

NASS VALLEY GATEWAY LTD.
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
December 31, 2019 and 2018
(Expressed in Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders and the Board of Directors of Nass Valley Gateway Ltd.

Opinion on the Financial Statements

We have audited the accompanying consolidated financial statements of Nass Valley Gateway Ltd. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of comprehensive loss, changes in shareholders' deficiency and cash flows for the years ended December 31, 2019 and 2018, and the related notes, including a summary of significant accounting policies and other explanatory information (collectively referred to as the "consolidated financial statements").

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements which describes matters and conditions that indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information, which comprises the information included in the Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit and remain alert for indicators that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of the users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditors' report is Alden Aumann.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, British Columbia

July 15, 2020

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

	Note	December 31, 2019 \$	December 31, 2018 \$
Current assets			
Cash		18,317	1,381
Other receivable		264	-
Due from related parties	8	426,220	313,766
Total current assets		444,801	315,147
Assets held for sale	5	108,192	685,663
Total assets		552,993	1,000,810
Current liabilities			
Accounts payable and accrued liabilities		36,135	7,094
Due to related parties	8	366,421	-
Other payable to shareholder	6	519,520	409,260
Total current liabilities		922,076	416,354
Liabilities directly associated with assets held for sale	5	4,798,269	4,407,480
Total liabilities		5,720,345	4,823,834
Shareholders' deficiency			
Share capital	7	1,329,274	2,685
Reserve		450,685	-
Deficit		(6,945,383)	(3,640,509)
Accumulated other comprehensive loss		(1,928)	(185,200)
		(5,167,352)	(3,823,024)
Total liabilities and shareholders' deficiency		552,993	1,000,810

Nature of operations and going concern (note 1)
Commitment and contingencies (note 9)

Approved on Behalf of the Board of Directors on July 15, 2020:

(signed) Michael Semler

(signed) Jordan Erskine

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

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

	Note	For the Years Ended December 31,	
		2019	2018
		\$	\$
Expenses			
Bank charges		1,499	-
Marketing and promotion		279,699	73,855
Office and miscellaneous		59,885	27
Professional service		87,962	15,768
Share-based compensation	8	234,905	-
Loss before other items		(663,950)	(89,650)
Other items			
Listing expense	13	(1,550,379)	-
Interest expense		-	(6,476)
Other income		56,137	-
Other items		(1,494,242)	(6,476)
Loss for continuing operations		(2,158,192)	(96,126)
Discontinued operations			
Loss from discontinued operations	5	(1,146,682)	(2,068,885)
Net loss		(3,304,874)	(2,165,011)
Other comprehensive income (loss)			
Foreign currency translation adjustment including discontinued operations		183,272	(238,580)
Net loss and comprehensive loss		(3,121,602)	(2,403,591)
Loss per share for continuing operations		(0.01)	(0.00)
Loss per share for discontinued operations		(0.00)	(0.01)
Weighted average number of common shares outstanding	3(g)	305,837,982	280,000,000

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

Nass Valley Gateway Ltd.
Consolidated statements of changes in shareholders' deficiency
For the years ended December 31, 2019 and 2018
(Expressed in Canadian Dollars)

	<u>Share capital</u>				Accumulated other comprehensive		Total
	Number of shares	Amount	Share Subscriptions	Reserve	Deficit	income (loss)	
		\$	\$	\$	\$	\$	\$
Balance, December 31, 2017	200	2,685	-	-	(1,475,498)	53,380	(1,419,433)
Net loss for the year	-	-	-	-	(2,165,011)	-	(2,165,011)
Foreign currency adjustment	-	-	-	-	-	(238,580)	(238,580)
Balance, December 31, 2018	200	2,685	-	-	(3,640,509)	(185,200)	(3,823,024)
Common shares of ABL exchanged	(200)	(2,685)	-	-	-	-	(2,685)
Common shares of NVG issued	280,000,000	2,685	-	-	-	-	2,685
Shares, options, warrants deemed to be issued	32,143,477	1,285,739	10,248	215,780	-	-	1,511,767
Stock-based compensation	-	-	-	234,905	-	-	234,905
Exercise of options	516,000	49,085	(10,248)	-	-	-	38,837
Exercise of warrants	20,000	2,000	-	-	-	-	2,000
Exercise of options	153,300	15,365	-	-	-	-	15,365
Shares subscription receivable	-	(25,600)	-	-	-	-	(25,600)
Net loss for the year	-	-	-	-	(3,304,874)	-	(3,304,874)
Foreign currency adjustment	-	-	-	-	-	183,272	183,272
Balance, December 31, 2019	312,832,777	1,329,274	-	450,685	(6,945,383)	(1,928)	(5,167,352)

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

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

	For the years ended December 31,	
	2019	2018
Cash flow from operating activities:		
Net income (loss)	(3,304,874)	(2,165,011)
Net loss from discounted operation	1,146,682	2,068,885
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Listing fee	1,550,379	-
Share based compensation	234,905	-
Changes in operating assets and liabilities		
Amounts receivable	1,245	(194,355)
Due from related parties	(111,769)	(103,656)
Due to related parties	398,803	-
Accounts payable and accrued liabilities	10,666	6,738
Net cash used by operating activities	(73,963)	(387,399)
Cash flows to investing activities:		
Cash from RTO	6,204	-
Net cash provided by investing activities	6,204	-
Cash flows from financing activities:		
Advances to related party	(47,768)	-
Proceeds from loan	132,690	388,710
Proceeds from share subscription received	43,366	-
Net cash provided by financing activities	128,288	388,710
Net increase in cash	60,529	1,311
Net cash provided by discontinued operations		-
Effect of Foreign Currency Translation	(43,593)	70
Cash, beginning of year	1,381	-
Cash, end of year	18,317	1,381

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

Nass Valley Gateway Ltd.
Notes to the consolidated financial statements
For the years ended December 31, 2019 and 2018
(Expressed in Canadian Dollars)

1. Nature of operations and going concern

Nass Valley Gateway Ltd. (the “Company” or “NVG”) is incorporated under the laws of 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 Biocetical Limited (“ABL”), and its wholly owned subsidiary Pro-Thotics Technologies Inc. (“PTI”). ABL, through PTI, is engaged in the sale of durable medical equipment 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, the Company acquired all issued and outstanding common shares of ABL by issuing 280,000,000 common shares, of the Company on March 18, 2019.

The accompanying consolidated financial statements give effect to the transaction on March 18, 2019, and the accompanying consolidated financial statements report results of operations, changes in shareholders’ deficiency and cash flows during the year in which the transaction occurred. The transaction is considered a reverse takeover on the continuity of interest basis, and reflects the assets, obligations, operations and share capital of ABL and PTI from January 1, 2018 to December 31, 2018 and the assets, obligations, operations and share capital of ABL and PTI from January 1, 2019 to December 31, 2019 as well as the assets, obligations and operations of NVG from March 18, 2019 to December 31, 2019. The share structure reflects ABL from January 1, 2019 to March 18, 2019 and reflects NVG from March 18, 2019 to December 31, 2019.

On this basis, the consolidated financial statements are a continuation of the operations of ABL and PTI together with an acquisition of the net assets and operations of NVG and a listing transaction. Because the Company cannot identify specifically some or all of the goods or services received in the Transaction in return for the exchange of shares, options and warrants, the value in excess of the net identifiable assets of NVG acquired on closing was expensed in the consolidated statement of comprehensive loss as a listing expense. See Note 13.

The listing fees in the amount of \$1,550,379 is comprised of the fair value of common shares, options and warrants of the Company retained by the former shareholders of NVG, plus the amount of net liability assumed from NVG.

The fair value of the common shares issued and subscription receipts was \$1,295,897, reflecting the price of common shares issued in the most recent private placement at \$0.04 per common share. The average fair value of NVG options of \$0.02 per option was determined using the Black-Scholes option pricing model with the following weighted average assumptions: a 1.15 year expected life; share price at the grant date of \$0.04; 140% volatility; risk free interest rate of 1.57%; and a dividend yield of 0%. The average fair value of NVG warrants of \$0.01 was determined using the Black-Scholes option pricing model with the following weighted average assumptions: a 0.53 year expected life; share price at the grant date of \$0.04; 140% volatility; risk free interest rate of 1.63%; and a dividend yield of 0%.

For the year ended December 31, 2019, the Company had an accumulated deficit of \$6,945,383 which has been funded primarily by the issuance of equity, and advances from related parties. During the year, the Company discontinued its PTI business as described in Note 5, and accordingly, does not have a continuing operations which generates revenue, cash flow or profitability. Future operations of the Company are dependent upon the Company’s ability to develop a new business, receive continued financial support, and complete equity financings and ultimately the generation profitable operations. These factors raise significant doubt about the Company’s ability to continue as a going concern.

1. Nature of operations and going concern (continued)

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, and accordingly, do not purport to give effect to adjustments which may be required should the Company be unable to achieve the objectives above as a going concern. The net realizable value of the Company's assets may be materially less than the amounts recorded in these financial statements should the Company be unable to realize its assets and discharge its liabilities in the normal course of business.

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. The impact on the Company is not currently determinable but management continues to monitor the situation.

2. Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). They are prepared on a historical cost basis, except for certain financial instruments classified as fair value through profit or loss which have been measured at fair value.

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

These consolidated financial statements have been authorized for release by the Company's Board of Directors on July 15, 2020.

3. Significant accounting policies

a) Basis of measurement and preparation

The consolidated financial statements have been prepared on an accrual basis and are on a historical cost basis, except for certain financial instruments, which are measured at fair value. The preparation of consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant are disclosed in note 4.

The functional currency of the Company and its subsidiary is the US dollar. With effect from January 1, 2018, the Company changed the currency in which it presents its consolidated financial statements from US dollar to Canadian dollar. The change in accounting policy impacts all financial statement line items whereby amounts previously reported in US dollar have been re-presented in Canadian dollar.

b) Consolidation

These consolidated financial statements consolidate the accounts of the Company and its wholly-owned subsidiaries, ABL and PTI. All intercompany transactions and balances are eliminated on consolidation.

c) Cash and equivalents

Cash is comprised of cash on hand and term deposits. Cash equivalents include short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

d) Foreign currency

The presentation and functional currency of the Company is the Canadian dollar. The functional currency of ABL and PIT is the US dollar. Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in currencies other than the functional currency are translated at the rates prevailing at the date of the statement of financial position. Non-monetary items that are measured in terms of historical cost in a currency other than the functional currency are retranslated at historical exchange rates.

e) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resourced embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

3. Significant accounting policies (continued)

f) Share-based payments

The fair value of stock options granted is measured at grant date using the Black-Scholes option pricing model. Where options are granted to consultants for goods or services rendered, the options are measured at the fair value of the goods or services received by the Company. If the fair value of the goods and services received cannot be reliably measured, the fair value of the stock option granted is used instead. At each reporting date prior to vesting, the cumulative expense representing the extent to which the vesting period has expired and management's best estimate of the awards that are expected to ultimately vest is computed. The movement in cumulative expense is recognized in the statement of loss with a corresponding entry within equity, against share based compensation reserve. No expense is recognized for awards that do not ultimately vest. When options are exercised, the proceeds received together with any related amount in share based compensation reserve is credited to share capital.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period.

g) Loss per share

Basic loss per share is computed by dividing the net loss for the period by the weighted average number of common shares outstanding during the period. To compute diluted loss per share, adjustments are made to common shares outstanding. The weighted average number of common shares outstanding is adjusted to include the number of additional common shares that would be outstanding if, at the beginning of the period or at time of issuance, all options and warrants were exercised. The proceeds from exercise are assumed to be used to purchase the Company's common shares at their average market price during the period. For the periods presented, this calculation proved to be anti-dilutive. The loss per share information has been presented retrospectively as required to reflect the share structure in place for 2019 as if it had been in place for the prior year presented for comparative purposes.

h) Share issue costs

Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred financing costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise, they are expensed as incurred. Share issue costs are charged to share capital when the related shares are issued. Deferred financing costs related to financing transactions that are not completed are expensed.

i) Valuation of equity units issued in private placements

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the most easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

3. Significant accounting policies (continued)

j) Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting loss nor taxable loss and differences relating to investments in subsidiaries to the extent that they are unlikely to reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of the underlying assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. To the extent that the Company does not consider it more likely than not that a deferred tax asset will be recovered, it does not recognize the asset.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

k) Non-current assets held for sale and discontinued operations

The Company classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sale will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Equipment and intangible assets are not depreciated or amortized once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as non-current items in the consolidated statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations
- Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or
- Is a subsidiary acquired exclusively with a view to resale

3. Significant accounting policies (continued)

k) Non-current assets held for sale and discontinued operations (continued)

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the consolidated statement of comprehensive loss.

Additional disclosures are provided in Note 5. All other notes to the consolidated financial statements include amounts for continuing operations, unless indicated otherwise.

l) Impairment of long-lived assets

Long-lived assets, including intangible assets, with finite lives are tested for impairment at the end of each reporting period. In addition, long-lived assets that are not amortized are subject to an annual impairment assessment. Any impairment loss is recognized in profit or loss, or the results of discontinued operations, as appropriate, for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell or its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows ("cash-generating units" or "CGUs"). Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior periods. A reversal of an impairment loss is recognized immediately in net income.

m) Revenue recognition

The Company derived revenue primarily from the sale of durable medical equipment. On January 1, 2018, the Company adopted IFRS 15, *Revenue from Contracts with Customers*. The new accounting guidance establishes principles for recognizing revenue upon the transfer of control of promised goods or services to customers, in an amount that reflects the expected consideration received in exchange for those goods or services. The Company recognizes revenue from sales of durable medical equipment once customers take control of the products at the designated delivery points.

The Company adopted this new guidance using the modified retrospective method. Contracts completed prior to January 1, 2018 were accounted for in accordance with IAS 18, *Revenue*. Revenue from sales of durable medical equipment were recognized when persuasive evidence of an arrangement exists, delivery has occurred, the amount is fixed and determinable, risk of ownership has passed to the customer and collection is reasonably assured. Typically, these criteria are met and the Company recognizes revenue upon delivery of the Company's products to customers.

Some of the Company's sales programs allow customers limited product return rights. Management estimates potential future product returns and exchanges and reduces current period product revenue. Actual returns may vary from estimates if the Company experiences a change in actual sales, returns or exchange patterns due to unanticipated changes in products, or competitive and economic conditions. There was no allowance for product returns as of December 31, 2019 and 2018.

3. Significant accounting policies (continued)

n) Financial instruments

(i) Recognition and initial measurement

Accounts receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value net of transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: (i) amortized cost; (ii) fair value through other comprehensive income ("FVOCI"); or (iii) fair value through profit or loss ("FVTPL"). Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis. All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost, FVOCI, or FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

3. Significant accounting policies (continued)

n) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

Financial assets: Subsequent measurement and gains and losses

- Financial assets at FVTPL: These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in the consolidated statement of comprehensive loss. The Company's cash is measured at FVTPL.
- Financial assets at amortized cost: These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in the consolidated statement of comprehensive loss. Any gain or loss on derecognition is recognized in the consolidated statement of comprehensive loss. The Company's accounts receivable, other receivable and due from related parties are measured at amortized cost.
- Debt investments at FVOCI: These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in the consolidated statement of comprehensive loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to the consolidated statement of comprehensive loss. The Company does not have any assets classified as debt investments at FVOCI.
- Equity investments at FVOCI: These assets are subsequently measured at fair value. Dividends are recognized as income in the consolidated statement of comprehensive loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to the consolidated statement of comprehensive loss. The Company does not have any assets classified as equity investments at FVOCI.

Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in the consolidated statement of comprehensive loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in the consolidated statement of comprehensive loss. Any gain or loss on derecognition is also recognized in the consolidated statement of comprehensive loss. The Company's accounts payable, merchant cash advances, due to related parties, other payable and notes payable are measured at amortized cost.

(iii) Derecognition

Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. The Company enters into transactions whereby it transfers assets recognized in its consolidated statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

3. Significant accounting policies (continued)

n) Financial instruments (continued)

(iii) Derecognition (continued)

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in the consolidated statement of comprehensive loss, unless the transaction involves a creditor that is also a direct or indirect shareholder of the Company that is also acting in its capacity as such, in which case the difference is recognized in the consolidated statement of equity.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Company has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(v) Impairment

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting period end using expected credit loss ("ECL") model. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include the following:

- Significant financial difficulty of the issuer or counterparty;
- Default or delinquency in interest or principal payments; or
- It has become probable that the borrower will enter bankruptcy or financial reorganization

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of all financial assets, excluding account receivables, is directly reduced by the impairment loss. The carrying amount of account receivable is reduced through the use of an allowance account. When account receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses were recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

3. Significant accounting policies (continued)

o) Common control transactions

Where business combinations include transactions among entities under common control and outside the scope of IFRS 3 – *Business Combinations*, the Company considered the guidance provided by IAS 8 - *Accounting Policies, Changes in Accounting Estimates and Errors* and applied predecessor accounting. A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party, both before and after the business combination, and control is not transitory.

Assets acquired or liabilities assumed are not restated to their fair values. Instead, the acquirer incorporates the carrying amounts of assets and liabilities of the acquired entity and no new goodwill arises. The difference between the consideration given and the aggregate carrying value of the assets and liabilities of the acquired entity as of the date of acquisition is included as acquisition reserve in equity.

p) Adoption of new pronouncements

The Company adopted the following policy:

- IFRS 16 replaces IAS 17, “Leases” and the related interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting is not substantially changed. The standard is effective for periods beginning on or after January 1, 2019, with early adoption permitted for entities that have adopted IFRS 15.

The adoption of IFRS 16 did not have a material impact on the Company’s consolidated financial statements.

4. Significant accounting estimates and judgments

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

The Company has identified the following areas where significant judgments, estimates and assumptions are made, where actual results may differ from these estimates and this may materially affect the Company's financial results or consolidated statement of financial position in future periods.

Significant areas requiring the use of management estimates include valuation of warrants and share-based payments, recognition of deferred income tax assets, and deferred income tax rates.

Significant areas requiring management judgement include:

Going concern

Assessment of the Company's ability to continue as a going concern requires estimates of future cash flows and includes the consideration of other factors, the outcomes of which are uncertain.

Utilization of deferred income tax assets

Deferred tax assets require management judgement in order to determine the amounts to be recognized and the likelihood that there will be future taxable income for which the deferred tax assets can be utilized. This includes assessing the timing of the reversal of temporary differences to which deferred income tax rates are applied.

Impairment assessment of accounts receivable and other receivable

Application of the factors of impairment to the facts and circumstances pertaining to the accounts receivable requires a significant amount of management judgement.

Determination to classify assets as held for sale

Classification of assets, liabilities and operations as held for sale as discontinued operations requires management to consider its future intent for the operation and a determination about whether to continue the operation.

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5. Discontinued operations

To streamline the Company's plan to focus on sale of durable medical equipment and Cannabidiol ("CBD") with zero THC content for internal use including CBD infused skin, bath and body care products, management of the Company decided to discontinue the operations of PTI. Therefore, PTI's assets and liabilities have been presented as held for sale at December 31, 2019.

The operating results of PTI are presented as discontinued operations and with the comparative figures restated as follows:

	Note	For the Years Ended	
		2019	December 31, 2018
		\$	\$
Revenue		218,484	3,378,279
Cost of sales		155,523	984,241
		62,961	2,394,038
Expenses			
Accretion, depreciation and rent		132,356	181,157
Professional service	(i)	598,261	2,946,493
Other expenses		39,770	274,455
Wages and benefits	(i)	156,692	414,882
Loss before other items		(864,118)	(1,422,949)
Other items			
Loss on debt extinguishment	(iv)	-	(382,929)
Interest expense and other income		(282,564)	(263,007)
Other items		(282,564)	(645,936)
Net loss from discontinued operations		(1,146,682)	(2,068,885)

Nass Valley Gateway Ltd.
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5. Discontinued operations (continued)

At December 31, 2019 and 2018, the assets and liabilities related to the disposal PTI group were as follows:

	Note	December 31, 2019 \$	December 31, 2018 \$
Current assets			
Cash		(43)	138,866
Accounts receivable and prepaid		16,788	491,203
Inventory		67,863	-
Due from related parties	(ii)	17,120	10,122
Total current assets		101,728	640,191
Non-current assets			
Equipment		6,464	37,899
Deposits		-	7,573
Total non-current assets		6,464	45,472
Total assets held for sale		108,192	685,663
Current liabilities			
Accounts payable and accrued liabilities		575,337	436,840
Factoring agreements payable	(iii)	214,786	287,195
Due to related parties and other payable	(ii)	936,424	755,809
Notes payable, current portion	(iv)	3,071,722	1,631,646
Total current liabilities		4,798,269	3,111,490
Non-current liabilities			
Notes payable	(iv)	-	1,295,990
Total non-current liabilities		-	1,295,990
Total Liability directly associated with assets held for sale		4,798,269	4,407,480

(i) The expenses incurred under professional services and wages and benefits for the discontinued operation is included the related party transactions described in Note 8.

(ii) The balances due to and from related parties for the discontinued operation are included in the related party transactions described in Note 8.

(iii) PTI entered into various sales of accounts receivable under factoring agreements for cash. These agreements are short term in nature with repayment terms ranging from 120 to 300 days, and are repayable by fixed daily payments until the agreed balance has been remitted. As of December 31, 2019, the balance due under these factoring agreements was \$214,786 (2018 - \$287,195). The December 31, 2019 balance of \$214,786 was overdue as of June 30, 2017.

Nass Valley Gateway Ltd.
Notes to the consolidated financial statements
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5. Discontinued operations (continued)

(iv) PTI had the following note payable activity for the years ended December 31, 2019 and 2018:

	Related parties	Madison, LLC	Total
	\$	\$	\$
Balance and current portion, December 31, 2017	561,798	658,664	1,220,462
Addition	-	-	-
Refinance	1,425,270	-	1,425,270
Accrued interest	156,039	107,627	263,666
Principal payments	(206,192)	(323,925)	(530,117)
Interest payments	(28,625)	-	(28,625)
Loss on debt extinguishment	-	382,929	382,929
Interest accretion on notes payable and factory agreement payable	-	5,781	5,781
Foreign currency translation adjustment	161,409	26,861	188,270
Balance, December 31, 2018	2,069,699	857,937	2,927,636
Current Portion, December 31, 2018	773,709	857,937	1,631,646
Long-term Portion, December 31, 2018	1,295,990	-	1,295,990

	Related parties	Madison, LLC	Total
	\$	\$	\$
Balance and current portion, December 31, 2018	2,069,699	857,937	2,927,636
Accrued interest	159,228	131,363	290,591
Foreign currency translation adjustment	(140,535)	(5,970)	(146,505)
Balance, December 31, 2019	2,088,392	983,330	3,071,722

Related party notes payable

On August 18, 2016, PTI entered into a promissory note agreement with the Chief Financial Officer of the Company for \$324,700 (USD \$250,000). The note bears interest at a rate of 4% per month and had an original maturity date of October 18, 2016. In December 2017, the maturity date was extended to January 31, 2018, and in January 2018, the maturity date was further extended to May 17, 2018. As of December 31, 2019, outstanding balance on the promissory note was \$324,700 (USD\$250,000) and the promissory note was in default. Interest expense for the year ended December 31, 2019 amounted to \$159,228 (2018 - \$ 155,484).

On November 30, 2018, the Company entered into a promissory note agreement with National Brace, a related party under common ownership under which, \$1,428,680 (USD \$1,100,000) of the outstanding balance due to National Brace, was refinanced to a long term obligation due on May 31, 2020. The note is unsecured and bears no interest. As of December 31, 2019, outstanding balance on the promissory note was \$1,233,860 (USD \$950,000).

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5. Discontinued operations (continued)

(iv) PTI had the following note payable activity for the years ended December 31, 2019 and 2018:

Madison, LLC

On July 7, 2017, PTI entered into a secured promissory note agreement with a Madison, LLC (the "Lender") for borrowing up to \$682,100 (USD \$500,000). The note bears interest at a rate of 12% per annum and is secured by the Company's accounts receivable. In the event of default, the note bears interest at a rate of 18% per annum. All unpaid principal and interest were due in full on July 6, 2018. On February 8, 2018, PTI entered into an amended and renewed promissory note agreement ("First Amendment") with the Lender. Under the First Amendment, the remaining unpaid principal of \$682,100 (USD \$500,000) was increased to \$954,940 (USD \$700,000) and payable as follows: \$68,210 (USD \$50,000) on March 1, 2018, \$102,315 (USD \$75,000) on April 1, 2018, \$170,525 (USD \$125,000) on May 1, 2018, \$272,840 (USD \$200,000) on June 1, 2018 and \$341,050 (USD \$250,000) plus all accrued interest on July 1, 2018. The Company determined that the First Amendment represented substantial modifications of the financial liabilities under IFRS 9, as the respective differences between the net present value of the cash flows under the modified terms exceeded 10 percent different from the net present value of the remaining cash flows of the note prior to the modification, both discounted at the original effective interest rate. The resulting different of \$259,140 is recognized in the consolidated statement of loss and comprehensive loss. On July 6, 2018, PTI entered into a second amended and renewed promissory note agreement ("Second Amendment") with the Lender pursuant to which the lender waived the late fees incurred by PTI and continued to allow interest to accrue at a rate of 12% per annum instead of at the default rate, and extended the maturity date of the note to October 15, 2018 with a modified repayment schedule in consideration of a fee of \$136,420 (USD \$100,000) (the "Extension Fee") in free-trade shares (the "Shares") of Nass Valley Gateway Ltd ("Nass Valley"). If the Shares are not publicly trading on or before July 31, 2018, the Extension Fee shall be paid on July 31, 2018. Under the Second Amendment, the remaining unpaid principal of \$613,890 (USD \$450,000) and interest shall be due and payable as follows: \$68,210 (USD \$50,000) on July 31, 2018, \$68,210 (USD \$50,000) on August 30, 2018, \$68,210 (USD \$50,000) on September 30, 2018 and \$409,260 (USD \$300,000) plus all accrued interest on October 31, 2018. The Company determined that the Second Amendment represented substantial modifications of the financial liabilities under IFRS 9, as the respective differences between the net present value of the cash flows under the modified terms exceeded 10 percent different from the net present value of the remaining cash flows of the note prior to the modification, both discounted at the original effective interest rate. The resulting difference of \$123,789 is recognized in the consolidated statement of loss and comprehensive loss. As of December 31, 2019, outstanding balance and Extension Fee on the note was \$714,340 (USD \$550,000), and the promissory note was in default. Interest expense for the year ended December 31, 2019 amounted to \$131,363 (2018 - \$ 107,627).

6. Other payable to shareholder

On November 2, 2018, the Company received proceeds of \$194,820 (2018 - \$204,630) equivalent to USD \$150,000 from a shareholder. The amount is non-interest bearing.

On March 27, 2018, the Company received proceeds of \$194,820 (2018 - \$204,630) equivalent to USD \$150,000 from a shareholder bearing interest at 10% per annum for a term of 120 days.

On September 20, 2019, the Company received \$129,880 equivalent to USD \$100,000 from a shareholder. The amount is non-interest bearing.

7. Share capital

a) Authorized share capital

At December 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.

b) Issue of common shares

As at December 31, 2019, the issued and outstanding common shares were 312,832,777.

Pursuant to the reverse-take over transaction, the Company issued 280,000,000 shares in exchange for 2,000 shares of ABL.

During the year ended December 31, 2019, the Company issued 516,000 common shares pursuant to exercise of 516,000 stock options at \$0.10/share.

During the year ended December 31, 2019, the Company issued 20,000 common shares pursuant to exercise of 20,000 stock options at \$0.10/share.

During the year ended December 31, 2019, the Company issued 153,300 common shares pursuant to exercise of 153,300 share purchase warrants at \$0.10/share.

As at December 31, 2018, the issued and outstanding common shares were 200. There was no share capital activity for the years ended December 31, 2018 and 2017.

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7. Share capital (continued)

c) Stock options

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

The number of options that may be issued under the Plan is limited to no more than 10% of the Company's issued and outstanding shares on the grant date. Stock options granted to directors vest at a rate of 50% on the grant date and the balance 180 days after the date of issuance. Stock options granted to employees vest at a rate of 50% 180 days after the date of issuance and the balance on the first anniversary of the grant date.

The Company granted 1,555,000 and nil stock options during the year ended December 31, 2019 and 2018. The Company recorded share-based payment of \$234,905 (\$nil – 2018). 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 1.55%, the expected life of 3 years, expected volatility of 366%, forfeiture rate of 0% and expected dividends of \$nil.

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

Expiry Date	Exercise Price	December 31, 2018	Granted	Exercised	Expired/ Forfeited	Cancelled	December 31, 2019
October 25, 2019	\$ 0.10	545,000	-	(210,000)	(300,000)	(35,000)	-
December 5, 2020	\$ 0.10	560,000	-	(70,000)	(355,000)	(35,000)	100,000
April 10, 2022	\$ 0.18	-	1,555,000	-	(720,000)	-	835,000
		1,105,000	1,555,000	(280,000)	(1,375,000)	(70,000)	935,000
Weighted average exercise price							\$0.17

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	-	-	(372,500)	(85,000)	1,105,000
Weighted average exercise price							\$0.10

Details regarding the options outstanding and exercisable as at December 31, 2019 are as follows:

Exercise Price	Number of Options Outstanding and Exercisable	Weighted Average Remaining Contractual Life (years)	Weighted Average Grant Date Fair Value
\$ 0.10	100,000	0.93	\$ 0.06
\$ 0.18	835,000	2.28	\$ 0.16
\$ 0.17	935,000	3.21	\$ 0.11

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7. Share capital (continued)

c) Stock options (continued)

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 reliably a single measure of the fair value of the Company's stock options.

d) Share purchase warrants

As at December 31, 2019, the following tables summarize the Company's share purchase warrants:

Expiry Date	Exercise Price	December 31, 2018	Granted	Exercised	Expired/ Cancelled	December 31, 2019
May 1, 2017 ⁽¹⁾	\$0.10	11,058,500	-	(256,000)	(10,802,500)	-
July 25, 2019	\$0.10	1,363,042	-	(153,300)	(1,209,742)	-
Oct 16, 2020	\$0.11	3,500,000	-	-	-	3,500,000
		15,921,542	-	(409,300)	(12,012,242)	3,500,000
Weighted average exercise price						\$0.11
Weighted average contractual remaining life (years)						0.79

Expiry Date	Exercise Price	December 31, 2017	Granted	Exercised	Expired/ Cancelled	December 31, 2018
May 1, 2017 ⁽¹⁾	\$0.10	11,450,000	-	(391,500)	-	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	-	(391,500)	-	15,921,542
Weighted average exercise price						\$0.10
Weighted average contractual remaining life (years)						0.60

(1) 11,450,000 warrants due to expire May 1, 2017 were extended to June 17, 2019 due to a length of time the Company's shares were halted on the Exchange.

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8. Related party transactions and balances

Key management personnel compensation

Key management personnel are those persons that have the authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly. Key management personnel include the Company's directors and members of the senior management group.

Details of key management personnel compensation are as follows:

Years ended December 31,	2019	2018
Services provided:		
Salaries	\$ 119,421	\$ 310,968
Management fees (a)	226,568	1,465,437
Consulting fees (b) (c) (d)	276,203	557,910
Advertising and promotions (a) (b)	-	-
Billing service (a)	-	-
Shipping and handling (a)	-	-
Key management personnel compensation	\$ 622,192	\$ 2,334,315
Share-based payments	\$ 234,905	\$ -
As at December 31,	2019	2018
Balances payable to key management personnel (a) (c)	\$ 996,348	\$ 442,044
Balance receivable from related parties	153,737	-

(a) PTI entered into a management services agreement with National Brace, a related party under common ownership. Pursuant to the agreement, National Brace provides certain management services, including but not limited to, receiving and reviewing prescriptions for DME, checking patient insurance benefits, communicating with prescribing physicians and/or patients and arranging the shipping of the prescribed products. Management fees under the agreement equal to \$28,181 (USD \$21,750) per week. In addition, PTI reimburses National Brace for the full cost of the services provided. During the year ended December 31, 2019, management fees under the agreement totaled \$226,568 (2018 - \$ 1,465,437).

As of December 31, 2019 the total amount receivable from National Brace was \$294,695 (2018 - \$64,108), which is included in due to related companies on the accompanying consolidated statements of financial position.

As of December 31, 2019 the total amount owed to Global 1 Solutions was \$340,286 (2018 - \$nil), which is included in liabilities directly associated with asset held for sale on the accompanying consolidated statements of financial position.

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8. Related party transactions and balances (continued)

- (b) PTI entered into a consulting agreement with Global 1 Solutions, LLC ("Global 1"), a related party under common ownership, under which, Global 1 provides PTI consulting services and broker relationships with marketing companies. During the year ended December 31, 2019, PTI incurred \$26,538 (2018- \$25,914) for consulting fees and marketing fees pursuant to the agreement.
- (c) PTI entered into a management services agreement with NY DME, LLC ("NY DME"), a related party owned by the Company's president. NY DME provides durable medical equipment and related services and supplies to patients pursuant to the agreement. The fee for the said services is 10% of weekly collected income, as defined. During the year ended December 31, 2019, PTI incurred \$168,061 (2018- \$370,228) for services provided under the agreement. As of December 31, 2019, total amount owed to NY DME was \$407,936 (2018- \$377,936), which is included in liabilities on the accompanying consolidated statements of financial position.
- (d) PTI entered into a consulting arrangement with MMVX, LLC ("MMVX"), a related party owned by a family member of the Company's officer, whereby MMVX provides PTI consulting services. During the year ended December 31, 2019, PTI incurred \$81,604 (2018- \$161,768) for consulting fees pursuant to the agreement.

Other transactions

PTI entered into various promissory notes agreements with the related parties as described in Note 5.

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9. Commitment and contingencies

Lease

The Company rents office spaces in New York and Florida for its operation under operating leases with terms of five to ten years. The lease agreements expire on various dates between February 2019 and July 2021. The leases require payment of base lease payments plus the Company's share of operating expenses.

Future minimum rental payments under these lease agreements are as follows:

Year(s)	\$
2020	97,662
2021	53,338
	151,000

Contingencies

During December 31, 2019, the Company was commenced by Summons and Complaint alleging damages for breach of contract. The case was settled for USD \$36,674. As at year end, the Company accrued a liability of \$47,632 in relation to these matters.

During December 31, 2019, the Company was commenced by Summons and Complaint alleging damages for breach of contract. The case was settled for USD \$50,000. As at year end, the Company accrued a liability of \$64,940 in relation to these matters.

On February 1, 2018, the Company was commenced by Summons and Complaint alleging damages for breach of contract. This case was settled by stipulation of settlement dated March 5, 2019 in amount of USD \$131,300. On March 29, 2018, the Company was commenced by Summons and Complaint alleging damages for breach of contract. This case was settled by stipulation of settlement dated April 17, 2019 in amount of USD \$15,750. During the year ended December 31, 2018, the Company accrued a liability of \$204,585 in relation to these matters.

On October 2, 2017, the Company was commenced by Summons and Complaint alleging damages for breach of contract. This case was settled by stipulation of settlement dated February 6, 2018 in amount of USD \$17,500. During the year ended December 31, 2017, the Company accrued a liability of \$21,954 in relation to these matters.

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10. Financial instruments

The Company's financial instruments include cash, other receivable, due from related parties, accounts payable, merchant cash advances, due to related parties, other payable and notes payable. The carrying value of accounts payable, other receivable, due from related parties, accounts payable, merchant cash advances, due to related parties, other payable and notes payable as presented in these consolidated financial statements are reasonable estimates of fair values due to the relatively short periods to maturity and the terms of these instruments.

Financial instruments must be classified at one of three levels within a fair value hierarchy according to the relative reliability of the inputs used to estimate their values. The three levels of the hierarchy are as follows:

- Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities;
- Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and,
- Level 3: Inputs that are not based on observable market data.

The Company's financial instruments have been classified as follows:

Financial instrument	Classification
Cash	FVTPL
Accounts receivable	Amortized cost
Other receivable	Amortized cost
Due from related parties	Amortized cost
Accounts payable	Amortized cost
Other payable	Amortized cost
Due to related parties	Amortized cost
Notes payable	Amortized cost
Merchant cash advances	Amortized cost

Risk exposure and management

The Company is exposed to various financial instrument risks and continuously assesses the impact and likelihood of this exposure. These risks include credit risk, commodity price risk, liquidity risk, interest rate risk and currency risk. Where material these risks are reviewed and monitored by the Board of Directors.

(a) Credit risk

Credit risk arises from the non-performance by counterparties of contractual financial obligations resulting in financial loss to the Company. The Company's credit risk is primarily attributable to its cash and accounts receivable. Cash is held with an investment grade financial institution as assessed by external rating agencies. Management believes the risk of loss to be minimal. As at December 31, 2019, the Company's maximum credit risk is the carrying value of cash and accounts receivable.

(b) Liquidity risk

Liquidity risk refers to the risk that the Company will not meet its obligations associated with its financial liabilities as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage, as outlined in Note 11. Management closely monitors the liquidity position and expects to have adequate sources of funding to finance the Company's projects and operations. As at December 31, 2019, the Company had a working capital deficit of \$477,275. All of the Company's financial liabilities are classified as current except for liabilities directly associated with assets held for sale.

10. Financial instruments (continued)

(c) Interest rate risk

As at December 31, 2019, the Company does not hold any variable rate term deposits. The Company's promissory notes payable bear fixed rates of interest and therefore is not subject to any significant interest rate cash flow risk.

11. Management of capital

The Company manages its capital to ensure it will be able to continue as a going concern and continue the funding of its long-term investment. The Company currently has commercial operations that management anticipates will, in the near future, generate cash flow. The Company will, as management finds necessary to achieve growth, utilize financings to fund its long-term investment, merge and acquisition, inventory, and periodic cash flow needs. The success of each financing depends on numerous factors including a positive economic environment, positive stock market and industry conditions, the Company's ongoing track record and prudent management decisions supported by the Board of Directors approval. The capital structure of the Company currently consists of notes payable, and shareholders' deficiency, which is comprised of share capital and deficit. Once the Company achieves projected top line growth and establishes quarter over quarter revenue growth and certain financial benchmarks, it may consider return on capital criteria. The Company does not pay dividends and is not exposed to any externally imposed capital requirements.

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12. Income taxes

The Company's provision for income taxes differs from amounts computed by applying the combined Canadian federal and provincial income tax rates, as a result of the following:

Year ended December 31,	2019	2018
Enacted rates	25%	21%
Income tax recovery computed at statutory rates	\$ 815,491	\$ 454,652
Permanent differences, changes in tax rates and other	333,218	(168,555)
Change in deferred assets not recognized	(1,148,709)	(286,097)
Recovery of (provision for) income taxes	\$ -	\$ -

The tax effects of temporary timing differences that give rise to significant components of the deferred tax assets and deferred tax liabilities are as follows:

Year ended December 31,	2019	2018
Deferred tax assets		
Non-capital loss carry forwards	\$ 1,261,036	\$ 257,589
Other receivables	173,770	28,508
Total gross deferred tax assets	1,434,806	286,097
Deferred tax assets not recognized	(1,434,806)	(286,097)
Net deferred tax assets	\$ -	\$ -

At December 31, 2019, the Company has non-capital losses of approximately \$5,221,690 which may be carried forward to apply against future year's income for taxable income for future years in Canada and US, subject to final determination by taxation authorities, expiring as follows:

2026	\$ 246,823
2027	331,504
2028	268,312
2029	205,964
2030	280,125
2031	233,230
2032	223,800
2033	168,579
2034	127,570
2035	50,603
2036	68,716
2037	84,445
2038	1,385,109
2039	1,546,910
	<u>\$ 5,221,690</u>

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13. Reverse-take over transaction

As described in Note 1, on March 22, 2018, the Company entered into DASE with ABL to acquire 100% outstanding common shares of ABL by issuance of 280,000,000 common shares of the Company. The Transaction was closed on March 18, 2019. Upon completion of the Transaction, the Company owned approximately 89.7% of the issued and outstanding common shares of NVG.

The fair value of the consideration for the Transaction is as follows:

	Number	Amount
Shares and warrants issued:		
Outstanding common shares and subscription receipts of NVG deemed to be issued	32,399,677	\$ 1,295,987
Outstanding options of Aim deemed to be issued	1,105,000	27,021
Outstanding warrants of Aim deemed to be issued	15,921,542	188,759
Total consideration		\$ 1,511,767
Net working capital and assets acquired:		
Cash		\$ 6,204
Amounts receivable		3,046
Marketable securities		264
Accounts payable and accrued liabilities		(48,126)
Net liabilities assumed		\$ (38,612)
Total consideration		\$ 1,511,767
Net liabilities assumed		(38,612)
Total listing transaction expense		\$ 1,550,379