

**NASS VALLEY GATEWAY LTD.**  
**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED**  
**June 30, 2019 AND 2018**  
*(Expressed in Canadian Dollars)*  
(Unaudited)

# NASS VALLEY GATEWAY LTD.

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**NOTICE OF NO AUDITORS' REVIEW OF  
INTERIM FINANCIAL STATEMENTS**

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

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

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

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

|   | Note | June 30<br>2019<br>(unaudited)<br>\$ | December 31<br>2018<br>(unaudited) <sup>(1)</sup><br>\$ |
|---|------|--------------------------------------|---|
| <b>ASSETS</b>                             |      |                                      |   |
| <b>Current assets</b>                     |      |                                      |   |
| Cash and equivalents                      | 4    | 9,969                                | 159,212   |
| Marketable securities                     | 5    | 264                                  | -   |
| Amounts receivable from related parties   | 8    | 557,311                              | 610,747   |
| Amounts receivable from unrelated parties |      | 939,715                              | 757,698   |
|   |      | 1,507,259                            | 1,527,657   |
| <b>Non-current assets</b>                 |      |                                      |   |
| Other assets                              |      | -                                    | -   |
|   |      | 1,507,259                            | 1,527,657   |
| <b>LIABILITIES AND DEFICIENCY</b>         |      |                                      |   |
| <b>Current liabilities</b>                |      |                                      |   |
| Accounts payable and accrued liabilities  |      | 546,319                              | 718,661   |
| Due to related parties                    | 8    | 2,068,927                            | 2,288,575   |
| Due to unrelated parties                  |      | 645,810                              |   |
|   |      | 3,261,056                            | 3,007,236   |
| <b>Equity</b>                             |      |                                      |   |
| Share capital                             | 9    | 1,306,935                            | 2,434   |
| Contributed Surplus                       |      | 618,511                              |   |
| Deficit                                   |      | (3,679,243)                          | (1,482,013)   |
|   |      | (1,753,797)                          | (1,479,579)   |
|   |      | 1,507,259                            | 1,527,657   |

<sup>(1)</sup> The year end financials only reflect ABL's numbers. As ABL was still a privately held company no audited financials were required.

Nature of Operations and Going Concern (Note 1)

Subsequent events (Note 12)

These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors on August 30, 2019:

"John Affenita"  
 John Affenita, Director

"Darren Palestine"  
 Darren Palestine, Director

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

**Nass Valley Gateway Ltd.**  
**Condensed interim consolidated statements of income and comprehensive loss**  
**(unaudited)**  
*(Expressed in Canadian Dollars)*

|   | Note | For the three months ended<br>June 30 |             |
|---|------|---------------------------------------|-------------|
|   |      | 2019                                  | 2018        |
|   |      | \$                                    | \$          |
| <b>Revenue</b>  |      | 100,631                               | (1,124)     |
| <b>Cost of sales</b>  |      | (10,000)                              | (228,924)   |
| <b>Gross profits</b>  |      | 90,631                                | (230,048)   |
| <b>Expenses</b>   |      |                                       |             |
| Selling and administrative expenses                         |      | (8,061)                               | (395,867)   |
| Interest expenses   |      | -                                     | (50,680)    |
| Advertising   |      | (32,500)                              | (88,172)    |
| Bank fees   |      | (1,052)                               | (4,473)     |
| Rent  |      | (9,517)                               | (36,820)    |
| Office  |      | -                                     | (1,987)     |
| Insurance   |      |                                       | (4,394)     |
| Payroll   |      | (3,268)                               | (121,212)   |
| Utilities   |      | (38,239)                              | (2,311)     |
| Accounting and Professional Fees                            |      | (1,688)                               | (92,637)    |
| Share based payments  |      | (56,430)                              | (7,309)     |
| Transfer Agent  |      | (2,008)                               | (14,591)    |
| <b>Income (loss) before other item</b>                      |      | (62,132)                              | (1,050,501) |
| <b>Other item</b>   |      |                                       |             |
| Interest revenue  |      | -                                     | 3           |
| Deferred income taxes                                       |      | -                                     | -           |
| <b>Net income (loss) and comprehensive income (loss)</b>    |      | (62,132)                              | 1,050,498)  |
| <b>Net income (loss) per share, basic and diluted</b>       |      | (0.00)                                | 91          |
| <b>Weighted average number of common shares outstanding</b> |      | 253,481,811                           | 2,000       |

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

**Nass Valley Gateway Ltd.**  
**Condensed Interim Consolidated Statements of changes in equity**  
**For the three months ended June 30, 2019 and 2018**  
**(unaudited)**  
*(Expressed in Canadian Dollars)*

|  | Note | Share Capital      |                  |                             |                     |                    | Total              |
|--|------|--------------------|------------------|-----------------------------|---------------------|--------------------|--------------------|
|  |      | Number of Shares   | Amount           | Share based payment reserve | Contributed Surplus | Deficit            |                    |
|  |      |                    | \$               | \$                          |                     | \$                 | \$                 |
| <b>Balance, January 1, 2018</b><br>(unaudited) |      | <b>2,000</b>       | <b>2,434</b>     | -                           | -                   | <b>(943,561)</b>   | <b>(941,127)</b>   |
| Comprehensive loss                             |      |                    |                  |                             |                     | 182,373            | 182,373            |
| <b>Balance, June 30, 2018</b><br>(unaudited)   |      | <b>2,000</b>       | <b>2,434</b>     | -                           | -                   | <b>(761,188)</b>   | <b>(758,754)</b>   |
| <b>Balance, January 1, 2019</b><br>(unaudited) |      | <b>2,000</b>       | <b>2,434</b>     | -                           | -                   | <b>(1,482,013)</b> | <b>(1,479,579)</b> |
| Common shares of NVG                           | 2    | 32,143,477         | 3,307,741        | 594,917                     | -                   | (3,915,270)        | (12,612)           |
| Effect of reverse take over                    | 2    | -                  | (3,307,71)       | (594,917)                   | -                   | 3,915,270          | 12,612             |
| Shares deemed to be issued re:NVG              | 2    | -                  | 1,252,901        | -                           | -                   | (1,252,901)        | -                  |
| Options deemed to be issued re:NVG             | 2    | -                  | -                | -                           | 64,154              | (64,154)           | -                  |
| Warrants deemed to be issued re:NVG            | 2    | -                  | -                | -                           | 554,357             | (554,357)          | -                  |
| Common shares of ABL exchanged                 | 2    | (2,000)            | -                | -                           | -                   | -                  | -                  |
| Common shares issued to ABL's shareholders     | 2    | 280,000,000        | -                | -                           | -                   | -                  | -                  |
| Shares issued for exercise of options          | 9    | 260,000            | 26,000           | -                           | -                   | -                  | 26,000             |
| Shares issued for exercise of warrants         | 9    | 276,000            | 27,600           | -                           | -                   | -                  | 25,600             |
| Comprehensive loss                             |      | -                  | -                | -                           | -                   | (244,673)          | (244,673)          |
| <b>Balance, June 30, 2019 (unaudited)</b>      |      | <b>312,679,477</b> | <b>1,308,935</b> | -                           | <b>618,511</b>      | <b>(3,598,098)</b> | <b>1,672,652</b>   |

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

**Nass Valley Gateway Ltd.**  
**Condensed interim consolidated statements of cash flows**  
**(unaudited)**  
*(Expressed in Canadian Dollars)*

|   | <b>For the three months ended June 30</b> |                  |
|---|---|------------------|
|   | <b>2019</b>                               | <b>2018</b>      |
|   | <b>unaudited</b>                          | <b>Unaudited</b> |
| <b>Cash flows from operating activities</b>       | <b>\$</b>                                 | <b>\$</b>        |
| Net loss for the period                           | <b>(62,132)</b>                           | (37,189)         |
| <i>Items not affecting cash:</i>                  |   |                  |
| Share-based payments                              | -   | 7,309            |
|   | <b>(62,132)</b>                           | <b>(29,880)</b>  |
| <i>Changes in non-cash working capital items:</i> |   |                  |
| Amounts receivable from related parties           | <b>26,149</b>                             | (2,538)          |
| Accounts payable and accrued liabilities          | <b>(537,954)</b>                          | 1,215            |
| <b>Cash flows used in operating activities</b>    | <b>(537,937)</b>                          | <b>(31,203)</b>  |
| <b>Cash flows from financing activities</b>       |   |                  |
| Cash advance for exercising warrants              | -   | 29,152           |
| <b>Change in cash and equivalents</b>             | <b>(59,913)</b>                           | <b>(2,051)</b>   |
| <b>Cash and equivalents, beginning</b>            | <b>67,544</b>                             | <b>24,081</b>    |
| <b>Cash and equivalents, ending</b>               | <b>7,632</b>                              | <b>18,968</b>    |
| <i>Supplemental disclosures:</i>                  |   |                  |
| Taxes paid  | -   | -                |
| Interest paid                                     | -   | -                |

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

**Nass Valley Gateway Ltd.**  
**Notes to the condensed interim financial statements**  
**For the six months ended June 30, 2019 and 2018**  
*(Expressed in Canadian Dollars)*  
*(unaudited)*

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**1. NATURE OF OPERATIONS AND GOING CONCERN**

Nass Valley Gateway Ltd. (the “Company” or “NVG”) is incorporated under the laws of British Columbia, Canada and its principal business activities include the acquisition and exploration of mineral properties in Ontario and British Columbia, Canada. The Company’s shares are listed on the Canadian Securities Exchange (“CSE”) trading under the symbol “NVG”. The principal business address of the Company is 170-422 Richards Street, Vancouver, BC, V6B 2Z4.

On March 22, 2018 the Company announced that it had entered into Definitive Acquisition and Share Exchange Agreement (“DASE”) with Advanced Bioceutical Limited (“ABL”), and its wholly owned subsidiary Pro-Thotics Technologies Inc. (“PTI”). ABL is engaged in the sale of Durable Medical Equipment (“DME”) and Cannabidiol (“CBD”) with zero THC content for internal use including CBD infused skin, bath and body care products. Pursuant to the terms and conditions of the DASE-Agr the Issuer, on March 18, 2019 has acquired all issued and outstanding shares of ABL by issuing 280,000,000 common shares. After the acquisition the former shareholders of ABL own approximately 89.27% of the common shares of the Company. The transaction was considered as a reverse take-over and has been accounted as a continuation of the assets and operations of ABL and its subsidiary, PTI, together with recapitalization of ABL. After the approval of the transaction ABL and PTI are considered equal subsidiaries of the Company.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**Statement of compliance and presentation**

These condensed interim consolidated financial statements have been prepared under IFRS in accordance with International Accounting Standard 34, “Interim Financial Reporting” (“IAS 34”) and International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and Interpretations of the Financial Reporting Interpretations Committee (“IFRIC”). These interim financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the audited financial statements and notes thereto as of and for the year ended December 31, 2018

The interim financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. These financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. These unaudited condensed interim financial statements follow the same accounting policies and methods of application as the annual audited financial statements for the year ended December 31, 2018. The adoption of new accounting standards has had no material impact on the financial statements.

**Financial statement of the RTO acquirer**

The unaudited condensed interim consolidated financial statements give effect to the transactions for the three months period ended June 30, 2019.

On March 22, 2018, the Company and ABL entered into a Definitive Acquisition and Share Exchange Agreement (“DASE”-Agr) pursuant to which the Company has agreed to acquire a 100% interest in ABL including its wholly owned subsidiary, Pro-Thotics Technology, Inc. Pro-Thotics Technology is an operating company which was incorporated in the State of New York in November



**Nass Valley Gateway Ltd.**  
**Notes to the condensed interim financial statements**  
**For the six months ended June 30, 2019 and 2018**  
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**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

1988. As consideration, the Company has issued 280,000,000 common shares of the Company to the shareholders of ABL. The 280,000,000 common shares will be placed in escrow and released pursuant to an Escrow agreement.

Upon completion of the proposed transaction, an aggregate of 312,143,477 common shares of the Company will be issued and outstanding. As the shareholders of ABL will own approximately 89.7% of the issued and outstanding common shares of the Company, the transaction has been considered a reverse takeover listing transaction as the continuing operations are those of ABL and the former shareholders of ABL are controlling the Company. Accordingly, the net assets of the Company are deemed to have been acquired by ABL.

On May 6, 2019 the Company announced that it signed a letter of intent (“LOI”) with CSB Supply BV (“CSB”). CSB is a global business to business wholesale supplier of CBD (Cannabidiol) products located in The Netherlands and under the terms of the LOI will supply and the company will market and distribute CBD products nationally in the United States and Canada under the Nass Valley brand.

As the net assets of the Company do not meet the definition of a business, as defined in IFRS 3, Business Combinations, the condensed interim consolidated financial statements have been adjusted for the elimination of the Company’s share capital, share-based payment reserve and deficit.

**3. ACCOUNTING STANDARDS ISSUED BUT NOT YET IMPLEMENTED**

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB that are mandatory for future accounting periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

New accounting standards effective for annual periods on or after January 1, 2018:

**IFRS 9 Financial Instruments** - In November 2009, as part of the IASB project to replace IAS 39 Financial Instruments: Recognition and Measurement, the IASB issued the first phase of IFRS 9 Financial Instruments that introduces new requirements for the classification and measurement of financial assets. The standard was revised in October 2010 to include requirements regarding classification and measurement of financial liabilities. In November 2013, new general hedging requirements were added to the standard. In July 2014, the final version of IFRS 9 was issued and adds a new expected loss impairment model and amends the classification and measurement model for financial assets by adding a new fair value through other comprehensive income category for certain debt instruments and additional guidance on how to apply the business model and contractual cash flow characteristics.

**IFRS 15 Revenue from Contracts with Customers** – In May 2014, the IASB issued IFRS 15 – Revenue from Contracts with Customers (“IFRS 15”) which supersedes IAS 11 – Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programs, IFRIC 15 – Agreements for the Construction of real Estate, IFRIC 18 – Transfer of Assets from Customers, and SIC – Revenue – Barter transactions Involving Advertising Services. IFRS 15 establishes a comprehensive five-step framework for the timing and measurement of revenue recognition.

**IFRS 2 Share-based Payment** – In November 2016, the IASB has revised IFRS 2 to incorporate

**Nass Valley Gateway Ltd.**  
**Notes to the condensed interim financial statements**  
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**3. ACCOUNTING STANDARDS ISSUED BUT NOT YET IMPLEMENTED (continued)**

amendments issued by the IASB in June 2016. The amendment provides guidance on the accounting for i) the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; ii) share-based payment transactions with a net settlement feature for withholding tax obligations and iii) a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. Earlier application is permitted.

The adoption of these standards is not expected to have a material impact on the Company's financial statements.

Standard is effective for annual periods beginning on or after January 1, 2019:

**IFRS 16 Leases** – In June 2016, the IASB issued IFRS 16 – Leases. IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. However, lessees are no longer classifying leases as either operating leases or finance leases as it is required by IAS 17. Early adoption is permitted if IFRS 15 has also been adopted.

**4. CASH AND EQUIVALENT**

|                     | <b>June 30, 2019</b><br><b>(unaudited)</b> | December 31, 2018<br><b>(unaudited)</b> |
|---------------------|--|---|
|                     | \$   | \$                                      |
| Bank and petty cash | <b>7,632</b>                               | 159,212                                 |

**5. MARKETABLE SECURITIES**

|   | <b>June 30, 2019</b><br><b>(unaudited)</b> | December 31, 2018<br><b>(unaudited)</b> |
|---|--|---|
| <b>The Eelleet Network Corp.</b>                |  |   |
| Number of shares                                | <b>8,802</b>                               | -                                       |
|   | \$   | \$                                      |
| Book value                                      | <b>264</b>                                 | -                                       |
| Fair value                                      | <b>264</b>                                 | -                                       |
| <b>Unrealized loss on marketable securities</b> | <b>-</b>                                   | <b>-</b>                                |

In a prior year, the Company received 8,802 common shares of the Eelleet Network Corp. as shares for debt settlement. The fair value of the shares was \$0.35 per share for a total of \$3,081 at initial recognition.

As at June 30, 2019 the fair value of these shares was \$0.03 per share for a total of \$264 (2017 - \$264).

**Nass Valley Gateway Ltd.**  
**Notes to the condensed interim financial statements**  
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**6. ADVANCED BIOCEUTICALS LIMITED**

ABL was incorporated on January 31, 2018 pursuant to The New Jersey Business Corporation Act under the name Advanced Bioceuticals Limited as a New Jersey Limited Liability company with registration number 0450237249. Its head office is located at 525 Boulevard, Kenilworth, NJ 07033 and its registered and records office is located at 525 Boulevard, Kenilworth, NJ7.

**7. PRO-THOTICS INC.**

PTI is a wholly owned subsidiary of ABL. PTI was incorporated on November 8, 1988 under the name Pro-Thotics Technology, Inc. under the New York Business Corporation Law. Its head office is located at 285 Sills Rd., 3D, East Patchogue, New York, USA 11772, and its registered and records office is located at 285 Sills Rd., 3D, East Patchogue, New York, USA 11772.

ABL and PTI have become two wholly owned subsidiaries of the Company. ABL will be engaged in the productions and sales of THC free CBD based products beginning late 2nd quarter. PTI will continue its current DME business as it has done since 1988.

**8. RELATED PARTY TRANSACTIONS**

**Key Management compensation**

Key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's executive officers and Board of Director members. Key management compensation consists of the following for the six months ended June 30, 2019 and the year ended December 31, 2018:

|   | <b>June 30, 2019</b><br><b>(unaudited)</b> | December 31,<br>2018<br><b>(unaudited)</b> |
|---|--|--|
|   | <b>\$</b>                                  | <b>\$</b>                                  |
| Gregory Vax, Director of PTI and ABL        | 22,962                                     | 112,234                                    |
| Michael Racaniello, Director of PTI and ABL | 22,962                                     | 112,234                                    |
|   | <b>45,924</b>                              | <b>224,468</b>                             |

**Nass Valley Gateway Ltd.**  
**Notes to the condensed interim financial statements**  
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*(unaudited)*

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

The amounts due to/from related parties were as follows:

|                           | <b>June 30,<br/>2019<br/>(unaudited)</b> | December 31,<br>2018<br>(unaudited) |
|---------------------------|--|-------------------------------------|
|                           | \$                                       | \$                                  |
| Due from related parties: |  |                                     |
| Williamsburg              | 7,106                                    | 9,091                               |
| Nat'l DME Supply          | -  | 2,119                               |
| Nat'l M.O. Supply         | 6,076                                    | 7,772                               |
| Pegasus DME               | 428,764                                  | 591,631                             |
| Trident                   | 100                                      | 134                                 |
|                           | <b>442,046</b>                           | <b>610,747</b>                      |
| Due to related parties:   |  |                                     |
| National Brace            | 1,266,243                                | 1,918,673                           |
| NY DME                    | 314,087                                  | 369,901                             |
| Nat'l DME Supply          | 3,791                                    | -                                   |
| Prothotics                | 50                                       | -                                   |
|                           | <b>1,584,171</b>                         | <b>2,288,574</b>                    |

**Advances from related party**

The amounts due from related parties are non-interest bearing, unsecured and long term basis.

**9. SHARE CAPITAL**

**a) Authorized share capital**

At March 31, 2019, the authorized share capital of the Company comprised of an unlimited number of common shares at no par value as well as an unlimited number of classes A-1 and A-2 of convertible preference shares at no par value. All issued and outstanding shares are fully paid.

**b) Issue of common shares**

At June 30, 2019, the issued and outstanding common shares were 312,679,477.

On April 11, 2019, the Company issued 20,000 common shares pursuant to the exercise of 20,000 stock options at a price of \$0.10/share.

On March 18, 2019 the Company issued 280,000,000 common shares pursuant to the approval of the reversed take-over of ABL.

On March 28, 2019, the Company issued 260,000 common shares pursuant to the exercise of 260,000 stock options at a price of \$0.10/share.

On March 29, 2019, the Company issued 256,000 common shares pursuant to the exercise of

**Nass Valley Gateway Ltd.**  
**Notes to the condensed interim financial statements**  
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**9. SHARE CAPITAL** (continued)

258,000 share purchase warrants at \$0.10/share.

During the periods ended June 30, 2019 and December 31, 2018, the Company did not issue any common shares or convertible preferred shares.

**c) Stock options**

The Company grants stock options to employees, directors, officers, and consultants as compensation for services pursuant to its Stock Option Plan (the "Plan"). Options issued pursuant to the Plan must have an exercise price greater than or equal to the "Market Price" of the Company's stock on the grant date less applicable discounts. Options have a maximum expiry period of up to five years from the grant date and are subject to the minimum vesting requirements, as determined by the Board of Directors.

The number of options that may be issued under the Plan is limited to no more than 10% of the Company's issued and outstanding shares on the grant date. Stock options granted to directors vest at a rate of 50% on the grant date and the balance on the first anniversary of the grant date. Stock options granted to employees vest at a rate of 50% on the first anniversary of the grant date and the balance on the second anniversary of the grant date.

On March 28, 2019, 260,000 stock options were exercised at \$0.10/share.

On December 5, 2017 the Company granted 560,000 stock options to directors, officers and employees. Share-based compensation of \$13,029 was recorded. The weighted average fair value of the 560,000 options was \$0.06. The fair value of these options was determined on the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions: Risk free interest rate of 1.93%, the expected life of 3 years, expected volatility of 247%, forfeiture rate of 0% and expected dividends of \$Nil.

On February 6, 2017 the Company granted 85,000 stock options to a director. Share-based compensation of \$3,217 was recorded. The weighted average fair value of the 85,000 options was \$0.06. The fair value of these options was determined on the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions: Risk free interest rate of 1.43%, the expected life of 3 years, expected volatility of 268%, forfeiture rate of 0% and expected dividends of \$Nil. These options were cancelled on January 5, 2018.

On October 25, 2016, the Company granted 545,000 stock options to directors, officers and employees. Share-based compensation of \$11,345 was recorded. The weighted average fair value of the 585,000 options was \$0.04. The fair value of these options was determined on the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions: Risk free interest rate of 0.56%, the expected life of 3 years, expected volatility of 264%, forfeiture rate of 0% and expected dividends of \$Nil.

On August 6, 2016, 30 days subsequent to the resumption of trading, 600,996 options that had been granted to members of advisory and board committees were cancelled due to the Board of Directors' decision that, with the exception of the Audit Committee, the size of the Company's operations did not warrant the reappointment of additional committees at that time.

**Nass Valley Gateway Ltd.**  
**Notes to the condensed interim financial statements**  
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**9. SHARE CAPITAL (continued)**  
**c) Stock options (continued)**

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

| Expiry Date                     | Exercise Price | December 31 2018 | Granted | Exercised | Expired/ Forfeited | Cancelled | June 30 2019 |
|---------------------------------|----------------|------------------|---------|-----------|--------------------|-----------|--------------|
| October 25, 2019                | \$0.10         | 545,000          | -       | (190,000) | (35,000)           | -         | 320,000      |
| December 5, 2020                | \$0.10         | 560,000          | -       | (70,000)  | (35,000)           | -         | 455,000      |
|                                 |                | 1,105,500        |         |           | 85,000             |           | 775,000      |
| Weighted average exercise price |                |                  |         |           |                    |           | \$0.10       |

| Expiry Date                     | Exercise Price | December 31 2017 | Granted | Exercised | Expired/ Forfeited | Cancelled | December 31 2018 |
|---------------------------------|----------------|------------------|---------|-----------|--------------------|-----------|------------------|
| April 28, 2018                  | \$0.10         | 372,500          | -       | -         | (372,500)          | -         | -                |
| October 25, 2019                | \$0.10         | 545,000          | -       | -         | -                  | -         | 545,000          |
| February 6, 2020                | \$0.10         | 85,000           | -       | -         | -                  | (85,000)  | -                |
| December 5, 2020                | \$0.10         | 560,000          | -       | -         | -                  | -         | 560,000          |
|                                 |                | 1,562,500        | -       | -         | -                  | (85,000)  | 1,105,500        |
| Weighted average exercise price |                |                  |         |           |                    |           | \$0.10           |

Details regarding the options outstanding as at June 30, 2019 are as follows:

| Exercise Price | Number of Options Outstanding | Weighted Average Remaining Contractual Life (years) | Weighted Average Grant Date Fair Value | Number of Options Exercisable |
|----------------|-------------------------------|---|--|-------------------------------|
| \$ 0.10        | 320,000                       | .57   | \$ 0.04                                | 320,000                       |
| \$ 0.10        | 455,000                       | 1.68  | \$ 0.06                                | 455,000                       |
| \$ 0.10        | 775,000                       | 1.22  | \$ 0.06                                | 775,000                       |

The Company recognizes compensation expense for all stock options granted using the fair value based method of accounting. The fair value of stock options granted is recognized in income on a graded vesting basis. Option pricing models require the input of highly subjective input assumptions, which can materially affect the fair value estimate and therefore the existing models do not necessarily provide reliable a single measure of the fair value of the Company's stock options.

**d) Share purchase warrants**

On October 16, 2015 the Company amended the expiry date of 3,500,000 warrants from October 16, 2016 to October 16, 2020 and the exercise price from \$0.20 per warrant to \$0.11. Since there was no value allocated to those warrants upon issuance, no adjustment has been made on the modification.

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**9. SHARE CAPITAL (continued)**

**c) Share purchase warrants (continued)**

The following tables summarize the continuity of the Company's share purchase warrants:

| Expiry Date                            | Exercise Price | December 31 2018 | Granted | Exercised | Expired/ Cancelled | June 30, 2019 |
|--|----------------|------------------|---------|-----------|--------------------|---------------|
| May 1, 2017 <sup>(1)</sup>             | \$0.10         | 11,058,500       | -       | (256,000) | (10,802,500)       | -             |
| July 25, 2019                          | \$0.10         | 1,363,042        | -       | -         | -                  | 1,363,042     |
| Oct 16, 2020                           | \$0.11         | 3,500,000        | -       | -         | -                  | 3,500,000     |
|  |                | 16,313,042       |         |           |                    | 4,863,042     |
| Weighted average exercise price        |                |                  |         |           |                    | \$0.10        |
| Weighted average contractual remaining |                |                  |         |           |                    | 0.52          |

| Expiry Date                            | Exercise Price | December 31 2017 | Granted | Exercised | Expired/ Cancelled | December 31 2018 |
|--|----------------|------------------|---------|-----------|--------------------|------------------|
| May 1, 2017 <sup>(1)</sup>             | \$0.10         | 11,450,000       | -       | -         | -                  | 11,058,500       |
| July 25, 2019                          | \$0.10         | 1,363,042        | -       | -         | -                  | 1,363,042        |
| Oct 16, 2020                           | \$0.11         | 3,500,000        | -       | -         | -                  | 3,500,000        |
|  |                | 16,313,042       | -       | -         | -                  | 15,921,542       |
| Weighted average exercise price        |                |                  |         |           |                    | \$0.10           |
| Weighted average contractual remaining |                |                  |         |           |                    | 0.60             |

<sup>(1)</sup> 11,450,000 warrants due to expire on May 1, 2017 were extended on April 28, 2017 for the length of time the Company's shares are halted on the Exchange with a new expiry date of June 17, 2019

**10. FINANCIAL INSTRUMENTS AND RISKS**

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

*Credit risk*

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash and equivalents, marketable securities and due from related parties. The Company limits its exposure to credit risk on liquid financial assets through maintaining its cash and equivalents with high-credit quality financial institutions. Amounts due to and from related parties are discussed in Note 6.

*Currency risk*

The Company operates primarily in US dollars and as such is affected by the fluctuations of the Canadian dollar with other currencies.

*Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with its financial liabilities. The Company has historically relied upon equity financings to satisfy its capital

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requirements and will continue to depend heavily upon equity capital to finance its activities. There can be no assurance the Company will be able to obtain required financing in the future on acceptable terms. The Company anticipated it will need additional capital in the future to finance ongoing exploration of its properties, such capital to be derived from the exercise of outstanding stock options, warrants and/or the completion of other equity financings. The Company has limited financial resources, has no source of operating income and has no assurance that additional funding will be available to it for future exploration and development of its projects, although the Company has been successful in the past in financing its activities through the sale of equity securities. The ability of the Company to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions and exploration success. In recent years, the securities markets in Canada have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. Any quoted market for the common shares may be subject to market trends generally, notwithstanding any potential success of the Company in creating revenue, cash flows or earnings.

*Interest rate risk*

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

**Fair value measurements of financial assets and liabilities**

IFRS 7 establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

Level 1 – quoted prices in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e.: as prices) or indirectly (i.e.: derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data.

The fair values of cash and cash equivalents are determined based on “Level 1” inputs, which consist of quoted prices in active markets for identical assets. The Company believes that the recorded values of marketable securities, due to and from related parties and accounts payable, approximate their current fair values because of their nature and relatively short maturity dates or durations.

Assets measured at fair value on a recurring basis were presented on the Company’s condensed interim statements of financial position as of June 30, 2019 as follows:

| Fair Value Measurements Using |          |         |         |                              |
|-------------------------------|----------|---------|---------|------------------------------|
|                               | Level 1  | Level 2 | Level 3 | June 30, 2019<br>(unaudited) |
| Cash and equivalents          | \$ 7,632 | -       | -       | \$ 7,632                     |
| Marketable securities         | \$ -     | 264     | -       | \$ 264                       |

**11. CAPITAL MANAGEMENT**

The Company’s capital structure consists of shareholders’ equity and related party loans. The



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**11. CAPITAL MANAGEMENT (continued)**

Company's objective when managing capital is to maintain adequate levels of funding to support the development of its businesses and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financing. Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future. The Company invests all capital that is surplus to its immediate operational needs in short-term, highly-liquid, high-grade financial instruments. There were no changes to the Company's approach to capital management during the three months ended June 30, 2018. The Company is not subject to externally imposed capital requirements. The Company does not currently have adequate sources of capital to complete its business plan and ultimately the development of its business, and will need to raise adequate capital by obtaining equity financing through private placement or debt financing. The Company may raise additional debt or equity financing in the near future to meet its current obligations.

**12. SUBSEQUENT EVENTS**

There are no subsequent events to report.