT 09-03 | 217.0 m | 218.0 m | 1.0 m | 0.659 | Green-Grey Carbonate | Fuchsite-sericite alt | 55º |
| CAT 09-03 | 235.0 m | 236.0 m | 1.0 m | 0.401 | Green Carbonate | Strong fuchsite alt | 45º |

| 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 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 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*

***Six months ended June 30, 2011 compared to the six months ended June 30, 2010***

Net loss and comprehensive loss for the six months ended June 30, 2011 amounted to $154,717 (loss per share - $0.00) compared to $131,227 (loss per share - $0.00) in the corresponding period in 2010. As the Company is still in the exploration stage, no revenue was generated. The increase in loss of $23,490 was mainly due to:

(i) an increase in expenses related to loans of $24,692 from $1,661 in 2010 to $26,333 due to the issue of bonus shares in accordance with the loan agreement and higher amount outstanding;

(ii) a decrease in stock based compensation of $25,533 from $36,120 in 2010 to $10,587 due to a lower vesting; and

(iii) 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.

***Three months ended June 30, 2011 compared to the three months ended June 30, 2010***

(iv) Net loss and comprehensive loss for the three months ended June 30, 2011 amounted to $59,572 (loss per share - $0.00) compared to $86,183 (loss per share - $0.00) in the corresponding period in 2010. As the Company is still in the exploration stage, no revenue was generated. The decrease in loss of $35,611 was mainly due to a decrease in stock based compensation of $26,812 from $35,035 in 2010 to $8,223 due to a lower vesting.

### *Selected annual information*

| | Years Ended December 31 | | |
|---|---|---|---|
| | **IFRS** | **GAAP** | **GAAP** |
| | **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)*

| | **IFRS** | | **IFRS** | | | | **GAAP** | |
|---|---|---|---|---|---|---|---|---|
| **Three months ended** | **June 30 2011** | **Mar 31 2011** | **Dec 31 2010** | **Sep 30 2010** | **June 30 2010** | **Mar 31 2010** | **Dec 31 2009** | **Sep 30 2009** |
| Total assets | $ 942,202 | $ 897,660 | $ 862,522 | $ 817,008 | $ 904,839 | $ 812,739 | $ 891,580 | $ 1,057,163 |
| Resource properties and deferred costs | 888,973 | 876,881 | 817,336 | 756,086 | 756,904 | 747,389 | 687,389 | 1,017,827 |
| Working capital (deficiency) | (19,706) | (20,457) | (18,586) | 23,740 | 27,555 | (33,711) | 119,155 | (105,838) |
| Shareholders' equity | 623,378 | 674,728 | 742,258 | 734,488 | 789,786 | 670,038 | 714,893 | 827,390 |
| Revenue | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| Net loss | (59,572) | (95,145) | (77,149) | (58,823) | (86,183) | (45,044) | (368,501) | (37,795) |
| Earnings (loss) per share | (0.00) | (0.00) | (0.00) | (0.00) | (0.00) | (0.00) | (0.01) | (0.00) |

## *Liquidity*

The Company's working capital and deficit positions at June 30, 2011 and December 31, 2010 were as follows:

| | **June 30 2011** | **December 31 2010** |
|---|---|---|
| Working capital (deficiency) | $ (19,706) | $ (18,586) |
| Deficit | 1,758,858 | 1,604,141 |

The cash positions at June 30, 2011 and December 31, 2010 were $41,046 and $9,148 respectively.

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 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, 2011, the Company had a share capital of $2,162,665 (December 31, 2010: $2,137,415), representing 37,001,303 (December 31, 2010: 36,526,303) common shares without par value, and an accumulated deficit of $1,758,858 (December 31, 2010: $1,604,141). The shareholder's equity amounted to $623,378 (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, 2010 and 2009 and its prospectus filed February 26, 2007, which are available on SEDAR at www.Sedar.com

## *Related party transactions*

During the six months ended June 30, 2011, the Company entered into the following transactions with related parties. These transactions were in the normal course of operations and were priced on an arm's length basis.

**Key Management personnel compensation**

No remuneration was paid during the six months ended June 30, 2011 to any key management personnel (2010: $Nil). Instead, the Company pays a management fee to Mineral Hill Industries Ltd, a company listed on the TSX Venture, which has common directors and officers, with respect to administrative charges, including the services of its key management personnel.

During the six months ended June 30, 2011, the Company paid or accrued $53,164 (2010: $48,734) with respect the foregoing.

**Other related party transactions**

(i) 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 written off during the six months ended June 30, 2011. Also an amount of $994 due to another private company with common directors and officers was cancelled during the six months ended June 30, 2011.

(ii) At June 30, 2011, an amount of $6,804 (December 31, 2010: $6,804) was outstanding and payable to Krypt-LogX Network Corp., a private company controlled by common directors, for the provision of information technology services.

**Advances from related party**

a) During the year ended December 31, 2010, the Company entered into loan agreements with Merfin Management Ltd., 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% and 8.5% per annum. At June 30, 2011, these amounts remained outstanding.

b) During the six months ended June 30, 2011, further advances were received from Merfin Management Ltd. totalling $185,000, under the same terms as the previous loans.

c) Subsequent to June 30, 2011, a further advance of $10,000 was received from Merfin Management, under the same terms as the previous loans.

During the six months ended June 30, 2011, an amount of $7,326 (2010: $1,274) was accrued as interest, bringing the total amount due to Merfin Management Ltd. at that date to $253,889 (December 31, 2010: $61,562).

During the six months ended June 30, 2011, the Company issued 375,000 common shares, valued at $18,750, as a bonus pursuant to the terms of the above loan agreements.

**Amounts payable to other related parties**

| | | **June 30 2011** | December 31 2010 | January 1 2010 |
|---|---|---|---|---|
| Gixtat'in Mhind World Link Ltd.* | $ | **-** | 994 | 994 |
| Krypt-Logx Network Corp.* | | **6,804** | 6,804 | 6,804 |
| Mineral Hill Industries Ltd* | | **787** | 27,709 | 70,043 |
| Dieter Peter (CEO) | | **12,163** | - | - |
| Golden Dawn Minerals Inc.* | | **5,025** | - | - |
| | **$** | **24,779** | 35,507 | 77,841 |

* Related by common directors and officers

## *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 August 25, 2011:*

| | Number outstanding | Exercise Price | Expiry Date |
|---|---|---|---|
| Common shares | 37,001,303 | | |
| **Common shares issuable on exercise:** | | | |
| Stock options | 556,000 | $0.15 | January 31, 2012 |
| 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 |
| Stock options | 50,000 | $0.10 | March 1, 2012 |
| 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.

## *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 first set of annual financial statements under IFRS will be those as at December 31, 2011, including comparative information for the year ended December 31, 2010.

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 three and six months ended June 30, 2010 and the year ended December 31, 2010. The interim consolidated financial statements for the six months ended June 30, 2011 are incorporated by reference in this MD&A and present information relating to the impact of the translation to IFRS, including a complete set of its significant accounting policies. In an attempt to provide the readers with a clear understanding of the requirements of IFRS, management has included its full accounting policies in its first IFRS interim consolidated financial statements.

*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 only significant adjustment on the balance sheet as at December 31, 2010 was the classification of share option compensation and warrant. The transition from Canadian GAAP to IFRS had no significant impact on the Statement of comprehensive loss and on the statement of cash flows.

### Transitional impact

Note 16 in the interim financial statements for the six months ended June 30, 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. It should be read in conjunction with the first interim financial statements under IFRS filed for the Company for the quarter ended March 31, 2011. No change to control activities, business activities and key performance measures, and IT systems was reported for the quarter ended June 30, 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 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
August 25, 2011