

**NASS VALLEY GATEWAY LTD.****Form 51-102F1****Management's Discussion and Analysis of Financial Results****For the three months ended March 31, 2013****Containing information up to and including May 29, 2013**

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 unaudited condensed interim consolidated financial statements for the three months ended March 31, 2013 and 2012. The condensed interim consolidated financial statements for the three months ended March 31, 2013 and 2012 have been prepared in accordance with International Financial Reporting Standards ("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.

This MD&A is the responsibility of management. The Board of Directors carries out its responsibility for the review of this disclosure directly and through its audit committee comprised exclusively of independent directors. The audit committee reviews and approves this disclosure prior to its publication, pursuant to the authority delegated to it by the Board of Directors.

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.

**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 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 three months ended March 31, 2013 and subsequent thereto:

**Financing**

During the three months ended March 31, 2013, the Company borrowed \$21,000 from Merfin Management Limited ("Merfin"). As at March 31, 2013, the balance of the loan from Merfin is \$41,000. Subsequent to March 31, 2013, the Company borrowed additional \$41,000 from Merfin Management Limited. Under the terms of agreements, the amount is unsecured and bears interest at 8.50% per annum.

During the three months ended March 31, 2013, the Company issued 33,333 common shares to Golden Dawn Minerals Inc, valued at \$667, pursuant to the acquisition agreement.

**Operations**

During the three months ended March 31, 2013, M-Wave EnviroTech Inc. ("MWE"), a subsidiary of the Company, has successfully qualifies installation and test run of its first M-Wave Unit within the premise of its joint venture partner Imperial Cedar Products Ltd. ("LCP"). Initial tests and pilot runs were successful in proving the MWE's claim that the M-Wave System is an environmentally-friendly drying technology for wood products compared to the traditional Kiln drying systems presently used within the industry.

**Description of business and overall performance**

The Company 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.

Before the spinoff of the Kirkland Lake Properties, the Company was considered to be an exploration company engaged in Vancouver, British Columbia in the exploration for industrial and metallic minerals in British Columbia and precious metals in Ontario. After the spinoff completed in October 2012, the Company's operations focus on its green technologies by commercializing its wood drying M-Wave System. 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.

### **M-Wave System**

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 Company has undertaken to develop the M-Wave System 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.

M-Wave System is a superior, environmentally-friendly, drying technology for wood products compared to the traditional Kiln drying systems presently used within the industry. This first M-Wave unit will initially be used by M-Wave System BC01 Inc. ("MWE-BC01") for smaller production runs of cedar shingles and also as the Company's demonstration unit to prove the efficiency of the M-Wave System for custom drying of all soft and hard wood products used in the housing construction industry.

M-Wave EnviroTech Inc. has initiated the design of a larger scale M-Wave unit for its subsidiary MWE-BC01 Inc. to accommodate additional demand for M-Wave dried products. This demand was identified after the analysis of test runs of cedar feed-stock of different quality and moisture content. The increased demand is for the production of dry, quality re-edged and re-buttet, grooved, sanded shingles, as well as specialty cut and then primed and pre-stained shingles and shakes for the local and export markets. This second M-Wave unit is anticipated to be delivered and in production during the summer of 2013.

### **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 (the "Kirkland Properties").

On October 15, 2012, the Company and its wholly owned subsidiary Kirkland Precious Metals Corp. ("KPM") completed a Plan of Arrangement ("POA") pursuant to which all rights and obligations granted under the GOM Acquisition Agreement to the Company, were transferred from the Company to KPM, and then KPM was spun off to the Company's shareholders, effectively eliminating and further involvement in the Kirkland Properties by the Company (the "Spin-Off")

**Results of operations**

**Three months ended March 31, 2013 compared to the three ended March 31, 2012**

Net loss and comprehensive loss for the three months ended March 31, 2013 amounted to \$32,694 (loss per share - \$0.00) compared to \$57,539 (loss per share - \$0.00) in the previous year. As the Company is still in the exploration stage, no revenue was generated. The decrease in loss of \$24,845 was mainly due to:

- (i) a decrease of \$4,794 in interest expenses from \$5,531 in 2012 to \$737 due to repayment of loan \$300,000 to Merfin Management Ltd. in 2012;
- (ii) a decrease in investor relations \$2,278 from \$3,478 in 2012 to \$1,200 mainly due to directors travel related to private placement in 2012 and no such cost in current period;
- (iii) a decrease in share based payments \$9,519 from \$9,519 in 2012 to \$nil mainly due to no stock options issued in current period; and
- (iv) a decrease of \$9,114 in transfer agent and filing fees from \$9,791 in 2012 to \$677 mainly due to transfer agent fees related to consolidation of shares.

**Selected annual information**

	December 31, 2012	December 31, 2011	December 31, 2010
	\$	\$	
Total revenues	-	-	-
General and administrative	347,053	240,243	267,199
Loss for the year	(340,249)	(944,336)	(267,199)
Loss per share – basic	(0.02)	(0.08)	(0.02)
Loss per share – diluted	(0.02)	(0.08)	(0.02)
Total assets	29,441	216,834	862,522
Total long –term liabilities	-	299,087	61,563
Shareholder's equity (deficiency)	(64,826)	(140,977)	742,258
Cash dividends declared - per share	-	-	-

**Selected quarterly information**

Three months ended	Mar 31 2013	Dec 31 2012	Sep 30 2012	June 30 2012	Mar 31 2012	Dec 31 2011	Sep 30 2011	June 30 2011
Total assets	23,280	\$ 29,441	\$ 252,703	\$ 364,847	\$ 282,739	\$ 216,834	\$ 919,670	\$ 942,202
Exploration and evaluation assets	-	-	225,289	209,387	209,387	198,887	888,973	888,973
Working capital (deficiency)	(99,853)	(67,826)	(2,843)	108,039	3,143	(43,777)	(41,545)	(19,706)
Shareholders' equity	(96,853)	(64,826)	225,446	320,426	159,003	(140,977)	581,353	623,378
Revenue	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Net loss	(32,694)	(110,804)	(99,925)	(71,981)	(57,539)	(744,382)	(45,237)	(59,572)
Earnings (loss) per share	(0.00)	(0.01)	(0.01)	(0.00)	(0.00)	(0.06)	(0.00)	(0.00)

## **Liquidity**

The Company's working capital and deficit positions at March 31, 2013 and December 31, 2012 were as follows:

	<b>March 31 2013</b>	<b>December 31 2012</b>
Working capital (deficiency)	\$ (99,853)	\$ (67,826)
Deficit	2,921,420	2,888,726

The cash positions at March 31, 2013 and December 31, 2012 were \$9,861 and \$7,853 respectively.

The Company's financial condition is contingent upon management being able to raise additional funds to complete the manufacture of the energy conversion units and commercializing M-Wave Systems. 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 and feedstock used by its technology systems. 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 if it is not able to sell any of its technology systems. There can be no assurance the Company will be able to obtain required financing in the future on acceptable terms. The Company anticipates that it will need additional capital in the future to finance ongoing operations and development, such capital to be derived from pre-sales of its technology systems, 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 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 have experienced 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 March 31, 2013, the Company had a share capital of \$2,532,566 (December 31, 2012: \$2,531,899), representing 24,417,083 (December 31, 2012: 24,383,750) common shares without par value, and an accumulated deficit of \$2,921,420 (December 31, 2012: \$2,888,726). The shareholder's equity amounted to \$(96,853) (December 31, 2012: \$(64,826)).

## **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, 2012 and 2011 and its prospectus filed February 26, 2007, which are available on SEDAR at [www.Sedar.com](http://www.Sedar.com)

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**Related party transactions**

During the three months ended March 31, 2013, the Company entered into the following transactions with related parties.

**Key Management personnel compensation**

No remuneration was paid during the three months ended March 31, 2013 and 2012 to any key management personnel. Instead, the Company pays a management fee and administrative charges, including the services of its key management personnel, to Mineral Hill Industries Ltd, a company listed on the TSX Venture, which has common directors and officers.

During the three months ended March 31, 2013, the Company incurred \$27,690 (2012: \$25,417) with respect to the foregoing.

**Other related party transactions**

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

	<b>March 31 2013</b>	December 31 2012
Mineral Hill Industries Ltd.	<b>29,651</b>	25,638
GMM Admin Corp.	<b>786</b>	786
	<b>\$ 30,437</b>	\$ 26,424

The amount outstanding due from related party was as follows:

	<b>March 31 2013</b>	December 31 2012
Kirkland Precious Metals Corp.	<b>4,365</b>	3,100
Global Environomic Systems Corp.	<b>100</b>	100
	<b>4,465</b>	3,200

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 three months ended March 31, 2013, the Company entered into loan agreements with Merfin Management Limited ("Merfin"), a private company with a common director for loan totalling \$41,000. Under the terms of agreements, the amount is unsecured and bears interest at 8.50% per annum.

During the three months ended March 31, 2013, the Company:

- (i) accrued a further \$655 (2012: \$5,437) in interest on the outstanding loans
- (ii) repaid a total of \$Nil (2012:\$267,997) in outstanding loans, including interest.

At March 31, 2013, the outstanding loan and accrued interest balance is \$41,655 (December 31, 2012:\$20,000).

	<b>March 31 2013</b>	December 31 2012
Loan payable	<b>\$ 41,000</b>	20,000
Interest payable	<b>655</b>	-
	<b>\$ 41,655</b>	20,000

**Directors and Officers**

Dieter Peter	President, CEO and Director (Mineral Hill Industries Ltd)
Melvin Stevens	Director
Andrew von Kursell	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)
	Corporate Secretary (appointed on April 2, 2013)

**Outstanding share data as at May 29, 2013:**

	<b>Number outstanding</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
Common shares	24,417,083		
<b>Common shares issuable on exercise:</b>			
Stock options	1,489,152	\$0.10	November 8, 2015
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

**Future Developments**

The Company will now focus solely to pursue the development of its technology projects to generate a cash flow and will seek also financing with its business alliance partners for its projects.

**Risks and Uncertainties**

The Company is engaged in advanced technology projects. The Company's financial success will be dependent upon the successful development and commercialization of its M-Wave Systems. These activities involve significant risks which may not be eliminated even with experience and knowledge.

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 demand of environmentally friendly products can be dependent on global consumption and economy;
- No assurance about the economic viability, it is speculative;
- The viability of environmentally technologies is subject to different interpretations that could affect the success of any development program;
- The development of the business will require substantial additional financing. Development funds can be restricted by unexpected economic conditions such which are beyond the Company's control;
- An increasing competition to adapt similar systems throughout the world;
- The emerge of more advanced technology causing the Company's technology obsolete;
- The rights to intellectual properties must be maintained in accordance with various regulations and agreements;
- Additional costs can be incurred such as availability of experts, work force and equipment;
- Additional expenditures will be required to establish permits and patents;
- There can be no assurance that the business plan will succeed in whole or in part;
- The Company is exposed to some seasonality risk due to factors including, but not limited to, the seasonality of construction industry.

### **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 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 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 development of its technology, 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 presently no source of operating income and has no assurance that additional funding will be available to it for future 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.

### **Forward-Looking Statements**

The statements made in this MD&A that are not historical facts contain forward-looking information that involves risk and uncertainties. All statements, other than statements of historical facts, which address the Company's expectations, should be considered forward-looking statements. Certain forward looking information should also be considered future-oriented financial information ("FOFI") as that term is defined in NI 51-102. The purpose of disclosing FOFI is to provide a general overview of management's expectations regarding the anticipated results of operations and capital expenditures. Such statements are based on management's exercise of business judgment as well as assumptions made by and information currently available to management. When used in this document, the words "may", "will", "anticipate", "believe", "estimate", "expect", "intend" and words of similar import, are intended to identify any forward-looking statements. Forward-looking statements are statements about the future and are inherently uncertain, and actual achievements of the Company and its subsidiaries may differ materially from those reflected in the forward-looking statements due to a variety of risks, uncertainties and other factors.

The Company's forward-looking statements are based on the beliefs, expectations and opinions of management on the date the statements are made, and the Company does not assume any obligation to update forward-looking statements if circumstances or management's beliefs, expectations or opinions should change except as required by law. You should not place undue reliance on these forward-looking statements. These statements reflect our current view of future events and are subject to certain risks and uncertainties as contained in the Company's filings with Canadian securities regulatory authorities. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, our actual results could differ materially from those anticipated in these forward-looking statements to reflect events or circumstances after the date hereof, or to reflect the occurrence of any unanticipated events. Although we believe that our expectations are based on reasonable assumptions, we can give no assurance that our expectations will materialize. The forward-looking statements made in this MD&A describe our expectations as at May 29, 2013.

*"Dieter Peter"*  
On behalf of the Board  
Dieter Peter  
Chief Executive Officer  
May 29, 2013