

## FORM 5

### QUARTERLY LISTING STATEMENT

Name of Listed Issuer: Nass Valley Gateway Ltd. (the "Issuer").

Trading Symbol: "NVG"

This Quarterly Listing Statement must be posted on or before the day on which the Issuer's unaudited interim financial statements are to be filed under the *Securities Act*, or, if no interim statements are required to be filed for the quarter, within 60 days of the end of the Issuer's first, second and third fiscal quarters. This statement is not intended to replace the Issuer's obligation to separately report material information forthwith upon the information becoming known to management or to post the forms required by the Exchange Policies. If material information became known and was reported during the preceding quarter to which this statement relates, management is encouraged to also make reference in this statement to the material information, the news release date and the posting date on the Exchange website.

#### **General Instructions**

- (a) Prepare this Quarterly Listing Statement using the format set out below. The sequence of questions must not be altered nor should questions be omitted or left unanswered. The answers to the following items must be in narrative form. When the answer to any item is negative or not applicable to the Issuer, state it in a sentence. The title to each item must precede the answer.
- (b) The term "Issuer" includes the Listed Issuer and any of its subsidiaries.
- (c) Terms used and not defined in this form are defined or interpreted in Policy 1 – Interpretation and General Provisions.

There are three schedules which must be attached to this report as follows:

#### **SCHEDULE A: FINANCIAL STATEMENTS**

The condensed consolidated interim financial statements for the second quarter ended June 30, 2017 are attached hereto as Schedule A.

## SCHEDULE B: SUPPLEMENTARY INFORMATION

### 1. Related party transactions

During the six months ended June 30, 2017, the Company entered into the following transactions with related parties.

#### Key management personnel compensation

No remuneration was paid during the six months ended June 30, 2017, to any key management personnel besides the Corporate Secretary. The amounts due from (to) related parties were as follows and relate mainly to the reimbursement in the salary of the Corporate Secretary:

40% from Mineral Hill Industries Ltd.

20% from The Eelleet Network Corp.

During the six months ended June 30, 2017, the Company incurred \$8,767 (2016: \$7,500) *with respect to the foregoing*.

#### Other related party transactions

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

|  | <b>June 30<br/>2017<br/>(Unaudited)</b> | December 31<br>2016<br>(Audited) |
|--|---|----------------------------------|
|  | \$                                      | \$                               |
| Mineral Hill Industries Ltd. in accounts payable | -                                       | 647                              |
|  | <b>\$</b>                               | <b>\$</b> 647                    |

Amounts due from related parties were as follows:

|                              | <b>June 30<br/>2017<br/>(Unaudited)</b> | December 31<br>2016<br>(Audited) |
|------------------------------|---|----------------------------------|
|                              | \$                                      | \$                               |
| The Eelleet Network Corp.    | <b>18,240</b>                           | 13,515                           |
| Mineral Hill Industries Ltd. | <b>34,016</b>                           | 24,549                           |
|                              | <b>\$</b> <b>52,256</b>                 | <b>\$</b> 38,064                 |

These transactions are measured at exchange amounts, which are the amounts of consideration negotiated, established and agreed to by the related parties. The amounts are non-interest bearing with no formal terms of repayment.

## 2. Summary of securities issued and options granted during the period.

Provide the following information for the period beginning on the date of the last Listing Statement (Form 2A):

- (a) There were no securities issued during the period.
- (b) There were no options granted during the period.

## 3. Summary of securities as at the end of the reporting period.

|                          | Number of<br>Common Shares | Amount      |
|--------------------------|----------------------------|-------------|
| Authorized Share Capital | Unlimited                  |             |
| Balance, June 30, 2017   | 31,751,977                 | \$3,216,971 |

The following is a summary of options, warrants and convertible securities outstanding as at the second quarter ended June 30, 2017.

|                       | No. of Shares under<br>Option/Warrants | Exercise<br>Price | Expiry Date      |
|-----------------------|--|-------------------|------------------|
| Options               | 372,500                                | \$0.10            | April 28, 2018   |
| Options               | 545,000                                | \$0.10            | October 25, 2019 |
| Options               | 85,000                                 | \$0.10            | February 8, 2020 |
| <b>Total Options</b>  | <b>1,002,500</b>                       |                   |                  |
| Warrants              | 11,450,000 <sup>(1)</sup>              | \$0.10            | May 1, 2017      |
| Warrants              | 1,363,042                              | \$0.10            | July 25, 2019    |
| Warrants              | 3,500,000                              | \$0.20            | October 16, 2016 |
| <b>Total Warrants</b> | <b>16,313,042</b>                      |                   |                  |
| <b>Total</b>          | <b>17,315,542</b>                      |                   |                  |

(1) On April 28, 2017 the Company received the consent of the CSE to extend 11,450,000 share purchase warrants due to expire on May 1, 2017 for the period the Company's shares are halted on the Exchange

There were no outstanding shares held in escrow as at June 30, 2017.

**4. List the names of the directors and officers, with an indication of the position(s) held, as at the date this report is signed and filed.**

The Directors and Officers as at the date of this report are:

|                    |   |
|--------------------|---|
| Dieter Peter       | President, CEO and Director (Mineral Hill Industries Ltd.)                  |
| Andrew von Kursell | Director (Mineral Hill Industries Ltd.)                                     |
| Eric Peter-Kaiser  | Interim Chief Financial Officer and Director (Mineral Hill Industries Ltd.) |
| Milo Filgas        | Director (Mineral Hill Industries Ltd.)                                     |
| James Holmes       | Director, appointed February 15, 2017                                       |
| Michael Kelm       | Corporate Secretary   |

**SCHEDULE C: MANAGEMENT DISCUSSION AND ANALYSIS**

The Interim MD&A is attached hereto as Schedule C.

## Certificate Of Compliance

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Quarterly Listing Statement.
2. As of the date hereof there is no material information concerning the Issuer which has not been publicly disclosed.
3. The undersigned hereby certifies to the Exchange that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all Exchange Requirements (as defined in CNSX Policy 1).
4. All of the information in this Form 5 Quarterly Listing Statement is true.

Dated August 11, 2017

Dieter Peter  
Name of Director or Senior Officer

"Dieter Peter"  
Signature

President & CEO  
Official Capacity

|   |  |  |   |
|---|--|--|---|
| <b>Issuer Details</b>   |  | For Quarter Ended  | Date of Report                          |
| Name of Issuer<br>Nass Valley Gateway Ltd.  |  | June 30, 2017  | YY/MM/D<br>2017/08/11                   |
| Issuer Address<br>1140-13700 Mayfield Place   |  |  |   |
| City/Province/Postal Code<br>Richmond, B.C. V6V 2E4   |  | Issuer Fax No.<br>(604) 278-1139   | Issuer Telephone No.<br>(604) 278-1135  |
| Contact Name<br>Dieter Peter  |  | Contact Position<br>President &<br>CEO   | Contact Telephone No.<br>(604) 278-1132 |
| Contact Email Address<br><a href="mailto:info@nassvalleygateway.com">info@nassvalleygateway.com</a> |  | Web Site Address<br><a href="http://www.nassvalleygateway.com">www.nassvalleygateway.com</a> |   |

**Schedule A**  
**Financial Statements**

**NASS VALLEY GATEWAY LTD.**  
**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED**  
**June 30, 2017 and 2016**  
*(Expressed in Canadian Dollars)*  
*(Unaudited)*

# NASS VALLEY GATEWAY LTD.

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

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

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

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

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

|  | Note | June 30<br>2017<br>(Unaudited) | December 31<br>2016<br>(Audited) |
|--|------|--------------------------------|----------------------------------|
|  |      | \$                             | \$                               |
| <b>ASSETS</b>                            |      |                                |                                  |
| <b>Current assets</b>                    |      |                                |                                  |
| Cash and equivalents                     | 4    | 92,007                         | 150,973                          |
| Marketable securities                    | 5    | 264                            | 264                              |
| Amounts receivable from related parties  | 6    | 53,182                         | 38,064                           |
|  |      | <b>145,453</b>                 | <b>189,301</b>                   |
| <b>Non-current assets</b>                |      |                                |                                  |
| Reclamation bond                         |      | 3,000                          | 3,000                            |
|  |      | <b>148,453</b>                 | <b>192,301</b>                   |
| <b>LIABILITIES AND EQUITY</b>            |      |                                |                                  |
| <b>Current liabilities</b>               |      |                                |                                  |
| Accounts payable and accrued liabilities |      | 12,999                         | 1,139                            |
|  |      | <b>12,999</b>                  | <b>1,139</b>                     |
| <b>Shareholders' deficiency</b>          |      |                                |                                  |
| Share capital                            | 7    | 3,216,971                      | 3,216,971                        |
| Share based payment reserve              |      | 560,898                        | 547,751                          |
| Deficit                                  |      | <b>(3,642,415)</b>             | <b>(3,573,560)</b>               |
|  |      | <b>135,454</b>                 | <b>191,162</b>                   |
|  |      | <b>148,453</b>                 | <b>192,301</b>                   |

Nature and Continuance of Operations (Note 1)  
Subsequent event (Note 10)

These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors on July 28, 2017 and were signed on its behalf:

"Dieter Peter"  
Dieter Peter, Director

"Andrew von Kursell"  
Andrew von Kursell, Director

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

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

|   | For the three months ended<br>June 30 |                   | For the six months ended<br>June 30 |                   |
|---|---------------------------------------|-------------------|-------------------------------------|-------------------|
|   | 2017                                  | 2016              | 2017                                | 2016              |
|   | \$                                    | \$                | \$                                  | \$                |
| <b>Revenue</b>  | -                                     | -                 | -                                   | -                 |
| <b>Expenses</b>   |                                       |                   |                                     |                   |
| Accounting and legal                                    | 16,259                                | 15,000            | 25,559                              | 15,000            |
| Investor relations                                      | 703                                   | 160               | 1,771                               | 320               |
| Loan interest expenses and bank charges                 | 43                                    | 65                | 129                                 | 140               |
| Marketing and promotion                                 | -                                     | 8                 | 5,380                               | 8                 |
| Office expenses   | 1,837                                 | 1,882             | 3,300                               | 3,165             |
| Rent  | 900                                   | 900               | 1,800                               | 1,800             |
| Share-based payments                                    | 9,930                                 | 597               | 13,147                              | 2,471             |
| Transfer agent and filing fees                          | 3,715                                 | 2,795             | 9,027                               | 7,399             |
| Wages and salaries                                      | 4,466                                 | 3,752             | 8,767                               | 7,505             |
| <b>Loss (gain) before other items</b>                   | <b>(37,853)</b>                       | <b>(25,159)</b>   | <b>(68,880)</b>                     | <b>(37,808)</b>   |
| <b>Other items</b>                                      |                                       |                   |                                     |                   |
| Interest revenue  | -                                     | -                 | 25                                  | -                 |
| Gain on disposal of subsidiaries                        | -                                     | -                 | -                                   | 230               |
|   | -                                     | -                 | 25                                  | 230               |
| <b>Net loss and comprehensive loss</b>                  | <b>(37,853)</b>                       | <b>(25,159)</b>   | <b>(68,855)</b>                     | <b>(37,578)</b>   |
| <b>Net loss and comprehensive loss attributable to:</b> |                                       |                   |                                     |                   |
| Controlling interest                                    | -                                     | (25,159)          | -                                   | (37,578)          |
| Non-controlling interest                                | -                                     | -                 | -                                   | -                 |
| <b>Net loss per share, basic and diluted</b>            | <b>\$ (0.00)</b>                      | <b>(0.00)</b>     | <b>(0.01)</b>                       | <b>(0.00)</b>     |
| <b>Weighted average number of shares outstanding</b>    | <b>31,751,977</b>                     | <b>31,751,977</b> | <b>31,751,977</b>                   | <b>31,751,977</b> |

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

**Nass Valley Gateway Ltd.**  
**Condensed interim consolidated statements of changes in equity**  
**For the six months ended June 30, 2017 and 2016**  
*(Expressed in Canadian Dollars)*

|   | Share Capital |                     | Share based<br>payment<br>reserve | Deficit        | Total              |                |
|---|---------------|---------------------|-----------------------------------|----------------|--------------------|----------------|
|   | Note          | Number of<br>shares |                                   |                |                    | Amount         |
| <b>Balance, January 1, 2016 (audited)</b> |               | <b>31,751,977</b>   | <b>3,216,971</b>                  | <b>533,935</b> | <b>(3,489,888)</b> | <b>261,018</b> |
| Share based payments                      | 7(c)          | -                   | -                                 | 2,471          | -                  | 2,471          |
| Adjustment write-off for subsidiary       |               | -                   | -                                 | -              | 100                | 100            |
| Comprehensive loss                        |               | -                   | -                                 | -              | (37,578)           | (37,578)       |
| <b>Balance, June 30, 2016 (unaudited)</b> |               | <b>31,751,977</b>   | <b>3,216,971</b>                  | <b>536,406</b> | <b>(3,527,366)</b> | <b>226,011</b> |
| <b>Balance, January 1, 2017 (audited)</b> |               | <b>31,751,977</b>   | <b>3,216,971</b>                  | <b>547,751</b> | <b>(3,573,560)</b> | <b>191,162</b> |
| Share based payments                      |               | -                   | -                                 | 13,147         | -                  | 13,147         |
| Comprehensive loss                        |               | -                   | -                                 | -              | (68,855)           | (68,855)       |
| <b>Balance, June 30, 2017 (unaudited)</b> |               | <b>31,751,977</b>   | <b>3,216,971</b>                  | <b>560,898</b> | <b>(3,642,415)</b> | <b>135,454</b> |

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

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

|   | Three months ended |                   | Six months ended |                   |
|---|--------------------|-------------------|------------------|-------------------|
|   | June 30            |                   | June 30          |                   |
|   | 2017               | 2016              | 2017             | 2016              |
| <b>Cash flows from operating activities</b>                     |                    |                   |                  |                   |
| Net loss for the period   | \$ (37,853)        | \$ (25,160)       | \$ (68,855)      | \$ (37,578)       |
| <i>Items not affecting cash:</i>                                |                    |                   |                  |                   |
| Stock-based compensation  | 9,930              | 597               | 13,147           | 2,471             |
|   | <b>(27,923)</b>    | <b>(24,563)</b>   | <b>(55,708)</b>  | <b>(35,107)</b>   |
| <i>Changes in non-cash working capital items:</i>               |                    |                   |                  |                   |
| Decrease (increase) in amounts receivable                       | (7,715)            | (7,883)           | (15,217)         | (16,448)          |
| Increase (decrease) in accounts payable and accrued liabilities | 9,507              | (1,333)           | 11,959           | (3,408)           |
|   | <b>(26,131)</b>    | <b>(33,779)</b>   | <b>(58,966)</b>  | <b>(54,963)</b>   |
| <b>Cash flows from financing activities</b>                     |                    |                   |                  |                   |
| Cash from disposal of subsidiaries                              | -                  | -                 | -                | 100               |
|   | -                  | -                 | -                | 100               |
| <b>Cash flows from financing activities</b>                     | -                  | -                 | -                | -                 |
|   | -                  | -                 | -                | -                 |
|   | -                  | -                 | -                | -                 |
| <b>Increase/(decrease) in cash and equivalents</b>              | <b>(26,131)</b>    | <b>(33,779)</b>   | <b>(58,966)</b>  | <b>(54,863)</b>   |
| <b>Cash and equivalents, beginning of the period</b>            | <b>118,138</b>     | <b>224,203</b>    | <b>150,973</b>   | <b>245,287</b>    |
| <b>Cash and equivalents, end of the period</b>                  | <b>\$ 92,007</b>   | <b>\$ 190,424</b> | <b>\$ 92,007</b> | <b>\$ 190,424</b> |
| <b>Supplemental cash flow disclosures:</b>                      |                    |                   |                  |                   |
| Taxes paid  | -                  | -                 | -                | -                 |
| Interest paid   | -                  | -                 | -                | -                 |

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

## **Nass Valley Gateway Ltd.**

### **Notes to the condensed interim consolidated statements of financial position**

**For the six months ended June 30, 2017 and 2016**

*(Expressed in Canadian Dollars)*

(Unaudited)

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#### **1. NATURE AND CONTINUANCE OF OPERATIONS**

Nass Valley Gateway Ltd. (the “Company” or “NVG”) is incorporated under the laws of British Columbia, Canada and its principal business activities include the acquisition and exploration of mineral properties in Ontario and British Columbia, Canada. The Company’s shares are listed on the Canadian Securities Exchange (“CSE”) trading under the symbol “NVG”. The principal business address of the Company is 1140-13700 Mayfield Place, Richmond, BC, V6V 2E4.

On June 18, 2015 the Company entered into a Definitive Purchase Agreement (“Definitive Agreement”) with S.R. Haddon Industries Ltd. (“SRH”), a private company incorporated under the laws of the British Virgin Islands that researches and develops transdermal delivery systems. Under the Definitive Agreement, the Company was to acquire 100% of shares of SRH. During the second quarter of 2016, SRH did not meet the CSE’s requirement for listing approval. As a result, the Definitive Agreement was terminated.

On February 8, 2017, the Company entered into a binding Letter of Intent with IXI Treasury Holdings, Limited. (“ITHL”), a company incorporated under the Laws of Hong Kong, and on February 15, 2017, the Company further entered into a Definitive Asset Purchase Agreement to acquire 100% of ITHL in exchange for the issuance of 80,000,000 convertible preferred shares with a deemed value \$5.00 per share. Fifty percent of the preferred shares will be issued upon approval by shareholders and the regulatory authorities. The remaining balance of 40,000,000 preferred shares will be issued subsequent to the completion of financing. The Company intends to close a private placement of \$2,000,000 of Company bonds or Company common stock to be arranged by ITHL within 120 days of regulatory approval. Within six months from the date of issuance of the second batch of preferred shares, the Company intends to complete a second private placement of \$3,000,000 of Company bonds or Company common stocks to be arranged by ITHL. This transaction is subject to the approval of the Exchange. The only significant asset held by ITHL is an investment in a 40% interest in a Brazilian Government Treasury Bond (the “Bond”). The Company will determine how to account for and classify its investment in ITHL upon closing the acquisition.

Upon approval of the transaction, the Company will consolidate its common shares on a 2 to 1 basis such that each shareholder will receive one post-consolidated share for every two pre-consolidation shares currently held and change its name to “IXI Energy Inc.” and the trading symbol to “IXE”.

These condensed interim 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 condensed interim consolidated financial statements should the Company be unable to realize its assets and discharge its liabilities in the normal course of business. At June 30, 2017, the Company had an accumulated deficit of \$3,642,415 which has been funded primarily by the issuance of equity. Ongoing operations of the Company are dependent upon the Company’s ability to receive continued financial support, complete equity financings and ultimately the generation profitable operations in the future. These factors raise significant doubt about the Company’s ability to continue as a going concern.

#### **Basis of measurement and preparation**

These condensed interim consolidated financial statements have been prepared under IFRS in accordance with IAS 34 – *Interim Financial Reporting*. Certain information, in particular the accompanying notes, normally included in the consolidated annual financial statements prepared in accordance with IFRS have been omitted or condensed. Accordingly, these condensed financial statements do not include all the information required for full annual statements.

The condensed interim consolidated financial statements 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 periods presented unless otherwise noted.

**Nass Valley Gateway Ltd.**

**Notes to the condensed interim consolidated statements of financial position**

**For the six months ended June 30, 2017 and 2016**

*(Expressed in Canadian Dollars)*

(Unaudited)

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**1. NATURE OF OPERATIONS AND GOING CONCERN (continued)**

The condensed interim consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**a) Principles of consolidation**

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Global Environomic Systems Corp. and Nass Energy Inc. until their disposal dates. Both of these wholly owned subsidiaries were disposed of as disclosed in Note 6.

**b) Significant accounting judgements and estimates**

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, revenues and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Judgements are choices in accounting policies and disclosures which management believes are supported by facts and circumstances existing at the date of the consolidated financial statements.

Critical accounting estimates are estimates and assumptions made by management that may result in material adjustments to the carrying amount of assets and liabilities within the next financial period. The significant judgements and estimates are:

- Share based payments are based upon expected volatility and option life estimates;
- The provision of income taxes is based on judgements in applying income tax law and estimates about timing, likelihood and reversal of temporary differences between accounting and tax basis of the assets and liabilities.

Critical accounting judgements are accounting policies that have been identified as being complex or involve subjective judgments or assessments with a significant risk of material adjustment in the next year. Significant judgement areas include:

- Going concern;
- The assessment of the Company's ability to obtain financing to fund future working capital requirements.

**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.

**Nass Valley Gateway Ltd.**

**Notes to the condensed interim consolidated statements of financial position**

**For the six months ended June 30, 2017 and 2016**

*(Expressed in Canadian Dollars)*

(Unaudited)

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**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**d) Foreign currency**

The presentation and functional currency of the Company and each of its subsidiaries is the Canadian 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.

**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.

**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



**Nass Valley Gateway Ltd.**

**Notes to the condensed interim consolidated statements of financial position**

**For the six months ended June 30, 2017 and 2016**

*(Expressed in Canadian Dollars)*

(Unaudited)

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**2. SIGNIFICANT ACCOUNTING POLICIES** (continued)

**h) Share issue costs** (continued)

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.

**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) Financial instruments**

**Financial assets**

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loan and receivables, and available for sale investments. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition. It is management's opinion that the Company is not exposed to significant interest or credit risk arising from these financial instruments.

- *Financial assets at fair value through profit or loss*

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets and include cash and equivalents and marketable securities, which are initially recognized at fair value.

**Nass Valley Gateway Ltd.**

**Notes to the condensed interim consolidated statements of financial position**

**For the six months ended June 30, 2017 and 2016**

*(Expressed in Canadian Dollars)*

(Unaudited)

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**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**k) Financial instruments (continued)**

**Financial assets (continued)**

• *Loans and receivables*

Loans and receivables are non-derivative financial assets which fixed or determinable payments that are not quoted in an active market. Assets in this category are measured at amortized cost. They are classified as current or non-current assets based on their maturity date. Assets in this category include amounts receivable from related parties and are measured at amortized cost less impairment.

• *Available-for-sale financial assets*

Available-for-sale financial assets are either designated as available for sale or not classified in any other categories. They are initially recognized at fair value plus transaction costs and are subsequently carried at fair value, with unrealized gains and losses recorded in other comprehensive income until disposition or other-than-temporary impairment at which time the gain or loss is recorded in earnings. The Company does not have any available-for-sale financial assets.

**Financial liabilities**

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired. The Company's accounting policy for each category is as follows:

*Fair value through profit or loss* – this category comprises of derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of comprehensive loss.

*Other financial liabilities* – this category includes accounts payable and due to related parties, are initially recognized at fair value and subsequently stated at amortized cost. Financial liabilities are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the date of the statement of financial position.

**l) Impairment of financial assets**

The Company assesses at each reporting date, whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Company recognizes an impairment loss, as follows:

- Financial assets carried at amortized cost: the loss is the difference between the amortized cost and its value of estimated future cash flows, discounted using the instrument's original effective interest rate;
- Available-for-sale financial assets: The loss is the amount comprising the difference between its original cost and its current fair value, less any impairment previously recognized in the statement of loss. This amount represents the cumulative loss in accumulated other comprehensive income that is reclassified to net loss.
- Reversals of impairment losses on financial assets carried at amortized cost are recorded through the statement of loss if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss had been recognized. Impairment on available-for-sale instruments is not reversed.

**Nass Valley Gateway Ltd.****Notes to the condensed interim consolidated statements of financial position****For the six months ended June 30, 2017 and 2016***(Expressed in Canadian Dollars)*

(Unaudited)

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)****m) Adoption of new pronouncements**

The Company did not adopt any new or amended accounting standards during the six months ended June 30, 2017 which had a significant impact on the Financial Statements.

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

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

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

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

The extent of the impact of adoption of these standards and interpretations on the consolidated financial statements of the Company has not been determined.

**4. CASH AND EQUIVALENT**

|                   | <b>June 30, 2017</b> | December 31, 2016 |
|-------------------|----------------------|-------------------|
|                   | <b>(Unaudited)</b>   | (Audited)         |
|                   | \$                   | \$                |
| Bank & petty cash | <b>92,007</b>        | 145,973           |
| Term deposit      | <b>5,000</b>         | 5,000             |
|                   | <b>97,007</b>        | 150,973           |

**5. MARKETABLE SECURITIES**

|   | <b>June 30, 2017</b> | December 31, 2016 |
|---|----------------------|-------------------|
| <b>The Elleet Network Corp.</b>                 |                      |                   |
| Number of shares                                | <b>8,802</b>         | 8,802             |
|   | \$                   | \$                |
| Book value                                      | <b>264</b>           | 264               |
| Fair value                                      | <b>264</b>           | 264               |
| <b>Unrealized loss on marketable securities</b> | <b>-</b>             | -                 |

During the year ended December 31, 2014, The Elleet Network Corp. issued 8,802 common shares for debt settlement. The fair value of these shares was determined to be \$0.35 per share for a total of \$3,081 at initial recognition.

As at December 31, 2015, the fair value of these shares was determined to be \$0.03 per share for a total of \$264. As a result, an unrealized loss on marketable securities in the amount of \$2,817 was recorded for the year ended December 31, 2015.

**Nass Valley Gateway Ltd.****Notes to the condensed interim consolidated statements of financial position****For the six months ended June 30, 2017 and 2016***(Expressed in Canadian Dollars)*

(Unaudited)

**5. MARKETABLE SECURITIES (continued)**

The fair value of the share price remains unchanged as at June 30, 2017.

**6. RELATED PARTY TRANSACTIONS****Key Management compensation**

Key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's executive officers and Board of Directors members. Key management compensation consists of the following for the six months ended June 30, 2017 and the year ended December 31, 2016:

|   | <b>June 30,<br/>2017<br/>(unaudited)</b> | December 31,<br>2016<br>(audited) |
|---|--|-----------------------------------|
| Salary:                                   |  |                                   |
| Paid to the Company's corporate Secretary | 8,767                                    | 16,707                            |

The amounts due from (to) related parties were as follows:

|   | <b>June 30,<br/>2017<br/>(unaudited)<br/>\$</b> | December 31,<br>2016<br>(audited)<br>\$ |
|---|---|---|
| Due from related parties:   |   |   |
| The Elleet Network Corp.  | 18,240  | 13,515                                  |
| Mineral Hill Industries   | 34,016  | 24,549                                  |
|   | <u>52,256</u>                                   | <u>38,064</u>                           |
| Amounts outstanding to related parties included in accounts payable |   |   |
| Mineral Hill Industries   | -   | 647                                     |
|   | <u>-</u>  | <u>647</u>                              |

**Advances from related party**

During the year ended December 31, 2015, Merfin advanced additional \$25,000 to the Company and the loan balance was fully repaid in August 2015. The Company recorded interest expenses in the amount of \$4,937 for the year ended December 31, 2015. No further advances were recorded in 2016 or during the six months ended June 30, 2017.

In 2015, the Company disposed of two subsidiaries, Global Environomic Systems Corp. to Mineral Hill and Nass Energy Inc., in trust, to two of the Company's directors, for no consideration. Both subsidiaries were inactive and dormant.

These transactions are measured at exchange amounts, which are the amounts of consideration negotiated, established and agreed to by the related parties.

**7. SHARE CAPITAL****a) Authorized share capital**

At June 30, 2017, the authorized share capital of the Company comprised of an unlimited number of common shares at no par value. All issued and outstanding shares are fully paid.

**Nass Valley Gateway Ltd.**

**Notes to the condensed interim consolidated statements of financial position**

**For the six months ended June 30, 2017 and 2016**

*(Expressed in Canadian Dollars)*

(Unaudited)

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**7. SHARE CAPITAL** (continued)

**b) Issue of common shares**

During the year ended December 31, 2015 the Company issued the following common shares:

- (a) The Company issued 355,000 common shares on exercise of 355,000 options at \$0.10 per option. \$10,891 was reversed from contributed surplus to share capital.
- (b) The Company issued 550,000 common shares on exercise of 550,000 warrants at \$0.10 per warrant.
- (c) On October 16, 2015 the Company closed a private placement of 3,500,000 units at a price of \$0.10 per unit for gross proceeds of \$350,000. Each unit consisted of one common share and one common share purchase warrant. Each warrant entitled the holder to purchase one common share at a price of \$0.20 per warrant until October 16, 2016. No value was allocated to the warrants included in these units as the warrants had no intrinsic value at the time the units were issued. The Company incurred \$4,000 in share issuance costs.

**c) Stock options**

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

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

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

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

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

During the year ended December 31, 2015, 70,000 stock options were forfeited due to the resignation of an officer and director of the Company

On April 28, 2015, the Company granted 601,000 stock options to directors, officers and employees and vested in different stages. The weighted average fair value of the 601,000 options was \$0.07.

**Nass Valley Gateway Ltd.**

**Notes to the condensed interim consolidated statements of financial position**

**For the six months ended June 30, 2017 and 2016**

*(Expressed in Canadian Dollars)*

(Unaudited)

**7. SHARE CAPITAL** (continued)

**c) Stock options** (continued)

The fair value of these options was determined on the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions: Risk free interest rate of 0.90%, the expected life of 3 years, expected volatility of 324%, forfeiture rate of 0% and expected dividends of \$Nil.

On November 6, 2015 the Board of Directors passed a resolution to extend the options with an expiry date in 2015 for an amount of time equal to the length of the trading halt which commenced on August 18, 2015. As a result, the extension of the options was considered as a modification of options and share-based compensation of \$169,478 was recorded. The weighted average fair value of these modified options was \$0.31. The fair value of these options was determined on the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions: Risk free interest rate of 0.41%, the expected life of 0.62 years, expected volatility of 377%, 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 | Dec 31 2016 | Granted | Exercised | Expired/ Forfeited | Cancelled | June 30 2017  |
|--|----------------|-------------|---------|-----------|--------------------|-----------|---------------|
|  | \$             | (audited)   |         |           |                    |           | (unaudited)   |
| 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        |
|  |                | 1,002,500   | -       | -         | -                  | -         | 1,002,500     |
| <b>Weighted average exercise price</b> |                |             |         |           |                    |           | <b>\$0.10</b> |

| Expiry Date                            | Exercise Price | Dec 31 2015 | Granted | Exercised | Expired/ Forfeited | Cancelled | Dec 31 2016   |
|--|----------------|-------------|---------|-----------|--------------------|-----------|---------------|
|  | \$             |             |         |           |                    |           |               |
| November 12, 2016                      | 0.10           | 248,329     | -       | -         | 33,333             | 214,996   | -             |
| November 12, 2016                      | 0.10           | 305,000     | -       | -         | 95,000             | 210,000   | -             |
| April 28, 2018                         | 0.10           | 548,500     | -       | -         | -                  | 176,000   | 372,500       |
| October 25, 2019                       | 0.10           | -           | 545,000 | -         | -                  | -         | 545,000       |
|  |                | 1,101,829   | 545,000 | -         | 128,333            | 600,996   | 917,500       |
| <b>Weighted average exercise price</b> |                |             |         |           |                    |           | <b>\$0.10</b> |

Details regarding the options outstanding as at June 30, 2017 are as follows:

| Exercise Price | Number of Options Outstanding | Weighted Average Remaining Contractual Life (years) | Weighted Average Grant Date Fair Value | Number of Options Exercisable |
|----------------|-------------------------------|---|--|-------------------------------|
| \$ 0.10        | 372,500                       | 0.82  | \$ 0.07                                | 372,500                       |
| \$ 0.10        | 545,000                       | 2.32  | \$ 0.04                                | 442,500                       |
| \$ 0.10        | 85,000                        | 2.60  | \$ 0.06                                | 42,500                        |
| \$ 0.10        | 1,002,500                     | 1.79  | \$ 0.05                                | 857,500                       |

**Nass Valley Gateway Ltd.**  
**Notes to the condensed interim consolidated statements of financial position**  
**For the six months ended June 30, 2017 and 2016**  
*(Expressed in Canadian Dollars)*  
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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**

On October 16, 2015 the Company issued 3,500,000 share purchase warrants as part of a private placement as described in Note 7(b). The holder has the right to exchange one warrant for one common share of the Company. The warrants have an exercise price of \$0.20 and an expiry on October 16, 2016. On September 16, 2016, the Company amended the expiry date of these warrants to October 16, 2020 and amended the exercise price to \$0.11 per warrant. Since there was no value allocated to these warrants upon issued, no adjustment has been made on the modification.

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

| Expiry Date   | Exercise Price | December 31 2016 | Granted | Exercised | Expired/ Cancelled | June 30 2017 |
|---|----------------|------------------|---------|-----------|--------------------|--------------|
| May 1, 2017 <sup>(1)</sup>                          | \$0.10         | 11,450,000       | -       | -         | -                  | 11,450,000   |
| July 25, 2019                                       | \$0.10         | 1,363,042        | -       | -         | -                  | 1,363,042    |
| Oct 16, 2016  | \$0.11         | 3,500,000        | -       | -         | -                  | 3,500,000    |
|   |                | 16,313,042       | -       | -         | -                  | 16,313,042   |
| Weighted average exercise price                     |                |                  |         |           |                    | \$0.10       |
| Weighted average contractual remaining Life (years) |                |                  |         |           |                    | 0.93         |

(1) 11,450,000 warrants due to expire May 1, 2017 were extended on April 28, 2017 for the length of time the Company's shares are halted on the Exchange.

| Expiry Date   | Exercise Price | December 31 2015 | Granted | Exercised | Expired/ Cancelled | Dec 31 2016 |
|---|----------------|------------------|---------|-----------|--------------------|-------------|
| May 1, 2017 <sup>(1)</sup>                          | \$0.10         | 11,450,000       | -       | -         | -                  | 11,450,00   |
| July 25, 2019                                       | \$0.10         | 1,363,042        | -       | -         | -                  | 1,363,042   |
| Oct 16, 2016  | \$0.20         | 3,500,000        | -       | -         | -                  | 3,500,000   |
|   |                | 16,313,042       | -       | -         | -                  | 16,313,04   |
| Weighted average exercise price                     |                |                  |         |           |                    | \$0.10      |
| Weighted average contractual remaining life (years) |                |                  |         |           |                    | 1.26        |

(1) 11,450,000 warrants due to expire May 1, 2017 were extended on April 28, 2017 for the length of time the Company's shares are halted on the Exchange.

**8. FINANCIAL INSTRUMENTS AND RISKS**

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

*Credit risk*

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash and equivalents, marketable securities, receivables and due from related parties. The

**Nass Valley Gateway Ltd.****Notes to the condensed interim consolidated statements of financial position****For the six months ended June 30, 2017 and 2016***(Expressed in Canadian Dollars)**(Unaudited)***8. FINANCIAL INSTRUMENTS AND RISKS** (continued)

Company limits its exposure to credit risk on liquid financial assets through maintaining its cash and equivalents with high-credit quality financial institutions. Amounts due to and from related parties are discussed in Note 6.

*Currency risk*

The Company operates primarily in Canadian dollars and as such is not affected by the fluctuations of the Canadian dollar with other currencies.

*Liquidity risk*

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

*Interest rate risk*

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

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

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

- Level 1 – quoted prices in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e.: as prices) or indirectly (i.e.: derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data.

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

Assets measured at fair value on a recurring basis were presented on the Company’s balance sheet as of June 30, 2017 as follows:

|                      | Fair Value Measurements Using |         |         | June 30, 2017<br>(Unaudited) |
|----------------------|-------------------------------|---------|---------|------------------------------|
|                      | Level 1                       | Level 2 | Level 3 |                              |
| Cash and equivalents | \$ 92,007                     | –       | –       | \$ 92,007                    |



**Nass Valley Gateway Ltd.**

**Notes to the condensed interim consolidated statements of financial position**

***For the six months ended June 30, 2017 and 2016***

*(Expressed in Canadian Dollars)*

(Unaudited)

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**9. CAPITAL MANAGEMENT**

The Company's capital structure consists of shareholders' equity and related party loans. The Company's objective when managing capital is to maintain adequate levels of funding to support the development of its businesses and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financing. Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future. The Company invests all capital that is surplus to its immediate operational needs in short-term, highly-liquid, high-grade financial instruments. There were no changes to the Company's approach to capital management during the six months ended June 30, 2017. The Company is not subject to externally imposed capital requirements. The Company does not currently have adequate sources of capital to complete its business plan and ultimately the development of its business, and will need to raise adequate capital by obtaining equity financing through private placement or debt financing. The Company may raise additional debt or equity financing in the near future to meet its current obligations.

**10. SUBSEQUENT EVENTS**

There are no subsequent events.

## **Schedule C**

### **Management Discussion and Analysis**

**NASS VALLEY GATEWAY LTD.**  
**Form 51-102F1**  
**Management's Discussion and Analysis of Financial Results**  
**For the six months ended June 30, 2017**  
**Containing information up to and including July 28, 2017**

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This Management Discussion and Analysis ("MD&A") is intended to help the reader understand the financial statements of Nass Valley Gateway Ltd. ("NVG" or the "Company"). The information herein should be read in conjunction with the unaudited condensed interim consolidated financial statements for the six months ended June 30, 2017 and 2016. The condensed interim consolidated financial statements for the six months ended June 30, 2017 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](http://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" as a consequence of the new trading symbol system adopted by the CSE. As of October 5, 2007, the Company's common shares are co-listed on the "Open Market" of the Frankfurt (Germany) Stock Exchange and are trading under the symbol "3NVN". The Company's common shares are also traded on the Third Market Segment called Freiverkehr on the Berlin-Bremen Stock Exchange.

Between 2010 and 2012, the Company acquired the rights to two green-technology systems, an emission-free energy-converting and waste disposal system and a wood drying technology, for its subsidiaries Global Environomic Systems Corp. ("GSC") and M-Wave EnviroTech Inc. ("MWE"), respectively and spun off its mining exploration subsidiary Kirkland Precious Metals Corp. into a separate reporting exploration company via a Plan of Arrangement.

As the Company's efforts to finance a production plant based on its GSC technology system were not successful and its pilot plant based on the MWE technology was completely destroyed by a disastrous fire in 2013, as reported in the Company's monthly report dated Oct. 4, 2013, management investigated several projects within the bio-tech industry.

On October 16, 2014 Nass Valley announced that it had entered into a letter agreement granting the Company the exclusive right to acquire a corporation actively involved in the medicinal cannabis industry. The letter agreement, which was subject to a "Due Diligence Period", was extended past the original date of December 04, 2014 to allow the financiers additional time to raise the agreed upon financing but was subsequently terminated on Feb 10, 2015.

On May 26, 2015 the Company announced in a news release that it had entered into a letter agreement ("LOI") granting the Company the exclusive right to acquire a private corporation ("Target-A"), to develop transdermal delivery systems through a contracted third party ("Research-Co") to develop patches suitable for the delivery of tetrahydrocannabinol ("THC") and cannabidiol ("CBD").

On July 07, 2015 Nass Valley announced that it had executed the Definitive Agreement ("Target-A-Agr"), dated June 15, 2015, with SRH ("SRH-Agr") based on the terms of the LOI.

As Nass Valley's acquisition of Target-A under the terms of the Target-A-Agr was considered a "Fundamental Change" under the rules of the CSE, the trading of the Company's stock was halted on

**NASS VALLEY GATEWAY LTD.**  
**Form 51-102F1**  
**Management's Discussion and Analysis of Financial Results**  
**For the six months ended June 30, 2017**  
**Containing information up to and including July 28, 2017**

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August 18, 2015 until the approval or discontinuance of the transaction. In June 2016 the Target-A wanted to renegotiate the already executed agreement and as the Fundamental Change did not receive regulatory approval, the Company was able to discontinue further negotiation with Target-A. As a consequence of NVG's public announcement on July 5, 2016, the Company's stock resumed trading on July 6, 2016.

Nass Valley Gateway subsequently completed due diligence on several qualifying target projects during the last year and rejected two more of them as the Board of Directors determined that an integration of those targets would also not have been in the best interest of its shareholders.

### **Future Developments**

On February 8, 2017, the Company entered into a binding Letter of Intent and on February 15, 2017 (the "LOI-Date"), the Company further entered into a Definitive Asset Purchase Agreement (the "DAP-Agr") to acquire 100% of IXI Treasury Holdings Limited ("ITHL").

ITHL is a private company owning 40% of a Brazilian Government Treasury Bond with a confirmed converted asset value of more than \$800 Million (the "ITHL-Asset") at the LOI-Date and with a maturity of September 2036. Because of the potentially high currency risk, the parties agreed to a discounted value of \$400 Million for the entire ITHL-Asset, including the outstanding shares of ITHL. In order to compensate for the extremely long maturity period, the Company negotiated as consideration for the ITHL-Assets the issuance of nonvoting convertible Preferred Class-A shares, of Series 1 and Series 2, with a deemed value of CAD 5.00 per Class-A share of both Series. Under the terms of the DAP-Agr, fifty percent (50%) of the committed Pref-A1 Shares will be issued by Nass Valley upon approval including the required approval of the Company's shareholders.

The balance of the total consideration will be issued as Pref-A2 Shares subsequent to ITHL's committed completion of the first stage of a financing of \$2,000,000. The Pref-A1 and Pref-A2 Shares are convertible at a ratio of 1:1 (one Pref-A Share for one NVG common share), but only if the combined conversion of all Pref-A shares issued to the shareholders of ITHL do not trigger an RTO and upon approval of the CSE.

On April 4, 2017 at a Special Shareholders' Meeting the amendment of the Company's articles to allow the issuance of 2 classes of Pref-A shares was unanimously approved by the Company's shareholders.

Upon approval of the transaction, the Company will consolidate its common shares on a 2 to 1 basis such that each shareholder will receive one (1) share for every two (2) shares currently held and change its name to "IXI Energy Inc." and the trading symbol to "IXE".

IXI Energy Inc., as Resulting Issuer of Nass Valley, intends to use the ITHL-Asset as security for issuing corporate bonds for funding investments and development of renewable and waste-to-energy projects which will provide the Company with very attractive financing alternatives, compared to further dilutive equity issues. The Resulting Issuer will focus on its objectives to remain within the "Clean Tech" segment of the industry.

At the request of the Company in line with the rules of the CSE, the trading of its stock was halted on February 8, 2017 pending news of the signing of the DAP-Agr and regulatory approval by the CSE.

The Company and ITHL's management are presently occupied with providing additional documentation and verification requested by the CSE and both teams are looking forward to satisfying the requirements for regulatory approval of its presently proposed acquisition of ITHL.

### **Highlights and Subsequent Events**

As outlined within the previous section, the Company executed an LOI and the DAP-Agr to acquire 100% of ITHL's assets, including its outstanding shares, conditional upon regulatory approval, and the Board of Directors approved a consolidation of the Company's total share capital at a ratio of 2:1 to be initiated subsequent to regulatory approval of the proposed acquisition. The Company also held a Special

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Shareholders' Meeting on April 4, 2017 (the "Meeting") to approve an amendment of its articles to be able to issue convertible preferred shares of different series in order to acquire the proposed ITHL-Assets and/or future projects to increase shareholders' value. The amendment of the articles, including the assigned rights and conditions of the convertible preferred shares, was unanimously approved at the Meeting.

Management continued with its due diligence, requested and received an updated verification of the ITHL-Assets, finalized the first draft of the to-be-submitted Listing Statement for review by the Company's securities counsel and the CSE and is following up to address some additional questions that have arisen from the first review.

The Company was pleased to announce on February 8, 2017 that James Holmes of Wimbledon, United Kingdom, agreed to join its Board of Directors. Mr. Holmes runs the very successful family business Robert Holmes Properties Ltd. and has helped grow a number of businesses in Europe including a property company with leisure, office services, property financing and development divisions and leads a team of over 30 professionals in four offices. Mr. Holmes is especially experienced in corporate bond funding, which is an objective of the Resulting Issuer subsequent to regulatory approval of its presently proposed acquisition.

Due to a tight budget, all Directors of the Board and Executive Members of the Company's management team, excluding its Corporate Secretary as an employee, continue to provide unpaid services to the Company.

## **FINANCING**

During the year ended December 31, 2016 and as of June 30, 2017 no new equity financing was obtained and no loans to or from related parties incurred.

## **Results of Operations**

### **The six months ended June 30, 2017 compared to six months ended June 30, 2016**

Net loss and comprehensive loss for the six months ended June 30, 2017 amounted to \$68,855 (loss per share - \$0.01) compared to \$37,578 (loss per share - \$0.00) in the previous year. As the Company is inactive, no revenue was generated. The increase in loss of \$31,277 was mainly due to:

- (i) an increase of \$10,559 in accounting and legal expenses from \$15,000 in 2016 to \$25,559 in 2017 due to the Company's due diligence work for its new project;
- (ii) an increase of \$1,451 in cost in investor relations from \$320 in 2016 to \$1,771 in 2017 due to the potential acquisition of ITHL;
- (iii) an increase in share based payments of \$10,676 from \$2,471 in 2016 to \$13,147 in 2017 due to new options having been issued and vested;
- (iv) an increase of \$5,372 in marketing and promotion from \$8 in 2016 to \$5,380 in 2017 due to the creation of a new website;
- (v) an increase of \$1,628 in transfer agent and filing fees from \$7,399 in 2016 to \$9,027 in 2017 due the Company's Special Shareholders' Meeting.

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**Selected annual information**

|                                     | Years Ended December 31 |           |           |
|-------------------------------------|-------------------------|-----------|-----------|
|                                     | 2016                    | 2015      | 2014      |
|                                     | \$                      | \$        | \$        |
| Total revenues                      | -                       | -         | -         |
| General and administrative          | 80,637                  | 289,013   | 120,246   |
| Loss for the year                   | (83,627)                | (263,496) | (139,171) |
| Loss per share – basic              | (0.00)                  | (0.01)    | (0.01)    |
| Loss per share – diluted            | (0.00)                  | (0.01)    | (0.01)    |
| Total assets                        | 192,301                 | 268,893   | 23,827    |
| Total long –term liabilities        | -                       | -         | -         |
| Shareholders' deficiency            | 191,162                 | 261,018   | (120,814) |
| Cash dividends declared - per share | -                       | -         | -         |

**Selected quarterly information**

| Three months ended           | Jun 30 2017 | Mar 31 2017 | Dec 31 2016 | Sep 30 2016 | Jun 30 2016 | Mar 31 2016 | Dec 31 2015 | Sep 30 2015 |
|------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Total assets                 | 148,453     | 166,968     | 192,301     | 218,515     | 230,477     | 256,374     | 268,893     | 267,007     |
| Working capital (deficiency) | 132,454     | 160,377     | 188,162     | 209,513     | 223,011     | 247,574     | 258,018     | 261,311     |
| Shareholders' deficiency     | 135,454     | 163,377     | 191,162     | 212,513     | 226,011     | 250,574     | 261,018     | 264,311     |
| Revenue                      | Nil         | Nil         | Nil         | Nil         | Nil         | Nil         | Nil         | Nil         |
| Net loss                     | (37,853)    | (31,002)    | (32,597)    | (13,498)    | (25,159)    | (12,418)    | (191,527)   | (19,773)    |
| Earnings (loss) per share    | (0.00)      | (0.00)      | (0.00)      | (0.00)      | (0.01)      | (0.00)      | (0.00)      | (0.00)      |

**Second quarter results**

During the quarter ended June 30, 2017 the Company incurred a loss of \$37,853 compared to a loss of \$25,159 for the comparative period.

Significant movements for the three month period ended in June 30, 2017 were an increase of \$1,257 in accounting and legal expenses compared to \$15,000 in 2016 to \$16,259 in 2017, an increase of \$714 in wages and salaries from \$3,752 in 2016 to \$4,466 in 2017 and an increase of \$9,333 in share based compensation from \$597 in 2016 to \$9,930 in 2017.

**Liquidity**

The Company's working capital and deficit positions at June 30, 2017 and June 30, 2016 were as follows:

|                              | June 30 2017 | December 31 2016 |
|------------------------------|--------------|------------------|
| Working capital (deficiency) | \$ 132,454   | \$ 188,162       |
| Deficit                      | \$ 3,642,415 | \$ 3,573,560     |

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The cash positions at June 30, 2017 and 2016 were \$92,002 and \$190,424 respectively.

The Company's financial condition is contingent upon being able to find a qualifying project for adding value to the Company.

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

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

### **Capital Resources**

At June 30, 2017 the Company had a share capital of \$3,216,971 (June 30, 2016: \$3,216,971), representing 31,751,977 (June 30, 2016: 31,751,977) common shares without par value, and an accumulated deficit of \$3,642,415 (June 30, 2016: \$3,527,366). The shareholder's equity amounted to \$135,454 (June 30, 2016: equity of \$226,011).

### **Additional Disclosure for Venture Issuers without Significant Revenue**

Additional disclosure concerning the Company's general and administrative expenses and resource property costs is provided in the Company's Statement of Operations, Comprehensive Loss and Deficit included in its condensed interim consolidated financial statements for the six months ended June 30, 2017 and 2016 which are available on SEDAR at [www.Sedar.com](http://www.Sedar.com).

### **Related Party Transactions**

During the six months ended June 30, 2017 the Company entered into the following transactions with related parties.

#### **Key Management personnel compensation**

No remuneration was paid during the six months ended June 30, 2017 and 2016 to any key management personnel except the salary to the Corporate Secretary. The amounts due from (to) related parties were as follows and relate mainly to the reimbursement of in the salary of the Corporate Secretary:

40% from Mineral Hill Industries Ltd.  
20% from The Elleet Network Corp.

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**Other related party transactions**

The amounts due from (to) related parties were as follows:

|                     | <b>June 30<br/>2017<br/>(unaudited)</b> | December 31<br>2016<br>(audited) |
|---------------------|---|----------------------------------|
| Salary:             |   |                                  |
| Corporate Secretary | 13,500                                  | 16,707                           |

The amounts due (to) related parties were as follows and relate mainly to the reimbursement of respective shares in the salary of the Corporate Secretary.

|   | <b>June 30<br/>2017<br/>(unaudited)</b> | December 31<br>2016<br>(audited) |
|---|---|----------------------------------|
| Balances  | \$                                      | \$                               |
| Due from related parties:   |   |                                  |
| The Eelleet Network Corp.   | 18,240                                  | 13,515                           |
| Mineral Hill Industries Ltd.  | 34,016                                  | 24,549                           |
|   | <b>52,256</b>                           | <b>38,064</b>                    |
| Amounts outstanding to related parties included in accounts payable |   |                                  |
| Mineral Hill Industries Ltd.  | -                                       | 647                              |
|   | -                                       | 647                              |

These transactions are in the normal course of operations and, in management's opinion, are undertaken with the same terms and conditions as transactions with unrelated parties. Accordingly, these transactions are measured at exchange amounts, which are the amounts of consideration negotiated, established and agreed to by the related parties.

**Advances from related party**

During the year ended December 31, 2015, Merfin advanced additional \$25,000 to the Company and the loan balance was fully repaid in August 2015. The Company recorded interest expenses in the amount of \$4,937 for the year ended December 31, 2015. No further advances were recorded in 2016 or during the six months ended June 30, 2017.

In 2015, the Company disposed of two subsidiaries, Global Environomic Systems Corp. to Mineral Hill Industries Ltd. and Nass Energy Inc., in trust, to two of the Company's directors, for no consideration. Both subsidiaries were inactive and dormant.

These transactions are measured at exchange amounts, which are the amounts of consideration negotiated, established and agreed to by the related parties.

**Off Balance Sheet Arrangements**

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



**Directors and Officers**

|                    |   |
|--------------------|---|
| Dieter Peter       | President, Chief Executive Officer and Director (Mineral Hill Industries Ltd) |
| Andrew von Kursell | Director (Mineral Hill Industries Ltd),                                       |
| Eric Peter-Kaiser  | Interim Chief Financial Officer and Director (Mineral Hill Industries Ltd)    |
| Milo Filgas        | Director (Mineral Hill Industries Ltd.)                                       |
| James Holmes       | Director, appointed February 15, 2017   |
| Michael Kelm       | Corporate Secretary   |

**Outstanding Share Data as at July 28, 2017**

|  | Number outstanding        | Exercise Price | Expiry Date      |
|--|---------------------------|----------------|------------------|
| Common shares                              | 31,751,977 <sup>(1)</sup> |                |                  |
| <b>Common shares issuable on exercise:</b> |                           |                |                  |
| Stock options                              | 372,500 <sup>(2)</sup>    | \$0.10         | April 28, 2018   |
| Stock options                              | 545,000                   | \$0.10         | October 25, 2019 |
| Stock options                              | 85,000                    | \$0.10         | February 8, 2020 |
| Warrants                                   | 11,450,000 <sup>(1)</sup> | \$0.10         | May 1, 2017      |
| Warrants                                   | 1,363,042                 | \$0.10         | Jul 19, 2019     |
| Warrants                                   | 3,500,000 <sup>(3)</sup>  | \$0.11         | October 16, 2020 |

- (1) In the MD&A dated April 26, 2016 the exercise of 312,225 warrants to the Target-A group was included in the outstanding share data. Since the agreement has not become effective the exercise of the warrants was cancelled and the share data reflects that reversal.
- (2) On August 6, 2016, 30 days subsequent to the resumption of trading 214,996, 210,000 and 176,000 options respectively that had been granted to members of advisory committees were cancelled due to Management's decision that no committees excluding the audit committee were necessary at this time.
- (3) 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**

The Company's financial success will be dependent upon the successful acquisition of a qualifying project, its, subsequent financing and, commercialization of such projects and its possible end-products. These activities involve significant risks which may not be eliminated even with past experience and knowledge.

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

- 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 and is in the process of acquiring.
- No assurance about the economic viability of the project the Company is acquiring.
- Additional costs may be incurred, such as availability of experts related to the acquisition, development and marketing, especially of potentially 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, and the renewal of permits from provincial, territory, First Nations may have to be required.

### **Critical Accounting Estimates**

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

(i) *Stock Based Compensation*

The Company uses Black-Scholes option pricing model to determine the fair value of awards for stock options granted to employees, officer, directors and consultants. These estimates are based on historical information and accordingly cannot be relied upon to predict the future behavior. These estimates are set out in Note 7(c) to the financial statements.

(ii) *Financial Instruments*

The carrying values of the financial instruments have been estimated to approximate their respective fair values.

(iii) *Income Taxes*

The provision of income taxes is based on judgements in applying income tax law and estimates about timing, likelihood and reversal of temporary differences between accounting and tax basis of the assets and liabilities

(iv) *Going concern*

Management makes an assessment about the Company's ability to continue as a going concern by taking into the account the consideration of the various factors. Judgement is applied by management in determining whether or not the elements giving rise to factors that cause doubt about the ability of the Company to continue as a going concern are present.

### **Financial Instruments**

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

#### ***Credit risk***

The Company is not exposed to significant credit risk, being in the development stage. Amounts receivable from related parties and amounts due to related parties are described in Note 6 to the financial statements.

#### ***Liquidity risk***

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

### **Changes in Accounting Policies**

The Company did not adopt any new or amended accounting standards during the six months ended June 30, 2017 which had a significant impact on the Financial Statements.

The following standard will be effective for annual periods beginning on or after January 1, 2018:

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

The extent of the impact of adoption of these standards and interpretations on the consolidated financial statements of the Company has not been determined.

### **Forward-Looking Statements**

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

The Company's forward-looking statements are based on the beliefs, expectations and opinions of management on the date the statements are made, and the Company does not assume any obligation to update forward-looking statements if circumstances or management's beliefs, expectations or opinions should change except as required by law. You should not place undue reliance on these forward-looking statements. These statements reflect our current view of future events and are subject to certain risks and uncertainties as contained in the Company's filings with Canadian securities regulatory authorities. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, our actual results could differ materially from those anticipated in these forward-looking statements to reflect events or circumstances after the date hereof, or to reflect the occurrence of any unanticipated events. Although we believe that our expectations are based on reasonable assumptions, we can give no assurance that our expectations will materialize. The forward-looking statements made in this MD&A describe our expectations as at July 28, 2017.

*"Dieter Peter"*  
On behalf of the Board  
Dieter Peter  
Chief Executive Officer  
July 28, 2017