This Management Discussion and Analysis ("MD&A") is intended to help the reader understand the financial statements of Nass Valley Gateway Ltd. ("Nass Valley" or the "Company"). The information herein should be read in conjunction with the financial statements for the twelve months ended December 31, 2019 and 2018. The financial statements for the twelve months ended December 31, 2019 have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The following discussion may contain management estimates of anticipated future trends, activities or results. These are not a guarantee of future performance, since actual results could change based on factors and variables beyond management control. All monetary amounts are in Canadian dollars unless otherwise stated.

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

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

Description of Business and Overall Performance

The Company was incorporated on October 25, 2005 under the British Columbia Business Corporation Act. The Company became a reporting issuer on February 26, 2007 and the common shares of the Company were listed on the Canadian Securities Exchange ("CSE") on March 9, 2007 under the trading symbol 'NVGL', which was changed in September 2008 to "NVG". Since October 5, 2007, the Company's common shares have been co-listed on the "Open Market" of the Frankfurt (Germany) Stock Exchange and are trading under the symbol "3NVN". The Company's common shares are also traded on the Third Market Segment called Freiverkehr on the Berlin and Bremen Stock Exchange.

As at September 30, 2019 the Company owns two wholly-owned subsidiaries, Pro-Thotics Technology Inc ("PTI") and Advanced Bioceuticals Limited ("ABL") which were acquired in a reversed takeover ("RTO") on March 18, 2019.

Pro-Thotics Technology Inc ("PTI") was incorporated in September 1988 in the State of New York and has been a Durable Medical Equipment Supplier ("DME") since inception. On April 3, 2016 Global1 Solutions LLC and National Brace Inc. purchased 100% of PTI, expanding the business into a national marketer of off the shelf Orthotics to a broad base of patients based throughout the United States.

PTI at that time had offices in Patchogue, New York and Tamarac, Florida. The main business was that of custom fit orthotics, with patients generated by salesman and hospitals. The Company also sold arterial compression devices, lymphedema pumps and prosthetics.

Subsequently to taking over in 2016, the new management decided to change the business model from custom fit to drop ship / mail order model. The sales of the compression devices, lymphedema pumps and prosthetics were phased out. In addition the Company also stopped 3rd party billing. This resulted in revenues declining from 2016 to 2017.

During 2017 and 2018 sales steadily improved and declined into early 2019.

Q2 2019 revenue was negatively affected by the severe contraction in the DME industry because of US government regulatory policy which rendered PTI's DME reimbursement collection process impossible to continue. PTI is still in discussions with a potential buyer.

ABL was incorporated on January 31, 2018 in the State of New Jersey and on February 1, 2018 acquired 100% of PTI. Global1 Solutions LLC and National Brace Inc each became a 50% shareholder of ABL in an exchange of equity of a company under common control.

On March 22, 2018 the Company entered into a Definitive Acquisition and Share Exchange Agreement whereby Nass Valley Gateway Ltd acquires a 100% interest in Advanced Bioceuticals Limited and its wholly owned subsidiary Pro-Thotics Technologies Inc. in exchange for 89.27% of the common shares of the Nass Valley Gateway Ltd. Since ABL's shareholders own a majority of the common shares of the Company subsequent to the CSE approval, the proposed transaction together with the recapitalization, was considered as a reverse takeover ("RTO").

On March 4, 2019 the Company announced that following an internal Listing Application Review, the CSE had approved the fundamental change of Nass Valley Gateway Ltd. for listing subject to the following conditions:

1) Completion of the acquisition (the "Acquisition") of Advanced Bioceuticals Limited ("ABL");
2) Completion of any and all outstanding CSE application documentation and payment of fees pursuant to the Policies of the CSE.

On March 13, 2019 the parties amended the DASE-Agr by changing the consideration for the 100% ownership interest of ABL and including ABL's wholly owned subsidiary Pro-Thotics Technology, Inc. from 400,000,000 common shares of NVG at a deemed price of $0.10 per share to 280,000,000 common shares of NVG at a deemed price of $0.1429 per share representing 89.7% of the Company's issued common shares (85.06% on a fully diluted basis).

On March 18, 2019, the Company issued 280,000,000 common shares as total consideration for its acquisition of Advanced Bioceuticals Limited ("ABL") and Pro-Thotics Technology Inc. ("PTI") as wholly owned subsidiaries. The total number of the issued and outstanding common shares of the Company increased to 312,143,477.

The 280,000,000 issued common shares are subject to the four months hold period pursuant to the Canadian securities laws, of which 266,000,000 common shares are also subject to resale restrictions prescribed by the U.S. securities laws and cannot be resold during the next 12 months and without strict compliance with the U.S. securities laws. 261,400,000 common shares of the issued 280,000,000 common shares are also subject to an escrow agreement, a copy of which is available under the profile of the Company on www.sedar.com.

As wholly owned subsidiaries of Nass Valley, ABL will continue to focus on commencing the development and sales of hemp based cannabidiol (CBD) with zero Tetrahydrocannabinol (THC) content products including CBD infused skin, bath, and body care products (the "ABL-Business") and PTI will continue to focus on expanding the sale of Durable Medical Equipment ("DME" or "PTI-Business").

On March 25, 2019 Nass Valley's Board of Directors announced its approval of the appointment of two Directors and Officers pursuant to its fundamental acquisition.

Mr. John Affenita was appointed as a Director, President and the Chief Executive Officer ("CEO") of Nass Valley. Mr. Affenita is also the CEO of Nass Valley's acquired subsidiary Pro-Thotics Technology Inc, a position he has held since 2000. Mr. Affenita is the founder of Pro-Thotics Technology, Inc. He is an ABC (American Board of Certification) Orthotist and Prosthetist ("O&P") member, serving the O&P field for 20 years. He has since resigned as CEO.

Mr. Darren Palestine was appointed May 30, 2019. He is an experienced professional with twelve years of operational management, business development, sales management, and underwriting experience in asset-based lending. He is the Owner and Operator of a Lending and Consulting Firm and is a focused leader with success in both inbound and outbound sales, networking, and business development. Mr. Palestine has multiple articles and interviews published in various Industry publications, is a featured panelist on Alternative Financing Panels.

Mr. Michael Semler was appointed as the Chief Financial Officer of Nass Valley. Mr. Semler has been in the healthcare and wellness business for the last 10 years. He also was instrumental in capital fundraising for Pro-Thotics Technologies and its affiliates and maintains all financial relationships with banking, private equity, and investor partners.

On March 29, 2019 the shares of Nass Valley Gateway resumed trading.

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.

CSB has been in business for over 10 years manufacturing, packaging and whole-selling a variety of CBD products. The products supplied for Nass Valley's brand will meet the US Federal legal requirements containing less than 0.3% THC.

On June 7th, 2019, Michael Semler (CFO) and Armand Assante were elected to the Board of Directors.

On July 26,2019, the Company informed CSB it would terminate the proposed LOI per the agreement.

On August 26th, 2019, the Company entered into a definitive JV (joint venture) agreement with Dynamic Blending Specialists (DBS), a contract manufacturer of cosmetic and dermatological products located in Vineyard, Utah, USA. DBS will, under the terms of the agreement, provide the Company with zero-THC CBD products for the period of one year. The JV can be extended by mutual agreement between DBS and the Company. Also, DBS executives Gavin Collier will serve as CEO of the Company and Jordan Erskine will serve as COO of the Company, Mr. Erskine will also serve as Director and on the audit committee. Each will be under Company employee contracts and each will be granted 1M shares of Company common shares. Mr. Affenita resigned as CEO and stayed on as a consultant to PTI.

On November 8th, 2019, the Company ordered its first 20k units of CBD products from DBS under the Nass Valley Gardens brand name.

On November 14th, 2019, the Company hired Todd Sonaga, a public and investor relations consultant to run all of the Company's investor relations and communications.

During the year ended December 31, 2019, the Company discontinued PTI. See the audited financial statements for the year ended December 31, 2019 Note 5 for details on the discontinued operations.

Future Developments

The Company is its fully committed to producing and marketing CBD consumer products marketed under the brand name of Nass Valley Gardens. There are plans to expand the Company's sales channels beyond e-commerce and retail.

Nass Valley Gardens is also planning to expand its digital footprint by marketing to specific demographics via e-commerce strategies.

The Company continues to focus on selling its remaining PTI assets. It plans to divest of PTI because of the change in market conditions stated earlier and is in negotiations with a potential buyer. While the buyer has been identified, there is no certainty that the buyer will complete the purchase.

FINANCING

During the twelve months ended December 31st, 2019, and following the reduction in revenue from the PTI business in April 2019, the Company used financing from related parties to finance its development of its new CBD business. The Company anticipates that it will continue to receive financing from related parties to further establish and expand its CBD offering but anticipates cash flow from CBD products sales revenue will be able to fully finance its operations in Q4 2020.

On March 3, 2019, the Company received an additional $12,763 to the previously received funds for the exercise of 256,000 share purchase warrants at $0.10 per share.

On March 28, 2019, the Company received $26,000 for the exercise of 260,000 stock options at $0.10 per share.

On April 10, 2019, the Company received $2,000 for the exercise of 20,000 stock options at $0.10 per share.

On April 10, 2019, the Company granted 1,555,000 new incentive stock options to its Directors, Officers and consultants at a price of $0.18 per share and an expiry date of April 10, 2022.

On July 19, 2019, the Company converted $15,330 from an AP to a management company for services rendered into payment for the exercise of 153,300 share purchase warrants.

Highlights and Subsequent Events

On August 26th, 2019, the Company entered into a definitive JV (joint venture) agreement with Dynamic Blending Specialists (DBS), a contract manufacturer of cosmetic and dermatological products located in Vineyard, Utah, USA. DBS will, under the terms of the agreement, provide the Company with zero-THC CBD products for the period of one year. The JV can be extended by mutual agreement between DBS and the Company. Also, DBS executives Gavin Collier will serve as CEO of the Company and Jordan Erskine will serve as COO of the Company, Mr. Erskine will also serve as Director and on the audit committee. Each will be under Company employee contracts and each will be granted 1M shares of Company common shares. On January 17th, 2020 Mr. Michael Racaniello was invited by the BoD and accepted to serve as a Director of Nass Valley Gateway Ltd. Mr. Racaniello is a member of the majority shareholder group.

Results of Operations

The twelve months ended December 31st, 2019 compared to the twelve months ended December 31st, 2018

Net loss and comprehensive loss for the twelve months ended December 31st, 2019 amounted to $3,121,602 compared to a loss of $2,403,591 in the previous year. The increase in loss was mainly due to:

(i) increase of $59,885 in Office, $72,194 in professional and $205,844 in marketing and promotion expenses;

(ii) increase of $1,550,379 in listing expenses;

(iii) a decrease of $922,203 in loss from discontinued operations;

(iv) an increase in share based compensation of $234,905.

Selected annual information

	December 31, 2019 (audited)	**December 31, 2018 (audited**
	$	$
Total revenues	-	-
General and administrative	(1,974,920)	(334,706)
Loss from discontinued operations	(1,146,682)	(2,068,885)
Total loss for the year	(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)
Total assets	552,993	1,000,810
Total long –term liabilities	4,798,269	4,407,480
Shareholders' equity	5,167,352	3,823,024
Cash dividends declared - per share	-	-

Liquidity

The Company's working capital and deficit positions at December 31, 2019 and December 31, 2018 were as follows:

	December 31 2019 (audited)	December 31 2018 (audited)
Working capital	$ (477,275)	$ (101,207)
Deficit	$ (6,947,311)	$ (3,825,709)

The cash positions at December 31, 2019 and December 31, 2018 were $18,317 and $1,381 respectively.

The Company's financial condition for adding value to the Company was contingent upon being able to finalize the acquisition of ABL by obtaining regulatory approval.

While the Company will seek to maximize recoveries and reduce operating costs, estimates and assumptions influencing these parameters at the research and development stage may prove incorrect. Incorrect assumptions may result in material differences between estimated and actual results. The Company has no way of predicting the future price and the ability to sell the developed products. As a result, revenue derived from future operations, if any, will be impacted.

The Company has historically relied upon equity financings and loans from related parties to satisfy its capital requirements and will continue to depend heavily upon equity capital to finance its activities in spite of alternative financial instrument available to the Company after its substantial acquisition.

There can be no assurance the Company will be able to obtain required financing in the future on acceptable terms. The Company anticipates the need of additional capital in the future to finance its ongoing operations and development, such capital to be derived from the exercise of outstanding stock options, share purchase warrants, the completion of other equity financings and/or possible issuance of corporate bonds of convertible debentures. The Company has presently limited financial resources, in spite of the operating income through its acquired subsidiaries but has no assurance that additional funding will be available to it to augment the future development of its projects, although the Company has been successful in financing its activities through the sale of equity securities in the past. The ability of the Company to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions.

In recent months, the global securities markets have experienced historic high volatility in price and volume and companies have experienced extreme volatility, particularly in the life science sector, which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in the Company's share prices will not occur, or that these fluctuations will not affect the ability of the Company to raise equity funding, and if at all, without causing a significant dilution to its existing shareholders. Any quoted market for the common shares may be subject to market trends generally, notwithstanding any potential success of the Company in creating revenue, cash flows or earnings.

Capital Resources

At December 31, 2019 the Company had a share capital of $1,329,274 (December 31, 2018: $2,685), representing 312,832,777 (December 31, 2018: 200) common shares without par value, and an accumulated deficit of $6,947,311 (December 31, 2018: $3,825,709). The shareholders' equity amounted to $5,167,352 (December 31, 2018: $3,823,024).

Additional Disclosure for Venture Issuers

Additional disclosure concerning the Company's general and administrative expenses is provided in the Company's Statement of Operations, Comprehensive Loss and Deficit included in its audited financial statements for the years ended December 31, 2019 and 2018 which are available on SEDAR at www.Sedar.com.

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
Adverting 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.

(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.

Off Balance Sheet Arrangements

The Company doesn't have any off-balance sheet arrangements.

Directors and Officers

Gavin Collier	Chief Executive Officer, President and Director, appointed August 26th, 2019
Michael Semler	Chief Financial Officer, appointed March 25, 2019, Director, appointed June 7th, 2019
Armand Asante	Director, appointed June 7th, 2019
Darren Palestine	Director, appointed May 30, 2019
Jordan Erskine	Chief Operating Officer, appointed Aug.26th, 2019, Director, Appointed Aug.26th, 2019
Michael Racaniello	Director, appointed January 17th, 2020

Outstanding Share Data as at December 31, 2019

	Number outstanding	Exercise Price	Expiry Date
Common shares	312,832,777		
Common shares issuable on exercise:			
Stock options	-	$0.10	October 25, 2019
Stock options	100,000	$0.10	December 5, 2020
Stock options	835,000	$0.18	April 10, 2022
Warrants	3,500,000(1)	$0.11	October 16, 2020

(1) On September 19, 2016 the Board of Directors approved the amendment of these warrants to $0.11 per share with an expiry date of October 16, 2020.

Risks and Uncertainties

An investment in the securities of Nass Valley as a junior Company is speculative and subject to risks and uncertainties.

The following are some of the key risks and uncertainties identified; however, there may be other risks and uncertainties that have not been listed:

- Costs related to disclosure requirements are a financial burden for a company presently depending on equity funding for its working capital.
- An increase in competition to any new project the company may acquire.
- No assurance about the economic viability of any project the Company may acquire.
- Additional costs may be incurred, such as availability of experts related to the acquisition, development and marketing, especially of potential new generation of products.
- Additional expenditures will be required to establish permits and patents.
- There can be no assurance that a developed business plan will succeed in whole or in part.
- There are various government and environmental regulations that must be followed by the Company, which are changing constantly for most production projects.

The reader is encouraged to review the Company's 2A Listing Statement on www.sedar.com ("Sedar") which describes in detail all risk factors.

Critical Accounting Estimates And Judgments

The preparation of the Company's financial statements requires management to use estimates and assumptions that affect the reported amounts of assets and liabilities as well as expenses.

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.

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.

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.

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.

Changes in Accounting Policies

The Company did not adopt any new or amended accounting standards during the year ended December 31, 2018 which had a significant impact on the Financial Statements.

New accounting standards 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.

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

Forward-Looking Statements

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

The Company's forward-looking statements are based on the beliefs, expectations and opinions of management on the date the statements are made, and the Company does not assume any obligation to update forward-looking statements if circumstances or management's beliefs, expectations or opinions should change except as required by law. You should not place undue reliance on these forward-looking statements. These statements reflect our current view of future events and are subject to certain risks and uncertainties as contained in the Company's filings with Canadian securities regulatory authorities. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, our actual results could differ materially from those anticipated in these forward-looking statements to reflect events or circumstances after the date hereof, or to reflect the occurrence of any unanticipated events.

Although we believe that our expectations are based on reasonable assumptions, we can give no assurance that our expectations will materialize. The forward-looking statements made in this MD&A describe our expectations as of December 31st, 2019.

"Gavin Collier"
On behalf of the Board
Gavin Collier
Chief Executive Officer