

**NASS VALLEY GATEWAY LTD.**  
**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED**  
**MARCH 31, 2015 and 2014**  
*(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)*

	March 31 2015 (Unaudited)	December 31 2014 (Audited)
	\$	\$
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and equivalents (Note 4)	8,607	11,654
Marketable securities (Note 5)	3,081	3,081
Amounts receivable	6,340	53
Amounts receivable from related parties (Note 7)	6,040	6,039
	<b>24,068</b>	20,827
<b>Non-current assets</b>		
Reclamation bond	3,000	3,000
	<b>27,068</b>	23,827
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Note 7)	55,454	55,961
Due to related parties (Note 7)	104,941	88,680
	<b>160,395</b>	144,641
<b>Shareholders' deficiency</b>		
<b>Controlling interest</b>		
Share capital (Note 6(b) and (e))	2,769,580	2,769,580
Share based payment reserve	335,998	335,998
Deficit	(3,238,906)	(3,226,392)
	<b>(133,327)</b>	(120,814)
<b>Non-controlling interest</b> (Note 1 and 2)	-	-
	<b>(133,327)</b>	(120,814)
	<b>27,068</b>	23,827

Nature and Continuance of Operations (Note 1)  
 Subsequent event (Note 11)

These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors on May 28, 2015 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)*

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	<b>For the three months ended March 31</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
<b>Revenue</b>	<b>-</b>	<b>-</b>
<b>Expenses</b>		
Administrative services	<b>(7,500)</b>	5,822
Insurance	-	-
Loan interest expenses and bank charges (Note 7)	<b>2,010</b>	3,566
Investor relations	<b>2,047</b>	2,230
Office expenses	<b>1,272</b>	-
Rent	<b>900</b>	1,041
Share based payments (Note 6(c))	-	1,840
Transfer agent and filing fees	<b>2,533</b>	1,814
Wages and salaries	<b>11,253</b>	11,253
<b>Net loss and comprehensive loss</b>	<b>(12,515)</b>	<b>(27,566)</b>
Net loss and comprehensive loss attributable to:		
Controlling interest	<b>(12,515)</b>	<b>(27,566)</b>
Non-controlling interest	-	-
	<b>(12,515)</b>	<b>(27,566)</b>
Net loss per share, basic and diluted	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>
<b>Weighted average number of shares outstanding</b>	<b>27,346,977</b>	<b>24,452,048</b>

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

**Nass Valley Gateway Ltd.**  
**Condensed interim consolidated statements of changes in equity**  
**For the three months ended March 31, 2015 and 2014**  
*(Expressed in Canadian Dollars)*

	Share Capital		Share Subscriptions	Share based payment reserve	Deficit	Total
	Number of shares	Amount				
	(Note 12 (d))	\$	\$	\$	\$	\$
<b>Balance, January 1, 2014 (audited)</b>	<b>24,417,083</b>	<b>2,532,566</b>	-	<b>322,958</b>	<b>(3,087,221)</b>	<b>(231,697)</b>
Issuance of common shares (Note 6)	131,119	13,112	-	-	-	13,112
Share based payments (Note 6(c))	-	-	-	1,840	-	1,840
Comprehensive loss	-	-	-	-	(27,566)	(27,566)
<b>Balance, March 31, 2014 (unaudited)</b>	<b>24,548,202</b>	<b>2,545,678</b>	-	<b>324,798</b>	<b>(3,114,787)</b>	<b>(244,311)</b>
<b>Balance, January 1, 2015 (audited)</b>	<b>27,346,977</b>	<b>2,769,580</b>	-	<b>335,998</b>	<b>(3,226,392)</b>	<b>(120,814)</b>
Issuance of common shares (Note 6)	-	-	-	-	-	-
Share based payments (Note 6(c))	-	-	-	-	-	-
Comprehensive loss	-	-	-	-	(12,515)	(12,515)
<b>Balance, March 31, 2015 (unaudited)</b>	<b>27,346,977</b>	<b>2,769,580</b>	-	<b>335,998</b>	<b>(3,238,907)</b>	<b>(133,329)</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)*

	For the three months ended March 31	
	2015	2014
<b>Cash flows from operating activities</b>	\$	\$
Net loss for the period	(12,515)	(27,566)
<i>Items not affecting cash:</i>		
Accrued interest on loans from related party	1,987	3,616
Share based payments	-	1,840
Issuance of shares for rent	-	13,112
	(10,528)	(8,998)
<i>Changes in non-cash working capital items:</i>		
Decrease (increase) in amounts receivable	(6,287)	(130)
Decrease (increase) in prepaid expenses and deposit	-	(8,794)
Increase in due from related parties	-	(1,330)
Increase in accounts payable and accrued liabilities	(732)	147
Increase in due to related parties	14,500	17,000
	(3,047)	(2,105)
<b>Cash flows from financing activities</b>		
	-	-
<b>Cash flows from investing activities</b>		
	-	-
<b>Change in cash and equivalents</b>	(3,047)	(2,105)
<b>Cash and equivalents, beginning</b>	11,654	7,623
<b>Cash and equivalents, ending</b>	8,607	12515
<i>Supplemental disclosures: (Note 10)</i>		
Taxes paid	-	-
Interest paid	-	-

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

# Nass Valley Gateway Ltd.

## Notes to the condensed interim consolidated financial statements

For the three months ended March 31, 2015 and 2014

(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 included 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 April 27, 2012, the Company entered into an agreement with Vixon Technology Ltd. (“Vixon”) for the commercialization and future assembly of industrial drying systems based on the applications of multi-wave technology (the “M-Wave System”). This venture was to be carried out through the Company’s subsidiary, M-Wave EnviroTech Inc. (“MWE”), in which the Company and Vixon each held 60% and 40% ownership interests respectively. Under the agreement, the Company was to operate this project.

On October 5, 2012, MWE entered into an agreement with Imperial Cedar Products Ltd. (“ICP”), for a Pilot Plant in Canada. MWE held 60% in M-Wave System BC01 Inc. (“BC01”), the subsidiary formed under the agreement on December 31, 2012. On January 8<sup>th</sup>, 2014, MWE and ICP mutually terminated their partnership due to the accidental destruction of the pilot production line installed within ICP.

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 March 31, 2015, the Company had an accumulated deficit of \$3,238,906 which has been funded primarily by the issuance of equity and loans from related parties. Ongoing operations of the Company are dependent upon the Company’s ability to receive continued financial support, complete equity financings, the successful commercialization of its new technologies and ultimately the generation profitable operations in the future. Accordingly, there is 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 in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board. They are prepared on a historical cost basis, except for certain financial instruments classified as fair value through profit or loss which have been measured at fair value.

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

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.

#### Functional currency

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

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### a) Principles of consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Global Environomic Systems Ltd. and Nass Energy Ltd. They also include the assets and operations of M-Wave EnviorTech Inc., an entity which NVG has 60% ownership, up to January 8, 2014. These entities have effectively been inactive during the three months ended March 31, 2015, 2014 and 2013, accordingly there are no disclosures about their assets and operations in these financial

# Nass Valley Gateway Ltd.

## Notes to the condensed interim consolidated financial statements

For the three months ended March 31, 2015 and 2014

(Expressed in Canadian Dollars)

(Unaudited)

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

statements.

In preparing the condensed interim consolidated financial statements, all intercompany balances and transactions among the group entities are eliminated.

Non-controlling interests are net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statements of comprehensive loss, statement of changes in equity and financial position. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary.

The continuity of the non-controlling interest is comprised as follows:

	\$
Balance, December 31, 2012 and 2013	400
Termination of joint-venture	(400)
<u>Balance, March 31, 2015 and December 31, 2014</u>	<u>-</u>

#### 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, profit 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.

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 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;
- The determination of the fair value of bonus warrants issued to Merfin Management Limited
- The determination of the fair value of Kirkland Precious Metals Corp. shares

The assessment of the Company's ability to develop the market and commercialize new technologies and obtain financing to fund the future working capital requirements involves judgement. The judgment made by management that have a significant effect on the financial statements and estimates with a significant risk of material adjustment is the going concern assumption.

#### c) Cash and equivalents

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

#### d) Foreign currency

The presentation and functional currency of the Company 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

# Nass Valley Gateway Ltd.

## Notes to the condensed interim consolidated financial statements

For the three months ended March 31, 2015 and 2014

(Expressed in Canadian Dollars)

(Unaudited)

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### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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

# Nass Valley Gateway Ltd.

## Notes to the condensed interim consolidated financial statements

For the three months ended March 31, 2015 and 2014

(Expressed in Canadian Dollars)

(Unaudited)

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### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

#### l) 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.

- *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.

# Nass Valley Gateway Ltd.

## Notes to the condensed interim consolidated financial statements

For the three months ended March 31, 2015 and 2014

(Expressed in Canadian Dollars)

(Unaudited)

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### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

- *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.

*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.

#### 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.

#### m) Adoption of new pronouncements

The Company adopted the following accounting policies effective January 1, 2014:

**IFRS 7, Financial Instruments: Disclosures**, requires entities to provide additional information about offsetting of financial assets and financial liabilities that will enable users of financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with an entity's recognized financial assets and recognized financial liabilities, on the entity's financial position. The adoption of this IFRS did not impact the Company's consolidated financial statements.

**IFRS 10, Consolidated Financial Statements**, requires an entity to consolidate an investee when it has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 replaced SIC-12, Consolidation-Special Purpose Entities, and parts of IAS 27, Consolidated and Separate Financial Statements. The adoption of this IFRS did not impact the Company's consolidated financial statements.

# Nass Valley Gateway Ltd.

## Notes to the condensed interim consolidated financial statements

For the three months ended March 31, 2015 and 2014

(Expressed in Canadian Dollars)

(Unaudited)

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### m) Adoption of new pronouncements (continued)

**IFRS 11, Joint Arrangements**, requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities - Non-monetary Contributions by Venturers. The adoption of this IFRS did not impact the Company's consolidated financial statements.

**IFRS 12, Disclosure of Interests in Other Entities**, establishes disclosure requirements for interests in other entities, such as subsidiaries, joint arrangements, associates, and unconsolidated structured entities. The standard carries forward existing disclosures and also introduces significant additional disclosure that address the nature of, and risks associated with, an entity's interests in other entities. The adoption of this IFRS did not impact the Company's consolidated financial statements.

**IFRS 13, Fair Value Measurement**, is a comprehensive standard for fair value measurement and disclosure for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. The adoption of this IFRS did not require any adjustments to the valuation techniques used by the Company to measure fair value and did not result in any measurement adjustments as at January 1, 2014.

**IAS 1, Presentation of Financial Statements**, has been amended to require entities to separate items presented in other comprehensive income ("OCI") into two groups, based on whether or not items may be recycled to net income in the future. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately including prior year comparatives. The adoption of this IFRS did not impact the Company's consolidated financial statements.

#### *Amendments to other standards*

In addition, there have been other amendments to existing standards, including IAS 27 *Separate Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*. IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 to IFRS 13.

### 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.

The following standard will be effective for annual periods beginning on or after January 1, 2015:

**IFRIC 21 Levies** - In May 2013, the IASB issued IFRIC 21, an interpretation of IAS 37 - *Provisions, Contingent Liabilities and Contingent Assets* ("IAS 37"), on the accounting for levies imposed by governments. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past activity or event ("obligating event") described in the relevant legislation that triggers the payment of the levy.

**IAS 32 – Financial Instruments: Presentation** - In December 2011, the IASB issued an amendment to clarify the meaning of the offsetting criterion and the principle behind net settlement, including identifying

# Nass Valley Gateway Ltd.

## Notes to the condensed interim consolidated financial statements

For the three months ended March 31, 2015 and 2014

(Expressed in Canadian Dollars)

(Unaudited)

### 3. ACCOUNTING STANDARDS ISSUED BUT NOT YET IMPLEMENTED (continued)

when some gross settlement systems may be considered equivalent to net settlement. Earlier application is permitted when applied with corresponding amendment to IFRS 7.

**IAS 36 *Impairment of Assets*** - In May 2013, the IASB issued amendments to IAS 36 which restricts the requirement to disclose the recoverable amount of an asset or CGU to periods in which an impairment loss has been recognized or reversed. The amendments also expand and clarify the disclosure requirements applicable when an asset or CGU's recoverable amount has been determined on the basis of fair value less cost of disposal. The amendments are effective for annual periods beginning on or after January 1, 2015 and should be applied retrospectively.

New accounting standards effective for annual periods on or after January 1, 2017:

#### **IAS 1 – *Presentation of Financial Statements***

In December 2014, the IASB issued an amendment to address perceived impediments to preparers exercising their judgment in presenting their financial reports. The changes clarify that materiality considerations apply to all parts of the financial statements and the aggregation and disaggregation of line items within the financial statements.

#### **IAS 16 – *Property, Plant and Equipment* and IAS 38 – *Intangible Assets***

In May 2014, the IASB issued amendments to IAS 16 and IAS 38. The amendments clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The amendments also clarifies that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.

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.

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

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
	\$	\$
Bank	3,607	6,654
Term deposit	5,000	5,000
	8,607	11,654

# Nass Valley Gateway Ltd.

## Notes to the condensed interim consolidated financial statements

For the three months ended March 31, 2015 and 2014

(Expressed in Canadian Dollars)

(Unaudited)

### 5. MARKETABLE SECURITIES

At March 31, 2015, held the following marketable securities in Kirkland precious Metals ("KPM"):

	# of shares		fair market value
December 31, 2014	440,120	\$	3,081
<b>March 31, 2015</b>	<b>440,120</b>	<b>\$</b>	<b>3,081</b>

Kirkland Precious Metal Corp. ("Kirkland") settled \$22,006 in amounts payable to the Company by issuing 440,120 common shares. The fair value of these shares was determined to be \$0.007 per share for a total of \$3,081. As a result, a loss on debt settlement in the amount of \$18,925 was recorded.

### 6. SHARE CAPITAL

#### a) Authorized share capital

At March 31, 2015, 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.

#### b) Issue of common shares

On December 29, 2014 the Company issued 2,437,500, 312,500 and 48,775 common shares as debt settlement to Merfin Management Limited, Mineral Hill Industries Ltd and Stewart Jackson respectively.

On March 7, 2014, the Company issued 131,119 common shares to the Company's Landlord in payment for its annual lease. The common shares were issued at a price of \$0.10 per share in accordance with the lease agreement.

On February 19, 2013, the Company issued 33,333 common shares, valued at \$667 to Golden Dawn Minerals Inc. pursuant to the acquisition agreement in Note 5.

On April 23, 2012, the Company received subscriptions for 12,000,000 million units for total proceeds of \$600,000. Each unit consists one common share and one warrant, exercisable at a price of \$0.10 within two years of issue. Finders' fees amounting to \$7,200 cash and 32,000 broker warrants were paid with respect to the private placement. All securities issued pursuant to this private placement are subject to a four-month hold period following the closing date.

On March 13, 2012, the Company consolidated its outstanding common shares on the basis of one post consolidated share for three pre-consolidated shares held, rounded to the nearest share. The total outstanding common shares of 37,151,303 were consolidated to 12,383,750. The outstanding shares, weighted average outstanding shares and loss per share information have been retrospectively adjusted to reflect this change. In addition, all share issuances, options and warrant transactions have been retrospectively adjusted to reflect the changes.

On February 28, 2012, the Company issued 50,000 (post-consolidated) common shares, valued at \$3,000 to Golden Dawn Minerals Inc. pursuant to the acquisition agreement in Note 5.

#### 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

# Nass Valley Gateway Ltd.

## Notes to the condensed interim consolidated financial statements

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(Unaudited)

### c) Stock options (continued)

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.

During the year ended December 31, 2014, 280,000 stock options were forfeited due to the resignation of the officer and director of the Company.

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

Expiry Date	Exercise Price \$	December 31 2014 (Audited)	Issued	Expired/ Forfeited	Cancelled	March 31 2015 (Unaudited)
November 8, 2015	0.10	488,329	-	-	(55,000)	433,329
August 28, 2015	0.10	20,000	-	-	(2,500)	17,500
September 30, 2015	0.10	670,000	-	-	(125,000)	545,000
		1,178,329	-	-	(182,500)	995,829
<b>Weighted average exercise price(\$)</b>		<b>0.10</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.10</b>

Expiry Date	Exercise Price \$	December 31 2013 (Audited)	Issued	Expired/ Forfeited	Cancelled	December 31 2014 (Audited)
November 8, 2015	0.10	1,343,320	-	(140,000)	(714,991)	488,329
August 28, 2013	0.10	20,000	-	-	-	20,000
September 30, 2015	0.10	810,000	-	(140,000)	-	670,000
		2,173,320	-	(280,000)	(714,991)	2,173,320
<b>Weighted average exercise price(\$)</b>		<b>0.10</b>	<b>0.10</b>	<b>0.10</b>	<b>-</b>	<b>0.10</b>

Details regarding the options outstanding as at March 31, 2015 (unaudited) 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	433,329	0.61	\$ 0.05	433,329
\$ 0.10	17,500	0.42	\$ 0.01	17,500
\$ 0.10	545,000	0.50	\$ 0.01	545,000
\$ 0.10	995,829	0.55	\$ 0.02	995,829

# Nass Valley Gateway Ltd.

## Notes to the condensed interim consolidated financial statements

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Details regarding the options outstanding as at December 31, 2014 (audited) 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	488,329	0.85	\$ 0.05	488,329
\$ 0.10	20,000	0.66	\$ 0.01	20,000
\$ 0.10	670,000	0.75	\$ 0.01	670,000
\$ 0.10	1,178,329	0.79	\$ 0.03	1,178,329

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

The weighted average grant fair value of 810,000 options granted on September 30, 2013 was \$0.01. 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 1.17%; the expected life of 1.54 years; expected volatility of 230%; and expected dividends of \$Nil.

The weighted average grant fair value of 20,000 options granted on August 28, 2013 was \$0.01. 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 1.17%; the expected life of 1.25 years; expected volatility of 247%; and expected dividends of \$Nil.

The weighted average grant fair value of 1,489,152 options granted on November 8, 2012 was \$0.05. 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 1.13%; the expected life of 2.6 years; expected volatility of 212%; and expected dividends of \$Nil.

#### d) Share purchase warrants

On July 25, 2014, the Company issued 1,363,042 bonus warrants, valued at \$10,311 to Merfin Management as interest, pursuant to the loan agreements between Merfin Management and the Company as described in Note 7. The warrants are exercisable at \$0.10 per warrant and expire in 5 years, on July 25, 2019. The nature of these warrants was for bonus interest expense. As a result, the value of \$10,311 was recorded as interest expense in 2014.

The weighted average fair value of these 1,363,042 bonus warrants was \$0.0076 per warrant. 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 1.51%; the expected life of 5 years; expected volatility of 150%; and expected dividends of \$Nil.

During the year ended December 31, 2013, the Company amended the exercise price of 1,133,333 warrants from \$0.225 to \$0.10 and extended the expiry dates for an additional two years, to June 7, 2015. In addition, the Company also extended the expiry date of another 12,000,000 warrants for an additional two years, to May 1, 2016. Both warrants were previously issued as part of a private placement and no value was recognized or assigned to them on the basis that these warrants had no intrinsic value at the time that they were issued. As a result, no adjustment has been made in the financial statements to recognize the modification of the warrants in 2013.

# Nass Valley Gateway Ltd.

## Notes to the condensed interim consolidated financial statements

For the three months ended March 31, 2015 and 2014

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### 6. SHARE CAPITAL (continued)

#### d) Share purchase warrants (continued)

During the year ended December 31, 2014, the Company further amended the expiry date for the 12,000,000 warrants for one year, to May 1, 2017. Subsequent to this amendment, the exercise price is still significantly higher than the market price. As a result, no adjustment has been made on the modification of warrants in 2014.

The continuity of warrants for the three months ended March 31, 2015 is as follows:

Expiry Date	Exercise Price	December 31, 2014	Granted	Exercised	Expired/Cancelled	March 31, 2015
June 7, 2015*	\$0.10	1,133,333	-	-	-	1,133,333
May 1, 2017*	\$0.10	12,000,000	-	-	-	12,000,000
July 25, 2019	\$0.10	1,363,042				1,363,042
		14,496,375	-	-	-	14,496,375
Weighted average exercise price						\$0.10
Weighted average contractual remaining life (years)						2.14

The continuity of warrants for the year ended December 31, 2014 is as follows:

Expiry Date	Exercise Price	2013	Granted	Exercised	Expired/Cancelled	2014
June 7, 2015	\$0.10	1,133,333	-	-	-	1,133,333
May 1, 2017*	\$0.10	12,000,000	-	-	-	12,000,000
July 25, 2019	\$0.10	-	1,363,042			1,363,042
		13,133,333	1,363,042	-	-	14,496,375
Weighted average exercise price						\$0.10
Weighted average contractual remaining						2.40

\* Expiry date modified from May 1, 2016 to May 1, 2017 in 2014.

### 7. RELATED PARTY TRANSACTIONS

During the three months ended March 31, 2015, the Company entered into the following transactions with related parties.

#### Key Management personnel compensation

No remuneration was paid during the three months ended March 31, 2015 and 2014 to any key management personnel besides the Corporate Secretary whose salary is reimbursed in equal parts by Mineral Hill Industries Ltd and Kirkland Precious Metals Corp.

During the three months ended March 31, 2015, the Company incurred \$3,751 (2014: \$5,822) with respect to the foregoing.

# Nass Valley Gateway Ltd.

## Notes to the condensed interim consolidated financial statements

For the three months ended March 31, 2015 and 2014

(Expressed in Canadian Dollars)

(Unaudited)

### 7. RELATED PARTY TRANSACTIONS (continued)

#### Other related party transactions

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

	Mar 31, 2014 (unaudited) \$	Dec 31, 2014 (audited) \$
Balances		
Due to related parties:		
Merfin Management Limited ("Merfin") (see below)	104,941	88,455
Mineral Hill Industries	225	225
	<u>105,166</u>	<u>88,680</u>
Due from related parties:		
Kirkland Precious Metals Corp.	(5,904)	(5,904)
Global Environment Systems Corp.	(135)	(135)
	<u>(6,039)</u>	<u>(6,039)</u>
Amounts outstanding to related parties included in accounts payable		
Mineral Hill Industries	2,107	1,788
GMM Admin Corp.	-	-
Dieter Peter (Chief Executive Officer)	-	-
	<u>2,107</u>	<u>1,788</u>

#### Advances from related party

As at March 31, 2015, the Company has a loan payable in the amount of \$104,941 (2014 - \$187,614) to Merfin, a private company with a common director. The loan is unsecured, bears interest at 8.50% per annum and is due on demand. During the three months ended March 31, 2015, the Company incurred interest of \$1,987 (2014 - \$3,615) on the outstanding loan. On December 29, 2014, the Company settled \$195,000 by issuing 2,437,500 common shares, at a fair value of \$0.08 per share (see also Note 6(b)). The Company also issued 1,363,042 bonus warrants to Merfin on July 25, 2014 as a bonus interest expense (see also Note (d)).

In addition, the Company also settled the loan payable to Mineral Hill Industries Ltd. in the amount of \$25,000 by issuing 312,500 common shares, at a fair value of \$0.08 per share (see also Note 6).

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

### 8. FINANCIAL INSTRUMENTS AND RISKS

The Company's financial instruments consist of cash and equivalents, amounts receivable from related parties, accounts payable and amounts payable 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 Company limits its exposure to credit risk on liquid financial assets through maintaining its cash and equivalents with high-

# Nass Valley Gateway Ltd.

## Notes to the condensed interim consolidated financial statements

For the three months ended March 31, 2015 and 2014

(Expressed in Canadian Dollars)

(Unaudited)

credit quality financial institutions. Amounts due to and from related parties are discussed in Note 7.

### 8. FINANCIAL INSTRUMENTS (continued)

#### *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 March 31, 2014 as follows:

	Fair Value Measurements Using			March 31, 2015 (Unaudited)
	Level 1	Level 2	Level 3	
Cash and equivalents	\$ 8,607	–	–	\$ 8,607

### 9. CAPITAL MANAGEMENT

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

# **Nass Valley Gateway Ltd.**

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

**For the three months ended March 31, 2015 and 2014**

*(Expressed in Canadian Dollars)*

*(Unaudited)*

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### **9. CAPITAL MANAGEMENT** (continued)

objective when managing capital is to maintain adequate levels of funding to support the development of its businesses and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financing. Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future. The Company invests all capital that is surplus to its immediate operational needs in short-term, highly-liquid, high-grade financial instruments. There were no changes to the Company's approach to capital management during the three months ended March 31, 2014. The Company is not subject to externally imposed capital requirements. The Company does not currently have adequate sources of capital to complete its exploration 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**

Subsequent to March 31, 2015, the Company received \$7,500 in loans from Merfin Management Limited. Under the terms of agreements, the amounts are unsecured and bear interest of 8.50% per annum commencing on the first day of the month subsequent to the month of the advance.

On April 24, 2015 Eric Peter-Kaiser was appointed as Director of the Company due to the passing of John Copeland.