

NASS VALLEY GATEWAY LTD.
Form 51-102F1
Management's Discussion and Analysis of Financial Results
For the year ended December 31, 2015
Containing information up to and including March 4, 2016

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 audited consolidated financial statements for the years ended December 31, 2015 and 2014. The consolidated financial statements for the years ended December 31, 2015 and 2014 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 exclusively of independent directors. The audit committee reviews and approves this disclosure prior to its publication, pursuant to the authority delegated to it by the Board of Directors.

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

Current market conditions

With the exception of a few special market segments like the cannabis market uptrend and certain Internet Technology sectors, the current global financial conditions are still not very favorable for junior companies and are still having a negative impact on raising the necessary capital in order to compete and keep the Company in good standing. Access to public financing for small-cap companies has significantly diminished, especially for companies with projects in the development stage. If the current conditions continue, the companies' ability to operate will be adversely impacted and the trading price of their shares could continue to be under a downward pressure

Highlights and Subsequent Events

The following are highlights of events occurring during the year ended December 31, 2015 and subsequent thereto:

Financing

During the year ended December 31, 2015 the Company received \$55,000 and \$35,500 through the exercise of share purchase warrants and stock options respectively.

On September 15, 2015 the Company announced in a news release that it has closed the private non-brokered placement and received subscriptions for 3,500,000 common shares or \$350,000. As at October 16, 2015, all funds have been received and a treasury order issued.

During the year ended December 31, 2015, the Company borrowed \$25,000 from a related party and repaid the loan in full on August 05, 2015. As at December 31, 2015 the balance of the outstanding loan was \$Nil. Due to the high interest in the Company's "SRH" project, as described below, certain options and warrants were exercised enabling the Company to repay its outstanding debt in full.

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.

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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 started also negotiations for the exploration and development of geo-thermal energy via its subsidiary Nass Energy Inc.

In order to keep its focus and financing efforts for green energy technologies separate from its mining and exploration activities and concentrate solely on the commercialization of the technologies, Nass Valley transferred its rights of its option to the Kirkland Lake exploration properties into its subsidiary, Kirkland Precious Metals Corp.) ("KPM") (subsequently renamed as The Eelleet Network Corp. ("TEN")) and completed a Spin-Off of KPM into a separate reporting exploration company via an Arrangement.

Nass Valley announced in a news release issued on October 16, 2014, 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. The letter agreement was terminated on Feb 10, 2015.

On May 27, 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 S.R. Haddon Industries Ltd ("SRH" or "Haddon") which is actively engaged in research and development of transdermal delivery systems through a third party and plans to first develop patches suitable for the delivery of tetrahydrocannabinol ("THC") and cannabidiol ("CBD").

The LOI was followed up on July 07, 2015 with the announcement that the Company had signed the Definitive Agreement with SRH. As a consequence of this agreement and upon approval by the Regulatory Authorities, Nass Valley Gateway Ltd. will not only change its name to S.R. Hadden Industries Ltd. ("HDD") but also its business and corporate structure.

Under the agreement a non-brokered private placement ("PP") will have to be closed. The PP will consist of up to 4,000,000 units at \$0.10 per unit, whereby one unit will consist of one common share and one share purchase warrant ("Warrant") exercisable within one year after the approval of the PP, at a price of \$0.20 per Warrant.

On September 15, 2015, the Company announced that it had closed the PP consisting of 3,500,000 units. A treasury order was issued on October 16, 2015.

The Company filed a Form 2A Listing Statement with the CSE in regard to the acquisition of SRH as it is considered a RTO and a fundamental change in the direction of the Company. The Company has supplied several responses to specific questions from the CSE. In response to the CSE's concern about the knowledge base of SRH's management and board of directors, Haddon engaged Prof. Dr. Friedman of the Albert Einstein College of Medicine and Dr. Ehrlich, CEO of Nano BioMed Inc., respectively as Chief Scientific Consultant and Director of SRH. SRH also continued to finance the development and patent application for its transdermal delivery systems via Nano BioMed, and since December 31, 2015 the Company is awaiting the preparation of a new updated Listing Statement to be filed with the CSE. The Company is expecting to submit the new Listing Statement during March 2016.

Global Environomic Systems Corp.

Triggered by the SRH-Transaction, including HDD's future business orientation, Nass Valley's current Board of Directors exercised its right under the Definitive Agreement to approve the transfer of the ownership of its inactive subsidiary Global Environomic Systems Corp. ("GSC") to an affiliated company. This transfer to Mineral Hill Industries Ltd. took place in 2015.

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M-Wave System

As the Company's pilot drying unit based on the M-Wave System was totally destroyed due a disastrous fire in September 2013, the company decided to dissolve all existing joint venture partnerships and keep the subsidiary for the time being as a non-active entity which may at one point entirely be dissolved.

Results of operations

Year ended December 31, 2015 compared to the year ended December 31, 2014

Net loss and comprehensive loss for the year ended December 31, 2015 amounted to \$263,496 (loss per share - \$0.01) compared to \$139,171 (loss per share - \$0.01) in the previous year. As the Company is inactive, no revenue was generated. The increase in loss of \$124,325 was mainly due to:

- (i) an increase in accounting and legal fees of \$15,189 from \$11,385 in 2014 to \$26,574 mainly due to required increased legal services in regards to agreements and listing statement;
- (ii) a decrease in wages and salaries expense of \$15,818 from \$26,998 in 2014 to \$11,180 due to recovery of two thirds of the Corporate Secretary's salary from affiliated companies;
- (iii) A decrease in administrative services expense of \$11,139 from \$11,139 in to 2014 to \$Nil 9in 2015 due to no salaries or consulting fees paid to the CEO and the CFO (since June 2014);
- (iv) an increase of \$3,998 in directors' expenses from \$Nil in 2014 to \$3,998 in 2015 due to no salaries paid but reimbursement for out-of-pocket expenses charged by directors;
- (v) a decrease of \$24,670 in loan interest and bank charges expense from \$30,043 in 2014 to \$5,373 in 2015 due to the Company paid off the amount due to related parties during the year;
- (vi) an increase in share based payments of \$206,099 from \$2,729 in 2014 to \$208,828 in 2015 mainly due to the grant of new stock options in April 2015 and the stock option modifications on certain stock options as trading of the common shares was halted since August 18, 2015;
- (vii) a decrease in rent of \$4,411 from \$8,833 in 2014 to \$4,422 in 2015 due to relocation of the office in October 2014;
- (viii) an increase of \$42,706 in forgiveness of debt on accounts payables from loss of \$18,925 in 2014 to a gain of \$23,781 in 2015.

Selected annual information

	Years Ended December 31		
	2015	2014	2013
	\$	\$	\$
Total revenues	-	-	-
General and administrative	289,013	120,246	198,495
Loss for the year	(263,496)	(139,171)	(198,495)
Loss per share – basic	(0.01)	(0.01)	(0.01)
Loss per share – diluted	(0.01)	(0.01)	(0.01)
Total assets	268,893	23,827	18,941
Total long –term liabilities	-	-	-
Shareholders' deficiency	261,018	(120,814)	(231,297)
Cash dividends declared - per share	-	-	-

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Selected quarterly information

Three months ended	2015				2014			
	Dec 31 2015	Sep 30 2015	June 30 2015	Mar 31 2015	Dec 31 2014	Sep 30 2014	June 30 2014	Mar 31 2014
Total assets	268,893	267,007	25,175	\$27,068	\$23,827	\$40,078	\$34,826	\$27,090
Exploration and evaluation assets	-	-	-	-	-	-	-	-
Working capital (deficiency)	258,018	261,311	(153,999)	(136,327)	(123,814)	(305,397)	(285,252)	(246,911)
Shareholders' deficiency	261,018	264,311	(150,999)	(133,327)	(120,814)	(302,397)	(282,252)	(243,911)
Revenue	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Net loss	(191,527)	(19,773)	(39,681)	(12,515)	(52,226)	(20,696)	(38,683)	(27,566)
Earnings (loss) per share	(0.01)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)

Fourth Quarter Results

During the quarter ended December 31, 2015, the Company incurred a loss of \$191,527 compared to a loss of \$52,226 for the comparative period in prior year. The increase in net loss is mainly attributable to the share-based compensation on the modification of stock options, offset by the debt forgiveness on accounts payable in the amount of \$23,781.

Significant movements in operating and administrative expenses for the three-month period ended December 31, 2015 include a recovery of administrative services of \$7,500 (2014 - \$Nil), investor relations of \$789 (2014 - \$2,488), loan interest expenses and bank charges of \$67 (2014 - \$5,809), share based payments of \$174,235 (2014 - \$Nil), transfer agent and filing fees of \$4,980 (2014 - \$4,304), and wages and salaries of \$10,549 (2014 - \$2,253).

Liquidity

The Company's working capital and deficit positions at December 31, 2015 and December 31, 2014 were as follows:

	December 31 2015	December 31 2014
Working capital (deficiency)	\$ 258,018	\$ (123,814)
Deficit	\$ 3,489,888	\$ 3,226,392

The cash positions at December 31, 2015 and 2014 were \$245,287 and \$11,654 respectively.

The Company's financial condition is contingent upon management being able to raise additional funds to continue the research and development of transdermal delivery systems through a third party and plans to first develop patches suitable for the delivery of tetrahydrocannabinol ("THC") and cannabidiol ("CBD") upon approval of the CSE.

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

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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 December 31, 2015 the Company had a share capital of \$3,216,971 (December 31, 2014: \$2,769,580), representing 31,751,977 (December 31, 2014: 27,346,977) common shares without par value, and an accumulated deficit of \$3,489,888 (December 31, 2014: \$3,226,392). The shareholder's equity amounted to \$261,018 (December 31, 2014: deficiency of \$120,814).

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 consolidated financial statements for the year ended December 31, 2015 and 2014 which are available on SEDAR at www.Sedar.com.

Related party transactions

During the year ended December 31, 2015 the Company entered into the following transactions with related parties.

Key Management personnel compensation

No remuneration was paid during the year ended December 31, 2015 and 2014 to any key management personnel except the salary to the Corporate Secretary whose salary is shared in equal parts with Mineral Hill Industries Ltd. and The Eelleet Network Corp., companies with common directors and officers.

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Key management compensation consists of the following for the year ended December 31, 2015 and 2014:

	2015	2014
Transactions	\$	\$
Management and office administration fees:		
A company controlled by the CEO	1,862	11,139
Salary:		
Corporate Secretary	11,878	26,998

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

	2015	2014
Balances	\$	\$
Due from related parties:		
The Elleet Network Corp.	13,123	5,904
Mineral Hill Industries	7,219	-
Global Environment Systems Corp.	-	135
	20,342	6,039
Due to related parties:		
Merfin Management Limited ("Merfin") (see below)	-	(88,455)
Mineral Hill Industries	-	(225)
	-	(88,680)
Amounts outstanding to related parties included in accounts payable		
Mineral Hill Industries	1,743	1,788
	1,743	1,788

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

As at December 31, 2014, the Company had a loan payable in the amount of \$88,455 to Merfin, a private company with a common director. The loan was unsecured, bore interest at 8.50% per annum and was due on demand. 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 7(b)). The loan was fully repaid during the year ended December 31, 2015. The Company recorded interest expense in the amount of \$4,937 (2014 - \$19,306) for the year ended December 31, 2015.

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)
Melvin Stevens	Director (until October 16, 2015)
Andrew von Kursell	Interim Chief Financial Officer and Director (Mineral Hill Industries Ltd)
Eric Peter-Kaiser	Director (appointed Apr 24, 2015)
Milo Filgas	Director (elected at the AGM on October 16, 2015)
Mike Kelm	Corporate Secretary (appointed on September 30, 2013)

Outstanding share data as at February 19, 2016:

	Number outstanding	Exercise Price	Expiry Date
Common shares	31,751,977		
Common shares issuable on exercise:			
Stock options	248,329	\$0.10	November 12, 2016
Stock options	305,000	\$0.10	November 12, 2016
Stock options	548,500	\$0.10	April 28, 2018
Warrants	11,450,000	\$0.10	May 1, 2017
Warrants	1,363,042	\$0.10	July 25, 2019
Warrants	3,500,000	\$0.20	October 16, 2016

On November 06, 2015 the Board of Directors passed a resolution to extend all stock options currently issued and in good standing by the number of calendar days equal to the trading halt since August 18, 2015. As a result of this modification, a share-based compensation in the amount of \$169,478 was recorded.

Future Developments

The Company will now focus primarily on completing the research and development of transdermal delivery systems (the "SRH-Project") through a third party and plans to first develop patches suitable for the delivery of tetrahydrocannabinol ("THC") and cannabidiol ("CBD").

Risks and Uncertainties

The Company is engaged in advanced research and development projects. The Company's financial success will be dependent upon the successful closing of the private placement and subsequently the commercialization of its transdermal delivery systems and other medicinal cannabis products. These activities involve significant risks which may not be eliminated even with 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:

- Cost related to disclosure requirement is a financial burden for a company without any revenue;
- An increasing 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 of new products.
- Additional expenditures will be required to establish permits and patents;
- There can be no assurance that the 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 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

(iii) *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, 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 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 adopted the following accounting policies effective 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 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.

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, 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.

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

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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 March 4, 2016.

"Dieter Peter"

On behalf of the Board
Dieter Peter
Chief Executive Officer
March 4, 2016