
NASS VALLEY GATEWAY LTD
CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS
THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2020 AND 2019
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

Nass Valley Gateway Ltd

Condensed Interim Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

(Unaudited)

	As at September 30, 2020,	As at December 31, 2019,
ASSETS		
Current assets		
Cash	\$ 370,578	\$ 18,317
Inventory (note 3)	233,088	-
Other receivable	264	264
Due from related parties (note 8)	590,696	426,220
Total current assets	1,194,626	444,801
Non-current assets		
Assets held for sale (note 5)	57,729	108,192
Security deposit	8,000	-
Total non-current assets	65,729	108,192
Total assets	\$ 1,260,355	\$ 552,993
LIABILITIES AND SHAREHOLDERS' (DEFICIT) EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	32,360	36,135
Due to related parties (note 8)	424,513	366,421
Other payable to shareholder (note 6)	533,560	519,520
Other current liabilities	1,193,030	-
Total current liabilities	2,183,463	922,076
Non-current liabilities		
Liability directly associated with assets held for sale (note 5)	4,779,010	4,798,269
Total Liabilities	6,962,473	5,720,345
Shareholders' (deficit) equity		
Share capital (note 7)	1,329,274	1,329,274
Reserve	450,685	450,685
Deficit	(7,502,286)	(6,945,383)
Accumulated other comprehensive income (loss)	20,209	(1,928)
Total shareholders' (deficit) equity	(5,702,118)	(5,167,352)
Total liabilities and shareholders' (deficit) equity	\$ 1,260,355	\$ 552,993

Going Concern Assumption (note 2); Commitments and Contingencies (note 9)

Approved on behalf of the Board of Directors:

"Michael Semler", Director

"Jordan Erskine", Director

The accompanying notes to the condensed interim consolidated financial statements are an integral part of these statements.

Nass Valley Gateway Ltd

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Operating expenses				
Marketing and promotion	28,181	31,776	118,923	140,722
Professional fees	156,092	57,217	324,717	57,217
Office and miscellaneous	66,118	(57,165)	105,454	24,699
Bank and interest charges	4,144	2,273	7,809	3,001
Share-based payments	-	(25,148)	-	118,033
	(254,535)	(8,953)	(556,903)	(343,672)
Loss for continuing operations	(254,535)	(8,953)	(556,903)	(343,672)
Discontinued operations				
Loss from discontinued operations	-	(2,159)	-	(141,378)
Net loss	(254,535)	(11,112)	(556,903)	(485,050)
Other comprehensive income (loss)				
Foreign currency translation adjustment including discontinued operations	(70,187)	-	22,137	-
Total comprehensive income (loss)	\$ (324,722)	\$ (11,112)	\$ (534,766)	\$ (485,050)
Basic and diluted net loss per share				
Continued operations	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)
Discontinued operations	\$ 0.00	\$ (0.00)	\$ 0.00	\$ 0.00
Weighted average number of shares outstanding	312,832,777	312,720,432	312,832,777	233,359,636

The accompanying notes to the condensed interim consolidated financial statements are an integral part of these statements.

Nass Valley Gateway Ltd
Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited)

Nine months ended September 30,	2020	2019,
Operating activities		
Net loss for the period	\$ (556,903)	\$ (485,050)
Adjustment for:		
Share-based payments	-	118,033
Changes in non-cash working capital items:		
Accounts receivable	-	(128,581)
Inventory	(233,088)	-
Other assets	(8,000)	-
Accounts payable and accrued liabilities	(3,775)	(184,733)
Due to related parties	(39,003)	(186,523)
Other current liabilities	1,193,030	645,810
Net cash provided by (used in) operating activities	352,261	(221,044)
Financing activities		
Proceeds from exercise of options and warrants	-	68,930
Purchase of marketable securities	-	(264)
Net cash provided by (used in) financing activities	-	68,666
Net change in cash	352,261	(152,378)
Cash, beginning of period	18,317	159,212
Cash, end of period	\$ 370,578	\$ 6,834

The accompanying notes to the condensed interim consolidated financial statements are an integral part of these statements.

Nass Valley Gateway Ltd

Condensed Interim Consolidated Statements of Changes in (Deficit) Equity

(Expressed in Canadian Dollars)

(Unaudited)

	Number of shares	Amount	Reserve	Deficit	Accumulated other comprehensive Income (loss)	Total
Balance, January 1, 2019	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	226,028	-	-	1,511,767
NVG Option issued	-	-	234,905	-	-	234,905
Exercise of options	689,300	68,930	(10,248)	-	-	58,682
Net loss for the period	-	-	-	(485,050)	-	(485,050)
Foreign currency adjustment	-	-	-	-	-	-
Balance, September 30, 2019	312,832,777	\$ 1,357,354	\$ 450,685	\$ (4,125,559)	\$ (185,200)	\$(2,502,720)
Balance, January 1, 2020	312,832,777	\$ 1,329,274	\$ 450,685	\$(6,945,383)	\$ (1,928)	\$(5,167,352)
Net loss for the period	-	-	-	(556,903)	-	(556,903)
Foreign currency adjustment	-	-	-	-	22,137	22,137
Balance, September 30, 2020	312,832,777	\$ 1,329,274	\$ 450,685	\$ (7,502,286)	\$ 20,209	\$(5,702,118)

The accompanying notes to the condensed interim consolidated financial statements are an integral part of these statements.

Nass Valley Gateway Ltd

Notes to Condensed Interim Consolidated Financial Statements

Three and nine months ended September 30, 2020 and 2019

(Expressed in Canadian Dollars)

(Unaudited)

1. Nature of Operations

Nass Valley Gateway Ltd (the "Company" or "NVG") is incorporated under the laws of British Columbia, Canada. The Company is focused on the cultivation, extraction, and sales of organic, non-GMO hemp-based, zero THC, Cannabidiol ("CBD") products. 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, Canada.

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

The listing transaction expense 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, less the amount of acquired net assets of NVG.

The fair value of the common shares issued and subscription receipts was \$1,295,897, reflecting the price of shares issued in the most recent private placement at \$0.04 per 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%.

2. Going Concern Assumption

These condensed interim consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern under International Financial Reporting Standards ("IFRS"). The use of these principles under IFRS assumes that the Company will continue in operation for the foreseeable future and will be able to realize assets and discharge its liabilities in the normal course of operations.

In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Management is aware in making its assessment, of material uncertainties related to events or conditions, such as those described below and herein, that may cast significant doubt upon the Company's ability to continue as a going concern.

During the nine months period ended September 30, 2020, the Company has incurred net loss of \$556,903 (September 30, 2019 - \$485,050) and as at September 30, 2020, the Company has an accumulated deficit of \$7,502,286 (December 31, 2019 - \$6,945,383). In addition, the Company has a working capital deficiency as at September 30, 2020 of \$988,837 (December 31, 2019 \$477,275). These circumstances create a significant doubt about the Company's ability to meet its obligations as they become due and, accordingly, the appropriateness of the use of the going concern assumption. During the year ended December 31, 2019, the Company has discontinued its PTI business and accordingly does not have a continuing operations which generate revenue, cash flow or profitability.

Nass Valley Gateway Ltd

Notes to Condensed Interim Consolidated Financial Statements

Three and nine months ended September 30, 2020 and 2019

(Expressed in Canadian Dollars)

(Unaudited)

2. Going Concern Assumption (continued)

Management intends to work with creditors to have them forbear on demanding currently due amounts while it pursues financing options available that would provide the Company with sufficient cash to repay ongoing commitments as they become due and pursue its efforts to complete the reverse-take-over transaction.

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.

There is no assurance that the Company's plan to raise cash and defer debt will be successful. Accordingly, these financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported expenses and the statements of financial position classifications used that would be necessary should the Company be unable to continue as a going concern. These adjustments could be material.

3. Significant Accounting Policies

Statement of compliance

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee ("IFRIC"). These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements.

The policies applied in these unaudited condensed interim consolidated financial statements are based on IFRSs issued and outstanding as of November 30, 2020, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed interim consolidated financial statements as compared with the most recent annual consolidated financial statements as at and for the year ended December 31, 2019, except as noted below. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending December 31, 2020 could result in restatement of these unaudited condensed interim consolidated financial statements.

Basis of presentation

These unaudited condensed interim consolidated financial statements have been prepared on a historical cost basis with the exception of certain financial instruments, consistent with the details provided in the fair value note, which are measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Functional and presentation currency

The financial statements are presented in Canadian Dollars ("CAD"), which is the Company's presentation currency. The functional currency for its subsidiaries is United States Dollars ("USD").

Consolidation

The unaudited condensed interim 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.

Inventory

The Company defines inventory as all cannabis products after the point of harvest and includes oils, capsules, edibles and lotions. Inventory is valued at the lower of cost and net realizable value. Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Nass Valley Gateway Ltd

Notes to Condensed Interim Consolidated Financial Statements

Three and nine months ended September 30, 2020 and 2019

(Expressed in Canadian Dollars)

(Unaudited)

3. Significant Accounting Policies (continued)

New accounting standards adopted

IFRS 3, Business Combinations ("IFRS 3")

Amendments to IFRS 3, issued in October 2018, provide clarification on the definition of a business. The amendments permit a simplified assessment to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

The amendments are effective for transactions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020. The adoption of the amendments had no impact on the Company's unaudited condensed interim consolidated financial statements.

IAS 1, Presentation of Financial Statements ("IAS 1")

Amendments to IAS 1, issued in October 2018, provide clarification on the definition of material and how it should be applied. The amendments also align the definition of material across IFRS and other publications. The amendments are effective for annual periods beginning on or after January 1, 2020 and are required to be applied prospectively. The adoption of the amendments had no impact on the Company's unaudited condensed interim consolidated financial statements.

IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8")

Amendments to IAS 8, issued in October 2018, provide clarification on the definition of material and how it should be applied. The amendments also align the definition of material across IFRS and other publications.

The amendments are effective for annual periods beginning on or after January 1, 2020 and are required to be applied prospectively. The adoption of the amendments had no impact on the Company's unaudited condensed interim consolidated financial statements

4. Capital risk management

The Company manages its capital with the following objectives:

- to ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, and pursuit of accretion acquisitions; and
- to maximize shareholder return through enhancing value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by management and the Board of Directors on an ongoing basis.

The Company considers its capital to be equity comprising capital stock, contributed surplus, warrants, and deficit which at September 30, 2020 totaled deficit of \$7,502,286 (December 31, 2019 - Deficit of \$6,945,383).

The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. The forecast is updated based on activities. Selected information is provided to the Board of Directors of the Company.

The Company's capital management objectives, policies and processes have remained unchanged during the period ended September 30, 2020. The Company is not subject to any externally imposed capital requirements.

Nass Valley Gateway Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
Three and nine months ended September 30, 2020 and 2019
(Expressed in Canadian Dollars)
(Unaudited)

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 September 30, 2020 and December 31, 2019.

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

	Note	For the Nine months Ended	
		September 30, 2020	September 30, 2019
		\$	\$
Revenue		-	560,543
Cost of sales		-	156,421
		-	404,122
Expenses			
Marketing and promotion		-	245,767
Professional service	(i)	-	16,628
Other expenses		-	111,106
Wages and benefits	(i)	-	171,999
Loss before other items		-	(141,378)
Other items			
Loss on debt extinguishment	(iv)	-	-
Interest expense and other income		-	-
Other items		-	-
Net loss from discontinued operations		-	(141,378)

Nass Valley Gateway Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
Three and nine months ended September 30, 2020 and 2019
(Expressed in Canadian Dollars)
(Unaudited)

5. Discontinued operations (continued)

At September 30, 2020 and December 31, 2019, the assets and liabilities related to the disposal PTI group were as follows:

	Note	September 30, 2020	December 31, 2019
		\$	\$
Current assets			
Cash		(44)	(43)
Accounts receivable and prepaid		9,838	16,788
Inventory		16,310	67,863
Due from related parties	(ii)	17,582	17,120
Total current assets		43,686	101,728
Non-current assets			
Equipment		6,639	6,464
Deposits		7,404	-
Total non-current assets		14,043	6,464
Total assets held for sale		57,729	108,192
Current liabilities			
Accounts payable and accrued liabilities		590,886	575,337
Factoring agreements payable	(iii)	220,591	214,786
Due to related parties and other payable	(ii)	892,034	936,424
Notes payable, current portion	(iv)	3,075,499	3,071,722
Total current liabilities		4,779,010	4,798,269
Non-current liabilities			
Notes payable	(iv)	-	-
Total non-current liabilities		-	-
Total Liability directly associated with assets held for sale		4,779,010	4,798,269

(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 September 30, 2020, the balance due under these factoring agreements was \$220,591 (December 31, 2019 - \$214,786). The September 30, 2020 balance of \$220,591 was overdue as of June 30, 2017.

Nass Valley Gateway Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
Three and nine months ended September 30, 2020 and 2019
(Expressed in Canadian Dollars)
(Unaudited)

5. Discontinued operations (continued)

(iv) PTI had the following note payable activity for the nine months period ended September 30, 2020 and 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
Foreign currency translation adjustment	2,568	1,209	3,777
Balance, September 30, 2020	2,090,960	984,539	3,075,499

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 September 30, 2020, outstanding balance on the promissory note was \$340,700 (USD \$250,000) and the promissory note was in default. Interest expense for the period ended September 30, 2020 amounted to \$159,228 (December 31, 2019 - \$ 159,228).

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 September 30, 2020, outstanding balance on the promissory note was \$1,294,660 (USD \$950,000).

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 difference 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 June 30, 2020, outstanding balance and Extension Fee on the note was \$749,540 (USD \$550,000), and the promissory note was in default. Interest expense for the year ended December 31, 2019 and June 30, 2020 amounted to \$131,363 (2018 - \$ 107,627).

6. Other payable to shareholder

On November 2, 2018, the Company received proceeds of \$200,085 (December 31, 2019 - \$194,820) equivalent to USD \$150,000 from a shareholder. The amount is non-interest bearing.

On March 27, 2018, the Company received proceeds of \$200,085 (December 31, 2019 - \$194,820) 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 \$133,390 (December 31, 2019 - \$129,880) equivalent to USD \$100,000 from a shareholder. The amount is non-interest bearing.

7. Share capital

a) Authorized share capital

At September 30, 2020, 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 September 30, 2020 and 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.

Nass Valley Gateway Ltd.
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Three and nine months ended September 30, 2020 and 2019
(Expressed in Canadian Dollars)
(Unaudited)

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 nil and 1,555,000 stock options during the nine months ended September 30, 2020 and year ended December 31, 2019, respectively. The Company recorded share-based payment of \$nil (\$234,905 – 2019). 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 September 30, 2020 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	0.18	\$ 0.06
\$ 0.18	835,000	1.53	\$ 0.16
\$ 0.17	935,000	1.71	\$ 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, no Share purchase warrants were granted for the nine months period ended September 30, 2020:

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 ⁽²⁾	\$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)						0.09

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.

(2) These warrants expired

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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.

For the nine months period ended September 30, 2020, no compensation expenses were incurred for key management personnel. The amount due from related parties for \$590,696 and the amounts due to related parties for \$424,513 are in the normal course of operations.

Details of key management personnel compensation for the years ended December 31, 2019 and 2018 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.

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.

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 September 30, 2020, the Company accrued a liability of \$49,979 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 September 30, 2020, the Company accrued a liability of \$68,140 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.

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 September 30, 2020 and 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 4. Management closely monitors the liquidity position and expects to have adequate sources of funding to finance the Company's projects and operations. As at September 30, 2020, the Company had a working capital deficit of \$988,837 (December 31, 2019 - \$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 September 30, 2020, 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.